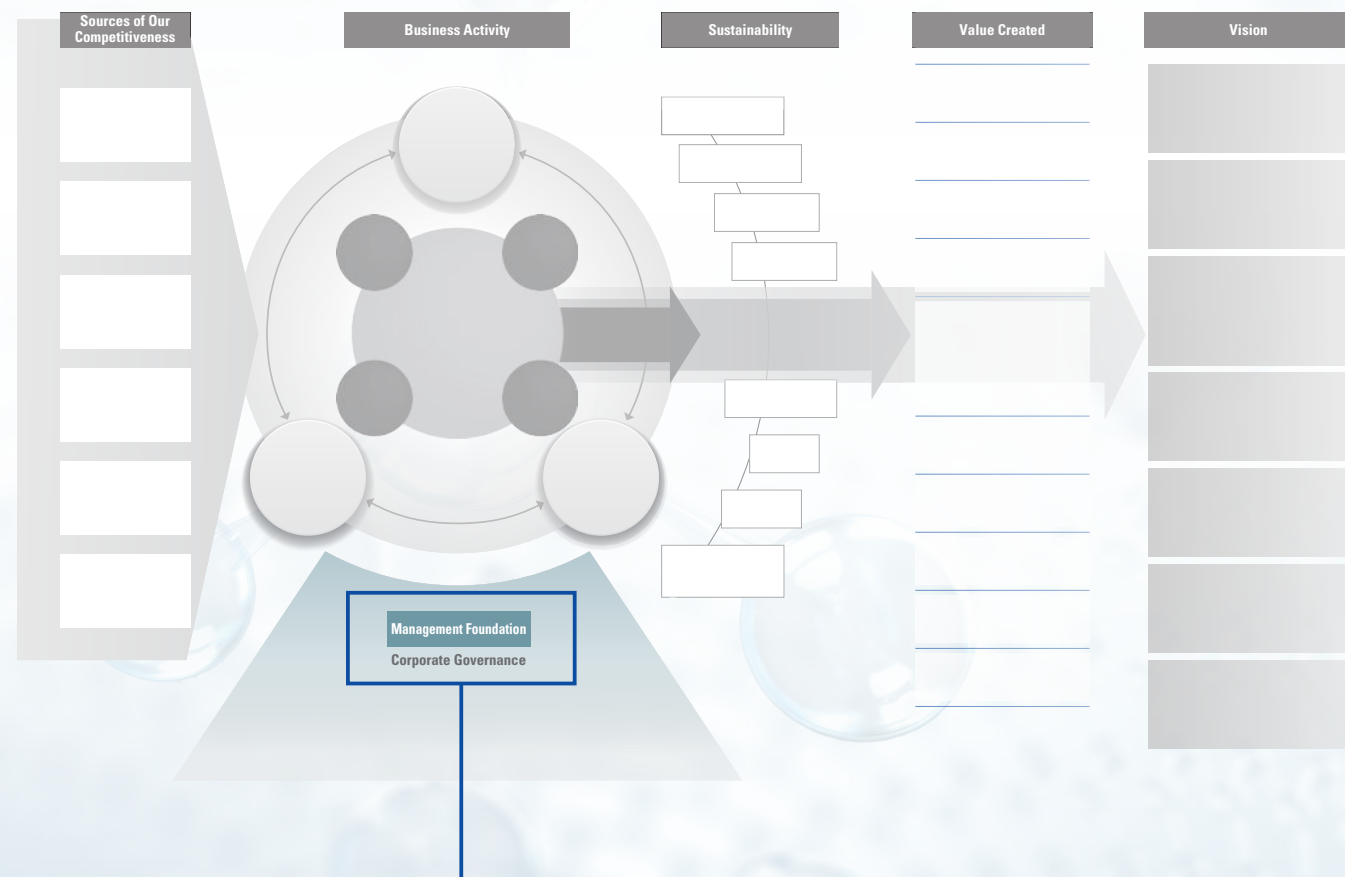


# Build a robust corporate governance structure to sustainably enhance corporate value

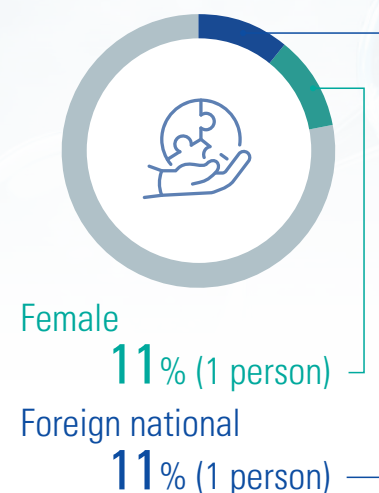


## Three Features of Corporate Governance

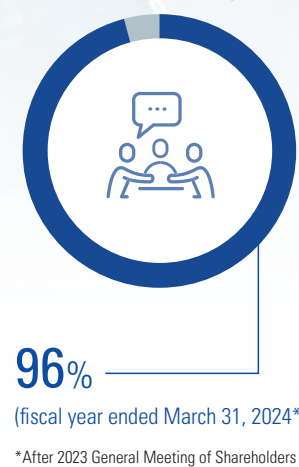
### Ratio of Outside Directors on the Board of Directors:



### Diversity of Directors:



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



# Corporate Governance Approach and Initiatives

## Basic Approach

Our basic management policy is to continuously enhance our corporate value and meet shareholder expectations. To carry out this policy, we have established an efficient organizational structure and various systems designed to respond to changes in the business environment. In addition, to improve transparency in management and strengthen oversight functions, our basic approach to corporate governance

is to accurately disclose information to shareholders and investors, and we consider this to be one of our highest management priorities.

For more detailed information, please see the Governance section on the Group's website.  
[https://www.shinetsu.co.jp/en/sustainability/esg\\_governance/](https://www.shinetsu.co.jp/en/sustainability/esg_governance/)

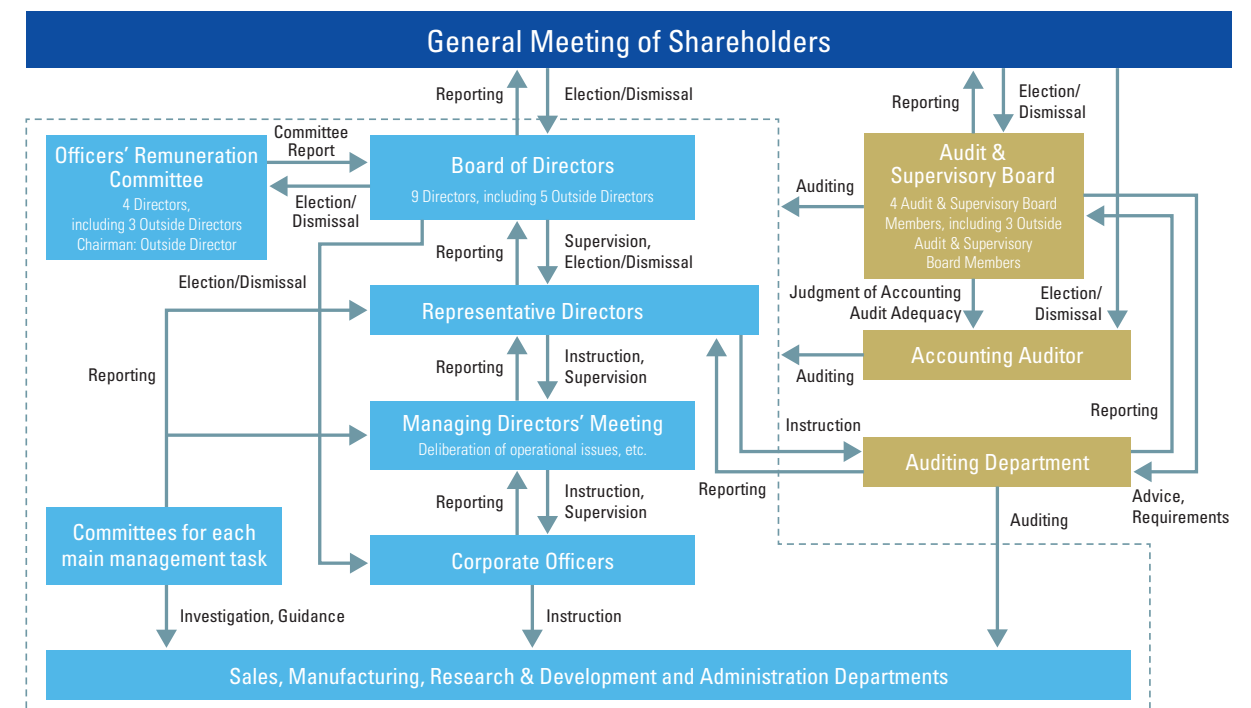
## Corporate Governance Structure

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

In addition to the Board of Directors, we have established the Managing Directors' Meeting to function as another deliberation and decision-making body for business execution. In principle, both organizations meet once per month. The Board of Directors deliberates and makes decisions on important matters related to management, including the Company's basic policies and matters required to be resolved by laws, regulations, and the Articles of Incorporation of the Company. The Managing Directors' Meeting deliberates and makes decisions on all aspects of the Company's operations (excluding matters submitted to the Board of Directors) in order to ensure the speedy and efficient execution of the Company's business operations. Furthermore, the Company has formed the Officers' Remuneration Committee, which is chaired by an Outside Director and serves as an advisory body to the Board of Directors, in an effort to ensure transparency and appropriateness in reviewing and evaluating remuneration for officers and the nomination of candidates

for Directors and Audit & Supervisory Board Members.

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



Officers’ Remuneration Committee

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

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

Basic Fundamental Policy Regarding Remuneration and Its Calculation Method

The remuneration system of Directors shall be designed to contribute to the mid- to long-term enhancement of the corporate value of the Company, and the remuneration of Directors shall be determined by the Board of Directors based on the results of the review and evaluation by the Officers’ Remuneration Committee as well as its opinion thereon. The remuneration shall consist of “fixed remuneration” determined as appropriate for each individual’s position, job responsibilities, etc., and “performance-based remuneration” that takes into consideration the annual financial performance of the Company as an incentive for the enhancement of corporate value, as well as “stock options” as an incentive for higher motivation and morale

to execute one’s duties and to improve performance, and ultimately for the enhancement of shareholder value (stock price-linked remuneration). On the other hand, the remuneration of Audit & Supervisory Board Members shall be determined through their mutual consultation. The remuneration shall consist of “fixed remuneration” determined as appropriate for each individual’s job responsibilities as an Audit & Supervisory Board Member. Outside Directors and Audit & Supervisory Board Members are not entitled to any “performance-based remuneration” or “stock options” as they are expected to perform supervisory and checking functions over management.

Remuneration amount by Director type and its detail, number of applicable Directors (for the year ended March 31, 2024)

Designation	Amount of remuneration, etc. by type (¥ million)			Number of recipients (People)	Amount of remuneration, etc. by type (¥ million)	Number of recipients (People)
	Fixed	Performance-based	Total		Non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	469	227	696	5	220	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	24	—	24	2	—	—
Outside Directors and Outside Audit & Supervisory Board Members	187	—	187	10	—	—

Notes: 1. The above includes two Directors and two Audit & Supervisory Board Members who retired at the conclusion of the 146th Ordinary General Meeting of Shareholders held on June 29, 2023.  
2. The Officers’ Retirement Benefits Program was repealed at the conclusion of the 131st General Shareholders’ Meeting held on June 27, 2008.  
3. The amount of non-monetary remuneration, which consists of stock options, is an expensed amount calculated for the current fiscal year based on the accounting standards. Therefore, it does not represent the amount paid in cash or the amount the Company guarantees to pay in cash, either.  
4. The total amount of remuneration issued to Directors (excluding Outside Directors), which consists of fixed, performance-based and non-monetary remuneration, etc., was ¥917 million.

Assessment of Board of Directors Effectiveness

At every meeting of our Board of Directors, Outside Directors ask questions and make suggestions regarding agenda items, and there is a lively exchange of opinions and discussion. A total of 13 Board of Directors meetings were held in FY2023, at which matters stipulated by law, the Articles of Incorporation, and the Company’s Board of Directors Regulations were discussed, deliberated, and resolved without omission. In addition, the Board of Directors receives

individual opinions each year from Outside Directors regarding the effectiveness of the Board of Directors as a whole. As a result, the Board of Directors of the Company was evaluated as being effective and received valuable feedback on “Further Enhancement of Agenda Items and Discussions at Board of Directors Meetings” and “Conducting meetings with Outside Directors and Outside Audit & Supervisory Board Members.”

Management (As of June 27, 2024)

Board of Directors



Representative Director-Chairman of the Board Meeting  
**Fumio Akiya**  
In charge of Semiconductor Materials and Technologies  
Representative Director & President of Shin-Etsu Handotai Co., Ltd.



Representative Director-President  
**Yasuhiko Saitoh**  
Director & President of Shintech Inc.  
Director & President of Shin-Etsu Handotai America, Inc.



Director, Senior Managing Corporate Officer  
**Susumu Ueno**  
General Manager, Silicone Div.



Director, Senior Managing Corporate Officer  
**Masahiko Todoroki**  
In charge of Semiconductor Materials Dept.,  
Senior Managing Director of Shin-Etsu Handotai Co., Ltd.



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



Director  
**Kuniharu Nakamura\*1**  
Special Adviser, SUMITOMO CORPORATION



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



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



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

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

Audit & Supervisory Board Members



Full-time Audit & Supervisory Board Member  
**Hidenori Onezawa**



Audit & Supervisory Board Member  
**Yoshihito Kosaka\*2**  
C.P.A., Certified Public Tax Accountant  
Representative Partner, HIYU Certified Tax Accountants’ Corporation



Audit & Supervisory Board Member  
**Mitsuko Kagami\*2**  
Lawyer, Partner Lawyer, KAGAMI Law Office  
Outside Director, MEDIPAL HOLDINGS CORPORATION  
Outside Director, Sotetsu Holdings, Inc.



Audit & Supervisory Board Member  
**Hiroko Kaneko\*2**  
C.P.A., Member of the Business Accounting Council, Financial Services Agency  
Outside Director/Audit & Supervisory Committee Member, Mitsubishi HC Capital Inc.  
Outside Audit & Supervisory Board Member, Development Bank of Japan Inc.

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



Areas of Expertise and Involvement of Directors

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

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

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

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

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

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

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

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

Status of activities		Attendance at Board Meetings (Year ended March 31, 2024)
Outside Director		
Toshihiko Fukui	Mr. Fukui his beneficial recommendations concerning the dialogue with investors and cyber security systems for the Company's Group as a whole, etc., capitalizing on his outstanding knowledge and wealth of experience related to global finance and economy as an ex-Governor of the Bank of Japan. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Hiroshi Komiyama	Mr. Komiyama, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his beneficial recommendations concerning cutting-edge digital technology and the utilization of renewable energy, etc., capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Kuniharu Nakamura	Mr. Nakamura shared his beneficial recommendations concerning measures to address geopolitical risks and the development of a personnel system that facilitates a comfortable working environment, etc., capitalizing on his management experience at SUMITOMO CORPORATION, a general trading company, and based on his prominent knowledge of and abundant experience in international business in a wide variety of fields. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Michael H. McGarry	Mr. McGarry shared his beneficial recommendations on product pricing and reduction of cross-shareholdings, etc., capitalizing on his management experience at PPG Industries, Inc. in the U.S., a global leader in paints and coatings, and also based on his outstanding knowledge and wealth of experience in a broad range of chemical industry fields. He also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 100%
Mariko Hasegawa	Ms. Hasegawa shared her beneficial recommendations on the relationship between carbon neutrality and sustainable business, etc., capitalizing on her outstanding knowledge and wealth of experience in a variety of fields, such as having served as President of the Graduate University for Advanced Studies, SOKENDAI and a committee member of the National Public Safety Commission, built upon her many research achievements as a researcher in the field of natural anthropology. She also provided thorough supervision from an independent standpoint.	Board of Directors Meetings 80%

Outside Audit & Supervisory Board Member		
Yoshihito Kosaka	At the Audit & Supervisory Board meetings, Mr. Kosaka shared his comments from a finance and accounting specialist's point of view. In addition, he received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.	Board of Directors Meetings 100%
		Audit & Supervisory Board Meetings 100%
Mitsuko Kagami	At the Audit & Supervisory Board meetings, Ms. Kagami shared her comments from a legal specialist's point of view. In addition, she received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.	Board of Directors Meetings 92%
		Audit & Supervisory Board Meetings 100%
Hiroko Kaneko	At the Audit & Supervisory Board meetings, Ms. Kaneko shared her comments from a finance and accounting specialist's point of view. In addition, she received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.	Board of Directors Meetings 100%
		Audit & Supervisory Board Meetings 100%



Outside Director  
**Toshihiko  
Fukui**



Outside Director  
**Michael H.  
McGarry**



Outside Director  
**Mariko  
Hasegawa**



Outside Director  
**Hiroshi  
Komiyama**



Outside Director  
**Kuniharu  
Nakamura**

## Interview with Outside Directors

# To remain a world-leading chemical company

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

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

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

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

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

## Cash reserves and usage

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

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

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

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

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

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

## Reasons for not disclosing the medium-term management plan

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

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

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

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

\*This interview was conducted in May 2024. Toshihiko Fukui retired as an Outside Director of the Company at the conclusion of the 147th Ordinary General Meeting of Shareholders held on June 27, 2024.

\*This report is based on individual interviews with the five directors.



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

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

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

## Responsibilities of Outside Directors

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

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

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

Because I am not an expert in the kind of

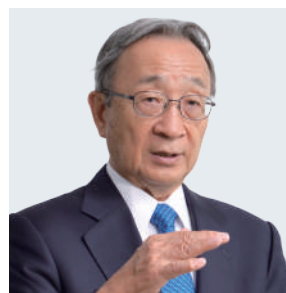
technology the Company handles, especially in chemistry, I would like to raise the simple questions going forward. To this end, I would like to fulfill my responsibilities as an Outside Director by creating more opportunities to visit the field and learn more about what is happening on the ground.

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

## Term of office for Outside Directors

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

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



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

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

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

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

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

## Environmental initiatives

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



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

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

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



## Women’s participation and advancement and human resource development

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

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

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

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

### ■ Incorporating sustainability factors into officers' remuneration

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

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

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

### ■ Expectations for Shin-Etsu Chemical

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

**Nakamura** Shin-Etsu Chemical stands out from the rest as a chemical company that delivered excellent results in the chemical industry facing a challenging business environment, and its top management views leading global companies as its

competitors. I hope that the management maintains this elevated perspective, and that employees will continue to hold the same perspective with a mindset of competing with the leading global players. By doing so, I believe the Company will be able to successfully innovate for a new era.

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

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

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

