



December 17, 2024

To whom it may concern:

Company Name: Shin-Etsu Chemical Co., Ltd.
Company Address: 4-1 Marunouchi 1-chome,
Chiyoda-ku, Tokyo
Japan
Representative Director/
President: Yasuhiko Saitoh
Securities Code: 4063
Contact person: Toshiyuki Kasahara
Corporate Officer, General Manager,
Finance and Accounting Department
Telephone: +81-3-6812-2350

Notice Regarding Repurchase of Own Shares and Tender Offer for Own Shares

Shin-Etsu Chemical Co., Ltd. ("Shin-Etsu") resolved at its board of directors' meeting held on December 17, 2024 to repurchase its own shares and to make a tender offer for such shares (the "Tender Offer"), as described below, as the specific method for such repurchase, based on Article 156(1) of the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), as applied *mutatis mutandis* pursuant to the provisions of Article 165(3) of the Companies Act, and Shin-Etsu's Articles of Incorporation.

1. Purpose of Tender Offer

From a long-term perspective, Shin-Etsu is focusing on expanding profitability and maintaining a solid financial base, with the basic policy of returning the fruits of such management efforts to its shareholders in a proper and stable manner. Shin-Etsu strives to increase its corporate value by the aggressive and timely use of internal reserves for enhanced global competitiveness, further business development, and further growth.

Further, Shin-Etsu will maintain a solid financial base to enable it to face the increasing frequency and amplitude of economic fluctuations that may occur. Based on this policy, Shin-Etsu approaches its capital policy with close attention to return on equity and cost of capital.

Shareholder returns are at the core of these policies. While considering various circumstances, Shin-Etsu has aimed for stable dividends at a dividend payout ratio of around 35% in the medium-to-long term. Shin-Etsu dividends from excess earnings are basically paid twice per year in the form of an interim dividend and year-end dividend. The year-end dividend is decided by a resolution at a general meeting of shareholders, while the interim dividend is decided by a resolution at a meeting of the board of directors.

For the fiscal year ended in March 2024, the interim dividend was 50 Japanese Yen per share and the year-end dividend was 50 Japanese Yen per share. The dividend payout ratio for the past 10 years was 31%. Shin-Etsu will continue to take various factors into consideration as it works to raise its dividend payout ratio to 40% over the medium-to-long term. Also, Shin-Etsu will determine the need for repurchases of its own shares. For the fiscal year ending in March 2025, the interim dividend was 53 Japanese Yen per share, a 3 Japanese Yen increase over the interim dividend for the previous fiscal year.

Shin-Etsu's Articles of Incorporation provide that it may repurchase its own shares based on a resolution of its board of directors, without a resolution of a general meeting of shareholders, based on the provisions of Article 165(2) of the Companies Act. The purpose is to allow Shin-Etsu to execute agile capital strategies in response to changes in the business environment. Up to now, in order to improve its capital efficiency and return profits to its shareholders, Shin-Etsu has repurchased its own shares in the open market through the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"), as listed in the following table:

Date of Resolution	Repurchase Period	Total Shares Repurchased (Note 1)	Total Repurchase Amount
August 25, 2008 board of directors' meeting	September 8, 2008 to September 12, 2008	2,000,000 shares (10,000,000 shares)	10,590,079,000 Japanese Yen
October 23, 2008 board of directors' meeting	October 27, 2008 to October 31, 2008	3,000,000 shares (15,000,000 shares)	13,622,940,000 Japanese Yen
March 12, 2019 board of directors' meeting	March 13, 2019 to May 20, 2019	10,943,900 shares (54,719,500 shares)	100,000,000,000 Japanese Yen
April 27, 2022 board of directors' meeting	April 28, 2022 to June 20, 2022	5,717,200 shares (28,586,000 shares)	99,998,575,000 Japanese Yen
July 27, 2022 board of directors' meeting	July 28, 2022 to December 21, 2022	6,121,000 shares (30,605,000 shares)	99,998,988,500 Japanese Yen
July 27, 2023 board of directors' meeting	July 28, 2023 to October 24, 2023	22,431,200 shares	99,999,573,700 Japanese Yen
May 17, 2024 board of directors' meeting	May 20, 2024 to September 11, 2024	16,695,900 shares	99,999,466,400 Japanese Yen

Note 1: Shin-Etsu conducted a five-to-one stock split on its common shares, effective as of April 1, 2023. In the above table, the number of shares in parenthesis represents the number of shares after accounting for the stock split.

During the period from April 2023 to September 2024, Shin-Etsu's shareholders MUFG Bank Ltd. ("MUFG Bank"), Aioi Nissay Dowa Insurance Co., Ltd. ("Aioi Nissay Dowa"), Tokio Marine Nichido Fire Insurance Co., Ltd. ("Tokio Marine Nichido"), Sompo Japan Insurance, Inc. ("Sompo Japan"), and The Hachijuni Bank, Ltd. ("Hachijuni Bank") (the five shareholders shall be collectively referred to as the "Prospective Tendering Shareholders") informed Shin-Etsu of their intent to sell their Shin-Etsu common shares, in order to decrease their strategic shareholdings.

Shin-Etsu determined that the reduction of the shareholding ratios (relating to its common shares) of the Prospective Tendering Shareholders will result in the reduction of strategic shareholdings of its shares and contribute to an increase in Shin-Etsu's corporate value by raising its managerial discipline. Shin-Etsu

decided to consider the repurchase of its common shares owned by the Prospective Tendering Shareholders through a tender offer.

As a result, in mid-October 2024, Shin-Etsu determined that it would be appropriate to repurchase its common shares owned by the Prospective Tendering Shareholders, (i) considering the adverse effect on the liquidity and share price of its common shares that would result from a concentrated release of a certain number of such shares into the open market, and (ii) for the purpose of further improving its capital efficiency and returning profits to its shareholders by increasing its earnings per share (EPS), return on equity (ROE), etc., during this fiscal year. Also, Shin-Etsu determined that a tender offer would be the appropriate method for repurchasing its common shares owned by the Prospective Tendering Shareholders, for the reasons listed below.

1. Considering that the Prospective Tendering Shareholders have expressed their intent to sell a certain number of shares, a repurchase of such shares through a tender offer, as a transaction outside the open markets, would likely have a relatively smaller adverse effect on the liquidity and share price of Shin-Etsu's common shares, than a repurchase of said shares in the open market.
2. Because there is the possibility of repurchasing the shares at a discount to the current market price, (i) it appears unlikely that there will be a large number of shares tendered by shareholders other than the Prospective Tendering Shareholders, (ii) it is more certain that Shin-Etsu will be able to successfully repurchase the Shin-Etsu common shares owned by the Prospective Tendering Shareholders, and (iii) the amount paid for the repurchase of shares can be reduced.
3. The opportunity for the repurchase of Shin-Etsu's common shares owned by the Prospective Tendering Shareholders can be provided prior to the end of the current fiscal year.

After discussing the matter with the Prospective Tendering Shareholders, Shin-Etsu decided, at its board of directors' meeting on December 17, 2024, to repurchase the Shin-Etsu common shares that the Prospective Tendering Shareholders intend to sell, through the Tender Offer, at the Tender Offer price of 4,685 Japanese Yen per share.

The Tender Offer price of 4,685 Japanese Yen per share represents a 9.99% discount (rounded down if the third decimal place is four or less, and rounded up if the third decimal place is five or more; also applies to all subsequent discount calculations herein) from 5,205 Japanese Yen, the closing price of Shin-Etsu's common shares on the Tokyo Stock Exchange Prime Market ("TSE Prime Market") on December 16, 2024, the business day preceding the date of the board of directors' meeting at which Shin-Etsu decided to proceed with the Tender Offer. The Tender Offer price represents a discount of (i) 15.48% in comparison to 5,543 Japanese Yen, the simple average of the closing prices of Shin-Etsu's common shares on the TSE Prime Market during the prior one-month period, (ii) 18.76% in comparison to 5,767 Japanese Yen, the simple average of the closing prices of Shin-Etsu's common shares on the TSE Prime Market during the prior three-month period, and (iii) 22.05% in comparison to 6,010 Japanese Yen, the simple average of the closing prices of Shin-Etsu's common shares on the TSE Prime Market during the prior six-month period.

The planned number of shares to be repurchased through the Tender Offer is set to be equal to the number of shares that the Prospective Tendering Shareholders intend to sell as set forth below (20,060,000 shares) (1.01% of outstanding shares as of September 30, 2024), because of the need to minimize the total amount to be paid in connection with the Tender Offer. Because there is a possibility that the total number of tendered shares will exceed the planned number of shares to be repurchased (if the total number of tendered shares exceeds the planned number of shares to be repurchased and the number of voting units is adjusted based on proportional calculations), Shin-Etsu decided to set the maximum number of shares to be repurchased as the planned number of shares to be repurchased plus one voting unit (100 shares): 20,060,100 shares (1.01% of outstanding shares as of September 30, 2024).

Tendering Shareholder	Number of Shares Tendering Shareholder Intends to Tender
MUFG Bank	3,000,000 shares
Hachijuni Bank	1,900,000 shares
Aioi Nissay Dowa	3,920,000 shares
Tokio Marine Nichido	1,600,000 shares
Sompo Japan	9,640,000 shares
Total	20,060,000 shares

Shin-Etsu plans to fund the amounts required for the Tender Offer completely from its own funds. Based on its Semi-Annual Report for the period from April 1, 2024 to September 30, 2024 (the "FY 2025 Semi-Annual Report"), Shin-Etsu's consolidated liquidity on hand (cash and time deposits; the same meaning shall apply to all subsequent calculations of liquidity on hand herein) as of September 30, 2024 was 1,814,531 million Japanese Yen (liquidity on hand ratio is 8.6 months) (Note 2). Even after subtracting the funds required for the Tender Offer (93,987 million Japanese Yen), the estimated liquidity on hand will be 1,720,544 million Japanese Yen (liquidity on hand ratio is 8.2 months) (Note 3). Thus, because Shin-Etsu's liquidity on hand will be sufficiently preserved, Shin-Etsu will be able to maintain its financial health and stability into the future.

Note 2: The liquidity on hand ratio was calculated by dividing the consolidated liquidity on hand as of September 30, 2024 as stated in the FY 2025 Semi-Annual Report, by monthly revenues (the semi-annual revenues stated in the FY 2025 Semi-Annual Report divided by six months; the same meaning shall apply to all subsequent references to monthly revenues herein) (rounded down if the second decimal place is four or less, and rounded up if the second decimal place is five or more).

Note 3: The estimated liquidity on hand ratio was calculated by dividing (i) the consolidated liquidity on hand as of September 30, 2024 as stated in the FY 2025 Semi-Annual Report, minus the funds required for the Tender Offer, by (ii) monthly revenues (rounded down if the second decimal place is four or less, and rounded up if the second decimal place is five or more).

Shin-Etsu has not yet decided the future treatment of the shares to be repurchased through the Tender Offer.

2. Details of Board of Directors' Resolution Concerning Repurchase of Shares (released December 17, 2024)

(1) Details of Resolution

Type of Shares	Total Number of Shares	Total Repurchase Amount
common shares	20,060,100 shares	93,981,568,500 Japanese Yen

Note 1: The total number of shares to be repurchased (20,060,100 shares) represents 1.01% (rounded down if the third decimal place is four or less, and rounded up if the third decimal place is five or more) of the total outstanding shares as of September 30, 2024 (1,979,650,112 shares, excluding treasury shares).

Note 2: The total number of shares to be repurchased is the maximum number of shares to be repurchased as resolved at the December 17, 2024 board of directors' meeting.

Note 3: The total purchase amount is the maximum total purchase amount resolved at the December 17, 2024 board of directors' meeting.

Note 4: The repurchase period shall be from December 18, 2024 to February 28, 2025.

(2) Number of Shares Already Repurchased Based on the Board of Directors' Resolution

Type of Shares	Total Number of Shares	Total Purchase Amount
not applicable	none	none

3. Summary of Tender Offer

(1) Schedule, Etc.

1.	Date of Board of Directors' Resolution	December 17, 2024 (Tuesday)
2.	Date of Public Notice of Commencement of Tender Offer	December 18, 2024 (Wednesday) online notice, announcement of same in Nihon Keizai Shinbun online notice website: (https://disclosure2.edinet-fsa.go.jp/)
3.	Date of Submission of Tender Offer Statement	December 18, 2024 (Wednesday)
4.	Tender Offer Period	December 18, 2024 (Wednesday) to January 22, 2025 (Wednesday) (20 business days)

(2) Tender Offer Price

4,685 Japanese Yen per common share

(3) Planned Number of Shares to be Repurchased

Type of Shares	Planned Number of Shares to be Repurchased	Expected Number of Excess Tendered Shares	Total
common shares	20,060,000 shares	none	20,060,000 shares

Note 1: If the total number of shares tendered in response to the Tender Offer (the "Tendered Shares") is less than the planned number of shares to be repurchased (20,060,000 shares), Shin-Etsu shall repurchase all of the Tendered Shares. If the total number of Tendered Shares is greater than the planned number of shares to be repurchased (20,060,000 shares), Shin-Etsu will not repurchase some or all of the excess shares. In such case, Shin-Etsu will determine the shares to be repurchased and the settlement of such share repurchases in accordance with the pro rata methods provided for in Article 27-13(5) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) ("FIEA"), as applied pursuant to Article 27-22-2(2) of the FIEA, and Article 21 of the Cabinet Office Order on Disclosure Required for Tender Offers for Listed Share Certificates by Issuers (Ministry of Finance Order No. 95 of 1994).

Note 2: Shares representing less than one voting unit can also be tendered in response to the Tender Offer. If a shareholder owning shares representing less than one voting unit exercises its right to request the purchase of such shares in accordance with the Companies Act, Shin-Etsu may repurchase such shares during the Tender Offer period, in compliance with applicable laws/regulations.

(4) Funds Required for Tender Offer

93,987,100,000 Japanese Yen

Note: This amount represents the funds to purchase all of the planned shares to be repurchased (20,060,000 shares) plus estimated commissions and other costs (public notices, and printing and other costs for explanatory documents and other required documents) relating to the Tender Offer.

(5) Settlement, Etc.

1. Name and Address of Head Office of Financial Institution Handling Settlement

Nomura Securities Co., Ltd.
1-13-1 Nihonbashi, Chuo-ku, Tokyo, Japan

2. Settlement Commencement Date

February 14, 2025 (Friday)

(6) Other

The Tender Offer is not conducted, directly or indirectly, in the U.S. or for the U.S., and is not conducted (i) by means of U.S. mail or other interstate or international commerce methods or means (including, but not limited to, telephone, telex, facsimile, electronic mail, or internet communications), nor (ii) through any securities exchange facility in the U.S. No tender of shares in response to the Tender Offer may be made through any of the above-mentioned methods or means or through the above-mentioned facilities, or from the U.S.

The tender offer statement and related tender documents relating to the Tender Offer are not and may not be sent or distributed in, to, or from the U.S. by mail or any other method. Any tender of shares in response to the Tender Offer made in violation, directly or indirectly, of any of the above-referenced restrictions shall be rejected.

Shareholders tendering shares in response to the Tender Offer (in the case of foreign shareholders, the shareholders' local custodians) may be required to make the following representations and warranties to the tender offer agent when making such tender:

- A. the shareholder is not located in the U.S., either at the time of the Tender Offer or at the time the tender offer application form is submitted;
- B. the shareholder has not directly or indirectly received or sent any information (including copies thereof) regarding the Tender Offer, in, to, or from the U.S.;
- C. the shareholder did not directly or indirectly use U.S. mail or other interstate or international commercial methods or means (including, but not limited to, telephone, telex, facsimile, electronic mail, or internet communications), or any securities exchange facility in the U.S., in connection with the purchase, etc. of shares in connection with the Tender Offer or signing and delivery of the tender offer application form; and
- D. the shareholder is not acting as any other person's attorney-in-fact or trustee/agent without discretion (unless the person providing instructions regarding the purchase, etc. is doing so solely from outside the U.S.).