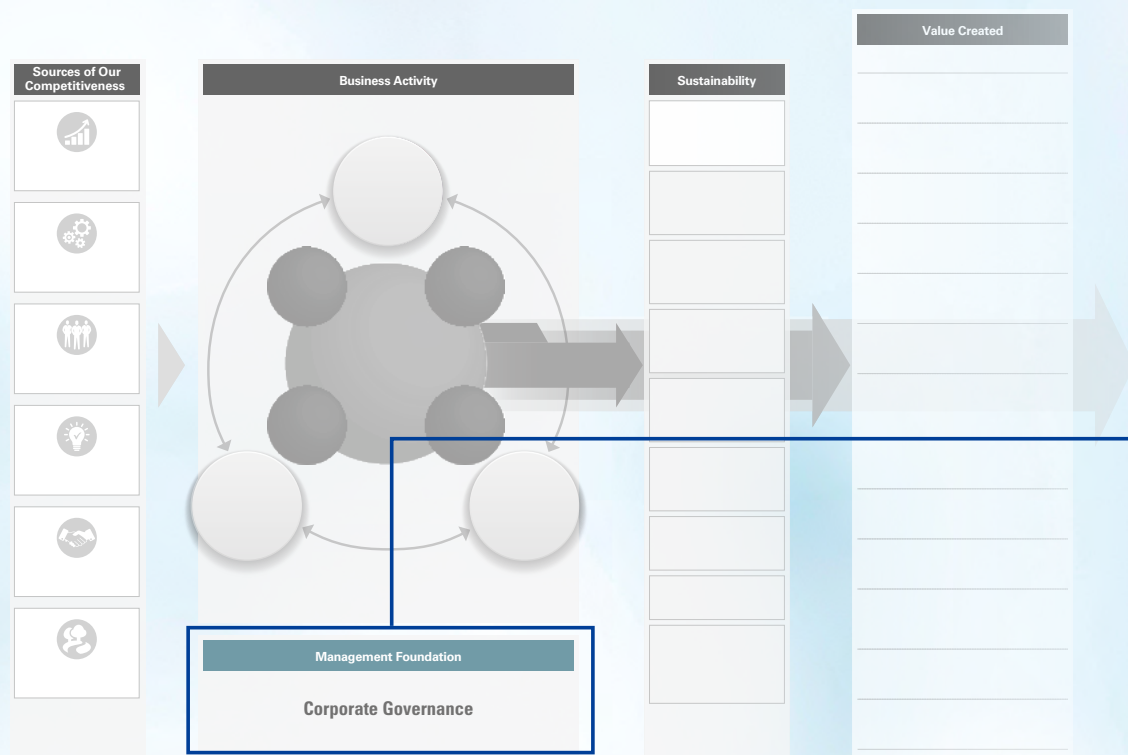


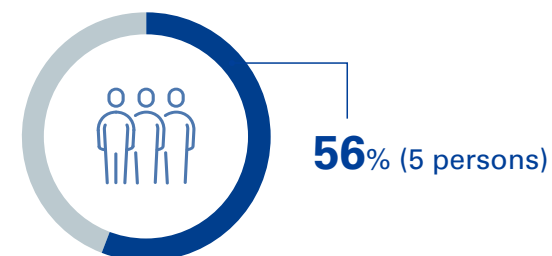
Management Foundation

Build a robust corporate governance structure to sustainably enhance corporate value

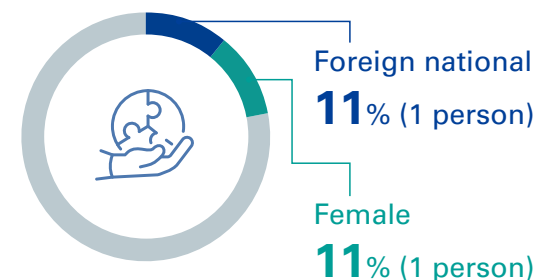


Three Features of Corporate Governance

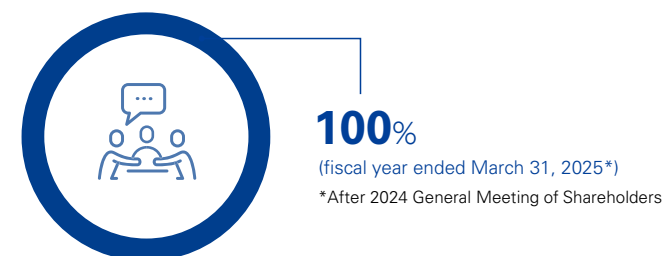
Ratio of Outside Directors on the Board of Directors



Diversity of Directors



Attendance ratio of Outside Directors at the Board of Directors Meetings



Corporate Governance Approach and Initiatives

Basic Approach

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



For more detailed information, please see the Governance section on the Group's website.

https://www.shinetsu.co.jp/en/sustainability/esg_foundation/governance/

Corporate Governance Structure

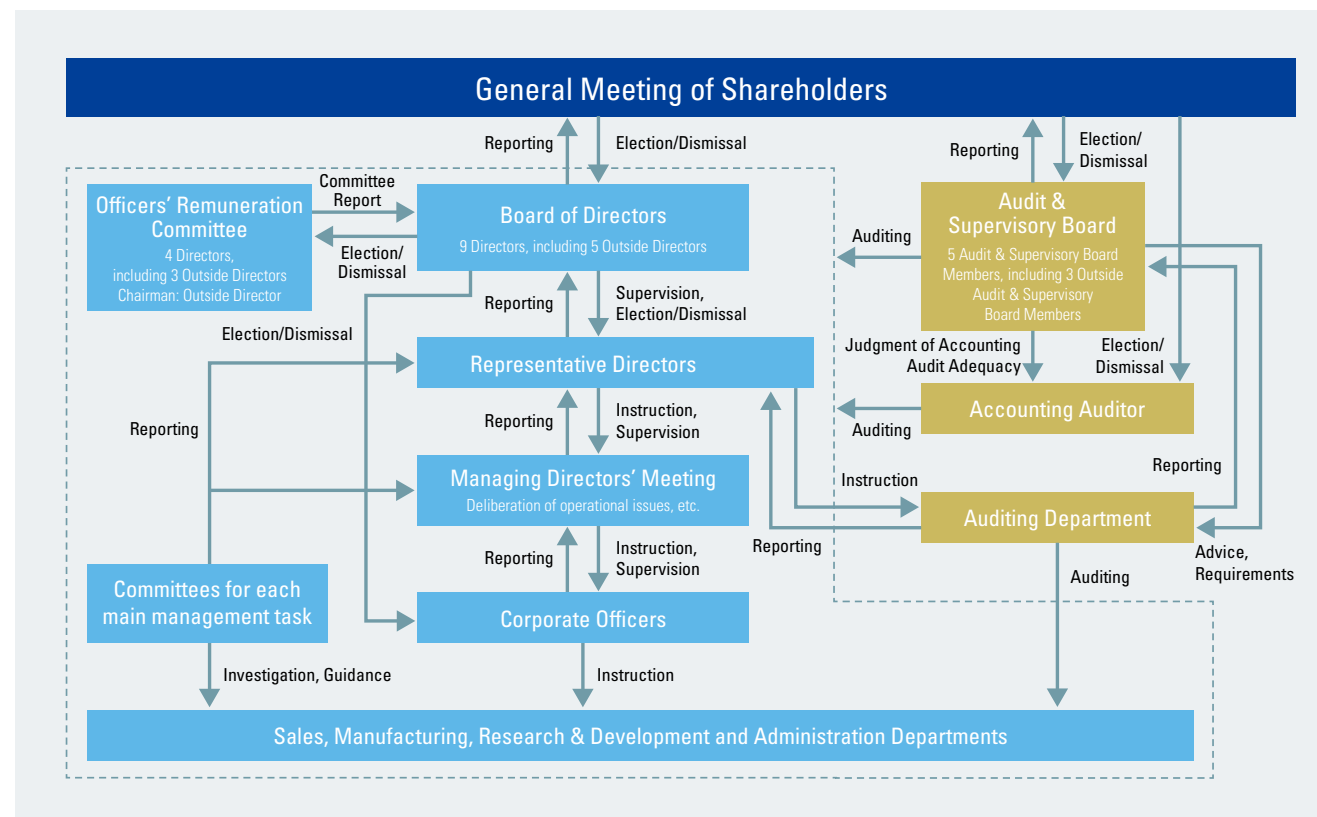
The Board of Directors consists of nine directors, five of whom are Outside Directors with extensive corporate and organizational management experience and outstanding insight.

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

remuneration for officers and the nomination of candidates for directors and Audit & Supervisory Board members.

Shin-Etsu Chemical has adopted the Company with Audit & Supervisory Board Members system as its organizational structure. The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members. In addition to attending important internal meetings such as meetings of the Board of Directors and the Managing Directors' Meeting, Audit & Supervisory Board Members receive reports from Directors, Corporate Officers, employees, and

others on the status of execution of their duties and audit the execution of duties by Directors through on-site inspections of business sites and subsidiaries, including overseas, and other investigations. Audit & Supervisory Board Members also receive quarterly reports and explanations regarding accounting audits from an accounting auditor, and ensure proper collaboration by exchanging information and opinions as necessary. They also regularly receive reports and explanations regarding the status of internal auditing from the Internal Auditing Department and work cooperatively with it, exchanging views and ideas.



Corporate Governance Approach and Initiatives

■ Officers' Remuneration Committee

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

■ Basic Fundamental Policy Regarding Remuneration and Its Calculation Method

The remuneration system of Directors shall be designed to contribute to the mid- to long-term enhancement of the corporate value of the Company, and the remuneration of Directors shall be determined by the Board of Directors based on the results of the review and evaluation by the Officers' Remuneration Committee as well as its opinion thereon. The remuneration shall consist of "fixed remuneration" determined as appropriate for each

individual's position, job responsibilities, etc., and "performance-based remuneration" that takes into consideration the annual financial performance of the Company as an incentive for the enhancement of corporate value, as well as "stock options" as an incentive for higher motivation and morale to execute one's duties and to improve performance, and ultimately for the enhancement of shareholder value (stock price-linked remuneration).

On the other hand, the remuneration of Audit &

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

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

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

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

Assessment of Board of Directors Effectiveness

At every meeting of our Board of Directors, Outside Directors ask questions and make suggestions regarding agenda items, and there is a lively exchange of opinions and discussion. In addition, the Board of Directors receives individual opinions each year from Outside

Directors regarding the effectiveness of the Board of Directors as a whole. In FY2024, the Board of Directors of the Company was evaluated as being effective. During the evaluation, the Outside Directors also gave the Board of Directors valuable feedback on issues such as "Earlier

Explanations (and More Data) to Facilitate Discussions at Board of Directors Meetings" and "Implementation of Site Visits for Outside Directors and Outside Audit & Supervisory Board Members."

Policy on Cross-shareholdings

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

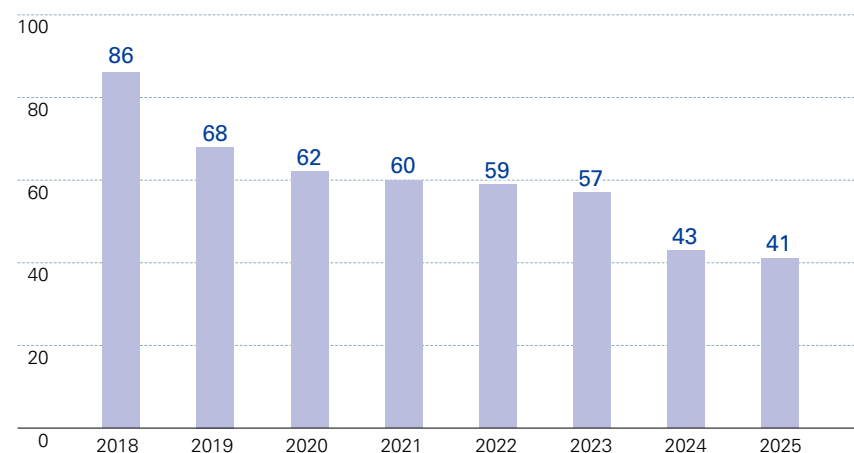
business relationships and holding the relevant shares are commensurate with the cost of capital.

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

With regard to our remaining cross-shareholdings, when exercising the shareholder voting rights they confer,

we vote on each proposal in the shareholder meetings individually based on a comprehensive judgment that considers factors such as whether the proposal might damage shareholder value, based on the perspective of our purpose in holding the shares (which is to enhance our corporate value through sustainable growth) as well as what will contribute to enhancement of the corporate value of the investee.

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



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

Management (As of June 27, 2025)

Board of Directors



Representative Director-Chairman of the Board Meeting

Fumio Akiya

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



Representative Director-President

Yasuhiko Saitoh

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



Director, Senior Managing Corporate Officer

Susumu Ueno

In charge of Silicone Chemical Technologies & Magnetic Materials Division



Director, Senior Managing Corporate Officer

Masahiko Todoroki

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



Director **Outside**

Hiroshi Komiyama^{*1}

Former President, National University Corporation, The University of Tokyo Chairman, Mitsubishi Research Institute, Inc.



Director **Outside**

Kuniharu Nakamura^{*1}

Special Adviser, SUMITOMO CORPORATION
Outside Director, Panasonic Holdings Corporation



Director **Outside**

Michael H. McGarry^{*1}

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



Director **Outside**

Mariko Hasegawa^{*1}

Former President, National University Corporation, the Graduate University for Advanced Studies, SOKENDAI
President, Independent Administrative Agency, the Japan Arts Council



Director **Outside**

Takashi Hibino^{*1}

Senior Executive Adviser, Daiwa Securities Group Inc.
Outside Director, Mitsui Fudosan Co., Ltd.

Audit & Supervisory Board Members



Full-time Audit & Supervisory Board Member

Hidenori Onezawa



Full-time Audit & Supervisory Board Member

Yoshimitsu Takahashi



Audit & Supervisory Board Member **Outside**

Yoshihito Kosaka^{*2}

C.P.A., Certified Public Tax Accountant



Audit & Supervisory Board Member **Outside**

Mitsuko Kagami^{*2}

Lawyer, Partner Lawyer, KAGAMI Law Office Outside
Director, MEDIPAL HOLDINGS CORPORATION



Audit & Supervisory Board Member **Outside**

Hiroko Kaneko^{*2}

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

Outside Outside Director or Outside Audit & Supervisory Board Member

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

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

Management

■ Areas of Expertise and Involvement of Directors

The Company's basic policy is to structure the Board of Directors in a way that facilitates accurate and swift decision-making and adequate supervision of business activities. To that end, the Company elects internal directors with specialized expertise in areas such as sales,

manufacturing, and R&D, along with multiple outside directors who can actively express their opinions on growth strategies and the enhancement of governance from a broad perspective. An appropriate number of directors, regardless of nationality or gender, are appointed to the Board based on the scale of the Company's business.

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

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

Note: The above list represents the most specialized expertise of each Director and is not meant to be an exhaustive list of their knowledge and experience.

Risk management and Sustainability are areas in which the Company expects all Directors to be involved.

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

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

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

(Year ended March 31, 2025)

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

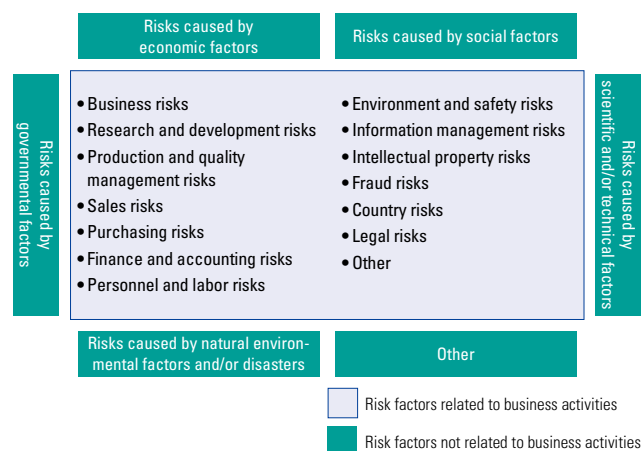
Risk Management

The Committee for Risk Management Across the Board

We have established a Risk Management Committee consisting of approximately 20 members, including directors, corporate officers, and department managers, to establish a risk management system, develop rules and regulations, and identify and prevent risks that may arise in the course of business activities. In addition, we promote cross-functional activities among divisions and Group companies, including the formulation of business continuity plans, training, and information sharing. Furthermore, important matters in risk management are reported to the Board of Directors, the Managing Directors' Meeting, and the Audit & Supervisory Board.

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

Risks anticipated in the Risk Management Regulations



in FY2025 onward. With regard to the risks related to climate change, the Committee works with the Climate Change Subcommittee within the Sustainability Committee to ascertain risks through scenario analysis. With regard to human rights risks, the Human Rights Due Diligence Subcommittee within the Sustainability Committee cooperates with relevant departments to investigate human rights risks, identify priority issues, and establish and maintain mechanisms for

responding to human rights consultations and reports.

Risk Management Regulations

The Company has established Risk Management Regulations that anticipate comprehensive risks that may arise in the course of the Shin-Etsu Group's business activities from a long-term perspective and has established a risk management system and responses to any risks that materialize.

Activities of the Risk Management Committee in FY2025

The Risk Management Committee works in a multifaceted and company-wide effort to preemptively eliminate risks that may affect management and business activities, and to minimize the impact of risks when they do occur and prevent their recurrence.

In FY2024, in addition to its ongoing work of considering countermeasures against geopolitical risks, cybersecurity risks, infrastructure risks, occupational safety risks, raw materials procurement risks, and other risks, including those of Group companies in Japan and overseas, the Committee worked on securing human resources, taking measures to prevent talent outflow, and ensuring stable procurement of raw materials.

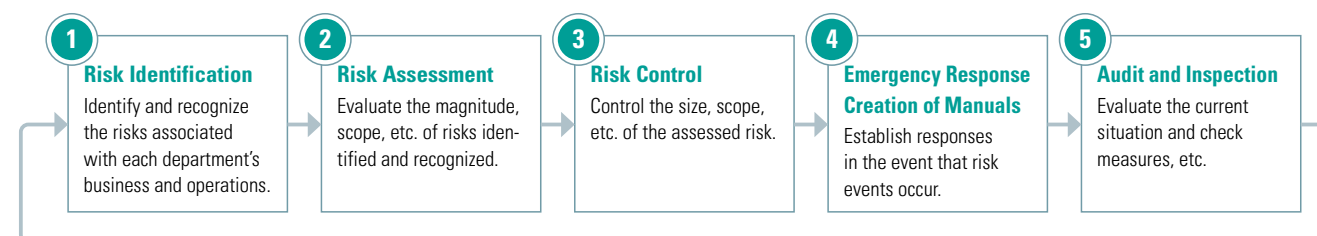
In light of the volatile international situation in FY2025, the Committee will continue its efforts to prevent and strengthen measures against the following risks:

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

In addition, we will check the status of efforts to address these risks in each of our core business divisions and Group companies and proceed with necessary countermeasures together with the relevant business unit. The Risk Management Committee will continue to support the sustainable development of the company by eliminating risks before they occur and enhancing risk preparedness.

Risk Management Procedures

Risk management is carried out following the procedures of the PDCA cycle shown in the diagram below in accordance with the characteristics of each risk.





Interview with Outside Directors

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

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



Interview with Outside Directors

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

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

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

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

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

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

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

Strengthening Corporate Governance

Mr. Hibino Regarding the composition of the Board of



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

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

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

Interview with Outside Directors

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

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

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



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

■ Responding to Rapid Changes in the International Situation

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

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

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



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

■ Capital Policy for the Future

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

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

Interview with Outside Directors

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

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

■ Achieving Carbon Neutrality

Mr. Komiya Our sustainability initiatives cover a number of themes. Among these, I have been advocating for environment-related initiatives in particular within the Company. This is similar to what I explained in the discussion about the Company's earning power. To achieve carbon neutrality, the most important thing is to improve the efficiency of energy use, which is the key to reducing CO₂ emissions. Furthermore, it is important not only to improve our own manufacturing processes, but also to develop products that can improve the efficiency of energy use in our customers' manufacturing processes.

As an example of a product that can improve the efficiency of energy use in our customers' manufacturing processes, we have developed a silicone rubber product that eliminates the need for customers to perform a reheating process to remove impurities. In fact, it seems that this

product has received high praise from customers. I think it would be fantastic if, by increasing the number of such products, we could increase the efficiency of energy use not only of the Company but of the entire chemical industry, and move closer to carbon neutrality.

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

■ Human Resources

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

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

I think there is a lot of pressure on companies to



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

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

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

Interview with Outside Directors

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

■ Toward Further Enhancement of Corporate Value

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



creating significant value for society.

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

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

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

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

To maintain these advantages, ultimately the most

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

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

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