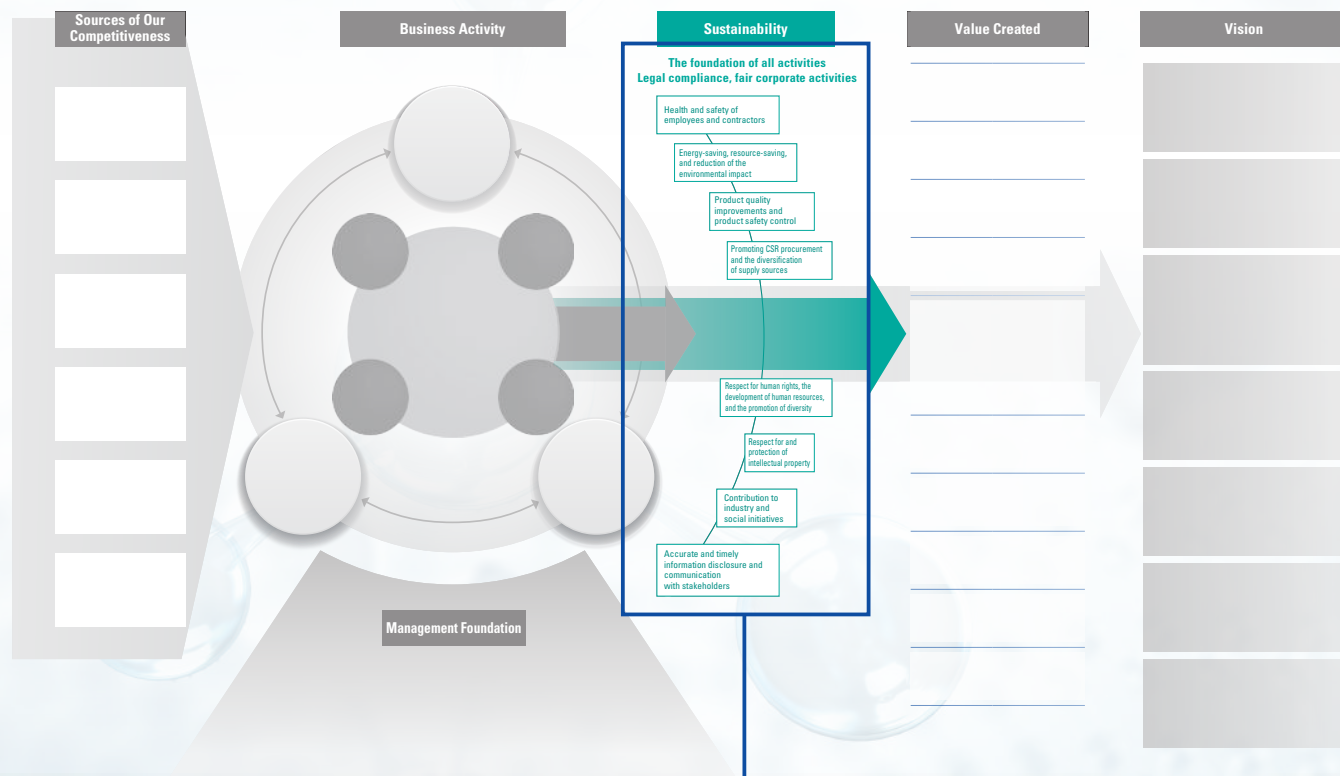


# We will create a sustainable society and achieve sustainable corporate growth



## Shin-Etsu Group's Sustainability

### Business Principle

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

### Basic Sustainability Policy

#### Key Issues

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

Product quality improvements  
and product safety control

Respect for and protection of  
intellectual property

Health and safety of employees  
and contractors

Promoting CSR procurement  
and the diversification of supply  
sources

Contribution to industry  
and social initiatives

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

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

Accurate and timely information  
disclosure and communication  
with stakeholders

Governance Related to Sustainability

The Shin-Etsu Group views the implementation of its Business Principle and the making of contributions that benefit shareholders, investors, customers, business partners, local communities, employees, and all other stakeholders as its social responsibility.

To fulfill this responsibility, we have established the Basic Sustainability Policy, the Shin-Etsu Group Human Rights Policy, and various internal regulations related to the environment, safety, and similar areas, and are carrying out activities accordingly.

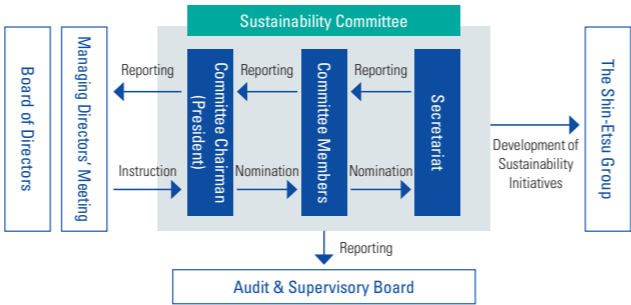
Basic Sustainability Policy

The Shin-Etsu Group will:

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

Revised May 2024

To promote sustainability activities in all aspects of our corporate activities, we have formed a Sustainability Committee consisting of approximately 60 members, including our directors, corporate officers, and department managers, as well as sustainability managers from Group companies, with the president of Shin-Etsu Chemical serving as the chairman. The Committee deliberates on the establishment and revision of important policies and regulations related to sustainability. The Committee also has subcommittees, including the Climate Change Subcommittee and the Human Rights Due Diligence Subcommittee, which perform specific practical tasks. To ensure that the Committee's sustainability initiatives are appropriately monitored, they are reported to the Board of Directors and to the Managing Directors' Meeting, which is composed of all Directors, Audit & Supervisory Board



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

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

List of Executives in Charge of Sustainability Initiatives

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

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

Identifying Key Issues (Materiality)

In FY2015, the Sustainability Committee identified "key sustainability issues" that the Shin-Etsu Group needs to focus its efforts on in particular. Subsequently, in December 2018, all of our departments and major domestic Group companies reviewed the key issues and their importance, which were then reviewed again by the Sustainability Committee. As a result, we decided to carry on with the key issues we identified in 2015. We continue to view legal compliance and fair

corporate activities as the foundation of all of our activities, and focus on these nine key issues.

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

Materiality Identification Process

Step 1

Clarify key issues

Step 2

Prioritize importance of key issues and organize the issues

Step 3

Conduct a hearing with Outside Directors

Step 4

Review by the Sustainability Committee and final decision by the Managing Directors' Meeting

Very Important

Important

Importance for Stakeholders

Importance for the Shin-Etsu Chemical Group

Very Important

Promotion of human resource diversity (women's participation and advancement, hire foreign nationals, employment of people with disabilities)

Realizing an appropriate balance between work and life

Ensuring the quality and safety of products and services

Improving and stabilizing quality characteristics

Thorough management of chemical substances

Appropriate rights of inventions, etc.

Respect for intellectual property rights of third parties

Ensure a stable supply of products by diversifying suppliers of major raw materials and diversifying production bases

Recycling of products sold

Increase customer satisfaction

Elimination of human rights infringement risks

Promoting social responsibility through the supply chain

Dialogues with investors

Improving information disclosure

Contributing to local communities

Increasing productivity

Developing and expanding global human resources

Strict enforcement of legal compliance

Process safety and disaster prevention

Environmental preservation

Developing energy-saving products

Developing products with less environmental load

Establishment and implementation of research themes for the creation of new businesses

Occupational safety

Environmental

Social

Organizational Structure

Business

Strategy, Metrics, and Targets










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

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

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

to appropriately address the risks and opportunities it has identified.

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

Key issue		Risks	Opportunities	Corresponding initiatives	KPIs	FY2023 Results	Targets*	Scope
E	 The foundation of all activities: Legal compliance, fair corporate activities	<ul style="list-style-type: none"><li>•Impact of legal violations and improprieties on corporate management.</li><li>•Damage to corporate value due to loss of trust from society.</li></ul>	<ul style="list-style-type: none"><li>•Ensuring full compliance awareness and fair corporate activities leads to: (1) Formation of the foundation of corporate value (2) Elimination of risks (3) Building of customer trust and expansion of business opportunities (4) Hiring and retaining of excellent human resources</li></ul>	<ul style="list-style-type: none"><li>•Demand thorough compliance awareness among officers and employees through training, etc.</li><li>•Regarding the prevention of bribery, thoroughly enforce a ban on provision of unfair benefits or demands, and establish internal rules at each overseas Group company</li><li>•Cutting ties with anti-social forces</li><li>•Compliance with sound business practices with suppliers and service providers</li><li>•Support for the “Declaration of Partnership Building”</li></ul>	Number of serious legal or regulatory violations	0	0	Consolidated
	 Energy-saving, resource-saving, and reduction of the environmental impact	<ul style="list-style-type: none"><li>•Additional costs of stricter regulations related to greenhouse gas emissions</li><li>•Price increases and difficulty in procuring raw materials for the quantity needed</li><li>•Increased water risks, such as water depletion and flooding</li></ul>	<ul style="list-style-type: none"><li>•The constant challenge of technological innovation leads to the enhancement of “manufacturing ability”.</li><li>•Increasing competitiveness by conserving energy and resources, reducing environmental loads, and improving productivity</li><li>•Increasing the demand for products that contribute to the environment</li><li>•Developing technologies that recycle water, thus contributing to business continuity</li></ul>	<ul style="list-style-type: none"><li>•Promoting the reduction of environmental impact</li><li>•Promoting energy conservation</li><li>•Waste reduction</li><li>•Pollutant countermeasures</li><li>•Response to climate change</li><li>•Resource recycling</li><li>•Water resource conservation and water pollutant elimination</li><li>•Conservation of biodiversity initiatives</li></ul>	GHG Emissions (Scope1+Scope2)	6,507 thousand ton of CO <sub>2</sub>	0 ton of CO <sub>2</sub> (FY2050)	Consolidated
					Percentage of product sales that contribute to CN	Approx. 70%	—	Consolidated
					Emissions intensity index of production volume relative to 1990	57.0% (Shin-Etsu Group), 53.4% (Shin-Etsu Chemical)	45% (FY2025)	Shin-Etsu Chemical and its domestic and overseas group companies
					Average annual rate of energy consumption in terms of intensity	Increased by 0.3%	Reduce energy consumption in terms of intensity at an average annual rate of 1%	Consolidated
					Average annual rate of water withdrawal in terms of intensity	Decreased by 17.7%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
					Average annual rate of BOD emissions in terms of intensity	Increased by 1.6%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
					Water recycle ratio	93.5%	—	Consolidated
					Final waste landfill disposal rate	1.08%	Achieve zero waste emissions Reduce (final landfill waste – to be 1% or less of all waste generated)	Consolidated companies in Japan
S	 Health and safety of employees and contractors	<ul style="list-style-type: none"><li>•Impact of accidents and environmental problems on local communities and employees.</li><li>•Damage to equipment caused by typhoons, earthquakes, or other natural disasters.</li><li>•Impact of an infectious disease outbreak on operations.</li></ul>	<ul style="list-style-type: none"><li>•Implementing measures to prevent accidents and developing new production processes enable the creation of a safe working environment and the improvement of stable production and higher productivity</li><li>•Hiring and retaining excellent human resources</li><li>•Continuing operations, shutting down operations, and resuming operations safely by designing the plant in anticipation of a natural disaster and taking measures against risks</li><li>•Promoting employee health, achieving a work-life balance, and cultivating a sense of motivation and fulfillment in work</li></ul>	<ul style="list-style-type: none"><li>•Safety education for employees through disaster prevention drills and workshops</li><li>•Environmental control and safety audits</li><li>•Improvement of the workplace environment and promotion of employees’ health</li></ul>	Number of participants in safety training	87,349	—	Consolidated
					Number of work-related employee fatalities	0	0	Consolidated
					Number of serious accidents	0	0	Consolidated
					Lost-time injuries	3	0	Shin-Etsu Chemical and its domestic consolidated companies
					Lost-time accidents rate	0.15 (Japan), 0.75 (Overseas)	0	Japan: Shin-Etsu Chemical and its domestic consolidated companies Overseas: Shin-Etsu Chemical’s overseas consolidated companies
					Lost-time accidents severity rate	0.01 (Japan), 0.03 (Overseas)	0	Shin-Etsu Chemical and its domestic consolidated companies
					Rate of accidents not accompanied by an absence a day	0.25	0.5 or below	Consolidated
	 Product quality improvements and product safety control	<ul style="list-style-type: none"><li>•Loss of trust due to product quality issues</li><li>•Direct or indirect impacts on product safety</li></ul>	<ul style="list-style-type: none"><li>•The track record of continuing to deliver products of the promised quality on time will lead to increased customer trust.</li><li>•Sincere efforts to ensure product safety and accumulation of achievements will lead to the trust of customers and society.</li></ul>	<ul style="list-style-type: none"><li>•Quality control</li><li>•Quality audits and support</li><li>•Product safety control</li><li>•Promote automation of quality inspections and assurance (reduce personnel involvement)</li><li>•Verification of the statistical validity of inspection variations and standard ranges</li></ul>	Number of participants in product safety training	82,735	—	Consolidated
	 Promoting CSR procurement and the diversification of supply sources	<ul style="list-style-type: none"><li>•Impact from not being able to procure raw materials, such as discontinuation of manufacture and shipment delay to customers</li><li>•Problems arising in the supply chain</li></ul>	<ul style="list-style-type: none"><li>•Diversifying suppliers to enable stable procurement, purchasing at optimal prices, and procurement of raw materials through fair transactions</li><li>•Earning the trust of customers and society by thoroughly implementing CSR procurement</li></ul>	<ul style="list-style-type: none"><li>•Create “Shin-Etsu Group CSR Procurement Guidelines” and revise them as appropriate</li><li>•Ensuring compliance with subcontracting laws by attending seminars and conducting internal audits</li><li>•Implementing initiatives to eliminate the use of conflict minerals</li><li>•Implementing the supplier CSR procurement survey</li><li>•Participation in RSPO “Roundtable on Sustainable Palm Oil”</li></ul>	Percentage of suppliers surveyed on sustainability	Approx. 70%	—	Shin-Etsu Chemical and its domestic and overseas consolidated companies.
	 Respect for human rights, the development of human resources, and the promotion of diversity	<ul style="list-style-type: none"><li>•Occurrence of human rights infringements in the Group’s business activities and supply chain</li><li>•Occurrence of differences and biases in the effectiveness of on-the-job training</li><li>•Negative impact of performance-based evaluation (Putting emphasis on short-term results, bias in evaluation depending on department, performance decline due to external factors, etc.)</li><li>•Increase in turnover rate and decrease in job seekers due to inability to meet needs for diversification of work styles</li></ul>	<ul style="list-style-type: none"><li>•Improving the market evaluation of companies that promote respect for human rights</li><li>•Active participation of excellent human resources who have cultivated practical skills through on-the-job training</li><li>•Accumulation of knowledge, skills and experience</li><li>•Maintaining and improving organizational vitality brought about by a strong desire to take on challenges to achieve goals</li><li>•Business growth and new business development by hiring, developing, and selecting talented human resources</li></ul>	<ul style="list-style-type: none"><li>•Promotion of respect for human rights based on the Universal Declaration of Human Rights</li><li>•Implementing human rights due diligence</li><li>•Supporting employee growth through a training system</li><li>•Promote communication between superiors and subordinates</li><li>•Promoting penetration of an evaluation compensation system focused on skill development</li><li>•Creating an environment where people can play an active role regardless of gender or age</li><li>•Enhancement of work-life balance system</li></ul>	Ratio of women at the time of hiring	Administrative positions: 33.3%, engineering positions: 9.9%	Administrative positions: 40%, engineering positions: 10%	Employees and seconded employees of Shin-Etsu Chemical
					Number of women in managerial positions, including junior manager level	3.47 times versus FY2014	4 times versus FY2014	Employees and seconded employees of Shin-Etsu Chemical
					Employment rate of persons with disabilities	2.27	2.30	Shin-Etsu Chemical and its domestic consolidated companies
	 Respect for and protection of intellectual property	<ul style="list-style-type: none"><li>•The adverse effect on product sales due to infringement of our intellectual property</li><li>•Restrictions on our product sales and business due to the patents of other entities</li><li>•Impact of cyber-attacks on production, sales, and R&amp;D activities</li><li>•Loss of trust in the company due to information leakage</li></ul>	<ul style="list-style-type: none"><li>•Promoting product development and unique manufacturing methods by protecting and utilizing our intellectual property</li><li>•Contributing to the development of industry and the society by publishing inventions</li><li>•Implementing technology innovation and operational reforms by utilizing digital technologies while thoroughly protecting and managing information assets and taking measures against cyber attacks</li></ul>	<ul style="list-style-type: none"><li>•Intellectual property management</li><li>•Initiatives for information asset management</li><li>•Protection of personal information</li><li>•Initiatives for cyber security</li></ul>	Patents acquired	1,981	—	Major consolidated manufacturing companies
					Patents held	23,066	—	Major consolidated manufacturing companies
	 Contribution to industry and social initiatives	<ul style="list-style-type: none"><li>•Loss of trust from local communities due to social contribution activities not meeting local needs</li><li>•Impact on the world development due to the delay in achieving a sustainable world that the SDGs aim to achieve</li></ul>	<ul style="list-style-type: none"><li>•Creation of employment opportunities, stable employment and tax payment due to business stability</li><li>•Building relationships of trust with the local community through dialogue and continuous activities</li><li>•Contributing to a better world by addressing SDG issues through business operations</li></ul>	<ul style="list-style-type: none"><li>•Contribution to SDGs goals and targets</li><li>•Fundraising for the U.N. World Refugee Day</li><li>•Support for Science and Technology in Society forum</li><li>•Support for eradicating poverty in Africa</li><li>•Contribution to Society Activities at Overseas Group Company</li></ul>	—			
	 Accurate and timely information disclosure and communication with stakeholders	<ul style="list-style-type: none"><li>•Impairment of corporate value through the non-disclosure and inadequate disclosure of information</li><li>•Loss of trust from stakeholders and the society due to failure to fulfill accountability</li></ul>	<ul style="list-style-type: none"><li>•Creating a fair market evaluation and improving corporate value</li><li>•Earning the trust of stakeholders and the society</li></ul>	<ul style="list-style-type: none"><li>•Appropriate and timely disclosure of company information</li><li>•Communication with stakeholders</li><li>•Conference calls with analysts and investors after the announcement of financial results</li><li>•Holding an exhibition</li></ul>	Earnings briefings and conference calls for institutional investors and analysts	4 times	—	Shin-Etsu Chemical
					Plant tours for analysts and institutional investors / Business briefing session	1 time	—	Shin-Etsu Chemical
					One-on-one meetings with analysts	About 350 times	—	Shin-Etsu Chemical
					Small meetings for investors hosted by securities companies	5 times	—	Shin-Etsu Chemical

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

## Risk Management

### The committee for risk management across the board

We have established a Risk Management Committee consisting of approximately 20 members, including directors, corporate officers, and department managers, to establish a risk management system, develop rules and regulations, and identify and prevent risks that may arise in the course of business activities. In addition, we promote cross-functional activities among divisions and Group companies, including the formulation of business continuity plans, training, and information sharing. Furthermore, important matters in risk management are reported to the Board of Directors, the Managing Directors' Meeting, and the Audit & Supervisory Board.

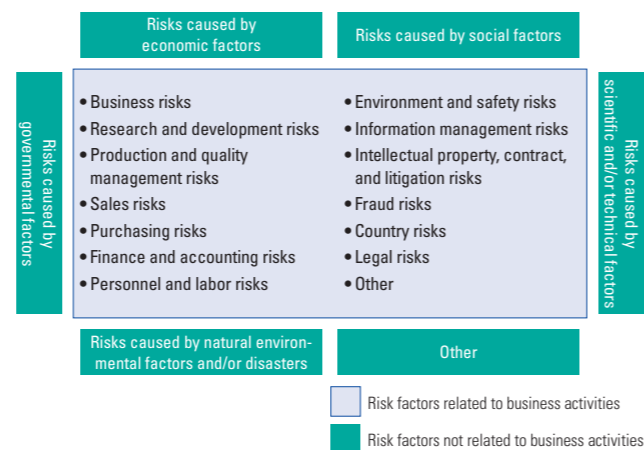
In FY2023, the Risk Management Committee met four times and monthly meetings were held by the secretariat. At the meetings, production risks in the event of infrastructure outages, as well as risks related to information leakage, are discussed and shared within the Committee in order to enhance risk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

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

### Risk Management Regulations

The Company has established Risk Management Regulations that anticipate comprehensive risks that may arise in the course of the Shin-Etsu Group's business activities from a long-term perspective and has established a risk management system and responses to any risks that materialize.

### Risks anticipated in the Risk Management Regulations



### Risk Management Procedures

Risk management is carried out following the procedures of the PDCA cycle shown in the diagram below in accordance with the characteristics of each risk.



### Activities of the Risk Management Committee in FY2024

The Risk Management Committee works in a multifaceted and company-wide effort to preemptively eliminate risks that may affect management and business activities, and to minimize the impact of risks when they do occur and prevent their recurrence.

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

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

- Strengthening earthquake countermeasures at plants (BCP)
- Stable procurement of raw materials
- Recruitment and retention of employees
- Plant safety measures
- Strengthening countermeasures against information leaks, cyberattacks, etc.
- Enhanced compliance, etc.

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

## Main Sustainability Initiatives

The mission of the Shin-Etsu Group is to contribute to the sustainable development of the world through its business activities. In line with this mission, the Group engages in sustainability activities around the world in all of its business activities, including the provision of products. The Group's sustainability activities are also presented under

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

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


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

### Key Issues

### The foundation of all activities: Legal compliance, fair corporate activities

#### Ensuring full compliance awareness

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

Whenever laws and regulations related to corporate activities are enacted or revised, the Legal Department notifies internally and ensures that all employees are fully aware of the changes. In addition, to promote understanding of important laws and regulations, we serialize explanatory articles in the company newsletter and host lectures by outside experts. In July 2023, we invited a specialist lawyer to give a lecture on antitrust and bribery-related laws and regulations (including cartels, unfair trade practices, bribery, etc.), which was attended by a total of 849 employees from Shin-Etsu Chemical and 48 Group companies in Japan and overseas. In addition, from September to November 2023, we conducted a survey of all of 45 Group companies in Japan regarding compliance with antitrust laws and prevention of bribery, and no problematic cases were found.

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

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

#### Initiatives of prevent corruption

In 2015, the Group established an Anti-Bribery Regulations to send a clear statement that it does not engage in any form of bribery. By having officers and employees submit written oaths of compliance, we make every effort to prevent the improper provision of favors and requests to public officials, customers, and business partners in Japan and overseas.

Furthermore, to raise awareness of employees' legal compliance, we make compliance with ethics in general one of our personnel evaluation items. We also conduct regular internal audits on corruption, embezzlement, and bribery.

The Shin-Etsu Group was among the first Japanese companies to agree to the Tokyo Principles for Strengthening Anti-Corruption Practices of the Global Compact Network Japan (GCNJ) and signed the letter of endorsement in February 2018. In addition, at the Anti-Corruption Annual Forum 2023, co-hosted by the Anti-Bribery Committee Japan (ABCJ) and the GCNJ in October 2023, we participated as a panelist in the panel discussion on the theme "Current Status and Prospects of Anti-Corruption Practices in Japanese Companies."

For overseas Group companies, we conduct risk assessments on bribery and corruption prevention based on country-specific corruption perception indices published by Transparency International (an international non-governmental organization working to combat corruption).

#### Tax Compliance

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

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

## Key Issues

## Product quality improvements and product safety control

## Product quality improvements

The Shin-Etsu Group is focused on the stable supply of high-quality products that meet customer needs, while also striving for zero quality issues. Excellent quality is a non-price competitive advantage not only for high value-added products but also for general purpose products. With this in mind, the Group has conducted quality audits every year since 2000 aimed at improving each plant's quality and customer service, believing that it is essential to have both "defensive quality management" to prevent the production and shipment of substandard products and "offensive quality management" to minimize quality variability and create quality that cannot be matched by competitors. The 2023 quality audit prioritized items (1) to (3) below.

(1) Efforts to reduce variations in manufacturing processes\*:

In addition to improving the conventional manufacturing variations, we confirmed the improvement status of quality through the introduction of DX and AI.

(2) "Examples of countermeasures for quality problems and status of horizontal deployment": We checked whether permanent and logical countermeasures against past quality problems were implemented and continued, and whether they were deployed horizontally to other products.

(3) "Division audits": The sales, production, and quality assurance departments select quality issues that they consider important for their business or product, and the sales department reports on and confirms the status of quality improvement plans and their implementation.

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

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



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

## Product safety control

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

We conduct environmental and health risk assessments at the development stage to verify the safety of new chemical substances. Furthermore, when developing new chemical substances, we focus on products and manufacturing technologies that do not use hazardous substances as specified in the Industrial Safety and Health Act, the Chemical Control Act\*1, and the EU RoHS Directive\*2.

In addition, we offer customers information such as on product hazards and harms in the form of SDS\*3 in order to ensure the proper transmission of information to customers and transportation firms. Furthermore, we request customers to handle products safely by complying with laws and regulations, installing abatement equipment, wearing protective equipment and so on through SDS.

\*1 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law): A law aimed at preventing environmental pollution by chemical substances that may affect human health and ecosystems.

\*2 RoHS (Restriction of the use of certain Hazardous Substances) Directive: An EU directive that restricts the use of certain hazardous substances in electric and electronic equipment.

\*3 SDS (Safety Data Sheet): A safety data sheet that describes chemical and physical properties of chemical substances as well as information on toxicity and emergency measures.

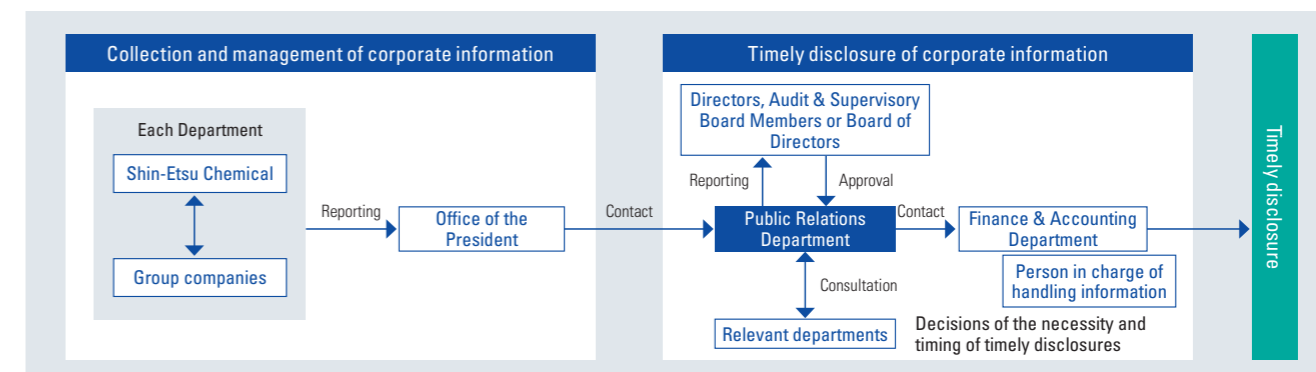
Act and the regulations regarding information disclosure set by the stock exchange. Regarding the collection, management, and timely disclosure of corporate information, the company formulated internal regulations such as the "Regulations on Timely Disclosure of Corporate Information"

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

and timely disclosure.

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

## State of the internal system for timely disclosure



## Communication with Stakeholders

## Shareholders and Investors

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

## Business briefings for securities analysts and investors

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



Analysts and investors who attended the briefing

## Employees

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

## President visits five production sites

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



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

## Key Issues

## Accurate and timely information disclosure and communication with stakeholders

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

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