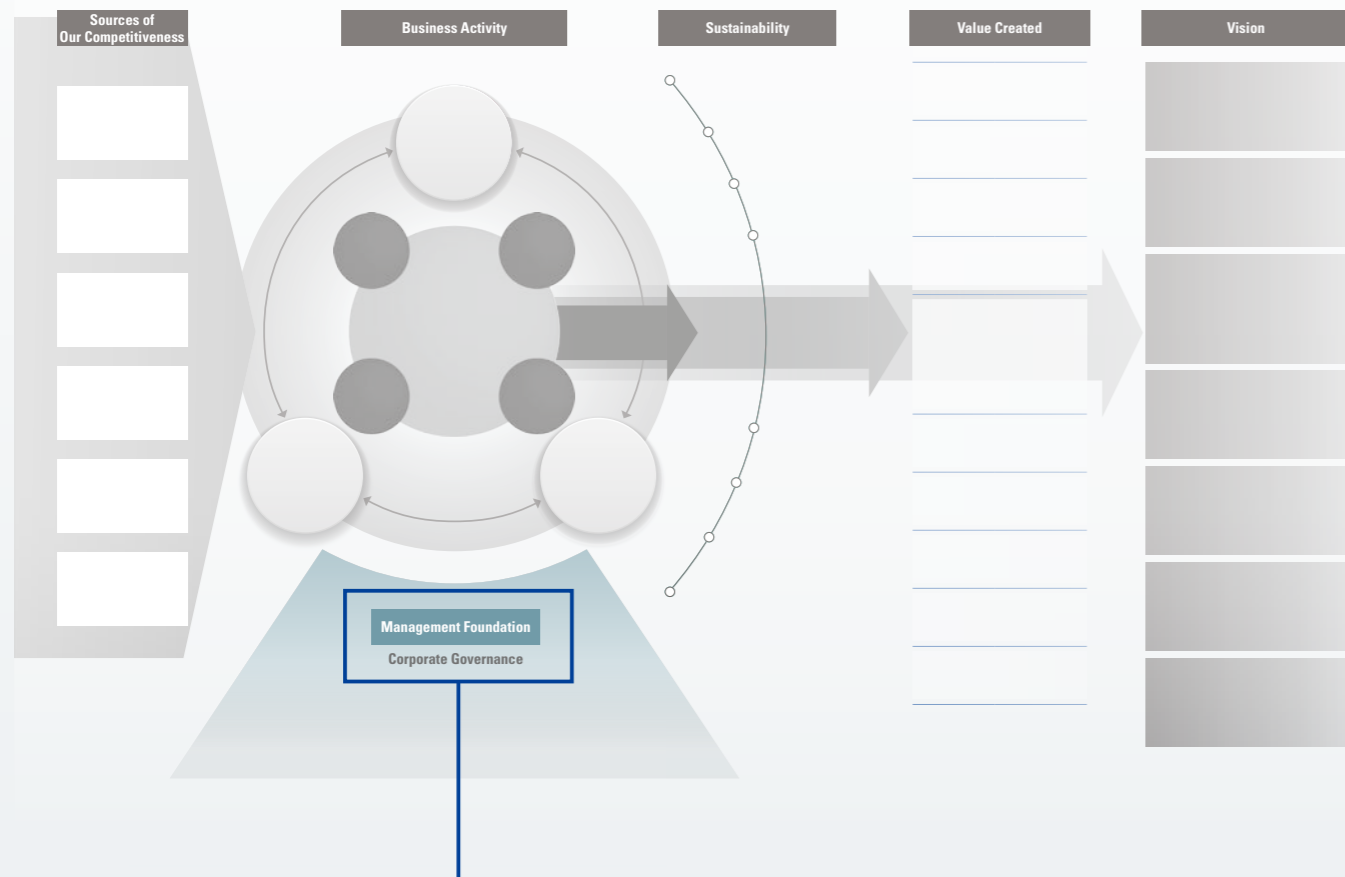


Build a robust corporate governance structure to sustainably increase corporate value



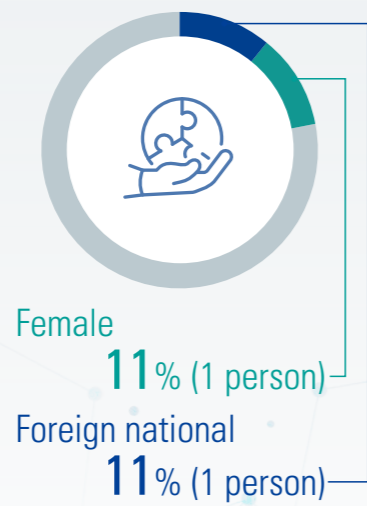
Three Features of Corporate Governance

Ratio of Outside Directors on the Board of Directors:



Up 11 percentage points from the previous fiscal year

Diversity of Directors:



Female Director appointed

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



(fiscal year ended March 31, 2023*)
*After 2022 General Meeting of Shareholders

Active participation of Outside Directors

Corporate Governance Approach and Initiatives

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/

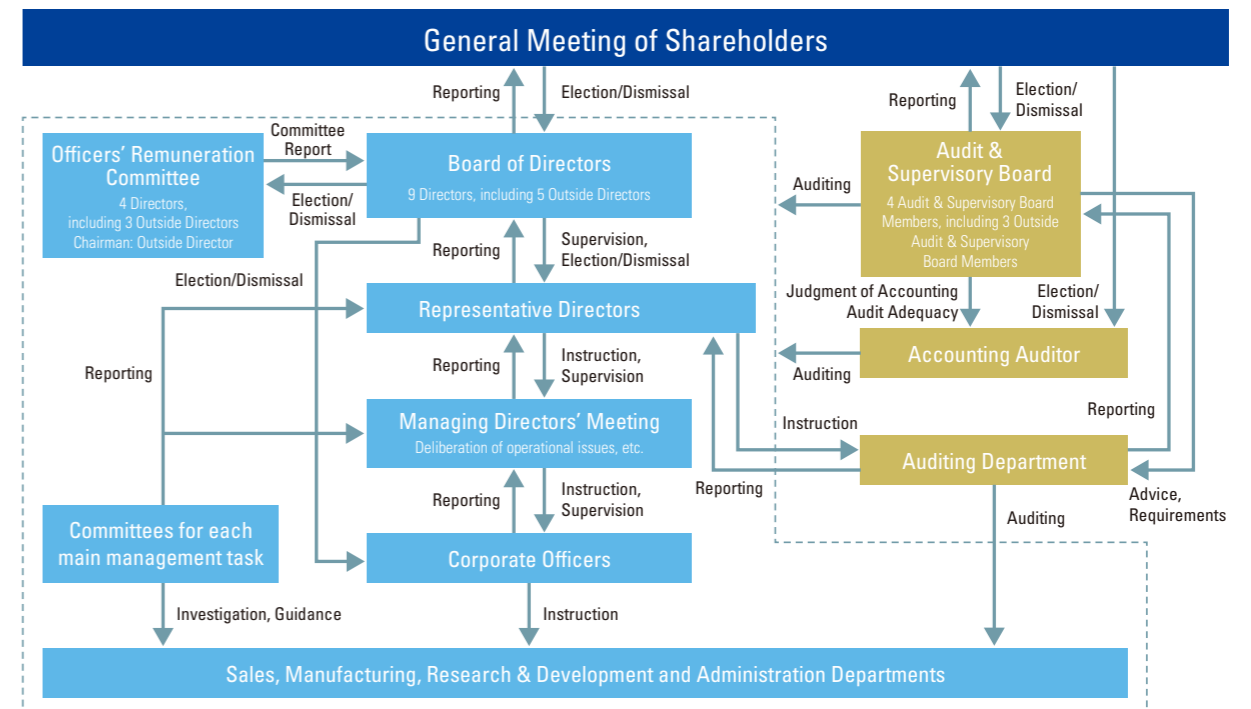
Corporate Governance Structure

The Board of Directors consists of nine directors, five of whom are Outside Directors with extensive corporate and organizational management experience and outstanding insight.

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.

Shin-Etsu Chemical has adopted the Company with Audit & Supervisory Board Members system as its organizational structure. The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members. In addition to attending important internal meetings such as meetings of the Board of Directors and the Managing Directors' Meeting, Audit & Supervisory Board Members receive reports from Directors, Corporate Officers, employees, and others on the status of execution of their duties and audit the execution of duties by Directors through on-site inspections of business sites and subsidiaries and other investigations. Audit & Supervisory Board Members also receive quarterly reports and explanations regarding accounting audits from an accounting auditor, and ensure proper collaboration by exchanging information and opinions as necessary. They also regularly receive reports and explanations regarding the status of internal auditing from the Internal Auditing Department and work cooperatively with it, exchanging views and ideas.



Officers' Remuneration

Shin-Etsu Chemical established the Officers' Remuneration Committee as an advisory body to the Board of Directors. With Outside Director Toshihiko Fukui serving as chairman, the Committee consists of four directors, including three

Independent Outside Directors and 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, 2023)

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)	755	328	1,084	6	184		5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	38	—	38	2	—		—
Outside Directors and Outside Audit & Supervisory Board Members	185	—	185	9	—		—

- Notes: 1. The above includes one director who retired at the conclusion of the 145th Ordinary General Meeting of Shareholders held on June 29, 2022 and one director who left office due to death on January 1, 2023.
 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 or the amount the Company guarantees to pay in cash, either.
 4. The total amount of remuneration issued to Directors (excluding Outside Directors), which consists of fixed, performance-based and non-monetary remuneration, etc., was ¥1,269 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 FY2022, 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 "Further Enhancement of Agenda Items and Discussions at Board of Directors Meetings" and "Responsibilities and Roles of Outside Officers."





Management (As of June 29, 2023)

Board of Directors

	Representative Director-Chairman of the Board Meeting 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 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 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 Executive Chairman & Director of PPG Industries, Inc.; Director, United States Steel Corporation		Director Mariko Hasegawa *1 President of Independent Administrative Agency, the Japan Arts Council

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

Audit & Supervisory Board Members

	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 Mitsuko Kagami *2 Lawyer; Partner Lawyer, KAGAMI Law Office; Outside Director, MEDIPAL HOLDINGS CORPORATION; Outside Director, Sotetsu Holdings, Inc.		Audit & Supervisory Board Member Hiroko Kaneko *2 C.P.A.; Member of the Business Accounting Council, Financial Services Agency; Outside Director, Audit & Supervisory Committee Member, Mitsubishi HC Capital Inc.; Outside Director, The Yokohama Rubber Co., Ltd.; Outside Director, Audit & Supervisory Committee Member, Kanagawa Chuo Kotsu Co., Ltd.; Outside Audit & Supervisory Board Member, Development Bank of Japan Inc.
---	---	---	---	---	--	---	---

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

Areas of expertise and involvement of directors

Name	Attributes	Growth strategy	Production technology and productivity	Product development	Risk management	Capital policy	Human capital	ESG
Fumio Akiya		●	●	●	●		●	
Yasuhiko Saitoh	ORC	●		●	●	●	●	●
Susumu Ueno		●	●	●	●			●
Masahiko Todoroki		●		●	●			●
Toshihiko Fukui	Outside ORC (Note)				●	●	●	●
Hiroshi Komiyama	Outside ORC				●	●	●	●
Kuniharu Nakamura	Outside				●	●	●	●
Michael H. McGarry	Outside ORC				●	●	●	●
Mariko Hasegawa	Outside				●	●	●	●

Outside Independent Outside Director ORC Member of the Officers' Remuneration Committee

(Note) Director, Mr. Toshihiko Fukui is the chairman of the Officers' Remuneration Committee

Messages from Outside Directors



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.

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

Status of activities		Attendance at Board Meetings (Year ended March 31, 2023)
Outside Director		
Tsuyoshi Miyazaki Important concurrent positions: Adviser, Mitsubishi Logistics Corporation	Mr. Miyazaki shared his beneficial recommendations concerning capital investment initiatives that are conscious of the global situation, 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 thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Toshihiko Fukui Important concurrent positions: President, The Canon Institute for Global Studies Outside Director, Kikkoman Corporation	Mr. Fukui shared his beneficial recommendations concerning the Shin-Etsu Group's response to the world economic outlook, geopolitical risks, and other topics, 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 thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Hiroshi Komiyama Important concurrent positions: Chairman, Mitsubishi Research Institute, Inc.	Mr. Komiyama, 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 importance of the impact of products on the environment, ways of thinking about venture investment, and other topics, 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%
Kuniharu Nakamura Important concurrent positions: Director & Chairman, SUMITOMO CORPORATION Outside Director, NEC Corporation	Mr. Nakamura shared his beneficial recommendations concerning the need to secure overseas talent, governance issues, capital policies, and other topics, 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 thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Michael H. McGarry Important concurrent positions: Executive Chairman & Director of PPG Industries, Inc. Director, United States Steel Corporation	Mr. McGarry shared his beneficial recommendations concerning the development of high-value-added products, approaches to pricing, and other topics, capitalizing on his management experience at PPG Industries, Inc., a U.S. company that sells paints, coatings, and other products worldwide, and based on his prominent knowledge of and abundant experience in a wide range of chemical fields. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%*

*Percentage of attendance at the ten Board of Directors meetings held after his appointment

Outside Audit & Supervisory Board Member		Attendance at Board Meetings (Year ended March 31, 2023)
Yoshihito Kosaka Important concurrent positions: C.P.A. Certified Public Tax Accountant Representative Partner, HIYU Certified Tax Accountants' Corporation	At the Audit & Supervisory Board meetings, Mr. Kosaka shared his comments from a finance and accounting specialist's point of view. In addition, he received reports from Directors, Corporate Officers, 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%
Kiyoshi Nagano Important concurrent positions: Outside Director, LEC, INC.	At the Audit & Supervisory Board meetings, Mr. Nagano shared his comments from an extensive viewpoint based on his management experience at the former Jasdq Securities Exchange, Inc. In addition, he received reports from Directors, Corporate Officers, employees, and others on the status of execution of their duties and conducted investigations of offices/plants and subsidiaries of the Company, thereby exercising his audit function thoroughly.	Board of Directors Meetings 100% Audit & Supervisory Board Meetings 100%
Mitsuko Kagami Important concurrent positions: Lawyer Partner Lawyer, KAGAMI Law Office Outside Director, MEDIPAL HOLDINGS CORPORATION Outside Director, Sotetsu Holdings, Inc.	At the Audit & Supervisory Board meetings, Ms. Kagami shared her comments from a legal specialist's point of view. In addition, she received reports from Directors, Corporate Officers, 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 100% Audit & Supervisory Board Meetings 100%

Risk Management

Group Risk Management

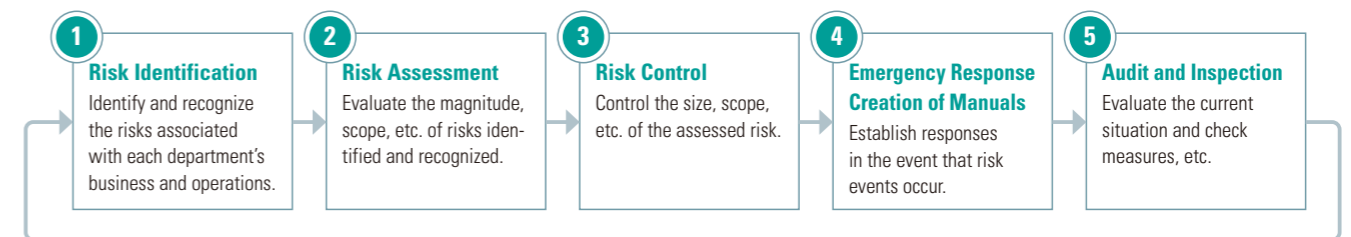
Risk Management Committee

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 FY2022, 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 information leakage, 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 FY2023 onward.

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.



Activities of the Risk Management Committee in FY2023

The Risk Management Committee works in a multifaceted and company-wide effort to preemptively eliminate risks that may affect management and business activities, and to minimize the impact of risks when they do occur and prevent their recurrence. In FY2022, the Committee investigated and strengthened the business continuity plan (BCP) of each Group company in Japan and overseas as well as Group cybersecurity measures, called attention to product liability risks, studied how to handle the winter power supply-demand crunch in Japan, and worked to identify and address geopolitical risks.

- In light of the volatile international situation in FY2023, the Committee will continue its efforts to prevent and strengthen measures against the following risks:
- Addressing risks related to electricity, water, and other infrastructure at plants (BCP)
 - Stable procurement of raw materials
 - Recruitment and retention of employees
 - Strengthening countermeasures against information leaks, cyberattacks, etc.
 - Enhanced compliance, etc.

In addition, we will check the status of efforts to address these risks in each of our core business divisions and Group companies and proceed with necessary countermeasures together with the relevant business unit. The Risk Management Committee will continue to support the sustainable development of the company by eliminating risks before they occur and enhancing risk preparedness.

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

