

Board of Directors and Auditors

(As of June 29, 2010)

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Chihiro Kanagawa

PRESIDENT



Shunzo Mori

EXECUTIVE VICE PRESIDENTS



Fumio Akiya



Yasuhiko Saitoh

EXECUTIVE SENIOR MANAGING DIRECTOR



Yoshiaki Ono

CHAIRMAN

Chihiro Kanagawa

PRESIDENT

Shunzo Mori

EXECUTIVE VICE PRESIDENTS

Fumio Akiya

In charge of Semiconductor Materials, Advanced Materials and Technologies

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General Manager, International Division*

EXECUTIVE SENIOR MANAGING DIRECTOR

Yoshiaki Ono

General Manager, Silicone Division

MANAGING DIRECTORS

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In charge of General Affairs, Personnel & Labor Relations, Environmental Control & Safety and Auditing

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*In charge of New Functional Materials
General Manager, Research & Development Department and New Functional Materials Research Center*

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General Manager, Planning & Administrative Department, Semiconductor Materials Division

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*In charge of the Office of the President and Finance & Accounting
General Manager, Office of the Secretariat*

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*Honorary Adviser,
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*Former Director & Chairman, Nikko Cordial Corporation
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Tsuyoshi Miyazaki*

Advisor, Mitsubishi Logistics Corporation

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FULL-TIME STATUTORY AUDITOR

Osamu Okada

STATUTORY AUDITORS

Masahiko Watase

Taku Fukui**

Yoshihito Kosaka**

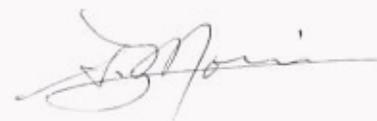
Kiyoshi Nagano**

* External director

** External auditor

Greetings to all stockholders

I was appointed President at the meeting of the Board of Directors following the annual stockholders' meeting on June 29, 2010. I wish to ask for your support and guidance.



Shunzo Mori
President

Looking back on my first year as director

Close to a year has already passed since my appointment as a director. It has been a challenging year, following the unprecedented international financial and economic crisis and the substantial decline of the Japanese economy that resulted.

Amid these circumstances, Shin-Etsu has carried out steadfast business efforts specifically targeted at attaining a recovery in earnings.

When a company tries to achieve earnings targets in the face of headwinds, following a strategy designed to only “sellout” total production is not sufficient. It is essential to “maintain proper price levels.” It is predictable that other companies would aggressively cut prices in desperation, and it is clear that Shin-Etsu could not counter these actions with strong determination alone.

However, the true strength of Shin-Etsu lies in overcoming such challenges. Let's consider the reasons for Shin-Etsu's strength:

Shin-Etsu is a materials manufacturer, and manufacturers of final goods exist apart from materials manufacturers. Added value is incorporated at the stage of the manufacture of the final goods. It stands to reason that the contribution of materials to the value-added of final goods is returned to the materials manufacturer in the form of earnings. Accordingly, in order for a materials manufacturer to increase earnings, the manufacturer has to supply good materials that are suitable for the final goods maker to produce high-value-added goods.

When we further extend this analysis with regard to the point about selling out total production, a materials



Toshihiko Fukui
External Director
Former Governor of
the Bank of Japan

manufacturer needs to supply materials that have superior quality and at the same time are easy to use, so that the materials will be bought by as many manufacturers of final goods as possible, both in Japan and overseas.

From the point of view of maintaining proper price levels, it is important to build a wall of differentiation surrounding Shin-Etsu's core technologies, so that competing materials manufacturers cannot duplicate Shin-Etsu's products.

If this line of reasoning is correct, then it probably means that based on the results shown by past earnings, Shin-Etsu is running way ahead of others in taking the right path.

However, technological progress never stops, and competitors are working ever more vigorously to try and close the gap. We can never be complacent. Going forward, I would like in my humble way to help contribute to the further growth of Shin-Etsu. I would like to continue to be in the support line in Shin-Etsu's great effort to meet the intellectual challenges in business to assure future growth.