

Shin-Etsu Chemical Co., Ltd.

Annual Report 2025

Financial Section

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2016 through 2025

| | Millions of yen | | | |
|--|-----------------|------------|------------|------------|
| | 2016 | 2017 | 2018 | 2019 |
| For the year: | | | | |
| Net sales | ¥1,279,807 | ¥1,237,405 | ¥1,441,432 | ¥1,594,036 |
| Operating income | 208,525 | 238,617 | 336,822 | 403,705 |
| Ordinary income | 220,005 | 242,133 | 340,308 | 415,311 |
| Net income attributable to owners of parent | 148,840 | 175,912 | 266,235 | 309,125 |
| Cash Flows from Operating Activities | 281,643 | 290,872 | 332,776 | 400,687 |
| Cash Flows from Investing Activities | (166,599) | 1,281 | (237,602) | (181,553) |
| Cash Flows from Financing Activities | (38,941) | (37,199) | (50,006) | (164,538) |
| Capital expenditures | 134,753 | 145,647 | 176,283 | 240,618 |
| Depreciation and amortization | 100,466 | 93,087 | 112,016 | 137,570 |
| R&D costs | 53,165 | 49,020 | 51,768 | 56,436 |
| At year-end: | | | | |
| Total assets | ¥2,510,085 | ¥2,655,636 | ¥2,903,137 | ¥3,038,717 |
| Working capital (Current assets - Current liabilities) | 1,170,679 | 1,232,607 | 1,324,495 | 1,358,614 |
| Net assets | 2,080,465 | 2,190,082 | 2,413,025 | 2,532,556 |
| Interest-bearing debt | 13,470 | 14,642 | 15,814 | 14,920 |
| Per share (Yen and U.S. dollars): | | | | |
| Net income per share—basic (Note 2) | ¥69.89 | ¥82.57 | ¥124.86 | ¥145.20 |
| Net income per share—fully diluted (Note 2) | 69.88 | 82.57 | 124.82 | 145.18 |
| Cash dividends (Note 2) | 22.00 | 24.00 | 28.00 | 40.00 |
| Payout ratio (%) | 31.5 | 29.1 | 22.4 | 27.5 |
| Net assets (Note 2) | 952.30 | 1,000.43 | 1,102.40 | 1,183.09 |
| DOE (%) | 2.3 | 2.5 | 2.7 | 3.5 |
| General: | | | | |
| Operating income to net sales ratio (%) | 16.3 | 19.3 | 23.4 | 25.3 |
| Net income attributable to owners of parent to net sales ratio (%) | 11.6 | 14.2 | 18.5 | 19.4 |
| ROIC (%) | 11.4 | 14.0 | 18.2 | 21.5 |
| ROE (%) | 7.5 | 8.5 | 11.9 | 12.8 |
| Equity ratio (%) | 80.8 | 80.3 | 81.0 | 81.1 |
| PBR (times) | 1.2 | 1.9 | 2.0 | 1.6 |
| PER (times) | 16.7 | 23.4 | 17.6 | 12.8 |
| Number of employees | 18,407 | 19,206 | 20,155 | 21,735 |
| Number of shares issued (Thousands) (Note 2) | 432,106 | 432,106 | 432,106 | 427,606 |

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.

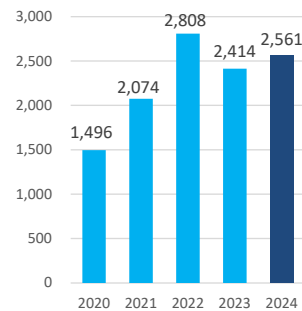
| Millions of yen | | | | | | Thousands of U.S. dollars (Note 1) |
|-----------------|------------|------------|------------|-------------|------------|---------------------------------------|
| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2025 |
| ¥1,543,525 | ¥1,496,906 | ¥2,074,428 | ¥2,808,824 | ¥2,414,937 | ¥2,561,249 | \$17,074,995 |
| 406,041 | 392,213 | 676,322 | 998,202 | 701,038 | 742,105 | 4,947,370 |
| 418,242 | 405,101 | 694,434 | 1,020,211 | 787,228 | 820,543 | 5,470,293 |
| 314,027 | 293,732 | 500,117 | 708,238 | 520,140 | 534,021 | 3,560,142 |
| 412,384 | 401,176 | 553,528 | 788,013 | 755,183 | 881,934 | 5,879,561 |
| (394,547) | (250,719) | (253,723) | (186,488) | (1,099,208) | (142,553) | (950,355) |
| (94,055) | (91,123) | (122,504) | (423,559) | (369,466) | (454,905) | (3,032,703) |
| 265,018 | 228,801 | 213,918 | 318,046 | 406,886 | 434,576 | 2,897,179 |
| 131,172 | 143,807 | 168,788 | 213,632 | 227,619 | 238,357 | 1,589,047 |
| 48,536 | 51,264 | 62,455 | 67,201 | 65,785 | 73,129 | 487,529 |
| ¥3,230,485 | ¥3,380,615 | ¥4,053,412 | ¥4,730,394 | ¥5,147,974 | ¥5,636,601 | \$37,577,346 |
| 1,446,724 | 1,551,662 | 1,960,216 | 2,355,713 | 2,516,113 | 2,672,558 | 17,817,053 |
| 2,723,141 | 2,886,625 | 3,429,208 | 4,026,209 | 4,424,073 | 4,837,585 | 32,250,570 |
| 30,383 | 34,456 | 38,957 | 47,097 | 41,194 | 33,904 | 226,030 |
| ¥151.03 | ¥141.35 | ¥240.76 | ¥347.84 | ¥259.41 | ¥269.52 | \$1.797 |
| 151.00 | 141.25 | 240.55 | 347.61 | 259.13 | 269.28 | 1.795 |
| 44.00 | 50.00 | 80.00 | 100.00 | 100.00 | 106.00 | 0.707 |
| 29.1 | 35.4 | 33.2 | 28.7 | 38.5 | 39.3 | 39.3 |
| 1,275.59 | 1,353.94 | 1,601.45 | 1,918.37 | 2,133.17 | 2,375.48 | 15.837 |
| 3.6 | 3.8 | 5.4 | 5.7 | 4.9 | 4.7 | 4.7 |
| 26.3 | 26.2 | 32.6 | 35.5 | 29.0 | 29.0 | 29.0 |
| 20.3 | 19.6 | 24.1 | 25.2 | 21.5 | 20.9 | 20.9 |
| 19.4 | 17.2 | 27.2 | 33.6 | 19.4 | 18.2 | 18.2 |
| 12.3 | 10.7 | 16.3 | 19.7 | 12.8 | 12.0 | 12.0 |
| 82.1 | 83.2 | 82.1 | 81.8 | 82.7 | 82.6 | 82.6 |
| 1.7 | 2.7 | 2.3 | 2.2 | 3.1 | 1.8 | 1.8 |
| 14.2 | 26.3 | 15.6 | 12.3 | 25.4 | 15.7 | 15.7 |
| 22,783 | 24,069 | 24,954 | 25,717 | 26,004 | 27,274 | 27,274 |
| 416,662 | 416,662 | 416,662 | 404,824 | 2,001,691 | 1,984,995 | 1,984,995 |

Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

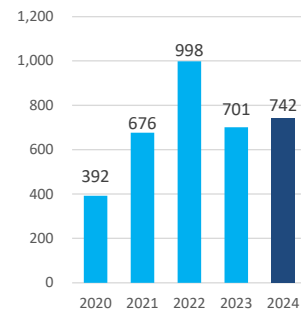
Net Sales

(Billions of yen)



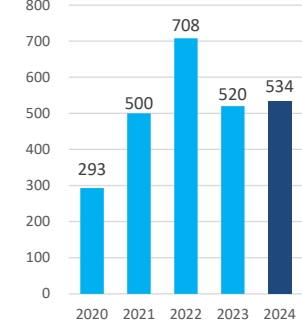
Operating Income

(Billions of yen)



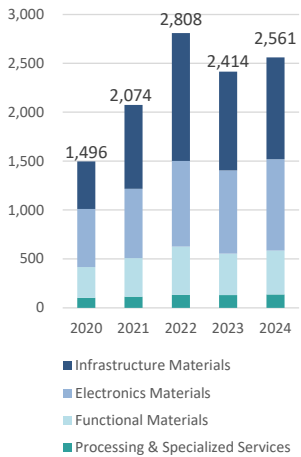
Net Income Attributable to Owners of Parent

(Billions of yen)



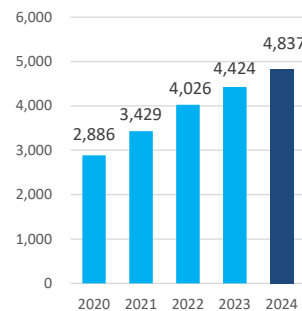
Net Sales by Business Segment

(Billions of yen)



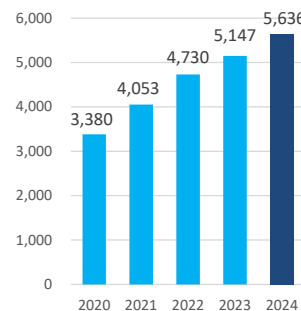
Total Net Assets

(Billions of yen)



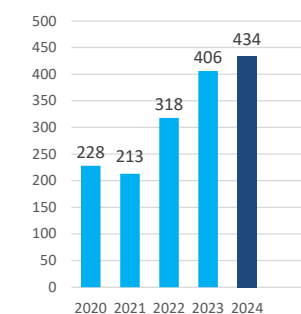
Total Assets

(Billions of yen)



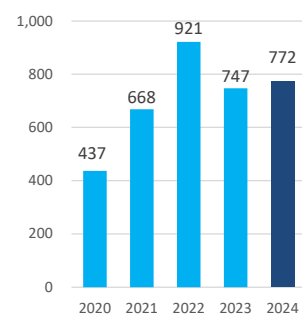
Capital Expenditures

(Billions of yen)



Net Cash Flow*

(Billions of yen)



* Net cash flow =
Net income attributable to owners of
parent + Depreciation and amortization

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") comprises Shin-Etsu Chemical Co., Ltd. (the "Company"), 135 subsidiaries, and 12 affiliates (as of March 31, 2025). The Group has four reportable business segments. The Infrastructure Materials business is engaged in the manufacture and sales of mainly PVC and caustic soda. The Electronics Materials business manufactures and sells semiconductor silicon, rare earth magnets, photoresists, photomask blanks, and synthetic quartz products. The Functional Materials business manufactures and sells silicones, cellulose derivatives, and silicon metals. The Processing & Specialized Services business handles Shin-Etsu Polymer Group business operations and also provides engineering and various other services. The Company and its affiliates share manufacturing and sales responsibilities and cooperate with each other to carry out business activities.

Consolidated Operating Performance

During FY2024 (from April 1, 2024, to March 31, 2025), in the U.S., the Federal Reserve Board began lowering its policy rate, and while the U.S. economy remained generally strong, tariffs and other policies put in place by the new administration began to cause a visible downward trend in personal consumption expenditures and business investment. In Europe, monetary easing was implemented and Germany decided to enact a fiscal stimulus package, raising hopes that the economic situation would improve. China finally began to implement economic stimulus packages, but exports did not decline due to the excess in supply that appears to be a part of governmental policy. We need to remain vigilant as trade frictions increase geopolitical risks. Under these circumstances, we have maintained close communication with our customers, continued to provide a reliable supply of products with required quality, and conducted sales with agility. As a result, net sales in FY2024 increased 6.1% (¥146,312 million) year on year to ¥2,561,249 million. Operating income was ¥742,105 million, an increase of 5.9% (¥41,067 million). Ordinary income increased 4.2% (¥33,315 million) to ¥820,543 million. Net income attributable to owners of parent was ¥534,021 million, an increase of 2.7% (¥13,881 million) despite the temporary increase in tax expenses arising from the payment of dividends from overseas subsidiaries starting this fiscal year. We will focus even more on business growth and improved operating performance. To that end, we will accelerate the development of products that are valuable to our customers and actively continue capital investments with a medium- to long-term perspective in order to meet the needs and demands of the customers and markets in a timely manner.

Business Segment Overview

Infrastructure Materials

As for PVC, the prices rose in major regions from April to June last year and further improved or maintained their levels from July to September, but the situation varied from region to region from October to December. There were regions where we were able to raise prices and regions where we were unable to do so from January to March this year. As for caustic soda, we raised the prices for the period of April to June last year, and since then the prices have kept going up and down, but they have improved from January to March this year.

Consequently, segment sales increased 3.1% (¥31,296 million) year on year to ¥1,041,571 million. Segment operating income amounted to ¥291,466 million, down 9.5% (¥30,495 million).

Electronics Materials

In the semiconductor market, the recovery from the adjustment phase has been patchy depending on the application and sector. Under these circumstances, we have focused on shipping semiconductor materials such as silicon wafer, photoresist and photomask blanks to the markets with strong growth. As for rare earth magnets, while we have met the strong demand of HDD, we have focused on expanding the sales to automotive markets.

Consequently, segment sales increased to ¥934,312 million, an increase of 9.9% (¥83,870 million) year on year. Segment operating income amounted to ¥324,760 million, an increase of 19.3% (¥52,595 million).

Functional Materials

In the commodity product group, inventory adjustment and the slowdown in the market caused by the slump in the Chinese economy continued, but we continued to make up for the sales by expanding the selling of highly functional product groups.

Consequently, segment sales increased to ¥448,642 million, an increase of 5.5% (¥23,392 million) year on year. Segment operating income amounted to ¥100,022 million, an increase of 17.7% (¥15,018 million).

Processing & Specialized Services

The demand for semiconductor-related containers, primarily for in-process use, has progressed steadily. In the automotive-related products, we have launched production of fire prevention cushions for EV batteries.

Consequently, segment sales increased to ¥136,722 million, an increase of 6.0% (¥7,753 million) year on year. Segment operating income amounted to ¥28,791 million, an increase of 19.2% (¥4,635 million).

Analysis of Financial Position

At the end of FY2024 (March 31, 2025), total assets had increased by ¥488,627 million compared with the end of the previous fiscal year to ¥5,636,601 million. This was mainly due to higher overseas consolidated subsidiary assets because of yen depreciation, as well as an increase in property, plant and equipment owing to a high levels of investment.

Total liabilities had increased by ¥75,115 million from the end of the previous fiscal year to ¥799,016 million.

Total net assets had increased by ¥413,512 million compared with the end of the previous fiscal year to ¥4,837,585 million. This increase was mainly due to net income attributable to owners of the parent of ¥534,021 million and an increase of ¥267,763 million in foreign currency translation adjustments due to yen depreciation, which were offset by decreases of ¥204,724 million for cash dividend payments and ¥193,988 million for purchases of treasury stock.

As a result, the equity ratio was 82.6%, down 0.1 percentage points from 82.7%, and net assets per share increased by ¥242.31 from the previous fiscal year, to ¥2,375.48.

Return on invested capital (ROIC) was 18.2%, down 1.2 percentage points from 19.4%, and return on equity (ROE) was 12.0%, down 0.8 percentage points from 12.8%. The full-year dividend was ¥106 per share, an increase of ¥6 from the previous period.

As a result, ratio of dividend payout to net assets (DOE) was 4.7%, down 0.2 percentage points from 4.9%, and the dividend payout ratio was 39.3%, up 0.8 percentage points from 38.5%.

Cash Flows

The balance of cash and cash equivalents (net cash) at the end of FY2024 had increased by 49.6% (¥292,601 million) compared with the end of the previous fiscal year to ¥882,736 million.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥881,934 million, an increase of ¥126,751 million from the previous fiscal year. This consisted mainly of ¥826,229 million in income before income taxes and non-controlling interests, ¥238,357 million in depreciation and amortization, and ¥187,020 million for the payment of income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities decreased by ¥956,655 million from the previous fiscal year to ¥142,553 million. This was mainly due to ¥439,473 million for purchases of property, plant and equipment and a net decrease of ¥328,837 million in time deposits.

Cash Flows from Financing Activities

Net cash used in financing activities increased by ¥85,439 million from the previous fiscal year to ¥454,905 million. This was mainly due to a cash dividend payment of ¥204,724 million and ¥193,988 million for purchases of treasury stock.

As of March 31, 2025, cash, deposits, and available-for-sale securities (current assets) including negotiable deposits totaled ¥1,811,679 million (including instruments with periods longer than three months), ensuring sufficient liquidity. In addition, the Company maintains stable cash flows through its operating activities. As a result, we will be able to deal with working capital and capital expenditure requirements for the foreseeable future.

Capital Expenditures

In the fiscal year under review, capital expenditures (including goodwill and other intangible assets) totaled ¥434,576 million across the Infrastructure Materials, Electronics Materials, Functional Materials, and Processing & Specialized Services business segments.

Capital expenditures in the Infrastructure Materials business came to ¥114,006 million. The main expenditure was a new integrated PVC production facility at Shintech, Inc.

In the Electronics Materials business, capital expenditures totaled ¥245,544 million. The main capital expenditures included measures taken in response to increasingly higher semiconductor silicon wafer quality requirements and the reinforcement of facilities at Shin-Etsu Handotai Co., Ltd., and the construction and enhancement of the Company's photoresist product manufacturing facility.

In the Functional Materials business, capital expenditures amounted to ¥65,864 million. Major expenditures went toward the enhancement and streamlining of silicone product manufacturing facilities.

Capital expenditures in the Processing & Specialized Services business amounted to ¥12,671 million. The Company and its consolidated subsidiaries primarily met these capital expenditure requirements through the use of internal funds.

Basic Policy Concerning Profit-Sharing

We are focusing on expanding profitability and exercising fiscal restraint, with the basic policy of returning the fruits of such management efforts to our shareholders in a proper and stable manner. We strive to increase our corporate value by the aggressive and timely use of internal reserves for enhanced global competitiveness, further business development and further growth. Further, we will maintain our solid financial base to enable us to tackle the increasing frequency and amplitude of economic fluctuations that may occur. We approach our capital policy with careful attention to the Return on Equity and the Cost of Capital. Shareholder returns are at the core of this. We strive to provide stable dividends, aiming for a dividend payout ratio of around 40% in the medium-to long-term. We have purchased treasury stock flexibly, taking into account stock price levels and other circumstances. As part of this, on April 25, 2025, we

announced that we will be purchasing treasury stock at ¥500,000 million.

Accordingly, the year-end dividend for the fiscal year ended March 31, 2025 was ¥53 per share, the same amount as the interim dividend of ¥53 per share. As a result, the annual dividend was ¥106 per share, an increase of ¥6 from the previous period.

Business Risks

Described below are the risks that management has recognized as potentially having a significant impact on Shin-Etsu Chemical's consolidated financial position, operating performance, and cash flows.

The Shin-Etsu Group (the Company, its consolidated subsidiaries, and its equity-method affiliates) strives to mitigate these risks through prevention, diversification, and hedging. However, these risks may significantly affect the Group's performance in the event of unexpected circumstances. The items below have been included based on judgments made by the Group at the end of FY2024 (March 31, 2025) and do not encompass all risks related to the Group.

1) Impacts of Economic Trends and Product Markets

Changes in the economic situation of countries or regions where the key markets for the Group's products exist may have a significant impact on the results of the Group's business operations. In addition, among the Group's key products, some products could be affected by large price fluctuations due to the global supply and demand environment. The Group is hedging its risks by taking such strategies as diversifying and globalizing its businesses.

However, a downturn in demand for certain products or intensified price competition could have a significant impact on the Group's business results.

2) Impacts of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 80% of the Group's consolidated net sales in FY2024, and this ratio is expected to remain at a high level going forward. The Japanese yen equivalent amounts of items in the financial statements of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates.

A large movement in these rates could have a significant impact on the business results of the entire Group. In addition, although we use forward exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, we are unable to completely hedge against the risks of fluctuations in foreign exchange rates, and similar possibilities exist.

3) Impacts of Natural Disasters, Accidents, Infectious Diseases

To minimize the potential damage that could result from an interruption of production activities, the Group performs regular disaster prevention inspections and carries out facility maintenance activities at its production facilities. It also makes facility investments to enhance safety, while establishing multiple manufacturing bases. However, in cases where a natural disaster, accident, or other unforeseen event damages production facilities or other areas, or where supply chains are interrupted, there is a possibility that the Group's business results will be significantly affected.

In addition, the Group has implemented thoroughgoing health and safety measures at its business sites. However, if the spread of infectious diseases or other outbreaks occur in the future, or if countries decide to limit business activities in response to such outbreaks, causing a significant decrease in demand for the Group's products or damage to its supply chain, including business sites, there is a possibility that the Group's business results will be significantly affected.

4) Impacts of Public Regulations and Laws

In countries and regions where the Group conducts business, we are bound by approval processes and licensing requirements involving investment and import/export regulations, as well as by various laws concerning commercial transactions, labor, patents, taxes, foreign exchange, and other matters. Any changes in these regulations and laws could have a significant impact on the Group's business results.

5) Impacts of Supply Factors on Procurement of Materials

The Group uses various raw materials in its production activities and strives to ensure a stable supply of these materials by diversifying its supply sources. However, in cases where there is a tight supply of materials or a delay in procuring these materials, where trade policies in supplier countries are changed, or where prices are increased because of these events, there is a possibility that the Group's business results will be significantly affected.

6) Impacts of the Development of New Products and Technologies

Technological advancements in the electronics industry, an important market for some of the Group's products, are progressing at a rapid pace. We are constantly working on developing the most advanced cutting-edge materials to meet the needs associated with this technological innovation. However, if the Group is unable to take appropriate measures in response to changes in industries and/or markets despite its constant efforts, there could be a significant impact on the Group's business results. Similarly, with respect to the products for industries other than those mentioned above, the Group could be affected by the emergence of highly competitive alternative products.

7) Impacts of Environmental Issues

The Group handles various types of chemical substances and complies with various laws and regulations concerning the environment. In addition, the Group has been making efforts to conserve energy use in order to help combat global warming and for the purpose of eliminating or significantly reducing emissions of substances that are harmful to the environment by improving efficiency. However, if regulations concerning the environment become stricter than currently anticipated, making it more difficult for the Group to technologically respond and requiring large-scale capital expenditures and other investments as a result, there could be a significant impact on the Group's business results.

8) Impacts of Product Liability

The Group makes every effort to maintain the optimum quality of its products in accordance with the characteristics of each product. However, in cases where a quality-related problem occurs due to unforeseen circumstances, there is a possibility that the Group's business results could be significantly affected.

Consolidated Balance Sheet

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
As of March 31, 2024 and 2025

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|------------|------------------------------------|
| | 2024 | 2025 | 2025 |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and time deposits (Note 24) | ¥1,698,999 | ¥1,708,438 | \$11,389,591 |
| Notes, accounts receivable-trade and contract assets (Note 4) | 481,812 | 514,702 | 3,431,352 |
| Securities (Notes 6 and 24) | 20,710 | 103,240 | 688,271 |
| Merchandise and finished goods | 295,388 | 338,621 | 2,257,475 |
| Work in process | 23,286 | 22,963 | 153,089 |
| Raw materials and supplies | 401,971 | 408,382 | 2,722,553 |
| Other | 121,389 | 123,243 | 821,620 |
| Less: Allowance for doubtful accounts | (7,049) | (9,941) | (66,273) |
| Total current assets | 3,036,509 | 3,209,652 | 21,397,680 |
| Fixed Assets: | | | |
| Property, Plant and Equipment (Note 9) | | | |
| Buildings and structures, net | 290,086 | 377,786 | 2,518,575 |
| Machinery and equipment, net | 860,903 | 1,081,151 | 7,207,678 |
| Land | 108,611 | 119,195 | 794,636 |
| Construction in progress | 454,975 | 451,088 | 3,007,254 |
| Other, net | 32,000 | 36,723 | 244,823 |
| Total property, plant and equipment | 1,746,577 | 2,065,945 | 13,772,968 |
| Intangible Assets | 10,195 | 36,908 | 246,057 |
| Investments and Other Assets: | | | |
| Investments in securities (Notes 6 and 8) | 183,758 | 134,632 | 897,550 |
| Net defined benefit asset (Note 11) | 4,991 | 6,964 | 46,427 |
| Deferred tax assets (Note 22) | 71,284 | 90,153 | 601,023 |
| Other (Note 8) | 100,786 | 97,573 | 650,491 |
| Less: Allowance for doubtful accounts | (6,129) | (5,228) | (34,854) |
| Total investments and other assets | 354,692 | 324,095 | 2,160,639 |
| Total fixed assets | 2,111,465 | 2,426,949 | 16,179,665 |
| Total Assets | ¥5,147,974 | ¥5,636,601 | \$37,577,346 |

The accompanying notes are an integral part of the consolidated financial statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|------------|---------------------------------------|
| | 2024 | 2025 | 2025 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Notes and accounts payable-trade | ¥161,364 | ¥184,369 | \$1,229,132 |
| Short-term borrowings (Note 10) | 10,386 | 9,389 | 62,593 |
| Accounts payable-other | 115,148 | 90,181 | 601,207 |
| Accrued expenses | 88,680 | 95,749 | 638,328 |
| Accrued income taxes | 73,140 | 84,604 | 564,030 |
| Accrued bonuses for employees | 5,002 | 5,935 | 39,569 |
| Accrued bonuses for directors | 361 | 540 | 3,603 |
| Other | 66,312 | 66,324 | 442,161 |
| Total current liabilities | 520,395 | 537,094 | 3,580,627 |
| Long-Term Liabilities: | | | |
| Long-term debt (Note 10) | 13,913 | 7,452 | 49,684 |
| Deferred tax liabilities (Note 22) | 129,262 | 191,813 | 1,278,759 |
| Net defined benefit liability (Note 11) | 32,571 | 33,172 | 221,151 |
| Other | 27,757 | 29,482 | 196,553 |
| Total long-term liabilities | 203,505 | 261,922 | 1,746,149 |
| Total Liabilities | 723,901 | 799,016 | 5,326,776 |
| NET ASSETS | | | |
| Stockholders' Equity: | | | |
| Common stock: | 119,419 | 119,419 | 796,131 |
| Authorized: 8,000,000,000 shares | | | |
| Issued: 2,001,691,765 shares and 1,984,995,865 shares as of March 31, 2024 and 2025, respectively | | | |
| Additional paid-in capital | 127,894 | 125,694 | 837,960 |
| Retained earnings (Note 12) | 3,520,355 | 3,755,274 | 25,035,163 |
| Less: Treasury stock, at cost | (24,292) | (121,025) | (806,837) |
| 5,637,568 shares and 24,869,464 shares as of March 31, 2024 and 2025, respectively | | | |
| Total stockholders' equity | 3,743,377 | 3,879,362 | 25,862,417 |
| Accumulated Other Comprehensive Income: | | | |
| Unrealized gains (losses) on available-for-sale securities | 40,518 | 32,481 | 216,543 |
| Deferred gains (losses) on hedges | (2,919) | 777 | 5,185 |
| Foreign currency translation adjustments | 466,438 | 734,201 | 4,894,676 |
| Remeasurements of defined benefit plans | 10,507 | 9,412 | 62,751 |
| Total accumulated other comprehensive income | 514,545 | 776,873 | 5,179,157 |
| Share Subscription Rights (Note 13) | 4,841 | 6,237 | 41,580 |
| Non-controlling Interests in Consolidated Subsidiaries | 161,308 | 175,112 | 1,167,413 |
| Total net assets | 4,424,073 | 4,837,585 | 32,250,570 |
| Total Liabilities and Net Assets | ¥5,147,974 | ¥5,636,601 | \$37,577,346 |

Consolidated Statement of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2024 and 2025

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|------------|------------------------------------|
| | 2024 | 2025 | 2025 |
| Net Sales (Notes 15, 25 and 26) | ¥2,414,937 | ¥2,561,249 | \$17,074,995 |
| Cost of Sales (Notes 11 and 17) | 1,503,728 | 1,577,127 | 10,514,182 |
| Gross profit | 911,209 | 984,121 | 6,560,812 |
| Selling, General and Administrative Expenses (Notes 11, 16 and 17) | 210,171 | 242,016 | 1,613,442 |
| Operating income (Note 26) | 701,038 | 742,105 | 4,947,370 |
| Other Income (Expenses): | | | |
| Interest income | 67,959 | 86,732 | 578,216 |
| Foreign exchange gain (loss) | 13,648 | (10,687) | (71,251) |
| Loss on retirement of non-current assets | (2,226) | (4,228) | (28,188) |
| Other, net (Note 31) | 6,810 | 6,621 | 44,145 |
| Ordinary income | 787,228 | 820,543 | 5,470,293 |
| Extraordinary Income (Losses): | | | |
| Gain on sale of investment securities | 19,178 | 11,003 | 73,359 |
| Gain on step acquisitions (Note 18) | - | 5,421 | 36,144 |
| Insurance claim income (Note 19) | 4,424 | - | - |
| Business restructuring expenses (Note 20) | (15,157) | (7,843) | (52,291) |
| Impairment losses | - | (2,896) | (19,306) |
| Income before income taxes and non-controlling interests | 795,673 | 826,229 | 5,508,199 |
| Income Taxes (Note 22): | | | |
| Current | 215,618 | 211,071 | 1,407,140 |
| Deferred | 14,894 | 35,056 | 233,712 |
| Total Income Taxes | 230,513 | 246,128 | 1,640,853 |
| Net Income | 565,160 | 580,101 | 3,867,345 |
| Net Income Attributable to Non-Controlling Interests | (45,020) | (46,080) | (307,203) |
| Net Income Attributable to Owners of Parent | ¥520,140 | ¥534,021 | \$3,560,142 |
| | Yen | | U.S. dollars (Note 3) |
| Earnings per Share : | | | |
| Net income attributable to owners of parent—basic | ¥259.41 | ¥269.52 | \$1.796 |
| Net income attributable to owners of parent—fully diluted | 259.13 | 269.28 | \$1.795 |
| Cash dividends | 100.00 | 106.00 | \$0.706 |
| Weighted-Average Number of Shares Outstanding (Thousands) | 2,005,085 | 1,981,362 | 1,981,362 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2024 and 2025

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|----------|------------------------------------|
| | 2024 | 2025 | 2025 |
| Net Income | ¥565,160 | ¥580,101 | \$3,867,345 |
| Other Comprehensive Income (Note 23): | | | |
| Unrealized gains (losses) on available-for-sale securities | 9,064 | (8,120) | (54,133) |
| Deferred gains (losses) on hedges | (2,495) | 3,710 | 24,734 |
| Foreign currency translation adjustments | 170,429 | 269,246 | 1,794,976 |
| Remeasurements of defined benefit plans | 4,143 | (1,104) | (7,365) |
| Share of other comprehensive income (loss) of affiliates accounted for using the equity method | 501 | 312 | 2,084 |
| Total other comprehensive income (loss) | 181,643 | 264,044 | 1,760,297 |
| Comprehensive Income | ¥746,804 | ¥844,146 | \$5,627,642 |
| (Breakdown) | | | |
| Comprehensive income attributable to owners of parent | ¥699,344 | ¥796,349 | \$5,308,998 |
| Comprehensive income attributable to non-controlling interests | 47,459 | 47,796 | 318,644 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

| | Thousands | Millions of yen | | | | |
|---|----------------------------------|----------------------|----------------------------|-------------------|-------------------------|------------|
| | Number of shares of common stock | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2023 | 2,024,122 | ¥119,419 | ¥128,320 | ¥3,310,205 | ¥(22,891) | ¥3,535,053 |
| Cash dividends | | | | (211,242) | | (211,242) |
| Net income attributable to owners of parent | | | | 520,140 | | 520,140 |
| Purchase of treasury stock | | | | | (107,742) | (107,742) |
| Disposal of treasury stock | | | (2,096) | | 9,690 | 7,593 |
| Retirement of treasury stock | (22,431) | | (96,651) | | 96,651 | - |
| Transfer to additional paid-in capital from retained earnings | | | 98,748 | (98,748) | | - |
| Others | | | (425) | | | (425) |
| Net changes of items other than stockholders' equity | | | | | | |
| Balance at March 31, 2024 | 2,001,691 | ¥119,419 | ¥127,894 | ¥3,520,355 | ¥(24,292) | ¥3,743,377 |

| | Millions of yen | | | | | | | |
|---|--|-----------------------------------|--|---|----------|---------------------------|--|------------------|
| | Accumulated Other Comprehensive Income | | | | | Share subscription rights | Non-controlling interests in consolidated subsidiaries | Total net assets |
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | | | |
| Balance at April 1, 2023 | ¥31,511 | ¥(410) | ¥297,855 | ¥6,385 | ¥335,341 | ¥3,814 | ¥151,999 | ¥4,026,209 |
| Cash dividends | | | | | | | | (211,242) |
| Net income attributable to owners of parent | | | | | | | | 520,140 |
| Purchase of treasury stock | | | | | | | | (107,742) |
| Disposal of treasury stock | | | | | | | | 7,593 |
| Retirement of treasury stock | | | | | | | | - |
| Transfer to additional paid-in capital from retained earnings | | | | | | | | - |
| Others | | | | | | | | (425) |
| Net changes of items other than stockholders' equity | 9,006 | (2,508) | 168,583 | 4,122 | 179,203 | 1,027 | 9,308 | 189,540 |
| Balance at March 31, 2024 | ¥40,518 | ¥(2,919) | ¥466,438 | ¥10,507 | ¥514,545 | ¥4,841 | ¥161,308 | ¥4,424,073 |

Note: The accompanying notes are an integral part of the consolidated financial statements.

| | Thousands | Millions of yen | | | | |
|---|----------------------------------|----------------------|----------------------------|-------------------|-------------------------|-------------------|
| | Number of shares of common stock | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2024 | 2,001,691 | ¥119,419 | ¥127,894 | ¥3,520,355 | ¥(24,292) | ¥3,743,377 |
| Cash dividends | | | | (204,724) | | (204,724) |
| Net income attributable to owners of parent | | | | 534,021 | | 534,021 |
| Purchase of treasury stock | | | | | (193,988) | (193,988) |
| Disposal of treasury stock | | | (1,354) | | 4,231 | 2,876 |
| Retirement of treasury stock | (16,695) | | (93,023) | | 93,023 | - |
| Transfer to additional paid-in capital from retained earnings | | | 94,378 | (94,378) | | - |
| Others | | | (2,200) | | | (2,200) |
| Net changes of items other than stockholders' equity | | | | | | |
| Balance at March 31, 2025 | 1,984,995 | ¥119,419 | ¥125,694 | ¥3,755,274 | ¥(121,025) | ¥3,879,362 |

| | Millions of yen | | | | | | | |
|---|--|-----------------------------------|--|---|-----------------|---------------------------|--|-------------------|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | Share subscription rights | Non-controlling interests in consolidated subsidiaries | Total net assets |
| Balance at April 1, 2024 | ¥40,518 | ¥(2,919) | ¥466,438 | ¥10,507 | ¥514,545 | ¥4,841 | ¥161,308 | ¥4,424,073 |
| Cash dividends | | | | | | | | (204,724) |
| Net income attributable to owners of parent | | | | | | | | 534,021 |
| Purchase of treasury stock | | | | | | | | (193,988) |
| Disposal of treasury stock | | | | | | | | 2,876 |
| Retirement of treasury stock | | | | | | | | - |
| Transfer to additional paid-in capital from retained earnings | | | | | | | | - |
| Others | | | | | | | | (2,200) |
| Net changes of items other than stockholders' equity | (8,036) | 3,697 | 267,762 | (1,095) | 262,328 | 1,395 | 13,803 | 277,526 |
| Balance at March 31, 2025 | ¥32,481 | ¥777 | ¥734,201 | ¥9,412 | ¥776,873 | ¥6,237 | ¥175,112 | ¥4,837,585 |

| | Thousands | Thousands of U.S. dollars (Note 3) | | | | |
|---|----------------------------------|------------------------------------|----------------------------|---------------------|-------------------------|---------------------|
| | Number of shares of common stock | Stockholders' Equity | | | | |
| | | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total |
| Balance at April 1, 2024 | 2,001,691 | \$796,131 | \$852,630 | \$23,469,036 | \$(161,949) | \$24,955,849 |
| Cash dividends | | | | (1,364,827) | | (1,364,827) |
| Net income attributable to owners of parent | | | | 3,560,142 | | 3,560,142 |
| Purchase of treasury stock | | | | | (1,293,255) | (1,293,255) |
| Disposal of treasury stock | | | (9,029) | | 28,209 | 19,179 |
| Retirement of treasury stock | (16,695) | | (620,158) | | 620,158 | - |
| Transfer to additional paid-in capital from retained earnings | | | 629,187 | (629,187) | | - |
| Others | | | (14,670) | | | (14,670) |
| Net changes of items other than stockholders' equity | | | | | | |
| Balance at March 31, 2025 | 1,984,995 | \$796,131 | \$837,960 | \$25,035,163 | \$(806,837) | \$25,862,417 |

| | Thousands of U.S. dollars (Note 3) | | | | | | | |
|---|--|-----------------------------------|--|---|--------------------|---------------------------|--|---------------------|
| | Accumulated Other Comprehensive Income | | | | | | | |
| | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total | Share subscription rights | Non-controlling interests in consolidated subsidiaries | Total net assets |
| Balance at April 1, 2024 | \$270,121 | \$(19,462) | \$3,109,589 | \$70,052 | \$3,430,301 | \$32,278 | \$1,075,392 | \$29,493,822 |
| Cash dividends | | | | | | | | (1,364,827) |
| Net income attributable to owners of parent | | | | | | | | 3,560,142 |
| Purchase of treasury stock | | | | | | | | (1,293,255) |
| Disposal of treasury stock | | | | | | | | 19,179 |
| Retirement of treasury stock | | | | | | | | - |
| Transfer to additional paid-in capital from retained earnings | | | | | | | | - |
| Others | | | | | | | | (14,670) |
| Net changes of items other than stockholders' equity | (53,577) | 24,647 | 1,785,086 | (7,301) | 1,748,855 | 9,302 | 92,021 | 1,850,179 |
| Balance at March 31, 2025 | \$216,543 | \$5,185 | \$4,894,676 | \$62,751 | \$5,179,157 | \$41,580 | \$1,167,413 | \$32,250,570 |

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2024 and 2025

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|--------------------|------------------|------------------------------------|
| | 2024 | 2025 | 2025 |
| Cash Flows from Operating Activities: | | | |
| Income before income taxes and non-controlling interests | ¥795,673 | ¥826,229 | \$5,508,199 |
| Depreciation and amortization | 227,619 | 238,357 | 1,589,047 |
| Impairment losses | 21,928 | 3,527 | 23,517 |
| Increase (decrease) in net defined benefit liability | 908 | (1,109) | (7,394) |
| (Gain) loss on sales of investments in securities | (19,178) | (11,003) | (73,359) |
| (Gain) loss on revaluation of investments in securities | 389 | 724 | 4,829 |
| Increase (decrease) in allowance for doubtful accounts | 1,153 | 1,493 | 9,956 |
| Interest and dividend income | (72,233) | (92,230) | (614,871) |
| Interest expenses | 1,501 | 1,350 | 9,006 |
| Exchange (gain) loss | (11,507) | 7,197 | 47,985 |
| Equity in (earnings) losses of affiliates | (8,607) | (6,351) | (42,341) |
| (Increase) decrease in notes and accounts receivable | 7,039 | 21,712 | 144,748 |
| (Increase) decrease in inventories | (9,560) | (8,469) | (56,463) |
| (Increase) decrease in long-term advance payment | 2,818 | 3,341 | 22,279 |
| Increase (decrease) in notes and accounts payable | (28,776) | (12,427) | (82,852) |
| Other, net | (8,622) | 822 | 5,485 |
| Subtotal | 900,547 | 973,165 | 6,487,772 |
| Proceeds from interest and dividends | 64,873 | 96,942 | 646,284 |
| Payments of interest | (1,298) | (1,154) | (7,694) |
| Payments of income taxes | (208,939) | (187,020) | (1,246,801) |
| Net cash provided by operating activities | 755,183 | 881,934 | 5,879,561 |
| Cash Flows from Investing Activities: | | | |
| (Increase) decrease in time deposits | (781,343) | 328,837 | 2,192,251 |
| Purchases of securities | - | (4,000) | (26,666) |
| Proceeds from redemption of securities | 36,065 | 772 | 5,150 |
| Purchases of property, plant and equipment | (374,417) | (439,473) | (2,929,825) |
| Proceeds from sales of property, plant and equipment | 1,545 | 92 | 617 |
| Purchases of intangible assets | (3,061) | (3,364) | (22,428) |
| Purchases of investments in securities | (2,646) | (6,066) | (40,440) |
| Proceeds from sales and redemption of investments in securities (Note 31) | 26,581 | 22,785 | 151,902 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (47,232) | (314,882) |
| Payments of loans | (193) | (201) | (1,341) |
| Proceeds from collection of loans | 10 | 3 | 22 |
| Other, net | (1,750) | 5,292 | 35,283 |
| Net cash provided by (used for) investing activities | (1,099,208) | (142,553) | (950,355) |
| Cash Flows from Financing Activities: | | | |
| Net increase (decrease) in short-term borrowings | (1,531) | 2,843 | 18,956 |
| Proceeds from long-term debt | 23 | 1,223 | 8,159 |
| Repayments of long-term debt | (5,109) | (12,637) | (84,247) |
| Purchases of treasury stock | (107,742) | (193,988) | (1,293,255) |
| Proceeds from sales of treasury stock | 6,621 | 2,471 | 16,474 |
| Cash dividends paid | (211,242) | (204,724) | (1,364,827) |
| Other, net | (50,485) | (50,094) | (333,962) |
| Net cash used for financing activities | (369,466) | (454,905) | (3,032,703) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 56,283 | 8,125 | 54,168 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (657,208) | 292,600 | 1,950,670 |
| Cash and Cash Equivalents at Beginning of Year | 1,247,344 | 590,135 | 3,934,236 |
| Cash and Cash Equivalents at End of Year, inclusion of subsidiaries in consolidation (Note 24) | ¥590,135 | ¥882,736 | \$5,884,907 |

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2024 and 2025

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Shin-Etsu Chemical Co., Ltd. (the "Company") and its subsidiaries. The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law and in conformity with generally accepted accounting principles prevailing in Japan. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries. Before the fiscal year ended March 31, 2008, in general, no adjustments to the accounts of overseas consolidated subsidiaries were reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles followed by the Company.

Effective from the fiscal year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 18, issued on May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company, as required by the Financial Instruments and Exchange Law of Japan.

The presentation of the accompanying consolidated financial statements is made in conformity with the Consolidated Financial Statements Regulation (ordinance promulgated by the Ministry of Finance) and meets the requirements for disclosure of financial information of the Company on a consolidated basis. However, certain reclassifications have been made to the consolidated financial statements issued domestically to enable the presentation in a form which is more familiar to readers outside Japan.

The amounts in the accompanying consolidated financial statements are stated in millions of yen. Amounts less than ¥1 million are omitted, except where otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and 99 majority-owned subsidiaries (collectively, the "Companies"), of which the principal firms are listed on page 45 with their respective fiscal year-ends. From the current fiscal year, Mimasu Semiconductor Industry Co., Ltd., which was an affiliate accounted for under the equity method, has been included in the scope of consolidation due to the acquisition of additional shares.

The unconsolidated subsidiaries, including Shin-Etsu Magnetics (Thailand) Ltd., whose total assets, net sales, net income and retained earnings in the aggregate are not material to the consolidated financial statements have been excluded from the scope of consolidation.

For consolidation of subsidiaries whose fiscal year-ends are not the same as the Company, necessary adjustments are made for significant intercompany transactions occurring during the periods between the fiscal year-end of respective consolidated subsidiaries and that of the Company.

Goodwill is amortized within 20 years on a straight-line basis.

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

The equity method is applied to the investments in 2 major affiliates and investments in the remaining unconsolidated subsidiaries, including Shin-Etsu Magnetics (Thailand) Ltd., and affiliates, including NIPPON PLASTIC INDUSTRY CO., LTD., are stated at cost because they are not material to the consolidated financial statements.

The unconsolidated subsidiaries and affiliates accounted for by the equity method are listed below:

Shin-Etsu Quartz Products Co., Ltd.
Admatechs Co., Ltd.

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

(3) Translation of foreign currency transactions

Foreign currency transactions are generally translated into yen at the rates prevailing at the respective transaction dates.

Foreign currency deposits, receivables and payables are translated into yen at the exchange rate prevailing at the respective balance sheet dates and the resulting translation gain or loss is included in the determination of profit for the year.

However, all of the overseas consolidated subsidiaries apply the current rate method to translate transactions and account balances in foreign currencies into their respective home currencies.

(4) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

The balance sheet accounts of overseas consolidated subsidiaries are translated into yen at current exchange rates prevailing at the end of the fiscal year, except for equity, which is translated at the historical rate. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2024 and 2025.

(5) Allowance for doubtful accounts

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

(6) Inventories

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

(7) Financial instruments

Securities:

Held-to-maturity debt securities are stated at amortized cost using the straight-line method. Of available-for-sale securities, securities excluding stocks and other securities with no market value are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at net-of-tax amounts. Stocks and other securities with no market value are stated at cost, determined by the moving-average cost method.

Derivatives:

Derivatives are stated at fair value, with changes in fair value included in profit or loss in the same period in which they arise, except for derivatives that are designated as "hedging instruments."

The Company and consolidated subsidiaries enter into foreign exchange contracts, currency swaps, interest rate swaps and commodity swap contracts.

Hedge accounting:

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are interest rate swaps, foreign exchange contracts, currency swaps, commodity swap contracts and commodity options. The related hedged items are interest rate transactions tied to funding activities, forecasted foreign currency transactions and prices of raw materials.

The Company has a policy to utilize the above hedging instruments in order to hedge the risk of fluctuations in interest rates and foreign currencies. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items. The Company does not enter into derivative transactions for trading or speculative purposes.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the corresponding hedged items from the commencement of the hedges.

(8) Property, plant and equipment

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

Useful lives mainly are as follows:

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

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

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

(9) Repairs and maintenance

Normal repairs and maintenance, including minor renewals and improvements, are charged to cost as incurred.

(10) Accrued bonuses for employees

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

(11) Accrued bonuses for directors

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

(12) Accrued retirement benefits

The Company applies the benefit formula basis to measure the pension obligations. The expected retirement benefit attributed to periods of service under the plan's benefit formula is deemed as arising in each period.

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

(13) Standards for recognizing revenues and expenses

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

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

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

(14) Research and development costs

Research and development costs are charged to cost as incurred.

(15) Income and dividends per share

Net income per share-basic is based upon the weighted-average number of shares of common stock outstanding during each fiscal year. Net income per share-fully diluted represents earnings per share assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expenses.

(16) Dividends

Dividends are proposed by the Board of Directors and approved by the stockholders at meetings held subsequent to the fiscal year to which the dividends are applicable, and registered stockholders as of the end of such fiscal year are entitled to the subsequently declared dividends. Interim cash dividends are also paid (see Note 12).

Dividends charged to retained earnings in the accompanying consolidated statements of changes in net assets represent dividends approved and paid during the year.

3. UNITED STATES DOLLAR AMOUNTS

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥150 to US\$1, the approximate effective rate of exchange on March 31, 2025. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥150 to US\$1 or at any other rate.

4. CONTRACT ASSETS AND RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

The individual amounts of contract assets and receivables arising from contracts with customers included in "Notes, accounts receivable-trade and contract assets" are shown in Note 25.

5. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

In principle, fund management is limited to deposits with financial institutions with high credit ratings and risk-free bonds. If external financing is required for working capital and capital expenditures, we raise funds primarily through bank borrowings and issuance of corporate bonds.

Financial instruments, risks and risk management

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

Securities and investments in securities are stocks in companies with which the Company has business relationships, held-to-maturity debt securities and also certificates of deposit. Regarding securities and investment securities, the Company regularly determines their fair value and the financial situation of the issuing companies. For stocks, the Company also continually reviews the stock holding status, considering its relationship with the issuing companies.

In order to hedge the foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies and interest rate risk associated with long-term loans and long-term debts, derivative transactions such as interest rate swap transactions, currency swap transactions and foreign exchange forward contracts are utilized. Also, to hedge price fluctuation risks when procuring raw materials, commodity swap transactions are utilized. All derivative transactions are entered into for the purpose of hedging risks arising in the ordinary course of business, and there are no derivative transactions entered into for trading or speculative purposes.

Supplementary explanation on the estimated fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value of financial instruments, different assumptions and factors could result in different fair values. In addition, the contract amount of derivative transactions in Note 7 does not itself indicate the market risk associated with the derivative transactions.

(2) Fair value of financial instruments

As of March 31, 2024 and 2025, the book value, fair value and the difference between the two are as follows:

| | Millions of yen | | |
|---|-----------------|-----------------|---------------|
| | 2024 | | |
| | Book value | Fair value | Difference |
| Assets: | | | |
| (1) Securities and investments in securities(*2) | | | |
| i) Held-to-maturity debt securities | ¥16,521 | ¥15,950 | ¥(571) |
| ii) Investments in and advances to unconsolidated subsidiaries and affiliates | 35,755 | 44,464 | 8,708 |
| iii) Available-for-sale securities | 105,486 | 105,486 | — |
| (2) Long-term loans | 187 | 194 | 7 |
| Total | ¥157,950 | ¥166,095 | ¥8,144 |
| Liabilities: | | | |
| (3) Long-term debt | ¥13,913 | ¥13,512 | ¥(400) |
| Total | ¥13,913 | ¥13,512 | ¥(400) |
| (4) Derivative transactions(*3): | | | |
| Hedge accounting not applied | ¥(3,516) | ¥(3,516) | ¥— |
| Hedge accounting applied | (3,798) | (3,798) | — |
| Total | ¥(7,315) | ¥(7,315) | ¥— |

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

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

| Section | Book value |
|-------------------------|-----------------|
| Non-listed stocks, etc. | ¥46,706 million |

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

| | Millions of yen | | | Thousands of U.S. dollars | | |
|--|-----------------|-----------------|---------------|---------------------------|--------------------|------------------|
| | 2025 | | | 2025 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Assets: | | | | | | |
| (1) Securities and investments in securities(*2) | | | | | | |
| i) Held-to-maturity debt securities | ¥5,000 | ¥4,929 | ¥(70) | \$33,333 | \$32,863 | \$(470) |
| ii) Available-for-sale securities | 177,614 | 177,614 | — | 1,184,099 | 1,184,099 | — |
| (2) Long-term loans | 99 | 105 | 5 | 663 | 700 | 37 |
| Total | ¥182,714 | ¥182,649 | ¥(64) | \$1,218,096 | \$1,217,663 | \$(432) |
| Liabilities: | | | | | | |
| (3) Long-term debt | ¥7,452 | ¥7,160 | ¥(291) | \$49,684 | \$47,739 | \$(1,945) |
| Total | ¥7,452 | ¥7,160 | ¥(291) | \$49,684 | \$47,739 | \$(1,945) |
| (4) Derivative transactions(*3): | | | | | | |
| Hedge accounting not applied | ¥287 | ¥287 | ¥— | \$1,914 | \$1,914 | \$— |
| Hedge accounting applied | 1,192 | 1,192 | — | 7,949 | 7,949 | — |
| Total | ¥1,479 | ¥1,479 | ¥— | \$9,864 | \$9,864 | \$— |

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

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

| Section | Book value |
|-------------------------|--------------------------------------|
| Non-listed stocks, etc. | ¥55,258 million (\$368,389 thousand) |

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

Notes:

1. Repayment schedule of time deposits, notes and accounts receivable-trade, securities and investments in securities, and long-term loans.

| Description | Millions of yen | | | | |
|--|-------------------|---------------------------------|----------------------------------|----------------|-----------|
| | 2024 | | | | |
| | Within one year | Over one year within five years | Over five years within ten years | Over ten years | |
| Time deposits | ¥1,698,919 | ¥— | ¥— | ¥— | ¥— |
| Notes and accounts receivable-trade | 481,408 | — | — | — | — |
| Securities and investments in securities | 20,710 | 7,585 | 8,225 | — | — |
| Long-term loans | — | 177 | 2 | 7 | 7 |
| Total | ¥2,201,039 | ¥7,762 | ¥8,227 | ¥7 | ¥7 |

| Description | Millions of yen | | | | | Thousands of U.S. dollars | | | | |
|--|-------------------|---------------------------------|----------------------------------|----------------|-----------|---------------------------|---------------------------------|----------------------------------|----------------|-------------|
| | 2025 | | | | | 2025 | | | | |
| | Within one year | Over one year within five years | Over five years within ten years | Over ten years | | Within one year | Over one year within five years | Over five years within ten years | Over ten years | |
| Time deposits | ¥1,708,367 | ¥— | ¥— | ¥— | ¥— | \$11,389,117 | \$— | \$— | \$— | \$— |
| Notes and accounts receivable-trade | 514,628 | — | — | — | — | 3,430,854 | — | — | — | — |
| Securities and investments in securities | 103,240 | 5,677 | 6,552 | — | — | 688,271 | 37,848 | 43,682 | — | — |
| Long-term loans | — | 89 | 2 | 7 | 7 | — | 599 | 14 | 49 | 49 |
| Total | ¥2,326,236 | ¥5,767 | ¥6,554 | ¥7 | ¥7 | \$15,508,243 | \$38,447 | \$43,696 | \$49 | \$49 |

2. Repayment schedule of short-term borrowings, long-term debt and lease obligations.

| Description | Millions of yen | | | | | | |
|-----------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|---------------|
| | 2024 | | | | | | |
| | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | |
| Short-term borrowings | ¥4,710 | ¥— | ¥— | ¥— | ¥— | ¥— | ¥— |
| Long-term debt | 5,676 | 3,709 | 2,023 | 881 | 5,868 | 1,430 | 1,430 |
| Lease obligations | 4,445 | 3,906 | 2,729 | 1,806 | 1,418 | 2,587 | 2,587 |
| Total | ¥14,832 | ¥7,616 | ¥4,752 | ¥2,688 | ¥7,286 | ¥4,018 | ¥4,018 |

| Description | Millions of yen | | | | | | |
|-----------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|---------------|
| | 2025 | | | | | | |
| | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | |
| Short-term borrowings | ¥7,711 | ¥— | ¥— | ¥— | ¥— | ¥— | ¥— |
| Long-term debt | 1,677 | 1,095 | 29 | 5,016 | 1,275 | 35 | 35 |
| Lease obligations | 5,080 | 3,790 | 2,559 | 1,960 | 1,214 | 2,456 | 2,456 |
| Total | ¥14,469 | ¥4,886 | ¥2,589 | ¥6,976 | ¥2,490 | ¥2,491 | ¥2,491 |

| Description | Thousands of U.S. dollars | | | | | | |
|-----------------------|---------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|-----------------|
| | 2025 | | | | | | |
| | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | |
| Short-term borrowings | \$51,408 | \$— | \$— | \$— | \$— | \$— | \$— |
| Long-term debt | 11,184 | 7,303 | 199 | 33,442 | 8,502 | 236 | 236 |
| Lease obligations | 33,871 | 25,271 | 17,065 | 13,069 | 8,099 | 16,374 | 16,374 |
| Total | \$96,464 | \$32,575 | \$17,265 | \$46,511 | \$16,601 | \$16,611 | \$16,611 |

(3) Fair value of financial instruments by level

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

Level 1 of fair value: is calculated based on the market price of the asset or liability formed in the active market of the inputs related to the calculation of the observable fair value.

Level 2 of fair value: is calculated using the inputs related to the calculation of the fair value other than the level 1 input of the inputs related to the calculation of the observable fair value.

Level 3 of fair value: is calculated using inputs related to the calculation of unobservable fair value.

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

As of March 31, 2024, financial instruments recorded on the consolidated balance sheet at fair value are as follows:

| | Millions of yen | | | |
|--|-----------------|----------|--------|----------|
| | 2024 | | | |
| | Level1 | Level2 | Level3 | Total |
| Assets: | | | | |
| Securities and investments in securities | | | | |
| Available-for-sale securities | | | | |
| Stocks | ¥85,486 | ¥— | ¥— | ¥85,486 |
| Total | ¥85,486 | ¥— | ¥— | ¥85,486 |
| Derivative transactions: | | | | |
| Hedge accounting not applied | ¥— | ¥(3,516) | ¥— | ¥(3,516) |
| Hedge accounting applied | — | (3,798) | — | (3,798) |
| Total | ¥— | ¥(7,315) | ¥— | ¥(7,315) |

As of March 31, 2025, financial instruments recorded on the consolidated balance sheet at fair value are as follows:

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|--|-----------------|--------|--------|---------|---------------------------|----------|--------|-----------|
| | 2025 | | | | 2025 | | | |
| | Level1 | Level2 | Level3 | Total | Level1 | Level2 | Level3 | Total |
| Assets: | | | | | | | | |
| Securities and investments in securities | | | | | | | | |
| Available-for-sale securities | | | | | | | | |
| Stocks | ¥67,144 | ¥— | ¥— | ¥67,144 | \$447,631 | \$— | \$— | \$447,631 |
| Bonds | — | 8,970 | — | 8,970 | — | 59,801 | — | 59,801 |
| Total | ¥67,144 | ¥8,970 | ¥— | ¥76,114 | \$447,631 | \$59,801 | \$— | \$507,432 |
| Derivative transactions: | | | | | | | | |
| Hedge accounting not applied | ¥— | ¥287 | ¥— | ¥287 | \$— | \$1,914 | \$— | \$1,914 |
| Hedge accounting applied | — | 1,192 | — | 1,192 | — | 7,949 | — | 7,949 |
| Total | ¥— | ¥1,479 | ¥— | ¥1,479 | \$— | \$9,864 | \$— | \$9,864 |

As of March 31, 2024, financial instruments other than those listed on the consolidated balance sheet at fair value are as follows:

| Millions of yen | | | | |
|---|----------------|----------------|-----------|----------------|
| 2024 | | | | |
| | Level1 | Level2 | Level3 | Total |
| Assets: | | | | |
| Securities and investments in securities | | | | |
| Held-to-maturity debt securities | ¥— | ¥15,950 | ¥— | ¥15,950 |
| Investments in and advances to unconsolidated subsidiaries and affiliates | 44,464 | — | — | 44,464 |
| Available-for-sale securities | | | | |
| Negotiable certificates of deposit, money trusts and trust beneficiary rights | — | 20,000 | — | 20,000 |
| Long-term loans | — | 194 | — | 194 |
| Total | ¥44,464 | ¥36,144 | ¥— | ¥80,609 |
| Liabilities: | | | | |
| Long-term debt | ¥— | ¥13,512 | ¥— | ¥13,512 |
| Total | ¥— | ¥13,512 | ¥— | ¥13,512 |

As of March 31, 2025, financial instruments other than those listed on the consolidated balance sheet at fair value are as follows:

| Millions of yen | | | | | Thousands of U.S. dollars | | | | |
|---|-----------|-----------------|-----------|-----------------|---------------------------|------------|------------------|------------|------------------|
| 2025 | | | | | 2025 | | | | |
| | Level1 | Level2 | Level3 | Total | | Level1 | Level2 | Level3 | Total |
| Assets: | | | | | | | | | |
| Securities and investments in securities | | | | | | | | | |
| Held-to-maturity debt securities | ¥— | ¥4,929 | ¥— | ¥4,929 | | \$— | \$32,863 | \$— | \$32,863 |
| Available-for-sale securities | | | | | | | | | |
| Negotiable certificates of deposit, money trusts and trust beneficiary rights | — | 101,500 | — | 101,500 | | — | 676,666 | — | 676,666 |
| Long-term loans | — | 105 | — | 105 | | — | 700 | — | 700 |
| Total | ¥— | ¥106,534 | ¥— | ¥106,534 | | \$— | \$710,230 | \$— | \$710,230 |
| Liabilities: | | | | | | | | | |
| Long-term debt | ¥— | ¥7,160 | ¥— | ¥7,160 | | \$— | \$47,739 | \$— | \$47,739 |
| Total | ¥— | ¥7,160 | ¥— | ¥7,160 | | \$— | \$47,739 | \$— | \$47,739 |

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

Securities and investments in securities

Held-to-maturity debt securities

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

Investments in and advances to unconsolidated subsidiaries and affiliate

The fair value of listed stocks is evaluated using the market price. Listed stocks are traded in active markets, so the fair value is classified as Level 1.

Available-for-sale securities

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

Long-term loans

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

Long-term debt

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

The fair value is classified as Level 2.

Derivative transactions

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

6. SECURITIES

(1) Held-to-maturity debt securities

| Description | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|-----------------|----------------|---------------|---------------|---------------|--------------|---------------------------|-----------------|----------------|
| | 2024 | | | 2025 | | | 2025 | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Securities with fair value that exceeds book value | ¥6,088 | ¥6,126 | ¥37 | ¥— | ¥— | ¥— | \$— | \$— | \$— |
| Securities with fair value that does not exceed book value | 10,433 | 9,823 | (609) | 5,000 | 4,929 | (70) | 33,333 | 32,863 | (470) |
| Total | ¥16,521 | ¥15,950 | ¥(571) | ¥5,000 | ¥4,929 | ¥(70) | \$33,333 | \$32,863 | \$(470) |

(2) Available-for-sale securities

| Description | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|--|-----------------|------------------|----------------|-----------------|------------------|----------------|---------------------------|------------------|------------------|
| | 2024 | | | 2025 | | | 2025 | | |
| | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference | Book value | Acquisition cost | Difference |
| Securities with book value that exceeds acquisition cost | ¥85,151 | ¥26,735 | ¥58,415 | ¥66,940 | ¥19,501 | ¥47,438 | \$446,270 | \$130,011 | \$316,259 |
| Securities with book value that does not exceed acquisition cost | 20,334 | 20,335 | (0) | 110,674 | 111,098 | (424) | 737,828 | 740,658 | (2,829) |
| Total | ¥105,486 | ¥47,071 | ¥58,414 | ¥177,614 | ¥130,600 | ¥47,014 | \$1,184,099 | \$870,669 | \$313,429 |

Notes: 1. Non-listed equity securities, with a book value of ¥4,183 million, and other investment securities with a book value of ¥1,344 million, as of March 31, 2024, whose fair value is extremely difficult to estimate are excluded from the above.

2. Non-listed equity securities, with a book value of ¥3,283 million (\$21,889 thousand), and other investment securities with a book value of ¥1,140 million (\$7,603 thousand), as of March 31, 2025, whose market price is unavailable are excluded from the above.

(3) Sold available-for-sale securities

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|-------------------|-----------------|----------------|--------------|----------------|----------------|--------------|---------------------------|-----------------|--------------|
| | 2024 | | | 2025 | | | 2025 | | |
| | Amount of sale | Gain on sale | Loss on sale | Amount of sale | Gain on sale | Loss on sale | Amount of sale | Gain on sale | Loss on sale |
| Equity securities | ¥26,580 | ¥19,178 | — | ¥18,768 | ¥11,003 | — | \$125,121 | \$73,359 | — |
| Total | ¥26,580 | ¥19,178 | — | ¥18,768 | ¥11,003 | — | \$125,121 | \$73,359 | — |

(4) Sold held-to-maturity debt securities

| | Millions of yen | | | Thousands of U.S. dollars | | |
|--|-----------------|----------------|-------------------|---------------------------|-----------------|-------------------|
| | 2025 | | | 2025 | | |
| | Cost of sale | Amount of sale | Gain/Loss on sale | Cost of sale | Amount of sale | Gain/Loss on sale |
| Government bonds, Municipal bonds and other | ¥4,017 | ¥4,017 | ¥0 | \$26,780 | \$26,780 | \$0 |
| Total | ¥4,017 | ¥4,017 | ¥0 | \$26,780 | \$26,780 | \$0 |

Reason for sale : Ensuring liquidity of net cash in a part of consolidated subsidiaries.

7. DERIVATIVE TRANSACTIONS

(1) Derivative transactions to which hedge accounting is not applied:

Currency related:

As of March 31, 2024

| Description | Millions of yen | | | |
|------------------------------------|------------------|--------------------------------|-----------------|------------------------|
| | Contract amounts | Contract amounts over one year | Fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts | | | | |
| Sales contracts: | | | | |
| USD | ¥100,100 | ¥— | ¥(3,022) | ¥(3,022) |
| EUR | 2,247 | — | (24) | (24) |
| Other | 2,277 | — | (8) | (8) |
| Purchase contracts: | | | | |
| USD | 467 | — | (4) | (4) |
| Other | 7,427 | — | (59) | (59) |
| Currency swap | | | | |
| Pay TWD and Receive JPY | 1,953 | — | (396) | (396) |
| Total | ¥114,473 | ¥— | ¥(3,516) | ¥(3,516) |

As of March 31, 2025

| Description | Millions of yen | | | | Thousands of U.S. dollars | | | |
|------------------------------------|------------------|--------------------------------|-------------|------------------------|---------------------------|--------------------------------|----------------|------------------------|
| | Contract amounts | Contract amounts over one year | Fair value | Unrealized gain (loss) | Contract amounts | Contract amounts over one year | Fair value | Unrealized gain (loss) |
| Forward foreign exchange contracts | | | | | | | | |
| Sales contracts: | | | | | | | | |
| USD | ¥134,188 | ¥— | ¥408 | ¥408 | \$894,592 | \$— | \$2,723 | \$2,723 |
| EUR | 2,877 | — | (49) | (49) | 19,183 | — | (331) | (331) |
| Other | 1,910 | — | (13) | (13) | 12,733 | — | (90) | (90) |
| Purchase contracts: | | | | | | | | |
| USD | 860 | — | 21 | 21 | 5,733 | — | 143 | 143 |
| Other | 6,284 | — | (79) | (79) | 41,899 | — | (530) | (530) |
| Total | ¥146,121 | ¥— | ¥287 | ¥287 | \$974,142 | \$— | \$1,914 | \$1,914 |

(2) Derivative transactions to which hedge accounting is applied:

1) Currency related:

As of March 31, 2024

| | | | Millions of yen | | |
|---------------------------|-------------------------------------|---------------------------|------------------|--------------------------------|------------|
| Hedge accounting method | Transaction | Hedged items | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Forward foreign exchange contracts: | | | | |
| | Sales contracts | | | | |
| | USD | Accounts receivable-trade | ¥76,162 | ¥— | ¥(1,032) |
| Total | | | ¥76,162 | ¥— | ¥(1,032) |

As of March 31, 2025

| | | | Millions of yen | | | Thousands of U.S. dollars | | |
|---------------------------|-------------------------------------|---------------------------|------------------|--------------------------------|------------|---------------------------|--------------------------------|------------|
| Hedge accounting method | Transaction | Hedged items | Contract amounts | Contract amounts over one year | Fair value | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Forward foreign exchange contracts: | | | | | | | |
| | Sales contracts | | | | | | | |
| | USD | Accounts receivable-trade | ¥69,673 | ¥— | ¥1,938 | \$464,489 | \$— | \$12,921 |
| Total | | | ¥69,673 | ¥— | ¥1,938 | \$464,489 | \$— | \$12,921 |

2) Commodity related:

As of March 31, 2024

| | | | Millions of yen | | |
|---------------------------|--------------------------|------------------------|------------------|--------------------------------|------------|
| Hedge accounting method | Transaction | Hedged items | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Commodity swap contracts | Accounts payable-trade | ¥13,689 | ¥6,788 | ¥(2,766) |
| Total | | | ¥13,689 | ¥6,788 | ¥(2,766) |

Note: The fair value is provided by counterparty financial institutions.

As of March 31, 2025

| | | | Millions of yen | | |
|---------------------------|--------------------------|------------------------|------------------|--------------------------------|------------|
| Hedge accounting method | Transaction | Hedged items | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Commodity swap contracts | Accounts payable-trade | ¥8,494 | ¥3,749 | ¥(745) |
| Total | | | ¥8,494 | ¥3,749 | ¥(745) |

| | | | Thousands of U.S. dollars | | |
|---------------------------|--------------------------|------------------------|---------------------------|--------------------------------|------------|
| Hedge accounting method | Transaction | Hedged items | Contract amounts | Contract amounts over one year | Fair value |
| Deferral hedge accounting | Commodity swap contracts | Accounts payable-trade | \$56,633 | \$24,996 | \$(4,971) |
| Total | | | \$56,633 | \$24,996 | \$(4,971) |

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2024 and 2025 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------|---------------------------|
| | 2024 | 2025 | 2025 |
| Investments in securities (Stocks) | ¥76,933 | ¥50,801 | \$338,676 |
| Other (Investments in capital) | 3,786 | 4,579 | 30,530 |

9. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2024 and 2025 was ¥3,055,997 million and ¥3,566,430 million (\$23,776,204 thousand), respectively.

10. SHORT-TERM BORROWINGS, LONG-TERM DEBT AND LEASE OBLIGATIONS

Short-term borrowings, long-term debt and lease obligations as of March 31, 2024 and 2025 consisted of the following:

| | Average interest rate | Due date | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------------|--------------------------------|-----------------|----------------|---------------------------|
| | | | 2024 | 2025 | 2025 |
| Short-term borrowings | 3.2% | — | ¥4,710 | ¥7,711 | \$51,408 |
| Current portion of long-term debt | 4.8% | — | 5,676 | 1,677 | 11,184 |
| Current portion of lease obligations | 2.3% | — | 4,445 | 5,080 | 33,871 |
| Long-term debt, excluding current portion | 1.6% | January 2026- June 2034 | 13,913 | 7,452 | 49,684 |
| Lease obligations, excluding current portion | 2.4% | January 2026- December 2040 | 12,448 | 11,982 | 79,881 |
| Total | | | ¥41,194 | ¥33,904 | \$226,030 |

Notes: 1. Average interest rate is the weighted average rate based on the balance as of March 31, 2025.

2. In calculating average interest rate, lease obligations for which the balance includes the interest portion are excluded.

3. Repayment schedule subsequent to March 31, 2025 for long-term debt and lease obligations, excluding the current portion, is as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|------------------------|-----------------|-------------------|---------------------------|-------------------|
| | Long-term debt | Lease obligations | Long-term debt | Lease obligations |
| Years ending March 31, | | | | |
| 2027 | ¥1,095 | ¥3,790 | \$7,303 | \$25,271 |
| 2028 | 29 | 2,559 | 199 | 17,065 |
| 2029 | 5,016 | 1,960 | 33,442 | 13,069 |
| 2030 | 1,275 | 1,214 | 8,502 | 8,099 |

11. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans) and lump-sum severance payment plans as their defined benefit pension plans. Certain overseas consolidated subsidiaries have defined benefit pension plans as well as defined contribution pension plans. Additionally, the Company has a "Retirement Benefit Trust". Information on defined benefit pension plans for the fiscal years ended March 31, 2024 and 2025 is as follows:

1. Defined Benefit Pension Plans

(1) Changes in Benefit Obligations

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2024 | 2025 | 2025 |
| Beginning balance of benefit obligations | ¥74,107 | ¥81,108 | \$540,723 |
| Service costs | 4,173 | 4,276 | 28,510 |
| Interest costs | 2,300 | 2,665 | 17,770 |
| Actuarial differences arising during the year | (463) | (2,727) | (18,180) |
| Retirement benefits paid | (2,579) | (3,740) | (24,935) |
| Increase due to newly consolidated subsidiary | — | 4,283 | 28,558 |
| Other* | 3,569 | 1,823 | 12,153 |
| Ending balance of benefit obligations | ¥81,108 | ¥87,690 | \$584,601 |

*Mainly foreign currency translation adjustments

(2) Changes in Pension Assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2024 | 2025 | 2025 |
| Beginning balance of pension assets | ¥41,115 | ¥53,527 | \$356,853 |
| Expected return on pension assets | 2,558 | 711 | 4,743 |
| Actuarial differences arising during the year | 7,897 | 460 | 3,072 |
| Contributions made by the Company and consolidated subsidiaries | 1,561 | 565 | 3,767 |
| Retirement benefits paid | (2,005) | (1,711) | (11,406) |
| Increase due to newly consolidated subsidiary | — | 4,351 | 29,009 |
| Other* | 2,400 | 3,575 | 23,838 |
| Ending balance of pension assets | ¥53,527 | ¥61,481 | \$409,877 |

*Mainly foreign currency translation adjustments

(3) Reconciliation of Benefit Obligations and Pension Assets with Net Defined Benefit Liability and Asset on the Consolidated Balance Sheets

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2024 | 2025 | 2025 |
| Funded benefit obligations | ¥72,131 | ¥77,982 | \$519,882 |
| Pension assets | (53,527) | (61,481) | (409,877) |
| Net | 18,603 | 16,500 | 110,004 |
| Unfunded benefit obligations | 8,976 | 9,707 | 64,719 |
| Net amount of liability and asset on Consolidated Balance Sheets | ¥27,580 | ¥26,208 | \$174,723 |

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2024 | 2025 | 2025 |
| Net defined benefit liability | ¥32,571 | ¥33,172 | \$221,151 |
| Net defined benefit asset | (4,991) | (6,964) | (46,427) |
| Net amount of liability and asset on Consolidated Balance Sheets | ¥27,580 | ¥26,208 | \$174,723 |

(4) Retirement Benefit Expenses

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2024 | 2025 | 2025 |
| Service costs | ¥4,173 | ¥4,276 | \$28,510 |
| Interest costs | 2,300 | 2,665 | 17,770 |
| Expected return on pension assets | (2,558) | (711) | (4,743) |
| Amortization of actuarial differences | (2,945) | (5,319) | (35,462) |
| Amortization of prior service cost | 104 | (35) | (237) |
| Retirement benefit expenses for defined benefit pension plans | ¥1,075 | ¥875 | \$5,837 |

(5) Remeasurements of Defined Benefit Plans (Other Comprehensive Income)**Breakdown (before deduction of tax effects)**

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|----------|------------------------------|
| | 2024 | 2025 | 2025 |
| Actuarial differences | ¥5,857 | ¥(1,242) | \$(8,280) |
| Prior service cost | (57) | (57) | (381) |
| Total | ¥5,800 | ¥(1,299) | \$(8,661) |

(6) Remeasurements of Defined Benefit Plans (Accumulated Other Comprehensive Income)**Breakdown (before deduction of tax effects)**

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------|------------------------------|
| | 2024 | 2025 | 2025 |
| Unrecognized actuarial differences | ¥13,897 | ¥12,655 | \$84,370 |
| Unrecognized prior service cost | 280 | 223 | 1,490 |
| Total | ¥14,178 | ¥12,879 | \$85,861 |

(7) Pension Assets**Breakdown**

| | Millions of yen | |
|--------------|-----------------|------|
| | 2024 | 2025 |
| Bonds | 42% | 43% |
| Stocks | 32% | 27% |
| Other | 26% | 30% |
| Total | 100% | 100% |

(Note) 24% and 23% of total pension assets amount were in a "Retirement Benefit Trust" for lump-sum severance payment plans as of March 31, 2024 and 2025, respectively.

Rate of expected return on pension assets

The expected return on pension assets is determined based on the current and estimated future rates of return on various pension assets.

(8) Basic Assumptions for Calculating Benefit Obligations

| | 2024 | 2025 |
|---|-------------|-------------|
| | | |
| Discount rate | Mainly 0.9% | Mainly 1.6% |
| Expected rate of return on pension assets | Mainly 2.5% | Mainly 2.5% |

2. Defined Contribution Pension Plans

Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|------------------------------|
| | 2024 | 2025 | 2025 |
| | ¥3,601 | ¥4,135 | \$27,566 |

12. RETAINED EARNINGS

(1) Cash dividends from retained earnings represent dividends with an effective date during the fiscal year. Details of cash dividends paid during the fiscal years ended March 31, 2024 and 2025 are as follows:

| | | | | Millions of yen | Yen |
|--|----------------|--------------------|-------------------|---------------------------|--------------------------|
| Resolution | Type of shares | Record date | Effective date | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2024 | | | | | |
| Ordinary general meeting of shareholders held on June 29, 2023 | Common stock | March 31, 2023 | June 30, 2023 | ¥110,965 | ¥275.00 |
| Board of directors meeting held on October 27, 2023 | Common stock | September 30, 2023 | November 21, 2023 | 100,276 | 50.00 |

(Note) The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Cash dividends per share" for ordinary general meeting of shareholders held on June 29, 2023 represents the actual amount prior to the stock split.

| | | | | Millions of yen | Yen | Thousands of U.S. dollars | U.S. dollars |
|---|-------------------|-----------------------|----------------------|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| Resolution | Type of shares | Record date | Effective date | Total amount of dividends | Cash dividends per share | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2025 | | | | | | | |
| Ordinary general meeting of shareholders held on June 27, 2024 | Common stock | March 31, 2024 | June 28, 2024 | ¥99,802 | ¥50.00 | \$665,351 | \$0.33 |
| Board of directors meeting held on October 25, 2024 | Common stock | September 30, 2024 | November 19, 2024 | 104,921 | 53.00 | 699,476 | 0.35 |

(2) Cash dividends for the fiscal years ended March 31, 2024 and 2025 with an effective date in the subsequent fiscal year are as follows:

| | | | | | Millions of yen | Yen |
|--|----------------|---------------------|----------------|----------------|---------------------------|--------------------------|
| Resolution | Type of shares | Source of dividends | Record date | Effective date | Total amount of dividends | Cash dividends per share |
| Fiscal year ended March 31, 2024 | Common stock | Retained earnings | March 31, 2024 | June 28, 2024 | ¥99,802 | ¥50.00 |
| Ordinary general meeting of shareholders held on June 27, 2024 | | | | | | |

| | | | | | Millions of | | Thousands of | |
|--|----------------|---------------------|----------------|----------------|---------------------|---------------------|---------------------|---------------------|
| | | | | | yen | Yen | U.S. dollars | U.S. dollars |
| | | | | | Total | Cash | Total | Cash |
| Resolution | Type of shares | Source of dividends | Record date | Effective date | amount of dividends | dividends per share | amount of dividends | dividends per share |
| Fiscal year ended March 31, 2025 | Common stock | Retained earnings | March 31, 2025 | June 30, 2025 | ¥103,886 | ¥53.00 | \$692,577 | \$0.35 |
| Ordinary general meeting of shareholders held on June 27, 2025 | | | | | | | | |

13. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2024

| Issuer | Description | Type of shares subject to share subscription rights | Number of shares subject to share subscription rights | | | | Millions of yen |
|-------------------------|---------------|---|---|----------|----------|----------------|---------------------------|
| | | | Beginning balance | Increase | Decrease | Ending balance | Balance at March 31, 2024 |
| The Company | Stock options | Common stock | — | — | — | — | ¥4,453 |
| Consolidated subsidiary | — | — | — | — | — | — | 388 |
| Total | | | — | — | — | — | ¥4,841 |

Fiscal year ended March 31, 2025

| Issuer | Description | Type of shares subject to share subscription rights | Number of shares subject to share subscription rights | | | | Millions of yen | Thousands of U.S. dollars |
|-------------------------|---------------|---|---|----------|----------|----------------|---------------------------|---------------------------|
| | | | Beginning balance | Increase | Decrease | Ending balance | Balance at March 31, 2025 | Balance at March 31, 2025 |
| The Company | Stock options | Common stock | — | — | — | — | ¥5,826 | \$38,846 |
| Consolidated subsidiary | — | — | — | — | — | — | 410 | 2,734 |
| Total | | | — | — | — | — | ¥6,237 | \$41,580 |

14. STOCK OPTIONS

(1) Shin-Etsu Chemical Co., Ltd.

The stock option expenses for the fiscal years ended March 31, 2024 and 2025 of ¥2,049 million and ¥1,813 million (\$12,092 thousand), respectively, were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2024 and 2025 were ¥44 million and ¥34 million (\$229 thousand). In addition, for stock options granted by March 31, 2023 (2019 to 2023Ⓔ), the figures are calculated based on the number of shares after the stock split, assuming that the five-for-one stock split on April 1, 2023 was implemented at the beginning of the fiscal year ended March 31, 2020.

Stock options as of March 31, 2025 were as follows:

| | 2020 | 2021 | 2023Ⓔ |
|--|--|--|--|
| Grantees | 16 directors of the Company | 6 directors of the Company (excluding outside directors) | 5 directors of the Company (excluding outside directors) |
| | 105 employees of the Company | 10 corporate officers of the Company (excluding those concurrently serving as directors) | 11 corporate officers of the Company (excluding those concurrently serving as directors) |
| | | 107 employees of the Company | 108 employees of the Company |
| Number of stock options granted by category of stock (in shares) | 1,695,000 shares of common stock | 1,672,500 shares of common stock | 1,740,000 shares of common stock |
| Grant date | September 2, 2020 | September 1, 2021 | February 10, 2023 |
| Vesting conditions | None | None | None |
| Exercise period | September 3, 2021 through March 31, 2025 | September 2, 2023 through August 31, 2028 | February 11, 2025 through February 9, 2030 |
| | 2023Ⓔ | 2024 | |
| Grantees | 4 directors of the Company (excluding outside directors) | 4 directors of the Company (excluding outside directors) | |
| | 12 corporate officers of the Company (excluding those concurrently serving as directors) | 12 corporate officers of the Company (excluding those concurrently serving as directors) | |
| | 116 employees of the Company | 116 employees of the Company | |
| Number of stock options granted by category of stock (in shares) | 1,941,000 shares of common stock | 2,082,500 shares of common stock | |
| Grant date | November 30, 2023 | December 2, 2024 | |
| Vesting conditions | None | None | |
| Exercise period | December 1, 2025 through November 29, 2030 | December 3, 2026 through December 1, 2031 | |

Movement in stock options during the fiscal year ended March 31, 2025 was as follows

| | Number of shares | | | | | |
|--|------------------|---------|-----------|-----------|-----------|-----------|
| | 2019 | 2020 | 2021 | 2023① | 2023② | 2024 |
| Beginning balance (Stock options outstanding) | 101,000 | 597,500 | 1,204,000 | 1,740,000 | 1,941,000 | — |
| Granted | — | — | — | — | — | 2,082,500 |
| Exercised | — | 549,000 | 212,000 | 68,500 | — | — |
| Forfeited | 101,000 | 7,500 | — | — | — | — |
| Ending balance (Stock options outstanding) | — | 41,000 | 992,000 | 1,671,500 | 1,941,000 | 2,082,500 |
| Yen | | | | | | |
| Exercise price | — | ¥2,625 | ¥3,701 | ¥3,583 | ¥4,947 | ¥6,089 |
| Weighted average market value per share at the exercise date | — | 5,107 | 5,803 | 4,545 | — | — |
| Fair value per share at the grant date | — | 401 | 618 | 798 | 1,056 | 871 |
| U.S. dollars | | | | | | |
| Exercise price | — | \$17.50 | \$24.67 | \$23.88 | \$32.98 | \$40.59 |
| Weighted average market value per share at the exercise date | — | 34.05 | 38.68 | 30.30 | — | — |
| Fair value per share at the grant date | — | 2.67 | 4.12 | 5.32 | 7.04 | 5.80 |

(Note) For stock options granted by March 31, 2023 (2019 to 2023①), the figures are calculated based on the number of shares after the stock split, assuming that the five-for-one stock split on April 1, 2023 was implemented at the beginning of the fiscal year ended March 31, 2020.

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions

Stock options granted on December 2, 2024

| | |
|-------------------------|------------|
| Expected volatility | 26.94% |
| Expected remaining life | 4.50 years |
| Expected dividend | ¥106/share |
| Risk-free interest rate | 0.703% |

(2) Shin-Etsu Polymer Co., Ltd.

The stock option expenses for the fiscal years ended March 31, 2024 and 2025 of ¥90 million and ¥73 million (\$489 thousand), respectively, were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2024 and 2025 were ¥35 million and ¥17 million (\$115 thousand), respectively.

Stock options as of March 31, 2025 were as follows:

| | 2019 | 2020 | 2021 |
|--|--|--|--|
| | | | |
| Grantees | 9 Directors 23 Employees 6 Directors of its subsidiaries | 9 Directors 25 Employees 5 Directors of its subsidiaries | 3 Directors 8 Corporate officers 20 Employees 4 Directors of its subsidiaries |
| Number of stock options granted by category of stock (in shares) | 456,000 shares of common stock | 461,000 shares of common stock | 475,000 shares of common stock |
| Grant date | September 11, 2019 | September 10, 2020 | September 10, 2021 |
| Vesting conditions | None | None | None |
| Exercise period | September 12, 2021 through March 31, 2025 | September 11, 2022 through March 31, 2026 | September 11, 2023 through March 31, 2027 |
| | 2022 | 2023 | 2024 |
| | | | |
| Grantees | 3 Directors 8 Corporate officers 25 Employees 4 Directors of its subsidiaries | 3 Directors 8 Corporate officers 21 Employees 5 Directors of its subsidiaries | 3 Directors 8 Corporate officers 26 Employees |
| Number of stock options granted by category of stock (in shares) | 500,000 shares of common stock | 450,000 shares of common stock | 465,000 shares of common stock |
| Grant date | September 12, 2022 | September 6, 2023 | September 11, 2024 |
| Vesting conditions | None | None | None |
| Exercise period | September 13, 2024 through March 31, 2028 | September 7, 2025 through March 31, 2029 | September 12, 2026 through March 31, 2030 |

Movement in stock options during the fiscal year ended March 31, 2025 was as follows:

| | Number of shares | | | | | | |
|--|------------------|----------|----------|----------|----------|---------|---------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Beginning balance (Stock options outstanding) | 142,800 | 134,000 | 344,300 | 452,000 | 500,000 | 450,000 | — |
| Granted | — | — | — | — | — | — | 465,000 |
| Exercised | — | 97,000 | 69,900 | 30,400 | 5,000 | — | — |
| Forfeited | 142,800 | — | — | — | — | — | — |
| Ending balance (Stock options outstanding) | — | 37,000 | 274,400 | 421,600 | 495,000 | 450,000 | 465,000 |
| | Yen | | | | | | |
| Exercise price | — | ¥759 | ¥910 | ¥1,051 | ¥1,410 | ¥1,405 | ¥1,539 |
| Weighted average market value per share at the exercise date | — | 1,515.23 | 1,585.06 | 1,535.39 | 1,619.00 | — | — |
| Fair value per share at the grant date | — | 147 | 191 | 192 | 218 | 200 | 158 |
| | U.S. dollars | | | | | | |
| Exercise price | — | \$5.06 | \$6.06 | \$7.00 | \$9.40 | \$9.36 | \$10.26 |
| Weighted average market value per share at the exercise date | — | 10.10 | 10.56 | 10.23 | 10.79 | — | — |
| Fair value per share at the grant date | — | 0.98 | 1.27 | 1.28 | 1.45 | 1.33 | 1.05 |

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions.

Stock options granted on September 11, 2024

| | |
|-------------------------|------------|
| Expected volatility | 23.74% |
| Expected remaining life | 3.78 years |
| Expected dividend | ¥46/share |
| Risk-free interest rate | 0.440% |

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Net sales is not presented separately for revenues arising from contracts with customers and other revenues.
The amounts of revenues arising from contracts with customers are shown in Note 25.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2024 and 2025 mainly consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|------------------------------|
| | 2024 | 2025 | 2025 |
| Shipping expenses | ¥57,779 | ¥69,244 | \$461,630 |
| Salaries and allowances | 38,716 | 42,335 | 282,237 |
| Provision for bonuses for employees | 1,547 | 1,639 | 10,927 |
| Provision for bonuses for directors | 373 | 542 | 3,616 |
| Retirement benefit expenses | 281 | 14 | 98 |
| Depreciation and amortization | 5,153 | 4,876 | 32,509 |
| Provision of allowance for doubtful accounts | 577 | 2,068 | 13,791 |

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the fiscal years ended March 31, 2024 and 2025 were ¥65,785 million and ¥73,129 million (\$487,529 thousand), respectively.

18. GAIN ON STEP ACQUISITIONS

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

19. INSURANCE CLAIM INCOME

Insurance claim income for the fiscal year ended March, 31 2024 was due to the Fukushima Prefecture Offshore Earthquake that occurred on February 13, 2021.

20. BUSINESS RESTRUCTURING EXPENSES

Business restructuring expenses during the fiscal year ended March 31, 2024 were as follows:

In the Electronics Materials segment, restructuring expenses of ¥15,157 million were recognized in the fiscal year ended March, 31 2024 for part of optical fiber preform among Synthetic Quartz products, which include impairment loss of ¥10,811 million on fixed assets.

Business restructuring expenses during the fiscal year ended March 31, 2025 were as follows:

In the Functional Materials segment, business restructuring expenses of ¥7,843 million (\$52,291 thousand) were recognized for part of Cellulose derivatives, which include facility removal cost of ¥4,632 million (\$30,885 thousand).

21. LEASE TRANSACTIONS

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2024 and 2025 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------|-----------------|--------|------------------------------|
| | 2024 | 2025 | 2025 |
| Future Lease Payments: | | | |
| Within one year | ¥837 | ¥847 | \$5,648 |
| Over one year | 4,254 | 3,554 | 23,693 |
| | ¥5,092 | ¥4,401 | \$29,342 |

22. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the fiscal years ended March 31, 2024 and 2025.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets or liabilities at March 31, 2024 and 2025 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------|-------------------|------------------------------|
| | 2024 | 2025 | 2025 |
| Deferred Tax Assets: | | | |
| Depreciation and amortization | ¥17,967 | ¥26,338 | \$175,588 |
| Unrealized profit | 18,363 | 18,683 | 124,559 |
| Net defined benefit liability | 10,648 | 9,006 | 60,042 |
| Maintenance costs | 6,214 | 5,514 | 36,765 |
| Accrued bonuses | 4,566 | 5,050 | 33,670 |
| Accrued enterprise taxes | 3,439 | 4,060 | 27,071 |
| Unsettled accounts receivable and payable | 4,273 | 3,816 | 25,443 |
| Allowance for doubtful accounts | 2,721 | 2,464 | 16,428 |
| Tax loss carryforwards | 223 | 261 | 1,746 |
| Unrealized gains/losses on available-for-sale securities | 338 | 40 | 272 |
| Other | 36,252 | 47,075 | 313,837 |
| Valuation allowance | (3,597) | (5,102) | (34,017) |
| Total | ¥101,410 | ¥117,211 | \$781,409 |
| Deferred Tax Liabilities: | | | |
| Depreciation and amortization | ¥96,376 | ¥132,731 | \$884,876 |
| Retained earnings of overseas consolidated subsidiaries | ¥22,615 | ¥50,604 | \$337,365 |
| Unrealized gains/losses on available-for-sale securities | 18,159 | 14,682 | 97,881 |
| Reserve for special depreciation | 4 | 2 | 16 |
| Other | 22,232 | 20,850 | 139,005 |
| Total | ¥159,388 | ¥218,871 | \$1,459,145 |
| Net deferred tax assets (liabilities) | ¥(57,977) | ¥(101,660) | \$(677,736) |

(Changes in the method of presentation)

"Retained earnings of overseas consolidated subsidiaries" had been included in "Other". However, as this item has increased in monetary importance, it is therefore presented as a separate item from the fiscal year ended March 31, 2025. In order to reflect these changes in the method of presentation, the Company has reclassified the notes to consolidated financial statements for the previous fiscal year.

As a result, ¥44,847 million that had been presented in "Other" for the fiscal year ended March 31, 2024 has been reclassified into "Retained earnings of overseas consolidated subsidiaries" of ¥22,615 million and "Other, net" of ¥22,232 million.

A reconciliation of the difference between the statutory tax rate and effective rate on taxable income for the fiscal years ended March 31, 2024 and 2025 is as follows:

| | 2024 | 2025 |
|---|-------------|-------------|
| Statutory tax rate | 30.5 % | 30.5 % |
| Rate difference from foreign subsidiaries | (2.6) | (3.6) |
| Retained earnings of overseas consolidated subsidiaries | 0.2 | 3.2 |
| Equity in (earnings) losses of affiliates | (0.3) | (0.2) |
| Dividend and other non-taxable income | (6.9) | (24.8) |
| Elimination of intercompany dividend income | 7.1 | 26.0 |
| Tax deduction for research expenses and other | (0.6) | (0.8) |
| Entertainment and other non-deductible expenses | 0.0 | 0.0 |
| Other, net | 1.6 | (0.6) |
| Effective tax rate | 29.0 | 29.8 |

(Changes in the method of presentation)

"Retained earnings of overseas consolidated subsidiaries" had been included in "Other, net". However, as this item has increased in monetary importance, it is therefore presented as a separate item from the fiscal year ended March 31, 2025. In order to reflect these changes in the method of presentation, the Company has reclassified the notes to consolidated financial statements for the previous fiscal year.

As a result, 1.8% that had been presented in "Other, net" for the fiscal year ended March 31, 2024 has been reclassified into "Retained earnings of overseas consolidated subsidiaries" of 0.2% and "Other, net" of 1.6%.

(Change in statutory effective tax rate)

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was enacted on March 31, 2025, and as a result, the "Special Defense Corporate Tax" will be imposed from the fiscal year beginning April 1, 2026.

In response to this change, the statutory effective tax rate used for the calculation of deferred tax assets and liabilities relating to temporary differences expected to be resolved in or after fiscal years beginning April 1, 2026 has changed from 30.5% to 31.4%.

Due to the change in the tax rate, amounts of deferred tax liabilities (net of deferred tax assets) increased by ¥705 million (\$4,705 thousand), deferred income taxes increased by ¥456 million (\$3,040 thousand), remeasurements of defined benefit plans decreased by ¥59 million (\$397 thousand), and unrealized gains on available-for-sale securities decreased by ¥190 million (\$1,268 thousand) as of and for the fiscal year ended March 31, 2025. In addition, net income attributable to non-controlling interests and non-controlling interests in consolidated subsidiaries decreased by ¥8 million (\$55 thousand), respectively.

23. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects of each component of other comprehensive income for the fiscal years ended March 31, 2024 and 2025 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2024 | 2025 | 2025 |
| Unrealized gains (losses) on available-for-sale securities | | | |
| Amount arising during the year | ¥31,864 | ¥(25) | \$(170) |
| Reclassification adjustment for gains and losses included in profit or loss | (18,840) | (11,361) | (75,744) |
| Unrealized gains (losses) on available-for-sale securities before tax | 13,023 | (11,387) | (75,915) |
| Tax effect | (3,959) | 3,267 | 21,781 |
| Unrealized gains (losses) on available-for-sale securities | 9,064 | (8,120) | (54,133) |
| Deferred gains (losses) on hedges | | | |
| Amount arising during the year | (11,459) | 2,641 | 17,607 |
| Reclassification adjustment for gains and losses included in profit or loss | 8,019 | 2,636 | 17,579 |
| Deferred gains (losses) on hedges before tax | (3,439) | 5,278 | 35,186 |
| Tax effect | 944 | (1,567) | (10,452) |
| Deferred gains (losses) on hedges | (2,495) | 3,710 | 24,734 |
| Foreign currency translation adjustments | | | |
| Amount arising during the year | 170,429 | 270,513 | 1,803,421 |
| Reclassification adjustment for gains and losses included in profit or loss | — | (1,266) | (8,444) |
| Foreign currency translation adjustments | 170,429 | 269,246 | 1,794,976 |
| Remeasurements of defined benefit plans | | | |
| Amount arising during the year | 7,174 | 2,928 | 19,524 |
| Reclassification adjustment for gains and losses included in profit or loss | (1,374) | (4,227) | (28,186) |
| Remeasurements of defined benefit plans before tax | 5,800 | (1,299) | (8,661) |
| Tax effect | (1,656) | 194 | 1,296 |
| Remeasurements of defined benefit plans | 4,143 | (1,104) | (7,365) |
| Share of other comprehensive income (loss) of affiliates accounted for using the equity method | | | |
| Amount arising during the year | 499 | 296 | 1,978 |
| Reclassification adjustment for gains and losses included in profit or loss | 2 | 15 | 106 |
| Share of other comprehensive income (loss) of affiliates accounted for using the equity method | 501 | 312 | 2,084 |
| Total other comprehensive income (loss) | ¥181,643 | ¥264,044 | \$1,760,297 |

24. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents on the consolidated statements of cash flows consist of cash in hand, deposits that can be withdrawn on demand and liquid investments easily convertible into cash that mature within approximately three months from the acquisition date and that have insignificant risk exposure in terms of fluctuation in value.

Reconciliations between cash and cash equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2024 and 2025 are presented below:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2024 | 2025 | 2025 |
| Cash and time deposits | ¥1,698,999 | ¥1,708,438 | \$11,389,591 |
| Securities | 20,710 | 103,240 | 688,271 |
| Time deposits (maturities over three months) | (1,128,864) | (923,202) | (6,154,684) |
| Securities (maturities over three months) | (710) | (5,740) | (38,271) |
| Cash and cash equivalents | ¥590,135 | ¥882,736 | \$5,884,907 |

25. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

| Millions of yen | | | | | |
|----------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-------------------|
| 2024 | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total |
| Sales to outside customers | | | | | |
| Domestic production | ¥133,024 | ¥674,105 | ¥269,783 | ¥94,492 | ¥1,171,405 |
| Overseas production | 877,250 | 176,336 | 155,467 | 34,477 | 1,243,532 |
| Total | ¥1,010,275 | ¥850,442 | ¥425,250 | ¥128,969 | ¥2,414,937 |

| Millions of yen | | | | | |
|----------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-------------------|
| 2025 | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total |
| Sales to outside customers | | | | | |
| Domestic production | ¥123,316 | ¥764,015 | ¥287,347 | ¥103,576 | ¥1,278,257 |
| Overseas production | 918,255 | 170,296 | 161,294 | 33,145 | 1,282,992 |
| Total | ¥1,041,571 | ¥934,312 | ¥448,642 | ¥136,722 | ¥2,561,249 |

| Thousands of U.S. dollars | | | | | |
|----------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|---------------------|
| 2025 | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total |
| Sales to outside customers | | | | | |
| Domestic production | \$822,112 | \$5,093,439 | \$1,915,650 | \$690,512 | \$8,521,714 |
| Overseas production | 6,121,700 | 1,135,312 | 1,075,297 | 220,970 | 8,553,281 |
| Total | \$6,943,812 | \$6,228,751 | \$2,990,947 | \$911,483 | \$17,074,995 |

Note: Net sales in the consolidated statements of income do not include revenues other than revenues from contracts with customers.

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

The Company and its consolidated subsidiaries operate in four segments, Infrastructure Materials, Electronics Materials, Functional Materials, and Processing & Specialized Services. The main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. In the sale of products, the Group is considered to be acting as an agent when its performance obligation is to arrange for the goods to be provided by another party. The consideration in sales contracts for certain products includes discounts and other variable consideration based on the volume of transactions over a certain period of time.

Agency transactions are calculated based on the net amount of consideration received from the customer less the amount paid to such other party. Revenue is calculated by deducting discounts from the consideration promised in the contract with the customer.

Estimates of discounts, etc. are calculated using the most likely amount method based on historical experience and other factors. The amount of variable consideration is included in the transaction price only to the extent that it is probable that, when the uncertainty regarding the amount of variable consideration is resolved after the fact, there will not be a significant reduction in the revenue recorded by the time the uncertainty is resolved.

The consideration in the sales contract of the product is collected within about one year from the time when the control over the product is transferred to the customer and does not include a significant financing component. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance. However, for domestic sales of products, the Company and its domestic consolidated subsidiaries recognize revenue at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is normal.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year

(1) Balance of contract assets and contract liabilities

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2024 | 2025 | 2025 |
| Receivables from contracts with customers (Beginning balance) | ¥472,505 | ¥481,408 | \$3,209,392 |
| Receivables from contracts with customers (Ending balance) | 481,408 | 514,628 | 3,430,854 |
| Contract assets (Beginning balance) | 51 | 403 | 2,687 |
| Contract assets (Ending balance) | 403 | 74 | 497 |
| Contract liabilities (Beginning balance) | 3,419 | 3,445 | 22,971 |
| Contract liabilities (Ending balance) | 3,445 | 3,512 | 23,414 |

Contract assets are recognized primarily for consideration for construction contracts in progress, which arise from contracts with customers upon customer acceptance.

The consideration is transferred to receivables and billed to the customer upon acceptance by the customer and is subsequently received. Contract liabilities are primarily advances received from customers prior to revenue recognition for product sales contracts where revenue is recognized upon delivery of the product. Contract liabilities are reversed upon revenue recognition.

The amount of contract liabilities outstanding as of the beginning of the previous and current fiscal year that were recognized as revenue was not material. In addition, the amount of revenue recognized in the previous and current fiscal year primarily from sales contracts where products were delivered prior to the previous fiscal year, due to subsequent changes in transaction prices, was not material. There were no material changes in the balances of contract assets and contract liabilities.

(2) Transaction price allocated to remaining performance obligations

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

26. SEGMENT AND RELATED INFORMATION

1. Segment information

(1) Overview of reportable segments

The reportable segments of the Shin-Etsu Group are comprised of business units for which discrete financial information is available for each and are subject to regular review to evaluate their results and allocate management resources by the decision-making body of the Company.

The main products and services that belong to each segment are as follows:

| Segment | Main products and services | Business description |
|--------------------------------------|---|---|
| Infrastructure Materials | Polyvinyl chloride resin, Caustic soda, Methanol, Chloromethanes, Poval | Supporting infrastructure and daily life by lessening environmental impact. |
| Electronics Materials | Semiconductor silicon, Rare earth magnets, Semiconductor encapsulating materials, LED packaging materials, Photoresists, Photomask blanks, Synthetic quartz products | Providing material technology for better application for electronics, optics, and magnetics everywhere. |
| Functional Materials | Silicones, Cellulose derivatives, Silicon metal, Synthetic pheromones, Vinyl chloride-vinyl acetate copolymer, Liquid fluoroelastomers, Pellicles | Providing a wide range of better functions that are required. |
| Processing & Specialized Services | Processed plastics, Export of technologies and plants, Export and import of products, Engineering | Responding to problem solving by applying materials and utilizing engineering. |

(2) Calculation of income, assets and liabilities of reportable segments

Segment income denotes operating income, and the accounting methods applied are identical to those stated in the “Basis of presenting consolidated financial statements”. Internal revenues and transfers arising from transactions among the segments are based on market prices in general.

Assets and liabilities are not allocated to business segments.

(3) Information on sales, income (loss) and other items of reportable segments

| | Millions of yen | | | | | | Figures in consolidated financial statements |
|---|--------------------------|-----------------------|----------------------|-----------------------------------|-------------------|---------------------------|--|
| | 2024 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total | Adjustment ⁽¹⁾ | |
| Sales to outside customers | ¥1,010,275 | ¥850,442 | ¥425,250 | ¥128,969 | ¥2,414,937 | ¥— | ¥2,414,937 |
| Intersegment sales | 4,974 | 4,943 | 20,027 | 144,489 | 174,435 | (174,435) | ¥— |
| Total | ¥1,015,249 | ¥855,385 | ¥445,278 | ¥273,459 | ¥2,589,372 | ¥(174,435) | ¥2,414,937 |
| Segment income (Operating income) | ¥321,961 | ¥272,165 | ¥85,004 | ¥24,156 | ¥703,288 | ¥(2,249) | ¥701,038 |
| Depreciation and amortization | ¥78,254 | ¥105,632 | ¥38,466 | ¥5,621 | ¥227,974 | ¥(1,226) | ¥226,747 |
| Amortization of goodwill | ¥— | ¥— | ¥773 | ¥98 | ¥871 | ¥— | ¥871 |
| Increase in property, plant and equipment and intangible assets | ¥128,438 | ¥211,342 | ¥52,539 | ¥18,223 | ¥410,544 | ¥(3,658) | ¥406,886 |

| Millions of yen | | | | | | | |
|---|--------------------------|-----------------------|----------------------|-----------------------------------|-------------------|---------------------------|--|
| | 2025 | | | | | | Figures in consolidated financial statements |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total | Adjustment ⁽¹⁾ | |
| Sales to outside customers | ¥1,041,571 | ¥934,312 | ¥448,642 | ¥136,722 | ¥2,561,249 | ¥— | ¥2,561,249 |
| Intersegment sales | 4,784 | 4,880 | 14,054 | 146,575 | 170,296 | (170,296) | ¥— |
| Total | ¥1,046,356 | ¥939,193 | ¥462,696 | ¥283,298 | ¥2,731,545 | ¥(170,296) | ¥2,561,249 |
| Segment income (Operating income) | ¥291,466 | ¥324,760 | ¥100,022 | ¥28,791 | ¥745,041 | ¥(2,936) | ¥742,105 |
| Depreciation and amortization | ¥81,878 | ¥109,823 | ¥39,840 | ¥6,729 | ¥238,271 | ¥(1,392) | ¥236,878 |
| Amortization of goodwill | ¥— | ¥1,027 | ¥346 | ¥104 | ¥1,478 | ¥— | ¥1,478 |
| Increase in property, plant and equipment and intangible assets | ¥114,006 | ¥245,544 | ¥65,864 | ¥12,671 | ¥438,087 | ¥(3,510) | ¥434,576 |

| Thousands of U.S. dollars | | | | | | | |
|---|--------------------------|-----------------------|----------------------|-----------------------------------|---------------------|---------------------------|--|
| | 2025 | | | | | | Figures in consolidated financial statements |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Total | Adjustment ⁽¹⁾ | |
| Sales to outside customers | \$6,943,812 | \$6,228,751 | \$2,990,947 | \$911,483 | \$17,074,995 | \$— | \$17,074,995 |
| Intersegment sales | 31,898 | 32,538 | 93,698 | 977,171 | 1,135,307 | (1,135,307) | \$— |
| Total | \$6,975,711 | \$6,261,290 | \$3,084,646 | \$1,888,654 | \$18,210,303 | \$(1,135,307) | \$17,074,995 |
| Segment income (Operating income) | \$1,943,111 | \$2,165,069 | \$666,818 | \$191,946 | \$4,966,945 | \$(19,574) | \$4,947,370 |
| Depreciation and amortization | \$545,853 | \$732,155 | \$265,605 | \$44,864 | \$1,588,479 | \$(9,286) | \$1,579,193 |
| Amortization of goodwill | \$— | \$6,850 | \$2,306 | \$697 | \$9,854 | \$— | \$9,854 |
| Increase in property, plant and equipment and intangible assets | \$760,044 | \$1,636,964 | \$439,095 | \$84,475 | \$2,920,580 | \$(23,401) | \$2,897,179 |

Note: [1] Elimination of intersegment transactions.

2. Related information
Geographic information

(1) Net sales

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------|-------------------|-------------------|------------------------------|
| | 2024 | 2025 | 2025 |
| Net sales | | | |
| Japan | ¥520,495 | ¥522,442 | \$3,482,947 |
| U.S. | 762,667 | 796,528 | 5,310,187 |
| China | 202,053 | 239,799 | 1,598,663 |
| Asia / Oceania (excluding China) | 551,804 | 595,628 | 3,970,859 |
| Europe | 236,996 | 236,510 | 1,576,735 |
| Other | 140,919 | 170,340 | 1,135,602 |
| Total | ¥2,414,937 | ¥2,561,249 | \$17,074,995 |

(2) Property, plant and equipment

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------|-------------------|-------------------|------------------------------|
| | 2024 | 2025 | 2025 |
| Property, plant and equipment | | | |
| Japan | ¥615,481 | ¥774,242 | \$5,161,617 |
| U.S. | 872,810 | 1,011,219 | 6,741,462 |
| Other | 258,285 | 280,483 | 1,869,889 |
| Total | ¥1,746,577 | ¥2,065,945 | \$13,772,968 |

3. Loss on impairment of fixed assets

| Millions of yen | | | | | | |
|------------------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-----------------------------|---------|
| 2024 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Elimination or common asset | Total |
| Loss on impairment of fixed assets | ¥— | ¥11,020 | ¥10,501 | ¥406 | ¥— | ¥21,928 |

(Note) In the Functional Materials Segment, an impairment loss was recognized for silicone polymer manufacturing facilities in Thailand as an Operating expenses in the Consolidated Statements of Income.

| Millions of yen | | | | | | |
|------------------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-----------------------------|--------|
| 2025 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Elimination or common asset | Total |
| Loss on impairment of fixed assets | ¥— | ¥3,147 | ¥151 | ¥228 | ¥— | ¥3,527 |

| Thousands of U.S. dollars | | | | | | |
|------------------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-----------------------------|----------|
| 2025 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Elimination or common asset | Total |
| Loss on impairment of fixed assets | \$— | \$20,983 | \$1,011 | \$1,522 | \$— | \$23,517 |

4. Amortization of goodwill and unamortized balance

| Millions of yen | | | | | | |
|--------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-----------------------------|--------|
| 2024 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Elimination or common asset | Total |
| Amortization of goodwill | ¥— | ¥— | ¥773 | ¥98 | ¥— | ¥871 |
| Unamortized balance | ¥— | ¥— | ¥1,248 | ¥200 | ¥— | ¥1,449 |

| Millions of yen | | | | | | |
|--------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-----------------------------|---------|
| 2025 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Elimination or common asset | Total |
| Amortization of goodwill | ¥— | ¥1,027 | ¥346 | ¥104 | ¥— | ¥1,478 |
| Unamortized balance | ¥— | ¥26,375 | ¥943 | ¥112 | ¥— | ¥27,431 |

| Thousands of U.S. dollars | | | | | | |
|---------------------------|--------------------------|-----------------------|----------------------|-----------------------------------|-----------------------------|-----------|
| 2025 | | | | | | |
| | Infrastructure Materials | Electronics Materials | Functional Materials | Processing & Specialized Services | Elimination or common asset | Total |
| Amortization of goodwill | \$— | \$6,850 | \$2,306 | \$697 | \$— | \$9,854 |
| Unamortized balance | \$— | \$175,835 | \$6,286 | \$752 | \$— | \$182,874 |

27. RELATED PARTY TRANSACTIONS

Transactions between the Company and related parties during the fiscal year ended March 31, 2024 are as follows:

| Millions of yen | | | | | | | |
|---------------------------|----------------------|-----------------------------|---|----------------------------------|--------------------|---------|--------------------------------|
| Type | Name | Percentage of voting rights | Relationship | Transactions | Transaction amount | Account | Balance at the fiscal year end |
| Director or other Officer | Fumio Akiya | Direct Ownership 0.00% | Representative Director-Chairman of the Board | Exercise of stock options (Note) | ¥170 | — | — |
| Director or other Officer | Yasuhiko Saitoh | Direct Ownership 0.01% | Representative Director-President | Exercise of stock options (Note) | ¥267 | — | — |
| Director or other Officer | Susumu Ueno | Direct Ownership 0.00% | Director, Senior Managing Corporate Officer | Exercise of stock options (Note) | ¥131 | — | — |
| Director or other Officer | Masahiko Todoroki | Direct Ownership 0.01% | Director, Senior Managing Corporate Officer | Exercise of stock options (Note) | ¥71 | — | — |
| Director or other Officer | Toshiya Akimoto | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | ¥84 | — | — |
| Director or other Officer | Fumio Arai | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | ¥172 | — | — |
| Director or other Officer | Yukihiro Matsui | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | ¥101 | — | — |
| Director or other Officer | Masaki Miyajima | Direct Ownership 0.01% | Managing Corporate Officer | Exercise of stock options (Note) | ¥139 | — | — |
| Director or other Officer | Toshiyuki Kasahara | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥83 | — | — |
| Director or other Officer | Toshio Shiobara | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥52 | — | — |
| Director or other Officer | Yoshimitsu Takahashi | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥39 | — | — |
| Director or other Officer | Kai Yasuoka | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥59 | — | — |
| Director or other Officer | Ichiro Onozawa | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥13 | — | — |
| Director or other Officer | Yukinori Satoh | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥39 | — | — |
| Director or other Officer | Shigeyoshi Netsu | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥11 | — | — |

(Note) Share subscription rights were approved at the Board of Directors meetings held on September 13, 2019, August 18, 2020 and August 17, 2021

Transactions between the Company and related parties during the fiscal year ended March 31, 2025 are as follows:

| Type | Name | Percentage of voting rights | Relationship | Transactions | Millions of yen | | | Thousands of U.S. dollars |
|---------------------------|----------------------|-----------------------------|---|----------------------------------|--------------------|---------|--------------------------------|---------------------------|
| | | | | | Transaction amount | Account | Balance at the fiscal year end | Transaction amount |
| Director or other Officer | Yasuhiko Saitoh | Direct Ownership 0.01% | Representative Director-President | Exercise of stock options (Note) | ¥170 | — | — | \$1,137 |
| Director or other Officer | Susumu Ueno | Direct Ownership 0.00% | Director, Senior Managing Corporate Officer | Exercise of stock options (Note) | ¥78 | — | — | \$525 |
| Director or other Officer | Masahiko Todoroki | Direct Ownership 0.01% | Director, Senior Managing Corporate Officer | Exercise of stock options (Note) | ¥78 | — | — | \$525 |
| Director or other Officer | Toshiya Akimoto | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | ¥52 | — | — | \$350 |
| Director or other Officer | Yukihiro Matsui | Direct Ownership 0.00% | Managing Corporate Officer | Exercise of stock options (Note) | ¥37 | — | — | \$246 |
| Director or other Officer | Masaki Miyajima | Direct Ownership 0.01% | Managing Corporate Officer | Exercise of stock options (Note) | ¥94 | — | — | \$632 |
| Director or other Officer | Toshiyuki Kasahara | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥52 | — | — | \$350 |
| Director or other Officer | Yoshimitsu Takahashi | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥13 | — | — | \$87 |
| Director or other Officer | Kai Yasuoka | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥52 | — | — | \$350 |
| Director or other Officer | Yukinori Satoh | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥18 | — | — | \$123 |
| Director or other Officer | Shigeyoshi Netsu | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥39 | — | — | \$262 |
| Director or other Officer | Hideaki Oka | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥18 | — | — | \$120 |
| Director or other Officer | Yukio Shibano | Direct Ownership 0.00% | Corporate Officer | Exercise of stock options (Note) | ¥18 | — | — | \$123 |

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

28. SUPPLEMENTARY INFORMATION

(Unapplied Accounting Standards)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

This stipulates that the lessee recognizes all leases as assets and liabilities in principle.

(2) Date of application

To be applied from the beginning of the fiscal year ending March 31, 2028

(3) Effect of application

The effect of applying the accounting standards on the consolidated financial statements is currently being evaluated.

29. Major Subsequent Events

(Purchase of treasury stock)

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

1. Reasons for Repurchase of Shares

Our basic policy is to focus on expanding business earnings and financial discipline, and to return the fruits of our management efforts to shareholders in an appropriate and stable manner. Our capital policy is based on careful consideration of return on equity and cost of capital. Returning profits to shareholders is at the core of this, and we have flexibly acquired our own shares, taking into account share price levels and other factors. As part of this, we resolved today to acquire our own shares.

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

(1) Share Type for Purchase

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

(2) Total Number of Shares to be Purchased

200 million shares (maximum)

(3) Total Share Purchase Amount

¥500 billion (maximum)

(4) Purchase Period

May 21, 2025 to April 24, 2026

(5) Purchase Method

Market Purchases on the Tokyo Stock Exchange

3. Acquisitions as of the end of the month preceding the month of issuance of the annual securities report

(1) Total Number of Shares Purchased

87,393,400 shares

(2) Total Share Purchase Amount

¥399,999,591,800

(Note) Purchased in the Off-Auction Share Repurchase Trading System (ToSTNeT-3) as part of Fully Committed Share Repurchase (Japanese ASR).

30. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

31. CHANGES IN THE METHOD OF PRESENTATION

(Consolidated Statement of Income)

"Interest expenses" had been presented as a separate item under "Other Income (Expenses)". However, as it has decreased to less than one-tenth of the total amount of other income, it is therefore included in "Other, net" from the fiscal year ended March 31, 2025.

In order to reflect these changes in the method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year. As a result, (¥1,501) million that had been presented in "Interest expenses" and ¥8,311 million that had been presented in "Other, net" on the consolidated statement of income for the fiscal year ended March 31, 2024 have been reclassified into "Other, net" of ¥6,810 million.

(Consolidated Statement of Cash Flows)

"Insurance claim income related to disaster" had been presented as a separate item under "Cash Flows from Operating Activities". However, as this item has decreased in monetary importance, it is therefore included in "Other, net" under "Cash Flows from Operating Activities" from the fiscal year ended March 31, 2025.

In order to reflect these changes in the method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year. As a result, ¥4,424 million that had been presented in "Insurance claim income related to disaster" and (¥13,046) million that had been presented in "Other, net" on the consolidated statement of cash flows for the fiscal year ended March 31, 2024 have been reclassified into "Other, net" of (¥8,622) million.

"Proceeds from sales of investments in securities" and "Proceeds from redemption of investments in securities" had been presented as separate items under "Cash Flows from Investing Activities". However, as "Proceeds from redemption of investments in securities" has decreased in monetary importance, they are therefore included in "Proceeds from sales and redemption of investments in securities" under "Cash Flows from Investing Activities" from the fiscal year ended March 31, 2025.

In order to reflect these changes in the method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year. As a result, ¥26,580 million that had been presented in "Proceeds from sales of investments in securities" and ¥0 million that had been presented in "Proceeds from redemption of investments in securities" on the consolidated statement of cash flows for the fiscal year ended March 31, 2024 have been reclassified into "Proceeds from sales and redemption of investments in securities" of ¥26,581 million.

32. ACCOUNTING ESTIMATES

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

Impairment of property, plant and equipment

As of March 31, 2025, the balance of property, plant and equipment was ¥2,065,945 million (\$13,772,968 thousand), accounting for 37% of total assets. Impairment should be considered when economic trends in countries and regions where major product markets are located or increased price competition due to lower global demand negatively impact business performance. When considering impairment, the process of asset grouping and estimating indications of impairment is complex and subjective, and future cash flow estimates are based on many assumptions, so it is necessary to assess the prerequisites carefully. As a result, depending on the amount of estimated future cash flows, there is a possibility that loss on impairment of fixed assets will be recorded.

The amounts in the accompanying consolidated financial statements and the notes thereto, including the amounts for prior fiscal years, are stated in millions of yen with amounts less than ¥1 million omitted.

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

| Principal Consolidated Subsidiaries | Percentage of Voting Rights | Fiscal Year-End | Principal Consolidated Subsidiaries | Percentage of Voting Rights | Fiscal Year-End |
|--|-----------------------------|-----------------|---|-----------------------------|-----------------|
| Shintech Inc.* | 100.0 | December 31 | Fukui Environmental Analysis Center Co., Ltd. | 100.0 | February 28 |
| Shin-Etsu Handotai Co., Ltd. | 100.0 | March 31 | Shin-Etsu Film Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Handotai America, Inc.* | 100.0 | December 31 | Shin-Etsu Technology Service Co., Ltd. | 76.9 | February 28 |
| Shin-Etsu PVC B.V.* | 100.0 | December 31 | Shin-Etsu Polymer America, Inc.* | 100.0 | December 31 |
| Shin-Etsu Handotai Taiwan Co., Ltd.* | 70.0 | December 31 | Naoetsu Sangyo Limited | 100.0 | March 31 |
| Mimasu Semiconductor Industry Co., Ltd. | 100.0 | February 28 | Shinken Total Plant Co., Ltd. | 100.0 | February 28 |
| Shin-Etsu Polymer Co., Ltd. | 53.6 | March 31 | Shin-Etsu Shinkoh Mold Saitama Co., Ltd. | 100.0 | March 31 |
| S.E.H. Malaysia Sdn. Bhd.* | 100.0 | December 31 | Shin-Etsu Shinkoh Mold Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Engineering Co., Ltd. | 100.0 | March 31 | Shin-Etsu Magnet Co., Ltd. | 100.0 | March 31 |
| Shin-Etsu Handotai Europe, Ltd.* | 100.0 | December 31 | Shin-Etsu Polymer India Pvt. Ltd.* | 100.0 | December 31 |
| SE Tylose GmbH & Co. KG* | 100.0 | December 31 | PT. Shin-Etsu Polymer Indonesia* | 100.0 | December 31 |
| Shin-Etsu Silicones (Thailand) Ltd.* | 100.0 | December 31 | Shin-Etsu Polymer Singapore Pte. Ltd.* | 100.0 | December 31 |
| Asia Silicones Monomer Limited* | 100.0 | December 31 | Shin-Etsu Polymer Shanghai Co., Ltd.* | 100.0 | December 31 |
| JAPAN VAM & POVAL Co., Ltd. | 100.0 | March 31 | Shin-Etsu Polymer Hong Kong Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Astech Co., Ltd. | 99.6 | March 31 | Shin-Etsu Polymer Hungary Kft.* | 100.0 | December 31 |
| Naoetsu Electronics Co., Ltd. | 100.0 | February 28 | Shin-Etsu Polymer (Thailand) Ltd.* | 100.0 | December 31 |
| Shin-Etsu Electronics Materials Singapore Pte. Ltd.* | 100.0 | December 31 | Dongguan Shin-Etsu Polymer Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.* | 100.0 | December 31 | Human Create Co., Ltd. | 100.0 | March 31 |
| Nagano Electronics Industrial Co., Ltd. | 90.0 | February 28 | Suzhou Shin-Etsu Polymer Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Finetech Co., Ltd. | 100.0 | March 31 | S.E.H. (Shah Alam) Sdn. Bhd.* | 100.0 | December 31 |
| Shin-Etsu Magnetics Philippines, Inc.* | 100.0 | December 31 | SHIN-ETSU HANDOTAI SINGAPORE PTE. LTD.* | 100.0 | December 31 |
| CIRES, Lda.* | 100.0 | December 31 | Simcoa Operations Pty. Ltd.* | 100.0 | December 31 |
| Shin-Etsu Singapore Pte. Ltd.* | 100.0 | December 31 | SE Tylose USA, Inc.* | 100.0 | December 31 |
| Shin-Etsu Silicone Korea Co., Ltd.* | 100.0 | December 31 | K-Bin, Inc.* | 100.0 | December 31 |
| Shin-Etsu (Malaysia) Sdn. Bhd.* | 100.0 | December 31 | Shin-Etsu Silicone (Nantong) Co., Ltd.* | 100.0 | December 31 |
| Nissin Chemical Industry Co., Ltd. | 100.0 | February 28 | Kashima Chlorine & Alkali Co., Ltd. | 79.0 | March 31 |
| Shin-Etsu MicroSi, Inc.* | 100.0 | December 31 | Kashima Vinyl Chloride Monomer Co., Ltd. | 70.6 | March 31 |
| Shin-Etsu Silicone Taiwan Co., Ltd.* | 93.3 | December 31 | Shin-Etsu New Materials (Thailand) Limited* | 100.0 | December 31 |
| Shin-Etsu Silicones of America, Inc.* | 100.0 | December 31 | Shin-Etsu Magnetic Materials Vietnam Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Silicones Europe B.V.* | 100.0 | December 31 | Shin-Etsu Electronics Materials Taiwan Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Opto Electronic Co., Ltd.* | 80.0 | December 31 | Shin-Etsu Polymer Vietnam Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Polymer (Malaysia) Sdn. Bhd.* | 100.0 | December 31 | Shin-Etsu Electronics (Malaysia) Sdn.Bhd.* | 100.0 | December 31 |
| Shin-Etsu Polymer Europe B.V.* | 100.0 | December 31 | Shin-Etsu (Hong Kong) Co., Ltd* | 100.0 | December 31 |
| Shin-Etsu International Europe B.V.* | 100.0 | December 31 | Zhejiang Shin-Etsu High-Tech Chemical Co., Ltd.* | 100.0 | December 31 |
| Nihon Resin Co., Ltd. | 100.0 | December 31 | KitcheNista Co.,Ltd. | 100.0 | March 31 |
| Naoetsu Precision Co., Ltd. | 100.0 | February 28 | Hymix Co., Ltd.* | 100.0 | December 31 |
| Shin-Etsu Skyward Systems .Co., Ltd. | 100.0 | March 31 | Shin-Etsu Polymer Taiwan Co., Ltd.* | 100.0 | December 31 |
| Shinano Electric Refining Co., Ltd. | 100.0 | March 31 | | | |

*Overseas subsidiary

24 other consolidated subsidiaries

Independent Auditor's Report

The Board of Directors
Shin-Etsu Chemical Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

| Satisfaction of performance obligations for revenue recognition | |
|--|--|
| Description of Key Audit Matter | Auditor's Response |
| <p>Shin-Etsu Chemical Co., Ltd. (the Company), along with its consolidated subsidiaries, is a chemical manufacturer comprised of the following four business segments: Infrastructure Materials, Electronics Materials, Functional Materials and Processing & Specialized Services, and whose main business is the manufacture and sale of related products.</p> <p>As described in Note 2, "Summary of significant accounting policies, (13) Standards for recognizing revenues and expenses" in the Notes to Consolidated Financial Statements, although revenue is ordinarily recognized when the Company satisfies its performance obligations by transferring products to customers based on sales contracts, the exact point in time when performance obligations are satisfied by the Company varies depending on a diverse range of specific contract terms since the Company sells a wide range of products to customers, not only in Japan, but also in various countries worldwide.</p> <p>Accordingly, regarding revenue recognition at the Company, there is a possibility that errors could be made in determining when the corresponding performance obligations are satisfied. Also, sales is one of the key figures which management and users of financial statements focus on.</p> <p>Based on the above, we determined the timing of revenue recognition to be a key audit matter.</p> | <p>Regarding revenue recognition at the Company, we performed the following audit procedures in assessing whether the revenue is recognized at the point in time when performance obligations are satisfied based on sales contracts, among others:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls related to the sales process, including IT general controls and application controls over the sales systems. • By inspecting written contracts with major domestic or overseas customers or other documents, we assessed whether the point in time when performance obligations of sales transactions are satisfied is determined on the basis of the contract terms. • We tested appropriateness of the timing on which sales were recorded and the amounts thereof regarding sales transactions selected in consideration of their quantitative and qualitative materiality and randomly selected sales transactions by agreeing to related source documents such as bill of lading and acceptance reports. We selected sales transactions to be tested from each business segment. • For sales transactions occurring just before and after the fiscal year end, in order to evaluate the timing of revenue recognition, we randomly selected specific samples as deemed necessary after performing a trend analysis of daily sales to consider if there were any unusual fluctuations, and tested the selected sales transactions by agreeing to related source documents such as bill of lading and acceptance report. We selected sales transactions to be tested from each business segment. • We confirmed the balance of accounts receivable-trade directly with specific customers. We selected customers subject to external confirmation procedures in consideration of quantitative and qualitative materiality. |

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 30, 2025

Noriaki Kenmochi
Designated Engagement Partner
Certified Public Accountant

Satoshi Kanazawa
Designated Engagement Partner
Certified Public Accountant

Tetsuya Kawawaki
Designated Engagement Partner
Certified Public Accountant