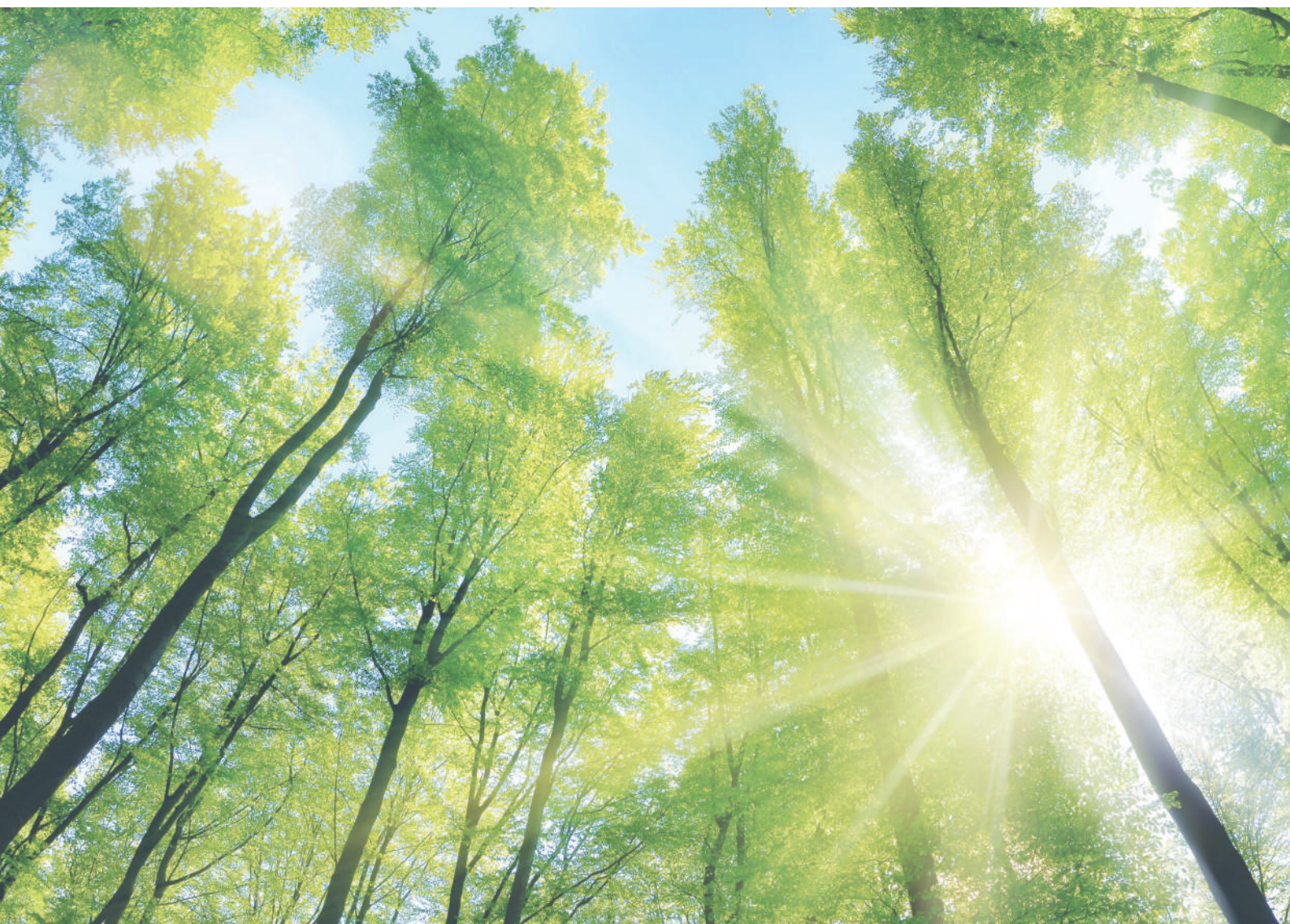


Chemistry at work



Business Principle

The Group actively conducts in sustainable business practices and creates the value sought by society and industry through the provision of unrivaled key materials technologies.

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Editorial Policy

This report is compiled and published annually for the purpose of providing shareholders, investors, and other stakeholders with an overview of the Shin-Etsu Group's corporate activities. The organizations covered by this report are Shin-Etsu Chemical Co., Ltd. (Shin-Etsu Chemical) and its consolidated subsidiaries in Japan and overseas. In editing this report, we consulted the International Integrated Reporting Framework published by the Value Reporting Foundation (VRF) and Guidance for Collaborative Value Creation published by Japan's Ministry of Economy, Trade and Industry.

In the 2024 edition, we have expanded the content related to human capital and sustainability in an effort to provide a better understanding of our initiatives to create value over the medium and long term. In addition, this year's report delves into our tripartite teamwork manufacturing of customer-focused sales, development, and production, which is one of our strengths, and features a roundtable discussion among the people in charge of sales, R&D, and manufacturing divisions. Furthermore, we interviewed all of our outside directors to get their candid opinions from an outsider's perspective.



Value Creation at Shin-Etsu Chemical

The Shin-Etsu Group has produced a large number of products with high market shares in materials that serve as the foundation of industry and daily life, and has continued to achieve stable growth. It is no exaggeration to say that this is the result of our continuous efforts to make timely and appropriate capital investments with an eye to the future and our unrelenting focus on technological innovation to improve productivity. Amid a market environment that is expected to continue growing, we aim to achieve further growth by providing products that help solve our customers' problems.

Market capitalization

(As of March 31, 2024)

¥13.2 trillion

15 trillion

10 trillion

5 trillion



About Shin-Etsu Chemical

High market shares in Many Materials that Serve as the Foundation for Industry and Daily Life

Infrastructure Materials

Polyvinyl chloride resin (PVC) is essential to our daily lives, from water supply and sewerage systems and other infrastructure (social infrastructure) to housing, agriculture, and everyday products. With a combined annual production capacity of 4.44 million tons at three bases in the US, Europe, and Japan, we boast the world's largest production capacity and provide a stable supply of PVC globally. In addition, we also supply caustic soda, polyvinyl alcohol (POVAL), and other products.

Polyvinyl chloride (PVC) resins



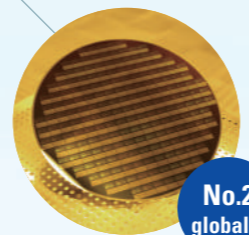
Electronics Materials

We produce silicon wafers, a key semiconductor material, as well as photoresists, photomask blanks, and encapsulant materials used in the semiconductor manufacturing process. We also supply rare earth magnets, which are essential for power-saving motors used in eco-friendly vehicles and electrical appliances, and high-purity synthetic quartz, which is used as a raw material for optical fibers and for other applications.

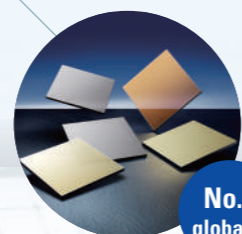
Semiconductor silicon (Silicon wafers)



Photoresists



Advanced photomask blanks



Synthetic quartz (for photomask substrates for LCD)



Functional Materials

In 1953, we were the first Japanese company to commercialize silicone, which is used in a wide range of industries, and since then we have continued to develop our product lineup, which now includes more than 5,000 varieties. We also supply a wide variety of materials that deliver superior functionality, including cellulose derivatives, which are widely used in pharmaceuticals, food products and industrial applications, as well as synthetic pheromones, silicon metal, liquid fluoroelastomers, pellicles, and anode material for lithium ion batteries.

Silicones



Cellulose derivatives (Methylcellulose)



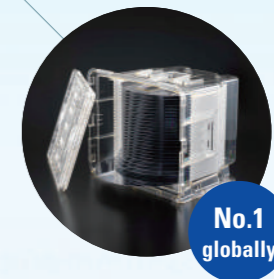
Synthetic insect repellent pheromones



Processing & Specialized Services

As a processing manufacturer of various resins such as PVC and silicone, Shin-Etsu Polymer Co., Ltd. meets the diverse needs of customers in a wide range of fields including the automotive, information equipment, semiconductor, packaging material, and construction material industries. Shin-Etsu Engineering Co., Ltd. is involved mainly in the design and construction of the Group's manufacturing plants, and also provides vacuum assembling equipment, micro LED chip transfer equipment, and other products.

Wafer Cases



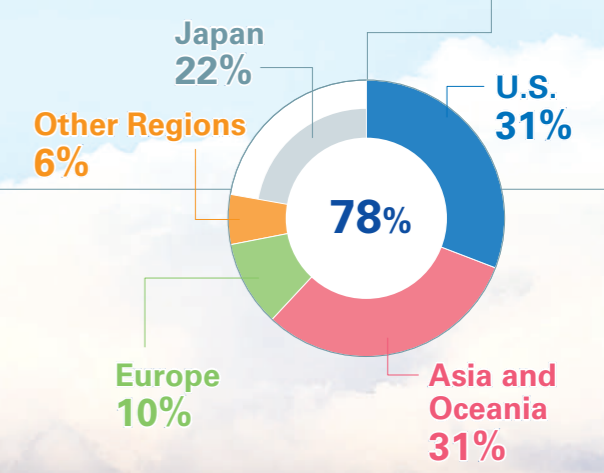
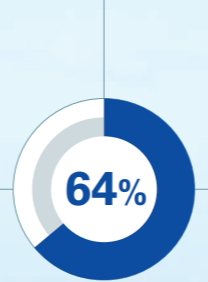
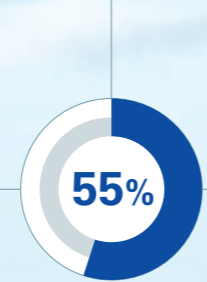
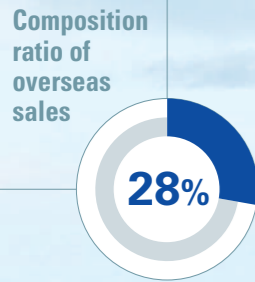
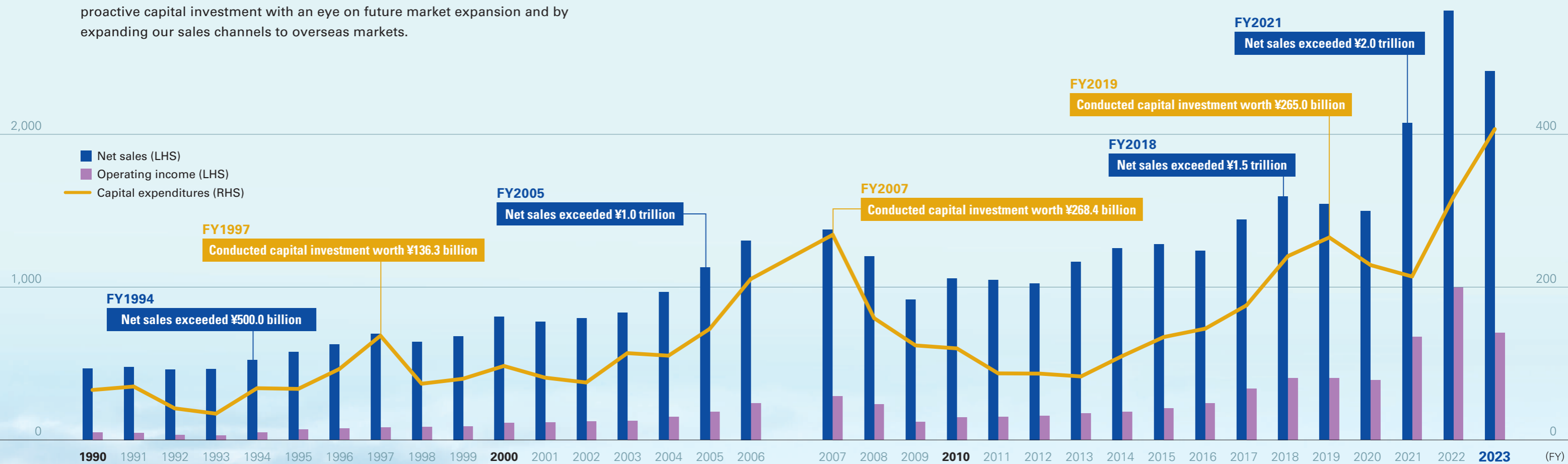
History

Achieved Steady Growth through Proactive Capital Investment and Overseas Business Expansion

Since its establishment in 1926 as Shin-Etsu Nitrogen Fertilizer Co., Ltd., the Shin-Etsu Group has continually transformed its business with an eye to the future, and today holds the top share of the global market for many materials and products, including PVC and semiconductor silicon. We have achieved stable growth through proactive capital investment with an eye on future market expansion and by expanding our sales channels to overseas markets.

(¥ billion)
3,000

(¥ billion)
600



Reasons for Strong Performance

Productivity of People, Organization, and Facilities

We have achieved industry-leading productivity through optimal human resource development centered on personnel with T-shaped skills, a tripartite teamwork manufacturing of customer-focused sales, development, and production that promptly addresses customer needs, and the pursuit of thorough automation and labor savings.

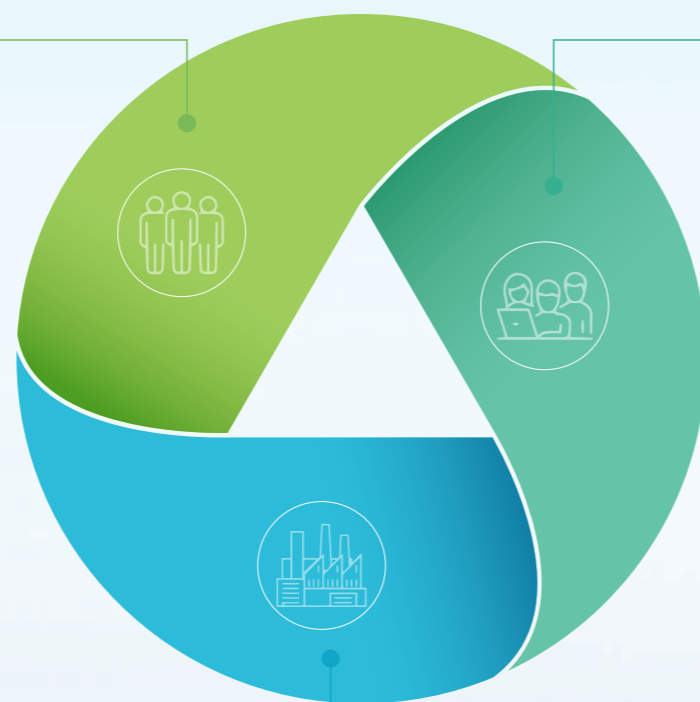
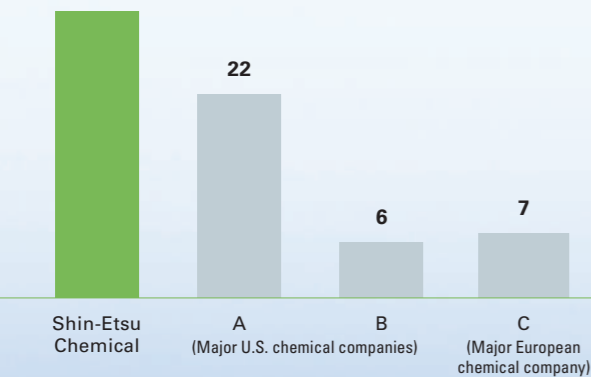
Productivity of People

Developing Personnel with T-shaped Skills and Pursuing a Lean Work Style

We do not carry out one-size-fits-all personnel transfers, but instead develop T-shaped human resources who have deep expertise in their respective fields while also being able to perform a wide range of other duties. These personnel pursue a lean work style and maximize their capabilities, leading to higher productivity per employee.

Operating income per employee (average of the last three fiscal years)

31 million yen / person per year

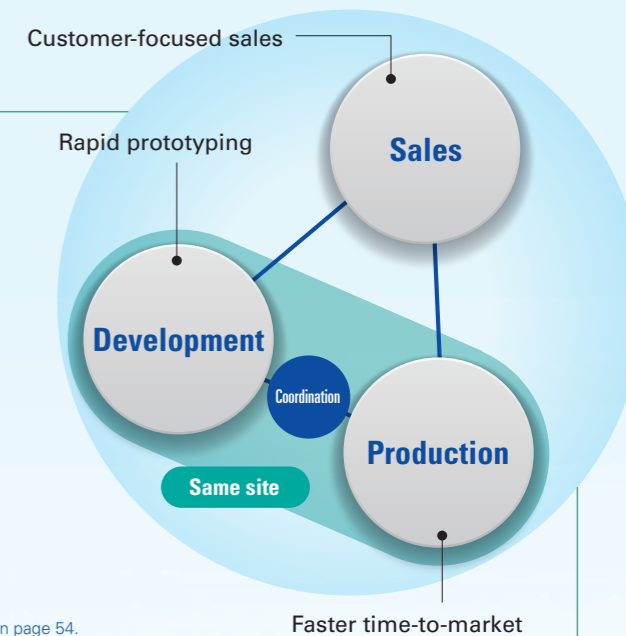


Highly Productive Organization

Tripartite Teamwork Manufacturing that Promptly Captures the Demands of the Times

All our R&D facilities are located on the same premises as our plants, allowing for constant and prompt coordination between development and production in response to customer needs obtained from sales. In addition to rapidly developing products that meet customer needs, we coordinate with production departments to carry out prototyping and practical development toward quality stabilization and mass production at our production plants.

▶ For details, please refer to the special feature "Tripartite Teamwork Manufacturing" on page 54.



Productivity of Facilities

Achieved High Productivity through Automation

We aim to achieve stable operation with minimal personnel at our production sites, promoting automation and labor savings to the extreme, and thoroughly pursuing more efficient methods when updating and improving existing facilities and building new facilities. In addition, experienced engineers in each process perform meticulous maintenance to minimize equipment stoppages and problems, which results in high productivity.



▪ **For Future Growth**

- **We will continue to focus on stable growth by steadily capturing PVC demand and growth in the semiconductor market**



Worldwide PVC Demand

(Based on Shin-Etsu Chemical research)

In addition to its durability, corrosion resistance, and processability, PVC has excellent fire retardant and fire safety properties. Demand for PVC is strongly related to infrastructure and residential investment, and has a certain degree of correlation with global economic growth. Going forward, the market is likely to continue growing steadily, especially in Asia and Africa, as well as in the US.

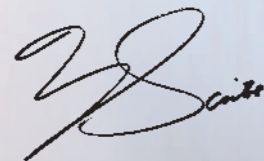
Worldwide Semiconductor Market Size Outlook

The global semiconductor market is expected to reach approximately \$910 billion by 2030, as generative AI gains attention as a new tool for improving productivity and demand for automotive, smart city, and smart factory applications expands.

Source: Prepared by Shin-Etsu Chemical based on First Semiconductor and Digital Industry Strategy Review Conference, Document 5: "The Global Semiconductor Market and Key Players" (Ministry of Economy, Trade and Industry; https://www.meti.go.jp/policy/mono_info_service/joho/conference/semicon_digital/0001/05.pdf)
Semiconductor market size is converted to US dollars at the exchange rate applied in the document (¥110 to \$1.00).

President's Message

Extending our growth trajectory and contributing to a sustainable world and the development of industry



President
Yasuhiko Saitoh



Leveraging our strengths to extend our growth path

In the fiscal year ending March 31, 2024 (FY2023), while the sales and earnings decreased from the FY 2022 level, our company extended its growth path as shown below.

The results once again reflect the underlying strength of our line of products, technology, operational system, and our people's professionalism.

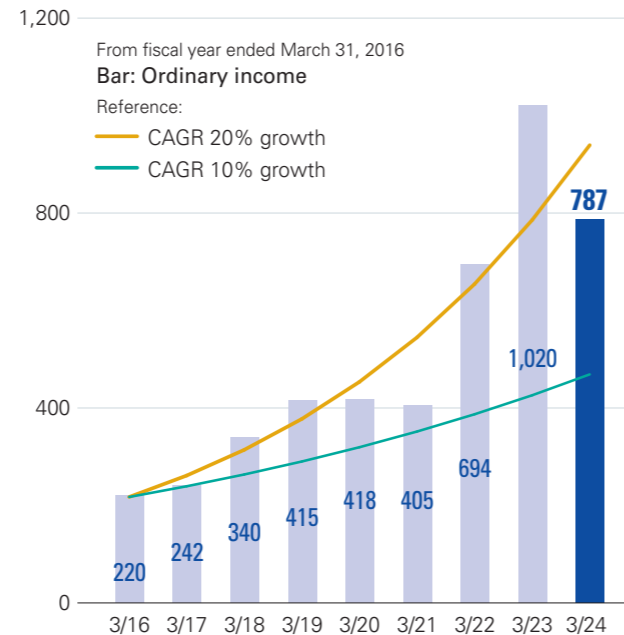
We take pride in contributing to the well-being of our communities and the development of industries, while attaining high marks from the top line to the bottom line and in key financial ratios.

Dividend Policy

With our enhanced financial strength, we declared an annual dividend of ¥100 per share (after the share split) and announced a 100 billion yen's worth of share buyback.

Ordinary income

(¥ billion)



For the recent 10 years, we increased the dividend by five times. Under our policy of stable dividends, we stated a dividend payout ratio of around 35% as an aim.

Looking back, the payout ratio over the past 10 years was 31%. We will raise the aim to 40% over time. It represents our sincere appreciation to our shareholders for their understanding and support. As a matter of reference, the payout ratio for FY 2023 was 38.5%.

Cash Allocation

We have often been asked about the level of cash that the company holds. The cash in hand is intended for large-scale growth initiatives, including merger and acquisition, reserves for economic shocks like the pandemic we experienced four years ago and shareholders remuneration. I believe that we have been a good custodian of the cash, paying attention to our equity spread. We will make good use of the cash for the stated purposes.

Future Growth

Going forward, we are striving to extend the growth trajectory that we have shown over years. In this regard, we keep our focus on providing our customers with products which make it attainable for them to do what they pursue.

We tirelessly help solve what our customers need to solve. As changes take place fast and what our customers' needs constantly evolve, opportunities present themselves for us.

With a strong market-in mindset and aspiration, we work with our customers more closely than ever. We are determined to be a most reliable supplier to all our customers with best-in-class quality, technology and practice, so that our products will be used more and everywhere.

Current situation and outlook for each business segment

If I may elaborate on it by laying out our prospects and on-going endeavors in each of our business segments,

Infrastructure Business

We will start up a brand new production facility for PVC and caustic soda in US this fall. We apply our latest advanced technologies to the facility. The PVC capacity addition there is 400,000 ton per year, which matches about 30% of worldwide demand growth per annum. PVC products are environmentally benign, and on top of it, we will do our best reducing the carbon footprint in our manufacturing of the products. We will grow the PVC business as such.

Electronics Materials Business

The market for semi-conductors will expand at a remarkable rate in three dimensions, i.e., quantitatively, qualitatively and by type. We will stay tuned to capacity increases and product developments. In this regard, we have begun to construct a new facility in Japan for cutting-edge lithographical products. There is an

President's Message

evolving array of new ways of device making, to which we apply our expertise and ingenuity. As an expert and all round player of semiconductor materials, we will be more instrumental to the semiconductor industries. Electrification of cars and others is rapidly expanding, and the so-called green transformation will not be reversed. To this end, we will exploit the periodic table as much as we can for our customers and industries. As a case in point, we plan to bring our magnet customers with genuinely heavy rare earth free magnets with even higher heat resistance this year.

■ Functional Materials Business

We are bringing more of new products to various markets and are broadening our capabilities for our customers. To this end, we will push the envelope in silicon chemistry, cellulose and other synthesis. We add touch points in industries and markets so that our total addressable markets will be greater. We develop our product offerings with this focus and make contributions in such manner that the more of our products are used, the better the industries and human society become.

■ Processing and Specialized Services

With this group of businesses and operations, we enhance the synergy within our group companies.

I may add that we have launched two new business units. The one deploys novel technologies for GaN devices and the other, by the name of μ -Material Machine, offers manufacturing processes, including equipment and materials for various display panels, illumination devices, semiconductor package substrates and so on.

Concerning sustainability, we have recently updated our basic sustainability policy. We are determined to do our part as an essential supplier to human life and industries in the world. Let me explain as follows:

* The revised Basic Policy on Sustainability is posted on page 70.

Carbon-neutral initiatives

In May 2023, we announced a plan to achieve net-zero greenhouse gas (GHG) emissions (Scope 1 and 2), i.e. carbon neutrality, by 2050. The core of this plan is our assiduous efforts to reduce production intensity, increase the capacity to recover the heat emanating from the production process and improve energy efficiency. Over the past 30 years, we have halved our GHG emissions per production unit compared to the 1990 level. Meanwhile, we are increasing our production capacity and growing our businesses. In the process, the absolute amount of energy consumption increases. Achieving carbon neutrality presents a major challenge to a material manufacturer that relies on raw materials and energy for production. Nevertheless, we will unceasingly continue our efforts to boost productivity and conserve energy. For example, some of our manufacturing requires combustion or cracking. There are emerging technologies and initiatives that we should consider for possible implementation, and we will put these options into our plans. Recycling plays an essential role and we will continue to promote it jointly with our customers and the industries. For the energy we use (mostly electricity), we are evaluating various sourcing options and discussing them with suppliers. We are assessing technologies that will economically enable us to transition from natural gas to hydrogen to meet our fuel requirements. We are also evaluating solar power generation and carbon capture and storage projects. All of these must be done without sacrificing cost competitiveness. While maintaining cost competitiveness and responding to customers' requests, we will be innovative and remain open to everything that we can make use of to reach carbon neutrality.

In Japan, the natural gas cogeneration system that we operate at one of our manufacturing facilities was awarded the first prize at the 2023 Cogeneration Awards. We participate in a hydroelectric PPA* for local production and local consumption. In the meantime, many of our products contribute to lowering GHG emissions and are helping to increase energy efficiency and lessen environmental impacts. The Japanese government has listed 14

areas that will be integral to achieving carbon neutrality and approximately 70% of the sales of our products currently go to these fields. The fields include housing, infrastructure, electric vehicles, digital transformation, and green transformation.

*PPA stands for power purchase agreement, a type of contract under which the consumer purchases electricity from a power producer at a fixed unit price for a certain period of time.

Human resources and diversity

To promote and strengthen our people's professionalism, we invest in our human resources in various ways. In an effort to promote diversity, we held roundtable discussions between our female outside independent director and audit & supervisory board members and female employees. The objective there is to facilitate the exchange of opinions regarding women's empowerment and their work. Given the demographic circumstances in Japan, discussions about diversity tend to be quantitative, focusing on the utilization of women as work force. I am actually hopeful that qualitative discussions of diverse ideas will contribute to the raising of our corporate value.

Respecting human rights across the entire supply chain

To build responsible supply chains, we make sure our suppliers know about the Shin-Etsu Group Human Rights Policy, our Basic Procurement Policy, and our CSR Procurement Guidelines. In these policies and guidelines, we call on our suppliers to eliminate discrimination, abide by the labor standards of the International Labor Organization, and not engage in unfair labor practices.

We are also actively taking steps to exclude minerals that have a clear link to conflicts or human rights violations from all the items we procure.

Ensuring the safety of workers

The safety of our employees is a No.1 premise of our operation. To achieve zero-accident at our sites, the fundamental thing we do is to eliminate any latent

minor mistakes and incidents. To this end, we rigorously enforce the following three key safety guidelines for action: (1) make sure to abide by the rules and operational procedures; (2) cultivate the sensitivity to risks; and (3) eliminate safety risks swiftly.

Governance and risk management

The board of directors is at the center of our corporate governance. It consists of nine directors, five of whom are independent outside directors (including one from the United States and one female director). Along with it, we have the audit & supervisory board. This board consists of four members, three of whom are independent (including two female members). They all participate in discussions and provide suggestions and inputs concerning important matters of the company, including shareholder returns, investments, and sustainability. Given the uncertainty in world affairs and the economy, risk management is crucial. We make a point of assessing country risks and other factors in capital investments and raw material procurement. We are strengthening information security and seriously working on countermeasures against cyber-attacks and data leakage.

Being a good partner for society

To continue to do what we have been able to do for our customers, our shareholders and our communities, we must continue to grow. We will remain focused on our customers and their needs to be relevant to them, will remain committed to good governance to be relevant to our shareholders and will remain responsible to be relevant to our communities.

I sincerely thank our shareholders for their confidence, our customers for their partnership and our entire Shin-Etsu team for their dedication to our operations.

Message from Chairman of the Board

Technology and corporate governance are the cornerstones of growth

Technology is the cornerstone of manufacturers. There is no business without technology, and it is impossible to compete on a global level without exceptional technology. In our nearly 100-year history, the Shin-Etsu Group has always endeavored to improve and innovate its technologies. We have thoroughly implemented this approach in all of our businesses, including our core polyvinyl chloride (PVC) resins, semiconductor silicon, and silicones businesses.

The establishment of the G-Committee, a committee structure for rationalization, in 1992 further enhanced the technological strengths of Shin-Etsu Chemical. The committee's initial task was to streamline and improve productivity at plants, and after becoming chairman of the committee in 2004, I focused on the key theme of creating technological innovations based on ideas and principles that were not bound by precedent or conventional wisdom. The activities of the committee expanded beyond Shin-Etsu Chemical to include Shin-Etsu Handotai and other group companies. The distinctive feature of the G-Committee's activities is that it has continued to contribute to corporate earnings not by streamlining operations just once, but through ongoing efforts year after year. In Shin-Etsu Chemical alone, the committee has worked on and implemented over 25,000 themes. In advancing its activities, the committee also uses Six Sigma methods and is currently incorporating the latest technologies, such as AI. We are working to further strengthen our competitiveness

by putting innovative technologies to practical use, achieving labor and energy savings through extensive automation, and improving productivity.

Technological strength translates to quality. Contributing to our unrivaled quality that keeps competitors at bay are our abilities to develop products that meet customer quality requirements, to stably mass-produce products, to not only meet standards but also to minimize quality variation within standards, and to rigorously evaluate and control quality prior to shipment. This unrivaled quality enhances the non-price competitiveness of our products.

To compete in the global marketplace, we must boost our cost competitiveness. To achieve this, we must use resources, raw materials, and energy thoroughly, efficiently, and without waste. This is also essential for preserving the global environment and for ensuring sustainable growth. Since the 1990s, the Shin-Etsu Group has worked to maximize resource and energy use efficiency. As a result, our greenhouse gas emission per production unit has been reduced by half compared to 1990, and we continue to focus on further reducing emissions.

In May 2023, the Shin-Etsu Group formulated and announced its plan to become carbon neutral by 2050. Achieving carbon neutrality is a challenge for manufacturers, which use resources and energy to produce goods. I believe it is a challenge worth taking on, precisely because it is a difficult task. We will take on this challenge with the technological strength

we have honed over the years, our track record of consistently setting and achieving ambitious targets, and our strong will to overcome difficulties.

Former Representative Director and Chairman Dr. Kanagawa understood the importance of corporate governance for ensuring sustainable growth, and has been implementing measures to this end. One such measure is the appointment of independent outside directors. In 2001, he invited Frank Popoff, former Chairman and CEO of The Dow Chemical Company (US), to serve as an outside director, with the aim of having someone from outside the company take a hard look at executive management and give us honest advice. Since then, we have continued to enhance the function to oversee directors who are responsible for execution by inviting leading figures from various fields to serve as outside directors. In addition to the Board of Directors, outside directors have attended important meetings such as the Managing Directors' Meeting, which deliberates on a wide range of business matters, and have provided valuable suggestions and opinions on issues including shareholder return, investment, ESG, and carbon neutrality.

We will continue to focus on developing our technological strengths and ensuring proper corporate governance in order to become a company that grows in perpetuity.



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.)

Value Creation Process

By harnessing its strengths in the tripartite teamwork manufacturing of sales, development, and production, the Shin-Etsu Group helps solve societal issues by creating unrivaled value with materials indispensable to industry and people's lives.

Sources of Our Competitiveness

P.20



Financial Capital



Manufacturing Capital



Human Capital



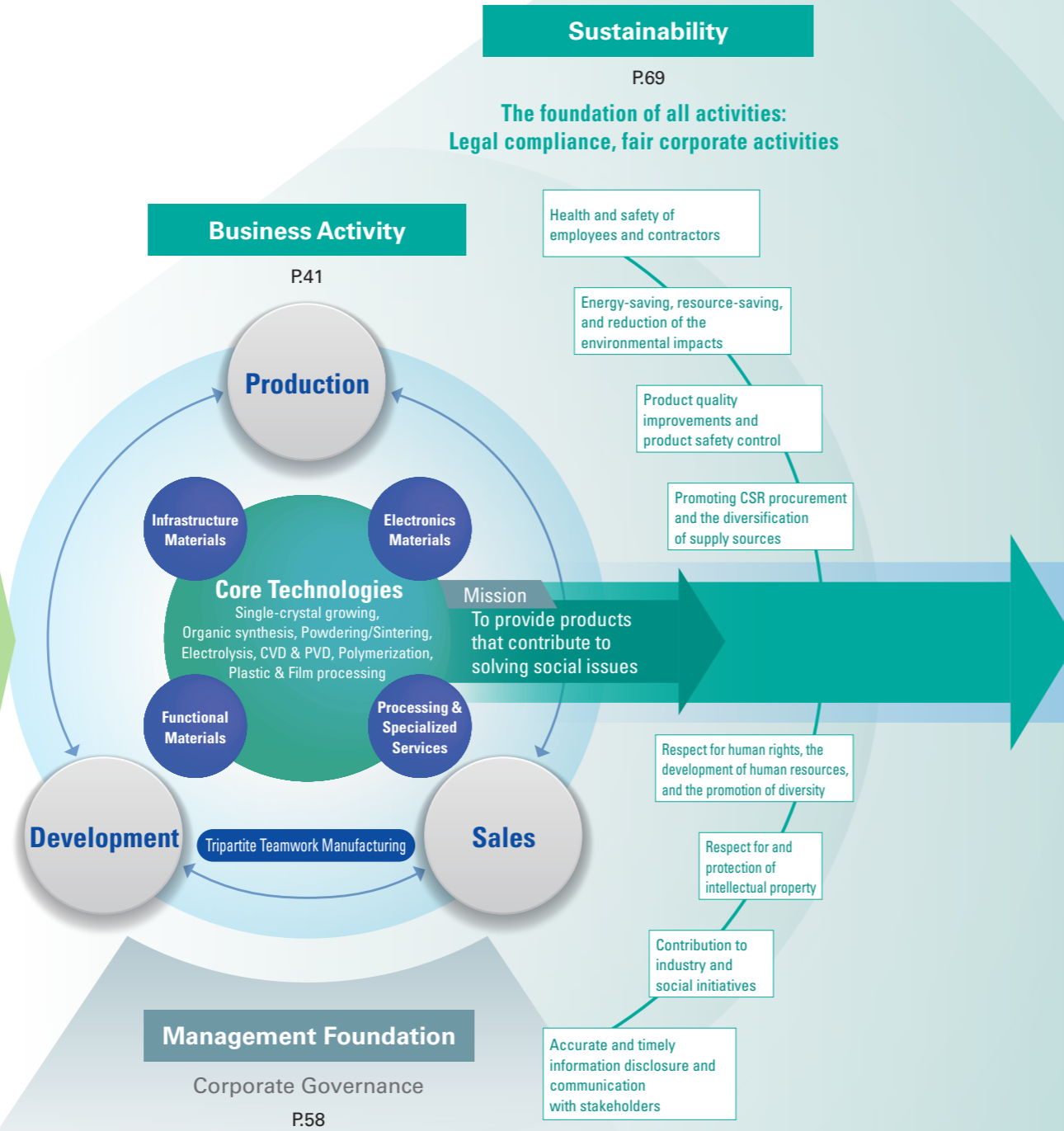
Intellectual Capital



Social and Relationship Capital



Natural Capital



Value Created

As of March 31, 2024

Operating income	¥701.0 billion
Net income	¥520.1 billion
ROIC	19.4%
ROE	12.8%
Cash dividend per share	¥100
Total shareholder return over the past five years	375% (TOPIX196%)
Market capitalization	March 31, 2014 ¥2,548.6 billion ↓ March 31, 2024 ¥13,179.1 billion
Moody's Long-term Ratings	Aa3
Sales composition ratio of environmental products*1	approx. 70%
Greenhouse gas emission intensity (compared with FY1990)	43.0% reduction
Composition ratio of overseas sales	78.4%
Intangible asset value ratio*2	66.4%

*1 Products that contribute to the 14 areas identified by the Japanese government in 2021 as being essential to achieving the goal of carbon neutrality
*2 An indicator for measuring the value of intangible assets in capital markets
Intangible asset value ratio = (intangible fixed assets [book value] + market capitalization - net assets [book value]) ÷ market capitalization

Vision

Contribution to the Earth's future

Digitalization

AI, IoT, 5G, Metaverse
Semiconductor silicon, silicones, optical fiber preforms, low-dielectric resins, etc.



Smart infrastructure

Infrastructure developments
PVC, cellulose derivatives, silicones



Efficiency improvement

Robots, Industrial motors
Semiconductor silicon, rare earth magnets, silicones, etc.



Health enhancement

Pharmaceutical materials, Materials for medical apparatus and equipment
Cellulose derivatives, POVAL, silicones, rare earth magnets



Food, Sanitation

Synthetic pheromones, cellulose derivatives, photocatalysts



Environmental contribution

Electric vehicles

Rare earth magnets, anode materials for lithium-ion batteries, silicones, etc.



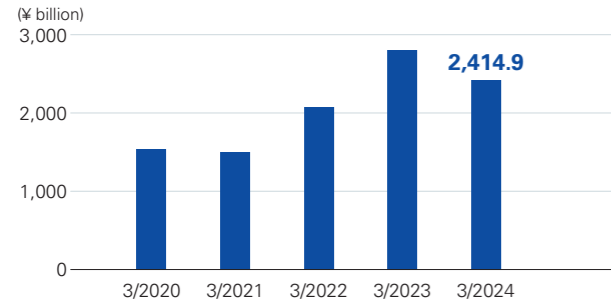
Energy-efficient home appliances, Renewable energy

Rare earth magnets, semiconductor silicon, silicones, LED packaging materials, etc.



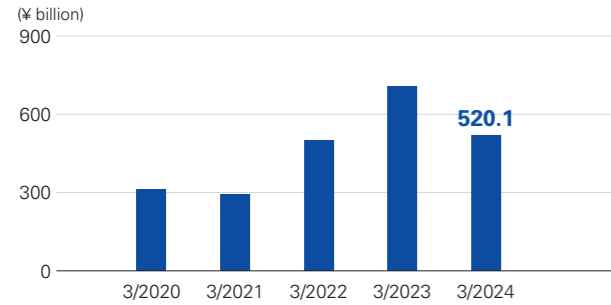
Financial Highlights

Net sales



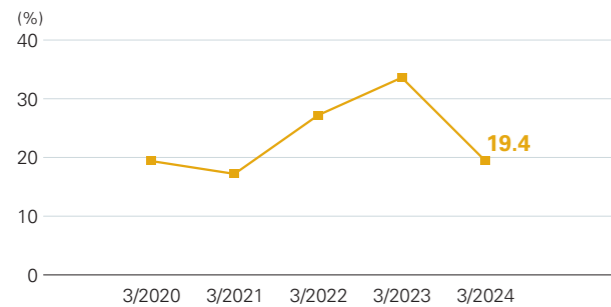
Despite our efforts to maintain price levels, consolidated net sales for the fiscal year ended March 31, 2024 (FY2023) decreased by 14.0% from the previous fiscal year amid continued inventory adjustments and softening market conditions due to the sluggish Chinese economy.

Net income attributable to owners of parent



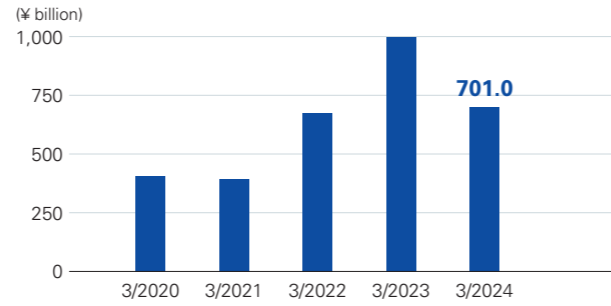
Net income attributable to owners of parent in FY2023 fell by 26.6% from the previous fiscal year due to a decrease in operating income.

ROIC



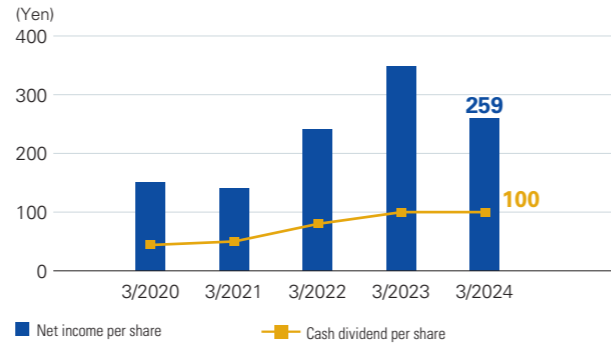
ROIC for FY2023 fell 14.2 points from the previous fiscal year due to a decrease in operating income after taxes.

Operating income



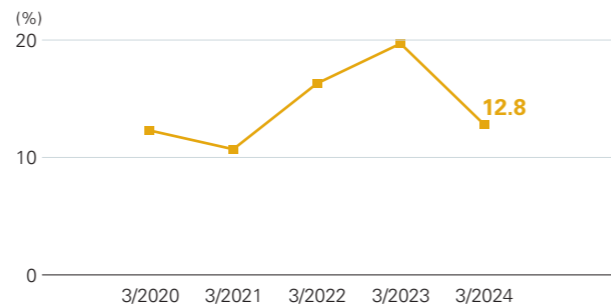
Consolidated operating income for FY2023 decreased 29.8% from the previous fiscal year. Due to softening market conditions, the Infrastructure Materials and Functional Materials businesses declined sharply, while the Electronic Materials business declined by only 9.7%, reflecting signs that the semiconductor market has bottomed out.

Net income per share/Cash dividend per share (Note)



In accordance with our basic policy of aiming for stable dividends with a payout ratio of around 35% as a guide, the annual dividend for FY2023 was the same amount as the previous year (payout ratio of 38.5%).

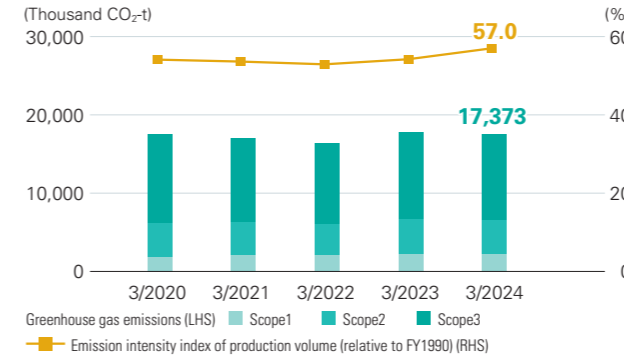
ROE



ROE for FY2023 fell 6.9 points from the previous fiscal year due to a decrease in net income attributable to owners of parent.

Non-Financial Highlights

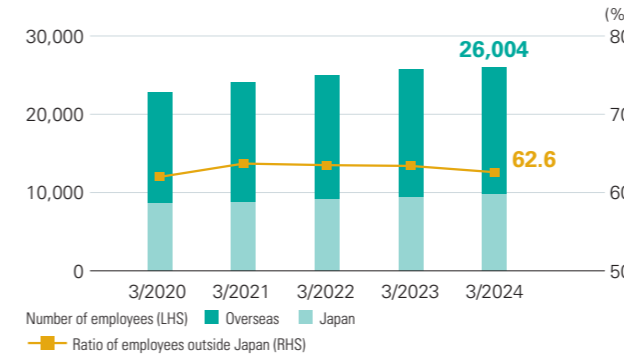
Greenhouse gas emissions/Emission intensity index of production volume*



We are working to reduce the greenhouse gas emission intensity index to 45% of our FY1990 level by 2025 and achieve net-zero greenhouse gas emissions (Scope 1 and 2) by 2050.

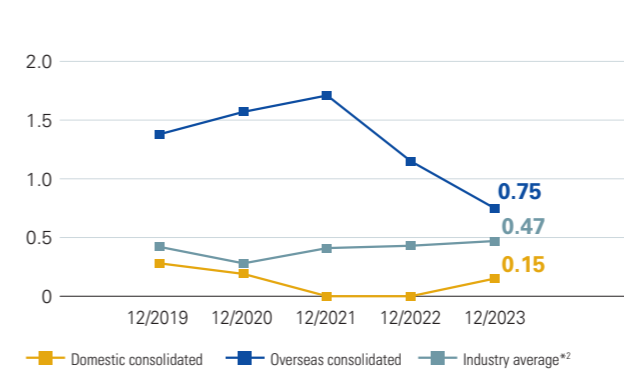
*Emission intensity index of production volume reflects Scope 1 and Scope 2.

Number of employees/Ratio of employees outside Japan



In accordance with international labor standards, each year we survey our consolidated subsidiaries to ensure compliance with laws and regulations, making sure that we respect human rights and properly manage labor and employment in accordance with the laws and regulations of each country and region.

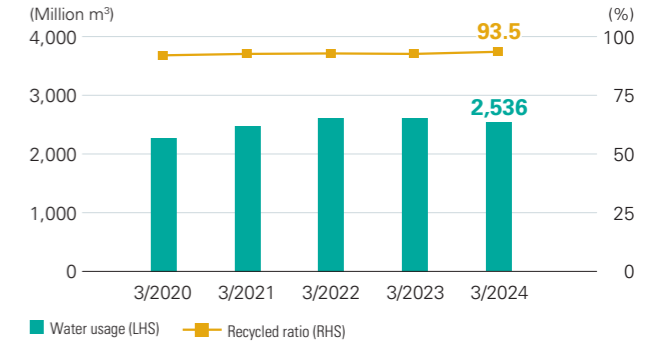
Lost-time accident rate*1



*1 The lost-time accident rate is calculated per calendar year.

*2 Averages for the chemical industry in Japan as compiled by the Japan Chemical Industry Association (JCIA).

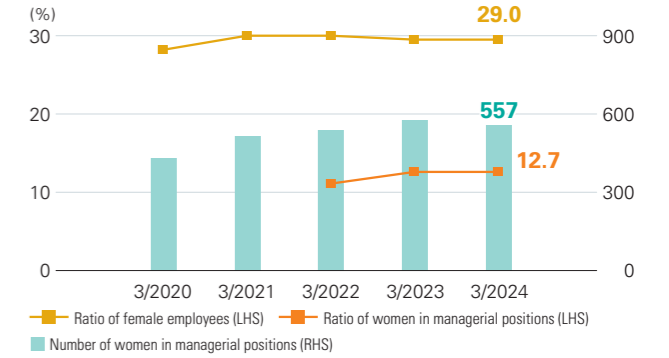
Water usage*/Recycled ratio



Since manufacturing products requires a large amount of water, we have set a target of "reducing water withdrawal intensity by an annual average of 1%," and are thoroughly promoting the recycling of water and making effective use of rainwater, etc.

*Total quantity of water withdrawal and recycled water

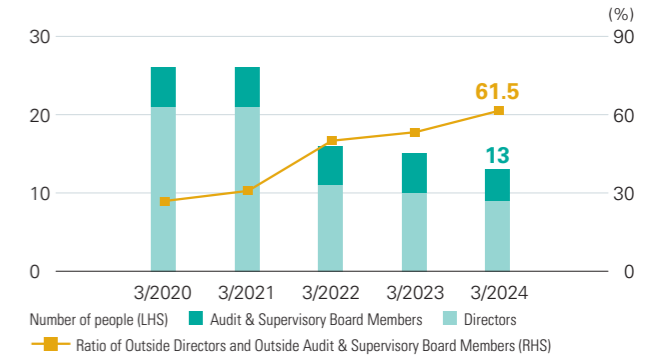
Ratio of female employees/Number and ratio of women in managerial positions*



To promote the advancement of women, we have set goals to "increase the hiring ratio of women in administrative positions to 40% and in engineering positions to 10%" and "quadruple the number of women in managerial positions, including junior managers, compared to FY2014."

*Figures for ratio of women in managerial positions calculated starting from FY2021

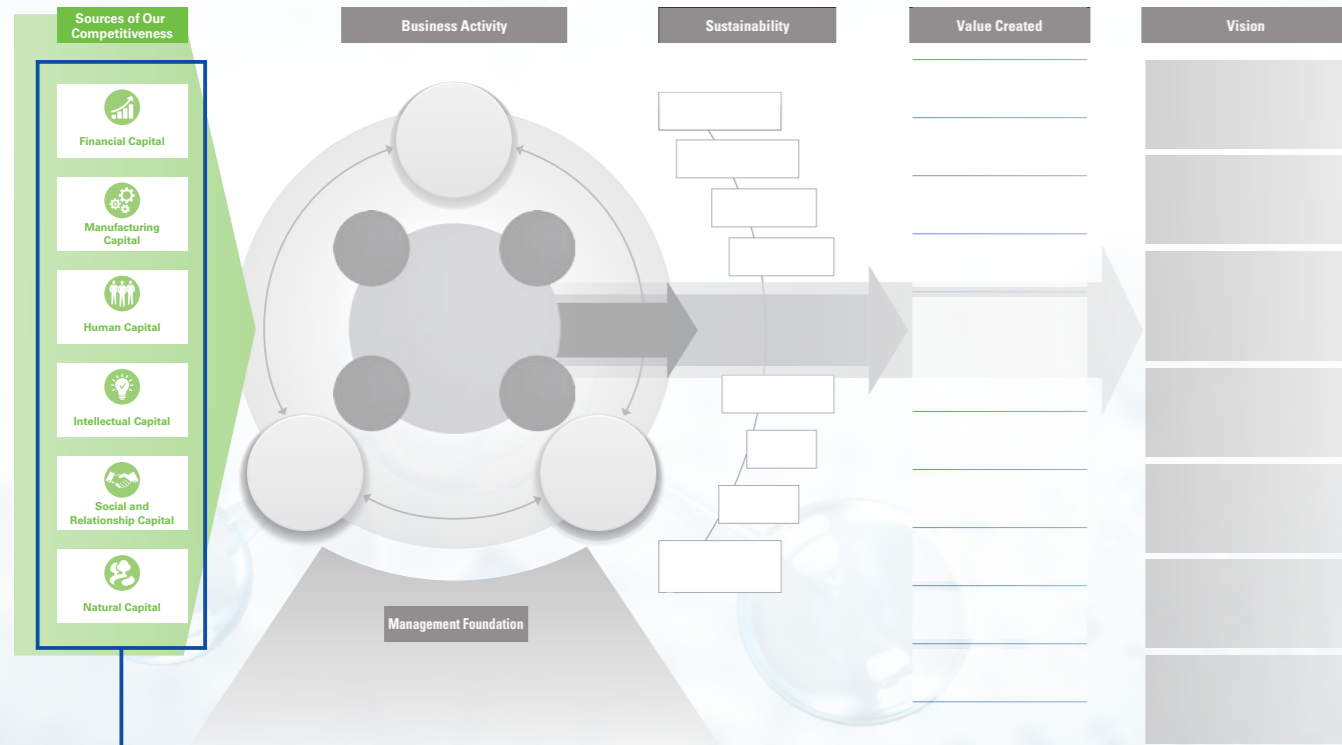
Number of Directors and Audit & Supervisory Board Members/ Ratio of Outside Directors and Outside Audit & Supervisory Board Members



In FY2021, we substantially downsized the Board of Directors and raised the ratio of Outside Directors and Outside Audit & Supervisory Board Members to improve our ability to promptly respond to changes in the business environment and strengthen our monitoring functions. We appointed one woman as Outside Director and two women as Outside Audit & Supervisory Board Members.

(Note) On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. "Net income per share" and "Cash dividends per share" are calculated based on the number of shares after the stock split from the fiscal year ended March 31, 2020.

Sources of competitiveness that support the sustainable development of the Shin-Etsu Chemical Group



Financial Capital

On our solid financial foundation, we will make aggressive capital investments for sustainable growth

- Equity ratio **82.7%**
- Net assets **4,424.0 billion yen**
- Capital expenditures **406.8 billion yen**

Manufacturing Capital

We aim to achieve sustainable growth by monitoring global demand trends and making timely and appropriate capital investments

- Domestic production bases: **17 companies, 40 bases**
- Overseas production bases: **17 countries, 67 bases**

Human Capital

Developing optimal staffing with T-shaped skill human resources in pursuit of a more efficient, smarter, and leaner way of working

- Operating income per employee **26.96 million yen**

Intellectual Capital

Promoting rapid, field-linked R&D and strategic IP management to protect our business

- Research centers located inside plants
- Selected as Clarivate Top 100 Global Innovator™ for **13 consecutive years**

Social and Relationship Capital

Our commitment to respecting human rights and building strong relationships of trust with customers

Natural Capital

In addition to our commitment to carbon neutrality by 2050, we are focusing on conservation of water resources, biodiversity, and waste reduction

- Greenhouse gas emissions (emission intensity index of production volume relative to FY1990) **57.0%** (Shin-Etsu Group)

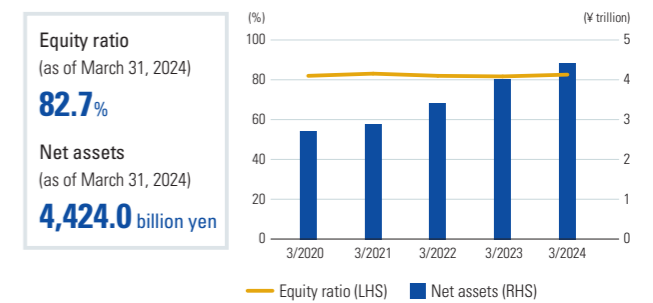
Financial Capital

On our solid financial foundation, we will make aggressive capital investments for sustainable growth

Striving to maintain price levels in the face of softening market conditions

In the fiscal year ended March 31, 2024 (FY2023), the polyvinyl chloride (PVC) business faced stagnant housing construction in the U.S. amid rising mortgage rates as well as export pressure from Chinese manufacturers. Furthermore, in our general-purpose silicone product lines, inventory adjustments and softening market conditions continued due to the sluggish Chinese economy. In this environment, despite our efforts to maintain our price levels and expand sales of high-performance products, our operating income was ¥701.0 billion (down 29.8% year on year), and net income attributable to owners of parent was ¥520.1 billion (down 26.6% year on year). In addition, total net assets were ¥4,424.0 billion (up 9.9% from the end of the previous fiscal year), the equity ratio was 82.7%, ROIC was 19.4%, and ROE was 12.8%.

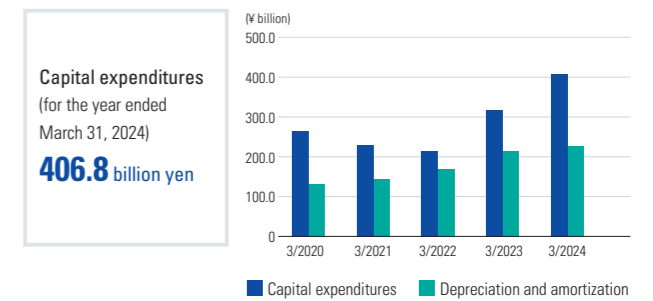
Equity ratio/Net assets



Continued capital investment for sustainable growth

To enhance competitiveness and sustain growth, Shin-Etsu Chemical seeks to enhance corporate value through the active and timely use of retained earnings. The Shin-Etsu Group's capital investment in FY2023 totaled ¥406.8 billion (up 27.9% year on year), reflecting progress in planned investments to expand capacity for Shintech's PVC and high-performance silicone products. Capital investment for FY2024 is expected to total ¥370 billion. To expand the semiconductor lithography materials business, we have decided to build a plant in Gunma Prefecture, which will serve as the fourth site for this project (the first phase will be completed in 2026, with an investment of approximately ¥83 billion, entirely self-financed).

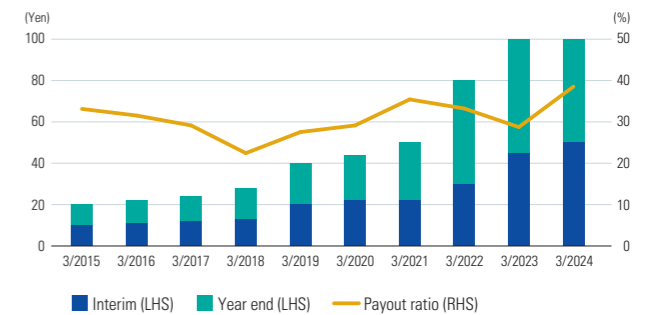
Capital expenditures/Depreciation and amortization



Aiming for a 40% dividend payout ratio over the medium to long term

The annual dividend for FY2023 was ¥100 per share (payout ratio of 38.5%), the same amount as the previous year. We have been striving for stable dividends using a dividend payout ratio of around 35% as a medium- to long-term target. Over the past 10 years, the dividend payout ratio has been 31%. Going forward, while balancing growing business earnings and maintaining solid financial foundations, we will aim for a dividend payout ratio of 40% over the medium to long term. Furthermore, as part of our efforts to return profits to shareholders, we repurchased and retired approximately ¥100 billion (22 million shares) of treasury stock in FY2023. With regard to the purchase of treasury shares, the Company will determine the necessity of implementing such purchases as appropriate.

Cash dividends per share/Payout ratio (Note)



(Note) On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. "Cash dividends per share" is calculated based on the number of shares after the stock split.

Manufacturing Capital

We aim to achieve sustainable growth by monitoring global demand trends and making timely and appropriate capital investments



Basic policy on capital investment

To fulfill its supply responsibilities as a material manufacturer, the Shin-Etsu Group makes timely and appropriate capital investments to strengthen stable supply and improve quality based on information and requests

obtained from industry-leading companies around the world. Our solid financial base and ability to generate cash flow enable us to make flexible decisions and aggressively invest even in an ever-changing business environment.

Current status of capital investment

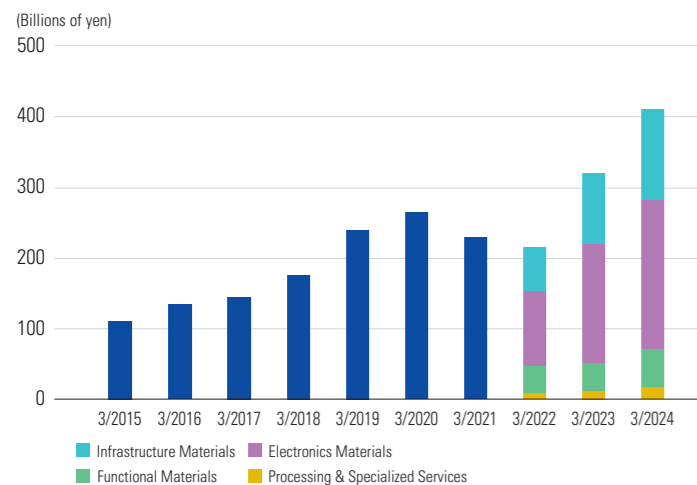
We are steadily making capital investments that support the growth of the Group, including a PVC resin facility expansion project at Shintech Inc. in the U.S., as well as production capacity enhancement, productivity

improvements and streamlining, quality improvement, maintenance, upgrades, and environmental measures. The status of major capital investments is as follows.

List of ongoing capital investments (that have been announced)

Business Segment	Products	Projects	Investment Amount
Infrastructure Materials	PVC	New facility expansion [Phase 2] (U.S.)	\$1.25 billion
Electronics Materials	Semiconductor lithography materials	Build a new manufacturing and research-and-development base (Japan)	¥83 billion
Functional Materials	Silicone resin	Reinforcement of the production capacity for advanced functional products line (Japan)	¥80 billion
	"	Expansion the applications of our silicones products and work to enhance the advanced functionality of our products line-up and expand our environmentally friendly silicones (Japan, Thailand, etc.)	¥100 billion
	Cellulose derivatives	Expansion of manufacturing facilities (Japan)	¥10 billion

Capital investment



Sales by Manufacturing Location for Each Segment (FY2023)

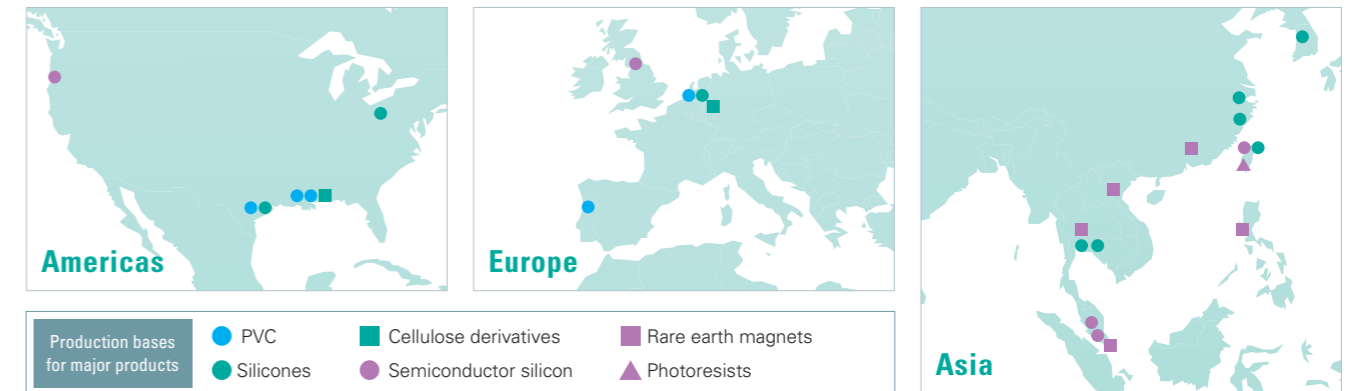
	Goods Manufactured in Japan	Goods Manufactured overseas	Total
Infrastructure Materials	133.0	877.2	1,010.2
Electronics Materials	674.1	176.3	850.4
Functional Materials	269.7	155.4	425.2
Processing & Specialized Services	94.4	34.4	128.9
Consolidated	1,171.4	1,243.5	2,414.9

Risk-aware supply network

In addition to building a local production system directly linked to local demand, the Shin-Etsu Group has 67 overseas production bases in 17 countries, mainly in regions with low country risk, to ensure that our production costs are the most competitive in the world. In addition, as geopolitical

risks rise, we are diversifying our raw material procurement across different regions and suppliers, while establishing multiple production bases globally to strengthen our ability to ensure a stable supply to our overseas customers, who account for approximately 80% of our sales.

Production bases for major products



G-Committee continues to relentlessly pursue technological innovation

The G Committee, a committee structure for rationalization, established in 1992, plays an important role in improving the technological capabilities of the Shin-Etsu Group. Its main objective is to pursue technological innovation based on ideas and principles not bound by precedents and conventional wisdom, and Group companies, including Shin-Etsu Chemical and Shin-Etsu Handotai, take up the challenge of implementing these innovations.

The G-Committee continues to contribute to earnings through continuous initiatives rather than one-time streamlining. To date, the committee has tackled some 25,000 themes to implement innovative technologies, achieve labor and energy savings through automation, and improve productivity, while leveraging Six Sigma* methods, AI, and other cutting-edge technologies.

*Six Sigma: Quality control method developed by Motorola in the 1980s.

Employee message

Shin-Etsu Chemical Wins Chairman's Award in Industrial Category at COGENERATION AWARD 2023

Mr. T.M. Matsuida Plant, Silicone Production Dept. 1, Gunma Complex, Shin-Etsu Chemical Co., Ltd.

Shin-Etsu Chemical's plants have installed cogeneration systems that use natural gas to produce steam and electricity to support the operation of manufacturing facilities. The cogeneration systems at the Isobe and Matsuida Plants of the Gunma Complex received the Chairman's Award in the Industrial Category, the highest award, at the COGENERATION AWARD 2023 organized by the Advanced Cogeneration and Energy Utilization Center JAPAN.

In building this system, I was involved in the construction of a culvert (an underground man-made channel) connecting the Isobe and Matsuida Plants.

Cogeneration systems are equipment that can greatly contribute to energy savings, reducing CO₂ emissions, and lowering the cost of energy purchases. The award-winning system optimizes the balance between supply and demand of steam and electricity by connecting the Isobe and Matsuida Plants, which have different demand ratios for steam and electricity, via a culvert, and transferring the steam between the two plants. As a result, we expect the Isobe and Matsuida Plants to become 100% self-sufficient in terms of power, which will help to further reduce energy and production costs. Furthermore, we expect to reduce CO₂ emissions by approximately 24,000 tons per year. Going forward, all of us involved will continue to work together to ensure a stable supply and improve efficiency of utilities.



Project members (T.M. is on the far right in the photo) with the award certificate and plaque.



For more information, please visit our sustainability page.

https://www.shinetsu.co.jp/en/sustainability/esg_environment/management/site01/

Human Capital

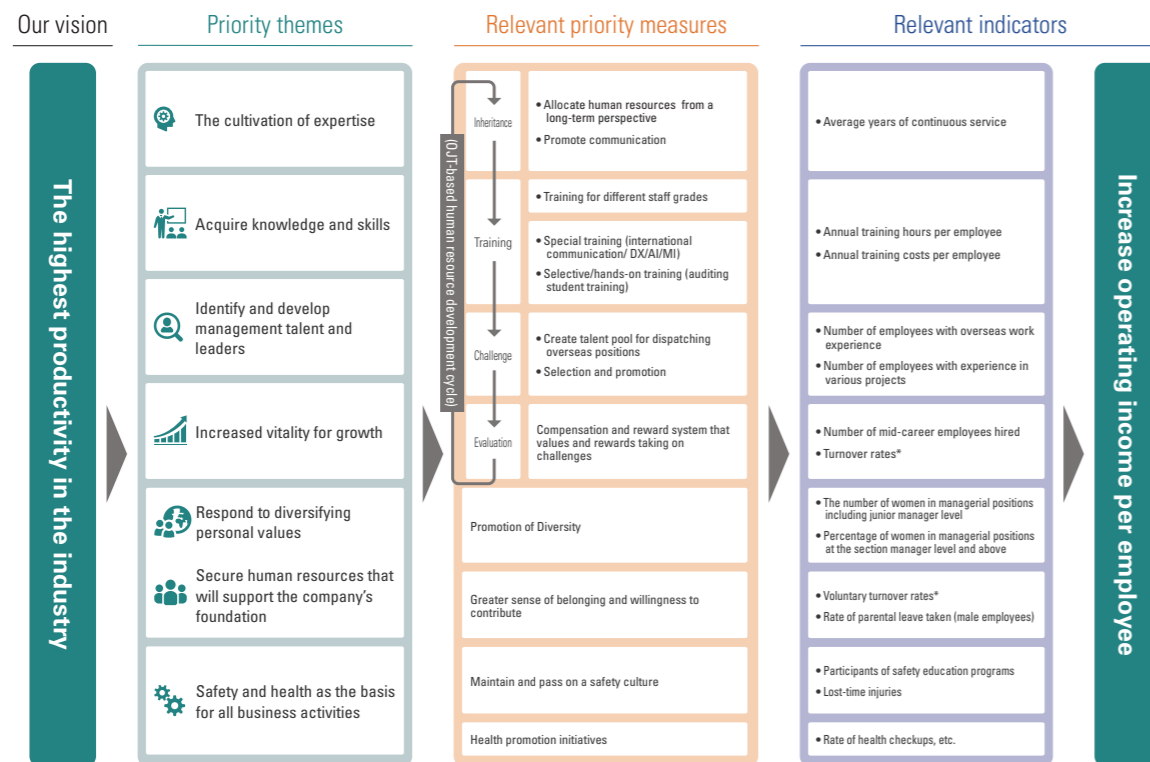
Developing optimal staffing with T-shaped skill human resources in pursuit of a more efficient, smarter, and leaner way of working



The Shin-Etsu Group, believing that human resources provide the basis for all business activities, is working to strengthen human capital with “respect for human rights,

the development of human resources and promotion of diversity” and “health and safety of employees and contractors” as key issues.

Highest productivity group in the industry



Note: For relevant indicators marked with *, the results for FY2023 are posted on the Sustainability site. The average years of continuous service is 20.1 years (Shin-Etsu Chemical), training hours per employee is 9.7 hours/year, training cost per employee is ¥35,000/year (both figures are for Shin-Etsu Chemical and its seconded employees), and the rate of parental leave taken (male employees) is 87.5% (Shin-Etsu Chemical). In addition, the percentage of women in managerial positions at the section manager level and above, and the number of participants of safety education programs are listed on pages 28 and 29, respectively, and the number of lost time injuries is listed on page 73.

https://www.shinetsu.co.jp/en/sustainability/esg_esg/

The Shin-Etsu Group's vision for human capital is to be a group capable of maintaining and improving the highest productivity in the industry over the long term, and we identify issues from a variety of perspectives and set priority themes with this in mind. By taking measures related to these priority themes while responding to changes in the labor market environment and the diversification of individual values, we intend to improve operating income per employee, which we have set as our most important indicator.

Through these efforts, we are developing human resources with “T-shaped” skills who can handle a wide range of tasks while possessing specialized skills. We have also strengthened crucial communication skills and customer

service capabilities in order to get the most out of our tripartite teamwork manufacturing of sales, development, and production, which we know gives us an advantage. As a result, the growth rate of operating income in recent years has greatly exceeded the growth rate of the number of employees, and the productivity per employee has also increased significantly. Going forward, in addition to ensuring the transfer of skills and knowledge, identifying and developing the next generation of leaders, promoting work style reform and diversity in response to changes in the labor market and individual values, and improving employee engagement, we will also focus on securing and cultivating DX personnel essential for improving business and development efficiency.

Key Issues

Respect for human rights, the development of human resources, and the promotion of diversity

Respect for human rights

The Shin-Etsu Group complies with international codes of conduct and permanently respects human rights at all its business sites around the world. The Shin-Etsu Group Human Rights Policy stipulates the prohibition of discrimination, the prohibition of damaging human dignity, the protection of privacy, the respect for basic labor rights, and the prohibition of child labor and forced labor. In order to thoroughly enforce these policies, the Human Rights Due Diligence* Subcommittee, established within the Sustainability Committee, establishes a system for investigating human rights risks and consulting and reporting on human rights and promotes human rights awareness and education in cooperation with the Shin-Etsu Chemical's Human Rights Enlightenment Promotion Committee. (See page 33.)

*Human rights due diligence: What companies should do to recognize, prevent and address adverse human rights-related impacts, including developing human rights policies, assessing the impact of corporate activities on human rights, and tracking and disclosing performance.

Developing optimal staffing with T-shaped skill human resources

One of the major factors supporting the Group's high productivity is the development of human resources with “T-shaped” skills who can perform a wide range of tasks while possessing deep expertise in their respective departments and fields. As each individual continues to pursue more efficient and leaner ways of working, they acquire highly practical and specialized knowledge and build wide-ranging cooperative relationships in carrying out their work. Utilizing the T-shaped skill human resources developed in this way will allow the Company to thrive even in harsh environments through a strategy of maximizing economies of scale during periods of strong demand while handling a wide range of tasks with its existing workforce during periods of low demand.

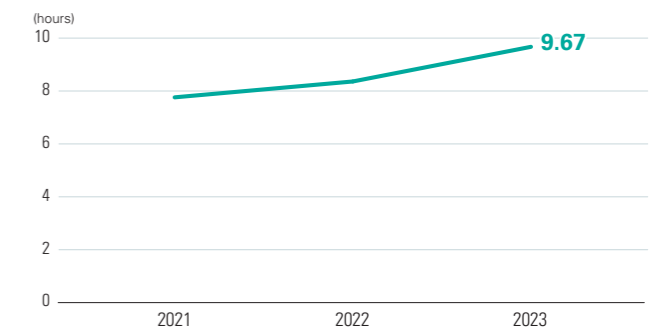
We also emphasize OJT (On the Job Training), which develops human resources through work, and have enhanced our training programs tailored to the employee's level of skill development. To increase the effectiveness of site-driven OJT, instead

of one-size-fits-all personnel transfers, our basic policy is to place the right person in the right position under a long-term approach, taking into account each employee's training situation and career aspirations. At the same time, we are also working to improve employee engagement by supporting diverse work styles that can accommodate life events and other situations.

Performance-based personnel evaluation system

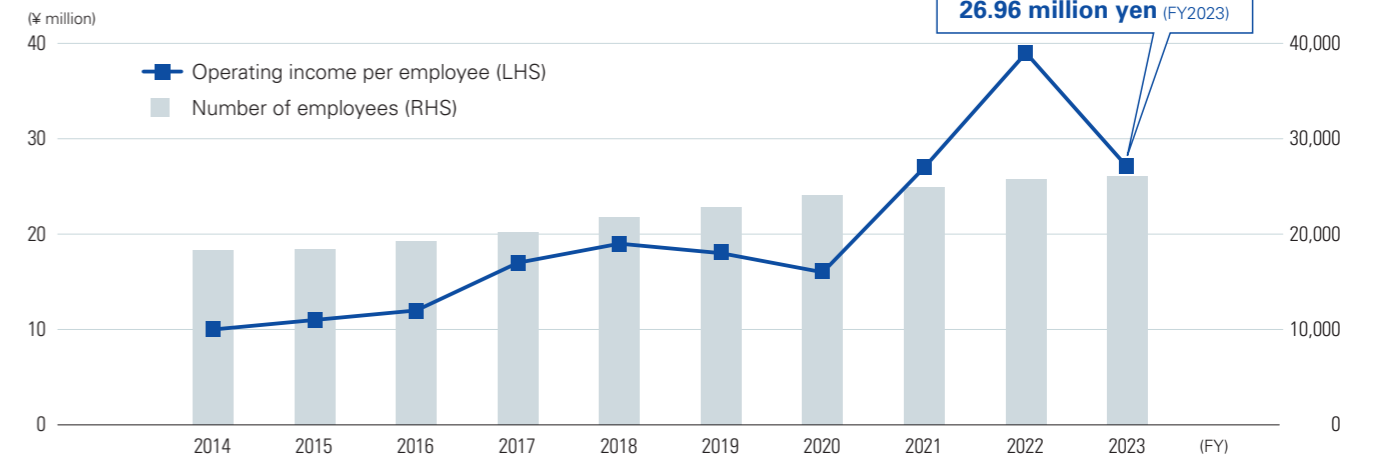
To increase employees' motivation, the Group evaluates how they meet their challenges to achieve higher goals and compensates them in a way that reflects their achievements and approaches. To operate the personnel system in a fair and appropriate manner, we conduct evaluation training for all managers in charge of personnel evaluation to ensure their evaluations are fair and reasonable. In addition, the Company has made its evaluation criteria known to employees to enhance transparency, and has established a system of interviews between supervisors and subordinates to facilitate communication between the two. During the interviews, a “communication sheet” is used to mutually confirm issues, set half-year goals, and provide feedback on the results to promote further skill development.

Training hours per employee (Shin-Etsu Chemical)



Scope: Employees and seconded employees of Shin-Etsu Chemical
 Note: The auditing student system was resumed in FY2023 and is therefore included in the training hours.

Operating income per employee (Shin-Etsu Group)



Human Capital

Human resource development system

Recognizing that employee growth leads to company growth, the Shin-Etsu Group supports employee growth through a variety of training programs, including training for each staff level, global communication training, AI management training, an auditing student system, environmental education, safety education, and mental health education.

For example, as a group engaged in business activities on a global scale, we focus on global communication training to improve communication skills in foreign languages to ensure smooth business operations around the world. Furthermore, to discover and develop human

resources capable of using AI and to improve the overall level of AI in the Company, in FY2021 we started offering a full range of AI management training programs from basic literacy to data analysis and project management. In addition to this kind of systematic training, the Group also places great importance on individualized training. On the operational front lines in particular, we believe that true growth is achieved through the accumulation of daily experience. We therefore emphasize OJT, aiming to develop human resources who can demonstrate flexible creativity and initiative.

Training system list

	Training for different staff grades		Specialized education		Environment and safety education	Quality control education	Special education	General education
			AI/ML education					
General manager level	Advanced management training	S staff group/ M staff group	Patent training	DX management training	Specialized education in environmental control and safety • Supervisor education	Environmental health and safety education Hazardous materials safety education Industrial Safety and Health Act. Radiation High-pressure gas Mono-pressure, boilers, etc.	Course for management development training (external training)	Mental health seminars
Section manager level	Middle management training	Training for adaptation to internationalization	Introduction course	MI*1 training				
Junior manager level	Line management training	Staff management training	• Meeting skills course I/II	AI management training	New recruit education	QC basic course	Auditing student system (1 year)	• Line-care
Regular employees	Mid-career employees	Job group change training	• Presentation skills course I/II	• Basic training				QC basic course
	Women employees		• Chinese conversation Classes	• PBL*2	Auditing student system (1 year)			
	Junior leader training		• Intercultural communication training					
	Third-year training							
	New employee induction/second-phase training							

*1 Material Informatics
*2 Problem-based Learning

Sense of belonging and willingness to contribute

In 2022, we conducted an employee awareness survey on a range of items including: compliance, customer orientation, penetration of management philosophy, Company's future prospects, personnel system, career outlook, workload, work environment, and relationships with superiors. The response rate was 86.5%. One survey finding in particular was that the Company's policy of emphasizing compliance had spread widely among employees. We aim to use these survey results to continue to develop the good points and improve the areas that need improvement, while further enhancing employees' sense of belonging and willingness to contribute so that more of them can enjoy a rewarding work experience.

Promotion of diversity

Japan has a declining birthrate and an aging population, and the working-age population is decreasing year by year. In order to sustain corporate activities, it has become essential to utilize a diverse workforce, regardless of age or gender. The Group also employs people of a wide range of nationalities and backgrounds, which is essential from the perspective of expansion of global business domains, diversification of business operations, and innovation in digital technology. The Group places the highest priority on respect for the individual and aims to create a workplace where diverse human resources, regardless of gender, nationality, disability, or age, can contribute to the best of their abilities.

Employee Interviews

Shin-Etsu Challengers

The Shin-Etsu Group employs approximately 26,000 people at all of its sites around the world. The Shin-Etsu Chemical Sustainability site features "Shin-Etsu Challengers," a series of employee interviews with a diverse range of Shin-Etsu Group employees talking about the challenges they are taking on in their work. Here are some snippets from the employee interviews posted on the site.

Shin-Etsu Chemical Sustainability site "Shin-Etsu Challengers"
https://www.shinetsu.co.jp/en/sustainability/esg_employ/education/interview

I hope to create win-win solutions with customers



Ms. A.H.
Smelter Superintendent, Simcoa Operations

I started at Simcoa as a manufacturing process data analyst, and now serve as Smelter Superintendent, managing safe operations, production targets, product quality, and maintenance to maximize uptime. When I first joined the company, I was the only woman in the department I was assigned to, but now women are active in a range of key positions, including the head of production planning. Despite the large number of male employees, I have been able to use my unique empathetic and constructive approach to problem solving with positive results. I am now taking on the challenge of getting to know our customers in depth to create win-win solutions.

I wish to contribute not only to export control but also to production planning



Ms. K.T.
Shin-Etsu Silicones (Thailand)

I was in charge of silicone export control in my previous job, and I joined Shin-Etsu Silicones because I felt I had further to grow. I'm now familiar with customs clearance rules and free trade agreements, and I'm able to make proposals that benefit our customers. In addition, by learning more about the demand trends in the markets we ship to and the nature of our customers' business, we will be able to further improve the accuracy of our production plans at the Thai plant and create an optimal shipping balance. I hope not only to manage shipments, but also to support sales activities to appropriately increase shipment volume.

I would like to turn diversity into a Group-wide strength



Ms. C.S.
Shin-Etsu Silicones Europe B.V.

I am Head of Sales for industrial silicone fluids in EMEA and I am also developing specialty markets. I have not only Japanese but also German, Spanish, Italian, Hungarian, and Malaysian colleagues. By utilizing diverse perspectives and experiences, we can take a more global approach. To turn diversity into value, cooperation among overseas subsidiaries is also important. I would like to be a leader to spread the benefits of diversity throughout the Shin-Etsu Group.

I want to use DX to achieve Company-wide transformation



Mr. K.M.
Shin-Etsu Skyward Systems

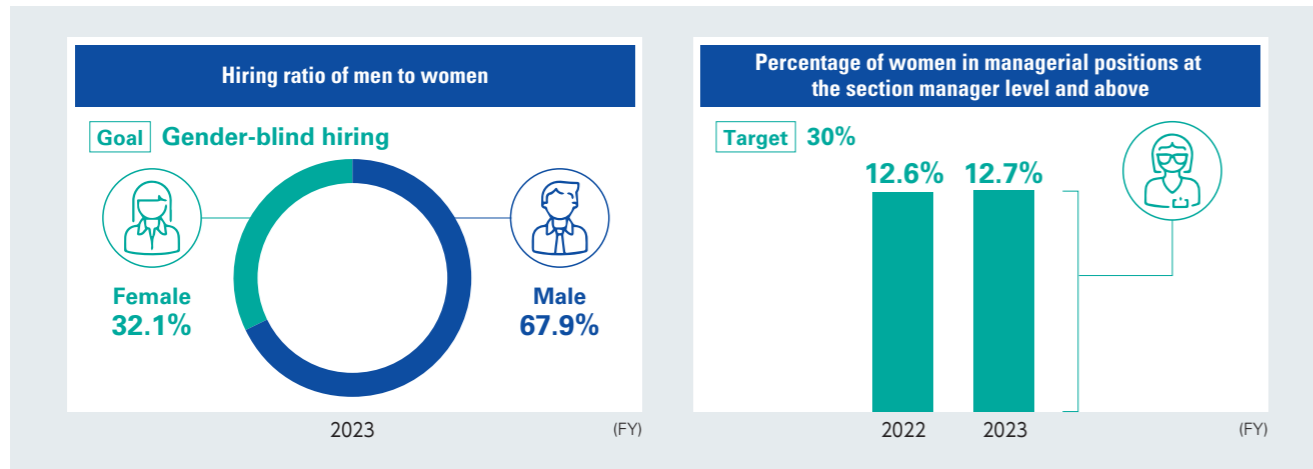
In the process of driving digital transformation (DX), I have implemented more than 200 operational efficiencies. DX is not just about tools and systems; it is also about developing human resources who can make appropriate use of AI and data. I would like to help our employees use data and systems to bring about some kind of change, even if it is something small. I believe that if we can provide a learning opportunity for employees who haven't had the opportunity to deeply engage with AI and change their mindset about handling data even a little, we will be laying the foundation for company-wide transformation.

Human Capital

Promoting the active participation of diverse human resources

The Group is working to promote the active participation of women and create a workplace environment where employees of all walks of life can work to their full potential. So that we can expand our business globally, we are focused on local recruitment overseas as well as the hiring of foreign nationals living in Japan.

In FY2023, the ratio of female employees was 29%, the ratio of hiring women was 32.1%, and percentage of women in managerial positions at the section manager level and above was 12.7% (the figures refer to Shin-Etsu Chemical and consolidated companies).



Scope: Shin-Etsu Chemical and consolidated companies

Work-life balance

The Shin-Etsu Group always places the highest priority on ensuring the stable employment of its employees. The Company grows when its employees feel secure in their jobs, do good work, and achieve good results. Based on this

thinking, we are working to improve the working environment and enhance support systems so that employees can balance work and family life without leaving their jobs due to life events such as childbirth, childcare, and nursing care.

Proper management of working hours

The Group aims to raise awareness about managing working hours, eliminate excessive working hours, and create highly productive workplaces across the Company. To this end, we are proactively introducing a system to accurately track working hours through PC logs and other sources. In addition, we are promoting the development of systems and working environments that enable flexible and highly productive work styles, such as the flextime system and telecommuting.

Career support

Starting in 2023, we expanded the Shinkansen commuting allowance system, which allows employees to commute long distances by bullet train at company expense, so that couples can continue their careers without living separately or quitting their jobs. We also introduced a system that allows employees to take a leave of absence for up to three years to accompany their spouse on an overseas assignment, and a retiree registration system (return employment system) that allows employees to be rehired for up to 10 years after separation from the Company.

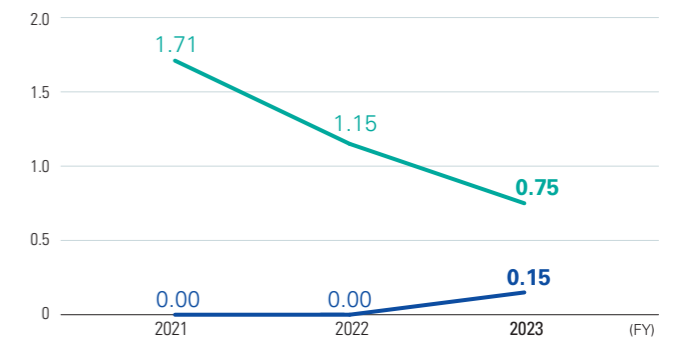
Key Issues

Health and safety of employees and contractors

Creating safe and secure workplaces

In aiming to prevent all serious and lost-time accidents, the Group conducts risk assessments to comprehensively identify risks that could lead to injury or illness and is working to create safe and comfortable workplaces by eliminating or minimizing risks.

Changes in lost-time injury frequency rate



Participants of safety education programs (Total number of persons)

(FY)	2019	2020	2021	2022	2023
Shin-Etsu Chemical	19,411	32,527	39,348	59,343	70,952
Consolidated companies	39,328	46,998	56,236	75,406	87,349

*Rate of recordable injuries per million hours worked

Topic

Holding the first roundtable for female employees

In March 2024, Shin-Etsu Chemical held its first roundtable for female employees at its head office as part of its efforts to promote the active participation and advancement of women. Ms. Hasegawa (Outside Director), Ms. Kagami and Ms. Kaneko (Outside Audit & Supervisory Board Members) participated in the meeting as mentors, and 19 female Group employees attended in total.

At the beginning of the meeting, President Saitoh offered remarks on the active participation of women. "In Japan, we tend to talk about quantity, such as the need to hire and promote women in order to secure workers in the face of our declining birthrate. However, I am more interested in quality. I think the quality of your perspectives and ideas is more important than quantitative numbers," he said. The three mentors shared their experiences and talked about their expectations for the Group, and the participants actively exchanged opinions about their workplaces and jobs, providing an opportunity for female employees to connect with each other across divisions. We received some feedback from the participants after the meeting, including the comment "It was good that we were able to not only talk about our concerns, but also think about what needs to be done to address them."



President Saitoh (far right) expressing his thoughts, and the mentors (from left) Ms. Kaneko and Ms. Kagami (Outside Audit & Supervisory Board Members) and Ms. Hasegawa (Outside Director)

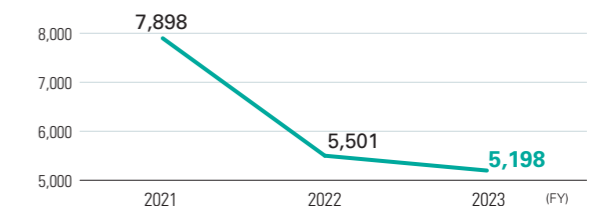


Female employees participating in the roundtable

Accident prevention initiatives

As a bottom-up initiative implemented at each worksite, the Group accepts suggestions from and listens to the concerns of workers who have experienced close-call incidents themselves and employs measures to address even the slightest of concerns. At the same time, by sharing the information within and outside of the Group, we strive to roll out safety measures as well as preventive measures for similar incidents.

Suggestions regarding close-call incidents or other concerns



Please visit the following website page for the suggestions disclosed thus far.
https://www.shinetsu.co.jp/en/sustainability/esg_safety/

Physical and mental health of employees

In addition to encouraging regular health checkups, we actively provide health guidance on lifestyle-related diseases, take mental health measures, and hold events to improve physical fitness so that our employees can work at peak health and energy. We've also prepared countermeasure manuals against important infectious diseases including COVID-19 so we can prevent their spread.

We've set up health committees at the head office and

branch offices, as well as safety and health committees at each plant site. These committees get information and guidance from industrial physicians and are working to improve the work environment and promote health. Furthermore, we offer an outside Family Health Consultation Service with our health insurance union and an affiliated insurance company. It is available 24 hours a day and can also be used by the family members of employees.

Intellectual Capital

Promoting rapid, field-linked R&D and strategic IP management to protect our business



Viewing R&D as a “challenge” to pioneer the future, the Shin-Etsu Group is pursuing R&D to meet the needs of the times. We also regard the results of our R&D as

important assets and strategically manage the valuable intellectual property obtained through R&D to make effective use of it.

The “tripartite teamwork” for rapid response to customer needs

The Shin-Etsu Group’s R&D department rapidly develops products tailored to customer needs while keeping an eye on mass production after product development. This is made possible by our unique R&D system that integrates sales, development, and production into a tripartite teamwork manufacturing system, with an R&D center located on the production sites. We also promote R&D

projects under the direct control of the President in order to meet customer needs and generate new solution ideas. At the same time, we are focusing on recruiting and developing human resources who are familiar with digital technology such as AI and are working to improve development efficiency and shorten development time by utilizing materials informatics.

Aggressive product development in new areas with growth potential

Shin-Etsu Chemical leads the PVC industry in the development of polymerization technology using its proprietary large-scale polymerization reactor and non-scale technology. We are also advancing crystal growth and processing technologies in silicon wafers and solidifying our competitive advantage through R&D that is one step ahead of the competition.

Furthermore, in terms of new business areas, we are focusing our R&D efforts on five major priority areas in growth markets where we can leverage our strengths: energy, semiconductor-related materials, high-speed communications at 5G and beyond, healthcare, and materials that contribute to achieving SDGs and carbon neutrality. The following are some of the research themes we have been focusing on in FY2023 and beyond.

(1) Development of vertical GaN devices (see Topic)

Since 2021, we have pursued ongoing sample evaluation and device development in the application areas of power devices, RF devices and LEDs with numerous customers in Japan and globally. With regard to power devices in particular, we are pursuing continuous evaluation for the commercialization of devices across a wide range of voltages.

(2) Development of the KRW-6000 series, a water-based, fast-curing silicone resin that does not use emulsifiers

In the field of functional materials, we developed the

KRW-6000 series, the industry’s first* water-based, fast-curing silicone resin that does not use emulsifiers. Compared to organic solvent-based silicone resins, water-based products to which emulsifiers are added tend to have inferior film properties and require more time for drying and curing. The new product solves these problems, has excellent film properties, and can be cured quickly through heating.



Silicone resin has excellent water resistance and is expected to be applied to binders used as undercoat paints.

(3) Dry adhesive technology that utilizes biomimicry

In April 2024, Shin-Etsu Chemical agreed to acquire a dry adhesive technology that utilizes biomimicry developed by Setex Technologies, Inc. and develop new markets for the technology. Setex has developed a technology for providing materials with strong friction and adhesion by building a structure resembling a gecko’s hand on the surface of the material. Shin-Etsu Chemical will endeavor to apply the technology to various products used in semiconductor processes and other manufacturing processes, and will propose new technologies under the brand name ShineGrip™ for applications that require repeated friction and adhesion on material surfaces.

Topic

Advancing our QST™*1 substrate business for true practical application of GaN power devices

Shin-Etsu Chemical has determined that QST™ (Qromis Substrate Technology) substrate*2 is an essential material for the practical implementation of GaN (gallium nitride) power devices, and the Company will promote the development and launching on the market of these products. Since QST™ substrate is designed to have the same coefficient of thermal expansion (CTE) as GaN, it suppresses warpage and cracking of the GaN epitaxial layer and enables large-diameter, high-quality thick GaN epitaxial growth. Taking advantage of these characteristics, it is expected to be applied to power devices and RF devices for 5G and beyond 5G, which have been rapidly growing in recent years, as well as in such areas as MicroLED growth substrates for MicroLED displays.

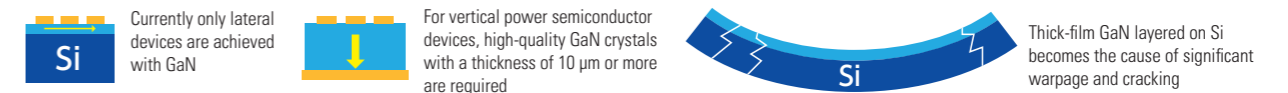
As a result of numerous improvements to our QST™ substrates, we have achieved stable epitaxial growth of more than 10 μm in thickness. Moreover, Shin-Etsu Chemical and Oki Electric Industry Co., Ltd. have jointly succeeded in developing a technology to peel off GaN from QST™ substrates and bond it to substrates made of different materials using Crystal Film Bonding (CFB)*3 technology. To customers who manufacture GaN devices, Shin-Etsu Chemical will provide QST™ substrates or GaN epitaxial substrates and Oki Electric Industry will provide its CFB technology through partnering or licensing. In this way, the two companies aim to popularize vertical devices, which can control larger currents than the currently mainstream lateral GaN power devices.

*1 QST is a registered trademark held by Qromis, Inc. in the United States (registration number 5277631).

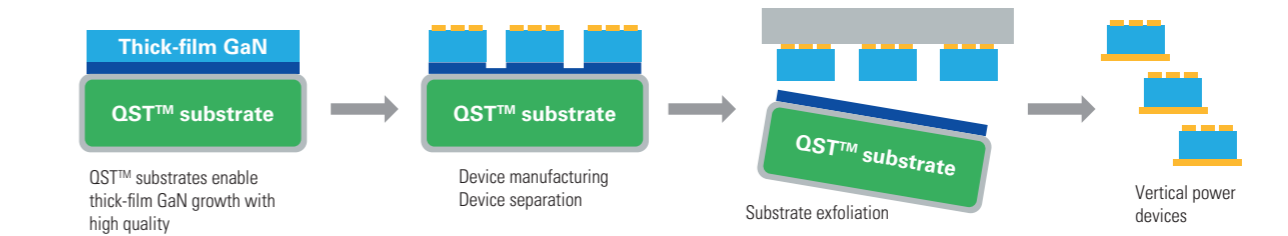
*2 A QST™ substrate is a composite material substrate developed by Qromis, Inc. exclusively for GaN growth and was licensed to Shin-Etsu Chemical in 2019.

*3 CFB technology is a technology to peel off GaN epitaxial layers from substrates and is a registered trademark of Oki Electric Industry.

Challenges with Si substrates currently used for GaN devices



Approach to the realization of vertical GaN devices with QST™ substrates



Clarivate Top 100 Global Innovator™ One of only two chemical manufacturers in the world to have won the award for 13 consecutive years

The Shin-Etsu Group protects its IP gained through R&D from infringement by third parties by securing intellectual property rights both in Japan and overseas. At the same time, we search patent publications related to existing and new businesses to avoid infringement of rights. We also strategically manage our intellectual assets by, for example, keeping information that should not be disclosed as confidential knowledge. At present, there are no cases where business operations are hindered by IP.

In addition, we encourage researchers to conduct research with patent rights and other IP rights in mind, and educate them so that they can prepare documents for rights acquisition. We also have a system in place to reward and recognize personnel who have made significant contributions to the Company in the form of

patents and other inventions and ideas. As a result of these and other efforts, Clarivate, a global information services company, has recognized Shin-Etsu Chemical as a Clarivate Top 100 Global Innovator™ for 13 consecutive years. The award recognizes companies and institutions that protect original invention ideas with IP rights and successfully commercialize them. We are one of only two companies in the chemical field to have received the award for 13 consecutive years.

Top 100 Global Innovator 2024



Intellectual Capital

Message from an employee of the R&D Department

Using AI and computational science to accelerate and deepen R&D



Using generative AI in materials exploration to speed up development to meet customer needs

The Group is actively utilizing AI and computer simulation, which continue to evolve day by day, in its R&D activities. This allows us to accelerate product development to meet customer needs while also deepening research aimed at creating new value.

In traditional R&D, the researcher relies on experience and intuition to design a substance that is likely to meet the required properties based on the scientific literature and existing experimental data, and then discovers the material through repeated experiments. This makes R&D dependent on the individual researcher and limits the number of material candidates that can be considered. Materials exploration requires efficiently finding materials with superior characteristics from the vast chemical

structure space of substance. To do this, it is essential to generate a large number of candidate molecular structures, and then 1) perform screening calculations based on deep learning AI or simulations to filter and narrow down the results, and 2) perform automatic autonomous computing using Bayesian optimization*1, genetic algorithms*2, or generative AI. We are conducting research with the goal of utilizing such powerful exploration methods to propose optimal materials extremely efficiently in a short period of time.

*1 Bayesian optimization: A method for quickly arriving at an optimal solution by sampling in order of the higher probability of obtaining the optimal solution.
 *2 Genetic algorithm: A method for searching for approximate solutions that mimics the mechanism of biological evolution.

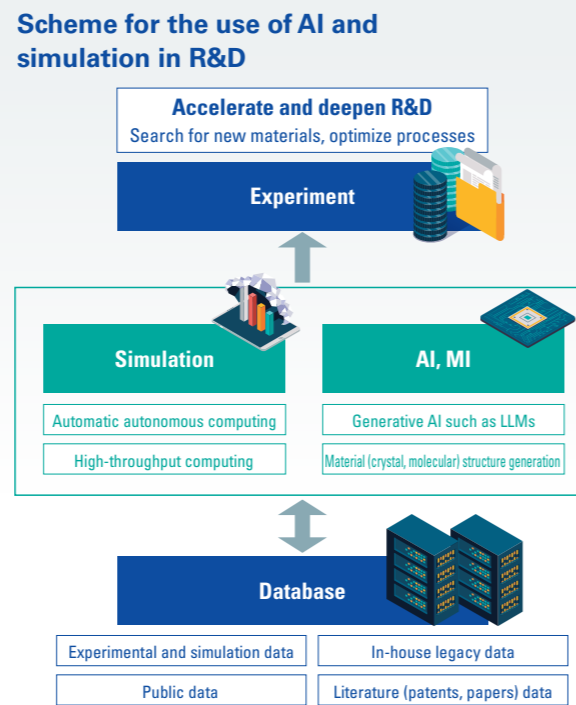
Achieving high-precision MI to create new added value

We are also focusing on developing human resources to take responsibility for AI and MI*3 technologies at our R&D sites. In addition to providing MI training using learning materials specific to our in-house research projects, we are supporting the application of MI to real-world issues at our development sites, and this approach has led to successes such as the launch of new products.

Deploying MI in this way requires highly reproducible experimental and simulation data. We aim to realize more accurate MI by extracting data from existing in-house data using generative AI, building a database that integrates various experimental data, and utilizing public data from academia and other institutions.

By utilizing these MI technologies in the development of materials such as resist materials and silicone materials, we will endeavor to shorten development times and provide customers with quicker solutions, ultimately leading to the creation of new added value.

*3 Materials informatics (MI): An effort to use informatics methods in the development of materials.



Social and Relationship Capital

Our commitment to respecting human rights and building strong relationships of trust with customers



We are strongly committed to respecting human rights, not only within the Shin-Etsu Group, but across the entire supply chain, to guarantee the stable supply of high-quality products to our customers. In the electronics

materials business, we have built a strong relationship of trust with our customers, as evidenced by their praise of our quality and supply systems and the supplier awards we have received.

Respect for human rights

In addition to complying with the laws and regulations applicable in the countries and regions where it does business, the Group learns from international codes of conduct*1 and promotes efforts to ensure perpetual respect for human rights.

In May 2019 we formulated the Shin-Etsu Group Human Rights Policy. In order to confirm the status of compliance with our Human Rights Policy, we conduct an annual survey of our consolidated companies regarding items related to respecting human rights*2, labor management, and whether employment is properly implemented in accordance with the laws and regulations of each country and region. Furthermore, we consider human rights impacts on local communities when building new plants. In May 2024, in light of changes in the social environment surrounding human rights, we revised our Human Rights Policy based on the UN Guiding Principles on Business and Human Rights, and the revised policy was approved at the Managing Directors' Meeting attended by all directors, audit & supervisory board members and corporate officers.

FY2023 initiatives on human rights risk

In FY2023, we introduced a system to accurately track working hours through PC logs and worked to establish working environments that enable flexible and highly productive work styles, such as the flextime system and telecommuting. We also supported the efforts of Group companies in Japan to reduce overtime work.

Meanwhile, starting in 2022, we sent the "Shin-Etsu Group Human Rights Policy," "Basic Procurement Policy," and "CSR Procurement Guidelines" to our major business partners, and asked approximately 70% of our first-tier suppliers for cooperation in responding to a questionnaire regarding sustainability initiatives, including human rights. As a result, we were able to confirm that no serious violations of human rights had occurred.

Human rights awareness training

In FY2023 we organized 46 training sessions on the topic of respecting human rights, which were attended by 1,125 employees overall. In the training, basic knowledge and countermeasures regarding power harassment, sexual harassment, LGBTQ, etc. were explained, and efforts were made to raise employee awareness of human rights.

*1 Examples of international codes of conduct include the Universal Declaration of Human Rights, the ILO International Labor Standards, the United Nations' Guiding Principles on Business and Human Rights, and the United Nations Global Compact's "Ten Principles."
 *2 Items related to respecting human rights: the prohibition of forced labor and child labor; appropriate working hours and fair wages; fair employment contracts in written form; prohibition of inhumane treatment and discrimination; and freedom of association and the right to collective bargaining.

Shin-Etsu Chemical recognized as an excellent supplier by three manufacturers for its high quality and supply system

In FY2023, Shin-Etsu Chemical was recognized as an excellent supplier by three of the world's leading semiconductor manufacturers. Samsung Electronics presented us with the "Best in Value Award," an award given to suppliers who provide the best value to Samsung. In addition, Micron Technology expressed their appreciation and expectations for the future, stating "Shin-Etsu Chemical never gives up and has been steadfast in responding to our needs. We look forward to

your continued strong support." Finally, TSMC recognized the excellent performance, high quality, and rapid supply of our photoresists and photomask blanks.



President Saito receiving the trophy from then-CEO Kyung of Samsung Electronics

Natural Capital

In addition to our commitment to carbon neutrality by 2050, we are focusing on conservation of water resources, biodiversity, and waste reduction



Key Issues

Energy-saving, resource-saving, and reduction of the environmental impacts



Climate change

The Shin-Etsu Group's efforts to contribute to the value of natural capital focus on addressing climate change; resource saving through waste reduction and resource recycling, etc; conserving water resources and biodiversity; and measures against pollutants, starting with reducing chemical emissions. In particular, in response to climate change, in May 2019, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Furthermore, at the end of May 2023, we planned to becoming carbon neutral by 2050 and formulated a plan to reduce greenhouse gas emissions (Scope 1 and 2) to net zero. Meanwhile, we will continue to focus on developing and expanding sales of our own products that contribute to the reduction of greenhouse gas emissions.

Disclosure under the TCFD

Governance

The Sustainability Committee is working with each of the Group's business units to address climate change. The Sustainability Committee is one of the committees for each material management task in the Group's corporate governance system. The Committee is chaired by the President and consists of approximately 60 members, including our directors, corporate officers, department managers, and sustainability officers from Group companies, and promotes activities that integrate business activities and sustainability initiatives.

In FY2021, we established a Carbon Neutral Task Force within the Committee to examine each issue related to climate change. The Task Force regularly reports the latest information to the President, who uses this report to determine policies for achieving carbon neutrality. In FY2022, the Task Force reported on climate change-related initiatives at meetings of the Managing Directors' Meeting and the Board of Directors attended by all Directors, Audit & Supervisory Board members and Corporate Officers. In FY2023, the Task Force formulated

a specific plan for achieving carbon neutrality by 2050, which was discussed and unanimously approved at the Managing Directors' Meeting.

Strategy

The Group considers the promotion of plans to achieve carbon neutrality by 2050 as an important management issue, and is therefore promoting information disclosure based on the TCFD recommendations, including scenario analysis. At the same time, through this analysis, we identify important risks and opportunities that affect our business through these analyses, and reflect them in our management.

Risk management

The Risk Management Committee works to prepare for and eliminate the various risks surrounding our business, including risks posed by climate change. The Committee is chaired by a managing corporate officer and consists of approximately 20 members, including our directors, corporate officers, and department managers.

Our Group has established Risk Management Regulations to identify potential risks associated with our business activities and address these risks appropriately. The Risk Management Regulations clearly state specific risks, risk management systems, and responses to risks that materialize. The Risk Management Committee reports to the Board of Directors, Managing Directors' Meeting, Audit & Supervisory Board, and relevant parties in a timely manner on important risk management issues, and works to address them appropriately. With regard to the risks related to climate change, which have become increasingly important in recent years, the Sustainability Committee works with the Risk Management Committee to ascertain risks through scenario analysis.

Climate-related physical risks include increased spending due to CO₂ emissions trading and carbon taxes, transition risks such as rising manufacturing costs due to rising energy prices, damage to equipment due to the wind disaster, and damage to electrical equipment due to flooding, or plant shutdown resulting from such cases. Among these risks, we defined serious risks such as accidents, explosions, fires, and other major disasters that cause operations to be stopped for one day or more, and environmental pollution incidents that exceed legal standards values or regulation values.

Scenario analysis of our business in 2050

Business Opportunities Stemming from Climate Change: A scenario for a 1.5°C rise

Application	Details	Revenue Impact
PVC-framed windows	Polyvinyl chloride resin is used for resin windows because of its excellent heat insulation properties. Demand for resin windows is expected to increase along with the spread of energy-saving homes.	Large
Electric, hybrid, and fuel-cell vehicles	Semiconductor silicon is used in power semiconductor devices such as inverters to control the number of rotations of motors, logic semiconductor devices for automatic driving system and AI. High-performance and compact rare earth magnets can reduce the overall weight of a vehicle and improve its fuel efficiency, which will expand their use in the drive motors of electric, hybrid, and fuel cell vehicles, as well as in a variety of other motors in vehicles. Silicone heat-dissipating materials are used in lithium-ion batteries and various electronic control devices. Demand is expected to grow as it helps prevent malfunctions and failures caused by heat.	Large
Wind power generators	Demand for rare earth magnets is expected to grow as they contribute to higher efficiency in offshore wind turbines and lower maintenance costs for generators. Demand for vinyl chloride used for wire sheathing is also expected to increase due to the development and expansion of the power grid.	Large
Air conditioners	Demand for semiconductor silicon is expanding as it is used in inverter control devices for compressor motors and contributes to power saving by adjusting the rotation speed of the motor to an appropriate level. Demand for rare earth magnets is expected to grow as they improve the energy efficiency of air conditioner compressor motors and reduce energy consumption.	Medium
Aircraft	Rare earth magnets are indispensable for the electrification and hybridization of small aircraft and for the electrification of hydraulic drive units in large aircraft. Demand for rare earth magnets is expected to increase as their small size and high power will help reduce the weight of the aircraft and improve fuel efficiency.	Medium
Industrial motors	Demand for rare earth magnets is expected to grow as they increase the efficiency of industrial motors and reduce the amount of electricity consumed.	Medium
Service robots	Semiconductor silicon is increasingly being used in semiconductors for energy-saving robot control motors for manufacturing, logistics, agriculture, and other applications, as well as in medical and disaster response robots.	Medium
Binding agent for plant-based meat substitutes	A diet centered on plant-based foods may reduce CO ₂ emissions by 1.6 gigatons per year*. Cellulose derivatives are used as a binding agent for plant-based meat substitutes. The global market for plant-based meat is expected to grow at a double-digit rate annually, and further market expansion is expected.	Medium

*Source: "DRAWDOWN—The Most Comprehensive Plan Ever Proposed to Reverse Global Warming," written and edited by Paul Hawken.

Business risks due to climate change and countermeasures: A scenario for a 1.5°C rise (transition risk)

Events	Risks to the Company	Revenue Impact	Countermeasures
Introduction of carbon taxes and establishment of carbon emission quotas around the world	<ul style="list-style-type: none"> Payment of carbon tax Incurring costs of purchasing emission credits to meet carbon emission quotas Increase in cost of measures to reduce greenhouse gas emissions 	Large	<ul style="list-style-type: none"> Reduce scope 1 emissions (e.g., further promotion of more efficient production processes and introduction of highly efficient equipment; use of energy sources that do not emit CO₂, such as hydrogen and ammonia; use of CCUS) Achievement of reduction targets in the absolute amount of greenhouse gas emissions Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Widespread use of electricity derived from renewable energy sources and rising electricity prices resulting from tightening regulations on greenhouse gas emissions	<ul style="list-style-type: none"> Increase in electricity costs 	Large	<ul style="list-style-type: none"> Reduce Scope 2 emissions (further promotion of production processes that use less electricity, introduction of high-efficiency equipment, etc.)

Business risks due to climate change and countermeasures: A scenario for a 4°C rise (physical risk)

Events	Risks to the Company	Revenue Impact	Countermeasures
Increase in the frequency of extreme weather events	<ul style="list-style-type: none"> Flooding of production sites Disruption of the supply chain 	Large	<ul style="list-style-type: none"> Raising the ground level of production sites, installation of watertight walls around critical facilities Installation of instrument rooms in areas with low risk of flooding Installation of seawalls at production sites close to ports Multiple production sites Diversification of raw material procurement sources Securing product inventory Enrollment in insurance
Increased frequency of flooding caused by changes in precipitation patterns, etc.			<ul style="list-style-type: none"> Reduce scope 1 emissions (e.g., further promotion of more efficient production processes and introduction of highly efficient equipment; use of energy sources that do not emit CO₂, such as hydrogen and ammonia; use of CCUS) Achievement of reduction targets in the absolute amount of greenhouse gas emissions Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Introduction of carbon taxes and establishment of carbon emission quotas in some countries		Small	
Electricity prices	According to a scenario analysis by IEA* (a scenario with current measures), electricity prices will not rise. Therefore, there is no risk to us.	—	—

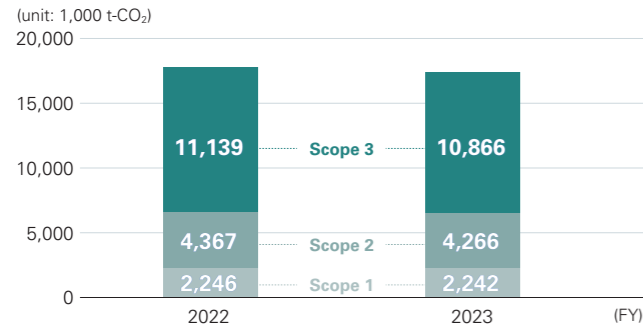
*International Energy Agency

Natural Capital

Metrics and targets

The Shin-Etsu Group has formulated a long-term plan to reduce greenhouse gas emissions (Scope 1 and Scope 2) to net zero, with the aim of achieving carbon neutrality by 2050. In FY2023, Scope 1 emissions were 2,242 thousand t-CO₂ (down 4 thousand tons or 0.2% from the previous fiscal year) and Scope 2 emissions were 4,266 thousand

Greenhouse gas emissions by scope



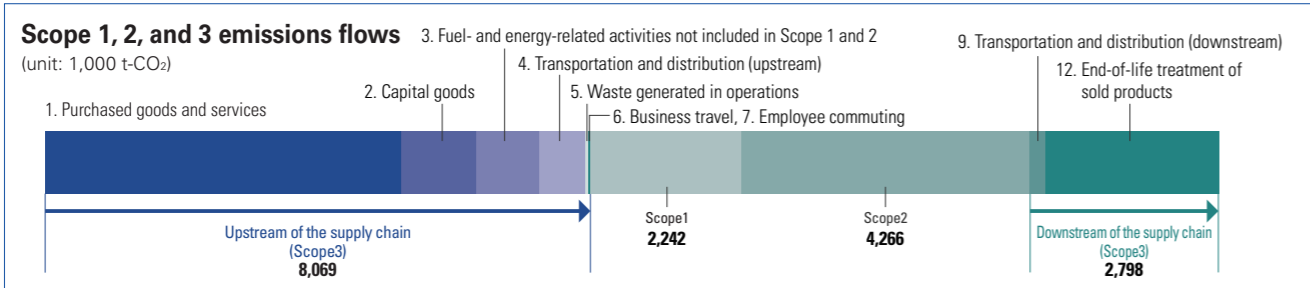
(Note) Scope 1 for FY2023 includes the emissions related to the emission categories added by the revision of Japan's Order for Enforcement of the Act on Promotion of Global Warming Countermeasures, which came into effect on April 1, 2024.

t-CO₂ (down 102 thousand tons or 2.3% from the previous fiscal year). Meanwhile, the Group has also set a target of reducing greenhouse gas emissions in terms of production intensity to 45% (i.e. down 55%) of the FY1990 level by FY2025. FY2023 results were 57.0% (up 2.8 points year on year) compared to FY1990 for the Group and 53.4% (up 6.6 points year on year) compared to FY1990 for the Company. In FY2023, we continued to promote energy-saving activities at each of our business sites. On the other hand, although production volume decreased in FY2023, the energy consumption per unit of production increased due to the impact of fixed energy consumption (such as clean rooms, air conditioning, and lighting) that does not decrease proportionally with production volume.

Reference Scope 3 Greenhouse Gas Emissions

The Group's Scope 3 greenhouse gas emissions*1 for FY2023 were 10,866 thousand t-CO₂ (down 272 thousand tons or 2.4% from the previous fiscal year), amounting to 63% of the supply chain*2's total emissions.

*1 Scope 3: Emissions from the supply chain
*2 Supply chain: All stages of a product life from raw material production until the product is discarded.



For information on Scope 3 emissions by category and how we calculate them, visit the Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_environment/global_warming/

Initiatives Aimed at Carbon Neutrality

In order to achieve carbon neutrality by 2050, the Group aims to reduce greenhouse gas emissions in absolute terms (Scope 1 and Scope 2) in addition to the conventional reduction of greenhouse gas emissions in terms of

intensity. The specific plans are as shown in the table below, "Plan for realizing carbon neutrality." In addition to introducing the latest energy-saving equipment and cogeneration systems, we are proceeding with initiatives such as installing solar power generation facilities, utilizing hydrogen and

Plan for realizing carbon neutrality

1) Current reduction measures	
Reduction measures	Details
(1) Power-related	Reduce CO ₂ emission factor Purchase of renewable energy Installation of solar power generation equipment
(2) Improvement and innovation of manufacturing technologies, etc.	Improvement of heat recovery capacity Introduction of energy-efficient equipment Switching from boilers to heat pumps Expansion in order to increase the production of charcoal reducing agents
(3) Utilization of carbon-neutral natural gas (natural gas with emission credits), hydrogen, etc.	Co-firing in cogeneration systems
(4) Promotion of recycling	Further promotion of recycling of PVC products and rare earth contained in rare earth magnets that has already been implemented

2) Anticipated reduction measures for carbon neutrality by 2050	
Reduction measures	Details
(1) Power-related	Carbon neutralization of electricity
(2) Utilization of green and blue hydrogen	Single fuel firing in cogeneration systems Use as boiler fuel
(3) Continued improvement of manufacturing technologies, etc.	Continuous thorough rationalization and efficiency improvement
(4) CO ₂ separation and recovery, and utilization	Introduction of separation and recovery equipment, and recycling of CO ₂
(5) Utilization of biomass fuel	Power and steam supply through introducing biomass cogeneration systems, etc.
(6) Promotion of recycling	Establishment of a recycling system for products other than PVC and rare earth magnets that have already been implemented
(7) Carbon offset	Examination of a wide range of carbon offsets, including those from tree planting

biomass fuels, building recycling systems, and considering CCUS*. Other initiatives to achieve a carbon neutral society are listed below in the sections labeled 1-3.

*CCUS: Carbon dioxide capture, utilization and storage

1) Initiatives to reduce greenhouse gas emissions across the supply chain

The Group is also working to reduce greenhouse gas emissions throughout its supply chain. Specifically, we investigate suppliers' plans to reduce greenhouse gas emissions and confirm the implementation of measures to reduce emissions. We also conduct surveys of greenhouse gas emissions related to the main raw materials supplied to us. At the same time, we are working to reduce emissions through joint development with our customers. For example, we worked with customers to develop product shipping cartons for heat-dissipating silicone grease that can be recycled many times while maintaining an optimal temperature without dry ice, thereby reducing CO₂ emissions. We also carry out life cycle assessments of products in the supply chain and will continue to do so in the future.

2) Reduction of greenhouse gas emissions in logistics

We are working to reduce greenhouse gas emissions during product transportation. This will contribute to the reduction of scope 3 greenhouse gas emissions.

Reduction in logistics

Examples	Scope 3 emissions categories contributing to reductions
Modal shift* in methanol transport (switched from tank truck to railcar)	Category 4: "Emissions from product transport"
Modal shift in silicon wafer transport (switched from aircraft to ocean vessel)	
Modal shift in silicone products transport (switched from truck to railcar)	

*Modal shift: Shifting from trucks and other freight transports to railways or ships with less environmental impact.

Topic

Reducing greenhouse gas emissions by participating in "Local production for local consumption type PPA (Gunma model)"

In March 2024, Shin-Etsu Chemical decided to participate in the "Local production for local consumption type PPA" * (hereinafter, "Gunma Model") offered by Gunma Prefecture. The Gunma Model is a new system that supplies electricity from Gunma Prefecture's hydroelectric power plants to businesses in Gunma Prefecture. The electricity generated by hydroelectric power generation is green electricity that does not emit greenhouse gases. The new electricity procured through this program will cover all of the electricity used at the Yokonodaira Plant at Shin-Etsu Chemical's Gunma Complex, enabling the plant to reduce its greenhouse gas emissions by approximately 90%.

*PPA: Abbreviation for "power purchase agreement." A type of contract in which an electricity user purchases electricity from a power producer at a fixed unit price for a fixed period of time.

3) Expand manufacturing and sales of products that contribute to reducing greenhouse gas emissions

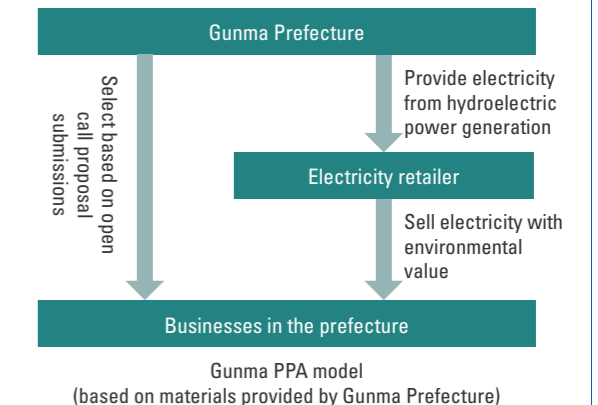
Many of the Group's products contribute to reducing greenhouse gas emissions, reducing environmental impact, and achieving a sustainable society.

Our group's products are used in a wide range of fields, including housing, infrastructure, electric vehicles, digital transformation (DX), and green transformation (GX), and support the foundations of people's lives and industries. Many of these products also help reduce greenhouse gases. In June 2021, the Japanese government identified 14 essential areas to aim for carbon neutrality in 2050. The ratio of sales in these 14 areas to the Group's consolidated sales in FY2022 is approximately 70%. We will continue to contribute to the carbon neutrality of society as a whole by focusing on developing, manufacturing, and expanding sales of these products. We plan to make a new ¥100 billion investment in the Gunma Complex and Shin-Etsu Silicones (Thailand) Ltd., among other sites, to improve the functionality of our silicone product lineup and expand our range of environmentally friendly silicones that contribute to carbon neutrality. Furthermore, in October 2023, we established the Sustainable Silicone Business Development Department to strengthen the development and sales of environmentally friendly products.

Source: Green Growth Strategy Through Achieving Carbon Neutrality in 2050 (announced in June 2021 by the Japanese government)
https://www.meti.go.jp/english/policy/energy_environment/global_warming/ggs2050/pdf/ggs_full_en1013.pdf

Gunma PPA model (FY2024 onwards)

Supply CO₂-free renewable electricity produced in the prefecture to companies in the prefecture



Natural Capital

Resource saving



Recognizing the effective use of limited resources and the circular economy as important issues, the Shin-Etsu Group is actively working to address them, with the aim of not only contributing to the global environment but also increasing our competitiveness and ensuring sustainable development.

Waste reduction

As part of our efforts to conserve resources, the Shin-Etsu Group is promoting waste reduction initiatives at each location with a target of zero waste emissions (landfill waste of 1% or less of the final amount of all waste generated) at our consolidated companies in Japan.

For example, the Naoetsu Plant makes effective use of unneeded paper materials discarded in the manufacturing process to make recycled paper and other products. The plant is also working to reduce the amount of waste solvent that becomes industrial waste by refining and recycling organic solvents that have already been used in chemical reaction processes. In FY2023, the plant achieved a reduction of 24 tons of waste solvents, thereby helping to conserve resources and reduce environmental impact.

Furthermore, the plant's wastewater treatment facilities separate and dehydrate the inorganic solids contained in the wastewater to make a solid sludge. This sludge is treated as industrial waste by an external contractor and is put to effective use as roadbed material and the like. We also replaced the dehydrator in the wastewater treatment facility with a new model with superior dehydration performance, which reduced the amount of water in the waste sludge, thereby reducing the weight of waste for disposal.

Resource circulation

In terms of resource circulation, the Group collaborates with customers and related industry groups, using cutting-edge technologies to recover used products, extract resources, and reuse them in the Group's products.

For example, in 2007 we started recycling magnetic powder from the processing of rare earth magnets. Furthermore, since March 2013, we have also been developing techniques to recycle the rare earth magnets used in recovered power-saving air conditioners and hybrid cars.

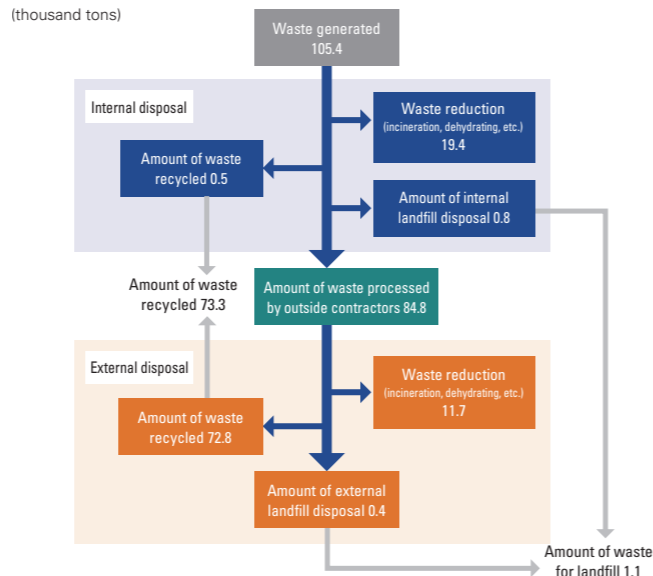
PVC products such as PVC pipes and flooring material in particular are increasingly being recycled because the impact of foreign matter contamination is small. The most common form of material recycling is to recycle used PVC products as raw materials to create new PVC products. In particular, 60% of used PVC pipes and joints are recycled for reuse in new PVC pipes and joints, and 70% of agricultural film is recycled for use in flooring material.

Metrics and targets	
FY2023	
Targets	Achieve zero waste emissions. Promote the reduction of waste generation in terms of production intensity.
Results	The final waste landfill disposal rate was 1.08% in Japan
Evaluation	The target was achieved in Japan
FY2024	
Targets	Achieve zero waste emissions. Promote the reduction of waste generation in terms of production intensity.

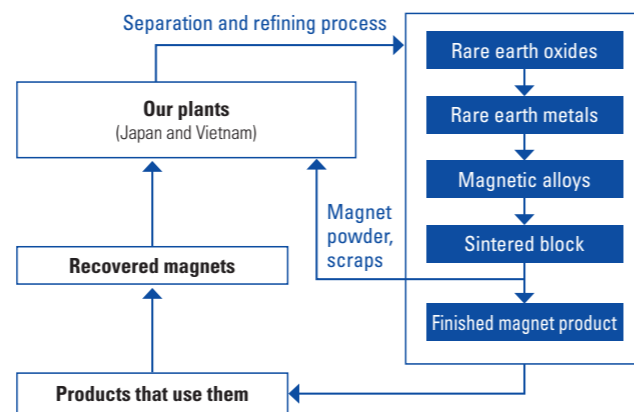
*The scope of target for the waste reduction is Shin-Etsu Chemical Co., Ltd. and consolidated in Japan.

In FY2023, the amount of waste we generated in Japan decreased slightly compared to the previous year.

Flow of Waste Disposal (Japan)



Recycling of rare earth magnets



Water resource conservation



The Shin-Etsu Chemical Gunma Complex, which manufactures highly functional materials such as silicones, draws almost all of the water required for manufacturing from nearby rivers and purifies the wastewater from the complex before discharging it. In addition to minimizing the intake of water from rivers, the complex reuses water in its manufacturing and water-cooling processes by recycling and circulating inside the complex. In addition, the water is purified before being discharged into the river, and the water quality is analyzed regularly to ensure that it complies with standards at a high level.

Meanwhile, since its foundation, Asia Silicones Monomer Limited has been making effective use of the abundant rainfall it enjoys in its location in Thailand. It stores rainwater in storage tanks on-site, using it for industrial water and as coolant for waste gas incinerator. It also supplies Shin-Etsu Silicones (Thailand) and its nearby partners with industrial water using rainwater.

Biodiversity and pollutant management



The Group conducts its business activities in a way that takes into account global ecosystems. For example, when purchasing pulp derived from wood, which is the main raw material in our cellulose derivatives, we confirm that all our pulp suppliers have all obtained national and/or international forest certifications. In addition, in February 2021, the Company participated in a meeting of the Roundtable on Sustainable Palm Oil (RSPO) as an associate member. The RSPO is a non-profit organization that promotes sustainable growth and use of palm oil by way of cooperation within the supply chain and open dialogue with interested parties. The Company agreed with the purpose and participated in the RSPO, and obtained mass balance certification in March 2023.

Reduction of chemical emissions

The Shin-Etsu Group strives to prevent health hazards and minimize environmental impacts related to chemicals throughout the processes of development, manufacturing, distribution, usage, consumption, and disposal of chemical substances. We appropriately design chemical substances in accordance with laws and regulations,

Metrics and targets	
FY2023	
Targets	Reduce water withdrawal in terms of production intensity at an average annual rate of 1%. Reduce water pollutant discharge in terms of production intensity at an average annual rate of 1%.
Results	Intensity at the average annual rate from FY2020 to FY2023 was decreased by 17.7% in terms of water withdrawal and increased by 1.6% in terms of BOD emission.
Evaluation	The target was achieved for water withdrawal, not achieved for BOD.

FY2024	
Targets	Reduce water withdrawal in terms of production intensity at an average annual rate of 1%. Reduce water pollutant discharge in terms of production intensity at an average annual rate of 1%.



Rainwater is collected and used to provide industrial water to neighboring partner companies (Asia Silicones Monomer Limited)

Metrics and targets (Prevention of air pollution)	
FY2023	
Targets	Reduce emissions of air pollutants in terms of production intensity at an average annual rate of 1%.
Results	The annual average rate from FY2020 to FY2023 is an increase of 11.1% in Soot in terms of intensity, and a reduction of 7.1% in SOx in terms of intensity.
Evaluation	The target was achieved for SOx, not achieved for Soot.
FY2024	
Targets	Reduce emissions of air pollutants in terms of production intensity at an average annual rate of 1%.

evaluate their safety based on the latest information collected in cooperation with administrative bodies and affiliated organizations, and manufacture them at optimal facilities to reduce emissions of chemical substances.

Prevention of Air Pollution

The Group is working to reduce emissions of air pollutants by setting emission reduction targets at each of our Group companies and by converting to the use of fuel components with less sulfur.

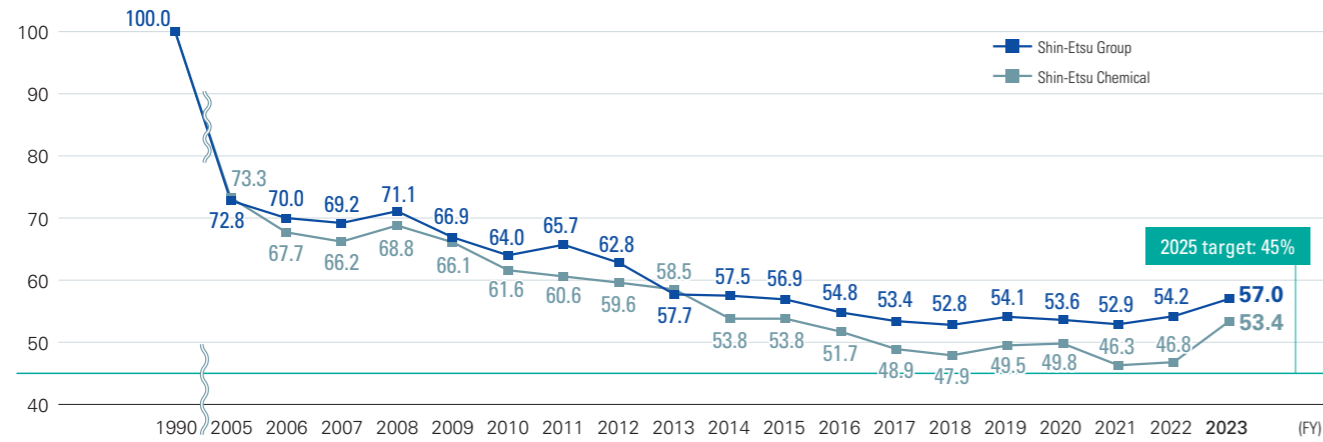
Prevention of Soil Pollution

The Group monitors groundwater and soil in accordance with soil contamination-related laws and regulations, and we make sure that we are in compliance with laws and regulations. In FY2023, Shin-Etsu Chemical performed groundwater and soil monitoring 246 times at its plant sites.

Natural Capital

Indicators about energy-saving, resource-saving, and the reduction of the environmental impact

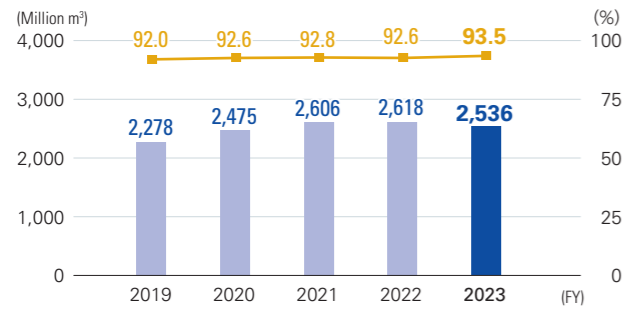
Changes in greenhouse gas emissions (emission intensity index of production volume relative to FY1990*)



*Greenhouse gas emission intensity index (FY1990 = 100)

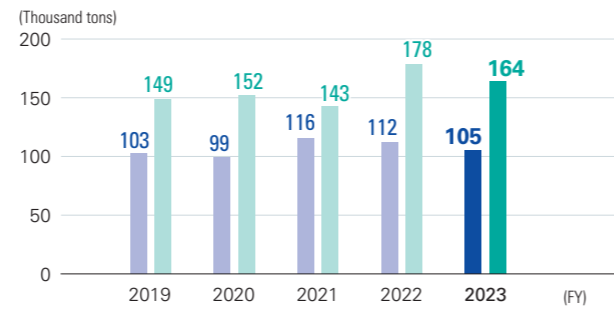
(Note) Emission intensity index of production volume relative to FY1990 includes non-consolidated group companies. In calculating the index, CO₂ emission factors for electricity are averaged from 2000 to 2009 so that efforts to reduce electricity can be clarified. Furthermore, to clarify our efforts in energy reduction and rationalization, the figures do not include additional emissions categories associated with the amendments to Japan's Order for Enforcement of the Act on Promotion of Global Warming Countermeasures that took effect on April 1, 2024.

Water usage*/Recycled ratio (Consolidated)

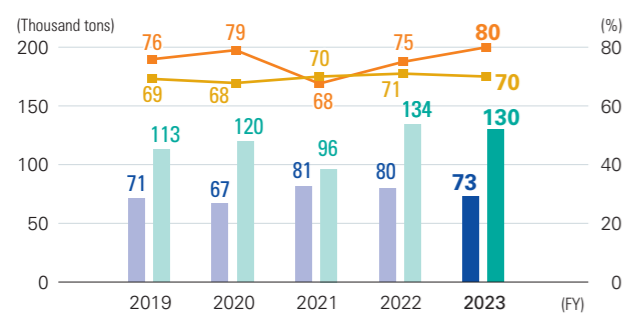


*Total quantity of water withdrawal and recycled water

Amount of waste generated



Amount of waste recycled/Waste recycled ratio



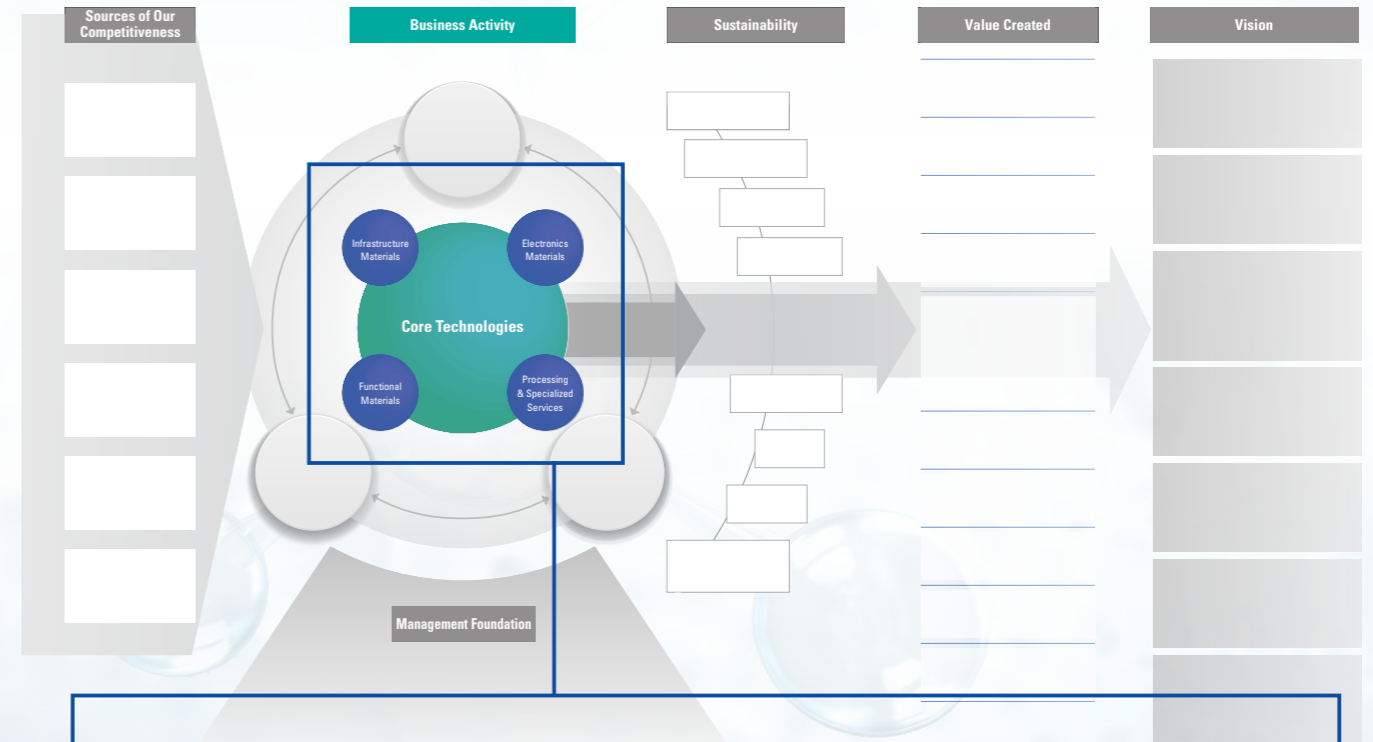
Amount of waste recycled (LHS) Domestic consolidated companies Overseas consolidated companies
Waste recycled ratio (RHS) Domestic consolidated companies Overseas consolidated companies

Gross discharge of substances designated under the pollutant release and transfer register (PRTR) system



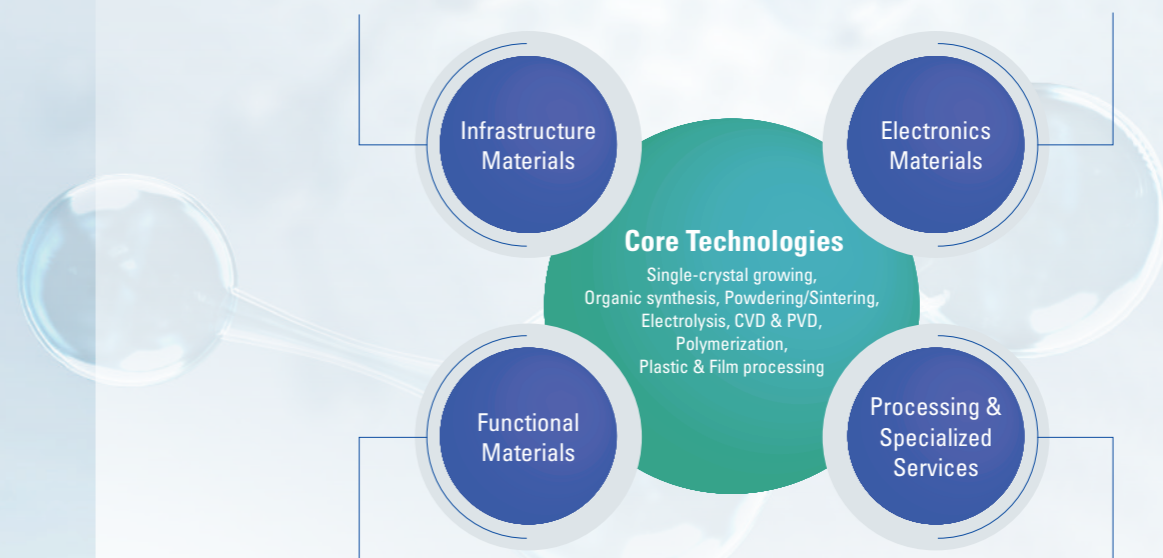
*Figures are totals for Shin-Etsu Chemical and domestic consolidated companies based on the PRTR system in the Law for Promotion of Chemical Management.
(Note) Total emissions in FY2023 increased due to an increase in the number of substances covered by the revised PRTR Law (effective April 1, 2023), while emissions of substances covered by the law before the above revision decreased.

Leveraging our core technologies in four business fields to manufacture materials and products that underpin industries and livelihoods



PVC is indispensable to our lives mainly in the areas of infrastructure, housing, and agriculture. As the largest manufacturer of PVC, we provide a stable supply to customers around the world.

In addition to our world-leading share in silicon wafers, we provide various materials that are essential for semiconductor manufacturing. We contribute to the digital transformation and green transformation of industry.



Along with more than 5,000 different types of silicones that support people's lives and industries, we provide a stable supply of high value-added products. We also help alleviate environmental impacts and food shortages.

Meeting the diverse needs of customers by leveraging the advanced technological capabilities developed by the Shin-Etsu Group.

Infrastructure Materials

PVC is indispensable to our lives mainly in the areas of infrastructure, housing, and agriculture. As the largest manufacturer of PVC, we provide a stable supply to customers around the world.



Using Our Products to Solve Societal Issues (PVC)

Protecting the planet by reducing greenhouse gas emissions and expanding social infrastructure to cope with population growth

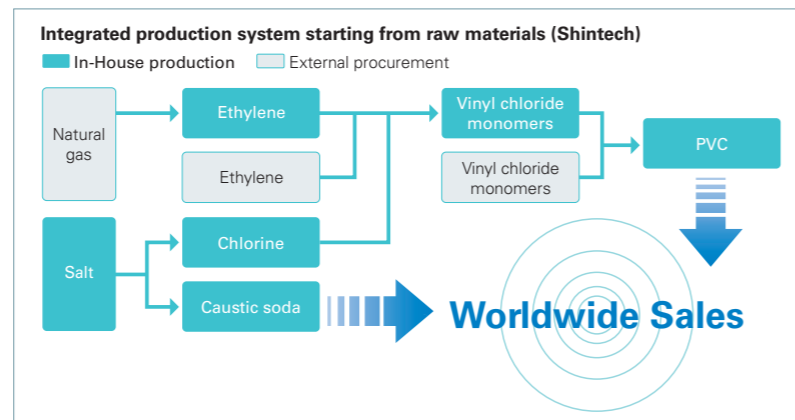
- Salt accounts for roughly 60% of the raw materials used to make PVC and is a commodity that still exists in abundance throughout the world. As the production of PVC does not rely heavily on petroleum resources, it makes effective use of the planet's limited resources. As such, CO₂ emissions during the PVC production process are lower than other plastics.
- The main applications of PVC are pipes and construction materials. Products made with PVC help conserve resources because they have a longer service life compared to other plastic products (PVC pipes last around 50 years*).
- PVC-framed windows boast superior thermal insulation and therefore help lower energy consumption and curb CO₂ emissions.
- PVC construction materials are much lighter than materials made from steel, for example, which leads to reductions in the amount of fuel required to transport them and move them into place during construction.
- In Japan, the material recycling rate for PVC is about 33%*, higher than that for other types of plastic.



*Source: Ministry of Land, Infrastructure, Transport and Tourism, Vinyl Environmental Council

Competitive Advantages (PVC)

- Efficient production with the world's largest production capacity
- Stable quality and stable supply to customers
- Favorable raw material situation and stable energy procurement in the U.S.
- Integrated production system starting from raw materials (ethylene)
- Three global bases, and production at multiple sites in three locations in the U.S.
- Global sales network



Major Products and Applications

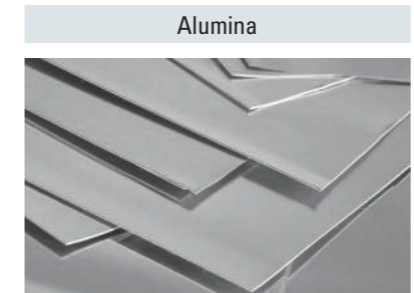
PVC

PVC is extremely durable and easy to work with. It can also be easily recycled. For these reasons, it is used widely in items related to our daily existence. For example, PVC pipes in water supply and sewerage systems help extend the useful life of such infrastructure because they do not need to be replaced for at least 50 years.



Caustic Soda

Caustic soda is a base chemical produced from the electrolysis of salt and is indispensable to various industries for the purpose of alumina extraction, as a raw material in lithium-ion batteries and super-absorbent polymers, and for water treatment.



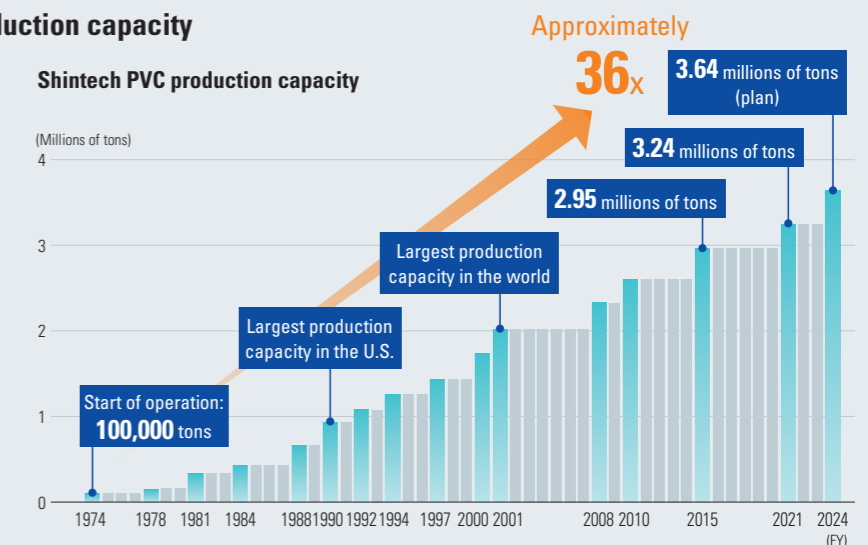
Polyvinyl Alcohol (POVAL)

Polyvinyl alcohol (POVAL) has many applications, including adhesives, various types of film, textile treating agents, interlayers of laminated glass, and pharmaceutical additives.

Topic

Shintech: Augmenting PVC production capacity

Shintech, one of the Group's subsidiaries in the US and the world's largest manufacturer of PVC, has continuously expanded its capacity to meet the ever-increasing global demand for PVC. Today, Shintech proceeds to increase its capacity while taking advantage of the favorable raw material conditions in the US, and will start up a PVC facility with an annual capacity of 400,000 ton in mid-2024, which equates to about 10% of existing capacity. This will bring Shintech's annual production capacity to 3.64 million tons, enabling it to capture growing demand and provide a stable supply of PVC to customers around the world, while also achieving economies of scale.



Electronics Materials

In addition to our world-leading share in silicon wafers, we provide various materials that are essential for semiconductor manufacturing. We contribute to the digital transformation and green transformation of industry.



Using Our Products to Solve Societal Issues

Development of AI, 5G, automated driving, IoT

To achieve fully automated driving and telemedicine, 5G-compatible communication devices and infrastructure are necessary, and many high-performance, energy-efficient semiconductors are used in these devices. Silicon wafers, the substrate material for semiconductors, and various other semiconductor materials provided by the Shin-Etsu Group not only help to enhance performance and reduce the size and weight of electronic devices, but also contribute to improving electric power conservation and efficiency, thereby supporting the expansion and continuous growth of semiconductors on multiple fronts.

Providing technologies and materials essential for carbon neutrality

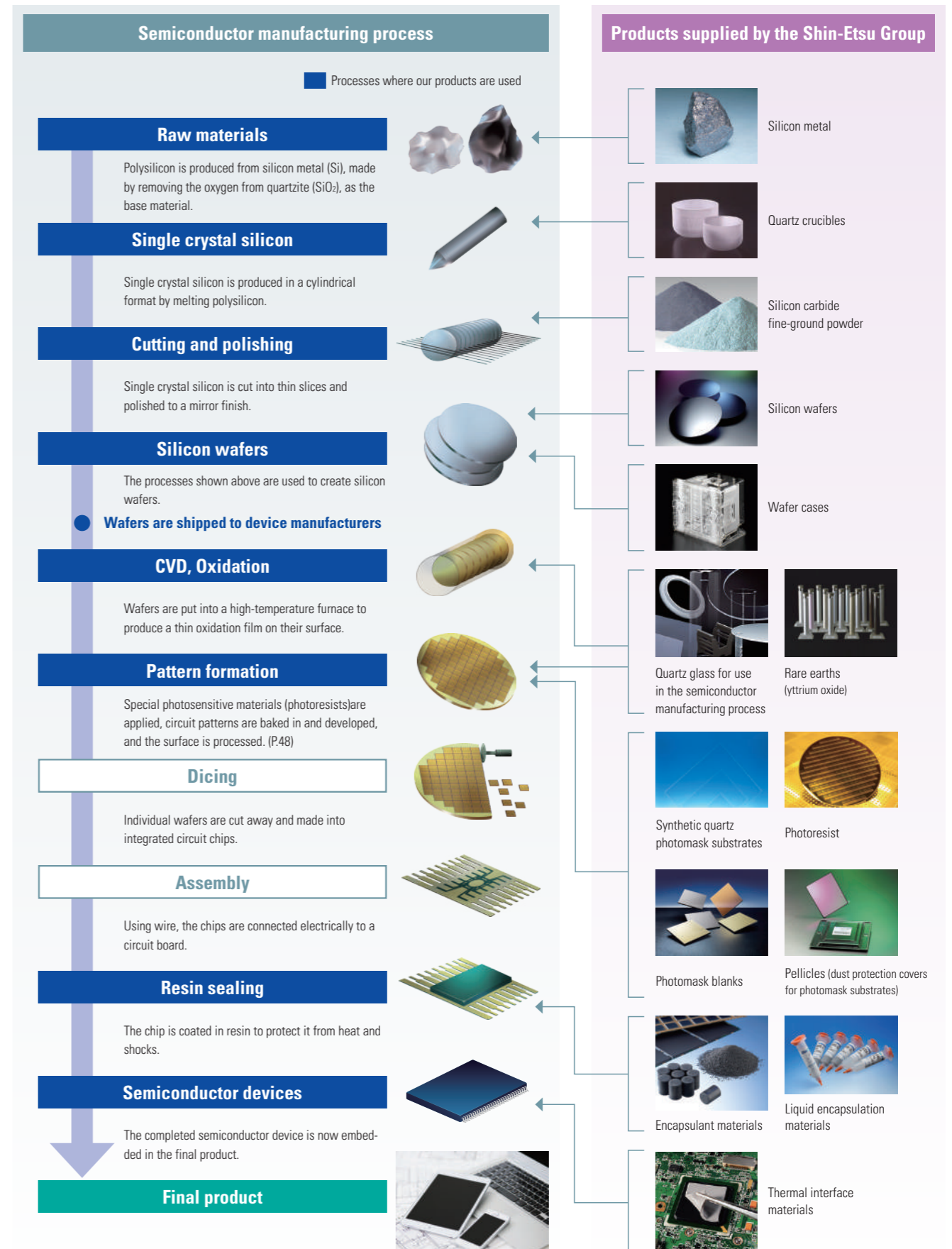
Rare earth magnets, which have about 10 times more magnetic force than conventional ferrite magnets, help enhance motor efficiency and power consumption, contributing to improved energy efficiency and reduced greenhouse gas emissions.



Competitive Advantages

Overall business	<ul style="list-style-type: none"> Stable quality and stable supply to customers Responding to increasingly sophisticated technological requirements
Semiconductor-related products	<ul style="list-style-type: none"> Synergies gained from an extensive lineup of semiconductor-related products (competitive edge in development and proposal capabilities)
Rare earth magnets	<ul style="list-style-type: none"> Stable supply supported by operating multiple production bases and an established integrated production system starting from raw materials Development of products that substantially reduce the use of heavy rare earth materials and promotion of recycling

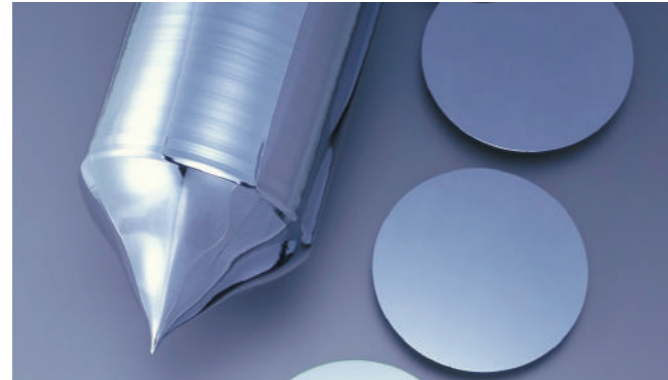
Shin-Etsu Group Products Associated with the Overall Semiconductor Manufacturing Process



Major Products and Applications

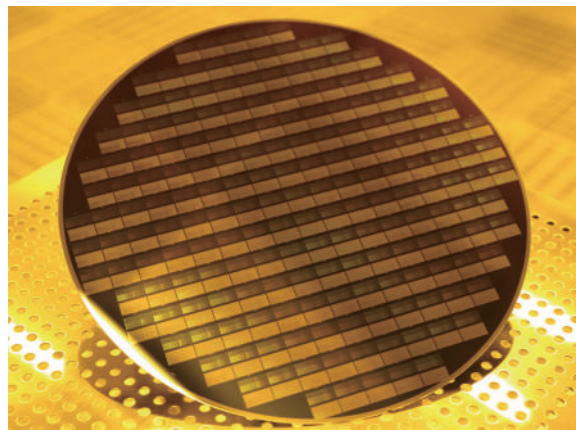
Silicon Wafers

Silicon wafers are the substrate material for semiconductors and are used in all kinds of devices, from smartphones, home appliances, automobiles and other devices that we see in our daily lives, to cutting-edge fields such as AI and IoT. Shin-Etsu Group's silicon wafers, including our quality control and evaluation analysis, have earned high praise from customers around the world, along with our high-precision single crystal technologies, high-end processing technologies, and high-quality epitaxial growth technologies for advanced logic and imaging devices.



Photoresists

A circuit pattern is formed by applying photoresists to the surface of a silicon wafer and then passing light through a photomask to expose the surface in that pattern. In addition to photoresists for excimer lasers (KrF, ArF) and EUV, we also supply spin-on middle/under-layer hardmasks used in the nanofabrication process.



Photomask Blanks

Photomask blanks are the material that forms a thin metallic film on the surface of a synthetic quartz substrate and serve as patterning templates when drawing circuits on silicon wafers. In addition to providing photomask blanks for use with krypton fluoride (KrF) and argon fluoride (ArF) lasers, we have established state-of-the-art photomask blank mass production technologies, including multilayer film structures, permeable membrane structures with excellent light resistance properties, EUV blank and others.



Rare Earth Magnets

Rare earth magnets are used in products such as automobile motors, power generators, industrial robots, compressor motors for air conditioners, motors for hard disk drives utilized in data centers and other facilities and wind power generator. We are engaged in the manufacture of these magnets from the separation and refinement of rare earths as raw materials to the magnet product. Furthermore, it is reliably supplying high-quality rare earth magnets with advanced features by means of the development of its own grain boundary diffusion method, which reduces the amount of heavy rare earth used, while maintaining high performance.

Electric vehicle

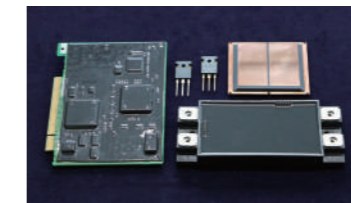


Data center



Encapsulant Materials for Semiconductor Devices

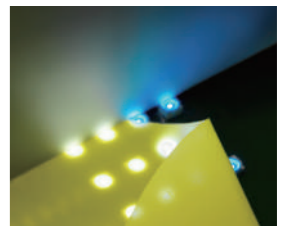
These materials are notable for their superior heat and crack resistance and are used in general semiconductors, automotive power modules and devices for home appliances. Furthermore, the encapsulant materials we have developed for large-scale packaging improve the rate at which materials are effectively utilized, contributing to the reduction of device manufacturing costs.



epoxy molding compounds

LED Packaging Materials

These materials offer high transparency, heat resistance, and other excellent properties, and help prevent the degradation of LED brightness over a long period of time.



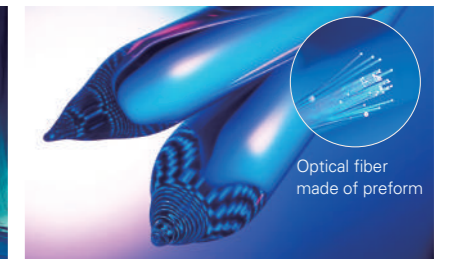
Wavelength Conversion Silicone Film

Synthetic Quartz

Synthetic quartz, the key material of optical fiber, provides superior light transmission. In an ordinary glass plate, light attenuates in about two meters. However, synthetic quartz allows light to reach a distance of about 100 km. The Group was the first in the world to mass produce synthetic quartz, which is higher in purity than natural quartz. Due to these attributes, it is used as an optical fiber, a photomask substrate for semiconductor lithography and a stepper lens for semiconductor lithography. In addition, it is used as a large-scale photomask substrate for flat panel display (FPD) lithography, including liquid crystal and OLED displays.

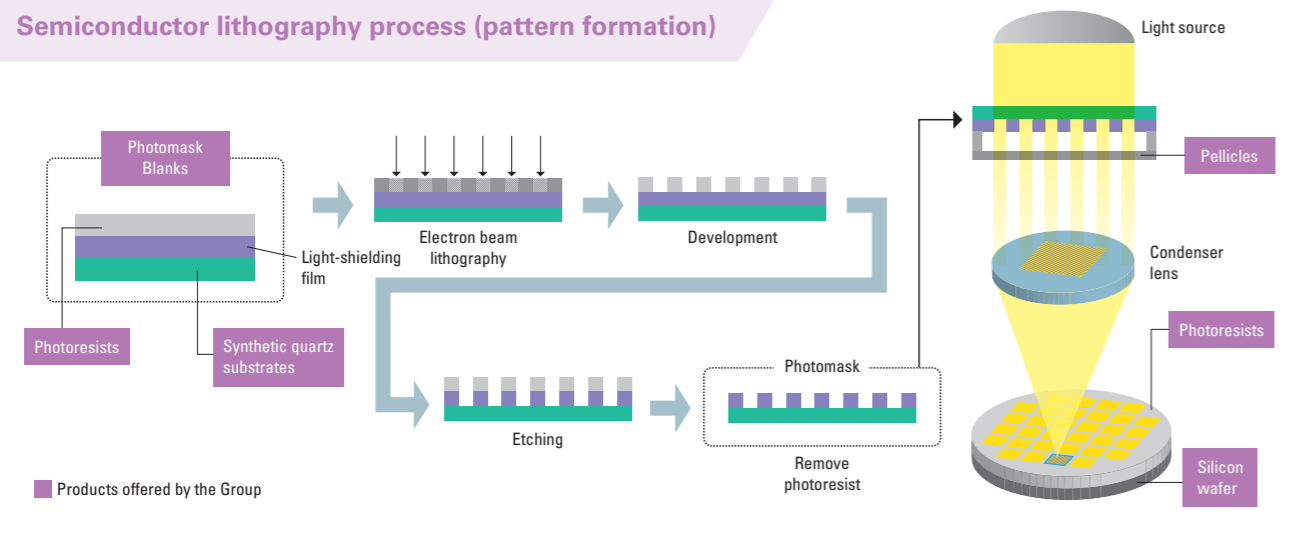


Large-size photomask substrate for FPD



Preform for optical fiber

Semiconductor lithography process (pattern formation)



Topic

Established the fourth production base in the semiconductor lithography materials business

With the aim of expanding the semiconductor lithography materials business, we have acquired approximately 150,000 m² business site in Iseaki City, Gunma Prefecture, to build a plant that will become the fourth base of this business. We will invest in the new plant in phases, and the first phase will cost approximately ¥83 billion including the acquisition of the land, and construction is scheduled to be completed by 2026.

Demand for semiconductor lithography materials is growing as an essential material for the manufacturing of advanced semiconductors, and quality requirements are increasingly becoming more sophisticated. We will establish this new production base to meet the rising demand from customers and to diversify risks in terms of business continuity. Going forward, we plan to expand the facility as an advanced base for semiconductor lithography materials, including for research and development.



Illustration of the new base

Functional Materials

Along with more than 5,000 different types of silicones that support people's lives and industries, we provide a stable supply of high value-added products. We also help alleviate environmental impacts and food shortages.



Using Our Products to Solve Societal Issues

Low environmental impact of silicone

Silicone primarily consists of silicon (Si), which is the second-most abundant element found in the outer layer of the earth's crust, behind oxygen. As a raw material, it is associated with a low dependence on petroleum resources and a low environmental footprint. Silicones' outstanding properties are used in environmentally friendly products such as electric vehicles, fuel-efficient tires, solar power generation, and LED lighting.



Addressing food shortages and environmental issues (cellulose derivatives)

Cellulose derivatives are an environmentally friendly material made from natural polymer cellulose. They help address the food shortage and environmental problems caused by population growth, with one of their uses being a binding agent for plant-based meat substitutes.



Improving food safety (synthetic pheromones)

Synthetic pheromones are an environmentally friendly agricultural pest control agent that has no impact on beneficial insects or other organisms, and helps improve food safety by reducing the amount of insecticides and pesticides sprayed on fields.

Competitive Advantages

Overall business	<ul style="list-style-type: none"> Ability to develop a variety of high value-added products by leveraging our technological capabilities High quality products and stable supply system
Silicones	<ul style="list-style-type: none"> Thorough response to customer needs through tripartite teamwork manufacturing that integrates the sales, research, and production divisions Use of advanced technological capabilities and know-how cultivated over 70 years (ability to develop new products and technologies, expansion of high-performance product lineup) Global production bases and a sales network in 13 countries Continuous expansion of production capacity
Cellulose derivatives	<ul style="list-style-type: none"> World top-class production Active capital investment for pharmaceutical applications Global stable supply structure secured by three manufacturing sites

Major Products and Applications

Silicones

Silicone is a man-made compound created from silica stone, which is abundantly available on our planet. It is a highly functional material with unlimited possibilities, as it features both inorganic and organic properties and has numerous excellent characteristics, as well as a high degree of freedom in product design. Silicone is used in a wide range of fields, including electricals and electronics, automobiles, construction, cosmetics, health-care, and foods.

Core raw material used in silicone	Silicone representative configurations	Major characteristics of silicone
Silica Stone (SiO ₂)	Fluids	Heat resistance
	Liquid Rubbers	Cold resistance
	Powders	Adhesion properties
	Rubbers	Defoaming properties
		Electrical insulation properties
		Water repellency
		Release properties
		Weather resistance

Cosmetics 	Electric Vehicles 	Contact Lenses
Buildings 	Plastic Products 	Textile Treatments

Cellulose Derivatives

Cellulose derivatives are made from pulp, a natural material derived from plants. In the pharmaceutical field, they provide function of controlling dissolving part in the body, controlled time release of drugs and are used as a tablet coating agent. In industrial applications, cellulose derivatives are used as a molding aid for automotive exhaust gas filters to prevent air pollution. In the food industry, it is used as an additive to thicken, gelatinize, and prevent deformation during cooking, as well as to improve the texture of plant-based meat, which has been attracting attention in recent years.



Pharmaceutical 	Industrial 	Food
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Silicon Metal

Silicon metal is the main raw material for silicone, semiconductor silicon, and synthetic quartz, and is produced by SIMCOA Operations Pty Ltd in Australia.



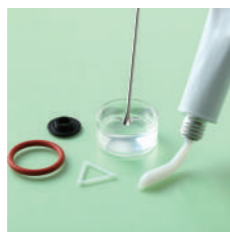
Synthetic Pheromones

Synthetic pheromones are artificially synthesized from pheromones emitted by insects, and are used as environmentally friendly pest control agents as they obstruct the mating process between male and female pests, thereby suppressing reproduction.



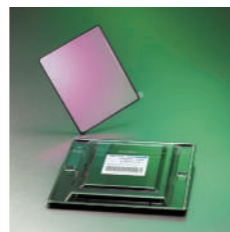
Liquid Fluoroelastomers SHIN-ETSU SIFEL®

We were the first company in the world to succeed in developing the SHIN-ETSU SIFEL® liquid fluoroelastomers, which by using silicone addition-reaction technology can be made into a form that hardens into a flexible, solid synthetic rubber upon heating. It possesses excellent process ability and such superior properties as resistance to oils, solvents and chemicals together with good durability against heat and stability at cold temperatures, and is used for essential applications in automotive, aircraft, electronics, and optical products.



Pellicles

We provide high quality pellicles for use as dust protection covers for photomasks used in both ArF and KrF excimer lasers. In addition to having excellent light resistance properties and uniform rates of light transmittance, our pellicles have been thoroughly treated to ensure low outgassing. With these attributes, our pellicles support the increasingly intricate production of semiconductor devices. Furthermore, we also mass produce ultra-large pellicles used in flat panel display (FPD) manufacturing.



Anode Material of Lithium Ion Batteries

SiO is a greatly promising material as an anode material of next-generation lithium-ion batteries that have high capacity and excellent power properties. We have successfully improved battery characteristics by controlling the structure and surface of SiO particles and by developing our own lithium pre-doping technology.



SOLBIN®

SOLBIN is a copolymer resin from Nissin Chemical Industry Co., Ltd. that is prepared primarily from vinyl chloride and vinyl acetate, which are notable for their superior adhesiveness and solubility. It is mainly utilized in coatings, paints, inks and adhesives.



Processing & Specialized Services

Meeting the diverse needs of customers by leveraging the advanced technological capabilities developed by the Shin-Etsu Group.



Using Our Products to Solve Societal Issues

- Creating a next generation mobile society by facilitating technological innovations in automobiles, such as the spread of automated driving and environmentally friendly vehicles
- Advancing IoT in society by developing communications infrastructure and improving the performance of facilities and equipment



Competitive Advantages

Shin-Etsu Polymer Co., Ltd.

- Comprehensive capabilities to handle everything from material development to processing as a member of the Shin-Etsu Group
- Technological capabilities to create high-valued-added products with core technologies in processing various resins

Shin-Etsu Engineering Co., Ltd.

- Technological capabilities to handle design, construction, and maintenance of domestic and overseas plants in-house

Mainstay Products and Applications

Shin-Etsu Polymer Co., Ltd.

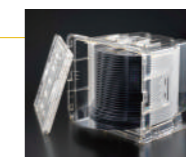
Input Devices

Providing input devices for automobile steering, power windows, etc.



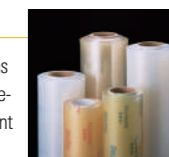
Wafer Cases

Providing cases for shipping silicon wafers and for inprocess wafer conveyance at device manufacturers.



Wrapping Films

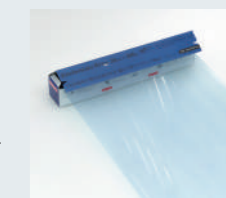
Providing PVC wrapping films for food packaging with superior stretchiness and excellent adhesive properties.



Topic

Launched biomass wrapping film

KitcheNista, a consolidated subsidiary of Shin-Etsu Polymer, launched KitcheNista Wrap Antibacterial Blue, a PVC wrapping film for food packaging made from 10% biomass raw materials, in January 2024. By using plant-derived additives, this film helps reduce greenhouse gas emissions. Its suitability for food ingredient management makes it popular with restaurants and nursing care facilities, and if a piece of wrap accidentally gets mixed in with food, its blue color makes it easy to find and remove.



Shin-Etsu Engineering Co., Ltd.

Engineering

Shin-Etsu Engineering conducts plant design and construction and equipment maintenance for the Shin-Etsu Group.



Vacuum Assembling Equipment

Shin-Etsu Engineering also designs and manufactures vacuum assembling equipment for LCD panels, enabling large-scale liquid crystal panel production.



Micro LED Chip Transfer Equipment

This equipment transfers micro-LED chips quickly and accurately, thereby promoting the widespread use of micro-LED displays.



Topic

Plan to double production capacity of pharmaceutical cellulose

To bolster the pharmaceutical cellulose business, we will invest approximately ¥10 billion in facilities and equipment at our Naoetsu Plant. We plan to double the production capacity of Shin-Etsu AQQAT® (hypromellose acetate succinate), a pharmaceutical excipient, with completion scheduled for the spring of 2026.

Shin-Etsu AQQAT®, which we developed in-house, is made mainly from plant-derived pulp, and is widely used such as a coating agent for tablets that are safe for the human body. It is designed to dissolve in the intestine and not in the stomach, enabling control of where the drug dissolves. In addition, it also maintains drug effectiveness for a longer time. In recent years, its ability to improve poorly soluble (hard-dissolving) actives, enhancing drug solubility for better body absorbance, has been attracting attention. Accordingly, we expect demand to continue growing going forward, and we intend to capture this demand by expanding our facilities.





Minoru Igarashi
General Manager, Department 2,
Silicone-Electronics Materials
Research Center Shin-Etsu
Chemical Co., Ltd.

Shin-ichiro Yoshida
Group Manager
Sales and Marketing Department
III, Silicone Division
Shin-Etsu Chemical Co., Ltd.

Takashi Kondo
General Manager,
Matsuida Plant, Silicone
Production Department 4,
Shin-Etsu Chemical Co., Ltd.

Special
Feature

Tripartite Teamwork Manufacturing

Shin-Etsu Chemical develops products tailored to customer needs by integrating sales, development, and production activities in a tripartite teamwork, enabling rapid-delivery manufacturing. One of the characteristics of the Company is that, instead of establishing a central research facility, the R&D centers for each product are located adjacent to the respective plants. For example, the Gunma Complex, which is the main production base for silicone products, has four plants consisting of the Isobe Plant, Matsuida Plant, Gobara Plant, and Yokonodaira Plant, along with the Silicone-Electronics Materials Research Center, putting tripartite teamwork manufacturing into practice.

What are the features of Shin-Etsu Chemical's tripartite teamwork manufacturing?

Igarashi As a comprehensive R&D center for silicones and organic electronic materials, the Silicone-Electronics Materials Research Center conducts customer-oriented R&D in a wide range of technologies, including synthesis, composites, formulation, processing, and production processing. In our silicones business, there are cases where the sales team listens to customer needs and communicates them to the development team, but there are also cases where the development team accompanies the sales team to listen directly to customers and use that information to promote product development before transferring developed products to the production team for mass production. I think we

are different from other companies in that, unlike technical sales, our development team develops products by listening directly to our customers. We are in a position to understand many issues and underlying needs that customers are unaware of, because we are actually involved in the development process.

Kondo In the production department, which I am in charge of, products developed by Mr. Igarashi are transferred to us for production, and in some cases, we accompany the sales team to talk to the customers. Although the sales team is the point of contact, the pace of development is probably completely different compared to a process where the sales team stands in between and communicates with the customer on all matters.

In addition, and this goes without saying, but we must

deliver our products in line with our customers' pace of development. In this respect, since the production department and the research center are located in the same area, we have a significant advantage in that products can be brought to the production department as soon as they are developed, and we can proceed with production while checking on each other's work. Even though we live in an age where it is easy to hold online meetings, it is still easier to communicate with each other and to feel each other's passion when we talk face-to-face, which I think is extremely important.

Yoshida Being in charge of sales, I often make business trips to the Gunma Complex from the Head Office in Tokyo, but since both the development and production departments are located in the same area, it is a great advantage to have our three teams work closely together under our tripartite teamwork manufacturing system. Sales is always in contact with customers, but I would like the development and production departments to experience firsthand the atmosphere between us in order to better understand customers' true needs and to boost their satisfaction. In this sense, I am grateful for the opportunities to have the development and production departments accompany us.

Once a month, the development, production, and sales departments meet to share information on the status of each department, and the sales department attends both the research center and production department meetings so that we can determine whether or not we can handle a certain project now, or whether it is worth tackling. We engage in our work while constantly thinking about things like, "we are working on this type of cutting-edge research, so maybe we can solve that issue our customer is facing," or "we have been able to run a production cycle on this schedule in the past, so we can probably ask the research team to conduct development with this delivery deadline," or "with our current capacity utilization, we should ask production to mass produce custom products around these dates." I also get ideas for new proposals through casual communication with the development and production teams.

Igarashi At the research center, we are always on the look-



out for the latest technological trends. At the same time, we get information on market trends from the sales department, anticipate when they might make certain requests, and make sure that we can respond to them quickly.

What advantages do you feel the Company has?

Kondo Many of our silicone products are custom products, and unlike the fully automated production lines used to make general-purpose products, we engage in batch production, producing a large number of different products using the same equipment. Silicone comes in many forms, including fluids, resins, rubbers, and powders, and we actually manufacture nearly 3,000 types of products, only counting the customized solid and liquid silicone rubber products. In order for the on-site operators to efficiently set up and make detailed production arrangements, it is important to coordinate with the development and sales departments. The fact that we are able to manufacture such a wide variety of products rapidly in response to customer needs is precisely because we have established our tripartite teamwork manufacturing system.

Yoshida One major point is that our ability to develop 3,000 different products is largely underpinned by our ability to secure enough manpower for development.



Silicone-Electronics Materials Research Center

Igarashi In addition to having the manpower to handle small-lot production of a wide variety of products, silicones are compounds, so one of our advantages is that we have built a systematic database to determine what properties can be achieved using which combinations, and can develop products efficiently according to customer needs. This is one of the advantages we have over our competitors. However, development personnel tend to be driven by the desire to develop innovative products rather than by concerns over cost, delivery schedules, or production, so we must work closely with production and sales to ensure that our developed products are launched as quickly as possible. No matter how good a product we develop, it is meaningless if it does not address commercial needs. I believe that the benefits of the tripartite teamwork system are great in terms of being able to develop products quickly while maintaining a marketing mindset.

Yoshida In the silicones business, we have a wide range of customers, each with different needs, so we inevitably end up producing a wide variety of products, and our ability to respond to these needs is highly valued by our customers. In addition, customers appreciate the value of highly functional custom products even more, which leads to a long and stable business relationship. I believe the tripartite teamwork is especially crucial for us to be able to quickly run through the development cycle of specialized materials.

How do you put tripartite teamwork manufacturing into practice?

Yoshida Let me use the silicone rubber for molding that does not require post cure, which has received great positive feedback from our customers in recent years, as an example. Silicone rubber is used in a wide range of applications, including automobiles, electrical and electronic equipment, office automation equipment, home appliances, and daily necessities, because it combines a number of excellent



properties not found in general organic rubbers, such as heat resistance, cold resistance, weather resistance, and electrical properties. This silicone rubber for molding is available in two types: a millable type that is molded in a mixing machine called a roll mill, and a liquid type for injection molding. When customers mold silicone rubber, they previously had to go through a process called cure twice, just as they do with ordinary synthetic rubber.

Cure (primary cure) is a process in which a curing catalyst is added and heat treated to give the rubber elasticity. Post cure is mainly performed to stabilize the physical properties of silicone rubber, remove low molecular weight siloxane from the polymer, and remove the decomposition residue from the curing agent used. In particular, when used in a sealed environment inside electrical components, the low-molecular-weight siloxane contained in the material volatilizes and causes electrical contact failures. This creates the need to remove the low-molecular-weight siloxane as much as possible, which makes the post cure process necessary. In addition to the lengthy processing time stemming from the long heat treatment in a high-temperature oven (dryer), the post cure process involves heavy electricity use, generating exhaust gases that significantly burden the environment, and we had received numerous customer requests to find a way around this problem.

Igarashi To address this, we became the first in the industry to introduce materials for a liquid silicone rubber injection molding system that eliminates the need for post cure. This molding system, called the Liquid Injection Molding System (LIMS), eliminates the need for post cure by using a pump to transfer the two separate liquids to the injection molding machine, where they cure in the mold. Since most of the processes can be automated, it is widely used mainly for automotive parts.

In addition to this, in 2020, we developed a millable-type silicone rubber for molding that does not require post cure. This revolutionary product is expected to improve productivity and reduce energy consumption during molding, while also preventing defects such as contamination, and has received even greater positive feedback than the liquid-type product. The newly developed millable-type silicone high consistency rubber (HCR) employs an addition curing method that does not generate by-products, and uses a polymer with much lower low molecular siloxane content than conventional products, thereby eliminating the need for post cure.

Kondo The reason this case fits the tripartite teamwork pattern is that there was a long-standing need for a millable-type product, following the release of the liquid-type product, which our sales team has been telling us about for some time. This was a need that would have been challenging to fulfill without close cooperation between the development and production departments.

First, the research center had to create a curing agent that leaves no cure residue and a manufacturing process for low-molecular-weight raw rubber so that what had previously been carried out as two cure steps could be carried out in one step. This was probably the most difficult part. On the other hand, the technology to remove the low-molecular-weight siloxane left in the raw rubber was also a tough hurdle that the engineers in the production department had to solve. However, we had accumulated considerable technical expertise in removing low-molecular-weight siloxane from raw rubber at various plants, so we were able to make good use of this expertise.

Ultimately, the development and production departments worked hand-in-hand and side-by-side, and as a result of repeated trial-and-error technical development efforts on both sides, we were able to successfully mass-produce HCR that does not require post cure.

Yoshida As Mr. Kondo mentioned, HCR not requiring post cure calls for sophisticated manufacturing methods as well as advanced mass production technology, and we still maintain a considerable competitive advantage today. For customers, the use of HCR eliminates the need for the many ovens previously lined up for post cure, which translates into nothing but good outcomes, such as shorter processing times, lower costs, energy savings, reduced CO₂ emissions, and additional free space, making it an easy product to market. Customer feedback was extremely positive even after we reflected this added value into our price.

Please tell us about the direction of your initiatives going forward

Yoshida In October 2023, we established the Sustainable Silicone Business Development Department, which conducts market research and sales promotion for the development of environmentally friendly products. As part of the sales team, we will work to quickly identify robust demand for environmentally friendly products to follow HCR not requiring post cure, and provide feedback to the development department. In addition, there is growing interest in recycling, and we believe there is a significant amount of silicone that can be recovered from, for example, automobile air bags and construction sealing materials.

Kondo When it comes to recycling, we have to consider everything starting from the manufacturing equipment, so the tripartite teamwork cooperation becomes even more important. At the Gunma Complex, we are already promoting recycling by collecting defective products and injection molding burrs* generated by customers and using them again as raw materials for polymers.

Igarashi Environmentally friendly products and the use of

*A rough edge or area that extends beyond the perimeter or edge of a manufactured product.

Special Feature Tripartite Teamwork Manufacturing



Matsuida Plant

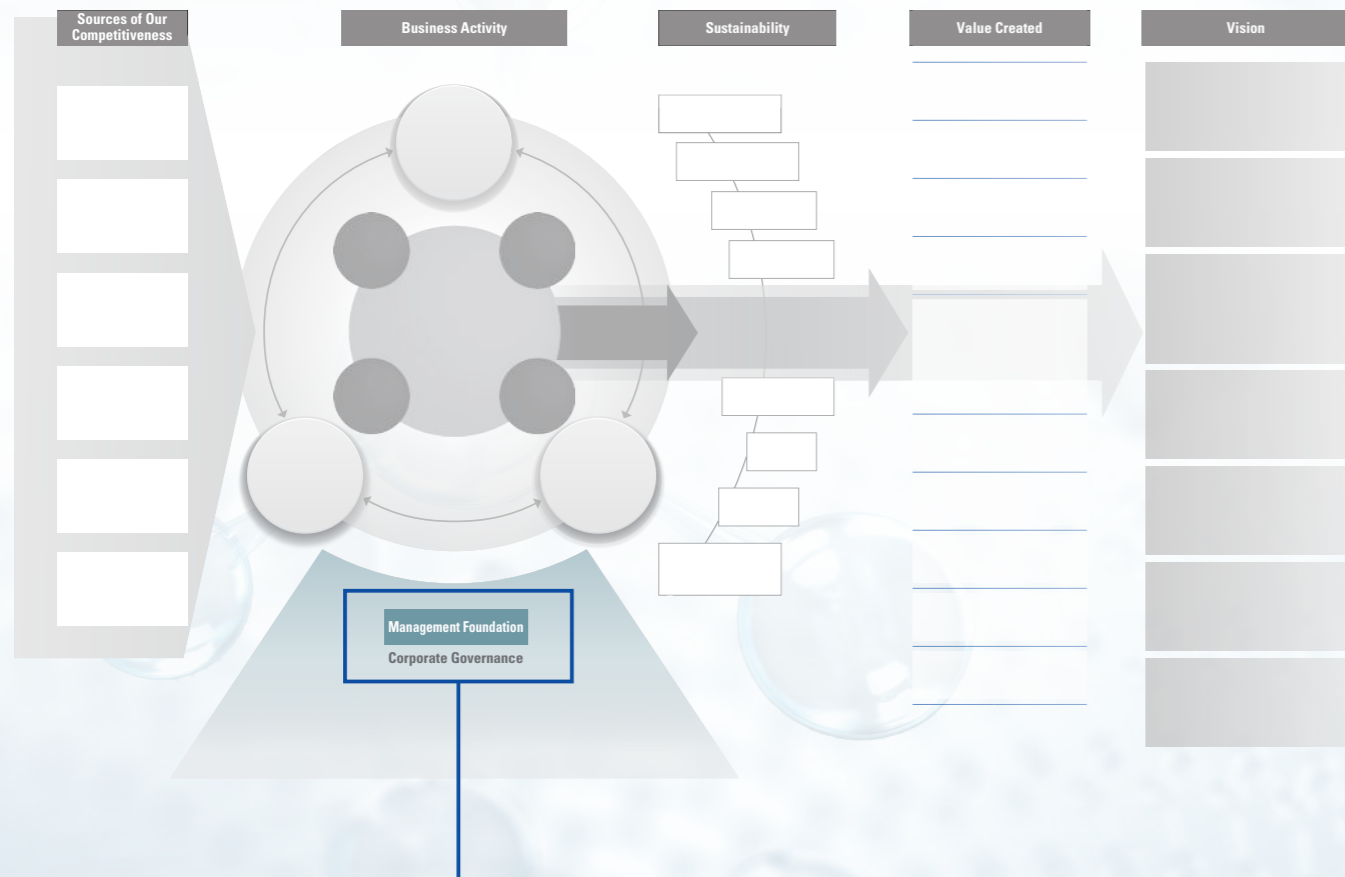
recycled raw materials are surely major themes in development for silicone product as well.

How do you pass down the tradition of tripartite teamwork manufacturing to the next generation?

Yoshida At Shin-Etsu Chemical, it is a matter of course for the development department to visit customers together with the sales department to listen to their concerns. In addition, the production department also has production engineers, and if a problem arises, they work together with the sales and development departments to solve it as part of their daily work. So, as long as young employees follow in the footsteps of their seniors without being particularly conscious of it, they will eventually develop a sense that the development, production, and sales departments are in tune with one another; this was the case for me and my colleagues. Tripartite teamwork manufacturing creates a sense of unity and a virtuous cycle within the Company, and I believe that this will continue to evolve as our business style going forward.



Build a robust corporate governance structure to sustainably enhance corporate value



Three Features of Corporate Governance

Ratio of Outside Directors on the Board of Directors:



56% (5 persons)

Diversity of Directors:



Female 11% (1 person)
Foreign national 11% (1 person)

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



96%
(fiscal year ended March 31, 2024*)
*After 2023 General Meeting of Shareholders

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/

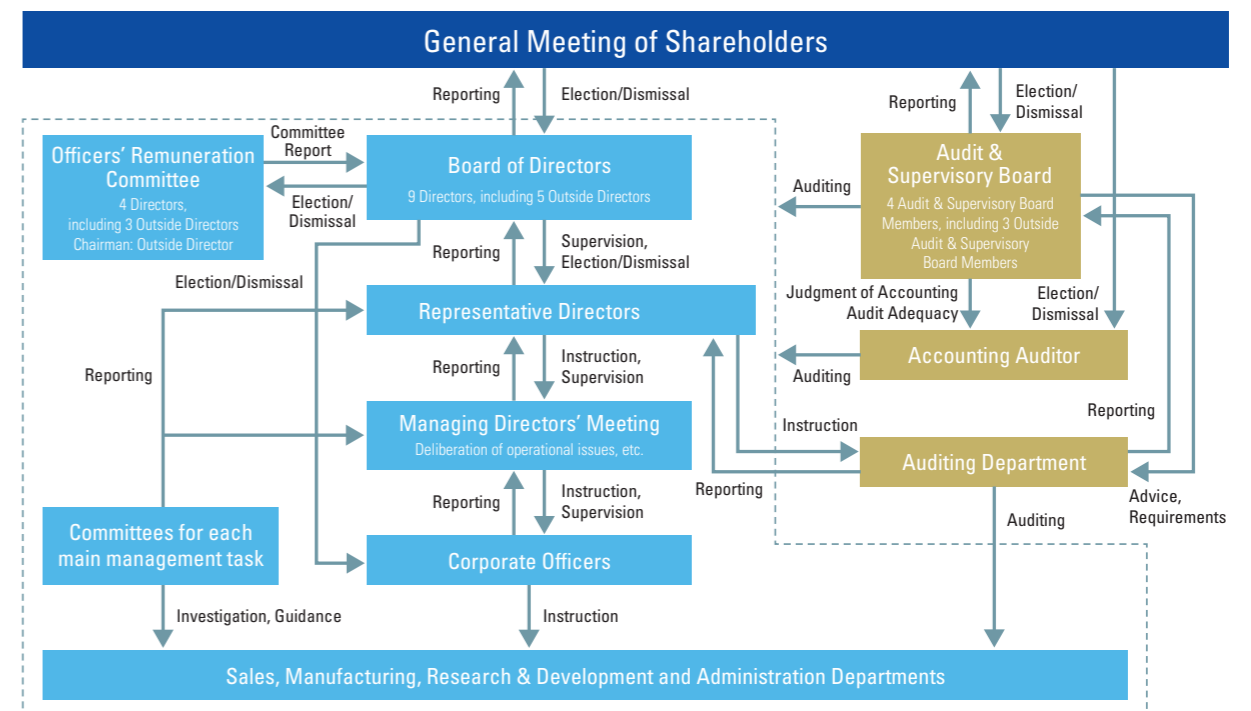
Corporate Governance Structure

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 an effort to ensure transparency and appropriateness in reviewing and evaluating remuneration for 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, including overseas, 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 Committee

To ensure transparency and appropriateness in the processes involved in reviewing and evaluating remuneration for officers, as well as nominating candidates for senior management, Directors, and Audit & Supervisory Board Members, we have established the Officers' Remuneration Committee. This committee is chaired by Independent Outside Director Hiroshi Komiyama and includes two

other Independent Outside Directors, Kuniharu Nakamura and Michael McGarry, as well as Representative Director-President Yasuhiko Saitoh, making a total of four Directors. They comprehensively review and evaluate each Director's contributions to the Company's performance and overall management every fiscal year, and report their findings 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, 2024)

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)	469	227	696	5	220	4	
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	24	—	24	2	—	—	
Outside Directors and Outside Audit & Supervisory Board Members	187	—	187	10	—	—	

Notes: 1. The above includes two Directors and two Audit & Supervisory Board Members who retired at the conclusion of the 146th Ordinary General Meeting of Shareholders held on June 29, 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 ¥917 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 FY2023, 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 "Conducting meetings with Outside Directors and Outside Audit & Supervisory Board Members."

Management (As of June 27, 2024)

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
Hiroshi Komiyama*1
 Former President, National University Corporation, The University of Tokyo Chairman, Mitsubishi Research Institute, Inc.



Director
Kuniharu Nakamura*1
 Special Adviser, SUMITOMO CORPORATION



Director
Michael H. McGarry*1
 Former Director & Chairman, Chief Executive Officer, PPG Industries, Inc. Director, United States Steel Corporation Director, Holcim AG Director, C. H. Robinson Worldwide, Inc.



Director
Mariko Hasegawa*1
 Former President, National University Corporation, the Graduate University for Advanced Studies, SOKENDAI President, Independent Administrative Agency, the Japan Arts Council



Director
Takashi Hibino
 Chief Corporate Adviser of Daiwa Securities Group Inc. Outside Director, Mitsui Fudosan Co., Ltd.

*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 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

The Company's basic policy is to structure the Board of Directors in a way that facilitates accurate and swift decision-making and adequate supervision of business activities. To that end, the Company elects Internal Directors with specialized expertise in areas such as sales, manufacturing, and R&D, along with multiple Outside Directors who can actively express their opinions on growth strategies and the enhancement of governance from a broad perspective. An

appropriate number of Directors, regardless of nationality or gender, are appointed to the Board based on the scale of the Company's business.

The Company has elected five Outside Directors, including one foreign national and one female, all of whom have a wealth of experience and proven track records in a wide range of industries. The expertise and areas of involvement of the Directors are as follows.

	Growth strategy	Production technology/Productivity	Product development	Risk management	Capital policy	Human capital	Sustainability
Fumio Akiya	●	●	●	●		●	●
Yasuhiko Saitoh	●		●	●	●	●	●
Susumu Ueno	●	●	●	●			●
Masahiko Todoroki	●		●	●			●
Hiroshi Komiyama		●	●	●		●	●
Kuniharu Nakamura	●			●	●		●
Michael H. McGarry	●	●		●	●	●	●
Mariko Hasegawa				●		●	●
Takashi Hibino	●			●	●		●

Note: The above list represents the most specialized expertise of each Director and is not meant to be an exhaustive list of their knowledge and experience. Risk management and Sustainability are areas in which the Company expects all Directors to be involved.

An overview of each area of expertise shown in the table above is as follows.

Expertise	Overview
Growth strategy	Skills and experience in formulating policies from a longer-term perspective for the purpose of enhancing corporate value and ensuring sustained business growth, and in executing or overseeing various measures for realizing such policies.
Production technology/Productivity	Skills and experience in executing or overseeing various measures aimed at transforming production technology from the perspectives of mainly productivity improvements, safe and stable operations, and the reduction of environmental impacts.
Product development	Skills and experience in executing or overseeing product development activities aimed at further strengthening competitiveness and achieving early commercialization.
Risk management	Skills and experience in anticipating all kinds of risks that may arise in business activities in general, and in executing or overseeing various measures related to the prevention and mitigation of such risks.
Capital policy	Skills and experience in examining and executing capital policies for making the Company's financial base more resilient, for growth investments, and for enhancing shareholder returns, or in overseeing the execution of such policies.
Human capital	Skills and experience in executing or overseeing human capital management, including securing and developing talent, building a corporate culture that embodies organizational diversity, and enhancing individual employee engagement.
Sustainability	Skills and experience in executing or overseeing corporate governance, addressing global environmental issues such as climate change, and implementing activities that respect human rights, all of which form the foundation for the sustained enhancement of corporate value.

Activity Status of Outside Directors and Outside Audit & Supervisory Board Members (Year ended March 31, 2024)

	Status of activities	Attendance at Board Meetings (Year ended March 31, 2024)
Outside Director		
Toshihiko Fukui	Mr. Fukui has provided his beneficial recommendations concerning the dialogue with investors and cyber security systems for the Company's Group as a whole, etc., capitalizing on his outstanding knowledge and wealth of experience related to global finance and economy 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	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 cutting-edge digital technology and the utilization of renewable energy, etc., 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	Mr. Nakamura shared his beneficial recommendations concerning measures to address geopolitical risks and the development of a personnel system that facilitates a comfortable working environment, etc., 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	Mr. McGarry shared his beneficial recommendations on product pricing and reduction of cross-shareholdings, etc., capitalizing on his management experience at PPG Industries, Inc. in the U.S., a global leader in paints and coatings, and also based on his outstanding knowledge and wealth of experience in a broad range of chemical industry fields. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Mariko Hasegawa	Ms. Hasegawa shared her beneficial recommendations on the relationship between carbon neutrality and sustainable business, etc., capitalizing on her outstanding knowledge and wealth of experience in a variety of fields, such as having served as President of the Graduate University for Advanced Studies, SOKENDAI and a committee member of the National Public Safety Commission, built upon her many research achievements as a researcher in the field of natural anthropology. She also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 80%
Outside Audit & Supervisory Board Member		
Yoshihito Kosaka	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 and employees, etc. on the execution of 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%
Mitsuko Kagami	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 and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.	Board of Directors Meetings 92% Audit & Supervisory Board Meetings 100%
Hiroko Kaneko	At the Audit & Supervisory Board meetings, Ms. Kaneko shared her comments from a finance and accounting specialist's point of view. In addition, she received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.	Board of Directors Meetings 100% Audit & Supervisory Board Meetings 100%



Outside Director
**Toshihiko
Fukui**



Outside Director
**Michael H.
McGarry**



Outside Director
**Mariko
Hasegawa**

Interview with Outside Directors

To remain a world-leading chemical company



Outside Director
**Kuniharu
Nakamura**



Outside Director
**Hiroshi
Komiyama**

Prior to the adoption of the Japan's Corporate Governance Code (which came into effect in 2015), Shin-Etsu Chemical Co., Ltd. (hereinafter referred to as "the Company") invited Frank Popoff, former Chairman and CEO of The Dow Chemical Company (US), to serve as an Outside Director in 2001. Since then, we have continued to enhance the oversight function of directors who are responsible for execution by inviting leading figures from various fields to serve as Outside Directors. In this session, we asked all five Outside Directors to talk about their roles as Outside Directors, as well as a wide range of management-related topics, including passing on the management philosophy of our former Representative Director and Chairman Dr. Kanagawa, the state of discussions in the Board of Directors meetings, business performance, and environmental initiatives.

Evaluation of business execution for the fiscal year ended March 31, 2024

McGarry The Company reported record profits in the previous fiscal year (or fiscal year ended March 31, 2023). In contrast, the fiscal year ended March 31, 2024 was marked by overcapacity in China, a stagnant housing market in the US, and an oversupply of semiconductor wafers. I believe the Company handled these external conditions well. This was attributable, I believe, to the fact that the Company was able to build a lean corporate structure through tireless streamlining activities and other efforts to eliminate waste. In this sense, I would say that the management team successfully weathered the year very well.

Nakamura Looking back on the past year, the chemical industry posted extremely challenging earnings results. Meanwhile, the Company managed to produce fairly strong earnings, although it did not report record high profits. I credit this to the excellence of the Company's business model and the efforts of the management team.

Komiyama Aside from business performance, the Company made a commitment last year that it will become carbon neutral by 2050. This holds significance in terms of being a leader in the chemical industry, and I believe it is also highly commendable with respect to its environmental initiatives.

Cash reserves and usage

McGarry Sometimes internal cash reserves come up as a topic in connection to strong business performance. Outsiders view the Company as being cash-rich, and I think this is indeed true. One of the reasons for this is that Japanese companies have historically kept their debt low and used internal funds to make capital investments. I believe that the Company also follows this pattern.

However, in today's global trend toward demanding more efficient use of funds, it is becoming increasingly difficult to hold excessive amounts of cash, and I believe the Company needs to keep an eye on these trends and work to address the situation.

Nakamura When discussing cash, the question of how well a company is utilizing the cash it has is just as important as the question of how much cash it currently has. So far, the Company has been very effective in promoting total cash management, including that of its subsidiaries. In that sense, I rate the Company highly for its efficient use of cash.

On the other hand, shareholders are paying attention to its abundant retained earnings. Going forward, I think it is necessary to establish and communicate to the outside world a basic approach to financial strategy, such as how

much to invest and how much to return to shareholders, in a manner that shareholders would agree with.

Fukui Shin-Etsu Chemical's basic business cycle is to sell high value-added products created through innovation at fair prices, and then to secure the profits from these products to fund the next innovation. Innovation always involves risk, and the Japanese financial market has not been able to provide sufficient risk money to date. Accordingly, the Company has been accumulating risk money on its own, rather than relying on others. I believe that the Company should continue to examine what it should do from a medium- to long-term perspective, rather than a short-term perspective.

Reasons for not disclosing the medium-term management plan

McGarry First of all, it is a fact that Japan is unique in the world in externally disclosing plans that include financial figures as part of medium-term plans. With the rapidly changing external environment, it has become difficult to set and achieve financial targets in the first place. What is important for the future of a company is to beat the competition and to be valued by customers. I believe it is worth disclosing long-term guidelines and direction aimed at beating the competition from a long-term perspective, rather than disclosing financial targets for the next three or five years.

Komiyama It is obvious that even if a plan is made, nothing will go according to the plan in today's world of drastic changes in systems and technologies. In other words, a medium-term management plan that sets numerical targets is meaningless. What is more important is to establish core businesses that are unquestionably superior and to create new businesses. Of course, doing this requires setting a medium- to long-term direction. Rather than setting numerical targets, I believe that the management plan will be more meaningful if it outlines how a company will implement a management approach that balances the establishment of core businesses with the creation of new businesses.

Carrying on the management philosophy of Dr. Kanagawa, the father of the company's restoration

Fukui I have had a long-standing interest in Shin-Etsu Chemical since I first encountered the Company in Niigata, my first assignment during my time at the Bank of Japan. Later, when I became Governor of the Bank of Japan, I had many personal conversations with Dr. Kanagawa to learn the secrets of management excellence. One of the conversations I had with Dr. Kanagawa was particularly memorable,

*This interview was conducted in May 2024. Toshihiko Fukui retired as an Outside Director of the Company at the conclusion of the 147th Ordinary General Meeting of Shareholders held on June 27, 2024.
*This report is based on individual interviews with the five directors.

during which he told me, “Create high value-added products through innovation, while preparing for geopolitical risks. Then, keep the cycle of business going by receiving fair compensation for the products.” I believe that Dr. Kanagawa’s basic philosophy is still being faithfully passed down today.

McGarry My understanding is that the Company has a long history of success. Dr. Kanagawa transformed it into an organization that delivers great value to its customers and has implemented a powerful management system. President Saitoh and his executive team, who inherited the system from Dr. Kanagawa, have further strengthened it. In this sense, I believe that Dr. Kanagawa’s management philosophy has been passed on. Moreover, I am convinced that the Company will continue to be a world-leading chemical company for the next 10 to 20 years.

Hasegawa In my personal opinion, I believe that for a company to last for a long time, it needs to have two discerning qualities. One is to have a judgement base to be able to determine what is essential and universally correct. The other is to understand the subtleties of even minor changes in things, and to be able to discern how things will evolve when something new and highly important is taking place. In other words, a company must have a keen eye for both preserving the universal elements that must not change and identifying the new elements that are changing.

Responsibilities of Outside Directors

McGarry I have a long history of serving as a leader in a company in the chemical industry similar to Shin-Etsu Chemical, and I am currently involved in management in a different industry. I believe that these experiences will be useful in making recommendations as an Outside Director. In addition, I am the only non-Japanese director of the Company. Accordingly, I make recommendations based on the assumption of operating in various countries without being bound by Japanese conventions, while being mindful about avoiding tunnel vision.

Hasegawa My field of expertise is in the study of human evolution and adaptation, and this discipline deals with very long-time frames. Therefore, I aim to make recom-

mendations based on long-term importance to corporate management, which tends to focus on the short-term in a chase for yearly and sometimes even quarterly earnings.

Because I am not an expert in the kind of



technology the Company handles, especially in chemistry, I would like to raise the simple questions going forward. To this end, I would like to fulfill my responsibilities as an Outside Director by creating more opportunities to visit the field and learn more about what is happening on the ground.

Nakamura My understanding is that Outside Directors and Outside Audit & Supervisory Board Members are encouraged and expected to provide opinions based on the knowledge and experience they have cultivated in their respective fields of expertise. Based on my extensive experience as a business leader, the first thing I do when various events take place is to think about what I would do or how I would make a decision. In making those decisions, I try to ask questions, for example, about things I have doubts about. In particular, I have extensive experience in a trading company, so I believe that I am able to make recommendations based on my past experience in cases such as investment deals.

Term of office for Outside Directors

McGarry Some institutional investors seem to think that a 10-year term limit for outside directors is a good rule of thumb. Based on my business and management experience in the US, business cycles are often five or seven years, and if an outside director steps down after 10 years, the outside director will only experience that cycle once or so. From the perspective of corporate governance, I think it is beneficial to have outside directors who have experience and knowledge of how companies have overcome these cycles in the past. In fact, one company where I served as an officer had several outside directors who had been in office for 15 years. These outside directors also made the most valuable contributions among the directors. I believe that simply setting a maximum term limit is problematic from the perspective of corporate governance.

Nakamura Setting a uniform maximum limit of, say, 10 years, is just a formal criterion. If important matters concerning the management of a company are judged only by formal criteria, there is a risk that even managers who have delivered results, or in other words, those who are excellent managers based on substantive criteria, will not be appointed as directors. If this were to happen, it would be a major loss for corporate management.



Operation and discussion of Directors & Corporate Officers’ meeting (Board of Directors and Managing Directors’ Meeting)

Nakamura In addition to the Board of Directors meetings, key meetings attended by Outside Directors and Outside Audit & Supervisory Board Members include the Managing Directors’ Meeting, where Directors, Audit & Supervisory Board Members, and Corporate Officers also participate. The Managing Directors’ Meeting involves detailed question and answer sessions, and with the recent addition of new outside officers, I believe that the discussions have become livelier. The discussions are not limited to business matters, but also include in-depth discussions on sustainability and other topics related to the future of the Company.

McGarry As an Outside Director, I ask the management team and corporate officers a variety of questions, and they always provide me with answers that are on point. I believe that the relationship between the Board of Directors, including the Outside Directors, and executive side is working well. In fact, the environment is very open, with lively discussions taking place at Director & Corporate Officers’ meeting.

Hasegawa I believe that the Company provides an environment for Outside Directors and Outside Audit & Supervisory Board Members to express a variety of opinions. We are able to go back and forth with questions and answers on a variety of topics, and the environment is such that we can express disagreement and ask “why?” openly and frankly.

This may seem like a slightly different perspective, but I believe that in order to encourage lively discussions, we also need to create a space outside of formal meetings. In that sense, I feel that it would be good to have a forum for discussion among Outside Directors and Outside Audit & Supervisory Board Members alone, aside from Board of Directors meetings and Managing Directors’ Meetings.

Environmental initiatives

Komiyama I have been engaged in environmental issues for a long time. In the 1970s, when environmental issues first came into focus, they were equated with pollution.



Nowadays, the focus is very much on sustainability. In this context, I highly appreciate the fact that the Company is contributing to the sustainability of the Earth and humankind through its products. In addition, I hope that the

Company will continue with its concrete initiatives, such as installing solar power generation systems in its plants and other new facilities.

Nakamura The Company has also committed to becoming carbon neutral by 2050. However, manufacturer efforts alone are not enough to promote carbon neutrality, and the Company must also ensure that buyers appreciate these efforts. In fact, one major issue here is whether anyone will evaluate and buy products made from renewable energy sources when the cost of these products rise. I do not think that this issue can be solved simply by leaving it to the markets, so I believe that policy support is also essential.



Women’s participation and advancement and human resource development

Hasegawa From the perspective of diversity, it is clear that women’s participation and advancement is important. In the world of academia, where I worked for a long time, things are improving, but some critics have said the conditions are subpar compared to international levels. I believe that the difficulty in promoting women’s participation and advancement lies in the fact that it is not enough for only women themselves or companies to change. It is not enough for companies to make efforts to promote the advancement of women—the environment at home and in society also must change. Going forward, I would also like to contribute to the promotion of women’s participation and advancement at the Company.

Nakamura Japanese society faces a declining population today, and all talent, including women, are a scarce resource, and competition among companies for human resources is already intensifying. In this environment, figuring out ways to secure human resources has become an ever more important theme, not only for Shin-Etsu Chemical, but for all companies.

To put it simply, we are now transitioning from an era where companies choose talent to one where companies are chosen by talent. This situation is no different for the Company. Going forward, the Company will not be chosen simply by making the same workplace improvements or promoting diversity like any other company does. In order to become a preferred company, the Company must actively

communicate the value of Shin-Etsu Chemical, along with the value people can create by joining Shin-Etsu Chemical.

Incorporating sustainability factors into officers' remuneration

Fukui I am aware that the importance of sustainability has been increasing in recent years, and that more and more companies are adding environmental and other criteria to their evaluation criteria for officers in charge of execution in order to promote sustainability. I personally believe that sustainability is an important value criterion, but achieving it requires efforts by all of society and the nation as a whole. Companies should generally contribute through their business activities, and I am concerned that if remuneration is evaluated based on other indicators related to sustainability, there is a risk that essential business activities will be neglected.

Komiyama From the standpoint of an environmental expert, I believe that incorporating sustainability, especially environment-related factors, into officers' remuneration is certainly one approach. On the other hand, it is also important to remember the fact that it is companies in the assembly industry, where it is relatively easy to reduce greenhouse gas emissions, that are actually implementing this approach. Much like the steel industry and other industries that are struggling to implement this, reducing emissions in the equipment industry requires drastic innovations, such as changing the way the equipment itself works, along with the major investments accompanying these changes. For these industries, reducing greenhouse gas emissions is extremely challenging. I frankly believe that we should be cautious about implementing sustainability factors into officers' remuneration, and that we should not look at this from a short-term perspective.

McGarry In my personal view, we should look at sustainability, especially as it relates to environmental metrics, with a view toward long-term goals, measured over the long term. As a practical matter, I think it is possible to include sustainability in the discussion of remuneration, but I do not think it fits well with short-term remuneration. One idea would be to create an incentive that only pays out when medium- to long-term goals are achieved.

Expectations for Shin-Etsu Chemical

McGarry As we have discussed, the Company has been able to build a strong management system while simultaneously bringing high value to its customers. I hope that it will leverage these strengths and continue to be a world-leading chemical company for the next 10 to 20 years and beyond.

Nakamura Shin-Etsu Chemical stands out from the rest as a chemical company that delivered excellent results in the chemical industry facing a challenging business environment, and its top management views leading global companies as its competitors. I hope that the management maintains this elevated perspective, and that employees will continue to hold the same perspective with a mindset of competing with the leading global players. By doing so, I believe the Company will be able to successfully innovate for a new era.

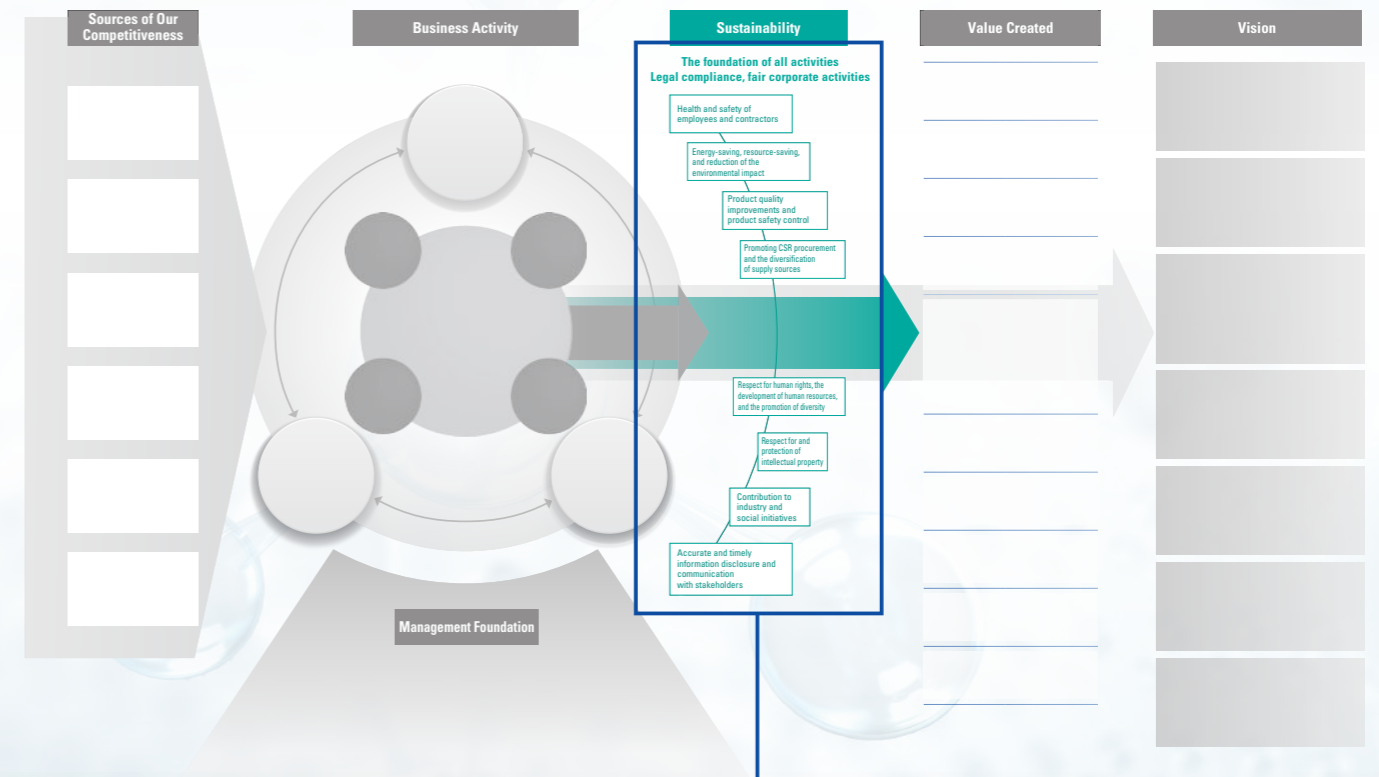
Komiyama To enhance corporate value over the long term, the Company must leverage its strong existing businesses as well as its superior technologies to take on the challenge of entering completely new fields. I look forward to seeing the Company maintain its presence in the chemical industry with a balanced management approach.

Hasegawa I believe that companies today need to manage their businesses while taking more stakeholders into consideration than before. The Company has many plants in rural areas. I hope that it will further deepen its roots in local communities and continue to contribute to society as a whole in a variety of ways.

Fukui It is a fact that the Company has abundant cash flow, and how to make the most of this is a crucial topic. I think it is important to think carefully about future investment policies from a long-term perspective, focusing on what kind of dreams people have, what kind of fields we should invest in, and how we should invest into such fields to make the dreams of people come true.



We will create a sustainable society and achieve sustainable corporate growth



Shin-Etsu Group's Sustainability

Business Principle

The Group actively conducts in sustainable business practices and creates the value sought by society and industry through the provision of unrivaled key materials technologies.

Basic Sustainability Policy

Key Issues	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 impact
	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
	Respect for and protection of intellectual property	Contribution to industry and social initiatives	Accurate and timely information disclosure and communication with stakeholders

Governance Related to Sustainability

The Shin-Etsu 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 the Basic Sustainability Policy, the Shin-Etsu Group Human Rights Policy, and various internal regulations related to the environment, safety, and similar areas, and are carrying out activities accordingly.

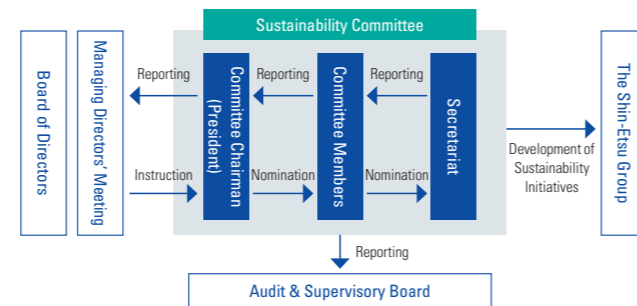
Basic Sustainability Policy

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 in compliance with laws and regulations based on the integrity of the Group's ethical values.

Revised May 2024

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. The Committee deliberates on the establishment and revision of important policies and regulations related to sustainability. The Committee also has subcommittees, including the Climate Change Subcommittee and the Human Rights Due Diligence Subcommittee, which perform specific practical tasks. To ensure that the Committee's sustainability initiatives are appropriately monitored, they are reported to the Board of Directors and to the Managing Directors' Meeting, which is composed of all Directors, Audit & Supervisory Board



Members and corporate officers and deliberates on all aspects of business operations.

The main activities of the Sustainability Committee in the fiscal year ended March 31, 2024 included formulating and announcing plans for achieving carbon neutrality by 2050, revising the Basic Sustainability Policy and the Shin-Etsu Group Human Rights Policy, and promoting diversity.

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	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
Corporate Officer	Shigeyoshi Netsu	In charge of Patents	Respect for and protection of intellectual property

Note: For company-wide corporate governance systems that are not limited to sustainability, please refer to "Corporate Governance."

Identifying Key Issues (Materiality)

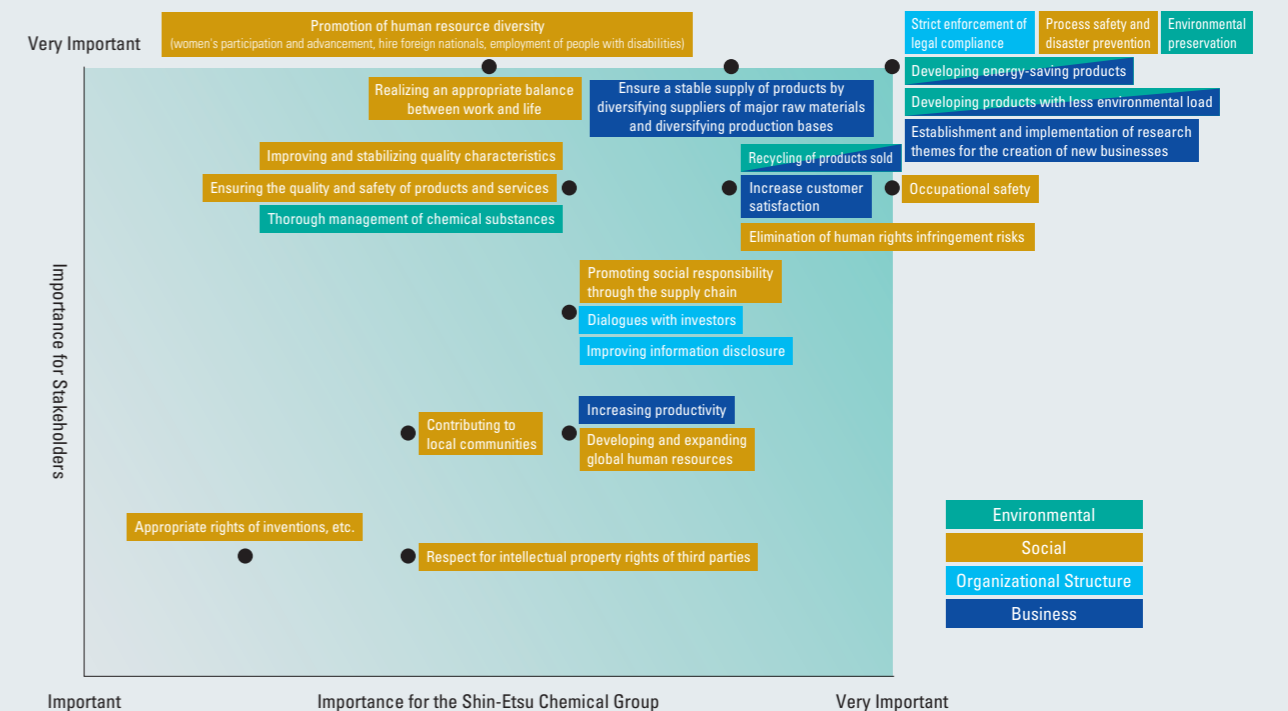
In FY2015, the Sustainability Committee identified "key sustainability issues" that the Shin-Etsu Group needs to focus its efforts on in particular. Subsequently, in December 2018, all of our departments and major domestic Group companies reviewed the key issues and their importance, which were then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

Going forward, the Sustainability Committee will continue to review the key issues and their importance as necessary based on the status of the Group's corporate activities, taking into account changes in the external environment in which the Group operates and trends in sustainability in Japan and overseas.

Materiality Identification Process

- Step 1 Clarify key issues**
 In all of Shin-Etsu Chemical's divisions and major group companies in Japan, key issues were clarified by the following three steps: (1) review and organize key stakeholders and classify them as customers, shareholders and investors, employees, business partners, local communities, etc.; (2) identify key sustainability issues with reference to the central themes of ISO 26000, an international standard that defines corporate social responsibility; and (3) score the importance of each key issue to the Group and to its stakeholders, taking into account the Group's sustainable growth and its impact on society.
- Step 2 Prioritize importance of key issues and organize the issues**
 Based on the key issues and their importance as submitted by the divisions and companies, the Sustainability Committee reorganized them based on two axes: importance to the Group and importance to stakeholders.
- Step 3 Conduct a hearing with Outside Directors**
 We conducted interviews with all Outside Directors regarding the reorganized key issues and their positioning. As a result, we received the following suggestions: (1) Compliance with laws and regulations is related to all issues; (2) All of the key issues listed are equally important to the Group and difficult to rank; and (3) We should also state what our goals are.
- Step 4 Review by the Sustainability Committee and final decision by the Managing Directors' Meeting**
 Based on the suggestions of the Outside Directors, the Sustainability Committee reviewed the issues once again, and the nine key issues were identified following deliberations by the Managing Directors' Meeting, a decision-making body for business execution. In addition, it was decided that all these important issues would be tackled equally, in no particular order.



Strategy, Metrics, and Targets

While key issues facing the global environment and society pose risks that threaten the sustainable growth of the Shin-Etsu Group, our initiatives to address them will create new business opportunities. The Group

therefore strives to identify the risks and opportunities associated with these key issues and seeks to mitigate the risks. Meanwhile, by providing products that contribute to solving social issues, including global

environmental issues, we aim to simultaneously create a sustainable society and achieve sustainable growth for the Group.
The Group has also established metrics and targets

to appropriately address the risks and opportunities it has identified.

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

Key issue	Risks	Opportunities	Corresponding initiatives	KPIs	FY2023 Results	Targets*	Scope
The foundation of all activities: Legal compliance, fair corporate activities	<ul style="list-style-type: none"> Impact of legal violations and improprieties on corporate management. Damage to corporate value due to loss of trust from society. 	<ul style="list-style-type: none"> Ensuring full compliance awareness and fair corporate activities leads to: <ol style="list-style-type: none"> Formation of the foundation of corporate value Elimination of risks Building of customer trust and expansion of business opportunities Hiring and retaining of excellent human resources 	<ul style="list-style-type: none"> Demand thorough compliance awareness among officers and employees through training, etc. Regarding the prevention of bribery, thoroughly enforce a ban on provision of unfair benefits or demands, and establish internal rules at each overseas Group company Cutting ties with anti-social forces Compliance with sound business practices with suppliers and service providers Support for the "Declaration of Partnership Building" 	Number of serious legal or regulatory violations	0	0	Consolidated
Energy-saving, resource-saving, and reduction of the environmental impact	<ul style="list-style-type: none"> Additional costs of stricter regulations related to greenhouse gas emissions Price increases and difficulty in procuring raw materials for the quantity needed Increased water risks, such as water depletion and flooding 	<ul style="list-style-type: none"> The constant challenge of technological innovation leads to the enhancement of "manufacturing ability". Increasing competitiveness by conserving energy and resources, reducing environmental loads, and improving productivity Increasing the demand for products that contribute to the environment Developing technologies that recycle water, thus contributing to business continuity 	<ul style="list-style-type: none"> Promoting the reduction of environmental impact Promoting energy conservation Waste reduction Pollutant countermeasures Response to climate change Resource recycling Water resource conservation and water pollutant elimination Conservation of biodiversity initiatives 	GHG Emissions (Scope1+Scope2)	6,507 thousand ton of CO ₂	0 ton of CO ₂ (FY2050)	Consolidated
				Percentage of product sales that contribute to CN	Approx. 70%	—	Consolidated
				Emissions intensity index of production volume relative to 1990	57.0% (Shin-Etsu Group), 53.4% (Shin-Etsu Chemical)	45% (FY2025)	Shin-Etsu Chemical and its domestic and overseas group companies
				Average annual rate of energy consumption in terms of intensity	Increased by 0.3%	Reduce energy consumption in terms of intensity at an average annual rate of 1%	Consolidated
				Average annual rate of water withdrawal in terms of intensity	Decreased by 177%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
				Average annual rate of BOD emissions in terms of intensity	Increased by 1.6%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
				Water recycle ratio	93.5%	—	Consolidated
				Final waste landfill disposal rate	1.08%	Achieve zero waste emissions Reduce (final landfill waste – to be 1% or less of all waste generated)	Consolidated companies in Japan
				Waste recycling ratio	70%(Japan),80%(Overseas)	—	Japan: Shin-Etsu Chemical and its domestic consolidated companies Overseas: Shin-Etsu Chemical's overseas consolidated companies
				Average annual rate of emissions of air pollutants in terms of intensity	11.1% increased in Soot, 7.1% reduced in SOx	Reduce emissions of air pollutants in terms of intensity at an annual average rate of 1%	Consolidated
Health and safety of employees and contractors	<ul style="list-style-type: none"> Impact of accidents and environmental problems on local communities and employees. Damage to equipment caused by typhoons, earthquakes, or other natural disasters. Impact of an infectious disease outbreak on operations. 	<ul style="list-style-type: none"> Implementing measures to prevent accidents and developing new production processes enable the creation of a safe working environment and the improvement of stable production and higher productivity Hiring and retaining excellent human resources Continuing operations, shutting down operations, and resuming operations safely by designing the plant in anticipation of a natural disaster and taking measures against risks Promoting employee health, achieving a work-life balance, and cultivating a sense of motivation and fulfillment in work 	<ul style="list-style-type: none"> Safety education for employees through disaster prevention drills and workshops Environmental control and safety audits Improvement of the workplace environment and promotion of employees' health 	Number of participants in safety training	87,349	—	Consolidated
				Number of work-related employee fatalities	0	0	Consolidated
				Number of serious accidents	0	0	Consolidated
				Lost-time injuries	3	0	Shin-Etsu Chemical and its domestic consolidated companies
				Lost-time accidents rate	0.15 (Japan), 0.75 (Overseas)	0	Japan: Shin-Etsu Chemical and its domestic consolidated companies Overseas: Shin-Etsu Chemical's overseas consolidated companies
				Lost-time accidents severity rate	0.01 (Japan), 0.03 (Overseas)	0	Shin-Etsu Chemical and its domestic consolidated companies
				Rate of accidents not accompanied by an absence of a day	0.25	0.5 or below	Shin-Etsu Chemical and its domestic consolidated companies
Product quality improvements and product safety control	<ul style="list-style-type: none"> Loss of trust due to product quality issues Direct or indirect impacts on product safety 	<ul style="list-style-type: none"> The track record of continuing to deliver products of the promised quality on time will lead to increased customer trust. Sincere efforts to ensure product safety and accumulation of achievements will lead to the trust of customers and society. 	<ul style="list-style-type: none"> Quality control Quality audits and support Product safety control Promote automation of quality inspections and assurance (reduce personnel involvement) Verification of the statistical validity of inspection variations and standard ranges 	Number of participants in product safety training	82,735	—	Consolidated
				Percentage of suppliers surveyed on sustainability	Approx. 70%	—	Shin-Etsu Chemical and its domestic and overseas consolidated companies.
Promoting CSR procurement and the diversification of supply sources	<ul style="list-style-type: none"> Impact from not being able to procure raw materials, such as discontinuation of manufacture and shipment delay to customers Problems arising in the supply chain 	<ul style="list-style-type: none"> Diversifying suppliers to enable stable procurement, purchasing at optimal prices, and procurement of raw materials through fair transactions Earning the trust of customers and society by thoroughly implementing CSR procurement 	<ul style="list-style-type: none"> Create "Shin-Etsu Group CSR Procurement Guidelines" and revise them as appropriate Ensuring compliance with subcontracting laws by attending seminars and conducting internal audits Implementing initiatives to eliminate the use of conflict minerals Implementing the supplier CSR procurement survey Participation in RSPO "Roundtable on Sustainable Palm Oil" 	Ratio of women at the time of hiring	Administrative positions: 33.3%, engineering positions: 9.9%	Administrative positions: 40%, engineering positions: 10%	Employees and seconded employees of Shin-Etsu Chemical
				Number of women in managerial positions, including junior manager level	3.47 times versus FY2014	4 times versus FY2014	Employees and seconded employees of Shin-Etsu Chemical
Respect for human rights, the development of human resources, and the promotion of diversity	<ul style="list-style-type: none"> Occurrence of human rights infringements in the Group's business activities and supply chain Occurrence of differences and biases in the effectiveness of on-the-job training Negative impact of performance-based evaluation (Putting emphasis on short-term results, bias in evaluation depending on department, performance decline due to external factors, etc.) Increase in turnover rate and decrease in job seekers due to inability to meet needs for diversification of work styles 	<ul style="list-style-type: none"> Improving the market evaluation of companies that promote respect for human rights Active participation of excellent human resources who have cultivated practical skills through on-the-job training Accumulation of knowledge, skills and experience Maintaining and improving organizational vitality brought about by a strong desire to take on challenges to achieve goals Business growth and new business development by hiring, developing, and selecting talented human resources 	<ul style="list-style-type: none"> Promotion of respect for human rights based on the Universal Declaration of Human Rights Implementing human rights due diligence Supporting employee growth through a training system Promote communication between superiors and subordinates Promoting penetration of an evaluation compensation system focused on skill development Creating an environment where people can play an active role regardless of gender or age Enhancement of work-life balance system 	Employment rate of persons with disabilities	2.27	2.30	Shin-Etsu Chemical and its domestic consolidated companies
				Number of child labor cases	0	0	Consolidated
				Number of forced labor cases	0	0	Consolidated
Respect for and protection of intellectual property	<ul style="list-style-type: none"> The adverse effect on product sales due to infringement of our intellectual property Restrictions on our product sales and business due to the patents of other entities Impact of cyber-attacks on production, sales, and R&D activities Loss of trust in the company due to information leakage 	<ul style="list-style-type: none"> Promoting product development and unique manufacturing methods by protecting and utilizing our intellectual property Contributing to the development of industry and the society by publishing inventions Implementing technology innovation and operational reforms by utilizing digital technologies while thoroughly protecting and managing information assets and taking measures against cyber attacks 	<ul style="list-style-type: none"> Intellectual property management Initiatives for information asset management Protection of personal information Initiatives for cyber security 	Patents acquired	1,981	—	Major consolidated manufacturing companies
				Patents held	23,066	—	Major consolidated manufacturing companies
Contribution to industry and social initiatives	<ul style="list-style-type: none"> Loss of trust from local communities due to social contribution activities not meeting local needs Impact on the world development due to the delay in achieving a sustainable world that the SDGs aim to achieve 	<ul style="list-style-type: none"> Creation of employment opportunities, stable employment and tax payment due to business stability Building relationships of trust with the local community through dialogue and continuous activities Contributing to a better world by addressing SDG issues through business operations 	<ul style="list-style-type: none"> Contribution to SDGs goals and targets Fundraising for the U.N. World Refugee Day Support for Science and Technology in Society forum Support for eradicating poverty in Africa Contribution to Society Activities at Overseas Group Company 	Earnings briefings and conference calls for institutional investors and analysts	4 times	—	Shin-Etsu Chemical
				Plant tours for analysts and institutional investors / Business briefing session	1 time	—	Shin-Etsu Chemical
Accurate and timely information disclosure and communication with stakeholders	<ul style="list-style-type: none"> Impairment of corporate value through the non-disclosure and inadequate disclosure of information Loss of trust from stakeholders and the society due to failure to fulfill accountability 	<ul style="list-style-type: none"> Creating a fair market evaluation and improving corporate value Earning the trust of stakeholders and the society 	<ul style="list-style-type: none"> Appropriate and timely disclosure of company information Communication with stakeholders Conference calls with analysts and investors after the announcement of financial results Holding an exhibition 	One-on-one meetings with analysts	About 350 times	—	Shin-Etsu Chemical
				Small meetings for investors hosted by securities companies	5 times	—	Shin-Etsu Chemical

*If there is a date for the target, it is stated. Otherwise, it is a permanent target.

Risk Management

The committee for risk management across the board

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.

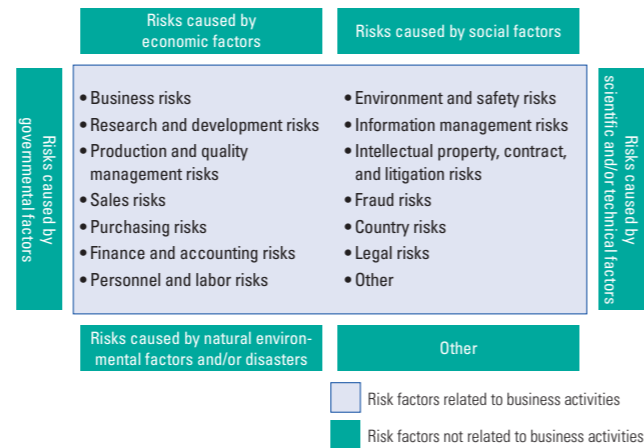
In FY2023, the Risk Management Committee met four times and monthly meetings were held by the secretariat. At the meetings, production risks in the event of infrastructure outages, as well as risks related to information leakage, are discussed and shared within the Committee in order to enhance risk preparedness. In addition, opinions are exchanged within the Committee to formulate priority risk management issues to be addressed in FY2024 onward. With regard to the risks related to climate change, the Committee works with the Climate Change Subcommittee within the Sustainability Committee to ascertain risks through scenario analysis. With regard to human rights risks, the Human Rights Due Diligence Subcommittee

within the Sustainability Committee cooperates with relevant departments to investigate human rights risks, identify priority issues, and establish and maintain mechanisms for responding to human rights consultations and reports.

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 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 FY2024

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 FY2023, in addition to its ongoing work of considering countermeasures against geopolitical risks, cybersecurity risks, infrastructure risks, and other risks, including those of Group companies in Japan and overseas, the Committee worked on securing human resources, taking measures to prevent talent outflow, and ensuring stable procurement of raw materials.

In light of the volatile international situation in FY2024, the Committee will continue its efforts to prevent and strengthen measures against the following risks:

- Strengthening earthquake countermeasures at plants (BCP)
- Stable procurement of raw materials
- Recruitment and retention of employees
- Plant safety measures
- 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.

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. The Group's sustainability activities are also presented under

the categories "Natural Capital," "Human Capital," and "Social and Relationship Capital."

For details of the sustainability initiatives, please consult the "Sustainability" site on our website.

"Sustainability" site
<https://www.shinetsu.co.jp/en/sustainability/>

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 Basic Sustainability Policy. 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 host lectures by outside experts. In July 2023, we invited a specialist lawyer to give a lecture on antitrust and bribery-related laws and regulations (including cartels, unfair trade practices, bribery, etc.), which was attended by a total of 849 employees from Shin-Etsu Chemical and 48 Group companies in Japan and overseas. In addition, from September to November 2023, we conducted a survey of all of 45 Group companies in Japan regarding compliance with antitrust laws and prevention of bribery, and no problematic cases were found.

In addition, we used the company intranet to provide information to Group companies in Japan about the Japanese government's official Price Negotiation Promotion Month* as well as the special distribution designation ("Specific Unfair Trade Practices when Specified Shippers Assign the Transport and Custody of Articles") under Japan's Antimonopoly Act, and we provided our overseas Group companies with information on merger regulations in the United States, the EU, and China. Furthermore, in November 2023, 996 employees of Shin-Etsu Chemical and 27 Group companies in Japan attended the training course (webinar) for promoting appropriate subcontracting transactions conducted by the Fair Trade Commission and the Small and Medium Enterprise Agency.

*Price Negotiation Promotion Month: Since September 2021, the Japanese government has designated September and March of each year as "Price Negotiation Promotion Month" in an effort to create an environment where small and medium-sized enterprises can more easily pass on their rising costs, including for energy, raw materials, and labor. These months are used as an opportunity to conduct PR activities, hold seminars, and request price increases through industry associations with the goal of promoting price negotiations and passing on to prices.

Initiatives of 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. In addition, at the Anti-Corruption Annual Forum 2023, co-hosted by the Anti-Bribery Committee Japan (ABCJ) and the GCNJ in October 2023, we participated as a panelist in the panel discussion on the theme "Current Status and Prospects of Anti-Corruption Practices in Japanese Companies."

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 non-governmental organization working to combat corruption).

Tax Compliance

We believe that it is a corporate social responsibility and a form of contribution for each and every employee of the Group to engage in their day-to-day work in good faith and to properly pay taxes on the profits earned, in accordance with the laws and regulations of the countries and regions where we conduct our business activities. As part of our efforts to this end, we strive to instill and raise awareness of tax compliance and provide education, especially for employees involved in tax affairs, to improve their tax knowledge and practical skills. For important tax issues, we consider the appropriateness of tax treatment while receiving appropriate advice from experts, and strive to file appropriate tax returns based on the laws and regulations of each country. We do not engage in any business activities for the purpose of tax avoidance.

The total corporate income tax paid in FY2023 was 208.9 billion yen for consolidated companies. The breakdown by region is as follows: Japan 110.9 billion yen, the U.S. 78.3 billion yen, Europe 7.4 billion yen, and Asia-Oceania 12.1 billion yen.

Key Issues

Product quality improvements and product safety control

Product quality improvements

The Shin-Etsu Group is focused on the stable supply of high-quality products that meet customer needs, while also striving for zero quality issues. 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 aimed at improving each plant's quality and customer service, 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 2023 quality audit prioritized items (1) to (3) below.

- (1) Efforts to reduce variations in manufacturing processes*: In addition to improving the conventional manufacturing variations, we confirmed the improvement status of quality through the introduction of DX and AI.
- (2) "Examples of countermeasures for quality problems and status of horizontal deployment": We checked whether permanent and logical countermeasures against past quality problems were implemented and continued, and whether they were deployed horizontally to other products.
- (3) "Division audits": The sales, production, and quality assurance departments select quality issues that they consider important for their business or product, and the sales department reports on and confirms the status of quality improvement plans and their implementation.

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

*Six Sigma programs: Quality improvement method developed by Motorola in the 1980s. Focusing on processes with quality variation, it is designed to minimize variations within the processes, thereby reducing the incidence of quality defects. This approach has been adopted across the Group.



The 24th debrief session of the results of Shin-Etsu Six Sigma (February 2024, Shin-Etsu Chemical Head Office)

Product safety control

The Group has established strict chemical substance management 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. For example, in response to the POPs Convention, PFOS and PFOA were designated as specified chemical substances of Class I (prohibited to manufacture and use) under the Chemical Substances Control Law*1. PFOA, which had been used as a product raw material, has already been replaced with an alternative raw material. In addition, although the use of foam extinguishing agents containing PFOS is permitted, we have completed the switch to foam extinguishing agents that do not use PFOS, with some exceptions. In addition, we are investigating the use of substances that are scheduled to be regulated in Japan and overseas, and are taking steps to change them. Furthermore, we are taking measures to comply with the regulations stipulated in the revised Industrial Safety and Health Act to minimize the impact on workers when manufacturing and handling chemical substances.

We conduct environmental and health risk assessments at the development stage to verify 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 offer customers information such as on product hazards and harms in the form of SDS*3 in order to ensure the proper transmission of information to customers and transportation firms. Furthermore, we request customers to handle products safely by complying with laws and regulations, installing abatement equipment, wearing protective equipment and so on through SDS.

*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.

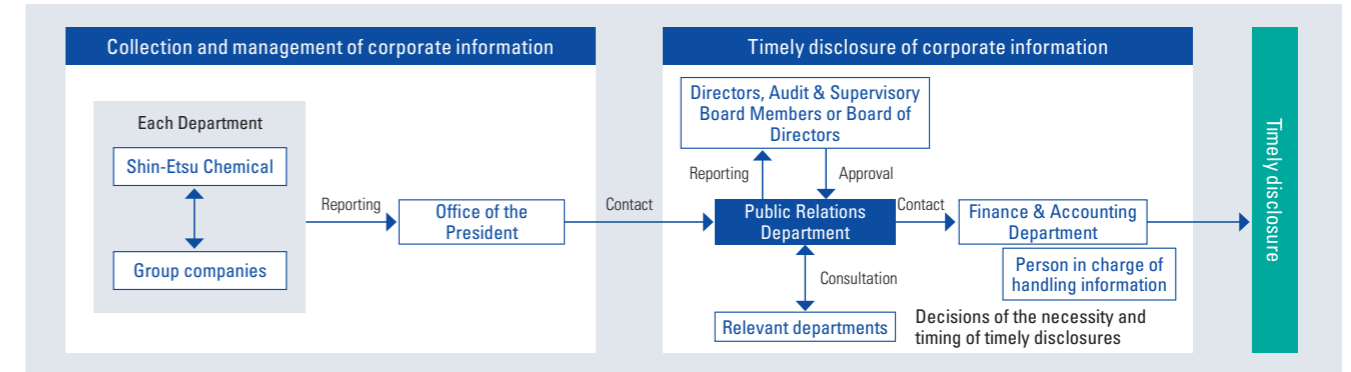
Act and the regulations regarding information disclosure set by the stock exchange. Regarding the collection, management, and timely disclosure of corporate information, the company formulated internal regulations such as the "Regulations on Timely Disclosure of Corporate Information"

and the "Rules on Regulations of Insider Trading." We have announced these regulations to all of the departments in the company and Group companies to promote seamless

and timely disclosure.

In addition to this, we proactively disclose information on our website, through the media, and in our Annual Report.

State of the internal system for timely disclosure



Communication with Stakeholders

Shareholders and Investors

Communication Policy	FY2023 Results
We disclose information on our business performance and management policies and strategies in a timely and appropriate manner and host a wide range of briefings to cultivate a deeper understanding of the Group. In this way, we strive to build a relationship of trust with our shareholders and investors, establish an appropriate market valuation, and improve our corporate value.	<ul style="list-style-type: none"> • General Shareholders' Meeting • Financial results briefings and conference calls for analysts and institutional investors (4 times in 2023) • Plant tours for analysts and institutional investors / Business briefing session (once in 2023) • One-on-one meetings with analysts (about 350 times in 2023) • Small meetings for investors hosted by securities companies (5 times in 2023) • Briefings for individual investors hosted by securities companies (2 times in 2023) • Information provided on the company website, annual report, etc.

Business briefings for securities analysts and investors

A briefing was given to securities analysts and investors in October 2023 on the organic chemicals business. The visitors were given a presentation covering an overview of the plant and its business and research. Participants from Shin-Etsu Chemical included the plant manager, the director of the Specialty Chemicals Research Center, and the general managers of the Cellulose, Fine Chemicals, and Public Relations departments. For the securities analysts and investors who attended the event, it was a good opportunity to gain a deeper understanding of Shin-Etsu Chemical and its high productivity, its advances in automation, and the diverse product foundation supporting its revenue structure, including PVC, semiconductor silicon, and silicones.



Analysts and investors who attended the briefing

Employees

Communication Policy	FY2023 Results
In addition to disseminating information via the company magazine and intranet and conducting employee satisfaction surveys, we place importance on two-way communication between management and employees, such as by having the president visit each location to provide opportunities for the exchange of opinions.	Communication and consultation with labor unions Information provided on the company magazine and intranet Conducting employee satisfaction surveys

President visits five production sites

From September to October 2023, President Saitoh visited five Shin-Etsu Chemical sites: Gunma Complex, Takefu Plant, Kashima Plant, Naoetsu Plant, and Shin-Etsu Handotai's Shirakawa Plant. Due to the COVID-19 pandemic, it was his first visit in four years. The Q&A session with President Saitoh a wide range of topics, including the crisis management skills he learned under the former Chairman Kanagawa, overseas production, and the competitive nature of research and development in the global market. The visit offered a meaningful opportunity for the president and on-site employees to discuss topics such as how to generate profits in the face of rising raw material prices and how to train and promote women to managerial and executive positions.



Meeting between the President and employees (September 2023, Gunma Complex)

Key Issues

Accurate and timely information disclosure and communication with stakeholders

The Group believes that the appropriate and timely disclosure of company information boosts the understanding of stakeholders and leads to the creation of a fair market evaluation.

The company has disclosed financial information in accordance with the Financial Instruments and Exchange

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES for the fiscal years ended March 31, 2015 through 2024

For more detailed information, please see the investor information on our corporate website.

[WEB https://www.shinetsu.co.jp/en/ir/ir-data/](https://www.shinetsu.co.jp/en/ir/ir-data/)

	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	Millions of yen 3/2024	Thousands of U.S. dollars (Note 1) 3/2024
For the year:											
Net sales	¥ 1,255,543	¥ 1,279,807	¥ 1,237,405	¥ 1,441,432	¥ 1,594,036	¥ 1,543,525	¥ 1,496,906	¥ 2,074,428	¥ 2,808,824	¥ 2,414,937	\$ 15,992,964
Cost of sales	940,399	930,019	868,404	963,008	1,039,979	987,782	953,203	1,206,425	1,594,717	1,503,728	9,958,463
Selling, general and administrative expenses	129,814	141,262	130,383	141,601	150,352	149,702	151,489	191,680	215,905	210,171	1,391,862
Operating income	185,329	208,525	238,617	336,822	403,705	406,041	392,213	676,322	998,202	701,038	4,642,637
Ordinary income	198,025	220,005	242,133	340,308	415,311	418,242	405,101	694,434	1,020,211	787,228	5,213,435
Net income attributable to owners of parent	128,606	148,840	175,912	266,235	309,125	314,027	293,732	500,117	708,238	520,140	3,444,639
Capital expenditures	109,903	134,753	145,647	176,283	240,618	265,018	228,801	213,918	318,046	406,886	2,694,609
R&D costs	47,165	53,165	49,020	51,768	56,436	48,536	51,264	62,455	67,201	65,785	435,662
Depreciation and amortization	96,918	100,466	93,087	112,016	137,570	131,172	143,807	168,788	213,632	227,619	1,507,412
At year-end:											
Total assets	¥ 2,452,306	¥ 2,510,085	¥ 2,655,636	¥ 2,903,137	¥ 3,038,717	¥ 3,230,485	¥ 3,380,615	¥ 4,053,412	¥ 4,730,394	¥ 5,147,974	\$ 34,092,546
Working capital (Current assets – Current liabilities)	1,100,999	1,170,679	1,232,607	1,324,495	1,358,614	1,446,724	1,551,662	1,960,216	2,355,713	2,516,113	16,663,003
Common stock	119,419	119,419	119,419	119,419	119,419	119,419	119,419	119,419	119,419	119,419	790,858
Net assets	2,012,711	2,080,465	2,190,082	2,413,025	2,532,556	2,723,141	2,886,625	3,429,208	4,026,209	4,424,073	29,298,498
Interest-bearing debt	14,328	13,470	14,642	15,814	14,920	30,383	34,456	38,957	47,097	41,194	272,810
Per share (Yen and U.S. dollars):											
Net income per share—basic (Note 2)	¥ 60.41	¥ 69.89	¥ 82.57	¥ 124.86	¥ 145.20	¥ 151.03	¥ 141.35	¥ 240.76	¥ 347.84	¥ 259.41	\$ 1.718
Net income per share—fully diluted (Note 2)	60.40	69.88	82.57	124.82	145.18	151.00	141.25	240.55	347.61	259.13	1.716
Cash dividends (Note 2)	20.00	22.00	24.00	28.00	40.00	44.00	50.00	80.00	100.00	100.00	0.662
Payout ratio (%)	33.1	31.5	29.1	22.4	27.5	29.1	35.4	33.2	28.7	38.5	38.5
Net assets (Note 2)	920.56	952.30	1,000.43	1,102.40	1,183.09	1,275.59	1,353.94	1,601.45	1,918.37	2,133.17	14.127
General:											
Operating income to net sales ratio (%)	14.8	16.3	19.3	23.4	25.3	26.3	26.2	32.6	35.5	29.0	29.0
Net income attributable to owners of parent to net sales ratio (%)	10.2	11.6	14.2	18.5	19.4	20.3	19.6	24.1	25.2	21.5	21.5
ROIC (%)	9.9	11.4	14.0	18.2	21.5	19.4	17.2	27.2	33.6	19.4	19.4
ROE (%)	6.9	7.5	8.5	11.9	12.8	12.3	10.7	16.3	19.7	12.8	12.8
ROA (%)	8.5	8.9	9.4	12.2	14.0	13.3	12.3	18.7	23.2	15.9	15.9
Equity ratio (%)	79.9	80.8	80.3	81.0	81.1	82.1	83.2	82.1	81.8	82.7	82.7
PBR (times)	1.7	1.2	1.9	2.0	1.6	1.7	2.7	2.3	2.2	3.1	3.1
PER (times)	26.0	16.7	23.4	17.6	12.8	14.2	26.3	15.6	12.3	25.4	25.4
Number of employees	18,276	18,407	19,206	20,155	21,735	22,783	24,069	24,954	25,717	26,004	26,004
Number of shares issued (Thousands) (Note 2)	432,106	432,106	432,106	432,106	427,606	416,662	416,662	416,662	404,824	2,001,691	2,001,691

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥151 = US\$1, the approximate rate of exchange on March 31, 2024.
2. The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Number of shares issued" before the stock split shows the actual amount of shares, while "Net income per share-basic," "Net income per share-fully diluted" and "Net assets per share" are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2015, based on "Accounting Standard for Earnings Per Share." Also, "Cash dividends per share" represents the amount after the stock split.

Shin-Etsu Group Major Companies

For locations other than those listed below, please see our website.

WEB

<https://www.shinetsu.co.jp/en/company/network/>

Note: The number in parentheses next to each country's name is that country's international telephone country code.

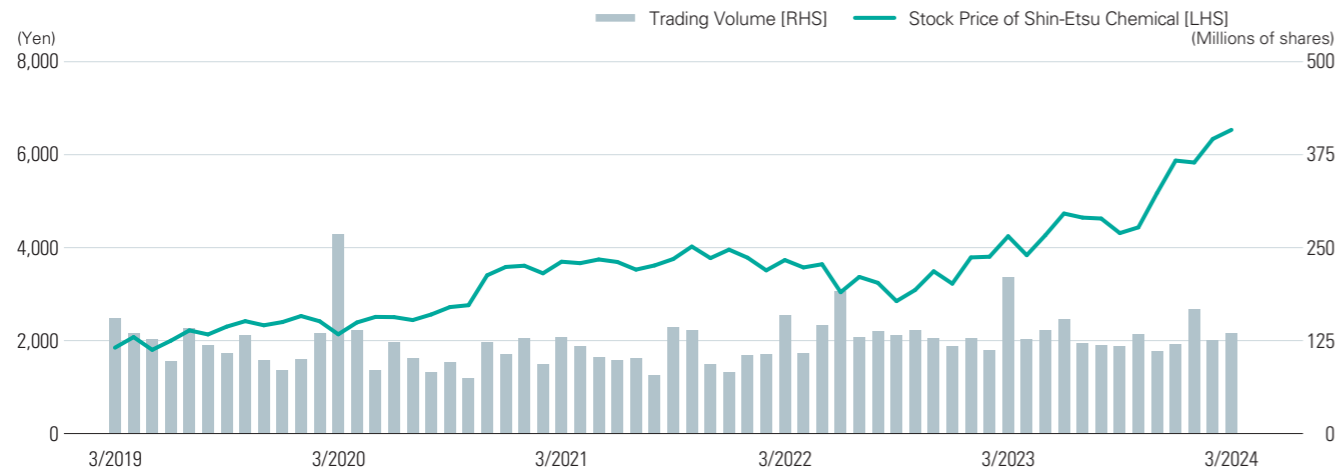
North America				
United States (1)	Shintech Inc.	Production and sales of PVC resin	#3 Greenway Plaza, Suite 1150, Houston, TX 77046, U.S.A.	Tel. 713-965-0713
	Shin-Etsu Handotai America, Inc. (S.E.H. America)	Production and sales of semiconductor silicon wafers	4111 NE 112th Ave., Vancouver, WA 98682-6776, U.S.A.	Tel. 360-883-7000
	Shin-Etsu Silicones of America, Inc.	Production and sales of silicone products	1150 Damar Drive, Akron, OH 44305, U.S.A.	Tel. 330-630-9860
	K-Bin, Inc.	Production and sales of PVC compounds	#3 Greenway Plaza, Suite 1150, Houston, TX 77046, U.S.A.	Tel. 713-965-0713
	Shin-Etsu MicroSi, Inc.	Sales of electronics materials	10028 South 51st St., Phoenix, AZ 85044, U.S.A.	Tel. 480-893-8898
	SE Tylose USA, Inc.	Production and sales of cellulose derivatives	26270 Highway 405 Plaquemine, LA 70764, U.S.A.	Tel. 225-309-0110
	Shin-Etsu Magnetics, Inc.	Sales of rare earths and rare earth magnets	2372 Qume Drive, Suite B, San Jose, CA 95131, U.S.A.	Tel. 408-383-9240
South America				
Brazil (55)	Shin-Etsu do Brasil Representação de Produtos Químicos Ltda.	Sales support of silicone products and cellulose derivatives	Rua Coronel Oscar Porto, 736 - 8 ^o Andar - Sala 84 Paraiso São Paulo - SP Brasil CEP: 04003-003	Tel. 11-3939-0690 (silicones) 11-3939-0692 (cellulose derivatives)
Europe				
The Netherlands (31)	Shin-Etsu Silicones Europe B.V.	Production and sales of silicone products	Bolderweg 32,1332 AV, Almere, The Netherlands	Tel. 36-549-3170
	Shin-Etsu International Europe B.V.	Sales of chemical products, electronics materials and others	World Trade Center Amsterdam, Strawinskylaan B-827 1077 XX, Amsterdam, The Netherlands	Tel. 20-662-1359
	Shin-Etsu PVC B.V.	Production and sales of vinyl chloride monomer and PVC resin	Stationsplein 3, 2nd floor, 1211 EX, Hilversum, The Netherlands	Tel. 35-689-8010
Portugal (351)	CIRES, Lda. (Companhia Industrial de Resinas Sintéticas, LDA.)	Production and sales of PVC resin	Rua da Cires nr.8, 3860-160 Avanca, Estarreja, Portugal	Tel. 234-811-200
United Kingdom (44)	Shin-Etsu Handotai Europe, Ltd. (S.E.H. Europe)	Production and sales of semiconductor silicon wafers	Wilson Road, Toll Roundabout, Eliburn, Livingston, West Lothian EH54 7DA, U.K.	Tel. 1506-41-5555
Germany (49)	SETylose GmbH & Co. KG	Production and sales of cellulose derivatives	Kasteler Strasse 45, 65203 Wiesbaden, Germany	Tel. 611-962-04
	Shin-Etsu Magnetics Europe GmbH	Sales of rare earths and rare earth magnets	Gerbermuehlstrasse 7, 60594 Frankfurt am Main, Germany	Tel. 69-8700-31611
Asia & Oceania				
Malaysia (60)	S.E.H. Malaysia Sdn. Bhd.	Production, processing and sales of semiconductor silicon wafers	Lot No.2, Lorong Enggang 35, Ulu Klang Free Trade Zone, 54200 Selangor Darul Ehsan, Malaysia	Tel. 3-4259-6600
	Shin-Etsu (Malaysia) Sdn. Bhd.	Production and sales of rare earth magnets and VCM	Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5191-2233
	S.E.H. (Shah Alam) Sdn. Bhd.	Production and processing of semiconductor silicon wafers	Lot No.8, Jalan Sementa 27/91, Seksyen 27, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5123-7000
	Shin-Etsu Electronics (Malaysia) Sdn. Bhd.	Production and sales of epoxy molding compounds	Lot 50, Jalan Serendah 26/17, HICOM Industrial Estate, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Tel. 3-5192-1081
	Shin-Etsu Electronics Materials Penang Sdn. Bhd.	Technical support for silicone and epoxy products	Lot P22, Phase 4, Free Industrial Zone, Bayan Lepas, 11900, Penang, Malaysia	Tel. 4-6437008
Australia (61)	Simcoa Operations Pty. Ltd.	Production and sales of silicon metal	973, Marriott Road, Wellesley, WA 6233, Australia	Tel. 897-80-6744
Vietnam (84)	Shin-Etsu Electronics Materials Vietnam Co., Ltd.	Production and sales of materials for LED	Plot No. A-7, Thang Long Industrial Park II Yen My district, Hung Yen province, Viet Nam	Tel. 221-3974-880/881
	Shin-Etsu Magnetic Materials Vietnam Co., Ltd.	Production of rare earths and rare earth magnets	Lot CN5.2D, Petro-chemical Area, Dinh Vu industrial Zone, Dong Hai 2 Ward, Hai An District, Hai Phong, Viet Nam	Tel. 225-325-0518
Philippines (63)	Shin-Etsu Magnetics Philippines, Inc.	Production and sales of rare earth magnets	125 East Main Avenue, Special Export Processing Zone, Laguna, Technopark Binan, Laguna 4024, Philippines	Tel. 49-502-3190
Singapore (65)	Shin-Etsu Singapore Pte. Ltd.	Sales of silicone products	1 Kim Seng Promenade #15-05/06 Great World City East Tower, Singapore 237994	Tel. 6743-7277
	Shin-Etsu Handotai Singapore Pte. Ltd. (S.E.H. Singapore)	Sales of semiconductor silicon wafers	8 Temasek Boulevard, #21-05 Suntec Tower Three, Singapore 038988	Tel. 6293-5160
	Shin-Etsu Electronics Materials Singapore Pte. Ltd.	Sales of rare earth magnets, silicone and epoxy products	1 Maritime Square, #11-20A HarbourFront Centre, Singapore 099253	Tel. 6297-9211

Thailand (66)	Shin-Etsu Silicones (Thailand), Ltd.	Production and sales of silicone products	7th Floor, Unit 7F, Harindhorn Tower, 54 North Sathorn Road, Silom Bangrak, Bangkok 10500, Thailand	Tel. 2-632-2941
	Asia Silicones Monomer Ltd.	Production and sales of silicone monomer	1 Moo 2 Asia Industrial Estate, Tambol Banchang, Amphur Banchang, Rayong 21130, Thailand	Tel. 38-687-050
	Shin-Etsu Magnetics (Thailand), Ltd.	Production of VCM	60/120, 122, 123 Moo19, Tambol Klongnueng, Amphur Klongluang, Pathumthani 12120, Thailand	Tel. 2-520-4293
Japan (81)	Shinano Electric Refining Co., Ltd.	Production and sales of silicon carbide products	Kanda Urban Bldg., 4-2, Kanda-Tsukasamachi 2-chome, Chiyoda-ku, Tokyo 101-0048, Japan	Tel. 03-5298-1601
	Nissin Chemical Industry Co., Ltd.	Production and sales of synthetic resin emulsions and other products	17-33, Kitago 2-chome, Echizen-shi, Fukui 915-0802, Japan	Tel. 0778-22-5100
	Shin-Etsu Polymer Co., Ltd.	Production and sales of synthetic resin products	Ote Center Bldg., 1-3, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Tel. 03-5288-8400
	Shin-Etsu Astech Co., Ltd.	Construction businesses and sales of chemical products and others	Kamakuragashi Bldg., 2-1, Uchikanda 2-chome, Chiyoda-ku, Tokyo 101-0047, Japan	Tel. 03-5298-3211
	Nagano Electronics Industrial Co., Ltd.	Production, processing and sales of semiconductor silicon wafers and other products	1393, Yashiro, Chikuma-shi, Nagano 387-8555, Japan	Tel. 026-261-3100
	Shin-Etsu Handotai Co., Ltd.	Production and sales of semiconductor silicon wafers and compound semiconductors	Shin-Otemachi Bldg., 2-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan	Tel. 03-3243-1500
	Kashima Chlorine & Alkali Co., Ltd.	Electrolysis business (production and sales of caustic soda and chlorine)	Towada 3, Kamisu-shi, Ibaraki 314-0102, Japan	Tel. 0299-96-2311
	Kashima Vinyl Chloride Monomer Co., Ltd.	Production and sales of vinyl chloride monomer	Towada 2, Kamisu-shi, Ibaraki 314-0102, Japan	Tel. 0299-96-3415
	Naoetsu Electronics Co., Ltd.	Production, processing and sales of semiconductor silicon wafers	596-2, Jonokoshi, Kubiki-ku, Joetsu-shi, Niigata 942-0193, Japan	Tel. 025-530-2631
	Naoetsu Precision Co., Ltd.	Production, processing and sales of photomask substrate and other electronics materials	Aza-Gokawari 935-1, Shibukakihama, Ohgata-ku, Joetsu-shi, Niigata 949-3115, Japan	Tel. 025-534-4980
	Shin-Etsu Quartz Products Co., Ltd.	Production and sales of quartz glass products	East Tower, Gate City Ohsaki, 1-11-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032, Japan	Tel. 03-6737-0221
	Shin-Etsu Film Co., Ltd.	Production and sales of films for condensers and other applications	1-5, Kitago 2-chome, Echizen-shi, Fukui 915-0802, Japan	Tel. 0778-23-8066
	Shin-Etsu Engineering Co., Ltd.	Engineering services for plant construction and produce mechatronics systems for the production of flat-panel displays (FPDs) such as LCDs and PDPs	Comfort Yasuda Bldg., 9, Kanda-Nishikicho 2-chome, Chiyoda-ku, Tokyo 101-0054, Japan	Tel. 03-3296-1080
	JAPANVAM & POVAL Co., Ltd.	Production and sales of vinyl acetate monomer and polyvinyl alcohol	11-1, Chikko Shinmachi 3-chome, Nishi-ku, Sakai-shi, Osaka 592-8331, Japan	Tel. 072-245-1131
	Maruki Chemical Ind. Co., Ltd.	Production, processing and sales of synthetic resin sheets and synthetic leather	Naka 403-14, Shiroy-shi, Chiba 270-1406, Japan	Tel. 047-491-9566
Tatsuno Chemical Industries, Inc.	Production, processing and sales of various types of synthetic resin	Asahi-Sumida Bldg. Narihira 1-21-9, Sumida-ku, Tokyo 130-0002, Japan	Tel. 03-5637-2022	
Korea (82)	Shin-Etsu Silicone Korea Co., Ltd.	Production and sales of silicone products	GT Tower 15F, 411, Seocho-daero, Seocho-gu, Seoul 06615, Korea	Tel. 2-590-2500
	Shin-Etsu Advanced Materials Korea Co., Ltd.	Sales of photoresists and photomask blanks products	Keungil Tower 17F, 223, Teheran-ro, Gangnam-gu, Seoul 06142, Korea	Tel. 2-6964-7750
China (86)	Zhejiang Shin-Etsu High-Tech Chemical Co., Ltd.	Production and sales of silicone products	No.66, Lizheng Road, Jiashan Economic Development Zone, Zhejiang Sheng 314116, China	Tel. 573-8475-5071
	Shin-Etsu Silicone (Nantong) Co., Ltd.	Production and sales of silicone products	Tongdalu 85, Economic & Technological Development Area, Nantong City, Jiangsu Province, P.R. China, 226017	Tel. 513-5108-8688
	Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.	Sales of silicone products	29F Junyao International Plaza, No.789, Zhao Jia Bang Road, Shanghai 200032, China	Tel. 21-6443-5550
	Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd. Guangzhou Branch	Sales of silicone products	Room 2409-2410, Tower B, China Shine Plaza, 9 Linhexi-road, Tianhe, Guangzhou, Guangdong, China 510610	Tel. 20-3831-0212
	Shin-Etsu Technology (Suzhou) Co., Ltd.	Sales of rare earth magnets	Block4, No.1 of Qiming Road, Suzhou Industrial Park, Jiangsu 215126, China	Tel. 512-6276-3270
	Shin-Etsu (Changting) Technology Co., Ltd.	Production of alloys for rare earth magnets	Post Code 366300 Main Road of Rare-earth Industrial Park 1 period in Changting, Longyan, Fujian province, China	Tel. 597-6688270
	Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.	Production and sales of preforms for optical fiber	No.8, Runhua Road, Ligang Zhen, Jiangyin, Jiangsu 214444, China	Tel. 510-8609-6060
Taiwan (886)	Shin-Etsu Silicone Taiwan Co., Ltd.	Production and sales of silicone products	Rm. D, 11F, No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 105406, Taiwan, R.O.C.	Tel. 2-2715-0055
	Shin-Etsu Handotai Taiwan Co., Ltd. (S.E.H. Taiwan)	Production, processing and sales of semiconductor silicon wafers	No.12, Industry East Road 9, Hsin-Chu Science Park, Hsin-Chu, 30075, Taiwan, R.O.C.	Tel. 3-577-1188
	Shin-Etsu Opto Electronic Co., Ltd.	Production and sales of compound semiconductors	3F No.10 Dusing Road1, Hsinchu Science Park, Hsinchu, 300096 Taiwan R.O.C	Tel. 3-578-4566
Shin-Etsu Electronics Materials Taiwan Co., Ltd.	Production and sales of photoresists products	No.28, Kejia 6 Rd., Douliu City, Yunlin County 64057, Taiwan R.O.C.	Tel. 5-551-1122	

Note: The Shin-Etsu Group consists of 146 companies as of March 31, 2024.

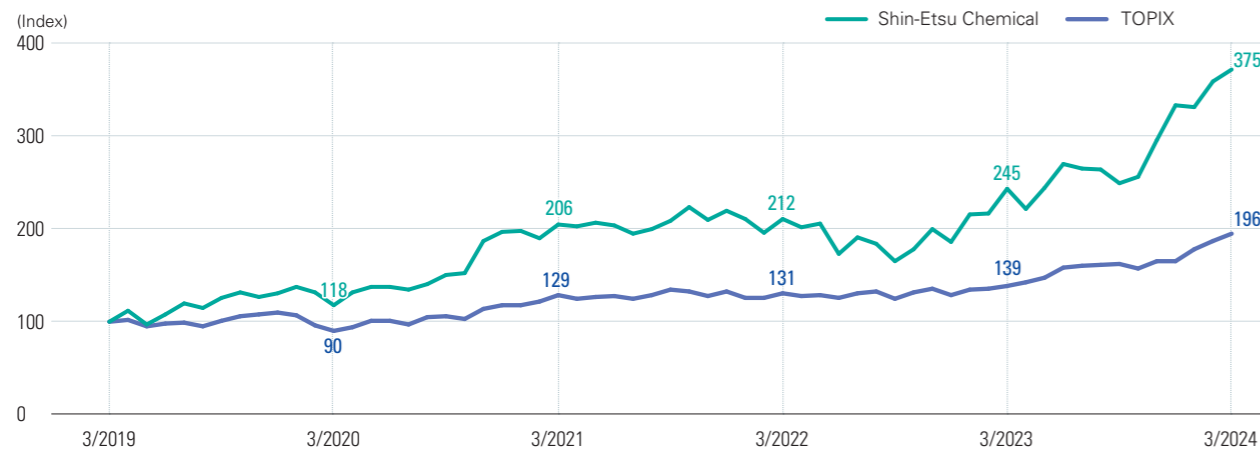
Investor Information

Stock Price Movement over the Past Five Years



Note: On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. The stock price and trading volume after March 31, 2019 have been converted based on the number of shares after the stock split.

Total Shareholder Return over the Past Five Years



Notes: 1. Stock index of Shin-Etsu Chemical and TOPIX (March 31, 2019 = 100)
 2. This index shows the rate of return taking into consideration the dividend as of March 31, 2024, and the stock price when an investment was conducted on March 31, 2019. Investment performance including dividends has been added to the Shin-Etsu Chemical stock price and indexed at 100 as of March 31, 2019. The TSE Stock Price Index (TOPIX), which is a comparative index, also uses indexed data and is indexed in the same way.

Major Shareholders

(As of March 31, 2024) (*Rounded down to the nearest 1,000.)

Name of Shareholder	Number of Shares Held (Thousand shares*)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	368,510	18.5
Custody Bank of Japan, Ltd. (Trust Account)	139,286	7.0
JP MORGAN CHASE BANK 385632	80,348	4.0
Nippon Life Insurance Company	76,765	3.8
The Hachijuni Bank, Ltd.	58,953	3.0
Meiji Yasuda Life Insurance Company	53,439	2.7
SSBTC CLIENT OMNIBUS ACCOUNT	46,170	2.3
GOVERNMENT OF NORWAY	39,758	2.0
STATE STREET BANK WEST CLIENT – TREATY 505234	35,733	1.8
JP MORGAN CHASE BANK 385781	26,483	1.3

Note: The holding ratios are computed net of the treasury shares (5,637,568 shares).

Corporate Information

Corporate Data (As of March 31, 2024)

Company Name	Shin-Etsu Chemical Co., Ltd.	
Head Office	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan	
Date of Establishment	September 16, 1926	
Capital	¥119,419 million	
Number of Employees	26,004 (Consolidated)	
Common Stock (Note)	Number of Shares Authorized	8,000,000,000
	Number of Shares Issued	2,001,691,765
	Share Unit of Exchange	100 stocks
	Number of Stockholders	176,592

Stock Listings	Tokyo, Nagoya (Ticker Code: 4063)
Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Contact	Public Relations Department Phone : +81-3-6812-2340 Fax : +81-3-6812-2341 e-mail : sec-pr@shinetsu.jp

Notes: 1. The total number of issued shares decreased by 22,431,200 shares due to the cancellation of treasury shares implemented as of January 11, 2024.
 2. The total number of issued shares includes 5,637,568 treasury shares.

Third-Party Evaluations

*The inclusion of Shin-Etsu Chemical Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Shin-Etsu Chemical Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.
 *FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
 *FTSE Russell confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.
 *FTSE Russell confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Overall Picture of Communication

	Dialogue	Report	Website
Financial Information	<ul style="list-style-type: none"> Announcement of financial statements General meeting of shareholders Briefings for individual investors For securities analysts and investors 	<ul style="list-style-type: none"> Annual securities report Quarterly report Business report <p>(Annual securities reports are published in Japanese only.)</p> <ul style="list-style-type: none"> Annual report <p>This annual report comprehensively describes our main products, business overview, financial information, etc.</p>	<ul style="list-style-type: none"> IR Information <p>https://www.shinetsu.co.jp/en/ir/</p>
Non-financial Information		<ul style="list-style-type: none"> Sustainability report (PDF version and web version) <p>This report presents Shin-Etsu Group's approach and initiatives regarding sustainability.</p> <ul style="list-style-type: none"> PDF version Web version 	<ul style="list-style-type: none"> Web version <p>https://www.shinetsu.co.jp/en/sustainability/</p>



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