Chemistry at Work

ANNUAL REPORT 2019

Shin-Etsu Chemical Co.,Ltd.

Business Principle

We contribute to people's living, society and industry through value creation in materials and technologies, while observing all laws and regulations as well as conducting fair corporate activities.

As a company trusted by society, the Group engages in a variety of corporate activities that always place a priority on safety and the environment.
We are also making efforts to contribute to environmental conservation by providing key materials and technologies.

The Group will contribute to the development of society through building our capabilities in sales, manufacturing technologies and development, as well as continuously taking on a wide range of challenges on a global scale.

Contents

For more details:

Financial and IR information

▶ https://www.shinetsu.co.jp/en/ir/

Sustainability information

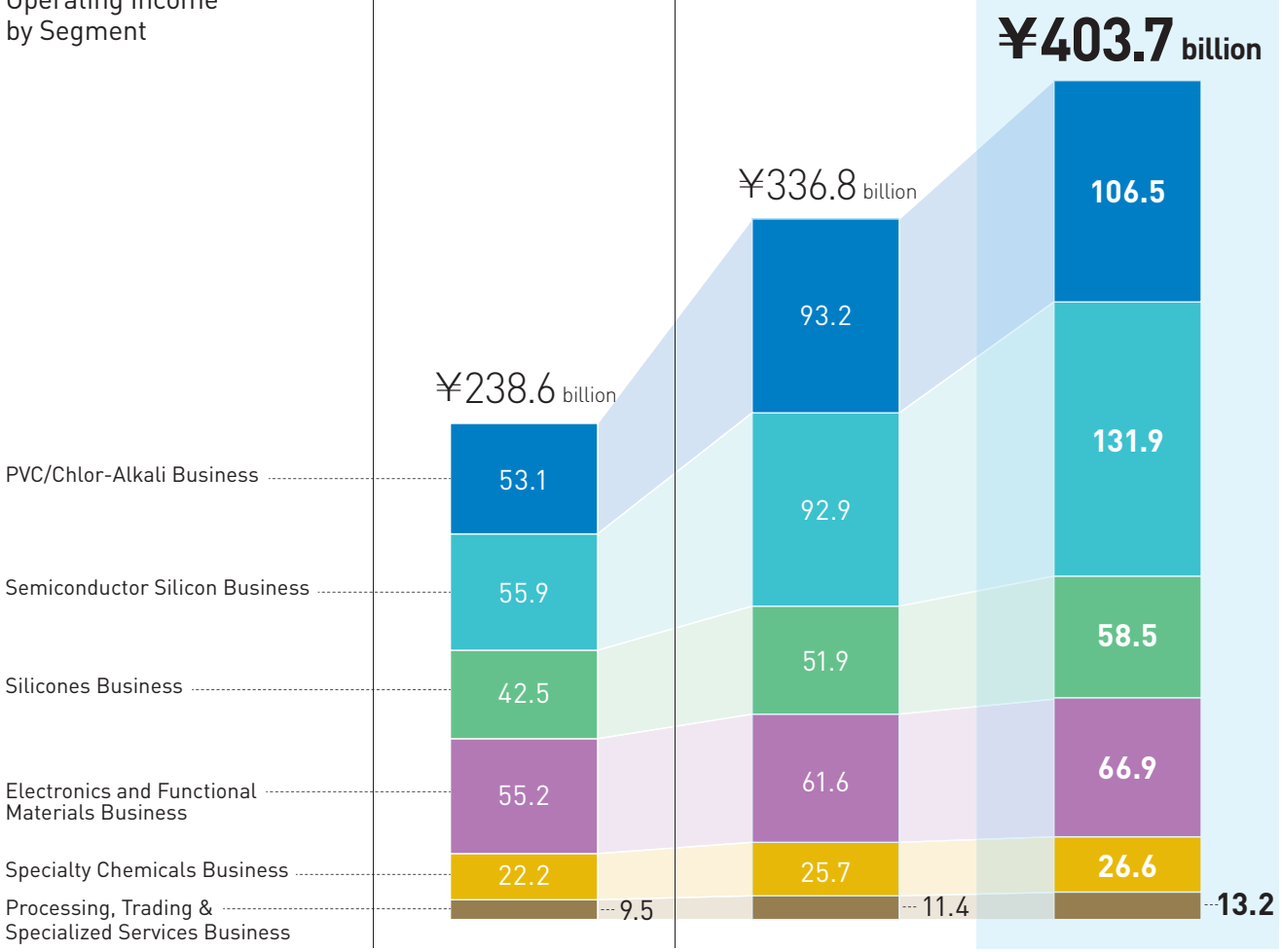
▶ https://www.shinetsu.co.jp/en/csr/

FY2018 Highlights (For the year ended March 31, 2019)

Billions of yen

	FY2016	FY2017	FY2018
Net Sales	1,237.4	1,441.4	**1,594.0**
Operating Income	238.6	336.8	**403.7**
Income before Income Taxes and Non-Controlling Interests	242.1	340.3	**415.3**
Net Income Attributable to Owners of Parent	175.9	266.2	**309.1**
			Yen
Net Income per Share	413	624	**726**
Cash Dividend per Share	120	140	**200**
			%
ROIC*1	14.0	18.2	**21.5**
ROE	8.5	11.9	**12.8**

Operating Income by Segment



*1 ROIC (Return on invested capital): Net operating profit after tax / (Net assets + Interest-bearing liabilities - Cash)

HIGHLIGHTS

	FY2016	FY2017	FY2018
GHG Emission Indexed with 1990 as 100*2	54.8	53.4	**52.8**
Number of Employees (of which, employees outside Japan)*2	19,206 (11,186)	20,155 (11,995)	**21,735 (13,354)**
Employment Rate of Persons with Disabilities*3	2.03%	2.08%	**2.13%**
Number of Female Managers*2	Not calculated	324	**392**
Number of Employees Who Have Taken Childcare Leave (Female/Male)*2*4	72/68	69/77	**100/90**

*2 Consolidated base
*3 Non-consolidated base
*4 Childcare leave periods depend on the laws and regulations of each country.

High market share

	Global rank	Japan rank
Polyvinyl chloride	No. 1	
Semiconductor silicon	No. 1	
Advanced photomask blanks	No. 1	
Pheromone formulations	No. 1	
Cellulose		No. 1
Silicones		No. 1
		No. 2
		No. 4

Started overseas businesses in 1960s

Global bases **20** countries and regions

Sales at **85** overseas bases

Overseas sales ratio **70**% or higher

ESG external evaluation

MSCI 2019 Constituent MSCI ESG Leaders Indexes

MSCI 2018 Constituent MSCI Japan ESG Select Leaders Index

Note: The inclusion of Shin-Etsu Chemical Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Shin-Etsu Chemical Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Member of SNAM Sustainability Index 2019

FTSE4Good

FTSE Blossom Japan

Patents

Patents acquired **1,800**

Patents held **20,000**

Top 100 Global Innovator Award*5 **8** years in a row

*5 Clarivate Analytics (head office: Philadelphia), a prominent global information services company in the United States, analyzes the trends in patents and intellectual property using its proprietary patent data to select the most innovative companies and organizations in the world for the "Top 100 Global Innovator 2018/2019" award. We have received this award for eight years in a row since its inception.

Chairman's Message

Creating New Products and Services to Support Next-Generation Businesses. In Addition, Providing Society with the Materials to Respond to Issues Facing Our Planet Earth.

We are pleased to report our results for the fiscal year ended March 2019.

I would like to take this opportunity to express my heartfelt gratitude to all of our stakeholders, including our shareholders and investors, who have extended their deep understanding and support to the Shin-Etsu Group's businesses and management.

During the fiscal year ended March 31, 2019, in pursuit of our declared management objective of achieving high earnings, we actively promoted our businesses while aiming to be the world's top company on a variety of fronts through always placing priority on sales, proactive investments, timely and quick work and risk management. As a result of these efforts, we secured a large profit increase of 22% compared with the previous fiscal year, setting a record high for our Company.

We at the Shin-Etsu Group believe that it is stable growth that leads to increase of corporate value. For this reason, we will not rest contented with only a single fiscal year's performance and will actively promote investments aimed at further growth.

At Shintech, which forms the core of our PVC operations, we have resolved to establish a new integrated plant to produce polyvinyl chloride (PVC) from raw materials, and are currently moving forward with its construction. With the completion of this new plant, Shintech's annual production capacity will increase about 10%, expanding to 3,240,000 tons, thus further strengthening its position as the world's largest PVC manufacturer.

We are also undertaking expansion to increase production capacity in the Silicones and Photomask Blanks businesses. In our other businesses, we are investing in a timely and appropriate manner based on business conditions and customers' feedbacks. In addition to this type of investments in our existing businesses, we are conducting active research and development while taking serious heed of the needs of both customers and society, so that we can create new products and services that will support next-generation businesses.

In parallel with this steady and consistent reinforcement of our foundations for future business growth, we are turning our eyes toward challenges on a global scale. The world we live in is confronted with a variety of serious issues, and companies like ours are now required to engage in business activities that are conducive to the attainment of the Sustainable Development Goals (SDGs). By providing society with the materials it needs and through other activities, the Shin-Etsu Group is contributing to the solution of issues facing the world today and to the overall future of our irreplaceable planet Earth.

Today, the global economy is at a significant turning point. For our company to pursue steady growth in a daily-changing business environment, it is of paramount importance to make optimal decisions based on current conditions and accumulate favorable results. By continuing to enhance the Group's advantage in the future, we will establish an unwavering position in the ever-changing global market and will seek to achieve sustainable growth.

I would be most grateful for your continued understanding and further support to our businesses and management.

C. Kanagawa

Chairman
Chihiro Kanagawa

President's Message

Our Efforts and Initiatives to Meet Our Customers' Increasing Requirements Contributed to the Record Earnings.

FY2018 was a remarkable year for our company. We again renewed the record earnings and exceeded a ¥400 billion mark for profit before tax for the first time. We declared an annual dividend of ¥200 per share, which is the highest mark in the company's dividend history, as well. We announced a couple of major capital projects, as I will review below. And last but not least, we implemented a 100 billion yen's worth of share repurchase. We passed a significant milestone in the FY2018.

In this fiscal year, we grew the sales turnover by 10.7% over the year before (FY2017) on a local currency basis and 10.6% on a Japanese yen denominated basis. Each of the business segments achieved top-line and bottom-line growth to renew its records. We worked very diligently to meet our customers' increasing requirements for availability, quality and product advancement throughout our operations. The efforts and initiatives certainly

contributed to strong rise in earnings segmentally and companywide. We increased the operating income by 19.9% to ¥403.7 billion, income before income taxes 22.0% to ¥415.3 billion and net income by 16.1% to ¥309.1 billion. This result marks the ninth consecutive year of growth in the earnings. Since March, 2010, the cumulative growth in earnings was ¥288.3 billion on a pretax basis and ¥225.3 billion on an after tax basis, which equates to a compound annual growth rate of 14.1% and 15.6%, respectively.

The record earnings and the implemented share repurchase reflect in the key indices. We succeeded in raising return on invested capital (ROIC) by 3.3 percent point to 21.5% and return on equity (ROE) by 0.9 percent point to 12.8%. These numbers are all good ones and we will strive to maintain them at these levels.

We are leveraging what we accomplished in this last fiscal year to advance the revenue and earnings. It is not an easy task but we must do so. The objective is not necessarily to build a bigger company but rather build a stronger and more resilient one, so that we can serve our customers better, innovate well and reward our shareholders.

We are vigorously and attentively serving our customers' growing needs for our products. To this end, we initiated a number of capital projects last year. Among them, we have $1.49 billion project at Shintech, ¥110 billion investments in silicone facilities and ¥14 billion investment in photomask blanks capacity. We forecast the amount of capital investments will be 300 billion yen in the FY2019, about 20% greater than last fiscal year.

President's Message

We have been busy running all the plants worldwide. We do so with our strong commitment to safety and quality. We have 21,000 motivated and dedicated people working day in day out to deliver our commitments. We invest in our employees through managerial interactions, various training programs and career development opportunities. Our technical and engineering expertise is the backbone of our operation. Coupled with our employees' commitment to safety and quality, it enables us to deliver quality products consistently in a timely manner.

Our research and development activities are on the rise. We invested ¥56.4 billion or 3.5% of the yearly sales in the FY2018. Roughly five thousand new products were introduced and 1,779 patents were granted. More than thirty percent of our revenue comes from patent-advantaged product sales. Our researchers are eager to devise solutions for customers and industries. The R&D investment efficiency measured by ratio of operating income for the recent five year period to R&D expenses for five year period prior to the period is very high among peers.

Our product portfolio and developmental direction are in line with SDGs. We are mindful of SDGs. We believe that our product offerings facilitate the achievement thereof and SDGs will facilitate our business in turn. For the sustainable development of human society and the improvement of its quality, it is vital to greatly lessen burden on the environment caused by human activities. To this end, we believe that it is essential to maximize efficiency. Technologies such as processing of proliferating data, IoT, 5G and AI are being utilized and continue to evolve for the purposes. We commit to apply, improve and innovate what we have and produce throughout our operation in

this endeavor. It is our daily goal to provide materials of value which will be regarded in a way that it is owing to our products that human life has been enhanced and problems markets and customers experienced have been solved.

We pay great attention to shareholders return. Thus, we increased the annual dividend by more than 40% last year and proceeded with the major share repurchase. We consider share repurchase as a part of our capital deployment strategy.

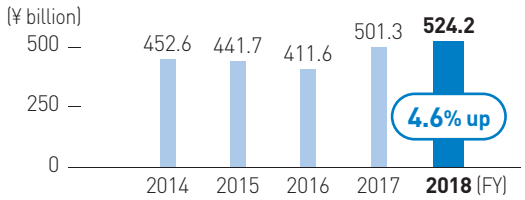
In order for this great company to continue to do what it has been able to do for our customers, our shareholders and communities we are in, the company will have to grow. We are working on various initiatives to broaden our business portfolio and expand our footprints. We will remain focused on our customers and their needs to be relevant to them, will remain committed to governance to be relevant to our shareholders and will remain responsible to be relevant to our communities.

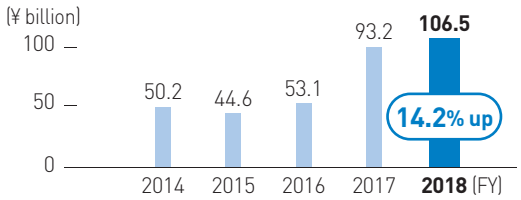
I sincerely thank our shareholders for your confidence, our customers for their partnership and our Shin-Etsu team for their dedication to our operations.

President
Yasuhiko Saitoh

Business at a Glance

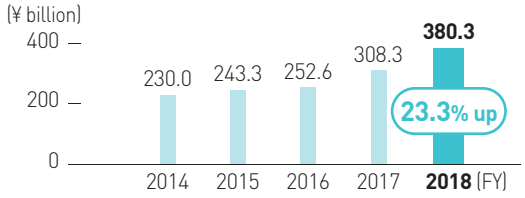
PVC/Chlor-Alkali Business

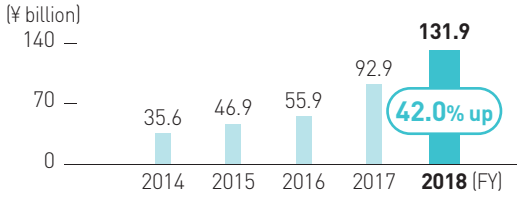




With regard to the PVC/Chlor-Alkali business, Shintech Inc. in the U.S. continued its shipments of both PVC and caustic soda at a high level, backed by the advantageous raw material procurement in the country, which resulted in its business performance growing. Further, the European bases enjoyed the increased sales volume thanks to the stable market. As for bases in Japan, shipments to overseas decreased due to the large-scale periodic maintenance that took place during the first quarter of the fiscal year.

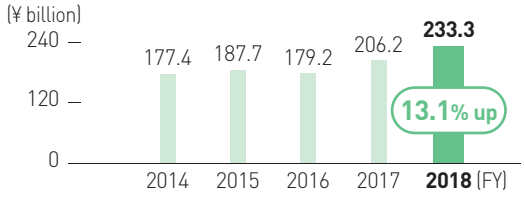
Semiconductor Silicon Business

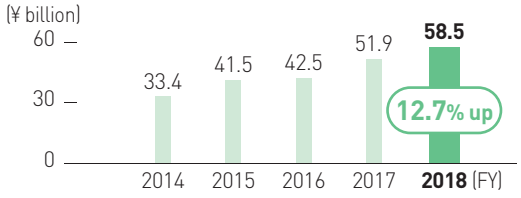




The semiconductor silicon business grew thanks to price corrections made for the products in addition to steady shipments.

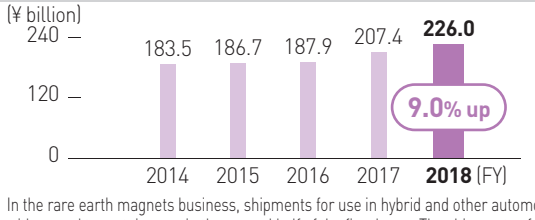
Silicones Business

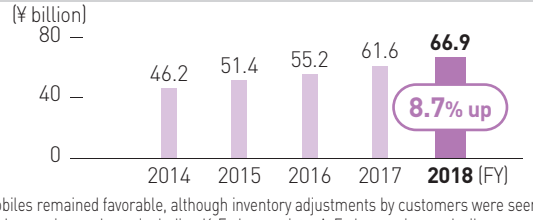




The silicones business grew as a result of having met the steady demand growth worldwide with full production and full sales, as well as revising its prices upward for both general-purpose products and functional products.

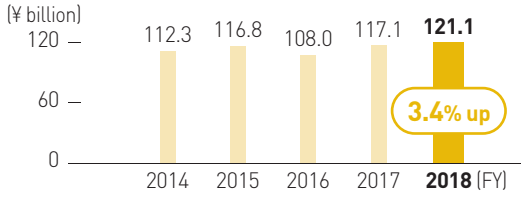
Electronics and Functional Materials Business

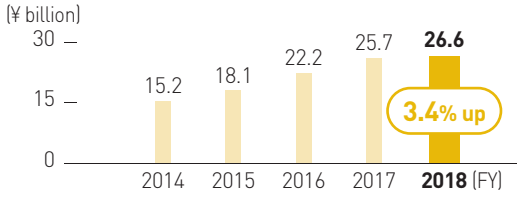




In the rare earth magnets business, shipments for use in hybrid and other automobiles remained favorable, although inventory adjustments by customers were seen with regard to certain uses in the second half of the fiscal year. The shipments of photoresist products, including KrF photoresists, ArF photoresists and trilayer materials, were all firm. Regarding photomask blanks, the sales of products in all range, in addition to ultra high-end products, increased and were favorable. In the optical fiber preform business, the demand for optical fiber was seen decelerating; however, sales by our joint-venture companies in China continued to be firm.

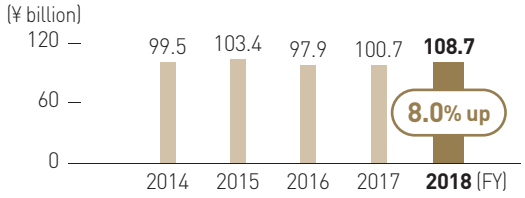
Specialty Chemicals Business

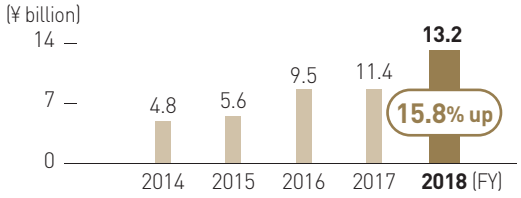




As for the cellulose derivatives business, the shipments of pharmaceutical products continued to be favorable, and the shipments of products for building, construction and coating applications also remained steady. The shipments of all other products, such as synthetic pheromone products and POVAL products, were also firm.

Processing, Trading & Specialized Services Business





Shin-Etsu Polymer Co., Ltd. continued its shipments of semiconductor wafer-related containers at a high level, which led to keep favorable business performance.

PVC/Chlor-Alkali Business

Business Overview

Polyvinyl chloride (PVC) resins are general-purpose resins used in a wide range of applications, from everyday products to all kinds of industrial materials. This is one of the Group's core businesses. The Group became one of the first Japanese chemical manufacturers to establish a polyvinyl chloride manufacturing base overseas. Shintech began operating in the U.S. in 1974 at a production capacity of 0.1 million tons per year. Since then, Shintech has undergone expansions and today is the largest PVC manufacturer in the world, with an annual production capacity of 2.95 million tons. Shintech is further increasing this capacity by establishing a new ethylene plant with the goal of achieving stable procurement of raw materials and constructing an integrated PVC complex that conducts processing starting from the raw materials stage. The Group is stably supplying products to customers throughout the world with a combined annual production capacity of 4.15 million tons in the U.S., Europe and Japan, the world's three largest markets.

Contributing to the Achievement of Sustainable Development Goals (SDGs) Through Product Supply

Approximately 60% of the raw materials used in PVC are salts that are practically an inexhaustible resource. Compared to other general-purpose resins, the merits of PVC include a low dependence on petroleum resources, placing a relatively small burden on the environment. The process of manufacturing PVC from raw materials uses only 60% of the energy required to make other general-purpose resins. Highly durable and easy to recycle, PVC is used for a wide range of social infrastructure materials, including vinyl windows, water and sewerage pipes, construction and civil engineering.

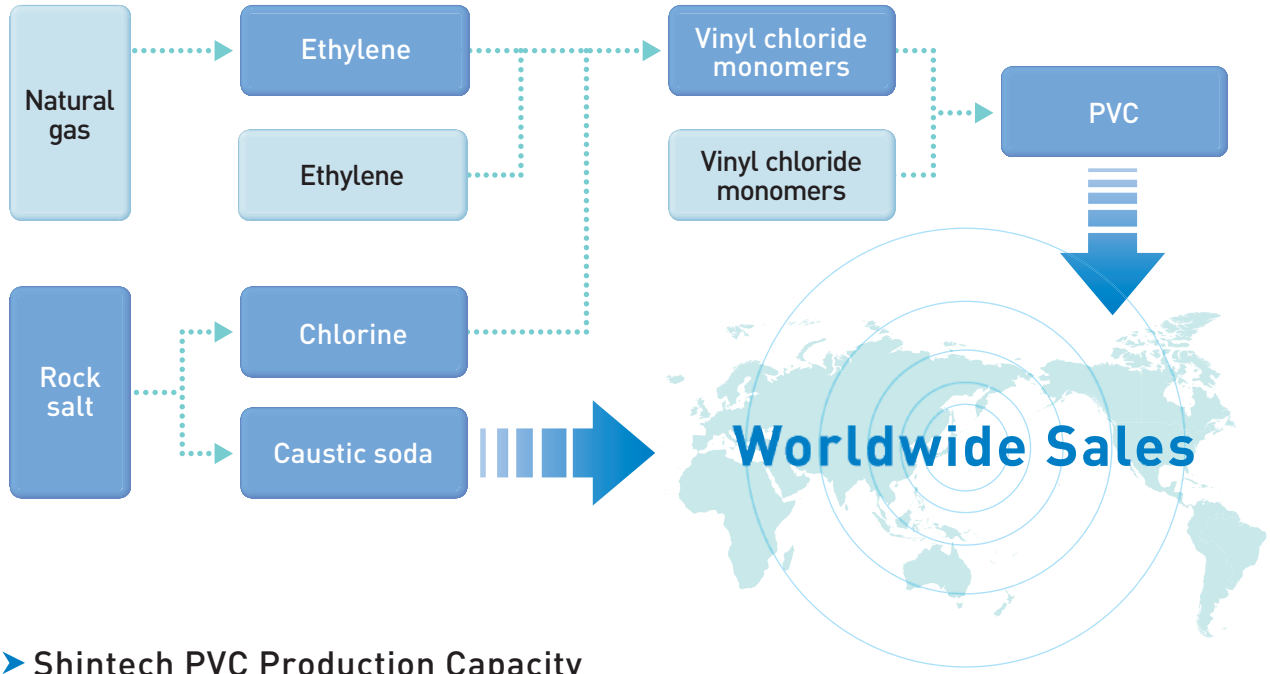
PVC/Chlor-Alkali Business

Shintech's Integrated Production Facilities

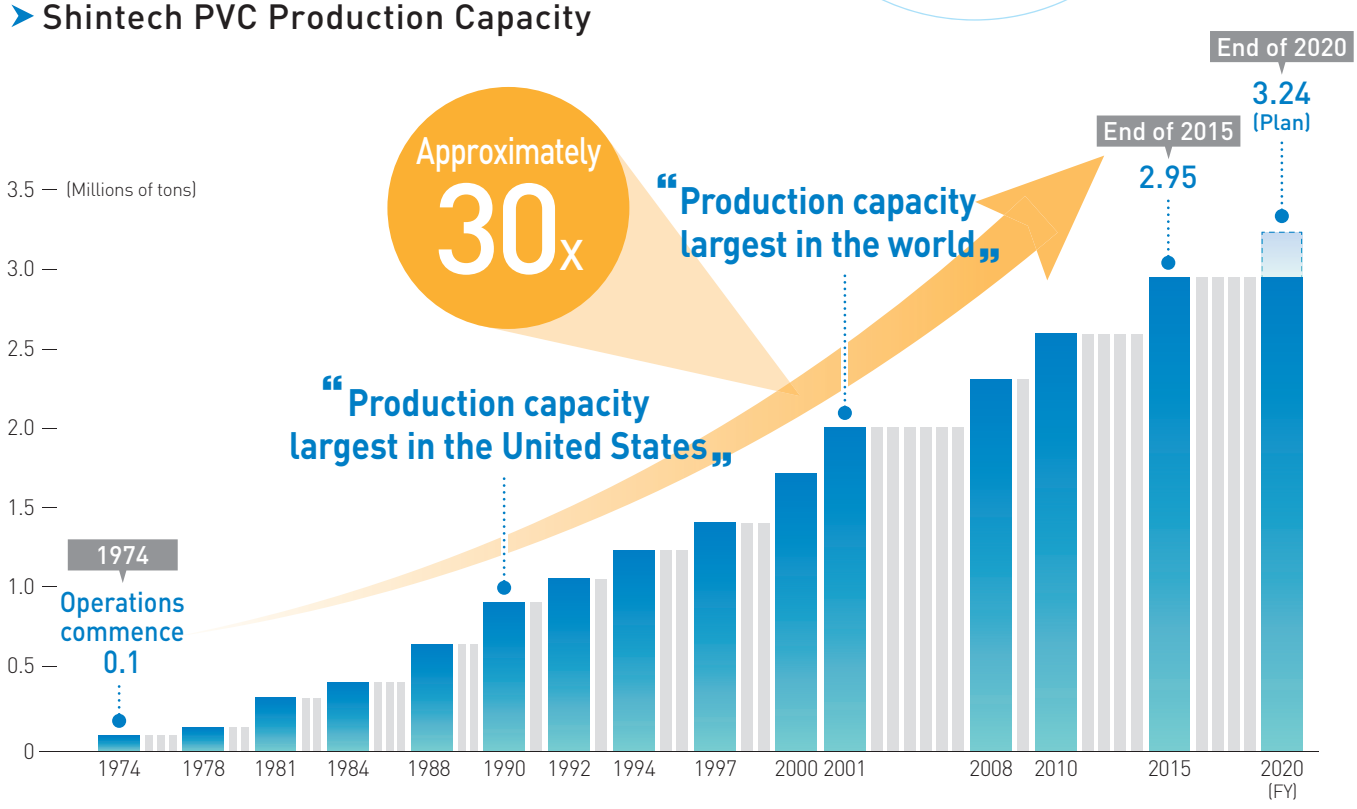
Integrated Production Begins with Raw Materials

In-House Production External Procurement

Focus As with vinyl chloride monomers, an in-house production system will be established for ethylene. (To be completed in 2019)



Shintech PVC Production Capacity



Application

PVC

PVC pipes

PVC water and sewerage pipes can be used for more than 50 years without requiring replacement, contributing to a long working life for this infrastructure.

Plastic greenhouses for agriculture

PVC is easy to recycle and thus helps save resources. In Japan, more than 50% of the plastic used for agricultural greenhouses is recycled.

Electric wire coating material

PVC, which is superior in insulation properties, durability and pliability, and is difficult to damage, is used as a sheathing material for electric wires.

Vinyl windows

This material is an excellent insulator that can reduce the amount of heat lost through windows by 71%, contributing to reductions in energy consumption as well.

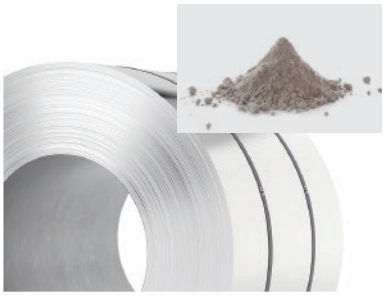
Siding materials

These decorative materials made from PVC are lightweight and easy to use for construction. They also provide excellent resistance to weather, shocks, rust and deterioration.

Caustic Soda

Alumina

Aluminum hydroxide, made by dissolving bauxite with caustic soda, is a raw material for alumina (aluminum oxide).



Paper and pulp

Caustic soda is used for digesting and bleaching wood chips in the dissolved pulp manufacturing process.

Soaps and detergents

Caustic soda reacts with fats and oils to become a raw material for soap or a raw material for synthetic detergents.

Super-absorbent polymers

These absorption agents are an essential element of paper diapers. Caustic soda is one of the raw materials used to manufacture these polymers.

Sodium Hypochlorite

Sodium hypochlorite

As a chemical for protecting the safety of foodstuffs and tap water, this substance contributes to a safe and comfortable lifestyle.

Semiconductor Silicon Business

Business Overview

As the world's leading manufacturer providing silicon wafers for integrated circuits, the Shin-Etsu Group continues be in the technological forefront with regard to cutting-edge large-diameter and super-flat wafers. We have succeeded ahead of others in the mass production of 300mm wafers and silicon-on-insulator (SOI) wafers that realize high speed and low power consumption, and we are stably supplying these superior products. In addition to our company's high-precision single-crystal technology and high-level processing technology, our high-quality epitaxial growth technology for cutting-edge image sensor devices and our systems for product quality control and evaluation analysis are highly valued by our customers around the world. We will continue to provide a stable supply of the silicon wafers that support the development and manufacture of semiconductor devices.

Contributing to the Achievement of Sustainable Development Goals (SDGs) Through Product Supply

As a basic material supporting our modern high-speed information society, silicon wafers contribute to society by reducing the size and weight of electronic equipment, reducing power consumption, improving automobile fuel efficiency, driving support systems and other safety controls and contributing to advancements in medical equipment. Furthermore, they are useful for the stable supply of electric power mainly to electronic equipment, as power semiconductors can minimize power consumption and accommodate high voltage and high currents. Group products are also used to accurately regulate motor drive controls from high to low speeds and as power-saving transistors enabling the efficient transfer of power from generators to transmission lines.

Semiconductor device installed in a final product

Silicon wafers

Electrical components for digital equipment and automotive parts

Used as a substrate material for semiconductor devices in electronic devices such as personal computers, smartphones and televisions, as well as automobiles.

Compound semiconductor products

LED components

Used in a wide range of applications including outdoor displays, traffic lights, in-vehicle stop lamps and sensor light sources.

Application

Communication/Computers


Smartphones


Tablet-type devices


Personal computers


Data center

Automobile


Hybrid cars


Electric vehicles


Car navigation systems


Electronic toll collection system

Consumer


Televisions


Game devices


Smart watches


Digital cameras


Drum-type washing machines


Energy-saving air conditioners


Rice cookers


Microwave ovens

Industry


Industrial robots

Other


Bullet trains

Bank ATMs


Vending machines

Silicones Business

Business Overview

The Group was the first to commercialize silicones in Japan in 1953. Since then, we have captured more than a 50% share in Japan through strong technological capabilities and detailed support for market needs. Silicone is a highly functional material that has both organic and inorganic characteristics and has many superior distinguishing features. The Shin-Etsu Group currently provides more than 5,000 silicone products to a wide range of sectors from electronics and electric to automobiles, construction, cosmetics, chemicals, health care and food.

Contributing to the Achievement of Sustainable Development Goals (SDGs) Through Product Supply

Using silicones has the effect of reducing greenhouse gas emissions. It is estimated that the effect is nine times as large as the emission volume of silicone production and waste disposal, according to a study commissioned by the Global Silicones Council in 2012. Among these, the use of silicones for automobile, construction and solar cell applications account for a large proportion of greenhouse gas emission reductions from the silicone product cycle. This constitutes a substantial contribution toward the realization of an environmentally friendly and sustainable society.

TOPICS

Silicone Rubber Materials that Have Been Certified with the European Railway Standard for Fire Safety

The Company's silicone rubber materials have been found compliant with EN 45545-2 which is said to be the strictest railway standard for fire safety in the world. Fire disasters on railway cars sometimes occur both inside and outside of Japan, and our silicone rubber materials are expected to contribute to carriage safety. In addition, these materials can be applied to automobiles, aircrafts, buildings, and various other commodities for which safety is in high demand.

ST-DGE series of heat-shrinkable silicone rubber tubing

■ Silicone rubber materials deemed to be compliant with EN 45545-2

Silicone rubber compound KE-1734-U, ST-DGE series of heat-shrinkable silicone rubber tubing

Silicone Representative Configurations

Major Characteristics of Silicone

- Heat resistance
- Cold resistance
- Electrical insulation properties
- Release properties
- Adhesion properties
- Defoaming properties
- Water repellency
- Weather resistance

Application

Cosmetics

Improving the usability and functionality of various cosmetics to meet the diverse needs of the marketplace.

Buildings

Widely used as waterproof sealing material around window glass.

Bullet trains

Used as an insulating oil material for the transformers of bullet trains and contribute to the safe operation of these trains.

Electronic devices

Thermal interface materials for electronic devices widely used in such areas as electronic products.

Contact lenses

Essential as a material for contact lenses because of its oxygen permeability characteristics.

Herbarium

Silicone oil is clear, colorless and unaffected by temperature changes. For this reason, it maintains the quality of herbarium specimens.

Nursery items

Durable and safe with no rubber-specific odor. Used in various products for babies such as the nipples of baby bottles and pacifiers.

Textile treatments

Add various advantageous properties such as softening, water repellency, etc.

Eco Tires

Silicone-enhanced tires can lower rolling resistance and help improve fuel efficiency.

Swimming gear

Our silicone is used in swimming gear such as caps, goggles and ear plugs because it provides a gentle fit for human skin.

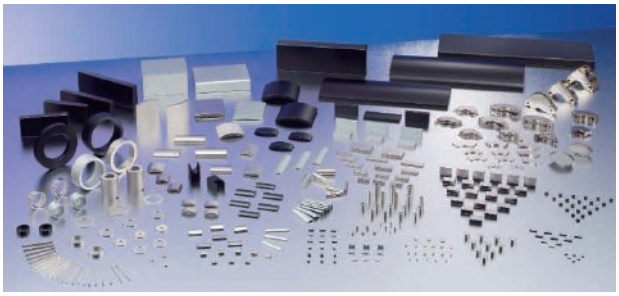
Electronics and Functional Materials Business

Business Overview

Our rare earth magnets are essential for reducing the size and weight of motors used in a variety of devices, including hybrid cars, electric vehicles, industrial equipment and home appliances. In addition, we supply photoresists, photomask blanks, encapsulation materials, pellicles and other products used in the semiconductor manufacturing process. Furthermore, we respond to the needs of advanced information societies by providing products such as preform for optical filters and high-grade synthetic quartz used in large-scale photomask substrates for LCD and other flat-panel displays.

Contributing to the Achievement of Sustainable Development Goals (SDGs) Through Product Supply

Rare earth magnets have about 10 times the magnetic force of conventional ferrite magnets. Even small rare earth magnets generate a powerful magnetic field. They are used in hybrid and electric cars to realize smaller size and weight as well as increased power regeneration. Rare earth magnets are also used in compressors for energy-saving air conditioners. They raise electric power efficiency in a variety of products and contribute to the reduction of greenhouse gas emissions.



Various types of rare earth magnets in shapes such as squares, rings and cylinders

TOPICS

Established First Overseas Base in the Photoresists Business

In November 2018, we established our first overseas photoresist production plant, Shin-Etsu Electronics Materials Taiwan Co., Ltd., in Yunlin County, Taiwan, in addition to the Naoetsu Plant in Niigata Prefecture, Japan. Our photoresists business was launched in the 1990s and we have increased our market presence while enhancing our R&D capabilities and manufacturing technologies in the 2000s. Afterward, taking advantage of our world-leading global share in silicon wafers, our photoresists business grew so much that we are now recognized as the leading group in the industry.

This new plant has been established in Taiwan, where major device makers have also set up their own bases. This location will enable the new plant to take responsibility for stable supply chains that will provide semiconductor device support, primarily in Asia.

Opening ceremony for Shin-Etsu Electronics Materials Taiwan Co., Ltd.'s new plant (February 2019)

Major Products and Application

Rare earth magnets

Rare earth magnets are used in such products as automobile motors and generators, compressor motors for air conditioners, industry robots and motors for the hard disk drives of digital home appliances, thus helping to contribute to saving energy. Shin-Etsu Chemical is engaged in the manufacture of these magnets from separation and refinement to processing of the rare earth raw materials. Furthermore, Shin-Etsu is reliably supplying high-quality rare earth magnets with highly advanced features by means of the development of its own grain boundary diffusion method, which reduces the amount of heavy rare earth used, while keeping the high performance level of the magnets.

Industrial robot

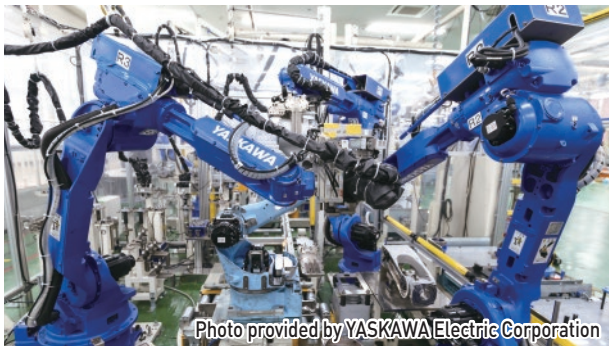
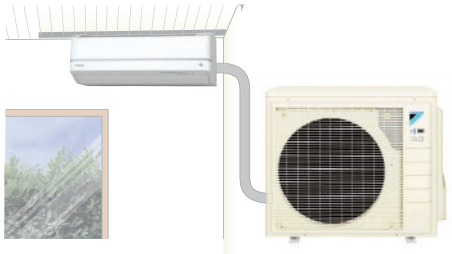


Photo provided by YASKAWA Electric Corporation

Energy-saving air conditioner

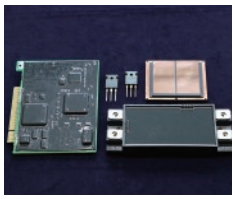


Hard disk drive

Plug-in hybrid car (Mercedes-Benz s560e)

This plug-in hybrid car achieves lower fuel consumption thanks to an external charging function. Its drive motor is equipped with rare earth magnets, which contribute to energy conservation and CO_2 reduction.

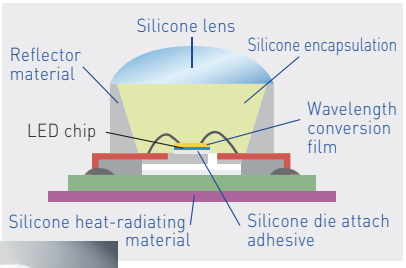
Epoxy molding compounds



Based on its high technologies that were cultivated through the development of various kinds of silicones, Shin-Etsu has developed encapsulating materials for applications in semiconductor devices. In recent years, epoxy molding compounds are being usefully applied not only in general-use semiconductors but also as a highly reliable encapsulating material in power modules for automobiles and various sensors.

Coating resin and die attach adhesive for LEDs

Shin-Etsu's various silicone encapsulation materials for LED lights feature such superior characteristics as being heat-resistant, high transparency and preventing a decline in brightness for a long period of time.



LED Structure (blue characters are products provided by Shin-Etsu)

Reflector for LEDs

Shin-Etsu's reflector material for LEDs greatly improves brightness, and such reflectors are superior in heat resistance and weatherability, thus contributing to the long operating life of LED lighting. With Shin-Etsu's high-level processing technologies, our reflector material for LEDs makes it possible to freely design packaging shapes.

Wavelength conversion film

Wavelength conversion films are adhesive film materials that mix silicones with a fluorescent substance. By attaching it to the LED chip surface, the blue color light that LEDs emit can easily change to various colored lights, including white light, and can make a uniform color. In addition, the films are superior in heat-resistant and light-stability properties and it is possible to use them for long-term usage applications.

Optical fiber coatings

Extremely fine optical fibers have a cross-sectional diameter of only 125 microns. Optical fiber coatings provide a protective coating for these fine optical fibers to protect the surface while providing greater strength.

High-purity silane for semiconductors

We provide high-purity silane that is used in such products as insulating film for semiconductors and epitaxial wafers. We meet the various needs of our global customers by providing a stable supply and a high level of product purity, which are supported by strict product quality and container control in addition to our own high-level refining technology.

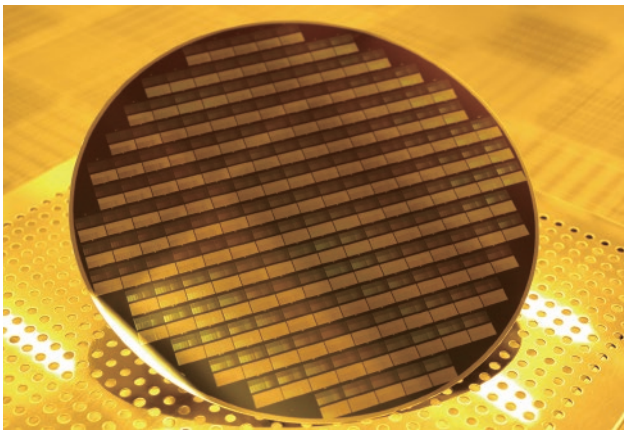
Electronics and Functional Materials Business

Main Products and Applications

Photoresists

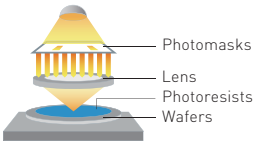
Shin-Etsu Chemical, by utilizing its strengths as a materials maker, carries out integrated manufacturing from raw materials' polymer synthesis to compounding. We make photoresists (KrF, ArF) for excimer lasers that are used as photosensitive material for etching on semiconductor circuits, and our thick film I-Line photoresists are used widely for thin-film magnetic heads and MEMS applications. Furthermore, for cutting-edge miniaturization processes we have lineups of multilayer material products. These are used as essential key materials in lithography processes for semiconductor manufacturing, and they help to enable the high integration, high speed and high functions of semiconductors. To steadily capture the growth of the photoresist market, we established a new plant in Taiwan, one of the main areas of demand.

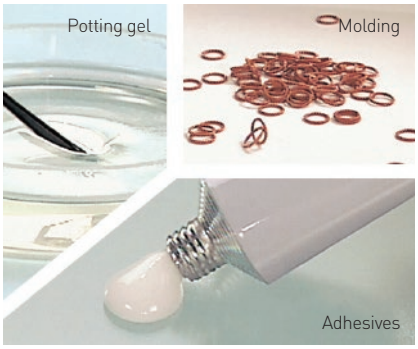
In combination with our existing Naoetsu Plant, we now have two production bases. As a result, we will be able to disperse business risk and strengthen our business foundation.



Photomask blanks

Photomask blanks are the base material of photomasks that are used as the patterning templates when IC patterns are printed on silicon wafers during the semiconductor lithography process. The light-shading layer is formed on the surface of synthetic quartz, which is the substrate of photomask blanks. Instead of the chromium (Cr) used for the conventional light-shading layer of photomask blanks, Shin-Etsu has developed new manufacturing processes that use cutting-edge molybdenum-silicon binary (OMOG: Opaque MoSi on Glass) for the light-shading layer. Shin-Etsu has established the mass-production technology of these advanced photomask blanks with its superior etching characteristics. Shin-Etsu's photomask blanks are highly evaluated by customers as an essential material for cutting-edge semiconductor manufacturing processes. In addition, Shin-Etsu supplies attenuated phase-shift photomask blanks for ArF and KrF, to meet customers' needs.



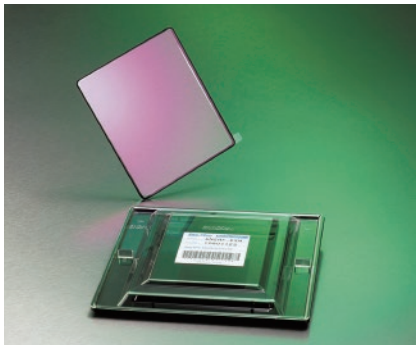


Liquid fluoroelastomers SHIN-ETSU SIFEL®

Shin-Etsu Chemical was the first company in the world to succeed in developing the liquid fluoroelastomers SHIN-ETSU SIFEL®, which by using silicone addition-reaction technology can be made into a form that hardens into a flexible, solid synthetic rubber upon heating. SHIN-ETSU SIFEL® possesses excellent process ability and such superior properties as resistance to oils, solvents and chemicals together with good durability against heat and stability at cold temperatures. SHIN-ETSU SIFEL® contributes to the improvement of products in a wide range of fields, including the automotive, aircraft, electronics, office equipment and petrochemical industries.

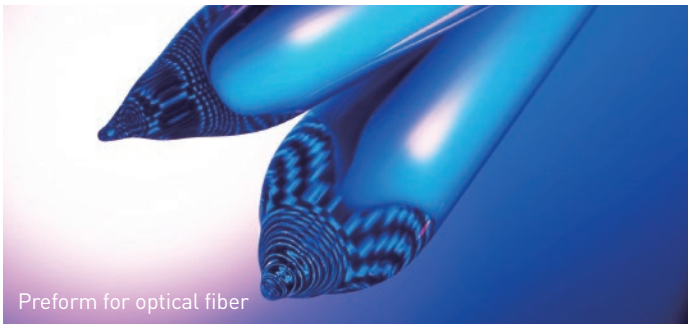
Fluorinated anti-smudge coating

Shin-Etsu's fluorinated anti-smudge coating is applied to the surface of eyeglasses and cover glasses/protective films for smartphones. A nano-scale fluorinated thin layer formed on the surface repels water and oil, and stains such as fingerprints can be wiped off easily. Due to its low dynamic friction, fluorinated coating contributes to improving the operability of smartphones. In addition, Shin-Etsu supplies a fluorinated anti-smudge additive that can obtain excellent surface properties by adding to hard coatings.

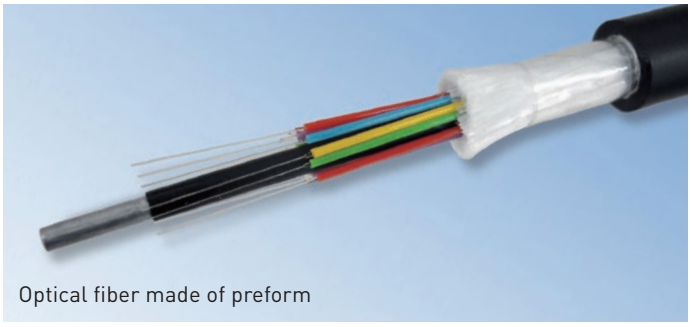


Pellicles

Shin-Etsu Chemical supplies high-quality pellicles for ArF and KrF excimer laser lithography. Shin-Etsu pellicles support customers' semiconductor device production with their excellent performance, such as high light resistance, good transmission uniformity and low outgassing. In addition, Shin-Etsu has succeeded in the development of super-large-size pellicles for the production of liquid crystal display (LCD) panels.



Preform for optical fiber



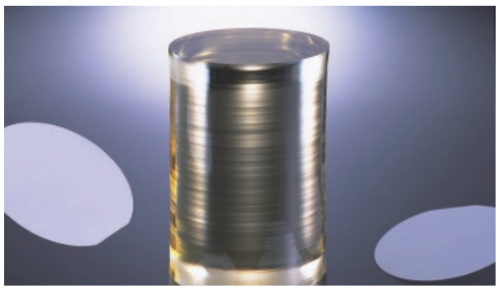
Optical fiber made of preform

Synthetic quartz photomask substrates for LSI and FPD lithography

Large photomask substrate for FPD

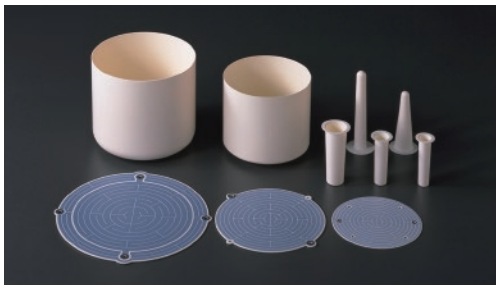
Synthetic quartz

Synthetic quartz, the key raw material of optical fiber, has the characteristic of superior light transmission. In an ordinary glass sheet, light attenuates in about 2 meters. However, in the case of synthetic quartz, light can reach a distance of about 100 km. The Shin-Etsu Group was the first in the world to mass-produce synthetic quartz that is higher in purity than natural quartz. So it is used as a preform for optical fiber, a photomask substrate for semiconductor lithography and a stepper lens for semiconductor lithography. In addition, it is used as a large-scale photomask substrate for flat-panel display (FPD) lithography. It is supporting the development of the advanced information society.



Oxide single crystals (Lithium Tantalite: LT)

Lithium tantalite (LT) is used in mobile communication devices as SAW devices that screen electromagnetic waves and pick up only specific frequencies. Oxide single crystals are currently contributing to the popularization of mobile phones and smartphones and serve an important role in the modern information society.



Pyrolytic boron nitride (PBN)

PBN is a high-purity ceramic with excellent chemical resistance and strength at high temperatures. Shin-Etsu Chemical was the first company to successfully produce PBN domestically. In addition to making use of PBN's excellent characteristics in crucibles for compound semiconductors and molecular-beam epitaxy, PBN's application fields are expanding to such areas as MOCVD systems and organic EL systems.

Anode material of lithium ion batteries

SiO is a greatly promising material as an anode material of next-generation lithium-ion batteries that have high capacity and excellent power properties. Shin-Etsu has succeeded in putting electrical conductivity on SiO particles via our own proprietary method. Shin-Etsu's anode material is highly evaluated by our customers.

Specialty Chemicals Business

Business Overview

Our main specialty chemical products are cellulose derivatives, environmentally friendly materials made from natural polymer cellulose. Cellulose derivatives have several versatile applications in a variety of fields, ranging from pharmaceuticals and foods to construction materials, engineering projects, coatings, ceramics, paper processing, cosmetics and toiletries. The Shin-Etsu Group began manufacturing cellulose derivatives in 1962. Currently, we have the largest share in Japan and meet global needs as the world's foremost manufacturer with bases in Japan, Europe and the United States. In addition, we provide synthetic pheromones used for agricultural pest control and functional resin POVAL. We also provide a variety of other products, including silicon metal, a main ingredient in silicones and synthetic quartz.

Contributing to the Achievement of SDGs Through Product Supply

Industrial cellulose derivatives reduce the separation of concrete in water, enabling concrete to be poured without polluting water. This contributes to environmental preservation by preventing water pollution. Synthetic pheromones are very safe, environmentally friendly and eliminate agricultural pests. They are useful for making food safer through the reduction of insecticides and agricultural chemicals sprayed in fields.

Cellulose derivatives

Major Products and Application

Cellulose derivatives

Provide a variety of functions such as controlling the location in the body where drugs dissolve and slowing the rate at which they dissolve.

Used as a binding agent for the molding process to manufacture exhaust gas purifiers for automobiles, technology that contributes to the prevention of global warming.

Synthetic pheromones

Synthetic pheromones prevent male pests from finding their partners. Obstructing their mating process in this fashion reduces the volume of agricultural pests.

Aroma chemicals

Leaf alcohol is widely used in a variety of products, including aroma products, cosmetics and foodstuffs.

Silicon metal

Silicon metal is a key raw material of silicone, semiconductor silicon, synthetic quartz and solar cells. Simcoa Operations, our group company, manufactures silicon metal in Australia.

Polyvinyl alcohol (POVAL)

JAPAN VAM & POVAL CO., LTD., manufactures and sells this material. Due to its properties as a water-soluble synthetic resin, it is used in a wide range of applications such as adhesives, various types of films, fiber treatment agents, paper processing agents, and additives for cosmetics and pharmaceuticals.

SOLBIN

This is a denatured resin supplied by Nissin Chemical Industry Co., Ltd., with excellent adhesion and solubility. Used in products such as paints inks and adhesives.

Processing, Trading & Specialized Services Business

Business Overview

Shin-Etsu Polymer Co., Ltd., develops and supplies highly operable and functional products making use of materials processing technologies.

Shin-Etsu Engineering Co., Ltd., which is involved in the design and construction of the Group's product manufacturing plants, has a strong reputation for engineering with customers outside the Group.

Contributing to the Achievement of Sustainable Development Goals (SDGs) Through Product Supply

The construction material (corrugated rigid polycarbonate sheets) manufactured by Shin-Etsu Polymer Co., Ltd. is used as an exterior roofing material.

Using more than 50% reclaimed raw materials, this product contributes to recycling.

Major Products and Application

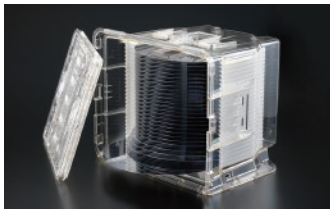
Shin-Etsu Polymer Co., Ltd.

Input devices

Providing input devices such as automobile dashboard audio and air conditioners.

Wafer cases

Providing containers used for transportation from silicon wafer makers to device makers and silicon wafer transport containers within the device manufacturing process.



Shupua

Glasses made of silicone rubber.

Various rollers for OA equipment

Providing semi-conductive developing rollers and fuser rollers making use of proprietary processing technologies including conductivity, foaming and compositing using silicone rubber.

Silicone catheters

Making use of the silicone processing technology we have developed, we provide catheters that offer important advances in their application.

Shin-Etsu Engineering Co., Ltd.

Engineering

The engineering business of Shin-Etsu Engineering Co., Ltd., is involved in the design, construction and maintenance of various Shin-Etsu Group product manufacturing plants.

Vacuum superposition equipment

Shin-Etsu Engineering Co., Ltd., carries out the design and manufacturing of the alignment machines for LED panels that support large-scale liquid crystal panel production.

Semiconductor Manufacturing Process and Products of the Shin-Etsu Group

From raw materials to completed semiconductor devices

Raw materials

Polysilicon is produced from silicon metal (Si), made by removing the oxygen from quartzite, as the base material.

Single crystal silicon

Single crystal silicon is produced in a cylindrical format by melting polysilicon.

Cutting and polishing

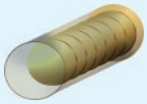
Single crystal silicon is cut into thin slices and polished to a mirror finish.

Silicon wafers

The processes above are used to create silicon wafers.

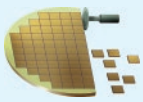
Wafers are shipped to device manufacturers.

Wafer cases are also used for transporting materials within the device manufacturers' production line.

Oxidation

Wafers are put into a high-temperature furnace to produce a thin oxidation film on their surface.

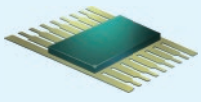
Pattern formation

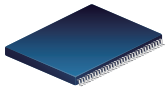
Special sensitive materials (photoresists) are applied, circuit patterns are baked in and developed, and the surface is processed.

Dicing

Individual wafers are cut away and made into integrated circuit chips.

Assembly

Using wire, the chips are connected electrically to a circuit board.

Resin sealing

The chip is coated in resin to protect it from heat and shocks.

Semiconductor devices

The completed semiconductor device is now embedded in the final product.

Final product


Products supplied by the Shin-Etsu Group

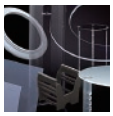

Silicon metal


Quartz glass crucibles

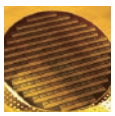

Silicon carbide fine-ground powder

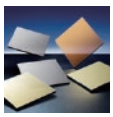

Silicon wafers

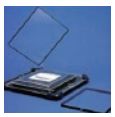

Wafer cases


Quartz glass for use in the semiconductor manufacturing process


Synthetic quartz photomask substrates


Photoresist


Photomask blanks


Pellicles (dust protection covers for photomask substrates)


Encapsulating materials


Heat releasing silicone rubber products

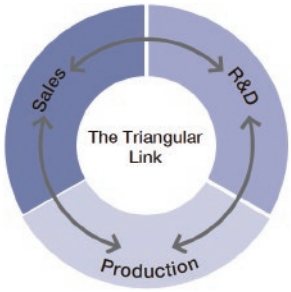
R&D and Quality Management Initiatives

R&D

Without new challenges, a company cannot grow. Shin-Etsu Chemical values the power of R&D as an important asset, carving a path into the future. Based on questions such as "What is future society looking for?" we conduct research and development to fulfill the demands of the times; tackle seed research that explores brand-new materials and systems; and actively perform research aimed at further raising productivity and the quality of our products.

The Triangular Link: Sales, R&D and Production

Shin-Etsu Chemical's R&D is managed in a way that closely suits our customers' needs. What makes this possible is Shin-Etsu's R&D system, which integrates Sales, R&D and Production.



Market demands generated by our business activities are relayed to our development divisions to establish research themes. The development divisions follow these themes as they progress with development, while at the same time on the basis of close ties with the manufacturing divisions, they conduct practical R&D aimed at utilizing our plants and facilities for mass production. To do this efficiently, Shin-Etsu Chemical has established R&D centers at each plant.

Creating New Value with Original Material Development

When conducting R&D, we narrow down themes of focus based on our own unique guiding principles. The first of these principles states that themes of focus must respond to needs of the next generation. The second requires that they must possess an originality that has not been produced by anyone else. The third and final stipulates that these themes must contribute to the resolution of future issues. Thanks to the application of these principles, several of our carefully selected development themes have resulted in first-ever materials that have resolved problematic issues in a variety of industrial fields with their unique characteristics and features while giving rise to rapid innovation. This is why we will continue to take on the challenge of developing new materials as long as the need for them exists.

Quality Management

As a materials manufacturer, we believe that stably supplying the quality products that we have promised our customers is our most important obligation.

We deliver many products with a wide variety of uses, including as raw materials for industrial products and as materials for state-of-the-art goods. To respond to the unique demands related to each of these products, we have adopted the latest analytical devices and evaluation equipment and are developing our own original quality control technology. At the same time, we are revising our manufacturing processes and employing a statistical methodology to reduce fluctuation in quality. Moving forward, we will continue to swiftly respond to a diverse range of needs while aiming to regularly and stably supply quality products to our customers as an ideal partner.

Persistently Striving to Eliminate Quality Issues

We regularly conduct quality audits with the goals of eliminating quality issues and improving the quality of products and customer services. These audits also enable us to improve our quality control activities and mechanisms. In addition, they provide us with the opportunity to evaluate our quality improvement efforts from a customer point of view and from the standpoint of quality cost. Through these measures, we are working to pin down and study the true causes of quality issues and work out recurrence prevention measures. Furthermore, we are applying our Six Sigma activities* companywide in pursuit of an even higher level of quality.

* Six Sigma activities: A quality improvement method developed by Motorola (of the US) in the 1980s. These activities involve focusing on processes that produce uneven quality and inhibiting the occurrence of material defects by reducing these fluctuations in quality. We are applying these activities throughout the Group.

Further Improving Quality by Combining Automation and IT

"Quality" represents an agreement with our customers, and we must reliably abide by this agreement based on a spirit of compliance. We believe raising quality is the wellspring of cost competitiveness. Our process and product analyses and our analyses concerning the root causes of process defects and quality trouble are based on test data, and we are aware of the importance of regularly conducting measurements using the same terms and requirements. The Company believes that mechanisms that do not involve people, from sampling to chemical and instrumental analyses, are ideal in this regard and is actively implementing automation initiatives. In the future, we will continue to aim for higher quality from a variety of angles, including adopting AI and taking advantage of the latest IT through measures such as the utilization of big data.

Basic Policy and Promotion System

The Shin-Etsu Group will fulfill its social responsibility and strive to create and expand the new value demanded by society through all our business activities based on products and technologies.

ESG Promotion Engine

The Group's social responsibility is to execute its Business Principle and contribute to shareholders, investors, customers, business partners, regional communities, employees and all other stakeholders.

To achieve this, we promote ESG activities based on the establishment of a Basic CSR Policy and various internal regulations. We formed the ESG Promotion Committee, chaired by the president of Shin-Etsu Chemical and comprising around 40 members, including directors, Company division managers and CSR managers from Group companies, to promote companywide ESG activities in all aspects of corporate activities.

Basic CSR Policy

The Group:

1. Will do our best to increase the Group's corporate value through sustained growth and make multifaceted contributions to society.
2. Will carry out all of our company activities by always making safety our utmost priority.
3. Will constantly pursue energy-saving, resource-saving and the reduction of the environmental impact, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
4. Will endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
5. Will strive to respect human dignity, assure equality in employment opportunities and support the self-fulfillment of our employees.
6. Will appropriately disclose information in a timely manner.
7. Will carry out trustworthy corporate activities that are based on the integrity of the Group's ethical values.

Examples of Recent Activities

▸ Declaration of TCFD Support

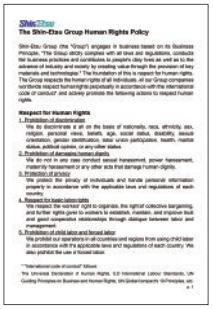
In December 2017, the Task Force on Climate-Related Financial Disclosures (TCFD), a special team established in December 2015 by the Financial Stability Board (FSB; originally created at the behest of the G20 forum) with the goal of promoting the disclosure of financial information related to climate change, released a proposal. This proposal indicated that companies should analyze internal risks and opportunities based on several climate change predictions and future scenarios and subsequently disclose the degree of influence these have on financial affairs. In response, the Group declared its support for the TCFD's proposal in May 2019. Furthermore, in support of its initiatives, we participated in the TCFD Consortium of Japan established by the Ministry of Economy, Trade and Industry, the Financial Services Agency, the Ministry of the Environment and various other organizations. Moving forward, we will also promote the disclosure of information related to climate change, in accordance with the proposal.

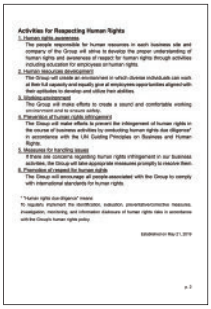
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Participants of TCFD Consortium of Japan

▸ Formulation of the Shin-Etsu Group Human Rights Policy

Respect for human rights has always been a cornerstone of the Group's activities at all of its places of business worldwide. On May 21, 2019, we formulated the Shin-Etsu Group Human Rights Policy to promote related activities companywide and further strengthen external communications. Moving forward, we will observe international standards of conduct, including the Universal Declaration of Human Rights, the ILO International Labor Standards and the United Nations' Guiding Principles on Business and Human Rights. Furthermore, we will aggressively promote activities aimed at increasing respect for human rights, such as the prohibition of discrimination, behavior that damages human dignity and child and forced labor, as well as the safeguarding of privacy and respect for basic labor rights. Moreover, the Group will perform its due diligence with regard to human rights, repetitiously identifying and assessing risks associated with human rights, taking preventive and corrective action, tracking and monitoring these risks and disclosing relevant information. Through these measures, we will work to ensure that issues related to human rights do not occur as we proceed with our business activities.





Holding of a General ESG Promotion Committee Meeting

In February 2019, the ESG Promotion Committee held a general meeting to determine which issues the Shin-Etsu Group should primarily work to resolve in FY2019. The Committee decided on SDGs and management integration, due diligence on human rights and TCFD response measures. These are issues for the entire Shin-Etsu Group, not merely Shin-Etsu Chemical, and all members of the committee and secretariats will actively contribute to their resolution.

Supporting and Implementing Principles and Global Charters

The Group signed and put into practice the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA) in 2006. In 2014, we signed the revised Responsible Care Global Charter. In 2010, the Group became a participant in the United Nations Global Compact (UNGC) and has been voluntarily supporting and practicing in its business operations and strategies the UNGC's Ten Principles with regard to human rights, labor standards, the environment and the prevention of corruption. Furthermore, since November of the same year, we also have participated in Global Compact Network Japan (GCNJ) and incorporated the latest trends in CSR obtained from the Supply Chain and ESG subcommittees to promote ESG throughout the Group. Furthermore, in February 2018, the Group became the first signee company indicating approval for the GCNJ's Tokyo Principles for Strengthening Anti-Corruption Practices.

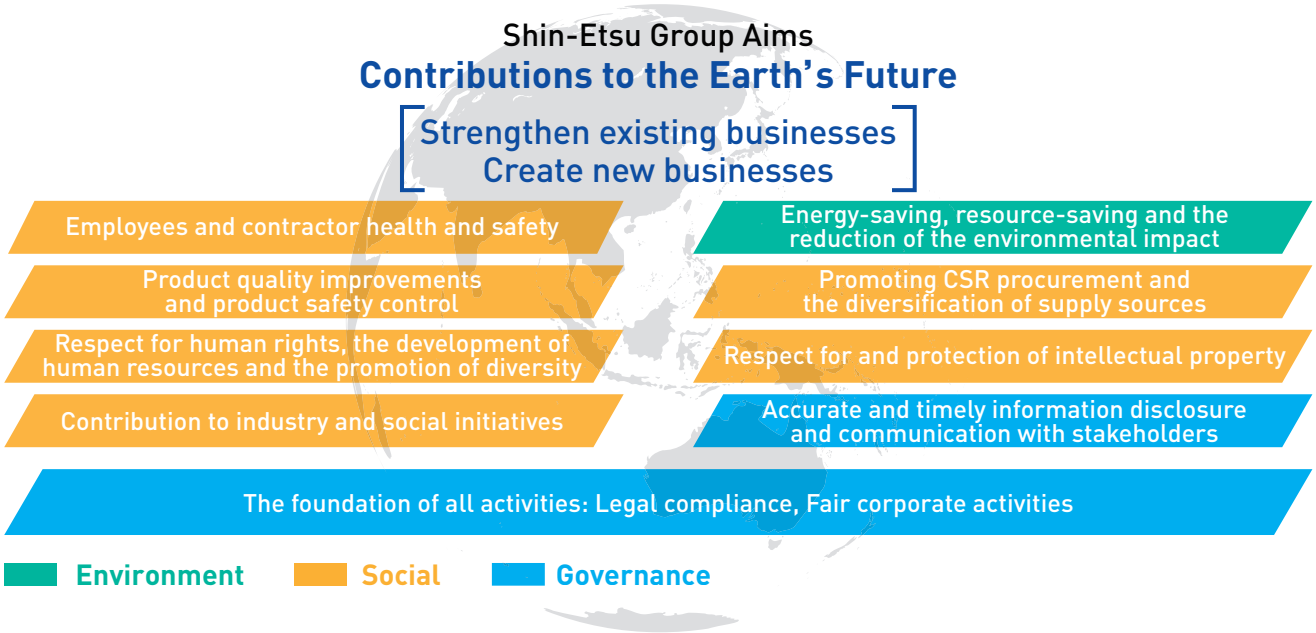
Initiatives Contributing to the Achievement of the UN's Sustainable Development Goals (SDGs)

The Group works to resolve a wide variety of social issues and practically applies its Business Principle of contributing to "people's living, society and industry through value creation in materials and technologies." We are also contributing to the achievement of the UN's Sustainable Development Goals (SDGs) with the products created through these efforts.

Identifying Key Issues (Materiality)

Since the establishment of the CSR Promotion Committee in 2005 (reorganized as the ESG Promotion Committee), the Group has promoted CSR initiatives within all its business activities. In 2015, we conducted a careful examination of our global CSR guidelines and the demands from stakeholders. The Committee conducted a survey of all divisions and major Group companies to identify key issues facing the Group. Furthermore, the Managing Directors' Meeting, which is an administrative body overseeing business execution, conducted a careful discussion, prescribed legal compliance and fair corporate activities as the foundation for all business activities and established issues in need of particular focus as "key issues."

In December 2018, all divisions and major Group companies in Japan reviewed their own key issues. After discussing these reviews, the ESG Promotion Committee decided to continue prescribing the key issues identified in 2015.



Key ESG Issues

Please visit the sustainability section of our Web site for detailed information on each initiative.
WEB https://www.shinetsu.co.jp/en/csr/

The Foundation of All Activities: Legal Compliance, Fair Corporate Activities

The opening lines of the Group's Business Principle include the concepts "legal compliance" and "fair corporate activities." In recognition of issues related to all eight key issues comprising the foundation of all these activities, all group companies engage in legal compliance and fair corporate activities.

To ensure corporate activities based on thorough legal compliance, the Shin-Etsu Group raises awareness by pushing for legal compliance through its Business Principle and its yearly business objectives. In addition, all directors and employees submit written oaths of compliance to the Company. We deal with cases of inappropriate behavior with various measures, including disciplinary action, and have set up a Compliance Consultation Office through which various regulatory violations and behaviors constituting harassment can be discussed or reported.

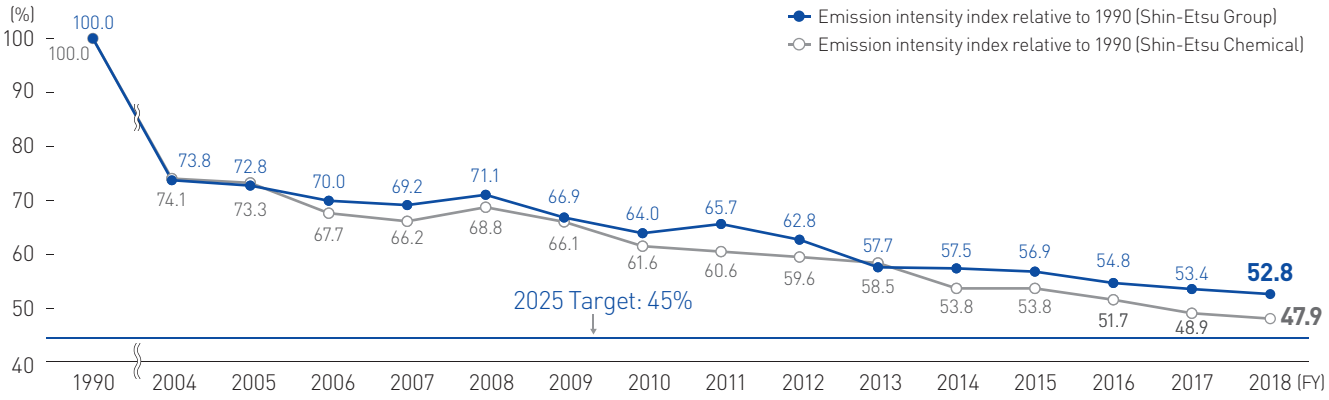
E Environment

Key Issue Energy-saving, resource-saving and the reduction of the environmental impact

Products provided by the Group have become indispensable aspects of global industries and people's daily lives. For this reason, we are aware that it is critical to reduce environmental impact not only during manufacturing but also during use, disposal and throughout all processes. The Group is working to develop and sell products that reduce environmental impact through their use, in addition to its thorough efforts to reduce its own global environmental footprint by modifying operations such as its production processes.

One issue that we cannot ignore as a chemical manufacturer is the presence of plastic waste in the oceans. Along with the Council for Addressing the Ocean Plastic Issue, which was established by an industry association, the Group will take on the challenge of developing new products and technologies in pursuit of a resolution to this issue.

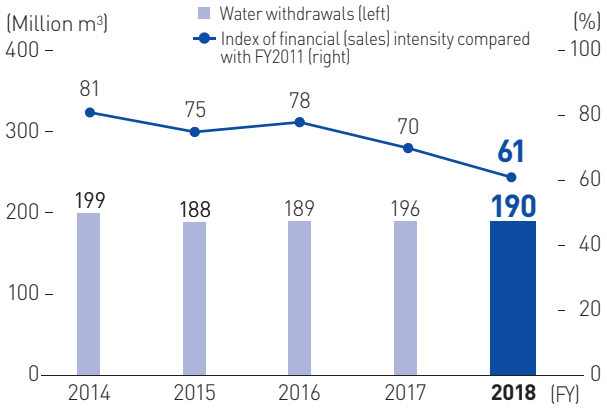
Changes in Greenhouse Gas Emission Intensity Relative to FY1990 Levels



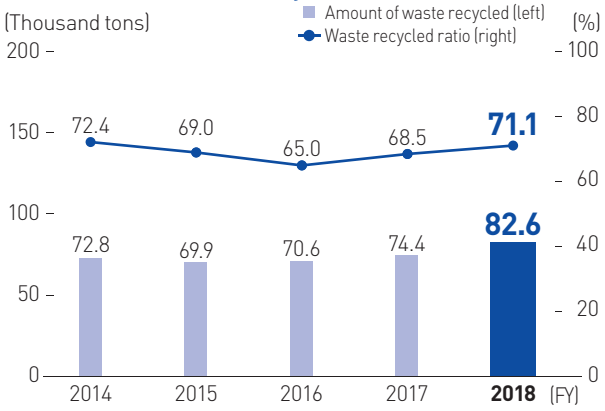
Climate Change Countermeasure: By 2025, Reduce Greenhouse Gas Emission Intensity by 45% Compared to 1990

Since FY2010, the Group has promoted a variety of environmental initiatives, including energy conservation and the installation of cogeneration systems, and pushed for a 50% reduction of greenhouse gas emission intensity (vs. 1990 levels) by 2015 as a medium-term target. As a new medium-term target, the Group has been aiming for a 45% reduction in greenhouse gas emission intensity by 2025 (also vs. 1990 levels) since FY2016, and is currently implementing related initiatives. In FY2018, we launched a variety of efforts, including power reduction initiatives involving cogeneration through the installation of gas turbines and the upgrade of ion-exchange membranes in electrolyzers to high-performance equivalents. In FY2018, greenhouse gas emission intensity was 52.8% of 1990 levels for the entire Shin-Etsu Group, and 47.9% for Shin-Etsu Chemical.

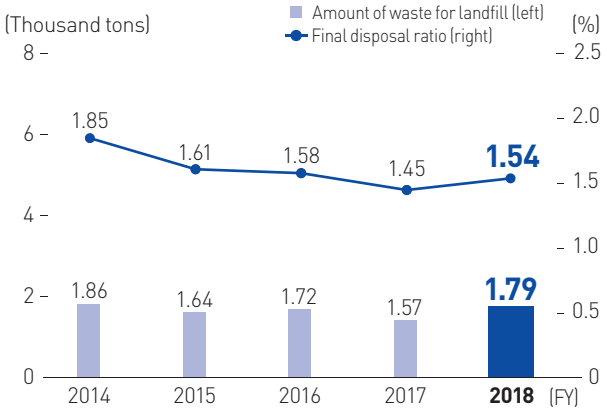
Water Withdrawals



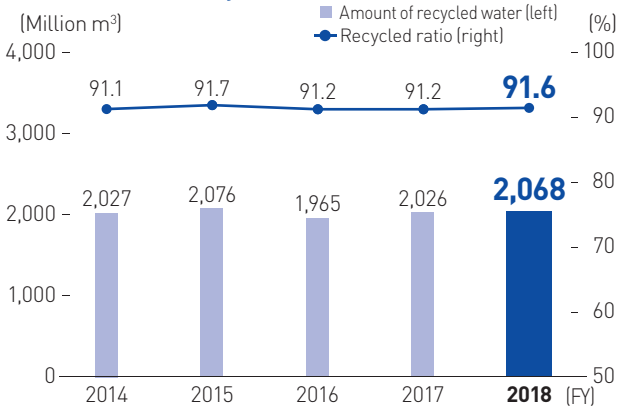
Amount of Waste Recycled



Amount of Waste for Landfill



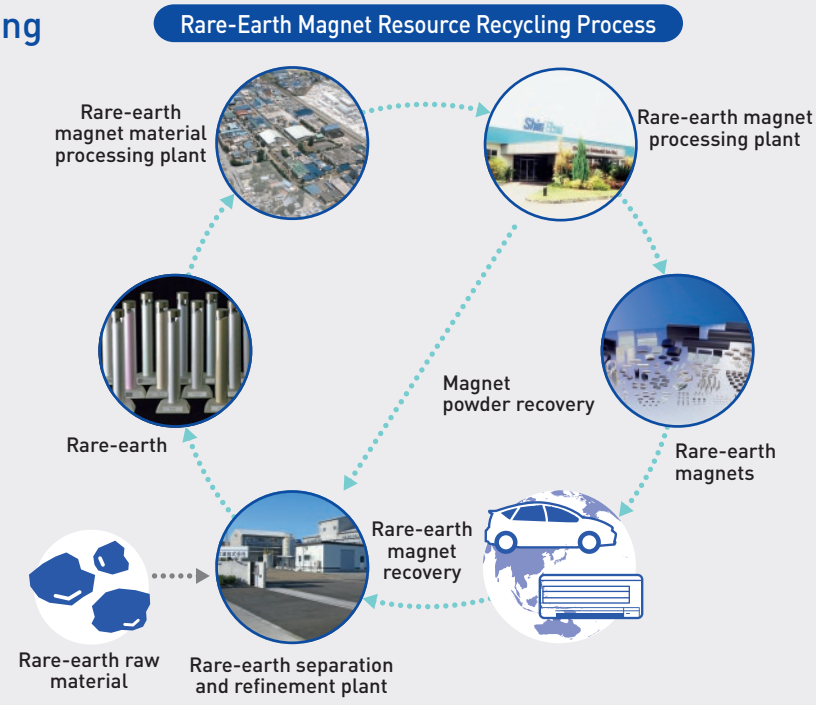
Amount of Recycled Water



Rare Earth Magnet Recycling Aimed at Resource Conservation

The Group utilizes separation and refinement technologies to extract rare earth metals from used materials. Since 2013, we have used the latest technologies to recover rare earth magnets used in energy-saving air conditioners and hybrid cars. This ensures a stable source of valuable rare earth metals and contributes to protecting the environment by reducing waste and reusing resources.

Rare-Earth Magnet Resource Recycling Process

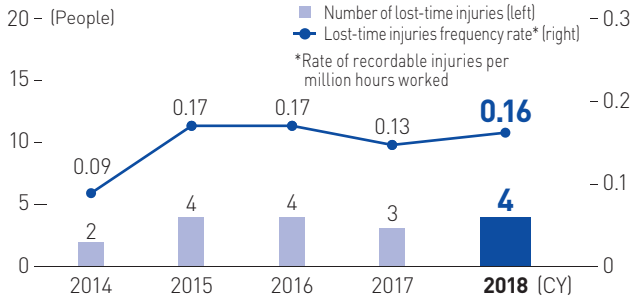


S Social

Key Issue Employees and contractor health and safety

As a chemical company, the Group recognizes the importance of issues related to employee safety and health. To this end, we engage in environmental preservation, occupational safety and health and process safety and prevention plans at each of our plants in Japan and overseas. We are thoroughly identifying risks carrying dangers of injury or illness and are working to build safe and comfortable workplaces through risk assessment that eliminates or reduces these risks to prevent serious accidents and time lost due to accidents.

Number of Lost-Time Injuries and Changes in Frequency Rates (Group companies in Japan)



Participants of Safety Education Programs

(People)

Coverage	FY2015	FY2016	FY2017	FY2018
Shin-Etsu Chemical	7,531	7,970	9,751	**11,774**
Consolidated companies*	—	22,166	24,829	**28,013**

*Consolidated data compiled from FY2016.

Concern for Health

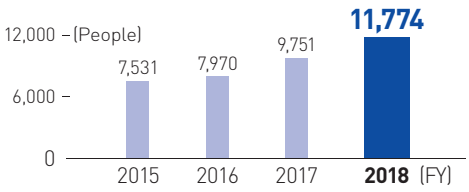
Shin-Etsu Chemical and its Group companies in Japan are implementing disease prevention initiatives, including encouraging regular medical examinations and providing health guidance regarding lifestyle-related diseases, mental health programs and activities aimed at improving physical fitness. In addition, we offer education concerning the prevention of infectious diseases such as novel influenza.

At our head and branch offices, we are working to improve working environments and promote health based on guidance received from industrial physicians. To this end, we also hold physical fitness tests and seminars, as well as events aimed at raising the physical strength of our employees. Furthermore, our health insurance association has collaborated with insurance companies to establish a 24-hour health consultation service that can be used by our employees and their families.

Key Issue Product quality improvements and product safety control

The Group's products are used in people's daily lives and to support society. At the same time, there is a critical focus on the safety of chemical substances as a global social issue. The Group strictly manages product safety and improves quality control in line with the laws and regulations of each country.

Participants of Product Safety-Related Training Programs



Key Issue Promoting CSR procurement and the diversification of supply sources

There is a critical focus on appropriate procurement of raw materials throughout the global supply chain as a global social issue. The Group promotes fair procurement activities based on its Basic Procurement Policy in an effort to create supply chains that consider the human rights and the environment. In addition, we have created CSR Procurement Guidelines to foster deeper supplier understanding regarding our Basic Procurement Policy. To ensure proper dissemination of related information, we have made it available on our corporate Web site and are holding information sessions. Furthermore, to protect the transparency and fairness of transactions with the Group, we set up a supplier hotline in January 2018.

Initiatives Aimed at Eliminating Conflict Minerals

The Group proclaims the exclusion of conflict minerals* from all of its procured items in its Basic Procurement Policy. We request that our suppliers comply with this policy and regularly investigate minerals to ensure they are not conflict minerals, tracing them back to the smelteries in which they were produced.

* Conflict minerals: Minerals that are a source of funds for armed insurgents operating in regions of conflict, such as the Democratic Republic of the Congo and surrounding countries. The term refers to tantalum, tin, gold, tungsten and their by-products and derivatives.

Key Issue Respect for human rights, the development of human resources and the promotion of diversity

Shin-Etsu Chemical formulated the Shin-Etsu Group Human Rights Policy in May 2019. The Group is engaged in realizing a comfortable work environment that respects basic human rights where each employee can achieve health, self-realization and follow a career path. In addition, to respond to external environmental changes and global business expansion, we are working to hire locally at overseas Group companies and employ foreign staff in Japan. Furthermore, we have also been encouraging diversity by promoting active women's participation through five-year targets since FY2016. Moreover, in April 2019, we became the first major company in the chemical industry in Japan to raise the retirement age from 60 to 65 and adopted a system that allows employees aged 60 years or older to receive possible pay raises and promotions.

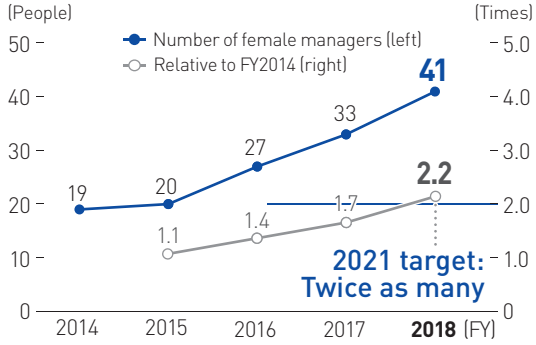
Goals to Promote Women's Participation and Advancement

In the next five years from FY2016, the Company has targeted that:

1. The rate of hiring women will be 40% for administrative positions and 10% for engineering positions.
2. The number of women in managerial positions including junior manager level will be doubled compared to the number in FY2014.

*Applies to employees and loaned employees from Shin-Etsu Chemical.

Number of Female Managers



Key Issue Respect for and protection of intellectual property

We maintain the confidentiality, integrity and availability of information assets possessed by the Group and engage in the acquisition and use of intellectual property and appropriately manage and protect information assets to strategically execute corporate management focused on intellectual property. In addition, we have established a system that recognizes employees who contribute to our profits through operationally beneficial inventions, improvements, solutions or plans.

Number of Patents Acquired and Held (Major group companies)

(Number of patents)

Breakdown	Patents Acquired			Patents Held		
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018
Japan	697	591	**577**	7,355	7,562	**7,702**
Overseas total	1,325	1,591	**1,202**	10,951	12,007	**12,671**
Asia/Oceania	642	724	**543**	4,707	5,314	**5,707**
North America	220	265	**220**	2,924	3,077	**3,162**
Europe	458	595	**435**	3,286	3,578	**3,755**
Other	5	7	**4**	34	38	**47**
Total	2,022	2,182	**1,779**	18,306	19,569	**20,373**

Key Issue Contribution to industry and social initiatives

Group companies and employees proactively promote social contribution activities rooted in local communities throughout the world. For example, since 2006, Shin-Etsu Chemical and domestic Group companies have conducted fund-raising activities in connection with World Refugee Day on June 20, as established by the UN. Proceeds are donated to the Office of the United Nations High Commissioner for Refugees. Since 2012, we have been supporting the reconstruction of areas affected by the Great East Japan Earthquake through cooperative sale of local specialty goods conducted each March. Our overseas Group companies are actively continuing to connect with local communities and engage in activities that support them, including safety education for preschoolers and primary school students and donations to hospitals.

Employees from U.S.-based K-BIN, Inc., donate toys to local children

G Governance

Key Issue Accurate and timely information disclosure and communication with stakeholders

The Group believes the appropriate and timely disclosure of Company information promotes stakeholder understanding and leads to appropriate market valuation. We engage in fair and transparent disclosure through information posted on our corporate Web site, announcements in the media and at stock exchanges and publications including the annual report and other reports for shareholders.

Primary Dialogue Methods and Opportunities

All shareholders and investors	• General Meeting of Shareholders • Financial results briefings and telephone conferences for institutional investors and analysts (four per year) • Annual guided plant tour for institutional investors and analysts • One-on-one meetings (about 300 per year) • Information sessions for investors sponsored by securities companies (five per year) • Information sessions for individual investors (five in 2018) • Communication of information through our corporate website, Annual Report, etc.
Customers	• Response from sales departments • Communication of information through our corporate website, exhibitions, etc.
Suppliers	• Response from procurement departments • Supplier hotline
Local communities	• Dialogue with local government, etc. • Participation in regional events
Employees	• Dialogue and conferences with labor unions • Communication of information through a Company newsletter, intranet, etc.

Corporate Governance

For more detailed information, please see the Governance section on the Group's Web site.

WEB https://www.shinetsu.co.jp/en/csr/csr_governance.html

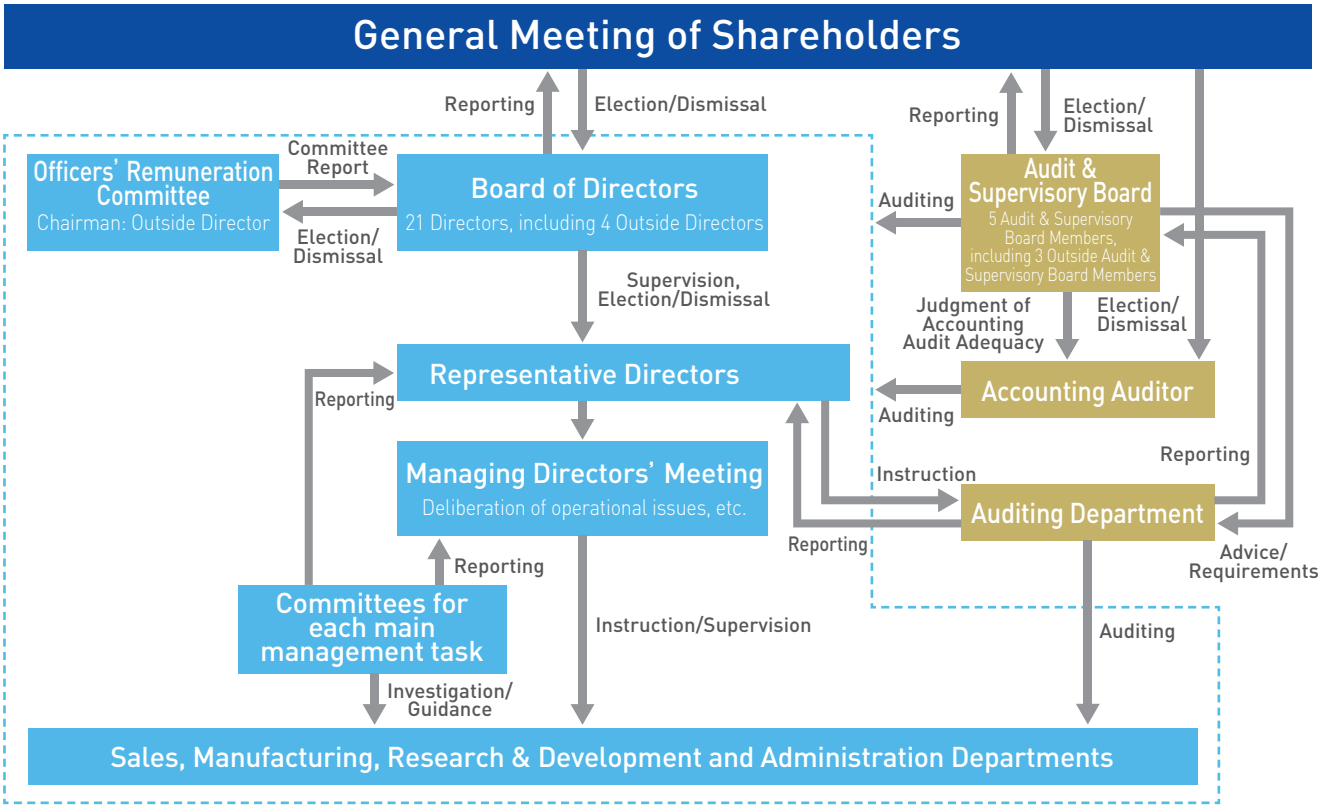
Basic Approach

Shin-Etsu Chemical develops various systems and has an efficient organizational structure able to quickly respond to changes in the business environment to realize the basic management policies of meeting shareholder expectations and continuously enhancing corporate value. Furthermore, our basic approach to corporate governance is focused on efforts to disclose accurate information to shareholders and investors from the perspectives of improving management transparency and enhanced monitoring functions, which we position as one of our most important management priorities.

Corporate Governance Structure (as of June 27, 2019)

Outside Audit & Supervisory Board members strive to ensure a sufficient auditing function by Audit & Supervisory Board members through collaborations between members and internal audit departments. We also strive to enhance the system and the staff members supporting the audits conducted by the Audit & Supervisory Board members. Furthermore, the four highly independent Outside Directors have an effective mechanism to strengthen management supervisory functions. The Outside Directors conduct sufficient management supervision with help by the Audit & Supervisory Board members and the internal audit departments. In this way, the Company employs a statutory auditor system as our corporate governance system to ensure the governance structure desired by the Company and earn the confidence of shareholders and investors.

Shin-Etsu Chemical's Board of Directors consists of 21 members (of which four are Outside Directors) and five Audit & Supervisory Board Members (of which three are Outside Audit & Supervisory Board members). In addition to the Board of Directors, the legally designated deliberator of business execution and the decision-making body, we have established a Managing Directors' Meeting, both of which meet once each month, in principle. Furthermore, as an advisory body to the Board of Directors, the Officers' Remuneration Committee, chaired by an Outside Director, ensures transparency and validity in decisions regarding executive remuneration and the appointment of corporate executive candidates, including Directors and Audit & Supervisory Board Members.



Officers' Remuneration

To ensure the transparency and fairness of executive remuneration, the Officers' Remuneration Committee was established in 2002 as an advisory body to the Board of Directors. This committee, chaired by Outside Director Frank Peter Popoff, assesses the overall degree of contribution by each Director to performance and general management each fiscal year, reporting the results of these evaluations to the Board of Directors.

About Decision Making Related to the Remuneration Amount and Calculation Method

Shin-Etsu Chemical Director remuneration is within the scope of the compensation framework approved by the General Meeting of Shareholders and determined by the Board of Directors based on assessments and evaluations made by the discretionary Officers' Remuneration Committee, which is chaired by an Outside Director. Director remuneration consists of "fixed remuneration" reflecting position and duties, performance-based remuneration and stock options issued to increase motivation and morale related to duties and improve performance.

Audit & Supervisory Board member remuneration is within the scope of the compensation framework approved by the General Meeting of Shareholders and is determined through consultation with Audit & Supervisory Board members reflecting their duties.

Moreover, Outside Directors and Audit & Supervisory Board members do not receive performance-based remuneration, stock options or bonuses.

Remuneration Amount by Director Type and Its Detail, Number of Applicable Directors (For the year ended March 31, 2019)

Designation	Amount of Remuneration by Type (¥ million)			Number of Recipients (People)	Type of Remuneration (¥ million)	Number of Recipients (People)
	Fixed	Performance-Based	Total		Stock Option	
Directors (excluding Outside Directors)	1,075	559	1,635	18	210	18
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	40	—	40	2	—	—
Outside Directors and Outside Audit & Supervisory Board Members	149	—	149	7	—	—

Notes:
1. The Officers' Retirement Benefits Program was repealed at the conclusion of the 131st General Shareholders' Meeting held on June 27, 2008.
2. The amount for stock options is an expensed amount calculated for the current fiscal year based on the accounting standards. Therefore, it does not represent the amount paid in cash and the amount the company guarantees to pay in cash, either. In addition, the salary amounts for Directors' concurrently held positions are not included.
3. Payments to Directors do not include employee salary amounts (including bonuses) equivalent to concurrently held positions. Salary amounts for concurrently held positions are immaterial.
4. The total amount of remuneration to Directors (excluding Outside Directors), which consists of fixed and performance-based remuneration and stock options was ¥1,845 million.

Compliance

Internal Control System

Status of Internal Control System Development

Shin-Etsu Chemical has formulated a Basic Policy on Internal Controls to comply with Japanese law, Article 362, Paragraph 4, Item 6, of the Companies Act. In line with this basic policy, we have established and operate an internal control system that undergoes constant review in an effort to enhance its appropriateness and efficiency.

Status of Audit and Supervisory Board Auditing and Internal Auditing

Shin-Etsu Chemical's Audit & Supervisory Board members attend important internal meetings and conduct audits on the execution of operations through the review of important documents and physical observation of plants in Japan and overseas. As necessary, regarding audits conducted by the accounting auditor, the Audit & Supervisory Board members request reports and explanations, sitting down with them for research, and exchange information and opinions several times throughout the year. The staff from the Auditing Department and the Legal Department also assist the Audit & Supervisory Board members with their duties.

In terms of the internal auditing organizational structure, the Auditing Department is constantly engaged in the operational auditing of each department from the perspectives of legal compliance and the rationality of business activities. The results of these activities are reported to management, the Outside Directors and the Audit & Supervisory Board members.

The Audit & Supervisory Board members hold regular monthly meetings with the Auditing Department where they receive progress reports on activities, internal auditing results and other matters. They provide advice on topics including these activities and the selection of key auditing themes and request investigations. They also exchange information and opinions on an ongoing basis if necessary. The Auditing Department also attends meetings where Audit & Supervisory Board members receive reports and explanations from the Accounting Auditor in an effort to strengthen the auditing function based on more effective tripartite cooperation.

Tax Compliance

The Group's Business Principle refers to strict compliance with all laws and regulations and conducting fair business practices. Based on this, employees within the group each work sincerely and faithfully at their tasks day by day. One of our goals as the group is contributing to society by paying the taxes required by the applicable laws of each country in which we do business, as calculated based on the profits earned from our activities. In the 2018 fiscal year, our consolidated companies paid a total of approximately 121.5 billion yen in taxes.

Compliance with the Corporate Governance Code

The Group is in compliance with the Tokyo Stock Exchange Corporate Governance Code and implements all 11 principles therein. Please see the Corporate Governance Report for detail.

WEB https://www.shinetsu.co.jp/en/csr/csr_governance.html#governance

Activity Status of Outside Directors and Outside Audit & Supervisory Board Members

(For the fiscal year ended March 31, 2019)

From the left: Toshihiko Fukui, Hiroshi Komiyama, Frank Peter Popoff, Tsuyoshi Miyazaki

From the left: Yoshihito Kosaka, Kiyoshi Nagano, Taku Fukui

	Important Concurrent Positions (As of March 31, 2019)	Status of Activities	Attendance at Board Meetings (Year Ended March 31, 2019)
Outside Director Frank Peter Popoff		His opinions and practical advice, from a broad perspective based on his management experience as CEO of the former The Dow Chemical Company, a U.S. company that has a long history as a global company, have been of significant importance for the Company to expand its business overseas and enhance its corporate value.	Board of Directors Meetings 100%
Outside Director Tsuyoshi Miyazaki	Adviser, Mitsubishi Logistics Corporation	He shared his comments from a broad, high-level perspective capitalizing on his management experience at Mitsubishi Logistics Corporation. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Outside Director Toshihiko Fukui	President, Canon Institute for Global Studies Outside Director, Kikkoman Corporation	He shared his comments from a broad, high-level perspective capitalizing on his outstanding knowledge and wealth of experience related to global finance and economy as an ex-Governor of the Bank of Japan. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 92%
Outside Director Hiroshi Komiyama	Chairman, Mitsubishi Research Institute, Inc.	He shared his comments from a broad, high-level perspective capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 92%
Outside Audit & Supervisory Board Member Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio University Law School Outside Director, Yamaha Corporation	At the Audit & Supervisory Board meetings, he shared his comments from a legal specialist's point of view and contributed to the establishment of a compliance structure.	Board of Directors Meetings 92% Audit & Supervisory Board Meetings 100%
Outside Audit & Supervisory Board Member Yoshihito Kosaka	C.P.A. Certified Public Tax Accountant Counselor, Kisaragi Audit Corporation Outside Director, Star Mica Co., Ltd.	At the Audit & Supervisory Board meetings, he shared his comments from a finance and accounting specialist's point of view and contributed to the establishment of a compliance structure.	Board of Directors Meetings 100% Audit & Supervisory Board Meetings 100%
Outside Audit & Supervisory Board Member Kiyoshi Nagano	Outside Director, LEC, INC.	At the Audit & Supervisory Board meetings, he shared his comments from an extensive viewpoint based on his management experience at the former Jasdaq Securities Exchange, Inc., and contributed to the establishment of a compliance structure.	Board of Directors Meetings 100% Audit & Supervisory Board Meetings 100%

Board of Directors and Audit & Supervisory Board Members

(As of June 27, 2019)

Representative Director-
Chairman
Chihiro Kanagawa

Director, Chairman and
Founder of SHINTECH Inc.

Representative Director-
Vice Chairman
Fumio Akiya

In charge of Semiconductor Materials,
and Technologies
Representative Director & President of Shin-Etsu
Handotai Co., Ltd.

Representative Director-
President
Yasuhiko Saitoh

Director & President of SHINTECH Inc.
Director & President of Shin-Etsu Handotai
America, Inc.

Senior Managing Director	Toshinobu Ishihara	In charge of New Functional Materials, Special Functional Products
Senior Managing Director	Susumu Ueno	General Manager, Silicone Div.
Senior Managing Director	Masahiko Todoroki	General Manager, Planning & Administration Dept.; Semiconductor Materials Div.
Managing Director	Toshiya Akimoto	In charge of Office of the Secretariat, Public Relations, Legal Affairs and Purchasing; General Manager, Office for Digitization and Digitalization[3]
Managing Director	Fumio Arai	General Manager, Organic Chemicals Div., Director & President of Shin-Etsu PVC B.V. and SE Tylose GmbH & Co. KG
Managing Director	Yukihiro Matsui	General Manager, Electronics Materials Div.
Managing Director	Masaki Miyajima	In charge of Advanced Materials; General Manager, PVC Div.
Managing Director	Kenji Ikegami	In charge of General Affairs, Personnel & Labor Relations and Business Auditing
Director	Shunzo Mori	
Director	Frank Peter Popoff[1]	
Director	Tsuyoshi Miyazaki[1]	Adviser, Mitsubishi Logistics Corporation
Director	Toshihiko Fukui[1]	President, Canon Institute for Global Studies; Outside Director, Kikkoman Corporation
Director	Hiroshi Komiyama[1]	Chairman, Mitsubishi Research Institute, Inc.
Director	Toshiyuki Kasahara	In charge of Office of the President; General Manager, Finance & Accounting Dept.
Director	Kazumasa Maruyama	General Manager, New Functional Materials Div.
Director	Toshio Shiobara	In charge of R&D and Patents; Deputy General Manager, Electronics Materials Div. (in charge of Organic Electronics Materials)
Director	Yoshimitsu Takahashi	In charge of Environment Control & Safety; General Manager, Business Development Dept.
Director	Kai Yasuoka	General Manager, International Div.
Audit & Supervisory Board Member	Hiroaki Okamoto	
Audit & Supervisory Board Member	Hidenori Onezawa	
Audit & Supervisory Board Member	Taku Fukui[2]	Managing Partner, Kashiwagi Sogo Law Offices; Professor, Keio University Law School; Outside Director, Yamaha Corporation
Audit & Supervisory Board Member	Yoshihito Kosaka[2]	Counselor, Kisaragi Audit Corporation; Outside Director, Star Mica Co., Ltd.
Audit & Supervisory Board Member	Kiyoshi Nagano[2]	Outside Director, LEC, INC.

Notes: 1. Indicates an Outside Director as defined in Item 15, Article 2, of the Corporations Law.
2. Indicates an Outside Audit & Supervisory Board Member as defined in Item 16, Article 2, of the Corporations Law.
3. The Company newly established the Office for Digitization and Digitalization as of July 1, 2019.

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2010 through 2019
For more detailed information, please see the Financial & IR Information on the Group's Web site
WEB https://www.shinetsu.co.jp/en/ir/ir_data.html

	2010	2011	2012	2013
For the year:				
Net sales	¥ 916,837	¥1,058,257	¥1,047,731	¥1,025,409
Cost of sales	700,902	803,574	798,592	769,427
Selling, general and administrative expenses	98,718	105,460	99,505	98,938
Operating income	117,215	149,221	149,632	157,043
Ordinary income	127,019	160,338	165,237	170,207
Net income attributable to owners of parent	83,852	100,119	100,643	105,714
Capital expenditures	123,793	119,884	87,165	86,841
R&D costs	33,574	37,321	35,725	37,671
Depreciation and amortization	87,722	93,732	82,868	80,961
At year-end:				
Total assets	¥1,769,139	¥1,784,166	¥1,809,841	¥1,920,903
Working capital (Current assets - Current liabilities)	612,447	638,493	694,803	832,878
Common stock	119,419	119,419	119,419	119,419
Net assets	1,474,212	1,469,429	1,494,573	1,623,176
Interest-bearing debt	20,052	14,574	15,732	13,929
Per share (Yen and U.S. dollars):				
Net income per share	¥ 197.53	¥ 235.80	¥ 237.03	¥ 248.94
Diluted net income per share [2]	197.50	235.80	—	248.92
Cash dividends	100.00	100.00	100.00	100.00
Payout ratio (%)	50.6	42.4	42.2	40.2
Net assets	3,370.56	3,360.39	3,422.93	3,709.19
General:				
Operating income to net sales ratio (%)	12.8	14.1	14.3	15.3
Net income attributable to owners of parent to net sales ratio (%)	9.1	9.5	9.6	10.3
ROE (%)	6.0	7.0	7.0	7.0
ROA (%)	7.4	9.0	9.2	9.1
Equity ratio (%)	80.9	80.0	80.3	82.0
Number of employees	16,955	16,302	16,167	17,712
Number of shares issued (Thousands)	432,106	432,106	432,106	432,106

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥111 = US$1, the approximate rate of exchange on March 31, 2019.
2. Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.
3. "Partial Amendments to 'Accounting Standard for Tax-Effect Accounting'", etc. (ASBJ Statement No. 28, February 16, 2018) were applied from the beginning of the fiscal year ended March 31, 2019. Accordingly, the main management indicators, etc., for the previous fiscal year are those after retroactive application of said Accounting Standard, etc.

					Millions of yen	Millions of U.S. dollars (Note 1)
2014	2015	2016	2017	2018	2019	2019
¥1,165,819	¥1,255,543	¥1,279,807	¥1,237,405	¥1,441,432	**¥1,594,036**	**$ 14,360**
873,879	940,399	930,019	868,404	963,008	**1,039,979**	**9,369**
118,130	129,814	141,262	130,383	141,601	**150,352**	**1,354**
173,809	185,329	208,525	238,617	336,822	**403,705**	**3,636**
180,605	198,025	220,005	242,133	340,308	**415,311**	**3,741**
113,617	128,606	148,840	175,912	266,235	**309,125**	**2,784**
83,155	109,903	134,753	145,647	176,283	**240,618**	**2,167**
43,546	47,165	53,165	49,020	51,768	**56,436**	**508**
91,445	96,918	100,466	93,087	112,016	**137,570**	**1,239**
¥2,198,912	¥2,452,306	¥2,510,085	¥2,655,636	¥2,903,137	**¥3,038,717**	**$ 27,375**
981,667	1,100,999	1,170,679	1,232,607	1,324,495	**1,358,614**	**12,239**
119,419	119,419	119,419	119,419	119,419	**119,419**	**1,075**
1,822,135	2,012,711	2,080,465	2,190,082	2,413,025	**2,532,556**	**22,815**
15,638	14,328	13,470	14,642	15,814	**14,920**	**134**
¥ 267.20	¥ 302.05	¥ 349.46	¥ 412.86	¥ 624.28	**¥ 725.99**	**$ 6.540**
267.07	301.98	349.42	412.83	624.10	**725.92**	**6.540**
100.00	100.00	110.00	120.00	140.00	**200.00**	**1.802**
37.4	33.1	31.5	29.1	22.4	**27.5**	**27.5**
4,165.28	4,602.80	4,761.48	5,002.16	5,511.98	**5,915.47**	**53.293**
14.9	14.8	16.3	19.3	23.4	**25.3**	**25.3**
9.7	10.2	11.6	14.2	18.5	**19.4**	**19.4**
6.8	6.9	7.5	8.5	11.9	**12.8**	**12.8**
8.8	8.5	8.9	9.4	12.2	**14.0**	**14.0**
80.6	79.9	80.8	80.3	81.0	**81.1**	**81.1**
17,892	18,276	18,407	19,206	20,155	**21,735**	**21,735**
432,106	432,106	432,106	432,106	432,106	**427,606**	**427,606**

Consolidated Balance Sheet

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
ASSETS			
Current Assets:			
Cash and time deposits	¥ 854,506	**¥ 826,680**	**$ 7,447**
Notes and accounts receivable-trade	332,880	**338,701**	**3,051**
Securities	197,339	**215,444**	**1,940**
Merchandise and finished goods	135,033	**158,717**	**1,429**
Work in process	13,235	**16,711**	**150**
Raw materials and supplies	133,808	**154,064**	**1,387**
Other	48,313	**47,527**	**428**
Less: Allowance for doubtful accounts	(12,201)	**(7,379)**	**(66)**
Total current assets	1,702,916	**1,750,469**	**15,769**
Fixed Assets:			
Property, Plant and Equipment:			
Buildings and structures, net	176,323	**188,268**	**1,696**
Machinery and equipment, net	454,846	**445,974**	**4,017**
Land	88,746	**88,806**	**800**
Construction in progress	170,810	**255,232**	**2,299**
Other, net	9,001	**9,678**	**87**
Total property, plant and equipment	899,728	**987,960**	**8,900**
Intangible Assets	9,405	**8,740**	**78**
Investments and Other Assets:			
Investments in securities	145,455	**141,685**	**1,276**
Net defined benefit asset	2,440	**3,841**	**34**
Deferred tax assets	52,869	**59,154**	**532**
Other	92,518	**89,491**	**806**
Less: Allowance for doubtful accounts	(2,197)	**(2,624)**	**(23)**
Total investments and other assets	291,086	**291,548**	**2,626**
Total fixed assets	1,200,220	**1,288,248**	**11,605**
Total Assets	¥ 2,903,137	**¥ 3,038,717**	**$ 27,375**

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
LIABILITIES			
Current Liabilities:			
Notes and accounts payable—trade	¥ 136,834	¥ 141,027	$ 1,270
Short-term borrowings	7,094	7,008	63
Accounts payable—other	65,750	75,128	676
Accrued expenses	68,805	74,354	669
Accrued income taxes	58,972	45,739	412
Accrued bonuses for employees	3,147	3,551	31
Accrued bonuses for directors	674	694	6
Other	37,142	44,350	399
Total current liabilities	378,421	391,854	3,530
Long-Term Liabilities:			
Long-term debt	8,430	7,624	68
Deferred tax liabilities	61,476	62,669	564
Net defined benefit liability	32,282	30,473	274
Other	9,499	13,540	121
Total long-term liabilities	111,690	114,306	1,029
Total Liabilities	490,112	506,161	4,560
NET ASSETS			
Stockholders' Equity:			
Common stock	119,419	119,419	1,075
Additional paid-in capital	129,937	128,299	1,155
Retained earnings	2,070,779	2,283,760	20,574
Less: Treasury stock, at cost	(30,207)	(94,702)	(853)
Total stockholders' equity	2,289,929	2,436,777	21,952
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	26,446	22,955	206
Deferred gains (losses) on hedges	1,671	(266)	(2)
Foreign currency translation adjustments	34,611	5,143	46
Remeasurements of defined benefit plans	(1,416)	987	8
Total accumulated other comprehensive income	61,313	28,820	259
Share Subscription Rights	524	1,143	10
Non-Controlling Interests in Consolidated Subsidiaries	61,258	65,814	592
Total Net Assets	2,413,025	2,532,556	22,815
Total Liabilities and Net Assets	¥2,903,137	¥3,038,717	$ 27,375

Consolidated Statement of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Net Sales	¥1,441,432	**¥1,594,036**	**$ 14,360**
Cost of Sales	963,008	**1,039,979**	**9,369**
Gross profit	478,424	**554,057**	**4,991**
Selling, General and Administrative Expenses	141,601	**150,352**	**1,354**
Operating income	336,822	**403,705**	**3,636**
Other Income (Expenses):			
Interest income	6,122	**9,093**	**81**
Dividend income	4,817	**5,896**	**53**
Equity in earnings (losses) of affiliates	3,762	**4,669**	**42**
Interest expenses	(621)	**(746)**	**(6)**
Loss on disposal of property, plant and equipment	(3,239)	**(2,611)**	**(14)**
Loss on revaluation of investments in securities	(143)	**(1,565)**	**(23)**
Other, net	(7,212)	**(3,129)**	**(28)**
Ordinary income	340,308	**415,311**	**3,741**
Income before income taxes and non-controlling interests	340,308	**415,311**	**3,741**
Income Taxes:			
Current	103,240	**104,186**	**938**
Deferred	(32,990)	**(2,861)**	**(25)**
Total Income Taxes	70,249	**101,325**	**912**
Net Income	270,058	**313,986**	**2,828**
Net Income Attributable to Non-Controlling Interests	(3,822)	**(4,860)**	**(43)**
Net Income Attributable to Owners of Parent	¥ 266,235	**¥ 309,125**	**$ 2,784**

Earnings per Share:		Yen	U.S. dollars
Net income attributable to owners of parent—basic	¥ 624.28	**¥ 725.99**	**$ 6.540**
Net income attributable to owners of parent—fully diluted	624.10	**725.92**	**6.540**
Cash dividends	140.00	**200.00**	**1.802**
Weighted-Average Number of Shares Outstanding (Thousands)	426,470	**425,797**	**425,797**

Consolidated Statement of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Net Income	¥ 270,058	**¥ 313,986**	**$ 2,828**
Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	3,549	**(3,499)**	**(31)**
Deferred gains (losses) on hedges	806	**(1,928)**	**(17)**
Foreign currency translation adjustments	14	**(30,861)**	**(278)**
Remeasurements of defined benefit plans	337	**2,383**	**21**
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	370	**(134)**	**(1)**
Total other comprehensive income (loss)	5,078	**(34,040)**	**(306)**
Comprehensive Income	¥ 275,137	**¥ 279,945**	**$ 2,522**
(Breakdown)			
Comprehensive income attributable to owners of parent	¥ 270,406	**¥ 276,632**	**$ 2,492**
Comprehensive income attributable to non-controlling interests	4,730	**3,312**	**29**

Consolidated Statement of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands	Millions of yen				
		Stockholders' Equity				
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2017	432,106	¥119,419	¥129,626	¥1,857,857	¥(31,213)	¥2,075,690
Cash dividends				(53,301)		(53,301)
Net income attributable to owners of parent				266,235		266,235
Purchase of treasury stock					(30)	(30)
Disposal of treasury stock			410		1,036	1,447
Others			(99)	(12)		(112)
Net changes of items other than stockholders' equity						
Balance at March 31, 2018	432,106	¥119,419	¥129,937	¥2,070,779	¥(30,207)	¥2,289,929

	Millions of yen							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2017	¥22,887	¥862	¥35,154	¥(1,761)	¥57,142	¥152	¥57,096	¥2,190,082
Cash dividends								(53,301)
Net income attributable to owners of parent								266,235
Purchase of treasury stock								(30)
Disposal of treasury stock								1,447
Others								(112)
Net changes of items other than stockholders' equity	3,559	809	(543)	344	4,171	371	4,161	8,703
Balance at March 31, 2018	¥26,446	¥1,671	¥34,611	¥(1,416)	¥61,313	¥524	¥61,258	¥2,413,025

	Thousands	Millions of yen				
		Stockholders' Equity				
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2018	432,106	¥119,419	¥129,937	¥2,070,779	¥(30,207)	¥2,289,929
Cash dividends				(74,655)		(74,655)
Net income attributable to owners of parent				309,125		309,125
Purchase of treasury stock					(89,475)	(89,475)
Disposal of treasury stock			166		429	596
Retirement of treasury stock	(4,500)		(24,551)		24,551	
Transfer to additional paid-in capital from retained earnings			22,719	(22,719)		
Others			27	1,230		1,257
Net changes of items other than stockholders' equity						
Balance at March 31, 2019	427,606	¥119,419	¥128,299	¥2,283,760	¥(94,702)	¥2,436,777

	Millions of yen							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2018	¥26,446	¥1,671	¥34,611	¥(1,416)	¥61,313	¥524	¥61,258	¥2,413,025
Cash dividends								(74,655)
Net income attributable to owners of parent								309,125
Purchase of treasury stock								(89,475)
Disposal of treasury stock								596
Retirement of treasury stock								
Transfer to additional paid-in capital from retained earnings								
Others								1,257
Net changes of items other than stockholders' equity	(3,491)	(1,938)	(29,467)	2,403	(32,493)	619	4,556	(27,317)
Balance at March 31, 2019	¥22,955	¥(266)	¥5,143	¥987	¥28,820	¥1,143	¥65,814	¥2,532,556

Consolidated Statement of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands	Millions of U.S. dollars				
		Stockholders' Equity				
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2018	432,106	$1,075	$1,170	$18,655	$(272)	$20,629
Cash dividends				(672)		(672)
Net income attributable to owners of parent				2,784		2,784
Purchase of treasury stock					(806)	(806)
Disposal of treasury stock			1		3	5
Retirement of treasury stock	(4,500)		(221)		221	
Transfer to additional paid-in capital from retained earnings			204	(204)		
Others			0	11		11
Net changes of items other than stockholders' equity						
Balance at March 31, 2019	427,606	$1,075	$1,155	$20,574	$(853)	$21,952

	Millions of U.S. dollars							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2018	$238	$15	$311	$(12)	$552	$4	$551	$21,738
Cash dividends								(672)
Net income attributable to owners of parent								2,784
Purchase of treasury stock								(806)
Disposal of treasury stock								5
Retirement of treasury stock								
Transfer to additional paid-in capital from retained earnings								
Others								11
Net changes of items other than stockholders' equity	(31)	(17)	(265)	21	(292)	5	41	(246)
Balance at March 31, 2019	$206	$(2)	$46	$8	$259	$10	$592	$22,815

Consolidated Statement of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2018 and 2019

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	¥340,308	**¥415,311**	**$ 3,741**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	112,016	**137,570**	**1,239**
Loss on impairment of fixed assets	1,460	**2,232**	**20**
Increase (decrease) in net defined benefit liability	(4,469)	**(126)**	**(1)**
(Gain) loss on sales of investments in securities	(17)	**(3)**	**(0)**
(Gain) loss on revaluation of investments in securities	143	**1,565**	**14**
Increase (decrease) in allowance for doubtful accounts	(2,019)	**(4,281)**	**(38)**
Interest and dividend income	(10,939)	**(14,989)**	**(135)**
Interest expenses	621	**746**	**6**
Exchange (gain) loss	6,148	**(2,060)**	**(18)**
Equity in (earnings) losses of affiliates	(3,762)	**(4,669)**	**(42)**
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(42,287)	**(8,697)**	**(78)**
(Increase) decrease in inventories	(13,595)	**(49,109)**	**(442)**
(Increase) decrease in long-term advance payment	3,196	**3,838**	**34**
Increase (decrease) in notes and accounts payable	12,017	**3,270**	**29**
Other, net	(2,400)	**25,803**	**232**
Subtotal	396,420	**506,400**	**4,562**
Proceeds from interest and dividends	11,746	**16,627**	**149**
Payments of interest	(599)	**(751)**	**(6)**
Payments of income taxes	(74,791)	**(121,589)**	**(1,095)**
Net cash provided by operating activities	332,776	**400,687**	**3,609**
Cash Flows from Investing Activities:			
(Increase) decrease in time deposits	(22,649)	**55,116**	**496**
Purchases of securities	(95,000)	**(83,830)**	**(755)**
Proceeds from redemption of securities	50,560	**82,660**	**744**
Purchases of property, plant and equipment	(162,311)	**(226,768)**	**(2,042)**
Proceeds from sales of property, plant and equipment	2,390	**238**	**2**
Purchases of intangible fixed assets	(1,407)	**(1,334)**	**(12)**
Purchases of investments in securities	(7,516)	**(2,563)**	**(23)**
Proceeds from sales of investments in securities	26	**434**	**3**
Proceeds from redemption of investments in securities	5,000	**-**	**-**
Payments of loans	(809)	**(4)**	**(0)**
Proceeds from collection of loans	1,301	**542**	**4**
Other, net	(7,188)	**(6,045)**	**(54)**
Net cash provided by (used for) investing activities	(237,602)	**(181,553)**	**(1,635)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	(114)	**(298)**	**(2)**
Proceeds from long-term debt	2,012	**51**	**0**
Repayments of long-term debt	(792)	**(227)**	**(2)**
Purchases of treasury stock	(30)	**(89,475)**	**(806)**
Proceeds from sales of treasury stock	1,394	**573**	**5**
Cash dividends paid	(53,301)	**(74,655)**	**(672)**
Cash dividends paid to non-controlling interests	(750)	**(896)**	**(8)**
Other, net	1,575	**389**	**3**
Net cash used for financing activities	(50,006)	**(164,538)**	**(1,482)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,952	**(7,917)**	**(71)**
Net Increase (Decrease) in Cash and Cash Equivalents	47,119	**46,678**	**420**
Cash and Cash Equivalents at Beginning of Year	733,306	**780,449**	**7,031**
Increase (Decrease) in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation	24	**1,217**	**10**
Cash and Cash Equivalents at End of Year	¥780,449	**¥828,345**	**$ 7,462**

Shin-Etsu Group Companies

Note: The number in parentheses next to each country's name is that country's international telephone area code.

NORTH AMERICA

United States (1)	**Shintech, Inc.**	Production and sales of PVC resin	#3 Greenway Plaza, Suite 1150, Houston, TX 77046, U.S.A.	Tel. 713-965-0713
	Shin-Etsu Handotai America, Inc. (S.E.H. America)	Production and sales of semiconductor silicon wafers	4111 NE 112th Ave., Vancouver, WA 98682-6776, U.S.A.	Tel. 360-883-7000
	Shin-Etsu Silicones of America, Inc.	Production and sales of silicone products	1150 Damar Drive, Akron, OH 44305, U.S.A.	Tel. 330-630-9860
	K-Bin, Inc.	Production and sales of PVC compounds	#3 Greenway Plaza, Suite 1150, Houston, TX 77046, U.S.A.	Tel. 713-965-0713
	Shin-Etsu MicroSi, Inc.	Sales of electronics materials	10028 South 51st St., Phoenix, AZ 85044, U.S.A.	Tel. 480-893-8898
	SE Tylose USA, Inc.	Production and sales of cellulose derivatives	26270 Highway 405, Plaquemine, LA 70764, U.S.A.	Tel. 225-309-0110
	Shin-Etsu Magnetics, Inc.	Sales of rare earths and rare earth magnets	2372 Qume Drive, Suite B, San Jose, CA 95131-1841, U.S.A.	Tel. 408-383-9240

SOUTH AMERICA

Brazil (55)	**Shin-Etsu do Brasil Representação de Produtos Químicos Ltda.**	Sales support of silicone products and cellulose derivatives	Rua Coronel Oscar Porto, 736 11° Andar - 114/115 Paraíso São Paulo - SP Brasil CEP: 04003-003	Tel.11-3939-0690 (silicones) 11-3939-0692 (cellulose derivatives)

EUROPE

The Netherlands (31)	**Shin-Etsu Silicones Europe B.V.**	Production and sales of silicone products	Bolderweg 32,1332 AV, Almere, The Netherlands	Tel. 36-549-3170
	Shin-Etsu International Europe B.V.	Sales of chemical products, electronics materials and others	World Trade Center Amsterdam, Strawinskylaan B-827 1077 XX, Amsterdam, The Netherlands	Tel. 20-662-1359
	Shin-Etsu PVC B.V.	Production and sales of vinyl chloride monomer and PVC resin	Building Noorderhaeve, Noorderweg 68 1221 AB, Hilversum, The Netherlands	Tel. 35-689-8010
Portugal (351)	**CIRES, Lda. (Companhia Industrial de Resinas Sintéticas, Lda.)**	Production and sales of PVC resin	Rua da CIRES, nr.8, 3860-160 Avanca, Estarreja, Portugal	Tel. 234-811-200
United Kingdom (44)	**Shin-Etsu Handotai Europe, Ltd. (S.E.H. Europe)**	Production and sales of semiconductor silicon wafers	Wilson Road, Toll Roundabout, Eliburn, Livingston, West Lothian EH54 7DA, U.K.	Tel. 1506-41-5555
Germany (49)	**SE Tylose GmbH & Co. KG**	Production and sales of cellulose derivatives	Rheingaustr.190-196, 65203 Wiesbaden, Germany	Tel. 611-962-6462
	Shin-Etsu Magnetics Europe GmbH	Sales of rare earths and rare earth magnets	Gerbermuehlstrasse 7, 60594 Frankfurt am Main, Germany	Tel. 69-8700-31611

ASIA & OCEANIA

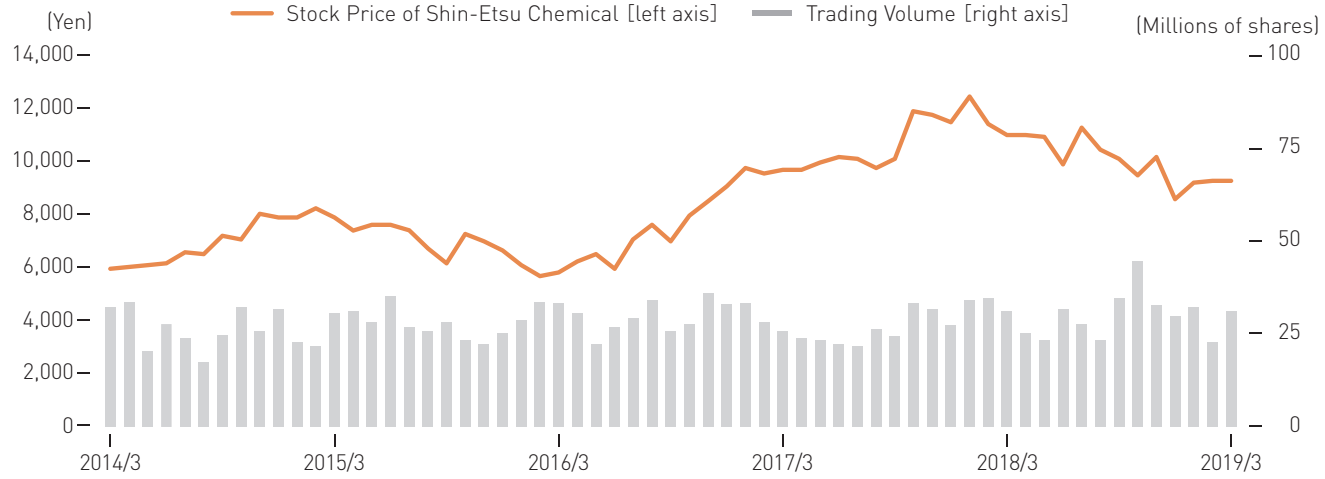
Malaysia (60)	**S.E.H. Malaysia Sdn. Bhd.**	Production, processing and sales of semiconductor silicon wafers	Lot No. 2, Lorong Enggang 35, Ulu Klang Free Trade Zone, 54200 Selangor Darul Ehsan, Malaysia	Tel. 3-4259-6600
	Shin-Etsu (Malaysia) Sdn. Bhd.	Production and sales of rare earth magnets and VCM	Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5191-2233
	S.E.H. (Shah Alam) Sdn. Bhd.	Production and processing of semiconductor silicon wafers	Lot No. 8, Jalan Sementa 27/91, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5123-7000
	Shin-Etsu Electronics (Malaysia) Sdn. Bhd.	Production and sales of epoxy molding compounds	Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5192-1081
	Shin-Etsu Electronics Materials Penang Sdn. Bhd.	Technical support for silicone and epoxy products	Lot P22, Phase 4, Free Industrial Zone, 11900, Bayan Lepas, Penang, Malaysia	Tel. 4-6437008
Australia (61)	**Simcoa Operations Pty. Ltd.**	Production and sales of silicon metal	973, Marriott Road, Wellesley, WA 6233, Australia	Tel. 897-806744
Vietnam (84)	**Shin-Etsu Electronics Materials Vietnam Co., Ltd.**	Production of materials for LED	Plot No. A-7, Thang Long Industrial ParkII Yen My district, Hung Yen province, Viet Nam	Tel. 221-3974-880/881
	Shin-Etsu Magnetic Materials Vietnam Co., Ltd.	Separation and refinement of rare earths, production and sales of rare earths and rare earth magnets	Lot CN5.2D, Petro-chemical Area, Dinh Vu industrial Zone, Dong Hai 2 Ward, Hai An District, Hai Phong, Viet Nam	Tel. 225-325-0518
Philippines (63)	**Shin-Etsu Magnetics Philippines, Inc.**	Production and sales of rare earth magnets	125 East Main Avenue Special Export Processing Zone, Laguna Technopark Binan, Laguna 4034 Philippines	Tel. 49-5413191
Singapore (65)	**Shin-Etsu Singapore Pte. Ltd.**	Sales of silicone products	4 Shenton Way #10-03/06 SGX Centre II, Singapore 068807	Tel. 6743-7277
	Shin-Etsu Handotai Singapore Pte. Ltd. (S.E.H. Singapore)	Sales of semiconductor silicon wafers	8 Temasek Boulevard, #21-05 Suntec Tower Three, Singapore 038988	Tel. 2935160

Thailand (66)	Shin-Etsu Silicones (Thailand), Ltd.	Production and sales of silicone products	7th Floor, Harindhorn Tower, 54 North Sathorn Road, Bangkok 10500, Thailand	Tel. 2-632-2941
	Asia Silicones Monomer Ltd.	Production of silicone monomer	1 Moo 2 Asia Industrial Estate, Tambol Banchang, Ampher Banchang, Rayong 21130, Thailand	Tel. 38-687-050
	Shin-Etsu Magnetics (Thailand), Ltd.	Production and sales of VCM	60/120,122,123 Moo19, Tambol Klongnueng, Amphur Klongluang, Pathumthani 12120, Thailand	Tel. 2-520-4293
Japan (81)	Shinano Electric Refining Co., Ltd.	Production and sales of silicon carbide products	Kanda Urban Bldg., 4-2, Kanda-Tsukasamachi 2-chome, Chiyoda-ku, Tokyo 101-0048, Japan	Tel. 03-5298-1601
	Nissin Chemical Industry Co., Ltd.	Production and sales of synthetic resin emulsions and other products	17-33, Kitago 2-chome, Echizen-shi, Fukui 915-0802, Japan	Tel. 0778-22-5100
	Shin-Etsu Polymer Co., Ltd.	Production and sales of synthetic resin products	9, Kanda-Sudacho 1-chome, Chiyoda-ku, Tokyo 101-0041, Japan	Tel. 03-5289-3712
	Shin-Etsu Astech Co., Ltd.	Construction businesses and sales of chemical products and others	Kamakuragashi Bldg., 2-1, Uchikanda 2-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Tel. 03-5298-3211
	Nagano Electronics Industrial Co., Ltd.	Production, processing and sales of semiconductor silicon wafers and other products	1393, Yashiro, Chikuma-shi, Nagano 387-8555, Japan	Tel. 026-261-3100
	Shin-Etsu Handotai Co., Ltd.	Production and sales of semiconductor silicon wafers and compound semiconductors	Shin-Otemachi Bldg., 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Tel. 03-3243-1500
	Kashima Chlorine & Alkali Co., Ltd.	Electrolysis business (production and sales of caustic soda and chlorine)	Towada 3, Kamisu-shi, Ibaraki 314-0102, Japan	Tel. 047-491-9566
	Kashima Vinyl Chloride Monomer Co., Ltd.	Production and sales of vinyl chloride monomer	Towada 2, Kamisu-shi, Ibaraki 314-0102, Japan	Tel. 0299-96-3415
	Naoetsu Electronics Co., Ltd.	Production, processing and sales of semiconductor silicon wafers	596-2, Jonokoshi, Kubiki-ku, Joetsu-shi, Niigata 942-0193, Japan	Tel. 025-530-2631
	Naoetsu Precision Co., Ltd.	Production, processing and sales of photomask substrate and other electronics materials	Aza-Gokawari 935-1, Shibukakihama, Ohgata-ku, Joetsu-shi, Niigata 949-3115, Japan	Tel. 025-534-4980
	Shin-Etsu Quartz Products Co., Ltd.	Production and sales of quartz glass products	Shinjuku San-ei Bldg., 22-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-0023, Japan	Tel. 03-3348-1912
	Shin-Etsu Film Co., Ltd.	Production and sales of films for condensers and other applications		Tel. 0778-23-8066
	Shin-Etsu Engineering Co., Ltd.	Engineering services for plant construction and produce mechatronics systems for the production of flat-panel displays (FPDs) such as LCDs and PDPs	Comfort Yasuda Bldg., 9, Kanda-Nishikicho 2-chome, Chiyoda-ku, Tokyo 101-0054, Japan	Tel. 03-3296-1080
	JAPAN VAM & POVAL Co., Ltd.	Production and sales of vinyl acetate monomer and polyvinyl alcohol	11-1, Chikko Shinmachi 3-chome, Nishi-ku, Sakai-shi, Osaka 592-8331, Japan	Tel. 072-245-1131
	Maruki Chemical Ind. Co.	Production, processing and sales of synthetic resin sheets and synthetic leather	Naka 403-14, Shiroi-shi, Chiba 270-1406, Japan	Tel. 047-491-9566
	Tatsuno Chemical Industries Inc.	Production, processing and sales of various types of synthetic resin	Asahi-Sumida Bldg. 6F, Narihira 1-21-9, Sumida-ku, Tokyo 130-0002, Japan	Tel. 03-5637-2022
Korea (82)	Shin-Etsu Silicone Korea Co., Ltd.	Production and sales of silicone products	GT Tower 15F. 411, Seocho-daero,Seocho-gu, Seoul 06615, Korea	Tel. 2-590-2500
	Shin-Etsu Advanced Materials Korea Co., Ltd.	Sales of photoresists and photomask blanks products	Keungil Tower 17F, 223, Teheran-ro, Gangnam-gu, Seoul, Korea	Tel. 2-6964-7750
China (86)	Zhejiang Shin-Etsu High-Tech Chemical Co., Ltd.	Production and sales of silicone products	No. 66, Lizheng Road, Jiashan Economic Development Zone, Zhejiang Sheng 314116, China	Tel. 573-8475-5071
	Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.	Sales of silicone products	29F Junyao International Plaza, No. 789, Zhao Jia Bang Road, Shanghai 200032, China	Tel. 21-6443-5550
	Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd. Guangzhou Branch	Sales of silicone products	Room 2409-2410, Tower B, China Shine Plaza, 9 Linhexi-road, Tianhe, Guangzhou, Guangdong 510610, China	Tel. 20-3831-0212
	Shin-Etsu Technology (Suzhou) Co., Ltd.	Sales of rare earth magnets	Block 4, No. 1 of Qiming Road, Suzhou Industrial Park, Jiangsu 215126, China	Tel. 512-6276-3270
	Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.	Production and sales of preforms for optical fiber	No. 8, Runhua Road, Ligang Zhen, Jiangyin, Jiangsu 214444, China	Tel. 510-8609-6060
	Shin-Etsu (Jiangyin) Optical Preform Trading Co., Ltd.	Sales of optical fiber preforms and purchase and sales of raw materials for preforms	No. 8, Runhua Road, Ligang Zhen, Jiangyin, Jiangsu 214444, China	Tel. 510-8609-6108
	Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd.	Production and sales of preforms for optical fiber	Extra No. 1 Changfei Avenue. Jianghan Salt & Chemical Industrial Park. Qianjiang. Hubei, China	Tel. 728-670-9777
Taiwan (886)	Shin-Etsu Silicone Taiwan Co., Ltd.	Production and sales of silicone products	11F-D, No. 167, Tun Hua N. Road, Taipei, 10549 Taiwan, R.O.C.	Tel. 2-2715-0055
	Shin-Etsu Handotai Taiwan Co., Ltd. (S.E.H. Taiwan)	Production, processing and sales of semiconductor silicon wafers	No. 12, Industry East Road 9, Hsin-Chu Science Park, Hsin-Chu, 30075, Taiwan, R.O.C.	Tel. 3-577-1188
	Shin-Etsu Opto Electronic Co., Ltd.	Production and sales of compound semiconductors	3F, No. 10 Dusing Rd 1, Hsin-Chu Science Park, Hsin-Chu, 30078, Taiwan, R.O.C.	Tel. 3-578-4566
	Shin-Etsu Electronics Materials Taiwan Co., Ltd.	Production and sales of photoresists products	No. 28, Kejia 6 Rd., Douliu City, Yunlin County 64057, Taiwan R.O.C.	Tel. 5-5511122

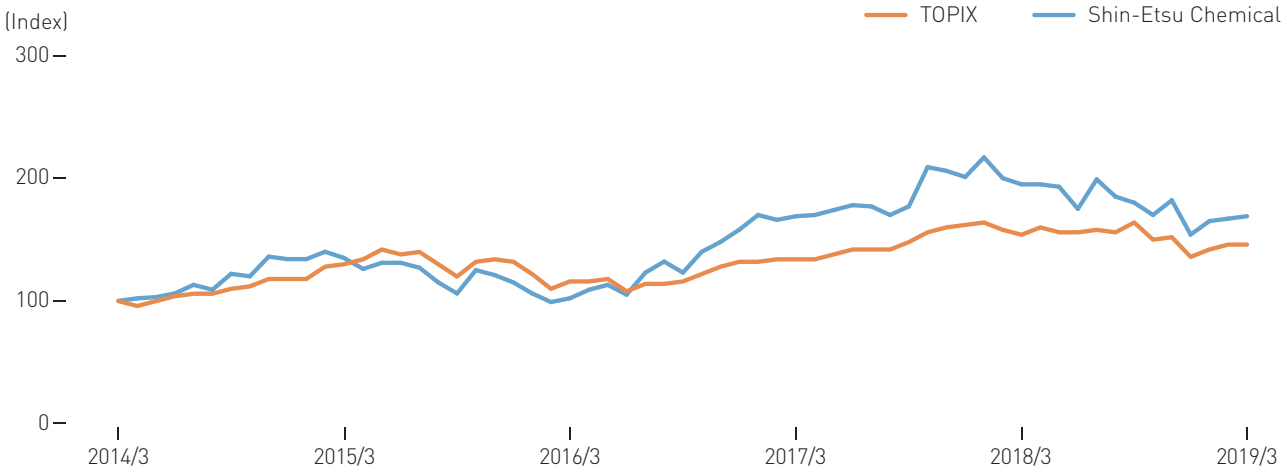
Note: The Shin-Etsu Group had a total of 143 member companies as of March 31, 2019.

Investor Information

Stock Price Movement



Total Shareholder Return over the Past Five Years



Stock index of Shin-Etsu Chemical and TOPIX (March 31, 2014 = 100)

	Shin-Etsu Chemical	TOPIX
2014	100	100
2015	135	131
2016	102	117
2017	169	134
2018	195	155
2019	169	147

Note: The above chart and the table show the rate of return taking into consideration the dividend as of March 31, 2019, and the stock price when an investment was conducted on March 31, 2014. Investment performance including dividends has been added to the Shin-Etsu Chemical stock price and indexed at 100 as of March 31, 2014. The TSE Stock Price Index (TOPIX), which is a comparative index, also uses indexed data and is indexed in the same way.

Share Data (As of March 31, 2019)

Company Name	Shin-Etsu Chemical Co., Ltd.
Head Office	6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Date of Establishment	September 16, 1926
Capital	¥119,419 million
Number of Employees	21,735 (Consolidated)
Common Stock	Number of Shares Authorized 1,720,000,000 Number of Shares Issued* 427,606,693 *Includes 10,801,943 treasury shares. Share Unit of Exchange 100 stocks Number of Stockholders 56,062
Stock Listings	Tokyo, Nagoya (Ticker Code: 4063)
Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Contact	Public Relations Department Phone: +81-3-3246-5091 Fax: +81-3-3246-5096 e-mail: sec-pr@shinetsu.jp

Note: The total number of issued shares fell by 4,500,000 compared to the end of the previous fiscal year due to a cancellation of treasury shares conducted on May 2, 2018.

Major Shareholders (*Rounded down to the nearest 1,000.)

Name of Shareholder	Number of Shares Held (Thousand shares*)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	52,287	12.5
Japan Trustee Services Bank, Ltd. (Trust Account)	26,655	6.4
Nippon Life Insurance Company	21,933	5.3
Japan Trustee Services Bank, Ltd. (Trust Account 4)	12,069	2.9
The Hachijuni Bank, Ltd.	11,790	2.8
SSBTC CLIENT OMNIBUS ACCOUNT	11,433	2.7
Meiji Yasuda Life Insurance Company	10,687	2.6
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,772	1.6
JP MORGAN CHASE BANK 385151	6,326	1.5
Japan Trustee Services Bank, Ltd. (Trust Account 7)	6,053	1.5

Note: Shin-Etsu Chemical, which owns 10,801,943 treasury shares, is excluded from consideration as a major shareholder as defined above. The holding ratios are computed net of this treasury stock.

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Corporate Information

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