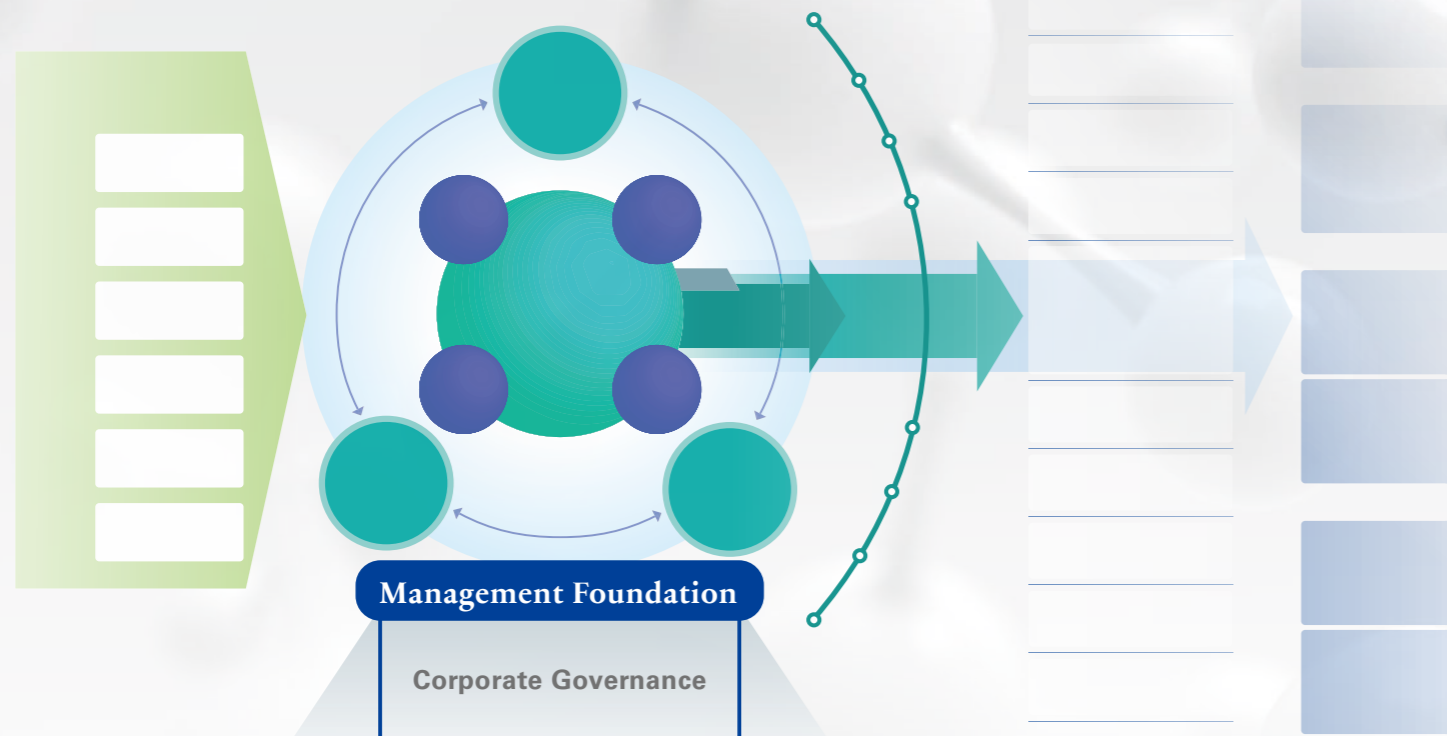


Build a robust corporate governance structure to sustainably increase corporate value



Management Foundation

Corporate Governance

Three Features of Corporate Governance



Ratio of Outside Directors on the Board of Directors:

45%



Ratio of Outside Directors with Corporate Management Experience:

60%



Attendance ratio of Outside Directors at the Board of Directors Meetings:

98%

Corporate Governance

Basic Approach

Our basic management policy is to continuously enhance our corporate value and meet shareholder expectations. To carry out this policy, we have established an efficient organizational structure and various systems designed to respond to changes in the business environment. In addition, to improve transparency in management and strengthen oversight functions, our basic

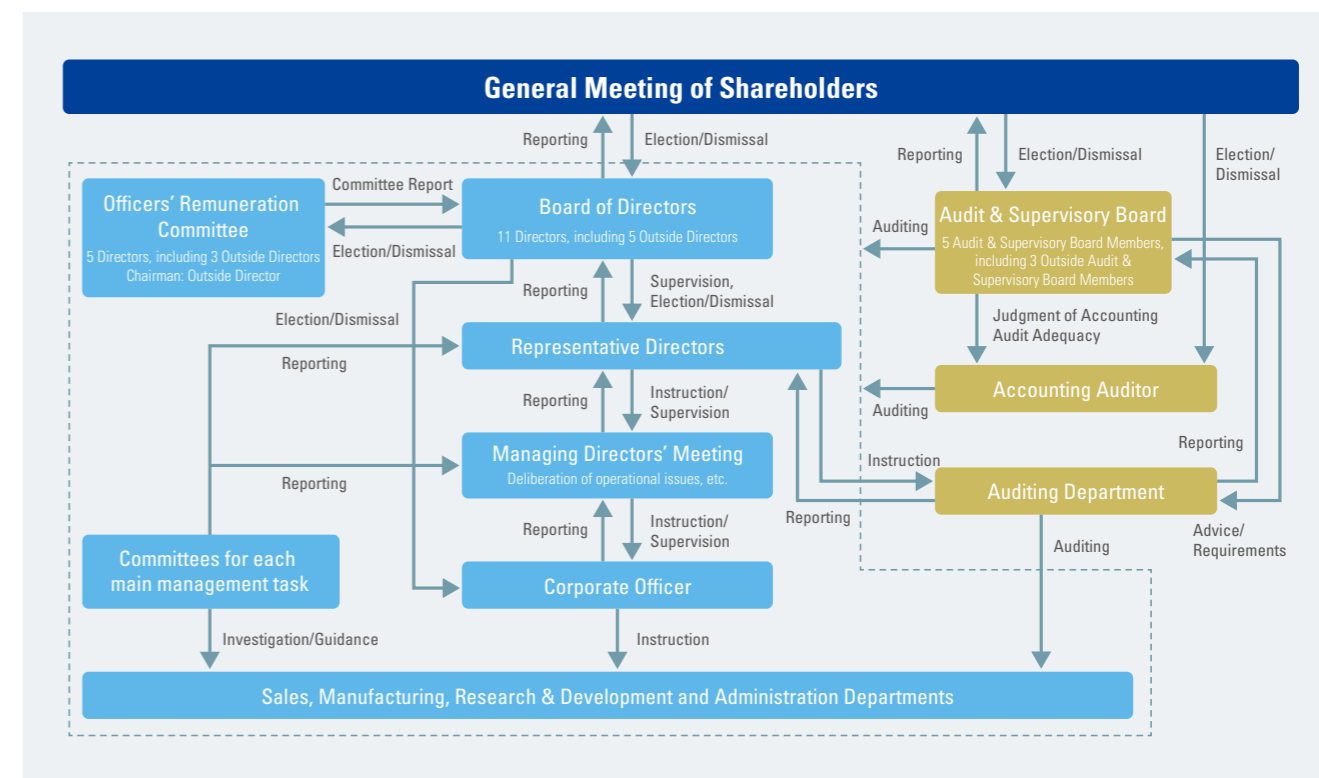
approach to corporate governance is to accurately disclose information to shareholders and investors, and we consider this to be one of our highest management priorities.

For more detailed information, please see the Governance section on the Group's website.
https://www.shinetsu.co.jp/en/sustainability/esg_governance/

Corporate Governance Structure

Shin-Etsu Chemical has adopted the Audit & Supervisory Board Member system as its organizational structure, and the 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. We believe that these efforts will enable us to establish a desirable governance system to ensure the 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. The Board of Directors deliberates and makes decisions on important matters related to management, including the Company's basic policies and matters required to be resolved by laws, regulations, and the Articles of Incorporation of the Company. The Managing Directors' Meeting deliberates and makes decisions on all aspects of the Company's operations (excluding matters submitted to the Board of Directors) in order to ensure the speedy and efficient execution of the Company's business operations. 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.



Officers' Remuneration

Shin-Etsu Chemical established the Officers' Remuneration Committee as an advisory body to the Board of Directors in 2002. The Committee consists of five directors, including three Outside Directors. With Outside Director Toshihiko

Fukui 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, 2022)

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)	808	489	1,297	16	210	6	
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	—	36	2	—	—	
Outside Directors and Outside Audit & Supervisory Board Members	171	—	171	9	—	—	

Notes: 1. Includes ten Directors and one Outside Audit & Supervisory Board Member who retired from the positions effective upon the conclusion of the 144th General Shareholders' Meeting held on June 29, 2021.
 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" of the Directors do not include the employee salaries of Directors who serve concurrently as employees. In addition, the above figures for "Performance-linked remuneration" and "Non-monetary remuneration, etc." do not include the employee portion for Directors who serve concurrently as employees.
 5. The total amount of remuneration issued to Directors (excluding Outside Directors), which consists of fixed, performance-based and non-monetary remuneration, etc., was ¥1,507 million.

Assessment of Board of Directors Effectiveness

At every meeting of our Board of Directors, Outside Directors ask questions and make suggestions regarding agenda items, and there is a lively exchange of opinions and discussion. A total of 13 Board of Directors meetings were held in FY2021, at which matters stipulated by law, the Articles of Incorporation, and the Company's Board of Directors Regulations were discussed, deliberated, and resolved without omission. In addition, the Board of Directors receives

individual opinions each year from Outside Directors regarding the effectiveness of the Board of Directors as a whole. As a result, the Board of Directors of the Company was evaluated as being effective and received valuable feedback on the sustainable development of the Company, including in the areas of "Further Enhancement of Discussions at Board of Directors Meetings" and "Appointment of Female Directors"

Activity Status of Outside Directors and Outside Audit & Supervisory Board Members

	Important concurrent positions (As of March 31, 2022)	Status of activities	Attendance at Board Meetings (Year ended March 31, 2022)
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 through 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 the importance of intellectual property for sustainable growth and the development of human resources involved in this area, capitalizing on his management experience at Mitsubishi Logistics Corporation, a global logistics company, and based on his wealth of experience and outstanding knowledge as a corporate manager. He also provided through 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 Shin-Etsu Group's response to the US economic outlook, etc., capitalizing on his outstanding knowledge and wealth of experience related to global finance and economics as an ex-Governor of the Bank of Japan. He also provided through 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 the use of renewable energy and lowering environmental impact, 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 through 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 the diversification of raw material suppliers and investment location and risk management to ensure economic security, capitalizing on his management experience at SUMITOMO CORPORATION, a general trading company, and based on his prominent knowledge of and abundant experience in international business in a wide variety of fields. He also provided through supervision from an independent standpoint.	Board of Directors 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 received reports from directors, employees, and others on the status of execution of their duties and 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 Jasdaq Securities Exchange, Inc. In addition, he received reports from directors, employees, and others on the status of execution of their duties and 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 Mitsuko Kagami	Lawyer Partner Lawyer, KAGAMI Law Office Outside Director, MEDIPAL HOLDINGS CORPORATION Outside Director, Sotetsu Holdings, Inc.	At the Audit & Supervisory Board meetings, she shared her comments from a legal specialist's point of view. In addition, she received reports from directors, employees, and others on the status of execution of their duties and conducted investigations of offices/plants and subsidiaries of the Company, thereby exercising her audit function thoroughly.	Board of Directors Meetings 90% Audit & Supervisory Board Meetings 100%

Risk Management

Group Risk Management

Risk Management Committee

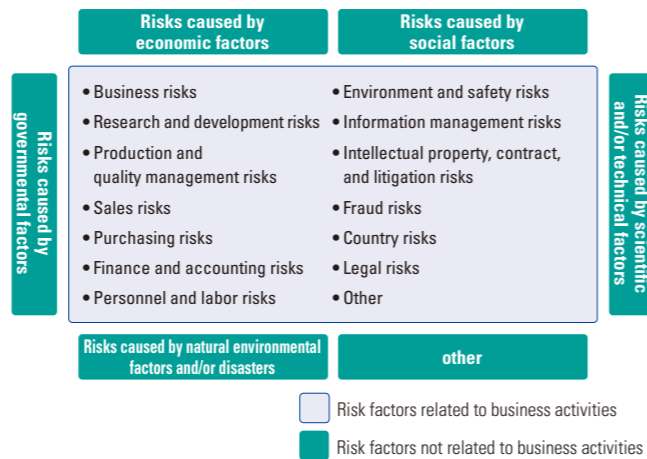
We have established a Risk Management Committee consisting of approximately 20 members, including directors, corporate officers, and department managers, to establish a risk management system, develop rules and regulations, and identify and prevent risks that may arise in the course of business activities. In addition, we promote cross-functional activities among divisions and Group companies, including the formulation of business continuity plans, training, and information sharing. Furthermore, important matters in risk management are reported to the Board of Directors, the Managing Directors' Meeting, and the Audit & Supervisory Board.

In FY2021, the Risk Management Committee met three times and monthly meetings were held by the secretariat. At the meetings, manufacturing and quality management risks, as well as risks related to natural disasters, are discussed and shared within the committee in order to enhance risk preparedness. In addition, opinions are exchanged within the committee to formulate priority risk management issues to be addressed in FY2022 onward.

Risk Management Regulations

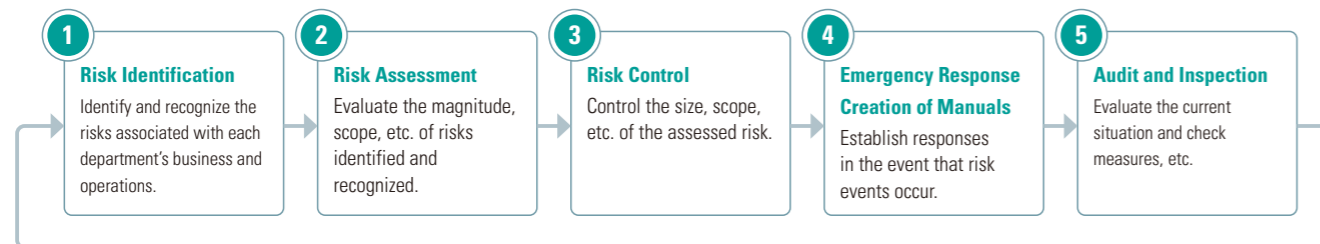
The Company has established Risk Management Regulations that anticipate comprehensive risks that may arise in the course of the Shin-Etsu Group's business activities from a long-term perspective and has established a risk management system and responses to any risks that materialize.

Risks anticipated in the Risk Management Regulations



Risk Management Procedures

Risk management is basically carried out following the procedures of the PDCA cycle shown in the diagram below in accordance with the characteristics of each risk.



Focusing on securing stable procurement by diversifying suppliers

We focus most on country risk when it comes to risk management. The Shin-Etsu Group does not conduct business in areas with high country risk. We also keep country risk in mind when procuring raw materials and focus on securing stable procurement by diversifying our suppliers. In addition, a Group company specialized in IT took the lead in strengthening cyber security measures for all domestic and overseas Group companies. The Risk Management Committee works with each responsible division to address the various risks surrounding the business, including the development and updating of business continuity plans, elimination of risks through contracts, and management of information assets.



Chairman, Risk Management Committee
Toshiya Akimoto




Business Continuity Plan and Handling in Emergency

The Shin-Etsu Group provides many products which have high market shares or are difficult to replace, and society will be affected if we are unable to supply these products because of a serious disaster or accident. Accordingly, each division and plant has formulated a business continuity plan based on the

Companywide Business Continuity Management Standard to prevent this from happening. In the unlikely event of a disaster or accident, a Disaster countermeasures head office headed by the President will be established to take emergency and recovery actions in accordance with prescribed operational standards.

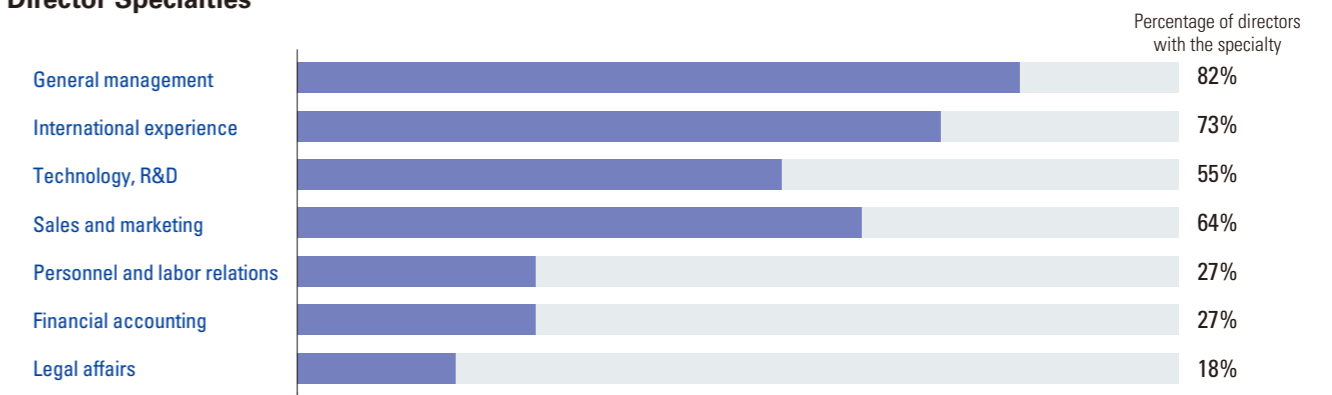
Management (As of June 29, 2022)

Board of Directors

 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 Dept.; General Manager, Silicone Div.	 Director, Senior Managing Corporate Officer Masahiko Todoroki In charge of Semiconductor Materials Dept., Senior Managing Director of Shin-Etsu Handotai Co., Ltd.	 Director – Advisor Shunzo Mori
 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	 Director Michael H. McGarry *1 Director, Chairman & Chief Executive Officer, PPG Industries, Inc. Director, United States Steel Corporation	

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

Director Specialties



Audit & Supervisory Board Members

 Full-time Audit & Supervisory Board Member Hiroaki Okamoto	 Full-time Audit & Supervisory Board Member Hidenori Onezawa	 Audit & Supervisory Board Member Yoshihito Kosaka *2 C.P.A., Certified Public Tax Accountant, 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.	

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