

# Board of Directors and Audit & Supervisory Board Members

[As of June 26, 2015]

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 Semiconductors, Advanced Materials, Technologies and Environmental Control & Safety

**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 and Patents  
General Manager, Research & Development Department

## MANAGING DIRECTORS

**Kiichi Habata**

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

**Fumio Arai**

General Manager, Organic Chemicals Division

**Yukihiro Matsui**

General Manager and Magnet Department Manager of Electronics Materials Division

**Susumu Ueno**

General Manager, Silicone Division

## DIRECTORS

**Frank Peter 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**

In charge of Auditing  
General Manager, Business Development Department

**Kazumasa Maruyama**

General Manager, New Functional Materials Department

**Kenji Ikegami**

In charge of General Affairs  
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 MEMBERS

**Osamu Okada**

**Hiroaki Okamoto**

## AUDIT & SUPERVISORY BOARD MEMBERS

**Taku Fukui\*\***

**Yoshihito Kosaka\*\***

**Kiyoshi Nagano\*\***

\* Outside director

\*\* Outside audit & supervisory board member

## Corporate Governance and Compliance

The basic management policy of the 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 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 adopts 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.

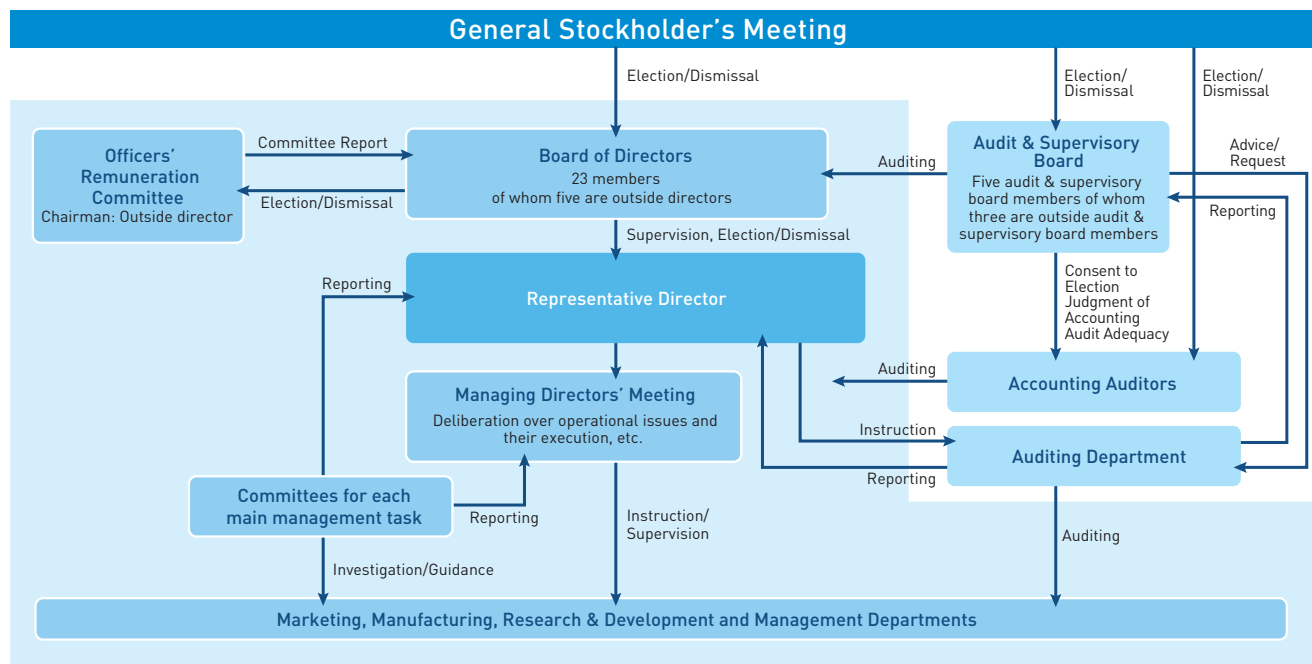
The Auditing Department is responsible for performing internal audits and for evaluating internal control systems for financial reports. This department audits business

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.

### Shin-Etsu's Corporate Governance Structure



# 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 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 Group, major stockholders or major clients, and are highly independent of the Group.

## Officers' Remuneration

The limit for aggregate remuneration of directors is determined by the 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 2015, total remuneration paid to officers was ¥1,550 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 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.

## 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 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 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 the Company is listed.

## Fiscal 2015 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

- 8 times a year

### Briefings for individual investors

- 328 times a year

### Plant observation tour

- Conducted an observation tour of the Takefu 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 Daiwa Securities (Large & 1 on 1)

• Announcement of financial statements for fiscal year ended March 31



• Observation tour of the Takefu plant  
• General meeting of stockholders

- Conference held by CLSA Securities Japan (1 on 1)
- Conference held by SMBC Nikko Securities (1 on 1)

• Announcement of financial statements for the third quarter



• Conference held by Nomura Securities (Large & 1 on 1)

• Announcement of financial statements for the first quarter

• Small meeting held by Citigroup Global Markets Japan

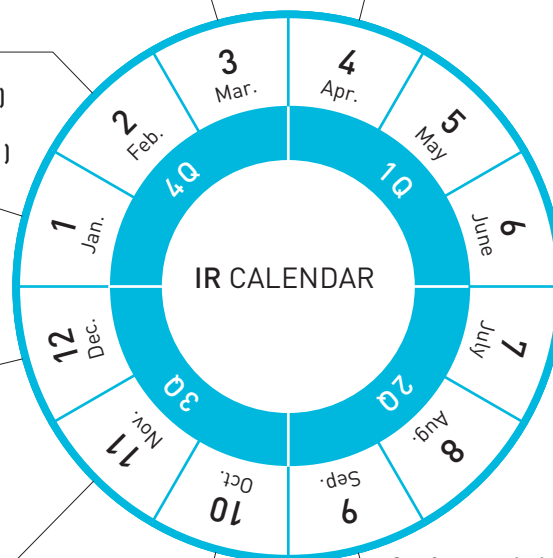
• Announcement of financial statements for the six month period

• Conference held by Mizuho Securities (1 on 1)

• Small meeting held by Credit Suisse Securities (Japan)



• Conference held by Merrill Lynch Japan Securities (Large & 1 on 1)



## Corporate Social Responsibility (CSR)

The Shin-Etsu Group is dedicated to contributing to the advancement of industry and society. We do this by supplying key materials that meet customers' demands through our global manufacturing network. Our basic policy for business activities is to make safety the first priority and to comply with laws and regulations. We also 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.

### Our Corporate Mission Statement and 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.

#### Our Corporate Mission Statement

To comply strictly with all laws and regulations, conduct fair business practices, and contribute to people's daily lives.

#### Basic CSR Policy

##### 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.

### 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.

#### Close-Call Incidents

<http://www.shinetsu.co.jp/en/company/csr.html>

### 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.

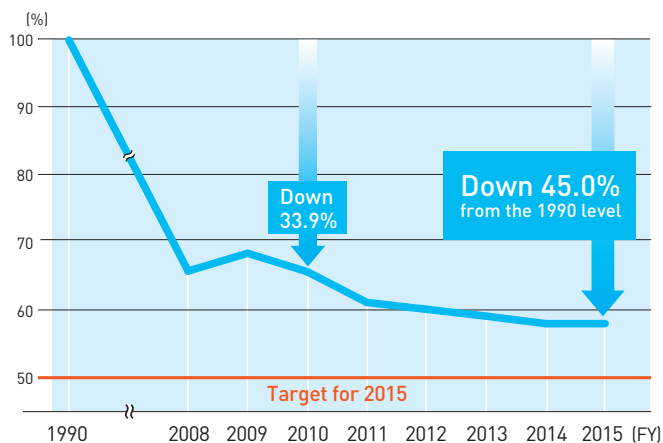
## Environmental Initiatives

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.

In fiscal 2015, the Shin-Etsu Group's energy consumption (crude oil equivalent) was 2,491 million liters. This was 2.4% higher than in the previous fiscal year because of the growth in production volume. However, the Group's energy consumption intensity, which is based on monetary sales, decreased 4.9%. This improvement was the result of energy conservation programs at all Group companies.

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 2015, greenhouse gas emissions intensity was 55.0% 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 2015, 1.77% of waste at group companies in Japan went to landfills. However, the amount of waste that was reused was 14.2% higher than in the previous fiscal year. We will continue studying ways to make more progress in reusing waste materials in order to achieve zero emissions.

### Shin-Etsu's Greenhouse Gas Emissions Intensity Relative to 1990 Levels



## Respect for Human Rights

The Shin-Etsu Group respects human rights and implements a variety of approaches to create workplace that are conducive to work, and where each employees is healthy, fulfills his or her potential, and can build a career. As one of approaches, our Human Rights Enlightenment Promotion Committee holds regular human rights enlightenment training for directors and employees to promote the improvement of human rights awareness.

The Shin-Etsu Group conforms to international guidelines, and does not approve of child labor and forced labor of any type. We conduct a survey of Group companies, including overseas companies, each year.

Through this survey, we confirm that our employment conditions are based on the international labor standards of the International Labour Organization (ILO) and that no child or forced labor is taking place.

## Diversity

The Shin-Etsu Group offers a full range of systems to support employees who give birth to and are raising children. In addition, as a group engaged in business operations around the world, our Group carries out employment at overseas Group companies and also promotes to employ foreign nationals in Japan.

The entire Group is also working to proactively employ disabled persons and create environments where it is easy for them to work.

## Initiatives Aimed at Preventing Corruption

The Shin-Etsu Group has set rules for the prevention of bribery, and prohibits actions that involve unfair transfer or profit from or to parties such as civil servants and business partners. Moreover, executives and employees must submit a Compliance Pledge at their company in order to prevent unfair benefits or unfair demands respect to our customers and business partners. In addition, regular internal audits for corruption, embezzlement, and bribery are carried out, and the status of compliance with ethical standards is one item included in personnel evaluations.

## Supply Chain Management

The Shin-Etsu Group promotes to equitable procurement practices and to incorporating environmental considerations into the supply chain.

Basic Procurement Policy has been formulated for the purchasing of supplies needed for production activities. The policy is ensured in the Group and posted on website. The policy urges our all business partners to fulfill their social obligations, including compliance with laws and regulations, environmental protection, workplace safety and accident prevention, and human rights. And they are expected to understand the Basic Procurement Policy and asked to incorporate the content of the Policy in to their supply contracts.

Before and after transactions, the business partner is asked to complete a procurement audit checklist, the results of which are used for evaluation. Additionally, we visit business partners in Japan and overseas whenever necessary to carry out audits.

We explain the Shin-Etsu Group's business continuity plan to business partners so that they can understand the effectiveness of our plan. We also ask them to establish business continuity plans of their own.

### Basic Procurement Policy

<http://www.shinetsu.co.jp/en/company/procurement.html>