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(Translation)

(Securities Code 4063)

June 4, 2020

To: All Shareholders of Shin-Etsu Chemical Co., Ltd. (the “Company”)

Notice of Convocation of the 143rd
Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 143rd Ordinary General Meeting of Shareholders will be held as described below.

You are entitled to exercise your voting rights in writing or via the Internet. We would appreciate it if you would take the time to review the Reference Documents for the General Meeting of Shareholders attached hereto and exercise your voting rights no later than 5:00 p.m. on Thursday, June 25, 2020.

Description of Meeting

1. Date and Time : June 26, 2020 (Friday) at 10:00 a.m. (the reception is to start at 9:00 a.m.)
2. Place : Conference Center on the 2nd floor of Otemachi Place East Tower at 3-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo
3. Agenda for the Meeting:
Matters to be reported : 1. Report on the Business Report, the Consolidated Financial Statements, and the Audit Reports of the Accounting Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements for the 143rd fiscal year (April 1, 2019 through March 31, 2020)
2. Report on the Financial Statements for the 143rd fiscal year (April 1, 2019 through March 31, 2020)

- Matters to be resolved:
1st Agendum : Distribution of Retained Earnings to Shareholders
2nd Agendum : Election of Twelve (12) Directors
3rd Agendum : Issuance of Stock Acquisition Rights as Stock Options to Employees

Very truly yours,

Yasuhiko Saitoh
Representative Director / President
Shin-Etsu Chemical Co., Ltd.
6-1, Ohtemachi 2-chome
Chiyoda-ku, Tokyo

-
- ⊙ The Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements, which are to be attached to this notice of convocation, are published via the Internet on the website of the Company (<https://www.shinetsu.co.jp/en/>) pursuant to laws and the articles of incorporation of the Company. Therefore, the Consolidated Financial Statements and the Financial Statements attached to this notice of convocation are part of the Consolidated Financial Statements and the Financial Statements which the Audit & Supervisory Board Members and the Accounting Auditor audited in the course of preparing the audit report.
 - ⊙ Any modification that may be required in the Reference Documents for the General Meeting of Shareholders, or in the Business Report, the Consolidated Financial Statements or the Financial Statements, will be published via the Internet on the website of the Company (<https://www.shinetsu.co.jp/en/>).

Guidance on How to Exercise Voting Rights

If you will be exercising your voting rights in writing or via the Internet

By Voting Card

To reach us by: Thursday, June 25, 2020 5:00 p.m.

Please indicate your approval or disapproval on the enclosed Voting Card and send it back by postal mail to reach us by the date and time shown above.

Via the Internet

To be exercised by: Thursday, June 25, 2020 5:00 p.m.

Please access the voting rights exercise site which we specify below and indicate your approval or disapproval and send it via the internet by the date and time shown above.

Voting rights exercise site: <https://evote.tr.mufg.jp/>

If you will be attending the Meeting of Shareholders in person

Date: Friday, June 26, 2020 10:00 a.m.

(The reception desk will be opened at 9:00 a.m.)

Please hand in the enclosed Voting Card at the reception desk. In the interest of preserving resources, please bring this “Notice of Convocation” with you on the day of the Meeting.

If you exercise your voting rights multiple times

1. If you exercise your voting rights both by Voting Card and via the Internet, the rights exercised via the Internet will be treated as effective.
2. If you exercise your voting rights multiple times via the Internet, the latest exercised voting rights will be treated as effective. In addition, if you exercise your voting rights multiple times from a PC, smartphone or a cell phone, the latest voting rights exercised from whichever devices will be treated as effective.

To Institutional Investors

You may exercise your voting rights using the “Electronic Voting System Platform,” operated by ICJ, Inc.

**Notice of Convocation of the 143rd
Ordinary General Meeting of Shareholders**

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BUSINESS REPORT

(April 1, 2019 through March 31, 2020)

I. Matters Concerning the Current State of the Company's Group

1. Business Operations

The overall global economy during the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020) experienced a continued slowdown in its growth, necessitating adjustments in various areas. Amid such circumstances, it has confronted the "coronavirus crisis" since the beginning of this year. Within the fiscal year, the impact of the coronavirus crisis on the Company's overall business was limited.

Under these circumstances, the Shin-Etsu Group always strove to cope with changes swiftly, without prejudgments, for continuous business growth. Also, while deepening our customer relationships and expanding our customer base, we went forward with developing products that match customer needs, improving product quality, and differentiating our technologies from our competitors. In addition, we continued on-time deliveries and strict cost control, and made timely and appropriate capital investments in order to meet demands from customers and markets.

The Company's ongoing efforts to tackle the coronavirus crisis are described in a later section titled "3. Problems Confronting the Company's Group."

As a result, the net sales for the Company's group for this consolidated fiscal year decreased by 3.2% (50,511 million yen) compared with the previous fiscal year to 1,543,525 million yen. Compared to the performance of the previous fiscal year, operating income increased by 0.6% (2,336 million yen) to 406,041 million yen, ordinary income increased by 0.7% (2,931 million yen) to 418,242 million yen, and profit attributable to owners of parent increased by 1.6% (4,902 million yen) to 314,027 million yen.

The business operations of each division were as follows:

PVC/Chlor-Alkali

This division's total sales decreased by 7.6% (39,948 million yen) from the previous fiscal year to 484,322 million yen, and operating income decreased by 13.5% (14,334 million yen) to 92,187 million yen.

With regard to the PVC/Chlor-Alkali business, both PVC and caustic soda continued high levels of shipments at SHINTECH INC. in the U.S., though affected by market conditions. We strove to maintain sales volumes at the European bases; however, they were also affected by market conditions. The business at the Japanese bases was firm.

Silicones

Although this division's total sales decreased by 2.8% (6,511 million yen) from the previous fiscal year to 226,872 million yen, operating income increased 5.0% (2,944 million yen) to 61,490 million yen.

With regard to the silicones business, it was affected by the price decline of general-purpose products despite our efforts to expand the sales of functional products and other products.

Specialty Chemicals

Although this division's total sales decreased by 5.2% (6,347 million yen) from the previous fiscal year to 114,796 million yen, operating income increased by 4.2% (1,114 million yen) to 27,717 million yen.

With regard to cellulose derivatives, the pharmaceutical products continued to be firm while sales of products for building and construction applications were weak. Synthetic pheromone products had firm shipments; however, POVAL products were affected by the market conditions.

Semiconductor Silicon

This division's total sales increased by 1.9% (7,282 million yen) from the previous fiscal year to 387,631 million yen, and operating income increased by 8.6% (11,300 million yen) to 143,298 million yen.

With regard to semiconductor silicon, we strove to maintain the level of sales prices and shipments although the semiconductor device market remained in an adjustment phase.

Electronics & Functional Materials

Although this division's total sales decreased by 0.4% (987 million yen) from the previous fiscal year to 225,111 million yen, operating income increased by 2.3% (1,547 million yen) to 68,540 million yen.

With regard to the rare earth magnets business, products for industrial equipment applications were affected by the slowing demand; however, we maintained the sales of products for other markets, mainly for environmentally-friendly automobile applications. The photoresist products business was generally favorable, mainly with ArF photoresists and EUV photoresists. The photomask blanks business also continued to be stable. The optical fiber preform business experienced harsh conditions due to the impact of the deteriorating market; however, the photomask substrates business for large panel applications continued to be favorable.

Processing, Trading & Specialized Services Business

Although this division's total sales decreased by 3.7% (3,999 million yen) from the previous fiscal year to 104,791 million yen, operating income increased by 11.5% (1,528 million yen) to 14,824 million yen.

Shin-Etsu Polymer Co., Ltd.'s semiconductor wafer-related containers were affected by a slowdown in investment in the semiconductor device-related market.

2. Status of Capital Investments and Procurement of Funds of the Company's Group

The Company's group invested 265,018 million yen during this consolidated fiscal year mainly in the following:

Major facilities completed during this consolidated fiscal year:

Enhancement of the facility for manufacturing cellulose (the Company's Naoetsu Plant and SE Tylose GmbH & Co. KG)

Enhancement of the facility for manufacturing optical fiber preform (the Company's Kashima Plant and Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd.)

Enhancement of the facility for manufacturing silicone (Shin-Etsu Silicones of America, Inc.)

Enhancement of the facility for manufacturing photomask blanks (the Company's Naoetsu Plant)

Facilities under construction as of the end of this consolidated fiscal year:

Construction of an ethylene manufacturing plant (SHINTECH INC.)^(Note)

Construction of an integrated PVC manufacturing plant (SHINTECH INC.)

Enhancement of the facility for manufacturing silicone (the Company's Gunma Complex and Asia Silicones Monomer Limited, among others)

Enhancement of the facility for manufacturing photomask blanks (the Company's Takefu Plant)

Enhancement of the facility for manufacturing optical fiber preform (Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.)

Note: The status of "Construction of an ethylene manufacturing plant (SHINTECH INC.)", described above, was that as of December 31, 2019, as it was the fiscal year closing date for the firm, but the plant was in operation as of March 31, 2020.

The Company's group expended mostly its own funds for investment capital during this consolidated fiscal year.

3. Problems Confronting the Company's Group

The global economy is right in the midst of the coronavirus crisis. It is unpredictable at this moment when and how the coronavirus crisis will end and how badly the global economy will be damaged. Under such circumstances, we will focus on maintaining our employees' health and safety, continuing production, securing sales and fulfilling business requirements including preservation of receivables. Based on close communication with customers, we will strive to develop products that have value for them and ensure the stable supply of our products. We will also continue improving our cost competitiveness and product quality. We are currently carrying out the decided investments according to the plan. Further, we will implement timely, appropriate investments for business growth.

In the PVC business, the ethylene production plant has started operations at SHINTECH INC. in the US, and we will utilize it to increase our long-term cost competitiveness. A new integrated PVC plant is under construction as planned; meanwhile, we have begun considering the second-phase plant extension.

In the silicones business, we are proceeding with the large-scale expansion of our production capacity for silicone monomers and final products at our major sites and striving to expand the supply system and product lineups for customers worldwide. We will further develop our products and their applications in order to contribute to the solution of our customers' issues.

In the specialty chemicals business, for our cellulose business, we will strive for the stable supply of various products from our three bases in Japan, the US and Europe. In addition to special products for pharmaceuticals and functional products for industrial applications, on

which we have focused, we will respond to the increasing demand for food application products. As for our pheromone products, we will increase the number of application brands and contribute to the improvement of agricultural production. Regarding other existing products such as POVAL, we will go forward and expand the sales as well.

In the semiconductor silicon business, although the semiconductor device market has short-term fluctuations, we will employ every possible means to continue our stable supply of high-quality silicon wafers because of the certainty of the growth of its market in the long-term. We will enhance our competitiveness while ascertaining the trends of customers and markets.

In the electronics & functional materials business, for our rare earth magnets business, we will make use of our integrated production system from refining raw materials to producing final products at the two bases in Japan and Vietnam, and at the same time, we will review the stable supply system. As for our encapsulant materials and substrate materials, we will create new products such as 5G compatible products. In our optical fiber preforms business, we will fulfill customer requests as the only merchant supplier (specialist manufacturer of preforms that are base materials for optical fiber cables). In our synthetic quartz substrates business, we will respond to the demand by providing high-quality products in various sizes quickly. In our photoresists business, we will continue focusing on the development and stable supply of high-end products, and in our photomask blanks business, we will meet the demand for high-end products with our integrated production system that starts from producing the substrates.

4. Trend of Business Results and Financial Conditions

Item \ Year	140th Fiscal Year	141st Fiscal Year	142nd Fiscal Year	143rd Fiscal Year
Net Sales (Million Yen)	1,237,405	1,441,432	1,594,036	1,543,525
Profit attributable to owners of parent (Million Yen)	175,912	266,235	309,125	314,027
Net Income per Share (Yen)	412.86	624.28	725.99	755.17
Net Assets (Million Yen)	2,190,082	2,413,025	2,532,556	2,723,141
Total Assets (Million Yen)	2,655,636	2,903,137	3,038,717	3,230,485

Note: For the 143rd Fiscal Year, net sales decreased because certain products were affected by market conditions.

5. Status of Major Subsidiary Companies, etc. (as of March 31, 2020)

(1) Status of Major Subsidiary Companies

Name of Company	Amount of Capital	Holding Ratio (%)	Major Lines of Business
SHINTECH INC. (U.S.A.)	US\$18.75	100.0	Manufacture and sales of polyvinyl chloride
Shin-Etsu Handotai Co., Ltd.	¥10,000 million	100.0	Manufacture and sales of semiconductor silicon
Shin-Etsu Handotai America, Inc. (U.S.A.)	US\$150 million	100.0 (100.0)	Manufacture and sales of semiconductor silicon
Shin-Etsu PVC B.V. (Netherlands)	EUR18 thousand	100.0 (100.0)	Manufacture and sales of polyvinyl chloride
S.E.H. Malaysia Sdn. Bhd. (Malaysia)	RM188 million	100.0 (100.0)	Processing and sales of semiconductor silicon
Shin-Etsu Polymer Co., Ltd.	¥11,635 million	53.3 (0.1)	Manufacture and sales of plastic products, etc.
SE Tylose GmbH & Co. KG (Germany)	EUR500 thousand	100.0 (100.0)	Manufacture and sales of cellulose derivative products
Shin-Etsu Engineering Co., Ltd.	¥200 million	100.0	Design, engineering and construction of plants, etc.
Shin-Etsu Astech Co., Ltd.	¥495 million	99.6 (1.8)	Sales of chemical products, etc., and construction under contract
Shin-Etsu Handotai Taiwan Co., Ltd. (Taiwan)	NT\$1,500 million	70.0 (70.0)	Processing and sales of semiconductor silicon
Shin-Etsu Silicones (Thailand) Limited (Thailand)	THB6,325 million	100.0	Manufacture and sales of silicone products
SIMCOA OPERATIONS PTY. LTD. (Australia)	A\$32 million	100.0 (100.0)	Manufacture and sales of silicon metal
JAPAN VAM & POVAL CO., LTD.	¥2,000 million	100.0	Manufacture and sales of vinyl acetate monomer and polyvinyl alcohol
Asia Silicones Monomer Limited (Thailand)	THB3,393 million	100.0 (100.0)	Manufacture of silicone monomer
Nagano Electronics Industrial Co., Ltd.	¥80 million	90.0	Processing of semiconductor silicon

Notes: For the column regarding holding ratio, the upper number indicates the entire ratio of holdings held by both the Company and the Subsidiary Companies, while the lower number indicates the ratio held by the Subsidiary Companies. The holding ratios are computed net of any treasury shares held.

(2) Status of Major Affiliated Companies

Name of Company	Amount of Capital	Holding Ratio (%)	Major Lines of Business
Mimasu Semiconductor Industry Co., Ltd.	¥18,824 million	43.9 (1.1)	Processing of semiconductor silicon and sales of precision equipment
SHIN-ETSU QUARTZ PRODUCTS COMPANY LTD.	¥1,000 million	50.0	Manufacture and sales of quartz glass products

Note: For the column regarding holding ratio, the upper number indicates the entire ratio of holdings held by both the Company and the Subsidiary Companies, while the lower number indicates the ratio held by the Subsidiary Companies. The holding ratios are computed net of any treasury shares held.

(3) Results of Consolidation

For this consolidated fiscal year, there are 97 consolidated subsidiaries etc. and 3 companies to which the equity method is applied, including the Major Subsidiary Companies and the Affiliated Companies mentioned above.

For this consolidated fiscal year, net sales amounted to 1,543,525 million yen (down by 3.2% from the previous fiscal year), and the profit attributable to owners of parent amounted to 314,027 million yen (up by 1.6% from the previous fiscal year).

6. Major Lines of Business of the Company's Group (as of March 31, 2020)

The Company's group's major lines of business are the manufacture and sales of the following products:

PVC/Chlor-Alkali	Polyvinyl Chloride, Caustic Soda, Methanol, Chloromethanes
Silicones	Silicone
Specialty Chemicals	Cellulose Derivatives, Silicon Metal, Poval, Synthetic Pheromones, Vinyl Chloride - Vinyl Acetate Copolymer Resin
Semiconductor Silicon	Semiconductor Silicon
Electronics & Functional Materials	Rare-earth Magnets, Semiconductor Encapsulating Materials, LED Packaging Materials, Photoresists, Photomask Blanks, Synthetic Quartz Products, Liquid Fluoroelastomers, Pellicles
Processing, Trading & Specialized Services Business	Processed Plastics, Export of Technologies and Plants, Export and Import of Products, Engineering

7. Major Bases of the Company's Group (as of March 31, 2020)

(1) Company

Principal Office: 6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo, Japan

Branch Offices: Osaka Branch, Nagoya Branch, and Fukuoka Branch

Plants: Naoetsu Plant (Niigata Prefecture), Takefu Plant (Fukui Prefecture), Gunma Complex [Isobe Plant and Matsuida Plant], Kashima Plant (Ibaraki Prefecture)

Research & Development Centers: Silicone-Electronics Materials Research Center (Gunma Prefecture), Advanced Functional Materials Research Center (Gunma Prefecture), PVC and Polymer Materials Research Center (Ibaraki Prefecture), Specialty Chemicals Research Center (Niigata Prefecture), New Functional Materials Research Center (Niigata Prefecture) and Magnetic Materials Research Center (Fukui Prefecture)

(2) Subsidiaries

Domestic: Shin-Etsu Handotai Co., Ltd. (Tokyo); Shin-Etsu Polymer Co., Ltd. (Tokyo); Shin-Etsu Engineering Co., Ltd. (Tokyo); Shin-Etsu Astech Co., Ltd. (Tokyo); JAPAN VAM & POVAL CO., LTD. (Osaka Prefecture); and Nagano Electronics Industrial Co., Ltd. (Nagano Prefecture)

Overseas: SHINTECH INC. (U.S.A.); Shin-Etsu Handotai America, Inc. (U.S.A.); Shin-Etsu PVC B.V. (Netherlands); S.E.H. Malaysia Sdn. Bhd. (Malaysia); SE Tylose GmbH & Co. KG (Germany); Shin-Etsu Handotai Taiwan Co., Ltd. (Taiwan); Shin-Etsu Silicones (Thailand) Limited (Thailand); Asia Silicones Monomer Limited (Thailand); and SIMCOA OPERATIONS PTY. LTD. (Australia)

8. Status of Employees of the Company's Group and the Company (as of March 31, 2020)

(1) Status of Employees of the Company's Group

Business Dept.	Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year
PVC/Chlor-Alkali	1,444	+52
Silicones	2,619	+103
Specialty Chemicals	1,450	+64
Semiconductor Silicon	4,777	+95
Electronics & Functional Materials	5,333	+520
Processing, Trading & Specialized Services Business	7,160	+214
Total	22,783	+1,048

Note: The number of employees is the number of persons actually at work.

(2) Status of Employees of the Company

Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year	Average Age	Average Years of Service
3,140	+129	42.1	20.2

Note: The number of employees is the number of persons actually at work.

9. Major Lenders to the Company's Group (as of March 31, 2020)

Name of Lender	Outstanding Borrowings (Million Yen)
MUFG Bank, Ltd.	9,136
The Hachijuni Bank, Ltd.	5,346
Nippon Life Insurance Company	3,600
Meiji Yasuda Life Insurance Company	2,300

II. Matters Concerning Stock in the Company (as of March 31, 2020)

1. Number of Shares and Shareholders

Total number of shares authorized to be issued: 1,720,000,000

Total number of issued shares: 416,662,793

Number of shareholders: 45,408

Note: 1. The total number of issued shares decreased by 10,943,900 shares due to the cancellation of treasury shares implemented as of October 7, 2019.

2. The total number of issued shares includes 805,396 treasury shares.

2. Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand shares)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	52,814	12.7
Japan Trustee Services Bank, Ltd. (Trust Account)	25,960	6.2
Nippon Life Insurance Company	21,933	5.3
JP MORGAN CHASE BANK 385632	19,140	4.6
The Hachijuni Bank, Ltd.	11,790	2.8
Japan Trustee Services Bank, Ltd. (Trust Account 4)	11,772	2.8
Meiji Yasuda Life Insurance Company	10,687	2.6
SSBTC CLIENT OMNIBUS ACCOUNT	10,304	2.5
GOVERNMENT OF NORWAY	9,457	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,418	1.8

Note: The holding ratios are computed net of the treasury shares (805,396 shares).

III. Matters Concerning Stock Acquisition Rights Issued by the Company

1. State of Stock Acquisition Rights (Stock Options) (as of March 31, 2020)

(1) General Description of Stock Acquisition Rights

The stock acquisition rights (stock options) the Company has issued are summarized below:

Chronological Number of Issue (Date Issued)	Number of Stock Acquisition Rights	Type & Number of Shares Stock Acquisition Rights are Entitled to	Issue Price per Share (Yen)	Amount Payable per Share upon Exercise of Rights (Yen)	Exercisable Period of Rights	Eligible Grantees
11th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/24/2015)	170	17,000 shares of Common Stock in the Company	Distributed gratis	7,339	September 25, 2016 through March 31, 2020	Employees of Company
12th Issue of Stock Acquisition Rights (for Distribution to Directors) (09/21/2017)	991	99,100 shares of Common Stock in the Company	1,479	10,000	September 22, 2018 through March 31, 2022	Directors of Company (excluding Outside Directors)
12th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/21/2017)	740	74,000 shares of Common Stock in the Company	Distributed gratis	10,000	September 22, 2018 through March 31, 2022	Employees of Company
13th Issue of Stock Acquisition Rights (for Distribution to Directors) (09/05/2018)	1,740	174,000 shares of Common Stock in the Company	1,202	10,721	September 6, 2019 through March 31, 2023	Directors of Company (excluding Outside Directors)
13th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/05/2018)	2,995	299,500 shares of Common Stock in the Company	Distributed gratis	10,721	September 6, 2019 through March 31, 2023	Employees of Company
14th Issue of Stock Acquisition Rights (for Distribution to Directors) (09/30/2019)	2,000	200,000 shares of Common Stock in the Company	1,552	11,906	October 1, 2020 through March 31, 2024	Directors of Company (excluding Outside Directors)
14th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/30/2019)	3,440	344,000 shares of Common Stock in the Company	Distributed gratis	11,906	October 1, 2020 through March 31, 2024	Employees of Company

Note: The terms and conditions on which to exercise stock acquisition rights in each issue are outlined below:

- Those persons to whom the stock options are issued may exercise such stock options even after they cease to be a Director or an employee of the Company, within two (2) years from the later of such cessation of being a Director or an employee of the Company or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires).
- In the event of the death of any person to whom the stock options are issued, heirs of such deceased person may exercise such stock options within two (2) years from the later of such death or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires). Notwithstanding the foregoing, in the event of the death of any recipient of stock options that occurs after such recipient ceases to be a Director or an employee of the Company, heirs of such deceased person may exercise such stock options only within the period during which such deceased recipient would have been entitled to exercise such stock options in accordance with paragraph 1. above.
- Other conditions are as prescribed in the Stock Option Allotment Agreement.

(2) State of Stock Acquisition Rights (Stock Options) Held by Directors and Audit & Supervisory Board Members of the Company

The portion of the stock acquisition rights (stock options) described in (1) General Description of Stock Acquisition Rights above that belong to the Directors and Audit & Supervisory Board Members of the Company are broken down as below:

Designation	Chronological Number of Issue	Number of Stock Acquisition Rights	Number of Optionees
Directors (Excluding Outside Directors)	12th Issue of Stock Acquisition Rights	1,021	13
	13th Issue of Stock Acquisition Rights	1,905	17
	14th Issue of Stock Acquisition Rights	2,250	17
Audit & Supervisory Board Member	12th Issue of Stock Acquisition Rights	30	1
	13th Issue of Stock Acquisition Rights	60	1

Notes: 1. Stock acquisition rights held by Directors (excluding Outside Directors) described above include the stock acquisition rights granted to employee Directors in their capacity as employees.

2. Stock acquisition rights held by the Audit & Supervisory Board Member above are the stock acquisition rights distributed to Director of the Company before appointment of an Audit & Supervisory Board Member.

2. State of Stock Acquisition Rights (Stock Options) Distributed to Employees during the Fiscal Year under Review

Pursuant to a resolution adopted by the Board of Directors on September 13, 2019, the 14th Issue of Stock Acquisition Rights (for Distribution to Employees), intended as incentive stock options, was issued as of September 30, 2019 for distribution to 95 employees, as outlined below:

(1) Number of Stock Acquisition Rights Distributed

3,190

(2) Type and Quantity of Shares Subject to Stock Options

319,000 shares of common stock in the Company
(100 common shares of the Company per stock option)

(3) Issue Price

Issued without compensation.

(4) Payment Per Share upon Exercise of Stock Options

¥11,906

(5) Period within Which to Exercise Stock Options

From October 1, 2020, until March 31, 2024

(6) Conditions to Exercise Stock Options

The same terms and conditions apply as described in the Notes of 1.-(1) General Description of Stock Acquisition Rights above.

Note: The above figures do not include the stock acquisition rights granted to employee Directors in their capacity as employees.

IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company

1. Name and Other Information Concerning Directors and Audit & Supervisory Board Members (as of March 31, 2020)

Title	Name	Responsibilities, Important Concurrent Positions, etc.
Representative Director - Chairman	Chihiro Kanagawa	Director & Chairman, SHINTECH INC.
Representative Director - Vice Chairman	Fumio Akiya	In charge of Semiconductor Materials and Technologies Representative Director & President, Shin-Etsu Handotai Co., Ltd.
Representative Director - President	Yasuhiko Saitoh	Director & President, SHINTECH INC. Director & President, Shin-Etsu Handotai America, Inc.
Senior Managing Director	Toshinobu Ishihara	In charge of New Functional Materials and 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. Senior Managing Director, Shin-Etsu Handotai Co., Ltd.
Managing Director	Toshiya Akimoto	In charge of Office of the Secretariat, Public Relations, Legal Affairs and Purchasing General Manager, Office for Digitization and Digitalization
Managing Director	Fumio Arai	General Manager, Organic Chemicals Div. Director & President, Shin-Etsu PVC B.V. Director & President, 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 - Adviser	Shunzo Mori	
Director ¹	Frank Peter Popoff	
Director ¹	Tsuyoshi Miyazaki	Adviser, Mitsubishi Logistics Corporation
Director ¹	Toshihiko Fukui	President, the Canon Institute for Global Studies Outside Director, Kikkoman Corporation
Director ¹	Hiroshi Komiyama	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 Environmental Control & Safety General Manager, Business Development Dept.
Director	Kai Yasuoka	General Manager, International Div.

Title	Name	Responsibilities, Important Concurrent Positions, etc.
Full-time Audit & Supervisory Board Member	Hiroaki Okamoto	
Full-time Audit & Supervisory Board Member	Hidenori Onezawa	
Audit & Supervisory Board Member ²	Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio University Law School Outside Director, YAMAHA CORPORATION
Audit & Supervisory Board Member ²	Yoshihito Kosaka	C.P.A./Certified Public Tax Accountant Outside Director, Star Mica Holdings Co., Ltd.
Audit & Supervisory Board Member ²	Kiyoshi Nagano	Outside Director, LEC, INC.

Notes: 1. ¹ indicates an Outside Director as defined in Item 15, Article 2 of the Corporations Law.

2. ² indicates an Outside Audit & Supervisory Board Member as defined in Item 16, Article 2 of the Corporations Law.

3. Described below are important concurrent services as executives for other companies performed by Outside Directors and Outside Audit & Supervisory Board Members and the relationship between the Company and such other companies. Mr. Toshihiko Fukui, Outside Director, serves in a concurrent role at the Canon Institute for Global Studies, a general incorporated foundation. However, there is no special relationship between the Company and the foundation that must be disclosed under this item. Mr. Hiroshi Komiyama, Outside Director, serves in a concurrent role at Mitsubishi Research Institute, Inc. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Taku Fukui, Outside Audit & Supervisory Board Member, serves in a concurrent role at the Kashiwagi Sogo Law Offices. However, there is no special relationship between the Company and the firm that must be disclosed under this item.

4. Described below are important concurrent services as Outside Directors or Outside Audit & Supervisory Board Members for other companies performed by Outside Directors and Outside Audit & Supervisory Board Members and the relationship between the Company and such other companies. Mr. Toshihiko Fukui, Outside Director, serves concurrently as Outside Director for Kikkoman Corporation. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Taku Fukui, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for YAMAHA CORPORATION. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Yoshihito Kosaka, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for Star Mica Holdings Co., Ltd. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Kiyoshi Nagano, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for LEC, INC. However, there is no special relationship between the Company and the company that must be disclosed under this item.

5. Mr. Yoshihito Kosaka, Outside Audit & Supervisory Board Member, is licensed as a Certified Public Accountant and as a Certified Public Tax Accountant, and brings with him a considerable degree of knowledge and experience in the fields of finance and accounting.

6. The Company has entered into an agreement with each of the Outside Directors and Audit & Supervisory Board Members, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of said law to the amount set forth in the applicable law.

7. Four Outside Directors and three Outside Audit & Supervisory Board Members of the Company -- Mr. Frank Peter Popoff, Mr. Tsuyoshi Miyazaki, Mr. Toshihiko Fukui and Mr. Hiroshi Komiyama as Directors, Mr. Taku Fukui, Mr. Yoshihito Kosaka and Mr. Kiyoshi Nagano as Audit & Supervisory Board Members -- have been reported to the Tokyo Stock Exchange, Inc., etc. as Independent Officers.

2. Amounts of Remuneration and Others Payable to Directors and Audit & Supervisory Board Members

Designation	Number of Recipients	Amount Payable	Remarks
Directors	Persons 22	Million Yen 1,807	Portion payable to seven Outside Directors and Outside Audit & Supervisory Board Members: 149 million yen
Audit & Supervisory Board Members	6	74	
Total	28	1,882	

Notes: 1. The above figures include those relevant to one Director and one Audit & Supervisory Board Member who retired from the office effective as of the conclusion of the 142nd Ordinary General Meeting of Shareholders held on June 27, 2019.

2. The amount payable to the Directors and Audit & Supervisory Board Members includes the bonus reserve amount attributable to the fiscal year under review.
3. In addition to the above, pursuant to a resolution adopted by the Board of Directors on September 13, 2019, 17 Directors (excluding Outside Directors) were granted stock acquisition rights intended as incentive stock options, which were valued at 310 million yen (excluding the stock acquisition rights granted to employee Directors in their capacity as employees).
4. The amount of remuneration and others payable to the Directors is net of the amount of salaries (including bonuses) payable to the employee Directors in return for serving as employees.
5. In addition to the above, the amounts of remuneration and others paid or payable to Outside Directors and Outside Audit & Supervisory Board Members from subsidiaries of the Company for serving as Director or Audit & Supervisory Board Member of such subsidiaries in the fiscal year under review aggregated 44 million yen. There is no information reportable under the disclosure item regarding remuneration and others paid or payable to Outside Directors and Outside Audit & Supervisory Board Members from a parent company or its subsidiaries for serving as Director or Audit & Supervisory Board Member in the fiscal year under review.

3. Matters Concerning Outside Directors and Outside Audit & Supervisory Board Members

(1) Main Activities via Board of Directors Meetings and Other Arrangements during the Fiscal Year under Review

In addition to the statutory Board of Directors, the Company has a second principal organ, called the Managing Directors' Committee, for considering and deciding the execution of business processes, and each organ holds a meeting once a month (The Board of Directors meetings were held 13 times during the fiscal year under review.) as a general rule. The activities of the Company's Outside Directors and Outside Audit & Supervisory Board Members via participation in these meetings and other arrangements are reviewed below:

a. Activities of Outside Directors

Name	Main Activities
Frank Peter Popoff	<p>The Director attended all meetings of the Board of Directors held during the current fiscal year.</p> <p>For the Outside Directors or Outside Audit & Supervisory Board Members, we encourage them to participate in the review and decision-making process regarding business execution by explaining to them the agenda items of the meetings of the Board of Directors, asking them about their opinions in advance, and sending them copies of the minutes fully translated into English; thus, he supervised our management sufficiently from an independent standpoint.</p> <p>Furthermore, the Company has been aggressively promoting its business development overseas through the establishment of business locations all over the world, including in the U.S., Asia, and Europe. Mr. Popoff's practical opinions and advice, 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.</p> <p>He also serves as the commissioner of the Officers' Remuneration Committee, and his work so far includes repealing the Officers' Retirement Benefits Program and making other significant revisions to the officers' remuneration system, thus striving to achieve an appropriate corporate governance structure with regard to the officers' remuneration system.</p>
Tsuyoshi Miyazaki	<p>The Director attended Board of Directors meetings (attendance rate 92%), as well as Managing Directors' Committee meetings, and shared his recommendations from a broad, high-level perspective capitalizing on his management experience at Mitsubishi Logistics Corporation. He also provided thorough supervision from an independent standpoint.</p>
Toshihiko Fukui	<p>The Director attended Board of Directors meetings (attendance rate 85%), as well as Managing Directors' Committee meetings, and shared his recommendations 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.</p>
Hiroshi Komiyama	<p>The Director attended all meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review. The Director, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his recommendations 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.</p>

b. Activities of Outside Audit & Supervisory Board Members

Name	Main Activities
Taku Fukui	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from a legal specialist's point of view. In addition, he received reports from Directors and employees on the execution of duties and conducted onsite audits of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.
Yoshihito Kosaka	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from a finance and accounting specialist's point of view. In addition, he received reports from Directors and employees on the execution of duties and conducted onsite audits of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.
Kiyoshi Nagano	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from an extensive viewpoint based on his management experience at the former Jasdac Securities Exchange, Inc. In addition, he received reports from Directors and employees on the execution of duties and conducted onsite audits of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.

(2) Relationship with the Company or the Company's Particular Associated Business Interests, Such as Major Trading Partner

No Outside Directors or Outside Audit & Supervisory Board Members hold such a relationship that must be disclosed under this item.

V. Status of Accounting Auditor

1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

2. General Description of Limitation of Liability Agreement

No agreement exists that must be disclosed under this item.

3. Amount of Remuneration and Others Payable to Accounting Auditor Attributable to Fiscal Year under Review

- a. Amount of remuneration and others payable by the Company for the audit service as specified in Paragraph 1, Article 2 of the Certified Public Accountants Law

88 million yen

- b. Total amount of monetary and other financial benefits payable by the Company and its Subsidiaries

133 million yen

Notes: 1. The Audit Agreement between the Company and the Accounting Auditor does not distinguish between the amounts of remuneration and others for the Accounting Auditor's audit service specified under the Corporations Law and for the audit service specified under the Financial Instruments and Exchange Law. In fact, these amounts are practically indivisible, so the amount shown above is given as a lump sum.

2. With respect to remuneration and others payable to the Accounting Auditor, the Audit & Supervisory Board of the Company gives consent set forth in Paragraph 1, Article 399 of the Corporations Law after confirming and reviewing the audit plan of the Accounting Auditor, the performance of duties relating to accounting audit, the necessity for amending the amount of remuneration and others payable and other matters.

4. Details of Non-audit Services

The Company pays the Accounting Auditor a retainer in consideration of its advice etc. on internal controls over financial reporting, which falls outside the scope of audit services specified in Paragraph 1, Article 2 of the Certified Public Accountants Law.

5. Retention of Audit Corporations Other Than Company's Accounting Auditor to Audit Financial Documents of Subsidiaries of the Company

Of the Company's Significant Subsidiaries, those employing an audit corporation (that may be an equivalent auditor qualified outside Japan) other than the Company's Accounting Auditor, to receive audit services (to the extent specified in the Corporations Law and in the Financial Instruments and Exchange Law [or in equivalent legislation applicable outside Japan]) are as follows: Shin-Etsu Handotai Co., Ltd.; Shin-Etsu PVC B.V.; S.E.H. Malaysia Sdn. Bhd.; Shin-Etsu Polymer Co., Ltd.; SE Tylose GmbH & Co. KG; Shin-Etsu Engineering Co., Ltd.; Shin-Etsu Astech Co., Ltd.; Shin-Etsu Handotai Taiwan Co., Ltd.; Shin-Etsu Silicones (Thailand) Limited; SIMCOA OPERATIONS PTY. LTD.; and Asia Silicones Monomer Limited.

6. Policy for Determining the Dismissal or Non-reappointment of Accounting Auditor

The Company's policy states that, if the Accounting Auditor is found to meet the definition of one of the Items of Paragraph 1, Article 340 of the Corporations Law, subject to the consent of all Audit & Supervisory Board Members, the Audit & Supervisory Board shall dismiss the Accounting Auditor. In addition to the cases mentioned above, the Audit & Supervisory Board determines the content of the proposal to be submitted to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the Accounting Auditor if the Company has a reason or need of its own to do so or if it is difficult for the Accounting Auditor to perform its duties appropriately.

VI. System to Ensure the Properness of Operations and the Progress thereof

1. System to Ensure the Properness of Operations

“The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people’s daily lives as well as to the advance of industry and society by creating value through providing key materials and technologies.” In accordance with the foregoing business principle, the Board of Directors of the Company has resolved to carry out these systems and arrangements as described below.

(1) System to Ensure That the Company’s and Its Subsidiaries’ Directors and Employees Perform Their Work Duties in Accordance with Applicable Laws and the Company’s and Its Subsidiaries’ Articles of Incorporation

The Company and its subsidiaries (hereinafter the “Group Companies”) have a business principle of taking appropriate corporate actions, based on a desire to act in a lawful manner.

The Company will maintain regulations concerning the Group Companies’ compliance system, and the Group Companies’ Directors and employees will perform their work duties in accordance with these regulations. The Internal Audit Department and other departments that are related to the contents of the audits will perform internal audits concerning the status of the operation of the compliance system.

In order to uncover illegal activities at an early stage and correct such situations, the Company will establish a compliance consultation office and administer a compliance consulting/reporting system for Group Company executives and employees in accordance with the relevant internal regulations. Also, the Company will provide compliance training in an appropriate manner.

The Company will appoint independent Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to preserve the compliance system from an independent point of view, by attending meetings of the Board of Directors and Managing Directors’ meetings and/or by other actions.

(2) System to Preserve and Administer Information Concerning the Company’s Directors’ Performance of Their Work Duties

Based on the regulations of information management and other internal regulations, the Company will prepare and preserve written and other records concerning the Directors’ performance of their work duties. The Company will promptly provide these records in response to a request from the Directors or Audit & Supervisory Board Members.

(3) Regulations Concerning Management of Risk of Damage to the Company and Its Subsidiaries, and Other Systems

Along with maintaining regulations concerning the Group Companies’ risk management system, the Company will establish a Risk Management Committee and facilitate the committee’s work across the Group Companies, in order to discover and prevent risks that may occur in conjunction with the execution of the Group Companies’ business.

The Company will appoint Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to ensure the exchange of relevant information and appropriate risk management, by attending meetings of the Board of Directors and Managing Directors’ meetings and/or by other actions.

(4) System to Ensure That the Company’s and Its Subsidiaries’ Directors Perform Their Work Duties in an Effective Manner

The Company will establish a system to ensure that the Group Companies’ Directors and employees perform their work duties in an effective manner, in accordance with (i) decision-making rules and division of work duties based on the regulations of the Board of Directors, division of duties, the Group Companies’ management regulations, and other internal regulations and (ii) the holding of meetings of Group Companies and meetings of Presidents of Group Companies (hereinafter “Group Company Meetings”).

Also, in order to increase the effectiveness of the Directors' performance of their work duties, the Company will appoint Outside Directors, and these Outside Directors will not only observe and manage the Company's affairs from an independent viewpoint but also provide suggestions concerning all aspects of the Company's corporate management.

(5) System to Ensure the Properness of the Activities of the Corporate Group Consisting of the Company and Its Subsidiaries

The Group Companies have a business principle of taking appropriate corporate actions, based on a desire to act in a lawful manner.

The Company's Group Company Management Department, based on the Group Companies' Management Regulations and the Group Company Meetings, will require Group Companies to report to them important matters relating to the business of the subsidiaries. Also, the Company's Internal Audit Department and other departments that are related to the contents of the audits will, as necessary, work together with the Internal Audit Departments and other departments of the subsidiaries to perform internal audits of the relevant subsidiaries.

The Company will establish an Audit & Supervisory Board Member Liaison Committee and Group Audit & Supervisory Board Member Liaison Committee comprised of Full-time Audit & Supervisory Board Members and others from the Company and its main subsidiaries, and the Company's Full-time Audit & Supervisory Board Members will gather relevant information by attending Group Company Meetings and/or by other actions, together with other Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members).

(6) Matters Concerning Employees Who Are Requested by Audit & Supervisory Board Members to Assist with the Work Duties of the Audit & Supervisory Board Members

The Company will appoint audit staff from among its employees, in accordance with the methods set forth in the Company's internal regulations, to assist the Audit & Supervisory Board Members with their work duties.

(7) Matters Concerning the Independence from the Directors of the Employees Referenced in the Previous Item and Ensuring of Such Employees' Compliance with the Instructions of the Audit & Supervisory Board Members

The Company will appoint, terminate, and take other actions concerning the audit staff, in accordance with the methods set forth in the Company's internal regulations, with the consent of the Audit & Supervisory Board Members.

The audit staff will comply with the instructions and orders of the Audit & Supervisory Board Members and assist with the work of the Audit & Supervisory Board Members.

(8) System for Reporting to the Audit & Supervisory Board Members and for Ensuring that Persons Making Such Reports Are Not Treated in an Unfavorable Manner for Making Such Reports

The Company's Directors and employees and the Company's subsidiaries' Directors, Audit & Supervisory Board Members, and employees, as well as any persons who received reports from any of the above-referenced persons, shall promptly report the following matters to the Company's Audit & Supervisory Board Members, in accordance with the methods set forth in the Company's internal regulations:

- matters that will cause substantial damage to the Company or which have the potential of doing so;
- important matters concerning management or financial information;
- the status of the performance of internal audits;
- material breaches of law or the Company's Articles of Incorporation;
- the status of the administration of the compliance consulting/reporting system and the contents of reports made in connection with the system.

Also, the Group Companies shall not unfavorably evaluate (in internal personnel records) or otherwise treat in an unfavorable manner, any of the above-referenced persons who makes a report, because of the making of such report.

(9) System for the Purpose of Otherwise Ensuring That the Audits Performed by the Audit & Supervisory Board Members Will Be Performed Effectively

The Audit & Supervisory Board Members will hold periodic meetings with the Company's Accounting Auditors to exchange opinions, hold regular reporting meetings with the Company's Internal Audit Department, and take other measures to facilitate collaboration with them.

(10) Matters Concerning Procedures for Advance Payment/Reimbursement of Expenses Arising From the Work of Audit & Supervisory Board Members and Other Matters Relating to the Treatment of Expenses and Other Financial Obligations Arising from Such Work

If the Audit & Supervisory Board Members requests prepayment or reimbursement of any amounts necessarily incurred in the course of their audit work, the Company shall pay such amounts within a reasonable time and in a reasonable manner, unless it is clearly proven that such expenses were not necessarily incurred in the course of the audit work.

(11) System to Cut Ties with Anti-social Forces

The Company's group shall adopt a consistently resolute attitude towards anti-social forces and shall take all measures necessary to cut itself off from any and all associations with anti-social forces.

In accordance with this policy, our group will endeavor to develop internal systems under the leadership of the department in charge of managing these issues. Working closely with the police and other external organizations addressing these issues, our group will strongly push forward initiatives aimed at eradicating anti-social forces.

2. Overview of the Progress of the System to Ensure the Properness of Operations

The following shows an overview of the progress of the system to ensure the properness of operations for the fiscal year.

(1) Progress of Compliance

In order to perform corporate activities in compliance with laws and regulations, the Company's Group has included legal compliance in its business principle and its management objectives for each term and is working to ensure legal compliance.

Out of laws and regulations related to corporate activities to be established or revised, the Legal Department took the leadership in notifying and informing other departments of the Company of matters which are important. In addition, the Company continued to bolster the regulations for preventing bribes in overseas group companies. Furthermore, the Internal Audit Department made the annual audit plan in terms of the legality and reasonableness of business activities and audited each department, and reported the results thereof to the Directors and the Audit & Supervisory Board Members, etc.

With respect to compliance training, the Company held lectures on compliance with the Antimonopoly Act by lawyers at the head office. In addition, the Company held seminars reflecting the Company's ideas about compliance and the incidents of other companies in training for new employees as well as seminars on compliance with the Antimonopoly Act, prevention of bribes, Security Export Control and the like in training for each class of managerial personnel, and also attended training seminars held by outside institutions such as government agencies, and thereby ensured compliance awareness.

(2) Progress of Preserving and Managing Information

The Company audited each division concerning information management under the information management system, which was established following the Regulations of Information

Management to confirm the preservation and management status of information including important documents. In addition, the Company provided education on information security to staff in charge at each division and new employees, and regularly provided all employees who use e-mail with training which assumed an outside cyberattack using e-mail. Moreover, the Company underwent an information security assessment by external experts to examine its preparedness against cyberattacks, and promptly carried out necessary control measures in the form of taking multiple defense actions, among other things.

(3) Progress of Managing the Risk of Damage

In the Company, the Risk Management Committee (meetings were held four times in this fiscal year) took the leadership in performing cross-sectional risk management activities in accordance with the Risk Management Regulations and thereby established a risk management system in order to detect and prevent the risks associated with the execution of operations. In addition, the Company held seminars on risk management in training for each class of managerial personnel thereby ensuring awareness.

Furthermore, the Company treated the prevention of accidents and disasters, etc. as its most important issue under the management policy that placed the first priority on safety, and regularly conducted environment and safety audits at the plants of the Company and its major subsidiaries in order to enhance the management system and take measures against the risks associated with processes and operations.

(4) Progress of Efficient Execution of Duties by the Directors

The Company has the Board of Directors and the Managing Directors' Committee as the bodies that discuss and determine the execution of operations. The Board of Directors determines the basic policy of the Company, and discusses and determines the execution of important operations specified in the Corporations Law or the Articles of Incorporation, etc. In this fiscal year, the Company held meetings of the Board of Directors thirteen times and meetings of the Managing Directors' Committee twelve times. All the meetings were attended by the Outside Directors and the Audit & Supervisory Board Members and various matters relating to the execution of operations were discussed and determined by receiving advices from the Outside Directors.

Furthermore, the Company has developed an efficient organizational framework and various regulations that will enable the Company to speedily respond to changes in the business environment.

(5) Progress of Ensuring the Properness of Operations at the Company's Group

The Company worked for proper and efficient management of the Company's Group in accordance with the Group Companies' Management Regulations and presented reports on the operations of major Group Companies at the Managing Directors' Committee to deliberate on issues while receiving reports on important matters relating to the management.

The Internal Audit Department audited each Group Company in terms of the legality and reasonableness of business activities in cooperation with the Group Companies as needed, and reported the results thereof to the Directors and the Audit & Supervisory Board Members, etc.

(6) Progress of Ensuring the Effectiveness of Audit Performed by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members, in addition to attending important internal meetings such as meetings of the Board of Directors and the Managing Directors' Committee, audited the execution of operations by the Directors through receiving reports from them and employees on the execution of duties and through on-site inspections. In order to improve the effectiveness of audits, the Audit & Supervisory Board Members received reports and explanations about accounting audit quarterly from the Accounting Auditor and exchanged opinions, and also exchanged information and opinions as needed to facilitate collaboration. Furthermore, the Audit & Supervisory Board Members received, from the Internal Audit Department, reports and explanations regularly on the status of internal audits, and exchanged opinions and collaborated

with the Department. The Full-Time Audit & Supervisory Board Members reviewed approval documents and other documents, received reports such as those on the status of activities and the results of internal audits from the Internal Audit Department when appropriate, and gave advice and made requests as needed. In addition, the Audit & Supervisory Board Member Liaison Committee and the Group Audit & Supervisory Board Member Liaison Committee exchanged information and opinions to strengthen collaboration between the Audit & Supervisory Board Members of the Group.

The monetary amounts and numbers of shares set out in this BUSINESS REPORT are expressed as full units with any fractions of the indicated units rounded down to the nearest full unit.

CONSOLIDATED BALANCE SHEET

As of March 31, 2020 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

ASSETS

Current Assets:

	(Millions of yen)
Cash and time deposits -----	836,448
Notes and accounts receivable-trade-----	325,489
Securities -----	251,377
Merchandise and finished goods -----	173,358
Work in process -----	16,828
Raw materials and supplies -----	175,479
Other -----	52,723
Less: Allowance for doubtful accounts-----	<u>(7,186)</u>
Total current assets	<u>1,824,519</u>

Fixed Assets:

Property, Plant and Equipment:	
Buildings and structures, net-----	202,848
Machinery and equipment, net -----	440,595
Land-----	92,577
Construction in progress -----	367,309
Other, net-----	<u>16,584</u>
Total property, plant and equipment	1,119,915

Intangible Assets-----	10,099
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Investments and Other Assets:

Investments in securities -----	126,060
Deferred tax assets -----	63,735
Other -----	88,446
Less: Allowance for doubtful accounts-----	<u>(2,291)</u>
Total investments and other assets	<u>275,950</u>
Total fixed assets	<u>1,405,965</u>

TOTAL ASSETS	<u>3,230,485</u>
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LIABILITIES

Current Liabilities:

	(Millions of yen)
Notes and accounts payable-trade-----	136,442
Short-term borrowings-----	8,295
Accounts payable-other -----	75,094
Accrued expenses -----	73,292
Accrued income taxes -----	44,377
Accrued bonuses for employees-----	3,661
Accrued bonuses for directors-----	728
Other -----	<u>35,901</u>
Total current liabilities	<u>377,794</u>

Long-Term Liabilities:

Long-term debt -----	15,124
Deferred tax liabilities-----	59,378
Net defined benefit liability-----	36,243
Other -----	<u>18,803</u>
Total long-term liabilities	<u>129,549</u>
TOTAL LIABILITIES	<u>507,343</u>

NET ASSETS

Stockholders' Equity:

Common stock -----	119,419
Additional paid-in capital-----	128,323
Retained earnings -----	2,413,769
Less: Treasury stock, at cost-----	<u>(7,123)</u>
Total stockholders' equity	<u>2,654,388</u>

Accumulated Other Comprehensive Income:

Unrealized gains (losses) on available-for-sale securities -----	10,296
Deferred gains (losses) on hedges -----	(2,799)
Foreign currency translation adjustments-----	(8,187)
Remeasurements of defined benefit plans -----	<u>(1,387)</u>
Total accumulated other comprehensive income	<u>(2,078)</u>

Share Subscription Rights-----	1,904
Non-Controlling Interests in Consolidated Subsidiaries -----	68,927

TOTAL NET ASSETS 2,723,141

TOTAL LIABILITIES AND NET ASSETS 3,230,485

CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2020 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

		(Millions of yen)
Net Sales	-----	1,543,525
Cost of Sales	-----	<u>987,782</u>
Gross profit	-----	555,743
Selling, General and Administrative Expenses	-----	<u>149,702</u>
Operating income	-----	406,041
Non-Operating Income:		
Interest income	-----	10,777
Dividend income	-----	7,388
Equity in earnings of affiliates	-----	4,327
Other income	-----	<u>2,047</u>
Total non-operating income	-----	24,541
Non-Operating Expenses:		
Interest expenses	-----	749
Foreign exchange loss	-----	5,650
Other expenses	-----	<u>5,940</u>
Total non-operating expenses	-----	<u>12,339</u>
Ordinary income	-----	418,242
Extraordinary income:		
Gain on sales of investment securities	-----	<u>7,774</u>
Total extraordinary income	-----	<u>7,774</u>
Income before income taxes and non-controlling interests	-----	426,017
Income Taxes:		
Current	-----	108,290
Deferred	-----	<u>(564)</u>
Total income taxes	-----	<u>107,726</u>
Net Income	-----	318,290
Net Income Attributable to Non-Controlling Interests	-----	<u>4,263</u>
Net Income Attributable to Owners of Parent	-----	<u><u>314,027</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2020 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	Stockholders' Equity				(Millions of yen)
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	[Total]
Balance as of April 1, 2019	119,419	128,299	2,283,760	(94,702)	2,436,777
Changes during the year					
Cash dividends	-	-	(87,410)	-	(87,410)
Net income attributable to owners of parent	-	-	314,027	-	314,027
Purchase of treasury stock	-	-	-	(10,566)	(10,566)
Disposal of treasury stock	-	145	-	1,391	1,537
Retirement of treasury stock	-	(96,753)	-	96,753	-
Transfer to additional paid-in capital from retained earnings	-	96,608	(96,608)	-	-
Other	-	23	-	-	23
Net changes of items other than stockholders' equity	-	-	-	-	-
Total changes during the year	-	23	130,008	87,579	217,611
Balance as of March 31, 2020	119,419	128,323	2,413,769	(7,123)	2,654,388

	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	[Total]			
Balance as of April 1, 2019	22,955	(266)	5,143	987	28,820	1,143	65,814	2,532,556
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(87,410)
Net income attributable to owners of parent	-	-	-	-	-	-	-	314,027
Purchase of treasury stock	-	-	-	-	-	-	-	(10,566)
Disposal of treasury stock	-	-	-	-	-	-	-	1,537
Retirement of treasury stock	-	-	-	-	-	-	-	-
Transfer to additional paid-in capital from retained earnings	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	23
Net changes of items other than stockholders' equity	(12,659)	(2,533)	(13,331)	(2,375)	(30,899)	760	3,112	(27,026)
Total changes during the year	(12,659)	(2,533)	(13,331)	(2,375)	(30,899)	760	3,112	190,584
Balance as of March 31, 2020	10,296	(2,799)	(8,187)	(1,387)	(2,078)	1,904	68,927	2,723,141

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2020 (Amounts are stated in millions of yen; amounts less than 1 million are omitted)

ASSETS

Current Assets:

	(Millions of yen)
Cash and time deposits -----	152,617
Notes receivable-----	6,212
Accounts receivable-trade-----	230,651
Securities -----	143,000
Merchandise and finished goods -----	41,216
Semi-finished products -----	22,063
Raw materials and supplies -----	70,002
Advance payments -----	792
Short-term loans -----	2,682
Accounts receivable-other -----	46,068
Other -----	2,367
Less: Allowance for doubtful accounts-----	<u>(2,880)</u>
Total current assets	<u>714,795</u>

Fixed Assets:

Property, Plant and Equipment:

Buildings, net -----	59,155
Structures, net-----	6,323
Machinery and equipment, net -----	61,248
Vehicles, net -----	94
Tools, furniture and fixtures, net -----	2,826
Land-----	25,106
Leased assets, net-----	75
Construction in progress -----	<u>28,420</u>
Total property, plant and equipment	183,249

Intangible Assets ----- 1,177

Investments and Other Assets:

Investments in securities -----	54,065
Investments in capital of subsidiaries and affiliates -----	150,870
Investments in partnerships -----	11
Investments in partnerships of subsidiaries and affiliates-----	23,772
Long-term loans -----	3,238
Long-term prepaid expenses -----	83
Deferred tax assets -----	22,336
Other -----	2,665
Less: Allowance for doubtful accounts-----	<u>(10)</u>
Total investments and other assets	<u>257,033</u>
Total fixed assets	<u>441,460</u>

TOTAL ASSETS 1,156,255

LIABILITIES

Current Liabilities:

	(Millions of yen)
Accounts payable-trade-----	135,120
Electronically recorded obligations - operating -----	4,073
Short-term borrowings-----	4,990
Lease obligations-----	37
Accounts payable-other -----	26,385
Accrued income taxes -----	19,732
Accrued expenses -----	16,121
Advances received -----	587
Deposits -----	108,471
Accrued bonuses for directors-----	596
Other -----	<u>1,025</u>
Total current liabilities	<u>317,142</u>

Long-Term Liabilities:

Long-term debt -----	6,150
Lease obligations-----	52
Long-term accounts payable-other-----	1,127
Accrued retirement benefits -----	9,816
Asset retirement obligations -----	<u>70</u>
Total long-term liabilities	<u>17,218</u>

TOTAL LIABILITIES 334,361

NET ASSETS

Stockholders' Equity:

Common stock -----	119,419
Additional paid-in capital:	
Capital reserve -----	120,771
Total additional paid-in capital -----	<u>120,771</u>
Retained earnings:	
Legal earned reserve -----	6,778
Other retained earnings:	
Reserve for special depreciation-----	205
Reserve for disaster prevention-----	70
Reserve for reduction entry of fixed assets -----	1,889
Reserve for research -----	88
Reserve for dividend equalization-----	15
Reserve for reduction entry of land -----	20
General reserve -----	351,137
Retained earnings brought forward -----	<u>217,625</u>
Total other retained earnings-----	<u>571,052</u>
Total retained earnings	<u>577,830</u>
Less: Treasury stock, at cost-----	<u>(7,123)</u>
Total stockholders' equity-----	<u>810,898</u>

Valuation and Translation Adjustments:

Unrealized gains (losses) on available-for-sale securities -----	9,321
--	-------

Share Subscription Rights-----	<u>1,674</u>
TOTAL NET ASSETS	<u>821,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,156,255</u>

NON-CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2020 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	(Millions of yen)
Net Sales-----	845,356
Cost of Sales -----	<u>650,563</u>
Gross profit -----	194,792
Selling, General and Administrative Expenses-----	<u>47,153</u>
Operating income -----	147,639
Non-Operating Income:	
Interest income -----	441
Dividend income -----	22,633
Other income -----	<u>245</u>
Total non-operating income-----	23,320
Non-Operating Expenses:	
Interest expenses -----	169
Other expenses -----	<u>3,378</u>
Total non-operating expenses-----	<u>3,547</u>
Ordinary income -----	167,412
Extraordinary income:	
Gain on sales of investment securities-----	<u>7,593</u>
Total extraordinary income-----	<u>7,593</u>
Income before income taxes -----	175,006
Income Taxes:	
Current-----	42,790
Deferred -----	<u>380</u>
Total income taxes -----	<u>43,170</u>
Net Income-----	<u><u>131,836</u></u>

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2020 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	Stockholders' Equity							(Millions of yen)	
	Common stock	Additional paid-in capital			Retained earnings			Treasury stock, at cost	[Total]
		Capital reserve	Other capital reserve	[Total]	Legal earned reserve	*Other retained earnings	[Total]		
Balance as of April 1, 2019	119,419	120,771	-	120,771	6,778	623,234	630,013	(94,702)	775,501
Changes during the year									
Cash dividends	-	-	-	-	-	(87,410)	(87,410)	-	(87,410)
Net income	-	-	-	-	-	131,836	131,836	-	131,836
Purchase of treasury stock	-	-	-	-	-	-	-	(10,566)	(10,566)
Disposal of treasury stock	-	-	145	145	-	-	-	1,391	1,537
Retirement of treasury stock	-	-	(96,753)	(96,753)	-	-	-	96,753	-
Transfer to additional paid-in capital from retained earnings	-	-	96,608	96,608	-	(96,608)	(96,608)	-	-
Net changes of items other than stockholders' equity	-	-	-	-	-	-	-	-	-
Total changes during the year	-	-	-	-	-	(52,182)	(52,182)	87,579	35,396
Balance as of March 31, 2020	119,419	120,771	-	120,771	6,778	571,052	577,830	(7,123)	810,898
		Valuation and translation adjustments							
		Unrealized gains (losses) on available-for-sale securities	Share subscription rights			Total net assets			
Balance as of April 1, 2019		21,438	971			797,912			
Changes during the year									
Cash dividends		-	-			(87,410)			
Net income		-	-			131,836			
Purchase of treasury stock		-	-			(10,566)			
Disposal of treasury stock		-	-			1,537			
Retirement of treasury stock		-	-			-			
Transfer to additional paid-in capital from retained earnings		-	-			-			
Net changes of items other than stockholders' equity		(12,116)	702			(11,414)			
Total changes during the year		(12,116)	702			23,982			
Balance as of March 31, 2020		9,321	1,674			821,894			

* Breakdown of other retained earnings

	(Millions of yen)				
	Reserve for special depreciation	Reserve for disaster prevention	Reserve for reduction entry of fixed assets	Reserve for research	Reserve for dividend equalization
Balance as of April 1, 2019	250	65	1,922	88	15
Changes during the year					
Cash dividends	-	-	-	-	-
Provision of reserve for special depreciation	42	-	-	-	-
Reversal of reserve for special depreciation	(88)	-	-	-	-
Provision of reserve for disaster prevention	-	4	-	-	-
Reversal of reserve for reduction entry of fixed assets	-	-	(32)	-	-
Transfer to additional paid-in capital from retained earnings	-	-	-	-	-
Net income	-	-	-	-	-
Total changes during the year	(45)	4	(32)	-	-
Balance as of March 31, 2020	205	70	1,889	88	15

	Reserve for reduction entry of land	General reserve	Retained earnings brought forward	Total other retained earnings
Balance as of April 1, 2019	20	351,137	269,734	623,234
Changes during the year				
Cash dividends	-	-	(87,410)	(87,410)
Provision of reserve for special depreciation	-	-	(42)	-
Reversal of reserve for special depreciation	-	-	88	-
Provision of reserve for disaster prevention	-	-	(4)	-
Reversal of reserve for reduction entry of fixed assets	-	-	32	-
Transfer to additional paid-in capital from retained earnings	-	-	(96,608)	(96,608)
Net income	-	-	131,836	131,836
Total changes during the year	-	-	(52,109)	(52,182)
Balance as of March 31, 2020	20	351,137	217,625	571,052

Audit Report of Accounting Auditor on the Consolidated Financial Statements
(English Translation)

Independent Auditor's Report

May 16, 2020

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office, Japan

Yuji Mukaide
Designated Engagement Partner
Certified Public Accountant

Ryogo Ichikawa
Designated Engagement Partner
Certified Public Accountant

Yasuyuki Kitamura
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of Shin-Etsu Chemical Co., Ltd. (the "Company") applicable to the 143rd fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

Independent Auditor's Report

May 16, 2020

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office, Japan

Yuji Mukaide
Designated Engagement Partner
Certified Public Accountant

Ryogo Ichikawa
Designated Engagement Partner
Certified Public Accountant

Yasuyuki Kitamura
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Shin-Etsu Chemical Co., Ltd. (the "Company") applicable to the 143rd fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the accompanying financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Related Supplementary Schedules section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the related supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Related Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the related supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the related supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements and the related supplementary schedules is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the related supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements and the related supplementary schedules, including the disclosures, and whether the financial statements and the related supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

Audit Report of Audit & Supervisory Board

Audit Report

The Audit & Supervisory Board has prepared this Audit Report on the execution of duties by the Directors during the 143rd fiscal year from April 1, 2019 to March 31, 2020, based upon, and after having considered, the audit reports prepared by the individual Audit & Supervisory Board Members. The Report follows:

1. Audit Methods and Procedures Used by Audit & Supervisory Board Members and by the Audit & Supervisory Board

(1) The Audit & Supervisory Board established its audit policy, plan and so forth, and received reports from the individual Audit & Supervisory Board Members on their progress in conducting audits, as well as their findings. The Board also received reports from the Directors and others and from the Accounting Auditor concerning their progress in executing duties, and requested explanations as needed.

(2) In accordance with the standards established by the Audit & Supervisory Board for auditing by the Audit & Supervisory Board Members, pursuant to the audit policy and assigned duties and others, the individual Audit & Supervisory Board Members promoted communication with the Directors, the internal audit function, and other employees and others, in order to enhance information collection and the overall audit environment, and conducted audits by the following methods.

① They also attended the Board of Directors' meetings and other important meetings, and received reports from the Directors and employees and others on their progress in executing duties and requested explanations from them as needed. They perused important documented decisions, approvals and others, and conducted on-site investigations to determine the operation of business practices and the status of assets at the Head Office and other principal places of business. With regard to the subsidiaries, the Audit & Supervisory Board Members promoted communication and information sharing with the Directors, Audit & Supervisory Board Members and others of the subsidiaries, and received business reports from subsidiaries as needed.

② They audited the substance of the Board of Directors' resolutions regarding the development of the systems to ensure the Directors to execute their duties in conformity with laws and regulations and the Articles of Incorporation, and other systems specified in Paragraphs 1 and 3, Article 100 of the Corporations Law Enforcement Regulations necessary for ensuring the properness of operations undertaken by the company group composed of the stock company and its subsidiaries, as well as the systems (internal control systems) being developed in accordance with such resolutions. The Audit & Supervisory Board Members received periodic reports from the Directors and employees and others on their progress in establishing and operating such systems and requested explanations from them as needed.

③ The Audit & Supervisory Board monitored the Accounting Auditor to determine whether it maintained its independence and conducted appropriate audits, and received reports from the Accounting Auditor on its progress in executing duties and asked for explanations as needed. The Board was also advised by the Accounting Auditor of its appropriate development of systems enumerated in the Items of Article 131 of the Corporate Calculation Regulations as constituting a "system to ensure the proper execution of duties," and asked for explanations as needed.

Based on the methods above, the Audit & Supervisory Board examined the Business Report and its Annexed Schedules, Financial Documents (Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Other Net Assets, and Non-consolidated Notes thereto) along with their Annexed Schedules, as well as the Consolidated Financial Documents (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets, and Consolidated Notes thereto), all covering the fiscal year under review.

2. Results of Audits

(1) Results of Auditing Business Report and Others

- ① The Audit & Supervisory Board certifies that the Business Report and its Annexed Schedules fairly present the state of affairs of the Company in conformity with laws and regulations and the Articles of Incorporation.
- ② The Board finds no irregular acts that occurred or significant facts that violated laws and regulations or the Articles of Incorporation, in connection with the execution of duties by the Directors.
- ③ The Board certifies the adequacy of the Board of Directors' resolutions relevant to internal control systems. Also, the Board finds no items that require particular notice in connection with the substance of the Business Report or the execution of duties by the Directors relevant to such internal control systems.

(2) Results of Auditing Financial Documents and their Annexed Schedules

The Audit & Supervisory Board certifies the appropriateness of audit procedures used by the Accounting Auditor, Ernst & Young ShinNihon LLC, and of the results of its audit.

(3) Results of Auditing Consolidated Financial Documents

The Audit & Supervisory Board certifies the appropriateness of audit procedures used by the Accounting Auditor, Ernst & Young ShinNihon LLC, and of the results of its audit.

May 18, 2020

The Audit & Supervisory Board, Shin-Etsu Chemical Co., Ltd.

Full-time Audit & Supervisory Board Member	Hiroaki Okamoto	(Seal)
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Full-time Audit & Supervisory Board Member	Hidenori Onezawa	(Seal)
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Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Taku Fukui	(Seal)
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Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Yoshihito Kosaka	(Seal)
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Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Kiyoshi Nagano	(Seal)
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[End]

Reference Documents for Exercising Voting Rights

Agenda and Reference Materials

1st Agendum: Distribution of Retained Earnings to Shareholders

From the long-term perspective, we are focusing on expanding profitability and maintaining a solid financial base, and our basic policy is to return the fruits of such management efforts to our shareholders in a proper, consistent manner.

The Company proposes a year-end cash dividend distribution for the 143rd fiscal year as summarized below:

1. Type of Assets Proposed for Distribution
Monetary
2. Asset Allotment Details and Total Amount
The Company proposes a monetary allotment of ¥110 per share of Common Stock in the Company; ¥45,744,313,670 in total.
3. Effective Date of Distribution of Retained Earnings
June 29, 2020

The Company has paid an interim cash dividend of ¥110 per share for the current fiscal year; thus, dividend payment for the full year will be ¥220 per share, ¥20 up from the ¥200 for the previous term.

2nd Agendum: Election of Twelve (12) Directors

Upon the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of eleven (11) Directors, namely, Messrs. Chihiro Kanagawa, Fumio Akiya, Masahiko Todoroki, Toshiya Akimoto, Fumio Arai, Kenji Ikegami, Shunzo Mori, Hiroshi Komiyama, Toshio Shiobara, Yoshimitsu Takahashi and Kai Yasuoka will expire and Mr. Toshinobu Ishihara, Director, will resign. Accordingly, the Board of Directors hereby proposes that twelve (12) persons be elected as Directors.

The candidates for election to the position of Director are as follows:

Candidate number		Name		Current Position and Responsibilities at the Company
1	Reappointment Candidate	Chihiro Kanagawa		Representative Director and Chairman
2	Reappointment Candidate	Fumio Akiya		Representative Director and Vice Chairman In charge of Semiconductor Materials and Technologies
3	Reappointment Candidate	Masahiko Todoroki		Senior Managing Director General Manager, Planning & Administration Dept., Semiconductor Materials Div.
4	Reappointment Candidate	Toshiya Akimoto		Managing Director In charge of Office of the Secretariat, Public Relations, Legal Affairs and Purchasing General Manager, Office for Digitization and Digitalization
5	Reappointment Candidate	Fumio Arai		Managing Director General Manager, Organic Chemicals Div.
6	Reappointment Candidate	Kenji Ikegami		Managing Director In charge of General Affairs, Personnel & Labor Relations and Business Auditing
7	Reappointment Candidate	Shunzo Mori		Director and Adviser
8	Reappointment Candidate	Hiroshi Komiyama	Outside Director Independent Officer	Director
9	Reappointment Candidate	Toshio Shiobara		Director In charge of R&D and Patents Deputy General Manager, Electronics Materials Div. (In charge of Organic Electronics Materials)
10	Reappointment Candidate	Yoshimitsu Takahashi		Director In charge of Environmental Control & Safety General Manager, Business Development Dept.
11	Reappointment Candidate	Kai Yasuoka		Director General Manager, International Div.
12	Newly nominated Candidate	Kuniharu Nakamura	Outside Director Independent Officer	

<p>No. 1</p> <p>Chihiro Kanagawa (March 15, 1926)</p> <p>Number of Company Shares Held 251,000 shares</p> <p><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Feb., 1962 Joined the Company Dec., 1970 General Manager of Overseas Business Div. Jan., 1975 Director Aug., 1976 Managing Director Jan., 1979 Senior Managing Director Aug., 1983 Representative Director and Executive Vice President Aug., 1990 Representative Director and President June, 2010 Representative Director and Chairman (to date)</p> <p>-Important Positions in Other Entities- Director and Chairman of SHINTECH INC.</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Chihiro Kanagawa has done his utmost to increase the Company's value such as by leading the Company with his excellent management prowess, building up the world's largest PVC and semiconductor silicon operations, endeavoring to establish an even stronger operational foundation and serving as the chairman of the Meeting of Board of Directors. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 2</p> <p>Fumio Akiya (October 20, 1940)</p> <p>Number of Company Shares Held 11,800 shares</p> <p><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1964 Joined the Company Oct., 1997 General Manager of Technology Dept. June, 1998 Director June, 2000 Managing Director June, 2002 Senior Managing Director June, 2004 In charge of Technology (to date) July, 2007 Representative Director and Senior Managing Director Nov., 2008 In charge of Semiconductor Materials (to date) June, 2009 Representative Director and Executive Vice President June, 2016 Representative Director and Vice Chairman (to date)</p> <p>-Important Positions in Other Entities- Representative Director and President of Shin-Etsu Handotai Co., Ltd.</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Fumio Akiya has extensive knowledge on production technologies and has endeavored to construct a strong foundation in the semiconductor silicon operation, and has done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

<p>No. 3</p> <p style="text-align: center;">Masahiko Todoroki (May 16, 1953)</p> <p>Number of Company Shares Held 14,620 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1976 Joined the Company Jan., 2001 General Manager of Planning & Administration Dept. of Semiconductor Materials Div. (to date) Apr., 2004 Director of Shin-Etsu Handotai Co., Ltd. June, 2006 Director of the Company June, 2009 Managing Director of Shin-Etsu Handotai Co., Ltd. June, 2010 Managing Director of the Company June, 2017 Senior Managing Director of Shin-Etsu Handotai Co., Ltd. (to date) Senior Managing Director of the Company (to date)</p> <p>-Important Positions in Other Entities- Senior Managing Director of Shin-Etsu Handotai Co., Ltd.</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Masahiko Todoroki has endeavored to expand the semiconductor silicon operation for many years and has done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 4</p> <p style="text-align: center;">Toshiya Akimoto (June 5, 1959)</p> <p>Number of Company Shares Held 8,300 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1982 Joined the Company Sept., 2007 General manager of Office of the Secretariat June, 2008 Director June, 2010 Managing Director (to date) June, 2015 In charge of Public Relations (to date) June, 2016 In charge of Legal Affairs (to date) June, 2017 In charge of Office of the Secretariat (to date) June, 2019 In charge of Purchasing (to date) July, 2019 General Manager of Office for Digitization and Digitalization (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Toshiya Akimoto has endeavored to promote our ESG activities, utilize information technology (IT) and done his utmost to increase the Company's value such as by taking charge of Public Relations, Legal Affairs and Purchasing. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

<p>No. 5</p> <p style="text-align: center;">Fumio Arai (September 15, 1958)</p> <p>Number of Company Shares Held 5,000 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1981 Joined the Company Mar., 2003 Director and President of Shin-Etsu PVC B.V. (to date) Jan., 2004 Director and President of SE Tylose GmbH & Co. KG (to date) June, 2004 Director of the Company June, 2010 General Manager of Organic Chemicals Div. (to date) June, 2013 Managing Director (to date)</p> <p>-Important Positions in Other Entities- Director and President of Shin-Etsu PVC B.V. Director and President of SE Tylose GmbH & Co. KG</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Fumio Arai has endeavored to expand the PVC operation in Europe and organic chemicals operation throughout the world and has done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 6</p> <p style="text-align: center;">Kenji Ikegami (November 24, 1945)</p> <p>Number of Company Shares Held 3,300 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1968 Joined the Company Dec., 2004 General Manager of Personnel & Labor Relations Dept. June, 2014 Director June, 2015 In charge of General Affairs (to date) June, 2017 In charge of Personnel & Labor Relations (to date) June, 2019 Managing Director (to date) In charge of Business Auditing (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Kenji Ikegami has extensive knowledge on human resources and labor management, and has done his utmost to increase the Company's value such as by taking charge of General Affairs and Business Auditing. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

<p>No. 7</p> <p style="text-align: center;">Shunzo Mori (June 27, 1937)</p> <p>Number of Company Shares Held 18,650 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>►Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Sept., 1963 Joined the Company May, 1985 Director of Shin-Etsu Engineering Co., Ltd. May, 1988 Managing Director of the above Jan., 1992 General Manager of Takefu Plant of the Company June, 1992 Director June, 1996 Managing Director June, 1998 Senior Managing Director July, 2007 Representative Director and Senior Managing Director June, 2009 Representative Director and Executive Vice President June, 2010 Representative Director and President June, 2016 Director and Adviser (to date)</p> <p>► There is no special interest between the candidate and the Company.</p> <p>►Reasons for Electing the Candidate for Director</p> <p>Mr. Shunzo Mori has provided the Company with useful advice at the Board of Directors meetings, etc. from broad perspectives based on abundant experience as an engineer and corporate management experience earned by serving as President from June 2010 to June 2016 and done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 8</p> <p style="text-align: center;">Hiroshi Komiyama (December 15, 1944)</p> <p>Number of Company Shares Held 2,900 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u> <u>Outside Director</u> <u>Independent Officer</u></p>	<p>►Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>July, 1988 Professor, School of Engineering, The University of Tokyo Apr., 2000 Dean of the Graduate School of Engineering, The University of Tokyo Apr., 2005 President of National University Corporation, The University of Tokyo June, 2010 Director of the Company (to date)</p> <p>-Important Positions in Other Entities-</p> <p>Chairman, Mitsubishi Research Institute, Inc.</p> <p>► There is no special interest between the candidate and the Company.</p> <p>►Reasons for Electing the Candidate for Outside Director</p> <p>Mr. Hiroshi Komiyama is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. Mr. Komiyama, who has held, in succession, various important posts, including President of the University of Tokyo, has prominent knowledge of and abundant experience in a wide variety of fields including chemical technology, the global environment, resources, and energy. Mr. Komiyama has provided the Company with useful advice from broad perspectives based on his knowledge and experience, as well as adequate supervision from an independent standpoint. Consequently, in expectation of continued advice and supervision, Mr. Komiyama has been nominated as a candidate for the position. Moreover, he assumed the position of Outside Director of the Company in June 2010; his term of office as Outside Director of the Company will have reached ten (10) years as of the close of this General Meeting of Shareholders.</p> <p>► The Company has reported Mr. Hiroshi Komiyama as an Independent Officer as provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If he is reappointed as Director, it is planned that he will continue acting as an Independent Officer.</p>

<p>No. 9</p> <p style="text-align: center;">Toshio Shiobara (January 16, 1948)</p> <p>Number of Company Shares Held 3,452 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶ Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1972 Joined the Company July, 2005 General Manager of Organic Electronics Materials Dept. of Electronics Materials Div. Aug., 2010 Deputy General Manager of Electronics Materials Div. June, 2014 Director (to date) June, 2018 In charge of R&D and Patents (to date) Deputy General Manager of Electronics Materials Div. (In charge of Organic Electronics Materials) (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶ Reasons for Electing the Candidate for Director Mr. Toshio Shiobara has endeavored to expand the organic electronics materials operation for many years and done his utmost to increase the Company's value such as by taking charge of R&D and Patents. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 10</p> <p style="text-align: center;">Yoshimitsu Takahashi (October 20, 1953)</p> <p>Number of Company Shares Held 3,000 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶ Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Mar., 1974 Joined the Company Nov., 2012 Chairman of Shin-Etsu Silicone Taiwan Co., Ltd. June, 2016 Director of the Company (to date) General Manager of Business Development Dept. (to date) June, 2018 In charge of Environmental Control & Safety (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶ Reasons for Electing the Candidate for Director Mr. Yoshimitsu Takahashi has endeavored to perform operations related to new businesses and done his utmost to increase the Company's value such as by taking charge of Environmental Control & Safety. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 11</p> <p style="text-align: center;">Kai Yasuoka (May 3, 1961)</p> <p>Number of Company Shares Held 4,500 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶ Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1985 Joined the Company Nov., 1991 Seconded to SHINTECH INC. Nov., 2013 General Manager of the Business Enhancement Group, Office of the President of the Company June, 2016 Director (to date) General Manager of International Div. (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶ Reasons for Electing the Candidate for Director Mr. Kai Yasuoka has been engaged in expanding the presence of the PVC operation primarily in the US for many years and has done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

<p>No. 12</p> <p style="text-align: center;">Kuniharu Nakamura (August 28, 1950)</p> <p>Number of Company Shares Held 0 shares</p> <div style="margin-left: 40px;"> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Newly nominated Candidate</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent Officer</div> </div>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>June, 2012 Representative Director and President, SUMITOMO CORPORATION</p> <p>Apr., 2018 Representative Director and Chairman of the above</p> <p>June, 2018 Director and Chairman of the above (to date)</p> <p>-Important Positions in Other Entities-</p> <p>Director and Chairman, SUMITOMO CORPORATION</p> <p>Outside Director, NEC Corporation</p> <p>▶Although the candidate is the Director and Chairman of SUMITOMO CORPORATION and it is a trading partner of the Company, the value of the transactions between them is less than one percent of our and their net sales. In this respect, we conclude that his independence will not be affected.</p> <p>▶Reasons for Electing the Candidate for Outside Director</p> <p>Mr. Kuniharu Nakamura is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. Mr. Nakamura, who has held, in succession, various important posts, including Director and Chairman of SUMITOMO CORPORATION, has prominent knowledge of and abundant experience in international business in a wide variety of fields. Considering these reasons, he has been chosen as a candidate for the position of Outside Director with expectations that he will give us supervision and advice from an independent standpoint.</p> <p>▶Mr. Kuniharu Nakamura meets Independent Officer requirements provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If the proposed election of him is approved, it is planned that he will serve as an Independent Officer.</p>
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Note: The Company has entered into an agreement with Mr. Hiroshi Komiyama, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of the said law to the amount set forth in the applicable law. If his reelection is approved, the relevant agreement is scheduled to remain effective. If Mr. Kuniharu Nakamura is appointed as a Director and assumes the position, the Company will enter into the same agreement with him.

3rd Agendum: Issuance of Stock Acquisition Rights as Stock Options to Employees

In accordance with the provisions of Articles 236, 238 and 239 of the Corporations Law, the Company proposes to issue stock acquisition rights as stock options to executive-level employees, and to entrust the authorization of such issue, and the determination of the conditions for invitation to the stock acquisition, to the Board of Directors.

1. Reason for issuing stock acquisition rights with particularly advantageous terms and conditions:

For the purpose of enhancing the willingness and the morale to perform their duties and to improve the Company's business performance, stock acquisition rights may be issued to executive-level employees without the requirement for cash payment, in accordance with the outlines described below.

2. Substance and maximum quantity of the stock acquisition rights, etc. conditions for invitation of which may be determined based on authorization

- (1) Type and quantity of shares subject to the stock acquisition rights:

The type of share subject to the stock acquisition rights shall be the common shares of the Company, and the quantity of shares subject to the stock acquisition rights (hereinafter called the "Number of Granted Shares") shall be one hundred (100) shares per one (1) stock acquisition right.

After the day when the stock acquisition rights are allocated (hereinafter called the "Allocation Day"), if the Company makes a share split (including gratis distribution, and the same is hereinafter applicable to the descriptions of share split) or a share consolidation of common shares of the Company, the Number of Granted Shares shall be adjusted according to the formula described below. Such adjustment, however, shall be made to the Number of Granted Shares for the stock acquisition rights that are not yet exercised at that point of time, and if, as a result of the adjustment, there arises any share less than one (1) share, such fraction shall be omitted.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Ratio of share split or share consolidation

In addition to the above, if any cause arises to force the Company to adjust the Number of Granted Shares, the Company shall make the adjustments considered necessary.

- (2) Upper limit of the number of stock acquisition rights

The number of stock acquisition rights shall be limited to 4,500 rights.

(Up to 450,000 common shares of the Company shall be issued at the exercise of stock acquisition rights. If the Number of Granted Shares is adjusted as prescribed in (1) above, however, the Company shall adjust the upper limit by multiplying the adjusted Number of Granted Shares by the upper limit of the number of stock acquisition rights.)

- (3) Payment for the stock acquisition rights

No payment of cash is needed for issuance of the stock acquisition rights.

- (4) Calculation of the value of assets to be contributed at exercise of each stock acquisition right

The value of assets to be contributed at the exercise of each stock acquisition right shall be (x) the amount of investment per share issued at the exercise of a stock acquisition right calculated in the following (hereinafter called the "Exercise Price") multiplied by (y) the Number of Granted Shares.

The Exercise Price shall be 1.025 times as high as the closing price of the common shares of the Company at the Tokyo Stock Exchange averaged on a daily basis (excluding days with no transactions closed) during the month prior to the month including the day of resolution by the Board of Directors to decide conditions for invitation of the stock acquisition rights, or the closing price of the common shares of the Company at the Tokyo Stock Exchange on the day prior to the day of resolution by the Board of Directors to decide conditions for invitation of the stock acquisition rights (if there is no closing price on such date, the closing price of the closest preceding day), whichever is higher, and fractions less than one (1) yen shall be rounded up.

After an Allocation Day, when the Company issues new common shares or disposes of treasury shares at a price lower than the market price (excluding the sale of treasury stock in accordance with the provisions of Article 194 (Request by the Holder of Fractional Shares for Sale of the Fractional Shares) of the Corporations Law, the conversion of any certificate that shall or may be converted to common shares of the Company, and the exercise of a stock acquisition right (including a right attached to a corporate bond with a stock acquisition right)), the Company shall adjust the Exercise Price according to the formula described below, and if, as a result thereof, there arises any fraction less than one (1) yen, such fraction shall be rounded up.

Exercise Price after adjustment = Exercise Price before adjustment

$$\times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Payment amount per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

(In the formula above, “Number of issued shares” is the gross total number of shares issued by the Company minus the number of treasury shares held by the Company, and at the disposal of treasury shares, “Number of shares newly issued” shall be replaced with “Number of treasury shares to be disposed of.”)

If a share split or a share consolidation is effected after an Allocation Day, the Exercise Price shall be adjusted according to the formula described below, and any fractions less than one (1) yen resulting from such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition to the above, if any cause arises to force the Company to adjust the Exercise Price, the Company shall make adjustments considered necessary.

(5) Period during which a stock acquisition right may be exercised

From the day following the day that is one year after the Allocation Day, to March 31, 2025.

(6) Matters related to capital stock and capital reserve to be increased by issuance of shares at exercise of the stock acquisition rights

(i) The amount of capital stock increased by issuance of shares at exercise of the stock acquisition rights shall be half (1/2) of the limit of an increase in capital stock and the like to be calculated in accordance with Paragraph 1, Article 17 of the Corporate Accounting Rules, and a resulting fraction less than one (1) yen shall be rounded up.

(ii) The amount of capital reserve increased by issuance of shares at the exercise of the stock acquisition rights shall be the limit of an increase in capital stock and the like in (i) minus the amount of capital stock increased prescribed in (i).

(7) Restriction on acquisition of a stock acquisition right through transfer

Acquisition of a stock acquisition right through transfer requires approval by a resolution of the Board of Directors of the Company.

(8) Conditions for acquisition of the stock acquisition rights

- (i) If an agendum to approve a merger agreement that will make the Company a disappearing company is approved at a General Meeting of Shareholders of the Company, or if an agendum to approve a corporate split agreement or a corporate split plan that will make the Company a split company, or if an agendum for a share exchange agreement or a share transfer plan that will make the Company become a wholly-owned subsidiary of another company is approved at a General Meeting of Shareholders of the Company (in either case, if no resolution at a General Meeting of Shareholders is needed, resolved by the Board of Directors of the Company), the Company may acquire back the stock acquisition rights without compensation on the day specified by the Board of Directors of the Company.
- (ii) If those persons to whom the stock acquisition rights are issued or the heirs of such persons no longer satisfy the conditions to exercise the stock acquisition rights prescribed in the “Stock Acquisition Right Agreement” concluded between the Company and employees concerned based on the resolution at a General Meeting of Shareholders and at a meeting of the Board of Directors, the Company may acquire back the stock acquisition rights concerned without compensation on the day specified by the Board of Directors of the Company.

(9) Handling of the stock acquisition rights under the Reorganization Action

When the Company effects a merger (only when the Company disappears), an absorption corporate split, a foundation corporate split, a share exchange or a share transfer (hereinafter collectively called a “Reorganization Action”), under the following conditions, stock acquisition rights of a joint stock corporation listed in any of Sub-Items a - e in Item 8, Paragraph 1, Article 236 of the Corporations Law (hereinafter called the “Reorganized Corporation”) shall be delivered to holders of stock acquisition rights (hereinafter called “Remaining Stock Acquisition Rights”) remaining unexercised as of the point of time when the Reorganization Action comes into effect. In this case, the Remaining Stock Acquisition Rights shall expire, and the Reorganized Corporation shall issue new stock acquisition rights. This issuance, however, shall be limited to the case where the issuance of the stock acquisition rights of the Reorganized Corporation under the following conditions is prescribed in the absorption merger agreement, the foundation merger agreement, the absorption corporate split agreement, the plan of the foundation corporate split, the share exchange agreement, or the plan of the share transfer:

- (i) Number of the stock acquisition rights to be issued by the Reorganized Corporation
The same number of stock acquisition rights shall be issued as the number of the Remaining Stock Acquisition Rights.
- (ii) Type of share of the Reorganized Corporation subject to the stock acquisition rights
Common shares of the Reorganized Corporation.
- (iii) Number of shares of the Reorganized Corporation subject to the stock acquisition rights
This number shall be decided in the same manner as (1) above taking into consideration the conditions for the Reorganization Action.

- (iv) Value of assets to be contributed at exercise of each stock acquisition right
The value of assets to be contributed at exercise of each stock acquisition right shall be the amount of contribution calculated through adjustments, taking into consideration the conditions for the Reorganization Action, multiplied by the number of shares subject to the stock acquisition right as decided in (iii) above.
- (v) Period during which a stock acquisition right may be exercised
This period shall commence on the starting day of the period for exercising the stock acquisition right specified in (5) above, or the day when the Reorganization Action comes into effect, whichever is later, and end on the day of expiration of the period during which a stock acquisition right may be exercised as specified in (5) above.
- (vi) Matters related to capital stock and capital reserve to be increased by issuance of shares at the exercise of the stock acquisition rights
They shall be decided in the same manner as (6) above.
- (vii) Restriction on acquisition of a stock acquisition right through transfer
Acquisition of a stock acquisition right through transfer requires approval by the Reorganized Corporation.
- (viii) Conditions for acquisition of the stock acquisition rights
They shall be decided in the same manner as (8) above.
- (10) Omission of fractions resulting from the exercise of stock acquisition rights
Fractions less than one (1) share shall be omitted from the shares issued to holders of stock acquisition rights at the exercise of the rights.
- (11) Authorization to decide the conditions for invitation of the stock acquisition rights, and the like
Conditions for invitation of the stock acquisition rights, and related details, other than the aforementioned, shall be decided by resolutions at meetings of the Board of Directors to be held separately.

[End of Notification]