Chemistry at Work

Shin-Etsu Chemical Co., Ltd.
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 the provision of key materials and technologies.
FY2019 (For the fiscal year ended March 31, 2020)

Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,441.4</td>
<td>1,594.0</td>
<td>1,543.5</td>
</tr>
<tr>
<td>Operating Income</td>
<td>336.8</td>
<td>403.7</td>
<td>406.0</td>
</tr>
<tr>
<td>Income before Income Taxes and Non-Controlling Interests</td>
<td>340.3</td>
<td>415.3</td>
<td>426.0</td>
</tr>
<tr>
<td>Net Income Attributable to owners of Parent</td>
<td>266.2</td>
<td>309.1</td>
<td>314.0</td>
</tr>
<tr>
<td>Net Income per Share</td>
<td>624</td>
<td>726</td>
<td>755</td>
</tr>
<tr>
<td>Cash Dividend per Share</td>
<td>140</td>
<td>200</td>
<td>220</td>
</tr>
<tr>
<td>ROIC*</td>
<td>18.2</td>
<td>21.5</td>
<td>19.4</td>
</tr>
<tr>
<td>ROE</td>
<td>11.9</td>
<td>12.8</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Operating Income by Segment

- PVC/Chlor-Alkali Business: ¥336.8 billion
  - 93.2
- Semiconductor Silicon Business: ¥92.9
  - 131.9
- Silicones Business: ¥51.9
  - 58.5
- Electronics, and Functional Materials Business: ¥61.6
  - 66.9
- Specialty Chemicals Business: ¥25.7
  - 24.6
- Processing, Trading & Specialized Services Business: ¥11.4
  - 13.2

Non-Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gases*</td>
<td>%</td>
<td>92.4</td>
<td>91.6</td>
<td>94.0</td>
</tr>
<tr>
<td>Production intensity index (for the fiscal year ended March 31, 2014 = 100)</td>
<td>%</td>
<td>5,244</td>
<td>5,203</td>
<td>5,407</td>
</tr>
<tr>
<td>Water usage*</td>
<td>m³</td>
<td>1,000,000</td>
<td>2,222</td>
<td>2,25</td>
</tr>
<tr>
<td>Employees*</td>
<td>People</td>
<td>20,155 (11,995)</td>
<td>21,735 (13,354)</td>
<td>22,783 (14,118)</td>
</tr>
<tr>
<td>Lost-time accident rate (frequency of last-time incidents per million hours worked)**</td>
<td>%</td>
<td>0.13</td>
<td>0.16</td>
<td>0.32</td>
</tr>
<tr>
<td>Turnover rate (represents only resignations due to personal reasons)**</td>
<td>%</td>
<td>0.4</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Number of employees who have taken childcare leave [women/men]**</td>
<td>People</td>
<td>69/77</td>
<td>100/90</td>
<td>91/71</td>
</tr>
<tr>
<td>Number of female managers**</td>
<td>People</td>
<td>324</td>
<td>392</td>
<td>433</td>
</tr>
<tr>
<td>Waste generated*</td>
<td>1,000 tons</td>
<td>108.6</td>
<td>116.2</td>
<td>113.7</td>
</tr>
<tr>
<td>Waste recycling rate*</td>
<td>%</td>
<td>68.5</td>
<td>71.1</td>
<td>70.3</td>
</tr>
</tbody>
</table>

Third-Party Evaluations

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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

We are striving to enhance our corporate value by leveraging the capabilities the Shin-Etsu Group has built up to now.

I would like to express my deepest gratitude to our customers, as well as to our shareholders, suppliers and the local communities hosting us for your support and cooperation.

The fiscal year 2019 posed a severe challenge with the global economic slowdown. Despite this, the Shin-Etsu Group achieved record high earnings thanks to its unremitting management efforts.

Shintech, a core of the Group’s PVC business, completed the work to build an ethylene plant in February 2020, and it has now started operations. This has further reinforced Shintech’s fully integrated production plant that starts from raw materials. As the world’s largest merchant supplier of PVC, we will further enhance our foundation for achieving greater stability in supplying our products to customers in coming years.

Shintech started operations in October 1974 in Freeport, Texas. Since then, it has steadily captured the global PVC demand, and grown through repeated large-scale expansions to the facilities located there. Following the completion of a series of expansions in Freeport in 1997, the company recognized the need for a new production base and decided to act accordingly. The decision was to disperse the manufacturing bases so that we can reliably fulfill our supply responsibility to customers even in the event of natural disasters or other unavoidable circumstances.

As the first phase toward this goal, Shintech started PVC production in Addis, Louisiana in December 2000. Following this, the company worked on plans for an integrated production project starting from raw materials, with the aim of achieving further growth. Vast stretches of land were required to achieve this project, and after surveying several possible locations in the U.S., Shintech found an industrial site in Plaquemine, Louisiana that was ideal for both railway and waterway transport. In July 2008, at this location, Shintech started integrated production from chlorine, one of the main raw materials for PVC. The site in Plaquemine underwent two large-scale expansions after this, and Shintech’s production capacity has now reached as much as three million tons annually.

This February, Shintech started in Plaquemine the production of ethylene, which is another major raw material used for PVC. Thus this step has marked the completion of Shintech’s plans for achieving a fully integrated production system starting from raw materials. Of course, Shintech’s journey does not end here. The company is currently proceeding with subsequent major expansions to achieve further development, which it seeks to finish by the end of 2020.

Currently, the global economy is severely impacted by the spread of Covid-19. The economic impact of the pandemic may well have surpassed the global financial crisis in 2008, and it is said that we are facing the challenging crisis. Looking at the company’s history, one can see that we have applied our management capabilities to overcome many crises in the past and have ultimately succeeded in achieving further growth. These achievements have only been possible through the strengths that we have cultivated in the following areas within the Shin-Etsu Group:

- Avoiding over-reliance on a single product or customer; instead, focusing our efforts to strengthen our core businesses in PVC, semiconductor silicon and silicones, as well as all of our other businesses.
- Building solid financial foundations so that we can make timely and appropriate capital expenditures and R&D investments with our own funds.
- Continuously pursuing technological innovation and improving productivity so as to develop a strong, resilient company that can overcome depressions.
- Ensuring that management and employees work together towards the shared goal of sustainable growth.

As we look ahead, we will continuously strive to enhance our corporate value. More than ever, we sincerely request your understanding and support.

Chairman
Chihiro Kanagawa
Management’s Message

President’s Message

Placing the utmost priority on safety and quality, we achieved high rates of operation and maintained record high levels of income. We are determined to build a stronger and more resilient company and provide better value to our customers.

As I prepare this year’s message to you, the world is confronting one of the greatest health threats of a generation, one that profoundly impacts the global economy and the livelihood of all of us. My thoughts go to individuals and communities deeply hit by the COVID-19 pandemic. I must say how proud I am of our 23,000 employees around the world. They have been doing excellent jobs to keep our work place safe and our facilities running, and serve our customers during this extraordinary time. I am grateful to see them working hard with a strong sense of purpose. Their attention, focus and teamwork are unrivalled. We as a company certainly place our utmost priority on their health and safety. I also would like to express my sincere appreciation to our executive team for the exceptional leadership they have been exhibiting.

FY2019 was another successful year for our company. We managed to maintain the record level of earnings. When you look around, you will notice that not recording an earnings decrease was in itself a very rare feat in the chemical and material industries in 2019. We retained the levels of return on invested capital and of return on equity, which were 19.4% and 12.3%, respectively. Since March 2010, the cumulative growth in earnings was ¥230.2 billion on an after-tax basis, which is equal to a compound annual growth rate of 14.1%. This result and the preceding accumulative achievements allow us to tackle the very difficult ongoing challenges from a position of strength. In FY 2019, we completed our capital plans in the amount of ¥265.0 billion. We are executing capital projects in the amount of ¥240.0 billion for FY 2020 to advance our capabilities and position. We are doing so in a prioritized and disciplined manner. We have been managing basic business requirements and addressing various issues while keeping our objective intact. The objective remains to build a stronger and more resilient company with our dedicated people, so that we can serve our customers better, innovate well and reward our shareholders.

In the PVC/chlor-alkali business segment, we first of all report to you that the ethylene plant commenced its operation at our Shintech Inc.’s facilities in the US. The greater integration will enhance our long-term competitiveness. At the same site, Shintech is constructing a new integrated chlor-vinyl plant as planned. Meanwhile, we have begun evaluating its second phase. In the silicones business, the planned expansion of production capacity for silicone monomers and final products at our major sites is continuing. With the capital projects, we strengthen the supply capabilities and product lineups for customers worldwide. Turning to the specialty chemicals business, while we expand our cellulose business in pharmaceutical and industrial fields, we will increase our presence in food application markets. We are adding more products to the phenol offerings to facilitate agricultural yield increase in an environmentally sustainable manner. Our work of differentiating the polyvinyl alcohol product lines will continue. Although semiconductor device industries are experiencing some short-term fluctuations, we are certain of the growth of the industries on a long run. We will employ every effective means to assure our customers of the supply of high-quality and advanced silicon wafers. We serve the same industries with our photoresists, photomask blanks and some other products. We are close to being a one-stop shop of high-end materials for semiconductor device industries and will extend the path forward. As the use of rare earth magnets continues to rise and evolve, we are elevating the integration and capabilities of supply. We are adding new products which meet 5G requirements to our encapsulant and substrate product lines. We will continue to serve optical fiber markets as the only merchant supplier and we will swiftly meet the growing demand for high purity synthetic quartz substrates in all sizes.

We have been running all the plants as hard as we can. We do so with our strong commitment to safety and quality. We have 23,000 highly motivated people working day in day out to deliver our commitments. Our success comes from the energy and passion of all those team members. By enhancing the employee experience, we foster a culture where everyone is respected and valued, and has an equal opportunity to contribute. We invest in our employees through managerial interactions, various training programs and career development opportunities.

Our research and development activities are on the rise. We invested ¥48.5 billion or 3.1% of the yearly sales in the FY2019. Roughly one thousand new products were introduced and 1,892 patents were granted. More than thirty percent of our revenue comes from patent-advantaged product sales. In 2019 we launched several new products, which include...
quartz cloth, thermoset ultra-low dielectric resin, gallium nitride related products and materials for micro LEDs.

Our technical and engineering expertise is the backbone of our operation. Coupled with our employees’ commitment to safety and quality, it enables us to deliver quality products consistently in a timely manner. Our entire team is customer centric and our customers find it easy to work with us. We continue to deploy our ingenuity and enabling technologies to serve our customers’ needs and help solve their issues.

Our product portfolio and developmental direction are in line with SDGs. We believe that our product offerings facilitate the achievement of SDGs, and SDGs will in turn facilitate our business. For the parallel pursuit of sustainable development of human society, improvement of its quality, and greater lessening of the burden on the environment, we believe that it is essential to maximize efficiency. Connectivity, resource efficiency, productivity advancement, smart infrastructure, and health enhancement are the key themes that we are working on. In this endeavor, we commit ourselves to applying and improving what we have and produce and innovating further throughout our operation. It is our daily mission to provide materials of value of which users will say that it is owing to those products that human life has been enhanced and problems markets and customers experienced have been solved.

We pay great attention to shareholders. In this regard, we declared an annual dividend of ¥220 per share, which is the highest mark in the company’s dividend history.

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

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

President
Yasuhiro Saitoh

Pursuit of Sustainable Societal Growth

The maximization of efficiency is essential to realizing sustainable development of human society and the improvement of its quality while lessening environmental burdens and building healthy, safe and secure living environments. The Shin-Etsu Group will respond to these challenges and contribute to the achievement of the SDGs by launching products in a variety of fields, including communication network “Connectivity”, “Energy and Resource Efficiency”, “Productivity Enhancement”, “Smart Infrastructure” and “Health Enhancement.”
## Business at a Glance

### PVC/Chlor-Alkali Business

### Semiconductor Silicon Business

### Silicons Business

### Electronics and Functional Materials Business

### Specialty Chemicals Business

### Processing, Trading & Specialized Services Business

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### Business Overview

Polyvinyl chloride (PVC) resins are general-purpose resins used in a wide range of applications from everyday products to all kinds of industrial materials. With three production bases in the United States, Europe and Japan, the Shin-Etsu Group has the capacity to produce 4.15 million tons of PVC resins each year. Shintech, a PVC manufacturing subsidiary based in the United States, started operations in 1974 at a production capacity of 0.1 million tons per year. Since then, Shintech has completed several expansion projects and become the largest PVC manufacturer in the world, with an annual production capacity of 2.95 million tons. The Group is stably supplying products to customers throughout the world. Shintech is supporting it by further increasing its capacity by establishing a new ethylene plant with the goal of achieving stable procurement of raw materials and constructing an integrated PVC complex for processing from the raw materials stage.

## Contributing to the Achievement of SDGs Through Product Supply

Approximately 60% of the raw materials used in PVC are salts, which are abundant throughout the world. Compared to other general-purpose resins, the benefits of PVC include a low dependence on petroleum resources, placing a relatively small burden on the environment. The process of manufacturing PVC from raw materials uses around 60% of the energy required to make other general-purpose resins. Highly durable and easy to recycle, PVC is used for a wide range of social infrastructure materials, including vinyl windows, water and sewerage pipes, public works and other construction. 
Shintech’s Integrated Production Facilities

In 2020, operations began at Shintech’s ethylene plant. Ethylene is a core raw material used in PVC. Previously, Shintech procured all its ethylene requirement from external sources, but it is now capable of supplying about half internally. This capability will help stabilize its raw material procurement. Shintech is the first Japanese company to produce ethylene in the United States.

Shintech’s PVC Production Capacity

In response to the global PVC demand growth, Shintech is striving to increase its production capacity by the end of 2020. Once these efforts are complete, Shintech will be capable of producing 3.24 million tons of PVC annually, about 10% more than at present. The Group will endeavor to provide its customers with a stable supply of PVC while meeting ongoing demand increases.

Applications

PVC

PVC Pipes

Useful life of PVC water and sewerage pipes is more than 50 years, contributing to a long working life for infrastructure systems.

Plastic Greenhouses for Agriculture

PVC is easy to recycle. In Japan, more than 50% of the PVC sheet used for agricultural greenhouses is recycled.

Electric Wire Coating Material

PVC, which is superior in insulation properties, durability and pliability, and is hard to damage, is used as a coating material for electrical wires.

PVC-Framed Windows

PVC is an excellent insulator that can reduce the amount of heat lost through windows by 70%. These insulation properties help conserve energy by improving the efficiency of heating and air conditioning.

Siding Materials

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

Caustic Soda

Alumina

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

Paper and Pulp

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

Soaps and Detergents

Caustic soda is used as a raw material for soaps and synthetic detergents.

Super-Absorbent Polymers

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

Sodium Hypochlorite

Used to disinfect and protect the safety of foodstuffs and tap water; this material also helps prevent the spread of infectious diseases.
### Applications

<table>
<thead>
<tr>
<th>Communication/Computers</th>
<th>Automobile</th>
<th>Consumer</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphones</td>
<td>Hybrid Cars</td>
<td>Televisions</td>
<td>Industrial Robots</td>
</tr>
<tr>
<td>Tablet-Type Devices</td>
<td>Electric Vehicles</td>
<td>Game Devices</td>
<td>Bullet Trains</td>
</tr>
<tr>
<td>Personal Computers</td>
<td>Car Navigation Systems</td>
<td>Smart Watches</td>
<td>Bank ATMs</td>
</tr>
<tr>
<td>Data Center</td>
<td>Electronic Toll Collection System</td>
<td>Digital Cameras</td>
<td>Vending Machines</td>
</tr>
</tbody>
</table>

### Business Overview

The Shin-Etsu Group is the world’s leading manufacturer of silicon wafers used as substrates for integrated circuits. Consistently leading the way in terms of wafer purification and flattening technologies, the Group provides the market with superior products while continuing to steer the silicon wafer industry through achievements such as its early mass production of 300mm wafers and silicon-on-insulator (SOI) wafers that realize high speed and low power consumption. Furthermore, the Group has received high praise from customers throughout the world for its high-precision, single-crystal and high-end processing technologies; high-quality epitaxial growth technology for cutting-edge image sensor and logic devices; and quality management and evaluation analysis techniques. As IoT, AI and 5G communications-related technologies develop, the Group will refine its technologies and improve quality while continuing to provide a stable supply of advanced silicon wafers that support the development and production of semiconductor devices.

### Contributing to the Achievement of SDGs Through Product Supply

As a basic material supporting our modern high-speed information society, silicon wafers contribute to the improvement of electronic device performance, the miniaturization of electrical equipment and energy conservation. Silicon wafers are a particularly essential material in the automotive field, where they are utilized to reduce environmental impact, improve safety and fully automate vehicle operation. Furthermore, they are useful for the stable supply of electric power, mainly to electronic equipment, as power semiconductors can minimize power consumption and accommodate high voltage and high currents. Group products also are used to accurately regulate motor drive controls from high to low speeds and used as power-saving transistors enabling the efficient transfer of power from generators to transmission lines.

### Silicon Wafers

**Electrical components for digital equipment and automotive parts**

These items are used as a substrate material for semiconductor devices in smartphones, personal computers and other electronic devices, data centers, and automobiles.

### Compound Semiconductor Products

**LED components**

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

Business Overview

The Shin-Etsu Group became the first Japanese company to commercialize silicone in 1953. Since then, the Group’s share of the Japanese and global markets has risen, due to quality, technological capabilities and meticulous response to the needs of the market. Silicone is a highly functional material that has both organic and inorganic characteristics and many superior features. The Group has more than 5,000 silicone products that are used in a wide range of industries, including electronics and electric applications, automobiles, construction, cosmetics, healthcare and food.

Contributing to the Achievement of SDGs Through Product Supply

Silicone primarily consists of silicon (Si), which is the second-most abundant element found in the outer layer of the earth’s crust, behind oxygen. It is associated with a low dependence on petroleum resources and a low environmental footprint. Furthermore, it contributes to the achievement of sustainable societies, as it is used in solar power generation and other environmentally friendly products, including electric vehicles, eco tires and LED lights.

Production Capacity Enhancement through Large-Scale Capital Investment Worth ¥110.0 Billion

The Shin-Etsu Group is conducting large-scale capital investment worth ¥110.0 billion in stages at global locations. With this investment, the Group is strengthening its capacity to produce silicone monomer, an intermediate material, while responding to growth in demand for high-value-added silicone products used in fields that are expected to continue growing, including the automotive, cosmetics and healthcare fields. The Group is further enhancing its global supply system for silicone products, which are used in a wide variety of fields.

Silicone Representative Configurations

- Fluids
- Powders
- Rubbers
- Liquid Rubbers

Major Characteristics of Silicone

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

Applications

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

Buildings
Widely used as waterproof sealing material around window glass.

Lithium-Ion Batteries
Used in thermal interface materials found in lithium-ion batteries for electric vehicles and other devices.

Plastic Products
Utilized in resin modifiers, which raise the performance and effectiveness of plastic products.

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

Textile Treatments
Adds functional attributes, including soft texture and water-repellency.

CPAP* Devices
Silicone is used in masks attached to CPAP devices, which help treat sleep apnea. Silicone is soft and easy on the skin, making these masks comfortable.

*Continuous positive airway pressure

Eco Tires
Silicone can lower rolling resistance and help improve fuel efficiency as a tire modifier.

Ship-Bottom Paints
Helps raise fuel efficiency by preventing marine organisms from attaching to ship drafts and contributes to the conservation of marine environments due to its high product safety.

Toys
Utilizing the safety and transparency of silicones, it is used as a material for toys.

Photograph provided by SEGA TOYS CO., LTD.
**Business Overview**

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

**Contributing to the Achievement of SDGs Through Product Supply**

Rare earth magnets have about 10 times the magnetic force of conventional ferrite magnets and are used to reduce the weight of motors and increase electrical power regeneration. These magnets help reduce greenhouse gas emissions while increasing the power efficiency of a variety of products, including environmentally friendly vehicles and energy-saving air conditioners.

**Major Products and Applications**

**Rare Earth Magnets**

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

**Encapsulant Materials for Semiconductor Devices**

Highly pressure-resistant and reliable liquid, sheet and tablet shaped epoxy encapsulants are used in encapsulating materials for semiconductor devices, insulating materials for power modules, found in environmentally friendly vehicles and energy-saving home appliances. They contribute to reduced product size and weight reduction.

**Low Dielectric Materials**

SLK Resin

SLK resin has the lowest dielectric dissipation factor of any thermostting resin and achieves extremely low levels of transmission loss when utilized as encapsulants for organic substrates for 5G and other high-speed communications technologies and for semiconductor devices.

**Packaging Materials for LED**

These silicone-based materials offer superior transparency and heat resistance and are utilized in a wide variety of devices, including high brightness lighting and LEDs, used in automobiles.

**Optical Fiber Coatings**

Extremely fine optical fibers have a cross-sectional diameter of only 125 microns. These coatings are used to protect delicate surfaces of optical fibers and to improve their strength.

**Encapsulant Materials for Organic Substrates**

These silicone-based encapsulants are used in encapsulating organic substrates and are used in encapsulants for organic substrates for 5G and other high-speed communications technologies.

**Packaging Materials for Laser Diodes**

Reflector material, LED chips, and encapsulants are utilized in laser diodes. The reflector material is utilized in laser diodes. LED Structure blue characters are provided by Shin-Etsu.

**High-Purity Silane for Semiconductors**

High-purity silane is used in manufacturing process of semiconductor insulating films, epitaxial wafers and other commodities. Using sophisticated refinement technologies, we ensure stable supply of this product.
**Major Products and Applications**

### Photoreists

Shin-Etsu Chemical, by utilizing its strengths as a materials maker, carries out integrated manufacturing from synthesis process of raw material polymer to compounding. We make photoreists (KrF, ArF) for excimer laser that are used as photosensitive material for etching on semiconductor circuits, and our thick-film thin film photoresists are used widely for thin film magnetic heads and MEMS applications. Furthermore, for cutting-edge miniaturization processes we have lineups of multilayer material products. These are used as essential key materials in lithography processes for semiconductor manufacturing, and they help to enable the high integration, high speed and high functions of semiconductors. To steadily capture the growth of the photoreist market, we established a new plant in Taiwan, one of the main areas of demand. In combination with our existing Naosetsu Plant in Japan, we now have two production bases. As a result, we will be able to disperse business risk and strengthen our business foundation.

### Photomask Blanks

Photomask blanks are the base material of photomasks, which are used as the patterning templates when IC patterns are printed on silicon wafers during the semiconductor lithography process. The light-shading layer is formed on the surface of synthetic quartz, which is the substrate of photomask blanks. Targeting improvement in the quality and performance of key raw materials, Shin-Etsu Chemical has developed innovative technologies for mass producing the most advanced photomask blanks, including multilayer film structures that provide the single-nanometer coverage essential for manufacturing devices and silicon nitride-permeable membrane structures. The Company also responds to the needs of device manufacturers with half-tone phase shift photomask blanks.

### Liquid Fluoroelastomers SHIN-ETSU SIFEL®

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

### Fluorinated Anti-Smudge Coating

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

### Synthetic Quartz

Synthetic quartz, the key raw material of optical fiber, provides superior light transmission. In an ordinary glass plate, light attenuates in about two meters. However, synthetic quartz allows light to reach a distance of about 100 km. The Group was the first in the world to mass produce synthetic quartz, which is higher in purity than natural quartz. Due to these attributes, it is used as an optical fiber, a photomask substrate for semiconductor lithography and a stopper lens for semiconductor lithography. In addition, it is used as a large-scale photomask substrate for flat panel display (FPD) lithography. Synthetic quartz contributes to the development of an advanced information society.

### Oxide Single Crystals (Lithium Tantalite: LT)

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

### Pellicles

The Company provides high-quality pellicles for ArF and KrF excimer laser lithography. Its pellicles support customers’ semiconductor device production with their excellent performance, such as high light resistance, good transmission uniformity and low outgassing. In addition, it has succeeded in the development of superlarge pellicles for the production of liquid crystal display (LCD) panels.

### Pyrolytic Boron Nitride (PBN)

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

### Anode Material of Lithium Ion Batteries

SiO is a greatly promising material as an anode material of next-generation lithium-ion batteries that have high capacity and excellent power properties. The Company has succeeded in putting electrical conductivity on SiO particles via our own proprietary method.
**Vacuum Assembling Equipment**

Vacuum assembling equipment for automobiles. This technology prevents male pests from finding their partners.

**Cellulose Derivatives**

Cellulose derivatives are a core product of the Specialty Chemicals Business. Cellulose derivatives are versatile, with applications ranging from such fields as pharmaceuticals and foods to materials for construction and civil engineering work, coatings, ceramics and toiletries. Currently, we have the largest share of the cellulose derivatives market in Japan and meet global needs as the world’s foremost manufacturer with bases in Japan, Europe and the United States. In addition, we provide synthetic pheromones used for agricultural pest control and the functional resin POVAL. We also provide a variety of other products, including silicon metal, a main ingredient in silicones and synthetic quartz.

**Contribute to the Achievement of SDGs Through Product Supply**

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

**Major Products and Applications**

**Cellulose Derivatives**

Cellulose derivatives provide a variety of functions such as controlling the location where the drugs dissolve in the body and dissolving drugs slowly. They are also used as a binder for the molding process to manufacture exhaust gas purifiers for automobiles. This technology contributes to the prevention of global warming.

**Synthetic Pheromones**

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

**Aroma Chemicals**

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

**Silicon Metal**

Silicon metal is a raw material of silicon, a semiconductor. It is used in the location where the drugs dissolve in the body and dissolving drugs slowly. It provides high quality using improved and new technologies. With the addition of this new plant, the Company will be able to offer an increasingly diverse product lineup, with particularly numerous varieties of pharmaceutical and food application and will aim to further expand its cellulose business.

**Polyvinyl Alcohol (POVAL)**

Polyvinyl alcohol is a synthetic resin that is used in a wide range of applications such as adhesives, various types of films, paper treatment agents, paper processing agents, and additives for cosmetics and pharmaceuticals.

**SOLBIN**

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

**TOPICS**

**Construction of New Cellulose Derivatives Plant Completed**

In the autumn of 2019, construction of a new cellulose plant at Shin-Etsu Chemical’s Naetsu Plant was completed. This new plant will specialize in cellulose derivatives (METOLOSE®), the Naetsu Plant’s core product, and will produce cellulose products at an even higher level of quality using improved and new technologies. With the addition of this new plant, the Company will be able to offer an increasingly diverse product lineup, with particularly numerous varieties of pharmaceutical and food application and will aim to further expand its cellulose business.

**TOPICS**

**Enhancement of Production Capacity at Shin-Etsu Polymer India**

Shin-Etsu Polymer Co., Ltd., is strengthening its ability to supply automobile input devices, which are core products. To respond to growth in demand associated with accelerating vehicle electrification, the company will expand its automotive key switch production facilities in India. By establishing a sturdier production system, Shin-Etsu Polymer will respond to expansion in demand within India and export goods to Europe while aiming for further business growth.

**Major Products and Applications**

**Shin-Etsu Polymer Co., Ltd.**

- **Input Devices**
  Providing input devices such as automobile dashboard audio and air conditioners.

- **Silicone Catheters**
  Using our silicone processing technologies, we are providing increasingly intricate catheters.

- **Various Rollers for OA Equipment**
  Providing semi-conductive developing rollers and fuser rollers with proprietary processing technologies including conductivity, foaming and compositing technologies using silicone rubber as a raw material.

**Shin-Etsu Engineering Co., Ltd.**

- **Engineering**

- **Vacuum Assembling Equipment**
  Shin-Etsu Engineering also designs and manufactures vacuum assembling equipment for LCD panels, enabling large-scale liquid crystal panel production.

**TOPICS**

**Enhancement of Production Capacity at Shin-Etsu Polymer India**

Shin-Etsu Polymer India, which is expanding its facilities (Building No. 3, at right)
Semiconductor Manufacturing Process and Products of the Shin-Etsu Group

From raw materials to completed semiconductor devices

- **Raw materials**
  - Silicon metal
  - Quartz glass crucibles
  - Silicon carbide fine-ground powder
  - Silicon wafers
  - Wafer cases

- **Single crystal silicon**
  - Single crystal silicon is cut into thin slices and polished to a mirror finish.
  - Wafers are shipped to device manufacturers.

- **Cutting and polishing**
  - The processes above are used to create silicon wafers.

- **Silicon wafers**
  - Wafers are cut away and made into integrated circuit chips.
  - Individual wafers are cut and made into integrated circuit chips.

- **Oxidation**
  - Silicon wafers are put into a high-temperature furnace to produce a thin oxidation film on their surface.

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

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

- **Resin sealing**
  - Using wire, the chips are connected electrically to a circuit board.

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

- **Semiconductor devices**
  - The chip is coated in resin to protect it from heat and shocks.

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

Products supplied by the Shin-Etsu Group

- Silicon metal
- Quartz glass crucibles
- Silicon carbide fine-ground powder
- Silicon wafers
- Wafer cases
- Silicon oxides
- Photomask blanks
- Pellicles
- Quartz glass substrates
- Photoresist
- Synthetic quartz photoresist substrates
- Adhesives and adhesives
- Encapsulating materials
- Thermal interface materials

R&D and Quality Management Initiatives

**R&D**

Given the growing need today to realize the sustainable development of human society and the improvement of its quality while minimizing the burden on the environment, it is essential to maximize efficiency. Technologies such as the high-speed processing of data, automatic driving, IoT, 5G and AI should be utilized and continue to evolve for these purposes. We believe we have a significant role to play in this regard. We will make efforts so that many of our products will contribute to these objectives and will pursue tangible results in developing new products to this end.

**5G Products**

In anticipation of vigorous demand growth, we are striving to develop new 5G products and expand our product lineup.

**Quartz Fabric**

We are developing quartz fabric, which is optimal for use as a core material used in circuit boards that enable ultra-high-speed communication. This fabric is composed primarily of extremely thin threads of quartz glass, which enables film thinning on multilayer substrates and is effective in terms of preventing device malfunction caused by radioactivity, as it generates extremely low levels of alpha radiation. Quartz fabric also is garnering expectations as a component of fiber-reinforced plastic used in 5G antennas and other products.

**Low Dielectric Constant Thermosetting Resins (SLK series)**

The SLK series is high strength and has a low modulus and low dielectric constant. In fact, its dielectric constant and dielectric loss tangent are lower than those of any other thermosetting resin when used with very-high-frequency 5G (10-80 GHz). It is also ideal for use in materials such as flexible copper-clad laminates (FCCL) and adhesives.

**Heat Dissipation Sheets**

To achieve the increasing levels of heat dissipation required by 5G technology, we have developed new heat dissipation sheet products, such as adhesive sheets fitted with heat dissipating material and sheets that can be bonded onto surfaces after being melted and subsequently hardened. We are aiming to roll out these products in the power semiconductor and automotive fields, which require high levels of reliability.

**Quality Management**

As a materials manufacturer, we believe that stably supplying the quality products that we have promised to our customers is our most important thing. We have assembled an extensive lineup of products that we deliver to customers throughout the world, including raw materials used in industrial goods and materials utilized in state-of-the-art products. To respond to the unique demands related to each of these products, we have adopted the latest analytical equipment and evaluation equipment and are developing our own original quality control technology. At the same time, we are revising our manufacturing processes and employing a statistical methodology to reduce fluctuation in quality. Moving forward, we will remain an ideal partner to our customers as we swiftly respond to their diverse needs and endeavor to provide them with a consistent and stable supply of quality products.

**Gallium Nitride (GaN)**

Semiconductors that utilize gallium nitride are expected to experience high demand due to their sophisticated properties and energy efficiency. These characteristics are required for the development of mobility technologies, such as electric cars, and 5G. Moving forward, the Shin-Etsu Group will aim to supply high-caliber GaN products.

**Micro LED Display Manufacturing Materials**

As spontaneous light-emitting displays with microscopic LED elements allocated to each screen pixel, micro LED displays are referred to as the “ultimate display.” These displays provide high contrast, brightness and reliability, while conserving energy. Thus, moving forward, we will make possible various processes such as cleaning processes and transfer processes while holding the substrate. In addition, we are providing encapsulants, underfill and other process materials.

**Micro LED Mass Transfer Processes**

- 1. A MicroLED transfer stamp that has formed a dry adhesion layer free of an adhesive agent on the ultra-flat substrate, and
- 2. A temporary support substrate that will make possible various processes such as cleaning processes and transfer processes while holding the substrate.
Environmental, Social and Governance (ESG) Enhancement

In pursuit of sustainable growth, the Shin-Etsu Group is striving to provide society with essential materials and contribute to the resolution of pertinent challenges facing the earth by executing its Business Principle.* In addition, the Group is aiming to strengthen its governance structure, which steadily drives sustainable growth.

* Refer to the Business Principle page in the introduction.

ESG Promotion

The Group views the implementation of its Business Principle and the making of contributions that benefit shareholders, investors, customers, business partners, local communities, employees and all other stakeholders as corporate social responsibilities. The Group realizes that its ESG initiatives are essential to achieving sustainable growth and fulfilling these social responsibilities. Accordingly, we formulated a Basic ESG Policy and various internal regulations and have conducted our corporate activities in accordance with these guidelines.

To ensure proper implementation of ESG throughout the Group, we have formed the ESG Promotion Committee, an organization that is chaired by the president of Shin-Etsu Chemical. The Committee has about 50 members, including directors and division managers from the Company, as well as ESG managers from Group companies, and examines all corporate activities from an ESG perspective while establishing guidelines and other specifications for related initiatives.

Basic ESG Policy

The Group:

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

History of ESG Activity Enhancement

Support for Global Charter and Principles

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Established the voluntary Officers’ Remuneration Committee</td>
</tr>
<tr>
<td>2006</td>
<td>Signed and put into practice the Responsible Care Global Charter</td>
</tr>
<tr>
<td>2010</td>
<td>Joined the United Nations Global Compact (UNGC)</td>
</tr>
<tr>
<td>2014</td>
<td>Signed the Revised Responsible Care Global Charter</td>
</tr>
<tr>
<td>2018</td>
<td>Approved Global Compact Network Japan’s Tokyo Principles for Strengthening Anti-Corruption Practices</td>
</tr>
<tr>
<td>2019</td>
<td>Declared support for recommendations from the Task Force on Climate-related Financial Disclosures (TCFD)</td>
</tr>
</tbody>
</table>

Group Initiatives

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Established the CSR Promotion Committee (renamed as the ESG Promotion Committee)</td>
</tr>
<tr>
<td>2005</td>
<td>Formulated medium-term reduction targets in response to climate change</td>
</tr>
<tr>
<td>2010</td>
<td>Formulated the key CSR Issues (renamed as the Key ESG Issues)</td>
</tr>
<tr>
<td>2016</td>
<td>Identified the Key CSR Issues (renamed as the Key ESG Issues)</td>
</tr>
<tr>
<td>2018</td>
<td>Established theCSR Procurement Guidelines and the Supplier Hotline</td>
</tr>
<tr>
<td>2019</td>
<td>Formulated the Shin-Etsu Group Human Rights Policy</td>
</tr>
</tbody>
</table>

FY2019 Initiatives

To strengthen ESG activities, the ESG Promotion Committee identified the following three issues as challenges the Group should undertake in FY2019:

1. Integration of Management with Sustainable Development Goals (SDGs)
2. Human Rights Due Diligence
3. Response to the Task Force on Climate-related Financial Disclosures* (TCFD)

* A special team established in December 2015 by the Financial Stability Board (FSB) in response to requests made by the G20. It facilitates the disclosure of financial information related to climate change.

Three Issues

1. Integration of Management with Sustainable Development Goals (SDGs)

The Group offers a diverse lineup of products that conform to its Business Principle and contribute to the achievement of the United Nations’ SDGs. In FY2019, we revised a prior management objective from ‘to contribute to the global environment’ to ‘to contribute to the SDGs.’ In making this change, we have further clarified benchmarks for SDGs compatibility and compliance when investing in existing businesses, developing new products and considering new businesses.

In FY2019, 94% of Shin-Etsu Chemical’s capital investment projects involved SDGs-related contributions. The Company also invested ¥1.5 billion in energy conservation and CO2 reduction, lowering its greenhouse gas emissions by 7,649 tons a year.

2. Human Rights Due Diligence

Respect for human rights has always been a foundation of the Group’s business operations. In May 2019, we established the Shin-Etsu Group Human Rights Policy with the goal of mapping out initiatives related to respect for human rights, promoting Group-wide activities and further enhancing our external messaging regarding respect for human rights. In addition, we observe international standards of conduct, including the Universal Declaration of Human Rights, the ILO* International Labor Standards and the United Nations’ Guiding Principles on Business and Human Rights. Furthermore, we are thoroughly dedicated to activities that aim to uphold respect for human rights, including the abolition of discrimination, the elimination of behavior that damages human dignity, the prohibition of child and forced labor, the protection of privacy and respect for basic labor rights. In December 2019, the Group began conducting risk assessments aimed at achieving comprehension of human rights risks within its value chain as a component of its human rights due diligence. Responding to the risks uncovered by these assessments, the Group will identify and deal with salient human rights issues.

*International Labour Organization

3. Response to the Task Force on Climate-related Financial Disclosures (TCFD)

In February 2017, the TCFD released recommendations that indicated companies should analyze internal risks and opportunities based on several climate change predictions and future scenarios and subsequently disclose the degree of influence these have on financial affairs. The Group declared its support for these recommendations in May 2019 and participated in the TCFD Consortium of Japan co-founded by the Ministry of Economy, Trade and Industry, the Financial Services Agency, the Ministry of the Environment and various other organizations. In accordance with the TCFD’s recommendations, the Group will strive to enhance its disclosure of climate change-related information.
In December 2018, the Shin-Etsu Group reviewed the list of Key ESG Issues, which were formulated in 2015, and were facing the Shin-Etsu Group.

As a result, the committee retained all the key issues, including "legal compliance, fair corporate activities". The Group is placing equal priority on each of the following key issues and regards them as equivalent in terms of importance.

### Key ESG Issues

Through initiatives targeting key issues, the Shin-Etsu Group is strengthening existing businesses, creating new businesses and contributing to the achievement of the SDGs.

#### Identifying Key Issues (Materiality)

The Group established the CSR Promotion Committee in 2005. The committee deeply investigated the central themes of ISO 26000 and minutely examined stakeholder demand in order to identify the Key CSR Issues. In 2015, the Committee compiled and proposed key issues that were later approved and designated as official key issues themes of ISO 26000 and minutely examined stakeholder demand in order to identify the Key CSR Issues. In 2015, the Group established the CSR Promotion Committee in 2005. The committee deeply investigated the central businesses and contributing to the achievement of the SDGs.

#### Key Issues

**Environment**

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

**Social**

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

**Product quality improvements and product safety control**

**Promoting CSR procurement and the diversification of supply sources**

**Respect for and protection of intellectual property**

**Contribution to industry and social initiatives**

**Accurate and timely information disclosure and communication with stakeholders**

### Risks and Opportunities Related to the Key Issues

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Risks and Opportunities (typical examples)</th>
<th>Corresponding Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>The foundation of all activities, Legal compliance, Fair corporate activities</td>
<td>Legal violations, output control or fraud, damages to corporate value caused by loss of societal trust, etc.</td>
<td>Raising of compliance awareness through training</td>
</tr>
<tr>
<td></td>
<td>Formulation of the foundation of corporate value, risk elimination, customer confidence creation, business opportunity expansion, hiring and retaining excellent human resources, etc.</td>
<td>Thorough bribery and corruption prevention measures, etc.</td>
</tr>
<tr>
<td>Energy-saving, resource-saving and the reduction of the environmental impact</td>
<td>Strengthening of greenhouse gas regulations, raw material price rises, procurement difficulties, etc.</td>
<td>Acceleration of environmental burden reduction, response to climate change</td>
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<td></td>
<td>Enhancement of competitiveness through environmental burden reduction and productivity improvement, expansion in demand for products that contribute to environmental protection, etc.</td>
<td>Water resource conservation (Waste reduction, etc.</td>
</tr>
<tr>
<td>Employees and contractor health and safety</td>
<td>Impact on local communities and employees caused by accidents and environmental issues, impact on operations associated with infectious diseases, etc.</td>
<td>Safety training implementation (Execution of environmental safety audits)</td>
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<tr>
<td></td>
<td>Stable production and higher productivity achieved through accident prevention measures and new process development, etc.</td>
<td>Improvement of workplace environments</td>
</tr>
<tr>
<td>Product quality improvements and product safety control</td>
<td>Loss of customer trust due to issues concerning product quality or safety, etc.</td>
<td>Quality management (Quality audits and technical support)</td>
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<td></td>
<td>Fostering of customer trust through continuous timely delivery of products at pledged levels of quality, etc.</td>
<td>Product safety management, etc.</td>
</tr>
<tr>
<td>Promoting CSR procurement and the diversification of supply sources</td>
<td>Production suspensions and shipment delays caused by difficulties in procuring raw materials, etc.</td>
<td>Revision of the Shin-Etsu Group CSR Procurement Guidelines, etc.</td>
</tr>
<tr>
<td></td>
<td>Stable procurement at fair prices through diversified suppliers, gaining trust from customers and society through thorough adherence to CSR procurement, etc.</td>
<td>Compliance with the Act against Delays in Payment of Subcontract Proceedings, etc.</td>
</tr>
<tr>
<td>Respect for human rights, the development of human resources and the promotion of diversity</td>
<td>Human rights violations committed through the Company’s business activities or within its supply chain, etc.</td>
<td>Fostering employee awareness regarding human rights</td>
</tr>
<tr>
<td></td>
<td>Human rights violations committed through the Company’s business activities or within its supply chain, etc.</td>
<td>Promotion of diversity</td>
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<tr>
<td></td>
<td>Hiring and retaining excellent human resources through business activities grounded in respect for human rights, etc.</td>
<td>Enhancing work-life balance systems</td>
</tr>
<tr>
<td></td>
<td>Fostering of customer trust through continuous timely delivery of products at pledged levels of quality, etc.</td>
<td>Conducting human rights due diligence, etc.</td>
</tr>
<tr>
<td>Respect for and protection of intellectual property</td>
<td>Delay in business progress caused by intellectual property infringement, etc.</td>
<td>Appropriate management of intellectual property and information assets</td>
</tr>
<tr>
<td></td>
<td>Accurate and timely information disclosure and communication with stakeholders</td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>Contribution to industry and social initiatives</td>
<td>Loss of trust when business activities do not align with society’s needs, etc.</td>
<td>Fund-raising activities (Local contribution activities, etc.</td>
</tr>
<tr>
<td></td>
<td>Stable business operations, fostering of trust-based relationships with local communities, etc.</td>
<td></td>
</tr>
<tr>
<td>Accurate and timely information disclosure and communication with stakeholders</td>
<td>Damage to corporate value stemming from undisclosed or incomplete disclosure of information, loss of stakeholder confidence, etc.</td>
<td>Timely and appropriate information disclosure</td>
</tr>
<tr>
<td></td>
<td>Establishment of appropriate market valuation, corporate value improvement, acquisition of trust from stakeholders and society, etc.</td>
<td>Promotion of dialogue with stakeholders, etc.</td>
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</tbody>
</table>
The Foundation of All Activities: Legal Compliance, Fair Corporate Activities

The Shin-Etsu Group clearly specified the central importance of legal compliance and fair corporate activities when identifying the Key ESG Issues associated with its diverse business operations. The Group raises legal compliance awareness among all its directors and employees by including legal compliance in its Business Principle and yearly management objectives. When laws and regulations related to corporate activities are enacted or revised, the Company’s Legal Department plays a central role in efforts aimed at thoroughly circulating and disseminating this information internally. To promote understanding of key laws and regulations, the Company is working to raise awareness by posting commentary articles in our company newsletter.

All directors and employees submit written oaths of compliance to the Company. Accordingly, the Group does not limit itself to reducing the global environmental impact in production processes alone. It also strives to develop products that help reduce environmental burdens when they are used.

As a chemical manufacturer, the Group views the resolution of issues involving ocean plastic waste, a challenge on a global scale, as one of its duties. Accordingly, we are striving to resolve this issue through methods such as participating in the Council for Addressing the Ocean Plastic Issue, which was established by an industry association.

Sustainability Initiatives

Please visit the sustainability section of our website for detailed information on each initiative.

https://www.shinetsu.co.jp/en/csr/

Environmental Initiatives

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

The Group recognizes the importance of reducing global environmental burdens when manufacturing, using and disposing of our products. Accordingly, the Group does not limit itself to reducing the global environmental impact in production processes alone. It also strives to develop products that help reduce environmental burdens when they are used.

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Changes in Greenhouse Gas Emissions*

In FY2018, the Company began striving to reduce electrical power usage through methods such as the installation of gas turbines to conduct cogeneration to reduce greenhouse gas emission intensity to 45% of its FY1990 level by FY2025. In FY2019, the Group’s greenhouse gas emission intensity was 56.1% of its level in FY1990, whereas Shin-Etsu Chemical’s was 49.5%.

In FY2020, the Company set a 2025 Target of 45% reduction in greenhouse gas emission intensity compared to FY1990 or a level where温室气体排放量较1990年减少了45%。

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Rare Earth Magnet Recycling

The Group possesses separation and refinement technologies that enable it to extract a variety of rare earth metals. While developing these technologies, the Company is endeavoring to recycle magnet powder generated when processing these metals and, since 2013, to recover rare earth magnets used in energy-saving air conditioners and hybrid cars. These efforts ensure a stable source of valuable rare earth metals and contribute to protecting the environment through the reduction of waste and the reuse of resources.
Climate Change Response

Through its business activities, the Group strives to reduce greenhouse gas emissions as a component of its climate change response.

Strategies

The Group targets development in both society and livelihoods while reducing its environmental impact. In accordance with this aim, the Group contributes to the maximization of efficiency through its products and technology. Listed below are concrete strategies that are relevant to these targets:

1) Reduce greenhouse gas emissions per production unit through thorough production streamlining
2) Develop, manufacture, and supply products that contribute positively to the environment; Support streamlining efforts for both customers and society
3) Promote the adoption of renewable energy
4) Accelerate logistical streamlining

Climate Change-Related Risk Management and Ascertainment of Business Opportunities

The Shin-Etsu Group’s Risk Management Committee identifies comprehensive risks that the Group should consider when conducting business activities and has included stipulations concerning the identification of specific risks, the maintenance of a risk management system and risk response in its risk management regulations. The Risk Management Committee reports to the Board of Directors, Managing Directors’ Meeting and Audit & Supervisory Board regarding climate change and other important risk management matters.

- Climate change-related risks that affect the Group’s business activities and corresponding mitigation measures
  - Contributing factors: Implementation of a carbon tax and emissions trading system
  - Risks: Introduction of systems enforced in the European Union, where the Group has production bases, in Japan and all U.S. states.
  - Mitigation measures: Energy conservation and greenhouse gas emission reduction achieved through improved production efficiency and the implementation of new production technologies.

- Changes in regional precipitation volumes
  - Contributing factors: Restoration expenses for production equipment breakdowns caused by unexpectedly severe flooding and storms and lost opportunity cost associated with manufacturing stoppages.
  - Risks: Difficulty in procuring natural raw materials and new raw materials, from particular regions.
  - Mitigation measures: Increase production bases and pressure from multiple raw material suppliers.
  - Example: Installing important equipment at locations with low flooding risk and strengthening waterprooﬁng measures such as floodwall construction.

- Decline in reputation
  - Contributing factors: Concerns regarding increases in absolute greenhouse gas emissions associated with business expansion.
  - Risks: The fact that the Group’s products contribute to greenhouse gas emission reduction is not well known.
  - Mitigation measures: Multi-faceted and active disclosure of the Group’s initiatives.
  - Example: Proactive dialogue with investors regarding climate change.

- Business opportunities presented by climate change
  - Contributing factors: Increased demand for the Group’s products that contribute to energy conservation and greenhouse gas emission reduction.
  - Opportunities: Semiconductor silicon, rare earth magnets, silicones, PVC, etc.

Accident Prevention Initiatives

The Group conducts biannual Environmental Control and Safety Audits at all of its manufacturing plants in spring and autumn. In FY2019, the Group audited activities related to several priority issues connected to serious accident prevention, including “safety measures targeting infrequent operations”, “predictions regarding serious accidents and disasters”, and “measures aimed at minimizing associated damages”. In addition, the Group has been accepting suggestions related to close-call incidents* or other concerns as a bottom-up activity at each site for many years. In FY2019, Shin-Etsu Chemical received approximately 7,000 suggestions* related to close-call incidents that occurred at four of its plants. These activities have contributed to a large number of safety-related improvements.

Key Issue: Product quality improvements and product safety control

In addition to high-value-added products, general-purpose products of excellent quality generate cost competitiveness and lead to strategic advantages. At the same time, the Sales, Research, Manufacturing, Quality Assurance and Shipment Departments must fulfill their respective roles for the Group to stably supply its products. Furthermore, the Group acknowledges that quality, distinguishing characteristics and safety in terms of both environment and health are all important product elements and is striving to eliminate product-related issues.

Quality Management Enhancement

Since 2000, the Group has been conducting annual Quality Audits with the goal of improving product quality and upgrading customer services. In FY2019, the Company identiﬁed quality management issues, implemented recurrence prevention measures and improved its quality management system under the themes of “properly handling data obtained through process monitoring and product inspections” and “variability in measurement.” In addition, we are conducting Six Sigma activities aimed at raising quality levels on a Company-wide basis.

- Participants of Safety Education Programs
  - Number of Loss-Time Injuries and Changes in Frequency Rates (Group companies in Japan)
  - Coverage: Shin-Etsu Chemical

- Participants of Product Safety-Related Training Programs
  - FY2015: 20,000 (People), FY2016: 10,000 (People), FY2017: 3,501 (People), FY2018: 9,751 (People), FY2019 (Estimated): 19,411 (People)
Sustainability Initiatives

Key Issue: Promoting CSR procurement and the diversification of supply sources

Appropriate raw material procurement throughout the global supply chain has become a worldwide issue. In response, the Group has formulated its Basic Procurement Policy and, in accordance with this policy, is promoting fair procurement activities that take issues involving human rights, environment and other important topics into account. To ensure that our suppliers thoroughly understand this Basic Procurement Policy, we have established the CSR Procurement Guidelines and made them public through our corporate website. We also hold briefing sessions as appropriate. Furthermore, the Group set up the Supplier Hotline in January 2018 and is endeavoring to ensure transparency and fairness in its transactions.

Initiatives Aimed at Eliminating Conflict Minerals*

Through its Basic Procurement Policy, the Group has proclaimed that it will avoid procuring any items that contain conflict minerals. We ask that all our suppliers comply with this policy and regularly conduct conflict mineral investigations that extend to refineries.

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

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

In May 2019, the Group formulated the Shin-Etsu Group Human Rights Policy through an institutional decision passed by Shin-Etsu Chemical. Starting from December of the same year, the Group began investigating human rights risks in accordance with the United Nations’ Guiding Principles on Business and Human Rights. Moving forward, we will use data obtained through these investigations to identify and respond to human rights issues.

The Group is building comfortable working environments and conducting personnel training to enable each of its employees to remain healthy, achieve self-fulfillment and perform career development. With the goal of responding to external environmental changes and global business expansion, the Group is implementing local recruitment overseas to enhance diversity.

Shin-Etsu Chemical raised its retirement age from 60 to 65 in April 2019, which was relatively early when compared to the rest of the chemical industry. The Company also introduced a system that enables employees aged 60 or older to receive pay raises and promotions.

Goals to Promote Women’s Participation and Advancement

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

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

Goals to Promote Women’s Participation and Advancement

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

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

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

Key Issue: Contribution to industry and social initiatives

Along with its employees, the Group is actively conducting social contribution activities rooted in local communities.

Each year, the Group conducts fund-raising activities in connection with the UN-established World Refugee Day on June 20 and donates the proceeds to the Office of the United Nations High Commissioner for Refugees. During March of each year from 2012 to 2019, we supported recovery efforts in areas affected by the Great East Japan Earthquake by conducting cooperative sales of specialty goods from these regions.

In addition, we continue to support activities at overseas locations by engaging proactively with local communities. These efforts include conducting safety education at local kindergartens and elementary schools and donating to hospitals.

In response to the novel coronavirus pandemic, the Company donated sodium hypochlorite manufactured by the Company, as well as dustproof workwear, protective clothing and other protective items from consumables stock at the plant, to medical associations and several municipalities in which it has established places of business with the goal of benefitting educational facilities and medical and welfare institutions.

We donated sodium hypochlorite, protective clothing, and other protective items to local communities and medical associations.

Key Issue: Respect for and protection of intellectual property

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

Number of Female Managers

![Number of Female Managers Chart]

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

![Number of Female Managers Chart]

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

<table>
<thead>
<tr>
<th>Target region</th>
<th>Patents acquired FY2017</th>
<th>Patents acquired FY2018</th>
<th>Patents acquired FY2019</th>
<th>Patents held FY2017</th>
<th>Patents held FY2018</th>
<th>Patents held FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>591</td>
<td>577</td>
<td>544</td>
<td>7,562</td>
<td>7,702</td>
<td>7,847</td>
</tr>
<tr>
<td>Overseas total</td>
<td>1,591</td>
<td>1,202</td>
<td>1,348</td>
<td>12,007</td>
<td>12,671</td>
<td>13,414</td>
</tr>
<tr>
<td>Asia/Oceania</td>
<td>724</td>
<td>543</td>
<td>594</td>
<td>5,314</td>
<td>5,707</td>
<td>6,137</td>
</tr>
<tr>
<td>North America</td>
<td>265</td>
<td>220</td>
<td>205</td>
<td>3,077</td>
<td>3,162</td>
<td>3,190</td>
</tr>
<tr>
<td>Europe</td>
<td>595</td>
<td>435</td>
<td>539</td>
<td>3,578</td>
<td>3,755</td>
<td>4,029</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>4</td>
<td>10</td>
<td>38</td>
<td>47</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>2,182</td>
<td>1,779</td>
<td>1,892</td>
<td>19,569</td>
<td>20,373</td>
<td>21,261</td>
</tr>
</tbody>
</table>

(*Number of patents)

![Number of Female Managers Chart]

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

![Number of Female Managers Chart]

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

![Number of Female Managers Chart]

*Applies to employees and loaned employees from Shin-Etsu Chemical.
Key Issue: Accurate and timely information disclosure and communication with stakeholders

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

Primary Dialogue Methods and Opportunities

| All shareholders and investors | • General Meeting of Shareholders  
• Teleconferences regarding financial results for institutional investors and securities analysts (four per year)  
• Annual guided plant tour for institutional investors and securities analysts  
• One-on-one meetings (about 280 per year)  
• Small meetings for investors sponsored by securities companies (five per year)  
• Information sessions for individual investors (four per year)  
• Communication of information through our corporate website, Annual Report, etc. |
| Customers | • Response from sales departments  
• Communication of information through our corporate website, exhibitions, etc. |
| Suppliers | • Response from procurement departments  
• Supplier hotline |
| Local communities | • Dialogue with local government, etc.  
• Participation in regional events |
| Employees | • Dialogue and conferences with labor unions  
• Communication of information through a Company newsletter, intranet, etc. |

Enhancement of Governance

Corporate Governance

For more detailed information, please see the Governance section on the Group’s website. [https://www.shinetsu.co.jp/en/csr/csr_governance.html](https://www.shinetsu.co.jp/en/csr/csr_governance.html)

Basic Approach

Shin-Etsu Chemical develops various systems and has an efficient organizational structure able to quickly respond to changes in the business environment to realize its basic management policies of meeting shareholder expectations and continuously enhancing corporate value. From the standpoint of improving management transparency and enhancing monitoring capabilities, we have made the timely and accurate disclosure of information to shareholders fundamental to our corporate governance and view disclosure of this nature as one of our highest priority management issues.

Corporate Governance Structure (as of June 26, 2020)

Shin-Etsu Chemical’s Audit & Supervisory Board consists of five members, including three highly independent outside members. The Company strives to enhance human resources and systems that support audits conducted by Audit & Supervisory Board members and, by ensuring close cooperation between these members and internal audit departments, conducts effective management that enables these members to adequately perform their auditing functions. By conducting thorough oversight of management based on collaboration between its five highly independent Outside Directors, its Audit & Supervisory Board members and its internal Auditing Department, the Company has established mechanisms that strengthen its management oversight capacity while ensuring effective application of functions performed by its Audit and Supervisory Board members.

In this way, we have adopted the Company with Auditors system with the aim of establishing a desirable corporate governance system and ensuring confidence and trust from all our shareholders and investors. In addition to the Board of Directors, we have established the Managing Directors’ Meeting to function as another deliberation and decision-making body for business execution. In principle, both organizations meet once per month. Furthermore, the Company has formed the Officers’ Remuneration Committee, which is chaired by an Outside Director and serves as an advisory body to the Board of Directors. In these ways, we strive to ensure transparency and appropriateness in the remuneration of officers and the nomination of candidates for directors and Audit & Supervisory Board members.

General Meeting of Shareholders

[Diagram of General Meeting of Shareholders]
About Decision Making Related to the Remuneration Amount and Calculation Method

The Company’s director remuneration is within the scope of the compensation framework approved by the General Meeting of Shareholders and determined by the Board of Directors based on assessments and evaluations made by the Officers’ Remuneration Committee. Director remuneration consists of fixed remuneration reflecting position and duties, performance-based remuneration and stock options issued to increase motivation and morale related to duties and improve performance.

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

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

Remuneration Amount by Director Type and Its Detail, Number of Applicable Directors (for the year ended March 31, 2020)

<table>
<thead>
<tr>
<th>Designation</th>
<th>Directors (excluding Outside Directors)</th>
<th>Audit &amp; Supervisory Board Members (excluding outside Audit &amp; Supervisory Board Members)</th>
<th>Outside Directors and Outside Audit &amp; Supervisory Board Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Remuneration by Type (¥ million)</td>
<td>Fixed</td>
<td>Performance-Based</td>
<td>Total</td>
</tr>
<tr>
<td>Directors (excluding Outside Directors)</td>
<td>1,106</td>
<td>590</td>
<td>1,696</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members (excluding outside Audit &amp; Supervisory Board Members)</td>
<td>36</td>
<td>–</td>
<td>36</td>
</tr>
<tr>
<td>Outside Directors and Outside Audit &amp; Supervisory Board Members</td>
<td>149</td>
<td>–</td>
<td>149</td>
</tr>
</tbody>
</table>

Notes:
1. Includes one director and one Audit & Supervisory Board member who retired from their positions effective upon the conclusion of the 162nd General Shareholders’ Meeting held on June 27, 2019.
2. The Officers’ Retirement Benefits Program was repealed at the conclusion of the 131st General Shareholders’ Meeting held on June 27, 2008.
3. The amount for stock options is an expensed amount calculated for the current fiscal year based on the accounting standards. Therefore, it does not represent the amount paid in cash and the amount the company guarantees to pay in cash, either. In addition, the salary amounts for Directors’ concurrently held positions are not included.
4. Payments to Directors do not include employee salary amounts (including bonuses) equivalent to concurrently held positions. Salary amounts for concurrently held positions are immaterial.
5. The total amount of remuneration to Directors (excluding Outside Directors) which consists of fixed and performance-based remuneration and stock options was ¥2,065 million.

Compliance

(Internal Control System)

Status of Internal Control System Development

Shin-Etsu Chemical has formulated a Basic Policy on Internal Controls to comply with Japanese law, Article 342, Paragraph 4, Item 6, of the Companies Act. In line with this basic policy, we have established and operate an internal control system that undergoes constant review in an effort to enhance its appropriateness and efficiency.

Status of Audit and Supervisory Board Auditing and Internal Auditing

Shin-Etsu Chemical’s Audit & Supervisory Board members attend important internal meetings and conduct audits on the execution of operations through the review of important documents and physical observation of plants worldwide. As necessary, regarding audits conducted by the Accounting Auditor, the Audit & Supervisory Board members request reports and explanations, sitting down with them for research, and exchanging information and opinions several times throughout the year.

The staff from the Auditing Department and the Legal Department also assist the Audit & Supervisory Board members with their duties.

In terms of the internal auditing organizational structure, the Auditing Department conducts business audits of each department from the perspectives of legal compliance and the rationality of business activities. The results of those audits are reported to management, the Outside Directors and the Audit & Supervisory Board members.

Members of the Audit & Supervisory Board regularly receive reports and explanations regarding the status of internal auditing from the Auditing Department and work cooperatively with it, exchanging views and ideas. Full-time Audit & Supervisory Board members also receive reports regarding matters such as activity statuses and internal audit results from the Auditing Department as necessary and offer their own advice or requests on an as-needed basis. The Auditing Department also attends meetings where Audit & Supervisory Board members receive reports and explanations from the Accounting Auditor in an effort to strengthen auditing functions based on more effective tripartite cooperation.

Tax Compliance

In accordance with the philosophy of legal compliance and fair corporate activities outlined in its Business Principle, the Group properly reports and pays taxes on the profits it earns through its corporate activities in accordance with corresponding laws and ordinances in each of the countries in which it conducts business. In FY2019, our consolidated companies paid an approximate total of ¥107.8 billion in taxes.

Compliance with the Corporate Governance Code

The Group is in compliance with the Tokyo Stock Exchange Corporate Governance Code and implements all 11 principles therein. Please see the Corporate Governance Report for detail.
Activity Status of Outside Directors and Outside Audit & Supervisory Board Members

(For the fiscal year ended March 31, 2020)

Important concurrent positions
(As of March 31, 2020)

<table>
<thead>
<tr>
<th>Outside Director</th>
<th>Status of activities</th>
<th>Attendance at Board meetings (As of March 31, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frank Peter Popoff</td>
<td>Outside Director</td>
<td>Board of Directors Meetings 100%</td>
</tr>
<tr>
<td>Tsuyoshi Miyazaki</td>
<td>Adviser, Mitsubishi Logistics Corporation</td>
<td>Board of Directors Meetings 92%</td>
</tr>
<tr>
<td>Toshihiko Fukui</td>
<td>President, Canon Institute for Global Studies, Outside Director, Kikkoman Corporation</td>
<td>Board of Directors Meetings 85%</td>
</tr>
<tr>
<td>Hiroshi Komiyama</td>
<td>Chairman, Mitsubishi Research Institute, Inc.</td>
<td>Board of Directors Meetings 100%</td>
</tr>
<tr>
<td>Taku Fukui</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Board of Directors Meetings 100%</td>
</tr>
<tr>
<td>Yoshitaka Kosaka</td>
<td>C.P.A., Certified Public Tax Accountant, Outside Director, Star Mica Holdings Co., Ltd.</td>
<td>Board of Directors Meetings 100%</td>
</tr>
<tr>
<td>Kiyoshi Nagano</td>
<td>Outside Director, LEC, INC.</td>
<td>Board of Directors Meetings 100%</td>
</tr>
</tbody>
</table>

From the left: Toshihiko Fukui, Hiroshi Komiyama, Frank Peter Popoff, Tsuyoshi Miyazaki
From the left: Yoshihito Kosaka, Kiyoshi Nagano, Taku Fukui

Sustainability Initiatives

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

Kiyoshi Nagano
Supervisory Board Member

Yoshihito Kosaka
Supervisory Board Member

Taku Fukui
Outside Director

Tsuyoshi Miyazaki
Outside Director

Frank Peter Popoff
Outside Director

Toshihiko Fukui
Outside Director

Important concurrent positions
(As of June 26, 2020)

<table>
<thead>
<tr>
<th>Board of Directors and Audit &amp; Supervisory Board Members</th>
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</thead>
<tbody>
<tr>
<td>Director, Chairman and Founder of SHINTECH Inc.</td>
</tr>
<tr>
<td>In charge of Semiconductor Materials and Technologies Representative Director &amp; President of Shin-Etsu Handotai Co., Ltd.</td>
</tr>
<tr>
<td>Director &amp; President of SHINTECH Inc. &amp; Director &amp; President of Shin-Etsu Handotai America, Inc.</td>
</tr>
<tr>
<td>Senior Managing Director</td>
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<td>Managing Director</td>
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<td>Managing Director</td>
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<td>Director</td>
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<td>Director</td>
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<tr>
<td>Director</td>
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<tr>
<td>Notes: 1. Indicates an Outside Director as defined in Item 15, Article 2 of the Corporations Law 2. Indicates an Outside Audit &amp; Supervisory Board Member as defined in Item 16, Article 2 of the Corporations Law</td>
</tr>
</tbody>
</table>
Financial Information

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES For the fiscal years ended March 31, 2011 through 2020

For more detailed information, please see the Investor Information on our corporate website. [https://www.shinetzu.co.jp/en/ir_data.html](https://www.shinetzu.co.jp/en/ir_data.html)

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</thead>
<tbody>
<tr>
<td>Net sales (¥)</td>
<td>¥1,058,257</td>
<td>¥1,047,731</td>
<td>¥1,025,409</td>
<td>¥1,165,819</td>
<td>¥1,255,543</td>
<td>¥1,279,807</td>
<td>¥1,237,405</td>
<td>¥1,441,432</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>803,574</td>
<td>798,592</td>
<td>769,427</td>
<td>873,879</td>
<td>940,399</td>
<td>930,019</td>
<td>868,404</td>
<td>963,008</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>105,460</td>
<td>99,505</td>
<td>98,938</td>
<td>118,130</td>
<td>129,814</td>
<td>141,262</td>
<td>130,383</td>
<td>141,601</td>
</tr>
<tr>
<td>Operating income</td>
<td>149,221</td>
<td>149,632</td>
<td>157,043</td>
<td>173,809</td>
<td>185,329</td>
<td>208,525</td>
<td>238,617</td>
<td>336,822</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>160,338</td>
<td>165,237</td>
<td>170,207</td>
<td>180,605</td>
<td>198,025</td>
<td>220,005</td>
<td>242,133</td>
<td>340,308</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>100,119</td>
<td>100,643</td>
<td>105,714</td>
<td>113,617</td>
<td>126,606</td>
<td>148,840</td>
<td>175,912</td>
<td>266,235</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>119,884</td>
<td>87,165</td>
<td>88,841</td>
<td>83,155</td>
<td>109,903</td>
<td>134,753</td>
<td>145,647</td>
<td>176,283</td>
</tr>
<tr>
<td>R&amp;D costs</td>
<td>37,321</td>
<td>35,725</td>
<td>37,671</td>
<td>43,546</td>
<td>47,165</td>
<td>53,165</td>
<td>49,020</td>
<td>51,768</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>93,732</td>
<td>82,868</td>
<td>80,961</td>
<td>91,445</td>
<td>96,918</td>
<td>100,466</td>
<td>93,087</td>
<td>112,016</td>
</tr>
</tbody>
</table>

At year-end:

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total assets (¥)</td>
<td>¥1,784,166</td>
<td>¥1,809,841</td>
<td>¥1,920,903</td>
<td>¥2,198,912</td>
<td>¥2,452,306</td>
<td>¥2,510,085</td>
<td>¥2,655,636</td>
<td>¥2,903,137</td>
</tr>
<tr>
<td>Working capital (Current assets - Current liabilities)</td>
<td>638,693</td>
<td>694,803</td>
<td>832,878</td>
<td>981,667</td>
<td>1,100,999</td>
<td>1,170,679</td>
<td>1,232,607</td>
<td>1,324,495</td>
</tr>
<tr>
<td>Common stock</td>
<td>119,419</td>
<td>119,419</td>
<td>119,419</td>
<td>119,419</td>
<td>119,419</td>
<td>119,419</td>
<td>119,419</td>
<td>119,419</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,469,429</td>
<td>1,494,573</td>
<td>1,623,176</td>
<td>1,822,335</td>
<td>2,012,711</td>
<td>2,080,445</td>
<td>2,190,082</td>
<td>2,413,025</td>
</tr>
<tr>
<td>Interest-bearing debt</td>
<td>14,574</td>
<td>15,732</td>
<td>13,929</td>
<td>15,638</td>
<td>14,328</td>
<td>13,470</td>
<td>14,642</td>
<td>15,814</td>
</tr>
</tbody>
</table>

Per share (Yen and U.S. dollars):

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net income per share (¥)</td>
<td>¥235.80</td>
<td>¥237.03</td>
<td>¥248.94</td>
<td>¥267.20</td>
<td>¥302.05</td>
<td>¥349.46</td>
<td>¥412.86</td>
<td>¥624.28</td>
</tr>
<tr>
<td>Diluted net income per share</td>
<td>235.80</td>
<td>—</td>
<td>¥248.92</td>
<td>¥267.07</td>
<td>¥301.98</td>
<td>¥349.42</td>
<td>¥412.83</td>
<td>¥624.10</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>110.00</td>
<td>120.00</td>
<td>140.00</td>
</tr>
<tr>
<td>Payout ratio (%)</td>
<td>42.4</td>
<td>42.2</td>
<td>40.2</td>
<td>37.4</td>
<td>33.1</td>
<td>31.5</td>
<td>29.1</td>
<td>27.5</td>
</tr>
<tr>
<td>Net assets</td>
<td>3,360.39</td>
<td>3,422.93</td>
<td>3,709.19</td>
<td>4,165.28</td>
<td>4,602.80</td>
<td>4,761.48</td>
<td>5,002.16</td>
<td>5,511.98</td>
</tr>
</tbody>
</table>

General:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income to net sales ratio (%)</td>
<td>14.1</td>
<td>14.3</td>
<td>15.3</td>
<td>14.9</td>
<td>14.8</td>
<td>16.3</td>
<td>19.3</td>
<td>23.4</td>
</tr>
<tr>
<td>Net income attributable to owners of parent to net sales ratio (%)</td>
<td>9.5</td>
<td>9.6</td>
<td>10.3</td>
<td>9.7</td>
<td>10.2</td>
<td>11.6</td>
<td>14.2</td>
<td>18.5</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>6.8</td>
<td>6.9</td>
<td>7.5</td>
<td>8.5</td>
<td>11.9</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>9.0</td>
<td>9.2</td>
<td>9.1</td>
<td>8.8</td>
<td>8.5</td>
<td>8.9</td>
<td>9.4</td>
<td>12.2</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>80.0</td>
<td>80.3</td>
<td>82.0</td>
<td>80.6</td>
<td>79.9</td>
<td>80.8</td>
<td>80.3</td>
<td>81.0</td>
</tr>
<tr>
<td>Number of employees</td>
<td>16,302</td>
<td>16,167</td>
<td>17,712</td>
<td>17,892</td>
<td>18,276</td>
<td>18,407</td>
<td>19,206</td>
<td>20,155</td>
</tr>
<tr>
<td>Number of shares issued (Thousands)</td>
<td>432,106</td>
<td>432,106</td>
<td>432,106</td>
<td>432,106</td>
<td>432,106</td>
<td>432,106</td>
<td>432,106</td>
<td>427,606</td>
</tr>
</tbody>
</table>

Notes:
1. The U.S. dollar amounts represent conversion of yen for convenience only, at the rate of ¥109 = US$1, the approximate rate of exchange on March 31, 2020.
2. Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.
3. Partial Amendments to Accounting Standard for Tax-Effect Accounting, etc. (ASBJ Statement No. 28, February 16, 2018) were applied from the beginning of the fiscal year ended March 31, 2019.
### Consolidated Balance Sheet

**SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES**  
As of March 31, 2019 and 2020

#### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
<th>2020</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>¥ 826,680</td>
<td>¥ 836,448</td>
<td>$ 7,673</td>
<td></td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>338,701</td>
<td>325,489</td>
<td>2,986</td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>215,444</td>
<td>251,377</td>
<td>2,306</td>
<td></td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>158,717</td>
<td>173,358</td>
<td>1,590</td>
<td></td>
</tr>
<tr>
<td>Work in process</td>
<td>16,711</td>
<td>16,828</td>
<td>154</td>
<td></td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>154,064</td>
<td>175,479</td>
<td>1,609</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>47,527</td>
<td>52,723</td>
<td>483</td>
<td></td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(7,379)</td>
<td>(7,186)</td>
<td>(65)</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets:</strong></td>
<td>1,750,469</td>
<td>1,824,519</td>
<td>16,738</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>188,268</td>
<td>202,848</td>
<td>1,860</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment, net</td>
<td>445,974</td>
<td>440,595</td>
<td>4,042</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>88,806</td>
<td>92,577</td>
<td>849</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>255,232</td>
<td>367,309</td>
<td>3,369</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>9,678</td>
<td>16,584</td>
<td>152</td>
<td></td>
</tr>
<tr>
<td><strong>Total property, plant and equipment:</strong></td>
<td>987,960</td>
<td>1,119,115</td>
<td>10,274</td>
<td></td>
</tr>
<tr>
<td><strong>Intangible Assets:</strong></td>
<td>8,749</td>
<td>10,099</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td><strong>Investments and Other Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in securities</td>
<td>141,685</td>
<td>126,040</td>
<td>1,156</td>
<td></td>
</tr>
<tr>
<td>Net defined benefit asset</td>
<td>3,841</td>
<td>3,788</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>59,154</td>
<td>63,735</td>
<td>584</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>89,491</td>
<td>86,657</td>
<td>776</td>
<td></td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(2,624)</td>
<td>(2,291)</td>
<td>(21)</td>
<td></td>
</tr>
<tr>
<td><strong>Total investments and other assets:</strong></td>
<td>291,548</td>
<td>275,950</td>
<td>2,531</td>
<td></td>
</tr>
<tr>
<td><strong>Total fixed assets:</strong></td>
<td>1,288,248</td>
<td>1,405,965</td>
<td>12,898</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets:</strong></td>
<td>¥ 3,038,717</td>
<td>¥ 3,230,485</td>
<td>¥ 29,637</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
## Consolidated Statement of Income

**SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES**

For the fiscal years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>¥1,574,036</td>
<td>$1,843,525</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>1,039,799</td>
<td>987,782</td>
</tr>
<tr>
<td>Gross profit</td>
<td>534,037</td>
<td>555,743</td>
</tr>
<tr>
<td>Selling, General and Administrative Expenses</td>
<td>150,352</td>
<td>149,702</td>
</tr>
<tr>
<td>Operating Income</td>
<td>403,705</td>
<td>406,041</td>
</tr>
<tr>
<td>Other Income (Expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>9,093</td>
<td>10,777</td>
</tr>
<tr>
<td>Dividend income</td>
<td>5,896</td>
<td>7,388</td>
</tr>
<tr>
<td>Equity in earnings (losses) of affiliates</td>
<td>4,669</td>
<td>4,327</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(744)</td>
<td>(6)</td>
</tr>
<tr>
<td>Foreign exchange gain (loss)</td>
<td>(217)</td>
<td>(5,650)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(7,868)</td>
<td>(3,892)</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>415,311</td>
<td>418,242</td>
</tr>
<tr>
<td><strong>Extraordinary income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of investment securities</td>
<td>—</td>
<td>7,774</td>
</tr>
<tr>
<td>Income before income taxes and non-controlling interests</td>
<td>415,311</td>
<td>424,017</td>
</tr>
<tr>
<td><strong>Income Taxes:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>104,186</td>
<td>108,290</td>
</tr>
<tr>
<td>Deferred</td>
<td>(2,861)</td>
<td>(564)</td>
</tr>
<tr>
<td><strong>Total Income Taxes</strong></td>
<td>101,325</td>
<td>107,726</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>313,986</td>
<td>318,290</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Non-Controlling Interests</strong></td>
<td>4,990</td>
<td>4,260</td>
</tr>
<tr>
<td><strong>Net Income Attributable to Owners of Parent</strong></td>
<td>¥309,125</td>
<td>¥314,027</td>
</tr>
<tr>
<td><strong>Earnings per Share:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to owners of parent—basic</td>
<td>¥725.99</td>
<td>¥755.17</td>
</tr>
<tr>
<td>Net income attributable to owners of parent—fully diluted</td>
<td>725.92</td>
<td>755.01</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>200.00</td>
<td>220.00</td>
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<tr>
<td>Weighted-Average Number of Shares Outstanding (Thousands)</td>
<td>425,797</td>
<td>415,838</td>
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</table>

## Consolidated Statement of Comprehensive Income

**SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES**

For the fiscal years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>¥313,986</td>
<td>$318,290</td>
</tr>
<tr>
<td>Other Comprehensive Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains (losses) on available-for-sale securities</td>
<td>(3,499)</td>
<td>(12,732)</td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges</td>
<td>(1,128)</td>
<td>(2,530)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(30,861)</td>
<td>(13,642)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>2,383</td>
<td>(2,371)</td>
</tr>
<tr>
<td>Share of other comprehensive income (loss) of affiliates</td>
<td>(134)</td>
<td>(125)</td>
</tr>
<tr>
<td>accounted for using the equity method</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total other comprehensive income (loss)</strong></td>
<td>(34,040)</td>
<td>(31,601)</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
<td>¥279,945</td>
<td>¥286,689</td>
</tr>
<tr>
<td>[Breakdown]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income attributable to owners of parent</td>
<td>¥276,632</td>
<td>¥283,128</td>
</tr>
<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>3,312</td>
<td>3,760</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Changes in Net Assets

**SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES**

For the fiscal years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥2,723,141</td>
<td>¥2,413,769</td>
</tr>
<tr>
<td>Balance at April 1, 2018</td>
<td>¥246,466</td>
<td>¥219,411</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>(70,650)</td>
<td>(70,650)</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>309,125</td>
<td>309,125</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(89,675)</td>
<td>(89,675)</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>266</td>
<td>263</td>
</tr>
<tr>
<td>Retirement of treasury stock</td>
<td>12,851</td>
<td>12,851</td>
</tr>
<tr>
<td>Net changes after tax for the current equity</td>
<td>22,719</td>
<td>22,719</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2019</strong></td>
<td>¥279,945</td>
<td>¥283,016</td>
</tr>
</tbody>
</table>

## Financial Information

For the fiscal years ended March 31, 2019 and 2020

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>¥313,986</td>
<td>$318,290</td>
</tr>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
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<td>(12,732)</td>
</tr>
<tr>
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</tr>
<tr>
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<td>(13,642)</td>
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<td>(2,371)</td>
</tr>
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<td>(125)</td>
</tr>
<tr>
<td>accounted for using the equity method</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>(34,040)</td>
<td>(31,601)</td>
</tr>
<tr>
<td><strong>Comprehensive Income</strong></td>
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<td>¥286,689</td>
</tr>
<tr>
<td>[Breakdown]</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>¥276,632</td>
<td>¥283,128</td>
</tr>
<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>3,312</td>
<td>3,760</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Net Assets

**SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES**

#### Financial Information

**Consolidated Statement of Changes in Net Assets**

<table>
<thead>
<tr>
<th>Balance at April 1, 2019</th>
<th>$22,355</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends</td>
<td>(801)</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>1,177</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>2,960</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>0</td>
</tr>
<tr>
<td>Retirement of treasury stock</td>
<td>0</td>
</tr>
<tr>
<td>Treasury stock paid into capital</td>
<td>14,667</td>
</tr>
<tr>
<td>Others</td>
<td>(96)</td>
</tr>
<tr>
<td>Total</td>
<td>24,352</td>
</tr>
</tbody>
</table>

**Balance at April 1, 2019**

<table>
<thead>
<tr>
<th>Common stock</th>
<th>$1,095</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional paid-in capital</td>
<td>$1,177</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>$20,951</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>$8848</td>
</tr>
<tr>
<td>Total</td>
<td>$22,355</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Cash Flows

**SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES**

#### For the fiscal years ended March 31, 2019 and 2020

**Cash Flows from Operating Activities:**

Income before income taxes and non-controlling interests
Depreciation and amortization
Loss on impairment of fixed assets
Increase (decrease) in net defined benefit liability
Gain (loss) on sales of investments in securities
Gain (loss) on revaluation of investments in securities
Increase (decrease) in allowance for doubtful accounts
Interest and dividend income
Interest expenses
Exchange (gain) loss
Equity in (earnings)/losses of affiliates
Increase (decrease) in notes and accounts receivable
Increase (decrease) in notes and accounts payable
Other, net

**Net cash provided by operating activities**

**Cash Flows from Investing Activities:**

Increased (decrease) in time deposits
Purchases of treasury stock
Proceeds from sales of treasury stock
Proceeds from sales of investments in securities
Proceeds from sales of property, plant and equipment
Proceeds from redemption of securities
Proceeds from sales of notes and accounts receivable
Purchases of treasury stock
Purchases of securities
Proceeds from interest and dividends
Proceeds from long-term debt
Proceeds from sales of notes and accounts payable
Other, net

**Net cash provided by investing activities**

**Cash Flows from Financing Activities:**

Purchases of notes and accounts payable
Proceeds from long-term debt
Proceeds from issuance of shares
Issuance of notes and accounts payable
Payments of long-term debt
Proceeds from issuance of bonds
Other, net

**Net cash provided by (used in) financing activities**

**Net cash provided by (used in) operating activities**

**Effect of Exchange Rate Changes on Cash and Cash Equivalents**

**Net Increase (Decrease) in Cash and Cash Equivalents**

**Cash and Cash Equivalents at Beginning of Year**

**Increase (Decrease) in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation**

**Cash and Cash Equivalents at End of Year**
Shin-Etsu Group Companies

**NORTH AMERICA**
- **Shintech, Inc.**
  - Production and sales of semiconductor silicon wafers
  - Tel. 713-965-0713
- **Shin-Etsu Handotai America, Inc. (S.E.H. America)**
  - Production and sales of semiconductor silicon wafers
  - Tel. (408) 883-7000
- **Shin-Etsu Silicas America Inc.**
  - Production and sales of silicon carbide products
  - Tel. 330-383-8660
- **K-Bin, Inc.**
  - Production and sales of PV compounds
  - Tel. 713-965-0713
- **Shin-Etsu MircoSci, Inc.**
  - Sales of electronics materials
  - Tel. (408) 893-8898
- **SE Tylose USA, Inc.**
  - Sales and production of adhesive and sealing compounds
  - Tel. 252-338-1110
- **Shin-Etsu Magnetics, Inc.**
  - Sales of rare earths and rare earth magnets
  - Tel. 262-383-9520

**SOUTH AMERICA**
- **Brazil (59)**
  - Shin-Etsu do Brasil Representante de Produtos Químicos Ltda.
  - Sales support of silicone products
  - Tel. 11-9820-6000 (Silicones)
  - Tel. 11-9820-6010 (Silicones Americas)
- **Portugal (51)**
  - CRES, LDA. (Empresa Industrial de Resinas Sintéticas)
  - Production and sales of acrylates, methacrylates, and fumaric acid
  - Tel. 282-811-200
- **United Kingdom (64)**
  - Shin-Etsu Handotai Europe Ltd. (S.E.H. Europe)
  - Production and sales of silicone rubber
  - Tel. 451-415-5555
  - Shin-Etsu Magnetics Europe GmbH
  - Sales of rare earths and rare earth magnets
  - Tel. 41-8700-31411

**ASIA & OCEANIA**
- **S.E.H. Malaysia Sdn. Bhd.**
  - Production, processing and sales of silicone products
  - Tel. 3-2025-6400
- **Shin-Etsu (Malaysia) Sdn. Bhd.**
  - Production and sales of rare earth magnets and VCM
  - Tel. 3-5191-2233
- **S.E.H. (Shah Alam) Sdn. Bhd.**
  - Production and processing of semiconductor silicon wafers
  - Tel. 3-5123-7000
- **Shin-Etsu Electronics Materials Penang Sdn. Bhd.**
  - Technical support for silicone and epoxide products
  - Tel. 60-4-633708
- **Australia (61)**
  - Simcoa Operations Pty. Ltd.
  - Production and sales of silicone resin
  - Tel. 897-887-5456
- **Vietnam (86)**
  - Production and sales of materials for LCD
  - Tel. 84-22-371-8400
- **Philippines (60)**
  - Shin-Etsu Magnetics Philippines, Inc.
  - Production and sales of rare earth magnets
  - Tel. 63-2-205-3518
- **Singapore (65)**
  - Shin-Etsu Silicone Singapore Pte Ltd.
  - Sales of silicone products
  - Tel. 65-762-7277
  - Shin-Etsu Handotai Silicone Singapore Pte. Ltd. (S.E.H. Singapore)
  - Sales of semiconductor silicon wafers
  - Tel. 65-762-7277

**THAILAND (66)**
- **Shin-Etsu Silicas (Thailand), Ltd.**
  - Production and sales of silicone products
  - Tel. 66-2-2937951
- **Shin-Etsu Magnetics Thailand Co., Ltd.**
  - Production of VCM
  - Tel. 66-2-2937952
- **Shin-Etsu Electric Refining Co., Ltd.**
  - Production and sales of silicon-carbide products
  - Tel. 66-2-2937953
- **Nissan Chemical Industry Co., Ltd.**
  - Production and sales of silicon products
  - Tel. 66-2-2937954
- **Shin-Etsu Polymer Co., Ltd.**
  - Production and sales of silicon products
  - Tel. 66-2-2937955
- **Shin-Etsu Atech Co., Ltd.**
  - Production and sales of rare earth magnets
  - Tel. 66-2-2937956
- **Nagano Electronics Industrial Co., Ltd.**
  - Production and sales of rare earth magnets
  - Tel. 66-2-2937957
- **Shin-Etsu Handotai Co., Ltd.**
  - Production and sales of rare earth magnets
  - Tel. 66-2-2937958
- **Kashima Chorin & Akai Co., Ltd.**
  - Production and sales of silicon products
  - Tel. 3-099-74-2152

**CHINA (82)**
- **Shin-Etsu Silicone Co., Ltd.**
  - Production and sales of silicone products
  - Tel. 071-1321-7221
- **Shin-Etsu Advanced Materials Co., Ltd.**
  - Production and sales of polyester
  - Tel. 071-1358-1060
- **Zhejiang Shin-Etsu High-Tech Co., Ltd.**
  - Production and sales of rare earth magnets
  - Tel. 575-8735-9071
- **Shin-Etsu Silicone International Trading Shanghai Co., Ltd.**
  - Production and sales of silicone products
  - Tel. 21-643-0550
- **Shin-Etsu Silicone Trading (Shanghai) Co., Ltd.**
  - Production and sales of silicone products
  - Tel. 21-643-0550
- **Shin-Etsu Technology (Shanghai) Co., Ltd.**
  - Production and sales of rare earth magnets
  - Tel. 572-627-3270
- **Shin-Etsu Lianhao Optical Preform Co., Ltd.**
  - Production and sales of optical fiber
  - Tel. 510-8409-6040
- **Shin-Etsu Lianhao Optical Preform Trading Co., Ltd.**
  - Production and sales of optical fiber
  - Tel. 510-8409-6040
- **Shin-Etsu Rubber Co., Ltd.**
  - Production and sales of rubber products
  - Tel. 08-730-7550
- **Shin-Etsu Magnetics Co., Ltd.**
  - Production and sales of rare earth magnets
  - Tel. 08-730-7550
- **Shin-Etsu Electronics Materials Taiwan Co., Ltd.**
  - Production and sales of electronic products
  - Tel. 08-730-7550

**TURKISH REPUBLIC (67)**
- **Shin-Etsu Silicas Turkey Limited Liability Company**
  - Production and sales of silicone products
  - Tel. 312-434-0000
- **Shin-Etsu Magnetics Turkey Limited Liability Company**
  - Production of VCM
  - Tel. 312-434-0001

**OTHER COUNTRIES**
- **Brunei (56)**
  - Production and sales of rare earth magnets
  - Tel. 673-212-2010
- **Caribbean (58)**
  - Production and sales of rare earth magnets
  - Tel. 973-258-5500
- **Indonesia (54)**
  - Production and sales of rare earth magnets
  - Tel. 62-21-456-7788
- **Korea (81)**
  - Production and sales of rare earth magnets
  - Tel. 031-877-5000

Note: The Shin-Etsu Group had a total of 146 member companies as of March 31, 2020.
Investor Information

Stock Price Movement

- Stock Price of Shin-Etsu Chemical (left axis)
- Trading Volume (right axis)

Total Shareholder Return over the Past Five Years

- Index of Shin-Etsu Chemical and TOPIX [March 31, 2015 = 100]

Share Data

- Company Name: Shin-Etsu Chemical Co., Ltd.
- Head Office: 6-7, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
- Date of Establishment: September 16, 1926
- Capital: ¥119,419 million
- Number of Employees: 22,783 (Consolidated)

Common Stock

- Number of Shares Authorized: 1,720,800,000
- Number of Shares Issued*: 416,662,793
- Includes 805,396 treasury shares

Transfer Agent:

- Mitsubishi UFJ Trust and Banking Corporation

Contact:

Phone: +81-3-3246-5091
Fax: +81-3-3246-5096
e-mail: sec-pr@shinetsu.jp

Note: The total number of issued shares fell by 10,943,900 compared to the end of the previous fiscal year due to a cancellation of treasury shares conducted on October 7, 2019.

Please visit our Web Site:

Corporate Information:

https://www.shinetsu.co.jp/jp/en/ir/(English)
https://www.shinetsu.co.jp/jp/(Japanese)

Investor Information:

https://www.shinetsu.co.jp/jp/en/ir/(English)
https://www.shinetsu.co.jp/jp/ir/(Japanese)

Sustainability Information:

https://www.shinetsu.co.jp/jp/en/csr/(English)
https://www.shinetsu.co.jp/jp/csr/(Japanese)

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Please note:

- The above chart and the table show the rate of return taking into consideration the dividend as of March 31, 2020, and the stock price when an investment was conducted on March 31, 2015. Investment performance including dividends has been added to the Shin-Etsu Chemical stock price and indexed at 100 as of March 31, 2015.

- The TSE Stock Price Index (TOPIX), which is a comparative index, also uses indexed data and is indexed in the same way.

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

- The total number of issued shares fell by 10,943,900 compared to the end of the previous fiscal year due to a cancellation of treasury shares conducted on October 7, 2019.

- The Master Trust Bank of Japan, Ltd. (Trust Account 52,814.9, 12.7)
- Japan Trustee Services Bank, Ltd. (Trust Account 25,960.62)
- Nippon Life Insurance Company 21,933.53
- JP MORGAN CHASE BANK 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
- SSBC 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).
Orchestrating expertise and innovative mind on materials for better life