Shin-Etsu

Annual Report

2025

Shin-Etsu Chemical Co., Ltd.

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.

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Editorial Policy

This report is compiled and published annually for the purpose of providing shareholders, investors, and other stakeholders with an overview of the Shin-Etsu Group's corporate activities. The organizations covered by this report are Shin-Etsu Chemical Co., Ltd. (Shin-Etsu Chemical) and its consolidated subsidiaries in Japan and overseas. In editing this report, we consulted the International Integrated Reporting Framework published by the Value Reporting Foundation (VRF) and Guidance for Collaborative Value Creation published by Japan's Ministry of Economy, Trade and Industry.

This 2025 edition is designed with a focus on delving deeper into the background of the Shin-Etsu Group's competitive advantages. The Introduction chapter, subtitled "Continuing to Be a World-Leading Materials Company," introduces the history of the Shin-Etsu Group, which has always pursued productivity improvement with the aim of improving profitability. Every edition of this report has included a chapter titled "Sources of Our Competitiveness" that is organized in terms of the six types of capital. This year, we have expanded the chapter to include new sections that help the reader better understand our technological advantages and corporate culture. These new sections include a special feature on manufacturing capital ("The Pursuit of Efficiency Never Ends"), a message from Chairman of the Board Meeting Fumio Akiya, who is in charge of technologies, and a roundtable discussion with engineers. As in last year's report, there is a "Management Foundation" chapter that includes a discussion with our five outside directors in which they share their candid opinions from an external perspective; this year's discussion is titled "Positioning Shin-Etsu Chemical to achieve further growth by delivering value to the world."

Introduction

Continuing to Be a World-Leading Materials Company

The Shin-Etsu Group has achieved high profitability by developing, producing, and selling a wide range of materials that serve as the foundation for industry and daily life all over the world. This is the result of pursuing world's highest level of technology and quality, constantly striving to improve productivity, and making timely and appropriate capital investments with an eye on the future. We aim to grow further as a world-leading essential supplier by providing products that contribute to solving the challenges faced by customers and industry.

Introduction

High market shares in many materials that serve as the foundation for industry and daily life

As an essential supplier supporting industry and daily life around the world across four business fields, the Group provides many products in which it holds top market shares globally, including PVC and semiconductor silicon.

Infrastructure Materials

Polyvinyl chloride (PVC) resin is essential to our daily lives, from water supply and sewerage systems and other infrastructure (social infrastructure) to housing, agriculture, and everyday products. With a combined annual production capacity of 4.84 million tons at three bases in the US, Europe, and Japan, we boast the world's largest production capacity and provide a stable supply of PVC globally. In addition, we also supply caustic soda, polyvinyl alcohol (POVAL), and other products.

Polyvinyl chloride (PVC) resins

Electronics Materials

We produce silicon wafers, a key semiconductor material, as well as photoresists, photomask blanks, and encapsulant materials used in the semiconductor manufacturing process. We also supply rare earth magnets, which are essential for power-saving motors used in eco-friendly vehicles and electrical appliances, and high-purity synthetic quartz, which is used as a raw material for optical fibers and for other applications.

Semiconductor silicon (Silicon wafers)

Photoresists

Advanced Photomask blanks

Synthetic quartz (for photomask substrates for LCD)

Functional Materials

In 1953, we were the first Japanese company to commercialize silicone, which is used in a wide range of industries, and since then we have continued to develop our product lineup, which now includes more than 5,000 varieties. We also supply a wide variety of materials that deliver superior functionality, including cellulose derivatives, which are widely used in pharmaceuticals, food products and industrial applications, as well as synthetic pheromones, silicon metal, liquid fluoroelastomers, pellicles, and silicon anode material for lithium ion batteries.

Silicones

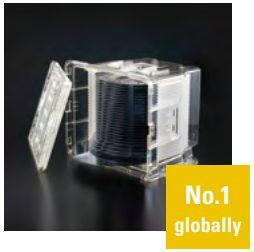
Cellulose derivatives (Methylcellulose)

Synthetic insect repellant Pheromones

Processing & Specialized Services

As a processing manufacturer of various resins such as PVC and silicone, Shin-Etsu Polymer Co., Ltd. meets the diverse needs of customers in a wide range of fields including the automotive, information equipment, semiconductor, packaging material, and construction material industries. Shin-Etsu Engineering Co., Ltd. is involved mainly in the design and construction of the Group's manufacturing plants, and also provides vacuum assembling equipment, micro LED chip transfer equipment, and other products.

Wafer Cases

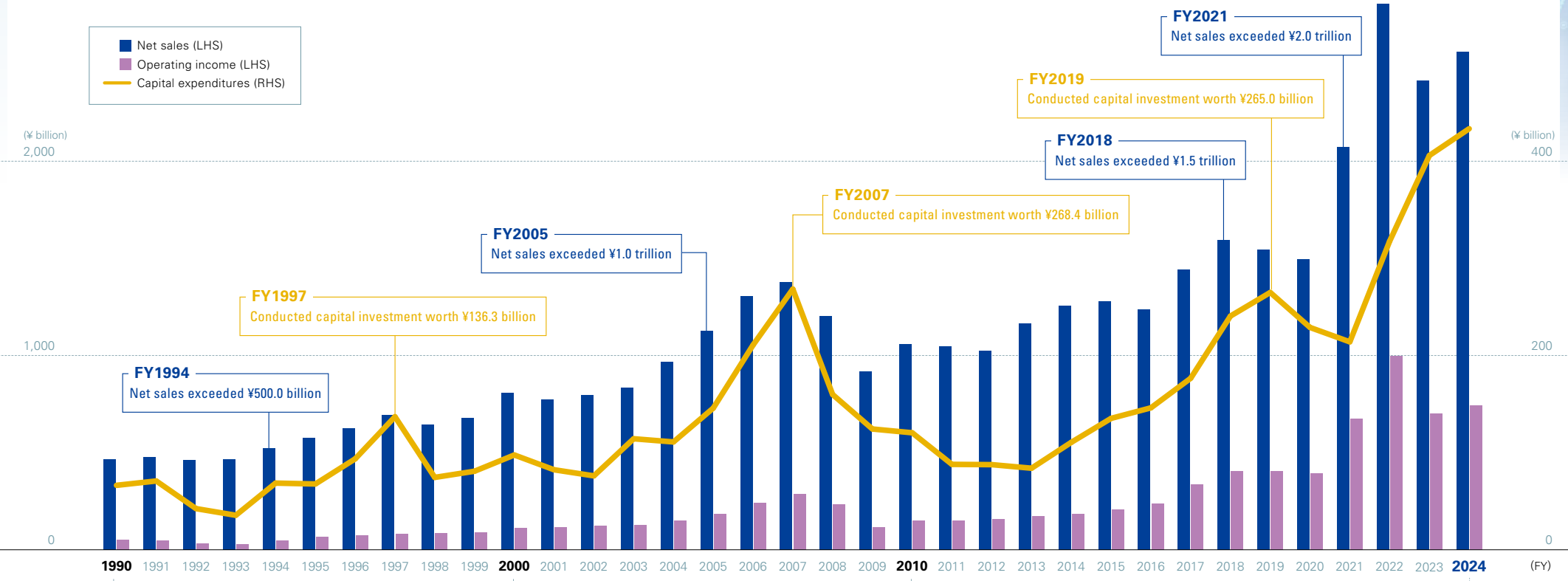


Introduction

Growth trajectory

——Sustained growth through proactive capital investment and overseas business expansion

Since its establishment in 1926 as Shin-Etsu Nitrogen Fertilizer Co., Ltd., the Shin-Etsu Group has continually transformed its business with an eye to the future. We have achieved growth through proactive capital investment with an eye on future market expansion and by expanding our sales channels to overseas markets.



Composition ratio of overseas sales

Introduction

History of enhancing profitability

——Improving profitability by constantly striving to improve productivity and achieve full production and sales of all products made

PVC resins

Shintech Freeport Plant (Texas, USA)

Trajectory of business expansion and profitability improvement

1957 Start of PVC production ▶ We introduce electrolysis and polymerization technologies at our Naoetsu plant and begin in-house production of PVC.

1970 Expansion into Kashima Industrial Complex ▶ We are the first in the world to perfect non-scale technology to prevent the formation of scale (polymerization residue), enabling the enlargement of our polymerization reactors.

1974 Shintech begins operations in the U.S. ▶ In anticipation of stable demand for infrastructure and housing construction worldwide, Shintech focuses not only on the U.S. market but also on exports, based on the goal of full production and sales of all products made.

1990 No. 1 in the U.S. ▶ Shintech's annual production capacity reaches 900,000 tons, and thanks to its advantages of high quality and stable supply, its market share in the U.S. market approaches 20%.

2001 No. 1 in the world ▶ Shintech's annual production capacity exceeds 2 million tons. Meanwhile, although eager to invest in quality and cost competitiveness, we remain thoroughly dedicated to process rationalization and a workforce that is small in number but highly skilled team. The result is a highly profitable business structure with no waste.

2008 Start of integrated production from raw materials ▶ Shintech establishes an integrated production system in Louisiana that covers all production processes from salt electrolysis to Vinyl chloride monomers, enabling it to provide a more stable and flexible supply of products to customers.

2020 Start of ethylene production ▶ Integrated production is strengthened by taking advantage of the geographical advantages of the US, which is rich in rock salt (the raw material for chlorine) and natural gas (the raw material for ethylene).

2021 Start of expansion of Shintech's integrated plant ▶ Shintech's PVC production capacity reaches 3.64 million tons, enabling it to leverage its scale advantages to further strengthen its high-profit structure.

Silicon wafers

300mm wafer building (Shin-Etsu Handotai's Shirakawa Plant)

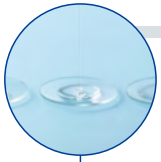
Trajectory of business expansion and profitability improvement

1967 Founding of Shin-Etsu Handotai ▶ After Dow Corning proposes to dissolve our joint venture, Shin-Etsu Handotai becomes a wholly owned subsidiary in 1979 and decides to pursue the international market on its own.

1979 Founding of Shin-Etsu Handotai America, Inc.

1984 Completion of Shirakawa Plant ▶ To meet the rapidly increasing demand for semiconductors driven by the demand for electronic devices, including PCs, video games, and VCRs in the early 1980s, the Shirakawa Plant, which carries out integrated production of semiconductor silicon wafers from crystallization to processing, begins operation.

2001 Start of mass production of 300mm wafers ▶ In the 2000s, our Shirakawa Plant became the first in the world to begin mass production of 12-inch (300mm) wafers. Bucking the trend of trying to expand market share by lowering prices, we continue to invest in facilities around the world to create a system for stable supply of high-quality products based on advanced technological capabilities. Entering into long-term agreements with customers based on trust relationships enables us to conduct stable business operations that are less susceptible to economic fluctuations.



Silicones

Silicone products when production first started

Trajectory of business expansion and profitability improvement

1953 Start of production of silicones ▶ Commercialized silicone products with the Silicon Resin Department as the parent organization.

1980 Start of accelerated overseas expansion (US, Korea, Taiwan, Netherlands) ▶ In the early 1980s, having established a leading position in Japan by developing products meticulously tailored to customer needs, we continued to expand the business and accelerate overseas expansion.

2001 Establishment of manufacturing company in Thailand ▶ Since then, we have expanded our business in the Asian market through timely capacity expansion and efficient integrated operations up to the final product.

2022 Increased production capacity for highly functional products, including those that help our customers reduce CO_2 emissions.

Introduction

Source of earning power

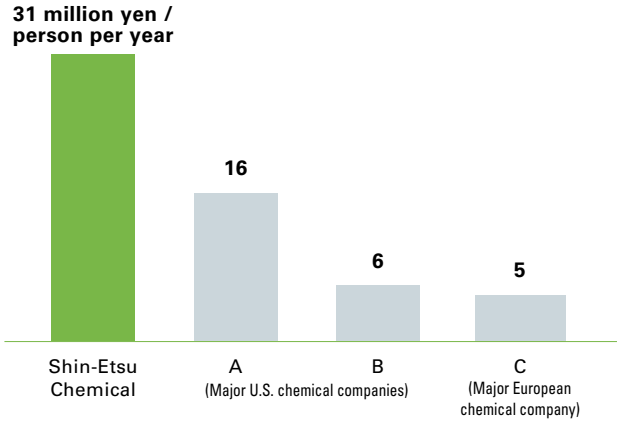
The Shin-Etsu Group has achieved high productivity through human resource development centered on personnel with T-shaped skills, a tripartite teamwork manufacturing of sales, development, and production that promptly addresses customer needs, and the pursuit of thorough automation and labor savings.

Productivity of People

Developing Personnel with T-shaped Skills and Pursuing a Lean Work Style

We do not carry out one-size-fits-all personnel transfers, but instead develop T-shaped human resources who have deep expertise in one field while also being able to perform a wide range of other duties. These personnel pursue a lean work style and maximize their capabilities, leading to higher productivity per employee.

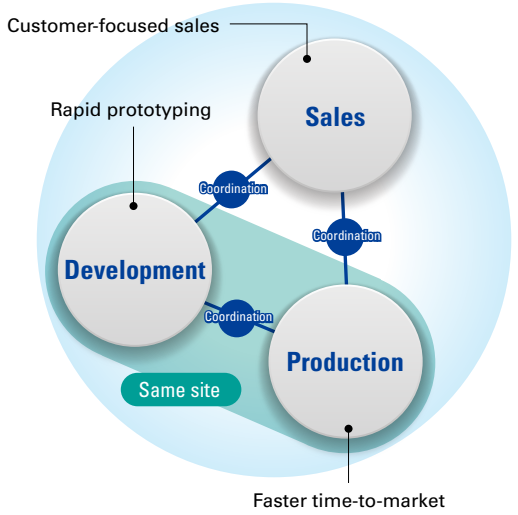
Operating income per employee
(average of the last three fiscal years)



Highly Productive Organization

Tripartite Teamwork Manufacturing that Promptly Captures the Demands of the Times

Our main R&D facilities are located on the same premises as our plants, allowing for constant and prompt coordination between development and production in response to customer needs obtained from sales. In addition to rapidly developing products that meet customer needs, we coordinate with production departments to carry out prototyping and practical development toward quality stabilization and mass production at our production plants.



Productivity of Facilities

Achieved High Productivity through Automation

We aim to achieve stable operation with minimal personnel at our production sites, promoting automation and labor savings to the extreme, and thoroughly pursuing more efficient methods when updating and improving existing facilities and building new facilities. In addition, experienced engineers in each process perform meticulous maintenance to minimize equipment stoppages and problems, which results in high productivity.

Introduction

Aiming for sustainable growth by capitalizing on market expansion for PVC and semiconductors

We aim to achieve sustainable growth by supplying competitive products to the PVC market, in which a steady increase in demand linked to the global economy is expected, and the semiconductor market, which is rapidly growing due to an increase in installed capacity and new applications such as AI.

Preparing for market expansion

New facility expansion at Shintech

The new Shintech facility in Plaquemine, Louisiana that had been under construction since 2021 was competed in 2024. This will increase Shintech's annual production capacity of PVC resin from 3.24 million tons to 3.64 million tons.

Preparing for market expansion

New base for semiconductor materials

To expand the semiconductor lithography materials business, we have decided to build a plant in Isesaki City, Gunma Prefecture, which will serve as the fourth site for this business. The first phase of the investment (approximately ¥83.0 billion) is scheduled to be completed in 2026.

2004 Approx. 30 million tons

2014 Approx. 40 million tons

2022 Approx. 46 million tons

2020 Approx. $450bn

2025 Approx. $680bn

2030 Approx. $910bn

Worldwide

PVC Demand*

In addition to its durability, corrosion resistance, and processability, PVC has excellent fire retardant and fire safety properties. Demand for PVC is strongly related to infrastructure and residential investment, and has a certain degree of correlation with global economic growth. The average annual growth rate of PVC over the past 20 years has been around 2%. Going forward, the market is likely to continue growing steadily, especially in Asia and Africa, as well as in the US.

*Based on Shin-Etsu Chemical research

Worldwide

Semiconductor Market Size Outlook*

The global semiconductor market is expected to reach approximately $910 billion by 2030, as generative AI gains attention as a new tool for improving productivity and demand for automotive, smart city, and smart factory applications expands.

*Prepared by Shin-Etsu Chemical based on First Semiconductor and Digital Industry Strategy Review Conference, Document 5: "The Global Semiconductor Market and Key Players" (Ministry of Economy, Trade and Industry; https://www.meti.go.jp/policy/mono_info_service/joho/conference/semicon_digital/0001/05.pdf) Semiconductor market size is converted to US dollars at the exchange rate applied in the document (¥110 to $1.00).

President's Message

We are committed to sustained growth through best-in-class quality, technology and practice

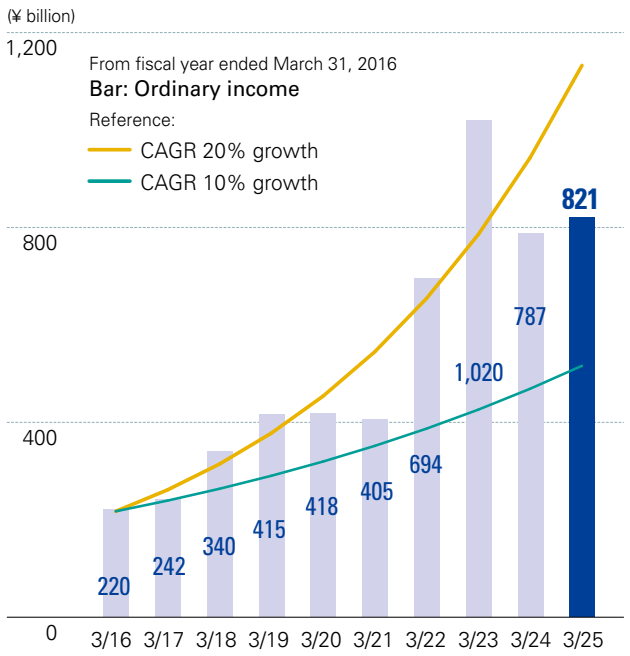
President
Yasuhiko Saitoh

In the fiscal year ending March 31, 2025 (FY2024), our company extended its growth path as shown below. The results once again reflect the underlying strength of our line of products, technology, ingenuity, operational system, and our people's professionalism.

We take pride in contributing to the well-being of our communities and the development of industries, while attaining high marks from the top line to the bottom line and in key financial ratios.

FY 2024 marked a new phase in our shareholders remuneration and capital management. We declared an increased amount of dividends (¥106 per share), which

Ordinary income



President's Message

yields an average annual growth rate of 19.1% over the recent ten year period. In addition, we raised our long-term aim of the dividend payout ratio from around 35% to around 40%. At the same time, we implemented a 194 billion yen's worth of share buyback.

In January, in response to a frequently asked question about the level of cash that the company holds, we stated that we would not let the amount of cash holding increase any more. The cash in hand is intended for large-scale growth initiatives, including merger and acquisition, reserves for economic shocks, and shareholders remuneration. I believe that we have been a good custodian of the cash, paying attention to our equity spread. We will make good use of the cash for the stated purposes.

All these actions represent our sincere appreciation to our shareholders for their understanding and support. As a matter of reference, the total payout ratio for FY 2024 was 75.4 %.

Going forward, to extend the growth trajectory that we have achieved over years, we will further differentiate ourselves in every aspect of our business and operation. To overcome headwinds, differentiation is essential. In doing so, we certainly keep our focus on providing our customers with products which make it attainable for them to do what they pursue. We tirelessly help solve what our customers need to solve. As changes take place fast and what our customers' needs constantly evolve, opportunities present themselves for us.

With a strong market-in mindset and aspiration, we work with our customers more closely than ever. We are determined to be a most reliable supplier to all our customers with best-in-class quality, technology and practice, so that our products will be used more and everywhere.

Situation of Each Segment

If I may elaborate on it by laying out our prospects and on-going endeavors in each of our business segments,

Infrastructure Materials Business

We started up a brand new production facility for PVC and caustic soda in the US last fall. With the youngest and most advanced PVC fleet, we have been running at capacity while navigating rather rough waters in the global market. Though international waters in the PVC market are expected to be rough for a while, the US market appears to be resilient. We will demonstrate our strength via our customer service system, economy of scale, and cost structure.

Electronics Materials Business

The market for semi-conductors expands at a remarkable rate quantitatively and qualitatively. The semi technologies keep evolving in an intriguing manner. We will stay tuned to capacity increases and product developments. To this end, we consummated the acquisition of the full ownership of Mimasu Semiconductor Industry, and the construction of

the new facility for cutting-edge lithographical products is progressing as planned. We are adding to our R&D capabilities, as well. There is an evolving array of new ways of device making, to which we apply our expertise and ingenuity. As an expert and all round player of semiconductor materials, we will be more instrumental to the semiconductor industries. The industries and markets which we are in and we serve have been more subject to geo-political issues. We are vigilant and mindful of them. We must wisely navigate our business for our customers and take opportunities to our advantage as they rise.

Functional Materials Business

We are bringing more of new products to various markets and are broadening our capabilities for our customers. To this end, we will push the envelope in silicon chemistry, cel-

President's Message

lulosics and other synthesis. We add touch points in industries and markets so that our total addressable markets will be greater. At the same time, we deemphasize commoditized product lines. We develop our product offerings with this focus and make contributions in such manner that the more of our products are used, the better the industries and human society become.

The Processing and Specialized Services

With this group of businesses and operations, we enhance the synergy within our group companies.

I may add that the two new business units we recently launched are developing well. The one deploys novel technologies for GaN devices. With the advent of AI revolution, the power management is essential and GaN devices will play a key role there. The other one, by the name of μ- Material Machine, offers manufacturing processes, including equipment and materials for various light emitting devices, semiconductor package substrates and so on. We have introduced Shin-Etsu processes for advanced semiconductor packaging (Shin-Etsu Dual Damascene Method). We will pursue integration of materials and equipment.

Initiatives Aimed at Carbon Neutrality

Let me bring you update on our efforts toward carbon neutrality. Our stated goal is to become carbon neutral by reducing greenhouse gas emissions (SCOPE1 and 2) to net zero by 2050. In FY 2024, we made progress in reducing GHG emissions in terms of production intensity compared to FY 2023. FY2024 results were 56.9% (down 0.1 points year on year) compared to FY1990 for the Group and 48.6% (down 4.8 points year on year) compared to FY1990 for the Company.

By absolute measurement, the Scope 1 and 2 GHG emissions increased 3.4%, as we expanded production capacities to meet customers' requirements. For those expansions, we certainly apply and install our advanced and state-of-the-art technologies to ensure that our facilities are the most energy-efficient operations in their respective industries. We have been improving energy efficiency at existing facilities, as well. I must admit that we have a lot to do to reach the goal. To this end, we will do our best.

I would like to point out that we offer a number of products that contribute to reducing greenhouse gas emissions. For instance, roughly 70% of the sales of our products currently go to those areas which Japanese government nominates that are integral to achieving carbon neutrality. We will continue to expand our range of products that contribute to carbon neutrality.

To extend and expand what we have been able to do for our customers, our shareholders and our communities, I reiterate that we must continue to grow. We will remain focused on our customers and their needs to be relevant to them, will remain committed to good governance to be relevant to our shareholders, and will remain responsible to be relevant to our communities.

I sincerely thank our shareholders for their confidence, our customers for their partnership and our entire Shin-Etsu team for their dedication to our operations.

Value Creation Process

By harnessing its strengths in the tripartite teamwork manufacturing of sales, development, and production, the Shin-Etsu Group helps solve societal issues by creating unrivaled value with materials indispensable to industry and people's lives.

Sources of Our Competitiveness

- Financial Capital
- Manufacturing Capital
- Human Capital
- Intellectual Capital
- Social and Relationship Capital
- Natural Capital

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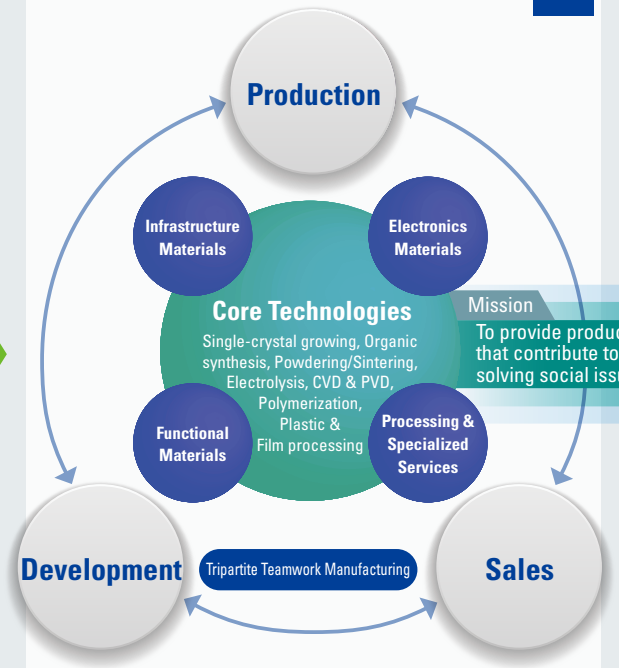
Business Activity

P.40



Management Foundation

Corporate Governance

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Sustainability

- The foundation of all activities: Legal compliance, fair corporate activities
- Health and safety of employees and contractors
- Energy-saving, resource-saving, and reduction of the environmental impacts
- Product quality improvements and product safety control
- Promoting CSR procurement and the diversification of supply sources
- Respect for human rights, the development of human resources, and the promotion of diversity
- Respect for and protection of intellectual property
- Contribution to industry and social initiatives
- Accurate and timely information disclosure and communication with stakeholders

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Value Created

As of March 31, 2025

Operating income	¥742.1 billion
Net income attributable to owners of parent	¥534.0 billion
ROIC	18.2%
ROE	12.0%
Cash dividend per share	¥106
Total shareholder return over the past five years	218% (TOPIX213%)
Market capitalization	March 31, 2015 ¥3,392.0 billion → March 31, 2025 ¥8,408.4 billion
Moody's Long-term Rating	Aa3
Sales composition ratio of environmental products*1	approx. 70%
Greenhouse gas emission intensity (compared with FY1990)	43.1% reduction
Composition ratio of overseas sales	79.6%
Intangible asset value ratio*2	42.2%

Vision

Digitalization

AI, IoT, 5G, Metaverse

Semiconductor silicon, silicones, optical fiber preforms, low-dielectric resins, etc.

Smart infrastructure

Infrastructure developments

PVC, cellulose derivatives, silicones

Efficiency improvement

Robots, Industrial motors

Semiconductor silicon, rare earth magnets, silicones, etc.

Health enhancement

Pharmaceutical materials, Materials for medical apparatus and equipment

Cellulose derivatives, POVAL, silicones, rare earth magnets

Food, Sanitation

Synthetic pheromones, cellulose derivatives, photocatalysts

Environmental contribution

Electric vehicles

Rare earth magnets, anode materials for lithium-ion batteries, silicones, etc.

Energy-efficient home appliances, Renewable energy

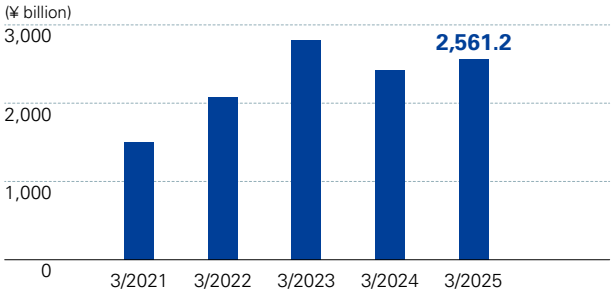
Rare earth magnets, semiconductor silicon, silicones, LED packaging materials, etc.

*1 Products that contribute to the 14 areas identified by the Japanese government in 2021 as being essential to achieving the goal of carbon neutrality

*2 An indicator for measuring the value of intangible assets in capital markets
Intangible asset value ratio = (intangible fixed assets [book value] + market capitalization − net assets [book value]) ÷ market capitalization

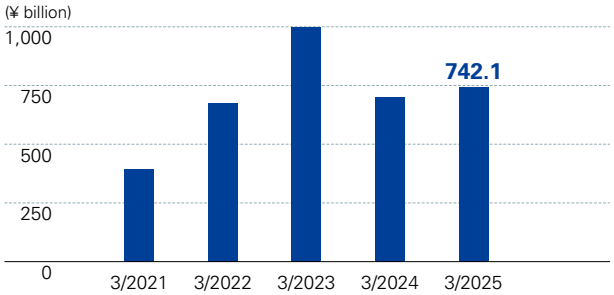
Financial Highlights

Net sales



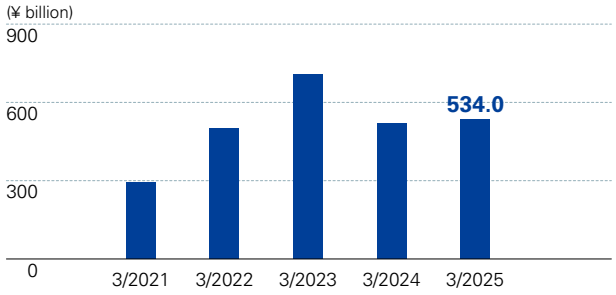
In the fiscal year ended March 31, 2025 (FY2024), consolidated net sales increased by 6.1% from the previous fiscal year as a result of our focus on PVC price updates and sales of electronic materials and highly functional silicones.

Operating income



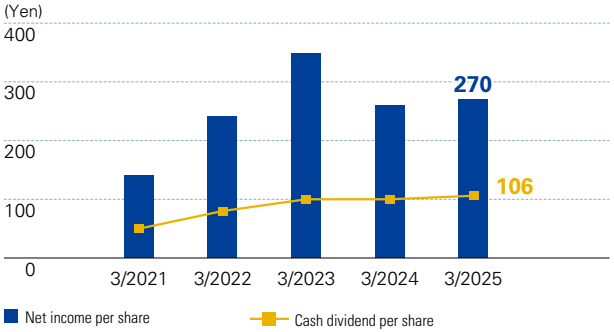
Consolidated operating income for FY2024 increased by 5.9% from the previous fiscal year. This was mainly due to increases in operating income of 19.3% and 17.7% in the Electronic Materials and Functional Materials businesses, respectively.

Net income attributable to owners of parent



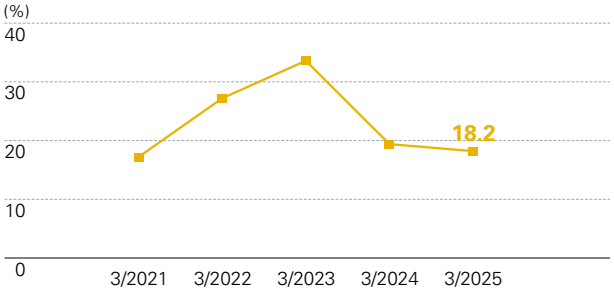
Net income attributable to owners of parent in FY2024 increased by 2.7% from the previous fiscal year due to the increase in operating income, despite a temporary increase in tax expenses due to dividend payments from overseas subsidiaries.

Net income per share/Cash dividend per share (Note)



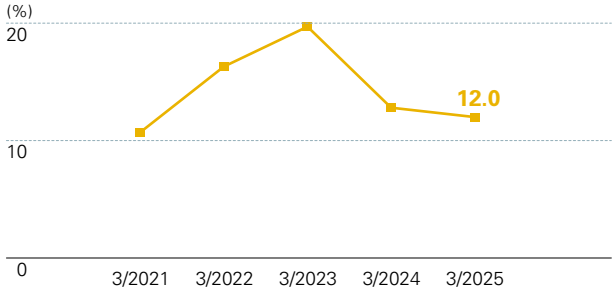
In accordance with our basic policy of aiming for stable dividends with a payout ratio of around 40% as a medium- to long-term guide, the annual dividend for FY2024 was ¥106 per share (dividend payout ratio of 39.3%), an increase ¥6 from the previous fiscal year.

ROIC



ROIC for FY2024 fell 1.2 points from the previous fiscal year due to an increase in net assets, despite an increase in operating income after taxes.

ROE

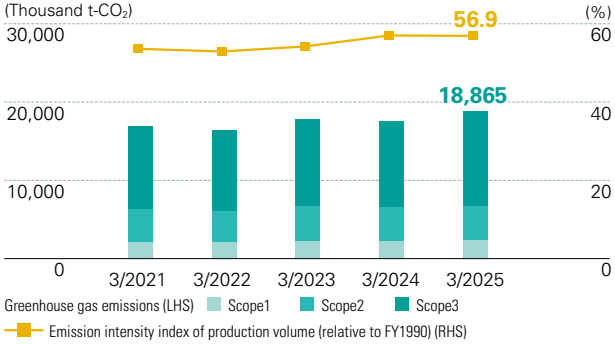


ROE for FY2024 fell 0.8 points from the previous fiscal year due to an increase in net assets, despite an increase in net income attributable to owners of parent.

(Note) On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. "Net income per share" and "Cash dividend per share" are calculated based on the number of shares after the stock split from the fiscal year ended March 31, 2021.

Non-Financial Highlights

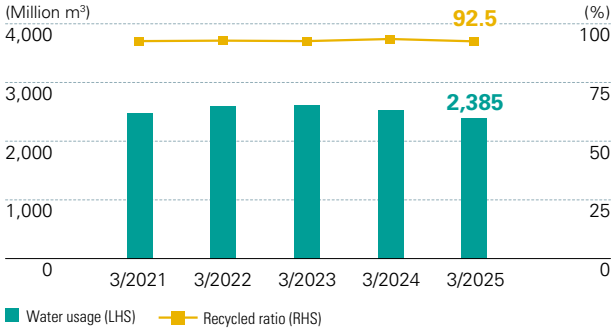
Greenhouse gas emissions/Emission intensity index of production volume*



We are working to reduce the greenhouse gas emission intensity index to 45% of our FY1990 level by 2025 and achieve net-zero greenhouse gas emissions (Scope 1 and 2) by 2050.

*Emission intensity index of production volume reflects Scope 1 and Scope 2.

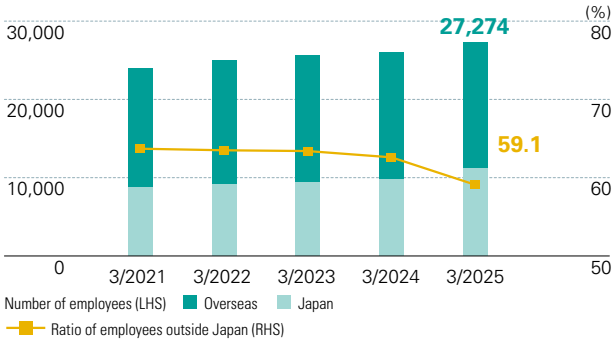
Water usage*/Recycled ratio



Since manufacturing products requires a large amount of water, we have set a target of "reducing water withdrawal intensity by an annual average of 1%," and are thoroughly promoting the recycling of water and making effective use of rainwater, etc.

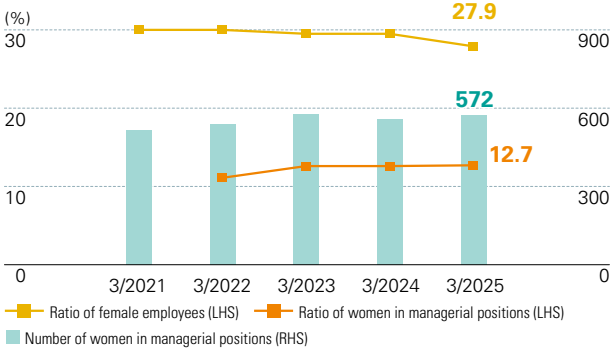
*Total quantity of water withdrawal and recycled water

Number of employees/Ratio of employees outside Japan



In accordance with international labor standards, each year we survey our consolidated subsidiaries to ensure compliance with laws and regulations, making sure that we respect human rights and properly manage labor and employment in accordance with the laws and regulations of each country and region.

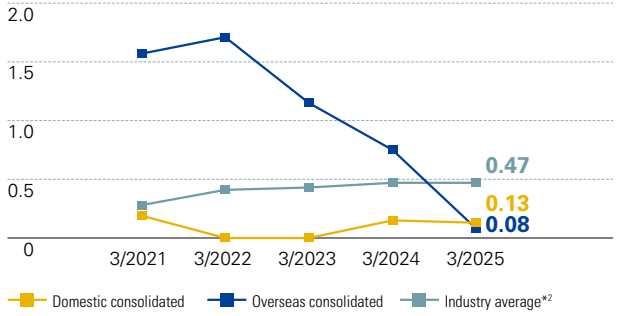
Ratio of female employees/Number and ratio of women in managerial positions*



To promote the advancement of women, we have set goals to "increase the hiring ratio of women in administrative positions to 40% and in engineering positions to 10%" and "quadruple the number of women in managerial positions, including junior managers, compared to FY2014." (Scope: employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies)

*Figures for ratio of women in managerial positions calculated starting from FY2021

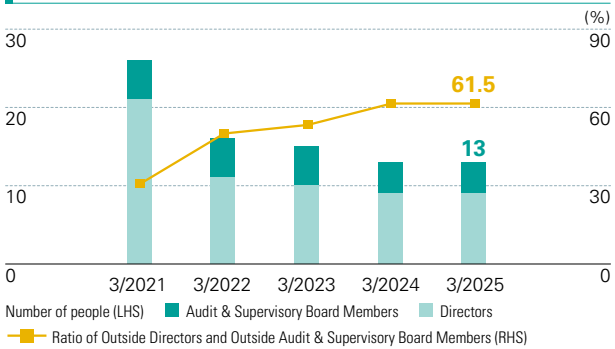
Lost-time accident rate*1



*1 The lost-time accident rate is calculated per calendar year.

*2 Averages for the chemical industry in Japan as compiled by the Japan Chemical Industry Association (JCIA).

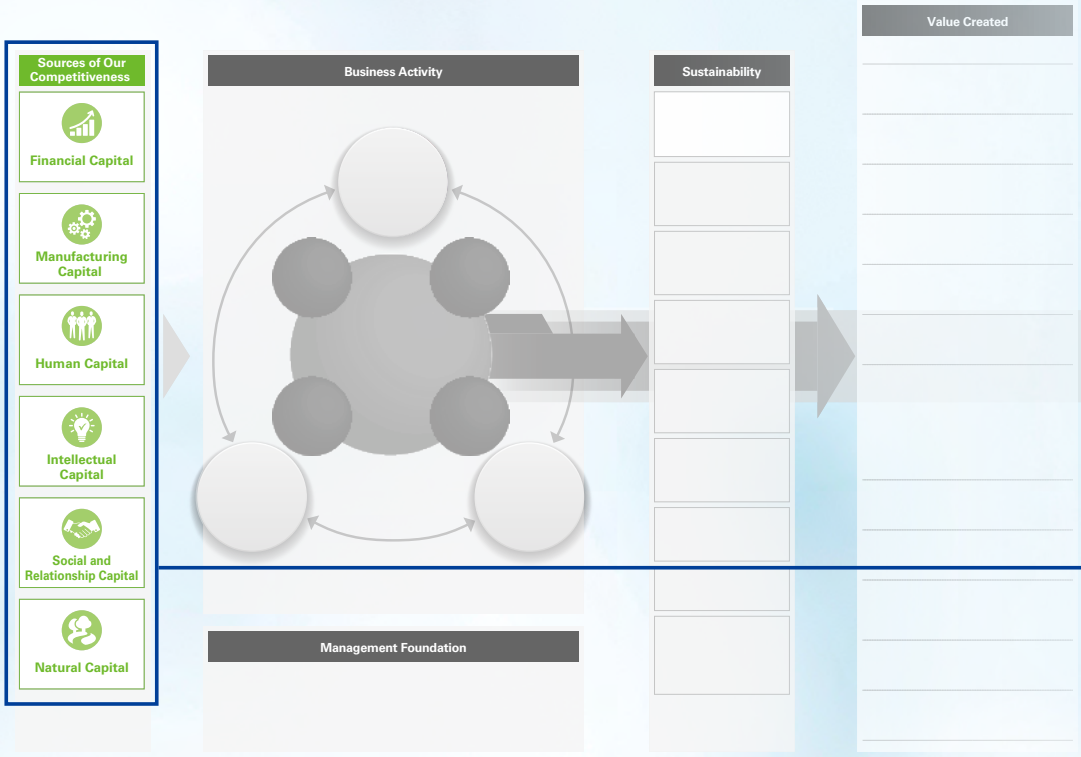
Number of directors and audit & supervisory board members/ ratio of outside directors and outside audit & supervisory board members



The Company continues to strengthen its corporate governance system with an emphasis on external perspectives, for example by inviting leading figures from various fields to serve as Outside Directors. We appointed one woman as Outside Director and two women as Outside Audit & Supervisory Board Members.

Sources of Our Competitiveness

Sources of competitiveness that support the sustainable development



Financial Capital

Enhancing shareholder returns while continuing capital investments on a solid financial footing

- Equity ratio **82.6%**
- Net assets **4,837.5 billion yen**
- Capital expenditures **434.5 billion yen**

Manufacturing Capital

We aim to achieve sustainable growth by monitoring global demand trends and making timely and appropriate capital investments

- Domestic production bases: **18 companies, 41 bases**
- Overseas production bases: **17 countries, 66 bases**

Human Capital

Developing T-shaped human resources with optimal staffing in pursuit of a more efficient and energetic way of working

- Operating income per employee **27.21 million yen**

Intellectual Capital

Promoting rapid, field-linked R&D and strategic IP management to protect our business

- Research centers located inside plants
- Selected as Clarivate Top 100 Global Innovator™ for **14 consecutive years**

Social and Relationship Capital

Our commitment to respecting human rights and building strong relationships of trust with customers

Natural Capital

In addition to our commitment to carbon neutrality by 2050, we are focusing on conservation of water resources, biodiversity, and waste reduction

- Greenhouse gas emissions (emission intensity index of production volume relative to FY1990) (Shin-Etsu Group) **56.9%**

Financial Capital

Enhancing shareholder returns while continuing capital investments on a solid financial footing

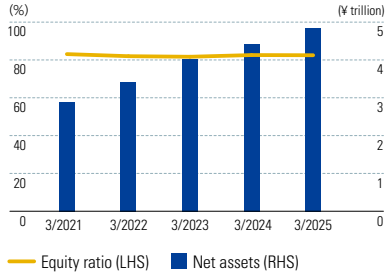
Electronic materials and highly functional silicones drive earnings

In the fiscal year ended March 31, 2025 (FY2024), the polyvinyl chloride (PVC) business worked to revise prices in key regions. Outside of North America, however, the sluggish supply and demand situation continued against the backdrop of exports from China, where domestic demand remains stagnant. Meanwhile, we focused on expanding sales in growing markets such as semiconductor materials (including silicon wafers, photoresists, and photomask blanks), rare earth magnets, and our highly functional silicone product lines.

As a result, our operating income was ¥742.1 billion (up 5.9% year on year), and net income attributable to owners of parent was ¥534.0 billion (up 2.7% year on year). In addition, total net assets were ¥4,837.5 billion (up 9.3% from the end of the previous fiscal year), the stockholders' equity ratio was 82.6%, ROIC was 18.2%, and ROE was 12.0%.

Equity ratio/Net assets

Equity ratio
(as of March 31, 2025)
82.6%
Net assets
(as of March 31, 2025)
4,837.5 billion yen



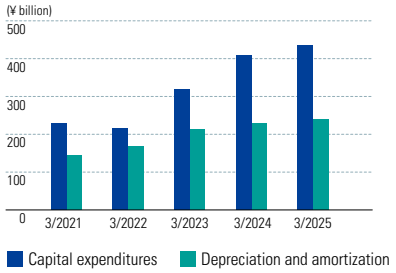
Steadily advancing capital investment for sustainable growth

To enhance competitiveness and sustain growth, Shin-Etsu Chemical seeks to enhance corporate value through the active and timely use of its internal funds. The Shin-Etsu Group's capital expenditures in FY2024 totaled ¥434.5 billion (up 6.8% year on year), reflecting progress in planned investments such as PVC resin facility expansion at Shintech, construction of a new production base for semiconductor lithography materials, and capacity expansion for our lineup of highly functional silicone products. Capital investment for FY2025 is expected to be ¥370.0 billion.

The new Shintech plant in Plaquemine, Louisiana, with an annual production capacity of 400,000 tons of PVC, commenced operations in 2024.

Capital expenditures/Depreciation and amortization

Capital expenditures
(for the year ended
March 31, 2025)
434.5 billion yen

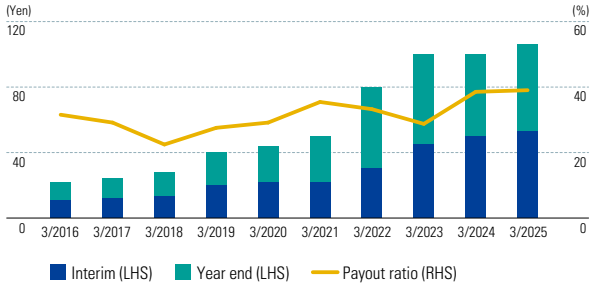


Dividend increase and a share buyback worth ¥500.0 billion

The Company is implementing its capital policy, by balancing growing business earnings with maintaining solid financial foundations, while paying close attention to ROE and the cost of capital. Shareholder returns are at the core of this policy. The Company is striving to achieve stable dividends and is raising the medium- to long-term target dividend payout ratio to around 40%. The annual dividend for FY2024 was ¥106 per share (corresponding to a dividend payout ratio of 39.3%), an increase of ¥6 from the previous fiscal year.

In addition, the Company repurchases its own shares in a flexible manner based on stock price levels and other factors. A new share buyback, not to exceed ¥500.0 billion, was initiated in May 2025. The purchase amount is equivalent to 6.4% of our market capitalization, and is expected to have the effect of raising ROE by 1.5 points.

Cash dividends per share/Payout ratio (Note)



(Note) On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. "Cash dividends per share" is calculated based on the number of shares after the stock split.

Manufacturing Capital

We aim to achieve sustainable growth by monitoring global demand trends and making timely and appropriate capital investments

Basic policy on capital investment

To fulfill its supply responsibilities as a material manufacturer, the Shin-Etsu Group makes timely and appropriate capital investments to strengthen stable supply and improve quality based on information and requests obtained from industry-leading companies around the world. Our solid financial base and ability to generate cash flow enable us to make flexible decisions and aggressively invest even in an ever-changing business environment.

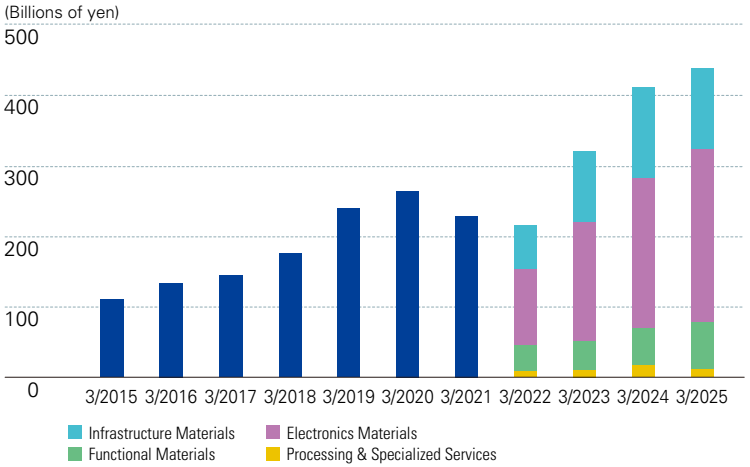
Current status of capital investment

We are steadily making capital investments that support the growth of the Group, including a PVC resin facility expansion project at Shintech Inc. in the U.S., as well as production capacity enhancement, productivity improvements and streamlining, quality improvement, maintenance, upgrades, and environmental measures. The status of major capital investments is as follows.

List of capital investments (that have been announced)

Business Segment	Products	Projects	Investment Amount	Status
Infrastructure Materials	PVC	New facility expansion [Phase 2] (U.S.)	$1.25 billion	Completed
Electronics Materials	Semiconductor lithography materials	Build a new manufacturing and research-and-development base (Japan)	¥83.0 billion	In progress
Functional Materials	Silicone resin	Reinforcement of the production capacity for advanced functional products line (Japan)	¥80.0 billion	In progress
	//	Expand the applications of our silicones products and work to enhance the advanced functionality of our products lineup and expand our environmentally friendly silicones (Japan, Thailand, etc.)	¥100.0 billion	In progress
	//	Build a manufacturing plant (China)	¥2.1 billion	In progress
	Cellulose derivatives	Expand manufacturing facilities for pharmaceutical excipient (Japan)	¥10.0 billion	In progress
	//	Expand manufacturing and storage facilities for pharmaceutical excipient (Japan, Germany)	¥10.0 billion	In progress

Capital investment



Sales by Manufacturing Location for Each Segment (FY2024)

(Billions of yen)

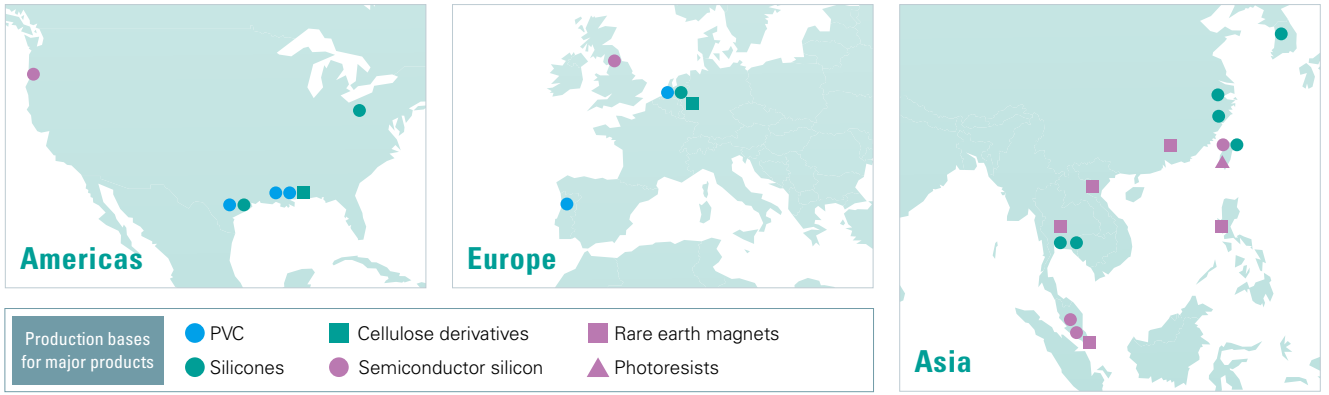
	Goods Manufactured in Japan	Goods Manufactured overseas	Total
Infrastructure Materials	123.3	918.2	1,041.5
Electronics Materials	764.0	170.2	934.3
Functional Materials	287.3	161.2	448.6
Processing & Specialized Services	103.5	33.1	136.7
Consolidated	1,278.2	1,282.9	2,561.2

Manufacturing Capital

Risk-aware supply network

In addition to building a local production system directly linked to local demand, the Shin-Etsu Group has 66 overseas production bases in 17 countries, mainly in regions with low country risk, to ensure that our production costs are the most competitive in the world. In addition, as geopolitical risks rise, we are diversifying our raw material procurement across different regions and suppliers, while establishing multiple production bases to strengthen our ability to ensure a stable supply to our overseas customers, who account for approximately 80% of our sales.

Production bases for major products



Employee message

Establishment of a magnet production system in Vietnam that integrates everything from recycling to raw materials and finished products

Shin-Etsu Magnetic Materials Vietnam Co., Ltd. **Mr. T.S.**

When we describe resources as “rare metals” or “rare earths,” the word “rare” means either that the resource is found in small amounts on Earth, or that its distribution is limited for technical, economic, or geopolitical reasons. The rare earth elements used in neodymium magnets fall into the latter category, and in fact, they are not as scarce as the name suggests, being mined not only in China but also in the United States and Australia, among other countries. At our Vietnam plant, all the processes for manufacturing neodymium magnets, including the refining and recycling processes, are integrated into one facility. As a result, this plant has the great advantage of being able to produce neodymium magnets that are 100% “Made in Shin-Etsu.”

My responsibilities at the plant in Vietnam are in the area of technical development for recycling and magnetic materials as well as quality control. Currently, we are advancing the development of technology to secure rare-earth resources, and we are now able to refine the raw materials for neodymium magnets right here at our plant in Vietnam. To further augment production capacity and stabilize supply volume in the future, we are proceeding with a project to build a new plant that incorporates the new technologies we have developed into the recycling and refining processes. The supply of rare earth elements has historically been unreliable. However, by leveraging the advantage of our Vietnam plant’s integrated production system, we will continue to develop new technologies and control quality so that we can provide our customers with a stable supply of high-quality magnets.

Shin-Etsu Magnetic Materials Vietnam Co., Ltd.

Manufacturing Capital

Special Feature

The Pursuit of Efficiency Never Ends

Message from the Director in Charge of Technologies

Advancing technology and taking on the challenge of innovation

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

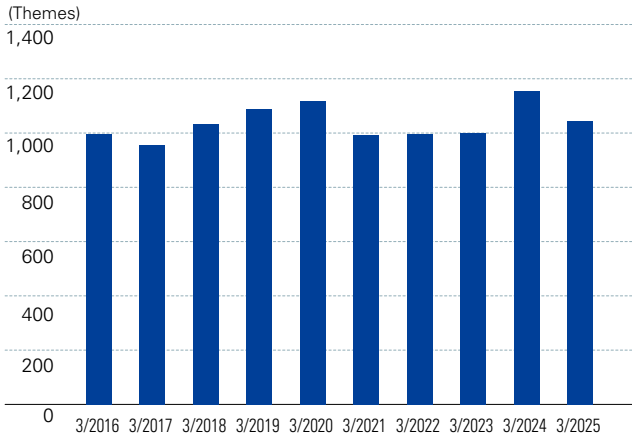
Fumio Akiya

Manufacturing capabilities

In the manufacturing industries, continually improving technological capabilities is an important management issue. A committee started working on this theme in 1992 and continues its activities to this day. Its guiding principles are based on flexible thinking not bound by precedent or conventional wisdom as well as continuous improvement, evolution, and innovation grounded in the principles of science and engineering. Since its inception, this committee has addressed over 25,000 issues in total, supporting the Company's earnings expansion and sustainable growth. Even now, each production site continues to set new themes and take on new challenges.

The results of these efforts are not limited to cost reduction. They have created a virtuous cycle that leads to improved quality, improved product characteristics, energy savings, and reduced greenhouse gas emissions. Going forward, we will continue our relentless pursuit of improving productivity, rationalizing processes, and technological innovation.

Number of rationalization themes



*Data collected from Shin-Etsu Chemical only (non-consolidated).

Unrivaled quality

To succeed in an industry where competition is fierce, it is essential to continue to improve non-price competitiveness. I believe the core of non-price competitiveness is what we call "unrivaled quality."

What leads to unrivaled quality is the combination of our manufacturing capabilities: the ability to develop products that meet the quality requirements of our customers, the ability to mass-produce these products in a stable manner, the ability to minimize variation in quality within the specified standard, and the ability to strictly inspect and control quality before shipment. Going forward, we will continue to focus on providing unrivaled quality that keeps competitors at bay and that earns testimonials from customers like "If it's a Shin-Etsu Chemical product, we can use it with confidence."

Technological innovation

The Company is actively working to shift from batch production (batch processes*1) to continuous production (continuous processes*2). In batch production, cleaning of the reactor is required each time a reaction is completed, leading to downtime during which production is halted.

Continuous production, on the other hand, requires very little downtime because raw materials are continuously fed into the production process. Continuous production has not only dramatically improved productivity, but also stabilized quality and led to labor savings. Going forward, we will continue to work on the transition from batch production to continuous production as an important theme.

Having identified the adoption of cutting-edge technologies as an important issue, we are currently incorporating AI and related technologies into our processes after first verifying their safety. Let me give you a few examples.

Visual inspection, which was previously done manually, can now be automated using neural networks*3, saving labor and reducing erroneous judgments. We also aim to further improve quality by applying machine learning to vast amounts of manufacturing data and re-examining manufacturing conditions using inverse problem analysis*4. Finally, while up until now we have regularly upgraded facilities and equipment before breakdowns occur as a form of preventive maintenance, we are now working to achieve even

Manufacturing Capital

Special Feature **The Pursuit of Efficiency Never Ends** | **Message from the Director in Charge of Technologies**

more accurate upgrades by using AI to predict when breakdowns are likely to occur.

Recycling

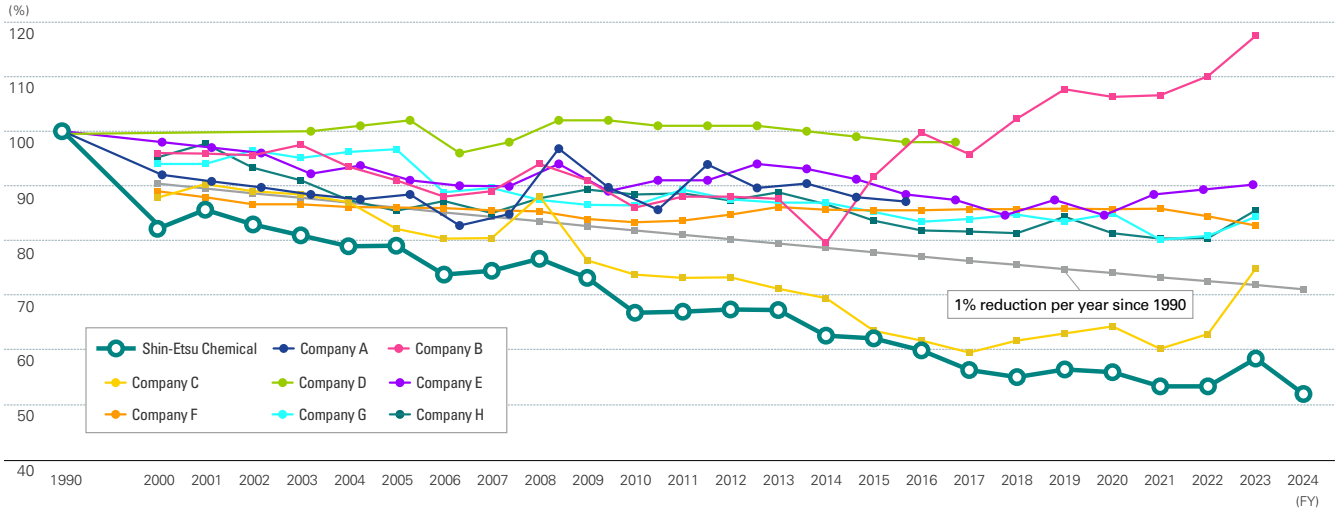
Recycling, the efficient use of resources and materials without waste, is an important issue for society as a whole. Shin-Etsu Chemical has been involved in recycling for many years.

A representative example is the recovery and reuse of thermal energy generated from the manufacturing process. Each of our production sites has implemented a variety of such measures. Thoroughly using up thermal energy without waste leads to energy savings and reduction of greenhouse gas emissions. Furthermore, thanks to the shift to continuous processes, which I mentioned earlier, unreacted raw materials and by-products, which were previously waste, can now be reused as raw materials instead of expelling them, leading to a reduction in waste and an improvement in the variable cost per unit of production.

The rare earth magnets business and the PVC business have taken the lead in recycling raw materials and products, and we are pursuing this possibility in other businesses as well. We are currently working to reduce the amount of wastewater discharged by changing our manufacturing methods, as well as working to recover raw materials and valuable materials from waste liquid that was previously outsourced for treatment, thereby improving production intensity and reducing our environmental impact.

Regarding water recycling, we are focused on reusing the water used for cooling and cleaning. Cooling water is thoroughly reused in the manufacturing process after heat energy has been recovered. We are also encouraging the reuse of cleaning water discharged during the product washing process, further promoting the effective use of precious water resources.

Changes in Energy Consumption by Chemical Companies in Terms of Production Intensity Relative to the FY1990 Level*



*Source: Published materials from each company
Aggregation scope: Non-consolidated
Company A has not disclosed production volume since 2015; Company D since 2016; Company E since 2022.
Energy consumption is converted to crude oil equivalent

Taking on the carbon neutral challenge

In May 2023, Shin-Etsu Chemical formulated and announced its plan to become carbon neutral by 2050. Led by the committee I mentioned earlier, we have worked to maximize resource and energy use efficiency. As a result, our greenhouse gas emissions per unit of production have been reduced by half compared to 1990, and we continue to challenge ourselves to further reduce emissions.

At this point, we have identified 22 tasks aimed at carbon neutrality and are working diligently to investigate, research, and implement them. Achieving carbon neutrality is a big challenge for companies like us in the materials industry, since we require resources and energy to produce goods. Carbon neutrality cannot be achieved using only the technologies currently available. In other words, technological innovation will be essential. I believe it is a challenge worth taking on, precisely because it is a difficult task. Shin-Etsu Chemical has many talented people who have boldly taken on difficult challenges and made technological innovations. Relying on the technological strength we have honed over the years and our strong will to set and achieve ambitious targets, we will continue to work to achieve carbon neutrality and the sustainable growth of the Company.

*1 Batch production (batch processes): A method in which raw materials are input for each delimited production cycle and the production is transferred to subsequent processes for each of these cycles, eventually resulting in a batch of final products. Batch production requires starting and stopping the reactor and cleaning it during downtime.
*2 Continuous production (continuous processes): A method of production in which the input of raw materials, reactions, and extraction of products are carried out continuously. It is more productive because once started, it operates continuously, with no need to interrupt the reaction for cleaning or other maintenance.
*3 Neural network: A machine learning model that uses AI to process data in a way that mimics the workings of the human brain.
*4 Inverse problem analysis method: An analysis method that estimates the input from the output

Manufacturing Capital

Special Feature The Pursuit of Efficiency Never Ends | Employee Roundtable

Employee Roundtable Engineers Discuss the Future of Manufacturing

Our future manufacturing is built on more than 30 years of rationalization efforts

Yosuke Hamano
Production Engineering Department, Gunma Complex

Hiroyuki Otsuka
Technology Department, Head Office

Takeshi Ishida
Production Department 1, Naoetsu Plant

Past Initiatives of the Rationalization Committee

Ishida The Naoetsu Plant's Production Department 1, where I work, has been in operation for over 60 years, and over that period, it has focused on a variety of themes and worked to rationalize its operations and improve its productivity. For older plants, the issue is not simply replacing aging equipment with new equipment, but how to implement these upgrades in a way that enables continuous improvement. For example, we have been able to achieve both energy savings and reductions in greenhouse gas emissions by coming up with creative engineering designs such as reducing electricity consumption through effective use of waste heat (which can be recovered and used to generate steam) and waste cold from the manufacturing process.

Such efforts require more than just desktop calculations; verification at an actual plant is indispensable.
To verify the validity of our designs, we gather analysis data from sampling along with daily monitoring data. Even for proposed improvements that at first glance do not seem cost-effective, we try to increase their chances of implementation in various ways, for example by revising the specifications or increasing the number of bidders on the project. When it comes to achieving results in rationalization and productivity improvement, I believe the key requirements are familiarity with the worksite, flexible thinking, and tenacious research.

Otsuka I work at our head office in the Technology Department, which is responsible for promoting rationalization, quality control, facilities management, energy saving, and automation at each plant. While the actual implementation is done at the factory level, we at the Technology Department coordinate and share information from the head office across various plants to support their activities. My main theme is the promotion of automation, and I am working on integrating AI and DX into our worksites.

In my work on utilizing AI to rationalize processes, one of the challenges I faced was that AI by itself could not identify defect causes and predict breakdowns. The AI merely indicates correlation, while determining causation requires technical knowledge of engineers. For example, when we

Manufacturing Capital

Special Feature **The Pursuit of Efficiency Never Ends** | **Employee Roundtable**

tried using AI to predict the failure of rotating machinery, it didn't work well, but we finally found a solution through hypothesis and verification based on domain knowledge (expert knowledge in a specialized field). In the future, AI may well acquire all the knowledge we have, but the final decision will remain in the hands of people. Rather than blindly looking to AI for solutions, the key to rationalization is to understand the nature of the technology and to make decisions based on fundamental principles.

Hamano I have been involved in the implementation of AI and DX at the Gunma Complex. In connection with this, as part of our efforts at rationalization and productivity improvement, we constructed an AI model that predicts physical property values based on experimental data and operating conditions, and utilized it for optimization. This allowed us to shorten the investigation period, which traditionally took ten years, to just two months. This is the power of AI. The challenge in this case was how to prepare the high-quality dataset required to create a highly accurate model. We reviewed the existing data and conducted additional experiments to fill in any gaps. We also incorporated simulation data and data published in the literature to improve the quality of the data, and as a result, we succeeded in constructing a practical AI model.

Background to Shin-Etsu Chemical's longstanding rationalization activities

Otsuka The Rationalization Committee's efforts began in 1992 and have continued for more than 30 years. I believe the reason why the Rationalization Committee has been active for so many years is because its rationalization activities are carried out from both bottom-up and top-down perspectives. In other words, one of our major strengths is the combination of our ability to propose solutions at the worksite and our management team's understanding of technology.

In particular, our system for evaluating the benefits of rationalization quantitatively from the perspectives of both actual and expected values, and then setting and tracking goals at the department level, supports a sense of satisfaction and a desire for continuous improvement at each worksite.

Furthermore, the quality of our rationalization activities has increased because top management makes decisions based on scientific and technological principles and gives precise instructions to the engineers, which makes them more likely to follow through.

Ishida From a top-down perspective, I feel that it is also important that the inquisitive spirit and attitude of the top management has been deeply ingrained in the engineers. Rather than just sending out messages, top management offers direct advice and feedback on proposals from the field at hearing sessions and meetings, which boosts the morale of the engineers. This direct, face-to-face communication inspires a sense of responsibility to "get it done" in the recipients, which is what sustains the activities. Another important element supporting these rationalization activities is that a corporate culture has taken root that follows up on issues raised and sees them through to completion.

Hamano I also believe that one of the reasons the Rationalization Committee activities have continued for so many years is the Company's deeply rooted corporate culture of "learning by doing." We have many people with the mental flexibility to apply insights gained from past themes to new challenges, for whom rationalization and new challenges are inseparable like the wheels on a car. In addition, when employees tackle multiple challenges, their energy becomes contagious, stimulating those around them and inspiring a positive chain reaction of commitment to excellence. I feel that such an environment enables continuous improvement.

Future themes to be addressed by the Rationalization Committee

Hamano In terms of themes that the Rationalization Committee should address going forward, I believe that it is important to further promote operational reforms using AI

and DX. In addition to utilizing MI (material informatics) and PI (process informatics) in both research and manufacturing, I would like to incorporate AI models into areas such as monitoring and controlling production lines, as well as predictive maintenance*, to achieve automation and efficiency.

However, since it will take time for all employees to become adept at using AI, it will first be necessary to accumulate successful case studies of AI utilization to increase interest. In the future, I would like to serve as a bridge between chemical industry and AI by taking on the role of an "AI consultant" who visits departments facing challenges and helps resolve them.

*Predictive maintenance: A method for predicting the maintenance required to prevent equipment failure.

Ishida I am also focused on the utilization of AI. I believe that going forward the Rationalization Committee should work on the utilization of AI at our manufacturing sites, specifically in the areas of fully automated operation and predictive maintenance. If full AI-based automation could be implemented in a continuous chemical production line, it could be expected to reduce manufacturing inconsistencies caused by human involvement and bring about rationalization in many areas, including stabilizing quality, saving energy,

Manufacturing Capital

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and reducing greenhouse gas emissions. Similarly, in the area of equipment maintenance, introducing AI-based anomaly detection and condition monitoring would allow us to prevent sudden equipment failures before they occur, ensuring stable operations while reducing costs. I believe that by accumulating technology in-house and sharing success stories, we will be able to accelerate rationalization across the entire Company.

Otsuka From my perspective in the Technology Department at the head office, given that the manpower available at each plant is limited, one of our responsibilities at the head office is to eliminate any unnecessary tasks. Therefore, in terms of themes that the Rationalization Committee should address going forward, I think it is important to support the operational efficiency initiatives led by the head office.

At our worksites, there is a trend towards increasing paperwork for safety and management reasons, which is creating a heavy burden. By utilizing generative AI to automate document creation, I hope to reduce the workload on-site and create an environment where people can focus on their core tasks.

Furthermore, as securing human resources becomes more challenging, promoting automation is essential;

however, the adoption of AI and DX requires a certain level of literacy in those domains. Therefore, it is important to train our employees and raise their baseline level of knowledge at the same time. On the other hand, adopting AI or DX should not be an end in itself. Instead of treating these technologies as a black box, it is important to understand the fundamental principles underlying them. The goal is to achieve continuous, sustainable improvement without losing sight of the core purpose of rationalization.

Passing on skills to the next generation

Otsuka Passing on skills to the next generation has become a major issue in the Japanese manufacturing industry. It's fair to say that our Company faces the same challenge. When it comes to skills used in manufacturing, simple equipment operations can be passed on using standard operating procedures and manuals, but passing on know-how that is difficult to put into words remains a challenge.

In the future, it will be necessary to create manuals in video format and incorporate the know-how itself into the automation system. To achieve this, I believe it is essential to raise the level of AI and DX literacy across the entire workplace and create an environment in which everyone can understand and utilize these skills used in manufacturing.

Hamano When it comes to transferring skills using AI, simply presenting examples is not enough. What's important is that everyone feels that they can do it, and that they work in an environment where they can put it into practice immediately when they become interested. Therefore, we have developed an in-house system that makes it easy to build AI models as long as there is data. Even if we are unable to create a highly accurate model, we may find a clue to solving the problem in the process of reviewing the data. In fact, our "consulting-based" support, which demonstrates AI-based solutions to on-site problems right in front of employees, has inspired some of them to develop a greater interest and motivation to learn about AI. I believe

that creating such an environment will lead to the robust transfer of skills.

Ishida The traditional culture of "learning by watching" that has often been used to pass on skills is becoming less and less applicable in modern times. In the future, passing on skills will require preparing not only design documentation and operating manuals but also instructional materials that are visually easy to understand, such as videos.

As Mr. Otsuka and Mr. Hamano mentioned, the Company is also moving forward with the adoption of AI. I believe that actively integrating AI into our manufacturing sites will be essential for further rationalization. On the other hand, as the reliance on AI increases, there are concerns that the skills, knowledge, and intuition of human workers may decline, potentially leading to problems in responding to emergencies. To dispel these concerns, I believe it is important to maintain basic skills by repeatedly educating employees on the fundamentals and principles of science and engineering. I believe that having workers continue to think for themselves on-site based on these principles will lead to efficient skills transfer and further advance our rationalization activities.

Human Capital

Developing T-shaped human resources with optimal staffing in pursuit of a more efficient and energetic way of working

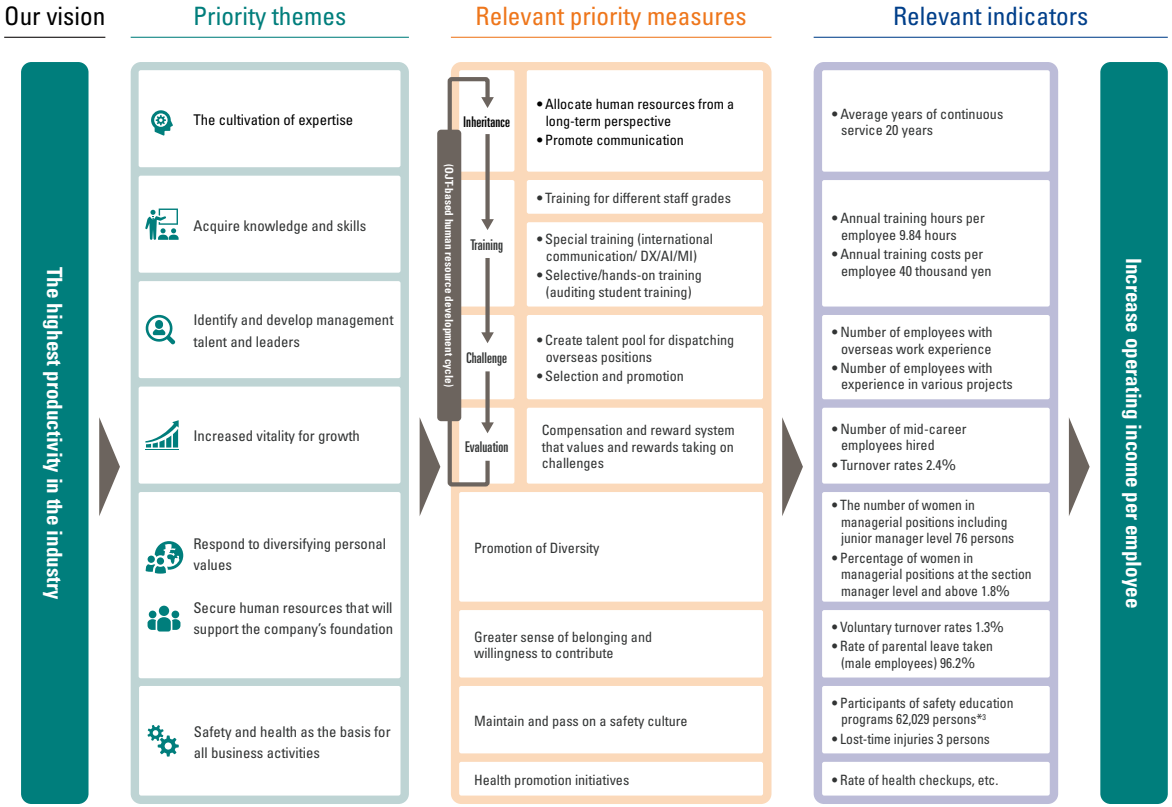
For more information, please see the "People and Safety" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_social/

Basic policy on human resources strategy

We aim to further improve labor productivity. To this end, we have set operating income per employee as a key indicator and are focusing on developing "T-shaped human resources" who can achieve high productivity. A "T-shaped human resource" is someone who is an expert in a certain task or field, but also has a wide range of work skills that allow them to excel in other fields.

To develop these T-shaped human resources, our human resources development efforts are based on a foundation of on-the-job training (OJT). We place employees into jobs with a sense of respect for their aptitude and professional aspirations, and we support each employee to become a true expert in their assigned job. For this reason, the Company does not implement one-size-fits-all personnel transfers or so-called routine reassignments. By having employees thoroughly study the work they are responsible for, we focus on developing employees with high levels of work ability.

Human capital investment*1*2



*1 Scope: Employees and seconded employees of Shin-Etsu Chemical
*2 Figures listed under "Relevant indicators" are actual results for FY2024.
*3 Shin-Etsu Chemical (Non-consolidated)

Human Capital

OJT-based human resource development program

Empowering employees to grow

In addition to OJT, the Shin-Etsu Group offers a variety of training programs to employees for different stages of their growth. Specifically, the Group supports employees' growth through various training systems, which include training for different staff grades, global communication training, an auditing student system, environmental education, safety education, mental health education, and AI training.

Our training for different staff grades defines the skills that are required at each level of the organization, including management, leadership, communication, and problem-solving skills. Furthermore, because the Group's business partners are spread around the world, with overseas sales now accounting for approximately 80% of consolidated sales, we also provide comprehensive training in meetings and presentations using English as the common language to ensure smooth business operations.

Focus on AI and MI training

The Group is also focusing on its training programs to discover and develop human resources capable of utilizing AI. In FY2024, 194 employees participated, and in the four years since FY2021, a total of 994 employees have participated. We also offer training in materials informatics (MI) with the goals of developing personnel capable of utilizing machine learning for material exploration and shortening R&D time. In FY2024, 49 employees participated, and in the four years since FY2021, a total of 185 employees have participated.

"Domestic study abroad program" to strengthen on-site capabilities

The Company has established a system for sending employees to universities as auditing students for one year with the goal of improving on-site capabilities at each workplace. The program is similar to a study abroad program, except that the students stay in Japan. Each year, up to about ten employees are chosen, mainly operators from plant manufacturing sites, and sent to universities, where they not only acquire specialized knowledge, but also network with people from other businesses and plants that they otherwise may not have much contact with in their daily work. Many of the graduates go on to play key roles in their workplaces.

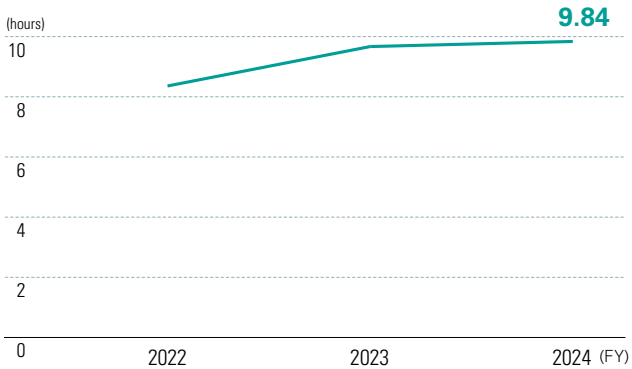
Training system list

	Training for different staff grades	Specialized education: AI management training	Specialized education: MI training	Environment and safety education	Quality control education	Special education	General education
General manager level	Advanced management training; S staff group/ M staff group	Patent training; Training for adaptation to internationalization; English language training; • Meeting skills course I/ II; • Presentation skills course I/II; • Chinese conversation Classes; • Intercultural communication training	DX management training; AI management training; • Basic training; • PBL*2; Onboarding training for new employees	MI*1 training; • Advanced; • Intermediate; • Beginner	Specialized education in environmental control and safety; • Supervisor education; • ISO education; Environmental health and safety education; Hazardous materials safety education; Industrial Safety and Health Act; Radiation; High-pressure gas; Mono-pressure, boilers, etc.		Course for management development training (external training)	Mental health seminars; • Self-care; • Line-care; • Human rights awareness training
Section manager level	Middle management training							
Junior manager level	Line management training; Staff management training				QC intermediate course			
Regular employees	Mid-career employees; Women employees; Junior leader training; Third-year training; New employee induction/ second-phase training			New recruit education	QC basic course	Auditing student system (one year)		

Job group change training

*1 Material Informatics
*2 Problem-based Learning

Training hours per employee (Shin-Etsu Chemical)



Scope: Employees and seconded employees of Shin-Etsu Chemical
Note: The auditing student system was resumed in FY2023 and the hours spent on the program has since been included in the training hours.

Human Capital

OJT-based human resource development cycle

Performance-based personnel evaluation system

The Group has introduced an employee evaluation system that emphasizes their ability and work performance. This system aims to increase employees' motivation by reflecting their performance and attitude in the benefits that they will receive, and evaluates how they meet their challenges to achieve higher goals. Employees set ambitious work goals and improvement targets at the beginning of each fiscal year, and are then encouraged to grow by challenging themselves to achieve these goals. Supervisors provide advice and guidance to help employees achieve their goals. At the end of the fiscal year, employees are evaluated on the degree to which they have achieved their goals. At the same time, employees' abilities, potential for growth, and attitude toward their work are taken into consideration to boost their motivation.

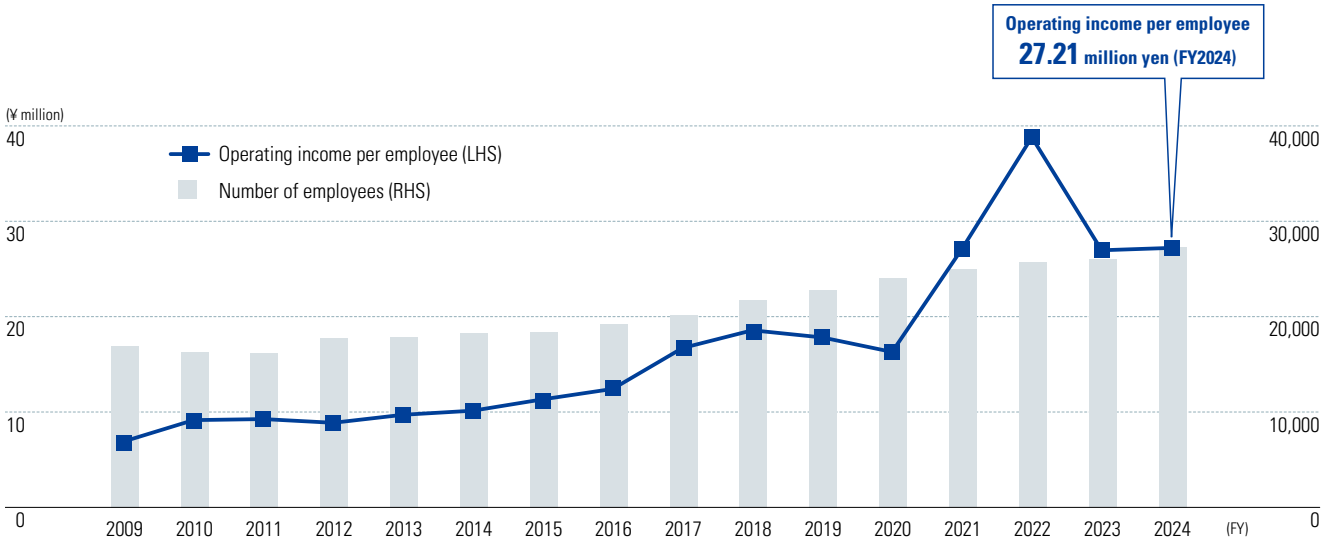
Fair and transparent evaluations

To manage the personnel system in a fair and appropriate manner, evaluation training is provided for all managers who conduct performance review, so that they can carry out personnel evaluations fairly. Transparency is increased by informing evaluation standards to employees. In addition, there is a system of interviews between an evaluator and a direct report to ensure that they can communicate successfully. During interviews, each staff member and their immediate supervisor use Communication Sheets to ensure mutual awareness of expectations and set half-year goals. Furthermore, feedback on progress is given for further development of skills.

T-shaped human resources to support high productivity

One of the major factors supporting the Group's high productivity is the development of human resources with "T-shaped" skills who can perform a wide range of tasks while possessing deep expertise in their respective departments and fields. As each individual continues to pursue more efficient and leaner ways of working, they acquire highly practical and specialized knowledge and build wide-ranging cooperative relationships in carrying out their work. Utilizing the T-shaped human resources developed in this way allows the Company to maximize economies of scale during periods of strong demand while comfortably handling a wide range of tasks during periods of low demand. As a result, the average growth rate of the Group's operating income in recent years has exceeded the average growth rate of the number of employees, which means the productivity per employee has also increased.

Operating income per employee (Shin-Etsu Group)



Human Capital

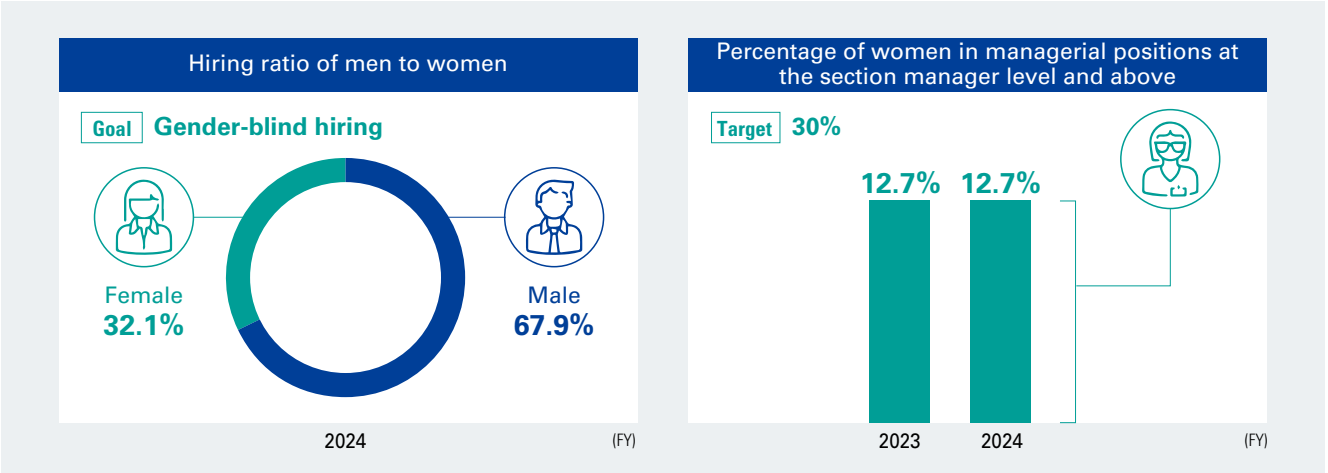
Promotion of diversity

Japan has a declining birthrate and an aging population, and the working-age population is decreasing year by year. In order to sustain corporate activities, it has become essential to utilize a diverse workforce, regardless of age or gender. The Group also employs people of a wide range of nationalities and backgrounds, which is essential from the perspective of expansion of global business domains, diversification of business operations, and innovation in digital technology.

The Group is committed to the participation and advancement of women and aims to create a workplace where diverse human resources can contribute to the best of their abilities. We are also focused on local recruitment overseas as well as the hiring of foreign nationals living in Japan so that we can expand our business globally. Meanwhile, we have created employment environment that can accommodate employees aged 60 or older, ensuring that skilled workers at manufacturing sites can make use of their skills and experience and pass them on to the next generation.

Initiatives for work-life balance

The Group places the highest priority on ensuring the stable employment of its employees. Because we believe we can grow when employees feel secure in their jobs, do good work, and achieve good results. Based on this idea, in addition to properly managing working hours and creating an environment where it is easy to take paid vacation, we have put in place systems that allow employees to deal flexibly with various matters that occur in their lives, such as marriage, childbirth, childcare, treatment of illness, and nursing care. These initiatives have inspired a greater sense of belonging among employees and a greater willingness for employees to voluntarily contribute to the growth of the Company.



Scope: Shin-Etsu Chemical and its consolidated companies

Proper management of working hours

The Group aims to raise awareness about managing working hours, and create highly productive workplaces. To this end, we are proactively introducing a system to accurately track working hours through systems such as smart cards for the security gate at the plant entrance and employee PC logs. In addition, we are promoting the development of systems and working environments that enable flexible and highly productive work styles, such as the flextime system and telecommuting.

Employee engagement

Employee awareness survey

In 2022, we conducted an employee awareness survey on a range of items including: compliance, customer orientation, penetration of management philosophy, Company's future prospects, personnel system, career outlook, workload, work environment, and relationships with superiors. The response rate was 86.5%. One survey finding in particular was that the Company's policy of emphasizing compliance had spread widely among employees. Based on these results, we will continue our efforts to make more employees feel fulfilled in their jobs, while further developing the areas where we excel and improving areas that need improvement.

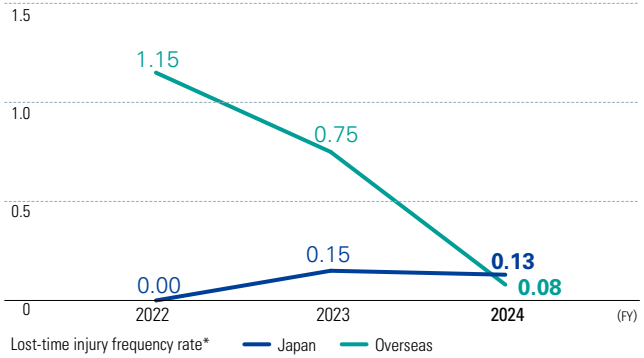
Human Capital

Maintain and pass on a safety culture

Creating safe and comfortable workplaces

Aiming to prevent all serious and lost-time accidents, the Group conducts risk assessments to comprehensively identify risks that could lead to injury or illness and is working to create safe and comfortable workplaces by eliminating or minimizing risks.

Changes in lost-time injury frequency rate



*Rate of recordable injuries per million hours worked

Accident prevention initiatives

As a bottom-up initiative implemented at each worksite, the Group accepts suggestions from and listens to the concerns of workers who have experienced close-call incidents themselves and employs measures to address even the slightest of concerns. At the same time, by sharing the information within and outside of the Group, we strive to roll out safety measures as well as preventive measures for similar incidents.

Participants of safety education programs (Total number of persons)

	FY2020	FY2021	FY2022	FY2023	FY2024
Shin-Etsu Chemical	32,527	39,348	59,343	70,952	62,029
Consolidated companies	46,998	56,236	75,406	87,349	78,887

Please visit the following website page for the suggestions disclosed thus far.
https://www.shinetsu.co.jp/en/sustainability/esg_social/safety/

Physical and mental health of employees

In addition to encouraging regular health checkups, we actively provide health guidance on lifestyle-related diseases, take mental health measures, and hold events to improve physical fitness so that our employees can work at peak health and energy. We've also prepared countermeasure manuals against important infectious diseases including COVID-19 so we can prevent their spread.

We've set up health committees at the head office and branch offices, as well as safety and health committees at each plant site. These committees get information and guidance from industrial physicians and are working to improve the work environment and promote health. Furthermore, we offer an outside Family Health Consultation Service with our health insurance union and an affiliated insurance company. It is available 24 hours a day and can also be used by the family members of employees.

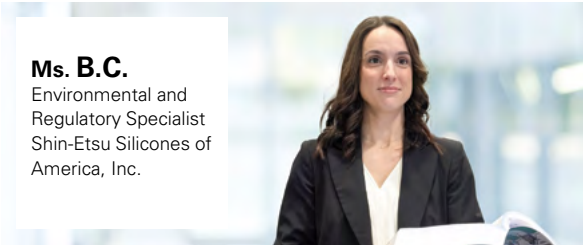
Human Capital

Our Sustainable ACT

The "Our Sustainable ACT" section of the Shin-Etsu Chemical Sustainability website explains the various initiatives and goals that support the Group's sustainability. Here are some snippets from the employee interviews posted on the site.

Shin-Etsu Chemical Sustainability website "Our Sustainable ACT"
https://www.shinetsu.co.jp/en/sustainability/interview/

Interview 01



Ms. B.C.
Environmental and Regulatory Specialist
Shin-Etsu Silicones of America, Inc.

Building a system where all employees contribute to reducing environmental impact

Shin-Etsu Silicones of America, Inc. (SESA) is engaged in many projects to reduce waste and air and water pollution. For example, in accordance with the Resource Conservation and Restoration Act (RCRA), we have installed a triple rinse station for empty pails and drums. Rinsing the containers allows us to rinse and recycle our metal containers that previously contained hazardous materials, rather than disposing of them. We have also initiated a collaboration with an external partner to recycle a portion of silicone materials that otherwise would have been wasted. In addition, by properly managing our solvent-soaked wipes, we have exempted them from hazardous waste regulations set by the Environmental Protection Agency (EPA), which has reduced disposal costs and achieved significant cost savings.

SESA acquired ISO14001 certification at all manufacturing sites in April 2025. We have been implementing environmental impact reduction activities beyond the legal requirements, and in 2023, we received an award from the Ohio Environmental Protection Agency, as well as high praise from the EPA.

SESA is constantly growing and expanding our production output, which requires the input of more resources. On the other hand, SESA has ingrained sustainability into our company culture, and every employee, from the top down, contributes something, bringing us step by step closer to becoming carbon neutral.

Interview 02

Ms. Y.O.
Digital Engineering Department, Engineering Headquarters
Mimasu Semiconductor Industry Co., Ltd.

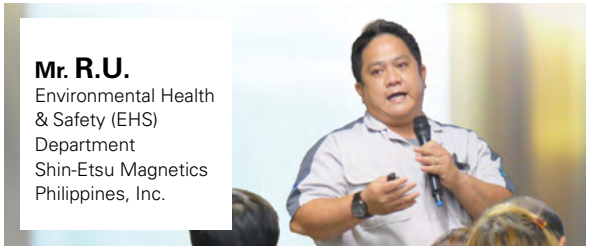
Automating tedious, repetitive tasks to create a more comfortable and productive workplace

I worked in the Quality Assurance Department of the Semiconductor Division for about 10 years, primarily handling tasks such as verifying and compiling shipment data. During that time, I took childcare leave for about a year, and after returning to work, I became involved in automating tasks using RPA (Robotic Process Automation) tools. This led me to the Engineering Department, where I learned programming languages. Currently, I study ways to automate routine tasks and tedious, repetitive tasks that are done manually, and I develop applications using RPA tools and programming languages in response to requests from various departments.

For example, in wafer processing, where the processing recipes involve intricate combinations of conditions depending on the specifications and grades, we created an application that automatically matches over 40,000 device-specific recipes against a master database. This eliminates human error while improving yields and reducing time on task, which reduces overtime and makes work more comfortable.

I am currently taking advantage of the shorter working hours system in order to balance my work with raising my child. With efficiency as my motto, I am striving to eliminate waste and focus on substantive work while maintaining close communication with my colleagues in order to effectively fulfill my managerial duties as a section chief within the limited time available.

Interview 03



Mr. R.U.
Environmental Health & Safety (EHS) Department
Shin-Etsu Magnetics Philippines, Inc.

Preventing incidents and accidents through awareness of on-site hazards and risks

I develop and lead the planning to ensure a safe work environment in the EHS Department at Shin-Etsu Magnetics Philippines (SMP). Specifically, we conduct risk assessments on new processes, machinery, and work areas, and take appropriate measures to address those risks. For example, we take measures to protect employees from the moving and rotating parts of machinery and equipment, and conduct 5S workplace organization audits (the five Ss are sort, systematize, shine, standardize, and sustain). We also pay attention to the health of our employees. In addition to providing SDSs (safety data sheets) for the chemicals used in the manufacturing process, we conduct regular audits to ensure that environmental health and safety measures are being implemented in accordance with Philippine law, and we review and update our procedure manuals.

SMP began new risk assessment activities in 2023, with the EHS Safety Officer, the person in charge of the process, and the actual operator coordinating on a monthly basis on specific processes to identify and assess potential risks, including their likelihood of occurrence. I believe that ensuring all employees are fully aware of the hazards and risks lurking in their work areas is the first step in preventing future incidents and accidents. Each year, we disseminate to employees what incidents and accidents are encountered in SMP along with their root causes and corrective actions, and provide them with opportunities to discuss such root cases and corrective actions.

Intellectual Capital

Promoting rapid, field-linked R&D and strategic IP management to protect our business

Viewing R&D as a "challenge" to pioneer the future, the Shin-Etsu Group is pursuing R&D to meet the needs of the times. We also regard the results of our R&D as important assets and strategically manage the valuable intellectual property obtained through R&D to make effective use of it.

Tripartite development system and technological advantage

Shin-Etsu Chemical's product development is closely aligned with customer needs, enabling us to develop and supply high-quality products in a short period of time. This is made possible by our unique R&D system based on "tripartite teamwork" among the sales, development, and production teams. R&D centers are set up at production sites, share the market needs the sales department identifies, and work closely with the manufacturing department in order to develop products with a view to mass production.

Meanwhile, development projects that create new value-generating opportunities are being carried out across departments under the direct supervision of the president. In particular, we are focusing our R&D efforts on energy, semiconductor-related materials, optical and high-speed communications, healthcare, and materials that contribute to achieving SDGs and carbon neutrality. We are also focusing on developing innovative manufacturing processes that combine material and equipment technologies. We are constantly evolving our core production and processing technologies, including PVC polymerization technology and silicon wafer crystal growth technology, to solidify our competitive advantage.

Human resource development and accelerating R&D through AI, MI, and computational science

Our researchers communicate with customers on a regular basis and work to develop products that satisfy their needs, while also collecting new technical information through joint research and development with universities and startup companies. In addition, under the strategy of maintaining a research group that is small in number but highly skilled team, we encourage our researchers to conduct their research with patent rights and other IP rights in mind, and in cooperation with the Intellectual Property Department, we educate them so that they can prepare documents for rights acquisition.

We also have a system in place to reward and recognize personnel who have made significant contributions to the Company in the form of patents and other inventions and ideas.

Furthermore, to further shorten development times and create new added value, we are also focusing on the development of human resources who will be responsible for AI and materials informatics (MI) technologies. We are deepening our data-driven R&D efforts based on AI and MI and working to improve the efficiency and speed of material development.

Intellectual Capital

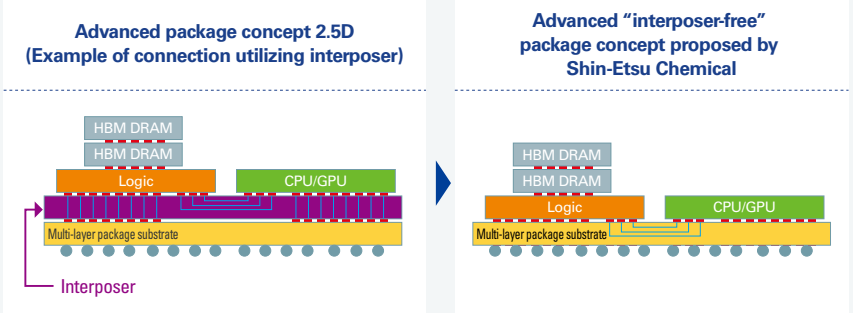
Topic 1

Develop equipment to manufacture semiconductor package substrates for the back end process and pursue a new manufacturing method

We have developed equipment to manufacture semiconductor package substrates with a new manufacturing method subsequently to manufacturing micro-LED manufacturing system. A chiplet, in which circuits are singulated and then assembled in a package, has caught attention as a technology to reduce the manufacturing cost of higher-performance semiconductors. This technology requires a process to mount several chiplets on an intermediate substrate (interposer) and connect them.

To meet this requirement, we developed the Shin-Etsu dual damascene method, which applies the same process used in the front end of semiconductor manufacturing to the back end package substrate manufacturing, and we also developed an excimer laser processing equipment that processes and forms wiring patterns with the same functions as an interposer directly onto a package substrate. This development eliminates the need for an interposer, shortening the process and drastically reducing costs, and makes it possible to perform microfabrication that was not possible with conventional methods.

Advanced package proposed by Shin-Etsu Chemical



Topic 2

In collaboration with SCIVAX, achieved mass production of Amtelus®, the world's smallest light emitting device for 3D sensors

Shin-Etsu Chemical has developed a material that makes possible the mass production of Amtelus®, a light source for 3D sensors developed by SCIVAX Corporation.

SCIVAX has so far sold Platanus®, an optical lens that diffuses and radiates light uniformly, for the 3D sensor light emitting sources that are used in automotive and other various applications, thereby contributing to improving sensor performance. Meanwhile, in recent years, the areas in which 3D sensing technology is utilized have grown wider, driving demand for light emitting devices to be more highly integrated and to have higher performance. With conventional structures, however, it was difficult to reduce the mounting area, which was a major issue.

To solve this issue, Shin-Etsu Chemical has developed a high-hardness material that can be processed by dicing, and that has both the necessary optical properties and a sealing capability to protect devices. Using this material, SCIVAX has successfully developed Amtelus®, the world's smallest light source device that incorporates the functions of Platanus®. This device has achieved a significantly smaller size compared with conventional devices, having a mounting area of 1 mm^2 or less, which is 10 times smaller than conventional devices, and with half or less of the thickness.

Shin-Etsu Chemical and SCIVAX are considering expanding the applications of this technology in the future to various fields, including to vital sign sensors.

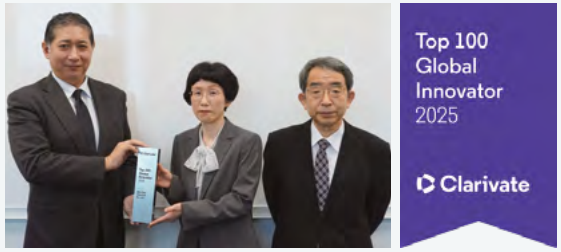
Amtelus®, the world's smallest light emitting device

Topic 3

Only Japanese chemical company to be selected as a Clarivate Top 100 Global Innovator™ for 14 consecutive years

The Shin-Etsu Group protects its IP gained through R&D from infringement by third parties by securing intellectual property rights both in Japan and overseas. At the same time, we search patent publications related to existing and new businesses to avoid infringement of rights. We also strategically manage our intellectual assets by, for example, keeping information that should not be disclosed as confidential knowledge. At present, there are no cases where business operations are hindered by IP.

As a result of these efforts, Clarivate, a leading global provider transformative intelligence, has recognized Shin-Etsu Chemical as a Clarivate Top 100 Global Innovator™ for 14 consecutive years. The award is granted to the most influential companies and institutions shaping the global innovation landscape based on an evaluation made using Clarivate's proprietary database. Shin-Etsu Chemical is one of only nine companies in Japan to have been selected for 14 consecutive years, and is the only chemical company among them.



Intellectual Capital

Interview with the General Manager of the Patent Department

The goal is to build stronger barriers to entry

Q1 How would you characterize Shin-Etsu Chemical's intellectual property strategy and the role of the Patent Department?

Since the Company provides a wide variety of material products that support industry and daily life, and the business environment of each business division varies greatly, each division formulates its own intellectual property strategy based on the Company's management policies. Furthermore, to ensure we can quickly respond to rapid market changes, the R&D department has also formulated an intellectual property strategy to promote new research that will lead to new business ventures across divisions.

The Patent Department is responsible for advancing these intellectual property strategies and helping to secure a competitive advantage of our businesses in the marketplace through the acquisition, management, and utilization of intellectual property. Specifically, we aim to secure a competitive advantage that contributes to the Company's profitability by working closely with the R&D department to quickly and reliably acquire the rights to the results of R&D activities that create unrivaled value.

Q2 Shin-Etsu Chemical has received the Clarivate Top 100 Global Innovators™ award for 14 consecutive years. What accounts for the success of our intellectual property strategy?

Companies and institutions eligible for this award are selected based on the number of patents filed and held over the past five years, and are then evaluated based on a combination of "Influence," "Investment," "Success," and "Rarity." Shin-Etsu Chemical scored particularly high in the areas of "Influence" (assessed through the frequency of citations by downstream patent applications) and "Rarity" (an index for measuring the distinctiveness of an invention in terms of how diverse a combination of technologies it contains compared to existing similar inventions). Our high "Rarity" score in particular is evidence to me that we are carrying out highly original, cutting-edge R&D.

Q3 How has Shin-Etsu Chemical's intellectual property strategy evolved over the past 10 to 20 years?

Traditionally, the Company has engaged in mainly "defensive" intellectual property activities from the perspective of ensuring business continuity and flexibility. Over the past 10 to 20 years, however, while continuing these "defensive" activities, we have begun to move toward "offensive" intellectual property activities. These are exclusionary activities focused on securing our competitive advantage over other companies and building barriers to entry.

Traditionally, we protected our products primarily through patent rights and trademark rights. For our products with distinctive product forms, however, we have begun to actively acquire design rights to provide another layer of protection. One example is our insect pest control delivery device that diffuses insect pheromone components into agricultural fields. Another example is our stamp component for transferring microstructures, which is used to transfer microstructures such as semiconductor elements for micro LED displays.

Q4 How would you develop the intellectual property strategy going forward?

I would like to utilize new tools such as generative AI to improve the efficiency of various intellectual property-related tasks. In particular, I would like to work closely with the R&D department to strengthen our efforts to search for and acquire the rights to solutions that meet customer needs starting from the idea generation stage in a way that transcends the boundaries between departments.

Furthermore, with regard to the intellectual property that is generated though our R&D activities, I would like to pursue a strategic combination of acquiring rights by filing applications and keeping it secret in the form of know-how, with the goal of building stronger barriers to entry for other companies.

General Manager,
Patent Department
Shin-Etsu Chemical
Okmi Park

Social and Relationship Capital

Our commitment to respecting human rights and building strong relationships of trust with local communities

We are strongly committed to respecting human rights, not only within the Shin-Etsu Group, but across the entire supply chain, to guarantee the stable supply of high-quality products to our customers. Furthermore, in order to build strong relationships of trust with the local communities in which our plants are located, we place great importance on dialogue with local residents as well as governmental and municipal authorities.

Respect for human rights

In addition to complying with the laws and regulations applicable in the countries and regions where it does business, the Group respects international codes of conduct*1 and promotes efforts to ensure perpetual respect for human rights.

In May 2019 we formulated the Shin-Etsu Group Human Rights Policy. In order to confirm the status of compliance with our Human Rights Policy, we conduct an annual survey of our consolidated companies regarding items related to respecting human rights*2, labor management, and whether employment is properly implemented in accordance with the laws and regulations of each country and region. Furthermore, we consider human rights impacts on local communities when building new plants. In May 2024, in light of changes in the social environment surrounding human rights, we reappraised our Human Rights Policy based on the UN Guiding Principles on Business and Human Rights, and the revised policy was approved at the Managing Directors' Meeting attended by all directors, audit & supervisory board members and corporate officers. The revised Human Rights Policy has been communicated throughout the Group and is also available on our website.

*1 Examples of international codes of conduct include the Universal Declaration of Human Rights, the ILO International Labor Standards, the United Nations' Guiding Principles on Business and Human Rights, and the United Nations Global Compact's "Ten Principles."
*2 Items related to respecting human rights: the prohibition of forced labor and child labor; appropriate working hours and fair wages; fair employment contracts in written form; prohibition of inhumane treatment and discrimination; and freedom of association and the right to collective bargaining.

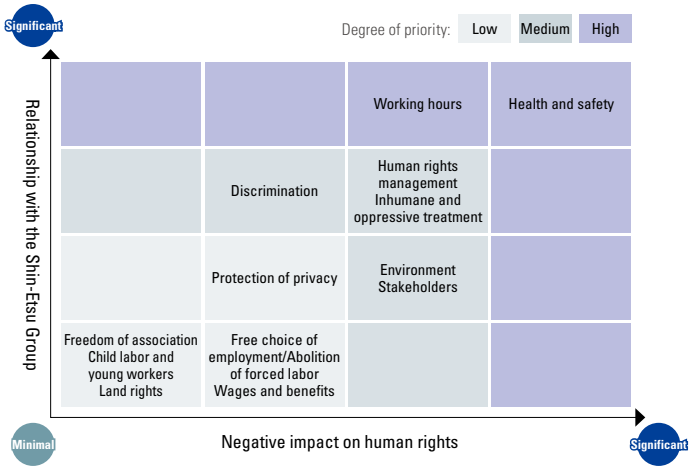
The Shin-Etsu Group Human Rights Policy
https://www.shinetsu.co.jp/en/sustainability/esg_social/human-rights/

Assessing human rights risks and identifying priority issues

In December 2019, we began conducting human rights risk surveys with all Group companies in Japan and abroad to identify human rights risks in the Group's value chain. Then, in 2021, we evaluated the priority of human rights issues based on the risks assumed for the Group from the two viewpoints of "the potential severity of the impact on human rights" and "our relationship with human rights-related risks." As a result, the Group identified potential risks related to health and safety and working hours as high. In addition, in an analysis of the responses to the human rights risk survey, approximately 40% of Group companies responded that human rights management in the supply chain is important, indicating the need to promote efforts to respect human rights throughout the supply chain.

The three priority issues we identified are listed on the next page, along with a description of our efforts in FY2024 to address them.

Identification of priority issues for human rights risks



Social and Relationship Capital

■Working hours
We introduced a system to accurately track working hours through PC logs and promoted the development of working environments that enable flexible and highly productive work styles. Furthermore, in line with regulatory caps on overtime work in the construction industry that took effect in FY2024, we supported the efforts of applicable Group companies in Japan to reduce overtime work.

■ Health and safety
We created the "Shin-Etsu Group Environmental Safety Management Plan," and are actively pursuing it by setting specific numerical targets to improve working environments.

■ Supply chain management
Starting in 2022, we began sending the "Shin-Etsu Group Human Rights Policy," "Basic Procurement Policy," and "CSR Procurement Guidelines" to our major business partners, and asked approximately 70% of our first-tier suppliers for cooperation in responding to a questionnaire to confirm that there were no high-risk business partners that were in conflict with the human rights issues that we consider serious and that fell significantly below our evaluation criteria.

Implementation of human rights awareness education

In addition to enforcing our human rights policy, we conduct training that addresses familiar human rights themes. The training aims to deepen the participants' understanding of respect for human rights. In addition to familiar human rights themes such as harassment, LGBTQ, and people with disabilities, the training also covers the Shin-Etsu Group Human Rights Policy and other initiatives based on the United Nations' Guiding Principles on Business and Human Rights. In FY2024, we conducted an e-learning program on the topic of gaining a deeper understanding of harassment (attendance rate: 95.7%). Furthermore, we are inviting submissions for human rights awareness slogans in preparation for Human Rights Week in December, aiming to enhance our employees' awareness of human rights.


Employees attending human rights awareness education

Building strong relationships of trust with local communities

We are also making an effort to build healthy relationships with nearby local communities to ensure smooth business operations in each region worldwide.

Topic

The president visits the governor of Louisiana

In July 2024, President Saitoh visited Governor Jeff Landry, who was inaugurated as Governor of the State of Louisiana in the same year, to confirm that the cooperative relationship between Shintech and the State of Louisiana will continue and be further strengthened.

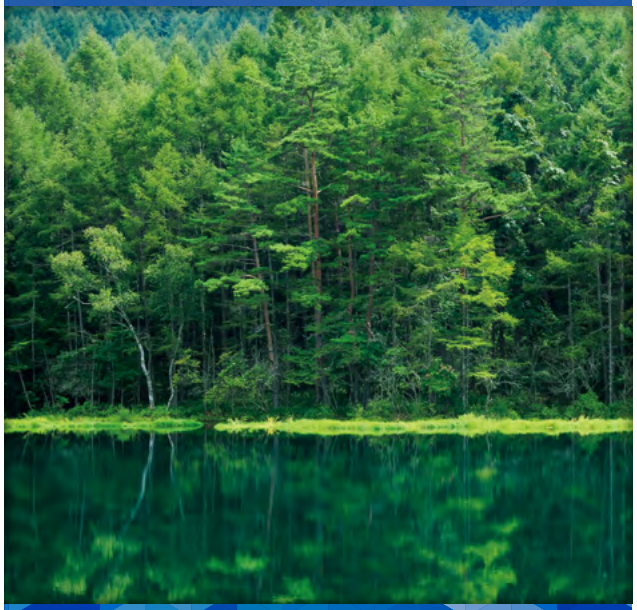
Shintech's Addis Plant began operations in Louisiana in 2000, and the Plaquemine Plant started integrated production from raw materials in 2008. Since then, we have built good relationships with successive Louisiana governors while continuing to make large investments in the state.

At their meeting, President Saitoh requested continued cooperation from the state government for further business expansion in the future, and the Governor expressed positive words of support and appreciation for Shintech's contributions to the local economy and employment.


The president (far left) visiting Governor Landry (second from left)

Natural Capital

In addition to our commitment to carbon neutrality by 2050, we are focusing on conservation of water resources, biodiversity, and waste reduction



For more information, please see the "Environment" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_environment/

Climate change

Climate Change on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/global_warming/

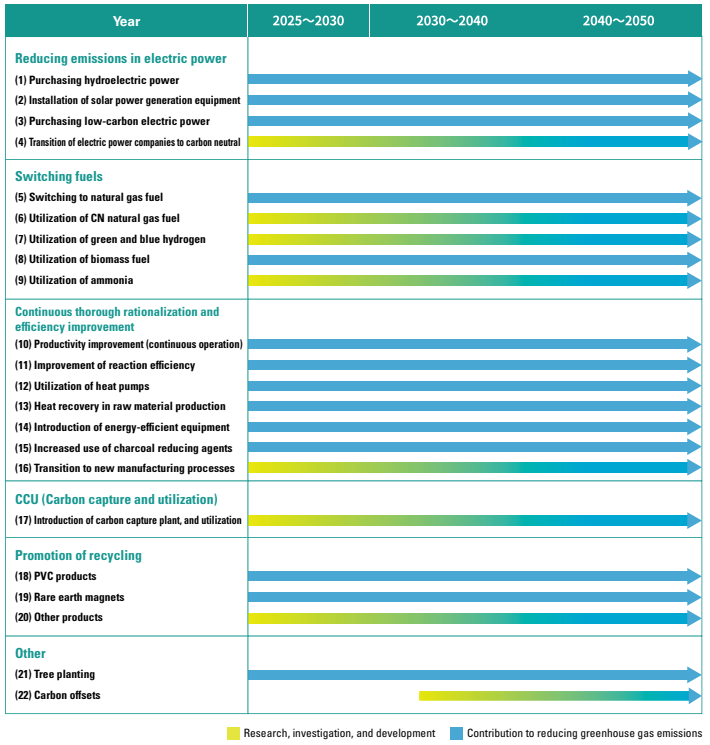
Initiatives aimed at carbon neutrality

The Shin-Etsu Group has developed and is moving forward with a plan to reduce greenhouse gas emissions (Scope 1 and Scope 2) to net zero, with the aim of achieving carbon neutrality by 2050.

The Group is investing in the construction of new plants and expansion projects to drive growth in each business, while simultaneously focusing on maximizing productivity and energy efficiency. A prime example of this is the new facility at Shintech Inc., which was completed and started operation in 2024.

It is difficult to reduce the CO_2 emissions associated with new facility expansion to zero with currently available technology. Therefore, while striving to continuously improve the productivity and energy efficiency of existing plants, we are actively adopting the latest energy-saving equipment and cogeneration systems at new facilities. In addition, as outlined under "Initiatives Aimed at Carbon Neutrality" below, we are aiming to achieve carbon neutrality by 2050 by taking measures such as installing solar power generation facilities, utilizing hydrogen and biomass fuels, and building recycling systems.

Initiatives aimed at carbon neutrality

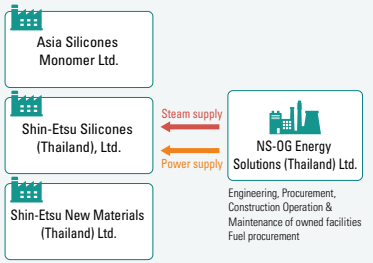


Topic

Reducing greenhouse gas emissions by deploying renewable energy in Thailand

Three Shin-Etsu group companies in Thailand— Shin-Etsu Silicones (Thailand), Ltd., Asia Silicones Monomer Ltd., and Shin-Etsu New Materials (Thailand) Ltd.—will start receiving renewable energy in 2027 from a biomass cogeneration system from NS-OG Energy Solutions (Thailand) Ltd. (NSET), a joint venture between Nippon Steel Engineering Co., Ltd. and Osaka Gas Co., Ltd. NSET will install, operate and manage the facility on the premises of Shin-Etsu Silicones (Thailand), Ltd. Utilizing wooden chips sourced locally from Thailand as fuel, the facility will generate renewable energy in the form of electricity and steam, which will be supplied to all three companies. This initiative is expected to reduce emissions by approximately 48,000 t-CO_2 per year.

Conceptual framework of the project scheme



Natural Capital

Initiatives Aimed at Carbon Neutrality

Amount of reduction of greenhouse gas emissions

The Group has set a target of reducing greenhouse gas emissions in terms of production intensity to 45% (i.e., down 55%) of the FY1990 level by FY2025. FY2024 results were 56.9% (down 0.1 points year on year) compared to FY1990 for the Group and 48.6% (down 4.8 points year on year) compared to FY1990 for the Company.

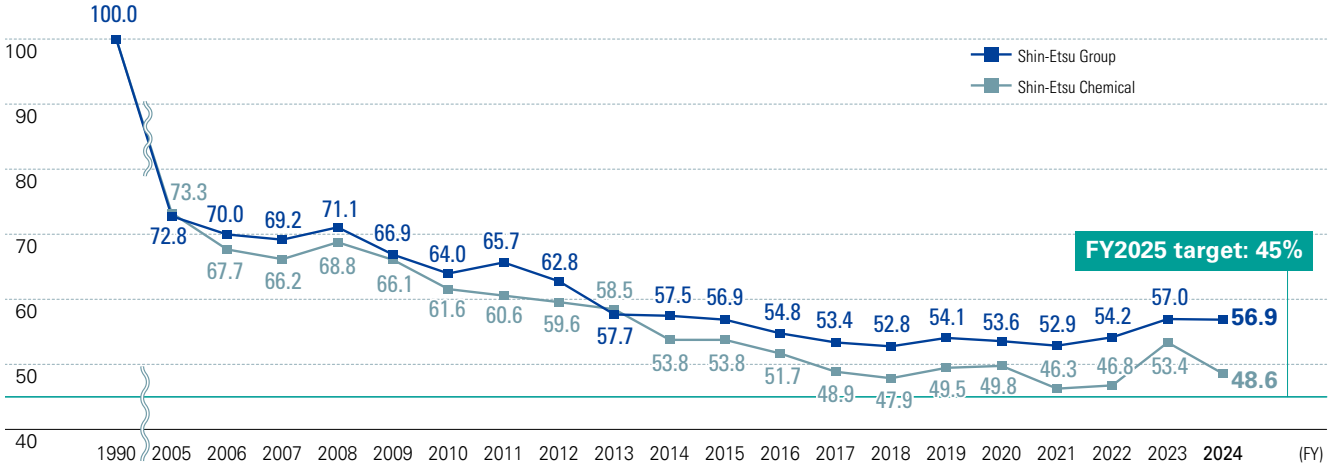
Scope 1 emissions were 2,326 thousand t-CO_2 (up 84 thousand t-CO_2 (3.7%) year on year) and Scope 2 emissions were 4,443 thousand t-CO_2 (up 140 thousand t-CO_2 (3.3%) year on year).

Greenhouse gas emissions by scope

The Group's Scope 3 greenhouse gas emissions*1 for FY2024 were 12,096 thousand t-CO_2, amounting to 64% of the supply chain*2's total emissions.

*1 Scope 3: Emissions from the supply chain
*2 Supply chain: All stages of a product life from raw material production until the product is discarded.

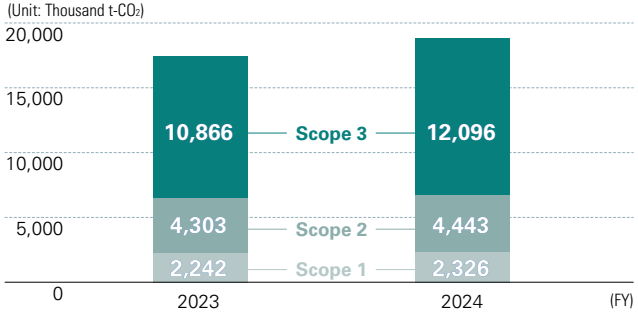
Changes in Greenhouse Gas Emissions in Terms of Production Intensity Relative to the FY1990 Level*



*Greenhouse gas emission intensity index (FY1990 = 100)

(Note) Emission intensity index of production volume relative to FY1990 includes non-consolidated group companies. In calculating the index, CO_2 emission factors for electricity are averaged from 2000 to 2009 so that efforts to reduce electricity can be clarified. Furthermore, to clarify our efforts in energy reduction and rationalization, the figures do not include additional emissions categories associated with the amendments to Japan's Order for Enforcement of the Act on Promotion of Global Warming Countermeasures that took effect on April 1, 2024.

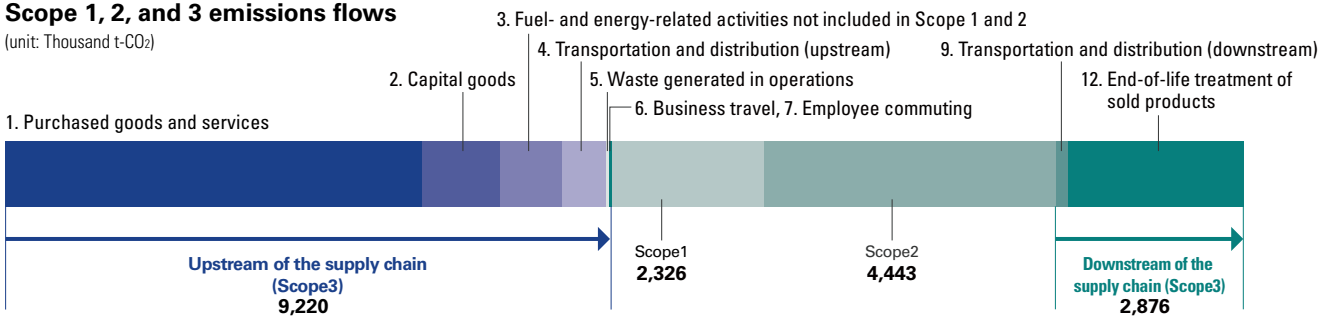
Greenhouse gas emissions by scope



(Note) Because the Shin-Etsu Group is working to calculate greenhouse gas emissions more precisely, Scope 2 emissions for FY2023 have been revised from the figure stated in the Annual Report 2024 (4,266 thousand t-CO_2).

Scope 1, 2, and 3 emissions flows

(unit: Thousand t-CO_2)



For information on Scope 3 emissions by category and how we calculate them, visit the Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_environment/global_warming/

Natural Capital

Disclosure under the TCFD

Governance

The Sustainability Committee is working with each of the Group's business units to address climate change. The Sustainability Committee is one of the committees for each material management task in the Group's corporate governance system. The Committee is chaired by the President and consists of approximately 60 members, including our directors, corporate officers, department managers, and sustainability officers from Group companies, and promotes activities that integrate business activities and sustainability initiatives.

In FY2021, we established a Carbon Neutral Task Force within the Committee to examine each issue related to climate change. The Task Force regularly reports the latest information to the President, who uses this report to determine policies for achieving carbon neutrality. In FY2023, the Task Force formulated a specific plan for achieving carbon neutrality by 2050, which was discussed and unanimously approved at the Managing Directors' Meeting, which is attended by all directors, audit & supervisory board members, and corporate officers. Subsequently, the Task Force has been reporting on the Group's climate change-related initiatives at the Managing Directors' Meeting on an annual basis.

Strategy

The Group considers the promotion of plans to achieve carbon neutrality by 2050 as an important management issue, and is therefore promoting information disclosure based on the TCFD recommendations, including scenario analysis. At the same time, through this analysis, we identify important risks and opportunities that affect our business through these analyses, and reflect them in our management.

Risk management

The Risk Management Committee works to prepare for and eliminate the various risks surrounding our business, including risks posed by climate change. The Committee is chaired by a managing corporate officer and consists of approximately 20 members, including our directors, corporate officers, and department managers.

Our Group has established Risk Management Regulations to identify potential risks associated with our business activities and address these risks appropriately. The Risk Management Regulations clearly state specific risks, risk management systems, and responses to risks that materialize. The Risk Management Committee reports to the Board of Directors, Managing Directors' Meeting, Audit & Supervisory Board, and relevant parties in a timely manner on important risk management issues, and works to address them appropriately. With regard to the risks related to climate change, which have become increasingly important in recent years, the Sustainability Committee works with the Risk Management Committee to ascertain risks through scenario analysis.

Climate-related risks include transition risks such as increased spending due to CO_2 emissions trading and carbon taxes and rising manufacturing costs due to rising energy prices, as well as physical risks such as damage to equipment due to the wind disaster, damage to electrical equipment due to flooding, and plant shutdown resulting from such cases.

Metrics and targets

The Shin-Etsu Group has formulated a long-term plan to reduce greenhouse gas emissions (Scope 1 and Scope 2) to net zero, with the aim of achieving carbon neutrality by 2050. In FY2024, Scope 1 emissions were 2,326 thousand t-CO_2 (up 84 thousand tons or 3.7% from the previous fiscal year) and Scope 2 emissions were 4,443 thousand t-CO_2 (up 140 thousand tons or 3.3% from the previous fiscal year).

Meanwhile, the Group has also set a target of reducing greenhouse gas emissions in terms of production intensity to 45% (i.e. down 55%) of the FY1990 level by FY2025. FY2024 results were 56.9% (down 0.1 points year on year) compared to FY1990 for the Group and 48.6% (down 4.8 points year on year) compared to FY1990 for the Company. In FY2024, we continued to promote energy-saving activities at each of our business sites.

Natural Capital

Disclosure under the TCFD

Scenario analysis of our business in 2050

Business opportunities stemming from climate change: A scenario for a 1.5°C rise

Application	Details	Revenue Impact
PVC-framed windows	Polyvinyl chloride resin is used for window profiles resin windows because of its excellent heat insulation properties. Demand for PVC-framed windows is expected to increase along with the spread of energy-saving homes.	Large
Electric, hybrid, and fuel-cell vehicles	Semiconductor silicon is used in power semiconductor devices such as inverters to control the number of rotations of motors, logic semiconductor devices for automatic driving system and AI. High-performance and compact rare earth magnets can reduce the overall weight of a vehicle and improve its fuel efficiency, which will expand their use in the drive motors of electric, hybrid, and fuel-cell vehicles, as well as in a variety of other motors in vehicles. Silicone heat-dissipating materials are used in lithium-ion batteries and various electronic control devices. Demand is expected to grow as it helps prevent malfunctions and failures caused by heat.	Large
Wind power generators	Demand for rare earth magnets is expected to grow as they contribute to higher efficiency in offshore wind turbines and lower maintenance costs for generators. Demand for polyvinyl chloride used for wire sheathing is also expected to increase due to the development and expansion of the power grid.	Large
Air conditioners	Demand for semiconductor silicon is expanding as it is used in inverter control devices for compressor motors and contributes to power saving by adjusting the rotation speed of the motor to an appropriate level. Demand for rare earth magnets is expected to grow as they improve the energy efficiency of air conditioner compressor motors and reduce energy consumption.	Medium
Aircraft	Rare earth magnets are indispensable for the electrification and hybridization of small aircraft and for the electrification of hydraulic drive units in large aircraft. Demand for rare earth magnets is expected to increase as their small size and high power will help reduce the weight of the aircraft and improve fuel efficiency.	Medium
Industrial motors	Demand for rare earth magnets is expected to grow as they increase the efficiency of industrial motors and reduce the amount of electricity consumed.	Medium
Service robots	Semiconductor silicon is increasingly being used in semiconductors for energy-saving robot control motors for manufacturing, logistics, agriculture, and other applications, as well as in medical and disaster response robots.	Medium
Binding agent for plant-based meat substitutes	A diet centered on plant-based foods may reduce CO_2 emissions by 1.6 gigatons per year*. Cellulose derivatives are used as a binding agent for plant-based meat substitutes. The global market for plant-based meat is expected to grow at a double-digit rate annually, and further market expansion is expected.	Medium

*Source: "DRAWDOWN-The Most Comprehensive Plan Ever Proposed to Reverse Global Warming," written and edited by Paul Hawken.

Business risks due to climate change and countermeasures: A scenario for a 1.5°C rise (transition risk)

Events	Risks to the Company	Revenue Impact	Countermeasures
Introduction of carbon taxes and establishment of carbon emission quotas around the world	• Payment of carbon tax • Incurring costs of purchasing emission credits to meet carbon emission quotas • Increase in cost of measures to reduce greenhouse gas emissions	Large	• Reduce scope 1 emissions (e.g., further promotion of more efficient production processes and introduction of highly efficient equipment; use of energy sources that do not emit CO_2, such as hydrogen and ammonia; use of CCUS) • Achievement of reduction targets in the absolute amount of greenhouse gas emissions • Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Widespread use of electricity derived from renewable energy sources and rising electricity prices resulting from tightening regulations on greenhouse gas emissions	• Increase in electricity costs	Large	• Reduce Scope 2 emissions (further promotion of production processes that use less electricity, introduction of high-efficiency equipment, etc.)

Business risks due to climate change and countermeasures: A scenario for a 4°C rise (physical risk)

Events	Risks to the Company	Revenue Impact	Countermeasures
Increase in the frequency of extreme weather events **Increased frequency of flooding caused by changes in precipitation patterns, etc.**	• Flooding of production sites • Disruption of the supply chain	Large	• Raising the ground level of production sites, installation of watertight walls around critical facilities • Installation of electrical rooms in areas with low risk of flooding • Installation of seawalls at production sites close to ports • Multiple production sites • Diversification of raw material procurement sources • Securing product inventory • Enrollment in insurance
Introduction of carbon taxes and establishment of carbon emission quotas in some countries		Small	• Reduce scope 1 emissions (e.g., further promotion of more efficient production processes and introduction of highly efficient equipment; use of energy sources that do not emit CO_2, such as hydrogen and ammonia; use of CCUS) • Achievement of reduction targets in the absolute amount of greenhouse gas emissions • Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Electricity prices	According to a scenario analysis by IEA* (a scenario with current measures), electricity prices will not rise. Therefore, there is no risk to us.	—	—

*International Energy Agency

Natural Capital

Resource Saving

Resource Saving on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/

Recognizing the effective use of limited resources and the circular economy as important issues, the Shin-Etsu Group is actively working to address them, with the aim of not only contributing to the global environment but also increasing our competitiveness and ensuring sustainable development.

Waste reduction

The Shin-Etsu Group is promoting waste reduction initiatives at each location with a target of zero waste emissions (landfill waste of 1% or less of the final amount of all waste generated) at our consolidated companies in Japan. For example, the Naoetsu Plant makes effective use of unneeded paper materials discarded in the manufacturing process to make recycled paper and other products. The plant is also proactively considering ways to recycle the solvents used in chemical reaction processes and create formulations that allow them to be reused.

Metrics and Targets

FY2024	
Targets	Achieve zero waste emissions.
	Promote the reduction of waste generation in terms of intensity.
Results	The final waste landfill disposal rate was 0.86% in Japan
Evaluation	The target was achieved in Japan
FY2025	
Targets	Achieve zero waste emissions.
	Promote the reduction of waste generation in terms of intensity.

*The scope of target for the waste reduction is Shin-Etsu Chemical Co., Ltd. and its consolidated companies in Japan.

Resource circulation

In terms of resource circulation, since 2007 we have been recycling magnetic powder generated from the processing of rare earth magnets. Furthermore, since March 2013, we have been improving the above recycling techniques to recycle rare earth magnets. PVC products in particular are increasingly being recycled because the impact of foreign matter contamination is small.

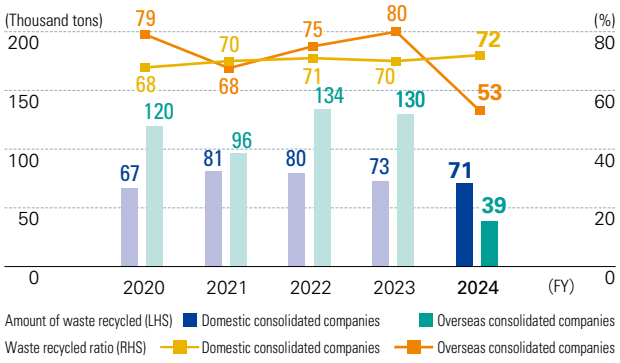
In FY2024, compared to FY2023, the amount of domestic waste generated decreased by 7 thousand tons (down 6.7% year on year), and the domestic recycling rate increased two percentage points year on year to 72%.

Reducing the weight of waste for disposal

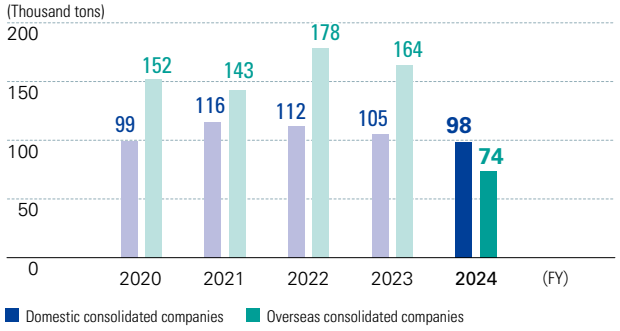
The plant's wastewater treatment facilities separate and dehydrate the inorganic solids contained in the wastewater to make a solid sludge. This sludge is treated as industrial waste by an external contractor and is put to effective use as roadbed material and the like. The Naoetsu Plant introduced a new dehydrator with superior dehydration performance, which reduced the amount of water in the waste sludge, thereby reducing the weight of waste for disposal. This has also reduced the energy required to transport the waste.

Dehydrator installed at Naoetsu Plant

Amount of waste recycled/Waste recycled ratio



Amount of waste generated



Natural Capital

Water Resource Conservation

Water Resource Conservation on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/water/

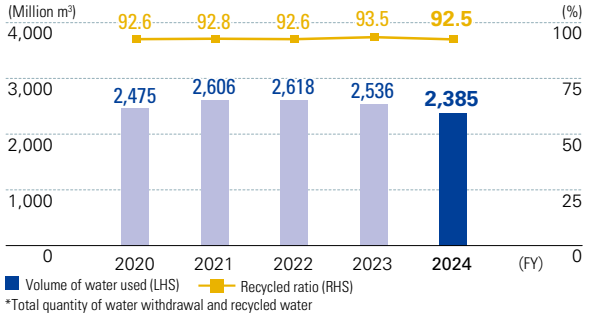
The Group, which has production bases in areas with abundant water and enjoys the benefits of water resources, is actively working to improve technologies for water resource conservation, such as reducing the amount of water withdrawal, ensuring that water is recycled, and implementing thorough wastewater purification and water quality management.

Metrics and Targets	
FY2024	
Targets	Reduce water withdrawal in terms of intensity at an average annual rate of 1%.
	Reduce water pollutant discharge in terms of intensity at an average annual rate of 1%.
Results	Intensity at the average annual rate from FY2021 to FY2024 was decreased by 7.9% in terms of water withdrawal and decreased by 8% in terms of BOD emission.
Evaluation	The targets were achieved.
FY2025	
Targets	Reduce water withdrawal in terms of intensity at an average annual rate of 1%.
	Reduce water pollutant discharge in terms of intensity at an average annual rate of 1%.

Water resource conservation

Water withdrawal and the average annual rate of water pollutant discharge expressed in terms of intensity were reduced from FY2021 to FY2024, achieving the targets that were set.

Water usage*/Recycled ratio (Consolidated)



*Total quantity of water withdrawal and recycled water

Effective use of water withdrawal and thorough water quality management

The Shin-Etsu Chemical Gunma Complex draws almost all of the water required for manufacturing from nearby rivers. The complex recycles and circulates such water inside the complex to reuse the water in its manufacturing and water-cooling processes. In addition, as a production base that is located upstream, the Gunma complex purifies the water before discharging it into the river. The Complex continually monitors the operating status of water treatment facilities and conducts regular water quality analysis of discharged water to verify that it is in strict compliance with high water quality standards.

Shin-Etsu Chemical Gunma Complex

Biodiversity and Pollutant Countermeasures

Biodiversity and Pollutant Countermeasures on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/chemical/

The Group conducts its business activities in a way that takes into account global ecosystems. It also strives to prevent health hazards and minimize environmental impacts related to chemicals throughout the processes of development, manufacturing, distribution, usage, consumption, and disposal of chemical substances.

Metrics and targets (Prevention of air pollution)	
FY2024	
Targets	Reduce emissions of air pollutants in terms of intensity at an average annual rate of 1%.
Results	The annual average rate from FY2021 to FY2024 is an increase of 14.1% in Soot in terms of intensity, and an increase of 1.3% in SOx in terms of intensity.
Evaluation	The targets were not achieved.
FY2025	
Targets	Reduce emissions of air pollutants in terms of intensity at an average annual rate of 1%.

Biodiversity

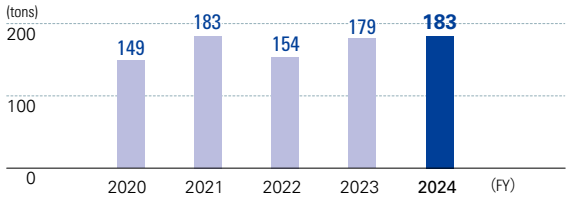
The Shin-Etsu Group aims to design eco-friendly products starting from the product development stage. As a chemical company, we are also working actively to ensure the strict control of chemical substances, mitigate global warming, reduce energy consumption, reduce the amount of waste generated, prevent air and water pollution, and make other environmental contributions. We are also actively engaged in activities such as tree planting at our plant sites in compliance with the Factory Location Act and river clean-up activities in areas around our plants.

Pollutant countermeasures

Now that the revised PRTR Law has come into force, silicon carbide and other substances have been identified as Class I designated chemical substances. In FY2023, the total amount of substances transferred under the PRTR system* increased, but in FY2024, the total amount was 2,727 tons, a decrease of 746 tons (down 21.5% year on year). Total emissions of substances subject to the PRTR system were 183 tons, an increase of 4 tons (up 2.2% year on year). Meanwhile, in FY2024, the Company performed groundwater and soil monitoring 260 times at its plant sites.

*Chemical substance release and transfer notification based on the "Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof"

Gross discharge of chemical substances designated under the pollutant release and transfer register (PRTR) system (domestic consolidated)

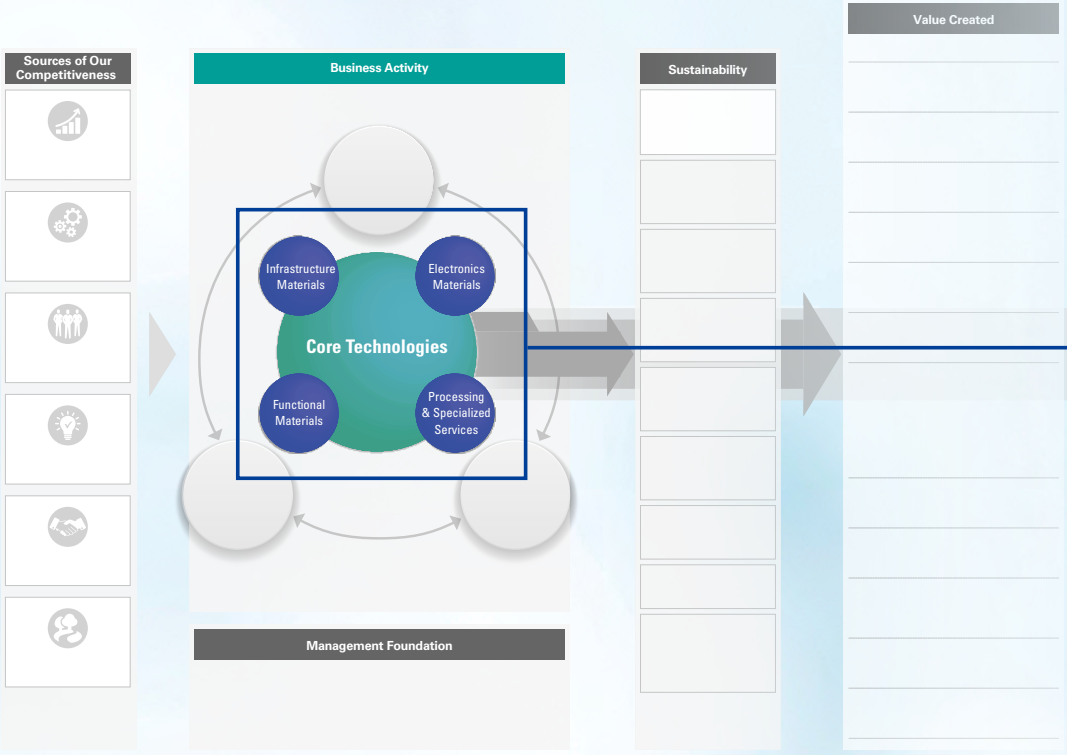


*Figures are totals for Shin-Etsu Chemical and its domestic consolidated companies based on the PRTR system in the Law for Promotion of Chemical Management.

(Note) Total emissions in FY2023 increased due to an increase in the number of substances covered by the revised PRTR Law (effective April 1, 2023), while emissions of substances covered by the law before the above revision decreased.

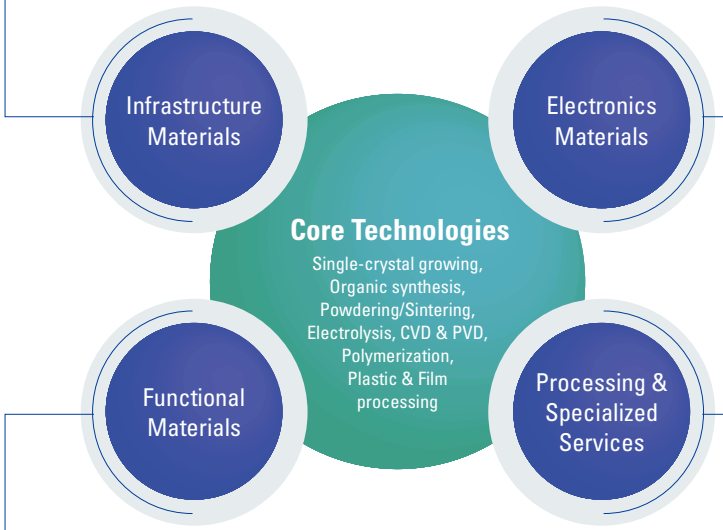
Business Activity

Leveraging our core technologies in four business fields to manufacture materials and products that underpin industries and livelihoods



As the largest manufacturer of polyvinyl chloride (PVC) resins, a material with low environmental impact, we support infrastructure, housing, and daily life.

In addition to our world-leading share in silicon wafers, we provide various materials that are essential for semiconductor manufacturing. We contribute to the digital transformation and green transformation of industry.



Along with more than 5,000 different types of silicones that support people's lives and industries, we provide a stable supply of high value-added products. These products even contribute to reducing environmental impact and alleviating food shortages.

We meet the diverse needs of customers by leveraging processed products and engineering, while utilizing the characteristics of raw materials.

Robust Business Structure Born from Close Cooperation and Diversification

The Shin-Etsu Group makes a wide array of products for use in a broad range of industrial fields by drawing on the production technologies accumulated in the process of continuously diversifying and improving its product offerings. By reciprocally maintaining close relationships, our business mix extends across many different fields and we have built a robust business structure impervious to economic conditions.

Business Segment

- Infrastructure Materials
- Functional Materials
- Electronics Materials
- Processing & Specialized Services

*1 Chemical vapor deposition (CVD)
A method for depositing thin film by chemical reaction on the substrate of precursors produced by applying energy such as heat, plasma, or light to raw material gases.

*2 Physical vapor deposition (PVD)
A method for adhering and depositing on the substrate surface by evaporating and scattering solid raw materials as atomic/molecular particles by heating, sputtering, ion beam irradiation, etc.

Infrastructure Materials

Major Products Polyvinyl chloride (PVC) resin, Caustic soda, Methanol, Chloromethane, Polyvinyl Alcohol (POVAL)

For product information, please see the company brochure.
https://www.shinetsu.co.jp/shinetsu/en/book/index.html

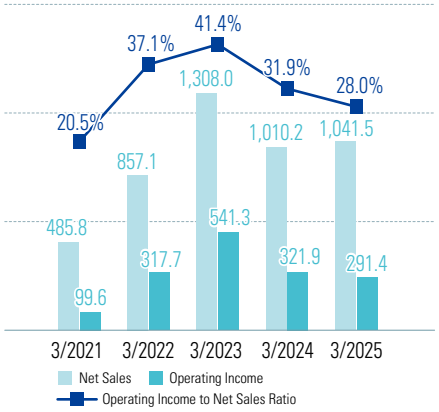
Fiscal year ended March 31, 2025

In the PVC business, we were able to raise prices in major regions in Q1 (April–June), and we sought to maintain or improve price levels in Q2 (July–September). However, Q3 (October–December) was generally weak, although the situation differed from region to region, and in Q4 (January–March), we were able to raise prices in some regions but not others. For caustic soda, we raised prices in Q1, followed by a series of ups and downs, followed by an improved market in Q4.

Assets*1*2	¥2,327.5 bn
Capital Expenditures	¥114.0 bn
Depreciation and Amortization	¥81.8 bn
Number of Employees*1	1,975

*1 As of March 31, 2025
*2 These amounts were prepared on an informal basis.

Performance over the past 5 years



Using Our Products to Solve Societal Issues (PVC)

Helping address the environmental challenges through reducing greenhouse gas emissions and QOL issues by improving social infrastructure for a growing population

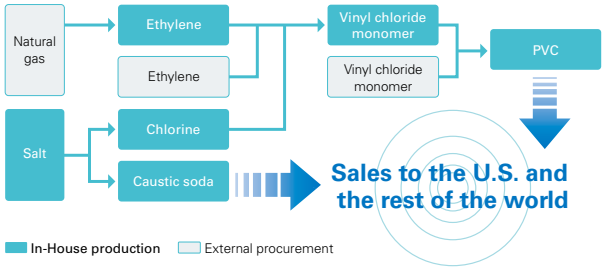
- 60% of the raw material for PVC is salt and PVC is a resource saving product with less dependent on fossil fuels. As a result, the carbon footprint of PVC production is less than that of other commodity plastics.
- Pipes and building materials are major applications of PVC. These products have a longer service life than those from other plastic products. For example, the service life of PVC pipes is around 50 years.*
- PVC window profiles (PVC-framed windows) have excellent insulating properties, which contributes to energy conservation and reducing CO_2 emissions.
- Plastic building materials such as PVC are lighter than metal building materials, helping to reduce fuel used in transportation and construction.
- In Japan, the material recycling rate for PVC products is approximately 33%*. This is a high recycling rate compared to other plastic products.

*Source: Ministry of Land, Infrastructure, Transport and Tourism, and Vinyl Environmental Council (VEC)

Competitive Advantages (PVC)

- World's largest production capacity and high productivity
- Stable quality and good supply capability
- Favorable raw material economics in the U.S.
- Integrated production plant from ethylene and chlorine
- World wide production plant (Three plants in the U.S., two in Europe, and one in Japan.)
- Superior sales network operated in the U.S., Europe and Japan

Shintech's Vertical Integrated Manufacturing System



Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Increase in housing demand
- Population growth
- Infrastructure demand in emerging countries and infrastructure maintenance and renewal demand in developed countries
- Increasing and intensification of natural disasters

Risks

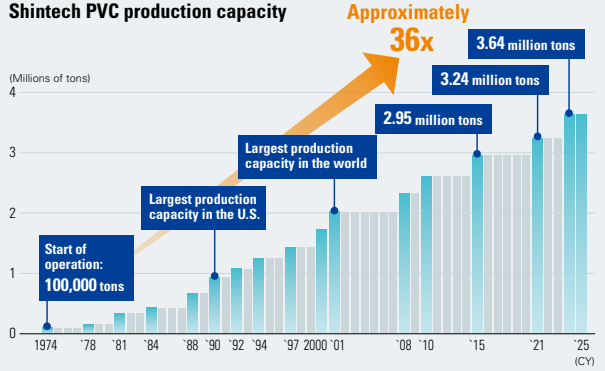
- Oversupply in a certain period
- Slowing housing demand
- Rise in raw material prices

Topic

Shintech commenced new PVC production capacity

Shintech Inc, a subsidiary of Shin-Etsu in the U.S. and the world's largest PVC manufacturer, has been continuously expanding its production capacity to meet increasing global demand. The construction of new production facility that Shintech began in 2021 has been completed and started operations since the fourth quarter of 2024. Shintech's annual PVC production capacity was increased by 10% and reached to 3.64 million tons. PVC demand in North America is expected to remain strong, supported by robust housing demand. We will continue to meet that demand and provide a stable supply of PVC to customers around the world.

Shintech PVC production capacity



Electronics Materials

Major Products Semiconductor silicon, Rare earth magnets, Semiconductor encapsulating materials, LED packaging materials, Photoresists, Photomask blanks, Synthetic quartz products

For product information, please see the company brochure.
https://www.shinetsu.co.jp/shinetsu/en/book/index.html

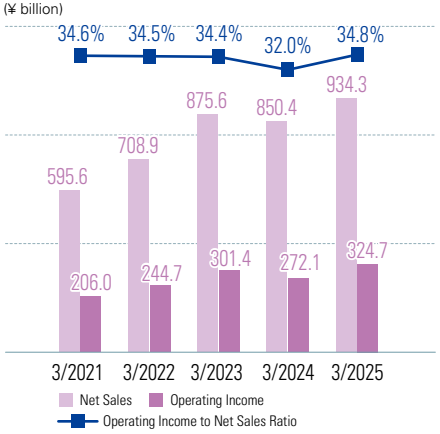
Fiscal year ended March 31, 2025

In the semiconductor market, recovery from the adjustment phase varied depending on the application and field. In this environment, we focused on the shipment of semiconductor materials such as silicon wafers, photoresists, and photomask blanks to markets where strong growth in demand was anticipated. In rare earth magnets, we worked to expand sales in the automotive market while meeting steady demand for hard disk drives.

Assets*1*2	¥1,770.2 bn
Capital Expenditures	¥245.5 bn
Depreciation and Amortization	¥110.8 bn
Number of Employees*1	13,366

*1 As of March 31, 2025
*2 These amounts were prepared on an informal basis.

Performance over the past 5 years



Using Our Products to Solve Societal Issues

Development of AI, 5G, automated driving, IoT

There is strong demand for high-performance, energy-efficient semiconductors in fields that require 5G-compatible communications devices and infrastructure, such as fully automated driving and telemedicine.
Silicon wafers, the substrate material for semiconductors, and various other semiconductor materials provided by the Shin-Etsu Group not only help to enhance performance and reduce the size and weight of electronic devices, but also contribute to improving electric power conservation and efficiency, thereby supporting the expansion and continuous growth of semiconductors on multiple fronts.

Providing technologies and materials essential for carbon neutrality

Rare earth magnets, which have about 10 times more magnetic force than conventional ferrite magnets, help enhance motor efficiency and lower power consumption, contributing to improved energy efficiency and reduced greenhouse gas emissions.

Competitive Advantages

Overall business	• Stable quality and stable supply to customers • Responding to increasingly sophisticated technological requirements
Semiconductor-related products	• Synergies gained from an extensive lineup of semiconductor-related products (competitive edge in development and proposal capabilities)
Rare earth magnets	• Stable supply supported by operating multiple production bases and an established integrated production system starting from raw materials • Development of products that substantially reduce the use of heavy rare earth materials and promotion of recycling

Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Increase in data center investments and AI-equipped devices
- Rapid growth in the semiconductor market due to the increase in EVs
- Advancement of new frontiers in semiconductors
- Increased demand for power semiconductors in a decarbonized society (increased use of different substrate materials such as QST™ substrate)

Risks

- Excess supply over a considerable period
- Macroeconomic downturn
- Decoupling of the international economy

Topic

Mimasu Semiconductor Industry Co., Ltd. becomes a wholly owned subsidiary

We completed the tender offer for Mimasu Semiconductor Industry Co., Ltd. in August 2024, and after the subsequent formalities, it became a wholly owned subsidiary in November. In the semiconductor market, which is expected to grow in the medium term, we aim to expand our semiconductor business, including wafers, on multiple fronts. We traditionally outsourced tasks such as polishing silicon wafers to Mimasu Semiconductor Industry, and as long-term partners, we worked together to expand our respective businesses. In 2005, we acquired 27.1% of its shares through a third-party allotment, and then in 2006, we increased our stake to 40.5% in order to strengthen our alliance and expand our wafer business.

Now, through the integration of each company's respective proprietary product information, knowledge, technologies, and know-how, we will further enhance our competitiveness and presence in the semiconductor market.

Mimasu Semiconductor Industry Co., Ltd. Head Office

Electronics Materials

Shin-Etsu Group Products Associated with the Overall Semiconductor Manufacturing Process

The Group supplies a wide range of materials necessary for semiconductor manufacturing processes, including silicon wafers, photoresists, photomask blanks, and encapsulants, supporting the development of semiconductor devices.

Products supplied by the Shin-Etsu Group

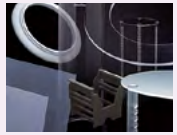

Silicon metal


Quartz crucibles


Silicon carbide fine-ground powder

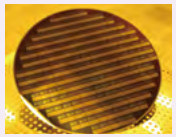

Silicon wafers


Wafer cases

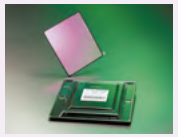

Quartz glass for use in the semiconductor manufacturing process

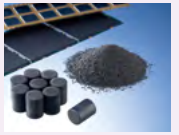

Rare earths (yttrium oxide)


Synthetic quartz photomask substrates


Photoresist


Photomask blanks


Pellicles (dust protection covers for photomask substrates)


Encapsulant materials


Liquid encapsulant materials


Thermal interface materials

Semiconductor manufacturing process

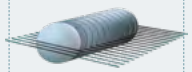
Raw materials

Polysilicon is produced from silicon metal (Si), which is made by removing the oxygen from quartzite (SiO_2).

Single crystal silicon

Single crystal silicon is produced in a cylindrical format by melting polysilicon.

Cutting and polishing



Single crystal silicon is cut into thin slices and polished to a mirror finish.

Silicon wafers

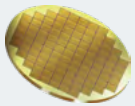
The processes shown above are used to create silicon wafers.

Wafers are shipped to device manufacturers.

CVD, Oxidation

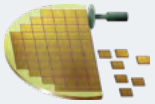
Wafers are put into a high-temperature furnace to produce a thin oxidation film on their surface.

Pattern formation



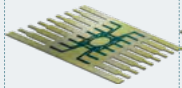
Special photosensitive materials (photoresists) are applied, circuit patterns are transferred in and developed, and the surface is processed.

Dicing



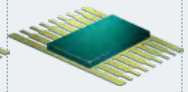
Individual wafers are cut away and made into integrated circuit chips.

Assembly



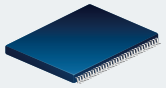
Using wire, the chips are connected electrically to a circuit board.

Resin sealing



The chip is coated in resin to protect it from heat and shocks.

Semiconductor devices



The completed semiconductor device is now embedded in the final product.

Final product

Processes where our products are used

Expansion of product lineup supporting semiconductor advancement

To achieve both high performance and energy efficiency in devices used in EVs, AI data centers, and other applications, we developed the QST™ substrate to achieve large-diameter (300mm) gallium nitride (GaN) wafers, and are currently working on mass production. We produce a large number of materials that are indispensable for the semiconductor manufacturing process, and develop new products that make use of the specialized knowledge and technology we have cultivated in the process. As an example, we are developing semiconductor package substrate manufacturing equipment and new manufacturing methods that enable customers to drastically reduce costs by shortening their processes and to perform microfabrication that is difficult with conventional methods.

Semiconductor package substrate manufacturing equipment

Functional Materials

Major Products Silicones, Cellulose derivatives, Silicon metal, Synthetic pheromones, Vinyl chloride-vinyl acetate copolymer resin, Liquid fluoroelastomers, Pellicles, silicon anode material for lithium-ion batteries

For product information, please see the company brochure.
https://www.shinetsu.co.jp/shinetsu/en/book/index.html

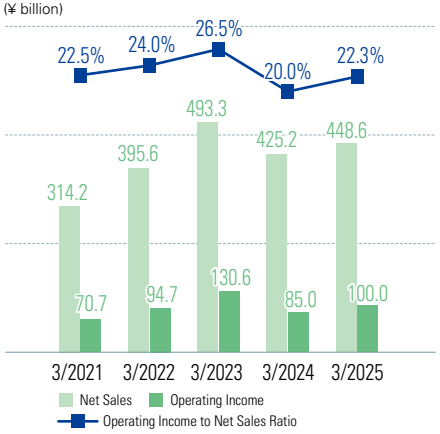
Fiscal year ended March 31, 2025

In silicone business, general-purpose products experienced inventory adjustments and softening market conditions stemming from the sluggish Chinese economy. Under these circumstances, we continued to focus on selling a range of highly functional products to secure revenue.

Assets*1*2	¥697.0 bn
Capital Expenditures	¥65.8 bn
Depreciation and Amortization	¥40.1 bn
Number of Employees*1	4,446

*1 As of March 31, 2025
*2 These amounts were prepared on an informal basis.

Performance over the past 5 years



Using Our Products to Solve Societal Issues

Low environmental impact (silicones)

Silicone is made primarily from silicon, which is the second most abundant element on earth after oxygen, making it less dependent on petroleum and thus less environmentally harmful. Silicone's outstanding properties are used in a wide range of environmentally friendly products such as electric vehicles, fuel-efficient tires, solar power generation, and LED lighting.

Addressing food shortages and environmental issues (cellulose derivatives)

Cellulose derivatives are an environmentally friendly material made from natural polymer cellulose. They help address the food shortage and environmental problems caused by population growth, with one of their uses being a binding agent for plant-based meat substitutes.

Improving food safety (synthetic pheromones)

Synthetic pheromones are an environmentally friendly agricultural pest control agent that has no impact on beneficial insects or other organisms, and helps improve food safety by reducing the amount of insecticides and pesticides sprayed on fields.

Competitive Advantages

Overall business	• Ability to develop a variety of high value-added products by leveraging our advanced technological capabilities • High quality products and stable supply system
Silicones	• Thorough response to customer needs through tripartite teamwork that integrates the sales, research, and production divisions • Use of advanced technological capabilities and know-how cultivated over 70 years (ability to develop new products and technologies, expansion of highly functional product lineup) • Global production bases and a sales network in 13 countries
Cellulose derivatives	• World top-class production capacity • Active capital investment for pharmaceutical applications • Global stable supply structure secured by three manufacturing sites

Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Increase in the ratio of high-value-added products that contribute to solving customer and societal issues (thermal management, weight reduction, labor saving, a substitute for PFAS, etc.)
- Increase in demand due to population growth and economic growth
- Expansion of the pharmaceutical market

Risks

- Excess supply in the general-purpose silicone market
- Rising energy and raw material prices

Topic

Promoting silicon chemistry-based problem-solving

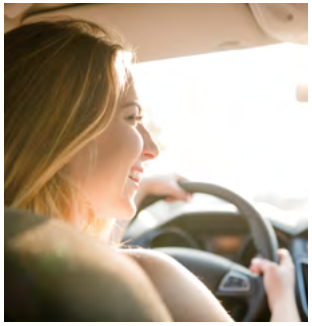
As part of the company's initiative in silicon chemistry-based problem-solving, which is known as Shin-Etsu Silicones Solution-Engineering™, we are expanding our lineup of silicone products that are indispensable for enhancing added value in a variety of applications, such as addressing environmental issues, in addition to meeting diversifying needs.

For example, we have developed hydrophilic silicone that improves the usability of cosmetics and other products. In addition to its high affinity for water, it imparts the excellent characteristics of silicone, such as high fluidity and a smooth, non-sticky feel, to cosmetics and other products. Furthermore, our silicone elastomer gels with excellent light diffusivity give cosmetics a soft focus and powdery feel, and as an alternative ingredient to microplastic beads, contribute to the creation of eco-friendly products. As these examples illustrate, we are dedicated to solving a wide range of problems for our customers and society by developing and supplying high-value-added silicone products based on the unique properties of silicone and the silicon chemistry know-how we have cultivated.

Newly developed water-soluble silicone wax

Spreads and blends smoothly on the skin

Processing & Specialized Services



Major Products and Services: Processed plastics, Export of technologies and plants, Export and import of products, Engineering

For product information, please see the company brochure.
https://www.shinetsu.co.jp/shinetsu/en/book/index.html

Fiscal year ended March 31, 2025

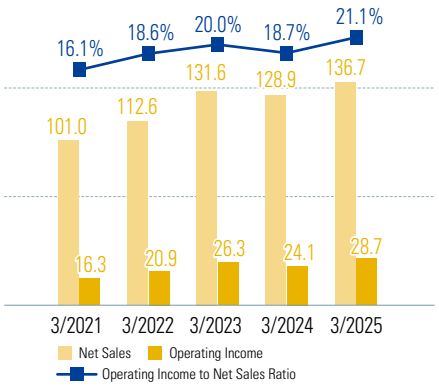
Demand for semiconductor-related containers remained firm, mainly for in-process applications. In automotive-related products, we started production of fire prevention cushions for EV batteries.

Assets*1*2	¥272.7 bn
Capital Expenditures	¥12.6 bn
Depreciation and Amortization	¥6.8 bn
Number of Employees*1	7,487

*1 As of March 31, 2025
*2 These amounts were prepared on an informal basis.

Performance over the past 5 years

(¥ billion)



Using Our Products to Solve Societal Issues (Shin-Etsu Polymer Co., Ltd.)

- Advancing IoT in society by developing communications infrastructure and improving the performance of facilities and equipment
- Contributing to the technological innovation of the automobile industry through the development of various products that utilize our advanced material compounding techniques and processing know-how, including input components, components for the interior & exterior trim, and materials
- Contributing to advanced processes for silicon wafers and electronic components through transport materials that utilize precision molding technology and analysis/evaluation technologies to meet precise customer requirements
- Contributing to improved convenience and food safety and security through the pursuit of ultra-thin and highly stretchable films based on our thin film forming technology and the development of products with added functions such as coloring and antibacterial properties
- Contributing to the advancement of medical care and the promotion of health through medical instruments such as catheters and drainage tubes as well as parts for medical instruments based on our proprietary silicone compounding and processing technologies
- Contributing to the realization of a sustainable society by taking advantage of adhesive technologies based on silicone materials to promote the longevity of aging public infrastructure such as bridges, roads, and railways

Competitive Advantages

Shin-Etsu Polymer Co., Ltd.

- Comprehensive capabilities of handling everything from material development to processing as a member of the Shin-Etsu Group
- Technological capabilities to create high value-added products with core technologies in processing various resins
- A global production system that can flexibly respond to customer needs
- Ability to propose material combinations and optimal processing methods to realize the functions required by customers

Shin-Etsu Engineering Co., Ltd.

- Technological capabilities to handle design, construction, and maintenance of domestic and overseas plants in-house

Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Shift to EVs and upgrading of electrical components to achieve carbon neutrality
- Increased demand for semiconductors and electronic components due to the spread of AI
- Expansion of restaurant market in Japan due to increased inbound tourism

Risks

- Slowing global car sales
- Sudden decline in demand for semiconductors
- Rising energy and raw material prices

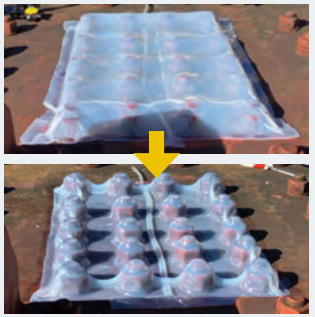
Topic

"Polymer ACE" and P-VAC method for a more sustainable future

Japan's infrastructure was intensively developed during the postwar period of high economic growth, and is therefore rapidly becoming obsolete. It is predicted that by 2030, approximately 55% of Japan's road bridges will be more than 50 years old.* Meanwhile, the number of construction workers continues to decrease due to the rapid aging population and declining birthrate. In these circumstances, efforts to repair infrastructure and extend its service life are attracting attention.

In FY2019, Shin-Etsu Polymer began selling silicone-based infrastructure maintenance materials for repair purposes, and these materials have been adopted in a variety of facilities, including road bridges, train stations, tunnels, and sewers. "Polymer Ace" is a silicone-based adhesive sheet that can be easily affixed to bolts, nuts, and other steel parts for waterproofing and corrosion protection. It is resistant to ultraviolet rays and capable of withstanding temperatures from -50 to 200°C. We have also developed the P-VAC method, which applies "Polymer Ace" to multiple bolts simultaneously, as one of an array of construction methods tailored to the environment of the construction site. Amid aging infrastructure, a declining working population, and rising raw material costs due to high resource prices, Shin-Etsu Polymer's infrastructure maintenance materials and application methods are contributing to the realization of a sustainable society by simplifying construction and reducing the labor required.

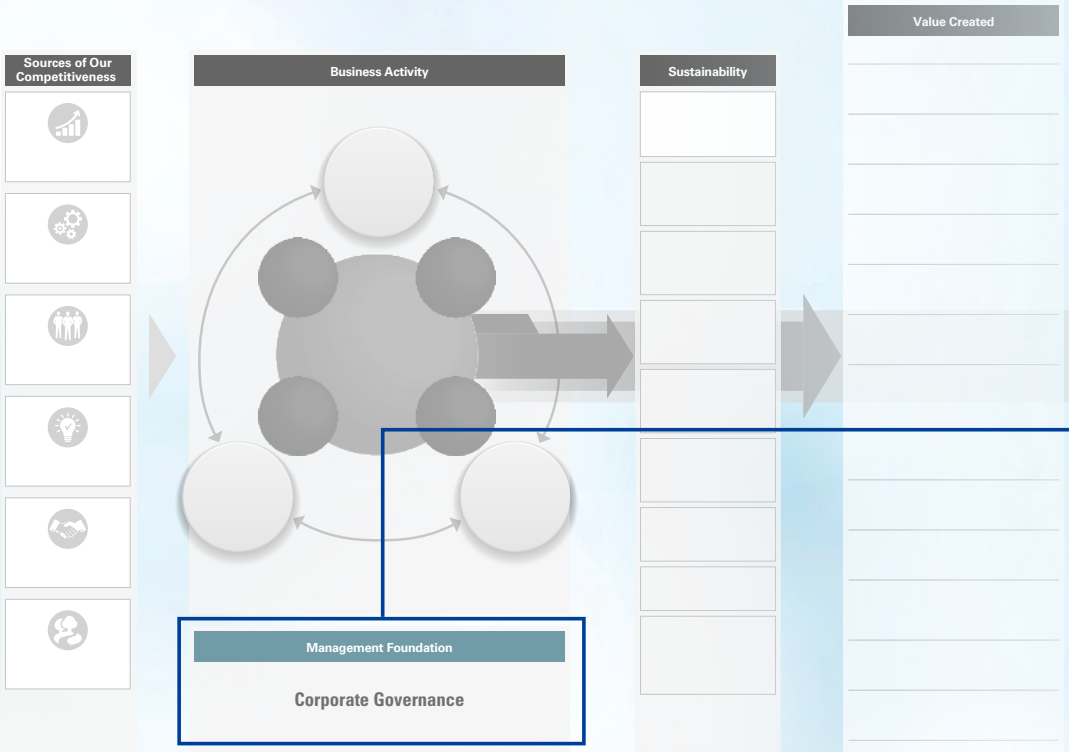
*Source: "Current State and Future Projections of Social Capital" (Ministry of Land, Infrastructure, Transport and Tourism)



Patented P-VAC method applies "Polymer Ace" to multiple bolts and nuts simultaneously in a short time.

Management Foundation

Build a robust corporate governance structure to sustainably enhance corporate value



Three Features of Corporate Governance

Ratio of Outside Directors on the Board of Directors

56% (5 persons)

Diversity of Directors

Foreign national
11% (1 person)

Female
11% (1 person)

Attendance ratio of Outside Directors at the Board of Directors Meetings

100%
(fiscal year ended March 31, 2025*)
*After 2024 General Meeting of Shareholders

Corporate Governance Approach and Initiatives

Basic Approach

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

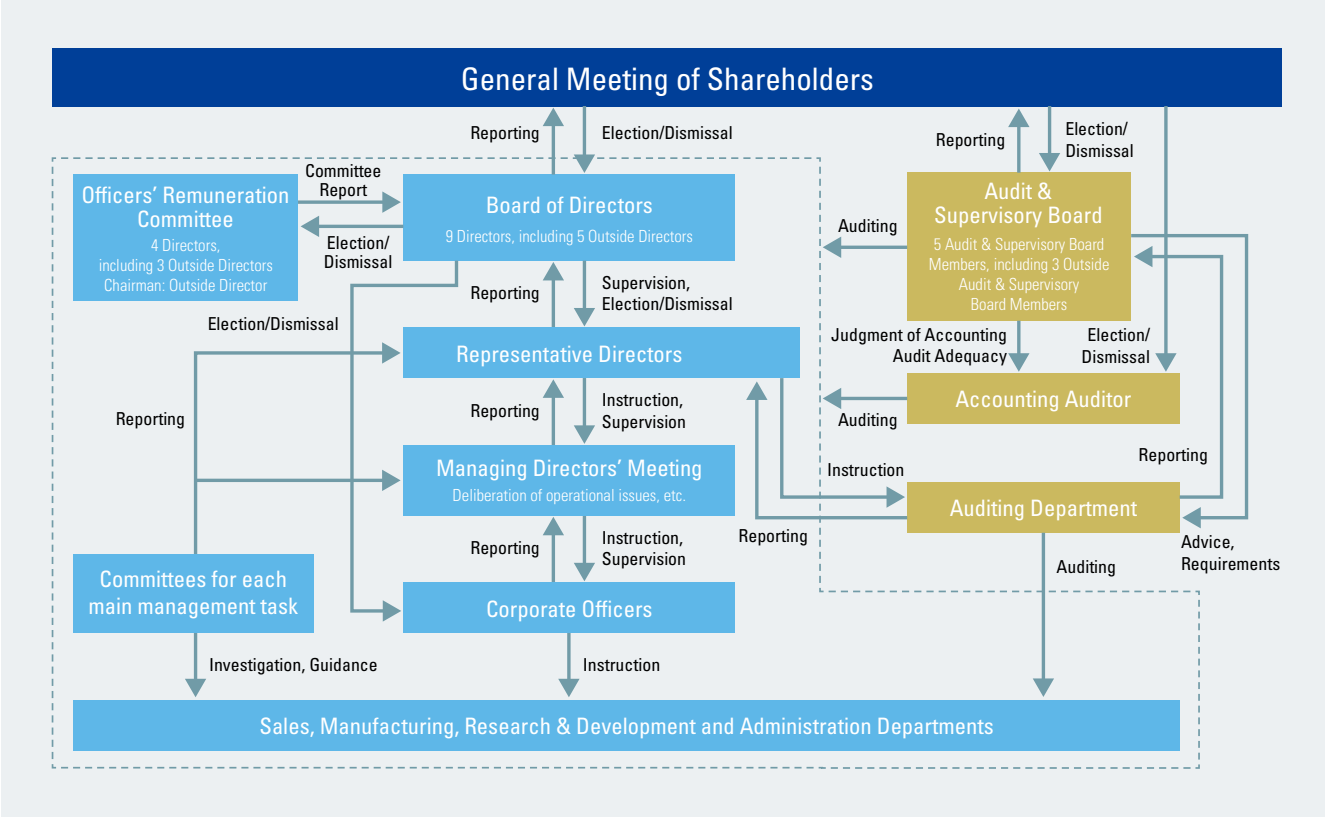
For more detailed information, please see the Governance section on the Group's website.
https://www.shinetsu.co.jp/en/sustainability/esg_foundation/governance/

Corporate Governance Structure

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

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

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



Corporate Governance Approach and Initiatives

Officers' Remuneration Committee

To ensure transparency and appropriateness in the processes involved in reviewing and evaluating remuneration for officers, as well as nominating candidates for senior management, Directors, and Audit & Supervisory Board Members, we have established the Officers' Remuneration Committee. This committee is chaired by Independent Outside Director Hiroshi Komiyama and includes two other Independent Outside Directors, Kuniharu Nakamura and Michael McGarry, as well as Representative Director, President Yasuhiko Saitoh, making a total of four Directors. They comprehensively review and evaluate each Director's contributions to the Company's performance and overall management every fiscal year, and report their findings to the Board of Directors.

Basic Fundamental Policy Regarding Remuneration and Its Calculation Method

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

On the other hand, the remuneration of Audit & Supervisory Board Members shall be determined through their mutual consultation. The remuneration shall consist of "fixed remuneration" determined as appropriate for each individual's job responsibilities as an Audit & Supervisory Board Member. Outside Directors and Audit & Supervisory Board Members are not entitled to any "performance-based remuneration" or "stock options" as they are expected to perform supervisory and checking functions over management.

Remuneration Amount by Director Type and Its Detail, Number of Applicable Directors (For the year ended March 31, 2025)

Designation	Amount of remuneration, etc. by type (¥ million)			Number of recipients (People)	Amount of remuneration, etc. by type (¥ million)	Number of recipients (People)
	Fixed	Performance-based	Total		Non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	468	299	767	4	196	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	19	—	19	1	—	—
Outside Directors and Outside Audit & Supervisory Board Members	181	—	181	9	—	—

Notes:
1. The above includes one director who retired at the conclusion of the 147th Ordinary General Meeting of Shareholders held on June 27, 2024.
2. The Officers' Retirement Benefits Program was repealed at the conclusion of the 131st General Shareholders' Meeting held on June 27, 2008.
3. The amount of non-monetary remuneration, which consists of stock options, is an expensed amount calculated for the current fiscal year based on the accounting standards. Therefore, it does not represent the amount paid in cash or the amount the Company guarantees to pay in cash, either.
4. The total amount of remuneration issued to Directors (excluding Outside Directors), which consists of fixed, performance-based and non-monetary remuneration, etc., was ¥964 million.

Assessment of Board of Directors Effectiveness

At every meeting of our Board of Directors, Outside Directors ask questions and make suggestions regarding agenda items, and there is a lively exchange of opinions and discussion. In addition, the Board of Directors receives individual opinions each year from Outside Directors regarding the effectiveness of the Board of Directors as a whole. In FY2024, the Board of Directors of the Company was evaluated as being effective. During the evaluation, the Outside Directors also gave the Board of Directors valuable feedback on issues such as "Earlier Explanations (and More Data) to Facilitate Discussions at Board of Directors Meetings" and "Implementation of Site Visits for Outside Directors and Outside Audit & Supervisory Board Members."

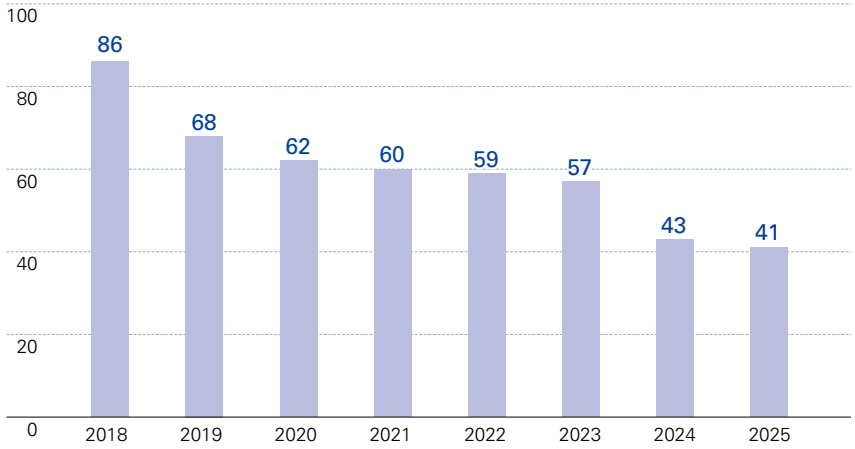
Policy on Cross-shareholdings

When we determine that maintaining and strengthening a stable business relationship with another company will contribute to the enhancement of our corporate value through sustainable growth, we may hold shares in that company where appropriate depending on the importance of that company to our business strategy. At least once per year, the Board of Directors reconsiders the medium- to long-term economic rationality of individual cross-shareholdings, taking into account whether the benefits and risks of maintaining and strengthening these business relationships and holding the relevant shares are commensurate with the cost of capital.

In cases where the Board of Directors judges that the economic rationality of holding the relevant shares has diminished, we gradually sell the shares, thereby reducing our cross-shareholdings. As of March 31, 2018, our cross-shareholdings consisted of 86 individual stocks, and by March 31, 2025, the number had decreased to 41.

With regard to our remaining cross-shareholdings, when exercising the shareholder voting rights they confer, we vote on each proposal in the shareholder meetings individually based on a comprehensive judgment that considers factors such as whether the proposal might damage shareholder value, based on the perspective of our purpose in holding the shares (which is to enhance our corporate value through sustainable growth) as well as what will contribute to enhancement of the corporate value of the investee.

Number of Individual Stocks Held as Cross-shareholdings (as of March 31 of each year)



Note: The indicated number of individual stocks held as cross-shareholdings consists of the total number of specified investment shares and deemed holdings under Japan's Cabinet Office Order on Disclosure of Corporate Affairs.

Management (As of June 27, 2025)

Board of Directors

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

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

Director, Senior Managing Corporate Officer
Susumu Ueno
In charge of Silicone Chemical Technologies & Magnetic Materials Division

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

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

Director Outside
Kuniharu Nakamura*1
Special Adviser, SUMITOMO CORPORATION
Outside Director, Panasonic Holdings Corporation

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

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

Director Outside
Takashi Hibino*1
Senior Executive Adviser, Daiwa Securities Group Inc.
Outside Director, Mitsui Fudosan Co., Ltd.

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member
Hidenori Onezawa

Full-time Audit & Supervisory Board Member
Yoshimitsu Takahashi

Audit & Supervisory Board Member Outside
Yoshihito Kosaka*2
C.P.A., Certified Public Tax Accountant

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

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

Outside Outside Director or Outside Audit & Supervisory Board Member

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

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

Management

Areas of Expertise and Involvement of Directors

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

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

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

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

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

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

Activity Status of Outside Directors and Outside Audit & Supervisory Board Members

(Year ended March 31, 2025)

Outside Director	Status of activities	Attendance at Board Meetings and Audit & Supervisory Board Meetings (Year ended March 31, 2025)
		Board of Directors Meetings
Hiroshi Komiyama	Mr. Komiyama, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his beneficial recommendations concerning how to proceed with joint development with venture companies and the importance of developing environmentally friendly products, etc., capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint.	100%
Kuniharu Nakamura	Mr. Nakamura shared his beneficial recommendations concerning initiatives to increase the percentage of women in management positions and the use of advisors when conducting business overseas, etc., capitalizing on his management experience at Sumitomo Corporation, a general trading company, and based on his prominent knowledge of and abundant experience in international business in a wide variety of fields. He also provided thorough supervision from an independent standpoint.	92%
Michael H. McGarry	Mr. McGarry shared his beneficial recommendations on methods for analyzing investment payback and efforts to ensure continuing and future workforce capabilities, etc., capitalizing on his management experience at PPG Industries, Inc. in the U.S., a global leader in paints and coatings. He leveraged his outstanding knowledge and wealth of experience in a broad range of chemical industry fields to support and guide the management team. He also provided thorough supervision from an independent standpoint.	100%
Mariko Hasegawa	Ms. Hasegawa shared her beneficial recommendations on the importance of security measures and the challenges of recruitment due to the declining birthrate in rural areas, etc., capitalizing on her outstanding knowledge and wealth of experience in a variety of fields, such as having served as President of the Graduate University for Advanced Studies, SOKENDAI and a member of the National Public Safety Commission, built upon her many research achievements as a researcher in natural anthropology. She also provided thorough supervision from an independent standpoint.	100%
Takashi Hibino	Mr. Hibino shared his beneficial recommendations on indicators for shareholder returns and how to deal with shareholders after reducing cross-shareholdings, etc., capitalizing on his management experience at Daiwa Securities Group Inc., a global securities company, and based on expert knowledge and abundant experience in the financial business. He also provided thorough supervision from an independent standpoint.	100%

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

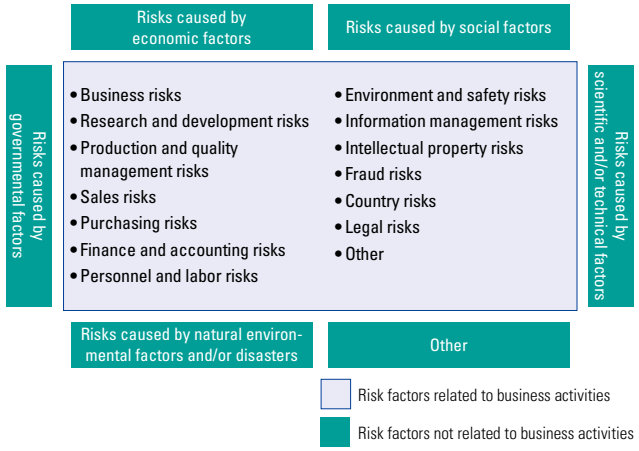
Risk Management

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 FY2024, the Risk Management Committee met four times and monthly meetings were held by the secretariat. At the meetings, a variety of risks such as earthquake risks, information leakage risks and raw materials procurement risks, are discussed and shared within the Committee in order to enhance risk preparedness. In addition, proposals are discussed and reviewed within the Committee to formulate priority risk management issues to be addressed in FY2025 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.

Risks anticipated in the Risk Management Regulations



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.

Activities of the Risk Management Committee in FY2025

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 FY2024, in addition to its ongoing work of considering countermeasures against geopolitical risks, cybersecurity risks, infrastructure risks, occupational safety risks, raw materials procurement 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.

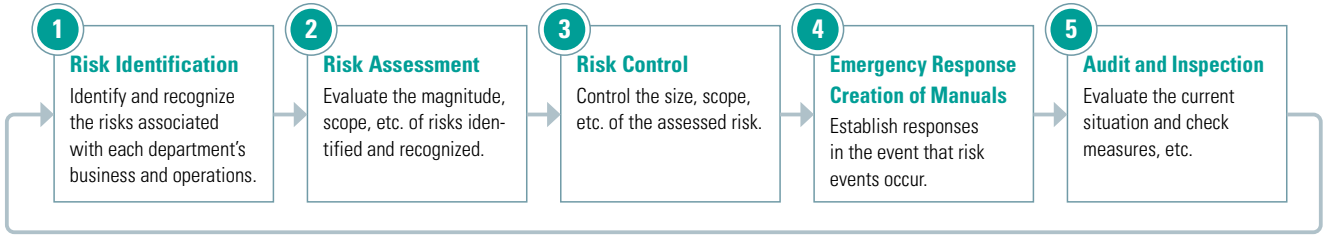
In light of the volatile international situation in FY2025, the Committee will continue its efforts to prevent and strengthen measures against the following risks:

- Cyber risk
- Business continuity planning (BCP)
- Procurement of hard-to-obtain raw materials
- Expansion of risk management systems to subsidiaries and affiliates, 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.

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.



Interview with Outside Directors

Positioning Shin-Etsu Chemical to achieve further growth by delivering value to the world

Prior to the adoption of the Japan's Corporate Governance Code (which came into effect in 2015), Shin-Etsu Chemical Co., Ltd. (hereinafter referred to as "the Company") invited Frank Popoff, former Chairman and CEO of The Dow Chemical Company (US), to serve as an outside director in 2001. Since then, the Company has continued to steadily strengthen its corporate governance system with an emphasis on external perspectives, for example by inviting leading figures from various fields to serve as outside directors. As it works to further strengthen governance, the Company currently has five outside directors who provide a wide range of opinions. Here, the five outside directors discuss a wide range of management-related themes centered on issues discussed at Board of Directors meetings, including share buybacks and other capital policies, human resources, and environmental initiatives.

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

Interview with Outside Directors

Evaluation of Business Performance for the Fiscal Year Ended March 31, 2025

Mr. McGarry In my judgment, the management team did a good, solid job in the fiscal year ended March 31, 2025. This fiscal year's business performance did not rise to the level of recent years, when record highs were posted year after year. On the other hand, the strong business performance that was achieved deserves high praise given the very challenging business environment, including inventory adjustments in the semiconductor market and the slump in the U.S. housing market. In addition, I am very pleased with the decision to continue to invest in the Company, not just focusing on single-year performance, but also aiming for long-term success even in a very tough market environment.

Mr. Nakamura Given that the chemical industry is still facing tough times, I believe these results demonstrate the Company's ability to execute well. This is proof that the Company has the earning power to generate a certain level of revenue under any circumstances. Also, from a medium- to long-term perspective, I feel that considerable progress has been made in the effort to create a third pillar of business following PVC and semiconductors.

Mr. Hibino I too was very impressed with the Company's performance in FY2024, with both sales and profits increasing despite the difficult external environment. I was also impressed that the Company achieved higher sales and profit while pursuing strategies related to future fiscal years, not just single-year performance.

Mr. Komiyama Mr. Nakamura used the term "earning power," so I would like to comment on our earning power in terms of its technical aspects. To make PVC, which is the main source of our earnings, we pyrolyze ethane to produce ethylene, and we electrolyze salt to produce chlorine. PVC polymer is ultimately made from ethane and salt as raw materials, and Shintech does it using its integrated production system. Integrated production at the same location facilitates logistics and shortens the pipeline, thus increasing investment efficiency. In addition, the effective use of waste heat and similar resources increases the efficiency of energy use. Our technical prowess in this field is the best in the world. This integrated production in large-scale plants supports the competitiveness of our PVC as a commodity product.

However, our true strength is that we are constantly improving the various processes within the plants, rather than simply resting on the laurels of our high-volume production in large-scale plants. The result is highly efficient production, not just in terms of scale but also in each individual process. I believe that is the source of the Company's competitive edge, which helps us maintain our earning power even under challenging circumstances.

Mr. Nakamura I have always felt that the Company sets high standards and does not readily compromise on performance. It is this passion for the craft of manufacturing that ultimately leads to strong business results.

Strengthening Corporate Governance

Mr. Hibino Regarding the composition of the Board of

Directors, companies listed on the Tokyo Stock Exchange Prime Market are required to have outside directors comprise at least one-third of their board members. It has essentially become a rule. Under these circumstances, our situation is quite satisfactory, as our outside directors already comprise a majority of the Board. In addition, when looking at the backgrounds of our outside directors, I believe that consideration has been given to diversity, including race and gender.

Mr. McGarry I think the current composition of the Board of Directors is very good. However, if we are to move closer to international standards in the future, it will be necessary to invite additional experienced people to join the Board of Directors. I believe that doing so will help elevate the Company to the next level.

Mr. Nakamura We have seen an increase in the number of new outside directors, including the appointment of Mr. Hibino last year. I feel that this is a very positive change as it has opened up new perspectives in our discussions. Also, a proposal to hold a forum exclusively for discussions

Interview with Outside Directors

among outside directors came to fruition, and we have met several times since last year. Various requests were raised during these meetings and we were able to convey them to our management team. I believe that these activities have increased the commitment of the outside directors to the Company.

Mr. Komiyama I too noticed the changes brought about by the increase in new outside directors. For example, Mr. Nakamura has opinions on a wide range of subjects, Mr. Hibino is well versed in capital markets, and Mr. McGarry has extensive global management experience. Furthermore, Ms. Hasegawa has a unique perspective on matters we might otherwise overlook. The increase in the number of people with very distinctive skills has stimulated our discussions. With this breath of fresh air, I believe the current Board of Directors is moving in an even better direction.

Ms. Hasegawa As for myself, I would like to make various contributions to the discussion, more than I have done so far, including on the topic of diversity. To do this, it's important to know the situation on the ground. I have suggested

that it is important for outside directors to have the opportunity to visit production plants and other work sites. That is apparently going to happen early this year. I would like to contribute to further enhancing the effectiveness of the Board of Directors by combining the realities observed on the ground with the experiences and insights I have cultivated over time.

Responding to Rapid Changes in the International Situation

Mr. Nakamura When the Trump administration took office, we were concerned about the rapid changes in tariffs and other issues, and we discussed them within the Company. In reality, it is difficult to predict what will happen. However, precisely because the impact is difficult to predict, it is important for corporate management to envision various scenarios and evaluate the impact of each. We conducted extensive research and discussion to quickly identify the policies that we should pursue as a company.

Mr. McGarry I believe it is important to maintain a long-term perspective that considers various possibilities in the future while addressing short-term challenges brought about by changes in the business environment. I believe that investing in the U.S. over the long term is in the best interest of the Company, its employees, and its shareholders. The Company's management team understands this very well.

Mr. Hibino Although the policies put forward by governments overseas can be difficult to predict, it is still important to manage business with a medium- to long-term

perspective. To strengthen our ability to rapidly deliver products that meet the needs of customers around the world, I believe that our policy of steadily advancing product development and investment in the U.S., as we have done up until now, is the right one.

Capital Policy for the Future

Mr. Hibino We have announced the implementation of a 500 billion yen share buyback, which is unprecedented in scale for the Company. I thought this was an excellent business decision as well as a timely one.

Mr. McGarry I also commend this share buyback as a clear indication of management's desire to strengthen shareholder returns. The Company generates substantial cash flow each year. I think we need to think carefully about this cash from both a short-term and long-term perspective. Even if the cash on the balance sheet belongs to shareholders, it is important to avoid an excessive focus on share buybacks and dividend payments when considering the long-term interests of shareholders. I still consider the

Interview with Outside Directors

Company a growth stock. It is important to make long-term growth investments.

Mr. Hibino In recent years, dividends and share buybacks have increased rapidly in Japan's capital markets. On the other hand, capital investment, which leads to growth, has not increased, which is viewed as a problem. Companies need to reward current shareholders while also achieving growth for future shareholders. Dividends and share buybacks should be balanced with capital expenditures and other investments. In that sense, I believe that our current strategy, which includes a 500 billion yen share buyback while continuing to make large-scale capital investments, is a very well-balanced one.

Achieving Carbon Neutrality

Mr. Komiyama Our sustainability initiatives cover a number of themes. Among these, I have been advocating for environment-related initiatives in particular within the Company. This is similar to what I explained in the discussion about the Company's earning power. To achieve carbon neutrality, the most important thing is to improve the efficiency of energy use, which is the key to reducing CO_2 emissions. Furthermore, it is important not only to improve our own manufacturing processes, but also to develop products that can improve the efficiency of energy use in our customers' manufacturing processes.

As an example of a product that can improve the efficiency of energy use in our customers' manufacturing processes, we have developed a silicone rubber product that eliminates the need for customers to perform a reheating process to remove impurities. In fact, it seems that this product has received high praise from customers. I think it would be fantastic if, by increasing the number of such products, we could increase the efficiency of energy use not only of the Company but of the entire chemical industry, and move closer to carbon neutrality.

Compared to other companies in the same industry that make similar products, we are probably the best in the world in terms of energy savings. Carbon neutrality is not something that a company can achieve alone. Recognizing that this is a common issue for all of society, I would like the Company to act more than ever as a leader in the industry and take the lead in energy-saving activities around the world.

Human Resources

Mr. Nakamura Like the environment, the participation and advancement of women is another challenge the Company must address as part of building its foundation. Unfortunately, the reality is that the percentage of female employees in the Company is not very high. There may not be a quick fix to this issue. I would like to start by understanding the Company's personnel system itself before I make further suggestions.

Ms. Hasegawa As part of my efforts to promote the participation and advancement of women in the Company, I was given the opportunity to speak with them in March 2024. The comments from those who attended were valuable, and reminded me of the importance of the opinions of people who are actually doing the work. I feel that we need more such opportunities in the future.

I think there is a lot of pressure on companies to

achieve diversity. But why are there so few female managers? It's not because men and women developed their careers in equal numbers from a young age but then the women were not promoted. Rather, the reason is that women were not encouraged in that direction in the first place. We need to face this fact squarely and think about it.

Furthermore, when it comes to promoting women's participation and advancement, there has been a lack of consideration of why diversity is necessary. I heard about a study that found that teams with female members were able to invent patents with higher economic value than teams without female members. It is important to promote diversity with the understanding that it is not something that is forced upon us by others, but rather an effective means of strengthening ourselves.

The first step in addressing the current situation is to improve the percentage of women in the hiring process. A world where women make up a certain percentage or more of managerial positions will not be achieved until we increase the number of women hired to a certain extent. We need to recognize that this is a ten-year mission.

Interview with Outside Directors

Mr. Nakamura On the other hand, when it comes to developing young talent, when I read the Company's newsletters I see a lot of positive comments from young people. It looks very promising. Efforts to enhance the capabilities of such people are very important. However, employees may be hiding their true feelings. In such cases, I think that management team should actually go to the workplace, find out what people really think, and then consider what to do about the personnel system.

Toward Further Enhancement of Corporate Value

Mr. McGarry I believe the Company still has room to grow. As we grow, what kind of value will we provide to society to enhance our corporate value? First and foremost, it is important to provide products that improve the lives of people around the world. Specifically, PVC. The PVC business makes it possible to deliver clean water to people around the world. This might be hard to appreciate in Japan, but nothing in the world is as important as clean water. Continuing to be a key player in this field is directly linked to creating significant value for society.

Another example is our contribution to the evolution of technology. A clear example is our contribution to the evolution of AI. Chip manufacturing would not be possible without our silicon wafers, photoresists, photomasks, and other products in the electronic materials sector. As we continue to refine our technology in this area, the world will be better positioned for technological advancement.

Mr. Komiyama We are a materials company. Ultimately, our customers will utilize materials with various functions to create products, but as a starting point, it is necessary for us to continue working on developing ever more efficient materials.

Our secret weapon in this regard is an initiative called materials informatics (MI) that utilizes AI. MI uses information science to dramatically improve the efficiency of materials development. It is important to harness the power of AI to further develop logical manufacturing capabilities, rather than relying only on intuition and experience. I believe that doing this will significantly improve our competitiveness, especially in the functional products business, which is characterized by small-lot production of a wide variety of products.

Mr. Hibino The basis of our high profitability is what we call differentiation. For example, for a commodity-type product like PVC, our differentiation is that we continue to achieve excellent cost competitiveness at our plants in the U.S., while in our semiconductor-related business, our differentiation is that we maintain a system that can reliably provide cutting-edge products in a timely manner.

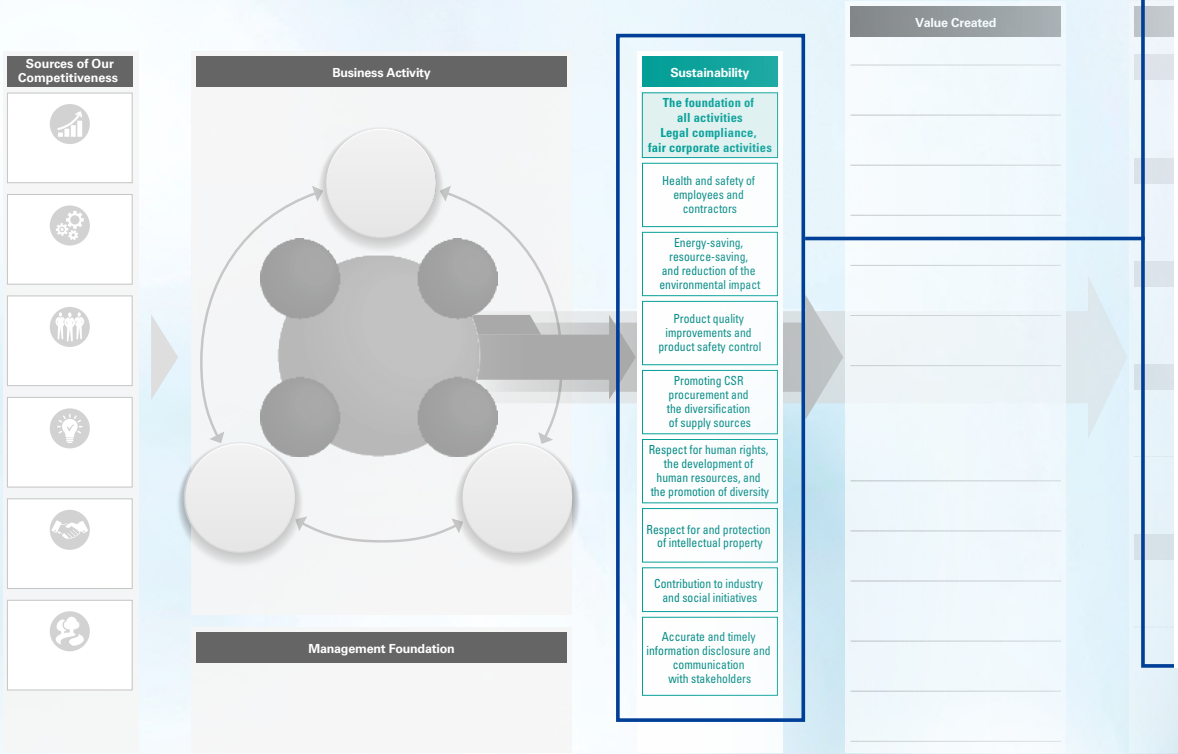
To maintain these advantages, ultimately the most important factor is people. We need to assemble the diverse human resources needed to maintain our differentiation and ensure that they remain highly motivated to do so. I hope that this Shin-Etsu spirit, which we might call "Shin-Etsu-ism," will continue to permeate every corner of the Company.

Mr. Nakamura When I became president of Sumitomo Corporation, I was told that the only thing I must not change was the company's management philosophy and business spirit. I passed that on to my successor as well. In a long-lasting company, there are always some things that should not be changed. That's why I believe that identifying what must never change and adhering to it will lead to sustainable enhancement of corporate value at Shin-Etsu Chemical too.

Ms. Hasegawa The Company has built plants in various locations, including Shin-Etsu Chemical's plants in Naoetsu, Takefu, Gunma, and Kashima. I think it would be great if our presence could have a positive impact on the entire town and contribute to the local community beyond just building a plant and creating local jobs. This kind of engagement would revitalize the community and change the way people view our employees, ultimately leading to an increase in our corporate value.

Sustainability

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 (next page)

Key Issues

The foundation of all activities: Legal compliance, fair corporate activities	Health and safety of employees and contractors	Energy-saving, resource-saving, and reduction of the environmental impact
Product quality improvements and product safety control	Promoting CSR procurement and the diversification of supply sources	Respect for human rights, the development of human resources, and the promotion of diversity
Respect for and protection of intellectual property	Contribution to industry and social initiatives	Accurate and timely information disclosure and communication with stakeholders

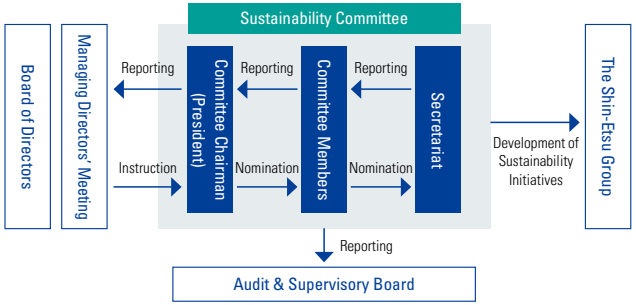
Governance Related to Sustainability

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.

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.

In the fiscal year ended March 31, 2025, the Shin-Etsu Chemical Group, working primarily through the Sustainability Committee and the individual business divisions, continued to implement its plans to achieve carbon neutrality by 2050, and addressed a wide range of important sustainability issues, including thorough compliance with laws and regulations, improvement of product quality and safety, and respect for human rights.



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

List of Executives in Charge of Sustainability Initiatives

As of June 27, 2025

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, Business Auditing 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 Corporate Governance
Managing Corporate Officer	Fumio Arai	In charge of Purchasing	Promoting CSR procurement and the diversification of supply sources
Managing Corporate Officer	Shigeyoshi Netsu	In charge of Patents	Respect for and protection of intellectual property
Corporate Officer	Toshiyuki Kasahara	In charge of General Affairs General Manager of Finance & Accounting Dept.	Corporate Governance (Fair tax payment, etc.)
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	Ichiro Onozawa	In charge of Environmental Control & Safety Relations	Health and safety of employees and contractors Energy-saving, resource-saving, and reduction of the environmental impact

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

n all of Shin-Etsu Chemical's divisions and major group companies in Japan, key issues were clarified by the following three steps: (1) review and organize key stakeholders and classify them as customers, shareholders and investors, employees, business partners, local communities, etc.; (2) identify key sustainability issues with reference to the central themes of ISO 26000, an international standard that defines corporate social responsibility; and (3) score the importance of each key issue to the Group and to its stakeholders, taking into account the Group's sustainable growth and its impact on society.

Step 2 Prioritize importance of key issues and organize the issues

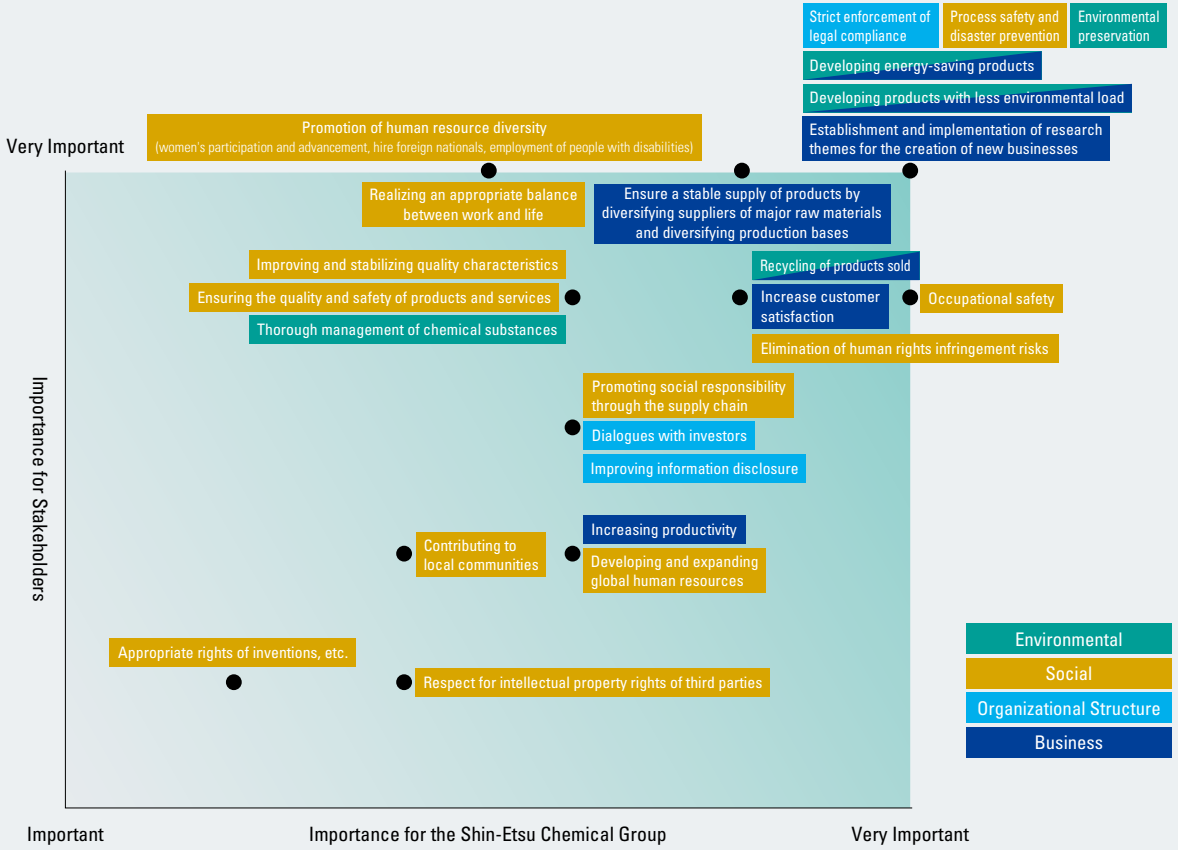
Based on the key issues and their importance as submitted by the divisions and companies, the Sustainability Committee reorganized them based on two axes: importance to the Group and importance to stakeholders.

Step 3 Conduct a hearing with Outside Directors

We conducted interviews with all Outside Directors regarding the reorganized key issues and their positioning. As a result, we received the following suggestions: (1) Compliance with laws and regulations is related to all issues; (2) All of the key issues listed are equally important to the Group and difficult to rank; and (3) We should also state what our goals are.

Step 4 Review by the Sustainability Committee and final decision by the Managing Directors' Meeting

Based on the suggestions of the Outside Directors, the Sustainability Committee reviewed the issues once again, and the nine key issues were identified following deliberations by the Managing Directors' Meeting, a decision-making body for business execution. In addition, it was decided that all these important issues would be tackled equally, in no particular order.



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	FY2024 Results	Targets*	Scope
	The foundation of all activities: Legal compliance, fair corporate activities	• Impact of legal violations and improprieties on corporate management. • Damage to corporate value due to loss of trust from society.	• 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	• Demand thorough compliance awareness among officers and employees through training, etc. • 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 • Cutting ties with anti-social forces • Compliance with sound business practices with suppliers and service providers • Support for the "Declaration of Partnership Building"	Number of serious legal or regulatory violations	0	0	Consolidated
E	Energy-saving, resource-saving, and reduction of the environmental impact	• Additional costs of stricter regulations related to greenhouse gas emissions • Price increases and difficulty in procuring raw materials for the quantity needed • Increased water risks, such as water depletion and flooding	• The constant challenge of technological innovation leads to the enhancement of "manufacturing ability" • Increasing competitiveness by conserving energy and resources, reducing environmental loads, and improving productivity • Increasing the demand for products that contribute to the environment • Developing technologies that recycle water, thus contributing to business continuity	• Promoting the reduction of environmental impact • Promoting energy conservation • Waste reduction • Pollutant countermeasures • Response to climate change • Resource recycling • Water resource conservation and water pollutant elimination • Conservation of biodiversity initiatives	GHG Emissions (Scope1+Scope2)	6,770 thousand ton of CO_2	0 ton of CO_2 (FY2050)	Consolidated
					Percentage of product sales that contribute to CN	Approx. 70%	Higher	Consolidated
					Emissions intensity index of production volume relative to 1990	56.9% (Shin-Etsu Group), 48.6% (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	Decreased by 0.9%	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 7.9%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
					Average annual rate of BOD emissions in terms of intensity	Decreased by 8%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
					Water recycle ratio	92.5%	—	Consolidated
					Final waste landfill disposal rate	0.86%	Achieve zero waste emissions Reduce (final landfill waste – to be 1% or less of all waste generated)	Consolidated companies in Japan
					Waste recycling ratio	72%(Japan), 53%(Overseas)	—	Japan: Shin-Etsu Chemical and its domestic consolidated companies Overseas: Shin-Etsu Chemical's overseas consolidated companies
					Average annual rate of emissions of air pollutants in terms of intensity	14.1% increased in Soot, 1.3% increased in SOx	Reduce emissions of air pollutants in terms of intensity at an annual average rate of 1%	Consolidated

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

Strategy, Metrics, and Targets

Key issue	Risks	Opportunities	Corresponding initiatives	KPIs	FY2024 Results	Targets*	Scope
S							
Health and safety of employees and contractors	• Impact of accidents and environmental problems on local communities and employees. • Damage to equipment caused by typhoons, earthquakes, or other natural disasters. • Impact of an infectious disease outbreak on operations.	• 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 • Hiring and retaining excellent human resources • Continuing operations, shutting down operations, and resuming operations safely by designing the plant in anticipation of a natural disaster and taking measures against risks • Promoting employee health, achieving a work-life balance, and cultivating a sense of motivation and fulfillment in work	• Safety education for employees through disaster prevention drills and workshops • Environmental control and safety audits • Improvement of the workplace environment and promotion of employees' health	Number of participants in safety training	78,887	—	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	0.13 (Japan), 0.08 (Overseas)	0	Japan: Shin-Etsu Chemical and its domestic consolidated companies
				Lost-time accidents severity rate	0.00(Japan), 0.00 (Overseas)	0	Overseas: Shin-Etsu Chemical's overseas consolidated companies
				Rate of labor accidents not accompanied by an absence of a day or more	0.26	0.5 or below	Shin-Etsu Chemical and its domestic consolidated companies
Product quality improvements and product safety control	• Loss of trust due to product quality issues • Direct or indirect impacts on product safety	• The track record of continuing to deliver products of the promised quality on time will lead to increased customer trust. • Sincere efforts to ensure product safety and accumulation of achievements will lead to the trust of customers and society.	• Quality control • Quality audits and support • Product safety control • Promote automation of quality inspections and assurance (reduce personnel involvement) • Verification of the statistical validity of inspection variations and standard ranges	Number of participants in product safety training	75,916	—	Consolidated
Promoting CSR procurement and the diversification of supply sources	• Impact from not being able to procure raw materials, such as discontinuation of manufacture and shipment delay to customers • Problems arising in the supply chain	• Diversifying suppliers to enable stable procurement, purchasing at optimal prices, and procurement of raw materials through fair transactions • Earning the trust of customers and society by thoroughly implementing CSR procurement	• Create "Shin-Etsu Group CSR Procurement Guidelines" and revise them as appropriate • Ensuring compliance with subcontracting laws by attending seminars and conducting internal audits • Implementing initiatives to eliminate the use of conflict minerals • Implementing the supplier CSR procurement survey • Participation in RSPO "Roundtable on Sustainable Palm Oil"	Percentage of suppliers surveyed on sustainability	(FY2021 Results 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	• Occurrence of human rights infringements in the Group's business activities and supply chain • Occurrence of differences and biases in the effectiveness of on-the-job training • 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.) • Increase in turnover rate and decrease in job seekers due to inability to meet needs for diversification of work styles	• Improving the market evaluation of companies that promote respect for human rights • Active participation of excellent human resources who have cultivated practical skills through on-the-job training • Accumulation of knowledge, skills and experience • Maintaining and improving organizational vitality brought about by a strong desire to take on challenges to achieve goals • Business growth and new business development by hiring, developing, and selecting talented human resources	• Promotion of respect for human rights based on the Universal Declaration of Human Rights • Implementing human rights due diligence • Supporting employee growth through a training system • Promote communication between superiors and subordinates • Promoting penetration of an evaluation compensation system focused on skill development • Creating an environment where people can play an active role regardless of gender or age • Enhancement of work-life balance system	Ratio of women at the time of hiring	Administrative positions: 52.6%, engineering positions: 9.0%	Administrative positions: 40%, engineering positions: 10%	Employees and seconded employees of Shin-Etsu Chemical
				Number of women in managerial positions, including junior manager level	4 times versus FY2014	4 times versus FY2014	Employees and seconded employees of Shin-Etsu Chemical
				Employment rate of persons with disabilities	2.35	2.50	Shin-Etsu Chemical and its domestic consolidated companies
				Number of child labor cases	0	0	Consolidated
				Number of forced labor cases	0	0	Consolidated
Respect for and protection of intellectual property	• The adverse effect on product sales due to infringement of our intellectual property • Restrictions on our product sales and business due to the patents of other entities • Impact of cyber-attacks on production, sales, and R&D activities • Loss of trust in the company due to information leakage	• Promoting product development and unique manufacturing methods by protecting and utilizing our intellectual property • Contributing to the development of industry and the society by publishing inventions • Implementing technology innovation and operational reforms by utilizing digital technologies while thoroughly protecting and managing information assets and taking measures against cyber attacks	• Intellectual property management • Initiatives for information asset management • Protection of personal information • Initiatives for cyber security	Patents acquired	1,864	—	Major consolidated manufacturing companies
				Patents held	23,874	—	Major consolidated manufacturing companies
Contribution to industry and social initiatives	• Loss of trust from local communities due to social contribution activities not meeting local needs • Impact on the world development due to the delay in achieving a sustainable world that the SDGs aim to achieve	• Creation of employment opportunities, stable employment and tax payment due to business stability • Building relationships of trust with the local community through dialogue and continuous activities • Contributing to a better world by addressing SDG issues through business operations	• Contribution to SDGs goals and targets • Fundraising for the U.N. World Refugee Day • Support for Science and Technology in Society forum • Support for eradicating poverty in Africa • Contribution to Society Activities at Overseas Group Company	—			
Accurate and timely information disclosure and communication with stakeholders	• Impairment of corporate value through the non-disclosure and inadequate disclosure of information • Loss of trust from stakeholders and the society due to failure to fulfill accountability	• Creating a fair market evaluation and improving corporate value • Earning the trust of stakeholders and the society	• Appropriate and timely disclosure of company information • Communication with stakeholders • Conference calls with analysts and investors after the announcement of financial results • Holding an exhibition	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 380 times	—	Shin-Etsu Chemical
				Small meetings for investors hosted by securities companies	6 time	—	Shin-Etsu Chemical

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

Main Sustainability Initiatives

For more information, please see the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/

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.

Legal Compliance

Legal Compliance on our sustainability site
https://www.shinetsu.co.jp/en/sustainability/esg_law/

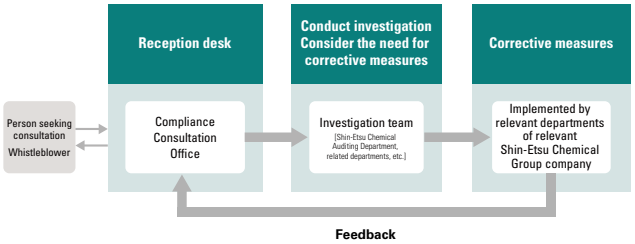
Ensuring Full Compliance Awareness

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."

If a report is made to the Compliance Consultation Office, the department in charge of investigation will investigate the content of the report, and the company will take corrective measures as necessary after accurately grasping the facts. The confidentiality of people seeking consultation and whistleblowers will be protected, and they will not be treated unfavorably for consulting or reporting.

Whenever laws and regulations related to corporate activities are enacted or revised, the Legal Department shares the information internally and ensures that all employees are fully aware of the changes. In addition, to promote understanding of important laws and regulations, we serialize articles explaining them in the company newsletter and host lectures by outside experts. In November 2024, 1,383 employees of Shin-Etsu Chemical and 35 Group companies in Japan attended the training course (webseminar) for promoting appropriate subcontracting transactions conducted by the Fair Trade Commission and the Small and Medium Enterprise Agency. In addition, from January to March 2025, we held online courses for Shin-Etsu Chemical employees on the Antimonopoly Act, the anti-bribery policy, the Subcontract Act, and the Freelance Protection Act, and 1,297 employees passed a test to confirm their understanding. We also provided information to Group companies in Japan via the Company intranet mainly on the "Price Negotiation Promotion Month" and the Guidelines on Price Negotiation for Appropriate Pass-through of Labor Costs.

From Compliance Consultation and Reporting to Corrective Measures



Initiatives Aimed at Preventing 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, by making the status of compliance with ethics in general one of the items in personnel evaluations, we are working to raise employees' awareness of legal compliance. We also conduct regular internal audits for corruption, embezzlement and bribery.

To strengthen our efforts to prevent corruption, including bribery, the Shin-Etsu Group was the first among Japanese companies to agree to the Tokyo Principles for Strengthening Anti-Corruption Practices by the Global Compact Network Japan and signed the letter of endorsement in February 2018.

Anti-Corruption Collective Action

Internal Control System and Operational Audit

The Company has formulated a "Basic Policy on Internal Controls" as stipulated by the Companies Act and an Ordinance of the Ministry of Justice, and our internal control system is structured and implemented in accordance with this policy. We review it constantly and endeavor to make it more appropriate and efficient.

The Auditing Department, which is a dedicated department, conducts operational audits of each department from the perspective of legality and rationality of business activities, and evaluates the status of development and operation of internal controls related to financial reporting from an independent standpoint. The results are reported directly to Directors, including the Representative Director, and Outside Audit & Supervisory Board Members.

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 FY2024 was 187.0 billion yen for consolidated companies. The breakdown by region is as follows: Japan 127.0 billion yen, the U.S. 47.9 billion yen, Europe 4.5 billion yen, and Asia-Oceania 7.4 billion yen.

Main Sustainability Initiatives

Quality Control

Quality Control on our sustainability site
https://www.shinetsu.co.jp/en/sustainability/esg_social/quality/

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 nonprice 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. In the quality audit in FY2024, the following items were audited as priority items:

(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 and status of horizontal deployment": Since many past quality problems were caused by inadequate process management, this year we conducted a logical analysis of quality problems caused by inadequate process management, and then checked whether permanent countermeasures against past quality problems were implemented and continued, and whether they were deployed horizontally to other production processes.

(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.

Quality audit (September 2024, Shin-Etsu Chemical Gunma Complex)

*Six Sigma activities: 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.

Product Safety Control

Product Safety Control on our sustainability site
https://www.shinetsu.co.jp/en/sustainability/esg_social/responsible/

The Group has established strict chemical substance management regulations at each stage of procurement, development, manufacturing, and sales. We appropriately design and manage chemical substances in accordance with laws and regulations and evaluate their safety based on the latest information collected in cooperation with administrative bodies and affiliated organizations. 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, in accordance with the regulations set forth in the revised Industrial Safety and Health Act to minimize the impact on workers when manufacturing and handling chemical substances, we are reducing usage of these substances through process improvements and other measures and are promoting safer alternatives.

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.

Chemical Substance/Product Management Flow

Environmental safety management regulations	Operation management regulations	Quality management implementation standards	Quality assurance implementation standards, etc.

Planning	Setting environmental and safety quality targets
R&D	■ Obtaining information on chemical substances Obtain SDSs ■ Chemical substances / Product safety /Risk assessment SDS education, chemical substance management education, personal protective equipment management education, local exhaust ventilation maintenance management, risk assessment of chemical substances, etc. ■ Confirmation and compliance with laws and regulations (notification of new chemical substances, etc.) Double-checking the elimination of all persistent, highly accumulative, and long-term toxic substances under Japan's Chemical Substances Control Law, etc.
Commercialization	Confirmation of achievement of environmental and safety quality targets
Manufacturing	Management and legal compliance
Sales	Information disclosure and legal compliance

Main Sustainability Initiatives

Communication with Stakeholders

Communication with Stakeholders on our sustainability site
https://www.shinetsu.co.jp/en/sustainability/esg_social/dialogue/

The Group communicates with stakeholders actively through a variety of methods and opportunities. We believe that this effort contributes to the sustainable growth of the Group and increases corporate value.

Stakeholders	Communication Policy	FY2024 Results
Shareholders and Investors	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.	General Shareholders' Meeting Financial results briefings and conference calls for analysts and institutional investors (four times in 2024) Business briefings for analysts and institutional investors (once in 2024) One-on-one meetings with analysts (about 380 times in 2024) Small meetings for investors hosted by securities companies (six times in 2024) Information provided on the company website, Annual Report, etc.
Customers	The sales, development, and production departments work together to improve customer satisfaction by communicating closely with customers, identifying customer issues and needs, and responding quickly to them.	Day-to-day communications by sales representatives Information provided on the company website, exhibitions, etc.
Suppliers	By publishing our Basic Procurement Policy and CSR Procurement Guidelines, and through fair, impartial, and transparent transactions, we will build sound, mutually beneficial relationships with our business partners and strive for mutual prosperity.	Day-to-day communications by the Purchasing Department Supplier hotline
Local communities	We value communication with local residents, governments, and municipalities, and are actively involved in social contribution activities in the community, striving to build a relationship of trust with the local community.	Communication with organizations such as local governments Participation in local events
Employees	In addition to disseminating information via the company newsletter 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 newsletter and intranet

Example of Communication with Shareholders and Investors

Business briefings for securities analysts and investors

In December 2024, we held a new business briefing for securities analysts and investors to deepen their understanding of our new businesses. The general managers of new business promotion units and Public Relations Department attended the briefing to introduce the GaN business and the package substrate manufacturing equipment business, and this was followed by a Q&A session. More than 100 securities analysts and investors attended the event.

New business briefing
(December 2024, Shin-Etsu Chemical Head Office)

Examples of Communication with Employees

Employee opinion survey

The Company aims at creating its personnel system and work environment based on communication with its employees. In 2022, to help create a more rewarding workplace, we conducted an employee opinion survey of employees working at Shin-Etsu Chemical.

The survey asked about a range of topics including compliance, customer orientation, penetration of management principles, Company's future prospects, personnel system, career outlook, workload, work environment, and relationships with superiors. The response rate was 86.5%. Analysis of the results revealed that the employees have a high level of compliance awareness.

On the other hand, intergenerational differences were observed on questions such as personnel system, career outlook, and relationships with superiors, reaffirming the change in values and the importance of intergenerational communication. In 2025, we launched a new initiative that utilizes organizational analysis of employee stress checks to further improve the workplace environment.

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES for the fiscal years ended March 31, 2016 through 2025

For more detailed information, please see the investor information on our corporate website.

WEB https://www.shinetsu.co.jp/en/ir/ir-data/

	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	Millions of yen 3/2025	Thousands of U.S. dollars (Note 1) 3/2025
For the year:											
Net sales	¥ 1,279,807	¥ 1,237,405	¥ 1,441,432	¥ 1,594,036	¥ 1,543,525	¥ 1,496,906	¥ 2,074,428	¥ 2,808,824	¥ 2,414,937	**¥ 2,561,249**	**$ 17,074,995**
Operating income	208,525	238,617	336,822	403,705	406,041	392,213	676,322	998,202	701,038	**742,105**	**4,947,370**
Ordinary income	220,005	242,133	340,308	415,311	418,242	405,101	694,434	1,020,211	787,228	**820,543**	**5,470,293**
Net income attributable to owners of parent	148,840	175,912	266,235	309,125	314,027	293,732	500,117	708,238	520,140	**534,021**	**3,560,142**
Cash Flows from Operating Activities	281,643	290,872	332,776	400,687	412,384	401,176	553,528	788,013	755,183	**881,934**	**5,879,561**
Cash Flows from Investing Activities	(166,599)	1,281	(237,602)	(181,553)	(394,547)	(250,719)	(253,723)	(186,488)	(1,099,208)	**(142,553)**	**(950,355)**
Cash Flows from Financing Activities	(38,941)	(37,199)	(50,006)	(164,538)	(94,055)	(91,123)	(122,504)	(423,559)	(369,466)	**(454,905)**	**(3,032,703)**
Capital expenditures	134,753	145,647	176,283	240,618	265,018	228,801	213,918	318,046	406,886	**434,576**	**2,897,179**
Depreciation and amortization	100,466	93,087	112,016	137,570	131,172	143,807	168,788	213,632	227,619	**238,357**	**1,589,047**
R&D costs	53,165	49,020	51,768	56,436	48,536	51,264	62,455	67,201	65,785	**73,129**	**487,529**
At year-end:											
Total assets	¥ 2,510,085	¥ 2,655,636	¥ 2,903,137	¥ 3,038,717	¥ 3,230,485	¥ 3,380,615	¥ 4,053,412	¥ 4,730,394	¥ 5,147,974	**¥ 5,636,601**	**$ 37,577,346**
Working capital (Current assets- Current liabilities)	1,170,679	1,232,607	1,324,495	1,358,614	1,446,724	1,551,662	1,960,216	2,355,713	2,516,113	**2,672,558**	**17,817,053**
Net assets	2,080,465	2,190,082	2,413,025	2,532,556	2,723,141	2,886,625	3,429,208	4,026,209	4,424,073	**4,837,585**	**32,250,570**
Interest-bearing debt	13,470	14,642	15,814	14,920	30,383	34,456	38,957	47,097	41,194	**33,904**	**226,030**

Ten-Year Summary

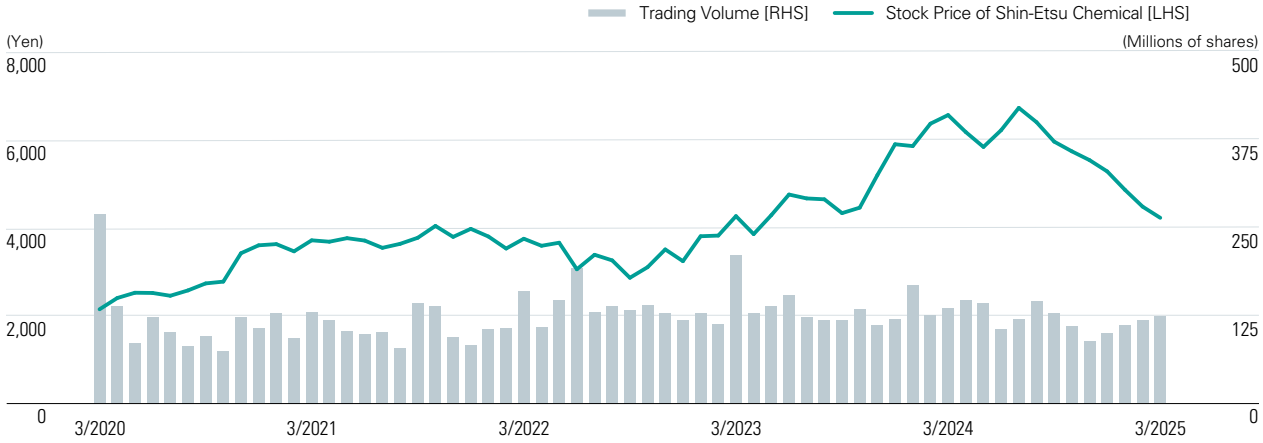
SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES for the fiscal years ended March 31, 2016 through 2025

	Millions of yen	Thousands of U.S. dollars (Note 1)
	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	**3/2025**	**3/2025**
Per share (Yen and U.S. dollars):											
Net income per share—basic (Note 2)	¥ 69.89	¥ 82.57	¥ 124.86	¥ 145.20	¥ 151.03	¥ 141.35	¥ 240.76	¥ 347.84	¥ 259.41	**¥ 269.52**	**$ 1.797**
Net income per share—fully diluted (Note 2)	69.88	82.57	124.82	145.18	151.00	141.25	240.55	347.61	259.13	**269.28**	**1.795**
Cash dividends (Note 2)	22.00	24.00	28.00	40.00	44.00	50.00	80.00	100.00	100.00	**106.00**	**0.707**
Payout ratio (%)	31.5	29.1	22.4	27.5	29.1	35.4	33.2	28.7	38.5	**39.3**	**39.3**
Net assets (Note 2)	952.30	1,000.43	1,102.40	1,183.09	1,275.59	1,353.94	1,601.45	1,918.37	2,133.17	**2,375.48**	**15.837**
DOE (%)	2.3	2.5	2.7	3.5	3.6	3.8	5.4	5.7	4.9	**4.7**	**4.7**
General:											
Operating income to net sales ratio (%)	16.3	19.3	23.4	25.3	26.3	26.2	32.6	35.5	29.0	**29.0**	**29.0**
Net income attributable to owners of parent to net sales ratio (%)	11.6	14.2	18.5	19.4	20.3	19.6	24.1	25.2	21.5	**20.9**	**20.9**
ROIC (%)	11.4	14.0	18.2	21.5	19.4	17.2	27.2	33.6	19.4	**18.2**	**18.2**
ROE (%)	7.5	8.5	11.9	12.8	12.3	10.7	16.3	19.7	12.8	**12.0**	**12.0**
Equity ratio (%)	80.8	80.3	81.0	81.1	82.1	83.2	82.1	81.8	82.7	**82.6**	**82.6**
PBR (times)	1.2	1.9	2.0	1.6	1.7	2.7	2.3	2.2	3.1	**1.8**	**1.8**
PER (times)	16.7	23.4	17.6	12.8	14.2	26.3	15.6	12.3	25.4	**15.7**	**15.7**
Number of employees	18,407	19,206	20,155	21,735	22,783	24,069	24,954	25,717	26,004	**27,274**	**27,274**
Number of shares issued (Thousands) (Note 2)	432,106	432,106	432,106	427,606	416,662	416,662	416,662	404,824	2,001,691	**1,984,995**	**1,984,995**

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥150 = US$1, the approximate rate of exchange on March 31, 2025.
2. The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Number of shares issued" before the stock split shows the actual amount of shares, while "Net income per share-basic", "Net income per share-fully diluted" and "Net assets per share" are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2016, based on "Accounting Standard for Earnings Per Share". Also, "Cash dividends per share" represents the amount after the stock split.

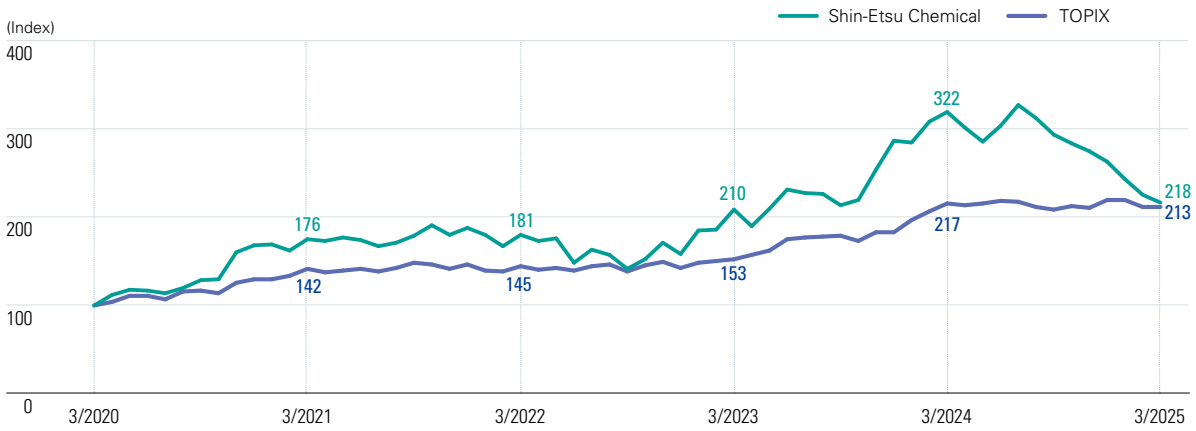
Investor Information

Stock Price Movement over the Past Five Years



Note: On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. The stock price and trading volume after March 31, 2020 have been converted based on the number of shares after the stock split.

Total Shareholder Return over the Past Five Years



Notes: 1. Stock index of Shin-Etsu Chemical and TOPIX (March 31, 2020 = 100)
2. The chart above shows the rate of return taking into consideration the dividend and the stock price as of the end of March 31, 2025 (on the assumption that an investment was made on March 31, 2020). Investment performance, as measured by the Shin-Etsu Chemical stock price plus dividends, is shown with the initial value on March 31, 2020 set to 100. For comparison, the chart also shows the TSE Stock Price Index (TOPIX) measured with dividends added in the same way.

Major Shareholders

(As of March 31, 2025) (*Rounded down to the nearest 1,000.)

Name of Shareholder	Number of Shares Held (Thousand shares*)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	355,028	18.1
Custody Bank of Japan, Ltd. (Trust Account)	139,805	7.1
Nippon Life Insurance Company	76,765	3.9
JP MORGAN CHASE BANK 385632	70,600	3.6
The Hachijuni Bank, Ltd.	57,136	2.9
Meiji Yasuda Life Insurance Company	53,439	2.7
STATE STREET BANK AND TRUST COMPANY 505001	48,068	2.5
GOVERNMENT OF NORWAY	36,306	1.9
STATE STREET BANK WEST CLIENT – TREATY 505234	35,828	1.8
JP MORGAN CHASE BANK 385781	27,851	1.4

Note: The holding ratios are computed net of the treasury shares (24,869,464 shares).

Corporate Information

Corporate Data (As of March 31, 2025)

Company Name	Shin-Etsu Chemical Co., Ltd.
Head Office	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Date of Establishment	September 16, 1926
Capital	¥119,419 million
Number of Employees	27,274 (Consolidated)
Common Stock (Note)	Number of Shares Authorized 8,000,000,000 Number of Shares Issued 1,984,995,865 Share Unit of Exchange 100 stocks Number of Stockholders 279,869

Stock Listings	Tokyo, Nagoya (Ticker Code: 4063)
Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Contact	Public Relations Department Phone : +81-3-6812-2340 Fax : +81-3-6812-2341 e-mail : sec-pr@shinetsu.jp

Notes: 1. The total number of issued shares decreased by 16,695,900 shares due to the cancellation of treasury shares implemented as of December 6, 2024.
2. The total number of issued shares includes 24,869,464 treasury shares.

Overall Picture of Communication

	Dialogue	Report	Website
Financial information	▶ Announcement of financial statements ▶ General meeting of shareholders ▶ Briefings for individual investors	▶ Annual securities reports / Semiannual Reports ▶ Financial Results ▶ Business report (Annual securities reports are published in Japanese only.) ▶ Annual report This report integrates financial and non-financial information of the Shin-Etsu Group and presents our approach and initiatives to create medium- to long-term value. 	▶ IR Information https://www.shinetsu.co.jp/en/ir/ 
Non-financial information	▶ For securities analysts and investors - Financial results briefings - Individual meetings - Business briefings - Plant tours	▶ Sustainability report (PDF version and web version) This report presents Shin-Etsu Group's approach and initiatives regarding sustainability. ▶ PDF version 	▶ Web version https://www.shinetsu.co.jp/en/sustainability/ 

Third-Party Evaluations (As of July 2025)

Inclusion in socially responsible investment indexes

2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

MSCI Selection Indexes Constituents 2025

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2025 Sompo Sustainability Index

S&P/JPX Carbon Efficient Index

CDP 2024

Recognition of research and innovation

Top 100 Global Innovator 2025 Clarivate

*The inclusion of Shin-Etsu Chemical Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Shin-Etsu Chemical Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

*FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

*FTSE Russell confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*FTSE Russell confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

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