



Providing advice to sustain strong earnings through innovation and pricing policies

Outside Director

Toshihiko Fukui

| Follower of Shin-Etsu Chemical for more than 60 years

My connection with the Company goes all the way back to 1959, one year after I joined the Bank of Japan. I was then posted to the Niigata Branch, and as part of my work, I was required to gain an understanding of the economic situation in Niigata Prefecture by visiting some of the different companies there. It was then that I visited the Company's Naoetsu Plant. At the time, the Company was mainly manufacturing nitrogen fertilizer, but I was fortunate enough to be given a detailed explanation of its operations, which frankly led me to take an interest in the Company and keep abreast of its developments ever since. I later learned about its successful foray into the US market before any other chemical company and had the opportunity to talk with then-President Kanagawa who spearheaded the Company's expansion overseas.

| A company with a firm grip on the abacus

Long before I assumed my position as an Outside Director of the Company, I became aware of one of its strong points—namely, that its management foundation is broad-ranging and daring in terms of scope, even though it is a professional and meticulous company when it comes to manufacturing. Its sights are always set on the global market and the most admirable thing is that it leverages innovation to develop high added-value products. In addition, it adheres to a profitable pricing policy of appropriately reflecting this added value in product prices. Metaphorically speaking, Shin-Etsu Chemical is a company that has a firm grip on the abacus. And when the cash generated is allocated to the next investment, it creates a dynamic, virtuous cycle, driven by innovation and pricing policies. You could probably say that this is the biggest factor underpinning the strong earnings at present. I believe my role, as an Outside Director, is to closely monitor corporate governance and make sure that managerial vigilance is maintained

with a firm grip on the abacus and to do everything I can to sustain the positive cycle of the Company's business model.

| Keeping up to date to deliver even better advice

I also recognize that I am expected to provide advice to management based on my experience and knowledge from my time at the Bank of Japan. The insight I have gained as president of the Canon Institute for Global Studies, a position I currently hold, is also quite useful. This think tank employs up-and-coming researchers who undertake independent research in a wide variety of specialized fields. I engage in discussions with the researchers on a daily basis and comment on their papers before they are published. This process keeps updating my thinking and views in a variety of fields.

| Anticipating changes and taking action is key

The Company has another commendable strength that I would like to mention: its belief that whoever strikes first wins. Amid the increasingly intense changes in the world economy and other situations, merely reacting to changes after they have occurred will not suffice for the Company to become a frontrunner and keep that position. This is why I always emphasize the importance of forecasting changes to stay ahead of the curve, even though it might mean some adjustments will be needed later if the predictions turn out to be somewhat wrong. It is the hallmark of a sustainable company to have a steadfast approach to anticipate changes in the world, take on associated risks, and work out how to act accordingly. I hope the Company will persevere with this basic policy without being swayed by changes immediately in front of it and continue to grow as a corporation that contributes to the advancement of global industries with its materials by upholding the dynamic, virtuous cycle model driven by innovation and pricing policies.