

Management

Board of Directors and Audit & Supervisory Board

(As of June 27, 2013)



Chihiro Kanagawa

Shunzo Mori

Fumio Akiya

Yasuhiko Saitoh

Toshinobu Ishihara

CHAIRMAN

Chihiro Kanagawa

PRESIDENT

Shunzo Mori

EXECUTIVE VICE PRESIDENTS

Fumio Akiya

In charge of Semiconductor Materials, Advanced Materials and Technologies

Yasuhiko Saitoh

In charge of the Office of the President, Public Relations, Finance & Accounting and Legal Affairs
General Manager, International Division

SENIOR MANAGING DIRECTOR

Toshinobu Ishihara

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

MANAGING DIRECTORS

Kiichi Habata

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

Koji Takasugi

In charge of Purchasing, General Manager, Special Functional Products Department

Masahiko Todoroki

General Manager, Planning & Administration Department, Semiconductor Materials Division

Toshiya Akimoto

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

Fumio Arai

General Manager, Organic Chemicals Division

Yukihiro Matsui

General Manager, Electronics Materials Division

DIRECTORS

Frank P. Popoff*

Former Chairman, The Dow Chemical Company (US)

Masashi Kaneko*

Former Director & Chairman of the Board of Executive Officers, former Nikko Cordial Corporation

Tsuyoshi Miyazaki*

Advisor, Mitsubishi Logistics Corporation

Toshihiko Fukui*

Former Governor, the Bank of Japan

Hiroshi Komiyama*

Former President, the University of Tokyo

Masaki Miyajima

General Manager, PVC Division

Toshiyuki Kasahara

General Manager, Finance & Accounting Department

Hidenori Onezawa

General Manager, Business Development Department

Ken Nakamura

General Manager, Office of the President and Public Relations Department

Hiroaki Okamoto

In charge of Patents
General Manager, Development & Investigation Department

Susumu Ueno

General Manager, Silicone Division

Kazumasa Maruyama

General Manager, New Functional Materials Department

FULL-TIME AUDIT & SUPERVISORY BOARD MEMBER

Osamu Okada

AUDIT & SUPERVISORY BOARD MEMBERS

Masahiko Watase

Taku Fukui**

Yoshihito Kosaka**

Kiyoshi Nagano**

* Outside director

** Outside audit & supervisory board member

Management

Corporate Governance and Compliance

The basic management policy of the Shin-Etsu Group is to meet the expectations of shareholders by constantly increasing corporate value. To accomplish this, the Group has assembled an efficient organizational structure and numerous systems that can respond swiftly to changes in the operating environment. In addition, from the standpoint of improving transparency and supervisory functions, the Group's basic concept for corporate governance is to position the disclosure of timely and accurate information to shareholders and other investors as one of the most important responsibilities of management.

Corporate Governance System

The Shin-Etsu Board of Directors has 23 members, including five outside directors, and provides a framework to upgrade and reinforce supervision. The Managing Directors' Meeting and the Board of Directors fulfill the roles necessary to discuss issues involving business operations and to reach decisions. In principle, both hold meetings once each month. Shin-Etsu uses the audit & supervisory board member system. There are five audit & supervisory board members including three outside audit & supervisory board members, a framework that provides for upgrading and reinforcing the auditing function.

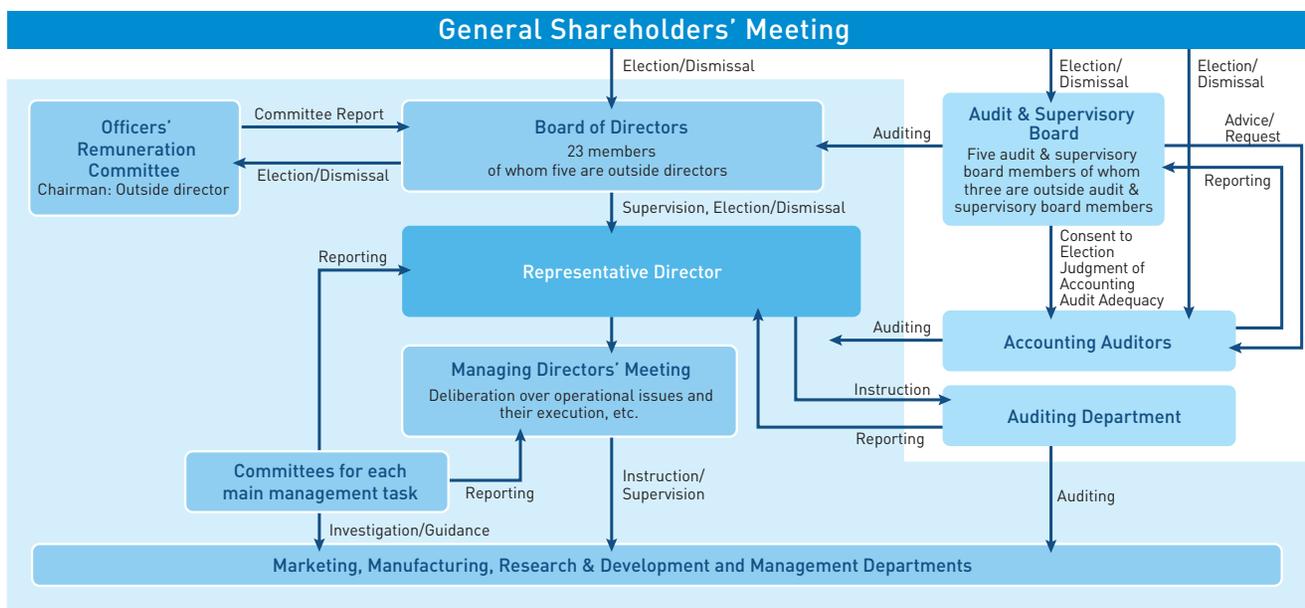
The Auditing Department is responsible for performing internal audits and for evaluating internal control systems for financial reports. This department audits business

activities across the entire organization in order to ensure that the Company is operating properly and in compliance with laws and regulations.

Shin-Etsu is dedicated to ensuring the reliability of financial reporting and improving the transparency of its management.

The Company established the "Basic Policy on Internal Controls for Financial Reporting" in December 2007 and implements strict internal controls in line with this policy. These controls comply with the system of internal control over financial reporting based on the Financial Instruments and Exchange Law, which became effective in the fiscal year ended March 31, 2009. Information about specific activities involving corporate governance and compliance can be viewed on the Company's website (Japanese only) and is disclosed in other ways as well.

Shin-Etsu's Corporate Governance Structure



Selection and Roles of Outside Directors and Audit & Supervisory Board Member

Shin-Etsu's Board of Directors includes a number of prominent individuals from outside the Shin-Etsu Group. These outside directors include corporate executives and others who can use their wealth of experience and knowledge to assist in the Group's management. Outside directors attend board meetings and other important meetings. These individuals draw on their experience in corporate management and other fields to provide insights from a broad perspective and to perform a supervisory role from an independent standpoint. Shin-Etsu also has outside audit & supervisory board members. These individuals perform audits by utilizing their specialized knowledge and experience and their insight as corporate managers. Outside audit & supervisory board members safeguard the compliance system by attending meetings of the Board of Directors and Audit & Supervisory Board and other important meetings. At these meetings, the outside audit & supervisory board members provide input that reflects know-how in their respective areas of expertise and a broad perspective in their experience as corporate managers.

The outside directors and outside audit & supervisory board members are not former members of the parent company, its affiliated companies, major stockholders or major clients, and are highly independent of the Group.

Officers' Remuneration

The Officers' Remuneration Committee is chaired by an outside director and includes three other directors. The committee reviews and assesses officers' remuneration based on the regulations for the activities of this committee. Two regular meetings are held each year. Other meetings are held as required, including audio conferencing, and reports are submitted to the Board of Directors. In fiscal 2013, total remuneration paid to officers was ¥1,379 million. Of this amount, ¥170 million was paid to outside directors and outside audit & supervisory board members. This remuneration does not include salaries (including bonuses) paid to the employee directors in return for serving as employees.

Basic Policy Concerning Compliance

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

Commitment to Strict Compliance

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

Risk Management

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

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

To comply with the Act on the Protection of Personal Information, the Shin-Etsu Group established a personal information protection policy that is posted on the Company's website (Japanese only). Furthermore, we educate employees about this act and take other steps to ensure that personal information is handled properly and thoroughly protected.

Management

Corporate Social Responsibility (CSR)

The Shin-Etsu Group's global manufacturing network supplies many types of materials and products that are used by individuals and companies. The Group focuses all its resources and energy on business operations, which include safety, the environment and social activities.

Basic CSR Policy

The Shin-Etsu Group believes that its obligation to society is to adhere to the corporate mission and make contributions to shareholders and all other relevant parties. The following basic CSR policy provides concrete guidelines for fulfilling this obligation. It also serves as the framework for a variety of internal rules and regulations as well as all of the Group's activities.

The Shin-Etsu Group:

1. Will enhance the Group's corporate value through sustained growth and make multi-faceted contributions to society.
2. Will carry out our business activities by making safety always our highest priority.
3. Will constantly pursue energy-saving, resource-saving, and the reduction of the environmental burden, and seek to maintain harmony with the environment.
4. Will endeavor to use our cutting-edge technologies and products in order to contribute to combating global warming and protecting biodiversity.
5. Will respect human dignity, assure equal employment opportunities, and support the self-fulfillment of our employees.
6. Will disclose information that is timely and accurate.
7. Will perform transparent business activities that are sound and trustworthy in accordance with the highest ethical standards.

Participation in U.N. Global Compact



As a member of the global chemical industry, the Shin-Etsu Group signed the Responsible Care Global Charter of the International Council of Chemical Associations in 2006. Responsible Care covers worldwide activities involving environmental protection, safety, and health. Shin-Etsu Chemical became a participant in the U.N. Global Compact in November 2010. This international initiative was started in 2000 based

on a proposal by then U.N. Secretary General Kofi Annan at a global economic forum. The compact encourages companies and organizations worldwide to become even better corporate citizens by supporting and following 10 principles in the areas of human rights, labour, the environment and anti-corruption.

These activities are consistent with the Shin-Etsu Group's corporate philosophy and basic CSR policy. We will continue to do business in line with these principles to build even stronger relationships with the public.

The U.N. Global Compact's Ten Principles

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Reinforcing Business Continuity

To ensure the continuity of business operations, the Shin-Etsu Group takes extensive safety measures to be prepared for any situation, from accidents to natural disasters.

■ Responses to Emergencies

Many of the Shin-Etsu Group's products have high global market shares and are used in specialized applications in high-tech industries. Any disruption in the supply of these products could have a serious impact on society.

We have formulated a company-wide Business Continuity Management Standards to fulfill our responsibility to supply important products even after a major disaster. These standards include the creation of a business continuity plan and its management.

■ Safety Measures for Equipment

All Shin-Etsu Group's production bases comply with all legal requirements for safety. We even further enhance the inherent safety of our equipment and processes with the most advanced technologies. Moreover, we use an organizational approach to perform, examine, and confirm preliminary assessments of safety measures.

■ Environmental Safety Audits

We perform environmental safety audits and special audits for specific purposes on a regular basis. The purpose is to confirm that environmental protection and workplace health and safety activities are performed as required.

Individuals from outside the Group participate to provide advice and guidance.

■ Environmental Initiatives

As a chemical manufacturer, the Shin-Etsu Group takes actions to protect the environment, such as conserving energy, mitigating global warming, reducing the environmental impact of business activities.

We manufacture a wide variety of products. While energy sources including electricity, heavy oil, kerosene, diesel oil, and steam are used to support this manufacturing, every Group company and production base has been making every effort to promote energy conservation. In fiscal 2013, the Shin-Etsu Group's energy consumption (crude oil equivalent) was 2,429 million liters, up 145 million liters from the previous fiscal year. This rise in energy consumption was caused by the increase in production volume of the entire Group. However, the Group's the energy consumption intensity decreased in metric tons of CO₂e per production.

The Group has established two mid-term environmental targets. One is reducing unit greenhouse gas emissions intensity to 50% of the 1990 level by 2015. In fiscal 2013, greenhouse gas emissions intensity was 63.2% of the 1990 level. The second target is realizing zero emissions (landfill waste 1% or less of all waste generated) by 2015. In fiscal 2013, 2.1% of industrial waste went to landfills. We will work even harder at lowering this percentage in order to achieve the target.

The Shin-Etsu Group's Greenhouse Gas Emissions Intensity Relative to Fiscal 1990 Levels



Management

CSR Opportunities

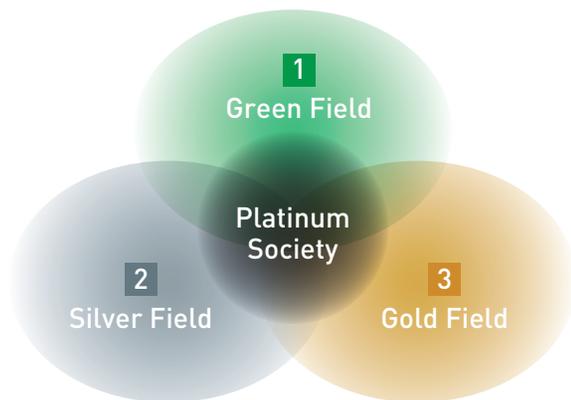
There are high expectations for companies in the chemical industry to play a role in resolving social issues and creating a sustainable society by developing revolutionary products and efficient technologies. With a focus on materials, technologies and products, the Shin-Etsu Group is striving towards realizing the concept of a Platinum Society. The term "Platinum Society" was coined in a book written by an outside director of

Shin-Etsu, Dr. Hiroshi Komiyama, in 2011 to describe a future society which is sustainable and has hope. In a Platinum Society, various problems in areas such as the environment, population aging and lack of demand and employment will be resolved and efforts are made to realize a society in which all people can fully enjoy their lives.

Group Activities in Three Fields: Green, Silver and Gold

Realizing a Platinum Society will require innovation in three fields:

- Green (Environment, resources and energy fields)
- Silver (Aging society fields)
- Gold (New technologies including IT)



1 Green Field (Environment, resources and energy)

Necessary innovation

- 1) Raise Japan's energy self-sufficiency rate to 70% by 2050 by developing renewable and natural energy sources and using energy more efficiently

Contributions by the Shin-Etsu Group

■ Rare-earth magnets

Used in the generators of wind power turbines, which conserve energy

■ Polyvinyl chloride

PVC windows conserve energy with their excellent thermal insulating properties.

■ Solar cell sealing materials

Used in solar panels, a source of renewable energy

■ LED packaging materials

A vital material for LEDs, which greatly reduce energy consumption



- 2) Raise Japan's self-sufficiency rate for mineral resources to 70% by 2050 by promoting recycling

Contributions by the Shin-Etsu Group

■ Rare-earth magnets

We aim to maintain a self-sufficient supply of rare earths by establishing a recycling system.

- 3) Raise Japan's food self-sufficiency rate to 70% and timber self-sufficiency rate to 100% by 2050

Contributions by the Shin-Etsu Group

■ Synthetic pheromones

We supply synthetic pheromones for low-pesticide agricultural and forestry operations.



2 Silver Field (Aging society)

Necessary innovation

1) Use anti-aging innovations to create a society in which senior citizens can continue to participate with pride

Contributions by the Shin-Etsu Group

■ Cellulose derivatives

We contribute to healthcare progress by developing products for pharmaceuticals that utilize the functions of cellulose derivatives.



2) Use robots and similar means to assist senior citizens who need help with physical activities such as using stairs or carrying heavy items

Contributions by the Shin-Etsu Group

■ Rare-earth magnets

Rare-earth magnets are used in joint motors of nursing care and support robots.

■ Silicones

Silicones are used as a cushioning material in nursing care and support robots.

■ Semiconductor silicon

Semiconductor silicon is used in electronic control devices for nursing care and support robots.

3 Gold Field (New technologies including IT)

Necessary innovation

Contribute to the development of advanced new technologies

The potential of the Shin-Etsu Group

■ Encapsulation technology for 3-D stacked packages

We are developing a 3-D stacked package technology to achieve further advances in integration and memory

capacity of semiconductor devices. Vertically stacking and encapsulating silicon wafers will require new semiconductor silicon as well as encapsulation and lithography technologies.



Dr. Hiroshi Komiyama
Outside director,
Former President of
The University of Tokyo

Director Komiyama's Comment

The operating environment for companies with global operations has been consistently challenging because of the European debt crisis and slowing economic growth in emerging countries. I believe this is more than simply part of an economic cycle. In industrialized countries, we are seeing a saturation of demand as consumers are satisfied with their physical possessions. This is the

true cause of the prolonged lackluster economic performance of industrialized countries. Consequently, downturns are no longer merely part of an economic cycle. Structural factors have become an increasingly important aspect of these downturns.

The Platinum Society is "a high-quality society where people can obtain the goods they want." The first step toward solving

problems in Japan is creating new demand by innovations in three fields: green (environment, resources and energy), silver (aging society) and gold (use of information and communication technology for "smart" products and services).

Manufacturers of materials will play a major role in achieving a Platinum Society. Innovative materials will be essential to making products that are efficient with respect to resources and the environment. Shin-Etsu already supplies many outstanding products that conserve energy: high-performance silicones that greatly improve LED brightness, PVC window frames with excellent thermal insulation, magnets for hybrid and electric vehicle motors, and cathode materials for high-capacity, high-output next-generation lithium-ion batteries. Applications for materials are virtually unlimited. Society's expectations are great for more innovation in materials that will help make a Platinum Society a reality.