

Chapter 1
Enhancing Corporate Value

Chapter 2
Enhancing Value Creation

Chapter 4
Reducing the Cost of Capital

Chapter 3
Accelerating Growth

Chapter 2 Enhancing Value Creation

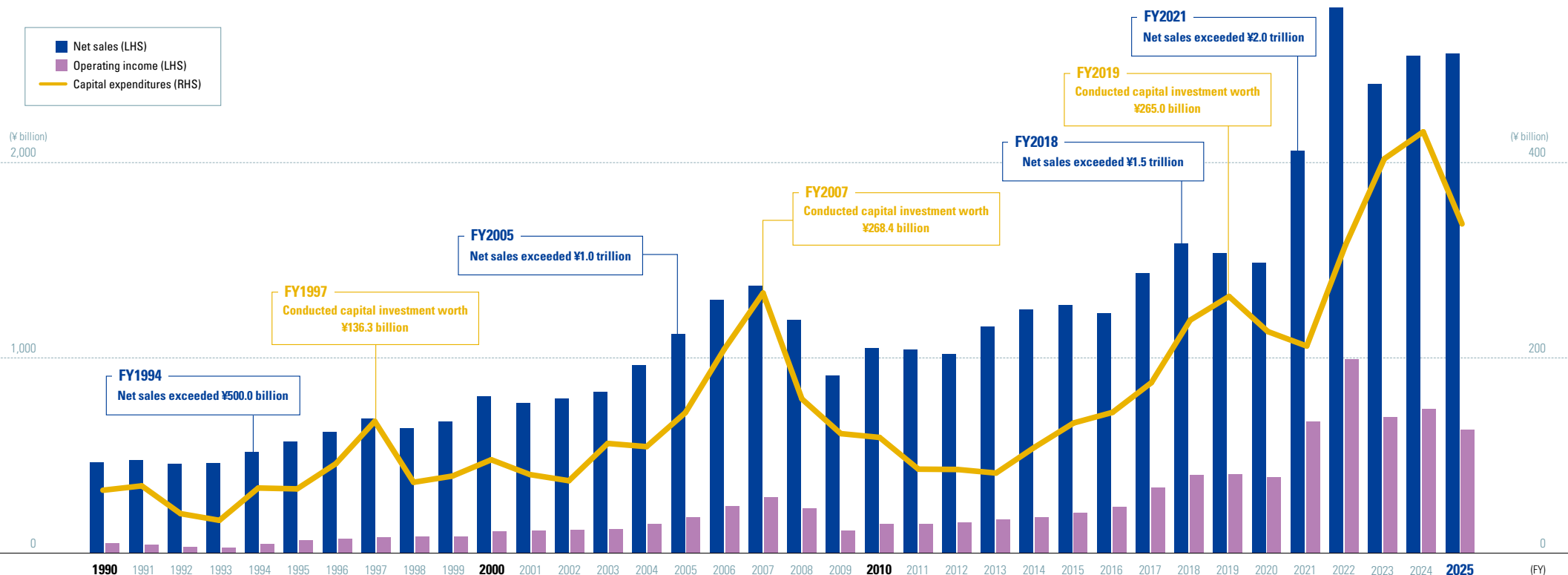
The Shin-Etsu Group is working to refine the sources of competitiveness that support its high profitability and enhance its ability to create stable and sustainable value. To this end, we aim to further strengthen profitability by promoting initiatives to improve productivity while enhancing the competitiveness of our key forms of capital, including financial capital, manufacturing and equipment capital, and human capital.

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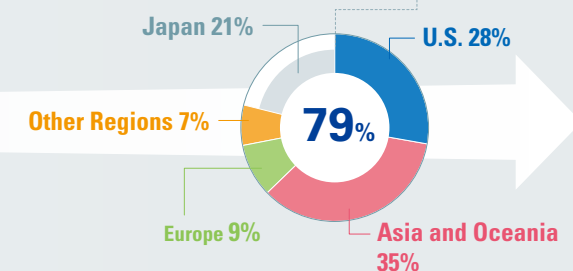
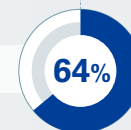
Growth Trajectory

— Sustained growth through proactive capital investment and overseas business expansion

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



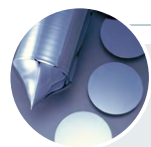
Composition ratio of overseas sales





History of Enhancing Profitability

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



Silicon wafers

Trajectory of business expansion and profitability improvement

- 1967 Founding of Shin-Etsu Handotai** ▶ After Dow Corning proposes to dissolve our joint venture, Shin-Etsu Handotai becomes a wholly owned subsidiary in 1979 and decides to pursue the international market on its own.
- 1979 Founding of Shin-Etsu Handotai America, Inc.**
- 1984 Completion of Shirakawa Plant** ▶ To meet the rapidly increasing demand for semiconductors driven by the demand for electronic devices, including PCs, video games, and VCRs in the early 1980s, the Shirakawa Plant, which carries out integrated production of semiconductor silicon wafers from crystallization to processing, begins operation.
- 2001 Start of mass production of 300mm wafers** ▶ In the 2000s, our Shirakawa Plant became the first in the world to begin mass production of 12-inch (300mm) wafers. Bucking the trend of trying to expand market share by lowering prices, we continue to invest in facilities around the world to create a system for stable supply of high-quality products based on advanced technological capabilities. Entering into long-term agreements with customers based on trust relationships enables us to conduct stable business operations that are less susceptible to economic fluctuations.



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



PVC resins

- 1957 Start of PVC production** ▶ We introduce electrolysis and polymerization technologies at our Naoetsu plant and begin in-house production of PVC.
- 1970 Expansion into Kashima Industrial Complex** ▶ We are the first in the world to perfect non-scale technology to prevent the formation of scale (polymerization residue), enabling the enlargement of our polymerization reactors.
- 1974 Shintech begins operations in the U.S.** ▶ In anticipation of stable demand for infrastructure and housing construction worldwide, Shintech focuses not only on the U.S. market but also on exports, based on the goal of full production and sales of all products made.
- 1990 No. 1 in the U.S.** ▶ Shintech's annual production capacity reaches 900,000 tons, and thanks to its advantages of high quality and stable supply, its market share in the U.S. market approaches 20%.
- 2001 No. 1 in the world** ▶ Shintech's annual production capacity exceeds 2 million tons. Meanwhile, although eager to invest in quality and cost competitiveness, we remain thoroughly dedicated to process rationalization and a workforce that is small in number but highly skilled team. The result is a highly profitable business structure with no waste.
- 2008 Start of integrated production from raw materials** ▶ Shintech establishes an integrated production system in Louisiana that covers all production processes from salt electrolysis to Vinyl chloride monomers, enabling it to provide a more stable and flexible supply of products to customers.
- 2020 Start of ethylene production** ▶ Integrated production is strengthened by taking advantage of the geographical advantages of the US, which is rich in rock salt (the raw material for chlorine) and natural gas (the raw material for ethylene).
- 2024 Completion of Shintech's integrated production capacity expansion** ▶ Shintech's PVC production capacity reaches 3.64 million tons, enabling it to leverage its scale advantages to further strengthen its high-profit structure.
- 2026 onward Expansion of Shintech's Raw Material Production Facilities** ▶ Shintech plans to construct new ethylene, chlor-alkali, and vinyl chloride monomer (VCM) plants in Louisiana, further strengthening its position in the global PVC market.



Shintech Freeport Plant
(Texas, USA)



Silicones

- 1953 Start of production of silicones** ▶ Commercialized silicone products with the Silicon Resin Department as the parent organization.
- 1980 Start of accelerated overseas expansion (US, Korea, Taiwan, Netherlands)** ▶ In the early 1980s, having established a leading position in Japan by developing products meticulously tailored to customer needs, we continued to expand the business and accelerate overseas expansion.
- 2001 Establishment of manufacturing company in Thailand** ▶ Since then, we have expanded our business in the Asian market through timely capacity expansion and efficient integrated operations up to the final product.
- 2022 Expansion of highly functional products** ▶ Increased production capacity for highly functional products, including those that help our customers reduce CO₂ emissions.



Silicone products when production first started

Source of Earning Power

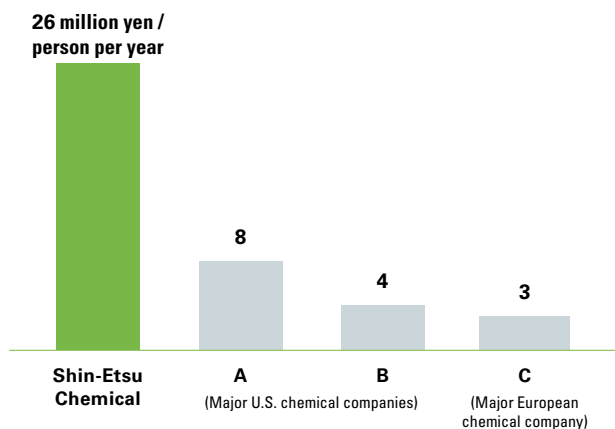
The Shin-Etsu Group has achieved high productivity through human resource development centered on personnel with T-shaped skills, a tripartite teamwork manufacturing of sales, development, and production that promptly addresses customer needs, and the pursuit of thorough automation and labor savings.

Productivity of People

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

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

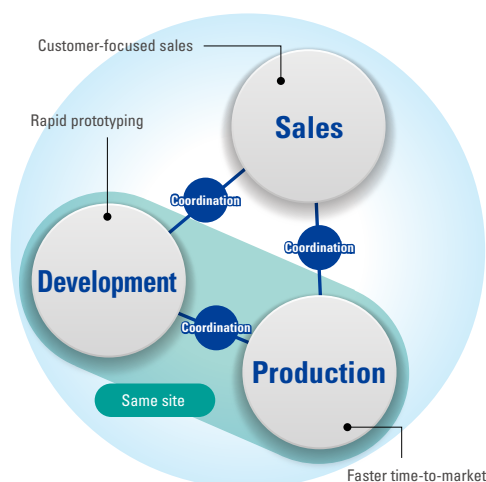
Operating income per employee (average of the last three fiscal years)



Highly Productive Organization

Tripartite Teamwork Manufacturing that Promptly Captures the Demands of the Times

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



Productivity of Facilities

Achieved High Productivity through Automation

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



Six Types of Capital that are the Sources of Our Competitiveness

The Shin-Etsu Group aims to strengthen its competitive advantage by further refining the six types of capital that are the sources of our competitiveness with the goal of achieving sustainable growth and improvement of corporate value under a high-profit business structure that is less susceptible to changes in market conditions.



Financial Capital

Enhancing shareholder returns while continuing capital investments on solid foundations

Backed by a high equity ratio and stable cash generation capabilities, we will continue to invest in sustainable growth and return the results to shareholders appropriately and consistently. We are increasing corporate value through improved capital efficiency and profitability.

• Equity ratio	78.7%
• Net assets	4,643.3 billion yen
• Capital expenditures	339.7 billion yen
• Payout ratio	41.9%

Intellectual Capital

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

With an R&D system that integrates the sales, development, and production teams, we respond quickly to customer needs and strategically protect and utilize research results as intellectual property. Leveraging our advanced technological capabilities and originality as sources of competitive strength, we continuously create new value. (See Chapter 3 for details.)

- Research centers located inside plants
- Selected as Clarivate Top 100 Global Innovator for 15 consecutive years

Manufacturing Capital

Establishing a stable supply system by monitoring global demand trends to maintain high operating rates and making timely, well-targeted capital investments

Building on our global network of production bases and integrated production system starting from raw materials, we have established supply chains closely aligned with our markets. By making timely and appropriate capital investments, we are enhancing our cost competitiveness and strengthening our system for the stable supply of high-quality products.

- Domestic production bases: 17 companies, 41 bases
- Overseas production bases: 17 countries, 65 bases

Social and Relationship Capital

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

We prioritize respect for human rights throughout the supply chain and dialogue with local communities to build trust. While fulfilling our responsibility to ensure a stable supply, we are strengthening a sustainable business foundation by improving relationships with various stakeholders. (See Chapter 4 for details.)

Human Capital

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

We cultivate T-shaped human resources who possess advanced expertise while also being able to handle other fields, thereby achieving high productivity through optimal staffing. We maximize each individual's abilities through OJT-centered development and the placement of personnel in a way that respects their aptitudes and aspirations.

- Operating income per employee (For the fiscal year ended March 31, 2026) (FY2025) 23.23 million yen

Natural Capital

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

We are working towards achieving carbon neutrality by 2050, while also promoting energy conservation, resource recycling, and water resource conservation. We pursue environmentally friendly and sustainable business operations that balance reduced environmental impact with improved productivity.

- Greenhouse gas emissions (emission intensity index of production volume relative to FY1990) (Shin-Etsu Group) 54.7%

Financial Foundations

Enhancing shareholder returns while continuing capital investments on solid foundations

While PVC prices remain weak, AI-related demand is expanding

The fiscal year ended March 31, 2026 (FY2025) was characterized by growth in the sales of semiconductor materials as well as AI-related materials, including those for data centers and servers. We also strengthened sales of our high-performance silicone product line. Meanwhile, with PVC prices remaining weak in Asia and other overseas markets, we made the most of our global sales network to achieve the best possible sales. We also proceeded with price revisions in response to rising costs, including for raw materials.

Nonetheless, operating income was 635.2 billion yen (down 14.4% year-on-year), and net income attributable to owners of parent was 474.4 billion yen (down 11.2% year-on-year). Furthermore, total net assets amounted to 4,643.3 billion yen (down 4.0% from the end of the previous fiscal year), the equity ratio was 78.7%, ROIC was 14.6%, and ROE was 10.4%. Since the weighted average cost of capital (WACC) and cost of equity in FY2025 amounted to approximately 8%, we were able to achieve capital returns exceeding the cost of capital.

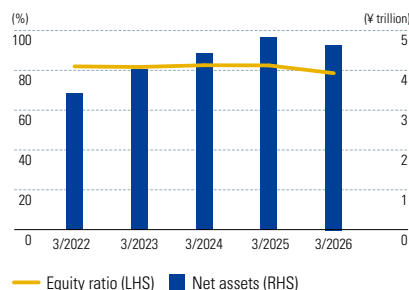
Equity ratio/Net assets

Equity ratio
(as of March 31, 2026)

78.7%

Net assets
(as of March 31, 2026)

4,643.3 billion yen



Making capital investments in semiconductor materials and silicone products

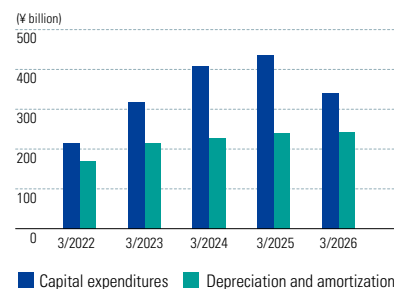
To enhance competitiveness and sustain growth, Shin-Etsu Chemical seeks to enhance corporate value through the active and timely use of its own funds. The Shin-Etsu Group's capital investment in FY2025 totaled 339.7 billion yen (down 21.8% year-on-year), reflecting progress in planned investments to construct new facilities for semiconductor lithography materials and to expand capacity for our high-performance silicone product line. The main reason the amount fell below the initial plan (370 billion yen) was delays in acceptance and inspection of equipment. Including the delayed acceptance and inspection of equipment from FY2025, the capital investment for FY2026 is expected to reach 350 billion yen.

Furthermore, Shintech, Inc. is planning an investment of \$3.4 billion in Plaquemine, Louisiana, USA, by the end of 2030 to further strengthen its integrated PVC production system starting from raw materials.

Capital expenditures/Depreciation and amortization

Capital expenditures
(for the year ended
March 31, 2026)

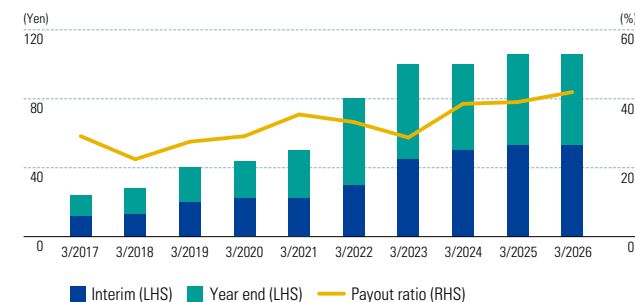
339.7 billion yen



Repurchasing our own shares while maintaining solid financial foundations

The Company is implementing a capital policy that pays close attention to ROE and the cost of capital, while at the same time balancing growing business earnings with maintaining solid financial foundations. Shareholder returns are at the core of this policy, and we strive to maintain stable dividends with a payout ratio of around 40% as a guide. The annual dividend for FY2025 was the same as the previous year, at 106 yen per share (dividend payout ratio of 41.9%). Keeping the total return ratio in mind, the Company also repurchases its own shares in a flexible manner based on stock price levels and other factors. The Company acquired 500 billion yen worth of its own shares in FY2025 and has announced plans to acquire another 250 billion yen worth in FY2026.

Cash dividends per share/Payout ratio ^(Note)



(Note) On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock.

"Cash dividends per share" is calculated based on the number of shares after the stock split.

Production Operations and Facilities

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



Basic Policy on Capital Investment

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

Current Status of Capital Investment

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

Sales by manufacturing location for each segment (FY2025)

(Billions of yen)

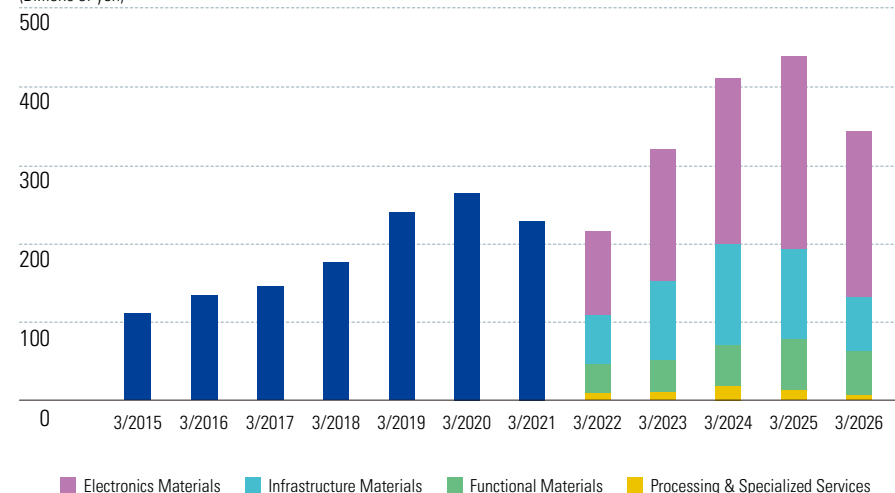
	Goods Manufactured in Japan	Goods Manufactured overseas	Total
Electronics Materials	836.6	179.0	1,015.7
Infrastructure Materials	123.3	857.9	981.3
Functional Materials	295.0	145.7	440.8
Processing & Specialized Services	101.9	34.0	135.9
Consolidated	1,357.0	1,216.8	2,573.9

List of capital investments (that have been announced)

Business Segment	Products	Projects	Investment Amount	Status
Electronics Materials	Semiconductor lithography materials	Build a new manufacturing and research-and-development base (Shin-Etsu Chemical (Isesaki))	¥83 billion	Completed
Infrastructure Materials	PVC	Facility investment (Shintech (USA))	\$1.25 billion	Completed
	"	Expansion of feedstock production facilities (Shintech (USA))	\$3.4 billion	In progress
Functional Materials	Silicone resin	Reinforcement of the production capacity for advanced functional products line (Shin-Etsu Chemical (Gunma, Takefu, Naoetsu))	¥80 billion	Completed
	"	Expansion the applications of our products and work to enhance the advanced functionality of our product line-up and expand our environmentally friendly products (Shin-Etsu Chemical and main overseas bases (Gunma, Thailand, etc.))	¥100 billion	In progress
	"	Construct a new products plant (Shin-Etsu Silicone (Pinghu) (China))	¥2.1 billion	In progress
	Cellulose derivatives	Capital investment in pharmaceutical cellulose products (Shin-Etsu Chemical (Naoetsu))	¥10 billion	In progress
	"	Strengthening of pharmaceutical products (SE Tylose (Germany)) and their warehouse storage capacity (Shin-Etsu Chemical (Naoetsu))	¥10 billion	Naoetsu: completed Germany: in progress

Capital expenditures

(Billions of yen)

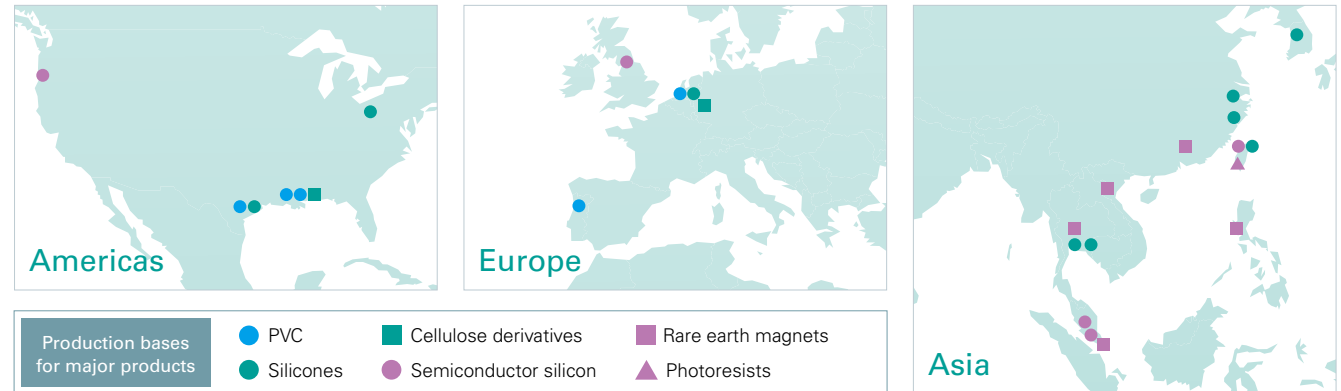


Production Operations and Facilities

Risk-aware Supply Network

In addition to building a local production system directly linked to local demand, the Shin-Etsu Group has 65 overseas production bases in 17 countries, mainly in regions with low country risk, to ensure that our production costs are the most competitive in the world. In addition, as geopolitical risks rise, we are diversifying our raw material procurement across different regions and suppliers, while establishing multiple production bases to strengthen our ability to ensure a stable supply to our overseas customers, who account for approximately 80% of our sales.

Production bases for major products



Employee message

Contributing to building a system that can achieve high standards of quality, safety, and efficiency

In 2023 I was assigned to the Naoetsu Plant, where I have mainly been engaged in photoresist production operations. My responsibilities include reviewing production processes, designing production equipment, and conducting test runs of installed equipment. In my day-to-day work, I focus on building a stable production operation and improving quality. In particular, the prototype facility I am in charge of handles state-of-the-art photoresists. The evaluations and equipment adjustments made here play a crucial role in shaping future production strategies and paving the way for mass production. Therefore, my approach is not just to tackle immediate challenges, but also to take a perspective that looks ahead to future production sites.

As semiconductor patterns become smaller

and smaller, manufacturing lines require a higher level of cleanliness than ever before. If the inside of equipment such as piping, tanks, valves, and pumps is not properly cleaned after the end of production, it could affect the next production run. We clean the equipment after each production run, but for photoresist used in leading-edge products, cleanliness must be controlled at levels much higher than conventional standards, requiring extremely stringent cleaning management. Therefore, prioritizing quality assurance above all else, we have been carrying out lengthy cleanings that consume large amounts of solvent. However, due to rising costs caused by soaring crude oil prices and the need to improve productivity, improving the efficiency of the cleaning process has become an urgent priority. With this in mind,

I am currently focused on evaluating cleaning methods for equipment and on designing solvent purification equipment. In my work on evaluating cleaning methods, I am selecting solvents that can further improve cleanliness, reviewing cleaning procedures and conditions, and thoroughly investigating methods to ensure high equipment cleanliness in a shorter time and more efficiently while maintaining cleaning effectiveness. In my work designing solvent purification equipment, high-purity solvents are required to meet the specifications for the number of washings and the amount used, so I am working on designing equipment to reliably produce high-quality solvents. Meanwhile, I am also focusing on sequence design* that is easy for workers to understand and can reduce the risk of operational errors.

I believe that as semiconductors continue to evolve, ever higher levels of technological capability and quality will be required. Going forward, I hope to leverage the knowledge and experience I've gained on the job to contribute to creating a production system that achieves high standards of quality, safety, and efficiency.

*The process of designing the flow of operations performed by a system or machine according to a predetermined sequence.

Mr. R.M.
Naoetsu Plant



Human Resources Strategy

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

For more information, please see the "Human Resources Strategy" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_social/hr_strategy/



Human Resources Strategy

Basic Policy on Human Resources Strategy

The Shin-Etsu Group's Basic Policy on Human Resources Strategy is to build and foster workgroups that, grounded in mutual trust, continuously pursues steady improvements and rapid problem

solving at every workplace and achieves sustainable growth together with the Company. In addition, with the aim of further increasing our labor productivity, which is the highest in the industry, we have adopted "operating income per employee" as our key performance indicator.

Improving labor productivity strengthens a profitable business structure that can continuously generate added value with limited resources, frees up capacity for investment in technology, and ultimately underpins sustainable growth. Furthermore, workplace-generated continuous improvement and rapid problem-solving support quality, safety, and stable supply, and by accelerating

development, commercialization, and improvement, they turn materials technologies—the source of our competitiveness—into market value and enhance our ability to adapt to change.

As a human resources strategy aimed at achieving its Business Principle and realizing sustainable growth, the Company is promoting human capital initiatives from two perspectives: (1) strengthening human resources development that supports individual transformation and taking on challenges by expanding opportunities for learning, career changes, and promotions; and (2) strengthening the human resources foundation to ensure employees' peace of mind at work.

Basic policy on human resources strategy



Metrics and results

Major initiatives			Main KPIs of the initiative		Scope		Unit	FY2025
Strengthening human resources development	Developing T-shaped human resources	OJT-based human resources development cycle	Number of employees with overseas work experience (Cumulative)	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	Persons	471		
			Average years of continuous service	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	Years	20		
		Education, training, and self-development	Training hours per employee	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	Hours/person	10.19		
			Number of participants in the University Auditing Student System for Employees	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	Persons	562		
Strengthening human resources foundation	Securing human resources		Number of mid-career employees hired	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	Persons	128		
	Promotion of diversity	The number of women in managerial positions including junior manager level	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	Persons	105			
		Employment rate of persons with disabilities	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	%	2.71			
	Initiatives for work-life balance	Annual paid leave utilization rate	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	%	77.3			
		Rate of parental leave taken (male employees)	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	%	88.1			
	Health and productivity management		Special health checkup attendance rate	Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies	%	100		
	Occupational health and safety	Last-time injuries	Japan	%	0.08			
		Last-time injuries	Overseas	%	0.11			
		Number participants in safety training	Consolidated	Persons	87,138			

Human Resources Strategy



Developing T-Shaped Human Resources

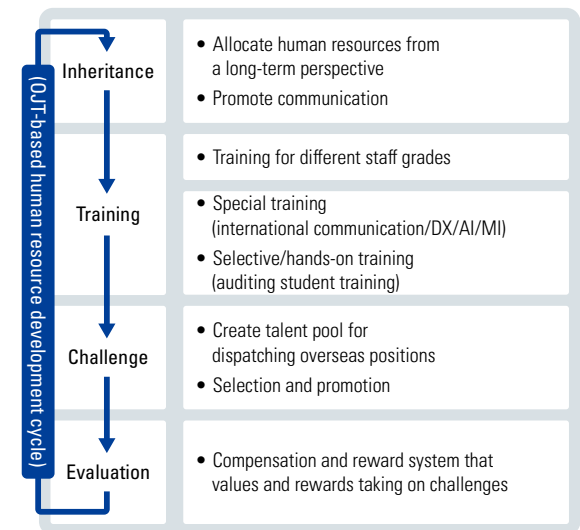
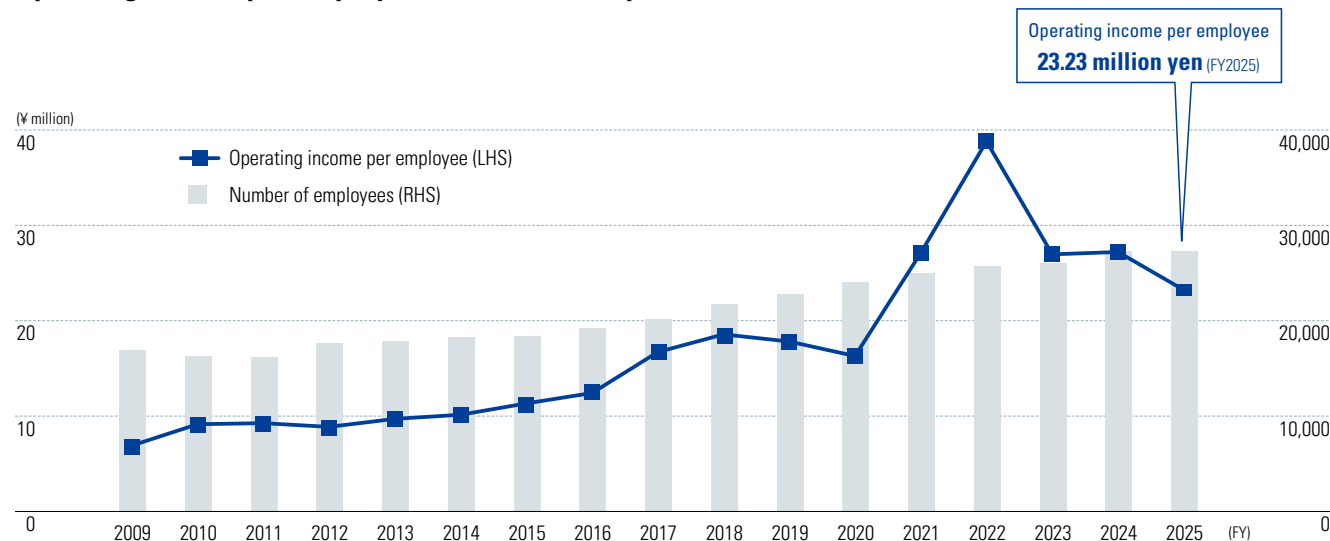
The Shin-Etsu Group believes that the key to improving productivity is “T-shaped human resources”—individuals who, in their respective roles and fields such as manufacturing, R&D, sales, and administrative functions, not only demonstrate high expertise, but also acquire knowledge of related departments and surrounding fields, enabling them to work from a holistic perspective.

Therefore, rather than implementing uniform job rotations, Shin-Etsu Chemical has established an environment that respects individuals’ aptitudes and desired career paths, enabling them to continuously deepen their expertise in their assigned roles. To cultivate “T-shaped human resources,” Shin-Etsu Chemical emphasizes On-the-Job Training (OJT). At the same time, through a variety of training programs, we provide a foundation for expertise and support learning that broadens employees’ perspectives, fostering self-directed growth that balances “depth” and “breadth.”

OJT-Based Human Resources Development Cycle

The Shin-Etsu Group believes that facing real challenges and accumulating field experience will lead to the consolidation of expertise and the improvement of practical skills. Our approach to human resources development therefore emphasizes On-the-Job Training (OJT), which allows employees to enhance their skills through daily work. To make this OJT truly effective, Shin-Etsu Chemical doesn’t assume that gaining experience is the end of the training process; rather, the process is a continuous cycle of setting goals and reflecting on them, thereby driving future growth.

Operating income per employee (Shin-Etsu Group)



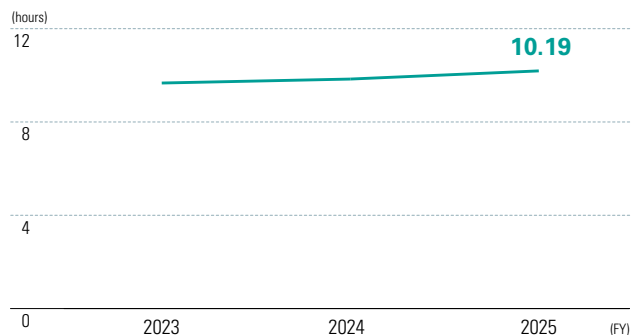
Human Resources Strategy

Education/Training and Personal Development

To supplement OJT, the Shin-Etsu Group provides learning opportunities tailored to various stages of growth and job responsibilities, including training for different staff grades, global communication training, AI training, MI (Materials Informatics)* education, and a university auditing student system for employees.

*This research field involves analyzing data such as material composition, structure, and process conditions using statistics and machine learning to optimize physical properties and performance, thereby making materials development more efficient.

Training hours per employee (Shin-Etsu Chemical)



Scope: Employees and seconded employees of Shin-Etsu Chemical

Note: The auditing student system was resumed in FY2023 and the hours spent on the program has since been included in the training hours.

Training for different staff grades

Our training for different staff grades seeks to hone the skills that are required at each level of the organization, including management, leadership, communication, and problem-solving skills. Furthermore, because the Group's business partners are spread around the world, with overseas sales now accounting for approximately 80% of consolidated sales, we seek to ensure smooth business operations by providing comprehensive training in meeting and presentation skills using English as the common language as well as Chinese conversation classes.

AI and MI training

The Group is also focusing on its training programs to discover and develop human resources capable of utilizing AI. To improve the overall level of AI utilization within the company, we have incorporated a new generative AI literacy course (in e-learning format) into our curriculum. In FY2025, 669 employees participated in AI training, bringing the total number of employees who have participated over the five years since FY2021 to 1,663. We also conduct MI education to train personnel who can carry out materials exploration using machine learning and to shorten the time required for R&D. In FY2025, 99 employees participated in the training, bringing the total number of employees who have taken the course over the five years since FY2021 to 269.

University auditing student system for employees

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

Training system list

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

*1 Materials Informatics

*2 Problem-based Learning

Human Resources Strategy

Toward Further Productivity Improvement

Tracking employee engagement/inclusion

We believe that creating a workplace where each employee can confidently demonstrate their abilities and continue to take on challenges is the foundation for improving productivity. We therefore regularly conduct surveys of all employees as a way to continuously monitor the state of the organization and address issues early on.

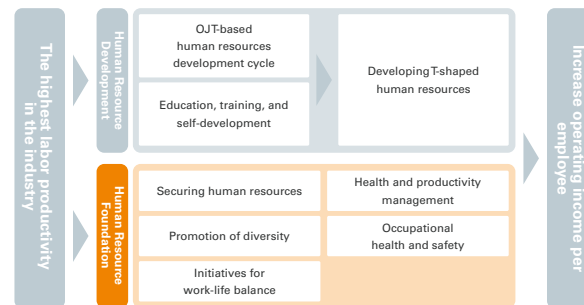
The survey results are analyzed at the per-workplace and per-organization level to understand conditions related to engagement and inclusion from multiple perspectives, including job satisfaction, organizational cohesion, relationships with supervisors and colleagues, and working environment. The issues identified through this analysis are then translated into policies tailored to actual workplace conditions, leading to revisions of operations and systems. Furthermore, improvements are not limited to company-led, one-way measures; instead, each workplace takes the lead in considering and implementing improvement measures, confirming their effectiveness, and driving further increased productivity through a bottom-up PDCA cycle.

Revision of the personnel evaluation systems

Shin-Etsu Chemical maintains a performance-based personnel evaluation system because we believe that increased employee motivation, stemming from taking on challenging goals and having those achievements and attitudes reflected in compensation, leads to improved productivity. Employees set ambitious work goals and improvement targets at the beginning of each fiscal year, and are then encouraged to grow by challenging themselves to achieve these goals under the advice and guidance of their supervisors. Furthermore, to ensure fair and highly transparent evaluations, we are working to improve the perceived fairness of evaluations by conducting evaluator training, communicating evaluation criteria, and holding meetings between supervisors and subordinates using Communication Sheets.

On the other hand, based on the employee survey results, we recognize that there is room to improve the perceived fairness of personnel evaluations, and we are continuing to engage in consultations and deliberations with the labor union regarding revision of the personnel evaluation systems. Our goal is to enhance trust in evaluations by clarifying and disseminating evaluation criteria, improving the quality of communication between superiors and subordinates, enriching feedback, and reducing inconsistencies in implementation. Through these initiatives, we aim to enhance employees' sense of growth and motivation to take on challenges, leading to further improvements in productivity.

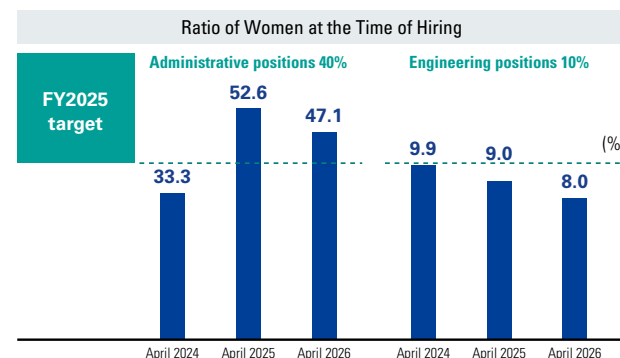
Human Resources Foundation



Securing Human Resources

We are continuously working to secure human resources in order to develop them from a long-term perspective and further improve our advantages in technology, quality, and stable supply. In our recruitment process, we prioritize individuals who can proactively identify challenges and work persistently to overcome them, even in a rapidly changing business environment. Furthermore, to maintain our competitive position in the labor market and reliably secure the necessary human resources, we will continue to assess our levels of compensation and workplace conditions as part of the hiring process, while also pursuing a merit-based approach to recruitment that opens up opportunities to a wide range of diverse talent.

Goals and progress for the five-year period from FY2021 in the action plan under the Act on Promotion of Women's Participation and Advancement in the Workplace



Promotion of Diversity

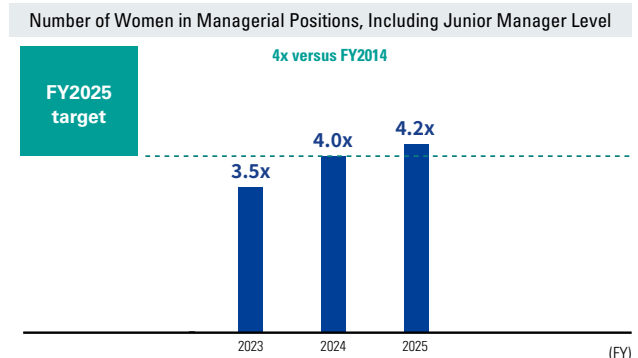
Shin-Etsu Chemical places the highest priority on respect for human rights and aims to be a workplace where diverse people can demonstrate their abilities regardless of gender, nationality, age, or disability. Diversity is not simply a matter of expanding demographic representation; rather, we see it as a crucial element in bringing together different perspectives and experiences that lead to on-site improvements and the creation of new value. Based on this philosophy, we are encouraging the active participation of women, creating an environment where people with disabilities can work comfortably, and ensuring active opportunities regardless of age, thereby fostering a workplace where everyone can feel secure and continue growing.

Promotion of Women's Participation and Advancement

In order to promote women's participation and advancement, the Group set five-year goals in FY2021. Based on the results and issues identified, we set new two-year goals in FY2026 and started to work on them.

Goals to promote women's participation and advancement in the next two years from FY2026, the company aims to achieve the following:

1. The rate of hiring women will be 40% for administrative positions and 10% for engineering positions.
2. The number of women in managerial positions, including junior manager level, will increase to 10% compared to the number in FY2025.



Scope: Employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies.

Human Resources Strategy

Topic

Women Engineers Symposium

With the aim of promoting the active participation of female employees in technical fields and strengthening human capital, we held the Women Engineers Symposium in November 2025. Participants from multiple departments — including research centers, production departments, and head office departments — gathered to discuss business introductions, technical challenges, and career development, advancing the construction of cross-departmental networks. While participants gained a deeper understanding of differences in business processes and technical areas, many also shared common challenges and offered opinions based on career perspectives unique to women engineers. We will incorporate these opinions into our future recruitment, retention, and success-related initiatives.



Promoting Work-life Balance

The Group places the highest priority on ensuring the stable employment of its employees, believing that being able to focus on work while feeling secure leads to better results. Therefore, in addition to properly managing working hours and creating

an environment where it is easy to take paid vacation, we have systems in place that flexibly accommodate various life events, such as marriage, childbirth, childcare, nursing care, and medical treatment. Additionally, to accommodate the diversification of work styles, we have put in place flexible work options, such as flextime and telecommuting, which can lead to improved productivity.

Proper Management of Working Hours

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

Health and Productivity Management

Consideration for employee health

The Shin-Etsu Group promotes a variety of health initiatives—such as encouraging employees to undergo regular health checkups, providing health guidance on lifestyle-related diseases, encouraging mental health measures, and holding events to improve physical fitness—so that each employee can work energetically in good mental and physical health. We also continue to take measures appropriate to the situation to prevent infectious diseases. In 2025, a health event was held at Shin-Etsu Malaysia.

We've set up health committees at the head office and branch offices, as well as safety and health committees at each plant site. These committees get information and guidance from industrial physicians and are working to improve the work environment and promote health. Furthermore, as a system to support the health of employees' families, we have set up a 24-hour Family Health Consultation Service with our health insurance union and an affiliated insurance company.

Occupational Health and Safety

Creating safe and comfortable workplaces

Aiming to prevent all serious and lost-time accidents, the Group conducts risk assessments to comprehensively identify risks that could lead to injury or illness and is working to create safe and comfortable workplaces by eliminating or minimizing risks. As a result, the lost-time accident rate of our domestic Group companies remains significantly lower than the industry average in Japan.

Lost-time accidents rate*

Scope	FY2023	FY2024	FY2025
Shin-Etsu Chemical and its domestic consolidated companies	0.15	0.13	0.08
Industry average (JCIA)	0.47	0.47	0.51

*Calculated on a calendar year basis.

Accident prevention initiatives

Under the Shin-Etsu Group's bottom-up approach, workers' close-call incidents, anxieties, and concerns at the worksite are collected and classified as "close-call incidents and other concerns." We organize the collected information, including even minor incidents, identify the causes and preventative measures, and then share and raise awareness among relevant parties to implement appropriate countermeasures. Furthermore, by sharing these case studies and their responses both inside and outside the company, we are ensuring that measures to enhance safety and prevent similar accidents are deployed widely.

Participants of safety education programs (Total number of persons)

	FY2021	FY2022	FY2023	FY2024	FY2025
Consolidated companies	56,236	75,406	87,349	78,887	87,138



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



Initiatives Aimed at Carbon Neutrality

The Shin-Etsu Group is working towards achieving carbon neutrality by 2050.

In 2026 we set new interim targets.

For more information, please see the "Climate Change: Initiatives Aimed at Carbon Neutrality" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_environment/initiative_cn/



President's Message

We will work to utilize renewable energy not only for decarbonization but also from the perspective of energy security.

The Shin-Etsu Group's stated goal is to become carbon neutral by reducing greenhouse gas emissions (Scope 1 and 2) to net zero by 2050.

We have worked to improve productivity and to heighten resource and energy use efficiency to the maximum degree possible. As a result, we have

been able to reduce our greenhouse gas emissions in terms of production intensity—namely, the amount of greenhouse gases emitted when producing one unit of product—by approximately half compared to FY1990. Our efforts to use energy and resources with maximum care for efficiency have also contributed to improving the profitability of our Group.

At the same time, achieving carbon neutrality presents a major challenge to a material manufacturer that relies on resources and energy for production. Toward this goal, in May 2026 we set new interim targets* for achieving carbon neutrality. We will work vigorously to deliver on these interim targets.

As global energy supply and demand become increasingly unstable and geopolitical risks rise, the use of renewable energy is becoming increasingly important not only for decarbonization but also from the perspective of energy security. We will forge ahead while keeping both these objectives in mind. While increasing our use of renewable energy, we are also working on the study and

evaluation of carbon capture and storage projects.

I would like to point out that we offer a number of products that contribute to reducing greenhouse gas emissions. One of the challenges today is that, as AI proliferates rapidly, power consumption by data centers is increasing sharply. Our diversified products, including silicon wafers, photoresists and silicones, contribute to solving this challenge. In addition, we are developing new materials that support the efficient use of electric power.

With profitability always in mind, we will continue to work toward achieving carbon neutrality while solving social issues through our business and enhancing corporate value at the same time.

*The details of the interim targets are shown on page 22. The greenhouse gas emission figures for FY2025 are shown on page 48.

President
Yasuhiko Saitoh



Initiatives Aimed at Carbon Neutrality

Measures for Achieving Carbon Neutrality by 2050

In 2023, the Shin-Etsu Group formulated and announced a plan to reduce greenhouse gas emissions (Scope 1 and 2) to net zero with the goal of achieving carbon neutrality by 2050. Meanwhile, as an interim target, we have continued to work to achieve the target set in 2016 to “Reduce greenhouse gas emissions in terms of production intensity to 45% (i.e. down 55%) of the FY1990 level by FY2025” by improving production efficiency in terms of production intensity to the greatest extent possible. Since FY2025 is the final year of this interim target, we have set new interim targets as indicated below. Meanwhile, since approximately three years have passed since the announcement of our action plan for achieving carbon neutrality by 2050, we have revised it across the entire Group.

New interim targets

Taking 2025 as the base year,

- 1 Reduce greenhouse gas emissions in terms of production intensity by 30% by 2035**
- 2 Reduce greenhouse gas emissions by 35% by 2040**

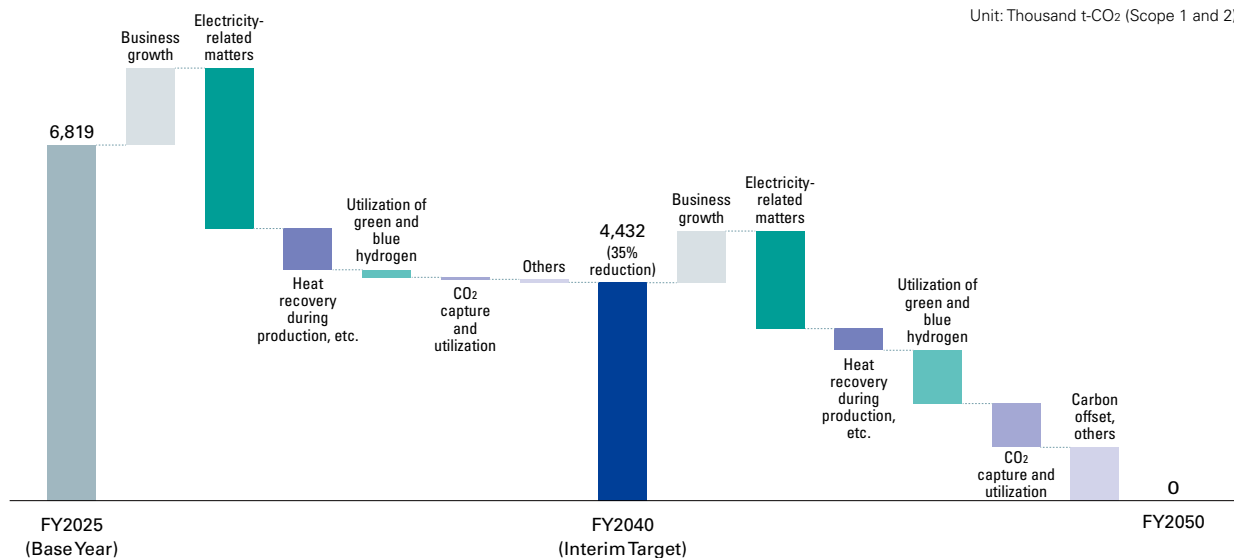
Reasons for Setting Two Targets

Shin-Etsu Group has been working to reduce greenhouse gas emissions by improving its energy and raw material consumption in terms of production intensity, that is, by using energy and raw materials thoroughly and efficiently without waste. This policy will continue in the future as each of our businesses pursues the most efficient production in the

industry. Since much of the reduction in terms of production intensity can be achieved through our own internal efforts, we have set the interim target to be reached by 2035.

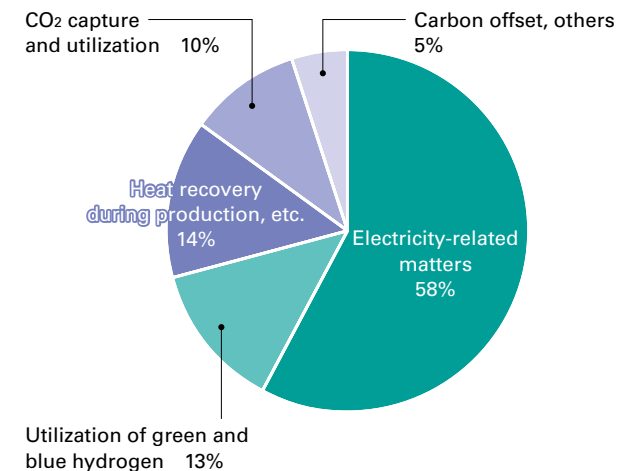
On the other hand, reducing greenhouse gas emissions requires reducing emissions from electric power, switching fuels, and CO₂ capture and utilization. These are measures that are difficult to implement through the efforts of individual companies alone, and can only be implemented through government leadership and collaborative efforts among the relevant industries. Since the development of the relevant infrastructure and policies requires time, we have set the interim target to be reached by 2040.

Roadmap toward carbon neutrality by 2050



The Group's reduction measures

The components of reduction measures toward 2050 that the Company currently supposes are as described below. We will select the optimal ways to reduce emissions as technology evolves in the future.



Initiatives Aimed at Carbon Neutrality

Initiatives Aimed at Carbon Neutrality

Our KPI is to increase both revenue and profit each fiscal year. To achieve this, we have pursued sales expansion across our businesses by capitalizing on growth opportunities while augmenting production capacity to support that growth. For these growth-supporting capital investments, our basic policy is to always introduce state-of-the-art technology to maximize productivity and energy efficiency.

A prime example of this is Shintech, Inc. (USA), which continues to build and expand its polyvinyl chloride (PVC) resin manufacturing plants. The final products made from PVC excel in insulation and durability, thus contributing to the reduction

of greenhouse gas emissions themselves. Currently, PVC produced using outdated technologies like the carbide method accounts for 30% to 40% of the world's total. This outdated technology emits more than five times the amount of CO₂ compared to Shintech's state-of-the-art technology. Shintech's use of this state-of-the-art technology to meet growing PVC demand contributes to reducing global CO₂ emissions.

Furthermore, we are promoting greenhouse gas reductions throughout the entire supply chain through life cycle assessments, and are also working to reduce emissions during transportation by advancing modal shifts in the transport of methanol, silicon wafers, and silicone products. This also contributes to reducing Scope 3 emissions.

Expansion of Products that Contribute to Reducing Greenhouse Gas Emissions

Our group's products are used in a wide range of fields, including housing, infrastructure, electric vehicles, DX, and GX, and support the foundations of people's lives and industries. Many of these products also help reduce greenhouse gases.

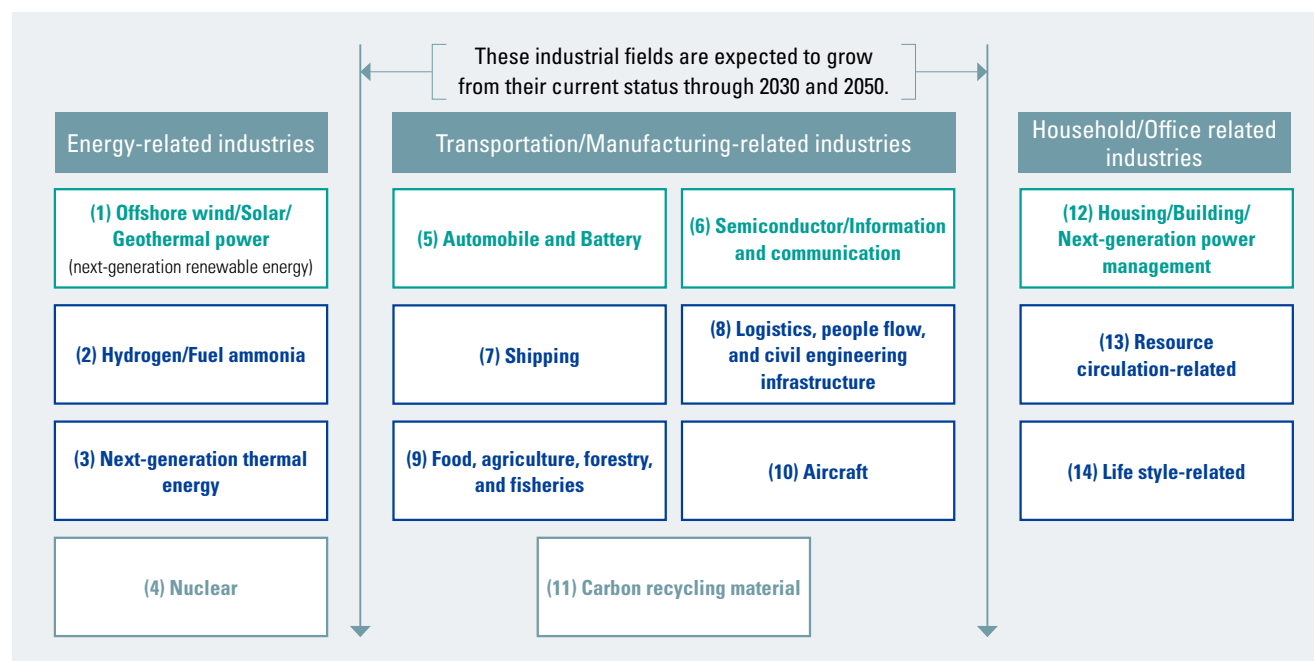
In June 2021, the Japanese government identified 14 essential areas to aim for carbon neutrality in 2050. The ratio of sales in these 14 areas to the Group's consolidated sales in FY2025 is approximately 70%. We will continue to contribute to the carbon neutrality of society as a whole by focusing on developing, manufacturing, and expanding sales of these products.

Current initiatives aimed at carbon neutrality

A: In the process of implementation and expansion, B: Initial stage/partial implementation, C: Research and investigation stage

Details of the initiative		Progress
Reducing emissions from electric power	(1) Purchasing hydroelectric power	A
	(2) Installation of solar power generation facilities	B
	(3) Purchasing low-carbon electric power	B
	(4) Transition of electric power companies to carbon neutral	Initiatives by governments and electric power companies
Switching fuels	(5) Switching to natural gas fuel	A
	(6) Utilization of carbon-neutral natural gas fuel	C
	(7) Utilization of green and blue hydrogen	C
	(8) Utilization of biomass fuel	B
	(9) Utilization of ammonia	C
Continuous and thorough rationalization and efficiency improvement	(10) Productivity improvement (continuous operation)	A
	(11) Improvement of reaction efficiency	A
	(12) Utilization of heat pumps	A
	(13) Heat recovery in raw material production	A
	(14) Installation of energy-efficient equipment	A
	(15) Increased use of charcoal reducing agents	A
	(16) Transition to new manufacturing processes	B
CO ₂ capture and utilization	(17) Installation of CO ₂ capture equipment and utilization	C
Promotion of recycling	(18) PVC products	A
	(19) Rare earth magnets	A
	(20) Other products	B
Others	(21) Tree planting	A
	(22) Carbon offset	C
	(23) Other new technologies	C

14 growth sectors



Source: Green Growth Strategy Through Achieving Carbon Neutrality in 2050 (announced in June 2021 by the Japanese government)
https://www.meti.go.jp/policy/energy_environment/global_warming/ggs/

Initiatives Aimed at Carbon Neutrality

Contributing to the Environment through Business

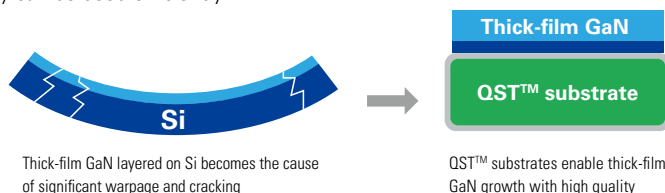
Case 1 IMEC achieves a world-record GaN breakdown voltage on Shin-Etsu Chemical's 300-mm QST™ substrate

Our QST™ substrate*¹, a growth substrate specifically developed for 300-mm GaN, has been introduced into the 300-mm GaN power device development program at IMEC, a semiconductor research institute in Belgium, where samples are currently being evaluated. In this evaluation, a 5-μm thick HEMT*² device achieved a high voltage withstand capability exceeding 650V, setting a world record for a 300-mm substrate. Furthermore, on substrates with diameters of 200 mm or less, new products with improved seed crystal layers have demonstrated high voltage resistance characteristics exceeding 3000V.

We have been expanding our facilities for 150-mm and 200-mm QST™ substrates, and are now working towards mass production of 300-mm substrates. Our 300-mm QST™ substrates enable thick-film GaN epitaxial growth for high-voltage applications by suppressing warpage and cracking that were difficult to control on silicon wafer substrates, substantially reducing device costs. Going forward, we will accelerate the real-world deployment of GaN devices with an eye on expansion into power supplies for AI data centers, industrial equipment, and automotive sectors, contributing to the realization of a sustainable society where energy can be used efficiently.

*¹ The QST™ substrate is a substrate of composite materials dedicated to GaN growth developed by QROMIS and was licensed to Shin-Etsu Chemical in 2019.

*² High Electron Mobility Transistor



Case 2 Developing recyclable thermoplastic silicone

Shin-Etsu Chemical has developed a thermoplastic silicone that enables recycling of silicone rubber, which had previously been difficult.

For recycling plastic and rubber products, having “thermoplasticity”—the ability to soften and flow when heated and to solidify when cooled—is a crucial factor. Silicone rubber is generally classified as “thermosetting” rubber, meaning it hardens when heated, which makes recycling difficult. To address these challenges, we have made full use of the polymer modification technology we have cultivated for many years to achieve features not found in conventional silicone rubber.

In addition to being recyclable, this material combines high hardness with high elongation. Furthermore, because it does not contain inorganic powders such as silica, it offers excellent transparency and ease of coloring. It can be injection molded in the same way as plastic, and thanks to its solvent-based formulation capability, it can also be used for coating applications while retaining the soft texture unique to silicone.

Due to its characteristics, new applications that would not be possible with conventional silicone rubber are expected, including rubber components for areas that come into contact with skin in mobile devices and sports equipment as well as surface coatings for devices used in medical and nursing care.

By supplying this material, Shin-Etsu Chemical is advancing resource recycling and waste reduction, contributing to the realization of a sustainable society with a low environmental impact.



Pellet form before molding



Colored molded samples

Case 3 Expanding our lineup of environmentally friendly products with silicones for personal care

Shin-Etsu Chemical is contributing to the realization of a sustainable society by developing products suitable for use in cold process*¹ manufacturing and that can serve as alternative materials for microplastic beads. In particular, in our focus area of personal care silicone products, we are promoting product development that balances environmental considerations with functionality.

The silicone emulsifier KF-6080W for O/W*² formulations is fluid at room temperature, enabling the use of a cold process and contributing to energy savings by eliminating the need for a heating step during manufacturing. In terms of functionality, in addition to its high affinity for water, it can also impart the excellent characteristics of silicone—high fluidity and smooth, non-sticky feel—to cosmetics and other products.

In addition, KSG-16-SF and KSG-19-PF are silicone elastomer gels with high light-diffusing properties that can both serve as alternative materials for microplastic beads, contributing to reducing environmental impact on marine and terrestrial ecosystems.

*¹ Cold process: A process that does not require heating and dissolving.

*² O/W (Oil in Water): A state where oil droplets are dispersed in water and uniformly mixed (emulsified).

Case 4 Launch of collaboration to recycle rare earth magnets in commercial air conditioner compressors

Shin-Etsu Chemical, in collaboration with Daikin Industries, Ltd., Hitachi, Ltd., and Tokyo Eco Recycle Co., Ltd., has launched a cross-industry collaboration to create Japan's first circular system for recovering and recycling rare earth magnets from compressors in commercial air conditioners. The project uses AI image recognition technology and robots to automate and improve collection, disassembly, and quality assessment. Shin-Etsu Chemical will then use the recovered rare earth magnets as recycled materials to produce new rare earth magnets.

The four companies plan to proceed with the development of automation equipment and other infrastructure in 2026 and to begin full-scale operations in 2027. Recognizing the circular economy as a critical management issue, Shin-Etsu Chemical will continue to expand our collaboration with companies and organizations that share our vision with the goal of contributing to GX across the entire manufacturing industry.