

Press Release

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

Shin-Etsu Chemical Co., Ltd.

(JP GAAP)



April 27, 2023

Listing Code: No. 4063 (URL: <https://www.shinetsu.co.jp/en/>)

Listing Stock Exchange: Tokyo and Nagoya

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Date of the annual shareholders' meeting June 29, 2023

Date of the filing of the consolidated financial statements June 30, 2023

Date of year-end dividend payment June 30, 2023

Preparation of supplemental explanatory materials: Yes ("Appendix" is attached.)

Holding of financial results meeting: Yes (for investment analysts and institutional investors)

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.

Percentage figures indicate increase (decrease) over previous fiscal year.

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2023

(From April 1, 2022 to March 31, 2023)

(1) Results of consolidated operations

(Millions of yen)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|-------------------------|-----------|-------|------------------|-------|-----------------|-------|---|-------|
| April 2022 - March 2023 | 2,808,824 | 35.4% | 998,202 | 47.6% | 1,020,211 | 46.9% | 708,238 | 41.6% |
| April 2021 - March 2022 | 2,074,428 | 38.6% | 676,322 | 72.4% | 694,434 | 71.4% | 500,117 | 70.3% |

(Note) Comprehensive income (Millions of yen) April 2022 - March 2023: 1,000,984[49.8%]

April 2021 - March 2022: 668,238[154.8%]

| | Net income per share (yen) | Diluted net income per share (yen) | Ratio of net income to stockholders' equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|-------------------------|----------------------------|------------------------------------|---|--|--|
| April 2022 - March 2023 | 347.84 | 347.61 | 19.7% | 23.2% | 35.5% |
| April 2021 - March 2022 | 240.76 | 240.55 | 16.3% | 18.7% | 32.6% |

(Reference) Equity in earnings (losses) of affiliates (Millions of yen) April 2022 - March 2023: 9,522

April 2021 - March 2022: 7,140

(Note) The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. Based on "Accounting Standard for Earnings Per Share," "Net income per share" and "Diluted net income per share" in [(1) Results of consolidated operations] and "Net assets per share" in [(2) Consolidated financial position] represent the amount after the stock split.

(2) Consolidated financial position

(Millions of yen)

| | Total assets | Net assets | Stockholders' equity ratio | Net assets per share (yen) |
|----------------|--------------|------------|----------------------------|----------------------------|
| March 31, 2023 | 4,730,394 | 4,026,209 | 81.8% | 1,918.37 |
| March 31, 2022 | 4,053,412 | 3,429,208 | 82.1% | 1,601.45 |

(Reference) Stockholders' equity (Millions of yen) As of March 31, 2023: 3,870,394 As of March 31, 2022: 3,326,564

(3) Consolidated cash flows

(Millions of yen)

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of fiscal year |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| April 2022 - March 2023 | 788,013 | (186,488) | (423,559) | 1,247,344 |
| April 2021 - March 2022 | 553,528 | (253,723) | (122,504) | 1,008,925 |

2. Cash Dividends

| | Cash dividends per share for the fiscal year (yen) | | | | | Total annual cash dividend paid (Millions of yen) | Dividend payout ratio | Ratio of dividend payout to net assets |
|-------------------------|--|-------------------------|-------------------------|----------|-------------|---|-----------------------|--|
| | 1 st quarter | 2 nd quarter | 3 rd quarter | Year-end | Fiscal year | | | |
| April 2021 - March 2022 | - | 150.00 | - | 250.00 | 400.00 | 166,166 | 33.2% | 5.4% |
| April 2022 - March 2023 | - | 225.00 | - | 275.00 | 500.00 | 202,469 | 28.7% | 5.7% |

(Note) As the stock split took effect on April 1, 2023, "Cash dividends per share" represents the amount prior to the stock split.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2024

(From April 1, 2023 to March 31, 2024)

We will promptly make an announcement of the consolidated business and cash dividends forecast as soon as the disclosure of the forecast becomes possible.

(Notes)

(1) Changes in significant subsidiaries which affected the scope of consolidation during the current fiscal year: No

(2) Changes of accounting policies applied, changes in accounting estimates and retrospective restatement

Changes of accounting policies applied due to revisions of accounting standards: Yes

Changes of accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(Note) Please see [3. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements, “Changes in Accounting Policies”] on page 18 for further details.

(3) Number of shares outstanding (common stock)

| | March 31, 2023 | March 31, 2022 |
|---|-------------------------|-------------------------|
| Number of shares outstanding at the year end | 2,024,122,965 | 2,083,313,965 |
| Number of shares of treasury stock at the year end | 6,576,200 | 6,090,040 |
| | April 2022 - March 2023 | April 2021 - March 2022 |
| Weighted-average number of shares outstanding over the year | 2,036,096,654 | 2,077,245,779 |

(Note) Number of shares after the stock split is shown.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2023

(From April 1, 2022 to March 31, 2023)

(1) Results of non-consolidated operations

(Millions of yen)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------------------|-----------|---------|------------------|-------|-----------------|-------|------------|-------|
| April 2022 - March 2023 | 799,346 | 15.2% | 186,327 | 14.3% | 265,224 | 31.8% | 216,344 | 43.4% |
| April 2021 - March 2022 | 693,933 | (16.3%) | 163,042 | 18.7% | 201,241 | 25.1% | 150,831 | 26.8% |

| | Net income per share (yen) | Diluted net income per share (yen) |
|-------------------------|----------------------------|------------------------------------|
| April 2022 - March 2023 | 106.25 | 106.19 |
| April 2021 - March 2022 | 72.61 | 72.55 |

(Note) “Net income per share” and “Diluted net income per share” in [(1) Results of non-consolidated operations] and “Net assets per share” in [(2) Non-consolidated financial position] represent the amount after the stock split.

(2) Non-consolidated financial position

(Millions of yen)

| | Total assets | Net assets | Stockholders' equity ratio | Net assets per share (yen) |
|----------------|--------------|------------|----------------------------|----------------------------|
| March 31, 2023 | 1,342,714 | 705,368 | 52.3% | 347.92 |
| March 31, 2022 | 1,299,322 | 883,505 | 67.8% | 424.18 |

(Note) Stockholders' equity (Millions of yen) As of March 31, 2023: 701,948 As of March 31, 2022: 881,113
Stockholders' equity used for the calculation of indices is net assets excluding share subscription rights.

(Information regarding audit procedures)

The financial information contained in this report is not subject to the audit procedures by independent auditors.

(Attached Documents)

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1. Results of Operations and Financial Overview

(1) Results of Operations and Financial Position Overview

1) General Overview

During the fiscal year ending March 31, 2023 (April 1, 2022, to March 31, 2023), the economic situation took a very different turn in the first and second half of the fiscal year. While the monetary policies aimed at calming inflation put downward pressure on the economy, the situation developed in March into a banking crisis in Europe and the United States. It has also been pointed out that the banking crisis in Europe and the United States could harm the economy through restrictive lending. Geopolitical issues also continue to cause turbulence in the global economy. Although the economies of emerging countries, mainly in Asia, are being revived, the headwinds facing the industries and companies are, if anything, likely to become stronger not weaker. Under these circumstances, we will maintain close communication with our customers, expedite the development of products that are valuable to them, and continue to provide a reliable supply of products of unwavering quality. We will skillfully overcome headwinds and focus on growing our business performance.

We will continue capital investments and R&D activities so as to meet the needs and demands of customers and markets in a timely manner.

The business results for the fiscal year ending March 31, 2023, are as follows:

| | Fiscal year 21/4 - 22/3 | Fiscal year 22/4 - 23/3 | Increase (Decrease) | Quarterly | | | |
|---|----------------------------|----------------------------|------------------------|-----------|---------|---------|---------|
| | | | | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| Net sales | 2,074.4 | 2,808.8 | 35.4% 734.4 | 656.7 | 752.6 | 753.9 | 645.5 |
| Operating income | 676.3 | 998.2 | 47.6% 321.9 | 249.6 | 286.6 | 271.9 | 189.9 |
| Ordinary income | 694.4 | 1,020.2 | 46.9% 325.8 | 262.6 | 296.3 | 265.1 | 195.9 |
| Net income attributable to owners of parent | 500.1 | 708.2 | 41.6% 208.1 | 184.1 | 208.2 | 186.1 | 129.7 |
| ROIC | 27.2% | 33.6% | 6.4 points | | | | |
| ROE | 16.3% | 19.7% | 3.4 points | | | | |
| ROA | 18.7% | 23.2% | 4.5 points | | | | |
| Per Share (Yen) | | | | | | | |
| Net income | after the stock split | 241 | 348 | 107 | | | |
| | [before the stock split] | [1,204] | [1,739] | [535] | | | |
| Cash dividends | 400 | (Forecast) 500 | 100 | | | | |

Notes: • ROIC: Return on invested capital

Net operating income after tax / (Net assets + Interest-bearing liabilities – Cash)

• ROE: Return (Net income) on equity

Equity used for this calculation is net assets excluding both share subscription rights and non-controlling interests in consolidated subsidiaries.

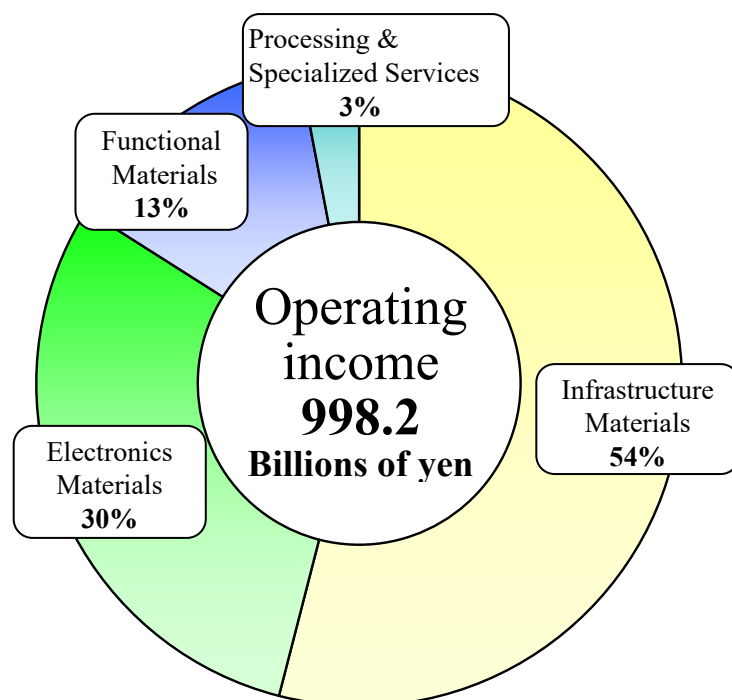
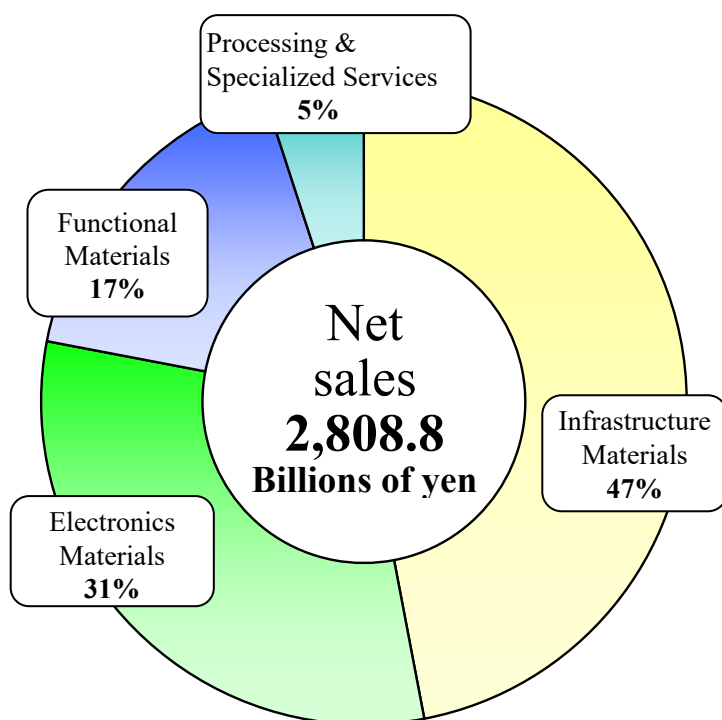
• ROA: Return (Ordinary income) on total assets.

2) Business Segment Overview

Net sales and Operating income by Segment

(Billions of yen)

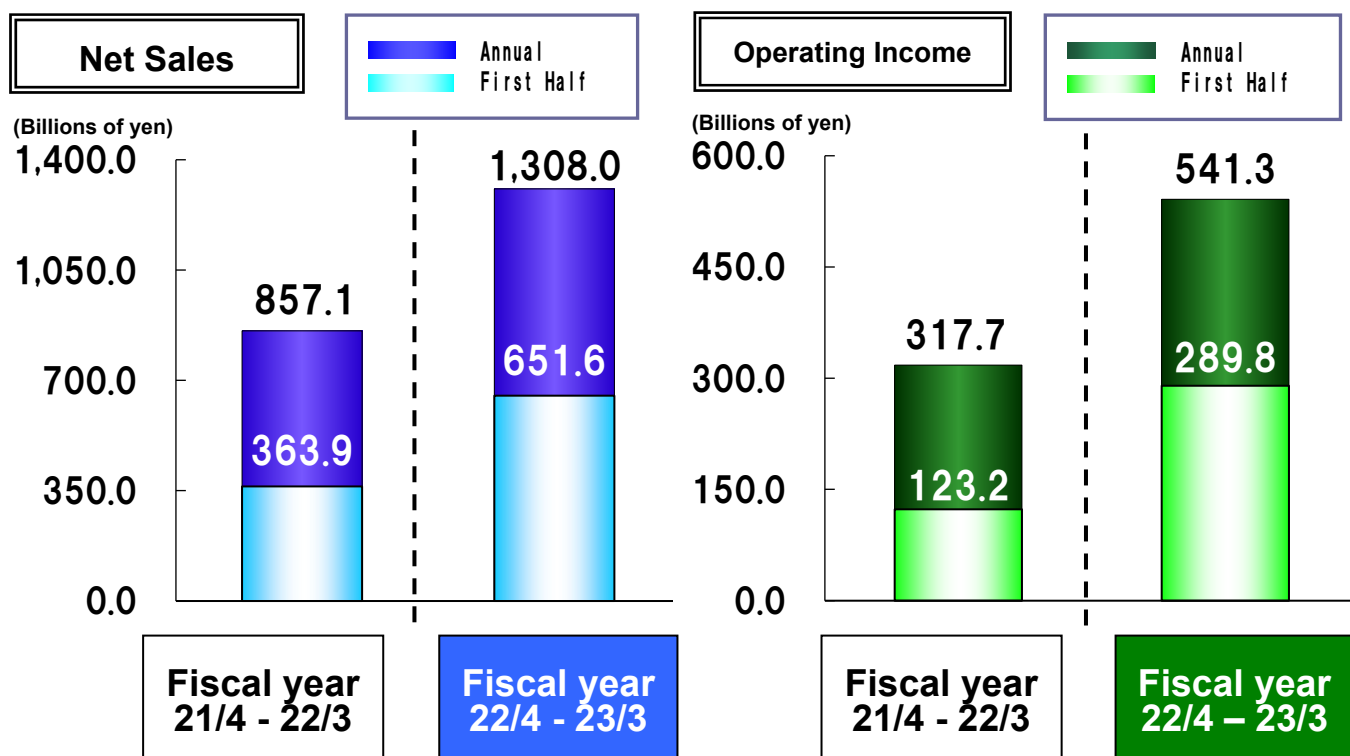
| | Net sales | | | Operating income | | |
|--|----------------------------|----------------------------|------------------------|----------------------------|----------------------------|------------------------|
| | Fiscal year 21/4 - 22/3 | Fiscal year 22/4 - 23/3 | Increase (Decrease) | Fiscal year 21/4 - 22/3 | Fiscal year 22/4 - 23/3 | Increase (Decrease) |
| Infrastructure Materials | 857.1 | 1,308.0 | 52.6% 450.9 | 317.7 | 541.3 | 70.3% 223.6 |
| Electronics Materials | 708.9 | 875.6 | 23.5% 166.7 | 244.7 | 301.4 | 23.1% 56.7 |
| Functional Materials | 395.6 | 493.3 | 24.7% 97.7 | 94.7 | 130.6 | 37.8% 35.9 |
| Processing & Specialized Services | 112.6 | 131.6 | 16.9% 19.0 | 20.9 | 26.3 | 26.1% 5.4 |
| Total | 2,074.4 | 2,808.8 | 35.4% 734.4 | 676.3 | 998.2 | 47.6% 321.9 |



Infrastructure Materials

| | Fiscal year 21/4 - 22/3 (Billions of yen) | Fiscal year 22/4 - 23/3 (Billions of yen) | Increase / (Decrease) |
|-------------------------|--|--|--------------------------|
| Net sales | 857.1 | 1,308.0 | 52.6% |
| Operating income | 317.7 | 541.3 | 70.3% |

As for PVC, the signs of a global economic recession appeared in the market but bottomed out at the end of 2022. On the other hand, the caustic soda market remained firm but began to weaken after the turn of the year.

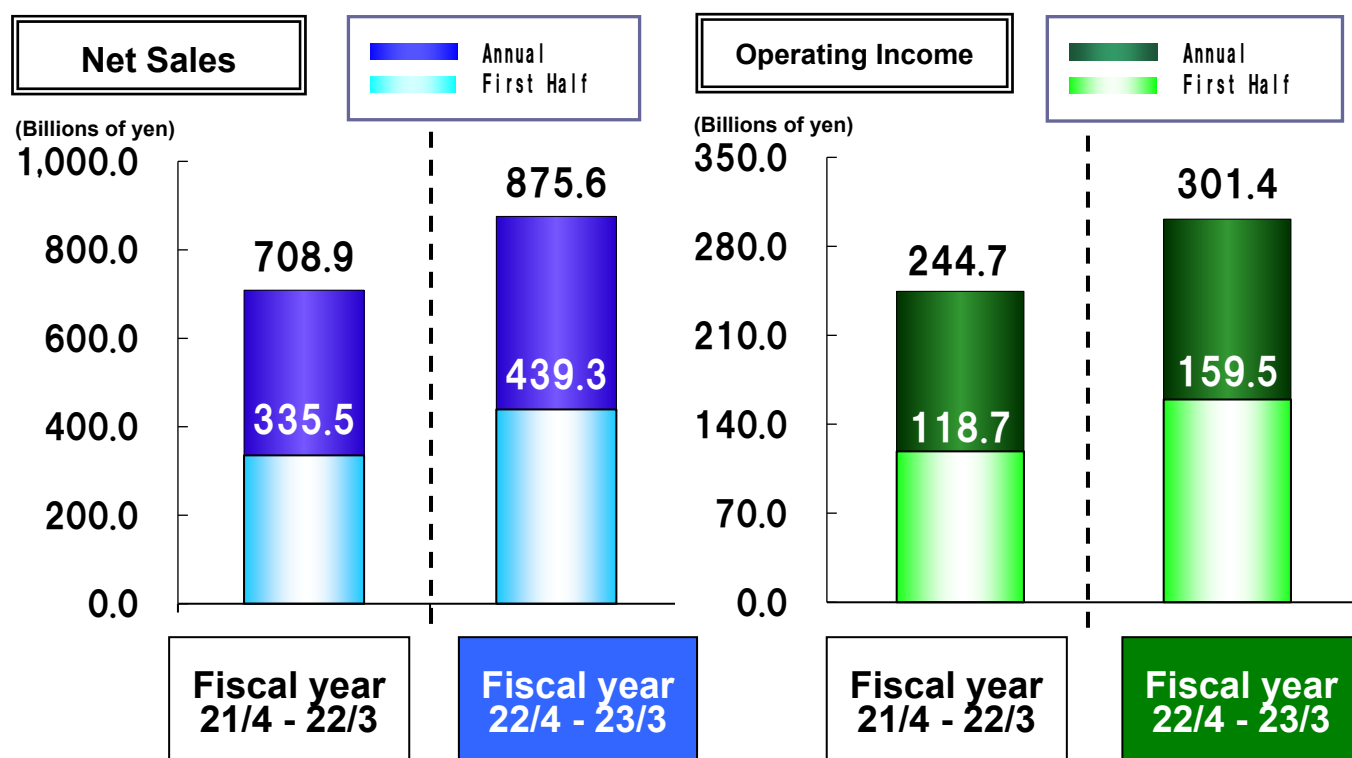


- The second phase of the new expansion is underway at Shintech.
- Taking advantage of the competitive edge of the US operation and conducting sales activities in the global market with meticulous care

Electronics Materials

| | Fiscal year 21/4 - 22/3 (Billions of yen) | Fiscal year 22/4 - 23/3 (Billions of yen) | Increase / (Decrease) |
|-------------------------|--|--|--------------------------|
| Net sales | 708.9 | 875.6 | 23.5% |
| Operating income | 244.7 | 301.4 | 23.1% |

The semiconductor market had entered an adjustment phase since the autumn of last year, and a similar situation remained at the end of the year, but the semiconductor materials as a whole were supported by the performance in the first half of the year. Rare earth magnets were also affected by the semiconductor shortages in customer production and the adjustments in data center investment, but the shipments to other markets made up for it.

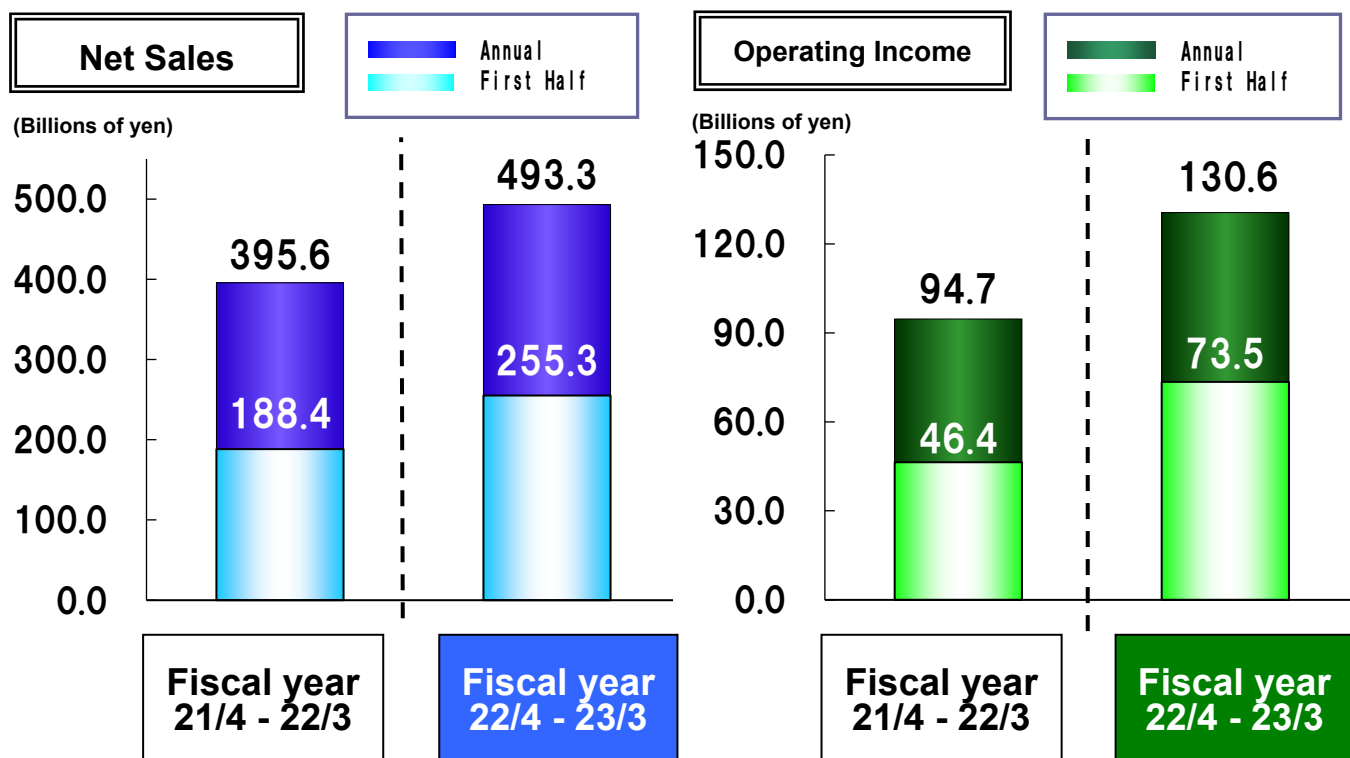


- Enhancing relationships with customers and, on that basis, appropriately increasing production capacity.
- Utilizing the industrial policies and economic security policies of major countries.
- Making indispensable technical contribution to all kinds of functional improvements in semiconductors.
- Expanding the magnet product lineup such as those without heavy rare earths and other products that meet customer requirements.
- Contributing to the reduction of greenhouse gas emissions by proposing technologies that enhance energy saving and electrification.

Functional Materials

| | Fiscal year 21/4 - 22/3 (Billions of yen) | Fiscal year 22/4 - 23/3 (Billions of yen) | Increase / (Decrease) |
|-------------------------|--|--|--------------------------|
| Net sales | 395.6 | 493.3 | 24.7% |
| Operating income | 94.7 | 130.6 | 37.8% |

Although some product groups were affected by the inventory adjustment and slowdown in the market, we made up for it with the shipment of highly functional product groups and worked to maintain profitability.

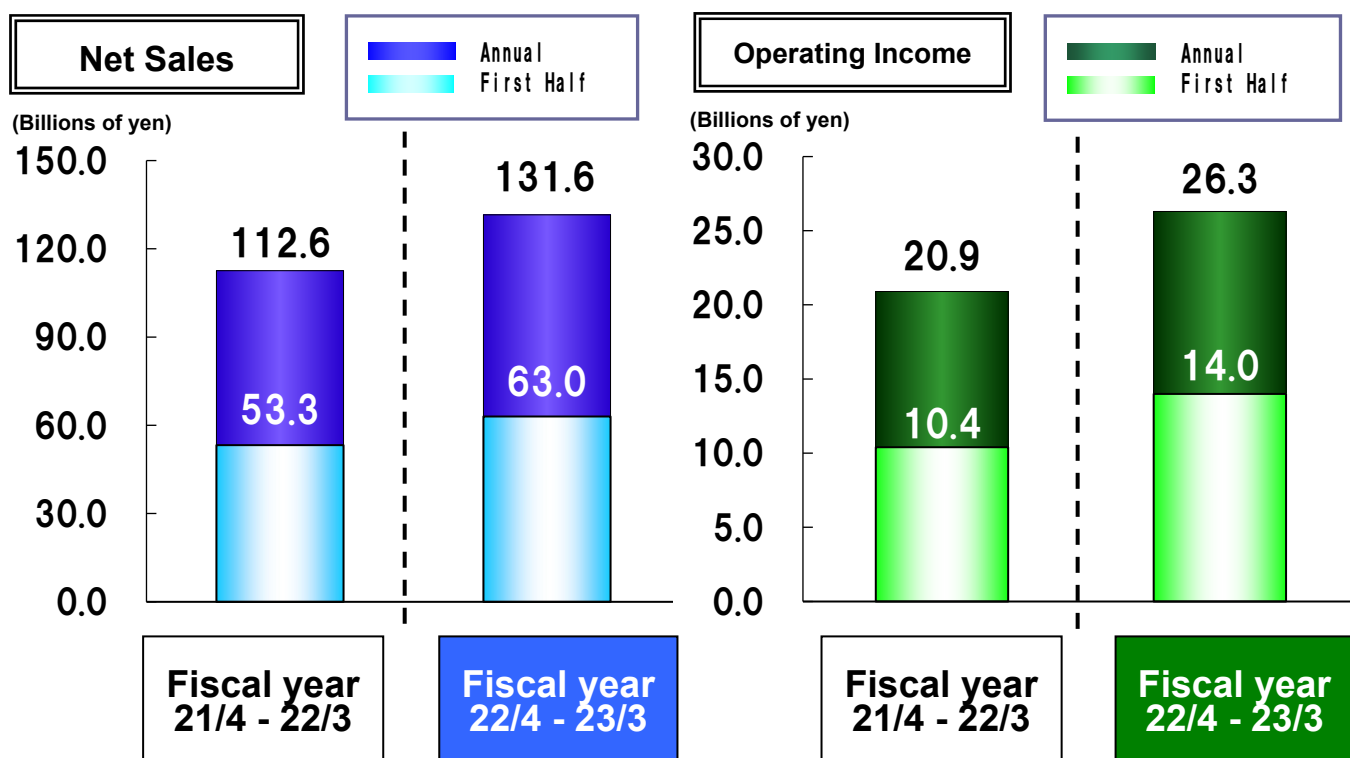


- Promoting the development and marketing of products with reduced environmental impact.
- Raise the percentage of highly functional products that characterize our business, such as automotive applications, personal care applications, etc.

Processing & Specialized Services

| | Fiscal year 21/4 - 22/3 (Billions of yen) | Fiscal year 22/4 - 23/3 (Billions of yen) | Increase / (Decrease) |
|-------------------------|--|--|--------------------------|
| Net sales | 112.6 | 131.6 | 16.9% |
| Operating income | 20.9 | 26.3 | 26.1% |

The sales of semiconductor wafer-related containers were strong mainly for 300mm wafer use, and the sales of input devices for automobiles increased. The sales of PVC-related products such as PVC wrapping films for food packaging and construction materials increased due to the permeation of revised prices.



- Going ahead with the plan to gradually enhance the production capacity of semiconductor wafer-related containers by 2024.

3) Information on Assets, Liabilities and Net assets

At the end of FY 2022 (March 31, 2023), total assets increased by ¥676.9 billion compared with that at the end of the previous fiscal year to ¥4,730.3 billion. It was mainly due to increases in cash and time deposits, inventories, and property, plant and equipment.

Total liabilities increased by ¥79.9 billion from that at the end of the previous fiscal year to ¥704.1 billion.

Total net assets increased by ¥597.0 billion compared with that at the end of the previous fiscal year to ¥4,026.2 billion. This increase was mainly due to net income attributable to owners of parent of ¥708.2 billion for FY 2022, ¥222.4 billion for foreign currency translation adjustments due to yen depreciation, offset by ¥206.7 billion for purchases of treasury stock and a cash dividend payment of ¥195.3 billion.

4) Status of Cash Flows

| | Billions of yen | | |
|---|-----------------------------------|-----------------------------------|------------------------|
| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 | Increase (Decrease) |
| Cash and cash equivalents at beginning of fiscal year | 801.5 | 1,008.9 | 207.4 |
| 1. Cash flows from operating activities | 553.5 | 788.0 | 234.5 |
| 2. Cash flows from investing activities | (253.7) | (186.4) | 67.3 |
| 3. Cash flows from financing activities | (122.5) | (423.5) | (301.0) |
| 4. Effect of foreign exchange and others | 30.0 | 60.4 | 30.4 |
| Net increase (decrease) in cash and cash equivalents | 207.3 | 238.4 | 31.1 |
| Cash and cash equivalents at end of fiscal year | 1,008.9 | 1,247.3 | 238.4 |

The balance of cash and cash equivalents at the end of FY 2022 increased by 23.6% (¥238.4 billion) compared with that at the end of the previous fiscal year to ¥1,247.3 billion.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥788.0 billion, an increase of ¥234.5 billion from the previous fiscal year. This consisted mainly of ¥1,020.2 billion in income before income taxes and non-controlling interests, ¥213.6 billion in depreciation and amortization, ¥210.9 for increase in inventories and ¥266.9 billion for the payment of income taxes.

Cash flows from investing activities

Net cash used for investing activities decreased by ¥67.3 billion from the previous fiscal year to ¥186.4 billion. This was mainly due to ¥295.5 billion for purchases of property, plant and equipment and ¥106.3 billion for net decrease in time deposits.

Cash flows from financing activities

Net cash used for financing activities increased by ¥301.0 billion from the previous fiscal year to ¥423.5 billion. This was mainly due to ¥206.7 billion for purchases of treasury stock and a cash dividend payment of ¥195.3 billion.

(Reference)

The trend of cash flow indices

| | For the fiscal year ended | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2019 | March 31, 2020 | March 31, 2021 | March 31, 2022 | March 31, 2023 |
| Stockholders' equity ratio (%) | 81.1 | 82.1 | 83.2 | 82.1 | 81.8 |
| Stockholders' equity ratio on market value basis (%) | 127.3 | 138.1 | 228.8 | 192.6 | 182.3 |
| Debt repayment ratio (%) | 3.7 | 5.7 | 6.9 | 5.5 | 3.8 |
| Interest coverage ratio (times) | 533.4 | 810.7 | 702.1 | 677.8 | 638.4 |

(Notes) * Stockholders' equity ratio: stockholders' equity/total assets

Stockholders' equity used for the calculation of indices is net assets, excluding both share subscription rights and non-controlling interests in consolidated subsidiaries

* Stockholders' equity ratio on market value basis: aggregate market value of common stock/total assets

* Debt repayment ratio: interest-bearing liabilities/cash flows from operating activities

* Interest coverage ratio: cash flows from operating activities/interest payments

1. All indices are calculated based on the consolidated financial figures.
2. Aggregate market value of common stock is calculated by multiplying the market price at the end of each fiscal year by the number of outstanding shares, excluding treasury stock, at the end of each fiscal year.
3. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest.

5) Basic Policy Concerning Profit-sharing

From a long-term perspective, we are focusing on expanding profitability and maintaining a solid financial base, with the basic policy of returning the fruits of such management efforts to our shareholders in a proper, stable manner. We strive to increase our corporate value by aggressive and timely use of internal reserves for enhanced global competitiveness, further business development and further growth. We will maintain our solid financial base to enable us to face the increasing frequency and amplitude of economic fluctuations that may occur. Based on this policy, we attach importance to shareholder return as part of our capital policy and strive to provide, while considering various circumstances, stable dividends at a dividend payout ratio of around 35% in the medium- to long-term.

Accordingly, the year-end dividend for the fiscal year is planned to be ¥275 per share, which is higher than the interim dividend of ¥225 per share at the end of the second quarter. As a result, the annual dividend will be ¥500 per share, ¥100 up from the annual dividend of ¥400 per share for the last fiscal year, which is an increase for 8 consecutive fiscal years.

(Note) As the stock split took effect on April 1, 2023, the above dividend, which has a dividend record date of March 31, 2023, shows the amount prior to the stock split.

(2) Business Prospects

In light of what has happened since the beginning of this year and what is currently happening, we have temporarily decided not to forecast the business performance over the next year due to the difficulty of reasonably predicting at this point the performance in the fiscal year ending in March 2024. We will promptly release it as soon as prediction becomes possible.

(3) Management Policies

1) Basic Management Policies

The Company aims to respond to our shareholders' expectations by contributing to society and industries through value creation with our materials and technologies. To achieve this, we are developing numerous products that will help resolve the issues faced by customers and industries. At the same time, while pursuing the world's highest level of technology and quality and constantly striving to improve productivity, we are stably supplying products to customers all over the world. In order to sustain this, we are striving for management that can respond promptly and precisely to changes in economic conditions and market conditions.

In every economy it is imperative to maximize efficiency in this day and age when there is a greater need for human society to pursue sustainable growth and better quality of life while lessening the burden on the environments. We believe that we have and can play a key role to that end. In addition to reducing greenhouse gas emissions by ourselves, we will focus on providing technologies and materials that are useful for decarbonization. We will work to ensure that many of our products serve these purposes and that the more our products are used, the more we can contribute to industry and people's lives. We will thus fulfill our role as an essential supplier that supports the world's industries and people's lives.

2) Our Management Indicator as a target: Shin-Etsu's Mid-to Long-term Management Strategies

The management indicator sets a target of increasing revenue and earnings every fiscal year. Among our main products, there are some that are affected by changes in business environment including market conditions. We need to adapt speedily to changes in the external environment in order to manage each business in rapidly changing markets. We have significantly broken again the highest profit record in this fiscal year. We aim for new highest to grow our business. We will continue to focus on efforts so that our products will be used more widely in society and industry.

3) Policy Implementation

In order to reliably meet the demands of our customers, we constantly inspect the supply system, including the supply chain, and take measures to expand it. The fluctuation range of the economic situation has become wider than in the past, and we will strive to improve our adaptability and resilience to these changes. We will review the location of new and expanded supply capacities. We will inspect our business conditions carefully so that we can face up to the so-called imponderable situations.

2. Basic Approach to the Selection of Accounting Standards

We have been using Japanese Generally Accepted Accounting Principles (JP-GAAP). We do not intend to change the accounting standards applied in the foreseeable future.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets
As of March 31, 2022 and 2023

| | Millions of yen | |
|---|-----------------|----------------|
| | March 31, 2022 | March 31, 2023 |
| ASSETS | | |
| Current Assets: | | |
| Cash and time deposits | 1,112,775 | 1,449,617 |
| Notes, accounts receivable-trade and contract assets | 473,513 | 472,557 |
| Securities | 323,305 | 151,031 |
| Inventories | 453,660 | 688,477 |
| Other | 80,539 | 107,535 |
| Less: Allowance for doubtful accounts | (5,818) | (5,695) |
| Total current assets | 2,437,975 | 2,863,524 |
| Fixed Assets: | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 246,154 | 282,756 |
| Machinery and equipment, net | 788,524 | 877,848 |
| Land | 94,043 | 103,350 |
| Construction in progress | 140,162 | 224,247 |
| Other, net | 21,280 | 29,986 |
| Total property, plant and equipment | 1,290,165 | 1,518,190 |
| Intangible assets | 10,535 | 10,351 |
| Investments and other assets: | | |
| Investments in securities | 161,338 | 171,110 |
| Deferred tax assets | 65,594 | 75,028 |
| Other | 93,624 | 98,241 |
| Less: Allowance for doubtful accounts | (5,822) | (6,051) |
| Total investments and other assets | 314,734 | 338,328 |
| Total fixed assets | 1,615,436 | 1,866,870 |
| TOTAL ASSETS | 4,053,412 | 4,730,394 |

| | Millions of yen | |
|--|-----------------|----------------|
| | March 31, 2022 | March 31, 2023 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Notes and accounts payable-trade | 177,682 | 185,006 |
| Short-term borrowings | 13,461 | 10,998 |
| Accounts payable - other | 81,350 | 92,187 |
| Accrued expenses | 69,197 | 85,567 |
| Accrued income taxes | 73,756 | 65,459 |
| Other | 62,309 | 68,590 |
| | 477,759 | 507,810 |
| Long-term Liabilities: | | |
| Long-term debt | 16,940 | 18,812 |
| Deferred tax liabilities | 66,833 | 112,246 |
| Other | 62,670 | 65,315 |
| | 146,444 | 196,375 |
| TOTAL LIABILITIES | 624,204 | 704,185 |
| NET ASSETS | | |
| Stockholders' Equity: | | |
| Common stock | 119,419 | 119,419 |
| Additional paid-in capital | 129,090 | 128,320 |
| Retained earnings | 2,993,026 | 3,310,205 |
| Less: Treasury stock, at cost | (15,702) | (22,891) |
| | 3,225,834 | 3,535,053 |
| Accumulated Other Comprehensive Income: | | |
| Unrealized gains (losses) on available-for-sale securities | 26,841 | 31,511 |
| Deferred gains (losses) on hedges | (2,535) | (410) |
| Foreign currency translation adjustments | 75,374 | 297,855 |
| Remeasurements of defined benefit plans | 1,049 | 6,385 |
| | 100,729 | 335,341 |
| Share subscription rights | 2,733 | 3,814 |
| Non-controlling interests in consolidated subsidiaries | 99,910 | 151,999 |
| | 3,429,208 | 4,026,209 |
| TOTAL NET ASSETS | 3,429,208 | 4,026,209 |
| TOTAL LIABILITIES AND NET ASSETS | 4,053,412 | 4,730,394 |

(2) Consolidated Statements of Income and Statements of Comprehensive Income

For the fiscal years ended March 31, 2022 and 2023

Consolidated Statements of Income

| | Millions of yen | |
|---|-----------------------------------|-----------------------------------|
| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 |
| Net sales | 2,074,428 | 2,808,824 |
| Cost of sales | 1,206,425 | 1,594,717 |
| Gross profit | 868,002 | 1,214,107 |
| Selling, general and administrative expenses | 191,680 | 215,905 |
| Operating income | 676,322 | 998,202 |
| Non-operating income: | | |
| Interest income | 2,376 | 16,575 |
| Equity in earnings of affiliates | 7,140 | 9,522 |
| Foreign exchange gain | 14,265 | - |
| Other income | 4,785 | 8,991 |
| Total non-operating income | 28,567 | 35,090 |
| Non-operating expenses: | | |
| Interest expenses | 983 | 1,490 |
| Foreign exchange loss | - | 3,195 |
| Loss on retirement of non-current assets | 2,814 | 4,910 |
| Other expenses | 6,657 | 3,484 |
| Total non-operating expenses | 10,455 | 13,081 |
| Ordinary income | 694,434 | 1,020,211 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 1,703 | - |
| Total extraordinary income | 1,703 | - |
| Income before income taxes and non-controlling interests | 696,137 | 1,020,211 |
| Income taxes: | | |
| Current | 172,596 | 240,459 |
| Deferred | (1,491) | 16,131 |
| Total income taxes | 171,105 | 256,590 |
| Net income | 525,032 | 763,620 |
| Net income attributable to non-controlling interests | 24,914 | 55,382 |
| Net income attributable to owners of parent | 500,117 | 708,238 |

Consolidated Statements of Comprehensive Income

| | Millions of yen | |
|---|-----------------------------------|-----------------------------------|
| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 |
| Net income | 525,032 | 763,620 |
| Other comprehensive income: | | |
| Unrealized gains (losses) on available-for-sale securities | 1,821 | 4,659 |
| Deferred gains (losses) on hedges | 171 | 2,120 |
| Foreign currency translation adjustments | 137,079 | 225,081 |
| Remeasurements of defined benefit plans | 3,465 | 5,325 |
| Share of other comprehensive income of affiliates accounted for using the equity method | 668 | 176 |
| | 143,206 | 237,363 |
| Total other comprehensive income | | |
| | 668,238 | 1,000,984 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 639,552 | 942,849 |
| Comprehensive income attributable to non-controlling interests | 28,686 | 58,134 |

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

| | Stockholders' Equity | | | | |
|--|----------------------|----------------------------|-------------------|-------------------------|----------------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total stockholders' equity |
| Balance at the beginning of the year | 119,419 | 128,954 | 2,616,081 | (12,612) | 2,851,842 |
| Cumulative effects of changes in accounting policies | | | (2,133) | | (2,133) |
| Restated balance | 119,419 | 128,954 | 2,613,947 | (12,612) | 2,849,708 |
| Changes during the year | | | | | |
| Cash dividends | | | (120,481) | | (120,481) |
| Net income attributable to owners of parent | | | 500,117 | | 500,117 |
| Change of scope of consolidation | | | (556) | | (556) |
| Purchase of treasury stock | | | | (5,954) | (5,954) |
| Disposal of treasury stock | | 111 | | 2,864 | 2,975 |
| Others | | 24 | | | 24 |
| Net changes of items other than stockholders' equity | | | | | |
| Total changes during the year | - | 136 | 379,079 | (3,089) | 376,125 |
| Balance at the end of the year | 119,419 | 129,090 | 2,993,026 | (15,702) | 3,225,834 |

(Millions of yen)

| | Accumulated Other Comprehensive Income | | | | | Share subscription rights | Non-controlling interests in consolidated subsidiaries | Total net assets |
|--|--|-----------------------------------|--|---|--|---------------------------|--|------------------|
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the year | 25,027 | (2,703) | (58,618) | (2,409) | (38,704) | 2,014 | 71,473 | 2,886,625 |
| Cumulative effects of changes in accounting policies | | | | | | | | (2,133) |
| Restated balance | 25,027 | (2,703) | (58,618) | (2,409) | (38,704) | 2,014 | 71,473 | 2,884,491 |
| Changes during the year | | | | | | | | |
| Cash dividends | | | | | | | | (120,481) |
| Net income attributable to owners of parent | | | | | | | | 500,117 |
| Change of scope of consolidation | | | | | | | | (556) |
| Purchase of treasury stock | | | | | | | | (5,954) |
| Disposal of treasury stock | | | | | | | | 2,975 |
| Others | | | | | | | | 24 |
| Net changes of items other than stockholders' equity | 1,814 | 167 | 133,993 | 3,459 | 139,434 | 719 | 28,437 | 168,590 |
| Total changes during the year | 1,814 | 167 | 133,993 | 3,459 | 139,434 | 719 | 28,437 | 544,716 |
| Balance at the end of the year | 26,841 | (2,535) | 75,374 | 1,049 | 100,729 | 2,733 | 99,910 | 3,429,208 |

For the fiscal year ended March 31, 2023

(Millions of yen)

| | Stockholders' Equity | | | | |
|---|----------------------|----------------------------|-------------------|-------------------------|----------------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total stockholders' equity |
| Balance at the beginning of the year | 119,419 | 129,090 | 2,993,026 | (15,702) | 3,225,834 |
| Changes during the year | | | | | |
| Cash dividends | | | (195,365) | | (195,365) |
| Net income attributable to owners of parent | | | 708,238 | | 708,238 |
| Purchase of treasury stock | | | | (206,788) | (206,788) |
| Disposal of treasury stock | | (935) | | 4,101 | 3,165 |
| Retirement of treasury stock | | (195,497) | | 195,497 | - |
| Transfer to additional paid-in capital from retained earnings | | 195,694 | (195,694) | | - |
| Others | | (31) | | | (31) |
| Net changes of items other than stockholders' equity | | | | | |
| Total changes during the year | - | (770) | 317,178 | (7,189) | 309,218 |
| Balance at the end of the year | 119,419 | 128,320 | 3,310,205 | (22,891) | 3,535,053 |

(Millions of yen)

| | Accumulated Other Comprehensive Income | | | | | Share subscription rights | Non-controlling interests in consolidated subsidiaries | Total net assets |
|---|--|-----------------------------------|--|---|--|---------------------------|--|------------------|
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at the beginning of the year | 26,841 | (2,535) | 75,374 | 1,049 | 100,729 | 2,733 | 99,910 | 3,429,208 |
| Changes during the year | | | | | | | | |
| Cash dividends | | | | | | | | (195,365) |
| Net income attributable to owners of parent | | | | | | | | 708,238 |
| Purchase of treasury stock | | | | | | | | (206,788) |
| Disposal of treasury stock | | | | | | | | 3,165 |
| Retirement of treasury stock | | | | | | | | - |
| Transfer to additional paid-in capital from retained earnings | | | | | | | | - |
| Others | | | | | | | | (31) |
| Net changes of items other than stockholders' equity | 4,670 | 2,125 | 222,480 | 5,335 | 234,611 | 1,080 | 52,089 | 287,782 |
| Total changes during the year | 4,670 | 2,125 | 222,480 | 5,335 | 234,611 | 1,080 | 52,089 | 597,001 |
| Balance at the end of the year | 31,511 | (410) | 297,855 | 6,385 | 335,341 | 3,814 | 151,999 | 4,026,209 |

(4) Consolidated Statements of Cash Flows
For the fiscal years ended March 31, 2022 and 2023

| | Millions of yen | |
|--|-----------------------------------|-----------------------------------|
| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 |
| Cash flows from operating activities: | | |
| Income before income taxes and non-controlling interests | 696,137 | 1,020,211 |
| Depreciation and amortization | 168,788 | 213,632 |
| Increase (decrease) in net defined benefit liability | 3,041 | 2,441 |
| Loss (gain) on sales of investment securities | (295) | (58) |
| Increase (decrease) in allowance for doubtful accounts | 3,195 | (266) |
| Interest and dividend income | (4,929) | (19,940) |
| Interest expenses | 983 | 1,490 |
| Exchange (gain) loss | (8,842) | (1,082) |
| Equity in (earnings) losses of affiliates | (7,140) | (9,522) |
| (Increase) decrease in notes and accounts receivable | (119,162) | 29,718 |
| (Increase) decrease in inventories | (69,097) | (210,959) |
| (Increase) decrease in long-term advance payment | (3,951) | 2,899 |
| Increase (decrease) in notes and accounts payable | 47,436 | (1,702) |
| Other, net | (11,354) | 6,103 |
| Subtotal | 694,808 | 1,032,964 |
| Proceeds from interest and dividends | 6,984 | 23,220 |
| Payments of interest | (816) | (1,234) |
| Payments of income taxes | (147,448) | (266,937) |
| Net cash provided by operating activities | 553,528 | 788,013 |
| Cash flows from investing activities: | | |
| Net (increase) decrease in time deposits | (40,783) | 9,995 |
| Net (increase) decrease in marketable securities | (6,402) | 106,394 |
| Purchases of property, plant and equipment | (195,775) | (295,517) |
| Purchases of intangible assets | (1,781) | (3,850) |
| Purchases of investments in securities | (8,099) | (9,032) |
| Proceeds from sales and redemption of investments in securities | 389 | 5,097 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (3,552) | - |
| Other, net | 2,281 | 424 |
| Net cash used for investing activities | (253,723) | (186,488) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term borrowings | (1,100) | (1,521) |
| Proceeds from long-term debt | 4,677 | 5,000 |
| Repayments of long-term debt | (3,041) | (6,029) |
| Purchases of treasury stock | (5,954) | (206,788) |
| Cash dividends paid | (120,481) | (195,365) |
| Other, net | 3,396 | (18,854) |
| Net cash used for financing activities | (122,504) | (423,559) |
| Effect of exchange rate changes on cash and cash equivalents | 29,963 | 60,454 |
| Net increase (decrease) in cash and cash equivalents | 207,263 | 238,419 |
| Cash and cash equivalents at beginning of year | 801,596 | 1,008,925 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 64 | - |
| Cash and cash equivalents at end of year | 1,008,925 | 1,247,344 |

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Changes in Accounting Policies)

(Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the fiscal year ending March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement”, we have decided to apply the new accounting policies set forth by the “Implementation Guidance on Accounting Standard for Fair Value Measurement” into the future. This application had no impact on the consolidated financial statements.

(Application of ASC Topic 842 Leases)

At overseas subsidiaries adopting US GAAP, ASC Topic 842 Leases is applied from the beginning of the fiscal year ending March 31, 2023. The impact of the application of this accounting standard on the consolidated financial statements was immaterial.

(Segment Information)

1. Overview of Reportable Segments

The reportable segments of the Shin-Etsu Group are comprised of business units for which discrete financial information is available for each and are subject to regular review to evaluate their results and allocate management resources by the decision-making body of the Company.

The main products and services that belong to each segment are as follows.

| Segment | Main products and services | Business description |
|-----------------------------------|--|---|
| Infrastructure Materials | Polyvinyl chloride resin, Caustic soda, Methanol, Chloromethanes, Poval | Supporting infrastructure and daily life by lessening environmental impact. |
| Electronics Materials | Semiconductor silicon, Rare earth magnets, Semiconductor encapsulating materials, LED packaging materials, Photoresists, Photomask blanks, Synthetic quartz products | Providing material technology for better application for electronics, optics, and magnetics everywhere. |
| Functional Materials | Silicones, Cellulose derivatives, Silicon metal, Synthetic pheromones, Vinyl chloride-vinyl acetate copolymer, Liquid fluoroelastomers, Pellicles | Providing a wide range of better functions that are required. |
| Processing & Specialized Services | Processed plastics, Export of technologies and plants, Export and import of products, Engineering | Responding to problem solving by applying materials and utilizing engineering. |

2. Calculation of Sales, Income, Assets, Liabilities and Other Items of Reportable Segments

Segment income denotes operating income, and the accounting methods applied are based on the principles and procedures of the accounting treatment used to prepare the consolidated financial statements. Internal revenues and transfers arising from transactions among the segments are based on market prices in general, although transfers performed between segments at the same business site are calculated based on manufacturing cost.

Assets and liabilities are not allocated to business segments.

3. Information on Sales, Income, and Other Items of Reportable Segments

(1) For the fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

| | Millions of yen | | | | | | Figures in consolidated financial statements |
|---|--------------------------|-----------------------|----------------------|-----------------------------------|-----------|-------------|--|
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total | Adjustment* | |
| Sales to outside customers | 1,308,099 | 875,646 | 493,386 | 131,691 | 2,808,824 | - | 2,808,824 |
| Intersegment sales | 6,071 | 6,812 | 29,478 | 133,592 | 175,955 | (175,955) | - |
| Total | 1,314,171 | 882,459 | 522,864 | 265,284 | 2,984,780 | (175,955) | 2,808,824 |
| Segment income (Operating income) | 541,344 | 301,400 | 130,608 | 26,365 | 999,719 | (1,517) | 998,202 |
| Depreciation and amortization | 72,679 | 101,827 | 35,172 | 5,021 | 214,701 | (1,068) | 213,632 |
| Increase in property, plant and equipment and intangible assets | 100,009 | 168,858 | 39,859 | 11,460 | 320,189 | (2,142) | 318,046 |

*Elimination of intersegment transactions

(2) For the fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

| | Millions of yen | | | | | | Figures in consolidated financial statements |
|---|--------------------------|-----------------------|----------------------|-----------------------------------|-----------|-------------|--|
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total | Adjustment* | |
| Sales to outside customers | 857,189 | 708,979 | 395,626 | 112,632 | 2,074,428 | — | 2,074,428 |
| Intersegment sales | 4,357 | 7,120 | 14,395 | 103,802 | 129,676 | (129,676) | — |
| Total | 861,547 | 716,099 | 410,022 | 216,434 | 2,204,104 | (129,676) | 2,074,428 |
| Segment income (Operating income) | 317,792 | 244,778 | 94,774 | 20,910 | 678,255 | (1,933) | 676,322 |
| Depreciation and amortization | 51,347 | 80,792 | 32,793 | 4,576 | 169,510 | (722) | 168,788 |
| Increase in property, plant and equipment and intangible assets | 62,194 | 106,543 | 37,380 | 9,424 | 215,543 | (1,625) | 213,918 |

*Elimination of intersegment transactions

(Per Share Information)

| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Net assets per share (yen) | 1,601.45 | 1,918.37 |
| Net income per share (yen) | 240.76 | 347.84 |
| Diluted net income per share (yen) | 240.55 | 347.61 |

(Note 1) The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. “Net income per share,” “Diluted net income per share” and “Net assets per share” represent the amounts after the stock split based on “Accounting Standard for Earnings Per Share.”

(Note 2) Net income per share and diluted net income per share were calculated based on the following:

| | Millions of yen | |
|---|-------------------------------------|-----------------------------------|
| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 |
| Calculation of net income per share | | |
| Net income attributable to owners of parent | 500,117 | 708,238 |
| Amount not attributable to shareholders of common stock | - | - |
| Net income attributable to shareholders of common stock of parent | 500,117 | 708,238 |
| Weighted-average number of shares outstanding (thousands of shares) | 2,077,245 | 2,036,096 |
| Calculation of diluted net income per share | | |
| Adjustments to net income attributable to owners of parent | (27) | (19) |
| [Adjustments of dilutive shares issued by subsidiaries] | [(27)] | [(19)] |
| Increase of common stock (thousands of shares) | 1,703 | 1,281 |
| [Share subscription rights included in the above (thousands of shares)] | [1,703] | [1,281] |
| | Number of share subscription rights | |
| | April 1, 2021 - March 31, 2022 | April 1, 2022 - March 31, 2023 |
| Potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect | - | - |

(Major Subsequent Events)

(Stock Split and Partial Amendment of Articles of Incorporation)

Based on a resolution at the Board of Directors Meeting held on January 26, 2023, the Company implemented a stock split and partially amended its Articles of Incorporation.

1. Purpose of stock split

In consideration of the start of the new NISA program in Japan, the purpose of the stock split is to create an environment where individual investors can more easily invest in the Company's shares, thereby expanding the investor base.

2. Outline of stock split

(1) Method of stock split

The Company split each share of its common stock owned by shareholders entered or recorded in the final shareholder registry as of March 31, 2023 into five shares.

(2) Number of additional shares to be issued due to stock split

| | |
|---|----------------------|
| Total number of issued shares before the stock split | 404,824,593 shares |
| Number of additional shares to be issued due to the stock split | 1,619,298,372 shares |
| Total number of issued shares following the stock split | 2,024,122,965 shares |
| Total number of authorized shares following the stock split | 8,000,000,000 shares |

3. Partial amendment of Articles of Incorporation

(1) Reason for amendment

In connection with the stock split, a related provision of the Articles of Incorporation was amended effective April 1, 2023 and in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of amendment

The details of the amendment are as follows:

(Amended parts are underlined)

| Before the amendment | After the amendment |
|---|--|
| (Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>one billion seven hundred and twenty million (1,720,000,000)</u> . | (Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>eight billion (8,000,000,000)</u> . |

4. Other Matters

(1) Method of stock split

There was no change in the amount of stated capital as a result of the stock split.

(2) Dividends

As the stock split took effect on April 1, 2023, the year-end dividend for the fiscal year ending March 31, 2023, which has a dividend record date of March 31, 2023, will be paid based on the number of shares before the stock split.

(Appendix)

1. Quarterly Operating Results

(Billions of yen)

| | FY 2021 April 1, 2021 - March 31, 2022 | | | | | FY 2022 April 1, 2022 - March 31, 2023 | | | | |
|---|---|-------|-------|-------|---------|---|-------|-------|-------|----------------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| Net Sales | 434.2 | 507.1 | 542.3 | 590.7 | 2,074.4 | 656.7 | 752.6 | 753.9 | 645.5 | 2,808.8 |
| Infrastructure Materials | 157.1 | 206.8 | 231.8 | 261.3 | 857.1 | 289.7 | 361.8 | 357.1 | 299.2 | 1,308.0 |
| Electronics Materials | 161.1 | 174.4 | 181.2 | 192.1 | 708.9 | 211.1 | 228.2 | 233.1 | 203.1 | 875.6 |
| Functional Materials | 91.6 | 96.8 | 100.7 | 106.4 | 395.6 | 125.1 | 130.2 | 128.7 | 109.2 | 493.3 |
| Processing & Specialized Services | 24.3 | 28.9 | 28.5 | 30.7 | 112.6 | 30.6 | 32.3 | 34.7 | 33.9 | 131.6 |
| Operating Income | 128.8 | 169.5 | 181.7 | 196.2 | 676.3 | 249.6 | 286.6 | 271.9 | 189.9 | 998.2 |
| Infrastructure Materials | 44.1 | 79.1 | 89.0 | 105.4 | 317.7 | 128.5 | 161.2 | 149.6 | 101.8 | 541.3 |
| Electronics Materials | 56.7 | 62.0 | 65.1 | 60.8 | 244.7 | 77.5 | 82.0 | 83.7 | 58.0 | 301.4 |
| Functional Materials | 22.7 | 23.7 | 21.8 | 26.4 | 94.7 | 36.7 | 36.8 | 32.6 | 24.4 | 130.6 |
| Processing & Specialized Services | 5.3 | 5.0 | 5.9 | 4.5 | 20.9 | 7.0 | 7.0 | 6.8 | 5.4 | 26.3 |
| Ordinary Income | 130.8 | 172.6 | 186.7 | 204.1 | 694.4 | 262.6 | 296.3 | 265.1 | 195.9 | 1,020.2 |
| Net Income Attributable to Owners of Parent | 95.7 | 125.1 | 132.2 | 146.9 | 500.1 | 184.1 | 208.2 | 186.1 | 129.7 | 708.2 |
| R&D Costs | 14.0 | 13.3 | 18.9 | 16.1 | 62.4 | 16.1 | 16.8 | 15.2 | 18.9 | 67.2 |
| Overseas Sales | 327.1 | 393.7 | 422.3 | 463.7 | 1,607.1 | 520.7 | 614.0 | 615.6 | 519.6 | 2,270.0 |
| Ratio of Overseas Sales to Net Sales | 75% | 78% | 78% | 79% | 77% | 79% | 82% | 82% | 80% | 81% |

2. Capital Expenditures and Depreciation and Amortization

(Billions of yen)

| | FY 2021 April 1, 2021 - March 31, 2022 | | | | | FY 2022 April 1, 2022 - March 31, 2023 | | | | |
|-----------------------------------|---|------|------|------|-------|---|------|------|------|--------------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | 4Q | Total |
| | Capital Expenditures | 46.7 | 51.7 | 53.0 | 62.2 | 213.9 | 53.9 | 80.2 | 84.0 | 99.8 |
| Infrastructure Materials | 15.7 | 20.4 | 14.8 | 11.1 | 62.1 | 22.1 | 21.1 | 29.4 | 27.3 | 100.0 |
| Electronics Materials | 21.6 | 20.1 | 27.6 | 37.1 | 106.5 | 23.4 | 47.6 | 37.5 | 60.2 | 168.8 |
| Functional Materials | 8.3 | 8.9 | 8.6 | 11.4 | 37.3 | 6.4 | 8.6 | 13.6 | 11.0 | 39.8 |
| Processing & Specialized Services | 1.2 | 2.6 | 2.4 | 3.1 | 9.4 | 2.1 | 3.2 | 3.8 | 2.3 | 11.4 |
| Depreciation and Amortization | 35.2 | 40.3 | 44.2 | 48.8 | 168.7 | 46.7 | 48.4 | 54.3 | 64.1 | 213.6 |
| Infrastructure Materials | 11.5 | 12.7 | 12.8 | 14.1 | 51.3 | 17.8 | 16.2 | 18.9 | 19.6 | 72.6 |
| Electronics Materials | 15.3 | 18.9 | 21.6 | 24.8 | 80.7 | 19.8 | 22.7 | 25.0 | 34.1 | 101.8 |
| Functional Materials | 7.5 | 7.7 | 8.7 | 8.7 | 32.7 | 8.0 | 8.5 | 9.2 | 9.2 | 35.1 |
| Processing & Specialized Services | 0.9 | 1.0 | 1.2 | 1.3 | 4.5 | 1.1 | 1.1 | 1.3 | 1.4 | 5.0 |

3. Other Financial Items (Consolidated)

(Billions of yen)

| | Mar 31 2022 | Mar 31 2023 |
|---|----------------|----------------|
| Net Assets | 3,429.2 | 4,026.2 |
| Total Assets | 4,053.4 | 4,730.3 |
| Net Assets per Share (Yen) (after the stock split) | 1,601 | 1,918 |
| Interest-bearing Liabilities | 30.4 | 29.8 |
| Number of Employees | 24,954 | 25,717 |
| Exchange Rate: Jan - Dec (Avg) | 109.8 | 131.4 |
| (Yen/US\$) Apr - Mar (Avg) | 112.4 | 135.5 |

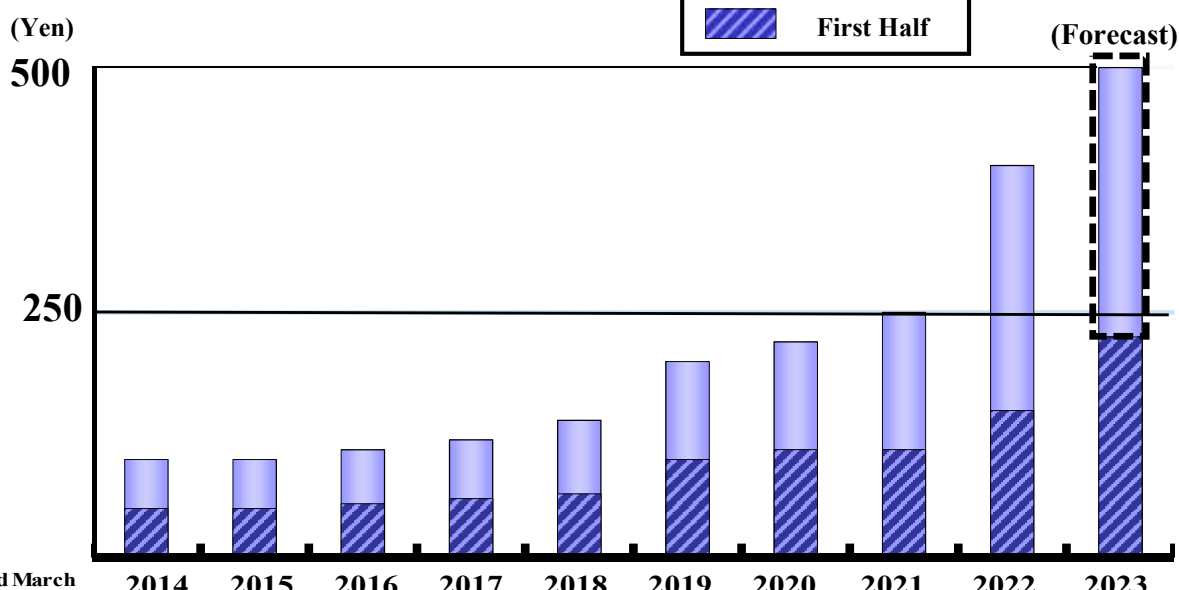
Note : An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

4. Comparative Balance Sheets (Consolidated)

(Billions of yen)

| | Mar 31 2022 | Mar 31 2023 | Increase (Decrease) | Effect of exchange rate | [a]-[b] | | Mar 31 2022 | Mar 31 2023 | Increase (Decrease) | Effect of exchange rate | [a]-[b] |
|---|----------------|----------------|------------------------|-------------------------------|---------|---|----------------|----------------|------------------------|-------------------------------|---------|
| | | | [a] | [b] | | | | | [a] | [b] | |
| Current Assets | 2,437.9 | 2,863.5 | 425.6 | 151.8 | 273.8 | Current Liabilities | 477.7 | 507.8 | 30.1 | 17.6 | 12.5 |
| Cash and time deposits | 1,112.7 | 1,449.6 | 336.9 | 95.3 | 241.6 | Notes and accounts payable-trade | 177.6 | 185.0 | 7.4 | 9.0 | (1.6) |
| Notes and accounts receivable-trade | 473.5 | 472.5 | (1.0) | 28.8 | (29.8) | Other | 300.0 | 322.8 | 22.8 | 8.6 | 14.2 |
| Securities | 323.3 | 151.0 | (172.3) | 0.1 | (172.4) | Long-term Liabilities | 146.4 | 196.3 | 49.9 | 15.2 | 34.7 |
| Inventories | 453.6 | 688.4 | 234.8 | 25.2 | 209.6 | Total Liabilities | 624.2 | 704.1 | 79.9 | 32.8 | 47.1 |
| Other | 74.7 | 101.8 | 27.1 | 2.4 | 24.7 | Stockholders' Equity | 3,225.8 | 3,535.0 | 309.2 | 0.0 | 309.2 |
| Fixed Assets | 1,615.4 | 1,866.8 | 251.4 | 124.9 | 126.5 | Accumulated Other Comprehensive Income | 100.7 | 335.3 | 234.6 | 235.9 | (1.3) |
| Property, Plant and Equipment and Intangible Assets | 1,300.7 | 1,528.5 | 227.8 | 121.4 | 106.4 | Other | 102.6 | 155.8 | 53.2 | 8.0 | 45.2 |
| Investments and Other Assets | 314.7 | 338.3 | 23.6 | 3.5 | 20.1 | Total Net Assets | 3,429.2 | 4,026.2 | 597.0 | 243.9 | 353.1 |
| Total Assets | 4,053.4 | 4,730.3 | 676.9 | 276.7 | 400.2 | Total Liabilities and Net Assets | 4,053.4 | 4,730.3 | 676.9 | 276.7 | 400.2 |

5. Cash Dividends per Share



| Fiscal year ended March | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|---------|---------|
| Cash Dividend per Share (Yen) | First half | 50 | 50 | 55 | 60 | 65 | 100 | 110 | 110 | 150 | 225 |
| | Annual | 100 | 100 | 110 | 120 | 140 | 200 | 220 | 250 | 400 | * 500 |
| Net Income per Share (Yen) (Before the Stock Split) | Annual | 267.2 | 302.0 | 349.5 | 412.9 | 624.3 | 726.0 | 755.2 | 706.8 | 1,203.8 | 1,739.2 |
| | (After the Stock Split) | 53.4 | 60.4 | 69.9 | 82.6 | 124.9 | 145.2 | 151.0 | 141.4 | 240.8 | 347.8 |
| Dividend payout ratio | Annual | 37.4% | 33.1% | 31.5% | 29.1% | 22.4% | 27.5% | 29.1% | 35.4% | 33.2% | * 28.7% |

*Forecast

6. Sales by Manufacturing Location for Each Segment

(Billions of yen)

| | | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total |
|-------------------------|-----------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|---------|
| Fiscal year 21/4 - 22/3 | Goods Manufactured in Japan | 128.0 | 571.5 | 244.7 | 81.5 | 1,025.8 |
| | Goods Manufactured overseas | 729.1 | 137.4 | 150.8 | 31.0 | 1,048.5 |
| | | 857.1 | 708.9 | 395.6 | 112.6 | 2,074.4 |
| Fiscal year 22/4 - 23/3 | Goods Manufactured in Japan | 139.2 | 683.8 | 307.7 | 93.3 | 1,224.3 |
| | Goods Manufactured overseas | 1,168.8 | 191.7 | 185.6 | 38.2 | 1,584.5 |
| | | 1,308.0 | 875.6 | 493.3 | 131.6 | 2,808.8 |

7. Sales by Region

(Billions of yen)

| | Japan | Overseas | | | | | Total | Total Consolidated Net Sales |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|------------------------------|
| | | U.S. | Asia/Oceania | | Europe | Other Areas | | |
| | | | China | | | | | |
| Fiscal year 21/4 - 22/3 | 23% | 30% | 30% | 9% | 10% | 8% | 77% | 2,074.4 |
| | 467.3 | 613.0 | 630.2 | 179.5 | 206.7 | 157.0 | 1,607.1 | |
| Fiscal year 22/4 - 23/3 | 19% | 35% | 29% | 8% | 10% | 7% | 81% | 2,808.8 |
| | 538.7 | 979.8 | 805.1 | 236.2 | 277.7 | 207.2 | 2,270.0 | |

Note: % indicates the proportion of total consolidated net sales

8. Assets by Segments

(Billions of yen)

| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Corporate assets | Consolidated total |
|----------------------|--------------------------|-----------------------|----------------------|-----------------------------------|------------------|--------------------|
| March 31 2022 | 1,372.5 | 1,513.6 | 559.9 | 204.4 | 402.8 | 4,053.4 |
| March 31 2023 | 1,988.0 | 1,528.5 | 632.0 | 235.3 | 346.3 | 4,730.3 |

Note: These amounts were prepared on an informal basis.

9. Average Exchange Rate

| | | US\$ (yen/\$) | | | | | EUR (yen/€) | | | | |
|------|---------|---------------|--------------------|--------------------|-----------|---------|-------------|--------------------|--------------------|-----------|---------|
| | | Quarterly | 6 months | | 12 months | | Quarterly | 6 months | | 12 months | |
| | | | Jan-Jun Jul-Dec | Apr-Sep Oct-Mar | * Jan-Dec | Apr-Mar | | Jan-Jun Jul-Dec | Apr-Sep Oct-Mar | * Jan-Dec | Apr-Mar |
| 2021 | Jan-Mar | 105.9 | 107.7 | 109.8 | 109.8 | 112.4 | 127.7 | 129.8 | 130.9 | 129.9 | 130.6 |
| | Apr-Jun | 109.5 | | | | | 132.0 | | | | |
| | Jul-Sep | 110.1 | 111.9 | 130.1 | 130.0 | | | | | | |
| | Oct-Dec | 113.7 | 115.0 | 130.4 | 134.3 | | | | | | |
| 2022 | Jan-Mar | 116.2 | 122.9 | 134.0 | 131.4 | 135.5 | 130.4 | 134.3 | 138.7 | 138.0 | 141.0 |
| | Apr-Jun | 129.6 | | | | | 138.1 | | | | |
| | Jul-Sep | 138.4 | 140.0 | 144.3 | 141.8 | | | | | | |
| | Oct-Dec | 141.6 | 137.0 | 142.1 | 143.2 | | | | | | |
| 2023 | Jan-Mar | 132.3 | | | | | | | | | |

Exchange rate as of Dec 31, 2021 115.02 Mar 31, 2022 122.39 Dec 31, 2021 130.51 Mar 31, 2022 136.70
Dec 31, 2022 132.70 Mar 31, 2023 133.53 Dec 31, 2022 141.47 Mar 31, 2023 145.72

* An average exchange rate between January and December was used for the Consolidated Income Statements of overseas subsidiaries.

10. Topics

○ Press Release (Apr. 2022 – Mar. 2023)

- Apr. 2022 Shin-Etsu Chemical developed new thermal interface silicone rubber sheet series for applications in components of electric vehicles as the technology for high voltage devices advances
- May. 2022 Shin-Etsu Chemical to accelerate commercialization of GaN (gallium nitride) epitaxial growth substrates and its related products
- Jul. 2022 Shin-Etsu Chemical has developed “Tersus[®]RN,” a high-strength inorganic thin-film coating liquid with excellent antibacterial and antiviral properties
- Jul. 2022 Shin-Etsu Chemical jointly develops with Taiwan’s ITRI encapsulant material for Mini LED displays
- Oct. 2022 Shin-Etsu Chemical has developed a new coating material “Sicle[™],” calls “Sa-I-Ku-Lu” that adds a water-resistance property to paper products such as cardboard and also dramatically facilitates their recyclability
- Oct. 2022 Shin-Etsu Chemical has developed the industry’s first silicone film-forming emulsion mainly for fiber-treatment applications
- Jan. 2023 Shin-Etsu Chemical has developed new process technologies, transfer parts and other equipment for Micro LED displays
- Mar. 2023 Shin-Etsu Chemical has developed a silicone rubber for molding that is optimal as an insulation covering material for onboard high-voltage cable in automobiles

★ Please refer to news releases related to these matters on our website at <https://www.shinetsu.co.jp/en/news/>

○ Shin-Etsu Chemical Awarded Clarivate Top 100 Global Innovator[™] in 2023 Again

Every year, Clarivate (formerly Thomson Reuters) selects companies and institutions that protect their creative inventions through intellectual property rights and successfully commercialize them. The selection is conducted independently by Clarivate based on the "success rate," "globality," and "influence of patents in citation," etc. Shin-Etsu Chemical has received this award for the twelfth consecutive year since it was established. Out of 100 companies, 19 companies have received the award for the twelfth consecutive year, and 3 companies are in the chemical field. Shin-Etsu Chemical is one of those companies.

11. Capital Investments

★ : Completion ☆ : Completion Schedule

| Company | Projects | Investment Amount | 2021 | | 2022 | | 2023 | | 2024 | |
|---|---|-------------------|---------|----|---------|----|------|----|------|----|
| | | | 1H | 2H | 1H | 2H | 1H | 2H | 1H | 1H |
| Shintech (USA) | Establishment of a new integrated PVC plant (1st phase) | \$1.49 billion | | ★ | | | | | | |
| Shintech (USA) | Facility investment in PVC (2nd phase) | \$1.25 billion | | | | | | ☆ | | |
| Shin-Etsu Chemical (Naoetsu) Shin-Etsu Electronics Materials Taiwan (Taiwan) | Facility investments in photoresists | ¥30 billion | *1 ★ | | *2 ★ | | | | | |
| Shin-Etsu Chemical (Takefu, Naoetsu) | Reinforcement of the production capacity for photomask blanks | ¥14 billion | *3 ★ | | | | | | | |
| Shin-Etsu Chemical (Naoetsu) | Capital investment for the mass production of Low Dielectric Constant Thermosetting Resins for 5G products | ¥3 billion | | ★ | | | | | | |
| Shin-Etsu Chemical and main overseas bases (Gunma, Thailand, etc.) | Reinforcement of the production capacity for silicone monomer and polymer | ¥110 billion | → | | ★ | | | | | |
| Shin-Etsu Chemical (Gunma) | Capital investment for the reduction in the volume of greenhouse gas emissions in the silicones business. (gas turbine power generators, capacity increase of products that contribute to the environment.) | ¥20 billion | | *4 | → | | ★ | | | |
| Shin-Etsu Chemical (Gunma, Takefu, Naoetsu) | Reinforcement of the production capacity for silicone advanced functional products line | ¥80 billion | | | | *4 | → | | | |

*1 Taiwan *2 Naoetsu *3 Takefu *4 Starting up gradually