



## Providing advice to sustain strong earnings through innovation and pricing policies

Outside Director

**Toshihiko Fukui**

### **| Follower of Shin-Etsu Chemical for more than 60 years**

My connection with the Company goes all the way back to 1959, one year after I joined the Bank of Japan. I was then posted to the Niigata Branch, and as part of my work, I was required to gain an understanding of the economic situation in Niigata Prefecture by visiting some of the different companies there. It was then that I visited the Company's Naoetsu Plant. At the time, the Company was mainly manufacturing nitrogen fertilizer, but I was fortunate enough to be given a detailed explanation of its operations, which frankly led me to take an interest in the Company and keep abreast of its developments ever since. I later learned about its successful foray into the US market before any other chemical company and had the opportunity to talk with then-President Kanagawa who spearheaded the Company's expansion overseas.

### **| A company with a firm grip on the abacus**

Long before I assumed my position as an Outside Director of the Company, I became aware of one of its strong points—namely, that its management foundation is broad-ranging and daring in terms of scope, even though it is a professional and meticulous company when it comes to manufacturing. Its sights are always set on the global market and the most admirable thing is that it leverages innovation to develop high added-value products. In addition, it adheres to a profitable pricing policy of appropriately reflecting this added value in product prices. Metaphorically speaking, Shin-Etsu Chemical is a company that has a firm grip on the abacus. And when the cash generated is allocated to the next investment, it creates a dynamic, virtuous cycle, driven by innovation and pricing policies. You could probably say that this is the biggest factor underpinning the strong earnings at present. I believe my role, as an Outside Director, is to closely monitor corporate governance and make sure that managerial vigilance is maintained

with a firm grip on the abacus and to do everything I can to sustain the positive cycle of the Company's business model.

### **| Keeping up to date to deliver even better advice**

I also recognize that I am expected to provide advice to management based on my experience and knowledge from my time at the Bank of Japan. The insight I have gained as president of the Canon Institute for Global Studies, a position I currently hold, is also quite useful. This think tank employs up-and-coming researchers who undertake independent research in a wide variety of specialized fields. I engage in discussions with the researchers on a daily basis and comment on their papers before they are published. This process keeps updating my thinking and views in a variety of fields.

### **| Anticipating changes and taking action is key**

The Company has another commendable strength that I would like to mention: its belief that whoever strikes first wins. Amid the increasingly intense changes in the world economy and other situations, merely reacting to changes after they have occurred will not suffice for the Company to become a frontrunner and keep that position. This is why I always emphasize the importance of forecasting changes to stay ahead of the curve, even though it might mean some adjustments will be needed later if the predictions turn out to be somewhat wrong. It is the hallmark of a sustainable company to have a steadfast approach to anticipate changes in the world, take on associated risks, and work out how to act accordingly. I hope the Company will persevere with this basic policy without being swayed by changes immediately in front of it and continue to grow as a corporation that contributes to the advancement of global industries with its materials by upholding the dynamic, virtuous cycle model driven by innovation and pricing policies.

## Overseeing responsible business management for future earnings growth as a technology and sustainability expert

Outside Director

**Hiroshi Komiyama**



### Understanding the Company from a longer-term point of view and vigilantly upholding my supervisory responsibilities

I knew a great deal about the Company because as a researcher myself, I used to conduct research on the technology for producing membranes essential to the vinyl chloride monomer manufacturing process and for semiconductor applications. I was also among the first scientists to ring the alarm bells about global environmental issues at a time when there was still a lot of skepticism. I founded the Engineering Research Laboratory on Global Environment at the University of Tokyo, and I was also a driving force behind the establishment and management of the Alliance for Global Sustainability, the world's first initiative for universities to jointly undertake research on sustainability issues. I also currently serve as chairman of the STS Forum, an international platform for discussing matters concerning science, technology, and the future of humankind. It is in this capacity as well that I have access to the latest information about science and technology. As such, I am confident that I am as good as anyone in supervising the management of the Company, which is why I have been an Outside Director since 2010.

I am aware that when an Outside Director remains in office for a long time, concerns may be raised about his or her independence. I therefore approach my job with a firm intention to fulfil my management oversight responsibilities with a constant sense of vigilance. The Company has built a competitive advantage through its steady accumulation of technology. And it provides industries with not just PVC, but many other materials, ranging from semiconductor and electronic materials to functional materials. In fact, these materials have been created through the fusion of various different technologies. It is imperative that we understand the Company's technological superiority from a long-term point of view. The Company would not exist today if management had been focused only on the near term and made changes to its business operations without looking at the bigger picture.

### Corporate governance based on understanding of production sites and technology

In addition to the Board of Directors, the Company has a Managing Directors' Meeting to discuss matters in more detail.

As I actively participate in discussions at these meetings, I am impressed by Chairman of the Board Meeting Fumio Akiya and President Yasuhiko Saitoh directly answering my questions and often providing additional information after the presentations of business managers. This is certainly a good example of the Company's corporate governance functioning effectively, because it demonstrates that top management has an accurate understanding of production site operations and technology and that informed decisions are being made.

At Shin-Etsu Chemical, sophisticated technology is deployed across different business units, which would not be possible without effective governance.

I propose that the Company draw more public attention to how its products and technologies are contributing to a reduction in environmental impacts. For instance, the technology that enhances the purity of silicone rubber is not only improving the Company's bottom line, but it is also driving decarbonization in society by reducing the manufacturing processes for customers.

### Carbon neutral declaration is praiseworthy

The Company declared that it is committed to achieving carbon neutrality by 2050. And in seeking to create products with less energy, it has roughly doubled its energy efficiency since 1990. Achieving carbon neutrality will be a tough challenge for any chemical manufacturer, but that is precisely why the Company—which possesses the technologies and track record—should take the lead. I applaud the bold decision the Company has made to take the first step towards carbon neutrality.

### Questioning true sustainability

Though Chairman Kanagawa has passed away, Kanagawa-ism or his credo certainly lives on in the current management team. It is thought that the rapid advancement of generative AI will largely transform the way humans work, but corporate sustainability, in the true sense of the term, is about aptly turning these societal changes into growth opportunities. Unlike traditional manufacturing, digital technologies are evolving at a phenomenal speed and there is a pressing need to secure and nurture the talent that can skillfully harness them. I believe my key mission is to train human resources with a 10-year time horizon and question how management ought to take responsible action to generate future earnings growth.