

This English language translation is prepared for reference only. In the event of any discrepancy between the text of this translation and the text of the original Japanese-language, the Japanese language text will prevail.

To: All Shareholders of Shin-Etsu Chemical Co., Ltd. (the “Company”)

MATERIALS CONCERNING NOTICE OF CONVOCATION OF THE 148TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Matters not Included in Delivered Documents Upon Request for Delivery of Documents
Pursuant to Laws and Regulations and the Articles of Incorporation
Among the Matters for Which Electronic Provision Measures are Taken

1. Matters Concerning Stock Acquisition Rights Issued by
the Company.....1
2. System to Ensure the Properness of Operations and
the Progress thereof.....4
3. Notes to Consolidated Financial Statements.....9
4. Notes to Non-Consolidated Financial Statements.....20

Shin-Etsu Chemical Co., Ltd.

The above matters are not stated in the documents to be delivered to the Shareholders who requested the delivery thereof in accordance with the provisions of laws and regulations and the Company’s Articles of Incorporation.

Matters Concerning Stock Acquisition Rights Issued by the Company

1. State of Stock Acquisition Rights (Stock Options) (as of March 31, 2025)

(1) General Description of Stock Acquisition Rights

The stock acquisition rights (stock options) the Company has issued are summarized below:

Chronological Number of Issue (Date Issued)	Number of Stock Acquisition Rights	Type & Number of Shares Stock Acquisition Rights are Entitled to	Issue Price per Share (Yen)	Amount Payable per Share upon Exercise of Rights (Yen)	Exercisable Period of Rights	Eligible Grantees
15th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/02/2020)	82	41,000 shares of Common Stock in the Company	Distributed gratis	2,625	September 3, 2021 through March 31, 2025	Employees of Company
16th Issue of Stock Acquisition Rights (for Distribution to Directors and Corporate Officers) (09/01/2021)	600	300,000 shares of Common Stock in the Company	618.4	3,701	September 2, 2023 through August 31, 2028	Directors (excluding Outside Directors) and Corporate Officers of Company
16th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/01/2021)	1,384	692,000 shares of Common Stock in the Company	Distributed gratis	3,701	September 2, 2023 through August 31, 2028	Employees of Company
17th Issue of Stock Acquisition Rights (for Distribution to Directors and Corporate Officers) (02/10/2023)	901	450,500 shares of Common Stock in the Company	797.8	3,583	February 11, 2025 through February 9, 2030	Directors (excluding Outside Directors) and Corporate Officers of Company
17th Issue of Stock Acquisition Rights (for Distribution to Employees) (02/10/2023)	2,442	1,221,000 shares of Common Stock in the Company	Distributed gratis	3,583	February 11, 2025 through February 9, 2030	Employees of Company
18th Issue of Stock Acquisition Rights (for Distribution to Directors and Corporate Officers) (11/30/2023)	4,685	468,500 shares of Common Stock in the Company	1,056	4,947	December 1, 2025 through November 29, 2030	Directors (excluding Outside Directors) and Corporate Officers of Company
18th Issue of Stock Acquisition Rights (for Distribution to Employees) (11/30/2023)	14,725	1,472,500 shares of Common Stock in the Company	Distributed gratis	4,947	December 1, 2025 through November 29, 2030	Employees of Company
19th Issue of Stock Acquisition Rights (for Distribution to Directors and Corporate Officers) (12/02/2024)	5,000	500,000 shares of Common Stock in the Company	871	6,089	December 3, 2026 through December 1, 2031	Directors (excluding Outside Directors) and Corporate Officers of Company
19th Issue of Stock Acquisition Rights (for Distribution to Employees) (12/02/2024)	15,825	1,582,500 shares of Common Stock in the Company	Distributed gratis	6,089	December 3, 2026 through December 1, 2031	Employees of Company

Notes: 1. The terms and conditions on which to exercise stock acquisition rights in the 15th issue are outlined below:

- (1) Those persons to whom the stock options are issued may exercise such stock options even after they cease to be a Director or an employee of the Company, within two (2) years from the later of such cessation of being a Director or an employee of the Company or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires).
 - (2) In the event of the death of any person to whom the stock options are issued, heirs of such deceased person may exercise such stock options within two (2) years from the later of such death or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires). Notwithstanding the foregoing, in the event of the death of any recipient of stock options that occurs after such recipient ceases to be a Director or an employee of the Company, heirs of such deceased person may exercise such stock options only within the period during which such deceased recipient would have been entitled to exercise such stock options in accordance with paragraph (1) above.
 - (3) Other conditions are as prescribed in the Stock Option Allotment Agreement.
2. The terms and conditions on which to exercise stock acquisition rights in each of the 16th through 19th issues are outlined below:
- (1) Those persons to whom the stock options are issued may exercise such stock options even after they cease to be a Director, a Corporate Officer or an employee of the Company, within two (2) years from the later of such cessation of being a Director, a Corporate Officer or an employee of the Company or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires).
 - (2) In the event of the death of any person to whom the stock options are issued, heirs of such deceased person may exercise such stock options within two (2) years from the later of such death or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires). Notwithstanding the foregoing, in the event of the death of any recipient of stock options that occurs after such recipient ceases to be a Director, a Corporate Officer or an employee of the Company, heirs of such deceased person may exercise such stock options only within the period during which such deceased recipient would have been entitled to exercise such stock options in accordance with paragraph (1) above.
 - (3) Other conditions are as prescribed in the Stock Option Allotment Agreement.
3. The Company carried out a 5-for-1 share split of its common shares as of April 1, 2023. As for the 15th through 17th issues of stock acquisition rights, Type & Number of Shares Stock Acquisition Rights are Entitled to, Issue Price per Share, and Amount Payable per Share upon Exercise of Rights are figures that have been adjusted after the share split.

(2) State of Stock Acquisition Rights (Stock Options) Held by Directors and Audit & Supervisory Board Members of the Company

The portion of the stock acquisition rights (stock options) described in (1) General Description of Stock Acquisition Rights above that belong to the Directors and Audit & Supervisory Board Members of the Company are broken down as below:

	Chronological Number of Issue	Number of Stock Acquisition Rights	Number of Optionees
Directors (Excluding Outside Directors)	16th Issue of Stock Acquisition Rights	340	4
	17th Issue of Stock Acquisition Rights	410	4
	18th Issue of Stock Acquisition Rights	2,090	4
	19th Issue of Stock Acquisition Rights	2,258	4

2. State of Stock Acquisition Rights (Stock Options) Distributed to Corporate Officers and Employees during the Fiscal Year under Review

Pursuant to a resolution adopted by the Board of Directors on November 15, 2024, the 19th Issue of Stock Acquisition Rights, intended as incentive stock options, was issued as of December 2, 2024 for distribution to 12 Corporate Officers and 116 employees, as outlined below:

Eligible Grantees	Number of Stock Acquisition Rights	Type & Number of Shares Stock Acquisition Rights are Entitled to	Issue Price per Share (Yen)	Amount Payable per Share upon Exercise of Rights (Yen)	Exercisable Period of Rights
Corporate Officers of Company	2,742	274,200 shares of Common Stock in the Company	871	6,089	December 3, 2026 through December 1, 2031
Employees of Company	15,825	1,582,500 shares of Common Stock in the Company	Distributed gratis	6,089	December 3, 2026 through December 1, 2031

Note: Terms and conditions on which to exercise stock acquisition rights are as described in Note 2 of 1. (1) General Description of Stock Acquisition Rights above.

System to Ensure the Properness of Operations and the Progress thereof

1. System to Ensure the Properness of Operations

“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.” In accordance with the foregoing business principle, the Board of Directors of the Company has resolved to carry out these systems and arrangements as described below.

- (1) **System to Ensure That the Directors, Corporate Officers and Employees of the Company and Its Subsidiaries (hereinafter the “Group Companies”) Perform Their Work Duties in Accordance with Applicable Laws and the Group Companies’ Articles of Incorporation**
- The Group Companies have a business principle of actively conducting sustainable business practices.

The Company will maintain regulations concerning the Group Companies’ compliance system, and the Group Companies’ Directors, Corporate Officers and employees will perform their work duties in accordance with these regulations. The Internal Audit Department and other departments that are related to the contents of the audits will perform internal audits concerning the status of the operation of the compliance system.

In order to uncover illegal activities at an early stage and correct such situations, the Company will establish a compliance consultation office and administer a compliance consulting/reporting system for Group Company executives and employees in accordance with the relevant internal regulations. Also, the Company will provide compliance training in an appropriate manner.

The Company will appoint independent Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to preserve the compliance system from an independent point of view, by attending meetings of the Board of Directors and the Managing Directors’ Meeting and/or by other actions.

- (2) **System to Preserve and Administer Information Concerning the Company’s Directors’ and Corporate Officers’ Performance of Their Work Duties**

Based on the regulations of information management and other internal regulations, the Company will prepare and preserve written and other records concerning the Directors’ and Corporate Officers’ performance of their work duties. The Company will promptly provide these records in response to a request from the Directors or Audit & Supervisory Board Members.

- (3) **Regulations Concerning Management of Risk of Damage to the Group Companies, and Other Systems**

Along with maintaining regulations concerning the Group Companies’ risk management system, the Company will establish a Risk Management Committee and facilitate the committee’s work across the Group Companies, in order to discover and prevent risks that may occur in conjunction with the execution of the Group Companies’ business.

The Company will appoint Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to ensure the exchange of relevant information and appropriate risk management, by attending meetings of the Board of Directors and the Managing Directors’ Meeting and/or by other actions.

- (4) **System to Ensure That the Group Companies’ Directors, Corporate Officers and Employees Perform Their Work Duties in an Effective Manner**

The Company will establish a system to ensure that the Group Companies’ Directors, Corporate Officers and employees perform their work duties in an effective manner, in accordance with decision-making rules and division of work duties based on the regulations of the Board of Directors, regulations of the Corporate Officers, division of duties, the Group Companies’ management regulations, and other internal regulations.

Also, in order to increase the effectiveness of the Directors’ and Corporate Officers’ performance of their work duties, the Company will appoint Outside Directors, and these Outside Directors will

not only observe and manage the Company's affairs from an independent viewpoint but also provide suggestions concerning all aspects of the Company's corporate management.

(5) System to Ensure the Properness of the Activities of the Group Companies

The Group Companies have a business principle of actively conducting sustainable business practices.

The Company's Group Company Management Department, based on the Group Companies' Management Regulations, will require Group Companies to report to them important matters relating to the business of the subsidiaries. Also, the Company's Internal Audit Department and other departments that are related to the contents of the audits will, as necessary, work together with the Internal Audit Departments and other departments of the subsidiaries to perform internal audits of the relevant subsidiaries.

The Company will establish the Group Audit & Supervisory Board Member Liaison Committee comprised of Full-time Audit & Supervisory Board Members and others from the Company and its main subsidiaries, and the Company's Audit & Supervisory Board Members will gather relevant information by attending important internal meetings, such as the meetings of the Board of Directors and the Managing Directors' Meeting, and/or by other actions.

(6) Matters Concerning Employees Who Are Requested by Audit & Supervisory Board Members to Assist with the Work Duties of the Audit & Supervisory Board Members

The Company will appoint audit staff from among its employees, in accordance with the methods set forth in the Company's internal regulations, to assist the Audit & Supervisory Board Members with their work duties.

(7) Matters Concerning the Independence from the Directors and the Corporate Officers of the Employees Referenced in the Previous Item and Ensuring of Such Employees' Compliance with the Instructions of the Audit & Supervisory Board Members

The Company will appoint, terminate, and take other actions concerning the audit staff, in accordance with the methods set forth in the Company's internal regulations, with the consent of the Audit & Supervisory Board Members.

The audit staff will comply with the instructions and orders of the Audit & Supervisory Board Members and assist with the work of the Audit & Supervisory Board Members.

(8) System for Reporting to the Audit & Supervisory Board Members and for Ensuring that Persons Making Such Reports Are Not Treated in an Unfavorable Manner for Making Such Reports

The Company's Directors, Corporate Officers and employees and the Company's subsidiaries' Directors, Corporate Officers, Audit & Supervisory Board Members, and employees as well as any persons who received reports from any of the above-referenced persons, shall promptly report the following matters to the Company's Audit & Supervisory Board Members, in accordance with the methods set forth in the Company's internal regulations:

- matters that will cause substantial damage to the Company or which have the potential of doing so;
- important matters concerning management or financial information;
- the status of the performance of internal audits;
- material breaches of law or the Company's Articles of Incorporation;
- the status of the administration of the compliance consulting/reporting system and the contents of reports made in connection with the system.

Also, the Group Companies shall not unfavorably evaluate (in internal personnel records) or otherwise treat in an unfavorable manner, any of the above-referenced persons who makes a report, because of the making of such report.

(9) System for the Purpose of Otherwise Ensuring That the Audits Performed by the Audit & Supervisory Board Members Will Be Performed Effectively

The Audit & Supervisory Board Members will hold periodic meetings with the Company's Accounting Auditors to exchange opinions, hold regular reporting meetings with the Company's Internal Audit Department, and take other measures to facilitate collaboration with them.

(10) Matters Concerning Procedures for Advance Payment/Reimbursement of Expenses Arising from the Work of Audit & Supervisory Board Members and Other Matters Relating to the Treatment of Expenses and Other Financial Obligations Arising from Such Work

If the Audit & Supervisory Board Members requests prepayment or reimbursement of any amounts necessarily incurred in the course of their audit work, the Company shall pay such amounts within a reasonable time and in a reasonable manner, unless it is clearly proven that such expenses were not necessarily incurred in the course of the audit work.

(11) System to Cut Ties with Anti-social Forces

The Group Companies shall adopt a consistently resolute attitude towards anti-social forces and shall take all measures necessary to cut itself off from any and all associations with anti-social forces.

In accordance with this policy, our group will endeavor to develop internal systems under the leadership of the department in charge of managing these issues. Working closely with the police and other external organizations addressing these issues, our group will strongly push forward initiatives aimed at eradicating anti-social forces.

2. Overview of the Progress of the System to Ensure the Properness of Operations

The following shows an overview of the progress of the system to ensure the properness of operations for the fiscal year.

(1) Progress of Compliance

The Group Companies are working to perform corporate activities so as to ensure legal compliance.

Out of laws and regulations related to corporate activities to be established or revised, etc., the Legal Department took the leadership in notifying and informing other departments of the Company of matters which are important. In addition, the Internal Audit Department made the annual audit plan in terms of the legality and reasonableness of business activities and audited each department, and reported the results thereof to the Directors and the Audit & Supervisory Board Members, etc.

With respect to compliance, the Company held lectures on compliance with the Antimonopoly Act, preventing bribes, the Subcontract Act, etc. In addition, in the training for new employees, the Company deepened their understanding of related laws and regulations, and explained the Company's approach and policies on compliance, etc., with reference to cases from other companies. Training for each class personnel included seminars on compliance with the Antimonopoly Act, Security Export Control and the like in addition to training seminars and webinars held by outside institutions, such as government agencies, as necessary, thereby ensuring compliance awareness. Additionally, in training for each class, to promote understanding regarding business and human rights, the Company explained its initiatives toward respecting human rights, starting with its human rights policy and human rights due diligence, to raise awareness of human rights. Furthermore, the Company conducted training on harassment for executives and employees.

(2) Progress of Preserving and Managing Information

For preserving and managing information, the Company audited each department concerning information management under the information management system, which was established

following the Regulations of Information Management to confirm the preservation and management status of information including important documents.

With regard to cyber security, the Company recognizes this as an important issue for management and is working to strengthen cyber security across the entire Group. The Company, and those of its subsidiaries responsible for information systems, held cyber security meetings with the management and system personnel of all Group companies in Japan and overseas that operate information systems. This was done to confirm the status of each company's multi-layered defenses and to strengthen measures. In addition, the Company kept an eye on the latest trends in cyber-attacks, received diagnoses from outside experts, and promptly took the necessary measures. Furthermore, in order to raise awareness of cyber security, the Company implemented multi-faceted measures, such as holding lectures by experts with case studies, training that simulated targeted attacks on e-mails, distribution of a newsletter on cyber security, and training on information security, etc.

(3) Progress of Managing the Risk of Damage

In the Company, the Risk Management Committee took the leadership in performing cross-sectional risk management activities in accordance with the Risk Management Regulations and thereby established a risk management system in order to detect and prevent the risks associated with the execution of operations. In addition, the Company held seminars on risk management in the training for each class of managerial personnel, thereby ensuring awareness.

Furthermore, the Company treated the prevention of accidents and disasters, etc. as its most important issue under the management policy that placed the first priority on safety, and regularly conducted environment and safety audits at the plants of the Company and its major subsidiaries in order to enhance the management system and take measures against the risks associated with processes and operations.

(4) Progress of Efficient Execution of Duties by the Directors, etc.

The Company has the Board of Directors and the Managing Directors' Meeting as the bodies that discuss and determine the execution of operations. The Board of Directors discusses and determines important management issues, including basic policies of the Company and matters that need to be resolved according to laws and regulations or the Articles of Incorporation, etc. The Managing Directors' Meeting discusses and decides on general business matters (excluding matters to be determined at Board of Directors meetings) in order to ensure prompt and efficient business execution. In this fiscal year, the Company held meetings of the Board of Directors thirteen times and the Managing Directors' Meeting twelve times. All the meetings were attended by the Outside Directors and the Audit & Supervisory Board Members and various matters relating to the execution of operations were discussed and determined by receiving advice from the Outside Directors. In addition, in order to enhance the effectiveness of the Board of Directors, the Company held a discussion meeting attended by Outside Directors and Outside Audit & Supervisory Board Members.

Furthermore, the Group Companies has developed an efficient organizational framework and various regulations that will enable the Company to speedily respond to changes in the business environment.

(5) Progress of Ensuring the Properness of Operations at the Group Companies

The Company worked for proper and efficient management of the Group Companies in accordance with the Group Companies' Management Regulations and presented reports on the operations of major Group Companies at the Managing Directors' Meeting to deliberate on issues while receiving reports on important matters related to the management.

The Internal Audit Department audited each Group Company in terms of the legality and reasonableness of business activities in cooperation with the Group Companies as needed, and reported the results thereof to the Directors and the Audit & Supervisory Board Members, etc.

(6) Progress of Ensuring the Effectiveness of Audit Performed by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members, in addition to attending important internal meetings, such as meetings of the Board of Directors and the Managing Directors' Meeting, audited the execution of operations by the Directors through receiving reports from Directors, Corporate Officers and employees, etc. on the execution of duties and through investigations, including inspection visits of offices/factories and subsidiaries of the Company. In order to improve the effectiveness of audits, the Audit & Supervisory Board Members received reports and explanations about accounting audit quarterly from the Accounting Auditor and exchanged opinions, and also exchanged information and opinions as needed to facilitate collaboration. Furthermore, the Audit & Supervisory Board Members received, from the Internal Audit Department, reports and explanations regularly on the status of internal audits, and exchanged opinions and collaborated with the Department. The Full-Time Audit & Supervisory Board Members reviewed approval documents and other documents, received reports such as those on the status of activities and the results of internal audits from the Internal Audit Department when appropriate, and gave advice and made requests as needed. In addition, the Group Audit & Supervisory Board Member Liaison Committee exchanged information and opinions to strengthen collaboration between the Audit & Supervisory Board Members of the Group.

Notes to Consolidated Financial Statements

Basis of presenting consolidated financial statements

1. Scope of consolidation

(1) Information on consolidated subsidiaries

Number of consolidated subsidiaries-----99

Names of the principal consolidated subsidiaries

SHINTECH INC.	Shin-Etsu Handotai Co., Ltd.
Shin-Etsu Handotai America, Inc.	Shin-Etsu PVC B.V.
Shin-Etsu Handotai Taiwan Co., Ltd.	Mimasu Semiconductor Industry Co., Ltd.
Shin-Etsu Polymer Co., Ltd.	S.E.H. Malaysia Sdn. Bhd.
Shin-Etsu Engineering Co., Ltd.	SHIN-ETSU HANDOTAI EUROPE LIMITED
SE Tylose GmbH & Co. KG	Shin-Etsu Silicones (Thailand) Limited
Asia Silicones Monomer Limited	JAPAN VAM & POVAL Co., Ltd.

From the current fiscal year, Mimasu Semiconductor Industry Co., Ltd., which was an affiliate accounted for under the equity method, has been included in the scope of consolidation due to the acquisition of additional shares.

(2) Information on unconsolidated subsidiaries

Name of the principal unconsolidated subsidiary

Shin-Etsu Magnetics (Thailand) Ltd.

Reasons for excluding unconsolidated subsidiaries from scope of consolidation

There are 36 unconsolidated subsidiaries excluded from the scope of consolidation as their total assets, net sales, net income (loss) and retained earnings in the aggregate are not material to the consolidated financial statements.

2. Application of equity method

(1) Information on unconsolidated subsidiaries and affiliates to which equity method is applied

Number of affiliates to which equity method is applied-----2

Names of the principal subsidiaries and affiliates to which equity method is applied

Shin-Etsu Quartz Products Co., Ltd.

From the current fiscal year, Mimasu Semiconductor Industry Co., Ltd., which was an affiliate accounted for under the equity method, has been excluded from the scope of equity-method application because it has been included in the scope of consolidation due to the acquisition of additional shares.

- (2) Information on unconsolidated subsidiaries and affiliates to which equity method is not applied

Name of the principal unconsolidated subsidiary and affiliate to which equity method is not applied

Shin-Etsu Magnetics (Thailand) Ltd.

Reasons for excluding unconsolidated subsidiaries and affiliates from scope of equity method

There are 36 unconsolidated subsidiaries and 10 affiliates excluded from the scope of the equity method as their net income (loss) and retained earnings in the aggregate are not material to the consolidated financial statements.

- (3) Details on the application of equity method

One of the affiliates accounted for under the equity method has a different closing date from that of the consolidated financial statements and consolidated based on its latest financial statements.

3. Fiscal year of consolidated subsidiaries

The fiscal year of SHINTECH INC., Shin-Etsu Handotai America, Inc. and 72 other subsidiaries ends on December 31, and the fiscal year of Mimasu Semiconductor Industry Co., Ltd., Nissin Chemical Industry Co., Ltd., and 6 other subsidiaries ends at the end of February. For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made on significant inter-company transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

4. Summary of significant accounting policies

- (1) Valuation of significant assets:

i) Valuation of securities:

Held-to-maturity debt securities	-----	Amortized cost (straight-line method)
Available-for-sale securities		
Securities excluding stocks and other securities with no market value	-----	Fair market value (Any net unrealized gains or losses are recognized in net assets, while costs of sales of marketable securities are calculated based mainly on the moving-average method.)
Stocks and other securities with no market value	-----	At cost, mainly determined by the moving-average method

ii) Valuation of derivatives:

Fair value based on market quotations

iii) Valuation of inventories:

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

(2) Depreciation and amortization of fixed assets:

i) Property, plant and equipment (excluding leased assets):

The Company and certain domestic subsidiaries mainly apply the declining-balance method, however, for buildings and structures, the straight-line method is mainly applied. Overseas subsidiaries mainly apply the straight-line method.

Useful lives mainly are as follows:

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

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

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

ii) Intangible assets (excluding leased assets):

Straight-line method

iii) Leased assets:

Leased assets under finance lease transactions that transfer ownership	-----	The same method is applied as that for owned fixed assets.
--	-------	--

Leased assets under finance lease transactions that do not transfer ownership	-----	The straight-line method is applied using the lease term as the useful life with zero residual value.
---	-------	---

(3) Calculation policy for allowances:

i) Allowance for doubtful accounts:

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

ii) Accrued bonuses for employees:

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

iii) Accrued bonuses for directors:

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

(4) Standards for recognizing revenues and expenses

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

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

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

(5) Other bases for presenting consolidated financial statements:

i) Hedge accounting:

The Company and certain subsidiaries defer recognition of unrealized gains or losses on hedge transactions.

For interest rate swaps, the Company and certain subsidiaries apply special hedge accounting when the swap transaction meets the criteria for such treatment.

ii) Accounting treatment for retirement benefits:

The Company records the retirement benefit obligation after deducting pension plan assets as net defined benefit liability. For the calculation of the retirement benefit obligation, the Company attributes the expected retirement benefit to the service period of employees by the benefit formula basis.

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

Notes on changes in accounting policies applied

(Application of “Accounting Standard for Current Income Taxes”, etc.)

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, on October 28, 2022), “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, on October 28, 2022), and “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, on October 28, 2022) are applied from the beginning of the fiscal year ended March 31, 2025. These changes had no impact on the consolidated financial statements.

(Application of “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules”)

“Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (ASBJ PITF No. 46, on March 22, 2024) is applied from the beginning of the fiscal year ended March 31, 2025. This change had no impact on the consolidated financial statements.

Notes to revenue recognition

1. Disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable Segments				Total
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	
Sales to outside customers					
Domestic production	123,316	764,015	287,347	103,576	1,278,257
Overseas production	918,255	170,296	161,294	33,145	1,282,992
Total	1,041,571	934,312	448,642	136,722	2,561,249

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

As described in (4) Standards for recognizing revenues and expenses of 4. Summary of significant accounting policies in “Basis of presenting consolidated financial statements”.

3. Information for understanding the amount of revenue for the current fiscal year and the following fiscal year

(1) Balance of the receivables, contract assets and contract liabilities arising from contracts with customers

The balance of the receivables, contract assets and contract liabilities arising from contracts with customers at the end of the current fiscal year is as follows.

(Millions of yen)

1. Receivables from contracts with customers	514,628
2. Contract assets	74
3. Contract liabilities	3,512

In the consolidated balance sheet, receivables and contract assets arising from contracts with customers are included in “Notes, accounts receivable-trade and contract assets”, and contract liabilities are included in “Other” of “Current Liabilities” and “Long-Term Liabilities”.

(2) Transaction price allocated to remaining performance obligations

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

Notes to accounting estimates

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

Impairment of property, plant and equipment

As of March 31, 2025, the balance of property, plant and equipment was 2,065,945 million yen, accounting for 37% of total assets. Impairment should be considered when economic trends in countries and regions where major product markets are located or increased price competition due to lower global demand negatively impact business performance. When considering impairment, the process of asset grouping and estimating indications of impairment is complex and subjective, and future cash flow estimates are based on many assumptions, so it is necessary to assess the prerequisites carefully. As a result, depending on the amount of estimated future cash flows, there is a possibility that loss on impairment of fixed assets will be recorded.

Notes to consolidated balance sheet

(Millions of yen)

Accumulated depreciation of property, plant and equipment ----- 3,566,430

Notes to consolidated statement of income

Extraordinary Income: Gain on step acquisitions

Gain on step acquisitions was recognized as a result of including Mimasu Semiconductor Industry Co., Ltd., which was an affiliate accounted for under the equity method in the scope of consolidation due to the acquisition of additional shares.

Extraordinary Losses: Business restructuring expenses

In the Functional Materials segment, business restructuring expenses of 7,843 million yen were recognized for part of Cellulose derivatives, which include facility removal cost of 4,632 million yen.

Notes to consolidated statement of changes in net assets

1. Type and number of shares outstanding as of March 31, 2025

Common stock ----- 1,984,995,865 shares

2. Cash dividends

(1) Payment of cash dividends

Resolution	Type of shares	Total amount of dividends	Cash dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 27, 2024	Common stock	99,802 million yen	50.00 yen	March 31, 2024	June 28, 2024
Board of Directors meeting held on October 25, 2024	Common stock	104,921 million yen	53.00 yen	September 30, 2024	November 19, 2024
Total	-	204,724 million yen	-	-	-

(2) Dividends with a record date in the fiscal year ended March 31, 2025 but with an effective date in the following fiscal year.

The Company proposes the following agenda at the ordinary general meeting of shareholders to be held on June 27, 2025.

Type of shares	Total amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Common stock	103,886 million yen	Retained earnings	53.00 yen	March 31, 2025	June 30, 2025

3. Share subscription rights as of March 31, 2025

Details of share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights
Resolved at the Board of Directors meeting held on August 18, 2020	Common stock	41,000 shares
Resolved at the Board of Directors meeting held on August 17, 2021	Common stock	992,000 shares
Resolved at the Board of Directors meeting held on January 26, 2023	Common stock	1,671,500 shares

(Note) Excluding share subscription rights not yet exercisable as of March 31, 2025.

Financial instruments

1. Overview of financial instruments

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds, and financing is obtained primarily through borrowings from banks.

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

Regarding securities and investments in securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies.

All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

2. Fair value of financial instruments

As of March 31, 2025, the book value, the fair value, and the difference between the two of financial instruments are as follows:

	(Millions of yen)		
	Book value	Fair value	Difference
Assets			
(1) Securities and investments in securities (*2)			
i) Held-to-maturity debt securities	5,000	4,929	(70)
ii) Available-for-sale securities	177,614	177,614	-
(2) Long-term loans	99	105	5
Total	182,714	182,649	(64)
Liabilities			
(3) Long-term debt	7,452	7,160	(291)
Total	7,452	7,160	(291)
(4) Derivative transactions (*3)			
Hedge accounting not applied	287	287	-
Hedge accounting applied	1,192	1,192	-
Total	1,479	1,479	-

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

(*2) Stocks and other securities with no market value are not included in “(1) Securities and investments in securities”. Their book value is as follows.

Section	Book value (Millions of yen)
Non-listed stocks, etc.	55,258

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

3. Fair value of financial instruments by level

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

Level 1 of fair value:

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

Level 2 of fair value:

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

Level 3 of fair value:

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

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

(1) Financial instruments recorded on the consolidated balance sheet at fair value

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Assets				
Securities and investments in securities				
Available-for-sale securities				
Stocks	67,144	-	-	67,144
Bonds	-	8,970	-	8,970
Total	67,144	8,970	-	76,114
Derivative transactions				
Hedge accounting not applied	-	287	-	287
Hedge accounting applied	-	1,192	-	1,192
Total	-	1,479	-	1,479

(2) Financial instruments other than those listed on the consolidated balance sheet at fair value

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Assets				
Securities and investments in securities				
Held-to-maturity debt securities	-	4,929	-	4,929
Available-for-sale securities				
Negotiable certificates of deposit, money trusts and trust beneficiary rights	-	101,500	-	101,500
Long-term loans	-	105	-	105
Total	-	106,534	-	106,534
Liabilities				
Long-term debt	-	7,160	-	7,160
Total	-	7,160	-	7,160

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

Securities and investments in securities

Held-to-maturity debt securities

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

Available-for-sale securities

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

Long-term loans

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

Long-term debt

The fair value of long-term debt is calculated based on a present value of principal and interest, discounted at an expected rate for new borrowings with the same terms. The fair value is classified as Level 2.

Derivative transactions

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

Per share information

Per share information as of and for the fiscal year ended March 31, 2025 is as follows:

	(Yen)
Net assets per share -----	2,375.48
Net income per share -----	269.52
Diluted net income per share -----	269.28

Major subsequent events

(Purchase of treasury stock)

Shin-Etsu Chemical Co., Ltd. resolved at a meeting of its board of directors held on April 25, 2025 as follows concerning the repurchase of shares, based on Article 156 of the Companies Act, applied pursuant to Article 165(3) of the Companies Act.

1. Reasons for Repurchase of Shares

Purchase of treasury stock is being done as part of carrying out a flexible capital policy and shareholder return.

2. Details of resolution at a meeting of its board of directors regarding repurchase of shares.

(1) Share Type for Purchase

Common stock of Shin-Etsu Chemical Co., Ltd.

(2) Total Number of Shares to be Purchased

200 million shares (maximum)

(10.2% of total shares issued and outstanding, excluding treasury shares)

(3) Total Share Purchase Amount

500 billion Japanese yen (maximum)

(4) Purchase Period

May 21, 2025 to April 24, 2026

(5) Purchase Method

Market Purchases on the Tokyo Stock Exchange

Notes to Non-Consolidated Financial Statements

Summary of significant accounting policies

1. Valuation of significant assets

(1) Valuation of securities:

Held-to-maturity debt securities	-----	Amortized cost (straight-line method)
Investments in capital of subsidiaries and affiliates	-----	Moving-average cost method
Available-for-sale securities		
Securities excluding stocks and other securities with no market value	-----	Fair market value (Any net unrealized gains or losses are recognized in net assets, while costs of sales of marketable securities are calculated based on the moving-average cost method.)
Stocks and other securities with no market value	-----	At cost, mainly determined by the moving-average cost method

(2) Valuation of derivatives:

Fair value based on market quotations

(3) Valuation of inventories:

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

2. Depreciation and amortization of fixed assets:

(1) Property, plant and equipment (excluding leased assets):

The declining-balance method is mainly applied, however, for buildings and structures, the straight-line method is mainly applied.

Useful lives mainly adopted are as follows:

Buildings----- 15 – 47 years

Machinery and equipment ----- 2 – 9 years

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

(2) Intangible assets (excluding leased assets):

Straight-line method (Software for internal use is amortized by the straight-line method mainly over the useful life of 5 years.)

(3) Leased assets:

Leased assets under finance lease transactions that transfer ownership	The same method is applied as that for owned fixed assets.
Leased assets under finance lease transactions that do not transfer ownership	The straight-line method is applied using the lease term as the useful life with zero residual value.

3. Calculation policy for allowances:

Allowance for doubtful accounts:

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

Accrued bonuses for directors:

The Company recognizes the estimated amount of directors' bonuses to be paid in the subsequent period that is applicable to the current fiscal year.

Accrued retirement benefits:

The Company recognizes pension and severance costs for employees based on the estimates of the pension obligations and the plan assets at the end of current fiscal year. For the calculation of the retirement benefit obligation, the Company attributes the expected retirement benefit to the service period of employees by the benefit formula basis.

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

4. Standards for recognizing revenues and expenses

The Company's main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance. However, for domestic sales of products, the Company recognizes revenue at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is normal.

If the Company acts as an agent in a transaction, revenue is recognized at net amounts.

5. Other bases for presenting non-consolidated financial statements

Hedge accounting:

The Company defers gains or losses on its hedges.

For interest rate swaps, the Company applies special hedge accounting treatment when the swap transaction meets the criteria for such treatment.

Notes to revenue recognition

Information for a basis to understand the revenue from contracts with customers is described as “Summary of significant accounting policies”, 4. Standards for recognizing revenues and expenses.

Notes on changes in accounting policies applied

(Application of “Accounting Standard for Current Income Taxes”, etc.)

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, on October 28, 2022), “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, on October 28, 2022), and “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, on October 28, 2022) are applied from the beginning of the fiscal year ended March 31, 2025. These changes had no impact on the non-consolidated financial statements.

(Application of “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules”)

“Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (ASBJ PITF No. 46, on March 22, 2024) is applied from the beginning of the fiscal year ended March 31, 2025. This change had no impact on the non-consolidated financial statements.

Notes to non-consolidated balance sheet

(Millions of yen)

1. Accumulated depreciation of property, plant and equipment -----	786,122
2. Accounts receivable due from and payable due to subsidiaries and affiliates:	
Short-term accounts receivable -----	108,711
Long-term accounts receivable -----	13,150
Short-term accounts payable -----	232,316
Long-term accounts payable -----	195,000

Notes to non-consolidated statement of income

Transactions with subsidiaries and affiliates:	(Millions of yen)
Sales -----	312,925
Purchases -----	303,567
Non-operating transactions -----	771,843

Notes to non-consolidated statement of changes in net assets

Type and number of treasury stock as of March 31, 2025

Common stock ----- 24,869,464 shares

Deferred taxes

Components of deferred tax assets and liabilities:

(Millions of yen)

Deferred tax assets:

Loss on valuation of stocks of subsidiaries and affiliates	8,560
Depreciation and amortization	7,767
Accrued retirement benefits	3,474
Unsettled accounts receivable and payable	3,107
Accrued bonuses	2,336
Maintenance costs	2,040
Accrued enterprise taxes	1,931
Allowance for doubtful accounts	567
Other	25,852
Subtotal	<u>55,637</u>
Valuation allowance	<u>(5,740)</u>
Total deferred tax assets	<u>49,896</u>
Deferred tax liabilities:	
Unrealized gains on available-for-sale securities	12,198
Reserve for reduction entry for fixed assets	782
Other	47
Total deferred tax liabilities	<u>13,029</u>
Net deferred tax assets	<u><u>36,867</u></u>

Leased assets

In addition to the fixed assets on the non-consolidated balance sheet, the Company leases certain office equipment and manufacturing facilities under finance lease transactions that do not transfer ownership.

Related party transactions

Directors, other Officers, major individual shareholders and others

(Millions of yen)

Type	Name	Percentage of voting rights	Relationship	Transactions	Transaction amount	Account	Balance at the year end
Director or other Officer	Yasuhiko Saitoh	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options (Note)	170	-	-
Director or other Officer	Susumu Ueno	Direct Ownership 0.00%	Director, Senior Managing Corporate Officer	Exercise of stock options (Note)	78	-	-
Director or other Officer	Masahiko Todoroki	Direct Ownership 0.01%	Director, Senior Managing Corporate Officer	Exercise of stock options (Note)	78	-	-
Director or other Officer	Toshiya Akimoto	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	52	-	-
Director or other Officer	Yukihiro Matsui	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	37	-	-
Director or other Officer	Masaki Miyajima	Direct Ownership 0.01%	Managing Corporate Officer	Exercise of stock options (Note)	94	-	-
Director or other Officer	Toshiyuki Kasahara	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	52	-	-
Director or other Officer	Yoshimitsu Takahashi	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	13	-	-
Director or other Officer	Kai Yasuoka	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	52	-	-
Director or other Officer	Yukinori Satoh	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	18	-	-
Director or other Officer	Shigeyoshi Netsu	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	39	-	-
Director or other Officer	Hideaki Oka	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	18	-	-
Director or other Officer	Yukio Shibano	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	18	-	-

(Note) Share subscription rights were approved at the Board of Directors meetings held on August 18, 2020, August 17, 2021 and January 26, 2023.

Per share information

Non-consolidated per share information as of and for the fiscal year ended March 31, 2025 is as follows:

	(Yen)
Net assets per share-----	561.24
Net income per share -----	403.52

Major subsequent events

(Purchase of treasury stock)

This note is omitted because the same information is provided in “Major subsequent events” of “Notes to Consolidated Financial Statements.”