

A large, abstract graphic consisting of several overlapping, curved bands in shades of blue, pink, orange, and green, creating a sense of movement and depth.

Chemistry at Work

ANNUAL REPORT 2021

Shin-Etsu Chemical Co., Ltd.

Business Principle

The Group strictly complies with all laws and regulations, conducts fair business practices and creates unrivaled value for society and industry through the provision of key materials and technologies.

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Investor information

<https://www.shinetsu.co.jp/en/ir/>

Sustainability information

<https://www.shinetsu.co.jp/en/sustainability/>

Chairman's Message



We will respond swiftly to changes in the economic environment and enhance our corporate value by seizing growth opportunities.

I would like to express our sincerest gratitude to all our customers, business partners, shareholders and local communities for their support and cooperation.

In FY2020, the entire international community has faced the unprecedented challenge of the COVID-19 pandemic. This resulted in constraints on economic activities on a global scale. We have been striving for steady growth by placing our top priority on the health and safety of our employees as well as by ensuring thorough risk management. We have also been working to achieve steady growth through a stable supply of high-quality products based on close communication with customers. One of our management mottos has long been “Never forget a crisis in the midst of a favorable wind, and plan ahead for growth when faced with a headwind.” This time, we have been able again to achieve solid performance by sticking to this policy and responding quickly to the changes in market conditions.

We continued to invest steadily for growth in FY2020 with the aim of increasing our corporate value. This year, at Shintech in the U.S., an integrated PVC production plant under construction in Louisiana is scheduled to start operations. Also, we have started the next PVC expansion project at the same site. Upon completion of the expansion by the end of 2023, Shintech will have production capacity of 3.62 million tons per year, further strengthening our position as the world's largest PVC manufacturer. In the semiconductor silicon business, the whole company is working as one to promote research and development, innovate the production process and ensure stable supply to satisfy customer demands for high-quality products. In all our businesses, such as the silicones business and the electronics & functional materials business, we are actively investing resources, including human resources and capital, into R&D and the

enhancement of facilities for future growth.

Achieving a sustainable society and curbing the environmental impact is a challenge for the entire world. Contributing to the SDGs is one of our management principles. We are developing and launching materials that will help solve SDG-related issues, and working to curb the environmental impact and reduce greenhouse gas emissions. Up to now, we have produced many products that serve to prevent global warming. PVC products contribute to the effective use of resources and energy savings, as well as to the reduction of waste through recycling. In addition, semiconductor silicon, rare earth magnets, and silicone resins are essential materials for electric vehicles and information and communication devices. These products contribute to energy conservation and the advancement of digital transformation (DX) in society as a whole. We are tackling the effective use of resources and the reduction of greenhouse gas emissions by promoting further innovation in production technologies. We will continue to achieve a sustainable society by focusing on the development and stable supply of high-quality materials and products, and on the advancement of production technologies.

Our aim is to further enhance our corporate value by working together with you to achieve growth. We would like to thank all of you for your continued understanding and support.

A handwritten signature in dark ink, appearing to read 'Chihiro Kanagawa'.

Chairman
Chihiro Kanagawa

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.

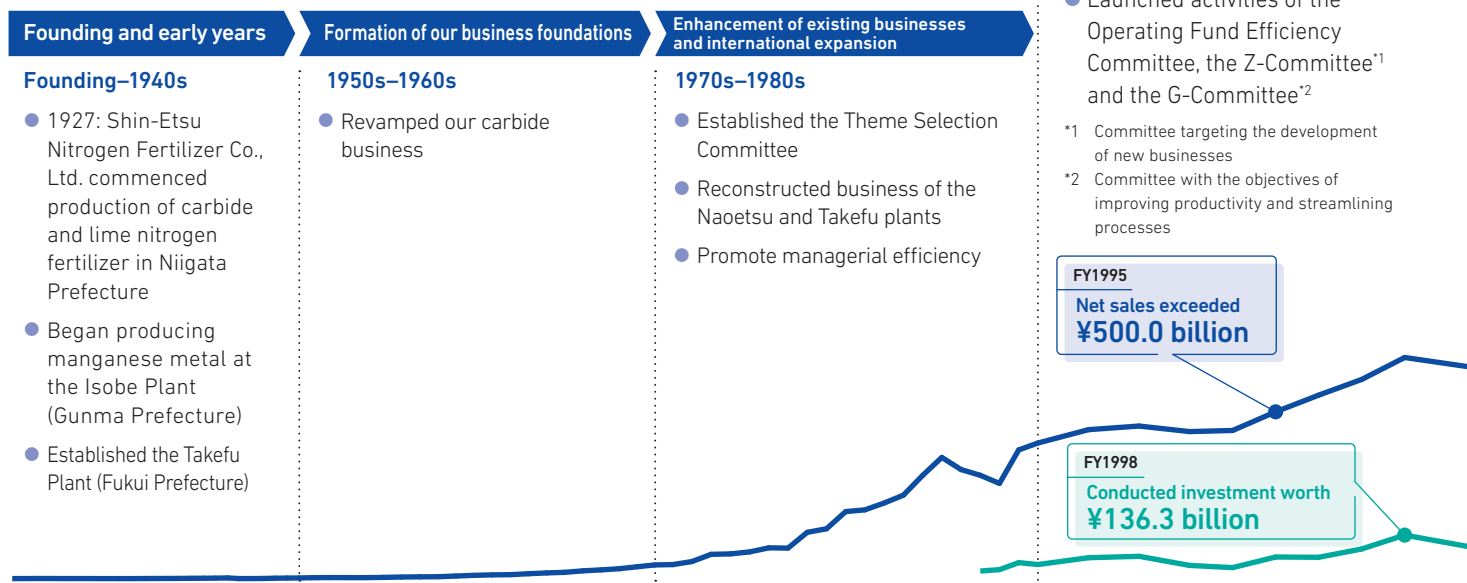
I sincerely thank our shareholders for your confidence, our customers for their partnership and our entire Shin-Etsu team for their dedication to our operations.



President
Yasuhiko Saitoh

Value Creation: Past and Future

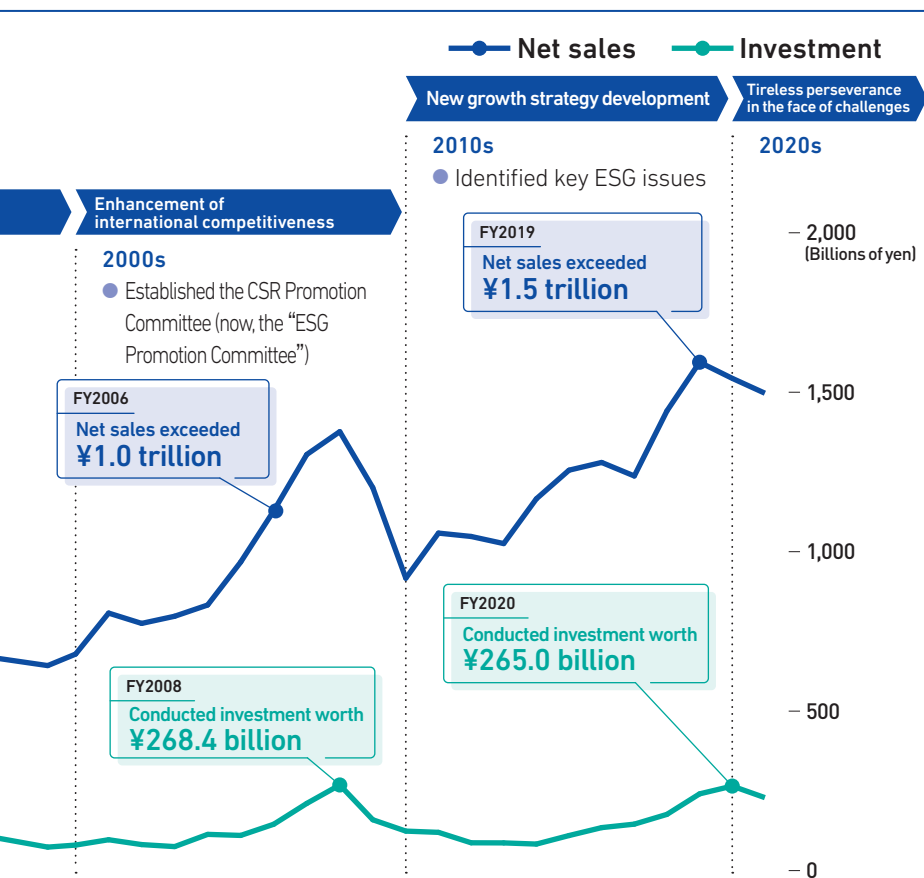
The Shin-Etsu Group produces a variety of products that fulfill both societal demand and changing requirements. In the future, we will continue to contribute to the resolution of societal issues by creating new value.



Note: Net sales for FY1926–FY1977 are non-consolidated, whereas net sales recorded since the beginning of FY1978 are consolidated. The Company began collecting data concerning total investment in FY1987.

PVC/ Chlor-Alkali Business	<ul style="list-style-type: none"> Launched PVC production in Japan Established a PVC business in Portugal 	<ul style="list-style-type: none"> Shintech launched PVC production in Freeport, Texas Established the Kashima Industrial Complex (Japan) 	<ul style="list-style-type: none"> Shintech increased its production capacity in the state of Texas Expanded PVC operations in Europe (through corporate acquisition)
Semiconductor Silicon Business	<ul style="list-style-type: none"> Established Shin-Etsu Handotai Co., Ltd. 	<ul style="list-style-type: none"> Overseas expansion (plant construction in Malaysia, the U.S. and the U.K.) Completed construction of the Shirakawa Plant (Japan) 	<ul style="list-style-type: none"> Conducted plant expansion in Malaysia Constructed a production plant in Taiwan
Silicones Business	<ul style="list-style-type: none"> Began production of silicone 	<ul style="list-style-type: none"> Overseas expansion (U.S., South Korea, Taiwan and the Netherlands) 	<ul style="list-style-type: none"> Increased monomer production capacity at the Matsuida Plant (Japan)
Electronics & Functional Materials Business	<ul style="list-style-type: none"> Began production of high-purity rare earths at the Takefu Plant (Japan) 	<ul style="list-style-type: none"> Began production of rare earth magnets Began production of epoxy molding compound (EMC) Began manufacturing synthetic quartz substrates used for IC photomask Began production of optical fiber preform 	<ul style="list-style-type: none"> Commercialized photoresists Developed pellicles and liquid fluoroelastomers Began EMC production in Malaysia
Specialty Chemicals Business	<ul style="list-style-type: none"> Commercialized vinyl chloride-vinyl acetate based copolymer, VAM, PVA and cellulose 	<ul style="list-style-type: none"> Developed aroma chemicals and synthetic pheromones 	<ul style="list-style-type: none"> Began production of silicon metal in Australia (through corporate acquisition)
Processing, Trading & Specialized Services Business	<ul style="list-style-type: none"> Established Shin-Etsu Polymer Established Shin-Etsu Astech 	<ul style="list-style-type: none"> Established Shin-Etsu Engineering 	

Societal trends	1950s–1960s	1970s	1980s	1990s
	Sharp economic growth	Two separate oil crises	Plaza Accord Japanese asset price bubble (Heisei economic boom)	Collapse of the bubble economy Spread of information and telecommunications technology



- Shintech launched production in Addis, Louisiana
- Shintech built an integrated plant complex (Plaquemine, Louisiana) from the raw materials stage
- Shintech increased its production capacity in the state of Louisiana
- Shintech launched ethylene production in the state of Louisiana
- Shintech increased its production capacity in the state of Louisiana
- Began mass production of 300mm wafers
- Increased production capacity in Japan and the U.S.
- Constructed a monomer and polymer plant in Thailand
- Constructed a polymer plant in China (in Nantong)
- Increased monomer production capacity in Japan and Thailand
- Constructed a preform manufacturing facility within the Kashima Plant and began mass production (Japan)
- Developed photomask blanks
- Developed high-brightness LED materials
- Developed the new alloying process by grain boundary diffusion for the production of rare earth magnets used in the production of rare earth magnets
- Constructed rare earth refinement and magnet production plants in Vietnam
- Built a photoresist plant in Taiwan
- Constructed a preform production plant in China (Jiangyin/Zhejiang)
- Constructed a new photomask blanks plant in Fukui Prefecture (Japan)
- Increased photoresist production capacities in Japan and Taiwan
- Constructed low dielectric constant thermosetting resin plant facilities (a 5G-related product)
- Began production of cellulose in Germany (through corporate acquisition)
- Established a new manufacturing plant for cellulose derivatives for coating applications in the U.S.
- Increased cellulose production capacity in Japan and Germany

2000s

IT bubble collapse
2008 global financial crisis

2010s

Great East Japan Earthquake
Adoption of the Sustainable Development Goals

2020s

Spread of the
COVID-19 pandemic

Societal issues and challenges facing the Shin-Etsu Group

Challenges

Creating new social value by providing products and technologies that contribute to “connectivity,” “energy/resource efficiency,” “productivity enhancement,” “smart infrastructure” and “health enhancement”

Societal issues

DX

Digital transformation

Climate change countermeasures

Decarbonization

Carbon neutrality

Effective use of resources

Sustainable procurement

Health

Safety and security

The Shin-Etsu Group at Present

The Shin-Etsu Group is creating unrivaled value through the provision of key material and technologies. In support of this aim, the Company generates products that fulfill market needs and contribute to the resolution of societal issues through an integrated process encompassing manufacture, development and sales. At the same time, we are pursuing world-class technology and quality while relentlessly striving to improve productivity. We also strive to respond swiftly to changes in economic conditions and our business environment while stably delivering products to customers throughout the world.

Corporate Resources



Number of employees
24,069



Locations
Plants in Japan:
27 plants at
16 companies
Plants and sales bases overseas:
93 locations in
19 countries



Research centers
12 locations



Equity ratio
83.2%



Business partners
Relationships built on mutual trust and strong partnerships



Capital investment
¥228.8 billion

The Triangular Link



Strengthening Our Manufacturing Foundation



Points of Focus as We Target Sustainable Societies

Connectivity

Energy/
Resource
Efficiency

Productivity
Enhancement

Smart
Infrastructure

Health
Enhancement

Results and Value Created



Financial results

	FY2010	FY2020
Net sales	¥1,058.3 billion	¥1,496.9 billion
Operating income	¥149.2 billion	¥392.2 billion
Net income after taxes	¥100.1 billion	¥293.7 billion
ROIC	9.7%	17.2%
ROE	7.0%	10.7%
Cash dividend per share	¥100	¥250



Market capitalization

	March 31, 2011	March 31, 2021
	¥1,786.8 billion	¥7,754.1 billion



Ratings Moody's Long-term Ratings **Aa3**



Patents acquired and held

Patents acquired	1,842
Patents held	21,222



Market share

PVC, semiconductor silicon, pheromone formulations	Global rank: No. 1
Cellulose derivatives	Global rank: No. 2 Japan rank: No. 1
Silicones	Global rank: No. 4 Japan rank: No. 1



Sales composition ratio of environmental products*

14.2%



Greenhouse gas emission intensity (compared with FY1990)

46.4% reduction



Composition ratio of overseas sales

74.0%

As of March 31, 2021

*Products that contribute to the achievement of Sustainable Development Goals 7 (affordable and clean energy) and 13 (climate action)

Response to robust global demand for housing and infrastructure

PVC

A material that helps resolve societal issues

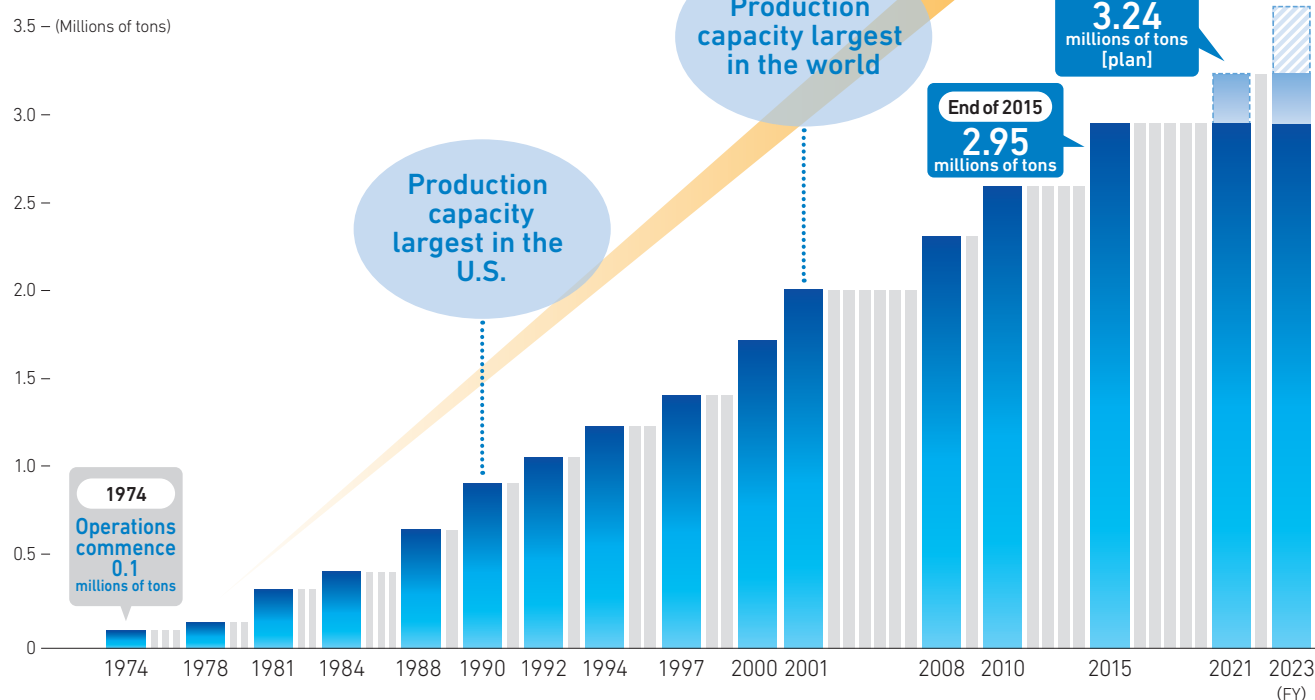
PVC is widely used in categories that are essential to our lives, including water supply and sewerage systems and other infrastructure (social infrastructure); housing; agriculture; and everyday products. Sheets and film made from PVC are being used throughout society as a method of preventing the spread of COVID-19; these include medical gloves, face guards and partitions that help thwart transmission of the virus through saliva droplets. The production of PVC requires little reliance on petroleum resources, and PVC contributes to the efficient use of resources and decarbonization primarily through its facilitation of quickly implementable recycling initiatives.

Annual usage of PVC around the world has increased at an annual rate of about 3% over the past 10 years, exceeding 45 million tons in 2018. Shintech, Inc., a Shin-Etsu Group company located in the U.S., is continuously augmenting its production capacity in response to robust demand stemming primarily from North America and emerging nations.

Production Capacity Augmentation

Since it launched operations in 1974, Shintech has risen in prominence through its high-performance production system and its ongoing expansion of production facilities. Currently, it responds to global PVC demand as the world's largest PVC manufacturer. After Shintech implements planned efforts aimed at expanding its production capacity in mid-2021, it will continue to expand its production facilities and targets annual production of 3.62 million tons in 2023 (up about 20% compared with 2020).

Shintech PVC Production Capacity



PVC and Reduction of CO₂ Emissions

In response to the urgent global issue of climate change, we must curb CO₂ emissions generated throughout the life cycles of our products, spanning from material production to disposal. PVC can be accurately described as a material that contributes to the reduction of CO₂ emissions in the following ways:

1 Curtailment of greenhouse gas emissions generated during the manufacturing process

- Chloride accounts for about 60% of the raw materials used in PVC, which, compared to other plastics, can be produced with low reliance on petroleum resources, thereby limiting the CO₂ emissions generated during the manufacturing process.
- PVC products require less energy to manufacture compared to products made from alternative materials (e.g., iron, glass) that serve the same purposes (iron pipes, glass greenhouses, etc.).

2 Contribution to global warming prevention

Long product life

PVC is primarily used in pipes and building materials, and PVC products contribute to resource conservation through their long service lives, which exceed those of other plastic products (PVC pipes have been assessed as having service lives more than 50 years).

Thermal insulation

PVC-framed windows have superior thermal insulation properties (62% improvement in thermal insulation compared to aluminum-framed single-plane glass windows) that help save energy and contribute to the curtailment of CO₂ emissions

3 Curtailment of greenhouse gas emissions emitted during disposal and recycling processes

- PVC can be recycled at a rate of about 33%, which is higher than the rates associated with other plastics.

Reference: Vinyl Environmental Council (VEC) website

Operations Launched at Shintech's Ethylene Plant Strengthening our stable production system

In 2020, we started producing ethylene, one of the key raw materials used in PVC, and we now manufacture about half of the ethylene that we previously procured from external sources in-house. We are currently striving to stabilize our raw material supply to ensure ongoing and steady production of PVC ahead of anticipated growth in demand.

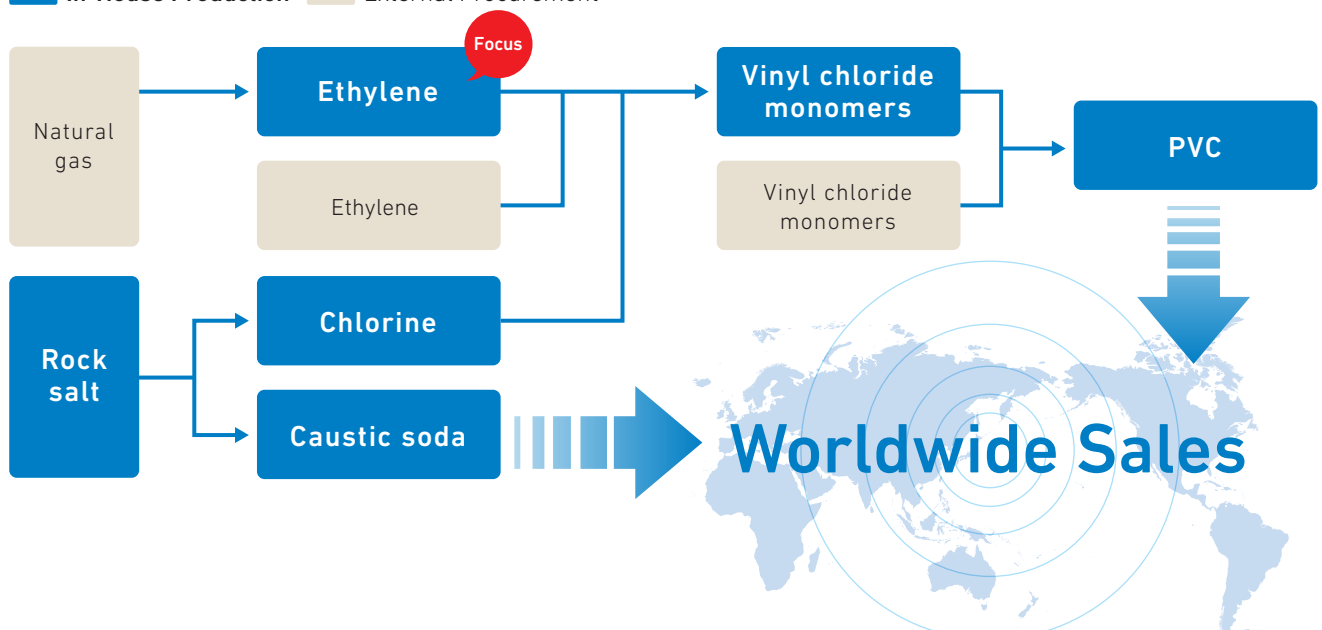


Focus

Ethylene plant started operations in 2020

Shintech's Integrated Production Facilities

■ In-House Production ■ External Procurement



Special Feature

Support Digitalization and Environmentally Friendly Economics and Societies

Semi-conductors

Providing a Wide Range of Materials and Products That Are Essential to Semiconductor Manufacturing

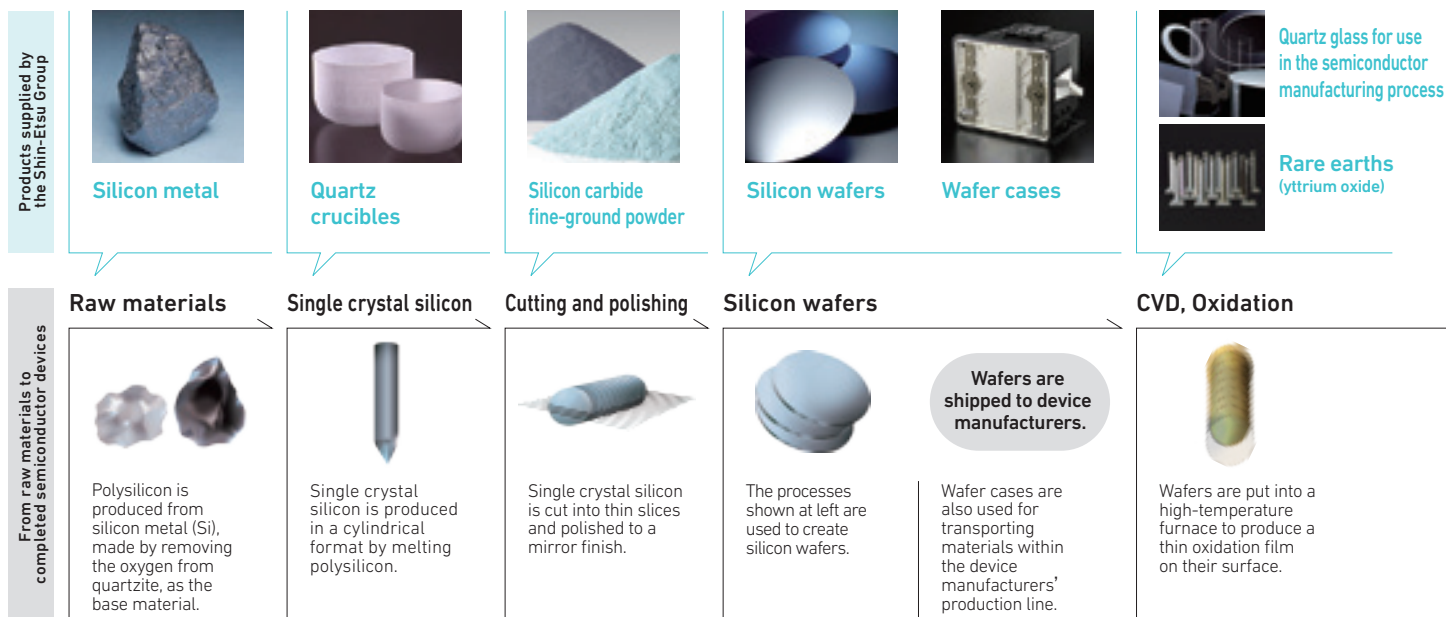
To achieve sustainable societies, it is essential to improve productivity and efficiency through digitalization in all industrial fields while improving living environments and convenience for the general population. Also pressing is the need to establish environmentally friendly economies and societies through measures such as efficient energy use and the curtailment of greenhouse gas emissions.

Semiconductors provide foundational support for both digitalization and the implementation of environmentally friendly processes and policies.

The Shin-Etsu Group provides a wide range of materials and products, including silicon wafers, which are a core material used in the production of semiconductors, and other elements that are indispensable to semiconductor manufacturing, such as photoresists, photomask blanks and encapsulant materials.

Note: For individual product details, see the table below (Shin-Etsu Group products associated with the overall semiconductor manufacturing process).

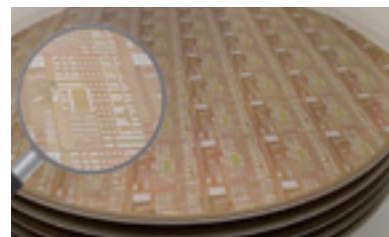
Shin-Etsu Group products associated with the overall semiconductor manufacturing process



Gallium Nitride (GaN)

Initiatives Targeting New Materials and Technologies

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 large-diameter GaN products.

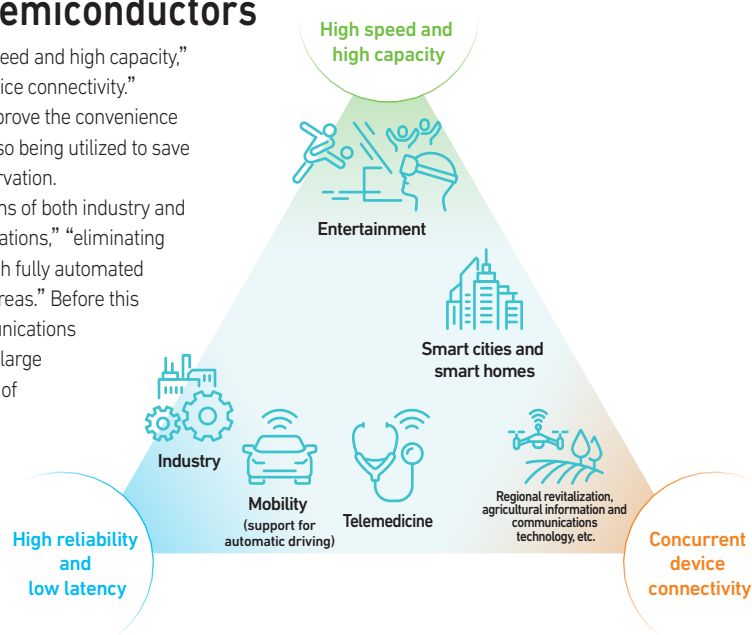


Support for the Development of 5G Technology through Semiconductors

5G telecommunications technology provides “high speed and high capacity,” “high reliability and low latency” and “concurrent device connectivity.” Accordingly, this technology is expected to greatly improve the convenience of both business and people’s everyday lives while also being utilized to save energy and contribute to global environmental conservation.

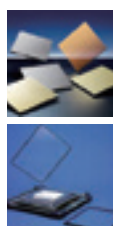
5G technology will expand our capabilities in terms of both industry and our private lives by “supporting work styles for all locations,” “eliminating labor shortages and reducing traffic accidents through fully automated driving” and “facilitating medical support in remote areas.” Before this technology can be utilized, 5G-compatible telecommunications equipment and infrastructure must be established. A large volume of semiconductors that are superior in terms of performance, power efficiency and cost is utilized to construct these essential elements of 5G technology.

The Shin-Etsu Group supports the ongoing evolution of semiconductors, which advances forward day by day, by providing the necessary materials and technologies.



Synthetic quartz photomask substrates

Photoresist



Photomask blanks

Pellicles (dust protection covers for photomask substrates)



Encapsulating materials



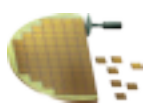
Thermal interface materials

Pattern formation



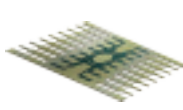
Special photosensitive materials (photoresists) are applied, circuit patterns are baked in and developed, and the surface is processed.

Dicing



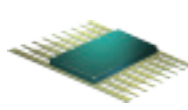
Individual wafers are cut away and made into integrated circuit chips.

Assembly



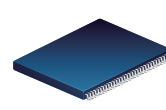
Using wire, the chips are connected electrically to a circuit board.

Resin sealing



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

Semiconductor devices



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

Final product



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 covers for 5G compatible wireless devices.



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 superhigh-frequency 5G (10–80 GHz). It is also ideal for use in materials such as flexible copper-clad laminate (FCCL) and adhesives.



Multifaceted Sustainability Initiatives

The Shin-Etsu Group aims to achieve sustainable societies and sustainable corporate growth.

Accordingly, the Group is contributing to the resolution of societal issues by putting its Business Principle* into practice.

At the same time, the Group is enhancing its ESG promotion system in a multifaceted manner as it aims to create medium- to long-term value with a central focus on human resources development, the environment and governance.

*See the Business Principle page (opening page) for more details

ESG Promotion

The Group views the implementation of its Business Principle and the making of contributions that benefit shareholders, investors, customers, suppliers, 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 department 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.

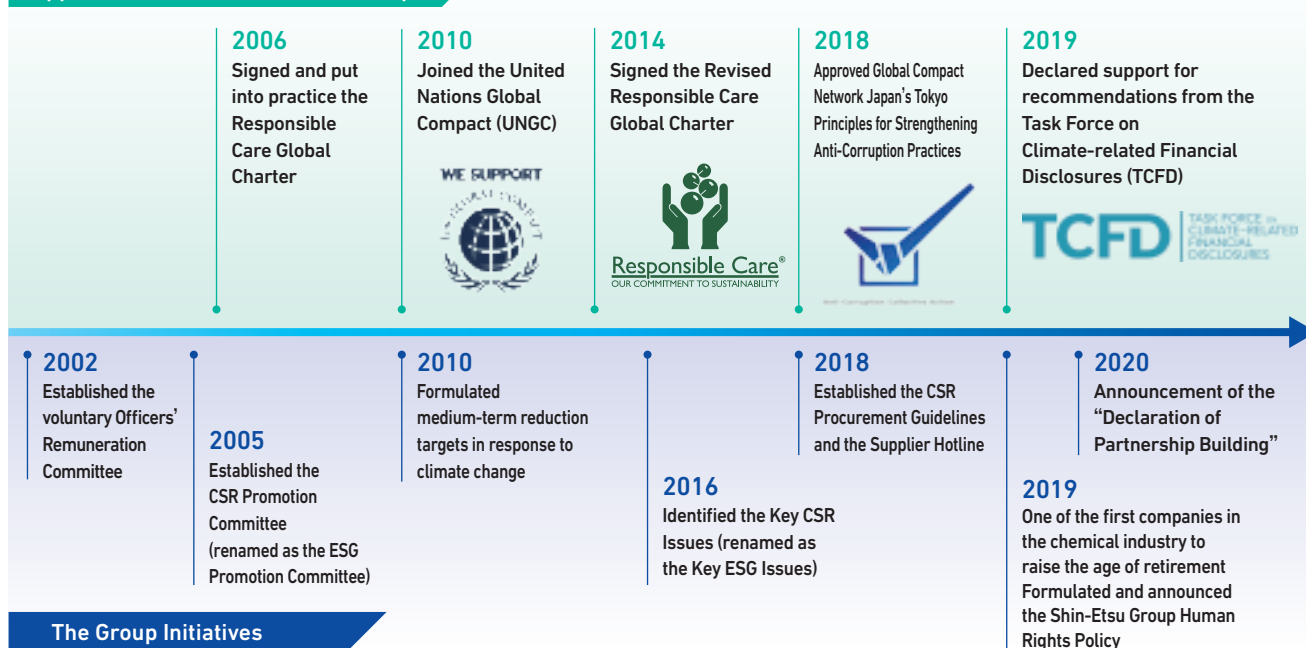
Basic ESG Policy

The Shin-Etsu Group will:

1. Do our best to increase the Group's corporate value through sustainable growth and make multifaceted contributions to society.
2. Carry out all of our company activities by always prioritizing safety first.
3. Constantly pursue the reduction of energy consumed, resources consumed, and environmental impact, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
4. Endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
5. Strive to respect human rights, assure equality in employment opportunities, and support the self-fulfillment of our employees.
6. Appropriately disclose information in a timely manner.
7. Carry out healthy, trustworthy, transparent corporate activities based on the integrity of the Group's ethical values.

History of ESG Activity Enhancement

Support for Global Charter and Principles



FY2020 Initiatives

To strengthen ESG activities, the ESG Promotion Committee identified the following three issues as challenges the Group should undertake in FY2020:

Three Issues

1 Integration of SDGs*¹ with Management

2 Human Rights Due Diligence*²

3 Response to the TCFD*³

*1 Sustainable Development Goals

*2 Recognize, prevent and address adverse human rights-related impact stemming from both inside and outside the Company by repeatedly applying the PDCA cycle, which involves formulating and disclosing human rights policies, assessing the impact of the Company's business activities on human rights, preventing and rectifying any negative impact, and tracking and disclosing related performance.

*3 Task Force on Climate-related Financial Disclosures

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.

1 Integration of SDGs with Management

In accordance with its Business Principle, the Shin-Etsu Group provides a diverse range of products that contribute to the achievement of the SDGs publicized by the United Nations. As in FY2019, the Group promoted “contribute to the SDGs” as one of its management objectives in FY2020 as it encouraged groupwide awareness concerning these goals.

In FY2020, 98.6% of Shin-Etsu Chemical's investment projects involved contributing to the achievement of SDGs, and investment in energy conservation and CO₂ emission reduction reached ¥4.8 billion, cutting greenhouse gas emissions by a total of 15,665 CO₂ tons.

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 groupwide 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 protection of privacy, respect for basic labor rights and the prohibition of child and forced labor. As part of our due diligence concerning human rights, we began conducting human rights-related risk assessments at Group companies worldwide in December 2019 and launched corresponding follow-up activities in FY2020. Moving forward, we will utilize the results of these assessments to identify the human rights-related risks facing the Group and address any salient human rights issues within our organization.

*International Labour Organization

3 Response to the 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 FY2020, we identified and analyzed the risks and opportunities posed to our organization by climate change. As we move forward, we will continue to strengthen our disclosure of climate change-related information in accordance with the TCFD's recommendations through measures such as climate change scenario analyses.

Multifaceted Sustainability Initiatives

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 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 (see the figure below) by the Managing Directors' Meeting, which is a decision-making body for business execution attended by all of the Company's directors.

The CSR Promotion Committee was later developed into the ESG Promotion Committee, which reexamined these key issues. In December 2018, the Committee decided to retain all these issues as Key ESG Issues.

The Group recognizes legal compliance and fair corporate activities as the foundation of all of its corporate activities, and focuses on these nine key issues.

Key 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.

■ E (Environment) ■ S (Social)



Employees and contractors health and safety



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



Product quality improvements and product safety control



Promoting CSR procurement and the diversification of supply sources

**The foundation of all activities:
Legal compliance,
Fair corporate activities**



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



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

Key Issue		Risks and Opportunities (typical examples)	Corresponding Initiatives
E	The foundation of all activities Legal compliance, Fair corporate activities	<p>Risks Legal violations, unjust conduct or fraud, damages to corporate value caused by loss of societal trust, etc.</p> <p>Opportunities Formation of the foundation of corporate value, risk elimination, customer confidence creation, business opportunity expansion, hiring and retaining excellent human resources, etc.</p>	<ul style="list-style-type: none"> ● Raising of compliance awareness through methods including training ● Thorough bribery and corruption prevention measures, etc. 
	Energy-saving, resource-saving and reduction of the environmental impact	<p>Risks Strengthening of greenhouse gas regulations, raw material price rises, procurement difficulties, etc.</p> <p>Opportunities Enhancement of competitiveness through environmental burden reduction and productivity improvement, expansion in demand for products that contribute to environmental protection, etc.</p>	<ul style="list-style-type: none"> ● Acceleration of environmental burden reduction, response to climate change ● Water resource conservation ● Waste reduction, etc. <p>→ See the Environment section on page 18.</p>
S	Employees and contractors health and safety	<p>Risks Impact on local communities and employees caused by accidents and environmental issues, damage to equipment and facilities resulting from natural disasters, impact on operations associated with infectious diseases, etc.</p> <p>Opportunities Stable production and higher productivity achieved through accident prevention measures and new process development, etc.</p>	<ul style="list-style-type: none"> ● Safety training implementation ● Execution of environmental safety audits ● Improvement of workplace environments, etc. <p>→ See the Human Resources section on page 16.</p>
	Product quality improvements and product safety control	<p>Risks Loss of customer trust due to issues concerning product quality or safety, etc.</p> <p>Opportunities Fostering of customer trust through continuous timely delivery of products at pledged levels of quality, etc.</p>	<ul style="list-style-type: none"> ● Quality management ● Quality audits and technical support ● Product safety management, etc. 
	Promoting CSR procurement and the diversification of supply sources	<p>Risks Production suspensions and shipment delays caused by difficulties in procuring raw materials, etc.</p> <p>Opportunities Stable procurement at fair prices through diversified suppliers, gaining trust from customers and society through thorough adherence to CSR procurement, etc.</p>	<ul style="list-style-type: none"> ● Revision of the Shin-Etsu Group CSR Procurement Guidelines ● Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc., to the subcontractors ● Initiatives aimed at eliminating conflict minerals, etc. 
	Respect for human rights, the development of human resources and the promotion of diversity	<p>Risks Human rights violations committed through the Company's business activities or within its supply chain, etc.</p> <p>Opportunities Hiring and retaining excellent human resources through business activities grounded in respect for human rights, etc.</p>	<ul style="list-style-type: none"> ● Fostering employee awareness regarding human rights ● Promotion of diversity ● Enhancing work-life balance systems ● Conducting human rights due diligence, etc. <p>→ See the Human Resources section on page 16.</p>
	Respect for and protection of intellectual property	<p>Risks Delay in business progress caused by intellectual property infringement, etc.</p> <p>Opportunities Acceleration of in-house business development through safeguarding and utilizing intellectual property, etc.</p>	<ul style="list-style-type: none"> ● Appropriate management of intellectual property and information assets ● Cybersecurity enhancement, etc. 
	Contribution to industry and social initiatives	<p>Risks Loss of trust when business activities do not align with society's needs, etc.</p> <p>Opportunities Employment promotion and tax payment through stable business operations, fostering of trust-based relationships with local communities, etc.</p>	<ul style="list-style-type: none"> ● Fund-raising activities ● Local contribution activities, etc. 
	Accurate and timely information disclosure and communication with stakeholders	<p>Risks Damage to corporate value stemming from nondisclosure or incomplete disclosure of information, loss of stakeholder confidence, etc.</p> <p>Opportunities Establishment of appropriate market valuation, corporate value improvement, acquisition of trust from stakeholders and society, etc.</p>	<ul style="list-style-type: none"> ● Timely and appropriate disclosure of corporate information ● Promotion of dialogue with stakeholders, etc. 

 : For more details regarding our initiatives, please visit our sustainability site.
<https://www.shinetsu.co.jp/en/sustainability/>

Multifaceted Sustainability Initiatives

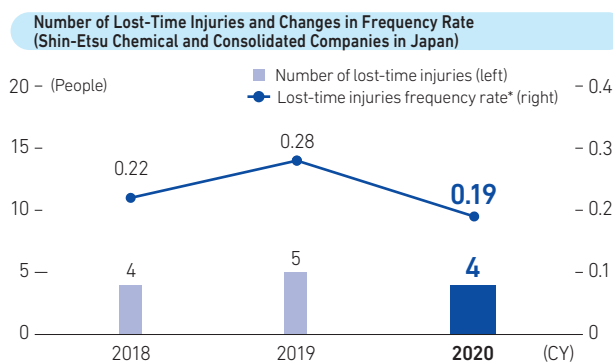
Human Resources

The Shin-Etsu Group believes that human resources provide the foundation for all its corporate activities. Due to this belief, our Basic ESG Policy clearly calls for the prioritization of safety, respect for human rights, the maintenance of equal employment opportunities and support. In FY2021, we specified the promotion of rewarding workplaces as one of our management objectives. Accordingly, we are focusing on creating environments in which individuals can feel secure working, developing human resources and ensuring diversity.

Key Issue: Employees and contractor health and safety

Creating Safe and Secure Workplaces

The Group targets the prevention of all serious accidents and lost-time accidents. We are thoroughly identifying risks that carry dangers of injury or illness through risk assessment while striving to build safe and comfortable workplaces.



Participants of Safety Education Programs

Coverage	FY2016	FY2017	FY2018	FY2019	FY2020
Shin-Etsu Chemical	7,970	9,751	11,774	19,411	32,527
Consolidated companies	22,166	24,829	28,013	39,328	46,998

Accident Prevention Initiatives

The Group conducts biannual Environmental Control and Safety Audits at all its manufacturing plants in spring and autumn. In FY2020, these audits focused primarily on the results of investigations concerning measures aimed at countering serious risks associated with plant operations, data returned by self-conducted security evaluations, the status of independent activities targeting improvement in evaluation results and future activity plans. The Group will utilize the data returned by these audits to ensure stable operations and prevent disasters.

In addition, the Group has been accepting suggestions related to close-call incidents*¹ or other concerns as a bottom-up activity at each site for many years. In FY2020, Shin-Etsu Chemical received 7,131 suggestions*² related to close-call incidents that occurred at four of its plants. These activities have contributed to a large number of safety-related improvements.

*¹ Frightening or startling events experienced by workers at their workplaces or personal environments

*² Examples of some of these suggestions have been posted on our corporate website, which is updated periodically.

Physical and Mental Health of Employees

Mental Health Workshop

We provide mental health workshop to ensure that our employees can continue to perform enthusiastically. In addition, we provide mental counseling and individual health guidance for employees working long hours.



Remote health guidance session
(October 2020)

COVID-19 Infection Prevention Measures

We thoroughly implement a variety of infection prevention measures, including temperature checks for employees arriving at work, mandatory mask wearing for employees during commuting and working hours, compulsory hand sanitization, temperature checks for visitors, holding online meetings and a ban on business trips. At our Head Office and branch offices, we are reducing the percentage of employees who need to report to physical work locations while promoting teleworking.



Commuting while implementing COVID-19 infection prevention measures (Philippines)
(December 2020)

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.

In addition, we are striving to ensure that our employees can maintain their collective health, achieve their goals and develop their careers through the creation of comfortable workspaces and human resource development.

With the goal of responding to external environmental changes and global business expansion, the Group is implementing local recruitment overseas while striving to hire foreign nationals within Japan. In addition, we are promoting diversity; for example, in FY2016, we set targets to facilitate active participation from female employees.

Shin-Etsu Chemical raised its retirement age from 60 to 65 in April 2019, which was relatively early 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.

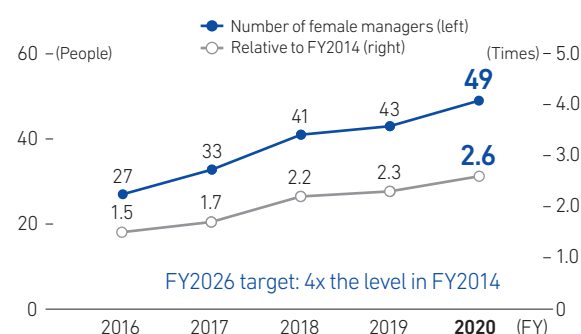
Goals to Promote Women's Participation and Advancement*

In the next five years from FY2021, 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 managers, will increase 4x compared with the level in FY2014.

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

Number of Female Managers*



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

Work-Life Balance

Childcare Support System

The Shin-Etsu Group's childcare leave system can be utilized by employees with children who are less than three years of age.

In addition, our short-time work system is available to childrearing employees until their children have graduated from primary school, or sixth grade. At the same time, we encourage employees to take advantage of our teleworking system.

In FY2020, 66 female employees and 84 male employees were utilizing our childcare leave system.

Nursing Care Support System

The Shin-Etsu Group has established a nursing care support system for employees who work while providing nursing care for their relatives or other important individuals. Through this system, we have established an environment that allows employees to fulfill their duties while continuing to provide this essential care. In FY2014, we began providing a "Health Management and Nursing Care Support" service and established a consultation office consisting of external experts.

In FY2020, two employees were taking advantage of our nursing care leave system.

Human Resource Development

Shin-Etsu Chemical is always on the lookout for human resources who are flexible and creative enough to respond to any changes in the business environment and possess a drive that enables them to take on challenges without fear against changes. As people are nurtured by their environments, we ensure that career planning initiatives are focused on on-the-job training (OJT) facilitated through routine operations. Organized and systematic training is also important, but we believe that true growth is achieved through the accumulation of daily experience.

Our human resource development efforts also involve giving young employees opportunities to participate in overseas operations and major projects as full-fledged members of our organization. We are expediting the development of employee skills, facilitating the cultivation of human resources and fostering a collective willingness to take on new challenges by allowing our employees to tackle issues that come with participation in higher-quality work and providing them with chances to work and share a sense of accomplishment with experienced senior employees and supervisors. In accordance with our view that employee growth leads to corporate growth, we are promoting training that is tailored to meet the needs of individual employees rather than utilizing a one-size-fits-all approach.



Employees working at Shintech's ethylene plant

Multifaceted Sustainability Initiatives

Environment

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.

Climate Change Response

Through its business activities, the Shin-Etsu Group is striving to reduce greenhouse gas emissions as it targets the global goal of achieving carbon neutrality by 2050.

Characteristics of the Shin-Etsu Group's Products

1	Low dependence on petroleum	3	Contribution to the reduction of greenhouse gas emissions
2	Thorough energy conservation through associated manufacturing processes	4	Low-carbon products and highly recyclable products

Climate Change Response System

Chaired by our president, the ESG Promotion Committee is playing a central role as we implement climate change countermeasures. In FY2020, the Committee held 12 breakout sessions regarding climate change. Members involved in these breakout sessions made proposals regarding climate change response to the Managing Directors' Meeting, which is responsible for reviewing and making decisions regarding operational execution. These proposals were later approved following thorough deliberation.

Climate Change Response Strategy

The Shin-Etsu Group is promoting the following initiatives as it aims to reduce its environmental burden and realize the sustainable development of human society.

- 1) Reduction of greenhouse gas emissions through thorough improvements in production efficiency
- 2) Through development, production and supply of environment-contributing products, contributing to the efficiency of customers' production processes, expecting to spread throughout society
- 3) Utilization of renewable energy
- 4) Reduction of greenhouse gas emissions in Logistics
- 5) Measures and implementation to reduce the greenhouse gas emissions

Risks and Opportunities Posed to Our Business Activities by Climate Change

The Risk Management Committee, which is composed of directors and division managers from Shin-Etsu Chemical, is working to eliminate or prepare for a variety of business-related risks, including those stemming from climate change. In FY2020, we conducted a scenario analysis of our business and identified risks and opportunities that climate change would pose to our business activities. Moving forward, we will continue to conduct these analyses while targeting an expanded range of businesses.

Business Opportunities Stemming from Climate Change: A scenario for a 2°C rise

Application	Details	Degree of impact
PVC-framed windows	<ul style="list-style-type: none"> Demand for PVC window frames (PVC-framed windows) that offer superior thermal insulation will increase along with the spread of energy-efficient homes 	Large
Electric vehicles, hybrid vehicles and fuel-cell vehicles	<ul style="list-style-type: none"> Demand will increase for semiconductor silicon used in inverter controllers and other power semiconductor devices, automatic driving technology and AI technology Use of high-performance and compact rare earth magnets that help increase fuel efficiency by reducing vehicle body weight will increase <p>For more details, see the section on page 19 entitled "Shin-Etsu Group Products That Support Environmentally Friendly Vehicles"</p>	Large
Wind power generators	<ul style="list-style-type: none"> Demand will increase for rare earth magnets that contribute to higher generator efficiency and maintenance cost reduction 	Large
Air conditioners	<ul style="list-style-type: none"> Demand will expand for semiconductor silicon, which is used in inverter control devices attached to compressor motors and contributes to the reduction of power consumption Demand will expand for rare earth magnets that raise the energy efficiency of compressor motors and reduce power consumption 	Medium
Aircraft	<ul style="list-style-type: none"> Demand will expand for small and powerful rare earth magnets that are essential for conversion to electric and hybrid power sources; this will contribute to fuselage weight reduction and improved fuel efficiency 	Medium
Industrial motors	<ul style="list-style-type: none"> Demand will expand for rare earth magnets that raise the efficiency of industrial motors and reduce power consumption 	Medium
Service robots	<ul style="list-style-type: none"> Demand will increase for semiconductor silicon used in semiconductors for energy-saving robot control motors, as well as in medical and disaster response robots. 	Medium

Business Risks due to Climate Change and Countermeasures: A scenario for a 2°C rise

Events	Risks to the Company	Impact	Countermeasures
Rising electricity prices resulting from tightening regulations on greenhouse gas emissions	<ul style="list-style-type: none"> ● Increase in electricity costs 	Large	<ul style="list-style-type: none"> ● Reduce Scope 2 emissions* (further promotion of production processes that use less electricity, introduction of high-efficiency equipment, etc.)
Introduction of carbon taxes and establishment of carbon emission quotas around the world	<ul style="list-style-type: none"> ● Payment of carbon tax ● Incurring costs of purchasing emission credits to meet carbon emission quotas 	Medium	<ul style="list-style-type: none"> ● Reduce Scope 1 emissions* (further promotion of more efficient production processes, use of energy sources that do not emit CO₂, etc.) ● Use of hydrogen-reduced iron materials ● Establishment and achievement of reduction targets in the absolute amount of greenhouse gas emissions ● Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Occurrence of extreme weather (typhoons, river flooding, etc.)	<ul style="list-style-type: none"> ● Flooding of production sites ● Disruption of the supply chain 	Small	<ul style="list-style-type: none"> ● Raising the ground level of production sites, installation of watertight walls around critical facilities ● Multiple production sites ● Diversification of raw material procurement sources ● Securing product inventory ● Enrollment in damage insurance

*Scope 1: Direct emissions from facilities owned and controlled by the Company (e.g., emissions generated during the combustion of substances such as heavy oil and natural gas)
 Scope 2: Emissions generated when producing energy purchased by the Company (e.g., emissions triggered when generating purchased electricity)

Business Risks due to Climate Change and Countermeasures: A scenario for a 4°C rise

Events	Risks to the Company	Impact	Countermeasures
Increase in the frequency of extreme weather events ----- Increased frequency of flooding caused by changes in precipitation patterns, etc.	<ul style="list-style-type: none"> ● Flooding of production sites ● Disruption of the supply chain 	Large	<ul style="list-style-type: none"> ● Raising the ground level of production sites, installation of watertight walls around critical facilities ● Multiple production sites ● Diversification of raw material procurement sources ● Securing product inventory ● Enrollment in damage insurance
Introduction of carbon taxes and establishment of carbon emission quotas in some countries	<ul style="list-style-type: none"> ● Payment of carbon tax ● Incurring costs of purchasing emission credits and payment of surcharges 	Small	<ul style="list-style-type: none"> ● Reduce Scope 1 emissions ● Use of hydrogen-reduced iron materials ● Establishment and achievement of reduction targets in the absolute amount of greenhouse gas emissions ● Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Electricity prices	<ul style="list-style-type: none"> ● According to a scenario analysis by IEA* (a scenario with current measures), electricity prices will not rise. Therefore, there is no risk to us. 	—	—

*International Energy Agency

Shin-Etsu Group Products That Support Environmentally Friendly Vehicles



We are supporting advancements in the field of mobility by promoting fuel efficiency in cars and other vehicles through the use of rare earth magnets, which combine strong magnetic power with compact size, and developing materials for high-capacity, lightweight and long-lasting lithium-ion batteries.

Rare Earth Magnets

Shin-Etsu Chemical's neodymium magnets*¹ are used in the drive motors and power generation motors that can be described as the hearts of environmentally friendly hybrid vehicles (HVs) and electric vehicles (EVs). Compared to conventional gasoline-powered vehicles, HVs can reduce the amount of CO₂ contained in exhaust emissions by 40%, while EVs can reduce this amount by 100%. Shin-Etsu Chemical estimates that environmentally friendly vehicles utilizing its neodymium magnets reduced CO₂ emissions by 280,000 tons in 2019. Assuming that these environmentally friendly vehicles will each be used for 10 years, we have calculated that they will reduce CO₂ emissions by about 3.0 million tons over this same 10-year period. Moving forward, the shift from gasoline-powered vehicles to environmentally friendly vehicles will accelerate, and in 2050, the rate of prevalence associated with EVs is projected to reach 100%.*² The primary production bases for Shin-Etsu Chemical's rare earth magnets are located in Japan (Fukui Prefecture) and Vietnam, and the suppliers that provide their electrical power respectively generate 34% and 47% of this power using renewable energy sources.

Moving forward, we will play an even larger role in reducing environmental impact through the products we provide.

*¹ Neodymium magnets: A type of rare earth magnet, neodymium magnets are primarily composed of neodymium, iron and boron and offer extremely strong magnetic intensity. With this powerful magnetic force, neodymium magnets help reduce the size of motors and other sources of motive power and contribute to energy conservation.

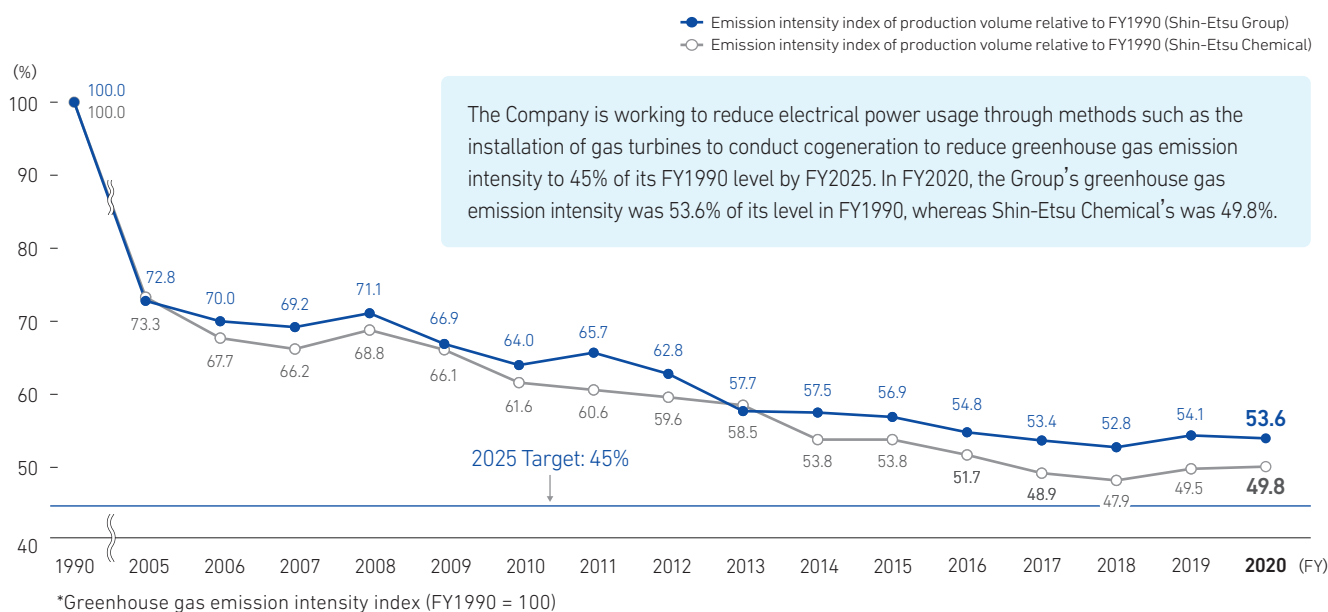
*² Source: The IEA's *Energy Technology Perspectives 2017*



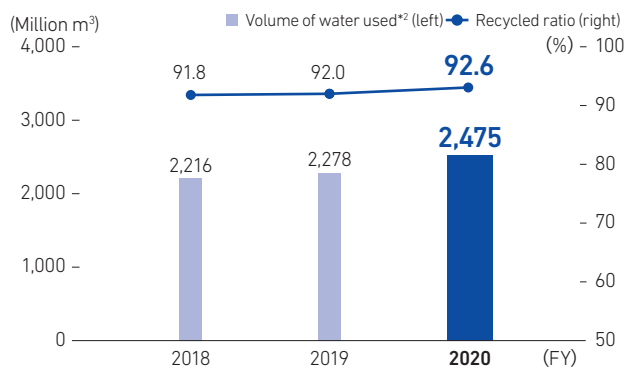
Multifaceted Sustainability Initiatives

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

Changes in Greenhouse Gas Emissions*



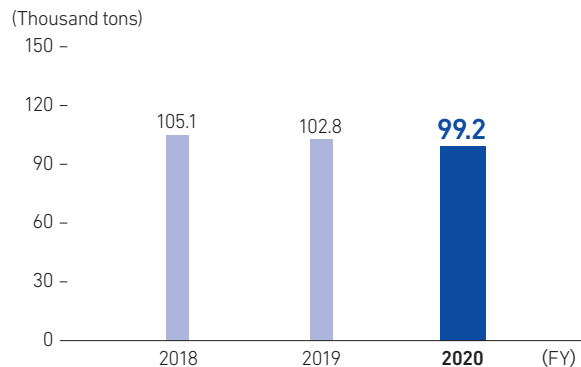
Water Usage*1



*1 Total quantity of water withdrawal and recycled water

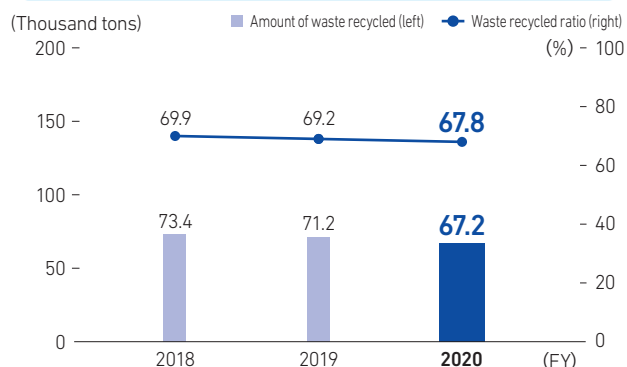
*2 The volume of water used includes Shin-Etsu Chemical and consolidated companies, amounts.

Amount of Waste Generated*



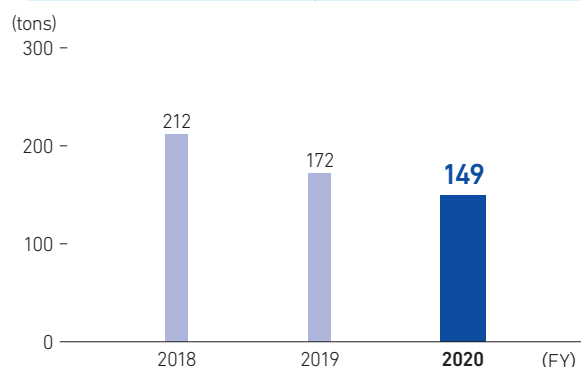
*Due to standards that differ by country, waste amounts include only waste from Shin-Etsu Chemical and domestic consolidated companies.

Amount of Waste Recycled*



*Due to standards that differ by country, waste amounts include only waste from Shin-Etsu Chemical and domestic consolidated companies.

Gross Discharge of Substances Designated under the Pollutant Release and Transfer Register (PRTR*) System



*Figures are totals for Shin-Etsu Chemical and domestic consolidated companies based on the PRTR system in the Law for Promotion of Chemical Management.



Governance

Corporate Governance

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

WEB https://www.shinetsu.co.jp/en/sustainability/esg_governance/

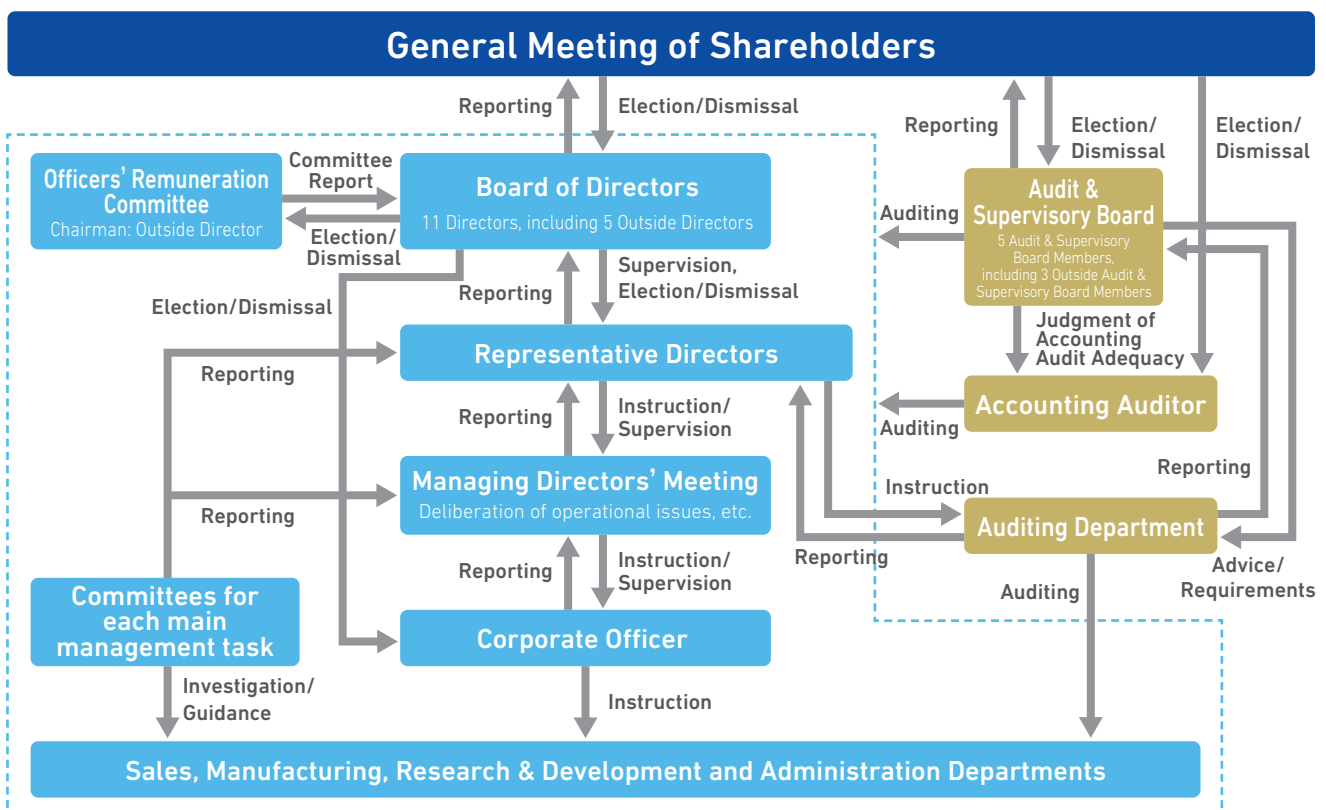
Basic Approach

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 29, 2021)

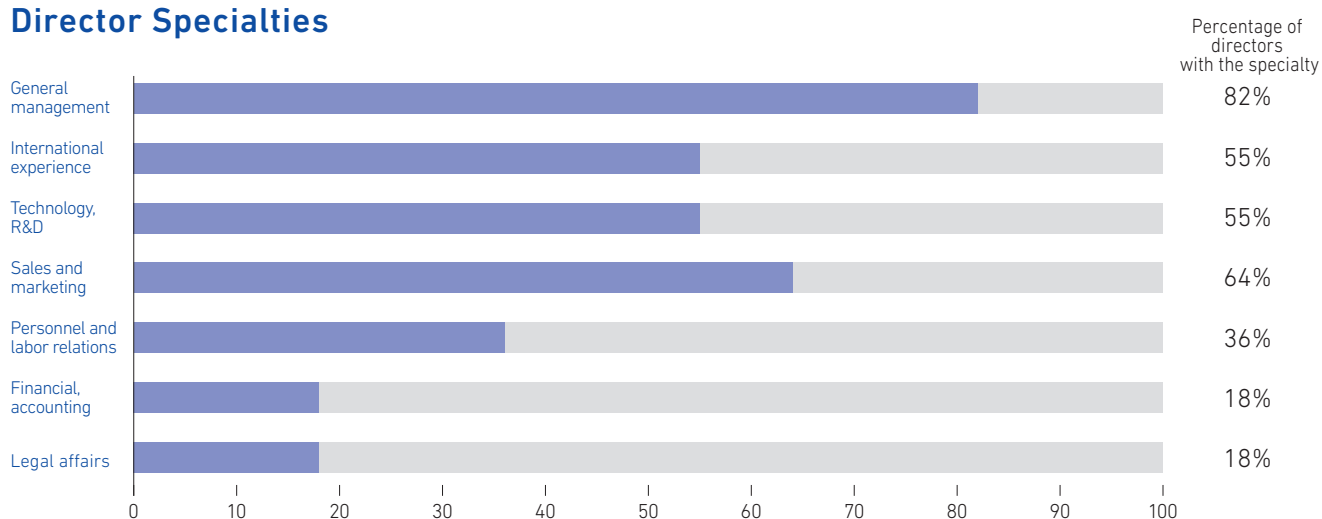
Shin-Etsu Chemical's Audit & Supervisory Board consists of five members, including three highly independent outside members. The Company strives to enhance human resources and systems that support audits conducted by Audit & Supervisory Board members and, by ensuring close cooperation between these members 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 & 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. We have established the position of Corporate Officer.



Multifaceted Sustainability Initiatives

Director Specialties



Officers' Remuneration

Shin-Etsu Chemical established the Officers' Remuneration Committee as an advisory body to the Board of Directors in 2002. With Outside Director Frank Peter Popoff serving as chairman, this Committee comprehensively examines and evaluates every director's contributions to performance and general management each fiscal year and reports results to the Board of Directors.

Basic Fundamental Policy regarding Remuneration and Its Calculation Method

The remuneration system of Directors shall be designed to contribute to the mid- to long-term enhancement of the corporate value of the Company, and the remuneration of Directors shall be determined by the Board of Directors based on the results of the review and evaluation by the Officers' Remuneration Committee as well as its opinion thereon. The remuneration shall consist of "fixed remuneration" determined as appropriate for each individual's position, job responsibilities, etc., and "performance-based remuneration" that takes into consideration the annual financial performance of the Company as an incentive for the enhancement of corporate value, as well as "stock options" as an incentive for higher motivation and morale to execute one's duties and to improve performance, and ultimately for the enhancement of shareholder value (stock price-linked remuneration).

On the other hand, the remuneration of Audit & Supervisory Board Members shall be determined through their mutual consultation. The remuneration shall consist of "fixed remuneration" determined as appropriate for each individual's job responsibilities as an Audit & Supervisory Board Member.

Outside Directors and Audit & Supervisory Board Members are not entitled to any "performance-based remuneration" or "stock options" as they are expected to perform supervisory and checking functions over management.

Remuneration Amount by Director Type and Its Detail, Number of Applicable Directors (for the year ended March 31, 2021)

Designation	Amount of remuneration, etc. by type (¥ million)			Number of recipients (People)	Amount of remuneration, etc. by type (¥ million)		Number of recipients (People)
	Fixed	Performance-based	Total		Non-monetary remuneration, etc.		
Directors (excluding Outside Directors)	1,071	565	1,637	17	214		16
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	—	36	2	—		—
Outside Directors and Outside Audit & Supervisory Board Members	165	—	165	8	—		—

Notes:

1. Includes one director who retired from the positions effective upon the conclusion of the 143rd General Shareholders' Meeting held on June 26, 2020.
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 of non-monetary remuneration, which consists of 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.
4. The above figures for "Fixed remuneration," "Performance-based remuneration, etc.," and "Non-monetary remuneration, etc." of the Directors do not include the employee salaries of Directors who serve concurrently as employees. Bonuses these individuals receive as standard employees are insignificant.
5. The total amount of remuneration issued to Directors (excluding Outside Directors), which consists of fixed, performance-based and non-monetary remuneration, etc., was ¥1,851 million.

Compliance

Internal Control System

Status of Internal Control System Development

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

Status of Audit & Supervisory Board Auditing and Internal Auditing

Members of Shin-Etsu Chemical's Audit & Supervisory Board attend important internal meetings, review vital documents and conduct web-based audits and other investigations concerning operational execution at business sites and subsidiaries. To enhance the effectiveness of these audits, they also receive quarterly reports and explanations regarding accounting audits from accounting auditors. In addition, they ensure proper collaboration by exchanging information and opinions as necessary. Personnel from the Auditing Department and Legal Department assist operations performed by Audit & Supervisory Board Members by simultaneously serving as Audit & Supervisory Board staff.

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 these 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 FY2020, our consolidated companies paid an approximate total of ¥101.4 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 principles therein. Please see the Corporate Governance Report for detail.

WEB https://www.shinetsu.co.jp/en/sustainability/esg_governance/

Activity Status of Outside Directors and Outside Audit & Supervisory Board Members (For the fiscal year ended March 31, 2021)

	Important concurrent positions (As of March 31, 2021)	Status of activities	Attendance at Board meetings (Year ended March 31, 2021)
 Outside Director Frank Peter Popoff		The Director shared his opinions and practical advice capitalizing on his management experience as CEO of the former The Dow Chemical Company, a U.S. company that has a long history as a global company, which have been of significant importance for the Company to expand its business overseas and enhance its corporate value. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 92%
 Outside Director Tsuyoshi Miyazaki	Adviser, Mitsubishi Logistics Corporation	The Director shared his beneficial recommendations concerning risk management, ESG, etc., capitalizing on his management experience at Mitsubishi Logistics Corporation and based on his wealth of experience and outstanding knowledge as a corporate manager. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
 Outside Director Toshihiko Fukui	President, The Canon Institute for Global Studies Outside Director, Kikkoman Corporation	The Director shared his beneficial recommendations concerning the risk, etc., in the global economy capitalizing on his outstanding knowledge and wealth of experience related to global finance and economy as an ex-Governor of the Bank of Japan. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
 Outside Director Hiroshi Komiyama	Chairman, Mitsubishi Research Institute, Inc.	The Director, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his beneficial recommendations concerning ESG, etc., including utilization of renewable energy sources capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
 Outside Director Kuniharu Nakamura	Director & Chairman, SUMITOMO CORPORATION Outside Director, NEC Corporation	The Director shared his beneficial recommendations concerning group management, etc., capitalizing on his management experience at SUMITOMO CORPORATION and based on his prominent knowledge of and abundant experience in international business in a wide variety of fields. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
 Outside Audit & Supervisory Board Member Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio University Law School Outside Director, YAMAHA CORPORATION	At the Audit & Supervisory Board meetings, he shared his comments from a legal specialist's point of view. In addition, he conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.	Board of Directors Meetings 92% Audit & Supervisory Board Meetings 100%
 Outside Audit & Supervisory Board Member Yoshihito Kosaka	C.P.A. Certified Public Tax Accountant Representative Partner, HIYU Certified Tax Accountants' Corporation	At the Audit & Supervisory Board meetings, he shared his comments from a finance and accounting specialist's point of view. In addition, he conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.	Board of Directors Meetings 100% Audit & Supervisory Board Meetings 100%
 Outside Audit & Supervisory Board Member Kiyoshi Nagano	Outside Director, LEC, INC.	At the Audit & Supervisory Board meetings, he shared his comments from an extensive viewpoint based on his management experience at the former Jasdac Securities Exchange, Inc. In addition, he conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.	Board of Directors Meetings 100% Audit & Supervisory Board Meetings 100%

Management

Board of Directors and Audit & Supervisory Board Members (As of June 29, 2021)



Representative Director-
Chairman
**Chihiro
Kanagawa**

Director & Chairman;
Founder of SHINTECH Inc.



Representative Director-
Vice Chairman
**Fumio
Akiya**

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



Representative Director-
President
**Yasuhiko
Saitoh**

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

Director, Senior Managing Corporate Officer	Susumu Ueno	In charge of Special Functional Products; General Manager, Silicone Div.
Director, Senior Managing Corporate Officer	Masahiko Todoroki	General Manager, Planning & Administration Dept., Semiconductor Materials Div., Senior Managing Director of Shin-Etsu Handotai Co., Ltd.
Director - Advisor	Shunzo Mori	
Director	Frank Peter Popoff*¹	
Director	Tsuyoshi Miyazaki*¹	Adviser, Mitsubishi Logistics Corporation
Director	Toshihiko Fukui*¹	President, The Canon Institute for Global Studies; Outside Director, Kikkoman Corporation
Director	Hiroshi Komiyama*¹	Chairman, Mitsubishi Research Institute, Inc.
Director	Kuniharu Nakamura*¹	Director & Chairman, SUMITOMO CORPORATION; Outside Director, NEC Corporation
Full-time Audit & Supervisory Board Member	Hiroaki Okamoto	
Full-time Audit & Supervisory Board Member	Hidenori Onezawa	
Audit & Supervisory Board Member	Yoshihito Kosaka*²	Representative Partner, HIYU Certified Tax Accountants' Corporation
Audit & Supervisory Board Member	Kiyoshi Nagano*²	Outside Director, LEC, INC.
Audit & Supervisory Board Member	Mitsuko Kagami*²	Partner Lawyer, KAGAMI Law Office; Outside Director, MEDIPAL HOLDINGS CORPORATION; Outside Director, Sotetsu Holdings, Inc.

*1. Indicates an Outside Director as defined in Item 15, Article 2, of the Corporations Law.

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

Corporate Officers (As of June 29, 2021)

Managing Corporate Officer	Toshiya Akimoto	In charge of Office of the Secretariat, Public Relations, Legal Affairs and Purchasing; General Manager, Office for Digitization and Digitalization
Managing Corporate Officer	Fumio Arai	General Manager, Organic Chemicals Div., Director & President of Shin-Etsu PVC B.V. and SE Tylose GmbH & Co. KG
Managing Corporate Officer	Yukihiro Matsui	In charge of Patents; General Manager, Electronics Materials Div.
Managing Corporate Officer	Masaki Miyajima	In charge of Advanced Materials; General Manager, PVC Div.
Managing Corporate Officer	Kenji Ikegami	In charge of General Affairs, Personnel & Labor Relations and Business Auditing
Corporate Officer	Toshiyuki Kasahara	In charge of Office of the President; General Manager, Finance & Accounting Dept.
Corporate Officer	Kazumasa Maruyama	General Manager, New Functional Materials Div.
Corporate Officer	Toshio Shiobara	In charge of R&D; Deputy General Manager, Electronics Materials Div. (In charge of Organic Electronics Materials)
Corporate Officer	Yoshimitsu Takahashi	In charge of Environmental Control & Safety; General Manager, Business Development Dept.
Corporate Officer	Kai Yasuoka	General Manager, International Div.

Non-Financial Data

ESG Highlights (For the fiscal years ended March 31)

	Unit	FY2018	FY2019	FY2020
Greenhouse gas* ¹ emissions	CO ₂ (1,000 tons)	5,959	6,116	6,091
Water usage* ¹ (Total quantity of water withdrawal and recycled water)	1,000,000m ³	2,216	2,278	2,475
Employees* ¹ Total (employees outside Japan)	People	21,735 (13,354)	22,783 (14,118)	24,069 (15,321)
Lost-time accident rate (frequency of lost-time incidents per million hours worked)* ^{2*4}	%	0.22	0.28	0.19
Turnover rate (represents only resignations due to personal reasons)* ³	%	0.7	0.7	1.0
Number of employees who have taken childcare leave (women/men)* ^{1*5}	People	100/90	91/71	66/84
Number of female managers* ¹	People	392	433	517
Waste generated* ^{2*6}	1,000 tons	105.1	102.8	99.2
Waste recycling rate* ^{2*6}	%	69.9	69.2	67.8

Effective in FY2020, we made the retroactive adjustments to the ranges of some statistics included in the corresponding non-financial data figures indicated above:

*1 Includes impact from Shin-Etsu Chemical and consolidated companies

*2 Includes impact from Shin-Etsu Chemical and domestic consolidated companies

*3 Includes only impact from Shin-Etsu Chemical

*4 Total for the calendar year

*5 Childcare leave periods are subject to the laws and ordinances of their respective countries and therefore vary by nation.

*6 Waste-related standards vary by nation.

Third-Party Evaluations



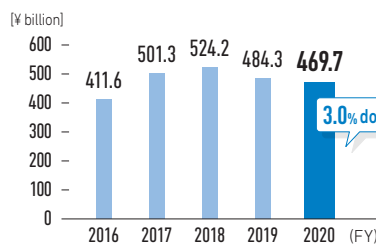
Note: The inclusion of Shin-Etsu Chemical Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Shin-Etsu Chemical Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive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

Business at a Glance

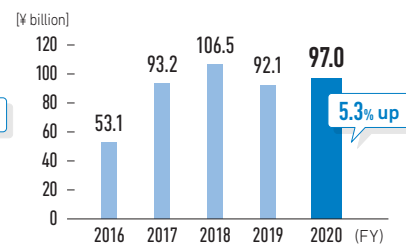
PVC/Chlor-Alkali Business

With regard to the PVC/Chlor-Alkali business, Shintech, Inc. in the U.S. continued to operate its plant at full capacity to maintain high shipment levels of both PVC and caustic soda. In April and May, it was influenced by market conditions caused by the restriction on economic activities. But, after that, the supply and demand tightened worldwide and the prices were raised. We endeavored to maintain the sales volumes at the European and Japanese bases as well, and benefitted from improved market conditions.

Net Sales

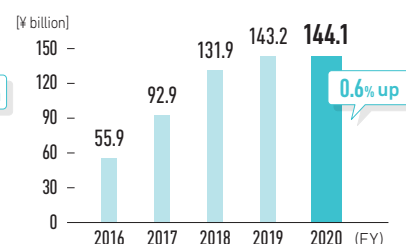
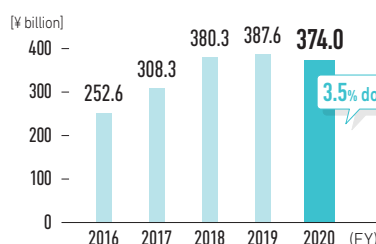


Operating Income



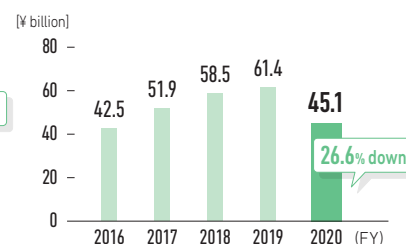
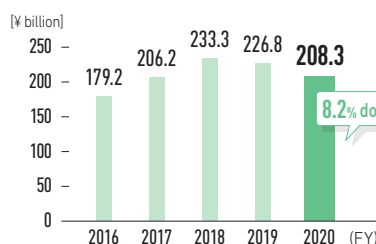
Semiconductor Silicon Business

With regard to the semiconductor silicon business, demand increased due to the resumption of economic activities.



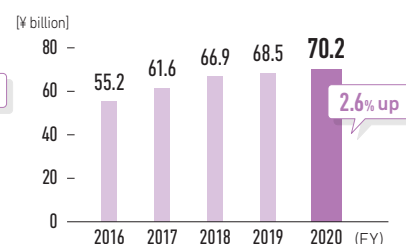
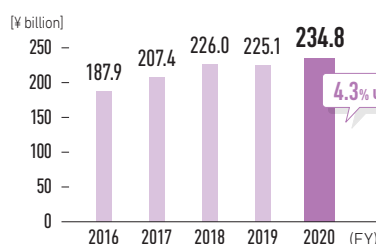
Silicones Business

With regard to the silicones business, it was affected by the price decline of general-purpose products and the sluggish demand for products for cosmetic and automotive applications. Customer demand began to recover from the beginning of autumn.



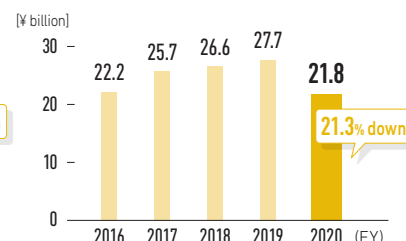
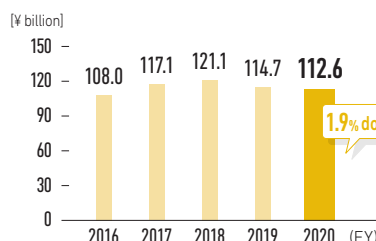
Electronics & Functional Materials Business

With regard to the rare earth magnets business, the operations at our overseas plants were temporarily affected by the restriction on economic activities in the first quarter, but the shipments of products for hard disk drives were favorable and automotive application showed a strong recovery in the second half. With regard to the photoresist products business, the ArF photoresists and EUV photoresists continued to perform well. The photomask blanks business also performed well for both high-end and general-purpose products. The optical fiber preform business experienced harsh conditions due to the impact of the deteriorating market. The photomask substrates business for large panel applications was affected by slowing demand.



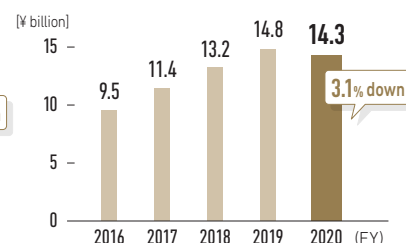
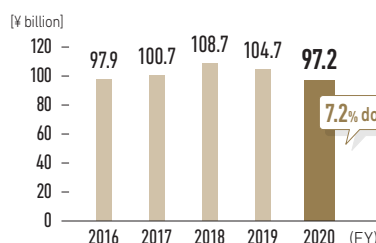
Specialty Chemicals Business

With regard to the cellulose derivatives business, the products for pharmaceutical applications continued to hold steady although the sales of products for building and construction applications were weak. Shipments of the pheromone products and the POVAL products were sluggish.



Processing, Trading & Specialized Services Business

The shipments of Shin-Etsu Polymer Co., Ltd.'s semiconductor wafer containers were steady, but the input devices for automobiles were affected by the deteriorating automobile market.



PVC/Chlor-Alkali Business



Business Overview

Polyvinyl chloride (PVC) resins are general-purpose resins used in a wide range of applications from everyday products to all kinds of industrial materials. With three production bases, in the U.S., 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 U.S., started operation 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. In addition to establishing a new ethylene plant to ensure a stable supply of raw materials, Shintech is building an integrated plant that produces PVC from raw materials. By boosting production capacity in these ways, we will provide a stable supply of products to customers around the world.



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.



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.



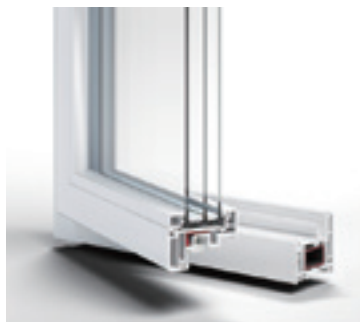
Electric Wire Coating Material

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



PVC-Framed Windows

PVC is an excellent insulator, and PVC-framed windows can reduce the amount of heat lost through windows by 70% compared with aluminum-framed windows. 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 digesting and bleaching wood chips in the dissolved pulp manufacturing process.



Cathode Materials for Lithium-Ion Batteries

Caustic soda is used as a raw material for the cathode materials used to produce lithium-ion batteries. These batteries are used in electronic devices such as mobile phones and laptops and electric vehicles, which are increasingly prevalent worldwide.



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

Sodium Hypochlorite

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



Semiconductor Silicon Business



Business Overview

The Shin-Etsu Group is the world's leading manufacturer of silicon wafers used as substrates for semiconductor devices. 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. Responding to developments in technologies such as the IoT, AI, 5G telecommunications and automatic driving, we will further refine our own technologies and quality. We will also continue to ensure 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 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 automate vehicle operation. Power semiconductors are also useful for the stable supply of electric power, mainly to electronic equipment, as they can minimize power consumption and accommodate high voltage and high currents. The Group products are also 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 substrate materials 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.



Applications

Communication/Computers



Data Center



Personal Computers



Smartphones

Automobile



Electric Vehicles



Hybrid Cars



Car Navigation Systems

Consumer



Televisions



Game Devices



Smart Watches



Digital Cameras



Drum-Type Washing Machines



Energy-Saving Air Conditioners



Rice Cookers



Microwave Ovens

Industry



Industrial Robots

Other



Bullet Trains



Bank ATMs



Vending Machines

Silicones Business



Business Overview

The 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 developed 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.

Core Raw Material Used in Silicone	Silicone Representative Configurations	Major Characteristics of Silicone
 <p>Silica Stone (SiO₂)</p>	 <p>Fluids Liquid Rubbers Powders Rubbers</p>	<ul style="list-style-type: none"> Heat resistance Adhesion properties Cold resistance Defoaming properties Electrical insulation properties Water repellency Release properties Weather resistance



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.

TOPICS

Development of "Reduced-Platinum Reaction Curing System Technology" That Contributes to Resource Conservation

Silicone release coatings used in seals, labels, adhesive tape and other types of release paper are generally created using platinum catalysts. However, platinum is expensive and because it is a rare metal, its use is associated with resource depletion issues. Our newly developed "Reduced-Platinum Reaction Curing System Technology" features a structure that is highly reactive with silicone, which enables curing with half of the conventionally required amount of platinum, thereby contributing to resource conservation.



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



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.



Fuel-Efficient Tires

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



Toys

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



Photograph provided by
SEGA TOYS CO., LTD.

Electronics & Functional Materials Business



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 provide photoresists, photomask blanks, encapsulation materials, pellicles and other products used in the semiconductor manufacturing process. Furthermore, we respond to the needs of advanced information societies by 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 make motors more compact and lightweight 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.



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

TOPICS

Capital Investment Made in Response to Expansion in the Market for Photoresists Used in Semiconductor Manufacturing

Shin-Etsu Chemical has invested a total of ¥30.0 billion in its manufacturing bases in Japan and Taiwan to expand facilities for the production of photoresists essential to the manufacture of advanced semiconductors. Facility expansion associated with Shin-Etsu Electronics Materials Taiwan Co., Ltd. was completed in February 2021. Meanwhile, construction is under way at our Naoetsu Plant in Japan (Joetsu-shi, Niigata), and we aim to complete this construction by February 2022. As we move forward, we will further strengthen our business foundations as we respond to technological progress and the growing demand for semiconductor-related materials.



Shin-Etsu Electronics Materials Taiwan Co., Ltd. (Yunlin County, Taiwan)

Major Products and Applications

Rare Earth Magnets

Rare earth magnets contribute to energy conservation and the reduction of CO₂ emissions and are used in products such as automobile motors, power generators, industrial robots, compressor motors for air conditioners, motors for hard disk drives utilized in data centers and other facilities and wind power generator motors. Shin-Etsu Chemical is engaged in the manufacture of these magnets from the 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.

Industrial robot



Photo provided by YASKAWA Electric Corporation

Energy-saving air conditioner



Hard disk drive



Offshore wind power generation



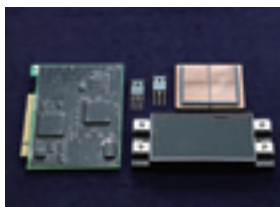
Rare Earths

Rare earths are used in the scintillators (light-emitting devices) installed in diagnostic imaging systems such as CT and positron emission tomography (PET) scanners. These elements benefit us in a variety of ways, including through their contribution to improved examination safety within medical sites.



Encapsulant Materials for Semiconductor Devices

These materials are notable for their superior heat and crack resistance and are used in general semiconductors, automotive power modules and devices for home appliances. Furthermore, the encapsulant materials we have developed for large-scale packaging improve the rate at which materials are effectively utilized, contributing to the reduction of device manufacturing costs.



Low Dielectric Materials

SLK resin

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



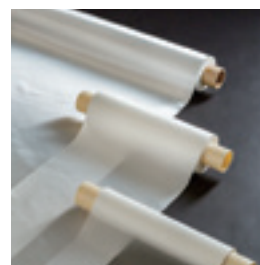
Liquid (Paste-Like) Encapsulant Materials and Adhesives

These highly reliable materials and adhesives are designed for use with electronic devices. Epoxy materials that fall under this product category are used in general-purpose semiconductor devices; as encapsulants and adhesives in logic devices and electronic automotive devices; and as underfill material. Meanwhile, silicone materials are notable for their high transparency and excellent light resistance. Accordingly, they are used in LED lights and a wide variety of sensors (infrared sensors, pressure sensors, etc.) as encapsulants or adhesives.



Quartz fabric

Quartz fabric has dielectric characteristics that are ideal for use with high-frequency bands. A toughening agent (prepreg molding material) for high-speed communication equipment and antenna substrates, quartz fabric also is used in a wide variety of resin substrates, including thermoplastic and thermosetting resin substrates. It greatly contributes to improved communication performance in the high-frequency and high-speed transmission domains.



Multipurpose Film Materials

Our multipurpose film materials have superior transparency and light resistance and are used for color calibration (color conversion) or as light diffusing film in LED lights and mobile phones. We provide an extensive lineup of film materials that fulfills the most cutting-edge needs and includes pliable and highly elastic film used for flexible devices, as well as low dielectric and low moisture absorption film designed for advanced substrates and high-speed communication devices.



High-Purity Silane for Semiconductors

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

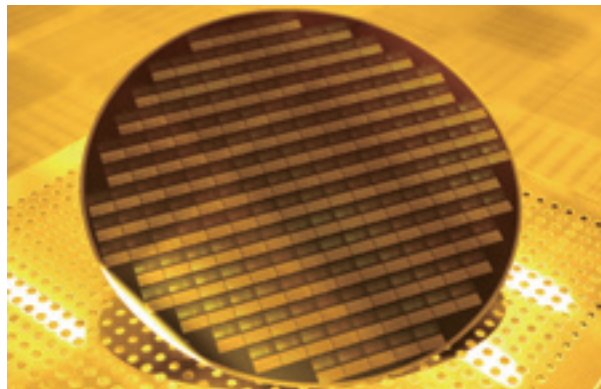


Electronics & Functional Materials Business

Major Products and Applications

Photoresists

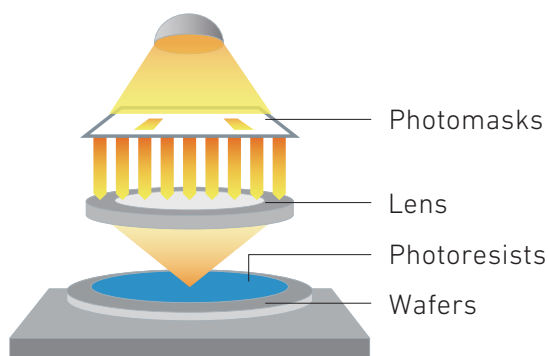
Taking advantage of its strengths as a material maker, Shin-Etsu Chemical carries out integrated manufacturing from the synthesis process of raw material polymer to compounding. We make photoresists for excimer lasers (KrF, ArF and EUV) that are used as photosensitive material for etching on semiconductor circuits, and our thick film i-line photoresists are used widely for thin-film magnetic heads and MEMS applications. Furthermore, for cutting-edge miniaturization processes we have lineups of multilayer material products. These are used as essential key materials in lithography processes for semiconductor manufacturing, and they help to enable the high integration, high speed and high functions of semiconductors.



Photomask Blanks

Photomask blanks are the material that forms a thin metallic film on the surface of a synthetic quartz substrate. Photomask blanks are the base material of photomasks, which serve as patterning templates when drawing circuits on silicon wafers during the semiconductor manufacturing process.

In addition to providing photomask blanks for use with krypton fluoride (KrF) and argon fluoride (ArF) lasers, Shin-Etsu Chemical consistently aims for higher performance and higher quality. Furthermore, we respond to the needs of device manufacturers by establishing innovative technologies used for the mass production of unprecedentedly advanced photomask blanks, including multilayer film structures required for the manufacture of cutting-edge devices and permeable membrane structures with excellent light resistance properties.



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 process ability and such superior properties as resistance to oils, solvents and chemicals together with good durability against heat and stability at cold temperatures.

SHIN-ETSU SIFEL® contributes to the improvement of products in a wide range of fields, including 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 stepper 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.



Synthetic quartz photomask substrates for LSI and FPD lithography



Preform for optical fiber



Large-size photomask substrate for 10.5th generation FPD

Oxide Single Crystals (Lithium Tantalite: LT)

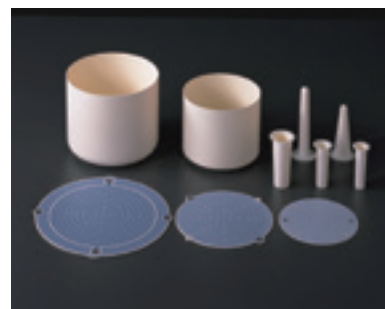
Lithium tantalite (LT) is used in mobile communication devices such as SAW* devices, which screen electromagnetic waves and pick up only specific frequencies. Oxide single crystals are currently contributing to the popularization of smartphones and serve an important role in our modern, increasingly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



*Surface Acoustic Wave

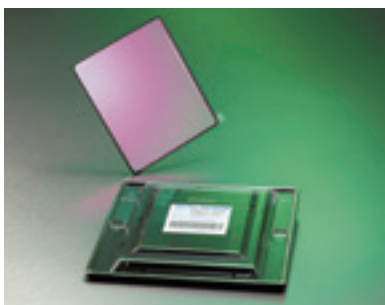
Pyrolytic Boron Nitride (PBN)

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



Pellicles

Pellicles function as dust protection covers for photomask substrates. Shin-Etsu Chemical provides high-quality pellicles for use with both ArF and KrF excimer lasers. In addition to having excellent light resistance properties and uniform rates of light transmittance, our pellicles have been thoroughly treated to ensure low outgassing. With these attributes, our pellicles support the increasingly intricate production of semiconductor devices. Furthermore, we have successfully developed, and are currently mass producing, ultra-large pellicles for use in the manufacture of LCD panels.



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.



Specialty Chemicals Business



Business Overview

Cellulose derivatives, environmentally friendly materials made from natural polymer cellulose, 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 U.S. 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, semiconductor silicon and synthetic quartz.



Contributing to the Achievement of SDGs Through Product Supply

Industrial cellulose derivatives reduce the separation of concrete in water, enabling concrete to be poured without polluting water. This contributes to environmental preservation by preventing water pollution. Synthetic pheromones are 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.



TOPICS

Development of METOLOSE® MCE-100TS, a Binding Agent for Plant-Based Meat Substitutes

Plant-based meat substitutes are made using primarily soybeans and peas and are therefore gaining popularity among vegetarians and vegans. These substitutes are also attracting attention as a food product that is expected to help reduce food shortages caused by environmental issues and population growth. Shin-Etsu Chemical developed METOLOSE® MCE-100TS, one of its cellulose derivative products, while focusing centrally on its use as a binding agent for plant-based meat substitutes. Through the use of this binding agent, we successfully produced a texture similar to actual meat that was unachievable through the simple use of soybeans and other existing ingredients.



A plant-based hamburger steak made using METOLOSE® as a binding agent



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. Obstructing their mating process in this fashion reduces the volume of agricultural pests.



Aroma Chemicals

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



Silicon Metal

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



Polyvinyl Alcohol (POVAL)

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



SOLBIN®

SOLBIN is a copolymer resin from Nissin Chemical Industry Co., Ltd. that is prepared primarily from vinyl chloride and vinyl acetate, which are notable for their superior adhesiveness and solubility. It is mainly utilized in paints, inks and adhesives.



Processing, Trading & Specialized Services Business



Business Overview

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

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

Contributing to the Achievement of SDGs Through Product Supply

The construction material (corrugated rigid polycarbonate sheets) manufactured by Shin-Etsu Polymer Co., Ltd. is used as an exterior roofing material. Using more than 50% reclaimed raw materials, this product contributes to recycling.

Major Products and Applications

Shin-Etsu Polymer Co., Ltd.

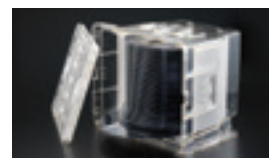
Input Devices

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



Wafer Cases

Providing cases for shipping silicon wafers and for intra-process wafer conveyance at device manufacturers.



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.



Wrapping Film

We provide PVC wrapping film with superior stretchiness and excellent adhesive properties.



TOPICS

Conducting Supply Capacity Enhancement in Response to Demand Associated with In-Vehicle Applications in India and Europe

Shin-Etsu Polymer Co., Ltd. is strengthening its ability to supply automotive input devices, which are core products. In May 2021, we completed construction on a third building in our production base in India, which was launched in anticipation of expansion in demand associated with vehicle electrification. Moving forward, we will target further business growth, mainly through response to demand related to in-vehicle applications within India and European markets.



The completed third building

Shin-Etsu Engineering Co., Ltd.

Engineering

Shin-Etsu Engineering conducts plant design and construction and equipment maintenance for the Shin-Etsu Group.



Vacuum Assembling Equipment

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



Using the production technologies it has amassed through its pursuit of further product diversity and sophistication, the Shin-Etsu Group has created a wide variety of products that contribute in a broad range of industrial fields.



- We have established a strong business structure that is resistant to impact from changes in economic conditions by maintaining close two-way connections through both raw materials and markets and producing materials used in a wide range of fields.

A process through which a film is generated by decomposing raw material gases using energy in the form of heat, plasma or light.

A process for evaporating solid raw materials into atomic or molecular particles using heating, sputtering or ion beam irradiation methods and subsequently scattering these particles onto substrate surfaces.

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES For the fiscal years ended March 31, 2012 through 2021

For the year:	2012	2013	2014	2015
Net sales	¥ 1,047,731	¥ 1,025,409	¥ 1,165,819	¥ 1,255,543
Cost of sales	798,592	769,427	873,879	940,399
Selling, general and administrative expenses	99,505	98,938	118,130	129,814
Operating income	149,632	157,043	173,809	185,329
Ordinary income	165,237	170,207	180,605	198,025
Net income attributable to owners of parent	100,643	105,714	113,617	128,606
Capital expenditures	87,165	86,841	83,155	109,903
R&D costs	35,725	37,671	43,546	47,165
Depreciation and amortization	82,868	80,961	91,445	96,918

At year-end:

Total assets	¥ 1,809,841	¥ 1,920,903	¥ 2,198,912	¥ 2,452,306
Working capital (Current assets - Current liabilities)	694,803	832,878	981,667	1,100,999
Common stock	119,419	119,419	119,419	119,419
Net assets	1,494,573	1,623,176	1,822,135	2,012,711
Interest-bearing debt	15,732	13,929	15,638	14,328

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

Net income per share	¥ 237.03	¥ 248.94	¥ 267.20	¥ 302.05
Diluted net income per share ^(Note2)	—	248.92	267.07	301.98
Cash dividends	100.00	100.00	100.00	100.00
Payout ratio (%)	42.2	40.2	37.4	33.1
Net assets	3,422.93	3,709.19	4,165.28	4,602.80

General:

Operating income to net sales ratio (%)	14.3	15.3	14.9	14.8
Net income attributable to owners of parent to net sales ratio (%)	9.6	10.3	9.7	10.2
ROE (%)	7.0	7.0	6.8	6.9
ROA (%)	9.2	9.1	8.8	8.5
Equity ratio (%)	80.3	82.0	80.6	79.9
Number of employees	16,167	17,712	17,892	18,276
Number of shares issued (Thousands)	432,106	432,106	432,106	432,106

- Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥111 = US\$1, the approximate rate of exchange on March 31, 2021.
 2. Diluted net income per share for the fiscal year ended March 31, 2012 is not presented as there were no securities with dilutive effect.
 3. "Partial Amendments to 'Accounting Standard for Tax-Effect Accounting,'" etc. (ASBJ Statement No. 28, February 16, 2018) were applied from the beginning of the fiscal year ended March 31, 2019. Accordingly, the main management indicators, etc., for the previous fiscal year are those after retroactive application of said Accounting Standard, etc.

For more detailed information, please see the Investor Information on our corporate website.

WEB <https://www.shinetsu.co.jp/en/ir/ir-data/>

						Millions of yen	Millions of U.S. dollars (Note 1)
2016	2017	2018	2019	2020	2021	2021	
¥ 1,279,807	¥ 1,237,405	¥ 1,441,432	¥ 1,594,036	¥ 1,543,525	¥ 1,496,906	\$ 13,485	
930,019	868,404	963,008	1,039,979	987,782	953,203	8,587	
141,262	130,383	141,601	150,352	149,702	151,489	1,364	
208,525	238,617	336,822	403,705	406,041	392,213	3,533	
220,005	242,133	340,308	415,311	418,242	405,101	3,649	
148,840	175,912	266,235	309,125	314,027	293,732	2,646	
134,753	145,647	176,283	240,618	265,018	228,801	2,061	
53,165	49,020	51,768	56,436	48,536	51,264	461	
100,466	93,087	112,016	137,570	131,172	143,807	1,295	
¥ 2,510,085	¥ 2,655,636	¥ 2,903,137	¥ 3,038,717	¥ 3,230,485	¥ 3,380,615	\$ 30,455	
1,170,679	1,232,607	1,324,495	1,358,614	1,446,724	1,551,662	13,978	
119,419	119,419	119,419	119,419	119,419	119,419	1,075	
2,080,465	2,190,082	2,413,025	2,532,556	2,723,141	2,886,625	26,005	
13,470	14,642	15,814	14,920	30,383	34,456	310	
¥ 349.46	¥ 412.86	¥ 624.28	¥ 725.99	¥ 755.17	¥ 706.76	\$ 6.367	
349.42	412.83	624.10	725.92	755.01	706.26	6.363	
110.00	120.00	140.00	200.00	220.00	250.00	2.252	
31.5	29.1	22.4	27.5	29.1	35.4	35.4	
4,761.48	5,002.16	5,511.98	5,915.47	6,377.93	6,769.72	60.988	
16.3	19.3	23.4	25.3	26.3	26.2	26.2	
11.6	14.2	18.5	19.4	20.3	19.6	19.6	
7.5	8.5	11.9	12.8	12.3	10.7	10.7	
8.9	9.4	12.2	14.0	13.3	12.3	12.3	
80.8	80.3	81.0	81.1	82.1	83.2	83.2	
18,407	19,206	20,155	21,735	22,783	24,069	24,069	
432,106	432,106	432,106	427,606	416,662	416,662	416,662	

Consolidated Balance Sheet

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES As of March 31, 2020 and 2021

		Millions of yen	Millions of U.S. dollars			Millions of yen	Millions of U.S. dollars
ASSETS	2020	2021	2021	LIABILITIES	2020	2021	2021
Current Assets:				Current Liabilities:			
Cash and time deposits	¥ 836,448	¥ 866,882	\$ 7,809	Notes and accounts payable—trade	¥ 136,442	¥ 125,410	\$ 1,129
Notes and accounts receivable—trade	325,489	343,896	3,098	Short-term borrowings	8,295	11,768	106
Securities	251,377	286,039	2,576	Accounts payable—other	75,094	63,595	572
Merchandise and finished goods	173,358	157,401	1,418	Accrued expenses	73,292	69,226	623
Work in process	16,828	13,102	118	Accrued income taxes	44,377	48,049	432
Raw materials and supplies	175,479	194,528	1,752	Accrued bonuses for employees	3,661	3,663	33
Other	52,723	59,085	532	Accrued bonuses for directors	728	707	6
Less: Allowance for doubtful accounts	(7,186)	(6,028)	(54)	Other	35,901	40,825	367
Total current assets	1,824,519	1,914,909	17,251	Total current liabilities	377,794	363,246	3,272
Fixed Assets:				Long-Term Liabilities:			
Property, Plant and Equipment:				Long-term debt	15,124	15,986	144
Buildings and structures, net	202,848	206,246	1,858	Deferred tax liabilities	59,378	55,289	498
Machinery and equipment, net	440,595	559,992	5,044	Net defined benefit liability	36,243	41,456	373
Land	92,577	90,159	812	Other	18,803	18,011	162
Construction in progress	367,309	290,901	2,620	Total long-term liabilities	129,549	130,743	1,177
Other, net	16,584	17,850	160	Total Liabilities	507,343	493,990	4,450
Total property, plant and equipment	1,119,915	1,165,149	10,496				
Intangible Assets	10,099	8,922	80				
Investments and Other Assets:				NET ASSETS	2020	2021	2021
Investments in securities	126,060	150,573	1,356	Stockholders' Equity:			
Net defined benefit asset	3,788	3,782	34	Common stock	119,419	119,419	1,075
Deferred tax assets	63,735	58,703	528	Additional paid-in capital	128,323	128,954	1,161
Other	84,657	80,756	727	Retained earnings	2,413,769	2,616,081	23,568
Less: Allowance for doubtful accounts	(2,291)	(2,180)	(19)	Less: Treasury stock, at cost	(7,123)	(12,612)	(113)
Total investments and other assets	275,950	291,635	2,627	Total stockholders' equity	2,654,388	2,851,842	25,692
Total fixed assets	1,405,965	1,465,706	13,204	Accumulated Other Comprehensive Income:			
Total Assets	¥ 3,230,485	¥ 3,380,615	\$ 30,455	Unrealized gains (losses) on available-for-sale securities	10,296	25,027	225
				Deferred gains (losses) on hedges	(2,799)	(2,703)	(24)
				Foreign currency translation adjustments	(8,187)	(58,618)	(528)
				Remeasurements of defined benefit plans	(1,387)	(2,409)	(21)
				Total accumulated other comprehensive income	(2,078)	(38,704)	(348)
				Share Subscription Rights	1,904	2,014	18
				Non-Controlling Interests in Consolidated Subsidiaries	68,927	71,473	643
				Total Net Assets	2,723,141	2,886,625	26,005
				Total Liabilities and Net Assets	¥ 3,230,485	¥ 3,380,615	\$ 30,455

Consolidated Statement of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2020 and 2021

		Millions of yen	Millions of U.S. dollars
	2020	2021	2021
Net Sales	¥ 1,543,525	¥ 1,496,906	\$ 13,485
Cost of Sales	987,782	953,203	8,587
Gross profit	555,743	543,702	4,898
Selling, General and Administrative Expenses	149,702	151,489	1,364
Operating income	406,041	392,213	3,533
Other Income (Expenses):			
Interest income	10,777	5,016	45
Dividend income	7,388	7,417	66
Equity in earnings (losses) of affiliates	4,327	5,364	48
Interest expenses	(749)	(728)	(6)
Loss on disposal of property, plant and equipment	(1,202)	(1,954)	(17)
Other, net	(8,340)	(2,227)	(20)
Ordinary income	418,242	405,101	3,649
Extraordinary income:			
Gain on sales of investment securities	7,774	-	-
Extraordinary loss:			
Loss on disaster	-	2,955	26
Income before income taxes and non-controlling interests	426,017	402,145	3,622
Income Taxes:			
Current	108,290	105,356	949
Deferred	(564)	(2,387)	(21)
Total Income Taxes	107,726	102,968	927
Net Income	318,290	299,177	2,695
Net Income Attributable to Non-Controlling Interests	(4,263)	(5,444)	(49)
Net Income Attributable to Owners of Parent	¥ 314,027	¥ 293,732	\$ 2,646
Earnings per Share:			
Net income attributable to owners of parent—basic	¥ 755.17	¥ 706.76	6.367
Net income attributable to owners of parent—fully diluted	755.01	706.26	6.363
Cash dividends	220.00	250.00	2.252
Weighted-Average Number of Shares Outstanding (Thousands)	415,838	415,602	415,602

Consolidated Statement of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2020 and 2021

		Millions of yen	Millions of U.S. dollars
	2020	2021	2021
Net Income	¥ 318,290	¥ 299,177	\$ 2,695
Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	(12,732)	14,787	133
Deferred gains (losses) on hedges	(2,530)	93	0
Foreign currency translation adjustments	(13,642)	(50,887)	(458)
Remeasurements of defined benefit plans	(2,371)	(1,010)	(9)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(125)	70	0
Total other comprehensive income (loss)	(31,401)	(36,946)	(332)
Comprehensive Income	¥ 286,889	¥ 262,230	\$ 2,362
(Breakdown)			
Comprehensive income attributable to owners of parent	¥ 283,128	¥ 257,106	\$ 2,316
Comprehensive income attributable to non-controlling interests	3,760	5,123	46

Consolidated Statement of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands		Millions of yen			
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2019	427,606	¥ 119,419	¥ 128,299	¥ 2,283,760	¥ (94,702)	¥ 2,436,777
Cash dividends				(87,410)		(87,410)
Net income attributable to owners of parent				314,027		314,027
Purchase of treasury stock					(10,566)	(10,566)
Disposal of treasury stock			145		1,391	1,537
Retirement of treasury stock	(10,943)		(96,753)		96,753	
Transfer to additional paid-in capital from retained earnings			96,608	(96,608)		
Others			23			23
Net changes of items other than stockholders' equity						
Balance at March 31, 2020	416,662	¥ 119,419	¥ 128,323	¥ 2,413,769	¥ (7,123)	¥ 2,654,388

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

	Thousands		Millions of yen			
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2020	416,662	¥ 119,419	¥ 128,323	¥ 2,413,769	¥ (7,123)	¥ 2,654,388
Cash dividends				(91,420)		(91,420)
Net income attributable to owners of parent				293,732		293,732
Purchase of treasury stock					(10,657)	(10,657)
Disposal of treasury stock			627		5,167	5,795
Others			3			3
Net changes of items other than stockholders' equity						
Balance at March 31, 2021	416,662	¥ 119,419	¥ 128,954	¥ 2,616,081	¥ (12,612)	¥ 2,851,842

	Millions of yen						
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries
Balance at April 1, 2020	¥ 10,296	¥ (2,799)	¥ (8,187)	¥ (1,387)	¥ (2,078)	¥ 1,904	¥ 68,927
Cash dividends							(91,420)
Net income attributable to owners of parent							293,732
Purchase of treasury stock							(10,657)
Disposal of treasury stock							5,795
Others							3
Net changes of items other than stockholders' equity	14,730	95	(50,430)	(1,021)	(36,625)	110	2,546
Balance at March 31, 2021	¥ 25,027	¥ (2,703)	¥ (58,618)	¥ (2,409)	¥ (38,704)	¥ 2,014	¥ 71,473

	Thousands		Millions of U.S. dollars			
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2020	416,662	\$ 1,075	\$ 1,156	\$ 21,745	\$ (64)	\$ 23,913
Cash dividends				(823)		(823)
Net income attributable to owners of parent				2,646		2,646
Purchase of treasury stock					(96)	(96)
Disposal of treasury stock			5		46	52
Others			0			0
Net changes of items other than stockholders' equity						
Balance at March 31, 2021	416,662	\$ 1,075	\$ 1,161	\$ 23,568	\$ (113)	\$ 25,692

	Millions of U.S. dollars						
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries
Balance at April 1, 2020	\$ 92	\$ (25)	\$ (73)	\$ (12)	\$ (18)	\$ 17	\$ 620
Cash dividends							(823)
Net income attributable to owners of parent							2,646
Purchase of treasury stock							(96)
Disposal of treasury stock							52
Others							0
Net changes of items other than stockholders' equity	132	0	(454)	(9)	(329)	0	22
Balance at March 31, 2021	\$ 225	\$ (24)	\$ (528)	\$ (21)	\$ (348)	\$ 18	\$ 643

Consolidated Statement of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2020 and 2021

Millions of yen

Millions of
U.S. dollars

	2020	2021	2021
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	¥ 426,017	¥ 402,145	\$ 3,622
Depreciation and amortization	131,172	143,807	1,295
Loss on impairment of fixed assets	912	936	8
Increase (decrease) in net defined benefit liability	2,723	2,860	25
(Gain) loss on sales of investments in securities	(7,774)	(1,687)	(15)
(Gain) loss on revaluation of investments in securities	—	520	4
Increase (decrease) in allowance for doubtful accounts	(493)	(1,185)	(10)
Interest and dividend income	(18,166)	(12,434)	(112)
Interest expenses	749	728	6
Exchange (gain) loss	3,464	(4,909)	(44)
Equity in (earnings) losses of affiliates	(4,327)	(5,364)	(48)
(Increase) decrease in notes and accounts receivable	11,215	(22,016)	(198)
Loss on disaster	—	2,955	26
(Increase) decrease in inventories	(36,910)	(3,898)	(35)
(Increase) decrease in long-term advance payment	3,579	4,109	37
Increase (decrease) in notes and accounts payable	(3,892)	(9,584)	(86)
Other, net	(7,404)	(8,859)	(79)
Subtotal	500,865	488,123	4,397
Proceeds from interest and dividends	19,852	15,026	135
Payments of interest	(508)	(571)	(5)
Payments of income taxes	(107,824)	(101,402)	(913)
Net cash provided by operating activities	412,384	401,176	3,614
Cash Flows from Investing Activities:			
(Increase) decrease in time deposits	(127,525)	(12,334)	(111)
Purchases of securities	(117,000)	(87,500)	(788)
Proceeds from redemption of securities	115,936	82,354	741
Purchases of property, plant and equipment	(268,365)	(236,195)	(2,127)
Proceeds from sales of property, plant and equipment	65	3,836	34
Purchases of intangible fixed assets	(1,063)	(1,177)	(10)
Purchases of investments in securities	(6,520)	(3,616)	(32)
Proceeds from sales of investments in securities	12,606	3,471	31
Payments of loans	(74)	(70)	(0)
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(1,966)	—	—
Proceeds from collection of loans	615	461	4
Other, net	(1,256)	51	0
Net cash provided by (used for) investing activities	(394,547)	(250,719)	(2,258)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	1,265	701	6
Proceeds from long-term debt	8,384	4,578	41
Repayments of long-term debt	(743)	(796)	(7)
Purchases of treasury stock	(10,566)	(10,657)	(96)
Proceeds from sales of treasury stock	1,398	5,150	46
Cash dividends paid	(87,410)	(91,420)	(823)
Cash dividends paid to non-controlling interests	(1,077)	(1,249)	(11)
Other, net	(5,306)	2,569	23
Net cash used for financing activities	(94,055)	(91,123)	(820)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(7,001)	(2,861)	(25)
Net Increase (Decrease) in Cash and Cash Equivalents	(83,220)	56,471	508
Cash and Cash Equivalents at Beginning of Year	828,345	745,125	6,712
Cash and Cash Equivalents at End of Year	¥ 745,125	¥ 801,596	\$ 7,221

Shin-Etsu Group Companies

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

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

SOUTH AMERICA				
Brazil (55)	Shin-Etsu do Brasil Representação de Produtos Químicos Ltda.	Sales support of silicone products and cellulose derivatives	Rua Coronel Oscar Porto, 736 – 8º Andar – Sala 84 Paraíso São Paulo – SP Brasil CEP: 04003-003	Tel. 11-3939-0690 (silicones) 11-3939-0692 (cellulose derivatives)

EUROPE				
The Netherlands (31)	Shin-Etsu Silicones Europe B.V.	Production and sales of silicone products	Bolderweg 32,1332 AV, Almere, The Netherlands	Tel. 36-549-3170
	Shin-Etsu International Europe B.V.	Sales of chemical products, electronics materials and others	World Trade Center Amsterdam, Strawinskylaan B-827 1077 XX, Amsterdam, The Netherlands	Tel. 20-662-1359
	Shin-Etsu PVC B.V.	Production and sales of vinyl chloride monomer and PVC resin	Building Noorderhaeve, Noorderweg 68 1221 AB, Hilversum, The Netherlands	Tel. 35-689-8010
Portugal (351)	CIRES, LDA. (Companhia Industrial de Resinas Sintéticas, LDA.)	Production and sales of PVC resin	Rua da Cires nr.8, 3860-160 Avanca, Estarreja, Portugal	Tel. 234-811-200
United Kingdom (44)	Shin-Etsu Handotai Europe, Ltd. (S.E.H. Europe)	Production and sales of semiconductor silicon wafers	Wilson Road, Toll Roundabout, Elburn, Livingston, West Lothian EH54 7DA, U.K.	Tel. 1506-41-5555
Germany (49)	SE Tylose GmbH & Co. KG	Production and sales of cellulose derivatives	Kasteler Strasse 45, 65203 Wiesbaden, Germany	Tel. 611-962-04
	Shin-Etsu Magnetics Europe GmbH	Sales of rare earths and rare earth magnets	Gerbermuehlstrasse 7, 60594 Frankfurt am Main, Germany	Tel. 69-8700-31611

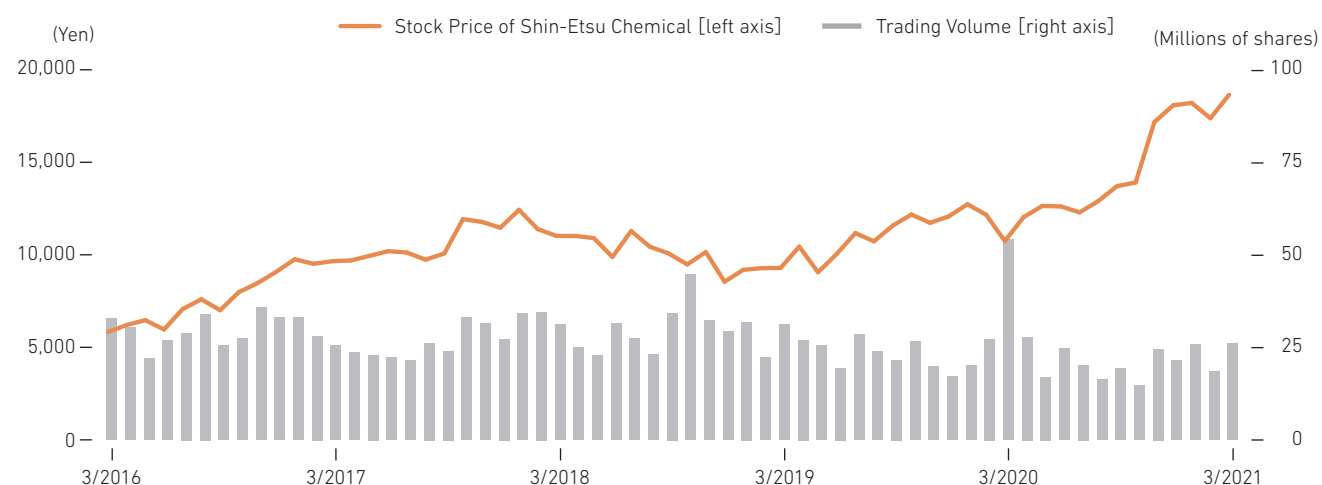
ASIA & OCEANIA				
Malaysia (60)	S.E.H. Malaysia Sdn. Bhd.	Production, processing and sales of semiconductor silicon wafers	Lot No.2, Lorong Enggang 35, Ulu Klang Free Trade Zone, 54200 Selangor Darul Ehsan, Malaysia	Tel. 3-4259-6600
	Shin-Etsu (Malaysia) Sdn. Bhd.	Production and sales of rare earth magnets and VCM	Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5191-2233
	S.E.H. (Shah Alam) Sdn. Bhd.	Production and processing of semiconductor silicon wafers	Lot No.8, Jalan Sementa 27/91, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5123-7000
	Shin-Etsu Electronics (Malaysia) Sdn. Bhd.	Production and sales of epoxy molding compounds	Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5192-1081
	Shin-Etsu Electronics Materials Penang Sdn. Bhd.	Technical support for silicone and epoxy products	Lot P22, Phase 4, Free Industrial Zone, Bayan Lepas, 11900, Penang, Malaysia	Tel. 4-6437008
Australia (61)	Simcoa Operations Pty. Ltd.	Production and sales of silicon metal	973, Marriott Road, Wellesley, WA 6233, Australia	Tel. 897-80-6744
Vietnam (84)	Shin-Etsu Electronics Materials Vietnam Co., Ltd.	Production and sales of materials for LED	Plot No. A-7, Thang Long Industrial Park II Yen My district, Hung Yen province, Viet Nam	Tel. 221-3974-880/881
	Shin-Etsu Magnetic Materials Vietnam Co., Ltd.	Production of rare earths and rare earth magnets	Lot CN5.2D, Petro-chemical Area, Dinh Vu industrial Zone, Dong Hai 2 Ward, Hai An District, Hai Phong, Viet Nam	Tel. 225-325-0518
Philippines (63)	Shin-Etsu Magnetics Philippines, Inc.	Production and sales of rare earth magnets	125 East Main Avenue, Special Export Processing Zone, Laguna, Technopark Binan, Laguna 4034, Philippines	Tel. 49-541-3191
Singapore (65)	Shin-Etsu Singapore Pte. Ltd.	Sales of silicone products	4 Shenton Way #10-03/06 SGX Centre II, Singapore 068807	Tel. 6743-7277
	Shin-Etsu Handotai Singapore Pte. Ltd. (S.E.H. Singapore)	Sales of semiconductor silicon wafers	8 Temasek Boulevard, #21-05 Suntec Tower Three, Singapore 038988	Tel. 6293-5160

Thailand (66)	Shin-Etsu Silicones (Thailand), Ltd.	Production and sales of silicone products	7th Floor, Harindhorn Tower, 54 North Sathorn Road, Bangkok 10500, Thailand	Tel. 2-632-2941
	Asia Silicones Monomer Ltd.	Production and sales of silicone monomer	1 Moo 2 Asia Industrial Estate, Tambol Banchang, Amphur Banchang, Rayong 21130, Thailand	Tel. 38-687-050
	Shin-Etsu Magnetics (Thailand), Ltd.	Production of VCM	60/120.122.123 Moo19, Tambol Klongnueng, Amphur Klongluang, Pathumthani 12120, Thailand	Tel. 2-520-4293
Japan (81)	Shinano Electric Refining Co., Ltd.	Production and sales of silicon carbide products	Kanda Urban Bldg., 4-2, Kanda-Tsukasamachi 2-chome, Chiyoda-ku, Tokyo 101-0048, Japan	Tel. 03-5298-1601
	Nissin Chemical Industry Co., Ltd.	Production and sales of synthetic resin emulsions and other products	17-33, Kitago 2-chome, Echizen-shi, Fukui 915-0802, Japan	Tel. 0778-22-5100
	Shin-Etsu Polymer Co., Ltd.	Production and sales of synthetic resin products	Sotetsu Kandasudacho Bldg., 9, Kanda-Sudacho 1-chome, Chiyoda-ku, Tokyo 101-0041, Japan	Tel. 03-5289-3712
	Shin-Etsu Astech Co., Ltd.	Construction businesses and sales of chemical products and others	Kamakuragashi Bldg., 2-1, Uchikanda 2-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Tel. 03-5298-3211
	Nagano Electronics Industrial Co., Ltd.	Production, processing and sales of semiconductor silicon wafers and other products	1393, Yashiro, Chikuma-shi, Nagano 387-8555, Japan	Tel. 026-261-3100
	Shin-Etsu Handotai Co., Ltd.	Production and sales of semiconductor silicon wafers and compound semiconductors	Shin-Otemachi Bldg., 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Tel. 03-3243-1500
	Kashima Chlorine & Alkali Co., Ltd.	Electrolysis business (production and sales of caustic soda and chlorine)	Towada 3, Kamisu-shi, Ibaraki 314-0102, Japan	Tel. 0299-96-2311
	Kashima Vinyl Chloride Monomer Co., Ltd.	Production and sales of vinyl chloride monomer	Towada 2, Kamisu-shi, Ibaraki 314-0102, Japan	Tel. 0299-96-3415
	Naoetsu Electronics Co., Ltd.	Production, processing and sales of semiconductor silicon wafers	596-2, Jonokoshi, Kubiki-ku, Joetsu-shi, Niigata 942-0193, Japan	Tel. 025-530-2631
	Naoetsu Precision Co., Ltd.	Production, processing and sales of photomask substrate and other electronics materials	Aza-Gokawari 935-1, Shibukakihama, Ohgata-ku, Joetsu-shi, Niigata 949-3115, Japan	Tel. 025-534-4980
	Shin-Etsu Quartz Products Co., Ltd.	Production and sales of quartz glass products	Shinjuku San-ei Bldg., 22-2, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-0023, Japan	Tel. 03-3348-1912
	Shin-Etsu Film Co., Ltd.	Production and sales of films for condensers and other applications	1-5, Kitago 2-chome, Echizen-shi, Fukui 915-0802, Japan	Tel. 0778-23-8066
	Shin-Etsu Engineering Co., Ltd.	Engineering services for plant construction and produce mechatronics systems for the production of flat-panel displays (FPDs) such as LCDs and PDPs	Comfort Yasuda Bldg., 9, Kanda-Nishikicho 2-chome, Chiyoda-ku, Tokyo 101-0054, Japan	Tel. 03-3296-1080
	JAPAN VAM & POVAL Co., Ltd.	Production and sales of vinyl acetate monomer and polyvinyl alcohol	11-1, Chikko Shinmachi 3-chome, Nishi-ku, Sakai-shi, Osaka 592-8331, Japan	Tel. 072-245-1131
	Maruki Chemical Ind. Co., Ltd.	Production, processing and sales of synthetic resin sheets and synthetic leather	Naka 403-14, Shiroy-shi, Chiba 270-1406, Japan	Tel. 047-491-9566
	Tatsuno Chemical Industries, Inc.	Production, processing and sales of various types of synthetic resin	Asahi-Sumida Bldg. 6F, Narihira 1-21-9, Sumida-ku, Tokyo 130-0002, Japan	Tel. 03-5637-2022
Korea (82)	Shin-Etsu Silicone Korea Co., Ltd.	Production and sales of silicone products	GT Tower 15F, 411, Seocho-daero, Seocho-gu, Seoul 06615, Korea	Tel. 2-590-2500
	Shin-Etsu Advanced Materials Korea Co., Ltd.	Sales of photoresists and photomask blanks products	Keungil Tower 17F, 223, Teheran-ro, Gangnam-gu, Seoul 06142, Korea	Tel. 2-6964-7750
China (86)	Zhejiang Shin-Etsu High-Tech Chemical Co., Ltd.	Production and sales of silicone products	No.66, Lizheng Road, Jiashan Economic Development Zone, Zhejiang Sheng 314116, China	Tel. 573-8475-5071
	Shin-Etsu Silicone (Nantong) Co., Ltd.	Production and sales of silicone products	Tongdalu 85, Economic & Technological Development Area, Nantong City, Jiangsu Province, P.R. 226017, China	Tel. 513-5108-8688
	Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.	Sales of silicone products	29F Junyao International Plaza, No.789, Zhao Jia Bang Road, Shanghai 200032, China	Tel. 21-6443-5550
	Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd. Guangzhou Branch	Sales of silicone products	Room 2409-2410, Tower B, China Shine Plaza, 9 Linhexi-road, Tianhe, Guangzhou, Guangdong, China 510610	Tel. 20-3831-0212
	Shin-Etsu Technology (Suzhou) Co., Ltd.	Sales of rare earth magnets	Block4, No.1 of Qiming Road, Suzhou Industrial Park, Jiangsu 215126, China	Tel. 512-6276-3270
	Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.	Production and sales of preforms for optical fiber	No.8, Runhua Road, Ligang Zhen, Jiangyin, Jiangsu 214444, China	Tel. 510-8609-6060
	Shin-Etsu (Jiangyin) Optical Preform Trading Co., Ltd.	Sales of preforms for optical fiber and purchase and sales of raw materials for preforms	No.8, Runhua Road, Ligang Zhen, Jiangyin, Jiangsu 214444, China	Tel. 510-8609-6108
Taiwan (886)	Shin-Etsu Silicone Taiwan Co., Ltd.	Production and sales of silicone products	11F-D, No.167, Tun Hua N. Road, Taipei, 10549 Taiwan, R.O.C.	Tel. 2-2715-0055
	Shin-Etsu Handotai Taiwan Co., Ltd. (S.E.H. Taiwan)	Production, processing and sales of semiconductor silicon wafers	No.12, Industry East Road 9, Hsin-Chu Science Park, Hsin-Chu, 30075, Taiwan, R.O.C.	Tel. 3-577-1188
	Shin-Etsu Opto Electronic Co., Ltd.	Production and sales of compound semiconductors	3F, No.10 Dusing Rd 1, Hsin-Chu Science Park, Hsin-Chu, 30078, Taiwan, R.O.C.	Tel. 3-578-4566
	Shin-Etsu Electronics Materials Taiwan Co., Ltd.	Production and sales of photoresists products	No.28, Kejia 6 Rd., Douliu City, Yunlin County 64057, Taiwan R.O.C.	Tel. 5-551-1122

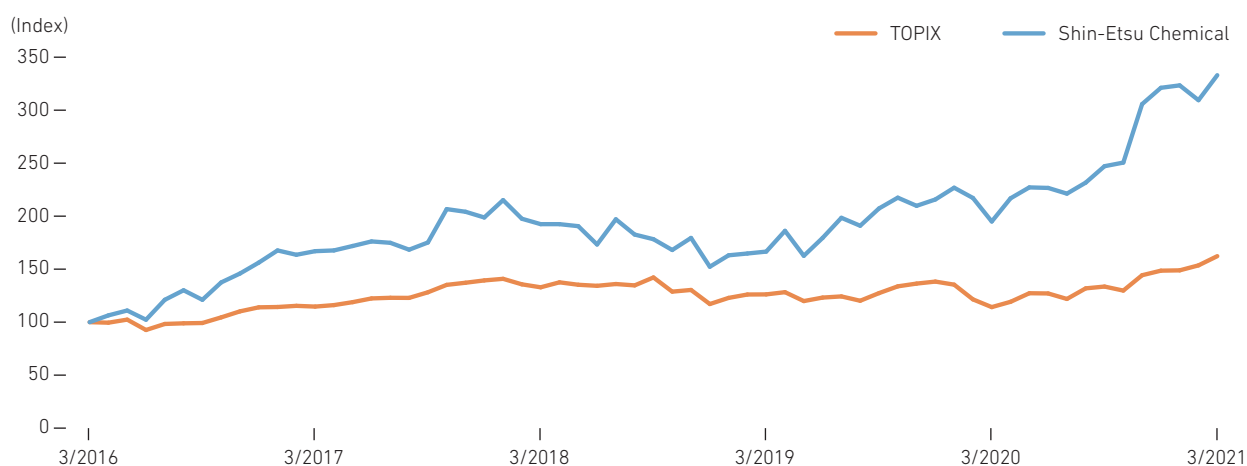
Note: The Shin-Etsu Group consists of 145 companies as of March 31, 2021.

Investor Information

Stock Price Movement



Total Shareholder Return over the Past Five Years



Stock index of Shin-Etsu Chemical and TOPIX (March 31, 2016 = 100)

	Shin-Etsu Chemical	TOPIX
2016	100	100
2017	168	114
2018	193	133
2019	167	126
2020	196	114
2021	335	162

Note: The above chart and the table show the rate of return taking into consideration the dividend as of March 31, 2021, and the stock price when an investment was conducted on March 31, 2016. Investment performance including dividends has been added to the Shin-Etsu Chemical stock price and indexed at 100 as of March 31, 2016. The TSE Stock Price Index (TOPIX), which is a comparative index, also uses indexed data and is indexed in the same way.

Share Data (As of March 31, 2021)

Company Name	Shin-Etsu Chemical Co., Ltd.
Head Office	6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan *We will relocate our Head Office to the following address in October 2021 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan.
Date of Establishment	September 16, 1926
Capital	¥119,419 million
Number of Employees	24,069 (Consolidated)
Common Stock	<div> <div>Number of Shares Authorized</div> <div>1,720,000,000</div> </div> <div> <div>Number of Shares Issued*</div> <div>416,662,793</div> </div> <div> <div>*Includes 1,115,572 treasury shares.</div> </div> <div> <div>Share Unit of Exchange</div> <div>100 stocks</div> </div> <div> <div>Number of Stockholders</div> <div>46,332</div> </div>
Stock Listings	Tokyo, Nagoya (Ticker Code: 4063)
Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Contact	<div>Public Relations Department</div> <div>Phone: +81-3-3246-5091</div> <div>F a x : +81-3-3246-5096</div> <div>e-mail: sec-pr@shinetsu.jp</div> <div>*The telephone number of our head office following its relocation (scheduled for October 2021) is indicated below:</div> <div>Phone: +81-3-6812-2340</div> <div>F a x : +81-3-6812-2341</div>

Major Shareholders

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

Name of Shareholder	Number of Shares Held (Thousand shares*)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	57,172	13.8
Custody Bank of Japan, Ltd. [Trust Account]	25,695	6.2
Nippon Life Insurance Company	21,933	5.3
JP MORGAN CHASE BANK 385632	17,973	4.3
Custody Bank of Japan, Ltd. [Trust Account 4]	12,018	2.9
The Hachijuni Bank, Ltd.	11,790	2.8
Meiji Yasuda Life Insurance Company	10,687	2.6
SSBTC CLIENT OMNIBUS ACCOUNT	8,532	2.1
GOVERNMENT OF NORWAY	8,227	2.0
Custody Bank of Japan, Ltd. [Trust Account 7]	6,839	1.6

Note: The holding ratios are computed net of the treasury shares (1,115,572).

Please visit our Web site:

Corporate Information



<https://www.shinetsu.co.jp/en/> (English)
<https://www.shinetsu.co.jp/cn/> (Chinese)
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innovative mind on materials for better life

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