

President's Message



As an essential supplier to human life and industries throughout the world, we will continue to contribute to the realization of the sustainable growth of society.

The past year or so has got us a fair amount of learning and thinking. It began with the declaration of a pandemic, which triggered restrictions and lockdowns. As the world has been grappling with the infection, there have been changes and developments in societies, economies and markets. Some of these changes might not last but others may be here to stay even after the pandemic comes to an end. Throughout this period, our company not only fared well but also demonstrated its resilience. I am very proud of our people. They kept the focus, carrying out their work and duties with unprecedented circumstances and challenges unfolding. They are truly essential.

While our business portfolio proved adaptable enough to keep working well, we will not take it for granted. We will strengthen it and make it fitter and more viable. We take changes as opportunities for growth. As more changes come, we will work with our customers more closely than ever before. We are determined to be the most reliable supplier to all our customers with best in class quality, technology and practices. We will develop numerous products which help solve the issues faced by our customers.

Lately, major countries have set goals for reduction in greenhouse gas emissions and

begun to move forward to achieve carbon neutrality. Our business is all in all aligned to help reduce greenhouse gas emissions. We will commit to further aligning our business to this goal. It is imperative to maximize efficiency throughout the economies in this day and age, when human beings pursue sustainable growth and prosperity while reducing the burden on the environment. We can play a key role to that end. We will develop our product offerings with this focus and make contributions in such a manner that the more our products are used, the better for industries and human societies become. In addition, we will adopt technologies that are effective in reducing greenhouse gas emissions as many of them and as soon as we can. We are determined to do our part as an essential supplier to human life and industries throughout the world.

Globalization may be reevaluated and modified or revised if a potential decoupling of the global economy arises from the U.S.-China confrontation. Regardless of how all that may unfold, we will be flexible and swift enough to continue to play a key role as an essential supplier.

Let me give you a summary of where we are with our business segments.

Growth in PVC demand is expected to continue in major markets thanks to the rising demand for housing and infrastructure and

because of elevated public awareness of the environment. PVC is a material of choice not only from an engineering point of view but also from an environmental point of view. Our capacity expansion by Shintech in North America should be completed for start-up in the middle of this year. In the meantime, we have begun construction of the next capacity expansion there.

For the silicones business, we are enhancing the downstream capabilities and enriching our product offerings for customers everywhere in the world. We will continue to develop products and their applications in order to provide solutions to our customers.

As for the cellulose business, in addition to pharmaceutical excipients and industrial additives, which have been our focus, we are meeting the increasing demand for food applications. To help yield a good crop, we will increase the lineup of pheromone products. We are also adding pheromone products for forest preservation. For other products such as polyvinyl alcohol, we are working on new applications.

Demand for semiconductor devices is so strong in all directions that there is a persistent shortage of semiconductors. As semiconductors are regarded as strategic materials, we as a pivot in the supply chain provide the ultimate quality and reliable supply that will support further scaling down and integration. We contribute to the advance of digitization toward the so-called "de-materialization" of the economy.

With regard to the lithographical areas, we stay tuned with and support further shrinkage and integration, multi-layering resist system and advanced packaging by speeding up development. We accelerate capacity plans to meet the quality and supply required by customers in a timely manner. The use of rare earth magnets in automotive applications (especially environmentally friendly automobiles, which use rare earth magnets about 10 times more than conventional automobiles), factory automation, data centers and wind power turbines continues to grow. We

apply our technologies to all fields and applications of electric motors and drives. We also make wise use of our rare earth separation and purification technology.

We will expedite commercial production and development of 5G-related products. We will launch micro LED materials, a lithium-ion battery performance enhancer and heterogeneous semiconductor substrate products.

In sum, we are setting our growth on three currents, that is to say an upward trajectory of semiconductor demand, development for carbon neutrality and increasing needs for better infrastructure and housing.

We pay great attention to shareholders' return. In this regard, we declared an annual dividend of ¥250 per share, which is the highest mark in the Company's dividend history.

In order to continue to do what we have been able to do for our customers, our shareholders and the communities where we are in, it is essential that the Company continues to grow. We are working on various initiatives to broaden our business portfolio and expand our footprint. We will remain focused on our customers and their needs to be relevant to them, committed to governance to be relevant to our shareholders and 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
Yasuhiko Saitoh