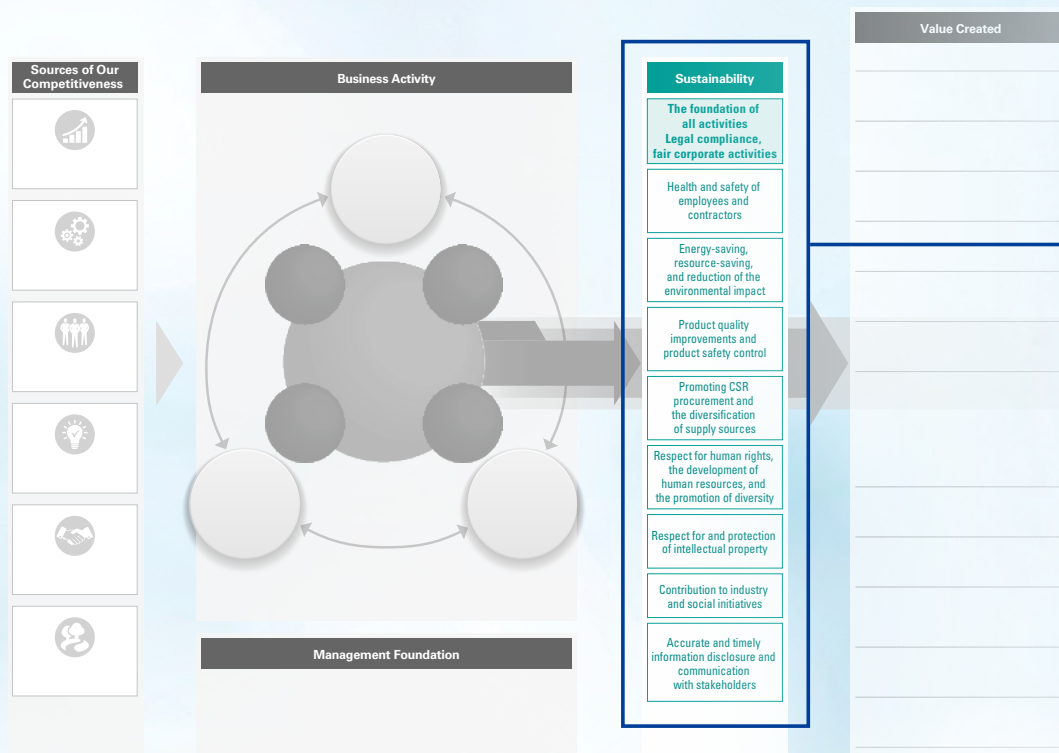


## Sustainability

# We will create a sustainable society and achieve sustainable corporate growth



## Shin-Etsu Group's Sustainability

### Business Principle

**The Group actively conducts in sustainable business practices and creates the value sought by society and industry through the provision of unrivaled key materials technologies.**

### Basic Sustainability Policy (next page)

#### Key Issues

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

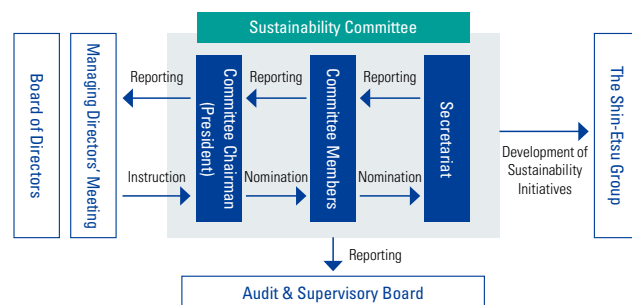
# Governance Related to Sustainability

The Shin-Etsu Group views the implementation of its Business Principle and the making of contributions that benefit shareholders, investors, customers, business partners, local communities, employees, and all other stakeholders as its social responsibility.

To fulfill this responsibility, we have established the Basic Sustainability Policy, the Shin-Etsu Group Human Rights Policy, and various internal regulations related to the environment, safety, and similar areas, and are carrying out activities accordingly.

To promote sustainability activities in all aspects of our corporate activities, we have formed a Sustainability Committee consisting of approximately 60 members, including our directors, corporate officers, and department managers, as well as sustainability managers from Group companies, with the president of Shin-Etsu Chemical serving as the chairman. The Committee deliberates on the establishment and revision of important policies and regulations related to sustainability. The Committee also has subcommittees, including the Climate Change Subcommittee and the Human Rights Due Diligence Subcommittee, which perform specific practical tasks. To ensure that the Committee's sustainability initiatives are appropriately monitored, they are reported to the Board of Directors and to the Managing Directors' Meeting, which is composed of all Directors, Audit & Supervisory Board Members and corporate officers and deliberates on all aspects of business operations.

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



## Basic Sustainability Policy

The Shin-Etsu Group will:

- 1 Do our best to increase the Group's corporate value through sustainable growth and make multifaceted contributions to society.
- 2 Carry out all of our company activities by always placing the utmost priority on safety.
- 3 Expand those businesses that contribute to the reduction of greenhouse gas emissions.
- 4 Maximize the efficiency of product development and manufacturing, and contribute to higher efficiency of society by supplying our products thus produced.
- 5 Engage in business activities while taking biodiversity into account and seeking harmony with the global environment.
- 6 Strive to respect human rights, assure equality in employment opportunities, and support the self-fulfillment of our employees.
- 7 Appropriately disclose information in a timely manner.
- 8 Carry out healthy, trustworthy, transparent corporate activities in compliance with laws and regulations based on the integrity of the Group's ethical values.

Revised May 2024

## List of Executives in Charge of Sustainability Initiatives

As of June 27, 2025

Position	Name	Current Positions (related to Sustainability)	Key Sustainability Issues
Representative Director Chairman of the Board Meeting	Fumio Akiya	In charge of Technologies	Product quality improvements and product safety control
Representative Director- President	Yasuhiko Saitoh	Chairman of Sustainability Committee	
Managing Corporate Officer	Toshiya Akimoto	Vice Chairman of Sustainability Committee In charge of Public Relations, Legal Affairs, Business Auditing General Manager of Office for Digitization and Digitalization Chairman of Risk Management Committee	The foundation of all activities: Legal compliance, fair corporate activities Respect for and protection of intellectual property Accurate and timely information disclosure and communication with stakeholders Risk management Corporate Governance
Managing Corporate Officer	Fumio Arai	In charge of Purchasing	Promoting CSR procurement and the diversification of supply sources
Managing Corporate Officer	Shigeyoshi Netsu	In charge of Patents	Respect for and protection of intellectual property
Corporate Officer	Toshiyuki Kasahara	In charge of General Affairs General Manager of Finance & Accounting Dept.	Corporate Governance (Fair tax payment, etc.)
Corporate Officer	Kai Yasuoka	In charge of Personnel & Labor Relations	Respect for human rights, the development of human resources, and the promotion of diversity
Corporate Officer	Ichiro Onozawa	In charge of Environmental Control & Safety Relations	Health and safety of employees and contractors Energy-saving, resource-saving, and reduction of the environmental impact

Note: For company-wide corporate governance systems that are not limited to sustainability, please refer to "Corporate Governance."

# Identifying Key Issues (Materiality)

In FY2015, the Sustainability Committee identified “key sustainability issues” that the Shin-Etsu Group needs to focus its efforts on in particular. Subsequently, in December 2018, all of our departments and major domestic Group companies reviewed the key issues and their importance, which were then reviewed again by the Sustainability Committee.

As a result, we decided to carry on with the key issues we identified in 2015. We continue to view legal compliance and fair corporate activities as the foundation of all of our activities, and focus on these nine key issues.

Going forward, the Sustainability Committee will continue to review the key issues and their importance as

necessary based on the status of the Group’s corporate activities, taking into account changes in the external environment in which the Group operates and trends in sustainability in Japan and overseas.

## Materiality Identification Process

### Step 1

#### Clarify key issues

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

### Step 2

#### Prioritize importance of key issues and organize the issues

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

### Step 3

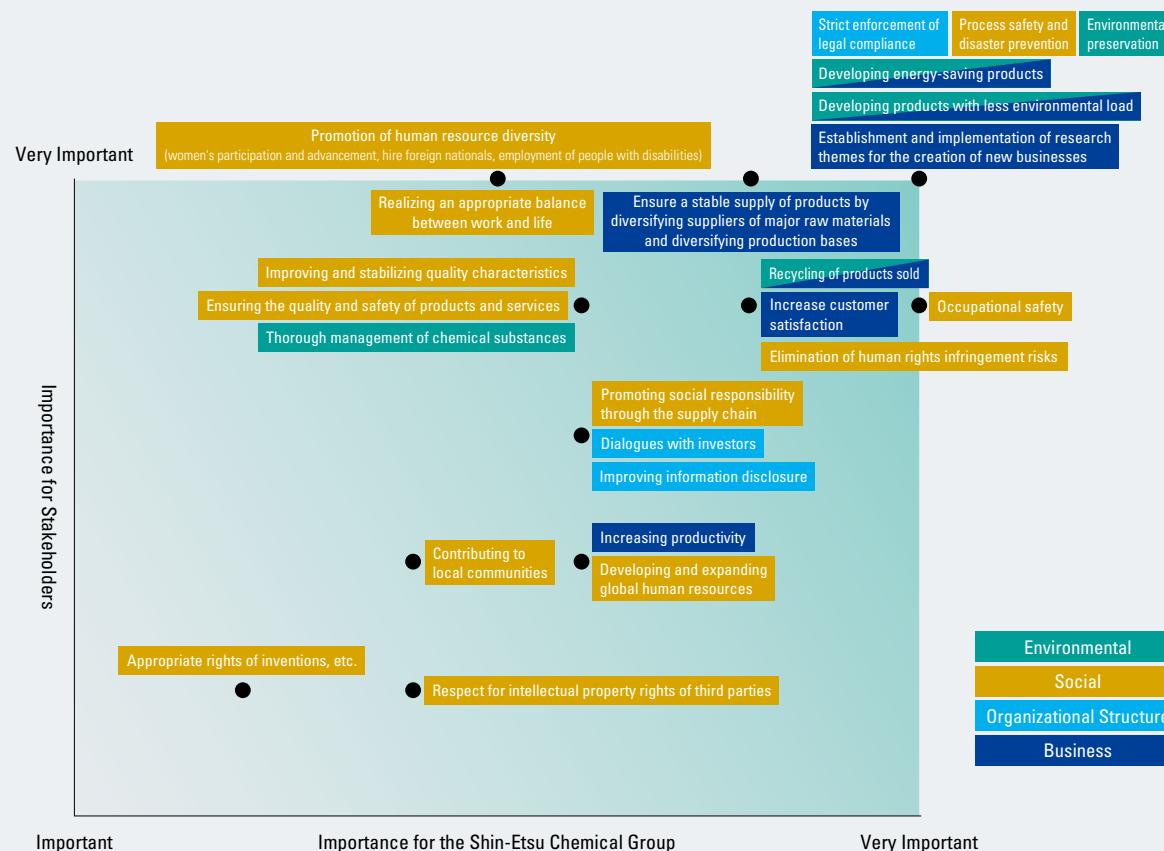
#### Conduct a hearing with Outside Directors

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

### Step 4

#### Review by the Sustainability Committee and final decision by the Managing Directors’ Meeting

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






# Strategy, Metrics, and Targets

While key issues facing the global environment and society pose risks that threaten the sustainable growth of the Shin-Etsu Group, our initiatives to address them will create new business opportunities. The Group therefore strives to identify the risks and opportunities associated with these

key issues and seeks to mitigate the risks. Meanwhile, by providing products that contribute to solving social issues, including global environmental issues, we aim to simultaneously create a sustainable society and achieve sustainable growth for the Group.








The Group has also established metrics and targets to appropriately address the risks and opportunities it has identified.

 For more details regarding our initiatives, please visit our sustainability site.  
<https://www.shinetsu.co.jp/en/sustainability/>

Key issue	Risks	Opportunities	Corresponding initiatives	KPIs	FY2024 Results	Targets*	Scope
 The foundation of all activities: Legal compliance, fair corporate activities	<ul style="list-style-type: none"> <li>Impact of legal violations and improprieties on corporate management.</li> <li>Damage to corporate value due to loss of trust from society.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring full compliance awareness and fair corporate activities leads to:               <ol style="list-style-type: none"> <li>(1) Formation of the foundation of corporate value</li> <li>(2) Elimination of risks</li> <li>(3) Building of customer trust and expansion of business opportunities</li> <li>(4) Hiring and retaining of excellent human resources</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Demand thorough compliance awareness among officers and employees through training, etc.</li> <li>Regarding the prevention of bribery, thoroughly enforce a ban on provision of unfair benefits or demands, and establish internal rules at each overseas Group company</li> <li>Cutting ties with anti-social forces</li> <li>Compliance with sound business practices with suppliers and service providers</li> <li>Support for the "Declaration of Partnership Building"</li> </ul>	Number of serious legal or regulatory violations	0	0	Consolidated
<b>E</b>  Energy-saving, resource-saving, and reduction of the environmental impact	<ul style="list-style-type: none"> <li>Additional costs of stricter regulations related to greenhouse gas emissions</li> <li>Price increases and difficulty in procuring raw materials for the quantity needed</li> <li>Increased water risks, such as water depletion and flooding</li> </ul>	<ul style="list-style-type: none"> <li>The constant challenge of technological innovation leads to the enhancement of "manufacturing ability"</li> <li>Increasing competitiveness by conserving energy and resources, reducing environmental loads, and improving productivity</li> <li>Increasing the demand for products that contribute to the environment</li> <li>Developing technologies that recycle water, thus contributing to business continuity</li> </ul>	<ul style="list-style-type: none"> <li>Promoting the reduction of environmental impact</li> <li>Promoting energy conservation</li> <li>Waste reduction</li> <li>Pollutant countermeasures</li> <li>Response to climate change</li> <li>Resource recycling</li> <li>Water resource conservation and water pollutant elimination</li> <li>Conservation of biodiversity initiatives</li> </ul>	GHG Emissions (Scope1+Scope2)	6,770 thousand ton of CO <sub>2</sub>	0 ton of CO <sub>2</sub> (FY2050)	Consolidated
				Percentage of product sales that contribute to CN	Approx. 70%	Higher	Consolidated
				Emissions intensity index of production volume relative to 1990	56.9% (Shin-Etsu Group), 48.6% (Shin-Etsu Chemical)	45% (FY2025)	Shin-Etsu Chemical and its domestic and overseas group companies
				Average annual rate of energy consumption in terms of intensity	Decreased by 0.9%	Reduce energy consumption in terms of intensity at an average annual rate of 1%	Consolidated
				Average annual rate of water withdrawal in terms of intensity	Decreased by 7.9%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
				Average annual rate of BOD emissions in terms of intensity	Decreased by 8%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
				Water recycle ratio	92.5%	—	Consolidated
				Final waste landfill disposal rate	0.86%	Achieve zero waste emissions Reduce (final landfill waste – to be 1% or less of all waste generated)	Consolidated companies in Japan
				Waste recycling ratio	72%(Japan), 53%(Overseas)	—	Japan: Shin-Etsu Chemical and its domestic consolidated companies Overseas: Shin-Etsu Chemical's overseas consolidated companies
				Average annual rate of emissions of air pollutants in terms of intensity	14.1% increased in Soot, 1.3% increased in SOx	Reduce emissions of air pollutants in terms of intensity at an annual average rate of 1%	Consolidated

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

## Strategy, Metrics, and Targets

Key issue	Risks	Opportunities	Corresponding initiatives	KPIs	FY2024 Results	Targets*	Scope
S	 <b>Health and safety of employees and contractors</b> <ul style="list-style-type: none"> <li>Impact of accidents and environmental problems on local communities and employees.</li> <li>Damage to equipment caused by typhoons, earthquakes, or other natural disasters.</li> <li>Impact of an infectious disease outbreak on operations.</li> </ul>	<ul style="list-style-type: none"> <li>Implementing measures to prevent accidents and developing new production processes enable the creation of a safe working environment and the improvement of stable production and higher productivity</li> <li>Hiring and retaining excellent human resources</li> <li>Continuing operations, shutting down operations, and resuming operations safely by designing the plant in anticipation of a natural disaster and taking measures against risks</li> <li>Promoting employee health, achieving a work-life balance, and cultivating a sense of motivation and fulfillment in work</li> </ul>	<ul style="list-style-type: none"> <li>Safety education for employees through disaster prevention drills and workshops</li> <li>Environmental control and safety audits</li> <li>Improvement of the workplace environment and promotion of employees' health</li> </ul>	Number of participants in safety training	78,887	—	Consolidated
				Number of work-related employee fatalities	0	0	Consolidated
				Number of serious accidents	0	0	Consolidated
				Lost-time injuries	3	0	Shin-Etsu Chemical and its domestic consolidated companies
				Lost-time accidents rate	0.13 (Japan), 0.08 (Overseas)	0	Japan: Shin-Etsu Chemical and its domestic consolidated companies
				Lost-time accidents severity rate	0.00(Japan), 0.00 (Overseas)	0	Overseas: Shin-Etsu Chemical's overseas consolidated companies
				Rate of labor accidents not accompanied by an absence of a day or more	0.26	0.5 or below	Shin-Etsu Chemical and its domestic consolidated companies
	 <b>Product quality improvements and product safety control</b> <ul style="list-style-type: none"> <li>Loss of trust due to product quality issues</li> <li>Direct or indirect impacts on product safety</li> </ul>	<ul style="list-style-type: none"> <li>The track record of continuing to deliver products of the promised quality on time will lead to increased customer trust.</li> <li>Sincere efforts to ensure product safety and accumulation of achievements will lead to the trust of customers and society.</li> </ul>	<ul style="list-style-type: none"> <li>Quality control</li> <li>Quality audits and support</li> <li>Product safety control</li> <li>Promote automation of quality inspections and assurance (reduce personnel involvement)</li> <li>Verification of the statistical validity of inspection variations and standard ranges</li> </ul>	Number of participants in product safety training	75,916	—	Consolidated
				Percentage of suppliers surveyed on sustainability	( FY2021 Results Approx. 70% )	—	Shin-Etsu Chemical and its domestic and overseas consolidated companies.
	 <b>Promoting CSR procurement and the diversification of supply sources</b> <ul style="list-style-type: none"> <li>Impact from not being able to procure raw materials, such as discontinuation of manufacture and shipment delay to customers</li> <li>Problems arising in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Diversifying suppliers to enable stable procurement, purchasing at optimal prices, and procurement of raw materials through fair transactions</li> <li>Earning the trust of customers and society by thoroughly implementing CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Create "Shin-Etsu Group CSR Procurement Guidelines" and revise them as appropriate</li> <li>Ensuring compliance with subcontracting laws by attending seminars and conducting internal audits</li> <li>Implementing initiatives to eliminate the use of conflict minerals</li> <li>Implementing the supplier CSR procurement survey</li> <li>Participation in RSPO "Roundtable on Sustainable Palm Oil"</li> </ul>				
	 <b>Respect for human rights, the development of human resources, and the promotion of diversity</b> <ul style="list-style-type: none"> <li>Occurrence of human rights infringements in the Group's business activities and supply chain</li> <li>Occurrence of differences and biases in the effectiveness of on-the-job training</li> <li>Negative impact of performance-based evaluation (Putting emphasis on short-term results, bias in evaluation depending on department, performance decline due to external factors, etc.)</li> <li>Increase in turnover rate and decrease in job seekers due to inability to meet needs for diversification of work styles</li> </ul>	<ul style="list-style-type: none"> <li>Improving the market evaluation of companies that promote respect for human rights</li> <li>Active participation of excellent human resources who have cultivated practical skills through on-the-job training</li> <li>Accumulation of knowledge, skills and experience</li> <li>Maintaining and improving organizational vitality brought about by a strong desire to take on challenges to achieve goals</li> <li>Business growth and new business development by hiring, developing, and selecting talented human resources</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of respect for human rights based on the Universal Declaration of Human Rights</li> <li>Implementing human rights due diligence</li> <li>Supporting employee growth through a training system</li> <li>Promote communication between superiors and subordinates</li> <li>Promoting penetration of an evaluation compensation system focused on skill development</li> <li>Creating an environment where people can play an active role regardless of gender or age</li> <li>Enhancement of work-life balance system</li> </ul>	Ratio of women at the time of hiring	Administrative positions: 52.6%, engineering positions: 9.0%	Administrative positions: 40%, engineering positions: 10%	Employees and seconded employees of Shin-Etsu Chemical
				Number of women in managerial positions, including junior manager level	4 times versus FY2014	4 times versus FY2014	Employees and seconded employees of Shin-Etsu Chemical
				Employment rate of persons with disabilities	2.35	2.50	Shin-Etsu Chemical and its domestic consolidated companies
				Number of child labor cases	0	0	Consolidated
				Number of forced labor cases	0	0	Consolidated
	 <b>Respect for and protection of intellectual property</b> <ul style="list-style-type: none"> <li>The adverse effect on product sales due to infringement of our intellectual property</li> <li>Restrictions on our product sales and business due to the patents of other entities</li> <li>Impact of cyber-attacks on production, sales, and R&amp;D activities</li> <li>Loss of trust in the company due to information leakage</li> </ul>	<ul style="list-style-type: none"> <li>Promoting product development and unique manufacturing methods by protecting and utilizing our intellectual property</li> <li>Contributing to the development of industry and the society by publishing inventions</li> <li>Implementing technology innovation and operational reforms by utilizing digital technologies while thoroughly protecting and managing information assets and taking measures against cyber attacks</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual property management</li> <li>Initiatives for information asset management</li> <li>Protection of personal information</li> <li>Initiatives for cyber security</li> </ul>	Patents acquired	1,864	—	Major consolidated manufacturing companies
				Patents held	23,874	—	Major consolidated manufacturing companies
	 <b>Contribution to industry and social initiatives</b> <ul style="list-style-type: none"> <li>Loss of trust from local communities due to social contribution activities not meeting local needs</li> <li>Impact on the world development due to the delay in achieving a sustainable world that the SDGs aim to achieve</li> </ul>	<ul style="list-style-type: none"> <li>Creation of employment opportunities, stable employment and tax payment due to business stability</li> <li>Building relationships of trust with the local community through dialogue and continuous activities</li> <li>Contributing to a better world by addressing SDG issues through business operations</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to SDGs goals and targets</li> <li>Fundraising for the U.N. World Refugee Day</li> <li>Support for Science and Technology in Society forum</li> <li>Support for eradicating poverty in Africa</li> <li>Contribution to Society Activities at Overseas Group Company</li> </ul>			—	
	 <b>Accurate and timely information disclosure and communication with stakeholders</b> <ul style="list-style-type: none"> <li>Impairment of corporate value through the non-disclosure and inadequate disclosure of information</li> <li>Loss of trust from stakeholders and the society due to failure to fulfill accountability</li> </ul>	<ul style="list-style-type: none"> <li>Creating a fair market evaluation and improving corporate value</li> <li>Earning the trust of stakeholders and the society</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate and timely disclosure of company information</li> <li>Communication with stakeholders</li> <li>Conference calls with analysts and investors after the announcement of financial results</li> <li>Holding an exhibition</li> </ul>	Earnings briefings and conference calls for institutional investors and analysts	4 times	—	Shin-Etsu Chemical
				Plant tours for analysts and institutional investors / Business briefing session	1 time	—	Shin-Etsu Chemical
				One-on-one meetings with analysts	About 380 times	—	Shin-Etsu Chemical
				Small meetings for investors hosted by securities companies	6 time	—	Shin-Etsu Chemical

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



# Main Sustainability Initiatives

For more information, please see the Shin-Etsu Chemical Sustainability website.

<https://www.shinetsu.co.jp/en/sustainability/>



The mission of the Shin-Etsu Group is to contribute to the sustainable development of the world through its business activities. In line with this mission, the Group engages in sustainability activities around the world in all of its business activities, including the provision of products. The Group's sustainability activities are also presented under the categories "Natural Capital," "Human Capital," and "Social and Relationship Capital."

For details of the sustainability initiatives, please consult the "Sustainability" site on our website.

## Legal Compliance

Legal Compliance on our sustainability site

[https://www.shinetsu.co.jp/en/sustainability/esg\\_law/](https://www.shinetsu.co.jp/en/sustainability/esg_law/)



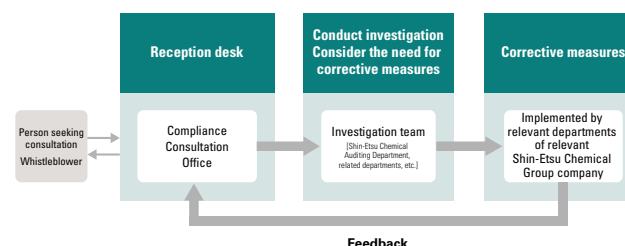
### Ensuring Full Compliance Awareness

The Group is thoroughly committed to compliance with laws and regulations as stated in its Basic Sustainability Policy. All officers and employees submit written oaths of compliance to the Company, and in the unlikely event of inappropriate behavior, disciplinary action is taken. In addition, it is stipulated that officers and employees who discover a violation of laws or regulations must report it to the "Compliance Consultation Office."

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

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

### From Compliance Consultation and Reporting to Corrective Measures



### Initiatives Aimed at Preventing Corruption

In 2015, the Group established an Anti-Bribery Regulations to send a clear statement that it does not engage in any form of bribery. By having officers and employees submit written oaths of compliance, we make every effort to prevent the improper provision of favors and requests to public officials, customers, and business partners in Japan and overseas.

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

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



Anti-Corruption Collective Action

### Internal Control System and Operational Audit

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

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

### Tax Compliance

We believe that it is a corporate social responsibility and a form of contribution for each and every employee of the Group to engage in their day-to-day work in good faith and to properly pay taxes on the profits earned, in accordance with the laws and regulations of the countries and regions where we conduct our business activities. As part of our efforts to this end, we strive to instill and raise awareness of tax compliance and provide education, especially for employees involved in tax affairs, to improve their tax knowledge and practical skills. For important tax issues, we consider the appropriateness of tax treatment while receiving appropriate advice from experts, and strive to file appropriate tax returns based on the laws and regulations of each country. We do not engage in any business activities for the purpose of tax avoidance.

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

## Main Sustainability Initiatives

### Quality Control

The Shin-Etsu Group is focused on the stable supply of high-quality products that meet customer needs, while also striving for zero quality issues. Excellent quality is a nonprice competitive advantage not only for high value-added products but also for general purpose products. With this in mind, the Group has conducted quality audits every year since 2000 aimed at improving each plant's quality and customer service, believing that it is essential to have both "defensive quality management" to prevent the production and shipment of substandard products and "offensive quality management" to minimize quality variability and create quality that cannot be matched by competitors. In the quality audit in FY2024, the following items were audited as priority items:

- (1) "Efforts to reduce variations in manufacturing processes": In addition to improving the conventional manufacturing variations, we confirmed the improvement status of quality through the

introduction of DX and AI.

- (2) "Examples of countermeasures and status of horizontal deployment": Since many past quality problems were caused by inadequate process management, this year we conducted a logical analysis of quality problems caused by inadequate process management, and then checked whether permanent countermeasures against past quality problems were implemented and continued, and whether they were deployed horizontally to other production processes.
- (3) "Division audits": The sales, production, and quality assurance departments select quality issues that they consider important for their business or product, and the sales department reports on and confirms the status of quality improvement plans and their implementation.

We are also implementing six sigma activities\* throughout the Company to improve quality standards.

Quality Control on our sustainability site  
[https://www.shinetsu.co.jp/en/sustainability/esg\\_social/quality/](https://www.shinetsu.co.jp/en/sustainability/esg_social/quality/)



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

\*Six Sigma activities: Quality improvement method developed by Motorola in the 1980s. Focusing on processes with quality variation, it is designed to minimize variations within the processes, thereby reducing the incidence of quality defects.

### Product Safety Control

The Group has established strict chemical substance management regulations at each stage of procurement, development, manufacturing, and sales. We appropriately design and manage chemical substances in accordance with laws and regulations and evaluate their safety based on the latest information collected in cooperation with administrative bodies and affiliated organizations. For example, in response to the POPs Convention, PFOS and PFOA were designated as specified chemical substances of Class I (prohibited to manufacture and use) under the Chemical Substances Control Law\*<sup>1</sup>. PFOA, which had been used as a product raw material, has already been replaced with an alternative raw material. In addition, although the use of foam extinguishing agents containing PFOS is permitted, we have completed the switch to foam extinguishing agents that do not use PFOS, with some exceptions. In addition, we are investigating the use of substances that are scheduled to be regulated in Japan and overseas, and are taking steps to change them. Furthermore, in accordance with the regulations set forth in the revised Industrial Safety and Health Act to minimize the impact on workers when manufacturing and handling chemical substances, we are reducing usage of these substances through process improvements and other

measures and are promoting safer alternatives.

We conduct environmental and health risk assessments at the development stage to verify the safety of new chemical substances. Furthermore, when developing new chemical substances, we focus on products and manufacturing technologies that do not use hazardous substances as specified in the Industrial Safety and Health Act, the Chemical Control Act\*<sup>1</sup>, and the EU RoHS Directive\*<sup>2</sup>.

In addition, we offer customers information such as on product hazards and harms in the form of SDS\*<sup>3</sup> in order to ensure the proper transmission of information to customers and transportation firms. Furthermore, we request customers to handle products safely by complying with laws and regulations, installing abatement equipment, wearing protective equipment and so on through SDS.

\*1 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law): A law aimed at preventing environmental pollution by chemical substances that may affect human health and ecosystems.

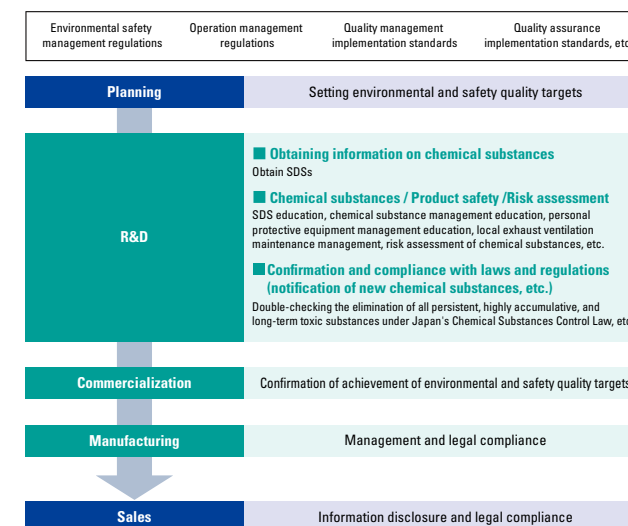
\*2 RoHS (Restriction of the use of certain Hazardous Substances) Directive: An EU directive that restricts the use of certain hazardous substances in electric and electronic equipment.

\*3 SDS (Safety Data Sheet): A safety data sheet that describes chemical and physical properties of chemical substances as well as information on toxicity and emergency measures.

Product Safety Control on our sustainability site  
[https://www.shinetsu.co.jp/en/sustainability/esg\\_social/responsible/](https://www.shinetsu.co.jp/en/sustainability/esg_social/responsible/)



#### Chemical Substance/Product Management Flow



## Main Sustainability Initiatives

### Communication with Stakeholders

Communication with Stakeholders on our sustainability site  
[https://www.shinetsu.co.jp/en/sustainability/esg\\_social/dialogue/](https://www.shinetsu.co.jp/en/sustainability/esg_social/dialogue/)



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

Stakeholders	Communication Policy	FY2024 Results
 <b>Shareholders and Investors</b>	We disclose information on our business performance and management policies and strategies in a timely and appropriate manner and host a wide range of briefings to cultivate a deeper understanding of the Group. In this way, we strive to build a relationship of trust with our shareholders and investors, establish an appropriate market valuation, and improve our corporate value.	General Shareholders' Meeting Financial results briefings and conference calls for analysts and institutional investors (four times in 2024) Business briefings for analysts and institutional investors (once in 2024) One-on-one meetings with analysts (about 380 times in 2024) Small meetings for investors hosted by securities companies (six times in 2024) Information provided on the company website, Annual Report, etc.
 <b>Customers</b>	The sales, development, and production departments work together to improve customer satisfaction by communicating closely with customers, identifying customer issues and needs, and responding quickly to them.	Day-to-day communications by sales representatives Information provided on the company website, exhibitions, etc.
 <b>Suppliers</b>	By publishing our Basic Procurement Policy and CSR Procurement Guidelines, and through fair, impartial, and transparent transactions, we will build sound, mutually beneficial relationships with our business partners and strive for mutual prosperity.	Day-to-day communications by the Purchasing Department Supplier hotline
 <b>Local communities</b>	We value communication with local residents, governments, and municipalities, and are actively involved in social contribution activities in the community, striving to build a relationship of trust with the local community.	Communication with organizations such as local governments Participation in local events
 <b>Employees</b>	In addition to disseminating information via the company newsletter and intranet and conducting employee satisfaction surveys, we place importance on two-way communication between management and employees, such as by having the president visit each location to provide opportunities for the exchange of opinions.	Communication and consultation with labor unions Information provided on the company newsletter and intranet

#### Example of Communication with Shareholders and Investors

##### Business briefings for securities analysts and investors

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



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

#### Examples of Communication with Employees

##### Employee opinion survey

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

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

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