2006 Environmental and Social Report
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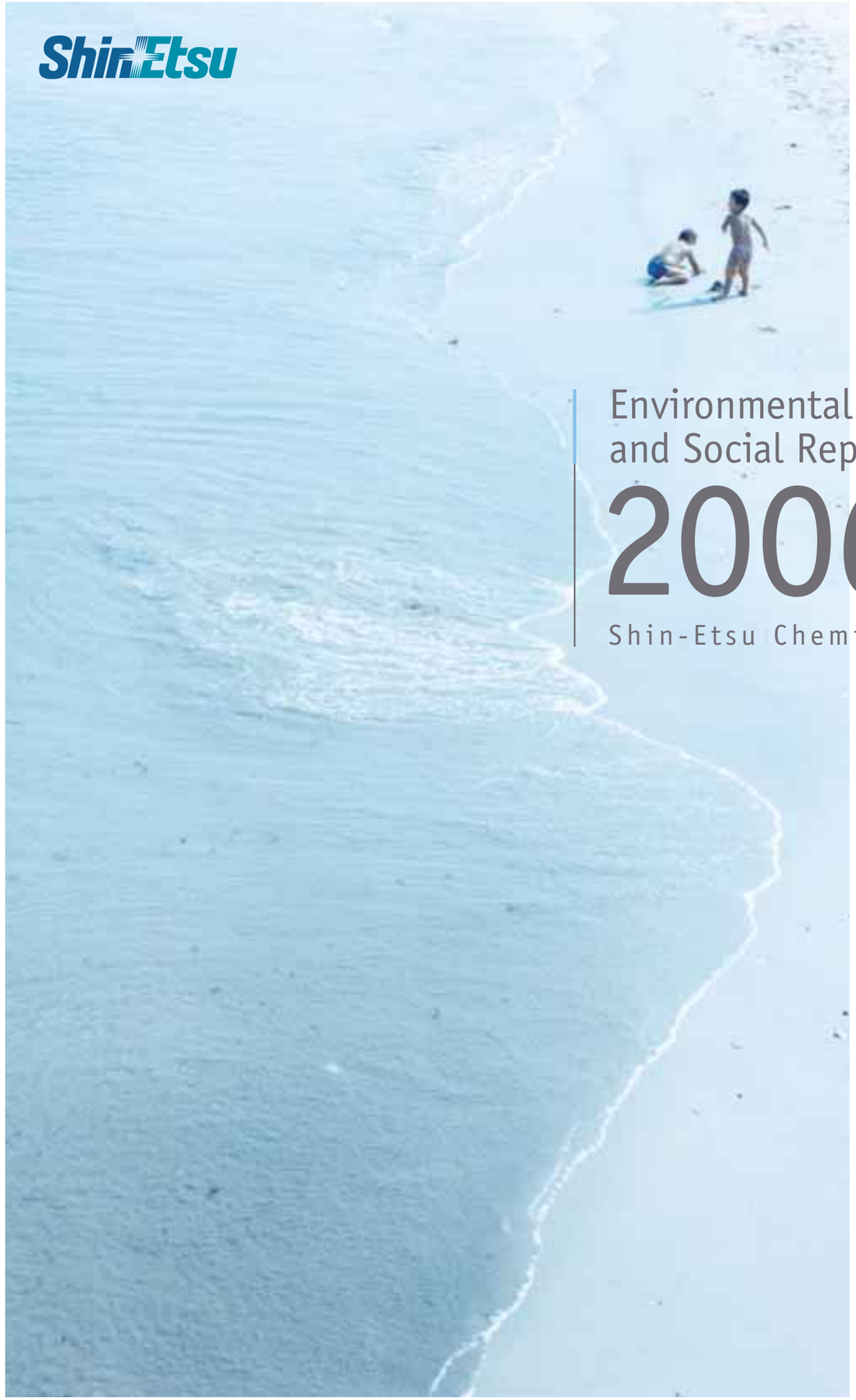


Environmental and Social Report 2006

Shin-Etsu Chemical

The Shin-Etsu Group aims to increase its corporate value in both economic and social terms while upholding the *respect for human dignity*, and giving top *Safety and Environmental Protection First*, as basic guiding principles for its CSR activities.

Corporate Mission Statement

To contribute to people's daily lives as well as to the advance of industry and society providing *key materials* and technologies.

Basic Policies Concerning Corporate Social Responsibility (CSR)

1

The Shin-Etsu Group's mission is to contribute to people's daily lives as well as to the advance of industry and society providing *key materials* and technology. To ensure that all companies in the group achieve this, Shin-Etsu places utmost priority on such core business principles as product quality and safety, fair competition, good relationships with the public and governments, careful management and protection of customer data, and sound business practices. By acting in accordance with these principles, Shin-Etsu ensures steady growth, and greater worth for the whole Group.

2

The Shin-Etsu Group continues to promote corporate activities while focusing on environments based on our commitment, *Safety and Environmental Protection First*, and strive for being trusted by our stakeholders.

3

Respecting for human dignity and achieving fulfillment in life, Shin-Etsu endeavors to create a work environment in which all employees can perform their jobs easily and effectively and fully realize their potential. We forbid any discrimination the workplace, any use of compulsory labor and any use of child labor.

4

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

Message from the President and CEO

Contributing to Society Through Our Commitment to Fair Corporate Practices

In the Shin-Etsu Group, all Group companies around the world conduct their business activities abiding by all relevant laws, regulations and rules, and they endeavor to provide information in a timely and accurate manner to shareholders, customers, business partners and the local communities in which they carry out its business operations.

While keeping in mind at all times the importance of our commitment to fully comply with all laws, rules and regulations, to maintain the highest possible standard of ethics as a good corporate citizen, and to engage in fair and equitable business practices, we consider that it is our corporate social responsibility to ensure that the Shin-Etsu Group constantly grows and develops, while meeting the expectations of our shareholders, customers and business partners as well as local communities.

At Shin-Etsu we are committed to placing our utmost priority to the *Safety and Environmental Protection First* as well as *respect for human dignity*.

By adopting these core principles as the basis of our management strategy, we will continue to emphasize the importance of safety and the conservation of the environment as well as our *respect for human dignity* in all of our business operations. We believe that one of our most important missions is to best protect the safety and environment of the local communities in the areas in which our plants and other facilities are located. Accordingly, safety and the environment are vitally important considerations at all stages of the Shin-Etsu Group's business activities. At the same time, we believe it is essential to maintain good communication and harmonious relations with these local communities, to make appropriate disclosures of information and to make a concerted effort to ensure that Shin-Etsu's business activities are accurately understood.

The Shin-Etsu Group is vigorously pursuing specific measures aimed at helping to build a more environmentally conscious and sustainable society that makes efficient use of its limited resources. One of these activities is the Shin-Etsu Group's RC (Responsible Care) initiative. In March 2006, we issued a statement which I had authorized supporting the Responsible Care Global Charter adopted by the International Council of Chemical Associations (ICCA). In addition, the Kyoto Protocol to the United Nations Framework Convention on Climate Change came into force in February 2006. To contribute toward the achievement of the goals envisioned in the Kyoto Protocol, Japan has set a national target of reducing greenhouse gas emission levels between 2008 and 2012 by 6% compared with those of 1990. Both the public and private sectors are now hard at work to achieve this target.

Committed to the reduction of greenhouse gas emissions, the Shin-Etsu Group continues to make every effort to achieve this goal. In concrete terms, we are doing this by improving efficiency throughout the various stages of our processes, from manufacturing to distribution, overhauling facilities so as to reduce energy consumption and engaging in efficient, planned production. Because we consider the reduction of waste as still another important challenge, we are also promoting the 3Rs–Reduce Reuse, and Recycle–as an integral part of our operations. In July 2005, at Shin-Etsu's Naoetsu Plant in Japan, full-scale operations began for the use of an innovative waste-recycling system that recovers and recycles salt water from wastewater and makes use of it as a raw material.

We believe that the development of a work-place environment that enables all of our employees to utilize their abilities to the fullest extent possible will enhance a company's over-all value.

Because we consider the provision of a safe, pleasant working environment that allows each person to realize his or her full potential to be one of our most important corporate goals, we have now implemented a performance-based personnel evaluation program that encourages each employee to fully make use of his or her ability.

In any business enterprise, human resources are actually key assets, and they are indispensable for the growth and development of a company's businesses as well as the enhancement of a company's worth. In the interests of its sustainable development, the Shin-Etsu Group will continue to implement a management strategy that values each individual employee as vital to our future.

In September 2006, the Shin-Etsu Group marked its 80th anniversary. We would like to regard this milestone as a new starting point. Based on our belief that placing priority to the core corporate value of safety and environmental conservation is the essential corporate business practice that will lead to better business results, we will proactively promote CSR initiatives so as to maintain and expand our corporate worth. The Shin-Etsu Group is determined to enhance our reputation as a group of companies that enjoys the total trust of the community. With this in mind, all of the executives and employees of the Shin-Etsu Group are taking a dynamic step forward into the future.

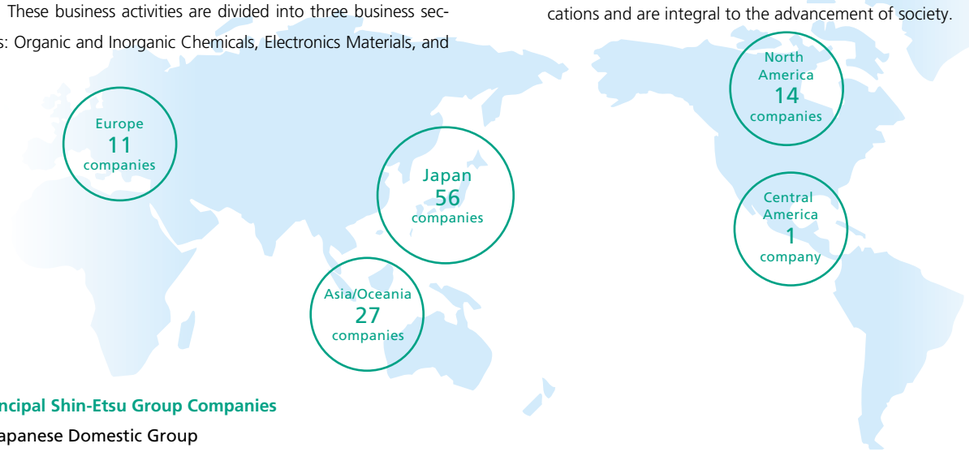
September 2006
Shin-Etsu Chemical Co., Ltd.
President and CEO

By achieving the world's highest level of technology, quality and cost competitiveness, and by making proactive efforts in CSR activities, we aim to become a group of companies in which society can place its trust.

As of March 31, 2006, the Shin-Etsu Group comprises Shin-Etsu Chemical Co., Ltd., 92 subsidiaries and 16 affiliates. Shin-Etsu Chemical Co., Ltd. and its subsidiaries and affiliates share responsibility for sales, manufacturing and other operations, and cooperate with each other to develop their respective business activities.

These business activities are divided into three business sectors: Organic and Inorganic Chemicals, Electronics Materials, and Functional Materials and Others. Each business sector can boast of products that either have the largest market share in the world, such as PVC, Semiconductor silicon, Photomask substrates for LCDs, and Rare earth magnets for hard disk drives (HDDs), or have the largest market share in Japan, such as Silicones.

The Group's products are used in countless everyday applications and are integral to the advancement of society.



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., etc.

• 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., etc.

*The profile of the Shin-Etsu Group also includes the Shin-Etsu Polymer Group.

Editorial Policy

This Environmental and Social Report has been prepared to inform you of the environmental activities and achievements of the Shin-Etsu Group and our approach to CSR. The Report also provides an overview of our Responsible Care activities. In the section introducing the environmental activities of Group companies, in addition to Shin-Etsu Handotai Co., Ltd., JAPAN VAM & POVAL CO., LTD., Nissin Chemical Industry Co., Ltd., Shin-Etsu Quartz Products Co., Ltd. and Shinano Electric Refining Co., Ltd. are also included in this Report (p.31-34) for the first time. Also, in editing the Report, we have referred to the Environmental Accounting Guidelines and Environmental Reporting Guidelines prepared by the Ministry of the Environment, Japan.

Period covered by the Report: April 1, 2005, through to March 31, 2006. (In the case of the challenges and approaches mentioned, some information on the near future is also included.)
Organizations covered by the Report: Shin-Etsu Chemical Co., Ltd. and the Shin-Etsu Group companies are all covered. The scope of the data collection carried out is as follows:
1. Environmental Activity Report
Four plants of Shin-Etsu Chemical Co., Ltd. and Shin-Etsu Handotai Co., Ltd. (4 units), Shin-Etsu Quartz Products Co., Ltd. (4 units), JAPAN VAM & POVAL CO., LTD., Nissin Chemical Industry Co., Ltd. and Shinano Electric Refining Co., Ltd.
2. Environmental Accounting
Shin-Etsu Chemical Co., Ltd.
3. Sociality
Shin-Etsu Chemical Co., Ltd. and consolidated accounting companies, including those overseas but excluding the Shin-Etsu Polymer Group, are all covered.

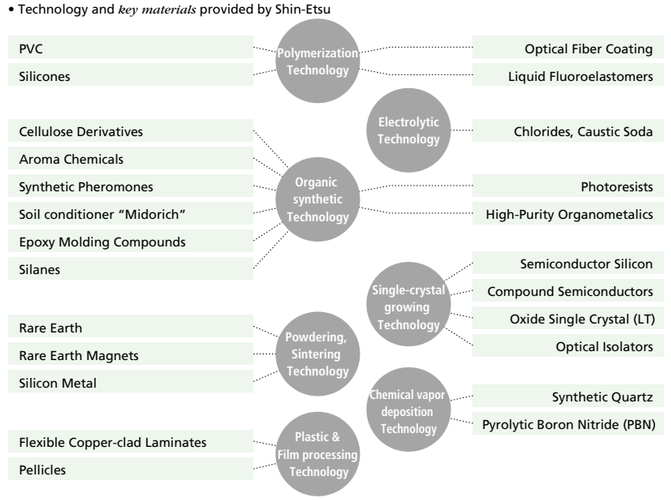
*For the report of the Shin-Etsu Polymer Group, please refer to the "Shin-Etsu Polymer Group Environmental and Social Report, 2006."
*For the published date, division in charge of publishing, contact point, URL, etc., please see the reverse cover.

Product Information

• Guide for Materials

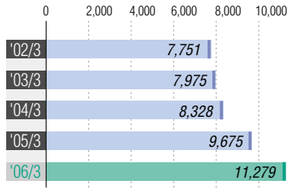
Semiconductor materials: As the world's leading supplier of materials related to semiconductors,we provide a diverse range of materials, indispensable for the manufacture of silicon wafers and semiconductors. Furthermore, we also deal in synthetic quartz photomask substrates, gases, chemicals and jigs used in their manufacture.
Electronic materials: Through our involvement with a wide range of products including silicone, rare earth magnets and liquid fluoroelastomers, we are contributing to an improvement in the performance, function and reliability of many sorts of devices such as electrical home appliances, communication equipment and computers.
Optical materials: Using both natural and synthetic quartz as a basis, we are developing a diversified range of optical materials including synthetic quartz preform for optical fibers and assorted optical parts. We supply a wide range of items from raw materials through to processed products.
Architectural/civil engineering materials: We are responding to a wide range of needs in the architecture and civil engineering fields by providing various building/civil engineering items such as sealing materials, coating materials, and admixtures for building materials, etc.
Environmentally friendly materials: Our products such as PVC, silicone, and synthetic pheromone are contributing to resource saving, energy saving and the reduction of environmental burdens.
Automobile-related materials: Because of their wide diversity and varied characteristics, our products are expected to be crucial for the development of new automobile technologies in the areas of improved reliability, size and weight reduction, and environmental responsiveness.

• Technology and *key materials* provided by Shin-Etsu

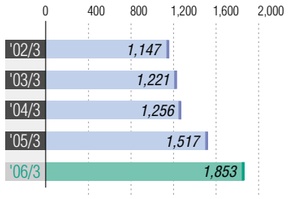


Financial Highlights

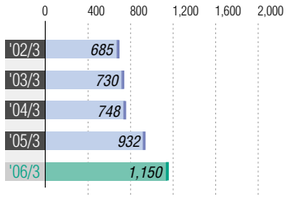
Change in amount of consolidated sales
(Unit: 100 Million Yen)



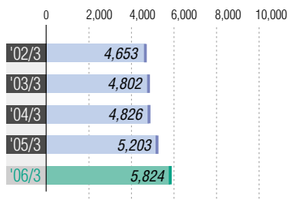
Change in consolidated operating earnings
(Unit: 100 Million Yen)



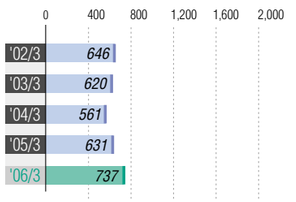
Change in consolidated current net earnings
(Unit: 100 Million Yen)



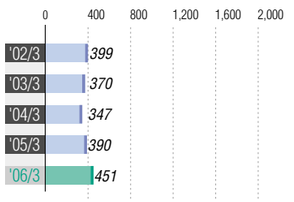
Change in sales on non-consolidated basis
(Unit: 100 Million Yen)



Change in single operating earnings
(Unit: 100 Million Yen)



Change in single current net earnings
(Unit: 100 Million Yen)



*The report on the final accounts includes the Shin-Etsu Polymer Group.

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The enhancement of corporate governance is the most important task in CSR management.

Board of Directors/Managing Directors' Meeting

The Board of Directors consists of 18 members, three of whom are external directors with broad management experience. By keeping the number of members to a minimum, Shin-Etsu is working to establish a system capable of faster decision-making and more flexible management.

The Board of Directors determines the Company's fundamental policies, and deliberates and decides upon important business operations in light of the Japanese Corporate Law and the Company's articles of incorporation. The Managing Directors' Meeting conducts the deliberation and determination with regards to a variety of other business operations.

Statutory Auditors

We have adopted a statutory auditor system. In order to improve and strengthen the audit function, three of the five auditors are external auditors. Statutory auditors attend not only meetings of the Board of Directors and Managing Directors' Meetings, but also other important in-company meetings, and carry out all audits concerning our business operations. Also, the auditors hold regular monthly meetings with the Auditing Department at which they receive progress reports on all activities and internal auditing results, give advice on activity details and audit themes, and request further investigation when necessary.

Officers' Remuneration Committee

The Officers' Remuneration Committee chaired by an external director and consisting of other three directors, carries out all deliberation and evaluation of board members' remuneration and submits its recommendations to the Board of Directors based on the Regulations of the Officers' Remuneration Committee.

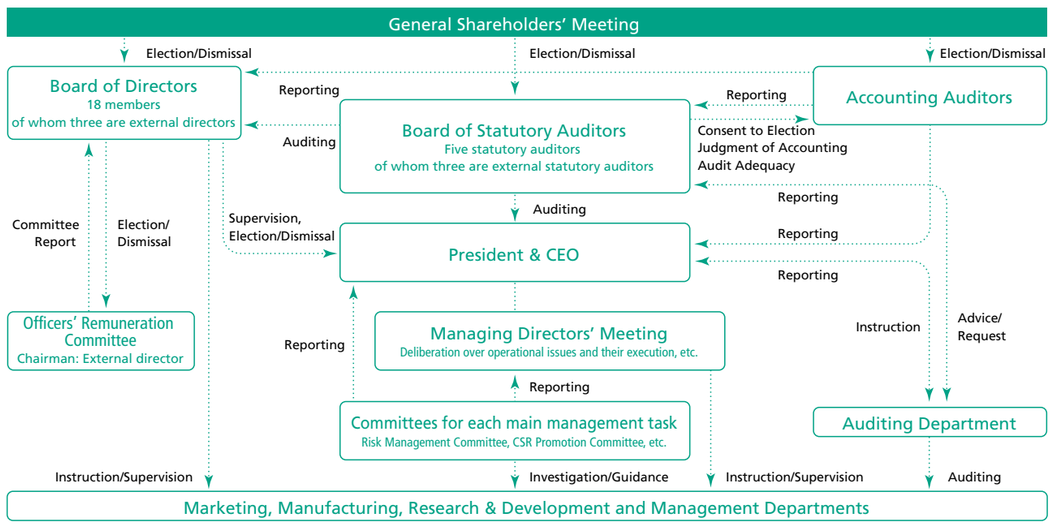
Auditing on Operation

The Auditing Department is a specific department dedicated to taking charge of all matters concerning internal operation audits and internal control systems. This Department also strives to further strengthen corporate governance.

Risk Management Committee

Chaired by a managing director, this committee's role is to identify and take preventive measures regarding the various kinds of risk that could possibly occur as a result of our business operations.

• Shin-Etsu's Corporate Governance Structure



*For further details of our corporate governance, please refer to the "Report on Corporate Governance."
URL: http://www.shinetsu.co.jp/j/profile/cg.shtml (Only in Japanese)

Through the concerted efforts of the Company and all directors and employees, we are trying to ensure the establishment of a thorough and comprehensive system for compliance.

Thoroughgoing Awareness of Compliance

In cases where legal statutes concerning corporate activities are newly established or revised, the Legal Department leads efforts to notify all employees throughout the Shin-Etsu Group and conducts explanatory meetings. In the event that illegal activities are discovered at other companies, reminder notices are transmitted throughout the Group with the intent of continually raising awareness of compliance issues.

Compliance Pledge

A Compliance Pledge has been introduced to be taken by the directors and employees to the Company, all of whom pledge to conduct daily business activities in the spirit of compliance. Anyone who violates the Pledge is severely punished.

Compliance Consultation Office

We have set up a Compliance Consultation Office whose role is to support every staff member of the Shin-Etsu Group in conducting their business activities in strict compliance with all laws, government regulations and in-company rules.

This office strictly protects the privacy of all those who use it, ensures that no disadvantages are made against them, investigates all information gained from consultations, and formulates appropriate countermeasures. Under the Compliance Consultation and Notification Regulations, no one using the Office can be disadvantaged in any way or lose their job because of any consultation or notification.

Information Asset Management System

The Company has developed a fundamental policy concerning information security in order to assure the confidentiality, safety and stability of its information assets and prevent the leak 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 are striving to manage its information in accordance with established information asset management regulations and standards.

Protection of Personal Information

In response to the Law Concerning the Protection of Personal Information, which came into force on April 1, 2005, we formulated a personal information protection policy that is now posted on the Company Web site. Moreover, we hold explanatory meetings within the Group related to compliance with all relevant laws, and is making exhaustive efforts related to the appropriate handling and protection of personal information.

Personal Information Protection Policy

URL:
http://www.shinetsu.co.jp/j/about/hogo.shtml
(Only in Japanese)

By revisiting the very basis of Corporate Social Responsibility, we are now approaching CSR activities with a new outlook.

CSR Promotion System

Since Fiscal Year 2005, we have been promoting various activities by setting up the new position of Officer responsible for CSR and the CSR Promotion Committee.

Based on the acknowledgment that "CSR is a Corporate Activity itself," the CSR Promotion Committee reviews the actions Shin-Etsu has undertaken at the corporate level, sees to it that any good points are retained while any points needing to be improved are rectified, and continues to support those activities that can further enhance the corporate value of the Shin-Etsu Group.

For the further promotion and development of CSR Activities at the Group level, the Committee has made special efforts to assess the status of the promotion of CSR Activities in the Group companies, both in Japan and abroad, and has focused on the improvement of the promotion system for Shin-Etsu Chemical, which is seen as the core of promotion activities.

The Group will keep working on CSR promotion activities while revisiting the original question of just what is the social responsibility of a corporate body.

Environmental Management Promotion System

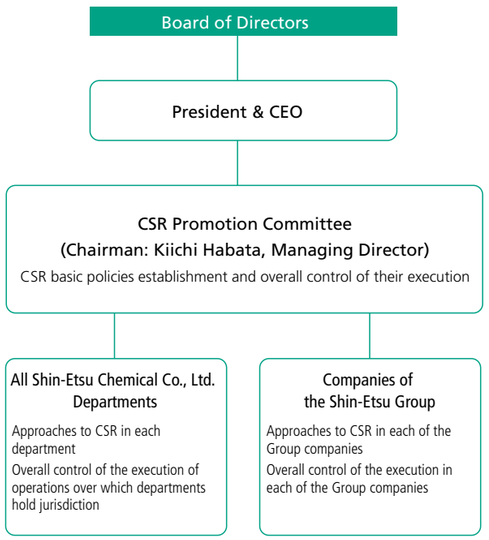
In order to promote environmental management, Shin-Etsu Chemical is addressing specific problems related to environmental protection by way of the "Shin-Etsu Group Environment Control and Safety Meeting" chaired by the officer responsible for environmental protection. With the participation of those persons in charge of environment and safety, the "Shin-Etsu Group Environment Control and Safety Meeting" addresses environmental protection and safety issues affecting the Group as a whole. As for Environmental Safety Control Guidelines and Safety and Health Guidelines, the Environmental Control and Safety Department of Head Office has compiled all the guidelines needed and is in charge of their promotion and further development.

Environmental Control and Safety Departments at each plant and business establishment are providing support for the manufacturing departments and performing public relation activities in association with local governments, related governmental offices, industrial organizations, etc.

Environmental Audit

Regular environment and safety audits and special audits with specific themes are performed and verified in accordance with the activities of all safety assurance operations.

• Shin-Etsu Group CSR Promotion System



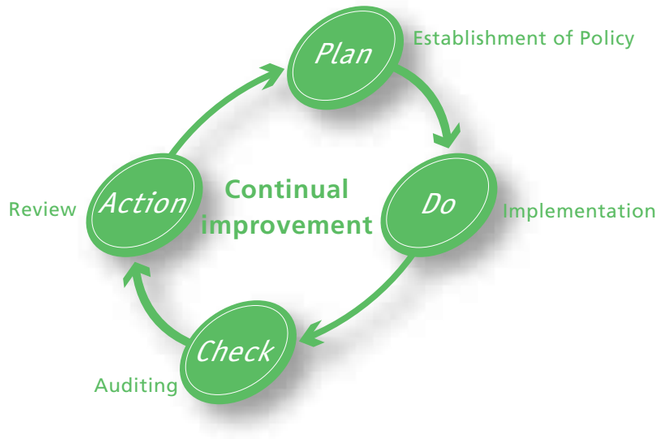
• Shin-Etsu Group Environmental Management Promotion System

We will keep pursuing *Safety and Environmental Protection First* as the basis of our management , and continue to contribute to the establishment of a sustainable society.

The Shin-Etsu Group conducts its business activities with *Safety and Environmental Protection First* as the basic corporate philosophy. We place a high priority on technological developments that can contribute to the reduction of environmental burdens, and conduct thorough environmental management at all stages from the design of products and manufacturing facilities through to the creation of an efficient manufacturing system.

We have been making efforts to achieve the above goals by establishing objectives in each business and unit based on the "Environmental Charter." We will continue to pursue *Safety and Environmental Protection First* and carry out environmental initiatives contributing to the construction of a sustainable society.

Environmental Management Systems



Environmental Charter

I. Fundamental Principle

The Shin-Etsu Group recognizes that global environmental protection is one of the most important issues facing humankind. We believe in the fundamental principle of pursuing environmental protection in every aspect of our business activities as we aim to help create a society in which the issue of global warming can be effectively addressed and sustainable development is possible.

II. Action Guidelines

1. We strive to accurately anticipate any effects that our business activities might have on the environment, and we comprehensively implement policies focused on the strict control of chemical substances, conservation of resources and energy, recycling of materials and reduction of waste products.
   We endeavor to continually improve the local, regional and global environment.
2. We fully comply with national and international laws, regulations, and agreements related to the environment.
   Moreover, we also strive to prevent environmental pollution and work together with local societies to achieve this goal.
3. In developing new products and technologies, we aim at minimizing any adverse environmental effects from the fundamental research and design phases through to the manufacturing, distribution, usage, and disposal phases.
4. By means of Group Company training programs and internal communications regarding environmental protection, we strive to raise the consciousness of all employees about environmental matters.
   Furthermore, with deep regard for the local, regional and global environment, we promote a wide range of environmental protection activities.
5. To promote environmental protection activities, we organize to effectively carry out environmental management activities.

Our products are used in everyday life for diverse purposes to support a life of affluence.

PVC sash/Product used: PVC

Polyvinyl chloride (PVC) resin is a *key material* integral to everyday life and industry. PVC is widely used as an building material and the PVC window sashes, in particular, has many benefits. These include high efficiency with regard to CO_2 reduction because of well-insulated and reduction of fuel and light expenses, additionally ability to prevent dew condensation, and its noise reduction effects. For this reason, it helps create a comfortable and healthy housing environment, and is attracting attention as an building material that can also reduce environmental burdens.

Water pipe/Product used: PVC

Many kinds of PVC products help support our comfortable lifestyles. One such product is the type of water pipe used for water and sewage. Although we seldom get to see it, it is indispensable for our daily life. Since PVC has high durability and anti-rust and anti-corrosion properties, it is often used as a material for water pipes.

Resin siding panel (exterior decoration board)/Product used: PVC

Polyma-Panel*, a resin siding panel, is an exterior decoration board for architectural use and possesses high durability and economic efficiency. Since it is highly durable, it needs hardly any maintenance and can maintain its beautiful appearance for a long time. As it does not suffer from freezing damage in cold regions, or from salt corrosion in coastal regions, it is widely distributed throughout Japan from northernmost Hokkaido to southernmost Okinawa.

*Polyma-Panel is a product of Shin-Etsu Polymer Co., Ltd.

Personal computer/Product used: Silicon wafers, Rare earth magnets

Silicon wafers are used as a substrate for IC (Integrated Circuit), which is an essential part of digital products such as personal computers, cellular telephones and liquid crystal display televisions. Rare earth magnets, with their strong magnetic forces, are indispensable for voice coil motors (VCM) for hard disk drive (HDD). The latter enable heads and arms to operate at super high speeds when reading and writing data. As these devices become progressively smaller and lighter they contribute to higher quality and energy savings.

Lighting (fluorescence lamp), etc./Product used: Rare earths

Our daily life would not be possible without lighting. Rare earths are used as fluorescent material for Three Band Fluorescent Lamp which can emit wavelengths close to those of natural light. Rare earths are used for both fluorescent lamps and the metal halide lamps installed in facilities such as outdoor stadiums.

Other products made by Shin-Etsu

Liquid crystal display television/Synthetic quartz photomask substrate

Nowadays, display units of TVs and personal computers no longer consist of CRT but are of flat panel display (FPD). Above all things, liquid crystal display (LCD) is becoming increasingly common.
Synthetic quartz photomask substrate have high chemical durability, high optical transmission, high heat resistance and low thermal expansion, and are served in manufacturing liquid crystal panel role as a photographic negative.
Synthetic quartz is utilized in photomask for LSIs and optical fibers too, and supports the development of highly information-based society.

Bath agent/Product used: Aroma chemicals

Acetylene-based Aroma chemicals is used for bath products that relieve the day's fatigue and to enhance their aromatic effect. Aroma chemicals is used in diverse products such as cosmetics, essences, soap, aromatic substances and food.

Toiletry products/Product used: Silicones and Cellulose derivatives

Toiletry products such as liquid body soap, shampoo and rinsing agents are indispensable for keeping the body clean and are an essential part of comfortable daily life. Silicone and Cellulose derivatives are useful for making those toiletry products highly functional and highly efficient.

Writing materials/Product used: Silicones

Business and daily life cannot do without writing materials, and these make use of a variety of technologies. Silicone is used to provide an improved grip for writing materials, fitting comfortably into the hand and pleasant to touch. Silicone is also used in the manufacture of many kinds of stationery items, like mouse pads.

Rubber nipples for nursing bottles/Product used: Silicones

Many people have used the rubber nipple of a nursing bottle during babyhood. That rubber nipple is made of silicone rubber. Silicone rubber does not have the odor peculiar to natural rubber, and features durability and good resistance to heat. Apart from the rubber nipples of nursing bottles, silicone rubber is also used for many kinds of nursery items such as pacifiers and mugs where a material is needed that is safe for delicate babies.

Air-conditioner/Product used: Rare earth magnets

Comfortable living would not be possible if it were not for air-conditioners. Rare earth magnets are used for compressor motors, the heart of any air-conditioner. Their strong magnetic properties are making a huge contribution to the electricity saving (high efficiency) and the resource saving (miniaturization) of air-conditioners. Rare earth magnets are also used to make electric home appliances more efficient and miniaturized, and their use is expanding.

Ensuring safety and protecting the environment are top priorities in our business operation. All our actions are based on the principle of *Safety and Environmental Protection First.*

Ensuring the safety and security of local people and improving the environment where our employees can work in safety every day is our duty as a corporate body. We have therefore established assurance of safety and environmental protection as mutually inseparable, top priority components of the basic guidelines used for all our business practices.

Each plant or business establishment puts these guidelines into practice while taking their own characteristics into consideration.

Safety Inspection Committees

Consisting of key plant members such as plant managers, these Committees examine environmental impacts and safety whenever new plant facilities are installed or renewed and report back on their findings.

The HAZOP* method is used to assess the safety of main facilities.

***HAZOP (Hazard and Operability Study):**
HAZOP is designed to facilitate improvement in work procedures and facilities by anticipating potential malfunctions in manufacturing facilities and the resultant environmental pollution brought about by changes in operating conditions. HAZOP is conducted whenever a new facility is at the design stage, and is implemented by the designers and managers to ensure that a high degree of safety is designed into the facility right from the start. Existing facilities are also subject to HAZOP, in which their operators participate, and this is reflected in the improvements made to operating procedures and facilities.

Emergency Response System

As the Shin-Etsu Group uses many kinds of chemicals, there is the possibility of a large-scale disaster occurring and involving both employees and local people in the event of an accident. In preparation for such an accident, disaster or large-scale earthquake, we have arranged a company-wide emergency response system and have established relevant procedures. We verify the efficiency of our response procedures by performing regular drills.

As well as the accident and disaster drills carried out in each plant and business establishment, divisional drills are also practiced for fires caused by explosions and for leaks of dangerous materials. All necessary equipment and materials are also prepared in the event of an accident taking place outside the company premises, such as during transportation.

Above all else, in consideration of recent accidents in Japan and abroad, we have strengthened our response capabilities for emergency situations as follows:

- Establishment of Emergency Communication Systems (inside the company, in conjunction with public agencies such as fire departments, and in collaboration with the local community)
- Quantitative assessment of disasters using simulations
- Improvement and reinforcement of equipment and materials for emergency measures (including providing support for people outside the company)
- Execution of plant-wide and divisional drills based on specific accident scenarios
- Provision of and education on the use of Yellow Cards (in response to accidents occurring during transportation)
- Implementation of Container Yellow Cards


Water sprinkling firefighting test, based on the assumption of a hydrogen leak and fire


Firefighting drill at a plant

Control of chemicals

We manufacture a wide range of chemical products, using numerous other chemicals as raw materials. A variety of chemical by-products are also created during the manufacturing process.

Some of these chemicals are harmful to human health and create a large environmental burden.

For that reason, they are strictly controlled by many laws and regulations. As well as abiding by all these laws and regulations, we are also introducing several control initiatives and approaches of our own.

<Examples of our approach>
- Research on and notification of the release of specific chemicals into the environment and efforts for their reduction (PRTR Law: Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management)
- Notification of new chemicals and small amounts of new chemicals (Law concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc; Labor Safety and Sanitation Law)
- Preparation of MSDS* on each product and its provision to users
- Introduction of MSDS for raw materials and intermediary or semi-finished products, and its utilization to ensure the safety of personnel and a response in case of an emergency
- Activity for reducing the amounts of harmful air pollutants
- Activity for reducing the amounts of volatile organic compounds

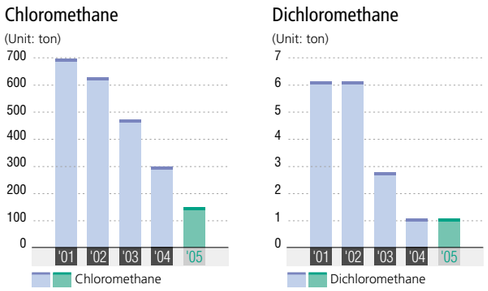

MSDS

***MSDS:**
MSDS stands for the "Material Safety Data Sheet", on which all relevant data concerning the chemical in question is described in order to handle chemicals safely and prevent any accident from occurring. When a business operator delivers chemicals or products containing chemicals to another business operator, the MSDS must be attached.

We have also been taking the following measures to reduce the release into the environment of those specific chemical substances related to the main raw materials used by the Shin-Etsu Group. Regarding chloromethane and dichloromethane, in particular, we have achieved significant results during the past five years.

- Making facilities airtight and installing treatment facilities
- Shifting to materials that create less environmental burden
- Promotion of recovery and recycling

Changes in the release of materials covered by the PRTR Law



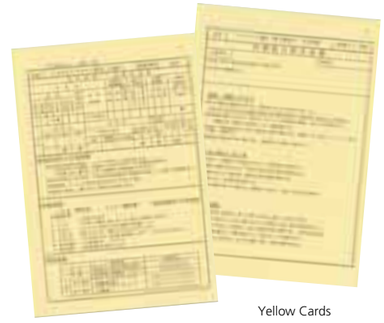
Environmental Protection and Assurance of Safety at the Distribution Stage

We are working on many measures for environmental protection and assurance of safety at the distribution stage. These involve cooperation between the Shin-Etsu Group, the transportation companies of the Group, and outside carriers.

<Examples of our approach>
- Combination of transportation by truck and rail
- Reduction in the number of distribution routes used
- Issuance of Yellow Cards*
- Response with Container Yellow Cards

Furthermore, in preparation for any accident occurring during transportation, we are working on emergency measures such as practice drills, the improvement of equipment and materials, and the establishment of a support system and communication network.

As a result of the attention paid to transportation, environmental protection and safety during Fiscal Year 2005, no accident took place that required an emergency response.


Yellow Cards

***Yellow Cards:**
The cards on which all relevant information on treatment required in case of an accident during transportation is described. These are prepared in the interests of safety and handed over to the carrier whenever chemicals are transported and retained by the carrier throughout delivery.

Health Considerations

Protecting the health of local residents and our employees.

To protect the health of the local people and our employees is our most important task. Although the chemicals we use are useful to society, some of them are, by their very nature, also harmful to human health.

The Shin-Etsu Group uses many different kinds of chemicals as raw materials and also manufactures chemicals. For that reason, the Group abides by all laws and regulations regarding chemicals, making all necessary efforts to prevent outside pollution and enforcing appropriate controls.

Prevention of their release into the air

Pursuant to the Labor Safety and Sanitation Law and the Law concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.*1, the Group submits all necessary notifications and applications for New Chemicals*2 and Small Amounts of New Chemicals*3. As for the PRTR Law*4, the Group was among the first to participate in the voluntary program of the Japan Chemical Industry Association, and the Naoetsu and Kashima Plants cooperated with the pilot programs of the national government and local prefectures. The Group is now working to reduce the release of Specific Chemical Substances into the air by making facilities airtight, installing treatment facilities, and introducing effluent gas combustion devices.

During Fiscal Year 2005, there was no serious accident that violated any laws and regulations, nor was any report made by local people or our employees about health damage in relation to the use of chemicals. For more detailed data about these chemicals, please refer to p.35 and p.36.

***1 Law concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.:**
A Law Concerning Examination and Regulation of Manufacture, etc. of Chemical Substances
***2 New Specific Chemical Substances:**
The Law Concerning the Examination and Regulation of Manufacture, etc., of Chemical Substances and the Labor Safety and Sanitation Law create reporting duties with respect to new specific chemical substances.
***3 Small Amount of New Specific Chemical Substances:**
The notification of new chemical substances is obligatory under the two above-mentioned laws, regardless of how small the amount manufactured or dealt with is.
***4 The PRTR Law is the Law Concerning Reporting, etc. of Release to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management.**

Prevention of Impacts on Rivers, Lakes, Oceans and Groundwater

In line with the attention paid to the release of chemicals into the air, the Group is also concerned with controlling any unacceptable leak of chemicals or release of chemicals into waterways. Not only because water directly affects the human body, but also because it can affect the human body over an extended period through its effects on livestock, fish and shellfish. As in the case of air pollution, the Group strictly abides by all relevant standards, laws and regulations to ensure that there are no adverse impacts on human health.

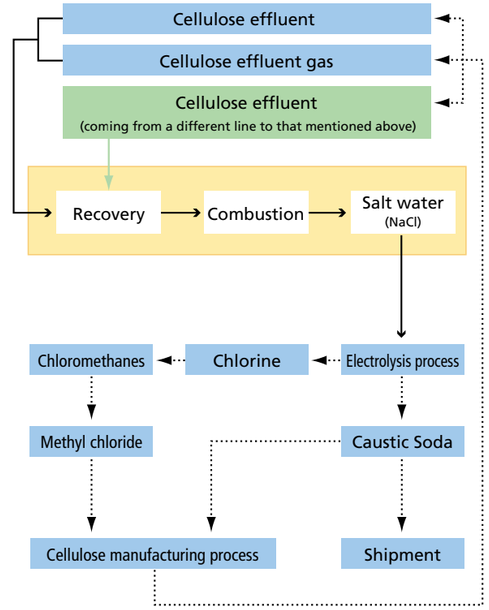
Control of Food Additives and Pharmaceutical Products

Cellulose and silicone are *key materials* that are used in some food additive and pharmaceutical products. Since they are products directly related to human health, the Group pays close attention to their quality control and compliance with relevant laws and regulations.

Recycling System in the Naoetsu Plant

A revolutionary new system that recovers chloromethane and volatile organic compounds (VOC) from the cellulose manufacturing process started full-scale operation in July 2005. As a result, 250 tons of salt were recovered in Fiscal Year 2005 and then used as a raw material in the manufacture of Caustic Soda and methyl chloride.

• Process Chart of the New Recycling System



Combustion Facility (left front) and Recovery Facility (right bottom) of the Recycling System
(What appears to be coming out from the stack is the steam.)

Status of asbestos use in the Shin-Etsu Group

As reported on our web site, some asbestos has been used in some of the chemical manufacturing processes employed by the Shin-Etsu Group.

1. Status of past asbestos use
In the Naoetsu Plant, chemicals were manufactured by the electrolytic process using the diaphragm method from September 1975 to October 1985. In part of the diaphragm, asbestos was used as a component. Handling of asbestos was performed according to the legal standards of the time and the use of an isolated workplace, dust collectors, and the wearing of dust masks by all employees was obligatory. All possible measures were taken to prevent any airborne scattering and the exposure of employees.

2. Current status of asbestos use
The previous electrolytic process was completely replaced by the ion-exchange membrane method in October 1985, and no membrane incorporating asbestos is now in use.

Also, those parts of the plant building are kept airtight, and replacement work is progressing.

3. Health checks on former employees
Although all those involved have now already retired, health checks have been carried out on all personnel who handled the asbestos diaphragms at that time. As a result, although no asbestos-related health problems have been confirmed, one person was put under observation and a health control card was issued at the end of February 2006.

This person will get two health checks every year to observe progress from now on.

4. Investigation of the area surrounding the plant
To date, no report on health damage has been received from any of the residents in the area surrounding the plant.

5. Future response
With regard to the ongoing asbestos problem, we will abide by all relevant laws and regulations and follow the guidance of relevant government ministries and agencies, taking all appropriate measures in the future.

We tackle the issues of reducing environmental burdens and saving natural resources by developing eco-friendly products.

Eco-friendly products of the Shin-Etsu Group

The Shin-Etsu Group is proceeding with the creation of products that have ecological functions in a variety of fields.

Many of the raw materials that we use (such as Silicones, Semiconductor silicon and Synthetic Quartz) are based on silicon, which exists in abundance, rather than on petroleum, which is a precious resource. The composition of PVC, of which we are the world's largest producer, is approximately 60% salt and only 40% petroleum: a relatively low petroleum requirement when compared with other plastics.

In this section, we would now like to introduce some of our products which are representative of the contributions being made to the reduction of environmental burdens caused by a number of the *key materials* that we supply.

We promote a range of ecologically sound activities such as resource saving, energy saving, improved utilization of resources by recycling, suppression of environmental load substance release, developing environmentally friendly products, the protection of petroleum resources, and ensuring the compatibility of our products with natural ecosystems. We will continue work on the best ways to reduce environmental burdens through the use of our products, and how best to contribute to saving scarce resources such as petroleum.

PVC window sashes are endorsed by the Ministry of the Environment

The Polyvinyl chloride resin (PVC) which now has Ecomark certification is attracting attention as an ecologically sound building material. As reported in the news, it has been decided that the window sashes for the Ministry of the Environment offices in The Central Common Government Offices No.5 are going to be renovated using PVC sashes in 2006.

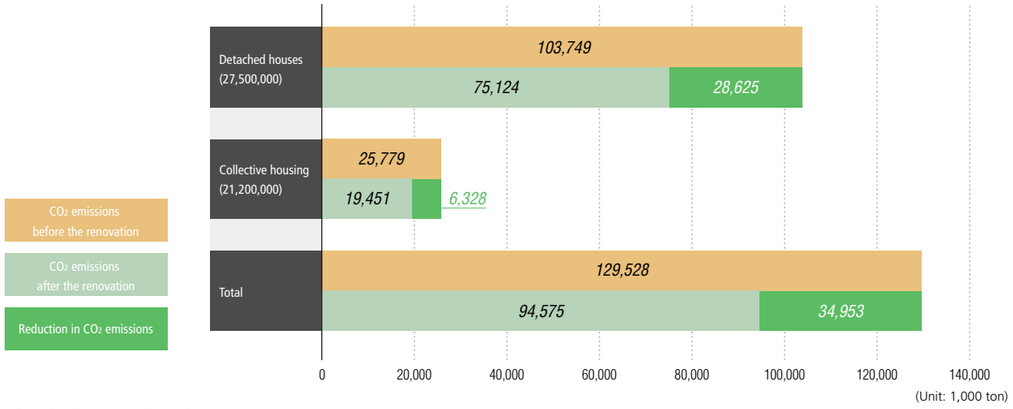
During the 3rd Habitation and Environment/Energy Seminar held in October 2005, Ms. Koike, Minister of the Environment, stated that "PVC sashes with high heat insulating properties are an effective tool for energy saving in the home."

The relevant ministries and agencies have made clear their intention to actively help promote the use of highly heat-retaining and airtight windows consisting of a PVC sash combined with multi-layered glass as an effective measure for energy saving in the public sector.

According to the trial calculations made by the Plastic Windows Promotion Committee, if all of the 27,500,000 detached houses and 21,200,000 collective housing throughout Japan adopted this multi-layered glass/resin sash system, the annual reduction in CO_2 emissions could be as high as 35,000,000 tons. This one measure would supply the entire CO_2 reduction currently required from the Japanese residential sector.

Plastic Windows Promotion Committee
URL:http://www.jmado.jp/

Energy-saving effect of PVC sashes



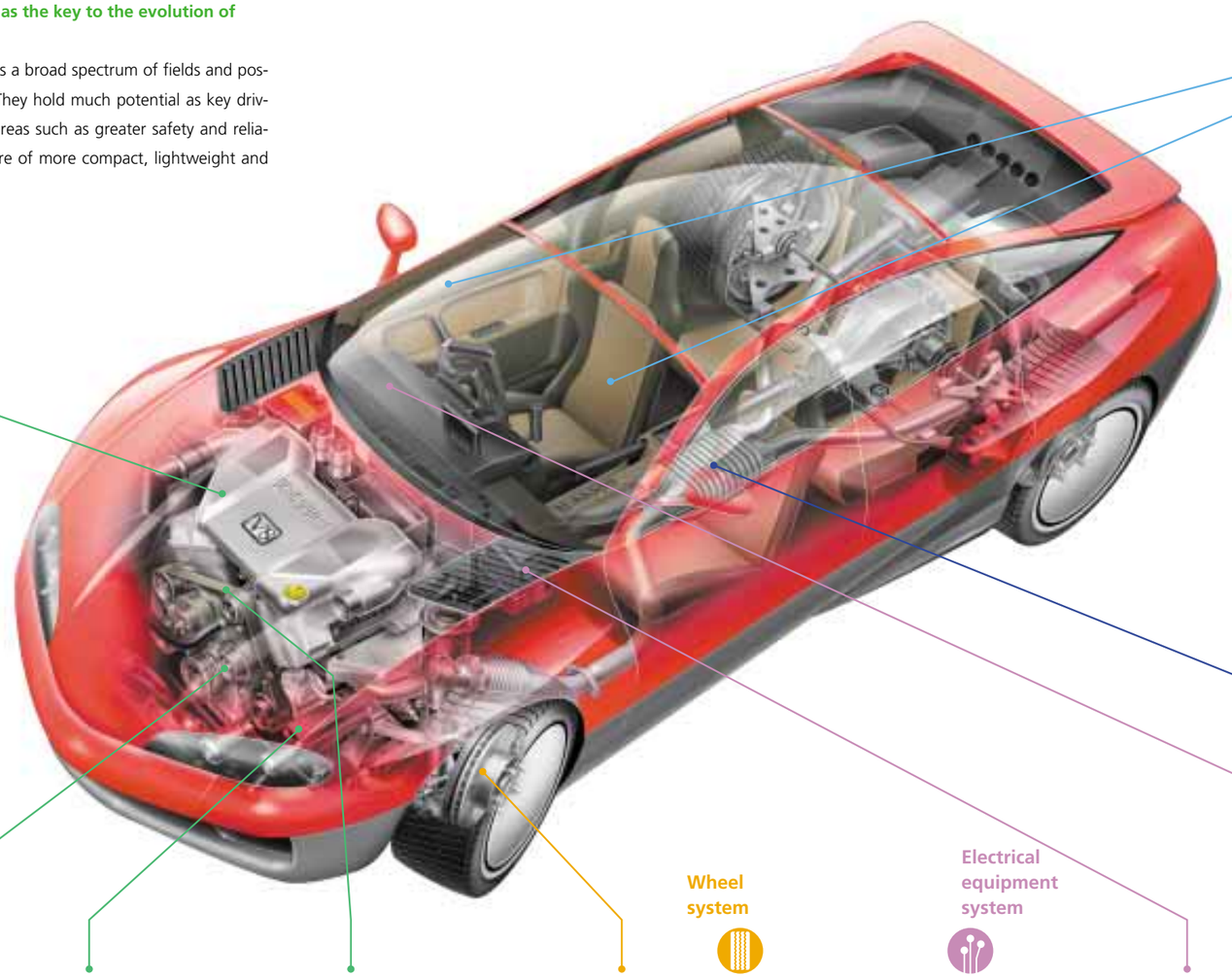
■ Data: Prof. Sakamoto's Office, Department of Architecture, Faculty of Engineering, the University of Tokyo
■ Research Period: August 2003
■ Research conditions: Assuming that the cooling and heating system is only used when the residents are at home/Before the renovation: Aluminum sash + single glass plate/ After the renovation: PVC sash + multi-layered glass/Detached house: Built of wood/Collective housing: Reinforced concrete structure

Product	Example of application	Ecological function	The advantages of the product
PVC 	General PVC materials (raw materials)	Resource saving	The raw materials used in PVC comprise approximately 60% salt and approximately 40% petroleum. Compared with other plastics, this proportion of petroleum is extremely low, and its life cycle assessment has evaluated that its environmental burden is smaller than that of other general-purpose resins.
	Molded articles including PVC sashes	Energy saving	It has superior heat-insulating properties which enable significant fuel and electricity savings to be made in cooling and heating compared with other materials, along with a remarkable reduction in CO_2 emissions.
	Molded articles including PVC water pipes	Good durability	In general, it is more durable and has a longer life than other materials.
Cellulose derivatives  *In the photo, the left side is concrete mixed with cellulose derivatives while the right side is ordinary concrete.	Admixture for concrete	Prevention of water pollution Improvement of the workplace environment	It adds viscosity to the concrete and prevents water pollution when placed in water. It prevents the production of dust when spraying with concrete inside tunnels.
Rare earth magnets 	Compressor for an air-conditioner	Resource saving Space saving Energy saving	Reduction of electric power consumption. Reduction of iron and copper usage.
	Motor for wind power generation	New energies	Compared with thermal power generation, CO_2 emissions can be reduced. As it can also reduce the emission of NOx and SOx, it helps prevent global warming and air pollution.
	Motor for an electric automobile	Clean energies	Compared with gasoline, CO_2 emissions can be reduced. As it can also reduce the emission of NOx and SOx, it helps prevent global warming and air pollution.
Silicones  Silicone oil	Application for Ecoplastics (resin modification)	Reduction of environmental load substance	Flame retardancy can be increased without using environmental load substances. It is also superior in terms of safety and recyclability.
	Ecotire (rubber modification)	Energy saving Improvement of fuel efficiency Measures against soot	By improving fuel efficiency, CO_2 emissions can be reduced. As it can also reduce the emission of NOx and SOx, it helps prevent global warming and air pollution.
	Application for UV (Ultraviolet ray) cure	Energy saving	It is more energy efficient in comparison with the heat curing system.
	Solventless type products (for release paper)	Suppression of environmental load substance	Since no harmful solvents are used and since a diluting solvent is not necessary, it takes up less space and saves energy during transportation. The environmental burden associated with its emission into the air can be reduced.
	Solvents for dry cleaning	Non-petroleum-based	It is not toxic and is very safe.
	Spreading agent for agricultural chemicals	Improvement of agricultural chemical spraying efficiency	The environmental burden can be reduced in proportion to the reduction in its usage.
Synthetic pheromones 	Pesticide	Compatibility with the ecosystem Ecological agricultural chemicals	Since it is a synthesized natural-product, it has little toxicity and is decomposed in the natural environment by water and CO_2. Its environmental burden is therefore much smaller than that of conventional agricultural chemicals.
Epoxy molding compounds 	Packaging material for semiconductors	Reduction of chemical substance emissions	We have developed a unique flame retardant system using our company's silicone technology, and have realized the highest level of flame retardancy (UL-94 V-O Standard) without using halogens or antimony compounds which are known environmental load substances.
Hot-melt adhesives 	Application for back gluing magazines and calendars	Resource saving	100% recycling of magazines and calendars is now possible, including their glued parts (which were not previously recyclable)
PP film 	Application for capacitors in microwave ovens	Resource saving	It replaces the conventional type of capacitor, which uses paper, and therefore helps conserve forest resources.

Shin-Etsu Materials supporting the Environment and Safety Measures for Automobiles

Promoting materials manufacturing as the key to the evolution of motor vehicle technology.

The Shin-Etsu Group products cut across a broad spectrum of fields and possess a wide range of unique features. They hold much potential as key drivers of vehicle technology evolution in areas such as greater safety and reliability, and contribute to the manufacture of more compact, lightweight and environmentally friendly vehicles.



Engine system/ drive system

Liquid Fluoroelastomers "SHIN-ETSU SIFEL"

In addition to its resistance to cold (so effective that it maintains its rubber elasticity to temperatures down to minus 50 degrees Celsius), SHIN-ETSU SIFEL has other superior characteristics such as resistance to oils, solvents and chemicals. It is also easily processed, and because of these properties it is used in automobile control units, sensors and fuel tanks.

Interior decorating system

Acrylic Acid Ester Emulsions

Acrylic Acid Ester Emulsions are water-based adhesives used as a lining for car seats. These products are attracting greater attention as an alternative to organic solvents, helping to cut down on the amount of volatile organic compounds released into the environment.

POVAL

POVAL is becoming increasingly popular for use as an interlayer in laminated automobile glass. It contributes to an increased level of automobile safety by stopping glass from scattering in all directions when broken, and prevents objects from piercing the glass, thanks to its high penetration resistance. To enhance the comfort in cars, high performance interlayer, which has sound and/or heat insulating properties, is also attracting increased attention.

Electrical equipment system

Semiconductor Materials

Semiconductor use is growing rapidly as a result of the increasing number of electronic systems employed in automobiles. As the world's top maker of semiconductor silicon wafers, we provide a stable and diverse supply of silicon wafers for use such as integrated circuits in automotive electronic components. In addition, we manufacture packaging material for semiconductors, Photoresists, and Pellicle, all of which are vital in the semiconductor production process.

Exhaust system

PVC

PVC is one of the best performing general-purpose resins in terms of its low environmental burden and life cycle assessment, and also making a significant contribution to the environment. It is also widely used in automobile applications such as interior parts and electrical wire harness, by virtue of its superior flame retardancy, electrical insulation and durability.

Cellulose Derivatives

Cellulose derivatives are environmentally friendly materials made from natural polymers. Widely used as binders and thickeners, they are employed as binders in ceramic automotive components such as honeycomb catalysts, which purify NOx and other harmful substances contained in automobile exhaust gas. They contribute to the prevention of air pollution since they are also used as binders for Diesel Particulate Filters (DPF) in the diesel-powered automobiles, which are making rapid progress as Eco-cars in Europe.

Wheel system

Rare Earth Magnets

These are high-performance permanent magnets that use rare earth as raw materials and boast the world's highest magnetic strength. Automobile applications include driving the various motors in hybrid and fuel cell vehicles, as well as in generators and sensors. Rare earth magnets help produce smaller and lighter components, and thereby contribute to energy conservation and the provision of clean energy.

Rare Earths

Because of their superior chemical characteristics, Shin-Etsu Rare Earths are used in many different applications including automotive electronic components (ceramic capacitors, ceramic substrates), a variety of sensors (oxygen sensors, temperature sensors), structural material ceramics (heat-resistant components, weight-saving components) and catalysts (exhaust gas catalysts).

Silicone Rubber

Comprising a mixture of silicone gum that has both organic and inorganic properties, and very pure silica, our silicone rubber possesses characteristics superior to other organic rubbers in terms of heat resistance, cold resistance, weather resistance and electrical insulation properties. It is used for rubber moldings such as O-rings and hoses.

Silicone Grease Silicone Oil Compound

Silicone grease is a silicone-oil-based product combined with a thickener and various kinds of additives. It has good thermo-oxidative stability and durability over an extensive temperature range and is used mainly for lubricants. Also, silicone oil compound is a silicone-oil-based product containing silica powder and powdered metal. It has good electrical and water-repellent properties in wide temperature range, and is therefore used mainly for electrical insulation, sealing, heat sink and water repellence.

The Shin-Etsu Group renews its commitment to placing the utmost priority on *safety and environmental protection first*

Kiichi Habata
Chairman
CSR Promotion Committee
Managing Director in charge of Environmental Control and Safety
Shin-Etsu Chemical Co., Ltd.

While pursuing the fulfillment of our corporate goal of putting top priority on the core principles of *safety and environmental protection first*, we are continuing to dedicate our corporate efforts to contributing to society through our main business operations.

As this Environmental and Social Report clearly demonstrates, the Shin-Etsu Group has reviewed the activities it carried out in this area during the previous fiscal year as well as its environmental and social targets for the future. On the occasion of the 80th anniversary of Shin-Etsu's establishment, we have decided to restate our Group's corporate mission.

Our corporate mission is "to contribute to people's daily lives as well as to the advance of industry and society by providing *key materials* and technologies." Up until the present time, Shin-Etsu has considered that the role of the corporation should not be to only aim at earning profits but also that it should behave responsibly while conducting its business activities in a fair and open manner. Our new mission statement embodies a deep desire on the part of all of our executives and employees to reaffirm the Shin-Etsu Group's strong commitment to abide by these core corporate values and to make a new start by further strengthening our efforts at this crucial point in the growth and development of the Group. Our mission statement also forms the foundation of the Shin-Etsu Group's approach to CSR (corporate social responsibility) activities. It also represents our firm commitment that the Shin-Etsu Group as chemical manufacturers will always dedicate itself to faithfully fulfilling its obligation to assure total safety and to protect the environment, keeping foremost in mind that the importance of safety and the environment take priority over any emphasis on profit and manufacturing efficiency; if there is a possibility of a safety and/or environmental problem occurring, the Shin-Etsu Group will without any hesitation halt operations.

Ensuring effective verification

All of the efforts made by the Shin-Etsu Group to fulfill its responsibilities with regard to the environment and society, such as its RC (Responsible Care) activities and production management systems including TQM (Total Quality Management) activities and Shin-Etsu's Six Sigma program* (an innovative management system aimed at reducing the Group's costs of quality and dramatically increasing its profits) do not only function independently, but also they function together in a close mutual relationship to assure the realization of the Group's total commitment to safety-first and protecting the environment. The Shin-Etsu Group has many diversified types of businesses, and the Group manufactures and sells a vast variety of products not only in Japan but also in many other countries around the world. For this reason, it is necessary to verify that our management systems are working properly by employing many different verification systems, including the use of independent third parties. Particularly with regard to safety and the environment protection activities, Shin-Etsu undergoes an independent Responsible Care quantitative verification and initiative assessment process carried out by the Japan Responsible Care Council. In addition, the Group believes in promoting safety and environmental activities by making the best possible use of all of these management systems. We also believe that it is crucial to encourage voluntary initiatives participated in by our own employees. The Shin-Etsu Group is promoting safety, environmental and social activities in accordance with the actual situation in each plant and each business office. We believe that the review process of the Group's basic management principles that we have now carried out will be useful for integrating all of these activities.

No accidents, no injuries, energy-saving, resource-saving Striving to achieve environmental objectives for FY 2010

For the Shin-Etsu Group, safety and the environment take priority over everything else. The Group is thoroughly implementing appropriate controls for chemical substances and harmful substances in accordance with all relevant laws and regulations in order to prevent any accidents or industrial injuries and to prevent any adverse impact on the surrounding areas. Furthermore, inasmuch as we are aiming to meet the targets of curbing greenhouse gases through reducing unit energy consumption based on the amount of total sales to 66% of the 1990 level by 2010, and zero emissions of waste by 2010, the Group will devote its comprehensive, collective efforts to achieving these goals. In addition, the Group will promote the disclosure of all appropriate information regarding the environment. In all of its Group activities, the Shin-Etsu Group will continue its strong efforts to satisfy the expectations of the public.

***Shin-Etsu's Six Sigma program:**
The Shin-Etsu Six Sigma Program is an innovative quality control method created through the integration of the Six Sigma quality control problem-solving method for reducing the number of defects per unit of product or service, which is based on a statistical technique for measuring standard deviation, with the Shin-Etsu Group's quality control knowledge accumulated from extensive experience with the Shin-Etsu Group's Total Quality Management activities. The Shin-Etsu Six Sigma program has proven to be an effective method for further protecting the environment by greatly assisting us with our environmental tasks related to quality control and quality cost control.

Summing up of Fiscal Year 2005 Activities and New Tasks

As in Previous Year, the business activities of the Group have progressed smoothly and sales resulting from an increase in manufacture have continued to increase during Fiscal Year 2005. As a result, we have witnessed an increase in sales figures expressed as absolute values but, with regard to sales unit indexes, we have achieved a reduction in all the indicators used.

The following information shows how the results matched targets for each of the selected control points, and new tasks undertaken. (For further details, please refer to the Data section at the end of this report.)

For your information, no fines were imposed due to the violation of any laws or regulations, nor were there any environmental accidents in Fiscal Year 2005.

Environmental Accounting

Here, we have summarized the investments and costs incurred by Shin-Etsu Chemical in relation to reduction measures undertaken against environmental burdens, including the prevention of air and water pollution, noise and vibration control, energy-saving measures undertaken as part of global environmental protection, waste reduction, and resource recycling. The cumulative capital investment related to environmental protection during the past ten years has amounted to approximately 17.4 billion Yen.

<The main investments>
- Improvement of effluent treatment facilities
- Installation of waste disposal and recovery facilities
- Improvement of the industrial waste disposal yard
- Introduction of energy saving and energy recovery facilities
- Introduction of a cogeneration facility
- Renewal of production facilities (including environmental measures)
- Environmental improvement, etc. of areas around other plants

An aggregate calculation has been made for investment and expenses for environmental protection during Fiscal Year 2005, also taking the Environmental Accounting Guidelines prepared by the Ministry of the Environment into consideration.

Environmental Costs in Fiscal 2005

(Millions of yen)

Category	Details	Investment	Expenditure
Business area costs:			
1. Pollution prevention cost	Air, water, noise and other types of pollution prevention measures	348	3,032
2. Global environment conservation cost	Energy conservation and global warming prevention measures	275	759
3. Resource circulation cost	Waste prevention, recycling and other measures	101	1,320
Upstream and downstream costs	Green purchasing and container and packaging measures	0	132
Administration cost	Environmental management, monitoring environmental impacts and education measures	0	406
Research and development cost	Environmentally conscious product and process research and development	0	707
Social activity cost	Donations and contributions to environment protection	7	180
Environmental remediation cost	Assessment, handling and other costs related to environmental degradation	13	302
Total		744	6,838

Tasks for 2006

Audits to verify RC activities

Audits to ascertain compliance with the two RC Codes "Process Safety and Disaster Prevention" and "Environmental Preservation" were carried out at the Gunma Complex and Kashima Plant. Whilst initiatives taken to date were acknowledged, the audit highlighted the need for further action. The actions required will be taken in Fiscal Year 2006.

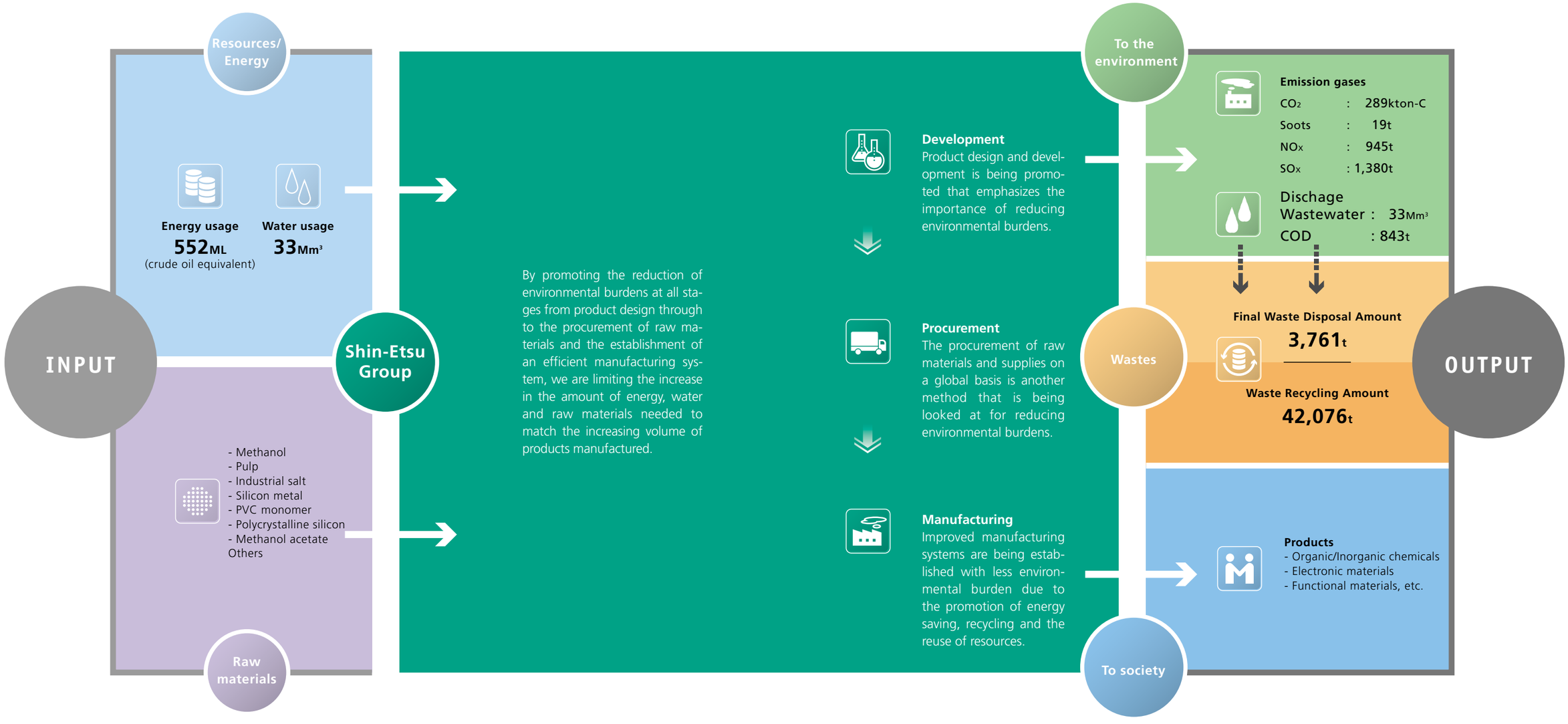
Medium-Term Environmental Objectives

Each company in the Group has established its own objectives, and has been working to achieve them. However,Group objectives will also be set from Fiscal Year 2006. (Shin-Etsu Chemical implemented such objectives from Fiscal Year 2006. Group companies will start later.)

Reducing environmental burdens resulting from business activities

As a *key material* manufacturer, we aim to reduce environmental impact not only for our own benefit but also for the whole of society by developing advanced technologies.

Environmental management of the Shin-Etsu Group is aimed at enhancing resource efficiency as well as reducing environmental burdens and risks in its own business activities. As a *key material* manufacturer, our mission is also to become a world leader in the supply of new materials through development of advanced technologies for reducing environmental impact and improving in resource efficiency of benefit to the whole of society.



*Six companies are included in this aggregate calculation, namely, Shin-Etsu Chemical Co., Ltd., Shin-Etsu Handotai Co., Ltd., JAPAN VAM & POVAL CO., LTD., Nissin Chemical Industry Co., Ltd., Shin-Etsu Quartz Products Co., Ltd. and Shinano Electric Refining Co., Ltd.

In order to realize energy saving and prevent global warming, all relevant issues are being addressed, including environmental burden reduction, environmental protection, and resource recycling.

Energy saving and the Prevention of Global Warming

■Energy usage

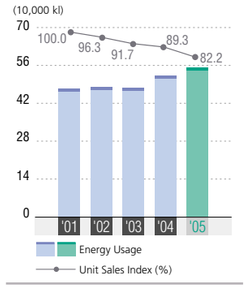
The Shin-Etsu Group manufactures a variety of products.
A range of energy sources are used, including electricity, fuel oil, kerosene, diesel oil, liquefied natural gas and steam. The most appropriate energy source is selected and used in the manufacture of each product (reaction, refining, synthesis, processing, etc.).

Although energy usage is increasing following the increase in production of the Group companies, overall, each company and plant is making an effort to save energy.

<Examples of our approach>
- Introduction of a cogeneration system
- Improvement of the thermal insulation of facilities
- Shift to high-efficiency motors and adoption of an inverter system
- Recovery and reuse of reaction heat, etc.

Energy usage by the Shin-Etsu Group in Fiscal Year 2005 was 552,000 kiloliters (crude oil equivalent), representing an increase of 33,000 kiloliters from Fiscal Year 2004, while showing a 7% improvement in energy usage per unit of sales.
This corresponds to a reduction of 47,000 kiloliters (crude oil equivalent).

Energy Usage (crude oil equivalent)



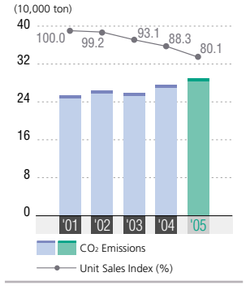
■Prevention of Global Warming

We are striving to reduce emissions of the Greenhouse Gases which cause global warming. The volume of CO_2 attributable to energy usage increases in accordance with the increase in manufacture, but each company and plant is trying to reduce its emissions. As for the Specified Chlorofluorocarbons, we ceased using them in 1995.

<Examples of our approach>
- Shift to fuels that generate less CO_2
- Promotion of energy saving

CO_2 emissions by the Shin-Etsu Group in Fiscal Year 2005 totaled 289,000C-ton (carbon equivalent) and increased by 13,000C-ton from Fiscal Year 2004, while showing an 8% improvement in emissions per unit of sales. This corresponds to a reduction of 30,000C-ton of CO_2.

CO_2 Emissions (attributable to energy)



■Prevention of Air Pollution

To help prevent air pollution, we are working on ways to limit pollutant gas emissions. Emission gases from boilers and incinerators are regulated by laws, regulations and ordinances. We not only abide by all these regulations but are also reducing emissions even further. We regularly measure levels of soot, NOx and SOx and monitor their impact on the atmosphere.

<Examples of our approach>
- Shift to fuels containing fewer pollutants
- Improvement of the combustion method
- Addition of a pollutant treatment facility and installation of a recovery facility

Soot emissions by the Shin-Etsu Group in Fiscal Year 2005 totaled 19 ton, reflecting a decrease of 7 ton from Fiscal Year 2001, while showing a 48% improvement in emissions per unit of sales.

NOx emissions totaled 945 ton and increased by 66 ton from Fiscal Year 2001, while a 24% improvement has been achieved in emissions per unit of sales.

SOx emissions totaled 1,380 ton and increased by 77 ton from Fiscal Year 2001, while a 25% improvement has been achieved in emissions per unit of sales.

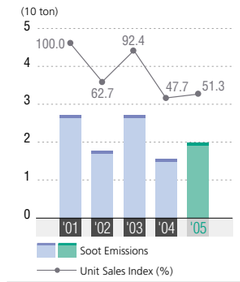
Boiler Emission Gas Monitoring Result Table: Naoetsu Plant

	Regulation value	'01	'02	'03	'04	'05
Soot (g/Nm³)	<0.25	<0.01	<0.045	<0.02	<0.02	<0.03
NOx (ppm)	<150	<120	<130	<110	<83	<110
SOx (k value)	<11.5	<2.0	<1.5	<1.1	<1.2	<2.6

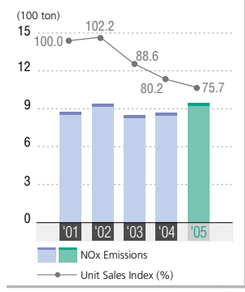
Incinerator Emission Gas Monitoring Result Table: Gunma Complex Regulation value

	Regulation value	'01	'02	'03	'04	'05
Soot (g/Nm³)	<0.15	<0.1	<0.01	<0.03	<0.01	<0.02
NOx (ppm)	<250	<100	<100	<90	<100	<110
SOx (k value)	<17.5	<1	<1	<1	<0.55	<0.51
Hydrogen chloride (mg/Nm³)	<700	<51	<74	<54	<28	<62
Dioxin (ng/Nm³)	<5	<0.01	<0.01	<0.01	<0.01	<0.01

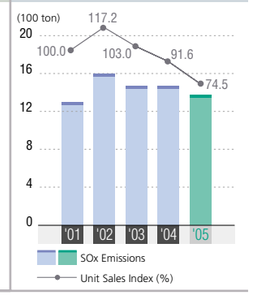
Soot Emissions



NOx Emissions



SOx Emissions



■Preventing Water Pollution

We use a huge amount of Processed water for the manufacture and washing of products and Cooling water for the operation and maintenance of our facilities. These two kinds of water are appropriately treated, tested to ensure that they comply with the relevant laws and other applicable regulations, and then released into rivers, etc. Regular measurements are carried out for pH, BOD, SS, and COD* and their impact on water quality is monitored. We are also working on ways to reduce water usage.

<Examples of our approach>
- Improvement of effluent treatment facilities
- Recycling and reuse of cooling water
- Leveling of effluent water quality and leveling of effluent water volume

Total discharge wastewater amount produced by the Shin-Etsu Group in Fiscal Year 2005 was 32,600 kiloton and increased by 2,100 kiloton from Fiscal Year 2004, while a 7% improvement has been achieved in emissions per unit of sales.

COD emissions totaled 843 ton and decreased by 10 ton from Fiscal Year 2004. The emissions per unit of sales improved by 11%.

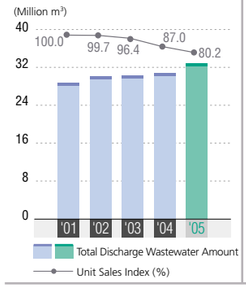
*** Chemical Oxygen Demand (COD):**
This is the amount of oxygen required to degrade the organic compounds of wastewater. A higher COD value means more-polluted wastewater.

Effluent water quality monitoring: Gunma Complex

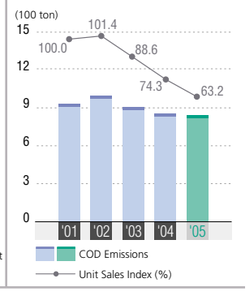
	Regulation value	'01	'02	'03	'04	'05
pH*	5.8～8.6	6.1～7.4	6.6～7.7	6.8～7.3	6.7～7.4	6.3～7.5
BOD* (mg/L)	<25.0	<6.0	<18.0	<22.0	<17.0	<14.0
SS* (mg/L)	<50.0	<15.0	<44.0	<41.0	<43.0	<38.0

* **Potential of Hydrogen (pH):** This is a unit of hydrogen ion exponent (log [H^+]) that indicates whether a solution is acidic (less than pH7), neutral (pH 7) or alkaline (more than pH 7).
* **Biochemical Oxygen Demand (BOD):** This indicates the amount of oxygen required for water-borne micro-organisms to break down contaminants in water. This value is a measure of the degree of water pollution.
* **Suspended Solids (SS):** These are organic and mineral particles that are suspended in water. They are a major cause of turbidity, and have a significant impact on aquatic life.

Total Discharge Wastewater Amount



COD Emissions



■Waste Management

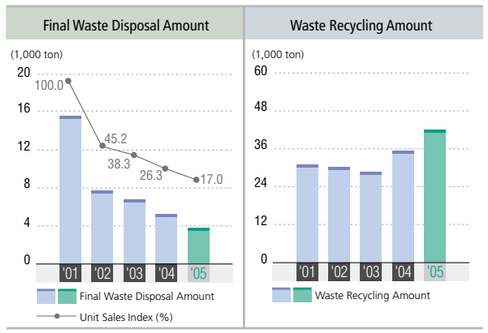
In the Shin-Etsu Group, a wide variety of wastes, including unreacted raw materials, by-product materials, defective products, and broken or unnecessary components are generated by various manufacturing processes. To ensure the effective utilization of the planet's limited resources, we are trying to reduce the generation of these wastes by applying the 3Rs, namely Reduce, Reuse and Recycle.

A regular audit is also conducted on the firms commissioned to dispose of our wastes in order to confirm that the correct disposal procedures are being employed.

<Examples of our approach>
- Utilization of inorganic sludge as a raw material for cement
- Utilization of organic sludge as a fertilizer
- Reuse of acids and alkalis through separate recovery
- Thermal recycling of waste oil and waste solvent
- Separate recovery of valuable metals
- In-house incineration, in-house disposal

Final amount of wastes disposed of by the Shin-Etsu Group in Fiscal Year 2005 was 3,761 ton and decreased by 1,280 ton from Fiscal Year 2004 while showing an 80% improvement per unit of sales.

The amount of recycled waste totaled 42,000 ton and increased by 6,800 ton from Fiscal Year 2004.



Other Environmental Protection Activities

■Environmental and Facility Accidents

On April 11, 2005, the Kashima Plant was hit by an earthquake of intensity 5 but there was no facility damage or any environmental impact, such as a leak. The earthquake did not cause any industrial injury. However, one environment-related complaint was made. This complaint was about the noise, so countermeasures such as the installation of silencers and the like have since been implemented.

Although there was a facility accident, there was no environmental or human impact.

■Soil pollution

At each of our plants, ground water and soil quality are monitored and the pollution status is checked. However, no soil pollution has yet been identified at any of our plants.

■Education on the Environment and Safety

Environmental security and accident prevention requires not only the correct response at the facility level, but also effective actions by all personnel involved. Many training sessions are therefore organized regarding environmental and safety operations. Safety education, environmental education, and education on chemical handling is also carried out to prevent accidents.

Various education and training sessions are also carried out regularly for different job classes and different job titles.

<Examples of Safety and Environment Education>
- New employee education, transferred personnel education, newly appointed manager education
- RST education (Article 60 of the Labor Safety and Sanitation Law, "Safety and health education for foremen and others")
- Risk prediction training. Risk Assessment training
- Experiment and training on combustion and explosions, low voltage electricity handling education, chemical substance handling education
- Experience study, facility maintenance and security education
- Environmental Management System (ISO 14001) education, etc.

■Safety and Environment Qualifications

Many different machines and facilities are used for our manufacturing activities. Education and training sessions are therefore organized covering the operation and management of all equipment and machinery.

When legal qualifications are required, personnel acquire the relevant qualification or attend appropriate technical training.

<Examples of legal qualifications regarding safety and environment>
- High pressure gas production safety controller (High Pressure Gas Safety Law)
- Pollution control manager (Law Concerning the Improvement of Pollution Prevention Systems in Specific Factories)
- Hazardous materials engineer (Fire Service Law)
- Health supervisor (Labor Safety and Sanitation Law)
- Operations chief for various operations (as set down in the rules of the Labor Safety and Sanitation Law)
- Specially controlled industrial waste control manager (Waste Disposal and Public Cleansing Law), etc.

■Training

Although we are fully prepared for accident and disaster prevention, accidents cannot be ruled out completely. We therefore implement emergency response training to prevent the spread of any damage and to promptly calm the situation in the eventuality of an accident. Apart from the training carried out at each workplace, we also organize a general drill assuming that a large-scale accident or disaster has occurred. This drill takes place with the cooperation of the local fire department, if necessary, and is open to the public.

■Environmental Activities at the Industry level

Shin-Etsu Chemical takes part in the activities of the Japan Chemical Industry Association, Vinyl Environmental Council, Plastic Waste Management Institute, etc. And is making efforts to improve the safety management and environmental control levels of each of its companies and cooperating with member companies in the industry. We are also undertaking public relations activities on research and increased understanding regarding chemical substances and technical support.

<Examples of environmental activities undertaken in cooperation with the industry>
- Harmful air pollutant reduction activity, volatile organic compound reduction activity
- Support for the LRI (Long-range Research Initiative)
- Introduction to the benefits of PVC and promoting its recycling
- Support for waste plastics recycling

■Promotion of Green Procurement

We have formulated Green Procurement Standards for materials needed in our manufacturing activities, including primary materials as well as packing and other auxiliary materials. We are notifying suppliers of the standards.

In our business dealings from this time forward, we will prioritize procurement from suppliers that are actively implementing environmental protection activities. The following graph shows the number of companies among Shin-Etsu Chemical's 740 primary suppliers that had acquired ISO 14001 certification as of August 31, 2005. We will continue to promote enlightenment regarding environmentally friendly initiatives.

■Responses to Green Procurement Surveys

The RoHS Directive has been enforced in the EU since July 2006 and the implementation of the REACH Directive is anticipated. In other countries, similar laws and regulations on chemical substance control have also been established. In response, many of our customers are requesting us to issue certificates of control for the chemical substances contained in our products. Shin-Etsu Chemical, as a *key materials* manufacturer, supplies a number of different products and is issuing many certificates in response to the demands made by our customers. The number of Green Procurement Certificates by Shin-Etsu Chemical issued is increasing yearly and stood at 8,400 in Fiscal Year 2005.

(Please refer to p. 35.)

Responsible Care (RC) Activities

What are RC Activities?

In the 1970s, the Canadian Chemical Industry Association decided that in order to deal with environmental pollution, better management of chemical substances was needed, not only at the manufacturing stage, but through all stages in their life cycle from development and manufacture, through to handling and disposal. The Association issued Guidelines for Chemical Substances Management. This was the origin of RC activities.

In the U.S., the Chemical Manufacturers Association then introduced RC activities to enable its chemical industry to survive while still enjoying the confidence and trust of society as a whole. Thereafter, RC activities expanded around the world. As of 2005, there were RC activities in 52 countries.

Shin-Etsu Chemical and RC Activities

In Japan, RC activities started with the establishment of the Japan Responsible Care Council (JRCC) in April 1995, under the guidance of the Japan Chemical Industry Association.

Acknowledging lessons learned from past accidents and disasters in the industry, and recognizing the importance of security and environmental protection, Shin-Etsu Chemical established an Environmental Control and Safety Department in 1970. Realizing the significance of RC activities in assuring security and environmental protection, the company joined the JRCC at the time of its establishment, and is now actively promoting these activities.

Supporting the RC Global Charter

The International Council of Chemical Associations (ICCA)* is promoting RC activities on a global basis. The Association has codified the aims and objectives of RC activities in the Responsible Care Global Charter. This Charter covers the following topics:

1. Adopt global responsible care core principles (a common set of commitments between companies and associations)
2. Implement fundamental features of national care programmes
3. Commit to advancing sustainable development
4. Continuously improve and report performance
5. Enhance the management of chemical products worldwide - product stewardship
6. Champion and facilitate the extension of responsible care along the chemical industry's value chain
7. Actively support national and local responsible care governance programmes
8. Address stakeholder expectations about chemical industry activities and products
9. Provide appropriate resources to effectively implement responsible care

Being a chemicals business, we support this World Charter, and to demonstrate our commitment to contributing to the sustainable development of the chemical industry, and to participating in the establishment of a sustainable society, we sent a letter of support, signed by President and CEO Kanagawa, to the ICCA in March 2006.

*The International Council of Chemical Associations (ICCA) is an international organization of chemical industry associations from countries around the world. The Japan Chemical Industry Association is a member.

Relations with Employees

It is people that create and support technology.
We aim to provide ideal working conditions.

The Shin-Etsu Group respects fundamental human rights, and implements a variety of approaches in order to establish a workplace environment that is easy to work in and to help realize an affluent life that enables each of our employees to be healthy and to make the most of his/her potential and career.

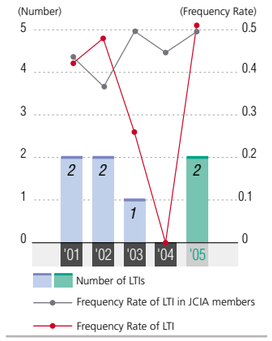
Safety and Occupational Health

■ Safety and Occupational Health

Throughout Shin-Etsu Chemical there were 3 injuries in total, 2 LTIs and 1 Non-LTI, while 15 injuries occurred in the Group companies, of which 5 were LTIs, and 10 were Non-LTIs.

Although the number of injuries in Shin-Etsu Chemical is on the decrease, the overall number of workplace injuries remains almost unchanged at the whole group level. To eliminate industrial injuries, a Promotion of Zero-Accident was launched, and risk prediction training, near-miss proposals, prevention, risk assessment, and hazard experience training have been carried out on all sites of Group companies.

Changes in Number of LTIs and Frequency Rate in Shin-Etsu Chemical



■ Health considerations

As regards staff health at Shin-Etsu Chemical, 61 people are absent from work because of sickness and 23 have been absent for a long period. Even though the number of people away sick shows a downward trend, we are aiming to decrease this even further by focusing on the promotion of fitness and physical strength development activity, and by improvements to the regular health consultation service, health guidance for lifestyle-related diseases, mental health treatment, etc. For those working long hours, interviews and guidance are provided by an industrial physician.

Fitness and Physical Strength Development Promotion Committees are also being established in each plant and business establishment where they organize physical strength monitoring and hold seminars and events for physical strength improvement in cooperation with local Medical Treatment Rooms. A Family Health Consultation Desk has also been established in the corporate health insurance society to help ensure the health of employees' families.

■ Improvement of the Working Environment

Each plant and business establishment is making strenuous efforts to maintain and improve its working environment. At each workplace, the concentrations of any specified substances present are monitored to ensure that they remain below acceptable control levels. Progress is also underway on the installation of local exhaust ventilation systems and the replacement of used substances and chemicals.

Respect for Human Rights

■ The Human Rights Enlightenment Promotion Committee

We respect the human dignity of all individuals. 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 a place where all employees can work together in a spirit of mutual trust.

In addition, we belong 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 in an effort to raise staff awareness of human rights.

A scene from a Human Rights Training Session

■ Performance-based Personnel Evaluation Systems and Equal Opportunities

We have introduced a performance-based personnel evaluation system (for wages, promotions, transfers, etc.) that is applied to both genders equally. The system has proven useful for increasing employees' motivation as their treatment reflects the way in which they meet their challenges to achieve higher goals.

In order to operate the personnel evaluation system in a fair and appropriate manner, the evaluation standards are made available to all employees and evaluation training is organized for all managers. All possible steps are taken to ensure that all evaluation is carried out according to the uniform standards.

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 staff member and his/her immediate superior. This sheet is utilized for further capacity building by ensuring mutual confirmation of the superior's expectations, the subordinate's desires, target setting for the next six months, and feedback on achievements discussed during the interview.

Education/Training and self-enlightenment

■ Auditing Student System

We established an auditing student system in 1962. In this system, designed to help mid-level employees upgrade their skills, about 10 employees chosen from several operators and others at plant manufacturing sites are sent to study at university for one year. In the 44 years since this system was introduced, 466 employees have completed the program and now function as leaders at their respective job sites.

■ Participation in CEO 40s Training

Mid-level employees are sent on the CEO 40s Program, conducted by President Iwao Nakatani of Tama University, as part of our efforts to foster executive candidates. Those who have attended the courses apply the knowledge gained by establishing project teams throughout the Company.

■ Career Development Support System

In order to support individual career development, we offer bonuses to employees who have obtained official certification, and in addition offer correspondence courses, online learning courses, completed two years of study abroad or attended other educational programs.

Benefits

■ Bullet Train Commuting Benefits

Since 1989, we have allowed commuting by Shinkansen bullet train at company expense. This allows 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 July 2006, 75 employees were taking advantage of this Company offer.

■ Child-care and Nursing-care Systems

We have established child-care and family-care leave systems for personnel who need to temporarily leave their positions for child-care and nursing-care purposes.

Our child-care leave system permits employees to take leave till their children have reached the age of 18 months in cases where parents are unable to secure places for their children in nursery schools. Since the creation of this program, 100% of the eligible female personnel who gave birth and were eligible to take child-care leave have done so.

As for nursing-care leave, under certain conditions, employees can take a maximum of 1 year of leave per eligible family member.

Number of employees who have taken child-care leave (Fiscal Year 2005)

Shin-Etsu Chemical (non-consolidated)	5 (male: 0; female: 5)
Consolidated companies in Japan	29 (male: 0; female: 29)
Consolidated companies total*	102 (male: 6; female: 96)

*The length of child-care leave differs from country to country as the program is based on the local laws of each host country.

■ Accumulated Holidays

Employees are granted a certain number of annual paid holidays in accordance with labor regulations. In the event that 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.

■ Other Systems

In the event of the death of an employee, we have set up 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, births or sudden hospitalizations of family members.

By way of our plants and business establishments, we are making efforts to maintain communications with local society.

Educational Support Activities

■ Summer School is Open Naoetsu Plant

The Naoetsu Plant organizes a "Summer School" for senior children at local elementary school every year. The Summer School is a voluntary initiative that seeks the interactions with local people and social contribution. The School celebrates its 31st anniversary in 2005, and a total of 247 school children participated in 2005.

The main purpose of the School is to help children finish their summer holiday homework, and some recreational events are included in the program. The teachers are young staff members from the Naoetsu Plant who joined the company this year or last year.

Regional facilities change into classrooms

■ Implementation of Experience Study at the Workplace Gunma Complex

At the junior high school in the same area as the Gunma Complex, 2nd graders undertake Experience Study at the workplace as part of their career option and integrated study. Every year, the Gunma Complex cooperates in this Study and it accepted 7 junior high school students from Annaka 1st Junior High School in 2005.

As part of their experience study, they received a classroom lecture on silicone and a chemistry experiment involving handling real products under the guidance of researchers from the Silicone-Electronics Materials Research Center. They also toured the Gunma Complex.

Researchers from the Silicone-Electronics Materials Research Center guiding the practical work

Participation in Local Events

■ Co-sponsoring the Ansei Toh-ashi -Samurai Marathon Competition Gunma Complex

In Annaka City, where the Gunma Complex is located, the Ansei Toh-ashi (Samurai Marathon Competition) is organized every year and many Shin-Etsu Group employees participate. The Ansei Toh-ashi is a well-known marathon competition in Japan in which participants run 30 km in fancy-dress costumes depicting Samurai, Ninja, cartoon film characters, etc.

Almost every year, our employees participating in this event are very successful and win the Disguise Grand Prix and Disguise Idea Prize. We co-sponsors this event every year.

Our employees participating in the marathon wearing unique and sophisticated costumes

The Shin-Etsu Group continues its efforts to deepen mutual understanding by promoting various communication activities aimed at building a trusting relationship with a variety of stakeholders in society as well as successfully carrying out its mission of ensuring that its customers around the world are satisfied with its business activities.

Communication with the Local Communities

■ Shin-Etsu Chemical Sports Prize Awards Ceremony Takefu Plant

The Takefu Plant held an Awards Ceremony for the Shin-Etsu Chemical Sports Prize. This prize aims to promote sporting activities in elementary schools in Echizen City where the Takefu Plant is located. In 2005, 13 children received sports awards.

This awards ceremony is sponsored by the Shin-Etsu Chemical Youngsters Sport Promotion Public Trust Fund which was initiated as part of the Shin-Etsu Chemical 60th anniversary program. 2005 marks the 20th anniversary of this award.

The children who won awards - Their future looks bright

Other Activities

■ Cleanup Activities around all Plants All Plants

As members of their respective local communities, the Naoetsu Plant, Gunma Complex, Takefu Plant, Kashima Plant, and Shin-Etsu Handotai Shirakawa Plant all undertake voluntary cleanup activities of roads and parks in their neighborhood.

Taking advantage of holidays and break time, each plant and business establishment carries out trash collection activities. They collect trash and sort it into cans, glass bottles, PET bottles, and burnable waste. Sometimes, enough trash is recovered to fill the back of a truck.

The Takefu Plant also carries out cleanup activities on the trench in the plant and the Oshozu River flowing near the plant. More than 50 employees participated in the last cleanup in june 2005.

Employees cleaning the nearby road (Kashima Plant)

■ Participation in Blood Donation All Plants

Our plants are involved in regular blood donation activities twice a year as part of their social contribution. In 2005, 109 people at the Naoetsu Plant, 190 people at the Takefu Plant, and 139 people at the Shin-Etsu Handotai Shirakawa Plant participated.

Employees participating in Blood Donation (Naoetsu Plant)

Overseas Initiatives

2 Million Dollars Donated to Louisiana for Hurricane Katrina Damage (Shintech Inc. in the U.S.)

Shintech Inc., our subsidiary in the U.S., donated $2,000,000 to the Louisiana Disaster Recovery Foundation to help repair the damage caused by Hurricane Katrina in September 2005.

In response to this donation, we received letters of thanks from Louisiana State Representative Karen St. Germain and State Senator Robert M. Marionneaux, Jr. These two letters expressed their gratitude, not only for the $2,000,000 donation but also for Shintech's ongoing corporate activities, and they expressed their appreciation by saying that "Shintech is a shining example of corporate responsibility."

Shintech has established a trustworthy reputation with the State of Louisiana since beginning operation of the Addis Plant in 2000, and through a wide range of other cooperative activities.

"*Safety and Environmental Protection First*" are key words throughout all the Shin-Etsu Group companies.
Each of the Group companies is conscious of the key characteristics of our business and actively implements environmental protection activities.

Based on the Environmental Charter adopted in 1998, each of the Group companies prepares its own environmental policy and carries out environmental protection activities.
This report describes the efforts made for environmental protection by Shin-Etsu Quartz Products Co., Ltd., Shin-Etsu Handotai Co., Ltd., JAPAN VAM & POVAL CO., LTD., Nissin Chemical Industry Co., Ltd. and Shinano Electric Refining Co., Ltd.

Shin-Etsu Quartz Products Co., Ltd.

Taking part in Environmental Protection Activities a Member of the Shin-Etsu Group

Shin-Etsu Quartz Products Co., Ltd. is a corporate joint venture between Heraeus Quarzglas GmbH & Co. KG of Germany and Shin-Etsu Chemical. With 6 manufacturing facilities in Japan and 4 in overseas, Shin-Etsu Quartz specializes in the manufacture and sales of silica glass products, i.e. quartz glass crucibles, optical silica glass, and various other silica made goods for the Semiconductor industry.

Although being a joint venture company with Heraeus, Shin-Etsu Quartz acts in its business activities as a member of the Shin-Etsu Group. This includes the environment and safety initiatives which are based on our "Environmental Charter" and carried out by Shin-Etsu Quartz as a part of its own environmental policy, pushing forth the environmental and safety management of the entire group.

Health and Safety Committees are established at each factory site and sales office with regular meetings organized to unify awareness at all levels.

Furthermore, all manufacturing sites have ISO14001 certifications.

Masaaki Aoyama
Director
General Manager / Office of the President

Stepping Forward Considering the Special Business Environment

Shin-Etsu Quartz is in a unique business environment, in which we require and consume huge amounts of gases and electricity to drive our production processes.

We tackle this problem by moving forward with environmental protection focusing on resource conservation and reduction of energy consumption and industrial waste. Furthermore we take special care to prevent air and water pollution in the handling of chemical substances.

In regards to global warming, we aim to positively reduce CO_2 emission by material-factor improvement in production. We are also raising employee awareness for the Green Procurement Standard and the European RoHS Directive. We also take extra care for the prevention of work related accidents.

Introducing our efforts made at Koriyama Plant of Shin-Etsu Quartz, we would like to present our policy of *Safety and Environmental Protection First*.

A photograph of the Koriyama Plant, Shin-Etsu Quartz Products Co., Ltd.

Koriyama Plant

Protecting the Environment by Taking Full Account of Surrounding Local Environment

At Koriyama plant, we tackle environmental issues with the strong mindset of "Never causing harm to the local surrounding area". Concerning Fluoric acid to be used for cleaning quartz glass goods, we are properly treating its waste not to contaminate the ground water or the nearby rivers. Therefore we have 4 checkup wells at every corner in plant site and regularly investigate the quality level of ground water.

In other hand we are forcing to keep plant site green actively and have already planted more than 200 trees.

Conserving Energy through Installation of In-site Electric Power Generator

As we have to use for the production of quartz base materials huge amount of gases and electricity as heat source we installed in 2005 our own in-site electric power generator in Koriyama. With the use of this power generator, we expect significantly to reduce CO_2 emission related to the use of electricity throughout the entire plant during the life-cycle of the generated power.

We are also planning to use waste heat generated from the power generator as a heat source in winter. There are special rapid heating as well as rapid cooling processes in our production processes and we are working to utilize the whole energy effectively & efficiently.

Newly Introduced Industrial Power Generator

Kazuo Koya
Director
Plant Manager

Stepping up Safety and Environmental Protection Initiated by the Management

In 2005 we achieved 90% of recycle rate through "Zero Emission Initiatives (Waste Disposal)" being in practice since the year 2000 and we will continue working for further improvements in the future.

We strongly feel that the proper & effective management throughout the entire factory can effectively lead good performance of such environment related countermeasures as well as risk assessment for safety and product quality control, etc.

In addition we are stepping up efforts to better communicate with the local communities, the local government, as well as taking part in local area events such as Abukuma Summer Festival and Clean Fukushima, scavenging streets, which is organized twice a year.

Our plan for the future is to set ourselves even harder challenges and work in earnest to tackle these challenges.

Company Outline

Firm name: Shin-Etsu Quartz Products Co., Ltd.
Representative: Hiroshi Matsuzaki, President and CEO
Location of Main Office: Shinjuku Ward, Tokyo
Location of the Koriyama Plant: Koriyama City, Fukushima Prefecture
Businesses: Manufacture and sales of Synthetic Quartz

Shin-Etsu Handotai Co., Ltd.

Environmental Target

While expanding our global business activities, we will continue to engage in environmental management in accordance with the Environmental Charter of the Shin-Etsu Group, regarding this as one of our most important tasks

Fundamental Philosophy

In keeping with the philosophy of "Corporate activities friendly to both earth and human and to help realize a society that supports sustainable development, we consider the management of the environment, safety and health as our most important managerial tasks.

Response to Environmental Protection

We have established a Central Safety and Environment Committee, chaired by the director in charge of safety and environment, which deliberates and decides all issues related to safety and environment. An Environmental Safety Management Plan is set up at the beginning of each fiscal year as a common guideline across the Shin-Etsu Handotai Group. Based on this guideline, each plant deploys its activities while coordinating with other plants and complexes and complying with applicable local laws and regulations.

We will continue to improve the level of safety and environment by verifying the results of each plant's safety and Environment management activities at the Safety and Environment Committee meeting held every month and at the safety & environmental audit undertaken at least once a year.

Safety and Occupational Health

Focus is put on the improvement of facilities and work procedures through various measures including proactive study of workplace safety, HAZOP and risk assessment. At the same time, efforts are made to assure safety through various activities including regular safety inspections and proposals to improvements. As a result, neither suspension of operations nor casualties have occurred for the last five years. We organize regular health checks, promote health management as a follow-up to these checks, and are making efforts to improve the workplace environment and to prevent industrial accidents. We are also actively addressing mental health issues.

Company Outline

Firm Name: Shin-Etsu Handotai Co., Ltd.
Representative: Fumio Akiya, President and CEO
Location of Main Office: Chiyoda-ku, Tokyo
Businesses: Manufacture and sales of High-Purity Semiconductor Silicon and Compound Semiconductors

JAPAN VAM & POVAL CO., LTD.

Environmental Target

We contribute to maintaining the health of the Earth and its ecosystems while always taking fully into consideration the impacts that our activities may be having on all aspects of the environment.

Fundamental Philosophy

The basis of our environmental protection and safety system is the prevention of accidents before they occur. Based on the motto "Don't Harm Ourselves, Don't Harm Others," we have established a system covering all work carried out by our employees.

Response to Environmental Protection

In consideration of the environment, we converted from Bunker A fuel oil to liquefied natural gas in 1992, reducing the global warming potential resulting from our energy usage to approximately 70% of the 1990 level. We are also devising new ways to recover raw materials through our unique manufacturing processes.

As an example of our approach to the development of new eco-friendly products, POVAL is a hydrosoluble synthetic polymer which is becoming increasingly popular. In the future, we will continue our efforts to manufacture products that contribute to the reduction of environmental burdens.

Safety and Occupational Health

We take all possible measures for disaster prevention since we have many manufacturing processes in which dangerous substances are handled. We are paying special attention to the risk of fire and we work on countermeasures against static electricity, such as flow speed control, the application of bonding, and intensive inspections of facilities.

Since our main office and plant are located in the Sakai Senboku Coastal Complex, we are a member, and are engaged in various collaborative activities with governmental organizations aimed at promoting the region by establishing a council and carrying out disaster drills and other such actions.

Company Outline

Firm Name: JAPAN VAM & POVAL CO., LTD.
Representative: Hirokazu Okamoto, President and CEO
Location of Main Office: Sakai City, Osaka Prefecture
Businesses: Manufacture and sales of vinyl acetate, poval and vinyl carboxylate

Nissin Chemical Industry Co., Ltd.

Environmental Target

Since we have many manufacturing facilities that handle high pressure gases and other dangerous substances, we will continue to operate in accordance with the *Safety and Environmental Protection First*, using this as both a Management Policy and an Environmental Target.

Fundamental Philosophy

We will promote increased understanding of our company through dialogue with a variety of stakeholders, including representatives of the local community and regulatory authorities. We aim to ensure safe operations and the improvement of energy efficiency.

Response to Environmental Protection

We are focusing on the establishment of good relations with stakeholders by continuing dialogue and promoting a deeper public understanding of our company and its operations. We have installed a gas recovery system in order to regulate exhaust emissions and for the combustion of off-gases. In addition, we have progressively expanded our effluent treatment facilities in response to the increased production of our main products.

The use of PVC emulsion in the surface treatment of PVC wallpaper is increasing and now comprises almost 80% of all wallpaper used for offices and housing. We are also focusing on the enhancement of eco-friendly products.

Safety and Occupational Health

In order to improve our safety measures and to reduce the risk of accidents during transport, we are adopting a system of transportation based on modal shift. When we receive a supply of PVC monomer raw material from the Kashima Plant of Shin-Etsu Chemical, its transportation from Japan Railway's Kamisu Station to Minami-Fukui Station is contracted to Japan Freight Railway Co., Ltd.

We are also exchanging information and sharing know-how with the Takefu Plant of Shin-Etsu Chemical, adjacent to our own company, and proactive efforts are being made to implement Green Procurement procedures with our customers.

Company Outline

Firm Name: Nissin Chemical Industry Co., Ltd.
Representative: Yoshiyuki Miyazawa, President and CEO
Location of Main Office: Echizen City, Fukui Prefecture
Businesses: Manufacture and sales of PVC modified resins, synthetic resin emulsions, silicone modified resins, hot-melt adhesives and acetylene series chemicals

Shinano Electric Refining Co., Ltd.

Environmental Target

We will make ongoing improvements to the management of chemical substances, energy saving, resource saving, recycling, and the reduction of wastes through the accurate assessment of their environmental impacts.

Fundamental Philosophy

We pay close attention to the safety of both the regional and global environment and the safety of our employees. In order to implement this philosophy, we are establishing Action Guidelines that place importance on *Safety and Environmental Protection First*.

Response to Environmental Protection

In order to address the problem of wastes, we are promoting recycling of part of the fine powder effluent sludge. We are currently intending to develop this as an in-process materials for cement, for iron and steel, and recycled earth and sand.

We recognize that environmental improvement measures need to be sustained over a relatively long period of time and have therefore established a medium-term environmental measures plan that covers a period of 3 to 5 years. We are now promoting environmental improvements such as reduced workplace noise and soot levels.

Safety and Occupational Health

We have been practicing risk prediction activities for specific sites where the activities are carried out before work is started. However, this has not yet brought results in the short-term. Therefore, since autumn 2005, we have sought to improve employees' awareness of safety by establishing a safety proposal system identifying concerns, near-misses, and dangerous sites. For those proposals made by personnel that cannot be resolved on-site, we have introduced procedures so that they can now be addressed (and appropriate countermeasures taken) through the Improvement Proposal Council composed of officials from the plant.

Company Outline

Firm Name: Shinano Electric Refining Co., Ltd.
Representative: Kai Yasuoka, President and CEO
Location of Main Office: Chiyoda-ku, Tokyo
Businesses: Manufacture and sales of grinding and abrasive powders, fire-resistant materials and PVA grinding wheels

Shin-Etsu Chemical

Sociality Report (Fiscal Year 2005)

Employee Numbers

Total	Male	Female
2,514	2,348	166

Average Age (Years)

Overall	Male	Female
41.0	41.4	34.9

Average Length of Service (Years)

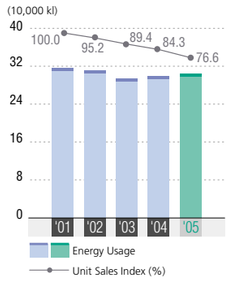
Average	Male	Female
19.7	20.1	14.5

Average Annual Salary

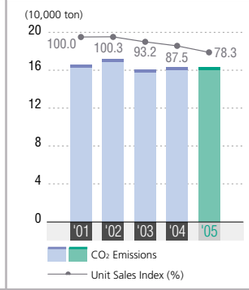
Total
¥7,970,000

Environmental Performance Report

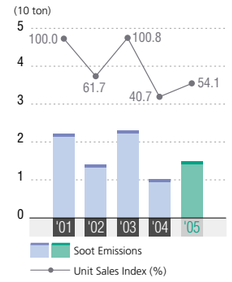
Energy Usage (crude oil equivalent)



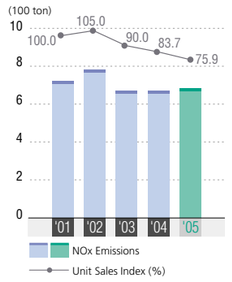
CO_2 Emissions (attributable to energy)



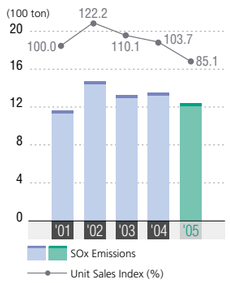
Soot Emissions



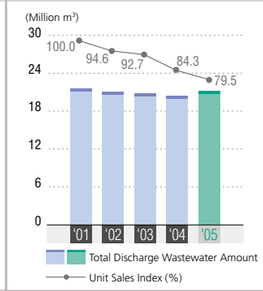
NOx Emissions



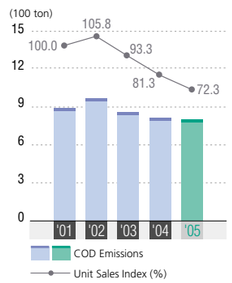
SOx Emissions



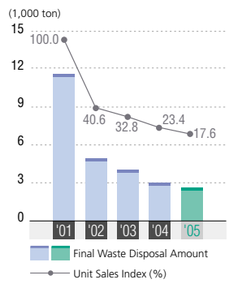
Total Discharge Wastewater Amount



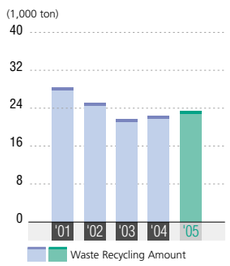
COD Emissions



Final Waste Disposal Amount



Waste Recycling Amount



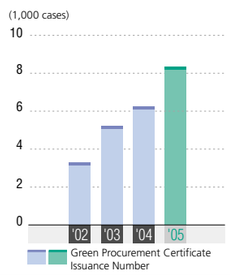
Change in Chemical Substances Proper Management Situation

(Unit: case)

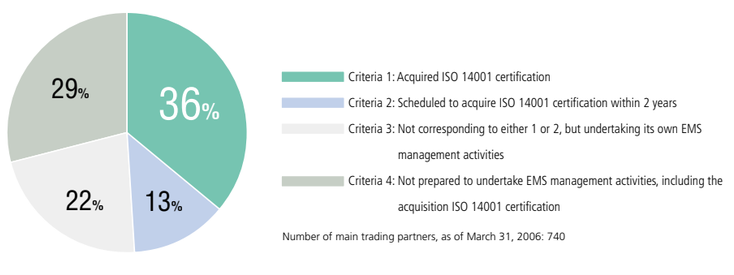
	'01	'02	'03	'04	'05	
MSDS Establishment Number	8,000	8,282	9,461	12,775	18,057	
Yellow Card	178	118	108	193	147	
PRTR Notification Substance Number	62	66	115*	79	83	Report Number, including Substance Subject to Voluntary Management
Small Amounts of New Chemical Substance Notification Number	576	588	651	682	700	Total Number of Reports based on the PRTR Law and the Labor Safety and Sanitation Law
New Chemical Substance Notification Number	23	11	11	37	25	Total Number of Reports based on the PRTR Law and the Labor Safety and Sanitation Law

*Since the minimum amount of each substance that must be reported under the PRTR Law was changed from 5 tons to 1 ton in Fiscal Year 2003, the total amount of substances affected increased temporarily.

Green Procurement

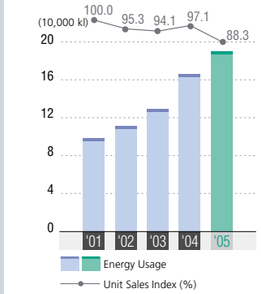
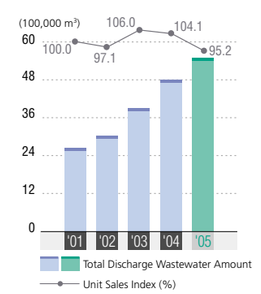
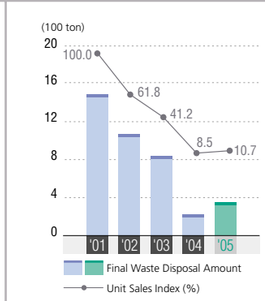
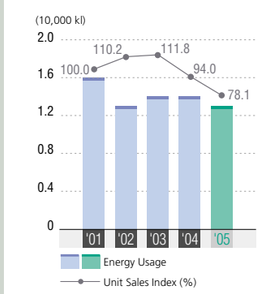
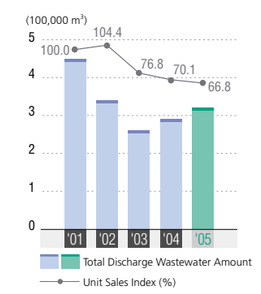
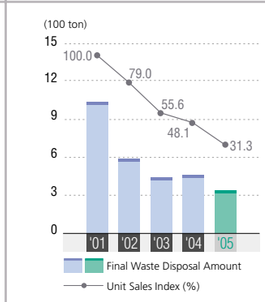
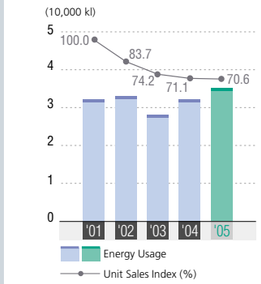
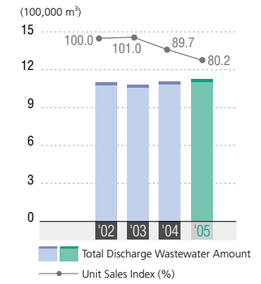
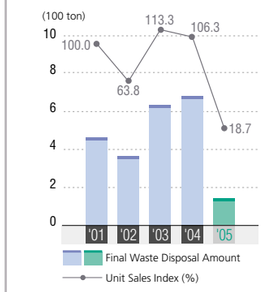
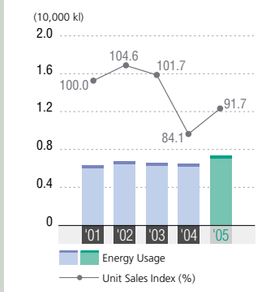
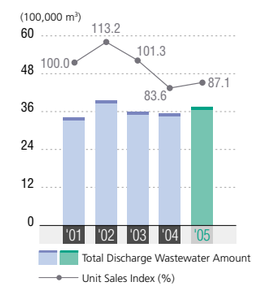
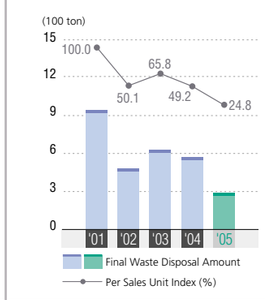
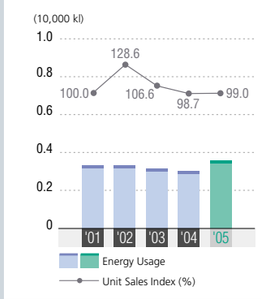
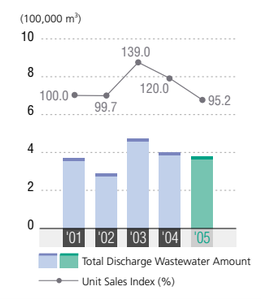
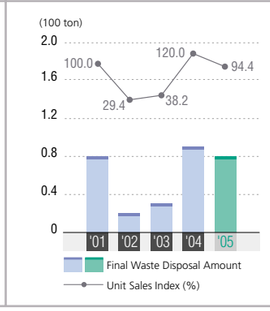


Status of ISO 14001 Certification Acquisition by Main Trading Partners



Number of main trading partners, as of March 31, 2006: 740

Companies of the Shin-Etsu Group

	Energy Usage (crude oil equivalent)	Total Discharge Wastewater Amount	Final Waste Disposal Amount
Shin-Etsu Handotai Co., Ltd.			
Shin-Etsu Quartz Products Co., Ltd.			
JAPAN VAM & POVAL CO., LTD.			
Nissin Chemical Industry Co., Ltd.			
Shinano Electric Refining Co., Ltd.			

ISO 14001 Certification of the Shin-Etsu Group

Shin-Etsu Chemical was the first major Japanese chemical manufacturer to acquire ISO 14001 certification (Gunma Complex).

Company	Plant	Certification Date	Certification Number	Certifying Organization
Shin-Etsu Chemical	Naoetsu Plant	1999. 5.31	JCQA-E-0064	JCQA
	Takefu Plant	1998.12.25	JQA-EM0298	JQA
	Gunma Complex	1996. 7. 1	JCQA-E-002	JCQA
	Kashima Plant	2000. 3.21	JCQA-E-0126	JCQA
Shin-Etsu Handotai Group	Isobe Plant	1997.11.10	JP97/11339EM	SGS UK LTD
	Shirakawa Plant	1997. 1.21	JP97/09073EM	SGS UK LTD
	Takefu Plant	1997. 7.24	TW97/10362EM	SGS UK LTD
	Saigata Plant	1997.12.16	JP97/11540EM	SGS UK LTD
	Naoetsu Electronics Industrial Co., Ltd.	1998. 7.28	TW98/13930EM	SGS UK LTD
	Nagano Electronics Industrial Co., Ltd.	1998. 2.20	JP98/12319EM	SGS UK LTD
	Mimasu Semiconductor Industry Co., Ltd.	1998. 1.19	TW98/11804EM	SGS UK LTD
	Iwaki Semiconductor Co., Ltd.*	2005. 4.12	2562	ASR
	S.E.H. America, Inc.	1998. 9.25	33486	ABS
	S.E.H. Malaysia Sdn. Bhd.	1998. 5. 8	S02700001	SIRIM
	S.E.H. (Shah Alam) Sdn. Bhd.	1999. 9.21	S03430001	SIRIM
	S.E.H. Europe Ltd.	1999. 1.26	E53	NQA
	Shin-Etsu Opto Electronic Co., Ltd.	1998.11.18	01 104 8198	TUV
	Shin-Etsu Handotai Taiwan Co., Ltd.	1999. 8.24	T992009	LRQA Taipei
Nissin Chemical Industry Co., Ltd.		2000. 4.24	JCQA-E-0137	JCQA
JAPAN VAM & POVAL CO., LTD.		1999. 1.11	JCQA-E-0042	JCQA
Naoetsu Sangyo Limited		2000.10.23	JCQA-E-0187	JCQA
Shin-Etsu Quartz Products Group	Takefu Plant	2000. 1. 5	35154	ABS-QE
	Koriyama Plant	2000. 6.14	35155	ABS-QE
	Sasebo Plant	2002.10.21	36806	ABS-QE
	Kyushu Plant	2003.10. 3	37949	ABS-QE
	Fukui Shin-Etsu Quartz Co., Ltd.	2002. 6.20	36800	ABS-QE
	Yamagata Shin-Etsu Quartz Co., Ltd.	2001.11. 2	36558	ABS-QE
	Young Shin Quartz Co., Ltd.*	2004.10.21	43194	TUV
	Topco Quartz Products Co., Ltd.*	2000. 5.31	1576	DNVC
Adomatechs Co., Ltd.		2005. 3.18	EM4617	JQA
Shin-Ai Industry Co., Ltd.*		2002.12.16	E02-294	Electrical Safety & Environment Technology Laboratories
Shintech Inc. (Free Port Plant)		2005.12. 8	EMS 93173	Bsi
Shin-Etsu PVC B.V. (PVC Plant)		1997. 7.27	07722-2004-AE	DNVC
Shin-Etsu PVC B.V. (VCM Plant)		2003. 9. 4	07555-2003-AE	DNVC
CIRES S.A.		2002.11.20	02/AMB.070	APCER
SE Tylose GmbH & Co. KG		1997.10.22	01 104 7041	TUV
Shin-Etsu Silicone Taiwan Co., Ltd.		2000. 6. 6	E18050	SGS-Yarsley
Shin-Etsu Silicone Korea Co., Ltd.		2006. 4.12	EMS-0373	K Standards Association
Shin-Etsu Electronics Materials Singapore Pte. Ltd.		2001. 6. 5	162906	BVQI
Shin-Etsu (Malaysia) Sdn. Bhd.		2001. 3. 2	S055301031	SIRIM
P.T. Shin-Etsu Magnetics Indonesia*		2000. 9.28	TW00/18565EM	SGS-Yarsley

*Non-consolidated company

Measures taken by the Shin-Etsu Group

Date	Measures taken
Apr., 1953	Work manuals and standards formulated
Sep., 1955	Education and training committees established
Mar., 1961	R&D Committee and Chemical Industry Council established
June, 1961	Safety Council established
Oct., 1961	First safety audit carried out
Nov., 1966	Safety Health and Hygiene Committee established
Nov., 1970	Environmental Control & Safety Department established
Oct., 1971	Wastewater treatment facility completed at Isobe Plant
Mar., 1972	Large-scale hydrochloric acid recovery facility (byproductincinerator) completed at Kashima Vinyl Monomer plant
Nov., 1973	Companywide emergency council established
Feb., 1974	Environmental Control & Safety Departments in each plant placed under direct jurisdiction of plant general managers
Aug., 1975	Environmental Control & Safety Management Regulations and Emergency Response Regulations formulated
Oct., 1989	CFC Control Countermeasures Committee established
May, 1990	Global Environment Issues Countermeasures Committee established (by reorganizing the CFC Control Countermeasures Committee)
Mar., 1995	Participation in Responsible Care (RC) promotion
July, 1996	ISO 14001 certification obtained for the Gunma Complex
Dec., 1997	ISO 14001 certification obtained for all production plants of Shin-Etsu Handotai
Aug., 1998	Environmental Charter adopted
Nov., 1998	First Environmental Report published
Jan., 1999	ISO 14001 certification obtained for JAPAN VAM & POVAL CO., LTD.
Nov., 1999	Companywide hearing on environmental issues
Mar., 2000	ISO 14001 certification obtained for all production plants of Shin-Etsu Chemical
Apr., 2000	ISO 14001 certification obtained for Nissin Chemical Industry
May, 2000	Final disposal facility completed at the Gunma Complex
Oct., 2001	Waste disposal facility completed at the Naoetsu Plant
Mar., 2003	Attended First International Conference on Green and Sustainable Chemistry (GSC TOKYO 2003)
Apr., 2005	Corporate Social Responsibility (CSR) Promotion Committee established
July, 2005	Waste-recycling system at Naoetsu Plant began full-scale operation
Oct., 2005	Environmental Charter revised

Safety/Environment/Industrial Health-related Commendation Results

Date	Commendation Reason	Commended Business Establishment
Nov., 1988	Fukui Prefectural Governor's Award for Excellent Manufacturer of High-Pressure Gases	Shin-Etsu Handotai/Takefu
Sep., 1992	International Trade and Industry Minister's Award for Excellent Green Factory	Shin-Etsu Handotai/Shirakawa
Oct., 1993	Osaka Prefectural Governor's Award for Excellent Manufacturer Related to High-Pressure Gases	JAPN VAM & POVAL
Nov., 1994	Achieved 13,300,000 disaster-free hours, a 3rd class disaster free record	Shin-Etsu Handotai/Shirakawa
June, 1996	Prime Minister's Commendations for Outstanding Contribution to the National Greening Campaign	Shin-Etsu Handotai/Shirakawa
Oct., 1996	Minister of International Trade and Industry Award for Excellent Manufacturing Facility of High-Pressure Gases	Shin-Etsu Chemical/Gunma
June, 1997	Fire Defense Agency Director General's Prize for superior handling of hazardous materials	Shin-Etsu Chemical/Gunma
June, 1997	Fire Defense Agency Director General's Prize for superior handling of hazardous materials	JAPN VAM & POVAL
Nov., 1998	Superior High-Pressure Gas Production Facility Award from Head of Kinki Bureau of Economy, Trade and Industry	Shin-Etsu Handotai/Takefu
July, 1999	Superior High-Pressure Gas Production Facility Award from Head of Kanto Bureau of Economy, Trade and Industry	Shin-Etsu Chemical/Kashima
June, 2000	Fire Defense Agency Director General's Prize for superior handling of hazardous substances	JAPN VAM & POVAL
July, 2000	Minister of Labor Superior Prize	Nissin Chemical Industry
July, 2000	Minister of Labor Superior Prize	Naoetsu Electronics Industrial
Nov., 2000	Superior High-Pressure Gas Production Facility Award from Head of Kinki Bureau of Economy, Trade and Industry	Shin-Etsu Quartz Products/Takefu
Oct., 2001	Minister of Health, Labor and Welfare's commendation for industrial hygiene activities	Shin-Etsu Quartz Products/Takefu
Oct., 2001	Minister of Economy, Trade and Industry Award for Superior High-Pressure Gas Production Facility	Shin-Etsu Chemical/Kashima
Oct., 2002	Thirty-Year disaster-free Special Achievement Award from the Japan Soda Industry Association	Shin-Etsu Chemical/Naoetsu
Nov., 2002	Superior High-Pressure Gas Production Facility Award from Head of Kinki Bureau of Economy, Trade and Industry	Fukui Shin-Etsu Quartz
July, 2003	Superior High-Pressure Gas Production Facility Award from Head of Kanto Bureau of Economy, Trade and Industry	Shin-Etsu Chemical/Kashima
Aug., 2003	Achieved 7,000,000 disaster-free hours, a 1st class disaster-free record	Shin-Etsu Handotai/Isobe
Aug., 2003	Achieved 5th class disaster-free record	Naoetsu Electronics Industrial
July, 2005	Excellent Safety and Hygiene Workplace Award from the Minister of Health, Labor and Welfare	Shin-Etsu Chemical/Kashima
Dec., 2005	Commendation of the Malaysian Ministry of Human Resources (a counterpart of the Japanese Health, Labour and Welfare Ministry) for One of Five Domestic Companies in Malaysia for Excellence in Safety and Occupational Health Management	S.E.H.(Shah Alam) Sdn. Bhd.

External Assessments and Ratings

MS-SRI、FTSE4Good

Rating

Moody's Investors Service, Inc. has classified
Shin-Etsu Chemical Co., Ltd.'s long-term debts as A1

Memberships

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
Others

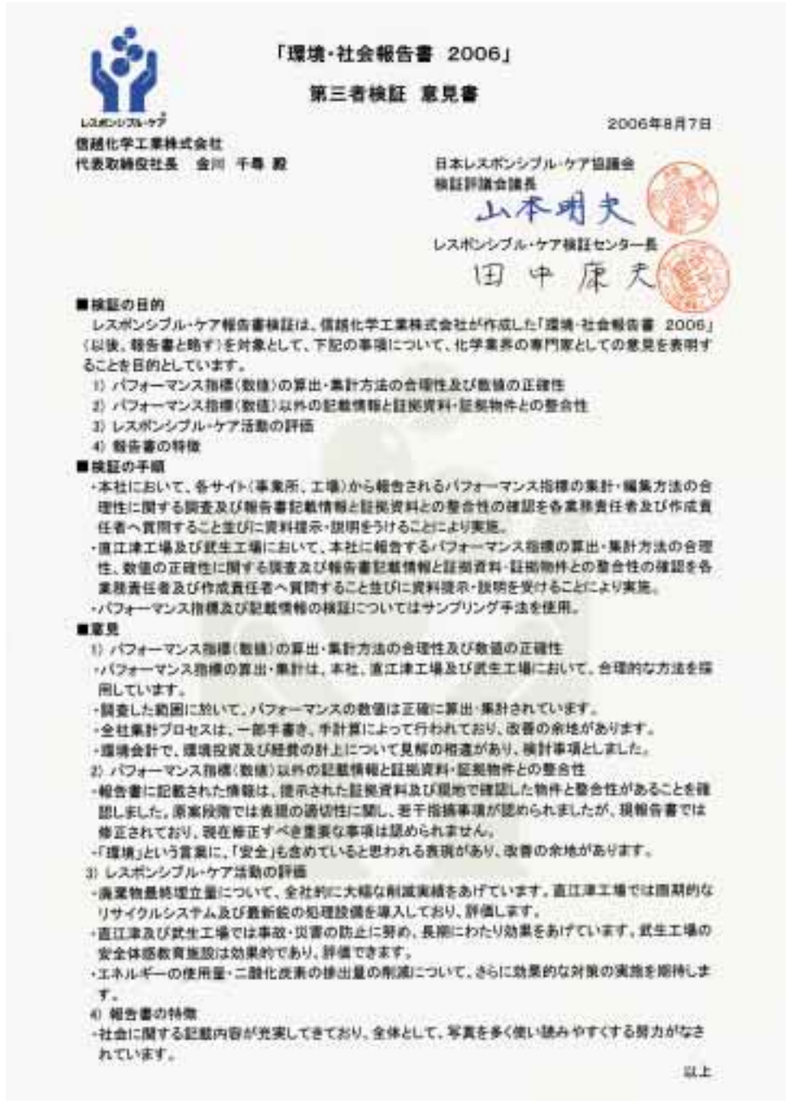
As of March 31, 2006

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 conducted in accordance with the "Fundamental Policy of the Japan Chemical Industry Association for Environment and Safety" (Revised edition, 2005) and the "Responsible Care Codes"*. The verification process aims to improve the quality of RC activities by providing objective evaluations of the content and results of RC activities carried out by JRCC members, and serves to enhance the credibility of RC activities by publishing the results and ensuring accountability.

***Responsible Care Codes:**
Six principle areas are addressed when implementing Responsible Care: environmental preservation, process safety and disaster prevention, occupational health and safety, distribution safety, chemical and product safety, and dialogue with the public. Codes cover initiatives in these areas, together with the Management System Codes required for operating all the above.



「環境・社会報告書 2006」
第三者検証 意見書

2006年8月7日

信越化学工業株式会社
代表取締役社長 金川 千尋 殿

日本レスポンシブル・ケア協議会
検証評議会議長
山本明夫

レスポンシブル・ケア検証センター長
田中康夫

■検証の目的
レスポンシブル・ケア報告書検証は、信越化学工業株式会社が作成した「環境・社会報告書 2006」（以後、報告書と略す）を対象として、下記の事項について、化学業界の専門家としての意見を表明することを目的としています。
1) パフォーマンス指標（数値）の算出・集計方法の合理性及び数値の正確性
2) パフォーマンス指標（数値）以外の記載情報と証拠資料・証拠物件との整合性
3) レスポンシブル・ケア活動の評価
4) 報告書の特徴

■検証の手順
・本社において、各サイト（事業所、工場）から報告されるパフォーマンス指標の集計・編集方法の合理性に関する調査及び報告書記載情報と証拠資料との整合性の確認を各業務責任者及び作成責任者へ質問すること並びに資料提示・説明を受けることにより実施。
・直江津工場及び武生工場において、本社に報告するパフォーマンス指標の算出・集計方法の合理性、数値の正確性に関する調査及び報告書記載情報と証拠資料・証拠物件との整合性の確認を各業務責任者及び作成責任者へ質問すること並びに資料提示・説明を受けることにより実施。
・パフォーマンス指標及び記載情報の検証についてはサンプリング手法を使用。

■意見
1) パフォーマンス指標（数値）の算出・集計方法の合理性及び数値の正確性
・パフォーマンス指標の算出・集計は、本社、直江津工場及び武生工場において、合理的な方法を採用しています。
・調査した範囲に於いて、パフォーマンスの数値は正確に算出・集計されています。
・全社集計プロセスは、一部手書き、手計算によって行われており、改善の余地があります。
・環境会計で、環境投資及び経費の計上について見解の相違があり、検討事項としました。
2) パフォーマンス指標（数値）以外の記載情報と証拠資料・証拠物件との整合性
・報告書に記載された情報は、提示された証拠資料及び現地で確認した物件と整合性があることを確認しました。原案段階では表現の適切性に関し、若干指摘事項が認められましたが、現報告書では修正されており、現在修正すべき重要な事項は認められません。
・「環境」という言葉に、「安全」も含めていると思われる表現があり、改善の余地があります。
3) レスポンシブル・ケア活動の評価
・廃棄物最終埋立量について、全社的に大幅な削減実績をあげています。直江津工場では循環的なリサイクルシステム及び最新鋭の処理設備を導入しており、評価します。
・直江津及び武生工場では事故・災害の防止に努め、長期にわたり効果をあげています。武生工場の安全体感教育施設は効果的であり、評価できます。
・エネルギーの使用量・二酸化炭素の排出量の削減について、さらに効果的な対策の実施を期待します。
4) 報告書の特徴
・社会に関する記載内容が充実してきており、全体として、写真を多く使い読みやすくする努力がなされています。

以上