



Annual Report 2026

Shin-Etsu Chemical Co., Ltd.



**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.**

**Editorial Policy**

This report is compiled and published annually for the purpose of providing shareholders, investors, and other stakeholders with an overview of the Shin-Etsu Group's corporate activities. The organizations covered by this report are Shin-Etsu Chemical Co., Ltd. (Shin-Etsu Chemical) and its consolidated subsidiaries in Japan and overseas. In editing this report, we consulted the International Integrated Reporting Framework published by the Value Reporting Foundation (VRF) and Guidance for Collaborative Value Creation published by Japan's Ministry of Economy, Trade and Industry.

As the real-world deployment of AI shifts into high gear, this 2026 edition features a special section titled "AI-Driven Future" to help readers understand that, in addition to contributing numerous technological innovations, the Shin-Etsu Group also makes broader contributions to the industry such as energy conservation in data centers. Furthermore, in May 2026, the Group formulated and announced new interim targets for achieving carbon neutrality by 2050. Therefore, this edition includes a section titled "Initiatives Aimed at Carbon Neutrality," which includes a message from President Saitoh on carbon neutrality, details of our new interim targets, and an introduction to the Group's environmental contributions through new products and other initiatives.

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At a Glance

A World-Leading Materials Company Founded 100 Years Ago

Electronics Materials

We produce silicon wafers, a key semiconductor material, as well as photoresists, photomask blanks, and encapsulating materials used in the semiconductor manufacturing process. We also supply rare earth magnets, which are essential for power-saving motors used in eco-friendly vehicles and electrical appliances, and high-purity synthetic quartz, which is used as a raw material for optical fibers and for other applications.

Semiconductor silicon

(Silicon wafers)



No.1 globally

Photoresists



No.2 globally

Photomask blanks



No.2 globally

Synthetic quartz

(for photomask substrates for LCD)



No.1 globally

Infrastructure Materials

Polyvinyl chloride (PVC) resin is essential to our daily lives, from water supply and sewerage systems and other infrastructure (social infrastructure) to housing, agriculture, and everyday products. With a combined annual production capacity of 4.84 million tons at three bases in the US, Europe, and Japan, we boast the world's largest production capacity and provide a stable supply of PVC globally. In addition, we also supply caustic soda, polyvinyl alcohol (POVAL), and other products.

Polyvinyl chloride (PVC) resins



No.1 globally

Functional Materials

In 1953, we were the first Japanese company to commercialize silicone, which is used in a wide range of industries, and since then we have continued to develop our product lineup, which now includes more than 5,000 varieties. We also supply a wide variety of materials that deliver superior functionality, including cellulose derivatives, which are widely used in pharmaceuticals, food products and industrial applications, as well as synthetic pheromones, silicon metal, liquid fluoroelastomers, pellicles, and silicon anode material for lithium ion batteries.

Silicones



No.1 in Japan

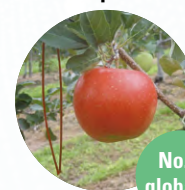
Cellulose derivatives

(Methylcellulose)



No.2 globally

Synthetic insect repellent Pheromones



No.1 globally

Processing & Specialized Services

As a processing manufacturer of various resins such as PVC and silicone, Shin-Etsu Polymer Co., Ltd. meets the diverse needs of customers in a wide range of fields including the automotive, information equipment, semiconductor, packaging material, and construction material industries. Shin-Etsu Engineering Co., Ltd. is involved mainly in the design and construction of the Group's manufacturing plants, and also provides vacuum assembling equipment, micro LED chip transfer equipment, and other products.

Wafer Cases



No.1 globally

Profile (Fiscal year ended March 31, 2026)



In business

100 years



Market capitalization

¥11,621.1 billion



Operating income ratio

24.7%



Number of employees (Consolidated)

27,342



Overseas bases

22 countries & regions



Composition ratio of overseas sales

78.6%



Ratio of employees outside Japan

58.5%



President's Message

Chapter 1

We will make steady progress toward enhancing corporate value

— Increase earnings per share, lower the cost of equity, and raise the growth —

■ To our shareholders,

In the fiscal year ending March 31, 2026 (FY2025), we extended our growth path in the Electronics Materials segment, while we coped with strong headwinds in the Infrastructure Materials segment. Against our primary performance objective of achieving a year-on-year growth in both sales revenue and earnings, we did not increase the earnings for FY 2025. For the current fiscal year, our priority is to achieve a meaningful growth in the earnings. In this regard, the segmental result for FY2025 tells us what to do.

President

Yasuhiko Saitoh

Message



President's Message

The markets for polyvinyl chloride, which is a core business line in the Infrastructure Materials segment, experienced a significant price decay last year. Price correction is our No.1 task, and the initiatives that we have been taking since the beginning of this year are bearing fruit. In the Electronics Materials segment, we are capturing every opportunity in the remarkable growth of the semiconductor markets as it is driven by the historic rise of AI. In the Functional Materials segment, increases in our value-added product groups have gained momentum, leveraging our customer-centric technical strength. We will accelerate this progress. In the Processing & Specialized Services segment and throughout our lines of business, we will continue to increase our product offerings, particularly in semiconductor-related applications. We see enormous opportunities as AI proliferates.

In sum, while selling numerous products around the world, we deliver a value set to our customers. We do our business based on the value we deliver.

In FY 2025, we demonstrated our commitment to our shareholders remuneration and capital management. We declared dividends of ¥106 per share and implemented a 500 billion yen's worth of share buyback. As a matter of reference, the total payout ratio for FY 2025 was 147 %. The cash in hand is intended for large-

scale growth initiatives, including merger and acquisition, reserves for economic shocks, and shareholders remuneration. We will make good use of the cash for the stated purposes. All these actions represent our sincere appreciation to our shareholders for their understanding and support.

The value of the company comes down to increasing earnings per share, lowering the cost of shareholders' equity and raising the growth. We will continue to advance our businesses in a manner that supports these three key elements. Going forward, we will further differentiate ourselves in every aspect of our business and operation. To overcome headwinds, differentiation is essential. In doing so, we certainly keep our focus on providing our customers with products which make it attainable for them to do what they pursue. We tirelessly help solve what our customers need to solve. As changes take place fast and what our customers' needs constantly evolve, opportunities present themselves for us. With a strong market-in mindset and aspiration, we work with our customers more closely than ever. We are determined to be a most reliable supplier to all our customers with best-in-class quality, technology and practice, so that our products will be used more and everywhere.

To extend and expand what we have been able to do for our customers, our shareholders and our

communities, I reiterate that we must continue to grow. We will remain focused on our customers and their needs to be relevant to them, will remain committed to good governance to be relevant to our shareholders, and will remain responsible to be relevant to our communities.

I sincerely thank our shareholders for their confidence, our customers for their partnership and our entire Shin-Etsu team for their dedication to our operations.

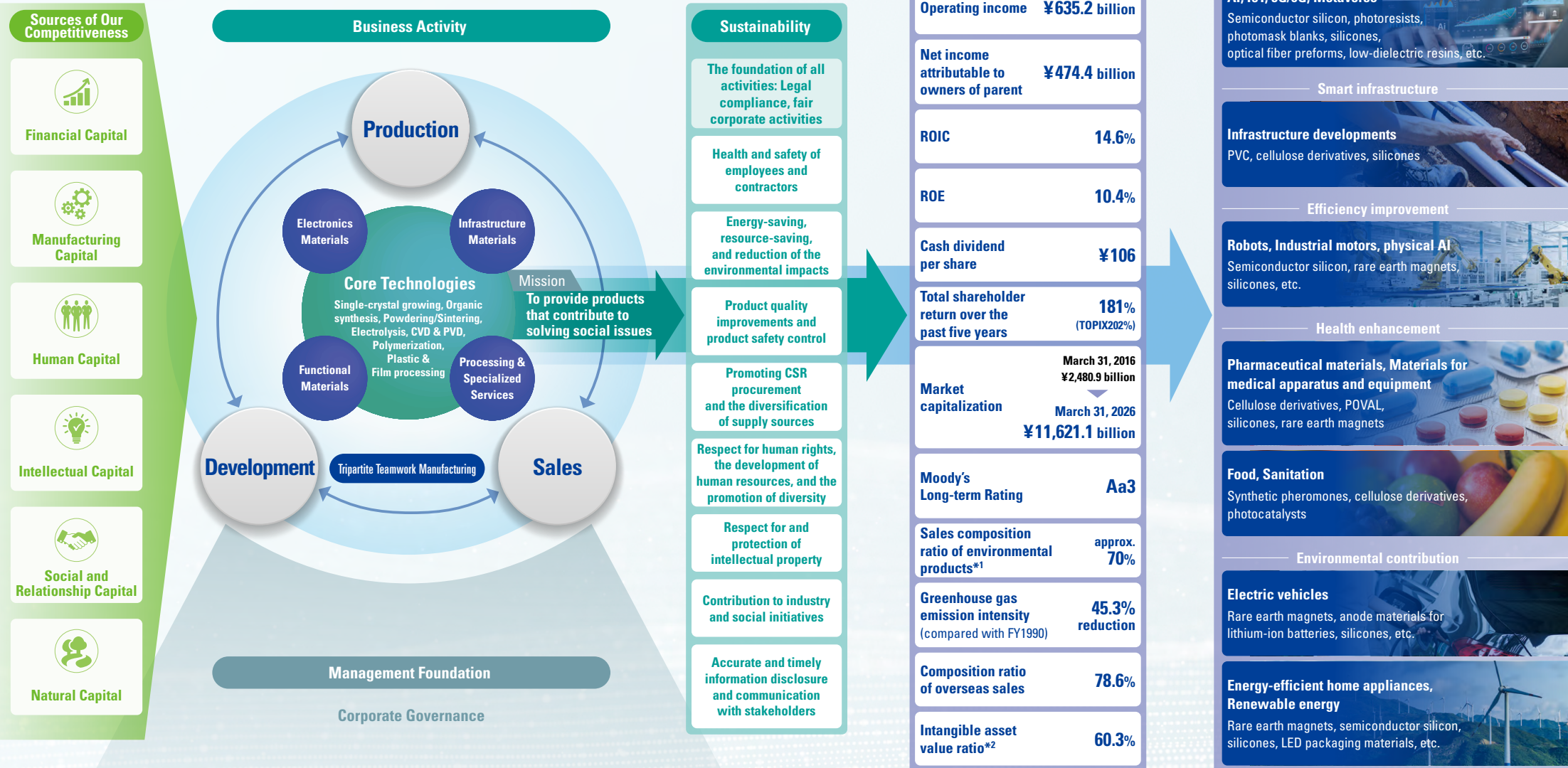


President
Yasuhiko Saitoh

Message

Value Creation Process

By harnessing its strengths in the tripartite teamwork manufacturing of sales, development, and production, the Shin-Etsu Group helps solve societal issues by creating unrivaled value with materials indispensable to industry and people's lives.



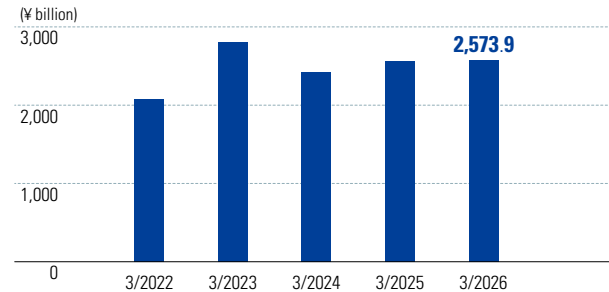
*1 Products that contribute to the 14 areas identified by the Japanese government in 2021 as being essential to achieving the goal of carbon neutrality

*2 An indicator for measuring the value of intangible assets in capital markets

Intangible asset value ratio = (intangible fixed assets [book value] + market capitalization - net assets [book value]) ÷ market capitalization

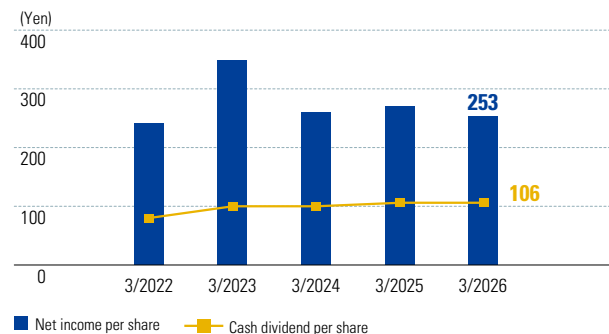
Financial Highlights

Net sales



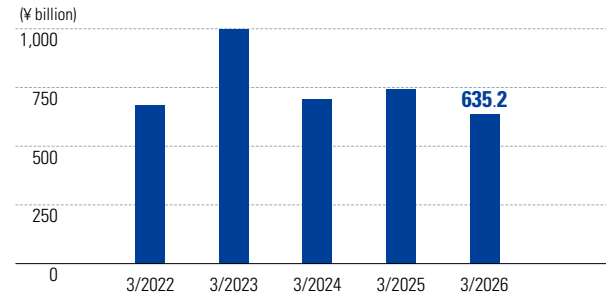
In the fiscal year ended March 31, 2026 (FY2026), consolidated net sales increased by 0.5% from the previous fiscal year amid a boom in AI-related demand, driven by strong sales of silicon wafers, photoresists, photomask blanks, and other semiconductor materials.

Net income per share/Cash dividend per share ^(Note)



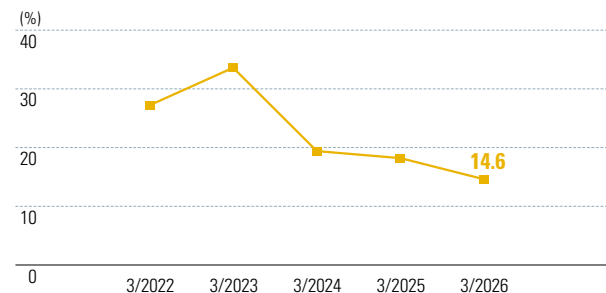
In accordance with our basic policy of aiming for stable dividends with a payout ratio of around 40% as a medium- to long-term guide, the annual dividend per share for FY2026 will remain the same as the previous fiscal year (dividend payout ratio of 41.9%).

Operating income



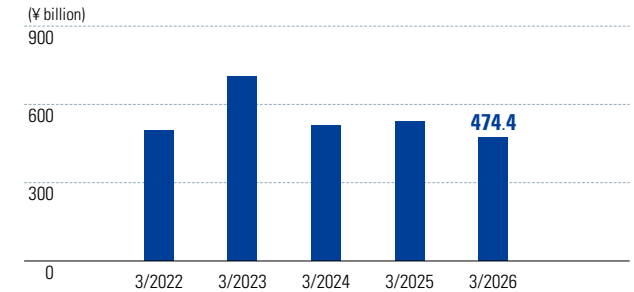
Consolidated operating income for FY2026 decreased by 14.4% from the previous fiscal year. This was mainly due to a decrease in operating income of 43.4% in the Infrastructure Materials business caused by an ongoing slump in vinyl chloride prices in Asia and other overseas markets.

ROIC



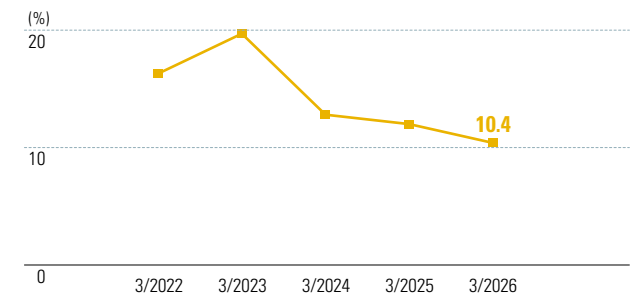
ROIC for FY2026 fell 3.6 points from the previous fiscal year due to an decrease in operating income after taxes. However, since the cost of capital in FY2026 amounted to approximately 8%, we were able to achieve capital returns exceeding the weighted average cost of capital (WACC).

Net income attributable to owners of parent



Net income attributable to owners of parent in FY2026 decreased by 11.2% from the previous fiscal year, mainly due to a decrease in operating income in the Infrastructure Materials business.

ROE

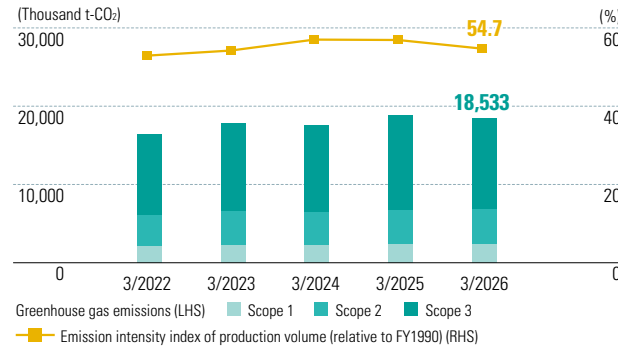


ROE for FY2026 fell 1.6 points from the previous fiscal year due to a decrease in net income attributable to owners of parent, despite a decrease in equity capital resulting from the implementation of a share buyback (500 billion yen). However, since the cost of capital in FY2026 amounted to approximately 8%, we were able to achieve capital returns exceeding the cost of capital.

(Note) On April 1, 2023, the Company executed a 5-for-1 stock split of its common stock. "Net income per share" and "Cash dividend per share" are calculated based on the number of shares after the stock split from the fiscal year ended March 31, 2022.

Non-Financial Highlights

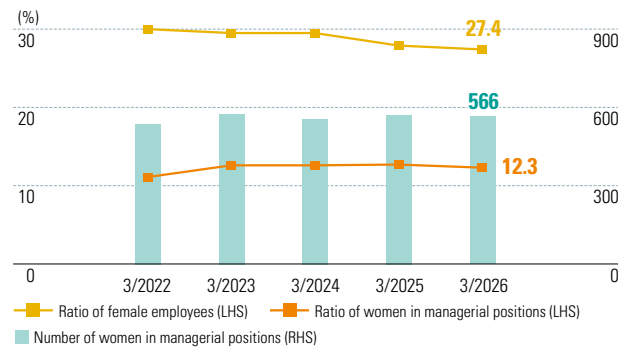
Greenhouse gas emissions/Emission intensity index of production volume*



We worked to reduce the greenhouse gas emission intensity index to 45% of our FY1990 level by FY2025. Currently, we have been working to achieve net-zero greenhouse gas emissions (Scope 1 and 2) by 2050.

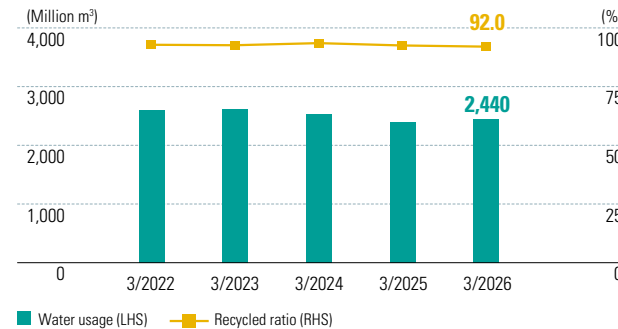
*Emission intensity index of production volume reflects Scope 1 and Scope 2

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



To promote the advancement of women, in FY2025, we set goals to “increase the hiring ratio of women in administrative positions to 40% and in engineering positions to 10%” and “quadruple the number of women in managerial positions, including junior managers, compared to FY2014.” (Scope: employees hired by Shin-Etsu Chemical and working in Shin-Etsu Group companies)

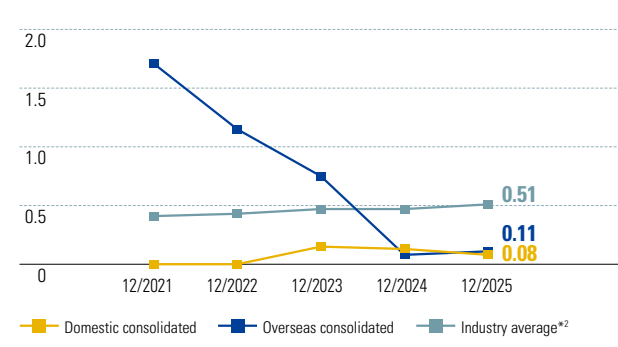
Water usage*/Recycled ratio



Since manufacturing products requires a large amount of water, we have set a target of “reducing water withdrawal intensity by an annual average of 1%,” and are thoroughly promoting the recycling of water and making effective use of rainwater, etc.

*Total quantity of water withdrawal and recycled water

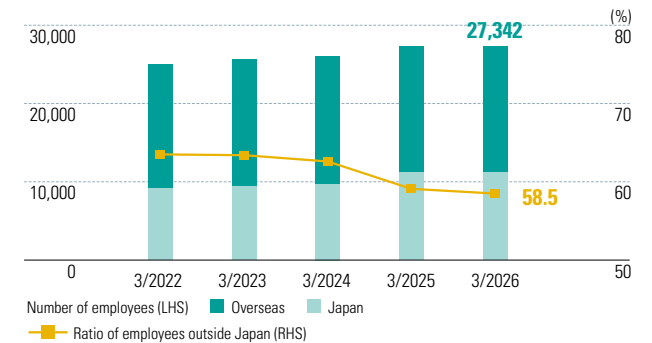
Lost-time accident rate*1



*1 The lost-time accident rate is calculated per calendar year

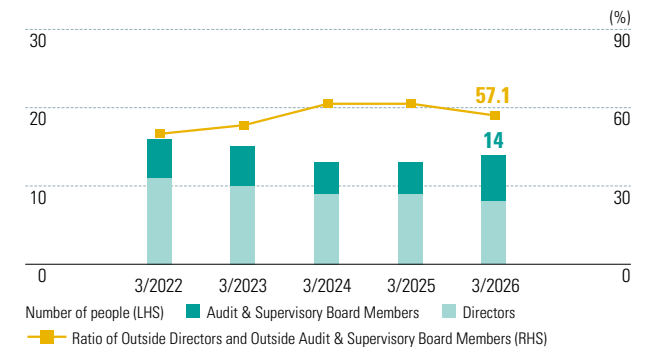
*2 Averages for the chemical industry in Japan as compiled by the Japan Chemical Industry Association (JCIA)

Number of employees/Ratio of employees outside Japan



In accordance with international labor standards, each year we survey our consolidated subsidiaries to ensure compliance with laws and regulations, making sure that we respect human rights and properly manage labor and employment in accordance with the laws and regulations of each country and region.

Number of directors and audit & supervisory board members/ratio of outside directors and outside audit & supervisory board members



The Company continues to strengthen its corporate governance system with an emphasis on external perspectives, for example by inviting leading figures from various fields to serve as Outside Directors. As of June 26, 2026, we have appointed two women as Outside Directors and two women as Outside Audit & Supervisory Board Members.

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

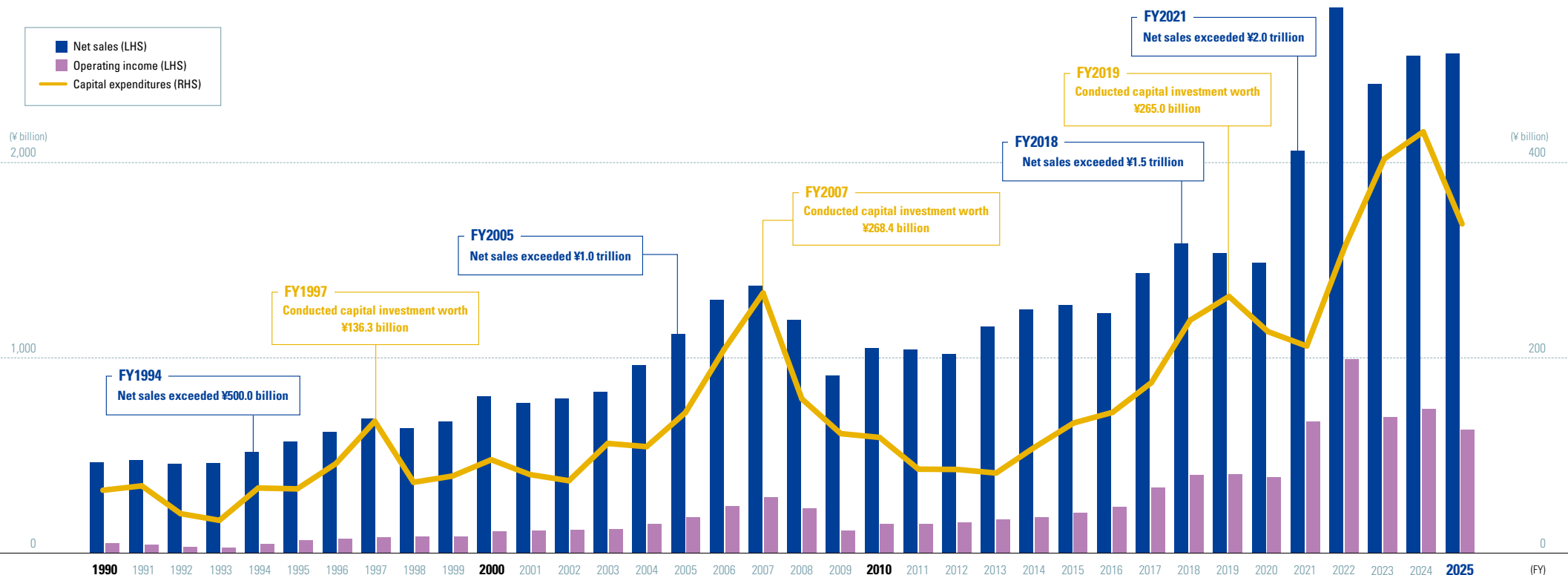
The Shin-Etsu Group is working to refine the sources of competitiveness that support its high profitability and enhance its ability to create stable and sustainable value. To this end, we aim to further strengthen profitability by promoting initiatives to improve productivity while enhancing the competitiveness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

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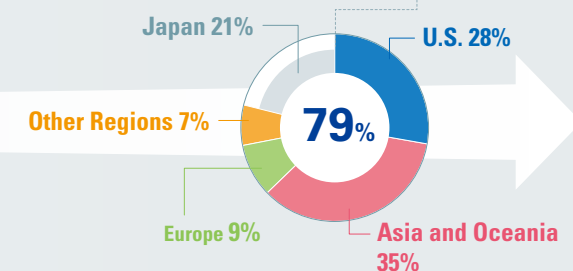
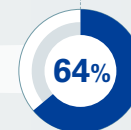
Growth Trajectory

— 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.



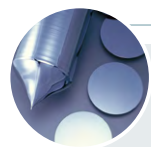
Composition ratio of overseas sales





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

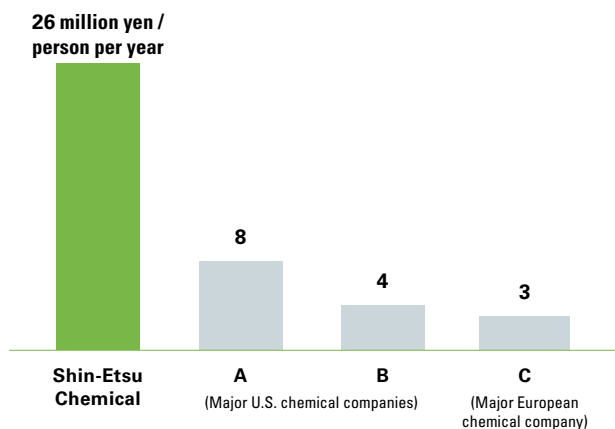
The Shin-Etsu Group has achieved high productivity through human resource development centered on personnel with T-shaped skills, a tripartite teamwork manufacturing of sales, development, and production that promptly addresses customer needs, and the pursuit of thorough automation and labor savings.

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.

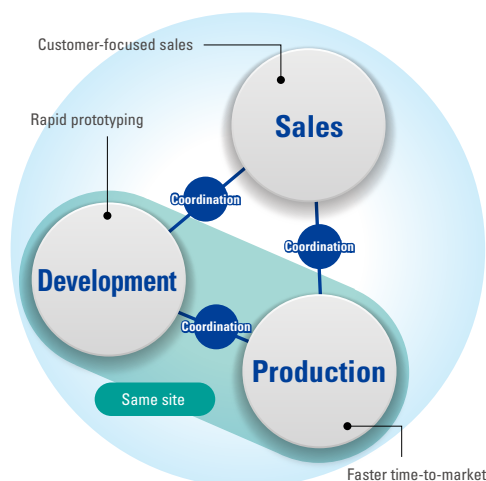
Operating income per employee (average of the last three fiscal years)



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.

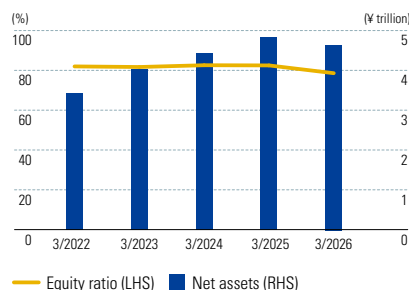
Equity ratio/Net assets

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

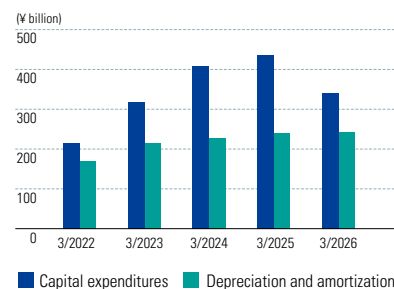
To enhance competitiveness and sustain growth, Shin-Etsu Chemical seeks to enhance corporate value through the active and timely use of its own funds. The Shin-Etsu Group's capital investment in FY2025 totaled 339.7 billion yen (down 21.8% year-on-year), reflecting progress in planned investments to 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)

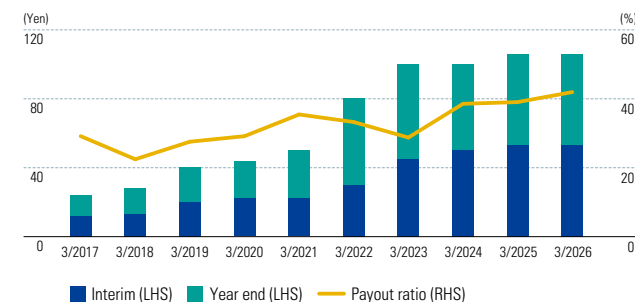
339.7 billion yen



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)

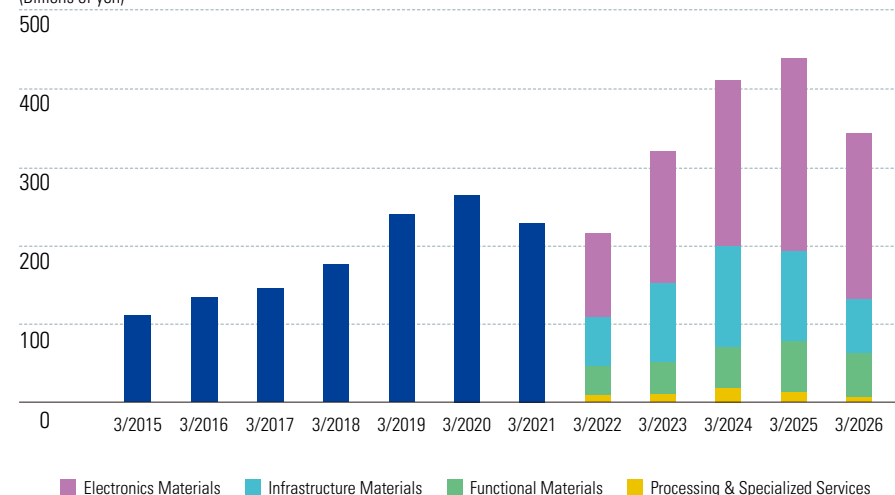
	Goods Manufactured in Japan	Goods Manufactured overseas	Total
Electronics Materials	836.6	179.0	1,015.7
Infrastructure Materials	123.3	857.9	981.3
Functional Materials	295.0	145.7	440.8
Processing & Specialized Services	101.9	34.0	135.9
Consolidated	1,357.0	1,216.8	2,573.9

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)

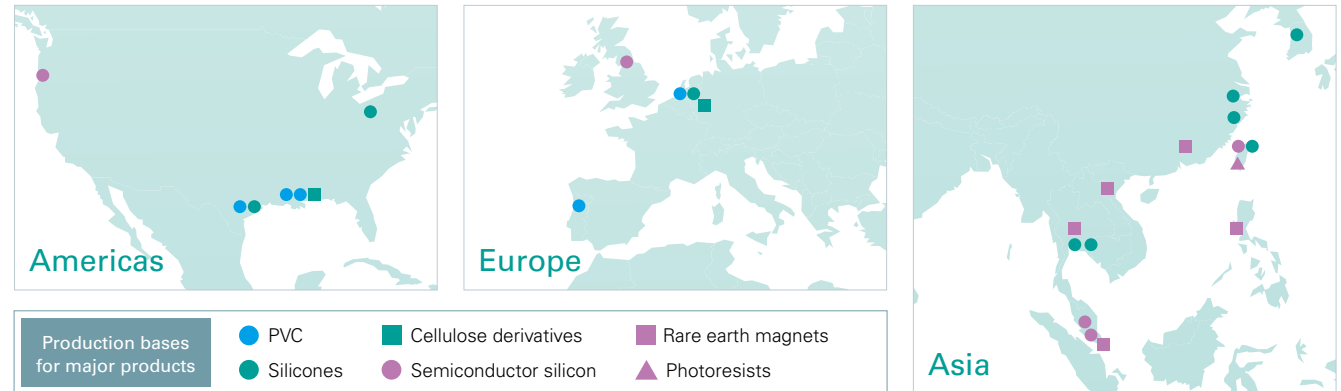


Production Operations and Facilities

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	Lost-time injuries		Japan		%	0.08	
		Lost-time injuries		Overseas		%	0.11	
		Number participants in safety training		Consolidated		Persons	87,138	

Human Resources Strategy



Developing T-Shaped Human Resources

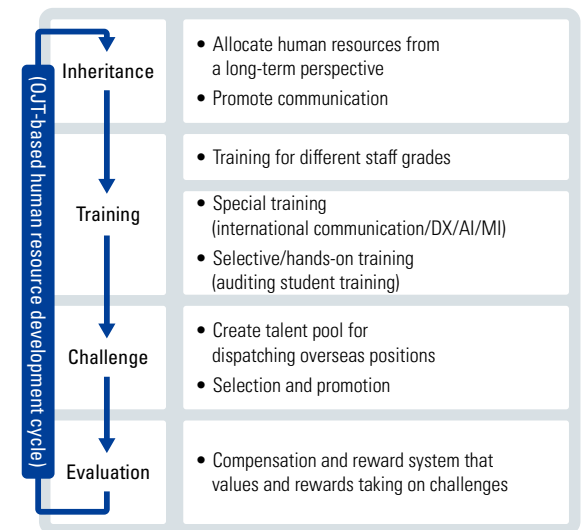
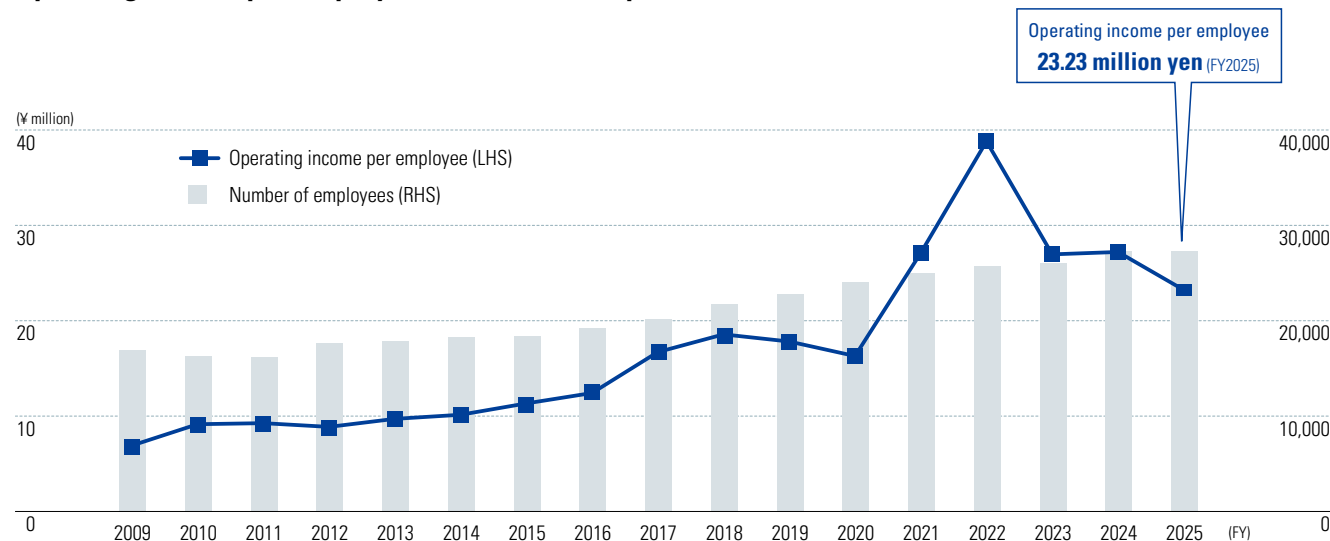
The Shin-Etsu Group believes that the key to improving productivity is "T-shaped human resources"—individuals who, in their respective roles and fields such as manufacturing, R&D, sales, and administrative functions, not only demonstrate high expertise, but also acquire knowledge of related departments 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)



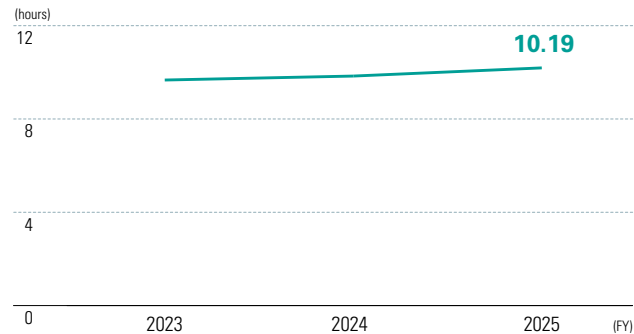
Human Resources Strategy

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 • Advanced • Intermediate • Beginner	AI training • Image analysis • Time series analysis	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								
Regular employees	Mid-career employees									
	Women employees									
	Junior leader training									
	Third-year training									
	New employee induction/second-phase training									

*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.

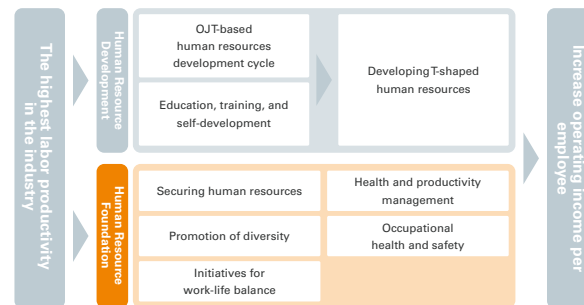
The survey results are analyzed at the per-workplace and per-organization level to understand conditions related to engagement and inclusion from multiple perspectives, including job satisfaction, organizational cohesion, relationships with supervisors and colleagues, and working environment. The issues 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.

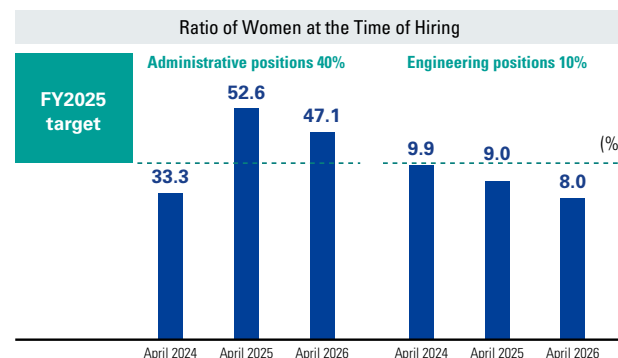
Human Resources Foundation



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

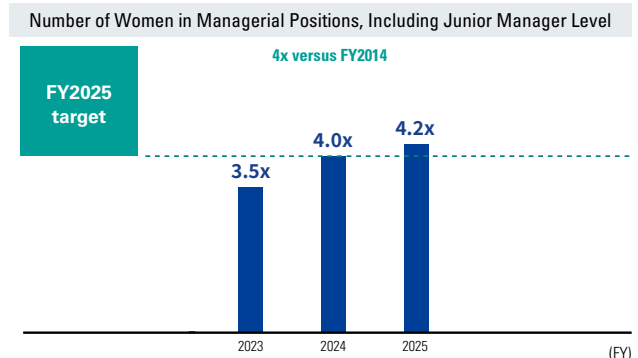
Shin-Etsu Chemical places the highest priority on respect for human rights and aims to be a workplace where diverse people can demonstrate their abilities regardless of gender, nationality, age, or disability. Diversity is not simply a matter of expanding demographic representation; rather, we see it 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**

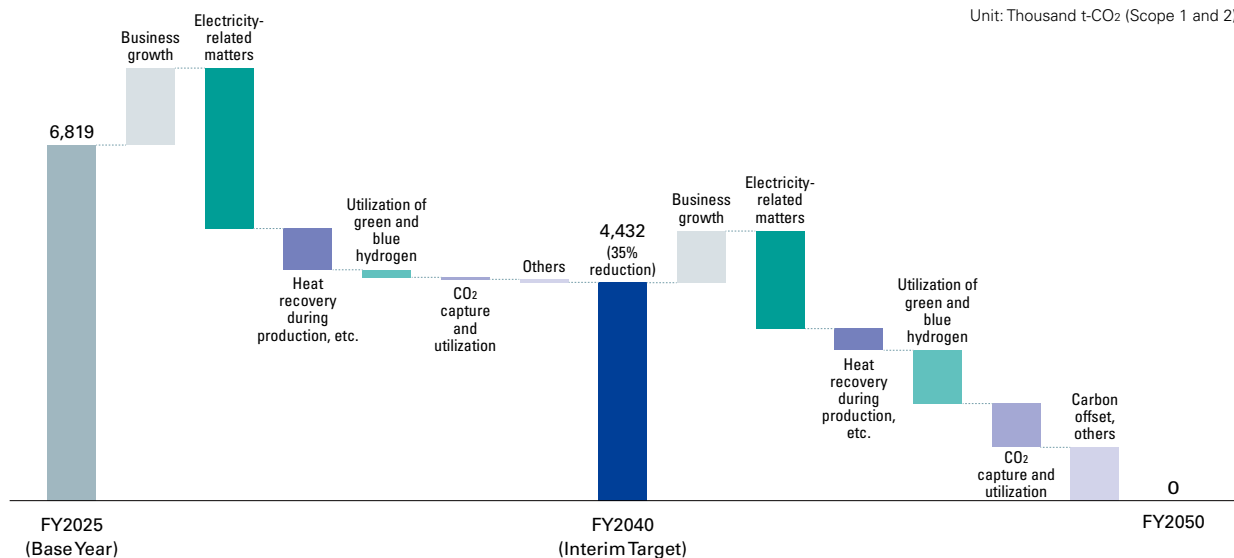
Reasons for Setting Two Targets

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.

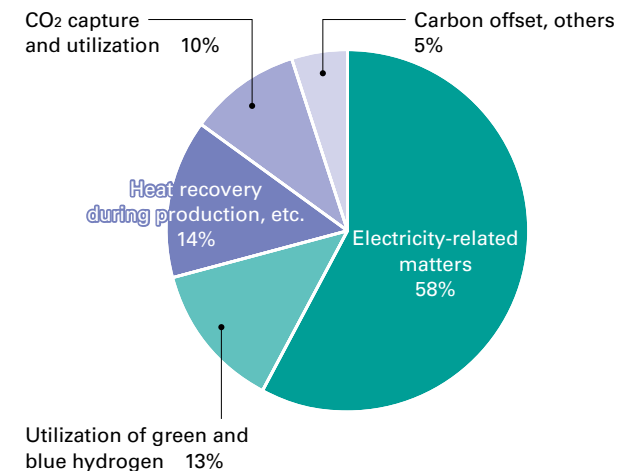
On the other hand, reducing greenhouse gas emissions requires reducing emissions from electric power, switching fuels, and CO₂ capture and utilization. These are measures that are difficult to implement through the efforts of individual companies alone, and can only be implemented through government 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.

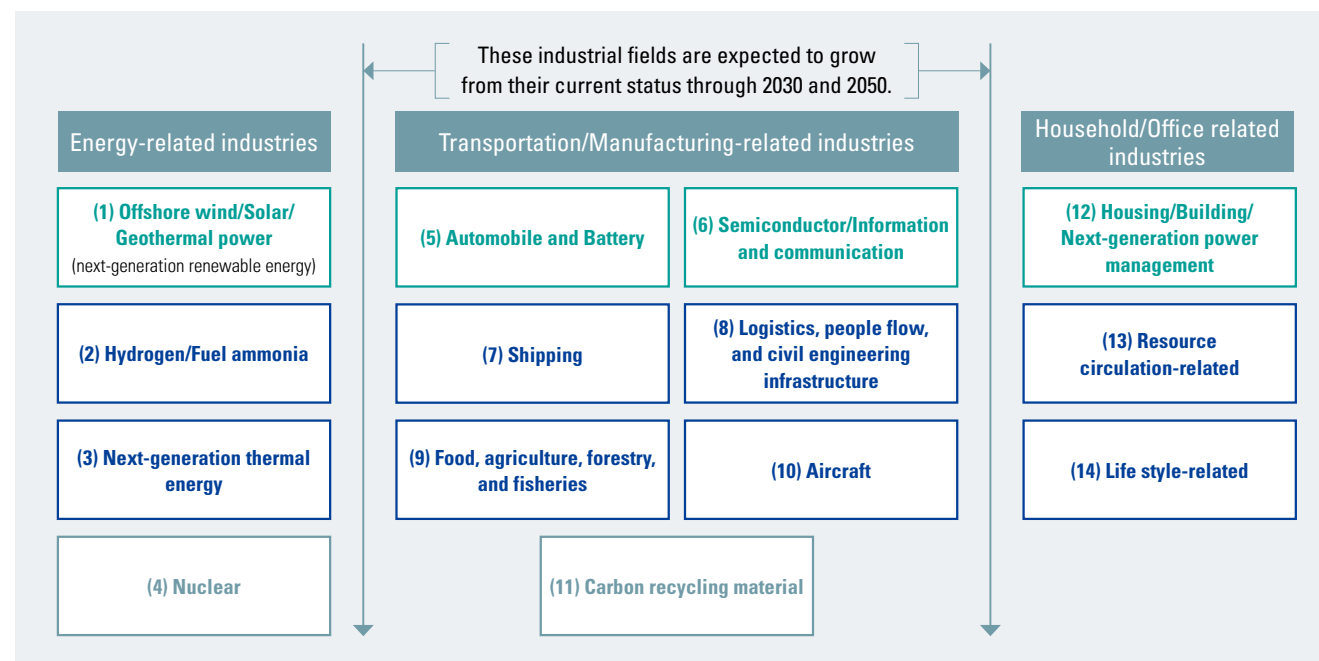
In June 2021, the Japanese government identified 14 essential areas to aim for carbon neutrality in 2050. The ratio of sales in these 14 areas to the Group's consolidated sales in FY2025 is approximately 70%. We will continue to contribute to the carbon neutrality of society as a whole by focusing on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

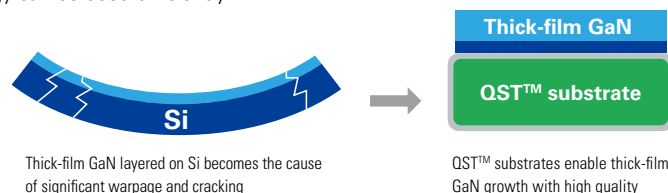
Case 1 IMEC achieves a world-record GaN breakdown voltage on Shin-Etsu Chemical's 300-mm QST™ substrate

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 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 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 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.



Chapter 1
Enhancing Corporate Value

Chapter 2
Enhancing Value Creation

Chapter 4
Reducing the Cost of Capital

Chapter 3
Accelerating Growth

Chapter 3

Accelerating Growth

The Group is promoting growth strategies that take into account changes in the market environment and technological innovation, aiming to establish a sustainable growth trajectory. We aim to accelerate product expansion into growth areas such as AI, while strengthening R&D and intellectual property and evolving our business portfolio to create new growth opportunities.

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Special Feature

AI-Driven Future

Shin-Etsu Products Driving the AI Era

Products supporting the cutting edge of AI semiconductor manufacturing and use

Since the advent of generative AI, the real-world deployment of AI has accelerated across industries and society. With the development of physical AI, which uses AI to operate robots, automobiles, drones, and other devices, it is predicted that AI will increasingly become an infrastructure technology for industry and daily life going forward. On the other hand, challenges have emerged in scaling AI in the real-world, including growing electricity demand. As AI semiconductors are pushed to deliver ever-higher performance, their energy requirements continue to rise, driving a sharp increase in data center electricity use.

Against this backdrop, utilizing AI as social infrastructure will require further improvements in the AI chip performance efficiency, reductions in data center power consumption, greater efficiency in communications and enhanced energy savings across application areas such as automobiles and robotics.

The Shin-Etsu Group not only holds the world's leading market share in silicon wafers, which serve as the substrates for all AI semiconductors, but also supplies materials necessary for manufacturing processes such as semiconductor circuit patterning and molding materials to protect chips. We are also engaged in the development and manufacture of a wide range of materials that contribute to creating an environment needed to maximize AI performance, including materials for cooling semiconductor chips and servers, building systems for storage and optical communications. Through this diverse product portfolio, we contribute not only to various technological innovations in AI semiconductors, but also to energy savings and the efficient use of resources in AI deployment environments, including data centers.

Accelerating the evolution of AI through the development and innovation of diverse materials

To improve the data processing capabilities of AI semiconductors, the process node has been reduced to a few nanometers*¹ in the cutting edge devices. In terms of memory, new technologies continue to emerge, including HBM*², which stacks multiple layers of DRAM*³. The Shin-Etsu Group contributes to improving the efficiency of AI semiconductors by providing the highest quality silicon wafers, as well as a wide range of materials to meet the advanced needs of semiconductor manufacturing processes, including high-purity deposition gases essential for circuit formation, photoresists necessary for circuit pattern formation, photomask blanks that serve as circuit pattern masters, pellicles that act as dustproofing films, and TBDB materials indispensable for the manufacturing of advanced semiconductors. In addition, we further contribute to improving the efficiency of AI semiconductors through the development of new materials. As increasing chip power consumption makes heat dissipation ever more critical, we provide effective thermal management solutions through silicone-based thermal interface material (TIM)*⁴.

Nevertheless, the power consumption for cooling in data centers is said to have already reached about 40% of the facility's total power consumption. As data centers continue to handle ever-larger volumes of data at higher speed, there is a growing demand for more effective cooling systems, and the adoption of cooling systems using highly electrically insulating

liquids (immersion cooling) is beginning to gain momentum. Shin-Etsu Chemical is promoting the practical deployment of an immersion cooling system using silicone fluid with low environmental impact. This non-fluorine-based (non-PFAS*⁵) silicone fluid is highly stable and suitable for long-term use. The technology contributes to making data centers more energy-efficient while helping to conserve resources.

In the field of power semiconductors, which are essential for controlling power supply, we are working to develop wafers optimized for the growth of gallium nitride (GaN), which is attracting attention as a key next-generation material. Through these efforts, the Company aims to help address the challenge of significantly reducing the power consumption at data centers.

*¹ 1 Nanometer: One millionth of a millimeter

*² HBM (High Bandwidth Memory): A type of semiconductor memory that consists of multiple DRAM chips stacked on top of each other, enabling high-speed processing of massive amounts of data.

*³ DRAM (Dynamic Random Access Memory): A type of semiconductor memory commonly used as the main memory in PCs and smartphones.

*⁴ TIM (Thermal Interface Material): A material that fills the gap between heat-generating components such as AI chips and heat dissipation components such as heat sinks, effectively dissipating heat.

*⁵ PFAS: Collective term for perfluoroalkyl compounds and polyfluoroalkyl compounds.

Advancing into the next generation through integration of manufacturing, sales, and R&D

Today, driven by advances in AI semiconductors, development and proof-of-concept validation are progressing in optoelectronic integration, a next-generation technology that aims to achieve faster data processing and lower power consumption with the goal of extending the domain of optical signal processing. Shin-Etsu Chemical stably supplies high-quality SOI wafers*⁶, which are expected to be used in such next-generation technologies. In addition, we are advancing the development of optical fiber preforms that deliver the properties required for next-generation platforms, as well as materials for optical modulators, which are key components in optoelectronic integration. The Shin-Etsu Group integrates manufacturing, sales, and R&D to ensure that it stays ahead of changes in social and market needs. We will continue to contribute to the realization of a sustainable society through the stable supply of products that support a wide range of industries and everyday life, including the field of AI.

*⁶ SOI (Silicon on Insulator): A composite wafer in which a thin film of silicon is bonded onto an insulating layer on a silicon substrate.

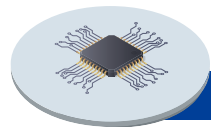
Special Feature AI-Driven Future Shin-Etsu Products Driving the AI Era

The Shin-Etsu Group's major AI-related products



Cloud, Data Centers

Semiconductor Devices	Semiconductor Devices e.g.) Silicon Wafers, Photoresist etc.	
Optical Components	Synthetic quartz preform for optical fiber	Material for LED
	SOI wafer	Quartz for optics
	Optical isolator, faraday rotator	Hybrid wafer
Immersion Cooling	Silicone fluid	
HDD	Rare earth magnet	PG/PBN Heater
	Photoresist	



Semiconductor Devices

Silicon Wafers	Wafer Cases	Thermal interface materials
Synthetic quartz photomask substrates	Silane Coupling Agents	Silane gas
Photoresist	Epoxy encapsulant material	Hybrid wafer
Photomask blanks	Low dielectric material	CPO materials
Pellicles	Substrate Processing equipment	Ultra High Speed Mounter
TBDB materials	Quartz glass products, Materials for quartz glass products	

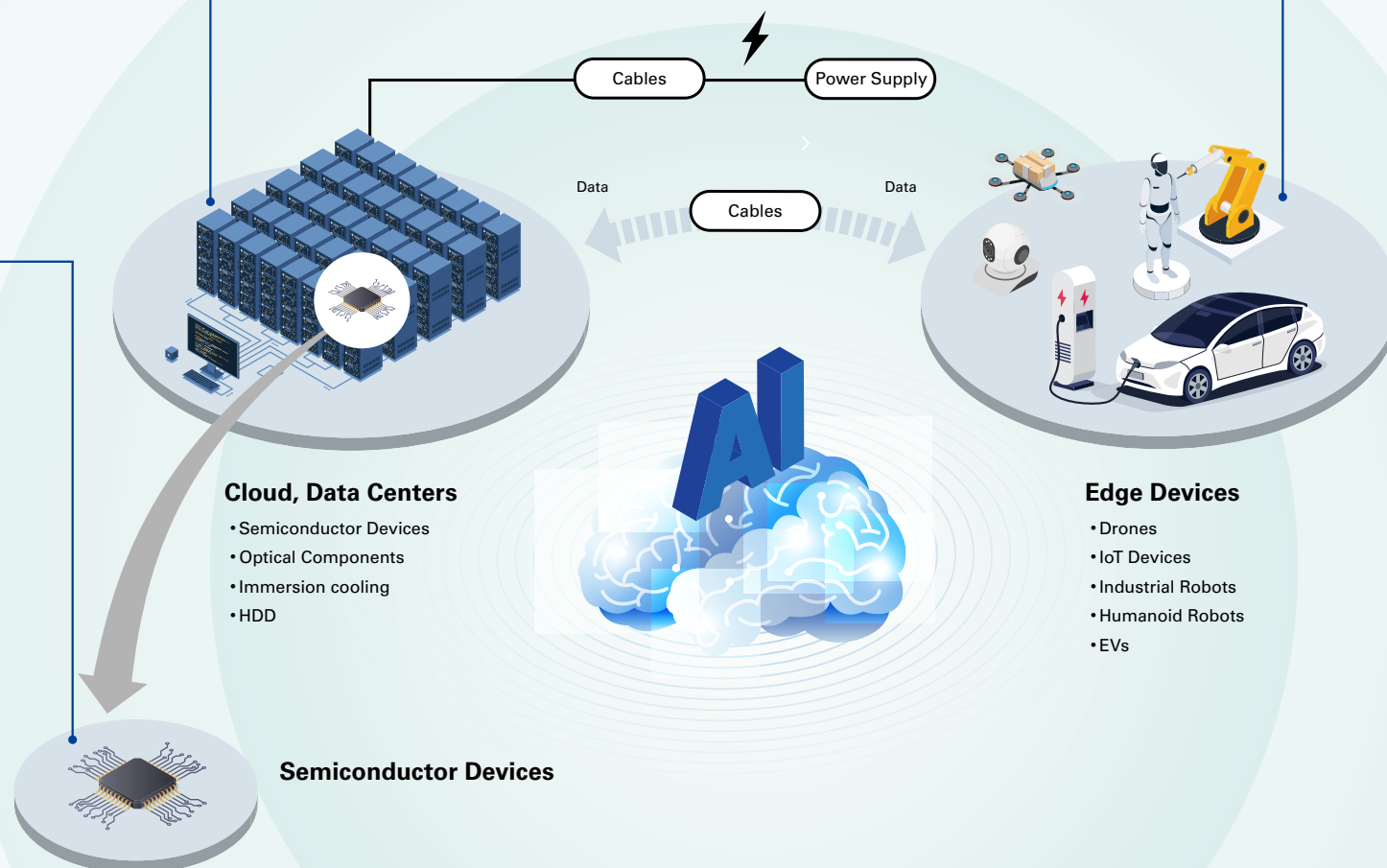
Power Supply · Cables

Power Supply	QST™ substrate	
Cables	Synthetic quartz preform for optical fiber	PVC for cable coating



Edge Devices

Drones	Sealing materials	Thermal interface materials
	Anode material for lithium ion batteries	
IoT Devices	Semiconductor Devices e.g.) Silicon Wafers, Photoresist etc.	
Industrial Robots	Light emitting device for 3D sensors	Rare earth magnet
Humanoid Robots	Rare earth magnet	Anode material for lithium ion batteries
EVs	Rare earth magnet	Anode material for lithium ion batteries



Special Feature

AI-Driven Future

Shin-Etsu Products Driving the AI Era

#01

Immersion Cooling

The superior properties of immersion cooling silicone contribute to energy and resource conservation in data centers

**S.I.**

Fluid Group,
Sales and Marketing Department I,
Silicone Division

S.F.

1st Development Department,
Silicone-Electronics Materials Research
Center

Cooling the server by fully submerging it

S.I.: Traditionally, data centers have relied on air conditioning systems to cool the interior of the building. However, as data processing on servers increases in volume and speed, the amount of heat generated by the servers also increases, making it a major challenge to efficiently dissipate this heat. One solution currently under development is an immersion cooling system that cools the server directly by submerging it in liquid. Silicone fluid is a strong candidate for the cooling fluid used in such a system.

S.F.: In addition to silicone fluid, there are other candidate cooling fluids, including petroleum-based and fluorine-based fluids. However, silicone fluid has many advantages, including outstanding stability and resistance to deterioration, being PFAS-free with zero GWP (Global Warming Potential) and ODP (Ozone Layer Depletion Potential), a high flash point, excellent insulation, and, of course is so safe that it is also used in cosmetics.

S.I.: That's why we emphasize the advantages of silicone fluid to customers interested in immersion cooling. However, there are many stakeholders involved, including data-center operators, server manufacturers, their component suppliers, and manufacturers of immersion cooling systems, and even considering safety alone, standards and approaches vary by country and region. As a result, there is a wide range of priorities when it comes to selecting a cooling fluid. We are therefore gathering information from a wide range of sources, including our overseas network, and the two of us are working together to figure out such priorities.

S.F.: The Shin-Etsu Group already offers a wide lineup of silicone fluids. In addition to those existing products, we need to develop new, customized products tailored to customer requirements. Customers are still searching for a standard for immersion cooling fluids. Since customer requirements vary widely, we want to proactively propose a standard and assemble a comprehensive lineup of immersion cooling fluids.

Advantages of being able to tailor characteristics to customer requirements

S.I.: As communications technology advances from 5G to 6G, the fluid used for immersion cooling also needs to have electrical properties that minimize electrical energy loss to maximize the communication speed. Silicone fluid has excellent insulating properties and safety — so much so that it is used as insulating fluid in the transformers of Japan's Shinkansen bullet trains — and is a highly reliable product that exhibits stable performance over a long period of time.

S.F.: Another important electrical property is a low dielectric constant. A low dielectric constant of the cooling fluid results in a smaller capacitance, making it less likely for electricity to accumulate and thus providing stable insulation. Keeping it low is also an important factor in reducing electrical failures in the servers. Silicone fluid has the advantage that its dielectric constant can be controlled by changing its chemical structure, and we actively communicate that fact to our customers. However, the pace of technological innovation is fast in the AI world, and this is driving customer requirements to higher and higher levels. Accelerating our development to keep up with this pace is a

major challenge for us. Therefore, in recent years, we have been trying to accelerate development by incorporating not only experimental materials research but also computer-assisted modeling approaches.

S.I.: Currently, there is no established standard for fluids for immersion cooling, so we believe it's important to work together with our customers to hone the advantages of silicone fluid and build up our track record, thereby creating a trend where silicone fluid is the go-to choice for immersion cooling.

S.F.: Indeed, the excellent stability of silicone fluid is a significant advantage when used as a fluid for immersion cooling: since it does not show any deterioration such as discoloration or increased viscosity, it can last for a long period of time without needing to be replaced. It also has the advantages of being colorless, transparent, and odorless, making it easy to visually monitor the server immersed in the liquid. Above all, Shin-Etsu Chemical's silicone fluid has a reputation for high quality and stable supply, so this is also a selling point for customers.

A future in which we can contribute to local communities and families

S.I.: Immersion cooling systems work by absorbing heat from servers into the silicone (or other) fluid, sending the fluid to a heat exchanger where it is cooled by water, and then re-using it again for immersion cooling. In the future, we hope to make effective use of the hot water from the heat exchanger for purposes such as local heating. What if heat from a data center could be used for a traditional community bathhouse (spa)? I think this would be welcomed by local residents, contribute to the community, and help create a more eco-friendly society.

S.F.: One can imagine a future in which servers are placed underneath each home and their heat converted into electrical energy for the home. A future society where silicone fluid contributes to energy conservation and decarbonization in the underfloor spaces of homes is not just a dream. In that case, immersion cooling would become a major application for silicone fluid. I want to lead the development of fluid for immersion cooling to help bring about that kind of future.

Special Feature

AI-Driven Future

Shin-Etsu Products Driving the AI Era

#02

Thermal Interface Materials

Silicone heat-dissipation materials that reduce environmental impact and support the stable operation of AI



K.T.

Senior Researcher,
2nd Development Department,
Silicone-Electronics Research Center

S.A.

Product Development Group,
Sales and Marketing Department III,
Silicone Division

Heat dissipation materials are essential for the stable operation of AI

S.A.: With the emergence and widespread adoption of generative AI, AI has become a much more familiar part of our daily lives. In the future, the use of AI chips will spread beyond just servers lined up in data centers to a wide range of fields and applications including self-driving cars, autonomous robots, and drones. As the capacity of AI chips increases and the rate at which they process data accelerates, the amount of heat they generate increases as well. Letting that heat dissipate is essential for the AI chip to function to its full potential, no matter what environment it is being used in. This leads to ever more stringent requirements for the thermal interface materials (TIMs) that we are working on.

K.T.: To illustrate how important heat dissipation is, I once tried starting my own PC without any heat dissipation materials, and it wouldn't boot

at all. Even if it boots up, there is a risk of it catching fire if it continues to overheat. This illustrates how big a threat of chip-generated heat is to computers and servers. There is a cooling mechanism around the chip, but if air gets into the contact surface between the chip and the cooling mechanism, heat dissipation is impaired. TIM serves to fill this gap and efficiently transfer heat.

One of silicone's advantages is the high degree of freedom it brings to product design

K.T.: TIM is a composite material consisting of a base polymer and a filler. Other materials besides silicone are also available as options for the base polymer. However, silicone has two advantages. One advantage is its excellent stability, including weather resistance, heat resistance, and cold resistance. Another advantage is that silicone can be customized to meet the customer's specific needs. That's because of its chemical structure, which features a main chain* of silicon and oxygen that can bond with a variety of organic groups that can be selected as needed. This enables a high degree of product design flexibility and the possibility of custom-made products. To take advantage of this, first and foremost, it's crucial to accurately understand the customer's requirements so that we can then proceed quickly with development.

S.A.: As a result of the rapid growth of the AI market and the rapid increase in demand for heat dissipating materials, more new manufacturers are entering the market and competition is intensifying. In this environment, Shin-Etsu Chemical already has more than 30 years of manufacturing experience in silicone heat-dissipating materials and can leverage that expertise to meet customer needs. To make the most of that advantage, I, as the sales representative, and K.T., as the R&D representative, often visit customers together. Many of our customers are located overseas and visiting them together in person allows us to accurately understand their technical requirements and challenges then and there, which helps to speed up development. In an increasingly competitive environment, development speed is becoming more and more important.

Contributing to curbing ever-increasing power consumption

S.A.: The performance of the TIM directly impacts the cooling efficiency of the equipment in which it is used. If performance is poor, heat won't be dissipated effectively, and a lot of power will be used for cooling the entire server. Therefore, designing and providing heat dissipation materials that are suited to the environment in which the chips are used contributes to reducing environmental impact, including reducing power consumption in data centers.

K.T.: In recent years, as the functionality of AI chips has grown more sophisticated, the chips have not only become more complex in shape, but their size is growing at the same time as their substrates are getting thinner, making it increasingly difficult to meet customer requirements. In addition to the main circuit, the AI chip is connected to HBM (multi-layer high-bandwidth memory circuitry) and other components. As a result, the heat generation is not uniform, and the warping and deformation that occur during chip operation are also not uniform. The TIM needs to keep up with those changes in the chip. Furthermore, if the chip's design changes and the heat-generating part shifts by a few millimeters from its original position, the TIM will not be able to adequately dissipate heat unless it is adjusted accordingly. To overcome such challenges, we must constantly keep up with the latest information on the AI chips themselves. We also ask our sales representatives to gather information on that topic, and we communicate frequently in person.

S.A.: AI is now becoming a part of our daily lives, and I feel proud knowing that the products we create are playing a role in that. We pride ourselves on providing high-quality products, and we will continue to strive to ensure that they can be used in more and more diverse fields.

K.T.: Recently, we have also been using AI in our own domain of R&D to accelerate the pace of development. Imagining how the resulting TIM will further contribute to improving the performance of AI chips in a virtuous cycle makes the work even more rewarding.

*Main chain: The core silicone backbone formed by alternating silicon and oxygen atoms, known as the siloxane bond. A key feature of silicone is that bonding various organic groups to its main chain allows it to be given a wide range of properties.

Special Feature

AI-Driven Future

Shin-Etsu Products Driving the AI Era

#03

QST™ substrate

Developing next-generation power semiconductors that significantly reduce data center power demand



M.Y.

Manager,
Shin-Etsu Chemical GaN Commercializing Unit

Establishing the fundamental technology for QST™ substrate for GaN epitaxial growth

As AI becomes widespread, reducing the power consumption of the AI data centers that support it has become a major challenge. According to estimates by the International Energy Agency (IEA), worldwide electric power demand for data centers reached 415 terawatt-hours in 2024 and is expected to reach 945 terawatt-hours by 2030, exceeding the total electricity consumption of Japan as a whole. To curb this enormous demand for electricity, innovation in power semiconductors is urgently needed. Power semiconductors are devices that perform roles such as converting the high-voltage alternating current supplied to data centers into direct current, converting voltage levels, and controlling frequency. They are used in many places throughout the data center, from its power receiving infrastructure to the power supply for the servers that serve as its brain. There are therefore high expectations for the improved

performance of power semiconductors to solve challenges such as reducing the electrical energy lost as heat.

Shin-Etsu Chemical is focusing on gallium nitride (GaN) as a next-generation material for these power semiconductors. In 2019, we signed a licensing agreement with Qromis, Inc. in the United States, and began full-scale development of QST™* substrate for GaN epitaxial growth. GaN is expected to offer excellent properties, such as reducing electrical energy and contributing to the miniaturization of devices, but until now it has been difficult to create substrates that can fully realize these characteristics. To overcome this challenge, we incorporated our own proprietary technologies to suppress the occurrence of defects, enabled the manufacture of large-diameter wafers, and work to enable the use of silicon carbide (SiC) and GaN as “higher-performance seed crystals” for power semiconductors. We have even made it possible to recycle the base substrate. As a result, power semiconductors using this technology can withstand high-voltage loads of up to 1200V, making them usable in the power receiving infrastructure of data centers, while also reducing energy loss by more than 80% compared to conventional devices. Furthermore, by enabling the miniaturization of power supply components and reducing the need for heat dissipation, power consumption for cooling and other related processes can be reduced, dramatically lowering the overall power demand of the AI data center. Moreover, recycling can reduce the electricity required for conventional crystal substrate manufacturing and lower the consumption of gallium (Ga), one of the rare materials.

Partnerships with Group companies and customers

The foundational technologies for these next-generation power semiconductors are built on the technologies and expertise in compound semiconductor manufacturing that Shin-Etsu Chemical has cultivated over many years. I myself have experience in the development and sales of compound semiconductors used in LEDs and other applications, and that experience has been helpful in the development of QST™ substrate. Furthermore, the cooperation of device manufacturers is essential for gathering information on customer needs and for technical verification.

In this regard, our group company Shin-Etsu Handotai Co., Ltd. and our global network have been a great help. Since we are primarily a material manufacturer, we need to rely on device manufacturers and global R&D institutions to evaluate the performance of the devices incorporating our materials. We have also been conducting performance evaluations of the newly developed QST™ substrate with the cooperation of device manufacturers and research institutions that are our customers. After receiving positive feedback in 2025, we became convinced that even the large-diameter 300 mm wafers that were previously considered difficult could be commercialized.

We were this time able to make great use of our existing partnerships with our customers in the compound semiconductor field. When we spoke to OKI Electric, with whom we have had a relationship on compound semiconductors for LEDs, about recycling QST™ substrate that forms the base of GaN devices, we discovered that the company's CFB® technology could be utilized, and joint development is now underway for the real-world deployment of GaN devices. I believe that this recycling process will significantly reduce the energy and materials required for substrate manufacturing and will also allow us to make better use of valuable Ga resources by eliminating the need for GaN substrates.

Greater focus on real-world deployment

QST™ substrate has only just reached the stage where the fundamental technology is established, and there will still be many hurdles to overcome before they can be adopted as power devices worldwide. However, we have a foundation of overcoming obstacles through partnerships with our customers, and with the support from Shin-Etsu Group companies around the world, I am confident that we can clear these hurdles and deliver innovation.

*QST™: Abbreviation for Qromis Substrate Technology, a gallium nitride (GaN) technology patented by Qromis, Inc. in the United States. By incorporating its proprietary technologies, Shin-Etsu Chemical has further improved the properties of the original QST™ substrate—for example, by suppressing defects and cracking to enable larger-diameter substrates—and is now developing second- and third-generation substrates.

R&D and Intellectual Property Strategy

Viewing R&D as a “challenge” to pioneer the future, the Shin-Etsu Group is pursuing R&D to meet the needs of the times. Because the results of our R&D are important assets that directly contribute to the competitiveness of our business, we strategically manage the valuable intellectual property obtained through R&D to make effective use of it.

Tripartite Development System and Technological Advantage

Shin-Etsu Chemical’s product development is closely aligned with customer needs, enabling us to develop and supply high-quality products in a short period of time. This is supported by our unique R&D system based on “tripartite teamwork” among the sales, development, and production teams. R&D centers are set up at production sites, share the market needs the sales department identifies, and work closely with the manufacturing department in order to develop products with a view to mass production. In addition, the development of technologies that create new value-generating opportunities is being carried out across departments under the direct supervision of the president. Generative AI is also being effectively deployed to continuously strengthen our R&D system. We are also constantly evolving our core production and processing technologies, including PVC polymerization technology and silicon crystal growth technology, to solidify our competitive advantage.

Intellectual Property Strategy

The Group acquires, manages, and utilizes intellectual property based on the basic policy of “applying for and acquiring valid patents to protect our business and increase business value, and not to infringe on the patents of other companies.” We have established a Patent Department as a specialized unit to promote intellectual property activities by closely coordinating the Group’s R&D Department and business divisions. The Patent Department encourages each researcher to always keep the idea of patents in mind and trains them to be able to draft patent application specifications themselves. In this way, we are creating a culture in which researchers see intellectual property as their own responsibility and carry out their research in a proactive manner.

In recent years, while maintaining our “defensive” intellectual property activities centered on protecting rights, we have been strengthening our “offensive” efforts aimed at establishing a competitive advantage and building barriers to market entry. For our products with distinctive product forms, we also actively acquire the design rights. We are also utilizing new tools such as generative AI to streamline various intellectual property-related tasks. In FY2025, there were no cases in which business progress was impeded due to patents, and no litigation has occurred.

Invention Awarding System

The Shin-Etsu Group has instituted Actual Compensation Awards to honor employees who have made inventions or designs that have greatly contributed to the company through patent rights and the like, and Multiple Inventor Awards for employees who have contributed to obtaining many patents through numerous inventions. In FY2025, there were 26 Actual Compensation Awards and 21 Multiple Inventor Awards.

Selected as a Clarivate Top 100 Global Innovator for the 15th Consecutive Year

Shin-Etsu Chemical has been selected by Clarivate (UK) as a Top



Top 100
Global
Innovator
2026



100 Global Innovator for the 15 consecutive years. The award is granted to companies and institutions leading global innovation. Shin-Etsu Chemical is one of only nine companies in Japan to have been selected for 15 consecutive years, and is the only chemical company among them. Among the companies and institutions selected based on the number of patents filed and held over the past five years, Shin-Etsu Chemical scored particularly high in the categories of “Rarity,” which measures the originality of our inventions, and “Geographical investment,” which is assessed based on demonstrating a strategic approach to international expansion. This recognition is the result of many years of continuous efforts in highly original, cutting-edge R&D, and demonstrates the strength of our technological foundation.

Selected among Innovation Momentum 2026: The Global Top 100 for the first time

For the first time, Shin-Etsu Chemical has been selected by LexisNexis (USA) for its Innovation Momentum 2026: The Global Top 100. The award is granted to 100 innovative companies leading the future of science and technology worldwide. Seven Japanese companies were selected, of which only two were in the field of chemicals and materials. Candidate companies are evaluated on factors such as technical value (based on the total number of patent citations) and market value (based on the size of the market where the patent is protected) over the past two years. The award recognizes Shin-Etsu Chemical’s strength in materials development, which allows us to continuously create new technologies in a short period of time.



R&D and Intellectual Property Strategy

Message from a member of the R&D Department

We aim to develop materials for optoelectronic integration by utilizing our crystal technologies and dissimilar material bonding technology



M.K.

Advanced Functional Materials
Research Center

The growing importance of optoelectronic integration in the AI era

The widespread use of AI has increased the importance of data centers (DCs), which are now required to transmit and process more information than ever before at high speed and with low power consumption. One technology that is attracting attention as a solution to these problems is “optoelectronic integration,” which replaces some of the electrical wiring with light. Optoelectronic integration is an important technology for keeping the power consumption of the entire information-processing infrastructure, including the DCs and semiconductors technology, as low as possible, and the importance of the materials and substrates that support it is also increasing. I believe that its role will become even more important in the future as the amount of information processing required for AI increases.

Areas where our technologies can be applied

Thin-film lithium niobate (TFLN) on silicon is one optoelectronic integration technology that is attracting attention as a platform for optical modulators and photonic integrated circuits that control optical signals. Another technology is a piezoelectric-on-insulator (POI) substrate comprising a thin-film lithium tantalate layer on silicon.

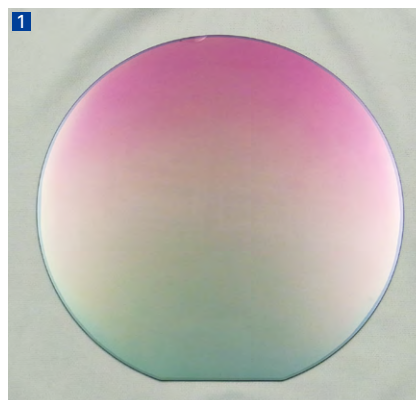
Currently, it is mainly used as a substrate for surface acoustic wave (SAW) devices, but in the future, it is expected to expand into new optical device fields that leverage the unique properties of lithium tantalate. As AI servers become more powerful, expectations for these advanced substrate materials will strongly increase.

Our strengths and future direction

In addition to supplying materials indispensable to the manufacture of generative AI, another competitive strength of Shin-Etsu Chemical is our in-house production of raw materials such as lithium niobate wafers and silicon wafers

that will become next-generation AI-related materials. We also possess hybridization technology that bonds different types of wafers together and transfers thin films to create functional substrates. We harnessed these technologies to develop hybrid substrates such as SOQ (silicon-on-quartz), and the QST™ substrate* which we recently issued press release. Taking advantage of these strengths, we will apply our TFLN, POI, and QST™ substrates to DC optoelectronic integration materials and develop new applications to deliver medium- to long-term growth.

*QST™ is a registered trademark held by Qromis, Inc. in the United States (registration number 5277631).



1
6 inch diameter TFLN substrate
for optical modules and quantum
computers

2
6-12 inch diameter SOQ (silicon-on-
quartz) substrate for optical devices

Robust Business Structure Born from Close Cooperation and Diversification

By combining the advanced technologies and know-how it has cultivated over many years, the Shin-Etsu Group has acquired the ability to reliably supply large quantities of high-purity, high-performance materials, which has become a source of competitive advantage.

Business Segment

Electronics Materials	Functional Materials
Infrastructure Materials	Processing & Specialized Services



*1 Chemical vapor deposition (CVD)

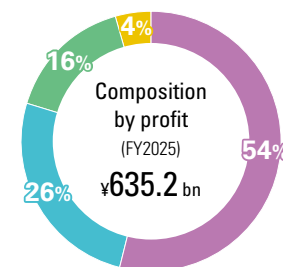
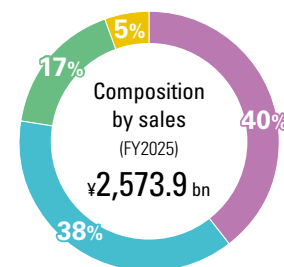
A method for depositing thin film by chemical reaction on the substrate of precursors produced by applying energy such as heat, plasma, or light to raw material gases.

*2 Physical vapor deposition (PVD)

A method in which a solid source material is evaporated and dispersed by heating, sputtering, ion beam irradiation, or similar techniques, and deposited onto the substrate surface as atomic or molecular particles.

Measures for Medium- to Long-Term Growth of the Business Portfolio

The Shin-Etsu Group's business portfolio consists of growth businesses, centered on semiconductor-related materials, that supply various components to the AI sector; stable cash-generating businesses centered on PVC; and high value-added businesses based on silicones and other functional materials. By ensuring strong competitiveness in these businesses, we aim to achieve both sustainable growth and high profitability while mitigating the impact of market fluctuations on the overall business portfolio.



■ Electronics Materials
■ Infrastructure Materials
■ Functional Materials
■ Processing & Specialized Services

	Growth potential (growth factors)	Competitive advantages	Measures to promote growth
Electronics Materials (Semiconductor-related products, etc.) 	■ Increase in data center investments and AI-equipped devices ■ Rapid growth in the semiconductor market due to the increase in EVs ■ Advancement of new frontiers in semiconductors ■ Increased demand for power semiconductors in a decarbonized society	■ Stable quality and stable supply to customers ■ Responding to increasingly sophisticated technological requirements ■ Synergies gained from an extensive lineup of semiconductor-related products (competitive edge in development and proposal capabilities)	■ Conduct research and development to keep pace with the growth of the semiconductor market and ongoing technological advances while expanding production capacity when the timing is right. ■ As experts in all fields of semiconductor materials, strive to be a materials company that continues to provide our customers with the convenience and value of a one-stop solution. ■ Build a resilient supply system that considers various risks, maintain stable production, and earn high trust from customers.
Infrastructure Materials (Polyvinyl chloride, etc.) 	■ Increase in housing demand ■ Population growth ■ Infrastructure demand in emerging countries and infrastructure maintenance and renewal demand in developed countries	■ World's largest production capacity and high productivity ■ Stable quality and good supply capability ■ Favorable raw material economics in the U.S. ■ Integrated production plant from ethylene and chlorine ■ World wide production plant (Three plants in the U.S., two in Europe, and one in Japan.) ■ Superior sales network operated in the U.S., Europe and Japan	■ Leverage our state-of-the-art PVC plants to maintain high operating capacity. ■ Leverage our economies of scale and cost structure to maintain a competitive advantage. Continue to generate profits under any market conditions. ■ Provide meticulous service to customers worldwide and reliably supply products of stable quality.
Functional Materials (Silicones, etc.) 	■ Increase in the ratio of high-value-added products that contribute to solving customer and societal issues (thermal management, weight reduction, labor saving, a substitute for PFAS, etc.) ■ Increase in demand due to population growth and economic growth	■ Thorough response to customer needs through tripartite teamwork that integrates the sales, research, and production divisions ■ Use of advanced technological capabilities and know-how cultivated over 70 years (ability to develop new products and technologies, expansion of highly functional product lineup) ■ Global production bases and a sales network in 13 countries	■ Further advance the development highly functional products and provide essential materials for our customers. ■ Introduce more new products for a variety of fields and applications with promising future growth potential. ■ Increase our points of contact with the market and further expand our sales territory.

Electronics Materials



Major Products

Semiconductor silicon, Rare earth magnets, Semiconductor encapsulating materials, LED packaging materials, Photoresists, Photomask blanks, Synthetic quartz products

For product information, please see the company brochure.
https://www.shinetsu.co.jp/wp-content/uploads/2026/06/shinetsu_kaishaannai_en.pdf



FY2025 Results and Business Environment

The growth of the AI market has brought continued high levels of data-center investment and production of advanced semiconductor devices. As a result, the semiconductor market is booming, particularly in the advanced sector. The various advanced semiconductor-related materials we handle, including silicon wafers and lithography materials, are therefore becoming even more important.

Net Sales	¥1,015.7 bn	Assets*1*2	¥1,877.5 bn	Depreciation and Amortization	¥109.5 bn
Operating Income	¥344.5 bn	Capital Expenditures	¥212.3 bn	Number of Employees*1	13,566

*1 As of March 31, 2026

*2 These amounts were prepared on an informal basis.

Strategies for the fiscal year ending March 31, 2027

- Provide materials and technologies essential to the semiconductor market
- Quickly establish results at the new lithography materials site (Isesaki Campus)
- Expand our capabilities to support the advancement of AI as a leading electronic materials manufacturer

Competitive Advantages

Overall business

- Stable quality and stable supply to customers
- Responding to increasingly sophisticated technological requirements

Semiconductor-related products

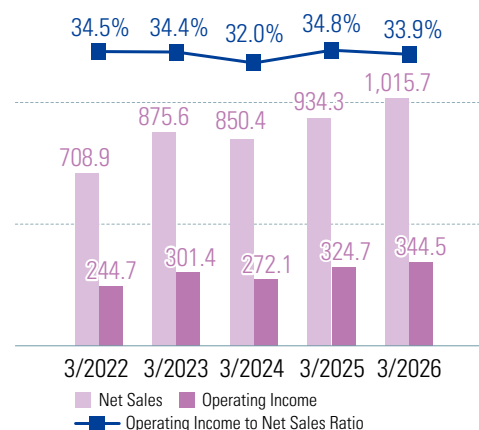
- Synergies gained from an extensive lineup of semiconductor-related products (competitive edge in development and proposal capabilities)

Rare earth magnets

- Stable supply supported by operating multiple production bases and an established integrated production system starting from raw materials
- Development of products that substantially reduce the use of heavy rare earth materials and promotion of recycling

Performance over the past 5 years

(¥ billion)



Topic

New semiconductor lithography materials facility, Isesaki Campus, begins operations

The Isesaki Campus (Gunma Prefecture) has been completed as a new base for semiconductor lithography materials. The first phase of construction was completed quickly in about 2 years, and operation began in June 2026, with a total investment of approximately ¥83 billion. The site is a response to the strong demand for lithography materials essential for advanced semiconductors used in AI and data centers.

Shin-Etsu Chemical entered the photoresist business in 1997 and began producing state-of-the-art KrF photoresist at our Naoetsu Plant. Since then, we have strengthened our lithography materials business by developing photomask blanks, ArF photoresists, multilayer materials, EUV photoresists, and other products. To develop the production system for the business, we established a second base (Takefu Plant) in Fukui Prefecture in 2016, a third base in Taiwan (Shin-Etsu Electronic Materials Co., Ltd.) in 2019, and now a fourth base on the Isesaki Campus. We have designated this campus as an advanced hub for semiconductor materials, including R&D, and have already begun the second phase of construction.



Isesaki Campus

Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Increase in data center investments and AI-equipped devices
- Rapid growth in the semiconductor market due to the increase in EVs
- Advancement of new frontiers in semiconductors
- Increased demand for power semiconductors in a decarbonized society (increased use of different substrate materials such as QST™ substrate)

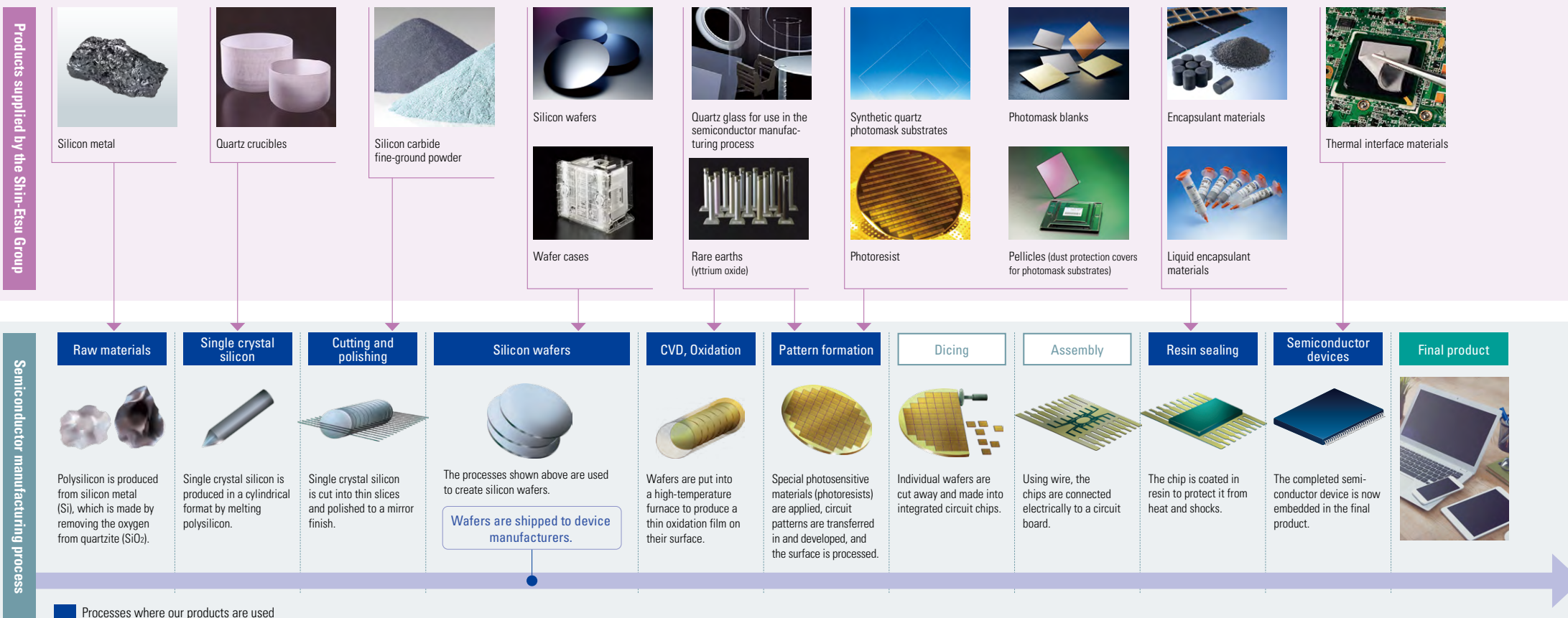
Risks

- Excess supply over a considerable period
- Macroeconomic downturn
- Decoupling of the international economy

Electronics Materials

Shin-Etsu Group Products Associated with the Overall Semiconductor Manufacturing Process

The Group supplies a wide range of materials necessary for semiconductor manufacturing processes, including silicon wafers, photoresists, photomask blanks, and encapsulating materials, supporting the development of semiconductor devices.



Topic

Initiatives toward the real-world deployment of GaN devices

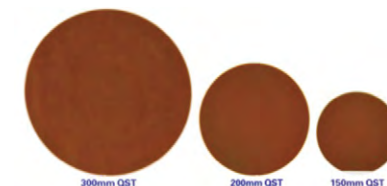
GaN devices are semiconductors that achieve both high breakdown voltage and high-frequency operation while maintaining low power consumption. They are expected to be put into practical use in high-speed communications and power supplies for AI data centers. To reduce production costs necessary for widespread adoption, Shin-Etsu Chemical is promoting the use of larger diameter QST™ substrates*1,

which are growth substrates specifically designed for GaN devices. In 2024 we achieved a 300 mm version and began providing samples. In 2025, an IMEC*2 evaluation confirmed that our GaN 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, demonstrating steady progress towards the real-world deployment and mass production of GaN devices.

*1 QST™ substrate: A composite material substrate specifically for GaN growth, developed by Qromis, Inc. (California, USA), and licensed by Shin-Etsu Chemical in 2019.

*2 IMEC: A leading international non-profit R&D organization in semiconductor technology, headquartered in Leuven, Belgium.



Infrastructure Materials



Major Products

Polyvinyl chloride (PVC) resin, Caustic soda, Methanol, Chloromethane, Polyvinyl Alcohol (POVAL)

For product information, please see the company brochure.
https://www.shinetsu.co.jp/wp-content/uploads/2026/06/shinetsu_kaishaannai_en.pdf



FY2025 Results and Business Environment

PVC is expected to see a steady increase in demand over the medium to long term. Over the past few years, excessive exports from some regions have dragged down global market prices, while demand in North America has remained stable due to a housing shortage. Furthermore, conflicts in the Middle East have reinforced the attractiveness of the U.S. as a manufacturing location.

Net Sales	¥981.3 bn	Assets*1*2	¥2,444.6 bn	Depreciation and Amortization	¥86.1 bn
Operating Income	¥164.8 bn	Capital Expenditures	¥67.8 bn	Number of Employees*1	1,957

*1 As of March 31, 2026

*2 These amounts were prepared on an informal basis.

Strategies for the fiscal year ending March 31, 2027

- Fully utilize supply capacity built at U.S. bases
- Maximize value rooted in high quality and stable supply
- Leverage worldwide sales network

Competitive Advantages (PVC)

- World's largest production capacity and high productivity
- Stable quality and good supply capability
- Favorable raw material economics in the U.S.
- Integrated production plant from ethylene and chlorine
- World wide production plant (Three plants in the U.S., two in Europe, and one in Japan.)
- Superior sales network centered in the U.S., Europe and Japan

Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

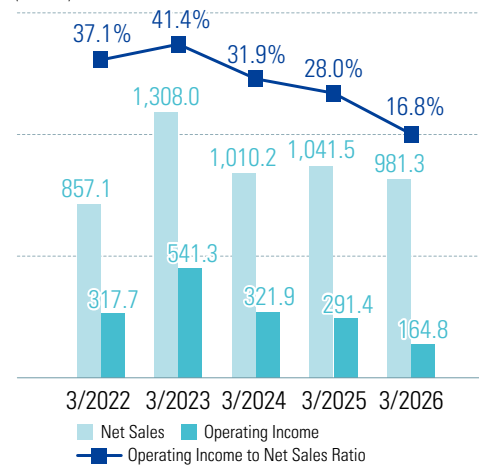
- Increase in housing demand
- Population growth
- Infrastructure demand in emerging countries and infrastructure maintenance and renewal demand in developed countries
- Increasing and intensification of natural disasters

Risks

- Oversupply in a certain period
- Slowing housing demand
- Rise in raw material prices

Performance over the past 5 years

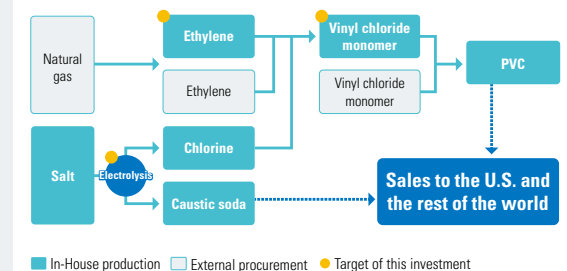
(¥ billion)



Topic

Shintech strengthens integrated production system starting from the main raw materials of PVC

Our U.S. subsidiary Shintech, Inc., which is the world's largest PVC manufacturer, will invest approximately \$3.4 billion to build a new plant in Plaquemine, Louisiana, by the end of 2030, which will produce ethylene and electrolytic vinyl chloride monomer, the main raw materials for PVC. PVC contributes to the development of infrastructure that supports daily life and society, and as a resin with a low environmental impact, demand is expected to increase in the future. This investment will strengthen our system for efficiently and stably procuring raw materials, further enhance our position in the global PVC market, and expand and strengthen our relationships with customers around the world.



	Current production capacity	Production capacity after this investment
Ethylene	0.5 million t/year	1.125 million t/year
Caustic soda	1.95 million t/year	2.26 million t/year
Vinyl chloride monomer	2.95 million t/year	3.45 million t/year

Functional Materials



Major Products

Silicones, Cellulose derivatives, Silicon metal, Synthetic pheromones, Vinyl chloride-vinyl acetate copolymer resin, Liquid fluor elastomers, Pellicles, Silicon anode material for lithium-ion batteries

For product information, please see the company brochure.
https://www.shinetsu.co.jp/wp-content/uploads/2026/06/shinetsu_kaishaannai_en.pdf



FY2025 Results and Business Environment

For both silicone and cellulose, the market for general-purpose products continues to stagnate due to an oversupply from certain regions. On the other hand, particularly in the electrical, electronics, and healthcare sectors, demand for functional and specialty products is increasing due to increasing demands for functionality and quality of materials.

Net Sales	¥440.8bn	Assets*1*2	¥675.0 bn	Depreciation and Amortization	¥40.3 bn
Operating Income	¥100.9 bn	Capital Expenditures	¥56.0 bn	Number of Employees*1	4,445

*1 As of March 31, 2026

*2 These amounts were prepared on an informal basis.

Strategies for the fiscal year ending March 31, 2027

- Strengthen deployment of functional and specialized products
- Expand electrical and electronic applications, including communications and AI
- Expand cellulose products for pharmaceutical use

Competitive Advantages

Overall business

- Ability to develop a variety of high value-added products by leveraging our advanced technological capabilities
- High quality products and stable supply system

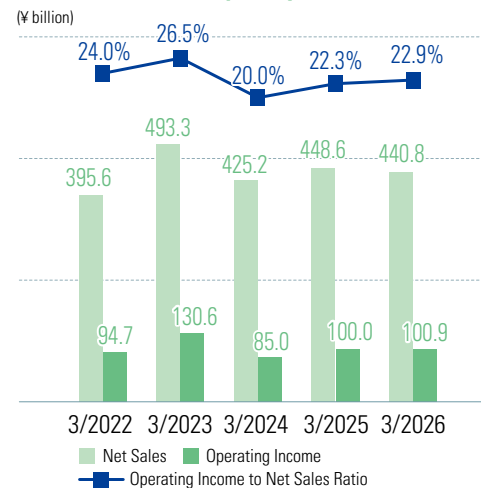
Silicones

- Thorough response to customer needs through tripartite teamwork that integrates the sales, research, and production divisions
- Use of advanced technological capabilities and know-how cultivated over 70 years (ability to develop new products and technologies, expansion of highly functional product lineup)
- Global production bases and a sales network in 13 countries

Cellulose derivatives

- World top-class production capacity
- Active capital investment for pharmaceutical applications
- Global stable supply structure secured by three manufacturing sites

Performance over the past 5 years



Topic

Aggressive investment in the pharmaceutical cellulose business

Shin-Etsu Chemical regards the pharmaceutical cellulose business as an important growth area and is strengthening its system for supplying this material. Cellulose, derived primarily from plant-based pulp, is widely used as a tablet coating agent and disintegrant because of its high safety, contributing to improved pharmaceutical functionality.

Shin-Etsu AQOAT[®]*1 is an enteric coating agent for tablets and related products that we developed in-house. Driven by the potential for improved absorption of poorly soluble drugs, demand is growing worldwide, and we are expanding facilities at the Naoetsu Plant. Similarly, L-HPC[®]*2 is a disintegrant for tablets and related products that we developed in-house. It is used to accelerate the disintegration of tablets and improve their strength. To strengthen supply stability, we are making investments to increase production capacity at our subsidiary SE Tylose GmbH & Co. KG (Germany). Through stable supply and higher quality, we will further contribute to the development of the pharmaceutical industry.

*1 Japanese Pharmacopoeia: hypromellose acetate succinate

*2 Japanese Pharmacopoeia: low-substituted hydroxypropylcellulose



Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Increase in the ratio of high-value-added products that contribute to solving customer and societal issues (thermal management, weight reduction, labor saving, a substitute for PFAS, etc.)
- Increase in demand due to population growth and economic growth
- Expansion of the pharmaceutical market

Risks

- Excess supply in the general-purpose silicone market
- Rising energy and raw material prices

Processing & Specialized Services



Major Products and Services

Processed plastics, Export of technologies and plants,
Export and import of products, Engineering

For product information, please see the company brochure.
https://www.shinetsu.co.jp/wp-content/uploads/2026/06/shinetsu_kaishaannai_en.pdf



FY2025 Results and Business Environment

The automotive industry is expected to experience medium- to long-term growth, driven by advancements in autonomous driving technology and the expansion of emerging markets. Additionally, the silicon wafer container market is booming, especially in the advanced sector, driven by the expansion of the AI market.

At manufacturing sites, the importance of developing processes and equipment that create new value, beyond mere labor savings and efficiency improvements, is increasing.

Net Sales	¥135.9 bn	Assets*1*2	¥281.1 bn	Depreciation and Amortization	¥8.3 bn
Operating Income	¥27.3 bn	Capital Expenditures	¥7.2 bn	Number of Employees*1	7,374

*1 As of March 31, 2026

*2 These amounts were prepared on an informal basis.

Strategies for the fiscal year ending March 31, 2027

- Strengthen sales capabilities and improve productivity in core areas including input devices (Shin-Etsu Polymer Co., Ltd.)
- Capture new demand in growth areas, including semiconductor-related products (Shin-Etsu Polymer Co., Ltd.)
- Develop processes and equipment leveraging our materials technology (Shin-Etsu Engineering Co., Ltd.)

Competitive Advantages

Shin-Etsu Polymer Co., Ltd.

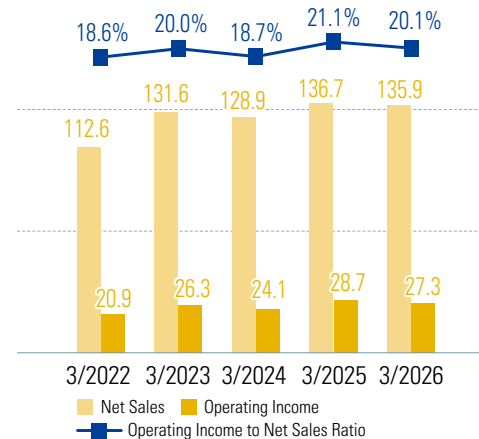
- Comprehensive capabilities of handling everything from material development to processing as a member of the Shin-Etsu Group
- Technological capabilities to create high value-added products with core technologies in processing various resins
- A global production system that can flexibly respond to customer needs
- Ability to propose material combinations and optimal processing methods to realize the functions required by customers

Shin-Etsu Engineering Co., Ltd.

- Technological capabilities to handle design, construction, and maintenance of domestic and overseas plants in-house

Performance over the past 5 years

(¥ billion)



Topic

New production base for silicon wafer cases, Tokyo Plant, begins operations

Following the expansion of the Itoigawa Plant (Itoigawa City, Niigata Prefecture), with the aim of increasing the production capacity of silicon wafer cases, we completed construction of a new building at the Tokyo Plant (Saitama City, Saitama Prefecture), which began operations in FY2025. The Tokyo Plant produces front opening shipping boxes (FOSBs) used to transport 300-mm wafers from wafer manufacturers to semiconductor device manufacturers. With the operation of this new building, our FOSB production capacity has increased by approximately 20% compared to FY2022, further strengthening our supply system to meet future demand growth. In recent years, the volume of data processing has increased rapidly due to the spread of AI, and the construction of data centers has accelerated both domestically and internationally. Given these market conditions, demand for semiconductor devices, particularly memory, remains high. Furthermore, with the expected expansion of AI-related demand and the advancement of digitalization, demand for semiconductor devices is projected to grow in the medium to long term, and we have been working to improve our production system to adequately meet this trend. Furthermore, through stable supply from two locations—the Itoigawa and Tokyo plants—we believe we can not only strengthen supply capacity but also contribute to our customers' business continuity planning (BCP) strategies. Going forward, we will continue to strive for stable supply and quality improvement to meet the diverse needs of our customers.



Tokyo Plant
(Saitama City,
Saitama Prefecture)

Growth Potential (Growth Factors) and Risks of Each Business

Growth potential (growth factors)

- Shift to EVs and upgrading of electrical components to achieve carbon neutrality
- Increased capabilities of semiconductor and electronic component customers due to the spread of AI
- Booming restaurant and lodging industries in Japan due to increased inbound tourism

Risks

- Slowing global car sales
- Sudden decline in demand for semiconductors
- Rising energy and raw material prices



Chapter 1
Enhancing Corporate Value

Chapter 2
Enhancing Value Creation

Chapter 4
Reducing the Cost of Capital

Chapter 3
Accelerating Growth

Chapter 4

Reducing the Cost of Capital

To reduce our cost of capital, we are undertaking numerous initiatives described in Chapters 1 through 3 (see page 41).

In addition to these initiatives, this chapter introduces our sustainability management measures, including corporate governance, aimed at reducing the cost of capital, particularly the cost of equity. Through sustainability management, we aim to mitigate the risks and uncertainties perceived by our shareholders and investors, thereby lowering the cost of equity and ultimately enhancing corporate value.

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Initiatives to Reduce the Cost of Capital

Having established reducing the cost of capital as a critical management challenge aimed at enhancing corporate value, we are advancing initiatives from various perspectives, including: (1) Growth and stabilization of business

performance, (2) Solid financial foundation, (3) Sustainability, (4) Business risk management, (5) Measures for growth, and (6) Shareholder returns. Through these initiatives, we aim to reduce the cost of capital and achieve sustainable corporate

value enhancement by mitigating risks and uncertainties from the perspective of our shareholders and investors. In this chapter we will focus in particular on perspective (3).



Mitigating risks and uncertainties perceived by our shareholders and investors

Shin-Etsu Group's Sustainability

The Shin-Etsu Group has established a Basic Sustainability Policy based on its Business Principle and is working to address nine key sustainability issues. In May 2024, we revised our Basic Sustainability Policy following approval by the Managing Directors' Meeting and the Board of Directors attended by all directors, audit & supervisory board members and corporate officers.

Participating in the UN Global Compact

In November 2010, the Group joined the UN Global Compact. Life in society has become more complex and diverse in recent years, and the social responsibilities of enterprises have grown. The Group remains firmly committed to the Business Principle shown on the right. At the same time we respond flexibly to changes in the social and economic environment.



Furthermore, the Group has also been participating in the Global Compact Network Japan (GCNJ) since November 2010. The Group joins subcommittees, such as the Environmental Management Subcommittee, ESG Subcommittee, Human Rights Due Diligence Subcommittee, and Human Rights Education Subcommittee to use the information gained on the latest development of sustainability to promote the Group's Sustainability.

The Group, as the first in Japan, signed a document to support GCNJ's Tokyo Principles for Strengthening Anti-Corruption Practices in February 2018.

Evaluation from Outside the Company

The Company is incorporated in the Sustainability indexes listed on page 66 (Corporate Information). We also disclose environmental risks, opportunities, and impacts through CDP*. In FY2025, our CDP climate change evaluation was A-.

For more information, please see the "Sustainability Management" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_foundation/management/



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 Revised May 2024

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.

Basic Sustainability Policy

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

*An international environmental non-profit organization established in the UK in 2000 that operates a global environmental information disclosure system for companies and local governments. The annual environmental information disclosure and evaluation process is widely recognized as an international standard for corporate environmental information disclosure.

Shin-Etsu Group's Sustainability

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

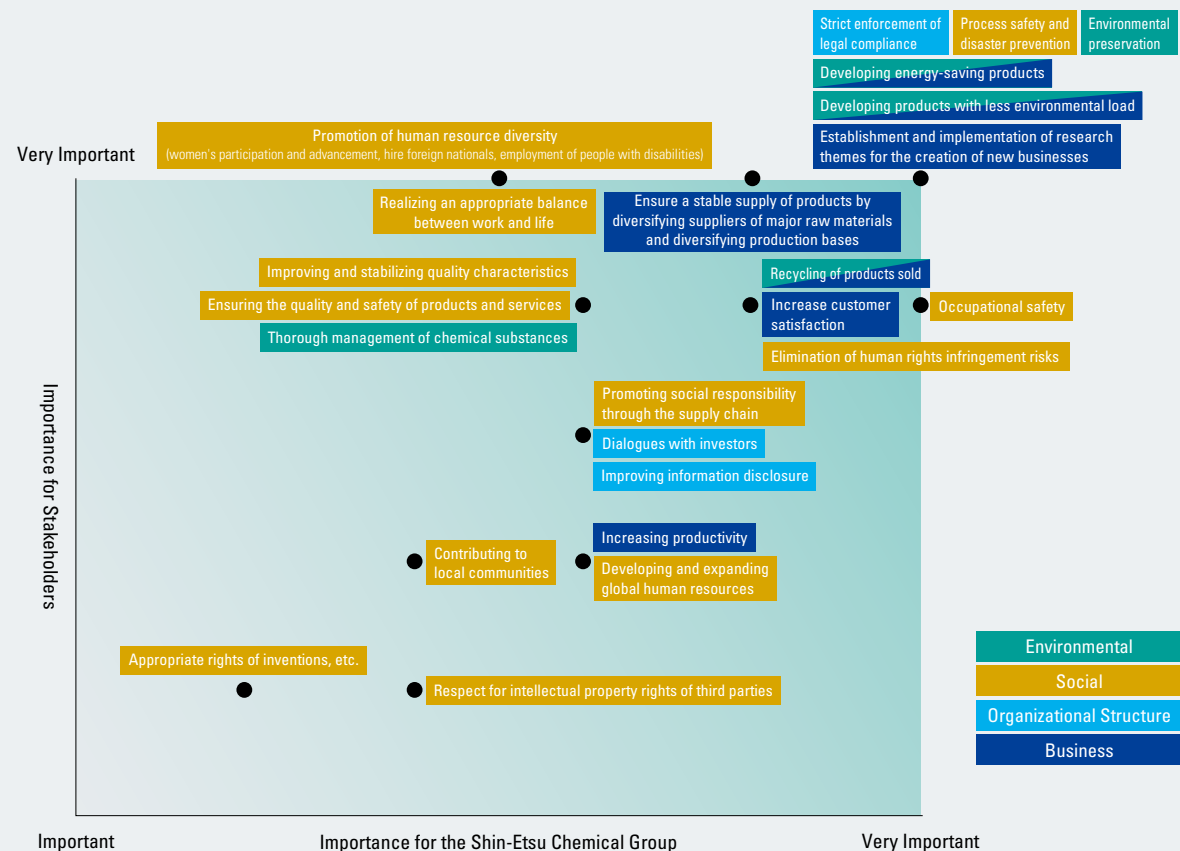
Conduct a hearing with Outside Directors

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.





Shin-Etsu Group's Sustainability

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	FY2025 Results	Targets*	Scope
The foundation of all activities: Legal compliance, fair corporate activities	- Impact of legal violations and improprieties on corporate management - Damage to corporate value due to loss of trust from society	- Ensuring full compliance awareness and fair corporate activities leads to: (1) Formation of the foundation of corporate value (2) Elimination of risks (3) Building of customer trust and expansion of business opportunities (4) Hiring and retaining of excellent human resources	- Demand thorough compliance awareness among officers and employees through training, etc. - 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 - Cutting ties with anti-social forces - Compliance with sound business practices with suppliers and service providers - Support for the "Declaration of Partnership Building"	Number of serious legal or regulatory violations	0	0	Consolidated
E Energy-saving, resource-saving, and reduction of the environmental impact	- Additional costs of stricter regulations related to greenhouse gas emissions - Price increases and difficulty in procuring raw materials for the quantity needed - Increased water risks, such as water depletion and flooding	- The constant challenge of technological innovation leads to the enhancement of "manufacturing ability" - Increasing competitiveness by conserving energy and resources, reducing environmental loads, and improving productivity - Increasing the demand for products that contribute to the environment - Developing technologies that recycle water, thus contributing to business continuity	- Promoting the reduction of environmental impact - Promoting energy conservation - Waste reduction - Pollutant countermeasures - Response to climate change - Resource recycling - Water resource conservation and water pollutant elimination - Conservation of biodiversity initiatives	GHG Emissions (Scope1+Scope2)	6,819 thousand ton of CO ₂	0 ton of CO ₂ (FY2050)	Consolidated
				Percentage of product sales that contribute to CN	Approx. 70%	Higher	Consolidated
				Emissions intensity index of production volume relative to 1990	54.7% (Shin-Etsu Group), 47.0% (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 1.6%	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	Increased by 3.6%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
				Average annual rate of BOD emissions in terms of intensity	Increased by 3.7%	Reduce the annual average rate by 1% in terms of intensity	Consolidated
				Water recycle ratio	92.0%	—	Consolidated
				Final waste landfill disposal rate	1.07%	Achieve zero waste emissions Reduce (final landfill waste – to be 1% or less of all waste generated)	Consolidated companies in Japan
				Waste recycling ratio	73% (Japan), 54% (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	4.4% decreased in Soot, 1.4% 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.

Shin-Etsu Group's Sustainability

Strategy, Metrics, and Targets

Key issue	Risks	Opportunities	Corresponding initiatives	KPIs	FY2025 Results	Targets*	Scope
 Health and safety of employees and contractors	- Impact of accidents and environmental problems on local communities and employees - Damage to equipment caused by typhoons, earthquakes, or other natural disasters - Impact of an infectious disease outbreak on operations	- 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 - Hiring and retaining excellent human resources - Continuing operations, shutting down operations, and resuming operations safely by designing the plant in anticipation of a natural disaster and taking measures against risks - Promoting employee health, achieving a work-life balance, and cultivating a sense of motivation and fulfillment in work	- Safety education for employees through disaster prevention drills and workshops - Environmental control and safety audits - Improvement of the workplace environment and promotion of employees' health	Number of participants in safety training	87,138	—	Consolidated
				Number of work-related employee fatalities	0	0	Consolidated
				Number of serious accidents	0	0	Consolidated
				Lost-time accidents rate	0.08 (Japan), 0.11 (Overseas)	0	Japan: Shin-Etsu Chemical and its domestic consolidated companies Overseas: Shin-Etsu Chemical's overseas consolidated companies
				Lost-time accidents severity rate	0.00 (Japan), 0.01 (Overseas)	0	
				Rate of labor accidents not accompanied by an absence of a day or more	0.13	0.5 or below	Shin-Etsu Chemical and its domestic consolidated companies
 Product quality improvements and product safety control	- Loss of trust due to product quality issues - Direct or indirect impacts on product safety	- The track record of continuing to deliver products of the promised quality on time will lead to increased customer trust - Sincere efforts to ensure product safety and accumulation of achievements will lead to the trust of customers and society	- Quality control - Quality audits and support - Product safety control - Promote automation of quality inspections and assurance (reduce personnel involvement) - Verification of the statistical validity of inspection variations and standard ranges	Number of participants in product safety training	81,425	—	Consolidated
 Promoting CSR procurement and the diversification of supply sources	- Impact from not being able to procure raw materials, such as discontinuation of manufacture and shipment delay to customers - Problems arising in the supply chain	- Diversifying suppliers to enable stable procurement, purchasing at optimal prices, and procurement of raw materials through fair transactions - Earning the trust of customers and society by thoroughly implementing CSR procurement	- Create "Shin-Etsu Group CSR Procurement Guidelines" and revise them as appropriate - Ensuring compliance with the Subcontract Act (now the Proper Transactions Act) by attending seminars and conducting internal audits - Implementing initiatives to eliminate the use of conflict minerals - Implementing the supplier CSR procurement survey - Participation in RSPO "Roundtable on Sustainable Palm Oil"	Percentage of suppliers surveyed on sustainability	(FY2021 Results) Approx. 70%	—	Shin-Etsu Chemical and its domestic and overseas consolidated companies
 Respect for human rights, the development of human resources, and the promotion of diversity	- Occurrence of human rights infringements in the Group's business activities and supply chain - Occurrence of differences and biases in the effectiveness of on-the-job training - 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.) - Increase in turnover rate and decrease in job seekers due to inability to meet needs for diversification of work styles	- Improving the market evaluation of companies that promote respect for human rights - Active participation of excellent human resources who have cultivated practical skills through on-the-job training - Accumulation of knowledge, skills and experience - Maintaining and improving organizational vitality brought about by a strong desire to take on challenges to achieve goals - Business growth and new business development by hiring, developing, and selecting talented human resources	- Promotion of respect for human rights based on the Universal Declaration of Human Rights - Implementing human rights due diligence - Supporting employee growth through a training system - Promote communication between superiors and subordinates - Promoting penetration of an evaluation compensation system focused on skill development - Creating an environment where people can play an active role regardless of gender or age - Enhancement of work-life balance system	Ratio of women at the time of hiring	Administrative positions: 47.1%, engineering positions: 8.0%	Administrative positions: 40%, engineering positions: 10%	Employees and seconded employees of Shin-Etsu Chemical
				Number of women in managerial positions, including junior manager level	4.2 times versus FY2014	4 times versus FY2014	Employees and seconded employees of Shin-Etsu Chemical
				Employment rate of persons with disabilities	2.71	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
 Respect for and protection of intellectual property	- The adverse effect on product sales due to infringement of our intellectual property - Restrictions on our product sales and business due to the patents of other entities - Impact of cyber-attacks on production, sales, and R&D activities - Loss of trust in the company due to information leakage	- Promoting product development and unique manufacturing methods by protecting and utilizing our intellectual property - Contributing to the development of industry and the society by publishing inventions - Implementing technology innovation and operational reforms by utilizing digital technologies while thoroughly protecting and managing information assets and taking measures against cyber attacks	- Intellectual property management - Initiatives for information asset management - Protection of personal information - Initiatives for cybersecurity	Patents acquired	1,737	—	Major consolidated manufacturing companies
				Patents held	24,809	—	Major consolidated manufacturing companies
 Contribution to industry and social initiatives	- Loss of trust from local communities due to social contribution activities not meeting local needs - Impact on the world development due to the delay in achieving a sustainable world that the SDGs aim to achieve	- Creation of employment opportunities, stable employment and tax payment due to business stability - Building relationships of trust with the local community through dialogue and continuous activities - Contributing to a better world by addressing SDG issues through business operations	- Contribution to SDGs goals and targets - Fundraising for the U.N. World Refugee Day - Summer school for elementary school students - Traffic safety activities - Contribution to Society Activities at Overseas Group Company		—		
 Accurate and timely information disclosure and communication with stakeholders	- Impairment of corporate value through the non-disclosure and inadequate disclosure of information - Loss of trust from stakeholders and the society due to failure to fulfill accountability	- Creating a fair market evaluation and improving corporate value - Earning the trust of stakeholders and the society	- Appropriate and timely disclosure of company information - Communication with stakeholders - Conference calls with analysts and investors after the announcement of financial results - Holding an exhibition	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 350 times	—	Shin-Etsu Chemical
				Small meetings for investors hosted by securities companies	6 times	—	Shin-Etsu Chemical

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

Legal Compliance

For more information, please see the "Legal Compliance" section of the Shin-Etsu Chemical Sustainability website.

https://www.shinetsu.co.jp/en/sustainability/esg_law/



Ensuring Full Compliance Awareness

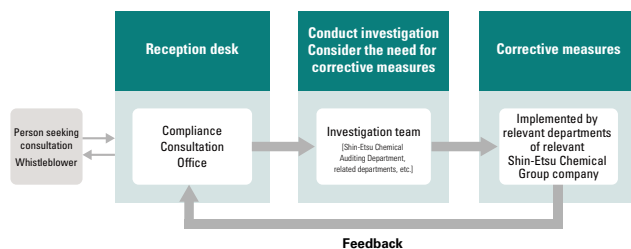
The Group carries out its corporate activities in full compliance with laws and regulations. Whenever laws and regulations are enacted or revised, the Legal Department issues notices throughout the company. We also publish a series of explanatory articles on important laws and regulations in the company newsletter and hold seminars featuring outside experts.

From January to August 2025, we held online courses on the Antimonopoly Act, the anti-bribery policy, the Subcontracting Act, and the Freelance Protection Act, and 2,156 employees passed a test to confirm their understanding. Furthermore, in December 2025, 2,098 employees watched a web video explaining the Japan Fair Trade Commission's amendments to the Subcontracting Act (the Proper Transactions Act). We also provided information to Group companies in Japan via the Company's intranet on topics such as the amendments to the Subcontracting Act and Logistics Special Designation under Japan's Antimonopoly Act.

We also provided information to our overseas Group companies regarding the prohibition on the imposition of non-compete agreements for employees in the United States, the ordinance on payment guarantees for small and medium-sized enterprises in China, and similar topics. To ensure compliance with laws and regulations, the Auditing Department also checks whether Group companies have taken any actions that violate them.

All of the officers and employees have submitted a written oath of compliance to the company. We have also established disciplinary measures to deal with any inappropriate action that may occur.

From compliance consultation and reporting to corrective measures



Compliance Consultation and Reporting

Officers and employees are stipulated to report to the "Compliance Consultation Office" if they discover a violation of laws and/or regulations. 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.

Lecture on Insider Trading Regulations

Shin-Etsu Chemical has established internal rules on insider trading and conducts training and awareness-raising activities to ensure compliance with laws and regulations. As part of this initiative, in July 2025, we invited an external lawyer to give a lecture in a webinar format. In addition to our own employees, many people from Group companies in Japan and overseas also took part, with a total of 832 people attending.



Lecture on insider trading regulations (Shin-Etsu Chemical Head Office, July 2025)

Initiatives Aimed at Preventing Corruption

In 2015, the Group established the Anti-Bribery Regulations to clearly indicate that we will not be involved in any form of bribery. In addition, by submitting a "Compliance Pledge," we thoroughly prevent the provision of unfair benefits 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. We were among the first companies to endorse the Tokyo Principles for Strengthening Anti-Corruption Practices of the Global Compact Network Japan (GCNJ) and signed them in February 2018.

From January to August 2025, we held online anti-bribery courses and 2,156 employees passed a test to confirm their understanding. For overseas Group companies, we conduct risk assessments related to anti-bribery and anti-corruption using the country-by-country corruption perception index published by Transparency International (an international non-governmental organization that tackles corruption issues) to take into account the circumstances such as the country, company size, business details, etc.

Export Control

In order to comply with export-related laws and regulations such as the Foreign Exchange and Foreign Trade Law, we have established the Security Export Control Regulations. In accordance with this regulation, we are working on the following:

- **Classification, customer review, and transaction review when exporting products**
- **Conducting security export control audits for Group companies to ensure that each company's export control system is properly developed and operated**
- **Training officers and employees and providing instructions to Group companies**

Cutting Ties with Anti-social Forces

The Group declares in its "Basic Policy on Internal Controls" that the Group shall adopt a firm attitude towards anti-social forces and shall take the measures necessary to cut itself off from any and all associations with them. In accordance with this policy, we developed internal systems under the leadership of the department in charge of managing these issues, and signed memorandums and letters of confirmation regarding the exclusion of anti-social forces with customers and suppliers. In addition, we are working closely with external specialized agencies.

Environment

For more information, please see the "Environment" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_environment/



Disclosure under the TCFD

Climate Change on our sustainability site

https://www.shinetsu.co.jp/en/sustainability/esg_environment/global_warming/



Governance

Within the Shin-Etsu Group, the Sustainability Committee is working with each of the Group's business units to address climate change. The Sustainability Committee is one of the committees for each material management task in the Group's corporate governance system. The Committee is chaired by the President and consists of approximately 60 members, including our directors, corporate officers, department managers, and sustainability officers from Group companies, and promotes activities that integrate business activities and sustainability initiatives. The Carbon Neutral Task Force, established within the Committee to examine each issue related to climate change, regularly reports the latest information to the President, who uses this report to determine policies for achieving carbon neutrality.

Strategy

The Group considers the promotion of plans to achieve carbon neutrality by 2050 as an important management issue. While promoting information disclosure based on the TCFD recommendations, including scenario analysis, we identify important risks and opportunities that affect our business through these analyses, and reflect them in our management.

Risk management

The Risk Management Committee works to prepare for and eliminate the various risks surrounding our business, including risks posed by climate change. The Committee is chaired by the President, and consists of five members, including our directors and corporate officers, as well as six support members. Specific risk initiatives are undertaken by a cross-divisional team consisting of the implementation leader and collaborators, including from Group companies, including risks posed by climate change.

With regard to the risks related to climate change, which have become increasingly important in recent years, the Sustainability Committee works with the Risk Management Committee to ascertain risks through scenario analysis.

Climate-related risks include transition risks such as increased spending due to CO₂ emissions trading and carbon taxes and rising manufacturing costs due to rising energy prices, as well as physical risks such as damage to equipment due to the wind disaster, damage to electrical equipment due to flooding, and plant shutdown resulting from such cases.

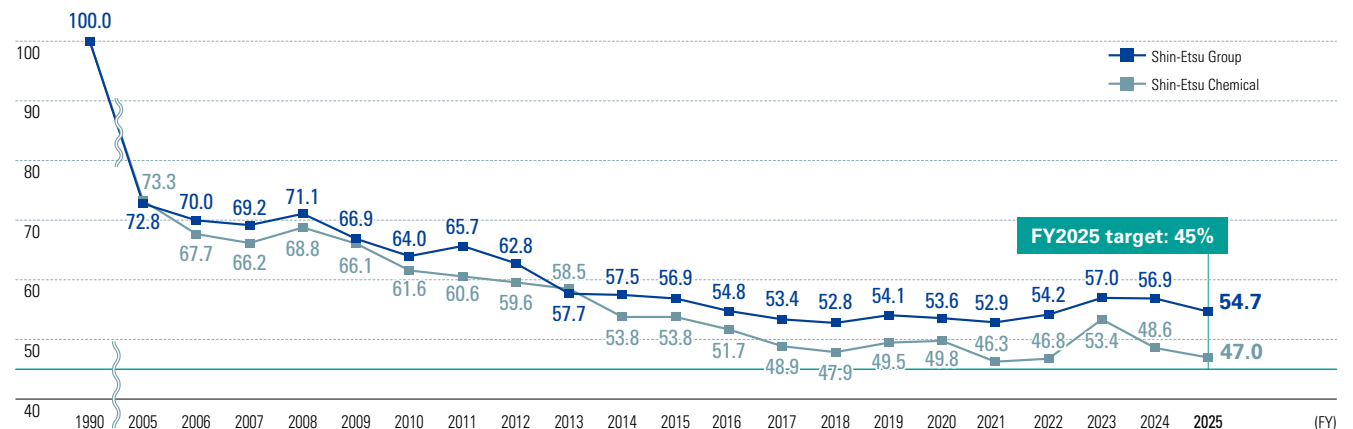
Metrics and targets

The Shin-Etsu Group aims to achieve net zero greenhouse gas emissions (Scope 1 and 2) by 2050. Furthermore, we continue to promote the reduction of greenhouse gas emissions in terms of intensity and worked to achieve our interim target of "Reduce

greenhouse gas emissions in terms of intensity to 45% of the FY1990 level by FY2025." On May 28, 2026, our Group announced new interim targets for reducing greenhouse gas emissions.

→For more information, please refer to the "Initiatives Aimed at Carbon Neutrality" (P.22).

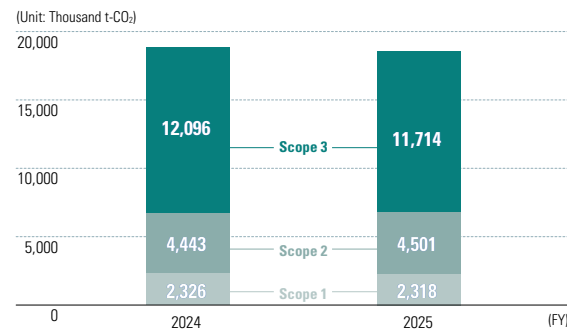
Changes in Greenhouse Gas Emissions in Terms of Production Intensity Relative to the FY1990 Level*



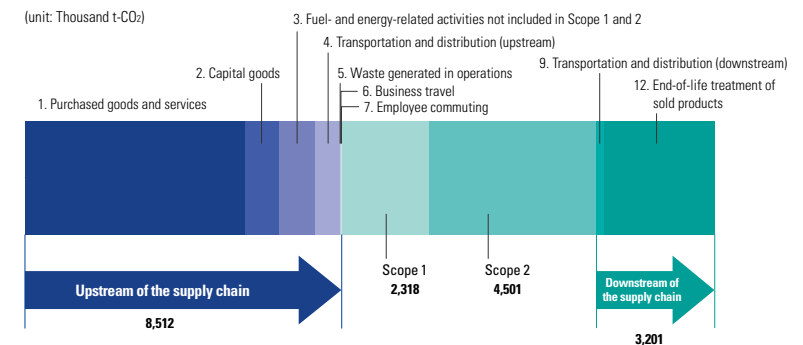
*Greenhouse gas emission intensity index (FY1990 = 100)

Note: Emission intensity index of production volume relative to FY1990 includes non-consolidated group companies. In calculating the index, CO₂ emission factors for electricity are averaged from 2000 to 2009 so that efforts to reduce electricity can be clarified. Furthermore, to clarify our efforts in energy reduction and rationalization, the figures do not include additional emissions categories associated with the amendments to Japan's Order for Enforcement of the Act on Promotion of Global Warming Countermeasures that took effect on April 1, 2024.

Greenhouse gas emissions by scope



Scope 1, 2, and 3 emissions flows



Environment

Disclosure under the TCFD

Scenario analysis of our business with respect to climate change

Business opportunities stemming from climate change: A scenario for a 1.5°C rise

Application	Details	Revenue Impact
PVC-framed windows	Polyvinyl chloride resin is used for window profiles resin windows because of its excellent heat insulation properties. Demand for PVC-framed windows is expected to increase along with the spread of energy-saving homes.	Large
Electric, hybrid, and fuel-cell vehicles	Semiconductor silicon is used in power semiconductor devices such as inverters to control the number of rotations of motors, logic semiconductor devices for automatic driving system and AI. High-performance and compact rare earth magnets can reduce the overall weight of a vehicle and improve its fuel efficiency, which will expand their use in the drive motors of electric, hybrid, and fuel-cell vehicles, as well as in a variety of other motors in vehicles. Silicone heat-dissipating materials are used in lithium-ion batteries and various electronic control devices. Demand is expected to grow as it helps prevent malfunctions and failures caused by heat.	Large
Wind power generators	Demand for rare earth magnets is expected to grow as they contribute to higher efficiency in offshore wind turbines and lower maintenance costs for generators. Demand for polyvinyl chloride used for wire sheathing is also expected to increase due to the development and expansion of the power grid.	Large
Air conditioners	Demand for semiconductor silicon is expanding as it is used in inverter control devices for compressor motors and contributes to power saving by adjusting the rotation speed of the motor to an appropriate level. Demand for rare earth magnets is expected to grow as they improve the energy efficiency of air conditioner compressor motors and reduce energy consumption.	Medium
Aircraft	Rare earth magnets are indispensable for the electrification and hybridization of small aircraft and for the electrification of hydraulic drive units in large aircraft. Demand for rare earth magnets is expected to increase as their small size and high power will help reduce the weight of the aircraft and improve fuel efficiency.	Medium
Industrial motors	Demand for rare earth magnets is expected to grow as they increase the efficiency of industrial motors and reduce the amount of electricity consumed.	Medium
Service robots	Semiconductor silicon is increasingly being used in semiconductors for energy-saving robot control motors for manufacturing, logistics, agriculture, and other applications, as well as in medical and disaster response robots.	Medium
Binding agent for plant-based meat substitutes	A diet centered on plant-based foods may reduce CO ₂ emissions by 1.6 gigatons per year*. Cellulose derivatives are used as a binding agent for plant-based meat substitutes. The global market for plant-based meat is expected to grow at a double-digit rate annually, and further market expansion is expected.	Medium

*Source: "DRAWDOWN-The Most Comprehensive Plan Ever Proposed to Reverse Global Warming," written and edited by Paul Hawken.

Business risks due to climate change and countermeasures: A scenario for a 1.5°C rise (transition risk)

Events	Risks to the Company	Revenue Impact	Countermeasures
Introduction of carbon taxes and establishment of carbon emission quotas around the world	- Payment of carbon tax - Incurring costs of purchasing emission credits to meet carbon emission quotas - Increase in cost of measures to reduce greenhouse gas emissions	Large	- Reduce scope 1 emissions (e.g., further promotion of more efficient production processes and introduction of highly efficient equipment; use of energy sources that do not emit CO₂, such as hydrogen and ammonia; use of CCUS) - Achievement of reduction targets in the absolute amount of greenhouse gas emissions - Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Widespread use of electricity derived from renewable energy sources and rising electricity prices resulting from tightening regulations on greenhouse gas emissions	Increase in electricity costs	Large	Reduce Scope 2 emissions (further promotion of production processes that use less electricity, introduction of high-efficiency equipment, etc.)

Business risks due to climate change and countermeasures: A scenario for a 4°C rise (physical risk)

Events	Risks to the Company	Revenue Impact	Countermeasures
Increase in the frequency of extreme weather events Increased frequency of flooding caused by changes in precipitation patterns, etc.	- Flooding of production sites - Disruption of the supply chain	Large	- Raising the ground level of production sites, installation of watertight walls around critical facilities - Installation of electrical rooms in areas with low risk of flooding - Installation of seawalls at production sites close to ports - Multiple production sites - Diversification of raw material procurement sources - Securing product inventory - Enrollment in insurance
Introduction of carbon taxes and establishment of carbon emission quotas in some countries	- Payment of carbon tax imposed on greenhouse gases emitted from production sites in the said countries - Costs of purchasing emission credits and payment of surcharges will be incurred if our greenhouse gas emissions do not meet the carbon emission targets established by the said countries	Small	- Reduce scope 1 emissions (e.g., further promotion of more efficient production processes and introduction of highly efficient equipment; use of energy sources that do not emit CO₂, such as hydrogen and ammonia; use of CCUS) - Achievement of reduction targets in the absolute amount of greenhouse gas emissions - Collection of information on environmental regulations such as carbon taxes in each country and implementation of countermeasures
Electricity prices	According to a scenario analysis by IEA* (a scenario with current measures), electricity prices will not rise. Therefore, there is no risk to us.	—	—

*International Energy Agency

Environment

Resource Saving

Resource Saving on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/resource_saving/



The Shin-Etsu Group recognizes that the efficient use of limited resources and a circular economy are key issues, and by actively addressing them we aim not only to contribute to the global environment, but also to increase our competitiveness and ensure sustainable development. In terms of resource circulation, the Group collaborates with customers and related industry groups, using cutting-edge technologies to recover used products, extract resources, and reuse them in the Group's products.

Resource Circulation

In terms of resource circulation, since 2007 we have been recycling magnetic powder generated from the processing of rare earth magnets. Furthermore, since March 2013, we have been improving the above recycling techniques to recycle rare

earth magnets. PVC products in particular are increasingly being recycled because the impact of foreign matter contamination is small.

The recycling rate of PVC materials in Japan is 33%, which is quite high compared to other plastics. Material recycling uses used PVC products as raw materials to create new PVC products. PVC pipes, flooring materials, and other PVC products are subject to various kinds of recycling. In particular, 60% of used PVC pipes and joints are recycled for reuse in new PVC pipes and joints, and 70% of agricultural film is recycled for use in flooring material.

Waste Reduction

The Shin-Etsu Group is engaged in waste reduction initiatives at each location with a target of zero waste emissions (landfill waste of 1% or less of the final amount of all waste generated) at our consolidated companies in Japan.

The Naoetsu Plant makes effective use of unneeded paper materials discarded in the manufacturing process to make recycled paper, and is also pursuing ways to recycle the solvents used in chemical reaction processes and

create formulations that allow them to be reused. The plant also upgraded the dehydrator in the wastewater treatment facilities to a higher-performance model, thereby reducing the moisture content of the waste sludge and cutting the disposal weight of the waste. The solid sludge, which is obtained by separating and dehydrating inorganic matter in the wastewater, undergoes intermediate processing by an external contractor and is then put to effective use as roadbed material and the like.

Metrics and Targets

FY2025

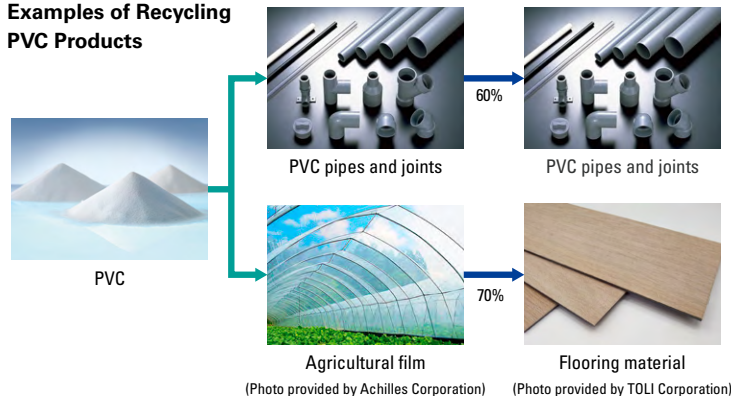
Targets	Achieve zero waste emissions. Promote the reduction of waste generation in terms of production intensity.
Results	The final waste landfill disposal rate was 1.07% in Japan
Evaluation	The target was largely achieved in Japan

FY2026

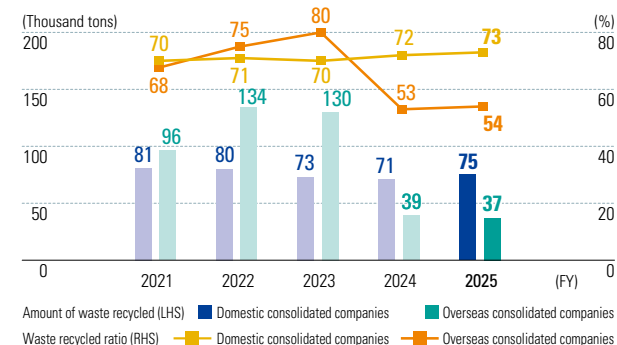
Targets	Achieve zero waste emissions. Promote the reduction of waste generation in terms of production intensity.
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*The scope of target for the waste reduction is Shin-Etsu Chemical Co., Ltd. and consolidated in Japan.

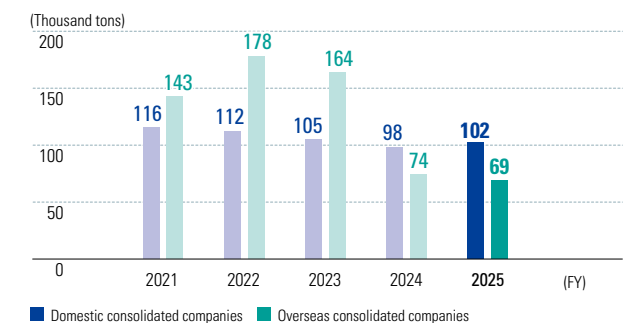
Examples of Recycling PVC Products



Amount of waste recycled/Waste recycled ratio



Amount of waste generated



Environment

Water Resource Conservation

Water Resource Conservation on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/water/



Because the manufacture of chemical products requires large amounts of water, the Shin-Etsu Group is committed to reducing water intake, recycling water, and thoroughly managing wastewater treatment and water quality.

The Gunma Complex mainly sources the water required for manufacturing from nearby rivers, but to minimize water intake, the complex reuses water in its manufacturing and

water-cooling processes by recycling and circulating it inside the complex. Furthermore, effluent is properly treated, and compliance with high water quality standards is ensured through continuous monitoring and regular analysis.

Effective Use of Rainwater

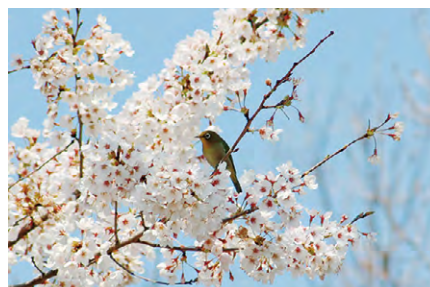
Since its foundation, Asia Silicones Monomer Limited has been making effective use of the abundant rainfall it enjoys in its location in Thailand. It stores rainwater in storage tanks on-site, using it for industrial water and as coolant for waste gas incinerator. It also supplies Group company Shin-Etsu Silicones (Thailand) and its nearby partners with industrial water using rainwater.

Biodiversity

Biodiversity and Pollutant Countermeasures on our sustainability website
https://www.shinetsu.co.jp/en/sustainability/esg_environment/chemical/



The Shin-Etsu Group, mindful of conserving biodiversity, pursues environmentally conscious design from the product development stage and also engages in community activities such as greening its factory grounds and cleaning rivers. We source the pulp used as a raw material for our cellulose derivatives from forest-certified suppliers and strive to monitor the biodiversity initiatives of our suppliers. We are also promoting sustainable palm oil procurement through



Plants growing on factory premises
(Shin-Etsu Handotai Shirakawa Plant)

certification by the Roundtable on Sustainable Palm Oil (RSPO), which is aimed at preventing deforestation, preserving biodiversity, and addressing human rights and labor issues.

Pollutant Countermeasures

The Group is working to reduce emissions of air pollutants by setting emission reduction targets and by converting to the use of fuel components with less sulfur. Each group company carried out regular investigations on their emitted gas to confirm that they comply with laws and regulations. Furthermore, we conducted 229 voluntary groundwater and soil monitoring tests on the grounds of our plants in FY2025 in accordance with Japan's Soil Contamination Countermeasures Act and agreements with local governments.

Metrics and Targets

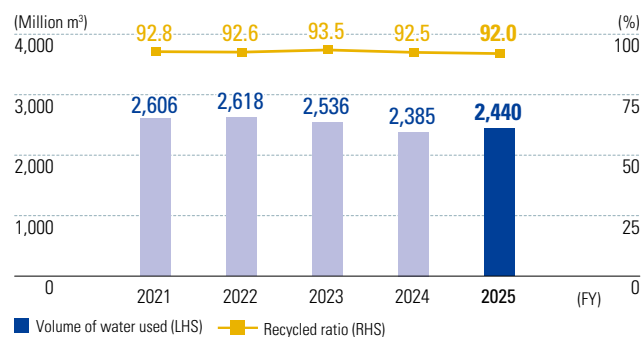
FY2025

Targets	Reduce water withdrawal in terms of intensity at an average annual rate of 1%. Reduce water pollutant discharge in terms of intensity at an average annual rate of 1%.
Results	From FY2022 to FY2025, average annual intensity increased by 3.6% for water withdrawal and 3.7% for BOD emission.
Evaluation	The targets were not achieved.

FY2026

Targets	Reduce water withdrawal in terms of intensity at an average annual rate of 1%. Reduce water pollutant discharge in terms of intensity at an average annual rate of 1%.
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Water usage*/Recycled ratio (Consolidated)



Metrics and Targets

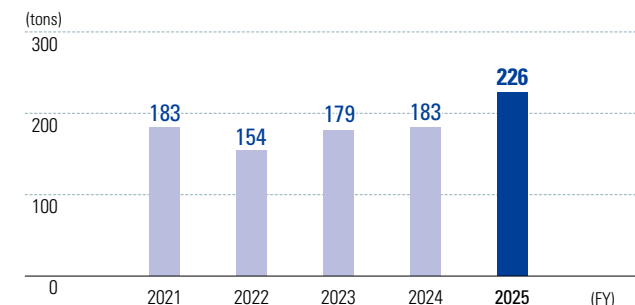
FY2025

Targets	Reduce emissions of air pollutants in terms of production intensity at an average annual rate of 1%.
Results	From FY2022 to FY2025, average annual intensity decreased by 4.4% for soot and increased by 1.4% for SOx.
Evaluation	The targets were achieved for soot, not achieved for SOx.

FY2026

Targets	Reduce emissions of air pollutants in terms of production intensity at an average annual rate of 1%.
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Gross discharge of chemical substances designated under the pollutant release and transfer register (PRTR) system (domestic consolidated)



*Figures are totals for Shin-Etsu Chemical and its domestic consolidated companies based on the PRTR system in the Law for Promotion of Chemical Management.

Social

Respect for Human Rights



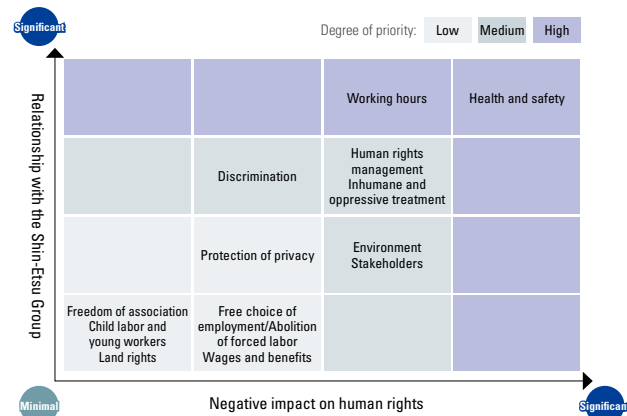
For more information, please see the "Respect for Human Rights" section of the Shin-Etsu Chemical Sustainability website.

https://www.shinetsu.co.jp/en/sustainability/esg_social/human-rights/

The Shin-Etsu Group conducts its business activities based on the constant respect for human rights at our locations around the world. In May 2019, we compiled this policy into our Shin-Etsu Group Human Rights Policy and have thoroughly implemented it within the Group. In May 2024, in light of changes in the social environment surrounding human rights, we revised our Human Rights Policy based on the UN Guiding Principles on Business and Human Rights. The revised policy has been communicated throughout the Group and is also available on our website. Furthermore, we conduct an annual survey of our consolidated companies regarding items related to respecting human rights*, labor management, and whether employment is properly implemented in accordance with the laws and regulations of each country and region, and we continuously promote initiatives to respect human rights.

*Items related to respecting human rights: Prohibition of child labor, proper working hours, decent wages, proper employment contract in writing, prohibition of inhuman treatment, prohibition of discrimination, freedom of association

Identification of priority issues for human rights risks



Assessing human rights risks and identifying priority issues

Based on the first Shin-Etsu Group Human Rights Risk Survey conducted in 2019, in 2021 we evaluated the priority of human rights issues based on the risks assumed for the Group along the two axes of "severity of potential impact on human rights" and "relationship between human rights risk and the Company." As a result, we identified a high potential risk in items related to safety, health, and working hours. In addition, in an analysis of the responses to the Human Rights Risk Survey, approximately 40% of Group companies responded that human rights management in the supply chain is important, indicating the need to promote efforts to respect human rights throughout the supply chain. Our initiatives to address these priority issues in FY2025 are given below. In FY2025 we conducted the second Shin-Etsu Group Human Rights Risk Survey, and occupational health and safety and harassment were identified as future priority issues.

Initiatives for FY2025

Working hours

The Shin-Etsu Group is actively working to ensure that employees' working hours are properly recorded, for example by introducing a system to accurately track working hours based on card readers installed at factory entrances, computer logs, and other data.

Health and safety

We have in place the "Shin-Etsu Group Environmental Safety Management Plan," and are working to set specific numerical targets for occupational safety.



[Related Information]

Implementation status, evaluation, and planned implementation items related to health and safety of employees and contractors

https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg_social/safety/safety_2026E.pdf

Supply chain management

Starting in 2022, we began distributing the Shin-Etsu Group Human Rights Policy, Basic Procurement Policy, and CSR Procurement Guidelines to our major business partners, informing them of the Group's policies on sustainability activities, including

For more information, please see the "Social" section of the Shin-Etsu Chemical Sustainability website.

https://www.shinetsu.co.jp/en/sustainability/esg_social/



respect for human rights. We also received questionnaire responses from approximately 70% of our first-tier suppliers, and as a result, we confirmed that there were no high-risk business partners who were in conflict with the human rights issues that we consider serious and who scored significantly below the evaluation benchmark. Furthermore, to confirm whether business partners conduct business activities in accordance with the Group's CSR Procurement Guidelines, in 2026 we started using an external sustainability assessment agency on a trial basis.

Implementation of human rights awareness education

The Human Rights Enlightenment Promotion Committee takes the lead in holding regular human rights awareness training and asks people to submit human rights awareness slogans to coincide with our annual human rights week in December. Starting in FY2025, the chair of the Human Rights Enlightenment Promotion Committee called on all employees to respect human rights in messages sent by email and posted on the company intranet. We are working to create opportunities for employees to see human rights as their own concern in their daily work and to translate that commitment into action. In FY2025, an e-learning program was conducted for Shin-Etsu Chemical officers and Group employees under the theme of "Preventing Harassment: Communication in the Workplace." The attendance rate was 95.8%.



Human rights awareness training (August 2025, Shin-Etsu Kikou)

Consulting and reporting on human rights

The Group has established three contact points—the Compliance Consultation Office, Dial Shin-Etsu, and the Supplier Hotline—to handle consultations and reports regarding human rights. The confidentiality of consulters and whistleblowers will be protected, and they will not be treated unfavorably for consulting or reporting.

Social

Quality Control



For more information, please see the “Quality Control” section of the Shin-Etsu Chemical Sustainability website.

https://www.shinetsu.co.jp/en/sustainability/esg_social/quality/

The Group focuses on stably supplying the high-quality products that customers demand. In quality control, we are committed to “defensive quality control” that does not produce or ship irregular products, and “aggressive quality control” that minimizes variations in quality and creates quality that cannot be followed by other companies. We have established a robust internal quality management system and are continuously working to improve quality and reduce deviations and waste.

In the quality audit in FY2025, the following items were audited as priority items:

- **“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.
- **“Examples of improvements and status of horizontal deployment”:** We checked whether the cause analysis of past quality problems was conducted logically



Quality audit
(September 2025,
Shin-Etsu Chemical
Gunma Complex)



The 26th debrief
session of the
results of Shin-Etsu
Six Sigma
(February 2026,
Shin-Etsu Chemical
Head Office)

based on fundamental principles, whether permanent countermeasures were implemented and continued, and whether those improvement measures were deployed horizontally to other operations.

- **“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 programs* throughout the Company to improve quality standards.

*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



For more information, please see the “Product Safety Control” section of the Shin-Etsu Chemical Sustainability website.

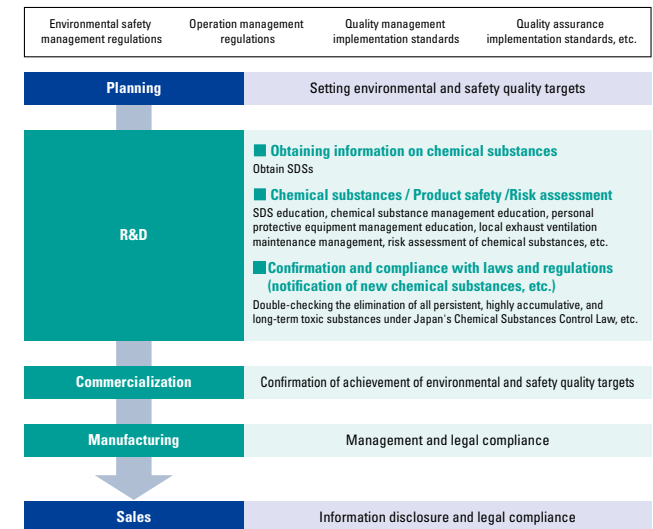
https://www.shinetsu.co.jp/en/sustainability/esg_social/responsible/

The Group appropriately designs and manages chemical substances in accordance with laws and regulations and evaluates their safety based on the latest information collected in cooperation with administrative bodies and affiliated organizations. Additionally, we evaluate the safety of facilities handling chemical substances, their handling methods, the use of protective equipment, and the response to potential accidents, and when necessary, take corrective action. These evaluations are performed on a regular basis and whenever changes are made. We also obtain or prepare Safety Data Sheets (SDSs*) to provide employees, customers and business partners with the latest information on the effects of chemical substances.

Seeking to prevent health hazards and minimize environmental impacts, the Shin-Etsu Group is reducing usage of these substances through process improvements and other measures. We are also rapidly developing and switching to safer alternatives.

*Safety Data Sheet (SDS) : SDS lists the physical and chemical properties of chemical substances, together with their harmfulness and emergency response procedures. Designed to promote safer use of chemical substances and prevent accidents and incidents, SDS are supplied by manufacturers, importers, and distributors to customers during sales or shipment.

Chemical Substance/Product Management Flow



Sustainable Procurement



For more information, please see the “Sustainable Procurement” section of the Shin-Etsu Chemical Sustainability website.

https://www.shinetsu.co.jp/en/sustainability/esg_social/procurement/

In our “Basic Procurement Policy,” the Group has declared our dedication to eliminating minerals from conflict-affected and high-risk areas (CAHRAs) that are clearly involved in conflicts and human rights infringement in all product procurement. We require our suppliers to comply with this policy and regularly trace relevant minerals including tin, tungsten, tantalum, and gold back to the smelter using the Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI). In FY2020, we investigated 22 companies in 43 product categories. In the future, we will also consider complying with the Extended Minerals Reporting Template (EMRT), which adds cobalt and natural mica.



Social

Communication with Stakeholders

Shin-Etsu 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.



For more information, please see the “Communication with Stakeholders” section of the Shin-Etsu Chemical Sustainability website.

https://www.shinetsu.co.jp/en/sustainability/esg_social/dialogue/

Stakeholders	Communication Policy	FY2025 Results
Shareholders and Investors	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.	Financial results briefings and conference calls for analysts and institutional investors (4 times in 2025) Business briefings and plant tours for securities analysts and investors (once in 2025) One-on-one meetings with analysts (about 350 times in 2025) Small meetings for investors hosted by securities companies (6 times in 2025)
Customers	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.
Suppliers	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
Local communities	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
Employees	In addition to disseminating information via the company magazine 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 magazine and intranet

Example of Communication with Shareholders and Investors

AI-related Business Briefing

We held an AI-related business briefing for securities analysts and investors. The briefing session included an introduction to Shin-Etsu Chemical products that support the advancement of AI, a presentation on the initiatives at our Iseaki Campus (Gunma Prefecture), which manufactures proprietary advanced materials exclusively for cutting-edge AI semiconductors, and a Q&A session. More than 170 securities analysts and institutional investors attended the day's events, both in person and online.



AI-related business briefing
(March 2026, Shin-Etsu Chemical Head Office)

Example of Communication with Local Communities

Guided Tours of Research Center

Shin-Etsu Chemical's Silicone-Electronics Materials Research Center hosted guided tours for high school students in Gunma Prefecture from July to August 2025. We were able to increase high school students' interest in science and engineering fields and deepen their understanding of future career choices and research work through an introduction to Shin-Etsu Chemical's business activities and research fields. The high schoolers expressed surprise at the wide variety and diverse applications of our products, and asked many questions during the Q&A sessions.



Guided tour of research center
(July 2025, Gunma Complex)

Corporate Governance Approach and Initiatives

Basic Approach

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



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

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

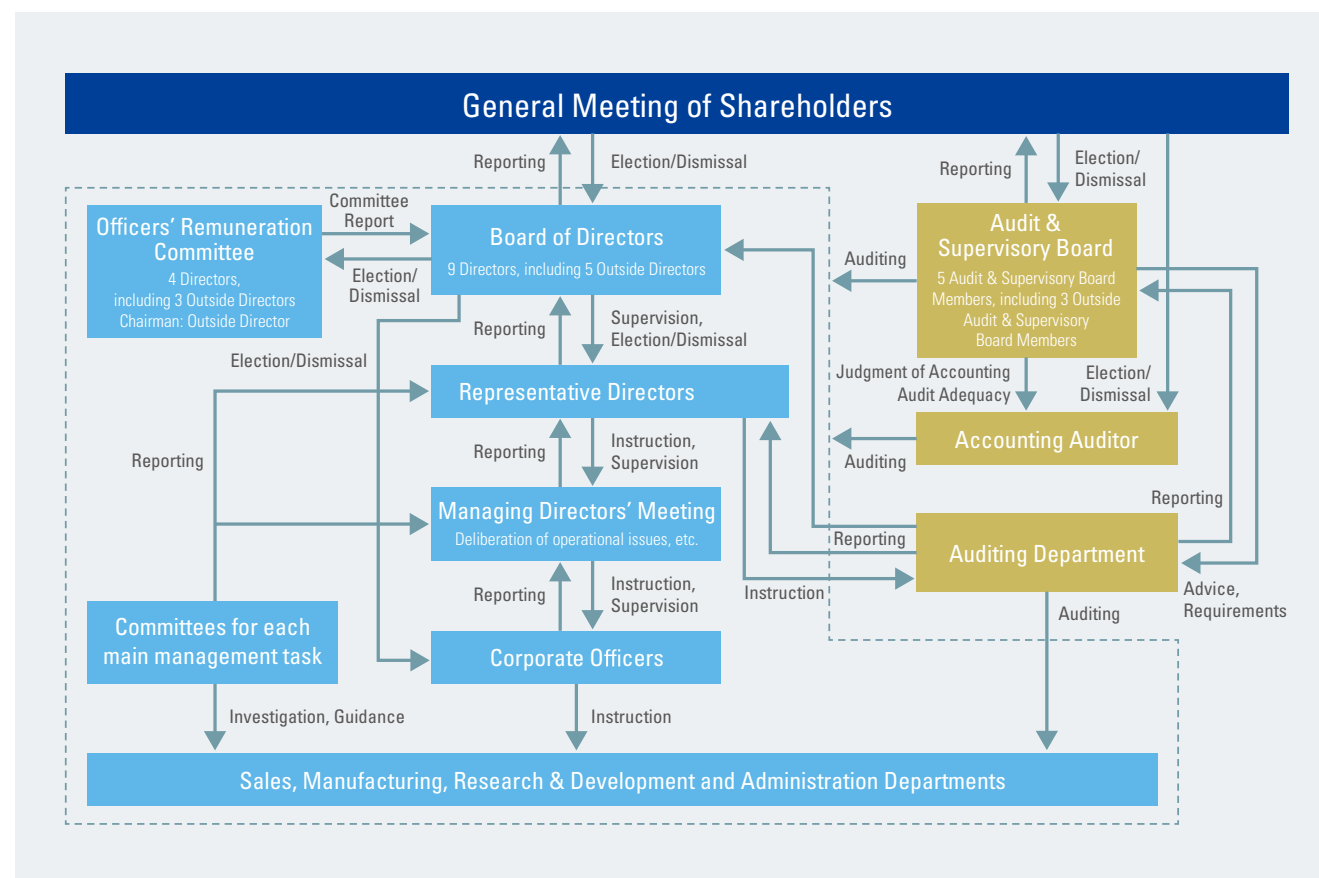
Corporate Governance Structure

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

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

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

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





Corporate Governance Approach and Initiatives

Officers' Remuneration Committee

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

Basic Fundamental Policy Regarding Remuneration and Its Calculation Method

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

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

On the other hand, the remuneration of Audit & Supervisory

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

Remuneration amount by Director type and its detail, number of applicable Directors (For the year ended March 31, 2026)

Designation	Amount of remuneration, etc. by type (¥ million)			Number of recipients (People)	Amount of remuneration, etc. by type (¥ million)	Number of recipients (People)
	Fixed	Performance-based	Total		Non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	468	263	731	4	259	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	34	—	34	2	—	—
Outside Directors and Outside Audit & Supervisory Board Members	191	—	191	8	—	—

Notes: 1. The Officers' Retirement Benefits Program was repealed at the conclusion of the 131st General Shareholders' Meeting held on June 27, 2008.

2. The amount of non-monetary remuneration, which consists of stock options, is an expensed amount calculated for the current fiscal year based on the accounting standards. Therefore, it does not represent the amount paid in cash or the amount the Company guarantees to pay in cash, either.

3. The total amount of remuneration issued to Directors (excluding Outside Directors), which consists of fixed, performance-based and non-monetary remuneration, etc., was ¥990 million.

Assessment of Board of Directors Effectiveness

At every meeting of our Board of Directors, Outside Directors ask questions and make suggestions regarding agenda items, and there is a lively exchange of opinions and discussion. In addition, Outside Directors answer a written questionnaire

regarding the effectiveness of the Board of Directors as a whole. In FY2025, the Board of Directors of the Company was evaluated as being effective. From the questionnaire, we were able to obtain valuable feedback from Outside

Directors on issues such as "Reviewing cross-shareholdings and other policies to optimize capital efficiency" and "Delegating authority to the President for approvals of small-scale investment projects."



Policy on Cross-shareholdings

When we determine that maintaining and strengthening a stable business relationship with another company will contribute to the enhancement of our corporate value through sustainable growth, we may hold shares in that company where appropriate depending on the importance of that company to our business strategy. At least once per year, the Board of Directors comprehensively reviews the rationality of each individual cross-shareholding and other factors from both quantitative perspectives, such as whether the benefits associated with holding the stocks, including dividend income,

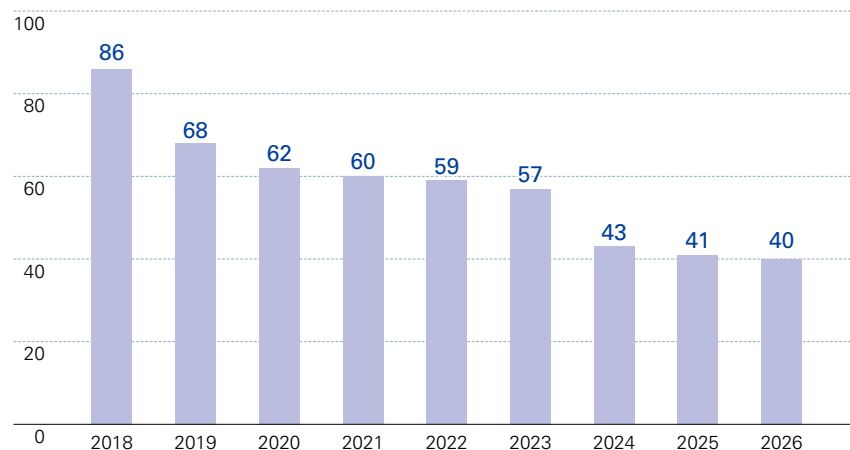
exceed the capital cost, and qualitative perspectives, such as strategic importance to management and the maintenance and strengthening of business relationships.

In cases where the Board of Directors judges that the economic rationality of holding the relevant shares has diminished, we gradually sell the shares, thereby reducing our cross-shareholdings. As of March 31, 2018, our cross-shareholdings consisted of 86 individual stocks, and by March 31, 2026, the number had decreased to 40.

With regard to our remaining cross-shareholdings, when

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

Number of individual stocks held as cross-shareholdings (as of March 31 of each year)



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



Management (As of June 26, 2026)

Board of Directors



Representative Director-Chairman of the Board Meeting

Fumio Akiya

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



Representative Director-President

Yasuhiko Saitoh

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



Director, Senior Managing Corporate Officer

Susumu Ueno

In charge of Silicone Chemical Technologies and Magnetic Materials Div.



Director, Senior Managing Corporate Officer

Masahiko Todoroki

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



Director Outside

Kuniharu Nakamura*1

Special Adviser, SUMITOMO CORPORATION



Director Outside

Michael H. McGarry*1

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



Director Outside

Mariko Hasegawa*1

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



Director Outside

Takashi Hibino*1

Advisor, Daiwa Securities Group Inc.
Chairman and CEO, Japan Securities Dealers Association
Outside Director, Mitsui Fudosan Co., Ltd.



Director Outside

Atsuko Oka*1

Former Executive Vice President, NIPPON
TELEGRAPH AND TELEPHONE CORPORATION (currently
"NTT, Inc.")
Representative Member of the Board, President and CEO,
NTT TechnoCross Corporation

Audit & Supervisory Board Members



Full-time Audit &
Supervisory Board Member

**Hidenori
Onezawa**



Full-time Audit &
Supervisory Board Member

**Yoshimitsu
Takahashi**



Audit & Supervisory Board
Member Outside

Mitsuko Kagami*2

Lawyer, Partner Lawyer,
KAGAMI Law Office



Audit & Supervisory Board
Member Outside

Hiroko Kaneko*2

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



Audit & Supervisory
Board Member Outside

Shunichi Kuryu*2

Former Commissioner General,
the National Police Agency

Outside Outside Director or Outside Audit & Supervisory Board Member

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

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



Management

Areas of Expertise and Involvement of Directors

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

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

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

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

Note: The above list represents the most specialized expertise of each Director and is not meant to be an exhaustive list of their knowledge and experience. Risk management and Sustainability are areas in which the Company expects all Directors to be involved.

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

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



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

(Year ended March 31, 2026)

	Status of activities	Attendance at Board Meetings and Audit & Supervisory Board Meetings (Year ended March 31, 2026)	
Outside Director		Board of Directors Meetings	
Hiroshi Komiyama	Mr. Komiyama, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his beneficial recommendations concerning efforts to utilize renewable energy and initiatives to procure raw materials, etc., capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint.	100%	
Kuniharu Nakamura	Mr. Nakamura shared his beneficial recommendations concerning (i) proper compliance with revised laws and regulations and (ii) research and development budget allocation, and initiatives on new research, etc., capitalizing on his management experience at SUMITOMO CORPORATION, a general trading company, and based on his prominent knowledge of and abundant experience in international business in a wide variety of fields. He also provided thorough supervision from an independent standpoint.	100%	
Michael H. McGarry	Mr. McGarry shared his beneficial recommendations on business conditions in the U.S. and the importance of following up on investment projects, etc., capitalizing on his management experience at PPG Industries, Inc. in the U.S., a global leader in paints and coatings. The Director leveraged his outstanding knowledge and wealth of experience in a broad range of chemical industry fields to support and guide the management team. He also provided thorough supervision from an independent standpoint.	100%	
Mariko Hasegawa	Ms. Hasegawa shared her beneficial recommendations on how to secure human resources and strengthen the education and training system for utilizing AI as well as how to streamline business operations, capitalizing on her outstanding knowledge and wealth of experience in a variety of fields, such as having served as President of the Graduate University for Advanced Studies, SOKENDAI and a member of the National Public Safety Commission, built upon her many research achievements as a researcher in natural anthropology. She also provided thorough supervision from an independent standpoint.	100%	
Takashi Hibino	Mr. Hibino shared his beneficial recommendations on matters such as the approach to policy-held shares amid ongoing reductions and the importance of disclosing non-financial information, including a human capital strategy, etc., capitalizing on his management experience at Daiwa Securities Group Inc., a global securities company, and based on expert knowledge and abundant experience in the financial business. He also provided thorough supervision from an independent standpoint.	100%	
Outside Audit & Supervisory Board Member		Board of Directors Meetings	Audit & Supervisory Board Meetings
Yoshihito Kosaka	At the Audit & Supervisory Board meetings, Mr. Kosaka shared his comments from a finance and accounting specialist's point of view. In addition, he received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.	100%	100%
Mitsuko Kagami	At the Board of Directors meetings, Ms. Kagami shared her comments on important points regarding contracts. At the Audit & Supervisory Board meetings, she also shared her comments from a legal specialist's point of view. In addition, she received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.	100%	100%
Hiroko Kaneko	At the Board of Directors meetings and the Audit & Supervisory Board meetings, Ms. Kaneko shared her comments from a finance and accounting specialist's point of view. In addition, she received reports from Directors, Corporate Officers and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.	92%	100%

Risk Management

For more information, please see the "Risk Management" section of the Shin-Etsu Chemical Sustainability website.

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



Risk Management Committee

In 2002, Shin-Etsu Chemical established a Risk Management Committee that has been working to address and eliminate risks surrounding the Company and its operations. In September 2025, the structure of the Risk Management Committee was revamped in order to respond appropriately and promptly to the rapid changes and uncertainties in the business environment in recent years. The Committee is chaired by the President and consists of five members, who are Directors and Corporate Officers, and six assistants. Specific risk initiatives are undertaken by cross-divisional teams (CDTs) consisting of implementation leads and co-implementers, including from Group companies.

The Committee identifies the themes to be addressed and appoints the CDT implementation leads and co-implementers. The Committee then receives reports from the CDTs, evaluates their activities, and provides instructions on action plans and strategies. In this way, the Committee takes the lead in risk management for the Shin-Etsu Group. For FY2025, the Committee has set 10 priority themes, including cybersecurity and raw material procurement risks. The themes taken up by the Committee are added to and revised as appropriate in light of changes in the international and economic situation.

The CDTs have conducted risk investigations and assessments related to their assigned issues, formulated implementation plans, and carried them out for Shin Etsu Chemical and Group companies in Japan and overseas. The CDTs also promote the formulation of business continuity plans, training, and information sharing. This fiscal year, the CDTs carried out concrete and detailed activities on various

assigned issues, including conducting risk-related training for all employees, investigating cybersecurity measures in the supply chain, and surveying the risk management efforts of Group companies.

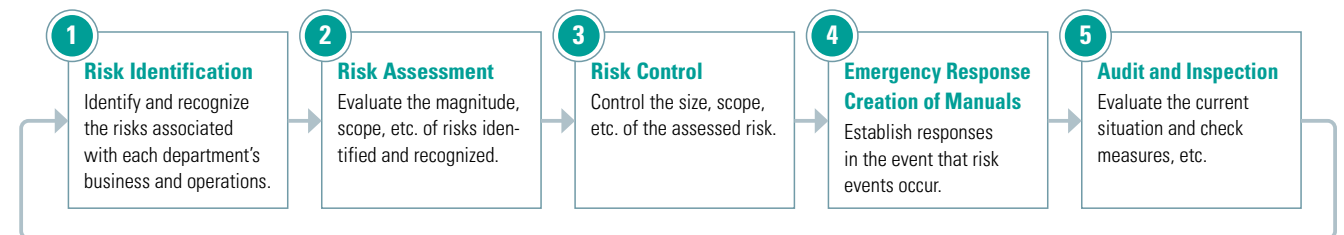
Risk management initiatives are reported to the Board of Directors, the Managing Directors' Meeting, and the Audit & Supervisory Board.

Risk Management Regulations

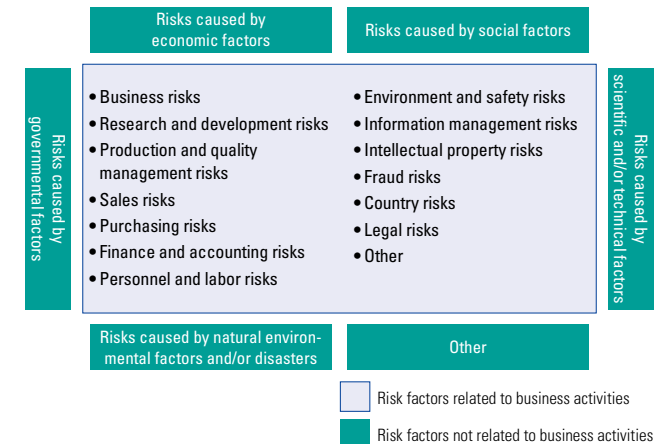
The Company has established Risk Management Regulations that anticipate comprehensive risks that may arise in the course of the Shin-Etsu Group's business activities from a long-term perspective and has established a risk management system and responses to any risks that materialize.

Risk Management Procedures

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



Risks Anticipated in the Risk Management Regulations



Composition of the Risk Management Committee

Risk Management Committee	Committee members (5 people)	President (Chairperson), Directors, Corporate Officers
	Assistants (6 people)	Head office departments, Plants, Research centers, Group companies
Cross-Divisional Team	Implementation leads (12 people)	Department managers
	Co-implementers (13 people)	Head office departments, Plants, Research centers, Group companies

Activities of the Risk Management Committee in FY2026

The Risk Management Committee, including its CDTs, is preparing for risks that could affect management and business activities and undertaking multifaceted, cross-divisional initiatives aimed at eliminating or mitigating risks and minimizing potential damages.

In light of the volatile international situation in FY2026, the Committee will continue to focus its efforts on preventing and strengthening measures against the following risks, as we did in FY2025:

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

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

Information Security

While effective use of information assets in daily business activities is essential, risks arising from improper management—such as information leaks—are also increasing. Under such circumstances, the Group recognizes the importance of its information assets and rigorously ensures their proper management and use.

Initiatives for Information Asset Management

The Group protects, manages, and operates information assets in accordance with our Information Asset Management Basic Policy. Furthermore, related rules and regulations such as our Information Asset Management Standards stipulate the details concerning the handling, management, retention period, and discarding of all information related to our customers and suppliers. We have also formulated the Standards for Preventing Technology Leaks. The Shin-Etsu Chemical head office and information management local offices established in each region play a central role in regularly checking the handling of information assets through audits targeting all departments company-wide.

Protection of Personal Information

In order to properly protect personal information in accordance with Japan's Act on the Protection of Personal Information, we have established a Privacy Policy, which is available on our website. We are also working to raise employee awareness and promote understanding through training and other means in order to ensure the appropriate handling and protection of personal information. Group companies in the EU area also comply with the EU's General Data Protection Regulation (GDPR)*.

*The General Data Protection Regulation stipulates on the handling and transfer of personal information. EU member countries had their own regulations to protect personal data, and these regulations were unified under the General Data Protection Regulation in May 2018.

Cybersecurity

To defend against cyberattacks, the Group implements a multi-layered defense, with comprehensive security countermeasures defending our systems at each access stage—entrance, internal, and exit. Specifically, we implement entrance security countermeasures such as sandboxing*¹; internal security countermeasures such as antivirus, EDR*², and access log monitoring; and exit security countermeasures such as Web Access Control and monitoring of data transfer sites, all aimed at enhancing our defenses.

We also maintain a 24/7 Security Operation Center (SOC) to strengthen our monitoring capabilities. We protect important data and equipment from cyberattacks by physically separating the factory automation network from the office automation network. Furthermore, we conduct annual training sessions that simulate the latest targeted attack email tactics to improve our employees' security awareness and response capabilities.

In 2025, we designated August as Cybersecurity Month and hosted lectures by external experts. Approximately 630 Shin-



Cybersecurity lecture (Shin-Etsu Chemical Head Office, August 2025)

For more information, please see the "Information Security" section of the Shin-Etsu Chemical Sustainability website.
https://www.shinetsu.co.jp/en/sustainability/esg_foundation/security/



Etsu Group employees from Japan and abroad participated in the online conference, which covered topics such as ransomware and security incident response. We have also been conducting cybersecurity surveys of our major suppliers since October 2025, and are working to maintain and improve the level of cybersecurity across our supply chain.

*1 A virtual environment that detects programs that act like viruses when using e-mail.

*2 Endpoint Detection and Response. A system that monitors programs that perform suspicious actions on PCs or servers.



Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES for the fiscal years ended March 31, 2017 through 2026

For more detailed information, please see the investor information on our corporate website.

WEB <https://www.shinetsu.co.jp/en/ir/ir-data/>

Thousands of
Millions of yen U.S. dollars (Note 1)

	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	3/2025	3/2026	3/2026
For the year:											
Net sales	¥ 1,237,405	¥ 1,441,432	¥ 1,594,036	¥ 1,543,525	¥ 1,496,906	¥ 2,074,428	¥ 2,808,824	¥ 2,414,937	¥ 2,561,249	¥ 2,573,969	\$ 17,046,153
Operating income	238,617	336,822	403,705	406,041	392,213	676,322	998,202	701,038	742,105	635,204	4,206,650
Ordinary income	242,133	340,308	415,311	418,242	405,101	694,434	1,020,211	787,228	820,543	708,281	4,690,607
Net income attributable to owners of parent	175,912	266,235	309,125	314,027	293,732	500,117	708,238	520,140	534,021	474,459	3,142,116
Cash Flows from Operating Activities	290,872	332,776	400,687	412,384	401,176	553,528	788,013	755,183	881,934	712,651	4,719,548
Cash Flows from Investing Activities	1,281	(237,602)	(181,553)	(394,547)	(250,719)	(253,723)	(186,488)	(1,099,208)	(142,553)	(544,806)	(3,607,992)
Cash Flows from Financing Activities	(37,199)	(50,006)	(164,538)	(94,055)	(91,123)	(122,504)	(423,559)	(369,466)	(454,905)	(504,835)	(3,343,280)
Capital expenditures	145,647	176,283	240,618	265,018	228,801	213,918	318,046	406,886	434,576	339,706	2,249,709
Depreciation and amortization	93,087	112,016	137,570	131,172	143,807	168,788	213,632	227,619	238,357	242,973	1,609,095
R&D costs	49,020	51,768	56,436	48,536	51,264	62,455	67,201	65,785	73,129	77,819	515,358

At year-end:

Total assets	¥ 2,655,636	¥ 2,903,137	¥ 3,038,717	¥ 3,230,485	¥ 3,380,615	¥ 4,053,412	¥ 4,730,394	¥ 5,147,974	¥ 5,636,601	¥ 5,661,907	\$ 37,496,079
Working capital (Current assets- Current liabilities)	1,232,607	1,324,495	1,358,614	1,446,724	1,551,662	1,960,216	2,355,713	2,516,113	2,672,558	2,583,424	17,108,770
Net assets	2,190,082	2,413,025	2,532,556	2,723,141	2,886,625	3,429,208	4,026,209	4,424,073	4,837,585	4,643,307	30,750,378
Interest-bearing debt	14,642	15,814	14,920	30,383	34,456	38,957	47,097	41,194	33,904	258,812	1,713,989



Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES for the fiscal years ended March 31, 2017 through 2026

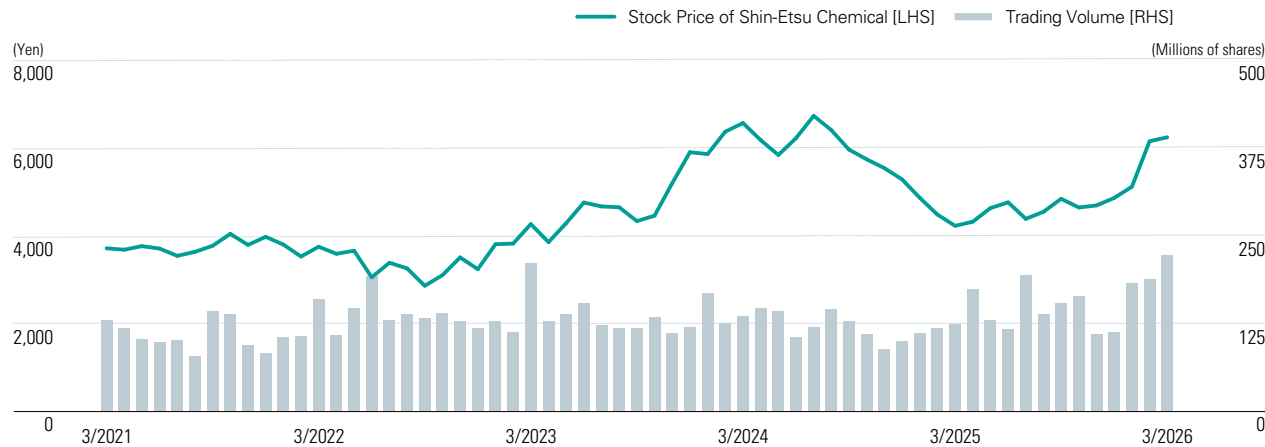
	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	3/2025	3/2026	3/2026
	Millions of yen									Thousands of U.S. dollars (Note 1)	
Per share (Yen and U.S. dollars):											
Net income per share—basic (Note 2)	¥ 82.57	¥ 124.86	¥ 145.20	¥ 151.03	¥ 141.35	¥ 240.76	¥ 347.84	¥ 259.41	¥ 269.52	¥ 252.69	\$ 1.673
Net income per share—fully diluted (Note 2)	82.57	124.82	145.18	151.00	141.25	240.55	347.61	259.13	269.28	252.49	1.672
Cash dividends (Note 2)	24.00	28.00	40.00	44.00	50.00	80.00	100.00	100.00	106.00	106.00	0.702
Payout ratio (%)	29.1	22.4	27.5	29.1	35.4	33.2	28.7	38.5	39.3	41.9	41.9
Net assets (Note 2)	1,000.43	1,102.40	1,183.09	1,275.59	1,353.94	1,601.45	1,918.37	2,133.17	2,375.48	2,400.39	15.897
DOE (%)	2.5	2.7	3.5	3.6	3.8	5.4	5.7	4.9	4.7	4.4	4.4
General:											
Operating income to net sales ratio (%)	19.3	23.4	25.3	26.3	26.2	32.6	35.5	29.0	29.0	24.7	24.7
Net income attributable to owners of parent to net sales ratio (%)	14.2	18.5	19.4	20.3	19.6	24.1	25.2	21.5	20.9	18.4	18.4
ROIC (%)	14.0	18.2	21.5	19.4	17.2	27.2	33.6	19.4	18.2	14.6	14.6
ROE (%)	8.5	11.9	12.8	12.3	10.7	16.3	19.7	12.8	12.0	10.4	10.4
Equity ratio (%)	80.3	81.0	81.1	82.1	83.2	82.1	81.8	82.7	82.6	78.7	78.7
PBR (times)	1.9	2.0	1.6	1.7	2.7	2.3	2.2	3.1	1.8	2.6	2.6
PER (times)	23.4	17.6	12.8	14.2	26.3	15.6	12.3	25.4	15.7	24.8	24.8
Number of employees	19,206	20,155	21,735	22,783	24,069	24,954	25,717	26,004	27,274	27,342	27,342
Number of shares issued (Thousands) (Note 2)	432,106	432,106	427,606	416,662	416,662	416,662	404,824	2,001,691	1,984,995	1,984,995	1,984,995

Notes: 1. The U.S. dollar amounts represent conversion of yen, for convenience only, at the rate of ¥151 = US\$1, the approximate average exchange rate between April 1, 2025 and March 31, 2026.

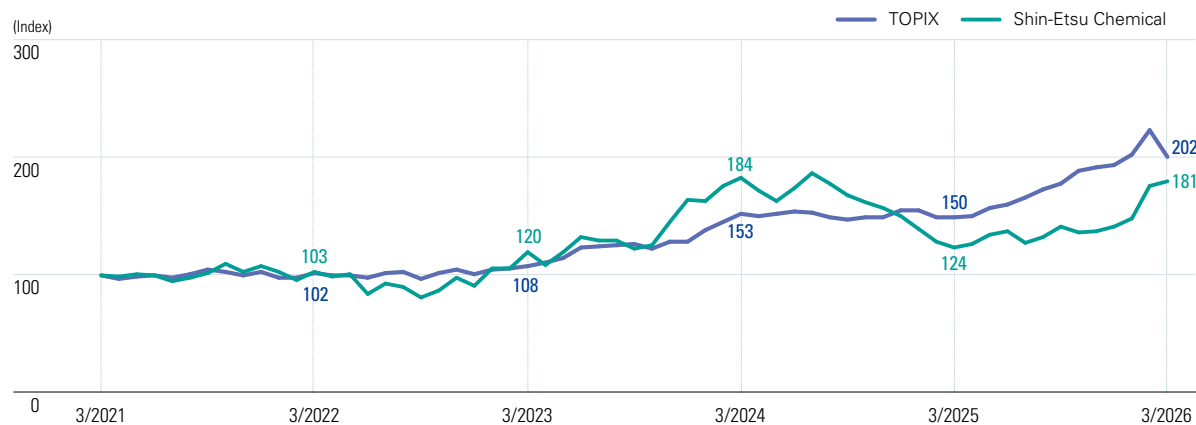
2. The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Number of shares issued" before the stock split shows the actual amount of shares, while "Net income per share-basic," "Net income per share-fully diluted" and "Net assets per share" are calculated based on the assumption that the stock split was implemented at the beginning of the fiscal year ended March 31, 2016, based on "Accounting Standard for Earnings Per Share." Also, "Cash dividends per share" represents the amount after the stock split.

Investor Information

Stock Price Movement over the Past Five Years



Total Shareholder Return over the Past Five Years



Notes: 1. Stock index of Shin-Etsu Chemical and TOPIX (March 31, 2021 = 100)

2. The chart above shows the rate of return taking into consideration the dividend and the stock price as of the end of March 31, 2026 (on the assumption that an investment was made on March 31, 2021). Investment performance, as measured by the Shin-Etsu Chemical stock price plus dividends, is shown with the initial value on March 31, 2021 set to 100. For comparison, the chart also shows the TSE Stock Price Index (TOPIX) measured with dividends added in the same way.

Major Shareholders

(As of March 31, 2026)

(*Rounded down to the nearest 1,000.)

Name of Shareholder	Number of Shares Held (Thousand shares*)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	337,743	18.2
Custody Bank of Japan, Ltd. (Trust Account)	133,806	7.2
Nippon Life Insurance Company	76,765	4.1
Hachijuni Nagano Bank, Ltd.	56,565	3.0
THE CHASE MANHATTAN BANK, N.A. LONDONSECS LENDING OMNIBUS ACCOUNT	55,491	3.0
Meiji Yasuda Life Insurance Company	53,439	2.9
STATE STREET BANK AND TRUST COMPANY 505001	47,460	2.6
GOVERNMENT OF NORWAY	37,609	2.0
JP MORGAN CHASE BANK 385781	32,033	1.7
JP MORGAN CHASE BANK 385642	30,039	1.6

Note: The Company, which owns 128,283,489 treasury shares, is excluded from consideration as a major shareholder as defined above. The holding ratios are the computed net of this treasury stock.

Corporate Information

Corporate Data (As of March 31, 2026)

Company Name	Shin-Etsu Chemical Co., Ltd.
Head Office	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Date of Establishment	September 16, 1926
Capital	¥119,419 million
Number of Employees	27,342 (Consolidated)
Common Stock ^(Note)	Number of Shares Authorized 8,000,000,000
	Number of Shares Issued 1,984,995,865
	Share Unit of Exchange 100 shares
	Number of Stockholders 302,038

Stock Listings	Tokyo, Nagoya (Ticker Code: 4063)
Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	June
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Contact	Public Relations Department Phone : +81-3-6812-2340 Fax : +81-3-6812-2341 e-mail : sec-pr@shinetsu.jp

Note: The total number of issued shares includes 128,283,489 treasury shares.

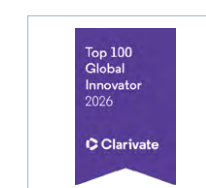
Third-Party Evaluations (As of July, 2026)

Inclusion in indices		
	2025 CONSTITUENT MSCI NIKONKABU ESG SELECT LEADERS INDEX	
	 FTSE Blossom Japan Index	 FTSE Blossom Japan Sector Relative Index
		

Overall Picture of Communication

	Dialogue	Report	Website
Financial information	- Announcement of financial statements - General meeting of shareholders - Briefings for individual investors	- Annual securities reports / Semiannual Reports - Financial Results - Business report (Annual securities reports are published in Japanese only.)	IR Information https://www.shinetsu.co.jp/en/ir/
	- For securities analysts and investors - Financial results briefings - Individual meetings - Business briefings - Plant tours	- Annual report This report integrates financial and non-financial information of the Shin-Etsu Group and presents our approach and initiatives to create medium- to long-term value.  - Sustainability report (PDF version and web version) This report presents Shin-Etsu Group's approach and initiatives regarding sustainability. - PDF version  - Web version 	

Recognition of research and innovation



*The inclusion of Shin-Etsu Chemical Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Shin-Etsu Chemical Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

*FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

*FTSE Russell confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*FTSE Russell confirms that Shin-Etsu Chemical Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



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