

Advancing Management

Board of Directors and Audit & Supervisory Board Members

[As of June 27, 2014]

CHAIRMAN

PRESIDENT

EXECUTIVE VICE PRESIDENTS

SENIOR MANAGING DIRECTOR



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

Fumio Arai

General Manager, Organic Chemicals Division

Yukihiro Matsui

General Manager and Magnet Department Manager of 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

Kenji Ikegami

General Manager, Personnel & Labor Relations Department

Toshio Shiobara

Deputy General Manager and Organic Electronics Materials Department Manager of Electronics Materials Division

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

Corporate Governance and Compliance

The basic management policy of the Shin-Etsu Group is to meet the expectations of stockholders 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 stockholders and other investors as an important responsibility of management.

■ Corporate Governance System

The Shin-Etsu Board of Directors has 25 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.

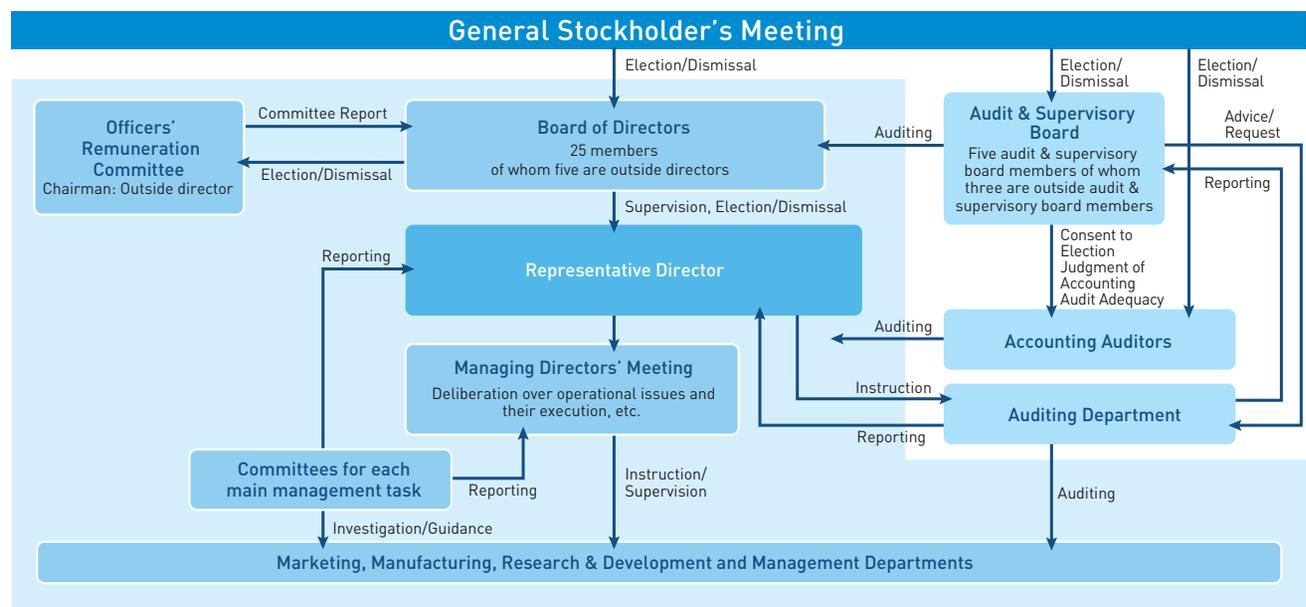
The Auditing Department is responsible for performing internal audits and for evaluating internal control systems for financial reports. This department audits business

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 implements strict internal controls in line with its policy based on the "Basic Policy on Internal Controls for Financial Reporting." 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



Advancing Management

Corporate Governance and Compliance

■ Selection and Roles of Outside Directors and Audit & Supervisory Board Members

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 offer advice and supervision to 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 limit for aggregate remuneration of directors is determined by stockholders' meeting. Remuneration for individual directors is determined by the Board of Directors based on examinations and evaluations performed by the Officers' Remuneration Committee, which is chaired by an outside director.

The limit for aggregate remuneration of corporate auditors is determined by stockholders' meeting and remuneration for individual corporate auditors is determined by these auditors. In fiscal 2014, total remuneration paid to officers was ¥1,425 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 mission is to strictly comply with all laws and regulations, and to conduct fair business practices. 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.

Investor Relations (IR) Activities

■ Basic Policy for IR Activities

Through our IR activities, we maintain dialogue with stockholders and other investors so that they may better understand our business operations and management policies. These activities are also a channel to receive input that we can reflect in how we manage business operations.

■ Disclosure Policy

The timely and proper disclosure of corporate information to stockholders and other investors plays an important role in the understanding of our company and appropriate market valuation. Our policy is to disclose information in a fair and transparent manner while complying with the Financial Instruments and Exchange Act and the Securities Listing Regulations of exchanges where we are listed.

■ Fiscal 2014 IR Activities

Earnings announcement meeting for analysts and institutional investors

- Explanation of first half and fiscal year results of operations
-

Earnings call for analysts and institutional investors

- Explanation of first quarter and third quarter results of operations
-

Conferences and small meetings held by securities companies

- 7 times a year
-

Briefings for individual investors

- 407 times a year
-

Plant observation tour

- Conducted an observation tour of the Shirakawa plant (1 tour is offered each year)
-

Major communication tools

- IR website
- Annual report
- Shin-Etsu report for individual stockholders (only in Japanese)



Conference held by securities company in 2013



Plant observation tour in 2013

IR Topics: Shin-Etsu Received Best IR Award from the Japan Investor Relations Association

Shin-Etsu was chosen as a recipient of a 2013 Best IR Award by the Japan Investor Relations Association. The award is bestowed upon companies that fully understand the purpose of IR, perform extensive IR activities and earn strong support from market participants. The selection committee members are comprised of securities analysts, institutional investors, university professors, journalists and other members with investment expertise. Committee members examine how innovative, forward-looking and aggressive IR activities are, and evaluate companies' ethics and compliance.

Shin-Etsu Chairman Chihiro Kanagawa participates in IR activities, based on his belief that a company's CEO should be

directly involved. Our selection for this award reflects the active participation of the Chairman, President Shunzo Mori, and some of our management in earnings announcement meetings, small meetings, securities companies' conferences and other events. At these events, they clearly answer every question. Therefore, they create many opportunities for direct communication with investors. Furthermore, we hold a plant observation tour in Japan once a year to give analysts and investors a better understanding of our operations.



Advancing Management

Corporate Social Responsibility (CSR)

The Shin-Etsu Group's mission statement is to comply strictly with all laws and regulations, conduct fair business practices, and contribute to people's daily lives as well as to the advancement of industry and society by providing key materials and technologies. As a supplier of materials with a global manufacturing network, we are dedicated to meeting the demands of our customers. It is our basic policy to make safety the first priority, to comply with laws and regulations, and contribute to important social issues such as environmental protection. We will continue to support progress in our lives, industry and society through our business 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 stockholders and all other relevant parties. The following basic CSR policy provides concrete guidelines for fulfilling this obligation. This policy 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 always making safety our highest priority.
3. Will constantly pursue energy saving, resource saving and reduction of our 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 2010. The compact encourages companies and organizations to support and follow 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 our 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 the execution and oversight of this plan.

■ Safety Measures

Preventing serious accidents is a high priority for the Shin-Etsu Group. We take extensive safety and accident prevention measures to ensure the safety of production processes and to maintain equipment condition.

In addition, we conduct risk assessments to identify sources of potential problems at workplaces and press forward to improve safety. Employees who experienced close-call incidents submit reports so that we can improve unsafe locations and processes. Other safety programs include the distribution of manuals and required compliance with their instructions. We also create pleasant workplaces through measures such as performing regular assessments of the working environment.

■ Environmental Safety Audits

We perform environmental safety audits and special audits for specific purposes every year. The purpose is to examine

and confirm that plants are conducting environmental protection, workplace health and safety, and safety and accident prevention as required.

■ Environmental Initiatives

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

We manufacture a wide variety of products. Energy sources including electricity, heavy oil, kerosene, diesel oil, and steam are used to support this manufacturing. Every group company and production base is working to conserve energy as our total energy consumption climbs along with the Group's production volume. In fiscal 2014, the Shin-Etsu Group's energy consumption (crude oil equivalent) was 2,433 million liters. This was 0.3% higher than in the previous fiscal year. However, the Group's energy consumption intensity, which is based on monetary sales, decreased.

The Shin-Etsu has established two medium-term environmental targets. One is reducing unit greenhouse gas emissions intensity to 50% of the 1990 level by 2015. In fiscal 2014, greenhouse gas emissions intensity was 58.5% of the 1990 level. The second target is achieving zero emissions (landfill waste of 1% or less of all waste generated) by 2015. In fiscal 2014, 1.74% of waste at group companies in Japan went to landfills. However, the amount of waste that was reused was 7.9% higher than in the previous fiscal year, so the volume of waste sent to landfills decreased 10.6%. We will work even harder at lowering this percentage in order to achieve zero emissions.

The Shin-Etsu Greenhouse Gas Emissions Intensity Relative to 1990 Levels



Advancing Management

Products and Technologies that Protect the Environment

Reducing the environmental impact of production is not the only way that the Shin-Etsu Group protects the environment. During development, we place priority on making products that can reduce environmental impact and are energy and resource efficient.

These products are used in a wide range of areas such as industries, our daily lives and renewable energy.



Polyvinyl chloride (PVC)

PVC is a general-purpose resin with a low dependence on petroleum as it is made from 60% salt, which is abundant on Earth, and 40% petroleum (weight to weight). It is a material with a low environmental impact and uses only about 60% of the energy required by other resins during manufacture. PVC is also durable and easy to recycle. This is why PVC is widely used to manufacture building and infrastructure materials ranging from window frames to water and sewage pipes.

PVC windows have excellent thermal insulation and condensation resistance. In Europe and the United States, most window frames are made of PVC and in China the use of PVC window frames is rapidly expanding.

These window frames are used in Japan as well, primarily in cold climate regions. Compared with ductile cast iron pipes^{*1}, PVC pipes have lower life cycle carbon dioxide emissions^{*2}, thereby helping to combat global warming.

^{*1} Ductile cast iron pipes.

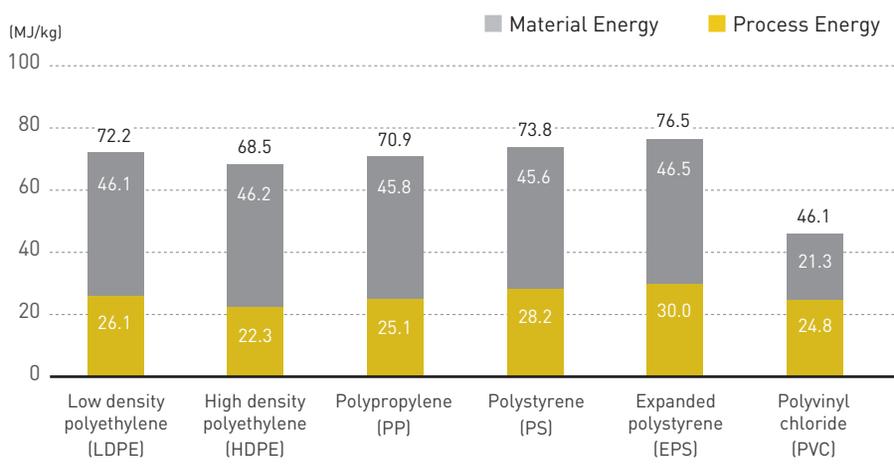
A pipe made from spheroidized graphite and iron

^{*2} Life cycle carbon dioxide emissions.

Total carbon dioxide emissions for a product from procured raw materials through to the processes of manufacture, use, disposal and recycling

Reference: Japan Chemical Industry Association "Life Cycle Analysis of chemical products in Japan around the world," 3rd edition
Vinyl Environmental Council website "Jushimado-to-kurasu"
<http://www.jmado.jp/> (Japanese only)

Energy consumption of plastic manufacturing process



PVC windows frames



PVC pipe

Reference: Plastic Waste Management Institute
"LCI data report of petrochemical products"



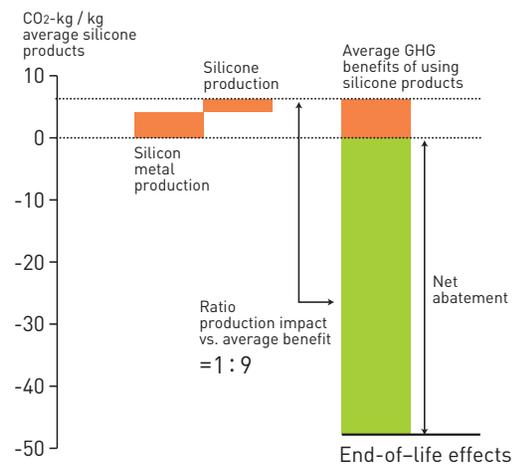
Silicone products

Silicone is a high-function material that has both organic and inorganic characteristics. It is used in a widely diverse range of fields such as electronics, automotive, cosmetics and construction and helps support our comfortable lifestyles.

In 2012, Silicone Industry Associations throughout the world performed a greenhouse gas survey for the global silicone market. The purpose was to compare greenhouse gas emissions associated with the production and disposal of silicone with the reductions in the same emissions brought about from the use of silicone. The survey looked at both silicone substitutes and substitution methods. Data revealed that the use of silicone cuts greenhouse gas emissions 9 times more than the amount of emissions produced by the manufacture and disposal of silicone. Furthermore, the survey showed that the use of silicone products in Europe, North America and Japan has the potential to lower annual greenhouse gas emissions by 54 million CO₂-tons. Consequently, silicone is capable of making an important contribution to the sustainability of economic growth.

Reference: Global Silicones Council
"SILICON-CHEMISTRY CARBON BALANCE"

Effects of greenhouse gas emission



The reduction of greenhouse gas emissions in one year by using silicone products in Europe, North America and Japan is

54 million tons



This amount is equivalent to the greenhouse gas emissions for one year of heating in 10 million homes.



Rare earth magnets

Rare earth magnets are about 10 times stronger than conventional ferrite magnets. Even small rare earth magnets can produce powerful magnetic fields. In hybrid and electric vehicle motors, compressors of energy-efficient air conditioners, and many other products, these magnets are vital to reducing size and weight while increasing output power.

In compressor motors, rare earth magnets improve energy efficiency by 5% to 10% and decrease power consumption. This causes a reduction in carbon dioxide emissions. Rare earth magnets also contribute to the renewable energy sector, where they are used in the generators of wind power turbines.



Air conditioners