

Corporate Governance and Compliance

Basic Policies concerning Corporate Governance

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

Corporate Governance System

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

In June 2009, Shin-Etsu appointed Toshihiko Fukui, former Governor of the Bank of Japan, as a new external director.

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

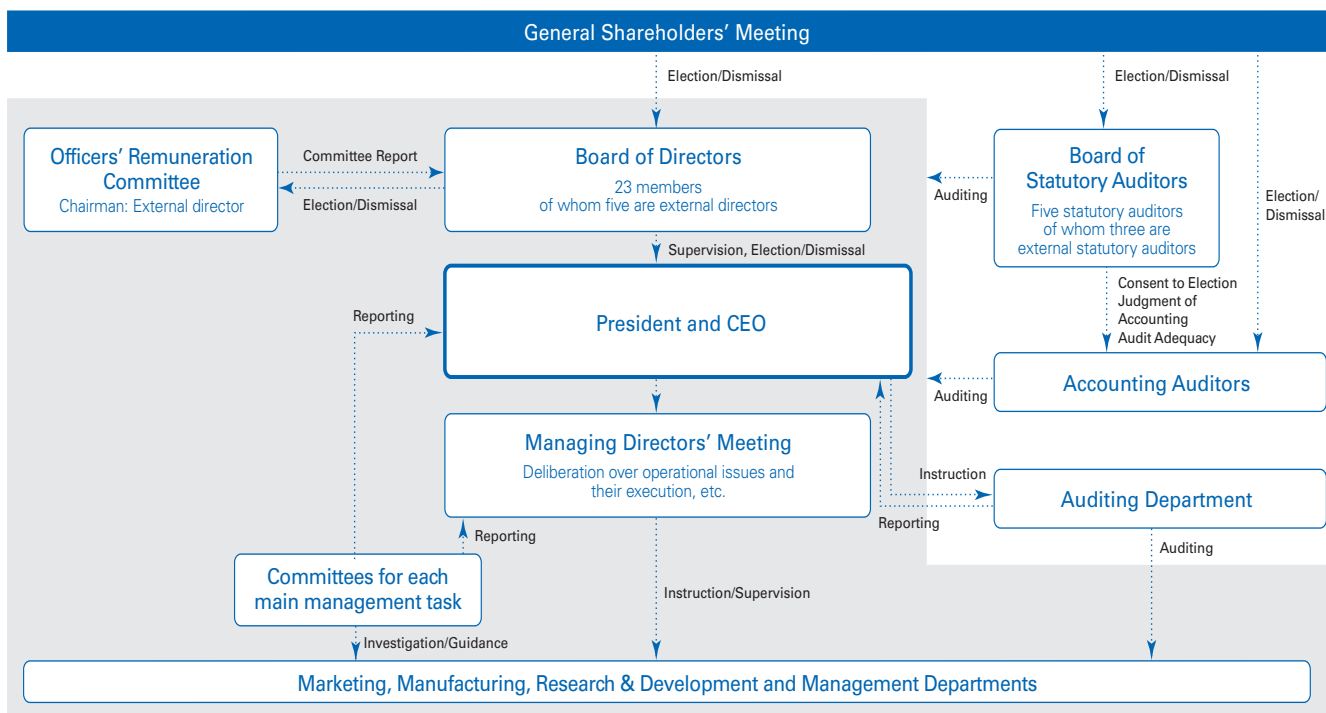
With regard to decisions about reviewing officers' remuneration, Shin-Etsu has an Officers' Remuneration Committee chaired by an external director. The committee reports to the Board of Directors to increase management transparency and reliability. Total officers' remuneration was ¥1,423 million in fiscal 2009.

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

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

Shin-Etsu has organized the internal control promotion

Shin-Etsu's Corporate Governance Structure



team to ensure the reliability of financial reporting and improve management transparency, which includes responding to the system of internal controls for financial reporting based on the Financial Instruments and Exchange Law applied from April 2008.

Basic Policy concerning Compliance

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

Toward Thorough Compliance Management

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

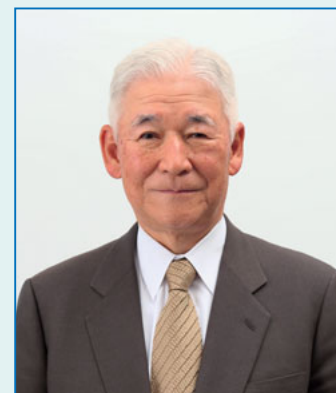
As part of its thorough compliance system, all officers and employees have signed a written Compliance Pledge. In this document they pledge to apply themselves to compliance-based activities in their daily duties.

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

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

Toshihiko Fukui, Former Governor of the Bank of Japan, Assumes Position as Director

Shin-Etsu has appointed Toshihiko Fukui, former Governor of the Bank of Japan, as an external director. Mr. Fukui is a person of outstanding knowledge, experience and character, and was named "the world's best central banker" by *The Economist*, the British economic magazine, in its February 13, 2004 issue. Since assuming the position of Special Adviser in November 2008, he has attended key meetings to provide beneficial advice from a broad perspective.



Reasons for Inviting Mr. Fukui

The reasons for inviting Mr. Fukui to serve as an external director are to avail ourselves of his rich knowledge and experience by receiving his continued guidance on a variety of management issues amid the current global economic turmoil, as well as to strengthen corporate governance and to establish a highly transparent management organization.

Mr. Fukui made the following comments to Shin-Etsu at the time of his appointment:

Mr. Fukui's Comment

"During my career at the Bank of Japan, I considered that it was essential to grasp accurately the actual situation of the economy in order to appropriately carry out financial policy, and I particularly valued having discussions with many top corporate managers. During the course of these conversations, I received a request from Shin-Etsu Chemical President Kanagawa to assume the position of Special Adviser followed by his request to me to assume the heavily responsible post of Director. President Kanagawa is a corporate manager who has his own original management philosophy, who has globally developed his company's businesses, and who confidently makes management judgments on his own. I am truly honored to have been requested to assume the positions.

"In the future, I would like to participate in the company's management so that I can look at things based on a broader set of on-site business experiences."