

## President's Message



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

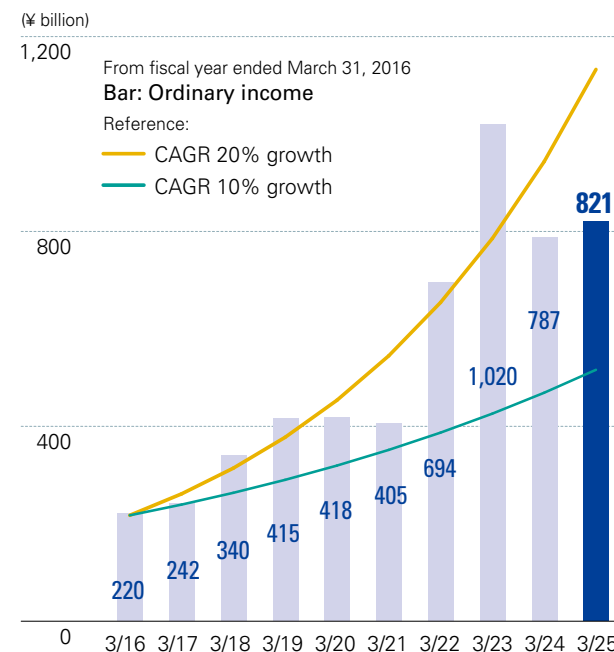
President  
Yasuhiko Saitoh

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



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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-

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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  $\mu$ -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.

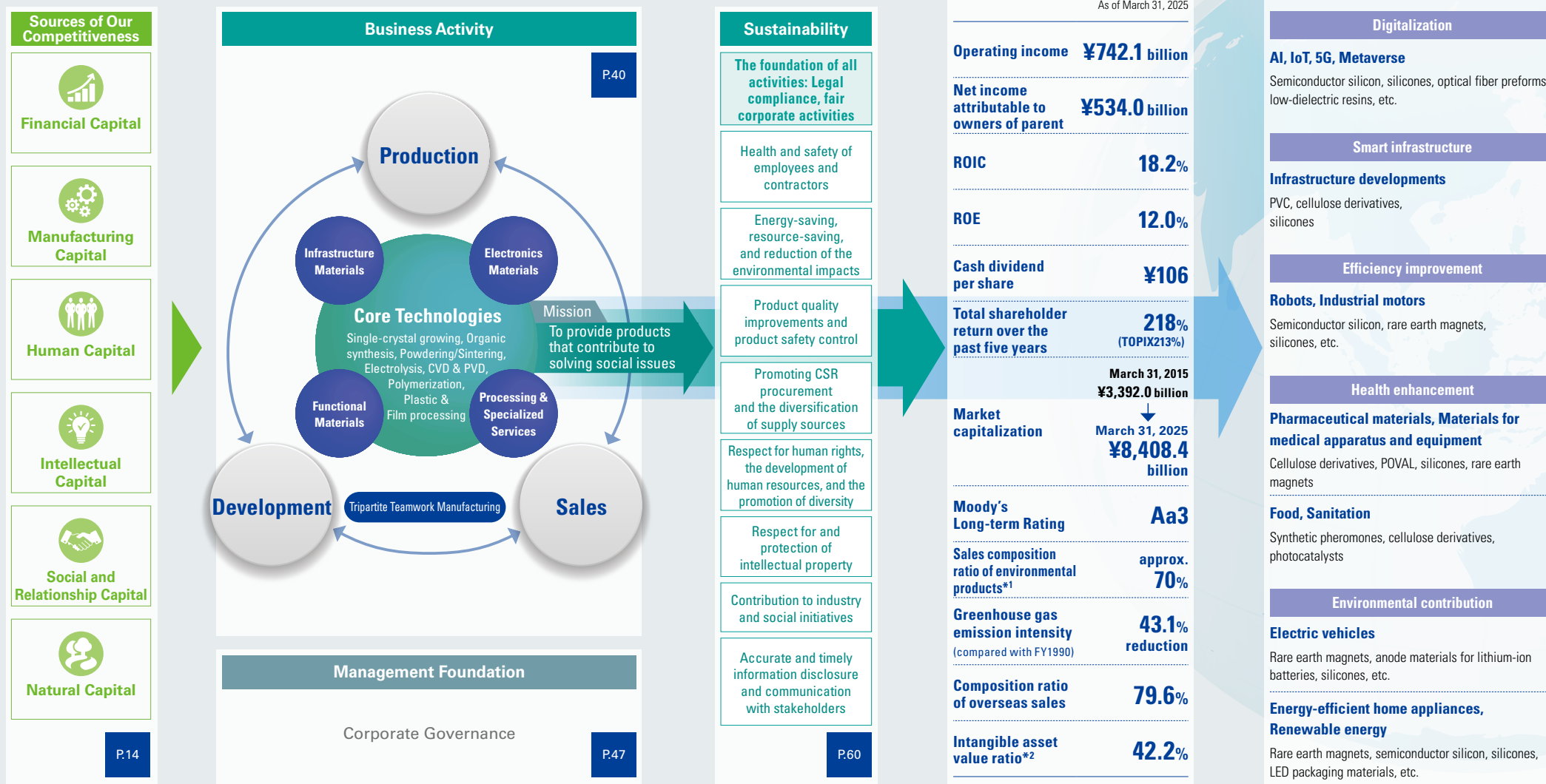
I would like to point out that we offer a number of products that contribute to reducing greenhouse gas emissions. For instance, roughly 70% of the sales of our products currently go to those areas which Japanese government nominates that are integral to achieving carbon neutrality. We will continue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



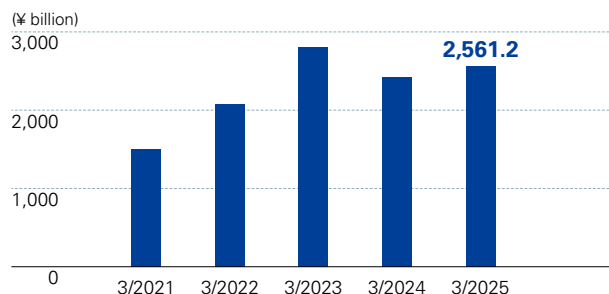
\*1 Products that contribute to the 14 areas identified by the Japanese government in 2021 as being essential to achieving the goal of carbon neutrality

\*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



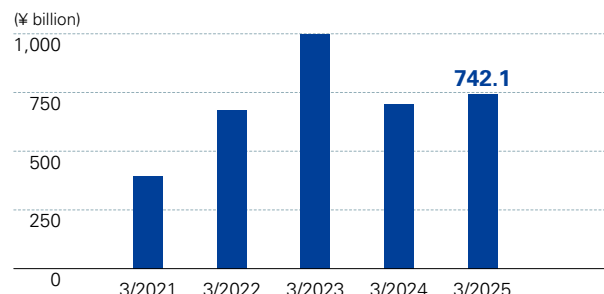
# Financial Highlights

## Net sales



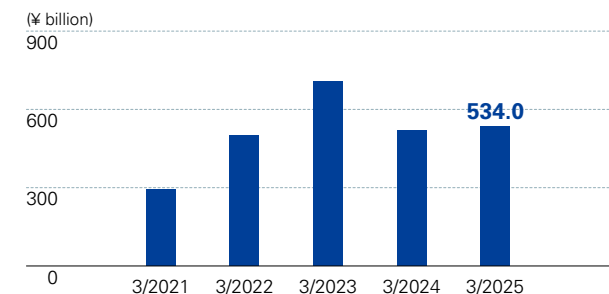
In the fiscal year ended March 31, 2025 (FY2024), consolidated net sales increased by 6.1% from the previous fiscal year as a result of our focus on PVC price updates and sales of electronic materials and highly functional silicones.

## Operating income



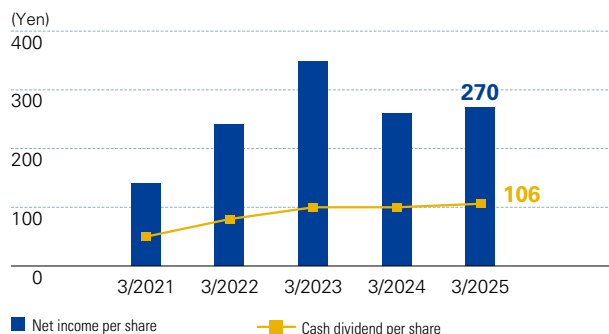
Consolidated operating income for FY2024 increased by 5.9% from the previous fiscal year. This was mainly due to increases in operating income of 19.3% and 17.7% in the Electronic Materials and Functional Materials businesses, respectively.

## Net income attributable to owners of parent



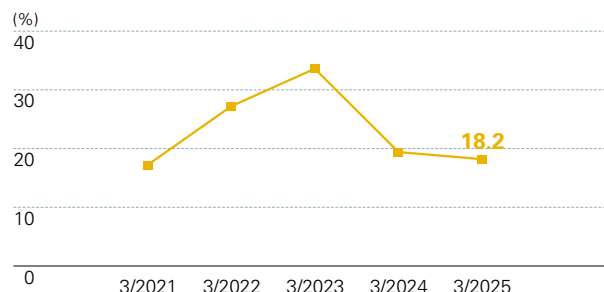
Net income attributable to owners of parent in FY2024 increased by 2.7% from the previous fiscal year due to the increase in operating income, despite a temporary increase in tax expenses due to dividend payments from overseas subsidiaries.

## Net income per share/Cash dividend per share <sup>(Note)</sup>



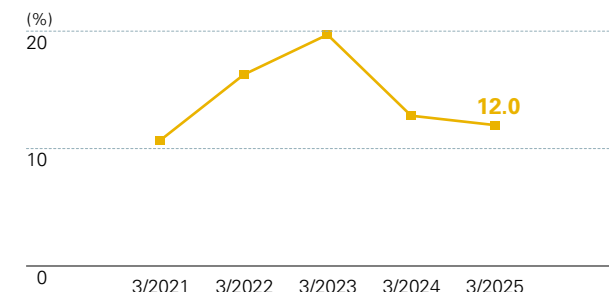
In accordance with our basic policy of aiming for stable dividends with a payout ratio of around 40% as a medium- to long-term guide, the annual dividend for FY2024 was ¥106 per share (dividend payout ratio of 39.3%), an increase ¥6 from the previous fiscal year.

## 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

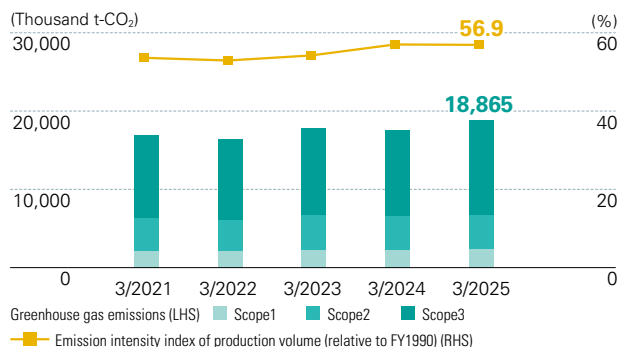


ROE for FY2024 fell 0.8 points from the previous fiscal year due to an increase in net assets, despite an increase in net income attributable to owners of parent.

(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

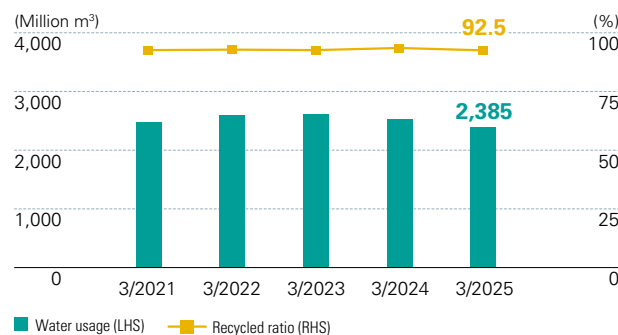
## Greenhouse gas emissions/Emission intensity index of production volume\*



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.

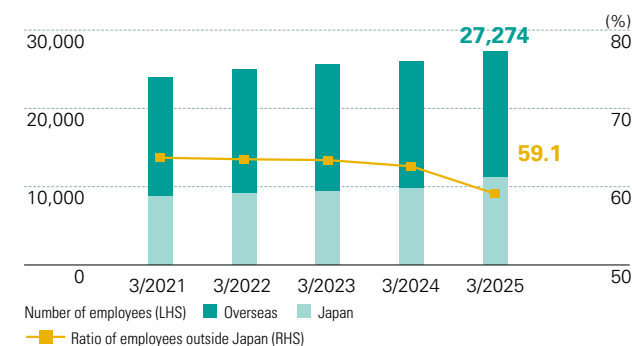
## Water usage\*/Recycled ratio



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.

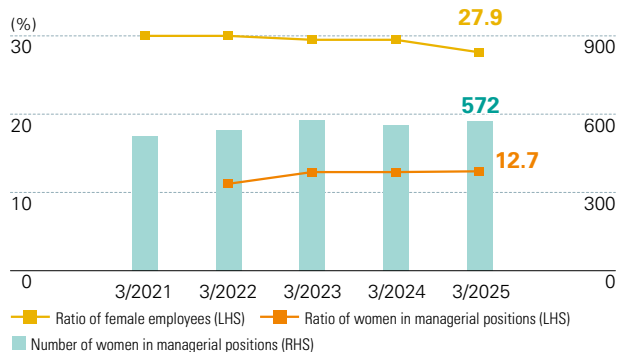
\*Total quantity of water withdrawal and recycled water

## 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.

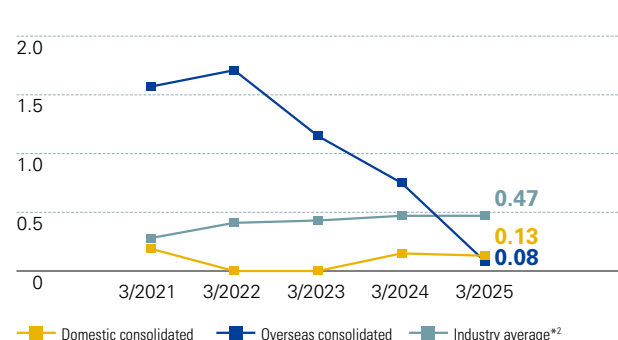
## Ratio of female employees/Number and ratio of women in managerial positions\*



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

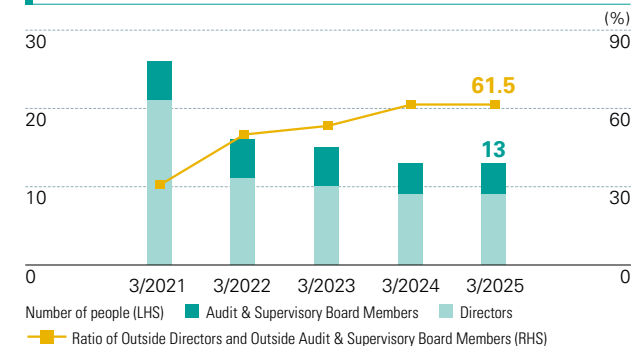
## Lost-time accident rate\*1



\*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.