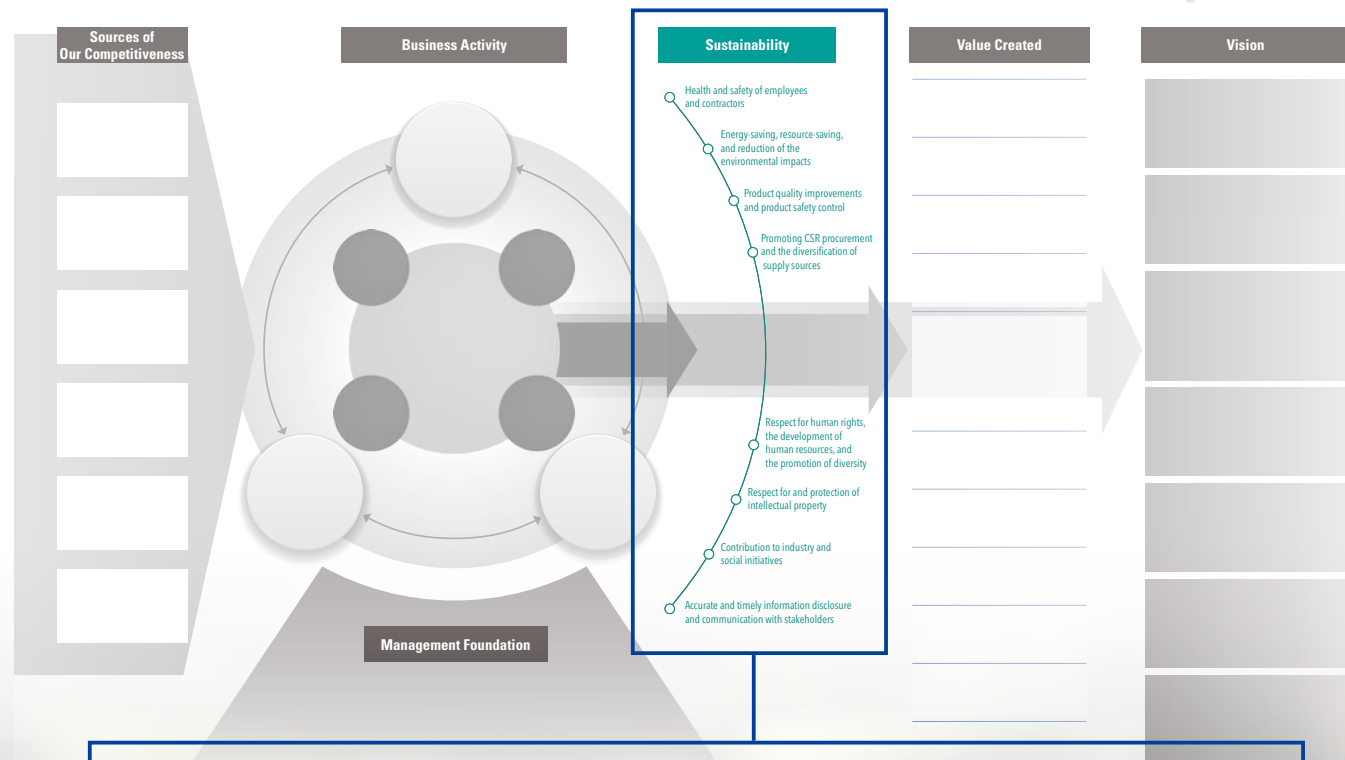


We will create a sustainable society and achieve sustainable corporate growth



Shin-Etsu Group's Sustainability

- What We Strive for: Contribution to the Earth's future
- Our Mission: To provide products that contribute to solving social issues

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

Basic Sustainability Policy

The Foundation of Activities	Basic Sustainability Policy		
	The foundation of all activities: Legal compliance, fair corporate activities	Health and safety of employees and contractors	Energy-saving, resource-saving, and reduction of the environmental impacts
	Product quality improvements and product safety control	Promoting CSR procurement and the diversification of supply sources	Respect for human rights, the development of human resources, and the promotion of diversity
Contribution to industry and social initiatives	Respect for and protection of intellectual property	Accurate and timely information disclosure and communication with stakeholders	

Basic Sustainability Policy

The Group views the implementation of its Business Principle and the making of contributions that benefit shareholders, investors, customers, business partners, local communities, employees, and all other

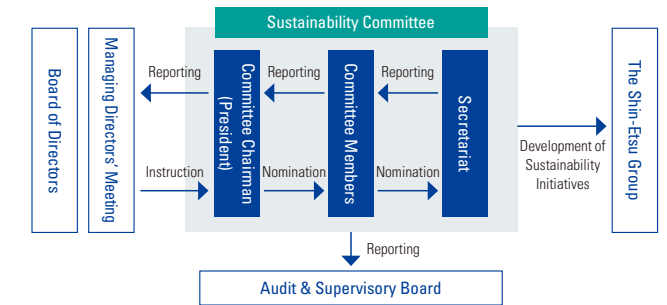
stakeholders as its social responsibility. To fulfill this responsibility, we have established a Basic Sustainability Policy and various internal regulations, and are carrying out activities accordingly.

Basic Sustainability Policy

- The Shin-Etsu Group will:
- 1 Do our best to increase the Group's corporate value through sustainable growth and make multifaceted contributions to society.
 - 2 Carry out all of our company activities by always placing the utmost priority on safety.
 - 3 Expand those businesses that contribute to the reduction of greenhouse gas emissions.
 - 4 Maximize the efficiency of product development and manufacturing, and contribute to higher efficiency of society by supplying our products thus produced.
 - 5 Engage in business activities while taking biodiversity into account and seeking harmony with the global environment.
 - 6 Strive to respect human rights, assure equality in employment opportunities, and support the self-fulfillment of our employees.
 - 7 Appropriately disclose information in a timely manner.
 - 8 Carry out healthy, trustworthy, transparent corporate activities based on the integrity of the Group's ethical values.

Structure of Sustainability Initiatives

To promote sustainability activities in all aspects of our corporate activities, we have formed a Sustainability Committee consisting of approximately 60 members, including our directors, corporate officers, and department managers, as well as sustainability managers from Group companies, with the president of Shin-Etsu Chemical serving as the chairman.



List of Executives in Charge of Sustainability Initiatives

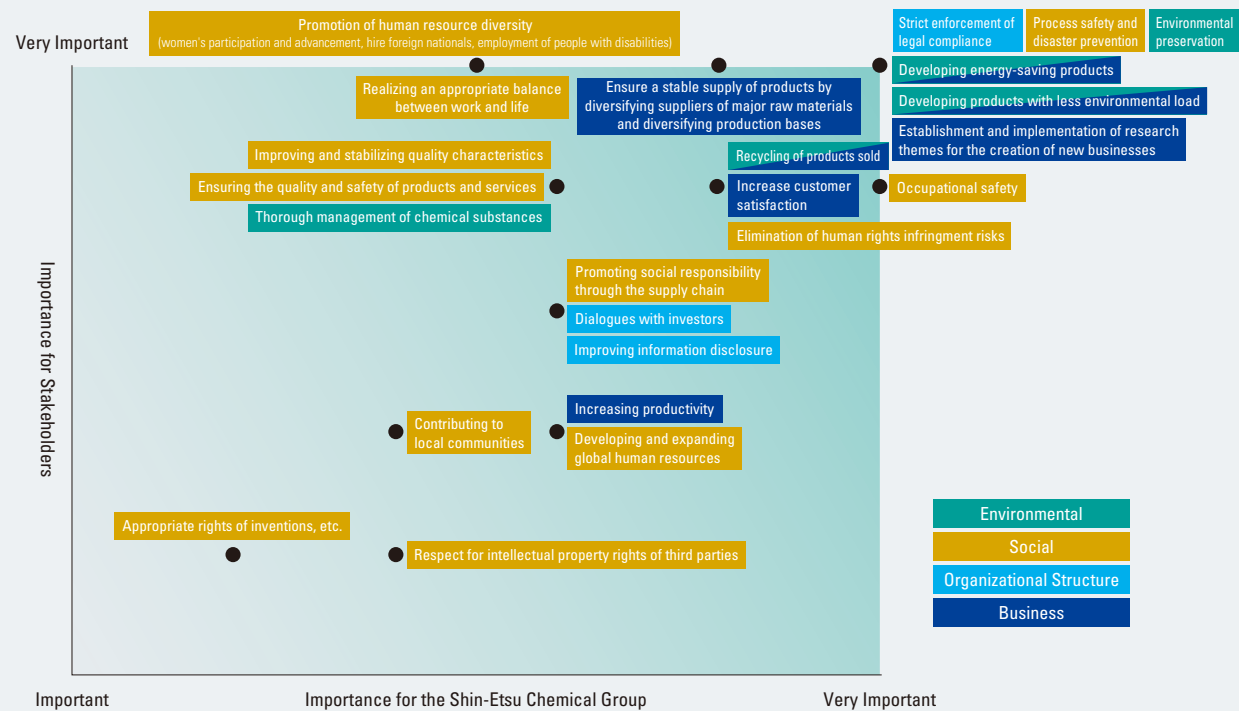
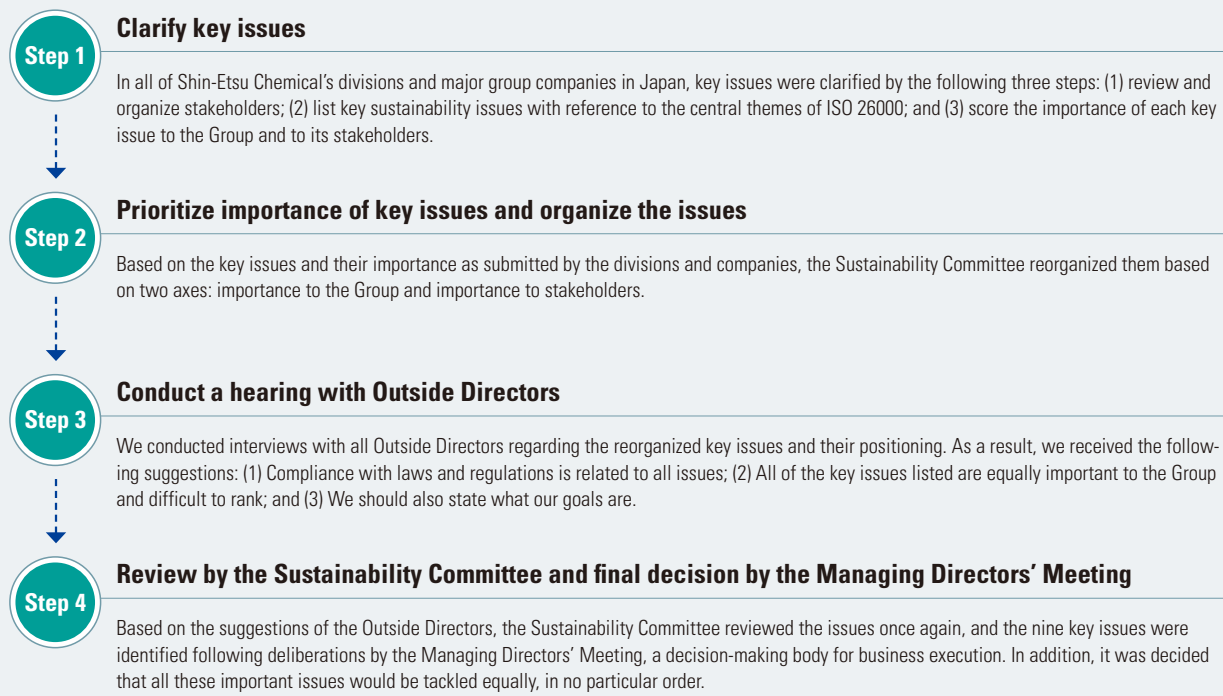
Position	Name	Current Positions (related to Sustainability)	Key Sustainability Issues
Representative Director-Chairman of the Board Meeting	Fumio Akiya	In charge of Technologies	Product quality improvements and product safety control
Representative Director-President	Yasuhiko Saitoh	Chairman of Sustainability Committee	
Managing Corporate Officer	Toshiya Akimoto	Vice Chairman of Sustainability Committee In charge of Public Relations, Legal Affairs General Manager of Office for Digitization and Digitalization Chairman of Risk Management Committee	The foundation of all activities: Legal compliance, fair corporate activities Respect for and protection of intellectual property Accurate and timely information disclosure and communication with stakeholders Risk management
Managing Corporate Officer	Fumio Arai	In charge of Purchasing	Promoting CSR procurement and the diversification of supply sources
Managing Corporate Officer	Yukihiro Matsui	In charge of Patents	Respect for and protection of intellectual property
Managing Corporate Officer	Masaki Miyajima	In charge of Business Auditing	Corporate governance
Corporate Officer	Toshiyuki Kasahara	General Manager of Finance & Accounting Dept. In charge of Office of the President	Corporate governance (Fair tax payment, Operation of Group Companies)
Corporate Officer	Yoshimitsu Takahashi	In charge of General Affairs, Environmental Control & Safety	Corporate governance Health and safety of employees and contractors Energy-saving, resource-saving, and reduction of the environmental impact
Corporate Officer	Kai Yasuoka	In charge of Personnel & Labor Relations	Respect for human rights, the development of human resources, and the promotion of diversity

Identifying Key Issues (Materiality)

In FY2015, the Sustainability Committee identified “key sustainability issues” that the Shin-Etsu Group needs to focus its efforts on in particular. Subsequently, in December 2018, all of our departments and major domestic Group companies reviewed the key issues and their importance, which were then reviewed again by

the Sustainability Committee. As a result, we decided to carry on with the key issues we identified in 2015. We continue to view legal compliance and fair corporate activities as the foundation of all of our activities, and focus on these nine key issues.

Materiality Identification Process



Risks and Opportunities Related to the Key Issues

Key issue	Risks and opportunities (typical examples)	Corresponding initiatives	KPIs
The foundation of all activities: Legal compliance, fair corporate activities	Risks Legal violations, unjust conduct or fraud, damages to corporate value caused by loss of societal trust, etc.	<ul style="list-style-type: none"> Raising compliance awareness through methods including training 	<ul style="list-style-type: none"> Number of serious legal or regulatory violations: 0
	Opportunities Formation of the foundation of corporate value, risk elimination, customer confidence creation, business opportunity expansion, hiring and retaining excellent human resources, etc.	<ul style="list-style-type: none"> Thorough bribery and corruption prevention measures, etc. <p>▶ P.56 Main Sustainability Initiatives</p>	
Energy-saving, resource-saving, and reduction of the environmental impacts	Risks Strengthening of greenhouse gas regulations, raw material price rises, procurement difficulties, etc.	<ul style="list-style-type: none"> Acceleration of environmental burden reduction, response to climate change Water resource conservation Waste reduction, etc. 	<ul style="list-style-type: none"> GHG Emissions (Scope1+Scope2): 6,613 thousand tons of CO₂ Emissions intensity index of production volume relative to 1990: 54.2% (Shin-Etsu Group), 46.8% (Shin-Etsu Chemical) Percentage of Group's product sales that contribute to CN: approx. 70% Water recycle ratio: 92.6% Waste recycling ratio: 71% (Japan), 75% (Overseas)
	Opportunities Enhancement of competitiveness through environmental burden reduction and productivity improvement, expansion in demand for products that contribute to environmental protection, etc.	<p>▶ P.26 Natural Capital</p>	
Health and safety of employees and contractors	Risks Impact on local communities and employees caused by accidents and environmental issues, damage to equipment and facilities resulting from natural disasters, impact on operations associated with infectious diseases, etc.	<ul style="list-style-type: none"> Safety training implementation Execution of environmental safety audits Improvement of workplace environments, etc. 	<ul style="list-style-type: none"> Number participants in safety training: 75,406 Number of work-related employee fatalities: 0 Serious accidents: 0 Lost-time accidents rate: 0.00 (Japan), 1.15 (Overseas) Lost-time accidents severity rate: 0.00 (Japan), 0.03 (Overseas)
	Opportunities Stable production and higher productivity achieved through accident prevention measures and new process development, etc.	<p>▶ P.18 Human Capital</p>	
Product quality improvements and product safety control	Risks Loss of customer trust due to issues concerning product quality or safety, etc.	<ul style="list-style-type: none"> Quality management Quality audits and technical support 	<ul style="list-style-type: none"> Number participants in product safety training: 71,142
	Opportunities Fostering of customer trust through continuous timely delivery of products at pledged levels of quality, etc.	<ul style="list-style-type: none"> Product safety management, etc. <p>▶ P.56 Main Sustainability Initiatives</p>	
Promoting CSR procurement and the diversification of supply sources	Risks Production suspensions and shipment delays caused by difficulties in procuring raw materials, etc.	<ul style="list-style-type: none"> Revision of the Shin-Etsu Group CSR Procurement Guidelines Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc., to the subcontractors 	<ul style="list-style-type: none"> Percentage of suppliers surveyed on sustainability: approx. 70%
	Opportunities Stable procurement at fair prices through diversified suppliers, gaining trust from customers and society through thorough adherence to CSR procurement, etc.	<ul style="list-style-type: none"> Initiatives aimed at eliminating conflict minerals, etc. <p>▶ P.25 Social and Relationship Capital</p>	
Respect for human rights, the development of human resources, and the promotion of diversity	Risks Human rights violations committed through the Company's business activities or within its supply chain, etc.	<ul style="list-style-type: none"> Promotion of respect for human rights Creating an environment where a diverse workforce can play an active role Enhancing work-life balance systems 	<ul style="list-style-type: none"> Percentage of Group employees who are familiar with the Group's human rights policy: approx. 90% Number of child labor cases: 0 Number of forced labor cases: 0 Percentage of women in managerial positions at the section manager level and above: 12.6%
	Opportunities Hiring and retaining excellent human resources through business activities grounded in respect for human rights, etc.	<ul style="list-style-type: none"> Conducting human rights due diligence, etc. <p>▶ P.18 Human Capital ▶ P.25 Social and Relationship Capital</p>	
Respect for and protection of intellectual property	Risks Delay in business progress caused by intellectual property infringement, etc.	<ul style="list-style-type: none"> Appropriate management of intellectual property and information assets Cybersecurity enhancement, etc. 	<ul style="list-style-type: none"> Patents acquired: 1,714 Patents held: 22,310 <p>*Scope: major consolidated manufacturing companies</p>
	Opportunities Acceleration of in-house business development by safeguarding and utilizing intellectual property, etc.	<p>▶ P.22 Intellectual Capital</p>	
Contribution to industry and social initiatives	Risks Loss of trust when business activities do not align with society's needs, etc.	<ul style="list-style-type: none"> Fund-raising activities Local contribution activities, etc. 	<p>▶ P.25 Social and Relationship Capital</p>
	Opportunities Employment promotion and tax payment through stable business operations, fostering of trust-based relationships with local communities, etc.		
Accurate and timely information disclosure and communication with stakeholders	Risks Damage to corporate value stemming from nondisclosure or incomplete disclosure of information, loss of stakeholder confidence, etc.	<ul style="list-style-type: none"> Timely and appropriate disclosure of corporate information Promotion of dialogue with stakeholders, etc. 	<ul style="list-style-type: none"> Earnings briefings and conference calls for institutional investors and analysts: 4 Plant tours for analysts and institutional investors / Business briefing session: 1 One-on-one meetings with analysts: 312 Small meetings for investors hosted by securities companies: 5
	Opportunities Establishment of appropriate market valuation, corporate value improvement, acquisition of trust from stakeholders and society, etc.	<p>▶ P.56 Main Sustainability Initiatives</p>	

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

Main Sustainability Initiatives

The mission of the Shin-Etsu Group is to contribute to the sustainable development of the world through its business activities. In line with this mission, the Group engages in sustainability activities around the world in all of its business activities, including the provision of products. For details of the Group's sustainability activities, please consult the "Sustainability" site on our website as well as the "Shin-Etsu Sustainability Report 2023".

 "Sustainability" site (Shin-Etsu Chemical website)
<https://www.shinetsu.co.jp/en/sustainability/>

"Shin-Etsu Sustainability Report 2023"
https://www.shinetsu.co.jp/en/sustainability/esg_bn/

Key Issues The foundation of all activities: Legal compliance, fair corporate activities

Ensuring full compliance awareness

The Group is thoroughly committed to compliance with laws and regulations as stated in its Business Principle and annual Management Objectives. All officers and employees submit written oaths of compliance to the Company, and in the unlikely event of inappropriate behavior, disciplinary action is taken. In addition, it is stipulated that officers and employees who discover a violation of laws or regulations must report it to the "Compliance Consultation Office."

Whenever laws and regulations related to corporate activities are enacted or revised, the Legal Department notifies internally and ensures that all employees are fully aware of the changes. In addition, to promote understanding of important laws and regulations, we serialize explanatory articles in the Company newsletter and intranet and host lectures by outside experts. In 2022, 515 employees of Shin-Etsu Chemical's head office, plants, and Group companies in Japan attended the training course for promoting appropriate subcontracting transactions conducted by the Japan Fair Trade Commission and the Small and Medium Enterprise Agency. Our legal staff also attended a seminar by the Fair Trade Institute. In addition, in response to the revision of the Whistleblower Protection Act, we revised our Compliance Consultation and Reporting Rules, translated it into 14 languages, and disseminated it to all Group companies along with our Guideline for Compliance Consultation Office.

Initiatives to prevent corruption

In 2015, the Group established an Anti-Bribery Regulations to send a clear statement that it does not engage in any form of bribery. By having officers and employees submit written oaths of compliance, we make every effort to prevent the improper provision of favors and requests to public officials, customers, and business partners in Japan and overseas. Furthermore, to raise awareness of employees' legal compliance, we make compliance with ethics in general one of our personnel evaluation items. We also conduct regular internal audits on corruption, embezzlement, and bribery.

The Shin-Etsu Group was among the first Japanese companies to agree to the Tokyo Principles for Strengthening Anti-Corruption Practices of the Global Compact Network Japan (GCNJ) and signed the letter of endorsement in February 2018.

For overseas Group companies, we conduct risk assessments on bribery and corruption prevention based on country-specific corruption perception indices published by Transparency International, an international organization working to combat corruption. In FY2022, we surveyed 36 Group companies.



Key Issues Product quality improvements and product safety control

Product quality improvements

Excellent quality is a non-price competitive advantage not only for high value-added products but also for general-purpose products. With this in mind, the Group has conducted quality audits every year since 2000, believing that it is essential to have both "defensive quality management" to prevent the production and shipment of substandard products and "offensive quality management" to minimize quality variability and create quality that cannot be matched by competitors. The 2022 quality audit prioritized items (1) to (3) below.



Quality audit

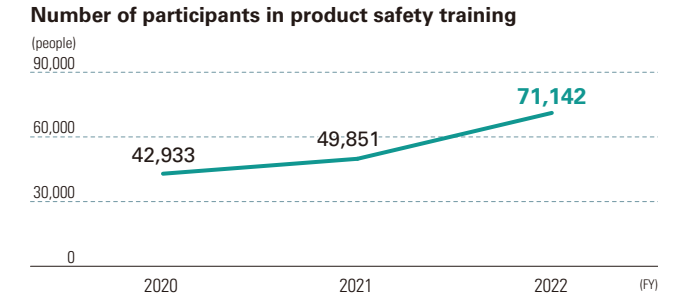
- (1) Efforts to reduce variability in the manufacturing process: In addition to improving the precision of conventional manufacturing techniques, we are introducing DX and AI to check the progress of quality improvement.
- (2) Automation of inspection process: We promote automation of measurement to prevent careless mistakes and eliminate measurement variability caused by misunderstandings by quality measurement personnel and check the improvement of quality measurement accuracy.
- (3) Promotion of quality improvement activities: We check the progress of ongoing quality improvement activities such as "yield Improvement" and "zero careless mistakes."

We are also implementing six sigma activities* throughout the Company to improve quality standards.

*Six sigma activities: A quality improvement method developed at Motorola (USA) in the 1980s. Activities to prevent the occurrence of quality defects and improve quality by focusing on processes in which variability occurs and reducing that variability.

Product safety control

The Group has established strict chemical substance safety control regulations at each stage of procurement, development, manufacturing, and sales. We are also actively involved in the acquisition of research data and fact-finding surveys related to the manufacture, use, and disposal of chemical substances in cooperation with the

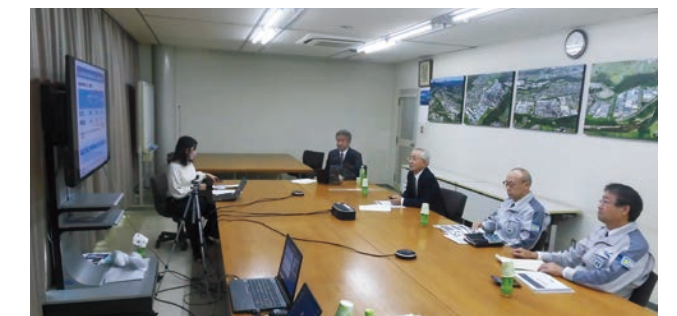


government and organizations to which we belong. We conduct environmental and health risk assessments at the development stage to assess the safety of new chemical substances. Furthermore, when developing new chemical substances, we focus on products and manufacturing technologies that do not use hazardous substances as specified in the Industrial Safety and Health Act, the Chemical Control Act*¹, and the EU RoHS Directive*². In addition, we provide SDS*³ information on product hazards and toxicities in order to communicate appropriate information to customers and transportation companies.

*1 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law): A law aimed at preventing environmental pollution by chemical substances that may affect human health and ecosystems.
 *2 RoHS (Restriction of the use of certain Hazardous Substances) Directive: An EU directive that restricts the use of certain hazardous substances in electric and electronic equipment.
 *3 SDS (Safety Data Sheet): A safety data sheet that describes chemical and physical properties of chemical substances as well as information on toxicity and emergency measures.

Key Issues Accurate and timely information disclosure and communication with stakeholders

We believe that timely and accurate disclosure of corporate information promotes understanding among stakeholders and leads to appropriate market valuation. In FY2022, we held an online briefing on our silicones business for securities analysts and investors. The briefing session provided an overview of the silicones business, its focus, growth areas, development of carbon neutral products, and other initiatives to reduce environmental impact at the Gunma Complex. The event was attended by 116 analysts and investors and provided a good opportunity to deepen their understanding of our business.



Online briefing on the silicones business

Diagram of internal system for timely disclosure of financial information

