

Shin-Etsu Chemical Co., Ltd.

Annual Report 2024

Financial Section

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2015 through 2024

	Millions of yen			
	2015	2016	2017	2018
For the year:				
Net sales	¥1,255,543	¥1,279,807	¥1,237,405	¥1,441,432
Cost of sales	940,399	930,019	868,404	963,008
Selling, general and administrative expenses	129,814	141,262	130,383	141,601
Operating income	185,329	208,525	238,617	336,822
Ordinary income	198,025	220,005	242,133	340,308
Net income attributable to owners of parent	128,606	148,840	175,912	266,235
Capital expenditures	109,903	134,753	145,647	176,283
R&D costs	47,165	53,165	49,020	51,768
Depreciation and amortization	96,918	100,466	93,087	112,016
At year-end:				
Total assets	¥2,452,306	¥2,510,085	¥2,655,636	¥2,903,137
Working capital (Current assets - Current liabilities)	1,100,999	1,170,679	1,232,607	1,324,495
Common stock	119,419	119,419	119,419	119,419
Net assets	2,012,711	2,080,465	2,190,082	2,413,025
Interest-bearing debt	14,328	13,470	14,642	15,814
Per share (Yen and U.S. dollars):				
Net income per share—basic (Note 2)	¥60.41	¥69.89	¥82.57	¥124.86
Net income per share—fully diluted (Note 2)	60.40	69.88	82.57	124.82
Cash dividends (Note 2)	20.00	22.00	24.00	28.00
Payout ratio (%)	33.1	31.5	29.1	22.4
Net assets (Note 2)	920.56	952.30	1,000.43	1,102.40
General:				
Operating income to net sales ratio (%)	14.8	16.3	19.3	23.4
Net income attributable to owners of parent to net sales ratio (%)	10.2	11.6	14.2	18.5
ROIC (%)	9.9	11.4	14.0	18.2
ROE (%)	6.9	7.5	8.5	11.9
ROA (%)	8.5	8.9	9.4	12.2
Equity ratio (%)	79.9	80.8	80.3	81.0
PBR (times)	1.7	1.2	1.9	2.0
PER (times)	26.0	16.7	23.4	17.6
Number of employees	18,276	18,407	19,206	20,155
Number of shares issued (Thousands) (Note 2)	432,106	432,106	432,106	432,106

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.

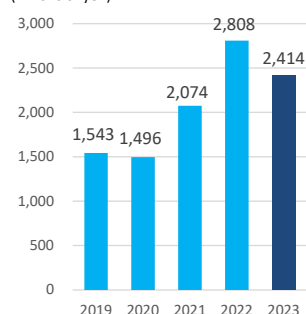
2. The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Number of shares issued" before the stock split shows the actual amount of shares, while "Net income per share-basic", "Net income per share-fully diluted" and "Net assets per share" are calculated 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.

Millions of yen						Thousands of U.S. dollars (Note 1)
2019	2020	2021	2022	2023	2024	2024
¥1,594,036	¥1,543,525	¥1,496,906	¥2,074,428	¥2,808,824	¥2,414,937	\$15,992,964
1,039,979	987,782	953,203	1,206,425	1,594,717	1,503,728	9,958,463
150,352	149,702	151,489	191,680	215,905	210,171	1,391,862
403,705	406,041	392,213	676,322	998,202	701,038	4,642,637
415,311	418,242	405,101	694,434	1,020,211	787,228	5,213,435
309,125	314,027	293,732	500,117	708,238	520,140	3,444,639
240,618	265,018	228,801	213,918	318,046	406,886	2,694,609
56,436	48,536	51,264	62,455	67,201	65,785	435,662
137,570	131,172	143,807	168,788	213,632	227,619	1,507,412
¥3,038,717	¥3,230,485	¥3,380,615	¥4,053,412	¥4,730,394	¥5,147,974	\$34,092,546
1,358,614	1,446,724	1,551,662	1,960,216	2,355,713	2,516,113	16,663,003
119,419	119,419	119,419	119,419	119,419	119,419	790,858
2,532,556	2,723,141	2,886,625	3,429,208	4,026,209	4,424,073	29,298,498
14,920	30,383	34,456	38,957	47,097	41,194	272,810
¥145.20	¥151.03	¥141.35	¥240.76	¥347.84	¥259.41	\$1.718
145.18	151.00	141.25	240.55	347.61	259.13	1.716
40.00	44.00	50.00	80.00	100.00	100.00	0.662
27.5	29.1	35.4	33.2	28.7	38.5	38.5
1,183.09	1,275.59	1,353.94	1,601.45	1,918.37	2,133.17	14.127
25.3	26.3	26.2	32.6	35.5	29.0	29.0
19.4	20.3	19.6	24.1	25.2	21.5	21.5
21.5	19.4	17.2	27.2	33.6	19.4	19.4
12.8	12.3	10.7	16.3	19.7	12.8	12.8
14.0	13.3	12.3	18.7	23.2	15.9	15.9
81.1	82.1	83.2	82.1	81.8	82.7	82.7
1.6	1.7	2.7	2.3	2.2	3.1	3.1
12.8	14.2	26.3	15.6	12.3	25.4	25.4
21,735	22,783	24,069	24,954	25,717	26,004	26,004
427,606	416,662	416,662	416,662	404,824	2,001,691	2,001,691

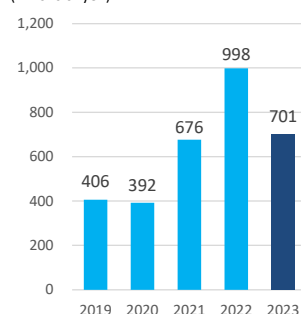
Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

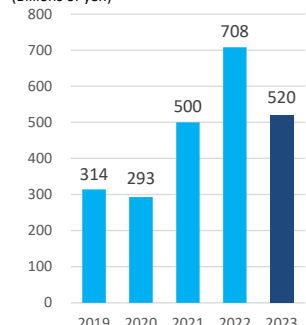
Net Sales
(Billions of yen)



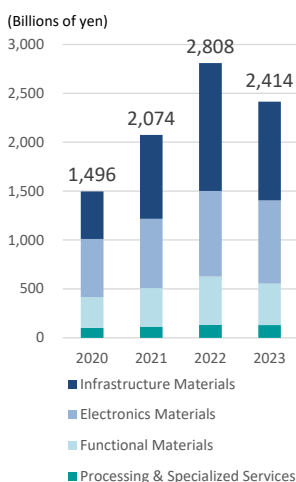
Operating Income
(Billions of yen)



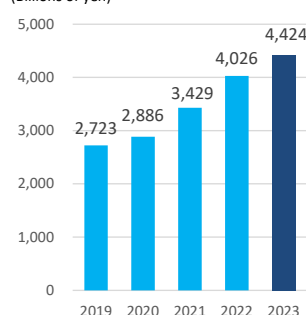
Net Income Attributable to Owners of Parent
(Billions of yen)



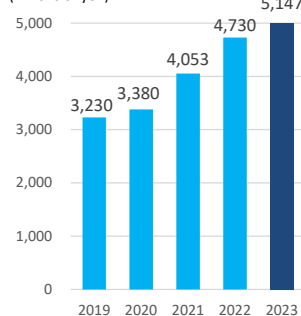
Net Sales by Business Segment



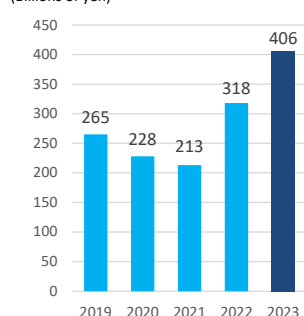
Total Net Assets
(Billions of yen)



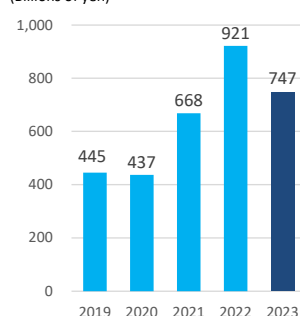
Total Assets
(Billions of yen)



Capital Expenditures
(Billions of yen)



Net Cash Flow*
(Billions of yen)



* Net cash flow =
Net income attributable to owners of
parent + Depreciation and amortization

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") comprises Shin-Etsu Chemical Co., Ltd. (the "Company"), 134 subsidiaries, and 11 affiliates (as of March 31, 2024). The Group has four reportable business segments. The Infrastructure Materials business is engaged in the manufacture and sales of mainly PVC and caustic soda. The Electronics Materials business manufactures and sells semiconductor silicon, rare earth magnets, photoresists, photomask blanks, and synthetic quartz products. The Functional Materials business manufactures and sells silicones, cellulose derivatives, and silicon metals. And the Processing & Specialized Services business undertakes Shin-Etsu Polymer Group business operations and also provides engineering and various other services. The Company and its affiliates share manufacturing and sales responsibilities and cooperate with each other to carry out business activities.

Consolidated Operating Performance

During FY2023 (April 1, 2023, to March 31, 2024), while the "probability of a soft landing" became a hot topic in the United States, the Chinese economy entered the phase of major adjustment. In a situation where geopolitical risks are added to the Chinese economic slowdown and the resulting oversupply, the economies of Japan and the Eurozone shifted in contrast with each other, and several emerging countries sustained their growth. There was a difference between strong and weak performances in individual industries. In such a situation, we maintained close communication with our customers, continued to provide a reliable supply of products with required quality, and conducted sales with agility. On the other hand, to ensure financial soundness, we recorded losses based on market fluctuations. We will continue working to improve our operating performance. To that end, we will accelerate the development of products that are valuable to our customers and continue capital investments with a medium- to long-term perspective in order to meet the needs and demands of customers and markets in a timely manner.

As a result, net sales in FY2023 decreased 14.0% (¥393,887 million) year on year to ¥2,414,937 million. Operating income was ¥701,038 million, down 29.8% (¥297,164 million). Ordinary income decreased 22.8% (¥232,983 million) to ¥787,228 million. Net income attributable to owners of the parent was ¥520,140 million, a decrease of 26.6% (¥188,098 million).

Business Segment Overview

Infrastructure Materials

As for PVC, the export pressures from Chinese manufacturers continued, but we strove to maintain the price level. The caustic soda market was in a similar situation.

Consequently, segment sales decreased 22.8% (¥297,824 million) year on year to ¥1,010,275 million. Segment operating income was ¥321,961 million, down 40.5% (¥219,383 million).

Electronics Materials

In the semiconductor market, the adjustment phase since the autumn of the year before last continued during the period under review, but there were also signs that the market had bottomed out. Under these circumstances, we focused on shipping semiconductor materials such as silicon wafer, photoresist and photomask blanks as planned. As for rare earth magnets, adjustment also continued in industrial application, but we focused on expanding sales to automotive and other markets.

Consequently, segment sales decreased to ¥850,442 million, down 2.9% (¥25,204 million) year on year. Segment operating income amounted to ¥272,165 million, down 9.7% (¥29,235 million).

Functional Materials

In the commodity product group, the inventory adjustment and the slowdown in the market caused by the slump in the Chinese economy continued and their impact intensified in the second half of the fiscal year. In response, we strove to make up for it by increasing the sales of highly functional product groups.

Segment sales consequently decreased to ¥425,250 million, down 13.8% (¥68,136 million) year on year. Segment operating income was ¥85,004 million, down 34.9% (¥45,604 million).

Processing & Specialized Services

The demand for semiconductor wafer-related containers continued to be adjusted particularly for in-process products, and the sales of input devices for automobiles remained strong as the automobiles industry recovered. The sales of PVC wrapping films have increased for the food service and lodging industry against the background of the increase in inbound tourist demand.

As a result, segment sales decreased to ¥128,969 million, down 2.1% (¥2,722 million) year on year. Segment operating income amounted to ¥24,156 million, down 8.4% (¥2,209 million).

Analysis of Financial Position

At the end of FY 2023 (March 31, 2024), total assets increased by ¥417,580 million compared with that at the end of the previous fiscal year to ¥5,147,974 million. It was mainly due to increases in overseas consolidated subsidiary assets because of yen depreciation, and property, plant and equipment.

Total liabilities increased by ¥19,716 million from that at the end of the previous fiscal year to ¥723,901 million.

Total net assets increased by ¥397,864 million compared with that at the end of the previous fiscal year to ¥4,424,073 million. This increase was mainly due to net income attributable to owners of parent of ¥520,140 million for FY 2023, ¥168,583 million for foreign currency translation adjustments due to yen depreciation, offset by ¥211,242 million for a cash dividend payment and ¥107,742 million for purchases of treasury stock.

As a result, the equity ratio came to 82.7%, up 0.9 percentage points from 81.8%, and net assets per share increased by ¥214.80 from the previous fiscal year, to ¥2,133.17.

Return on invested capital (ROIC) was 19.4%, down 14.2 percentage points from 33.6%, and return on equity (ROE) was 12.8%, down 6.9 percentage points from 19.7%. The full-year dividend per share was ¥100 per share, the same amount as the previous fiscal year.

Cash Flows

The balance of cash and cash equivalents (net cash) at the end of FY2023 decreased by 52.7% (¥657,209 million) compared with the end of the previous fiscal year to ¥590,135 million.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥755,183 million, a decrease of ¥32,830 million from the previous fiscal year. This consisted mainly of ¥795,673 million in income before income taxes and non-controlling interests, ¥227,619 million in depreciation and amortization, and ¥208,939 million for the payment of income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities increased by ¥912,720 million from the previous fiscal year to ¥1,099,208 million. This was mainly due to ¥781,343 million for net increase in time deposits and ¥374,417 million for purchases of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities decreased by ¥54,093 million from the previous fiscal year to ¥369,466 million. This was mainly due to a cash dividend payment of ¥211,242 million and ¥107,742 million for purchases of treasury stock.

As of March 31, 2024, cash, deposits, and available-for-sale securities (current assets), including negotiable deposits, totaled ¥1,719,710 million (including instruments with periods longer than three months), ensuring sufficient liquidity. In addition, the Company maintains stable cash flows through its operating activities. As a result, our own funds will satisfy working capital and capital expenditure requirements for the foreseeable future.

Capital Expenditures

In the fiscal year under review, capital expenditures totaled ¥406,886 million across the Infrastructure Materials, Electronics Materials, Functional Materials, and Processing & Specialized Services business segments.

Capital expenditures in the Infrastructure Materials business came to ¥128,438 million. The main expenditure was a new integrated PVC production facility at Shintech, Inc. In the Electronics Materials business, capital expenditures totaled ¥211,342 million. The main capital expenditures included measures taken in response to increasingly higher semiconductor silicon wafer quality requirements and the reinforcement of facilities at Shin-Etsu Handotai Co., Ltd., and the enhancement of the Company's rare earth magnets manufacturing equipment.

In the Functional Materials business, capital expenditures amounted to ¥52,539 million. Major expenditures went toward the enhancement and streamlining of silicone product manufacturing facilities.

Capital expenditures in the Processing & Specialized Services business amounted to ¥18,223 million.

The Company and its consolidated subsidiaries primarily met these capital expenditure requirements through the use of internal funds.

Basic Policy Concerning Profit-Sharing

From a long-term perspective, we are focusing on expanding profitability and maintaining a solid financial base, with the basic policy of returning the fruits of such management efforts to our shareholders in a proper and stable manner. We strive to increase our corporate value by the aggressive and timely use of internal reserves for enhanced global competitiveness, further business development and further growth. Further, we will maintain our solid financial base to enable us to face the increasing frequency and amplitude of economic fluctuations that may occur. Based on this policy, we approach our capital policy with careful attention to the Return on Equity and the Cost of Capital. Shareholder returns are at the core of this. While considering various circumstances, we have aimed for stable dividends at a dividend payout ratio of around 35% in the medium-to-long-term. The dividend payout ratio for the past 10 years was

31%. We will continue to take various factors into consideration as we work to raise our dividend payout ratio to 40% over the medium to long term. Also, we will determine the need for purchase of treasury stocks.

Accordingly, the year-end dividend for the fiscal year ended March 31, 2024 was ¥50 per share, the same amount as the interim dividend of ¥50 per share. As a result, the annual dividend was ¥100 per share (Equivalent to ¥500 before the stock split), the same amount as the previous fiscal year.

Business Risks

Described below are risks that management has identified as significant. These risks are associated with Shin-Etsu Chemical's consolidated financial position, operating performance, and cash flows.

The Shin-Etsu Group (the Company, its consolidated subsidiaries, and its equity-method affiliates) strives to mitigate these risks through prevention, diversification, and hedging. However, these risks may significantly affect the Group's performance in the case of unexpected circumstances. The items below have been included based on judgments made by the Group at the end of FY2023 (March 31, 2024) and do not encompass all risks related to the Group.

1) Influence of Economic Trends and Product Markets

Changes in the economic situation of countries or regions where the key markets for the Group's products exist may have a significant impact on the results of the Group's business operations. In addition, among the Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. The Group is hedging its risks by taking such strategies as diversifying and globalizing its businesses.

However, a downturn in demand for certain products or intensified price competition could have a significant impact on the Group's business results.

2) Influence of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 78% of the Group's consolidated net sales in FY2023, and this ratio is expected to remain at a high level going forward. The Japanese yen equivalent amounts of items in the financial statements of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates.

A large movement in these rates could have a significant impact on the business results of the entire Group. In addition, although we use forward exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, we are unable to completely hedge against the risks of fluctuations in foreign exchange rates, thus the potential impact might be similar.

3) Influence of Natural Disasters and Disastrous Accidents, Impact of Infection

To minimize the potential damage that could result from an interruption of production activities, the Group performs regular disaster prevention inspections and carries out facility maintenance activities at its production facilities. It also makes facility investments to enhance safety, while establishing multiple manufacturing bases. However, in the case where a natural disaster, accident, or other unforeseen event damages production facilities or other areas, or where supply chains are interrupted, there is a possibility that the Group's business results will be significantly affected.

In addition, the Group has implemented thoroughgoing health and safety measures at its business sites. However, if the spread of infectious diseases or other outbreaks occur in the future, or if countries decide to limit business activities in response to such outbreaks, causing a significant decrease in demand for the Group's products or damage to its supply chain, including business sites, there is a possibility that the Group's business results will be significantly affected.

4) Influence of Public Regulations and Laws

In countries and regions where the Group conducts business, we are bound by approval processes and licensing requirements involving investment and import/export regulations, as well as by various laws concerning commercial transactions, labor, patents, taxes, foreign exchange, and other matters. Any changes in these regulations and laws could have a significant impact on the Group's business results.

5) Influence of Supply Factors on Procurement of Materials

The Group uses various raw materials in its production activities and strives to ensure a stable supply of these materials by diversifying its supply sources. However, in the case where there is a tight supply of materials or a delay in procuring these materials, where trade policies in supplier countries are changed, or where prices are increased because of these events, there is a possibility that the Group's business results will be significantly affected.

6) Influence of the Development of New Products and Technologies

Technological advancements in the electronics industry, an important market for some of the Group's products, are progressing at a rapid pace. We are constantly working on developing the most advanced cutting-edge materials to meet the needs associated with this technological innovation. However, if the Group is unable to take appropriate measures in response to changes in industries and/or markets despite its constant efforts, there could be a significant impact on the Group's business results. Similarly, with respect to the products for industries other than those mentioned above, the Group could be affected by the emergence of highly competitive alternative products.

7) Influence of Environmental Issues

The Group handles various types of chemical substances and complies with various laws and regulations concerning the environment. In addition, the Group has been making efforts to conserve energy use in order to help combat global warming and for the purpose of eliminating or significantly reducing emissions of substances that are harmful to the environment by improving efficiency. However, if regulations concerning the environment become stricter than currently anticipated, making it more difficult for the Group to technologically respond and requiring large-scale capital expenditures and other investments as a result, there could be a significant impact on the Group's business results.

8) Influence of Product Liability

The Group makes every effort to maintain the optimum quality of its products in accordance with the characteristics of each product. However, in cases where a quality-related problem occurs due to unforeseen circumstances, there is a possibility that the Group's business results could be significantly affected.

Consolidated Balance Sheet

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2024	2024
ASSETS			
Current Assets:			
Cash and time deposits (Note 24)	¥1,449,617	¥1,698,999	\$11,251,655
Notes, accounts receivable-trade and contract assets (Notes 4 and 5)	472,557	481,812	3,190,808
Securities (Notes 7 and 24)	151,031	20,710	137,157
Merchandise and finished goods	305,303	295,388	1,956,215
Work in process	21,381	23,286	154,216
Raw materials and supplies	361,793	401,971	2,662,061
Other	107,535	121,389	803,902
Less: Allowance for doubtful accounts	(5,695)	(7,049)	(46,682)
Total current assets	2,863,524	3,036,509	20,109,333
Fixed Assets:			
Property, Plant and Equipment (Note 10)			
Buildings and structures, net	282,756	290,086	1,921,102
Machinery and equipment, net	877,848	860,903	5,701,350
Land	103,350	108,611	719,280
Construction in progress	224,247	454,975	3,013,082
Other, net	29,986	32,000	211,923
Total property, plant and equipment	1,518,190	1,746,577	11,566,738
Intangible Assets	10,351	10,195	67,517
Investments and Other Assets:			
Investments in securities (Notes 7 and 9)	171,110	183,758	1,216,946
Net defined benefit asset (Note 12)	3,942	4,991	33,055
Deferred tax assets (Note 22)	75,028	71,284	472,085
Other (Note 9)	94,299	100,786	667,460
Less: Allowance for doubtful accounts	(6,051)	(6,129)	(40,592)
Total investments and other assets	338,328	354,692	2,348,956
Total fixed assets	1,866,870	2,111,465	13,983,212
Total Assets	¥4,730,394	¥5,147,974	\$34,092,546

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2024	2024
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade (Note 4)	¥185,006	¥161,364	\$1,068,636
Short-term borrowings (Note 11)	10,998	10,386	68,784
Accounts payable-other	92,187	115,148	762,571
Accrued expenses	85,567	88,680	587,288
Accrued income taxes	65,459	73,140	484,371
Accrued bonuses for employees	4,496	5,002	33,132
Accrued bonuses for directors	445	361	2,391
Other (Note 4)	63,648	66,312	439,154
Total current liabilities	507,810	520,395	3,446,330
Long-Term Liabilities:			
Long-term debt (Note 11)	18,812	13,913	92,142
Deferred tax liabilities (Note 22)	112,246	129,262	856,043
Net defined benefit liability (Note 12)	36,933	32,571	215,708
Other	28,381	27,757	183,822
Total long-term liabilities	196,375	203,505	1,347,717
Total Liabilities	704,185	723,901	4,794,047
NET ASSETS			
Stockholders' Equity:			
Common stock:	119,419	119,419	790,858
Authorized: 8,000,000,000 shares			
Issued: 2,024,122,965 shares and 2,001,691,765 shares as of March 31, 2023 and 2024, respectively			
Additional paid-in capital	128,320	127,894	846,984
Retained earnings (Note 13)	3,310,205	3,520,355	23,313,612
Less: Treasury stock, at cost	(22,891)	(24,292)	(160,876)
6,576,200 shares and 5,637,568 shares as of March 31, 2023 and 2024, respectively			
Total stockholders' equity	3,535,053	3,743,377	24,790,578
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	31,511	40,518	268,332
Deferred gains (losses) on hedges	(410)	(2,919)	(19,333)
Foreign currency translation adjustments	297,855	466,438	3,088,996
Remeasurements of defined benefit plans	6,385	10,507	69,588
Total accumulated other comprehensive income	335,341	514,545	3,407,584
Share Subscription Rights (Note 14)	3,814	4,841	32,064
Non-controlling Interests in Consolidated Subsidiaries	151,999	161,308	1,068,270
Total net assets	4,026,209	4,424,073	29,298,498
Total Liabilities and Net Assets	¥4,730,394	¥5,147,974	\$34,092,546

Note: The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023.

The number of "Issued shares" and "Treasury stock" for the fiscal year ended March 31, 2023 represent the number after the stock split.

Consolidated Statement of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2024	2024
Net Sales (Notes 16, 25 and 26)	¥2,808,824	¥2,414,937	\$15,992,964
Cost of Sales (Notes 12 and 18)	1,594,717	1,503,728	9,958,463
Gross profit	1,214,107	911,209	6,034,500
Selling, General and Administrative Expenses (Notes 12, 17 and 18)	215,905	210,171	1,391,862
Operating income (Note 26)	998,202	701,038	4,642,637
Other Income (Expenses):			
Interest income	16,575	67,959	450,060
Foreign exchange gain (loss)	(3,195)	13,648	90,385
Interest expenses	(1,490)	(1,501)	(9,944)
Loss on retirement of non-current assets	(4,910)	(2,226)	(14,746)
Other, net (Note 29)	15,030	8,311	55,043
Ordinary income	1,020,211	787,228	5,213,435
Extraordinary Income (Losses):			
Gain on sale of investment securities	-	19,178	127,008
Insurance claim income (Note 19)	-	4,424	29,299
Business restructuring expenses (Note 20)	-	(15,157)	(100,379)
Income before income taxes and non-controlling interests	1,020,211	795,673	5,269,363
Income Taxes (Note 22):			
Current	240,459	215,618	1,427,936
Deferred	16,131	14,894	98,640
Total Income Taxes	256,590	230,513	1,526,576
Net Income	763,620	565,160	3,742,787
Net Income Attributable to Non-Controlling Interests	(55,382)	(45,020)	(298,147)
Net Income Attributable to Owners of Parent	¥708,238	¥520,140	\$3,444,639
	Yen		U.S. dollars (Note 3)
Earnings per Share :			
Net income attributable to owners of parent—basic	¥347.84	¥259.41	\$1.718
Net income attributable to owners of parent—fully diluted	347.61	259.13	\$1.716
Cash dividends	100.00	100.00	\$0.662
Weighted-Average Number of Shares Outstanding (Thousands)	2,036,096	2,005,085	2,005,085

The accompanying notes are an integral part of the consolidated financial statements.

Notes: 1. The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. Based on “Accounting Standard for Earnings Per Share”, “Net income attributable to owners of parent per share-basic” and “Net income attributable to owners of parent per share-fully diluted” for the fiscal year ended March 31, 2023 represent the amount after the stock split.
2. “Cash dividends per share” for the fiscal year ended March 31, 2023 represents the amount reflecting the stock split.

Consolidated Statement of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2024	2024
Net Income	¥763,620	¥565,160	\$3,742,787
Other Comprehensive Income (Note 23):			
Unrealized gains (losses) on available-for-sale securities	4,659	9,064	60,026
Deferred gains (losses) on hedges	2,120	(2,495)	(16,523)
Foreign currency translation adjustments	225,081	170,429	1,128,671
Remeasurements of defined benefit plans	5,325	4,143	27,442
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	176	501	3,319
Total other comprehensive income (loss)	237,363	181,643	1,202,936
Comprehensive Income	¥1,000,984	¥746,804	\$4,945,723
(Breakdown)			
Comprehensive income attributable to owners of parent	¥942,849	¥699,344	\$4,631,420
Comprehensive income attributable to non-controlling interests	58,134	47,459	314,303

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

	Thousands	Millions of yen				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2022	416,662	¥119,419	¥129,090	¥2,993,026	¥(15,702)	¥3,225,834
Cash dividends				(195,365)		(195,365)
Net income attributable to owners of parent				708,238		708,238
Purchase of treasury stock					(206,788)	(206,788)
Disposal of treasury stock			(935)		4,101	3,165
Retirement of treasury stock	(11,838)		(195,497)		195,497	-
Transfer to additional paid-in capital from retained earnings			195,694	(195,694)		-
Others			(31)			(31)
Net changes of items other than stockholders' equity						
Balance at March 31, 2023	404,824	¥119,419	¥128,320	¥3,310,205	¥(22,891)	¥3,535,053

	Millions of yen							
	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2022	¥26,841	¥(2,535)	¥75,374	¥1,049	¥100,729	¥2,733	¥99,910	¥3,429,208
Cash dividends								(195,365)
Net income attributable to owners of parent								708,238
Purchase of treasury stock								(206,788)
Disposal of treasury stock								3,165
Retirement of treasury stock								-
Transfer to additional paid-in capital from retained earnings								-
Others								(31)
Net changes of items other than stockholders' equity	4,670	2,125	222,480	5,335	234,611	1,080	52,089	287,782
Balance at March 31, 2023	¥31,511	¥(410)	¥297,855	¥6,385	¥335,341	¥3,814	¥151,999	¥4,026,209

Note: Although the Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023, "Number of shares of common stock" before the split is shown.

"Number of shares of common stock" after the split on March 31, 2023 is 2,024,122 thousand shares.

	Thousands	Millions of yen				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2023	2,024,122	¥119,419	¥128,320	¥3,310,205	¥(22,891)	¥3,535,053
Cash dividends				(211,242)		(211,242)
Net income attributable to owners of parent				520,140		520,140
Purchase of treasury stock					(107,742)	(107,742)
Disposal of treasury stock			(2,096)		9,690	7,593
Retirement of treasury stock	(22,431)		(96,651)		96,651	-
Transfer to additional paid-in capital from retained earnings			98,748	(98,748)		-
Others			(425)			(425)
Net changes of items other than stockholders' equity						
Balance at March 31, 2024	2,001,691	¥119,419	¥127,894	¥3,520,355	¥(24,292)	¥3,743,377

	Millions of yen							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2023	¥31,511	¥(410)	¥297,855	¥6,385	¥335,341	¥3,814	¥151,999	¥4,026,209
Cash dividends								(211,242)
Net income attributable to owners of parent								520,140
Purchase of treasury stock								(107,742)
Disposal of treasury stock								7,593
Retirement of treasury stock								-
Transfer to additional paid-in capital from retained earnings								-
Others								(425)
Net changes of items other than stockholders' equity	9,006	(2,508)	168,583	4,122	179,203	1,027	9,308	189,540
Balance at March 31, 2024	¥40,518	¥(2,919)	¥466,438	¥10,507	¥514,545	¥4,841	¥161,308	¥4,424,073

	Thousands	Thousands of U.S. dollars (Note 3)				
	Number of shares of common stock	Stockholders' Equity				
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2023	2,024,122	\$790,858	\$849,803	\$21,921,888	\$(151,602)	\$23,410,948
Cash dividends				(1,398,953)		(1,398,953)
Net income attributable to owners of parent				3,444,639		3,444,639
Purchase of treasury stock					(713,525)	(713,525)
Disposal of treasury stock			(13,884)		64,173	50,288
Retirement of treasury stock	(22,431)		(640,077)		640,077	-
Transfer to additional paid-in capital from retained earnings			653,962	(653,962)		-
Others			(2,819)			(2,819)
Net changes of items other than stockholders' equity						
Balance at March 31, 2024	2,001,691	\$790,858	\$846,984	\$23,313,612	\$(160,876)	\$24,790,578

	Thousands of U.S. dollars (Note 3)							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2023	\$208,685	\$(2,717)	\$1,972,549	\$42,286	\$2,220,804	\$25,261	\$1,006,622	\$26,663,636
Cash dividends								(1,398,953)
Net income attributable to owners of parent								3,444,639
Purchase of treasury stock								(713,525)
Disposal of treasury stock								50,288
Retirement of treasury stock								-
Transfer to additional paid-in capital from retained earnings								-
Others								(2,819)
Net changes of items other than stockholders' equity	59,646	(16,615)	1,116,446	27,302	1,186,780	6,802	61,648	1,255,231
Balance at March 31, 2024	\$268,332	\$(19,333)	\$3,088,996	\$69,588	\$3,407,584	\$32,064	\$1,068,270	\$29,298,498

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2023 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2023	2024	2024
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	¥1,020,211	¥795,673	\$5,269,363
Depreciation and amortization	213,632	227,619	1,507,412
Impairment losses	1,510	21,928	145,219
Increase (decrease) in net defined benefit liability	2,441	908	6,018
(Gain) loss on sales of investments in securities	(58)	(19,178)	(127,008)
(Gain) loss on revaluation of investments in securities	-	389	2,581
Increase (decrease) in allowance for doubtful accounts	(266)	1,153	7,641
Interest and dividend income	(19,940)	(72,233)	(478,370)
Interest expenses	1,490	1,501	9,944
Exchange (gain) loss	(1,082)	(11,507)	(76,209)
Equity in (earnings) losses of affiliates	(9,522)	(8,607)	(57,002)
(Increase) decrease in notes and accounts receivable	29,718	7,039	46,616
(Increase) decrease in inventories	(210,959)	(9,560)	(63,312)
(Increase) decrease in long-term advance payment	2,899	2,818	18,668
Increase (decrease) in notes and accounts payable	(1,702)	(28,776)	(190,573)
Other, net	4,592	(13,046)	(86,400)
Subtotal	1,032,964	896,122	5,934,589
Proceeds from interest and dividends	23,220	64,873	429,625
Payments of interest	(1,234)	(1,298)	(8,598)
Payments of income taxes	(266,937)	(208,939)	(1,383,702)
Insurance claim income related to disaster	-	4,424	29,299
Net cash provided by operating activities	788,013	755,183	5,001,213
Cash Flows from Investing Activities:			
(Increase) decrease in time deposits	9,995	(781,343)	(5,174,462)
Purchases of securities	(5,000)	-	-
Proceeds from redemption of securities	111,394	36,065	238,846
Purchases of property, plant and equipment	(295,517)	(374,417)	(2,479,584)
Proceeds from sales of property, plant and equipment	276	1,545	10,237
Purchases of intangible assets	(3,850)	(3,061)	(20,271)
Purchases of investments in securities	(9,032)	(2,646)	(17,524)
Proceeds from sales of investments in securities	86	26,580	176,032
Proceeds from redemption of investments in securities	5,010	0	3
Payments of loans	(152)	(193)	(1,283)
Proceeds from collection of loans	0	10	68
Other, net	300	(1,750)	(11,590)
Net cash provided by (used for) investing activities	(186,488)	(1,099,208)	(7,279,529)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	(1,521)	(1,531)	(10,143)
Proceeds from long-term debt	5,000	23	153
Repayments of long-term debt	(6,029)	(5,109)	(33,835)
Purchases of treasury stock	(206,788)	(107,742)	(713,525)
Proceeds from sales of treasury stock	2,811	6,621	43,850
Cash dividends paid	(195,365)	(211,242)	(1,398,953)
Other, net	(21,665)	(50,485)	(334,344)
Net cash used for financing activities	(423,559)	(369,466)	(2,446,798)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	60,454	56,283	372,737
Net Increase (Decrease) in Cash and Cash Equivalents	238,419	(657,208)	(4,352,375)
Cash and Cash Equivalents at Beginning of Year	1,008,925	1,247,344	8,260,558
Cash and Cash Equivalents at End of Year, inclusion of subsidiaries in consolidation (Note 24)	¥1,247,344	¥590,135	\$3,908,182

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2023 and 2024

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Shin-Etsu Chemical Co., Ltd. (the "Company") and its subsidiaries. The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law and in conformity with generally accepted accounting principles prevailing in Japan. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries. Before the fiscal year ended March 31, 2008, in general, no adjustments to the accounts of overseas consolidated subsidiaries were reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles followed by the Company.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company, as required by the Financial Instruments and Exchange Law of Japan.

The presentation of the accompanying consolidated financial statements is made in conformity with the Consolidated Financial Statements Regulation (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. However, certain reclassifications have been made to the consolidated financial statements issued domestically to enable the presentation in a form which is more familiar to readers outside Japan.

The amounts in the accompanying consolidated financial statements are stated in millions of yen. Amounts less than ¥1 million are omitted, except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and 99 majority-owned subsidiaries (collectively, the "Companies"), of which the principal firms are listed on page 45 with their respective fiscal year-ends.

The unconsolidated subsidiaries, including Shin-Etsu Magnetics (Thailand) Ltd., whose total assets, net sales, net income and retained earnings in the aggregate are not material to the consolidated financial statements have been excluded from the scope of consolidation.

For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made for significant intercompany transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

Goodwill is amortized within 20 years on a straight-line basis.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The equity method is applied to the investments in 3 major affiliates and investments in the remaining unconsolidated subsidiaries, including Shin-Etsu Magnetics (Thailand) Ltd., and affiliates, including NIPPON PLASTIC INDUSTRY CO., LTD., are stated at cost because they are not material to the consolidated financial statements.

The unconsolidated subsidiaries and affiliates accounted for by the equity method are listed below:

Mimasu Semiconductor Industry Co., Ltd.
Shin-Etsu Quartz Products Co., Ltd.
Admatechs Co., Ltd.

(3) Translation of foreign currency transactions

Foreign currency transactions are generally translated into yen at the rates prevailing at the respective transaction dates.

Foreign currency deposits, receivables and payables are translated into yen at the exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in the determination of profit for the year.

However, all of the overseas consolidated subsidiaries apply the current rate method to translate transactions and account balances in foreign currencies into their respective home currencies.

(4) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The balance sheet accounts of overseas consolidated subsidiaries are translated into yen at current exchange rates prevailing at the end of the fiscal year, except for equity, which is translated at the historical rate. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2023 and 2024.

(5) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts using the historic percentage of bad debt loss against the balance of general receivables plus an amount deemed necessary to cover individual accounts estimated to be uncollectible.

(6) Inventories

Inventories are mainly stated at cost determined by the weighted-average method. Balance sheet amounts are written down based on any decline in profitability.

(7) Financial instruments

Securities:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method. Of available-for-sale securities, securities excluding stocks and other securities with no market value are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at net-of-tax amounts. Stocks and other securities with no market value are stated at cost, determined by the moving-average cost method.

Derivatives:

Derivatives are stated at fair value, with changes in fair value included in profit or loss in the same period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company and consolidated subsidiaries enter into foreign exchange contracts, currency swaps, interest rate swaps and commodity swap contracts.

Hedge accounting:

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are interest rate swaps, foreign exchange contracts, currency swaps, commodity swap contracts and commodity options. The related hedged items are interest rate transactions tied to funding activities, forecasted foreign currency transactions and prices of raw materials.

The Company has a policy to utilize the above hedging instruments in order to hedge the risk of fluctuations in interest rates and foreign currencies. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items. The Company does not enter into derivative transactions for trading or speculative purposes.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the corresponding hedged items from the commencement of the hedges.

(8) Property, plant and equipment

The Company and certain domestic subsidiaries mainly apply the declining-balance method, and overseas subsidiaries mainly apply the straight-line method. It should be noted, however, that the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016 by the Company and certain domestic subsidiaries.

Useful lives mainly are as follows:

Buildings and structures ----- 15 – 47 years

Machinery and vehicles ----- 2 – 20 years

Additional depreciation is recorded based on excess operating hours for machinery and equipment that operate significantly in excess of their normal utilization rates.

(9) Repairs and maintenance

Normal repairs and maintenance, including minor renewals and improvements, are charged to cost as incurred.

(10) Accrued bonuses for employees

Certain consolidated subsidiaries recognize the estimated amount of employees' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(11) Accrued bonuses for directors

The Company and its consolidated subsidiaries recognize the estimated amount of directors' bonuses to be paid in the subsequent period that is attributable to the current fiscal year.

(12) Accrued retirement benefits

The Company applies the benefit formula basis to measure the pension obligations. The expected retirement benefit attributed to periods of service under the plan's benefit formula is deemed as arising in each period.

Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees using the straight-line method from the time when the prior service cost was generated.

(13) Standards for recognizing revenues and expenses

The Company and its certain consolidated subsidiaries operate in four segments, Infrastructure Materials, Electronics Materials, Functional Materials, and Processing & Specialized Services. The main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance.

However, for domestic sales of products, the Company and its domestic consolidated subsidiaries recognize revenue at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is normal.

If the Company and its certain consolidated subsidiaries act as an agent in a transaction, revenue is recognized at net amounts.

(14) Research and development costs

Research and development costs are charged to cost as incurred.

(15) Income and dividends per share

Net income per share-basic is based upon the weighted-average number of shares of common stock outstanding during each fiscal year. Net income per share-fully diluted represents earnings per share assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expenses.

(16) Dividends

Dividends are proposed by the Board of Directors and approved by the stockholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and registered stockholders as of the end of such fiscal year are entitled to the subsequently declared dividends. Interim cash dividends are also paid (see Note 13).

Dividends charged to retained earnings in the accompanying consolidated statements of changes in net assets represent dividends approved and paid during the year.

3. UNITED STATES DOLLAR AMOUNTS

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥151 to US\$1, the approximate effective rate of exchange on March 31, 2024. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥151 to US\$1 or at any other rate.

4. NOTES AND ACCOUNTS RECEIVABLE AND PAYABLE

Settlements of notes receivable and notes payable are recognized when the bank clearance of the notes is actually made. As March 31, 2024 was a holiday for financial institutions, the following accounts include the unsettled balances of trade notes receivable and trade notes payable due on that date in the accompanying consolidated balance sheet as of March 31, 2024.

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Notes and accounts receivable—trade and contract assets			
Trade notes receivable	¥—	¥2,097	\$13,892
Notes and accounts payable—trade			
Trade notes payable	—	915	6,061
Other of current liabilities			
Notes payable—facilities	—	1,660	10,994

5. CONTRACT ASSETS AND RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

The individual amounts of contract assets and receivables arising from contracts with customers included in "Notes, accounts receivable-trade and contract assets" are shown in Note 25.

6. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds. If external financing is required for working capital and capital expenditures, we raise funds primarily through bank borrowings and issuance of corporate bonds.

Financial instruments, risks and risk management

Notes and accounts receivable-trade are exposed to credit risk of customers. With regard to credit risk related to notes and accounts receivable-trade, each business department not only controls and manages account due dates and balances, but also confirms the credit standing of major customers periodically, making efforts to identify doubtful accounts as early as possible.

Securities and investments in securities are stocks in companies with which the Company has business relationships, held-to-maturity debt securities and also certificates of deposit. Regarding securities and investment securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies.

In order to hedge the foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies and interest rate risk associated with long-term loans and long-term debts, derivative transactions such as interest rate swap transactions, currency swap transactions and foreign exchange forward contracts are utilized. Also, to hedge price fluctuation risks when procuring raw materials, commodity swap transactions are utilized. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

Supplementary explanation on the estimated fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value of financial instruments, different assumptions and factors could result in different fair values. In addition, the contract amount of derivative transactions in Note 8 does not itself indicate the market

(2) Fair value of financial instruments

As of March 31, 2023 and 2024, the book value, fair value and the difference between the two are as follows:

	Millions of yen		
	2023		
	Book value	Fair value	Difference
Assets:			
(1) Securities and investments in securities(*2)			
i) Held-to-maturity debt securities	¥26,050	¥25,327	¥(722)
ii) Investments in and advances to unconsolidated subsidiaries and affiliates	33,480	41,448	7,967
iii) Available-for-sale securities	219,334	219,334	—
(2) Long-term loans	192	199	7
Total	¥279,057	¥286,310	¥7,252
Liabilities:			
(3) Long-term debt	¥18,812	¥18,191	¥(621)
Total	¥18,812	¥18,191	¥(621)
(4) Derivative transactions(*3):			
Hedge accounting not applied	¥(197)	¥(197)	¥—
Hedge accounting applied	(376)	(376)	—
Total	¥(574)	¥(574)	¥—

1. "Cash and time deposits", "Notes, accounts receivable-trade", "Notes and accounts payable-trade", "Short-term borrowings", "Accounts payable-other", "Accrued expenses", and "Accrued income taxes", etc. are omitted because they are cash or their fair value closely approximates their book value as they are settled within a short period of time.

*2. Securities excluding stocks with no market value are not included in "(1) Securities and investments in securities".
The book value of them is as follows.

Section	Book value
Non-listed stocks, etc.	¥43,275 million

*3. Net receivables and payables arising from derivative transactions are shown in net amount, and items that result in net payables in total are displayed with parentheses.

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Securities and investments in securities(*2)						
i) Held-to-maturity debt securities	¥16,521	¥15,950	¥(571)	\$109,415	\$105,629	\$(3,785)
ii) Investments in and advances to unconsolidated subsidiaries and affiliates	35,755	44,464	8,708	236,792	294,464	57,672
iii) Available-for-sale securities	105,486	105,486	—	698,583	698,583	—
(2) Long-term loans	187	194	7	1,240	1,289	48
Total	¥157,950	¥166,095	¥8,144	\$1,046,031	\$1,099,967	\$53,935
Liabilities:						
(3) Long-term debt	¥13,913	¥13,512	¥(400)	\$92,142	\$89,489	\$(2,653)
Total	¥13,913	¥13,512	¥(400)	\$92,142	\$89,489	\$(2,653)
(4) Derivative transactions(*3):						
Hedge accounting not applied	¥(3,516)	¥(3,516)	¥—	\$(23,291)	\$(23,291)	\$—
Hedge accounting applied	(3,798)	(3,798)	—	(25,157)	(25,157)	—
Total	¥(7,315)	¥(7,315)	¥—	\$(48,448)	\$(48,448)	\$—

1. "Cash and time deposits", "Notes, accounts receivable-trade", "Notes and accounts payable-trade", "Short-term borrowings", "Accounts payable-other", "Accrued expenses", and "Accrued income taxes", etc. are omitted because they are cash or their fair value closely approximates their book value as they are settled within a short period of time.

*2. Securities excluding stocks with no market value are not included in "(1) Securities and investments in securities". The book value of them is as follows.

Section	Book value
Non-listed stocks, etc.	¥46,706 million (\$309,312 thousand)

*3. Net receivables and payables arising from derivative transactions are shown in net amount, and items that result in net payables in total are displayed with parentheses.

Notes:

1. Repayment schedule of time deposits, notes and accounts receivable-trade, securities and investments in securities, and long-term loans.

Description	Millions of yen			
	2023			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥1,449,551	¥—	¥—	¥—
Notes and accounts receivable-trade	472,505	—	—	—
Securities and investments in securities	151,031	5,126	3,393	5,000
Long-term loans	—	181	2	8
Total	¥2,073,088	¥5,308	¥3,395	¥5,008

Description	Millions of yen				Thousands of U.S. dollars			
	2024				2024			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥1,698,919	¥—	¥—	¥—	\$11,251,125	\$—	\$—	\$—
Notes and accounts receivable-trade	481,408	—	—	—	3,188,138	—	—	—
Securities and investments in securities	20,710	7,585	8,225	—	137,157	50,236	54,472	—
Long-term loans	—	177	2	7	—	1,174	15	51
Total	¥2,201,039	¥7,762	¥8,227	¥7	\$14,576,421	\$51,410	\$54,487	\$51

2. Repayment schedule of short-term borrowings, long-term debt and lease obligations.

Description	Millions of yen					
	2023					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥6,154	¥—	¥—	¥—	¥—	¥—
Long-term debt	4,843	5,331	3,479	1,975	830	7,196
Lease obligations	3,961	3,447	2,766	2,174	1,427	3,508
Total	¥14,959	¥8,779	¥6,245	¥4,150	¥2,257	¥10,704

Description	Millions of yen					
	2024					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥4,710	¥—	¥—	¥—	¥—	¥—
Long-term debt	5,676	3,709	2,023	881	5,868	1,430
Lease obligations	4,445	3,906	2,729	1,806	1,418	2,587
Total	¥14,832	¥7,616	¥4,752	¥2,688	¥7,286	¥4,018

Description	Thousands of U.S. dollars					
	2024					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	\$31,192	\$—	\$—	\$—	\$—	\$—
Long-term debt	37,592	24,567	13,397	5,836	38,865	9,474
Lease obligations	29,442	25,872	18,076	11,964	9,391	17,136
Total	\$98,227	\$50,439	\$31,474	\$17,801	\$48,256	\$26,611

(3) Fair value of financial instruments by level

Fair value of financial instruments is classified into the following three levels according to the observability and importance of the input related to the calculation of the fair value.

Level 1 of fair value: is calculated based on the market price of the asset or liability formed in the active market of the inputs related to the calculation of the observable fair value.

Level 2 of fair value: is calculated using the inputs related to the calculation of the fair value other than the level 1 input of the inputs related to the calculation of the observable fair value.

Level 3 of fair value: is calculated using inputs related to the calculation of unobservable fair value.

Using multiple inputs that have a significant impact on the fair value calculation, the fair value is classified to the lowest priority level in the fair value calculation among the levels to which each inputs belong.

As of March 31, 2023, financial instruments recorded on the consolidated balance sheet at fair value are as follows:

	Millions of yen			
	2023			
	Level1	Level2	Level3	Total
Assets:				
Securities and investments in securities				
Available-for-sale securities				
Stocks	¥80,834	¥—	¥—	¥80,834
Total	¥80,834	¥—	¥—	¥80,834
Derivative transactions:				
Hedge accounting not applied	¥—	¥(197)	¥—	¥(197)
Hedge accounting applied	—	(376)	—	(376)
Total	¥—	¥(574)	¥—	¥(574)

As of March 31, 2024, financial instruments recorded on the consolidated balance sheet at fair value are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2024				2024			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Assets:								
Securities and investments in securities								
Available-for-sale securities								
Stocks	¥85,486	¥—	¥—	¥85,486	\$566,132	\$—	\$—	\$566,132
Total	¥85,486	¥—	¥—	¥85,486	\$566,132	\$—	\$—	\$566,132
Derivative transactions:								
Hedge accounting not applied	¥—	¥(3,516)	¥—	¥(3,516)	\$—	\$(23,291)	\$—	\$(23,291)
Hedge accounting applied	—	(3,798)	—	(3,798)	—	(25,157)	—	(25,157)
Total	¥—	¥(7,315)	¥—	¥(7,315)	\$—	\$(48,448)	\$—	\$(48,448)

As of March 31, 2023, financial instruments other than those listed on the consolidated balance sheet at fair value are as follows:

	Millions of yen			
	2023			
	Level1	Level2	Level3	Total
Assets:				
Securities and investments in securities				
Held-to-maturity debt securities	¥—	¥25,327	¥—	¥25,327
Investments in and advances to unconsolidated subsidiaries and affiliates	41,448	—	—	41,448
Available-for-sale securities				
Negotiable certificates of deposit, money trusts and trust beneficiary rights	—	138,500	—	138,500
Long-term loans	—	199	—	199
Total	¥41,448	¥164,027	¥—	¥205,476
Liabilities:				
Long-term debt	¥—	¥18,191	¥—	¥18,191
Total	¥—	¥18,191	¥—	¥18,191

As of March 31, 2024, financial instruments other than those listed on the consolidated balance sheet at fair value are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2024				2024			
	Level1	Level2	Level3	Total	Level1	Level2	Level3	Total
Assets:								
Securities and investments in securities								
Held-to-maturity debt securities	¥—	¥15,950	¥—	¥15,950	\$—	\$105,629	\$—	\$105,629
Investments in and advances to unconsolidated subsidiaries and affiliates	44,464	—	—	44,464	294,464	—	—	294,464
Available-for-sale securities								
Negotiable certificates of deposit, money trusts and trust beneficiary rights	—	20,000	—	20,000	—	132,450	—	132,450
Long-term loans	—	194	—	194	—	1,289	—	1,289
Total	¥44,464	¥36,144	¥—	¥80,609	\$294,464	\$239,369	\$—	\$533,834
Liabilities:								
Long-term debt	¥—	¥13,512	¥—	¥13,512	\$—	\$89,489	\$—	\$89,489
Total	¥—	¥13,512	¥—	¥13,512	\$—	\$89,489	\$—	\$89,489

*Explanation of the valuation technique used to calculate the fair value and the inputs related to the calculation of the fair value

Securities and investments in securities

Held-to-maturity debt securities

The fair value of bonds is based on prices provided by counterparty financial institutions with which is classified as Level 2.

Investments in and advances to unconsolidated subsidiaries and affiliate

The fair value of listed stocks is evaluated using the market price. Listed stocks are traded in active markets, so the fair value is classified as Level 1.

Available-for-sale securities

The fair value of listed stocks is evaluated using the market price. Listed stocks are traded in active markets, so the fair value is classified as Level 1. Negotiable certificates of deposit, money trusts and trust beneficiary rights are settled within a short time, and the fair value and book value are nearly equal. Thus, the book value is listed as the fair value in the table above which is classified as Level 2.

Long-term loans

The fair value of long-term loans is calculated based on future cash flow discounted at an appropriate rate, such as mid-term and long-term interest rates with credit spreads, for all loans grouped by a certain period of time and credit rating under the credit exposure management. The fair value is classified as Level 2.

Long-term debt

The fair value of long-term debt is calculated based on a present value of principal and interest, discounted at an expected rate for new borrowings with the same terms.

The fair value is classified as Level 2.

Derivative transactions

The fair value of derivative transactions is based on the price offered by counterparty financial institutions and classified as Level 2.

7. SECURITIES

(1) Held-to-maturity debt securities

Description	Millions of yen						Thousands of U.S. dollars		
	2023			2024			2024		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value that exceeds book value	¥5,000	¥5,032	¥32	¥6,088	¥6,126	¥37	\$40,321	\$40,571	\$249
Securities with fair value that does not exceed book value	21,050	20,295	(755)	10,433	9,823	(609)	69,093	65,058	(4,034)
Total	¥26,050	¥25,327	¥(722)	¥16,521	¥15,950	¥(571)	\$109,415	\$105,629	\$(3,785)

(2) Available-for-sale securities

Description	Millions of yen						Thousands of U.S. dollars		
	2023			2024			2024		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value that exceeds acquisition cost	¥80,144	¥34,347	¥45,796	¥85,151	¥26,735	¥58,415	\$563,917	\$177,059	\$386,858
Securities with book value that does not exceed acquisition cost	139,189	139,518	(328)	20,334	20,335	(0)	134,665	134,671	(5)
Total	¥219,334	¥173,865	¥45,468	¥105,486	¥47,071	¥58,414	\$698,583	\$311,730	\$386,852

Notes: 1. Non-listed equity securities, with a book value of ¥4,156 million, and other investment securities with a book value of ¥1,274 million, as of March 31, 2023, whose fair value is extremely difficult to estimate are excluded from the above.

2. Non-listed equity securities, with a book value of ¥4,183 million (\$27,707 thousand), and other investment securities with a book value of ¥1,344 million (\$8,901 thousand), as of March 31, 2024, whose market price is unavailable are excluded from the above.

(3) Sold available-for-sale securities

	Millions of yen			Thousands of U.S. dollars		
	2024			2024		
	Amount of sale	Gain on sale	Loss on sale	Amount of sale	Gain on sale	Loss on sale
Equity securities	¥26,580	¥19,178	—	\$176,032	\$127,008	—
Total	¥26,580	¥19,178	—	\$176,032	\$127,008	—

Note: For the year ended March 31, 2023, the amount of gain and loss on sale of available-for-sale securities was immaterial.

8. DERIVATIVE TRANSACTIONS

(1) Derivative transactions to which hedge accounting is not applied:

Currency related:

As of March 31, 2023

Description	Millions of yen			
	Contract amounts	Contract amounts over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts				
Sales contracts:				
USD	¥60,354	¥—	¥(85)	¥(85)
EUR	2,916	—	(38)	(38)
Other	2,152	—	53	53
Purchase contracts:				
USD	634	—	(17)	(17)
Other	9,550	—	82	82
Currency swap				
Pay TWD and Receive JPY	1,953	1,953	(192)	(192)
Total	¥77,561	¥1,953	¥(197)	¥(197)

As of March 31, 2024

Description	Millions of yen				Thousands of U.S. dollars			
	Contract amounts	Contract amounts over one year	Fair value	Unrealized gain (loss)	Contract amounts	Contract amounts over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts								
Sales contracts:								
USD	¥100,100	¥—	¥(3,022)	¥(3,022)	\$662,916	\$—	\$(20,013)	\$(20,013)
EUR	2,247	—	(24)	(24)	14,882	—	(164)	(164)
Other	2,277	—	(8)	(8)	15,082	—	(58)	(58)
Purchase contracts:								
USD	467	—	(4)	(4)	3,093	—	(32)	(32)
Other	7,427	—	(59)	(59)	49,187	—	(393)	(393)
Currency swap								
Pay TWD and Receive JPY	1,953	—	(396)	(396)	12,937	—	(2,627)	(2,627)
Total	¥114,473	¥—	¥(3,516)	¥(3,516)	\$758,100	\$—	\$(23,291)	\$(23,291)

(2) Derivative transactions to which hedge accounting is applied:

1) Currency related:

As of March 31, 2023

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts: Sales contracts USD	Accounts receivable-trade	¥82,336	¥—	¥1,168
Total			¥82,336	¥—	¥1,168

As of March 31, 2024

Hedge accounting method	Transaction	Hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value	Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts: Sales contracts USD	Accounts receivable-trade	¥76,162	¥—	¥(1,032)	\$504,388	\$—	\$(6,838)
Total			¥76,162	¥—	¥(1,032)	\$504,388	\$—	\$(6,838)

2) Commodity related:

As of March 31, 2023

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Commodity swap contracts	Accounts payable-trade	¥16,405	¥8,509	¥(1,545)
Total			¥16,405	¥8,509	¥(1,545)

Note: The fair value is provided by counterparty financial institutions.

As of March 31, 2024

Hedge accounting method	Transaction	Hedged items	Millions of yen		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Commodity swap contracts	Accounts payable-trade	¥13,689	¥6,788	¥(2,766)
Total			¥13,689	¥6,788	¥(2,766)

Hedge accounting method	Transaction	Hedged items	Thousands of U.S. dollars		
			Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Commodity swap contracts	Accounts payable-trade	\$90,660	\$44,955	\$(18,319)
Total			\$90,660	\$44,955	\$(18,319)

9. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2023 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Investments in securities (Stocks)	¥71,325	¥76,933	\$509,495
Other (Investments in capital)	3,777	3,786	25,074

10. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2023 and 2024 was ¥2,782,197 million and ¥3,055,997 million (\$20,238,392 thousand), respectively.

11. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term borrowings, long-term debt and lease obligations as of March 31, 2023 and 2024 consisted of the following:

	Average interest rate	Due date	Millions of yen		Thousands of U.S. dollars
			2023	2024	2024
Short-term borrowings	0.6%	—	¥6,154	¥4,710	\$31,192
Current portion of long-term debt	4.9%	—	4,843	5,676	37,592
Current portion of lease obligations	2.7%	—	3,961	4,445	29,442
Long-term debt, excluding current portion	2.8%	January 2025- November 2031	18,812	13,913	92,142
Lease obligations, excluding current portion	2.6%	January 2025- December 2040	13,325	12,448	82,440
Total			¥47,097	¥41,194	\$272,810

Notes: 1. Average interest rate is the weighted average rate based on the balance as of March 31, 2024.

2. In calculating average interest rate, lease obligations for which the balance includes the interest portion are excluded.

3. Repayment schedule subsequent to March 31, 2024 for long-term debt and lease obligations, excluding the current portion, is as follows:

	Millions of yen		Thousands of U.S. dollars	
	Long-term debt	Lease obligations	Long-term debt	Lease obligations
Years ending March 31,				
2026	¥3,709	¥3,906	\$24,567	\$25,872
2027	2,023	2,729	13,397	18,076
2028	881	1,806	5,836	11,964
2029	5,868	1,418	38,865	9,391

12. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans) and lump-sum severance payment plans as their defined benefit pension plans. Certain overseas consolidated subsidiaries have defined benefit pension plans as well as defined contribution pension plans. Additionally, the Company has a "Retirement Benefit Trust".

Information on defined benefit pension plans for the fiscal years ended March 31, 2023 and 2024 is as follows:

1. Defined Benefit Pension Plans

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Beginning balance of benefit obligations	¥86,433	¥74,107	\$490,779
Service costs	4,609	4,173	27,642
Interest costs	1,522	2,300	15,235
Actuarial differences arising during the year	(25,524)	(463)	(3,072)
Retirement benefits paid	(2,520)	(2,579)	(17,081)
Other*	9,587	3,569	23,639
Ending balance of benefit obligations	¥74,107	¥81,108	\$537,142

*Mainly foreign currency translation adjustments

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Beginning balance of pension assets	¥48,884	¥41,115	\$272,291
Expected return on pension assets	1,705	2,558	16,940
Actuarial differences arising during the year	(13,082)	7,897	52,301
Contributions made by the Company and consolidated subsidiaries	1,043	1,561	10,340
Retirement benefits paid	(1,544)	(2,005)	(13,281)
Other*	4,109	2,400	15,897
Ending balance of pension assets	¥41,115	¥53,527	\$354,489

*Mainly foreign currency translation adjustments

(3) Reconciliation of Benefit Obligations and Pension Assets with Net Defined Benefit Liability and Asset on the Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Funded benefit obligations	¥66,089	¥72,131	\$477,693
Pension assets	(41,115)	(53,527)	(354,489)
Net	24,973	18,603	123,203
Unfunded benefit obligations	8,018	8,976	59,449
Net amount of liability and asset on Consolidated Balance Sheets	¥32,991	¥27,580	\$182,652

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net defined benefit liability	¥36,933	¥32,571	\$215,708
Net defined benefit asset	(3,942)	(4,991)	(33,055)
Net amount of liability and asset on Consolidated Balance Sheets	¥32,991	¥27,580	\$182,652

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service costs	¥4,609	¥4,173	\$27,642
Interest costs	1,522	2,300	15,235
Expected return on pension assets	(1,705)	(2,558)	(16,940)
Amortization of actuarial differences	(1,553)	(2,945)	(19,505)
Amortization of prior service cost	(57)	104	692
Retirement benefit expenses for defined benefit pension plans	¥2,816	¥1,075	\$7,123

(5) Remeasurements of Defined Benefit Plans (Other Comprehensive Income)**Breakdown (before deduction of tax effects)**

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Actuarial differences	¥10,668	¥5,857	\$38,792
Prior service cost	72	(57)	(379)
Total	¥10,741	¥5,800	\$38,413

(6) Remeasurements of Defined Benefit Plans (Accumulated Other Comprehensive Income)**Breakdown (before deduction of tax effects)**

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized actuarial differences	¥8,039	¥13,897	\$92,037
Unrecognized prior service cost	338	280	1,860
Total	¥8,378	¥14,178	\$93,897

(7) Pension Assets**Breakdown**

	Millions of yen	
	2023	2024
Bonds	43%	42%
Stocks	31%	32%
Other	26%	26%
Total	100%	100%

(Note) 17% and 24% of total pension assets amount were in a "Retirement Benefit Trust" for lump-sum severance payment plans as of March 31, 2023 and 2024, respectively.

Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various pension assets.

(8) Basic Assumptions for Calculating Benefit Obligations

	2023	2024
Discount rate	Mainly 0.8%	Mainly 0.9%
Expected rate of return on pension assets	Mainly 2.5%	Mainly 2.5%

2. Defined Contribution Pension Plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
	¥3,226	¥3,601	\$23,848

13. RETAINED EARNINGS

(1) Cash dividends from retained earnings represent dividends with an effective date during the fiscal year. Details of cash dividends paid during the fiscal years ended March 31, 2023 and 2024 are as follows:

during the fiscal years ended March 31, 2023 and 2024 are as follows:					
Resolution	Type of shares	Record date	Effective date	Millions of yen	Yen
				Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2023					
Ordinary general meeting of shareholders held on June 29, 2022	Common stock	March 31, 2022	June 30, 2022	¥103,861	¥250.00
Board of directors meeting held on October 27, 2022	Common stock	September 30, 2022	November 21, 2022	91,504	225.00

				Millions of yen		Thousands of U.S. dollars	
				Yen		U.S. dollars	
				Total	Cash	Total	Cash
Resolution	Type of shares	Record date	Effective date	amount of dividends	dividends per share	amount of dividends	dividends per share
Fiscal year ended March 31, 2024							
Ordinary general meeting of shareholders held on June 29, 2023	Common stock	March 31, 2023	June 30, 2023	¥110,965	¥275.00	\$734,868	\$1.82
Board of directors meeting held on October 27, 2023	Common stock	September 30, 2023	November 21, 2023	100,276	50.00	664,085	0.33

(Note) The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Cash dividends per share" for ordinary general meeting of shareholders held on June 29, 2023 represents the actual amount prior to the stock split.

(2) Cash dividends for the fiscal years ended March 31, 2023 and 2024 with an effective date in the subsequent fiscal year are as follows:

						Millions of yen	Yen
Resolution	Type of shares	Source of dividends	Record date	Effective date	Total amount of dividends	Cash dividends per share	
Fiscal year ended March 31, 2023	Common stock	Retained earnings	March 31, 2023	June 30, 2023	¥110,965	¥275.00	
Ordinary general meeting of shareholders held on June 29, 2023							

					Millions of yen		Thousands of U.S. dollars	
					Yen		U.S. dollars	U.S. dollars
Resolution	Type of shares	Source of dividends	Record date	Effective date	Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2024	Common stock	Retained earnings	March 31, 2024	June 28, 2024	¥99,802	¥50.00	\$660,945	\$0.33
Ordinary general meeting of shareholders held on June 27, 2024								

14. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2023

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2023
The Company	Stock options	Common stock	—	—	—	—	¥3,419
Consolidated subsidiary	—	—	—	—	—	—	394
Total							¥3,814

Fiscal year ended March 31, 2024

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen	Thousands of U.S. dollars
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2024	Balance at March 31, 2024
The Company	Stock options	Common stock	—	—	—	—	¥4,453	\$29,491
Consolidated subsidiary	—	—	—	—	—	—	388	2,572
Total							¥4,841	\$32,064

15. STOCK OPTIONS

(1) Shin-Etsu Chemical Co., Ltd.

The stock option expenses for the fiscal years ended March 31, 2023 and 2024 of ¥1,388 million and ¥2,049 million (\$13,574 thousand), respectively, were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2023 and 2024 were ¥5 million and ¥44 million (\$293 thousand). In addition, for stock options granted by March 31, 2023 (2019 to 2023①), the figures are calculated based on the number of shares after the stock split, assuming that the five-for-one stock split on April 1, 2023 was implemented at the beginning of the fiscal year ended March 31, 2020.

Stock options as of March 31, 2024 were as follows:

	2019	2020	2021
Grantees	17 directors of the Company	16 directors of the Company	6 directors of the Company (excluding outside directors)
	100 employees of the Company	105 employees of the Company	10 corporate officers of the Company (excluding those concurrently serving as directors) 107 employees of the Company
Number of stock options granted by category of stock (in shares)	2,720,000 shares of common stock	1,695,000 shares of common stock	1,672,500 shares of common stock
Grant date	September 30, 2019	September 2, 2020	September 1, 2021
Vesting conditions	None	None	None
Exercise period	October 1, 2020 through March 31, 2024	September 3, 2021 through March 31, 2025	September 2, 2023 through August 31, 2028
	2023①	2023②	
Grantees	5 directors of the Company (excluding outside directors)	4 directors of the Company (excluding outside directors)	
	11 corporate officers of the Company (excluding those concurrently serving as directors)	12 corporate officers of the Company (excluding those concurrently serving as directors)	
	108 employees of the Company	116 employees of the Company	
Number of stock options granted by category of stock (in shares)	1,740,000 shares of common stock	1,941,000 shares of common stock	
Grant date	February 10, 2023	November 30, 2023	
Vesting conditions	None	None	
Exercise period	February 11, 2025 through February 9, 2030	December 1, 2025 through November 29, 2030	

Movement in stock options during the fiscal year ended March 31, 2024 was as follows

	Number of shares					
	2018	2019	2020	2021	2023①	2023②
Beginning balance (Stock options outstanding)	143,500	1,322,500	1,378,500	1,672,500	1,740,000	—
Granted	—	—	—	—	—	1,941,000
Exercised	—	1,196,500	776,000	468,500	—	—
Forfeited	143,500	25,000	5,000	—	—	—
Ending balance (Stock options outstanding)	—	101,000	597,500	1,204,000	1,740,000	1,941,000
	Yen					
Exercise price	—	¥2,382	¥2,625	¥3,701	¥3,583	¥4,947
Weighted average market value per share at the exercise date	—	4,999	4,999	5,356	—	—
Fair value per share at the grant date	—	310	401	618	798	1,056
	U.S. dollars					
Exercise price	—	\$15.77	\$17.38	\$24.50	\$23.72	\$32.76
Weighted average market value per share at the exercise date	—	33.10	33.10	35.47	—	—
Fair value per share at the grant date	—	2.05	2.65	4.09	5.28	6.99

(Note) For stock options granted by March 31, 2023 (2019 to 2023①), the figures are calculated based on the number of shares after the stock split, assuming that the five-for-one stock split on April 1, 2023 was implemented at the beginning of the fiscal year ended March 31, 2020

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions

Stock options granted on November 30, 2023		
Expected volatility		27.58%
Expected remaining life		4.50 years
Expected dividend		¥100/share
Risk-free interest rate		0.222%

(2) Shin-Etsu Polymer Co., Ltd.

The stock option expenses for the fiscal years ended March 31, 2023 and 2024 of ¥109 million and ¥90 million (\$596 thousand), respectively, were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2023 and 2024 were ¥3 million and ¥35 million (\$237 thousand), respectively.

Stock options as of March 31, 2023 were as follows:

	2018	2019	2020
Grantees	10 Directors 18 Employees 6 Directors of its subsidiaries	9 Directors 23 Employees 6 Directors of its subsidiaries	9 Directors 25 Employees 5 Directors of its subsidiaries
Number of stock options granted by category of stock (in shares)	487,000 shares of common stock	456,000 shares of common stock	461,000 shares of common stock
Grant date	September 12, 2018	September 11, 2019	September 10, 2020
Vesting conditions	None	None	None
Exercise period	September 13, 2020 through March 31, 2024	September 12, 2021 through March 31, 2025	September 11, 2022 through March 31, 2026
	2021	2022	2023
Grantees	3 Directors 8 Corporate officers 20 Employees 4 Directors of its subsidiaries	3 Directors 8 Corporate officers 25 Employees 4 Directors of its subsidiaries	3 Directors 8 Corporate officers 21 Employees 5 Directors of its subsidiaries
Number of stock options granted by category of stock (in shares)	475,000 shares of common stock	500,000 shares of common stock	450,000 shares of common stock
Grant date	September 10, 2021	September 12, 2022	September 6, 2023
Vesting conditions	None	None	None
Exercise period	September 11, 2023 through March 31, 2027	September 13, 2024 through March 31, 2028	September 7, 2025 through March 31, 2029

Movement in stock options during the fiscal year ended March 31, 2024 was as follows:

	Number of shares						
	2017	2018	2019	2020	2021	2022	2023
Beginning balance (Stock options outstanding)	208,700	319,800	261,400	426,000	475,000	500,000	—
Granted	—	—	—	—	—	—	450,000
Exercised	—	177,000	127,400	81,700	23,000	—	—
Forfeited	208,700	—	—	—	—	—	—
Ending balance (Stock options outstanding)	—	142,800	134,000	344,300	452,000	500,000	450,000
	Yen						
Exercise price	—	¥962	¥759	¥910	¥1,051	¥1,410	¥1,405
Weighted average market value per share at the exercise date	—	1,475.78	1,506.50	1,508.18	1,494.26	—	—
Fair value per share at the grant date	—	121	147	191	192	218	200
	U.S. dollars						
Exercise price	—	\$6.37	\$5.02	\$6.02	\$6.96	\$9.33	\$9.30
Weighted average market value per share at the exercise date	—	9.77	9.97	9.98	9.89	—	—
Fair value per share at the grant date	—	0.80	0.97	1.26	1.27	1.44	1.32

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions.

Stock options granted on September 6, 2023

Expected volatility	25.40%
Expected remaining life	3.78 years
Expected dividend	¥38/share
Risk-free interest rate	0.120%

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

Net sales is not presented separately for revenues arising from contracts with customers and other revenues.
The amounts of revenues arising from contracts with customers are shown in Note 25.

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2023 and 2024 mainly consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Shipping expenses	¥75,353	¥57,779	\$382,648
Salaries and allowances	35,689	38,716	256,401
Provision for bonuses for employees	1,522	1,547	10,247
Provision for bonuses for directors	460	373	2,475
Retirement benefit expenses	375	281	1,861
Depreciation and amortization	3,252	5,153	34,128
Provision of allowance for doubtful accounts	(437)	577	3,827

18. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the fiscal years ended March 31, 2023 and 2024 were ¥67,201 million and ¥65,785 million (\$435,662 thousand), respectively.

19. INSURANCE CLAIM INCOME

Insurance claim income for the fiscal year ended March, 31 2024 was due to the Fukushima Prefecture Offshore Earthquake that occurred on February 13, 2021.

20. BUSINESS RESTRUCTURING EXPENSES

In the Electronics Materials segment, restructuring expenses of ¥15,157 million (\$100,379 thousand) were recognized in the fiscal year ended March, 31 2024 for part of optical fiber preform among Synthetic Quartz products, which include impairment loss of ¥10,811 million (\$71,596 thousand) on fixed assets.

21. LEASE TRANSACTIONS

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2023 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Future Lease Payments:			
Within one year	¥853	¥837	\$5,549
Over one year	5,083	4,254	28,176
	¥5,936	¥5,092	\$33,725

22. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the fiscal years ended March 31, 2023 and 2024.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets or liabilities at March 31, 2023 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Deferred Tax Assets:			
Unrealized profit	¥17,741	¥18,363	\$121,609
Depreciation and amortization	16,558	17,967	118,987
Net defined benefit liability	11,777	10,648	70,517
Maintenance costs	4,468	6,214	41,158
Accrued bonuses	4,572	4,566	30,238
Unsettled accounts receivable and payable	4,273	4,273	28,298
Accrued enterprise taxes	2,995	3,439	22,776
Allowance for doubtful accounts	2,478	2,721	18,026
Unrealized gains/losses on available-for-sale securities	304	338	2,238
Tax loss carryforwards	352	223	1,483
Other	35,365	36,252	240,085
Valuation allowance	(3,634)	(3,597)	(23,824)
Total	¥97,254	¥101,410	\$671,594
Deferred Tax Liabilities:			
Depreciation and amortization	¥84,669	¥96,376	\$638,256
Unrealized gains/losses on available-for-sale securities	14,172	18,159	120,260
Reserve for special depreciation	11	4	29
Other	35,618	44,847	297,006
Total	¥134,472	¥159,388	\$1,055,552
Net deferred tax assets (liabilities)	¥(37,218)	¥(57,977)	\$(383,957)

A reconciliation of the difference between the statutory tax rate and effective rate on taxable income for the fiscal years ended March 31, 2023 and 2024 is as follows:

	2023	2024
Statutory tax rate	30.5 %	30.5 %
Rate difference from foreign subsidiaries	(3.6)	(2.6)
Equity in (earnings) losses of affiliates	(0.3)	(0.3)
Dividend and other non-taxable income	(2.6)	(6.9)
Elimination of intercompany dividend income	2.7	7.1
Tax deduction for research expenses and other	(0.6)	(0.6)
Entertainment and other non-deductible expenses	0.0	0.0
Other, net	(1.0)	1.8
Effective tax rate	25.2	29.0

23. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal years ended March 31, 2023 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrealized gains (losses) on available-for-sale securities			
Amount arising during the year	¥6,799	¥31,864	\$211,024
Reclassification adjustment for gains and losses included in profit or loss	(58)	(18,840)	(124,773)
Unrealized gains (losses) on available-for-sale securities before tax	6,741	13,023	86,251
Tax effect	(2,082)	(3,959)	(26,224)
Unrealized gains (losses) on available-for-sale securities	4,659	9,064	60,026
Deferred gains (losses) on hedges			
Amount arising during the year	(15,714)	(11,459)	(75,888)
Reclassification adjustment for gains and losses included in profit or loss	19,077	8,019	53,111
Deferred gains (losses) on hedges before tax	3,362	(3,439)	(22,777)
Tax effect	(1,242)	944	6,253
Deferred gains (losses) on hedges	2,120	(2,495)	(16,523)
Foreign currency translation adjustments			
Amount arising during the year	225,081	170,429	1,128,671
Remeasurements of defined benefit plans			
Amount arising during the year	10,872	7,174	47,513
Reclassification adjustment for gains and losses included in profit or loss	(131)	(1,374)	(9,099)
Remeasurements of defined benefit plans before tax	10,741	5,800	38,413
Tax effect	(5,415)	(1,656)	(10,970)
Remeasurements of defined benefit plans	5,325	4,143	27,442
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount arising during the year	169	499	3,305
Reclassification adjustment for gains and losses included in profit or loss	7	2	13
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	176	501	3,319
Total other comprehensive income (loss)	¥237,363	¥181,643	\$1,202,936

24. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on the consolidated statements of cash flows consist of cash in hand, deposits that can be withdrawn on demand and liquid investments easily convertible into cash that mature within approximately three months from the acquisition date and that have insignificant risk exposure in terms of fluctuation in value.

Reconciliations between cash and cash equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2023 and 2024 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and time deposits	¥1,449,617	¥1,698,999	\$11,251,655
Securities	151,031	20,710	137,157
Time deposits (maturities over three months)	(317,272)	(1,128,864)	(7,475,923)
Securities (maturities over three months)	(36,031)	(710)	(4,707)
Cash and cash equivalents	¥1,247,344	¥590,135	\$3,908,182

25. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

Millions of yen					
2023					
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total
Sales to outside customers					
Domestic production	¥139,273	¥683,892	¥307,745	¥93,392	¥1,224,304
Overseas production	1,168,826	191,754	185,640	38,299	1,584,520
Total	¥1,308,099	¥875,646	¥493,386	¥131,691	¥2,808,824

Millions of yen					
2024					
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total
Sales to outside customers					
Domestic production	¥133,024	¥674,105	¥269,783	¥94,492	¥1,171,405
Overseas production	877,250	176,336	155,467	34,477	1,243,532
Total	¥1,010,275	¥850,442	¥425,250	¥128,969	¥2,414,937

Thousands of U.S. dollars					
2024					
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total
Sales to outside customers					
Domestic production	\$880,956	\$4,464,273	\$1,786,646	\$625,776	\$7,757,652
Overseas production	5,809,607	1,167,793	1,029,582	228,327	8,235,311
Total	\$6,690,563	\$5,632,067	\$2,816,229	\$854,104	\$15,992,964

Note: Net sales in the consolidated statements of income do not include revenues other than revenues from contracts with customers.

2. Information for a basis to understand the revenue from contracts with customers

The Company and its consolidated subsidiaries operate in four segments, Infrastructure Materials, Electronics Materials, Functional Materials, and Processing & Specialized Services. The main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. In the sale of products, the Group is considered to be acting as an agent when its performance obligation is to arrange for the goods to be provided by another party. The consideration in sales contracts for certain products includes discounts and other variable consideration based on the volume of transactions over a certain period of time.

Agency transactions are calculated based on the net amount of consideration received from the customer less the amount paid to such other party. Revenue is calculated by deducting discounts from the consideration promised in the contract with the customer.

Estimates of discounts, etc. are calculated using the most likely amount method based on historical experience and other factors. The amount of variable consideration is included in the transaction price only to the extent that it is probable that, when the uncertainty regarding the amount of variable consideration is resolved after the fact, there will not be a significant reduction in the revenue recorded by the time the uncertainty is resolved.

The consideration in the sales contract of the product is collected within about one year from the time when the control over the product is transferred to the customer and does not include a significant financing component. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance. However, for domestic sales of products, the Company and its domestic consolidated subsidiaries recognize revenue at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is normal.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

(1) Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Receivables from contracts with customers (Beginning balance)	¥473,444	¥472,505	\$3,129,177
Receivables from contracts with customers (Ending balance)	472,505	481,408	3,188,138
Contract assets (Beginning balance)	68	51	342
Contract assets (Ending balance)	51	403	2,669
Contract liabilities (Beginning balance)	3,755	3,419	22,646
Contract liabilities (Ending balance)	3,419	3,445	22,819

Contract assets are recognized primarily for consideration for construction contracts in progress, which arise from contracts with customers upon customer acceptance.

The consideration is transferred to receivables and billed to the customer upon acceptance by the customer and is subsequently received. Contract liabilities are primarily advances received from customers prior to revenue recognition for product sales contracts where revenue is recognized upon delivery of the product. Contract liabilities are reversed upon revenue recognition.

The amount of contract liabilities outstanding as of the beginning of the previous and current fiscal year that were recognized as revenue was not material. In addition, the amount of revenue recognized in the previous and current fiscal year primarily from sales contracts where products were delivered prior to the previous fiscal year, due to subsequent changes in transaction prices, was not material. There were no material changes in the balances of contract assets and contract liabilities.

(2) Transaction price allocated to residual performance obligations

The Company and its consolidated subsidiaries have not recognized any significant contracts, because there are no significant contracts with an initially expected contract period of more than one year, and the information regarding the remaining performance obligations is omitted.

26. SEGMENT AND RELATED INFORMATION

1. Segment information

(1) Overview of reportable segments

The reportable segments of the Shin-Etsu Group are comprised of business units for which discrete financial information is available for each and are subject to regular review to evaluate their results and allocate management resources by the decision-making body of the Company.

The main products and services that belong to each segment are as follows:

Segment	Main products and services	Business description
Infrastructure Materials	Polyvinyl chloride resin, Caustic soda, Methanol, Chloromethanes, Poval	Supporting infrastructure and daily life by lessening environmental impact.
Electronics Materials	Semiconductor silicon, Rare earth magnets, Semiconductor encapsulating materials, LED packaging materials, Photoresists, Photomask blanks, Synthetic quartz products	Providing material technology for better application for electronics, optics, and magnetism everywhere.
Functional Materials	Silicones, Cellulose derivatives, Silicon metal, Synthetic pheromones, Vinyl chloride-vinyl acetate copolymer, Liquid fluoroelastomers, Pellicles	Providing a wide range of better functions that are required.
Processing & Specialized Services	Processed plastics, Export of technologies and plants, Export and import of products, Engineering	Responding to problem solving by applying materials and utilizing engineering.

(2) Calculation of income, assets and liabilities of reportable segments

Segment income denotes operating income, and the accounting methods applied are identical to those stated in the "Basis of presenting consolidated financial statements". Internal revenues and transfers arising from transactions among the segments are based on market prices in general.

Assets and liabilities are not allocated to business segments.

(3) Information on sales, income (loss) and other items of reportable segments

	Millions of yen						Figures in consolidated financial statements
	2023						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment ⁽¹⁾	
Sales to outside customers	¥1,308,099	¥875,646	¥493,386	¥131,691	¥2,808,824	¥—	¥2,808,824
Intersegment sales	6,071	6,812	29,478	133,592	175,955	(175,955)	¥—
Total	¥1,314,171	¥882,459	¥522,864	¥265,284	¥2,984,780	¥(175,955)	¥2,808,824
Segment income (Operating income)	¥541,344	¥301,400	¥130,608	¥26,365	¥999,719	¥(1,517)	¥998,202
Depreciation and amortization	¥72,679	¥101,827	¥34,454	¥4,770	¥213,731	¥(1,068)	¥212,663
Amortization of goodwill	¥—	¥—	¥718	¥251	¥969	¥—	¥969
Increase in property, plant and equipment and intangible assets	¥100,009	¥168,858	¥39,859	¥11,460	¥320,189	¥(2,142)	¥318,046

Millions of yen							
2024							
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
Sales to outside customers	¥1,010,275	¥850,442	¥425,250	¥128,969	¥2,414,937	¥—	¥2,414,937
Intersegment sales	4,974	4,943	20,027	144,489	174,435	(174,435)	¥—
Total	¥1,015,249	¥855,385	¥445,278	¥273,459	¥2,589,372	¥(174,435)	¥2,414,937
Segment income (Operating income)	¥321,961	¥272,165	¥85,004	¥24,156	¥703,288	¥(2,249)	¥701,038
Depreciation and amortization	¥78,254	¥105,632	¥38,466	¥5,621	¥227,974	¥(1,226)	¥226,747
Amortization of goodwill	¥—	¥—	¥773	¥98	¥871	¥—	¥871
Increase in property, plant and equipment and intangible assets	¥128,438	¥211,342	¥52,539	¥18,223	¥410,544	¥(3,658)	¥406,886

Thousands of U.S. dollars							
2024							
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment ⁽¹⁾	Figures in consolidated financial statements
Sales to outside customers	\$6,690,563	\$5,632,067	\$2,816,229	\$854,104	\$15,992,964	\$—	\$15,992,964
Intersegment sales	32,944	32,738	132,633	956,884	1,155,201	(1,155,201)	\$—
Total	\$6,723,508	\$5,664,805	\$2,948,862	\$1,810,988	\$17,148,165	\$(1,155,201)	\$15,992,964
Segment income (Operating income)	\$2,132,192	\$1,802,421	\$562,946	\$159,976	\$4,657,537	\$(14,899)	\$4,642,637
Depreciation and amortization	\$518,242	\$699,553	\$254,742	\$37,226	\$1,509,764	\$(8,125)	\$1,501,639
Amortization of goodwill	\$—	\$—	\$5,122	\$650	\$5,773	\$—	\$5,773
Increase in property, plant and equipment and intangible assets	\$850,586	\$1,399,618	\$347,945	\$120,686	\$2,718,836	\$(24,227)	\$2,694,609

Note: [1] Elimination of intersegment transactions.

2. Related information
Geographic information
(1) Net sales

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net sales			
Japan	¥538,736	¥520,495	\$3,446,992
U.S.	979,833	762,667	5,050,778
China	236,253	202,053	1,338,099
Asia / Oceania (excluding China)	568,933	551,804	3,654,334
Europe	277,775	236,996	1,569,516
Other	207,292	140,919	933,243
Total	¥2,808,824	¥2,414,937	\$15,992,964

(2) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Property, plant and equipment			
Japan	¥493,232	¥615,481	\$4,076,037
U.S.	779,752	872,810	5,780,200
Other	245,205	258,285	1,710,500
Total	¥1,518,190	¥1,746,577	\$11,566,738

3. Loss on impairment of fixed assets

Millions of yen						
2023						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Loss on impairment of fixed assets	¥—	¥—	¥25	¥1,485	¥—	¥1,510

Millions of yen						
2024						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Loss on impairment of fixed assets	¥—	¥11,020	¥10,501	¥406	¥—	¥21,928

Thousands of U.S. dollars						
2024						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Loss on impairment of fixed assets	\$—	\$72,981	\$69,548	\$2,689	\$—	\$145,219

(Note) In the Functional Materials Segment, an impairment loss was recognized for silicone polymer manufacturing facilities in Thailand as an Operating expenses in the Consolidated Statements of Income.

4. Amortization of goodwill and unamortized balance

Millions of yen						
2023						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥—	¥718	¥251	¥—	¥969
Unamortized balance	¥—	¥—	¥1,942	¥244	¥—	¥2,187

Millions of yen						
2024						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	¥—	¥—	¥773	¥98	¥—	¥871
Unamortized balance	¥—	¥—	¥1,248	¥200	¥—	¥1,449

Thousands of U.S. dollars						
2024						
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Figures in consolidated financial statements
Amortization of goodwill	\$—	\$—	\$5,122	\$650	\$—	\$5,773
Unamortized balance	\$—	\$—	\$8,268	\$1,330	\$—	\$9,598

27. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties during the fiscal year ended March 31, 2023 are as follows:

Millions of yen							
Type	Name	Percentage of voting rights	Relationship	Transactions	Transaction amount	Account	Balance at the fiscal year end
Director or other Officer	Susumu Ueno	Direct Ownership 0.00%	Director, Senior Managing Corporate Officer	Exercise of stock options (Note)	¥107	—	—
Director or other Officer	Masahiko Todoroki	Direct Ownership 0.00%	Director, Senior Managing Corporate Officer	Exercise of stock options (Note)	¥70	—	—
Director or other Officer	Shunzo Mori	Direct Ownership 0.01%	Director - Adviser	Exercise of stock options (Note)	¥52	—	—
Director or other Officer	Toshiya Akimoto	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥35	—	—
Director or other Officer	Yukihiro Matsui	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥92	—	—
Director or other Officer	Masaki Miyajima	Direct Ownership 0.01%	Managing Corporate Officer	Exercise of stock options (Note)	¥47	—	—
Director or other Officer	Toshiyuki Kasahara	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥10	—	—
Director or other Officer	Kazumasa Maruyama	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥52	—	—
Director or other Officer	Toshio Shiobara	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥17	—	—
Director or other Officer	Kai Yasuoka	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥66	—	—
Director or other Officer	Ichiro Onozawa	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥26	—	—
Director or other Officer	Yukinori Satoh	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥41	—	—

(Note) Share subscription rights were approved at the Board of Directors meetings held on August 21, 2018, September 13, 2019 and August 18, 2020.

Transactions between the Company and related parties during the fiscal year ended March 31, 2024 are as follows:

Type	Name	Percentage of voting rights	Relationship	Transactions	Millions of yen			Thousands of U.S. dollars
					Transaction amount	Account	Balance at the fiscal year end	Transaction amount
Director or other Officer	Fumio Akiya	Direct Ownership 0.00%	Representative Director-Chairman of the Board Meeting	Exercise of stock options (Note)	¥170	—	—	\$1,129
Director or other Officer	Yasuhiko Saitoh	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options (Note)	¥267	—	—	\$1,774
Director or other Officer	Susumu Ueno	Direct Ownership 0.00%	Director, Senior Managing Corporate Officer	Exercise of stock options (Note)	¥131	—	—	\$867
Director or other Officer	Masahiko Todoroki	Direct Ownership 0.01%	Director, Senior Managing Corporate Officer	Exercise of stock options (Note)	¥71	—	—	\$473
Director or other Officer	Toshiya Akimoto	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥84	—	—	\$560
Director or other Officer	Fumio Arai	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥172	—	—	\$1,144
Director or other Officer	Yukihiro Matsui	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥101	—	—	\$671
Director or other Officer	Masaki Miyajima	Direct Ownership 0.01%	Managing Corporate Officer	Exercise of stock options (Note)	¥139	—	—	\$924
Director or other Officer	Toshiyuki Kasahara	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥83	—	—	\$552
Director or other Officer	Toshio Shiobara	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥52	—	—	\$347
Director or other Officer	Yoshimitsu Takahashi	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥39	—	—	\$260
Director or other Officer	Kai Yasuoka	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥59	—	—	\$394
Director or other Officer	Ichiro Onozawa	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥13	—	—	\$86
Director or other Officer	Yukinori Satoh	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥39	—	—	\$260
Director or other Officer	Shigeyoshi Netsu	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥11	—	—	\$78

(Note) Share subscription rights were approved at the Board of Directors meetings held on September 13, 2019, August 18, 2020 and August 17, 2021

28. SUPPLEMENTARY INFORMATION

(Unapplied Accounting Standards)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, on October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, on October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, on October 28, 2022)

(1) Overview

This stipulates the classification of income taxes when applied to other comprehensive income and the treatment of tax effects related to the sale of shares in subsidiaries when the group tax sharing system is applied.

(2) Date of application

To be applied from the beginning of the fiscal year ending March 31, 2025

(3) Effect of application

The effect of applying the accounting standards on the consolidated financial statements is currently being evaluated.

- Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (ASBJ PITF No. 46, on March 22, 2024)

(1) Overview

This practical solution stipulates that the estimated amount of corporate taxes related to the Global Minimum Tax Rules should be recognized in profit or loss based on the information available at the time of preparing the financial statements, and stipulates the treatments of presentation and disclosures in the consolidated and non-consolidated financial statements.

(2) Date of application

To be applied from the beginning of the fiscal year ending March 31, 2025

(3) Effect of application

The effect of applying the accounting standards on the consolidated financial statements is currently being evaluated.

29. CHANGES IN THE METHOD OF PRESENTATION

(Consolidated Statement of Income)

"Equity in earnings of affiliates" had been presented as a separate item under "Other Income (Expenses)." However, as it has decreased to less than one-tenth of the total amount of other income, it is therefore included in "Other, net" from the fiscal year ended March 31, 2024.

In order to reflect these changes in the method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year. As a result, ¥9,522 million that had been presented in "Equity in earnings of affiliates" and ¥5,507 million that had been presented in "Other, net" on the consolidated statement of income for the fiscal year ended March 31, 2023 have been reclassified into "Other, net" of ¥15,030 million.

30. ACCOUNTING ESTIMATES

In preparing the consolidated financial statements, the Company makes estimates and assumptions based on the situation at the end of the period, but certain items that are considered to have a significant impact on the consolidated financial statements are described as follows.

Impairment of property, plant and equipment

As of March 31, 2024, the balance of property, plant and equipment was ¥1,746,577 million (\$11,566,738 thousand), accounting for 34% of total assets. Impairment should be considered when economic trends in countries and regions where major product markets are located or increased price competition due to lower global demand negatively impact business performance. When considering impairment, the process of asset grouping and estimating indications of impairment is complex and subjective, and future cash flow estimates are based on many assumptions, so it is necessary to assess the prerequisites carefully. As a result, depending on the amount of estimated future cash flows, there is a possibility that loss on impairment of fixed assets will be recorded.

The amounts in the accompanying consolidated financial statements and the notes thereto, including the amounts for prior fiscal years, are stated in millions of yen with amounts less than ¥1 million omitted.

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End	Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shintech Inc.*	100.0	December 31	Shin-Etsu Film Co., Ltd.	100.0	March 31
Shin-Etsu Handotai Co., Ltd.	100.0	March 31	Shin-Etsu Technology Service Co., Ltd.	76.9	February 28
Shin-Etsu Handotai America, Inc.*	100.0	December 31	Shin-Etsu Polymer America, Inc.*	100.0	December 31
Shin-Etsu PVC B.V.*	100.0	December 31	Naoetsu Sangyo Limited	100.0	March 31
Shin-Etsu Engineering Co., Ltd.	100.0	March 31	Shinken Total Plant Co., Ltd.	100.0	February 28
S.E.H. Malaysia Sdn. Bhd.*	100.0	December 31	Saitama Shinkoh Mold Co., Ltd.	100.0	March 31
Shin-Etsu Handotai Taiwan Co., Ltd.*	70.0	December 31	Shinkoh Mold Co., Ltd.	100.0	March 31
Shin-Etsu Polymer Co., Ltd.	53.4	March 31	Shin-Etsu Magnet Co., Ltd.	100.0	March 31
SE Tylose GmbH & Co. KG*	100.0	December 31	Shin-Etsu Polymer India Pvt. Ltd.*	100.0	December 31
Shin-Etsu Astech Co., Ltd.	99.6	March 31	PT. Shin-Etsu Polymer Indonesia*	100.0	December 31
Shin-Etsu Silicones (Thailand) Ltd.*	100.0	December 31	Shin-Etsu Polymer Singapore Pte. Ltd.*	100.0	December 31
Shin-Etsu Handotai Europe, Ltd.*	100.0	December 31	Shin-Etsu Polymer Shanghai Co., Ltd.*	100.0	December 31
Asia Silicones Monomer Limited*	100.0	December 31	Shin-Etsu Polymer Hong Kong Co., Ltd.*	100.0	December 31
JAPAN VAM & POVAL Co., Ltd.	100.0	March 31	Shin-Etsu Polymer Hungary Kft.*	100.0	December 31
Naoetsu Electronics Co., Ltd.	100.0	February 28	Shin-Etsu Polymer (Thailand) Ltd.*	100.0	December 31
Shin-Etsu Electronics Materials Singapore Pte. Ltd.*	100.0	December 31	Dongguan Shin-Etsu Polymer Co., Ltd.*	100.0	December 31
Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.*	100.0	December 31	Human Create Co., Ltd.	100.0	March 31
Nagano Electronics Industrial Co., Ltd.	90.0	February 28	Suzhou Shin-Etsu Polymer Co., Ltd.*	100.0	December 31
Shin-Etsu Finetech Co., Ltd.	100.0	March 31	S.E.H. (Shah Alam) Sdn. Bhd.*	100.0	December 31
Shin-Etsu Magnetics Philippines, Inc.*	100.0	December 31	SHIN-ETSU HANDOTAI SINGAPORE PTE. LTD.*	100.0	December 31
CIRES, Lda.*	100.0	December 31	Simcoa Operations Pty. Ltd.*	100.0	December 31
Shin-Etsu Singapore Pte. Ltd.*	100.0	December 31	SE Tylose USA, Inc.*	100.0	December 31
Shin-Etsu Silicone Korea Co., Ltd.*	100.0	December 31	K-Bin, Inc.*	100.0	December 31
Shin-Etsu (Malaysia) Sdn. Bhd.*	100.0	December 31	Shin-Etsu Silicone (Nantong) Co., Ltd.*	100.0	December 31
Nissin Chemical Industry Co., Ltd.	100.0	February 28	Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.*	75.0	December 31
Shin-Etsu MicroSi, Inc.*	100.0	December 31	Kashima Chlorine & Alkali Co., Ltd.	79.0	March 31
Shin-Etsu Silicone Taiwan Co., Ltd.*	93.3	December 31	Kashima Vinyl Chloride Monomer Co., Ltd.	70.6	March 31
Shin-Etsu Silicones of America, Inc.*	100.0	December 31	Shin-Etsu New Materials (Thailand) Limited*	100.0	December 31
Shin-Etsu Silicones Europe B.V.*	100.0	December 31	Shin-Etsu Magnetic Materials Vietnam Co., Ltd.*	100.0	December 31
Shin-Etsu Opto Electronic Co., Ltd.*	80.0	December 31	Shin-Etsu Electronics Materials Taiwan Co., Ltd.*	100.0	December 31
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.*	100.0	December 31	Shin-Etsu YOFC (Hubei) Optical Preform Co., Ltd.*	51.0	December 31
Shin-Etsu Polymer Europe B.V.*	100.0	December 31	Shin-Etsu Polymer Vietnam Co., Ltd.*	100.0	December 31
Shin-Etsu International Europe B.V.*	100.0	December 31	Shin-Etsu Electronics (Malaysia) Sdn.Bhd.*	100.0	December 31
Nihon Resin Co., Ltd.	100.0	December 31	Shin-Etsu (Hong Kong) Co., Ltd.*	100.0	December 31
Naoetsu Precision Co., Ltd.	100.0	February 28	Zhejiang Shin-Etsu High-Tech Chemical Co., Ltd.*	100.0	December 31
Shin-Etsu Skyward Systems .Co., Ltd.	100.0	March 31	KitcheNista Co.,Ltd.	100.0	March 31
Shinano Electric Refining Co., Ltd.	100.0	March 31	Hymix Co., Ltd.*	100.0	December 31
Fukui Environmental Analysis Center Co., Ltd.	100.0	February 28	Shin-Etsu Polymer Taiwan Co., Ltd.*	100.0	December 31
*Overseas subsidiary			23 other consolidated subsidiaries		

Independent Auditor's Report

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Satisfaction of performance obligations for revenue recognition	
Description of Key Audit Matter	Auditor's Response
<p>Shin-Etsu Chemical Co., Ltd. (the Company), along with its consolidated subsidiaries, is a chemical manufacturer comprised of the following four business segments: Infrastructure Materials, Electronics Materials, Functional Materials and Processing & Specialized Services, and whose main business is the manufacture and sale of related products.</p> <p>As described in Note 2, "Summary of significant accounting policies, (13) Standards for recognizing revenues and expenses" in the Notes to Consolidated Financial Statements, although revenue is ordinarily recognized when the Company satisfies its performance obligations by transferring products to customers based on sales contracts, the exact point in time when performance obligations are satisfied by the Company varies depending on a diverse range of specific contract terms since the Company sells a wide range of products to customers, not only in Japan, but also in various countries worldwide.</p> <p>Accordingly, regarding revenue recognition at the Company, there is a possibility that errors could be made in determining when the corresponding performance obligations are satisfied. Also, sales is one of the key figures which management and users of financial statements focus on.</p> <p>Based on the above, we determined the timing of revenue recognition to be a key audit matter.</p>	<p>Regarding revenue recognition at the Company, we performed the following audit procedures in assessing whether the revenue is recognized at the point in time when performance obligations are satisfied based on sales contracts, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls related to the sales process, including IT general controls and application controls over the sales systems. • By inspecting written contracts with major domestic or overseas customers or other documents, we assessed whether the point in time when performance obligations of sales transactions are satisfied is determined on the basis of the contract terms. • We tested appropriateness of the timing on which sales were recorded and the amounts thereof regarding sales transactions selected in consideration of their quantitative and qualitative materiality and randomly selected sales transactions by agreeing to related source documents such as bill of lading and acceptance reports. We selected sales transactions to be tested from each business segment. • For sales transactions occurring just before and after the fiscal year end, in order to evaluate the timing of revenue recognition, we randomly selected specific samples as deemed necessary after performing a trend analysis of daily sales to consider if there were any unusual fluctuations, and tested the selected sales transactions by agreeing to related source documents such as bill of lading and acceptance report. We selected sales transactions to be tested from each business segment. • We confirmed the balance of accounts receivable-trade directly with specific customers. We selected customers subject to external confirmation procedures in consideration of quantitative and qualitative materiality.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 22, 2024

/s/ Noriaki Kenmochi
Designated Engagement Partner
Certified Public Accountant

/s/ Satoshi Kanazawa
Designated Engagement Partner
Certified Public Accountant

/s/ Tetsuya Kawawaki
Designated Engagement Partner
Certified Public Accountant