Shin-Etsu Chemical Co., Ltd.

Annual Report 2026

Financial Section

Ten-Year Summary

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2017 through 2026

	Millions of yen			
	2017	2018	2019	2020
For the year:				
Net sales	¥1,237,405	¥1,441,432	¥1,594,036	¥1,543,525
Operating income	238,617	336,822	403,705	406,041
Ordinary income	242,133	340,308	415,311	418,242
Net income attributable to owners of parent	175,912	266,235	309,125	314,027
Cash Flows from Operating Activities	290,872	332,776	400,687	412,384
Cash Flows from Investing Activities	1,281	(237,602)	(181,553)	(394,547)
Cash Flows from Financing Activities	(37,199)	(50,006)	(164,538)	(94,055)
Capital expenditures	145,647	176,283	240,618	265,018
Depreciation and amortization	93,087	112,016	137,570	131,172
R&D costs	49,020	51,768	56,436	48,536
At year-end:				
Total assets	¥2,655,636	¥2,903,137	¥3,038,717	¥3,230,485
Working capital (Current assets - Current liabilities)	1,232,607	1,324,495	1,358,614	1,446,724
Net assets	2,190,082	2,413,025	2,532,556	2,723,141
Interest-bearing debt	14,642	15,814	14,920	30,383
Per share (Yen and U.S. dollars):				
Net income per share—basic (Note 2)	¥82.57	¥124.86	¥145.20	¥151.03
Net income per share—fully diluted (Note 2)	82.57	124.82	145.18	151.00
Cash dividends (Note 2)	24.00	28.00	40.00	44.00
Payout ratio (%)	29.1	22.4	27.5	29.1
Net assets (Note 2)	1,000.43	1,102.40	1,183.09	1,275.59
DOE (%)	2.5	2.7	3.5	3.6
General:				
Operating income to net sales ratio (%)	19.3	23.4	25.3	26.3
Net income attributable to owners of parent to net sales ratio (%)	14.2	18.5	19.4	20.3
ROIC (%)	14.0	18.2	21.5	19.4
ROE (%)	8.5	11.9	12.8	12.3
Equity ratio (%)	80.3	81.0	81.1	82.1
PBR (times)	1.9	2.0	1.6	1.7
PER (times)	23.4	17.6	12.8	14.2
Number of employees	19,206	20,155	21,735	22,783
Number of shares issued (Thousands) (Note 2)	432,106	432,106	427,606	416,662

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.

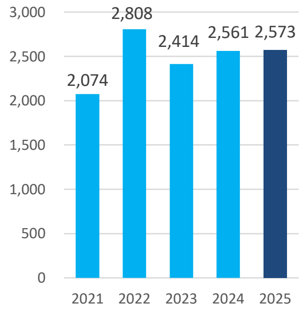
2. The Company enacted a five-for-one stock split of its common stock with an effective date of April 1, 2023. "Number of shares issued" before the stock split shows the actual amount of shares, while "Net income per share-basic", "Net income per share-fully diluted" and "Net assets per share" are calculated 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.

		Millions of yen				Thousands of U.S. dollars (Note 1)
2021	2022	2023	2024	2025	2026	2026
¥1,496,906	¥2,074,428	¥2,808,824	¥2,414,937	¥2,561,249	¥2,573,969	$17,046,153
392,213	676,322	998,202	701,038	742,105	635,204	4,206,650
405,101	694,434	1,020,211	787,228	820,543	708,281	4,690,607
293,732	500,117	708,238	520,140	534,021	474,459	3,142,116
401,176	553,528	788,013	755,183	881,934	712,651	4,719,548
(250,719)	(253,723)	(186,488)	(1,099,208)	(142,553)	(544,806)	(3,607,992)
(91,123)	(122,504)	(423,559)	(369,466)	(454,905)	(504,835)	(3,343,280)
228,801	213,918	318,046	406,886	434,576	339,706	2,249,709
143,807	168,788	213,632	227,619	238,357	242,973	1,609,095
51,264	62,455	67,201	65,785	73,129	77,819	515,358
¥3,380,615	¥4,053,412	¥4,730,394	¥5,147,974	¥5,636,601	¥5,661,907	$37,496,079
1,551,662	1,960,216	2,355,713	2,516,113	2,672,558	2,583,424	17,108,770
2,886,625	3,429,208	4,026,209	4,424,073	4,837,585	4,643,307	30,750,378
34,456	38,957	47,097	41,194	33,904	258,812	1,713,989
¥141.35	¥240.76	¥347.84	¥259.41	¥269.52	¥252.69	$1.673
141.25	240.55	347.61	259.13	269.28	252.49	1.672
50.00	80.00	100.00	100.00	106.00	106.00	0.702
35.4	33.2	28.7	38.5	39.3	41.9	41.9
1,353.94	1,601.45	1,918.37	2,133.17	2,375.48	2,400.39	15.897
3.8	5.4	5.7	4.9	4.7	4.4	4.4
26.2	32.6	35.5	29.0	29.0	24.7	24.7
19.6	24.1	25.2	21.5	20.9	18.4	18.4
17.2	27.2	33.6	19.4	18.2	14.6	14.6
10.7	16.3	19.7	12.8	12.0	10.4	10.4
83.2	82.1	81.8	82.7	82.6	78.7	78.7
2.7	2.3	2.2	3.1	1.8	2.6	2.6
26.3	15.6	12.3	25.4	15.7	24.8	24.8
24,069	24,954	25,717	26,004	27,274	27,342	27,342
416,662	416,662	404,824	2,001,691	1,984,995	1,984,995	1,984,995

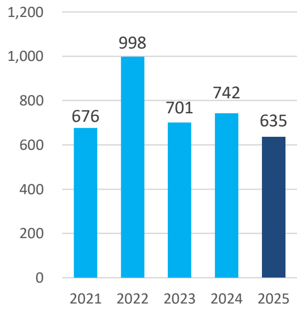
Management's Discussion and Analysis

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

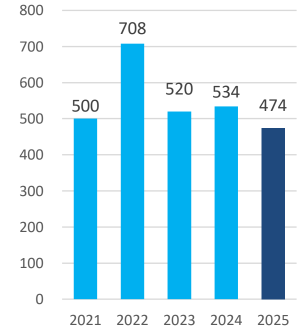
Net Sales
(Billions of yen)



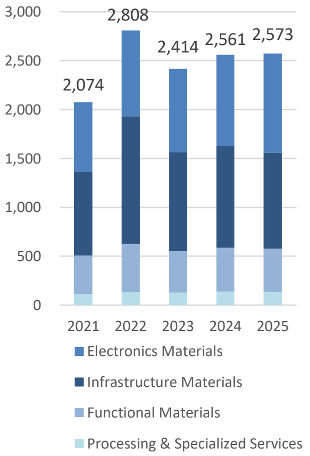
Operating Income
(Billions of yen)



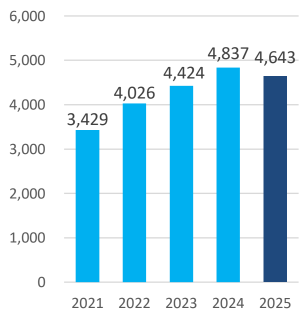
Net Income Attributable to Owners of Parent
(Billions of yen)



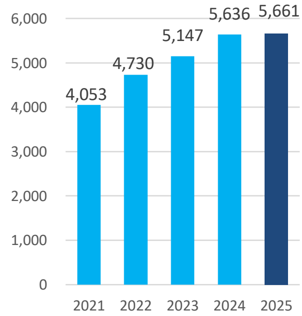
Net Sales by Business Segment
(Billions of yen)



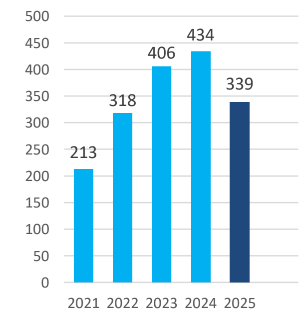
Total Net Assets
(Billions of yen)



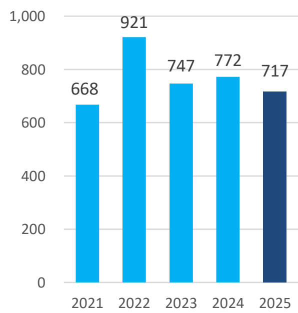
Total Assets
(Billions of yen)



Capital Expenditures
(Billions of yen)



Net Cash Flow*
(Billions of yen)



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

Overview of the Shin-Etsu Group

The Shin-Etsu Group (the "Group") comprises Shin-Etsu Chemical Co., Ltd. (the "Company"), 134 subsidiaries, and 11 affiliates (as of March 31, 2026). The Group has four reportable business segments. The Electronics Materials business manufactures and sells semiconductor silicon, rare earth magnets, photoresists, photomask blanks, and synthetic quartz products. The Infrastructure Materials business is engaged in the manufacture and sales of mainly PVC and caustic soda. The Functional Materials business manufactures and sells silicones, cellulose derivatives, and silicon metals. The Processing & Specialized Services business handles Shin-Etsu Polymer Group business operations and also provides engineering and various other services. The Company and its affiliates share manufacturing and sales responsibilities and cooperate with each other to carry out business activities.

Consolidated Operating Performance

During FY2025 (from April 1, 2025, to March 31, 2026), the global economy and industries have been tossed about by the various policies taken by the U.S. under its America First agenda since last April. However, as indicated in the World Economic Outlook of the IMF and the Global Economic Prospects of the World Bank Group, the growth has slowed but has managed to weather the storm. On the other hand, China's excessive supply/export has not yet subsided; rather, it has become even more necessary to conduct business with the expectation that this oversupply would continue for a considerable period. And the war that broke out at the end of February this year between the United States/Israel and Iran has significantly rattled the global economy. Under these circumstances, we have maintained close communication with our customers, continued to provide a reliable supply of products with required quality, and conducted sales with agility. As a result, the operating income, the ordinary income and the net income achieved results in line with the forecasts announced in July 2025.

Net sales in FY2025 increased 0.5% (¥12,720 million) year on year to ￥2,573,969 million. However, operating income was ¥635,204 million, a decrease of 14.4% (¥106,901 million) due to the impact of a downturn in market conditions for certain products. Ordinary income also decreased 13.7% (¥112,262 million) to ¥708,281 million. Net income attributable to owners of parent was ¥474,459 million, a decrease of 11.2% (¥59,562 million). We will focus even more on business growth and improved operating performance. To that end, we will accelerate the development of products that are valuable to our customers and actively continue capital investments with a medium- to long-term perspective in order to meet the needs and demands of the customers and markets in a timely manner.

Business Segment Overview

Electronics Materials

In the semiconductor market, the demand related to AI continued to be strong, while the demands in other sectors have finally started to rise. By capturing this trend, we increased the sales of semiconductor materials such as silicon wafer, photoresist and photomask blanks.

Consequently, segment sales increased to ¥1,015,765 million, an increase of 8.7% (¥81,453 million) year on year. Segment operating income amounted to ¥344,537 million, an increase of 6.1% (¥19,777 million).

Infrastructure Materials

As for PVC, the demand in North America was strong until the middle of last year, but the market has since softened. Although prices have been sluggish in Asian and other overseas markets, we have utilized our extensive sales network to make the best sales possible. As for caustic soda, we have generally secured stable sales in terms of both price and quantity. In response to rising raw material and energy prices caused by the outbreak of war in Iran and the Middle East, we initiated and pushed forward price increases across all products.

Consequently, segment sales decreased 5.8% (¥60,201 million) year on year to ¥981,370 million. Segment operating income amounted to ¥164,890 million, down 43.4% (¥126,576 million).

Functional Materials

We focused on significantly increasing the sales of highly functional product groups and those results have begun to translate into profits.

Consequently, segment sales decreased to ¥440,847 million, a decrease of 1.7% (¥7,795 million) year on year. Segment operating income amounted to ¥100,955 million, an increase of 0.9% (¥933 million).

Processing & Specialized Services

The demand for semiconductor-related containers was strong. In the automotive-related products, the sales for silicone molded products increased.

Consequently, segment sales decreased to ¥135,985 million, a decrease of 0.5% (¥737 million) year on year. Segment operating income amounted to ¥27,338 million, a decrease of 5.0% (¥1,453 million).

Analysis of Financial Position

At the end of FY 2025 (March 31, 2026), total assets had increased by ¥25,306 million compared with the end of the previous fiscal year to ¥5,661,907 million.

Total liabilities had increased by ¥219,584 million from the end of the previous fiscal year to ¥1,018,600 million. Total net assets had decreased by ¥194,278 million compared with the end of the previous fiscal year to ¥4,643,307 million.

The decrease in net assets at the end of the fiscal year was attributable to returns to shareholders comprising ¥500,006 million for repurchase of shares and ¥203,162 million for cash dividends payments, the total of which exceeded net income attributable to owners of the parent of ¥474,459 million.

Cash on hand, comprising cash, deposits and securities (mainly certificates of deposit), declined due to the decrease in net assets and an increase in property, plant and equipment. Furthermore, part of the funds used for the repurchases of treasury stock was financed by yen borrowings, which led to an increase in long-term borrowings.

As a result, the equity ratio came to 78.7%, down 3.9 percentage points from 82.6%. Meanwhile, net assets per share increased by ¥24.91 from the previous fiscal year, to ¥2,400.39 reflecting the rise in the number of shares of treasury stock.

The full-year dividend per share was ¥106 per share, the same amount as the previous fiscal year.

Return on invested capital (ROIC) was 14.6%, down 3.6 percentage points from 18.2%, and return on equity (ROE) was 10.4%, down 1.6 percentage points from 12.0%. Ratio of dividend payout to net assets (DOE) was 4.4%, down 0.3 percentage points from 4.7%, and dividend payout ratio was 41.9%, up 2.6 percentage points from 39.3%.

Cash Flows

The balance of cash and cash equivalents (net cash) at the end of FY2025 had decreased by 36.3% (¥320,646 million) compared with the end of the previous fiscal year to ¥562,089 million.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥712,651 million, a decrease of ¥169,283 million from the previous fiscal year. Cash increased mainly due to ¥708,488 million in income before income taxes and non-controlling interests, and ¥242,973 million in depreciation and amortization, partially offset by payments of income taxes of ¥208,932 million.

Cash Flows from Investing Activities

Net cash used for investing activities increased by ¥402,253 million from the previous fiscal year to ¥544,806 million. This was mainly due to ¥353,620 million for purchases of property, plant and equipment and a net decrease of ¥188,000 million in time deposits.

Cash Flows from Financing Activities

Net cash used for financing activities increased by ¥49,930 million from the previous fiscal year to ¥504,835 million. While cash increased mainly due to ¥230,010 million for proceeds from long-term debt, cash decreased mainly due to ¥500,006 million for purchases of treasury stock and cash dividends payments of ¥203,162 million.

As of March 31, 2026, cash, deposits, and available-for-sale securities (current assets) including negotiable deposits totaled ¥1,667,096 million (including instruments with periods longer than three months), ensuring sufficient liquidity. In addition, the Company maintains stable cash flows through its operating activities. As a result, we will be able to deal with working capital and capital expenditure requirements for the foreseeable future.

Capital Expenditures

In the fiscal year under review, capital expenditures (including goodwill and other intangible assets) totaled ¥339,706 million, across the Electronics Materials, Infrastructure Materials, Functional Materials, and Processing & Specialized Services business segments.

Capital expenditures in the Electronics Materials business totaled ¥212,366 million. The main capital expenditures included measures taken in response to increasingly higher semiconductor silicon wafer quality requirements and the reinforcement of facilities at Shin-Etsu Handotai Co., Ltd., and the construction and enhancement of the Company's photoresist product manufacturing facility.

In the Infrastructure Materials business, capital expenditures came to ¥67,856 million. The main expenditure was the enhancement of the PVC materials manufacturing plant at Shintech, Inc.

In the Functional Materials business, capital expenditures amounted to ¥56,077 million. Major expenditures went toward the enhancement and streamlining of silicone product manufacturing facilities.

Capital expenditures in the Processing & Specialized Services business amounted to ¥7,216 million.

The Company and its consolidated subsidiaries primarily met these capital expenditure requirements through the use of internal funds.

Basic Policy Concerning Profit-Sharing

Our basic policy is to expand profitability while exercising fiscal restraint, and to return the fruits of such management efforts to our shareholders in a proper and stable manner. We strive to increase our corporate value by the aggressive and timely use of internal reserves for enhanced global competitiveness, future business development and further growth. Moreover, we will maintain our solid financial base to enable us to cope with the increasing frequency and amplitude of economic fluctuations that may occur. We approach our capital policy with careful attention to the Return on Equity and the Cost of Capital. Shareholder returns are at the core of this. We strive to provide stable dividends, aiming for a dividend payout ratio of around 40% in the medium-to long-term. Considering the total payout ratio, we have purchased treasury stocks flexibly, taking into account stock price levels and other circumstances. As part of this, we have announced that we will be purchasing treasury stocks at ¥250,000 million.

The year-end dividend for the fiscal year ended March 31, 2026 is planned to be ¥53 per share, the same amount as the interim dividend of ¥53 per share. As a result, the annual dividend will be ¥106 per share, the same amount as the previous period.

Business Risks

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

The Shin-Etsu Group (the Company, its consolidated subsidiaries, and its equity-method affiliates) strives to mitigate these risks through prevention, diversification, and hedging. However, these risks may significantly affect the Group's performance in the event of unexpected circumstances. The items below have been included based on judgments made by the Group at the end of FY2025 (March 31, 2026) and do not encompass all risks related to the Group.

1) Impacts of Economic Trends and Product Markets

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

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

2) Impacts of Fluctuations in Foreign Exchange Rates

Overseas sales accounted for 79% of the Group's consolidated net sales in FY2025, and this ratio is expected to remain at a high level going forward. The Japanese yen equivalent amounts of items in the financial statements of overseas consolidated subsidiaries, which are included in the Group's consolidated financial statements, are influenced by fluctuations in foreign exchange rates. A large movement in these rates could have a significant impact on the business results of the entire Group. In addition, although we use forward exchange contracts and other measures to reduce risk exposure associated with transactions in foreign currencies, we are unable to completely hedge against the risks of fluctuations in foreign exchange rates, and similar possibilities exist.

3) Impacts of Natural Disasters, Accidents, and Infectious Diseases

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

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

4) Impacts of Public Regulations and Laws

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

5) Impacts of Supply Factors on Procurement of Materials

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

6) Impacts of the Development of New Products and Technologies

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

7) Impacts of Environmental Issues

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

8) Impacts of Product Liability

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

Consolidated Balance Sheet

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

As of March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2026	2026
ASSETS			
Current Assets:			
Cash and time deposits (Notes 5 and 23)	¥1,708,438	¥1,660,060	$10,993,776
Notes, accounts receivable-trade and contract assets (Notes 4 and 5)	514,702	535,383	3,545,584
Securities (Notes 5, 6 and 23)	103,240	7,035	46,594
Merchandise and finished goods	338,621	326,709	2,163,638
Work in process	22,963	24,224	160,427
Raw materials and supplies	408,382	439,977	2,913,760
Other (Notes 5 and 7)	123,243	126,156	835,471
Less: Allowance for doubtful accounts	(9,941)	(13,491)	(89,349)
Total current assets	3,209,652	3,106,055	20,569,904
Fixed Assets:			
Property, Plant and Equipment (Note 9)			
Buildings and structures, net	377,786	432,855	2,866,589
Machinery and equipment, net	1,081,151	1,044,095	6,914,537
Land	119,195	126,977	840,911
Construction in progress	451,088	514,796	3,409,245
Other, net	36,723	34,563	228,899
Total property, plant and equipment	2,065,945	2,153,287	14,260,183
Intangible Assets	36,908	34,695	229,772
Investments and Other Assets:			
Investments in securities (Notes 5, 6 and 8)	134,632	151,829	1,005,493
Net defined benefit asset (Note 11)	6,964	8,948	59,261
Deferred tax assets (Note 21)	90,153	99,001	655,639
Other (Notes 5 and 8)	97,573	112,708	746,411
Less: Allowance for doubtful accounts	(5,228)	(4,618)	(30,588)
Total investments and other assets	324,095	367,868	2,436,218
Total fixed assets	2,426,949	2,555,852	16,926,174
Total Assets	¥5,636,601	¥5,661,907	$37,496,079

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2026	2026
LIABILITIES			
Current Liabilities:			
Notes and accounts payable-trade	¥184,369	¥176,399	$1,168,210
Short-term borrowings (Notes 5 and 10)	9,389	6,929	45,887
Accounts payable-other	90,181	88,557	586,475
Accrued expenses	95,749	102,356	677,860
Accrued income taxes	84,604	89,167	590,514
Accrued bonuses for employees	5,935	6,247	41,376
Accrued bonuses for directors	540	479	3,175
Other (Notes 5, 7 and 20)	66,324	52,492	347,633
Total current liabilities	537,094	522,631	3,461,134
Long-Term Liabilities:			
Long-term debt (Notes 5 and 10)	7,452	236,366	1,565,339
Deferred tax liabilities (Note 21)	191,813	209,216	1,385,542
Net defined benefit liability (Note 11)	33,172	25,966	171,961
Other (Notes 5, 7 and 20)	29,482	24,420	161,722
Total long-term liabilities	261,922	495,969	3,284,566
Total Liabilities	799,016	1,018,600	6,745,700
NET ASSETS			
Stockholders' Equity:			
Common stock: Authorized: 8,000,000,000 shares Issued: 1,984,995,865 shares and 1,984,995,865 shares as of March 31, 2025 and 2026, respectively	119,419	119,419	790,858
Additional paid-in capital	125,694	126,256	836,133
Retained earnings (Note 12)	3,755,274	4,022,591	26,639,675
Less: Treasury stock, at cost 24,869,464 shares and 128,283,489 shares as of March 31, 2025 and 2026, respectively	(121,025)	(612,696)	(4,057,590)
Total stockholders' equity	3,879,362	3,655,570	24,209,078
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	32,481	42,390	280,729
Deferred gains (losses) on hedges	777	(997)	(6,605)
Foreign currency translation adjustments	734,201	749,285	4,962,157
Remeasurements of defined benefit plans	9,412	10,584	70,093
Total accumulated other comprehensive income	776,873	801,262	5,306,374
Share Subscription Rights (Note 13)	6,237	7,596	50,309
Non-controlling Interests in Consolidated Subsidiaries	175,112	178,877	1,184,616
Total net assets	4,837,585	4,643,307	30,750,378
Total Liabilities and Net Assets	¥5,636,601	¥5,661,907	$37,496,079

Consolidated Statement of Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

For the fiscal years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2026	2026
Net Sales (Notes 15, 24 and 25)	¥2,561,249	¥2,573,969	$17,046,153
Cost of Sales (Notes 11 and 17)	1,577,127	1,693,175	11,213,085
Gross profit	984,121	880,793	5,833,067
Selling, General and Administrative Expenses (Notes 11, 16 and 17)	242,016	245,588	1,626,416
Operating income (Note 25)	742,105	635,204	4,206,650
Other Income (Expenses):			
Interest income	86,732	62,927	416,735
Interest expenses (Note 28)	(1,350)	(2,706)	(17,924)
Loss on retirement of non-current assets	(4,228)	(3,850)	(25,498)
Other, net (Note 28)	(2,715)	16,707	110,644
Ordinary income	820,543	708,281	4,690,607
Extraordinary Income (Losses):			
Gain on sale of investment securities	11,003	10,572	70,014
Gain on step acquisitions (Note 18)	5,421	—	—
Business restructuring expenses (Note 19)	(7,843)	(10,365)	(68,648)
Impairment losses	(2,896)	—	—
Income before income taxes and non-controlling interests	826,229	708,488	4,691,973
Income Taxes (Note 21):			
Current	211,071	197,399	1,307,279
Deferred	35,056	4,798	31,780
Total Income Taxes	246,128	202,198	1,339,060
Net Income	580,101	506,289	3,352,913
Net Income Attributable to Non-Controlling Interests	(46,080)	(31,830)	(210,796)
Net Income Attributable to Owners of Parent	¥534,021	¥474,459	$3,142,116
	Yen		U.S. dollars (Note 3)
Earnings per Share :			
Net income attributable to owners of parent—basic	¥269.52	¥252.69	$1.67
Net income attributable to owners of parent—fully diluted	269.28	252.49	1.67
Cash dividends	106.00	106.00	0.70
Weighted-Average Number of Shares Outstanding (Thousands)	1,981,362	1,877,670	1,877,670

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

Consolidated Statement of Comprehensive Income

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2026	2026
Net Income	¥580,101	¥506,289	$3,352,913
Other Comprehensive Income (Note 22):			
Unrealized gains (losses) on available-for-sale securities	(8,120)	9,987	66,145
Deferred gains (losses) on hedges	3,710	(1,775)	(11,757)
Foreign currency translation adjustments	269,246	15,876	105,143
Remeasurements of defined benefit plans	(1,104)	1,156	7,660
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	312	296	1,963
Total other comprehensive income (loss)	264,044	25,542	169,156
Comprehensive Income	¥844,146	¥531,832	$3,522,069
(Breakdown)			
Comprehensive income attributable to owners of parent	¥796,349	¥498,848	$3,303,632
Comprehensive income attributable to non-controlling interests	47,796	32,983	218,436

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

Consolidated Statement of Changes in Net Assets

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

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

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

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

	Thousands	Millions of yen				
		Stockholders' Equity				
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2025	1,984,995	¥119,419	¥125,694	¥3,755,274	¥(121,025)	¥3,879,362
Cash dividends				(203,162)		(203,162)
Net income attributable to owners of parent				474,459		474,459
Purchase of treasury stock					(500,006)	(500,006)
Disposal of treasury stock			(3,981)		8,335	4,354
Transfer to additional paid-in capital from retained earnings			3,981	(3,981)		—
Others			562			562
Net changes of items other than stockholders' equity						
Balance at March 31, 2026	1,984,995	¥119,419	¥126,256	¥4,022,591	¥(612,696)	¥3,655,570

	Millions of yen							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2025	¥32,481	¥777	¥734,201	¥9,412	¥776,873	¥6,237	¥175,112	¥4,837,585
Cash dividends								(203,162)
Net income attributable to owners of parent								474,459
Purchase of treasury stock								(500,006)
Disposal of treasury stock								4,354
Transfer to additional paid-in capital from retained earnings								—
Others								562
Net changes of items other than stockholders' equity	9,908	(1,775)	15,084	1,171	24,388	1,359	3,765	29,513
Balance at March 31, 2026	¥42,390	¥(997)	¥749,285	¥10,584	¥801,262	¥7,596	¥178,877	¥4,643,307

	Thousands	Thousands of U.S. dollars (Note 3)				
		Stockholders' Equity				
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total
Balance at April 1, 2025	1,984,995	$790,858	$832,410	$24,869,367	$(801,494)	$25,691,143
Cash dividends				(1,345,444)		(1,345,444)
Net income attributable to owners of parent				3,142,116		3,142,116
Purchase of treasury stock					(3,311,298)	(3,311,298)
Disposal of treasury stock			(26,364)		55,202	28,837
Transfer to additional paid-in capital from retained earnings			26,364	(26,364)		—
Others			3,723			3,723
Net changes of items other than stockholders' equity						
Balance at March 31, 2026	1,984,995	$790,858	$836,133	$26,639,675	$(4,057,590)	$24,209,078

	Thousands of U.S. dollars (Note 3)							
	Accumulated Other Comprehensive Income							
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2025	$215,109	$5,151	$4,862,261	$62,336	$5,144,858	$41,305	$1,159,682	$32,036,990
Cash dividends								(1,345,444)
Net income attributable to owners of parent								3,142,116
Purchase of treasury stock								(3,311,298)
Disposal of treasury stock								28,837
Transfer to additional paid-in capital from retained earnings								—
Others								3,723
Net changes of items other than stockholders' equity	65,619	(11,757)	99,896	7,757	161,515	9,003	24,934	195,453
Balance at March 31, 2026	$280,729	$(6,605)	$4,962,157	$70,093	$5,306,374	$50,309	$1,184,616	$30,750,378

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

Consolidated Statement of Cash Flows

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2025 and 2026

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2025	2026	2026
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	¥826,229	¥708,488	$4,691,973
Depreciation and amortization	238,357	242,973	1,609,095
Impairment losses	3,527	17	115
Increase (decrease) in net defined benefit liability	(1,109)	(4,392)	(29,091)
(Gain) loss on sales of investments in securities	(11,003)	(10,572)	(70,014)
(Gain) loss on revaluation of investments in securities	724	505	3,347
Increase (decrease) in allowance for doubtful accounts	1,493	2,794	18,505
Interest and dividend income	(92,230)	(69,099)	(457,613)
Interest expenses	1,350	2,706	17,924
Exchange (gain) loss	7,197	(10,020)	(66,359)
Equity in (earnings) losses of affiliates	(6,351)	(6,228)	(41,250)
(Increase) decrease in notes and accounts receivable	21,712	(16,851)	(111,598)
(Increase) decrease in inventories	(8,469)	(14,046)	(93,020)
(Increase) decrease in long-term advance payment	3,341	3,609	23,903
Increase (decrease) in notes and accounts payable	(12,427)	(8,900)	(58,945)
Other, net	822	28,650	189,737
Subtotal	973,165	849,633	5,626,708
Proceeds from interest and dividends	96,942	73,740	488,347
Payments of interest	(1,154)	(1,788)	(11,846)
Payments of income taxes	(187,020)	(208,932)	(1,383,661)
Net cash provided by operating activities	881,934	712,651	4,719,548
Cash Flows from Investing Activities:			
(Increase) decrease in time deposits	328,837	(188,000)	(1,245,035)
Purchases of securities	(4,000)	(12,000)	(79,470)
Proceeds from redemption of securities	772	17,657	116,935
Purchases of property, plant and equipment	(439,473)	(353,620)	(2,341,856)
Proceeds from sales of property, plant and equipment	92	640	4,243
Purchases of intangible assets	(3,364)	(2,330)	(15,431)
Purchases of investments in securities	(6,066)	(4,787)	(31,704)
Proceeds from sales and redemption of investments in securities	22,785	15,937	105,548
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(47,232)	—	—
Payments of loans	(201)	(1,399)	(9,266)
Proceeds from collection of loans	3	6	41
Other, net	5,292	(16,911)	(111,996)
Net cash provided by (used for) investing activities	(142,553)	(544,806)	(3,607,992)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	2,843	(1,767)	(11,702)
Proceeds from long-term debt	1,223	230,010	1,523,249
Repayments of long-term debt	(12,637)	(1,593)	(10,552)
Purchases of treasury stock	(193,988)	(500,006)	(3,311,298)
Proceeds from sales of treasury stock	2,471	3,650	24,177
Cash dividends paid	(204,724)	(203,162)	(1,345,444)
Other, net	(50,094)	(31,968)	(211,708)
Net cash used for financing activities	(454,905)	(504,835)	(3,343,280)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	8,125	16,343	108,234
Net Increase (Decrease) in Cash and Cash Equivalents	292,600	(320,646)	(2,123,489)
Cash and Cash Equivalents at Beginning of Year	590,135	882,736	5,845,934
Cash and Cash Equivalents at End of Year, inclusion of subsidiaries in consolidation (Note 23)	¥882,736	¥562,089	$3,722,445

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

Notes to Consolidated Financial Statements

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES
For the fiscal years ended March 31, 2025 and 2026

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and 98 majority-owned subsidiaries (collectively, the "Companies") of which the principal firms are listed on page 45 with their respective fiscal year-ends. In the current fiscal year, KitcheNista Co.,Ltd., which had previously been a consolidated subsidiary, was excluded from the scope of consolidation due to its dissolution following an absorption merger by Shin-Etsu Polymer, a consolidated subsidiary.

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

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

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

(2) Accounting for investments in unconsolidated subsidiaries and affiliates

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

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

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

(3) Translation of foreign currency transactions

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

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

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

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

The balance sheet accounts of overseas consolidated subsidiaries are translated into yen at current exchange rates prevailing at the end of the fiscal year, except for equity, which is translated at the historical rate. Revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are shown as "Foreign currency translation adjustments" in the accompanying balance sheets as of March 31, 2025 and 2026.

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

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

(7) Financial instruments
Securities:
Held-to-maturity debt securities are stated at amortized cost using the straight-line method. Of available-for-sale securities, securities excluding stocks and other securities with no market value are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive income at net-of-tax amounts. Stocks and other securities with no market value are stated at cost, determined by the moving-average cost method.
Derivatives:
Derivatives are stated at fair value, with changes in fair value included in profit or loss in the same period in which they arise, except for derivatives that are designated as "hedging instruments."
The Company and consolidated subsidiaries enter into foreign exchange contracts, currency swaps, interest rate swaps and commodity swap contracts.
Hedge accounting:
Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.
The derivatives designated as hedging instruments by the Company are interest rate swaps, foreign exchange contracts, currency swaps, commodity swap contracts and commodity options. The related hedged items are interest rate transactions tied to funding activities, forecasted foreign currency transactions and prices of raw materials.
The Company has a policy to utilize the above hedging instruments in order to hedge the risk of fluctuations in interest rates and foreign currencies. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items. The Company does not enter into derivative transactions for trading or speculative purposes.
The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the corresponding hedged items from the commencement of the hedges.

(8) Property, plant and equipment
The Company and certain domestic subsidiaries mainly apply the declining-balance method, however, for buildings and structures, the straight-line method is mainly applied. Overseas subsidiaries mainly apply the straight-line method.
Useful lives mainly are as follows:
Buildings and structures ------- 15 – 47 years
Machinery and vehicles --------- 2 – 20 years
Additional depreciation is recorded based on excess operating hours for machinery and equipment that operate significantly in excess of their normal utilization rates.

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

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

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

(12) Accrued retirement benefits
The Company applies the benefit formula basis to measure the pension obligations. The expected retirement benefit attributed to periods of service under the plan's benefit formula is deemed as arising in each period.
Actuarial differences are amortized over a five-year period, which is within the average remaining service period of employees, using the straight-line method from the fiscal year when the difference was generated. Prior service cost is amortized as incurred over a ten-year period, which is within the average remaining service period of employees using the straight-line method from the time when the prior service cost was generated.

(13) Standards for recognizing revenues and expenses
The Company and its certain consolidated subsidiaries operate in four segments, Electronics Materials, Infrastructure Materials, Functional Materials, and Processing & Specialized Services. The main business is the manufacture and sale of specific products that are delivered based on the sales contracts with customers. Revenue is recognized when control of the product is transferred to the customer and the performance obligation is satisfied, such as shipping and acceptance.
However, for domestic sales of products, the Company and its domestic consolidated subsidiaries recognize revenue at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is normal.
If the Company and its certain consolidated subsidiaries act as an agent in a transaction, revenue is recognized at net amounts.

(14) Research and development costs
Research and development costs are charged to cost as incurred.

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

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

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

3. UNITED STATES DOLLAR AMOUNTS

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥151 to US$1, the approximate average exchange rate between April 1, 2025 and March 31, 2026. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥151 to US$1 or at any other rate.

4. CONTRACT ASSETS AND RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

The individual amounts of contract assets and receivables arising from contracts with customers included in "Notes, accounts receivable-trade and contract assets" are shown in Note 24.

5. FINANCIAL INSTRUMENTS

(1) Overview of financial instruments

Management policy

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

Financial instruments, risks and risk management

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

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

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

Supplementary explanation on the estimated fair value of financial instruments

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

(2) Fair value of financial instruments

As of March 31, 2025 and 2026, the book value, fair value and the difference between the two are as follows:

	Millions of yen		
	2025		
	Book value	Fair value	Difference
Assets:			
(1) Securities and investments in securities(*2)			
i) Held-to-maturity debt securities	¥5,000	¥4,929	¥(70)
ii) Available-for-sale securities	177,614	177,614	—
(2) Long-term loans	99	105	5
Total	¥182,714	¥182,649	¥(64)
Liabilities:			
(3) Long-term debt	¥7,452	¥7,160	¥(291)
Total	¥7,452	¥7,160	¥(291)
(4)Derivative transactions(*3):			
Hedge accounting not applied	¥287	¥287	¥—
Hedge accounting applied	1,192	1,192	—
Total	¥1,479	¥1,479	¥—

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

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

Section	Book value
Non-listed stocks, etc.	¥55,258 million

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

	Millions of yen			Thousands of U.S. dollars		
	2026			2026		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets:						
(1) Securities and investments in securities(*2)						
i) Held-to-maturity debt securities	¥5,000	¥4,904	¥(95)	$33,112	$32,482	$(630)
ii) Available-for-sale securities	92,313	92,313	—	611,346	611,346	—
(2) Long-term loans	68	72	4	451	479	27
Total	¥97,381	¥97,290	¥(91)	$644,910	$644,307	$(602)
Liabilities:						
(3) Long-term debt	¥236,366	¥228,835	¥(7,530)	$1,565,339	$1,515,468	$(49,871)
Total	¥236,366	¥228,835	¥(7,530)	$1,565,339	$1,515,468	$(49,871)
(4) Derivative transactions(*3):						
Hedge accounting not applied	¥(4,373)	¥(4,373)	¥—	$(28,965)	$(28,965)	$—
Hedge accounting applied	(1,415)	(1,415)	—	(9,376)	(9,376)	—
Total	¥(5,789)	¥(5,789)	¥—	$(38,341)	$(38,341)	$—

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

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

Section	Book value
Non-listed stocks, etc.	¥61,552 million ($407,629 thousand)

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

Notes:

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

	Millions of yen			
	2025			
Description	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥1,708,367	¥—	¥—	¥—
Notes and accounts receivable-trade	514,628	—	—	—
Securities and investments in securities	103,240	5,677	6,552	—
Long-term loans	—	89	2	7
Total	¥2,326,236	¥5,767	¥6,554	¥7

	Millions of yen				Thousands of U.S. dollars			
	2026				2026			
Description	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Time deposits	¥1,659,629	¥—	¥—	¥—	$10,990,923	$—	$—	$—
Notes and accounts receivable-trade	535,334	—	—	—	3,545,264	—	—	—
Securities and investments in securities	7,035	5,668	6,586	—	46,594	37,537	43,620	—
Long-term loans	—	59	2	7	—	391	13	46
Total	¥2,202,000	¥5,727	¥6,588	¥7	$14,582,783	$37,929	$43,634	$46

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

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

	Millions of yen					
	2026					
Description	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	¥5,830	¥—	¥—	¥—	¥—	¥—
Long-term debt	1,098	33	235,018	1,263	17	32
Lease obligations	4,826	3,349	2,359	1,658	991	2,332
Total	¥11,755	¥3,383	¥237,378	¥2,922	¥1,008	¥2,364

	Thousands of U.S. dollars					
	2026					
Description	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term borrowings	$38,613	$—	$—	$—	$—	$—
Long-term debt	7,273	223	1,556,413	8,368	117	216
Lease obligations	31,962	22,181	15,627	10,983	6,563	15,444
Total	$77,850	$22,405	$1,572,040	$19,351	$6,680	$15,661

(3) Fair value of financial instruments by level

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

Level 1 of fair value: is calculated based on the market price of the asset or liability formed in the active market of the inputs related to the calculation of the observable fair value.
Level 2 of fair value: is calculated using the inputs related to the calculation of the fair value other than the level 1 input of the inputs related to the calculation of the observable fair value.
Level 3 of fair value: is calculated using inputs related to the calculation of unobservable fair value.

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

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

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments in securities				
Available-for-sale securities				
Stocks	¥67,144	¥—	¥—	¥67,144
Bonds	—	8,970	—	¥8,970
Total	¥67,144	¥8,970	¥—	¥76,114
Derivative transactions:				
Hedge accounting not applied	¥—	¥287	¥—	¥287
Hedge accounting applied	—	1,192	—	1,192
Total	¥—	¥1,479	¥—	¥1,479

As of March 31, 2026, financial instruments recorded on the consolidated balance sheet at fair value are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2026				2026			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Securities and investments in securities								
Available-for-sale securities								
Stocks	¥78,022	¥—	¥—	¥78,022	$516,705	$—	$—	$516,705
Bonds	—	9,290	—	9,290	—	61,528	—	61,528
Total	¥78,022	¥9,290	¥—	¥87,313	$516,705	$61,528	$—	$578,233
Derivative transactions:								
Hedge accounting not applied	¥—	¥(4,373)	¥—	¥(4,373)	$—	$(28,965)	$—	$(28,965)
Hedge accounting applied	—	(1,415)	—	(1,415)	—	(9,376)	—	(9,376)
Total	¥—	¥(5,789)	¥—	¥(5,789)	$—	$(38,341)	$—	$(38,341)

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

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and investments in securities				
Held-to-maturity debt securities	¥—	¥4,929	¥—	¥4,929
Available-for-sale securities				
Negotiable certificates of deposit, money trusts and trust beneficiary rights	—	101,500	—	101,500
Long-term loans	—	105	—	105
Total	¥—	¥106,534	¥—	¥106,534
Liabilities:				
Long-term debt	¥—	¥7,160	¥—	¥7,160
Total	¥—	¥7,160	¥—	¥7,160

As of March 31, 2026, financial instruments other than those listed on the consolidated balance sheet at fair value are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2026				2026			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Securities and investments in securities								
Held-to-maturity debt securities	¥—	¥4,904	¥—	¥4,904	$—	$32,482	$—	$32,482
Available-for-sale securities								
Negotiable certificates of deposit	—	5,000	—	5,000	—	33,112	—	33,112
Long-term loans	—	72	—	72	—	479	—	479
Total	¥—	¥9,977	¥—	¥9,977	$—	$66,074	$—	$66,074
Liabilities:								
Long-term debt	¥—	¥228,835	¥—	¥228,835	$—	$1,515,468	$—	$1,515,468
Total	¥—	¥228,835	¥—	¥228,835	$—	$1,515,468	$—	$1,515,468

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

Securities and investments in securities

Held-to-maturity debt securities

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

Available-for-sale securities

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

Long-term loans

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

Long-term debt

The fair value of long-term debt is calculated based on a present value of principal and interest, discounted at an expected rate for new borrowings with the same terms. The fair value is classified as Level 2.

Derivative transactions

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

6. SECURITIES

(1) Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2025			2026			2026		
Description	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value that exceeds book value	¥—	¥—	¥—	¥—	¥—	¥—	$—	$—	$—
Securities with fair value that does not exceed book value	5,000	4,929	(70)	5,000	4,904	(95)	33,112	32,482	(630)
Total	¥5,000	¥4,929	¥(70)	¥5,000	¥4,904	¥(95)	$33,112	$32,482	$(630)

(2) Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2025			2026			2026		
Description	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value that exceeds acquisition cost	¥66,940	¥19,501	¥47,438	¥80,603	¥18,132	¥62,470	$533,796	$120,082	$413,713
Securities with book value that does not exceed acquisition cost	110,674	111,098	(424)	11,709	11,872	(162)	77,549	78,625	(1,075)
Total	¥177,614	¥130,600	¥47,014	¥92,313	¥30,004	¥62,308	$611,346	$198,708	$412,637

Notes: 1. Non-listed equity securities, with a book value of ¥3,283 million, and other investment securities with a book value of ¥1,140 million, as of March 31, 2025, whose market price is unavailable are excluded from the above.

2. Non-listed equity securities, with a book value of ¥3,353 million ($22,209 thousand), and other investment securities with a book value of ¥1,957 million ($12,961 thousand), as of March 31, 2026, whose market price is unavailable are excluded from the above.

(3) Sold available-for-sale-securities

	Millions of yen						Thousands of U.S. dollars		
	2025			2026			2026		
	Amount of sale	Gain on sale	Loss on sale	Amount of sale	Gain on sale	Loss on sale	Amount of sale	Gain on sale	Loss on sale
Equity securities	¥18,768	¥11,003	¥—	¥15,934	¥10,572	¥—	$105,525	$70,014	$—
Total	¥18,768	¥11,003	¥—	¥15,934	¥10,572	¥—	$105,525	$70,014	$—

(4) Sold held-to–maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2025			2026			2026		
	Cost of sale	Amount of sale	Gain/Loss on sale	Cost of sale	Amount of sale	Gain/Loss on sale	Cost of sale	Amount of sale	Gain/Loss on sale
Government bonds, Municipal bonds and other	¥4,017	¥4,017	¥0	¥—	¥—	¥—	$—	$—	$—
Total	¥4,017	¥4,017	¥0	¥—	¥—	¥—	$—	$—	$—

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

7. DERIVATIVE TRANSACTIONS

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

Currency related:

As of March 31, 2025

Description	Millions of yen			
	Contract amounts	Contract amounts over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts				
Sales contracts:				
USD	¥134,188	¥—	¥408	¥408
EUR	2,877	—	(49)	(49)
Other	1,910	—	(13)	(13)
Purchase contracts:				
USD	860	—	21	21
Other	6,284	—	(79)	(79)
Total	¥146,121	¥—	¥287	¥287

As of March 31, 2026

Description	Millions of yen				Thousands of U.S. dollars			
	Contract amounts	Contract amounts over one year	Fair value	Unrealized gain (loss)	Contract amounts	Contract amounts over one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts								
Sales contracts:								
USD	¥167,331	¥—	¥(3,765)	¥(3,765)	$1,108,158	$—	$(24,935)	$(24,935)
EUR	2,504	—	6	6	16,585	—	43	43
Other	2,609	—	(8)	(8)	17,279	—	(53)	(53)
Purchase contracts:								
USD	1,424	—	74	74	9,434	—	495	495
Other	9,329	—	(490)	(490)	61,784	—	(3,249)	(3,249)
Foreign exchange swap								
Pay USD and Receive TWD	299	—	(191)	(191)	1,982	—	(1,265)	(1,265)
Total	¥183,499	¥—	¥(4,373)	¥(4,373)	$1,215,225	$—	$(28,965)	$(28,965)

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

1) Currency related:

As of March 31, 2025

Hedge accounting method	Transaction	Hedged items	Millions of yen Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts: Sales contracts USD	Accounts receivable-trade	¥69,673	¥—	¥1,938
Total			¥69,673	¥—	¥1,938

As of March 31, 2026

Hedge accounting method	Transaction	Hedged items	Millions of yen Contract amounts	Contract amounts over one year	Fair value	Thousands of U.S. dollars Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts: Sales contracts USD	Accounts receivable-trade	¥67,826	¥—	¥(982)	$449,183	$—	$(6,505)
Total			¥67,826	¥—	¥(982)	$449,183	$—	$(6,505)

2) Commodity related:

As of March 31, 2025

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

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

As of March 31, 2026

Hedge accounting method	Transaction	Hedged items	Millions of yen Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Commodity swap contracts	Accounts payable-trade	¥3,711	¥684	¥(433)
Total			¥3,711	¥684	¥(433)

Hedge accounting method	Transaction	Hedged items	Thousands of U.S. dollars Contract amounts	Contract amounts over one year	Fair value
Deferral hedge accounting	Commodity swap contracts	Accounts payable-trade	$24,576	$4,529	$(2,870)
Total			$24,576	$4,529	$(2,870)

8. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in unconsolidated subsidiaries and affiliates as of March 31, 2025 and 2026 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Investments in securities (Stocks)	¥50,801	¥56,241	$372,458
Other (Investments in capital)	4,579	5,183	34,328

9. ACCUMULATED DEPRECIATION

Accumulated depreciation of property, plant and equipment as of March 31, 2025 and 2026 was ¥3,566,430 million and ¥3,768,423 million ($24,956,444 thousand), respectively.

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

Short-term borrowings, long-term debt and lease obligations as of March 31, 2025 and 2026 consisted of the following:

	Average interest rate	Due date	Millions of yen		Thousands of U.S. dollars
			2025	2026	2026
Short-term borrowings	2.6%	—	¥7,711	¥5,830	$38,613
Current portion of long-term debt	0.5%	—	1,677	1,098	7,273
Current portion of lease obligations	2.3%	—	5,080	4,826	31,962
Long-term debt, excluding current portion	1.0%	January 2027-June 2034	7,452	236,366	1,565,339
Lease obligations, excluding current portion	2.1%	January 2027-December 2040	11,982	10,690	70,799
Total			¥33,904	¥258,812	$1,713,989

Notes: 1. Average interest rate is the weighted average rate based on the balance as of March 31, 2026.
2. In calculating average interest rate, lease obligations for which the balance includes the interest portion are excluded.
3. Repayment schedule subsequent to March 31, 2026 for long-term debt and lease obligations, excluding the current portion, is as follows:

	Millions of yen		Thousands of U.S. dollars	
	Long-term debt	Lease obligations	Long-term debt	Lease obligations
Years ending March 31,				
2028	¥33	¥3,349	$223	$22,181
2029	235,018	2,359	1,556,413	15,627
2030	1,263	1,658	8,368	10,983
2031	17	991	117	6,563

11. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have defined contribution pension plans (DC pension plans) and lump-sum severance payment plans as their defined benefit pension plans. Certain overseas consolidated subsidiaries have defined benefit pension plans as well as defined contribution pension plans. Additionally, the Company has a “Retirement Benefit Trust”.
Information on defined benefit pension plans for the fiscal years ended March 31, 2025 and 2026 is as follows:

1. Defined Benefit Pension Plans

(1) Changes in Benefit Obligations

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Beginning balance of benefit obligations	¥81,108	¥87,690	$580,729
Service costs	4,276	3,347	22,166
Interest costs	2,665	2,923	19,362
Actuarial differences arising during the year	(2,727)	(2,004)	(13,277)
Retirement benefits paid	(3,740)	(4,003)	(26,510)
Increase due to newly consolidated subsidiary	4,283	—	—
Other*	1,823	(281)	(1,864)
Ending balance of benefit obligations	¥87,690	¥87,671	$580,607

*Mainly foreign currency translation adjustments

(2) Changes in Pension Assets

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Beginning balance of pension assets	¥53,527	¥61,481	$407,163
Expected return on pension assets	711	2,565	16,991
Actuarial differences arising during the year	460	8,152	53,988
Contributions made by the Company and consolidated subsidiaries	565	679	4,502
Retirement benefits paid	(1,711)	(1,950)	(12,916)
Increase due to newly consolidated subsidiary	4,351	—	—
Other*	3,575	(275)	(1,823)
Ending balance of pension assets	¥61,481	¥70,654	$467,907

*Mainly foreign currency translation adjustments

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

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Funded benefit obligations	¥77,982	¥77,330	$512,123
Pension assets	(61,481)	(70,654)	(467,907)
Net	16,500	6,676	44,215
Unfunded benefit obligations	9,707	10,341	68,484
Net amount of liability and asset on Consolidated Balance Sheets	¥26,208	¥17,017	$112,700

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Net defined benefit liability	¥33,172	¥25,966	$171,961
Net defined benefit asset	(6,964)	(8,948)	(59,261)
Net amount of liability and asset on Consolidated Balance Sheets	¥26,208	¥17,017	$112,700

(4) Retirement Benefit Expenses

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Service costs	¥4,276	¥3,347	$22,166
Interest costs	2,665	2,923	19,362
Expected return on pension assets	(711)	(2,565)	(16,991)
Amortization of actuarial differences	(5,319)	(8,057)	(53,360)
Amortization of prior service cost	(35)	(54)	(362)
Retirement benefit expenses for defined benefit pension plans	¥875	¥(4,407)	$(29,185)

(5) Remeasurements of Defined Benefit Plans (Other Comprehensive Income)

Breakdown (before deduction of tax effects)

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Actuarial differences	¥(1,242)	¥2,243	$14,855
Prior service cost	(57)	(57)	(379)
Total	¥(1,299)	¥2,185	$14,476

(6) Remeasurements of Defined Benefit Plans (Accumulated Other Comprehensive Income)

Breakdown (before deduction of tax effects)

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Unrecognized actuarial differences	¥12,655	¥14,898	$98,667
Unrecognized prior service cost	223	166	1,101
Total	¥12,879	¥15,065	$99,769

(7) Pension Assets

Breakdown

	2025	2026
Bonds	43%	38%
Stocks	27%	35%
Other	30%	27%
Total	100%	100%

(Note) 23% and 32% of total pension assets amount were in a “Retirement Benefit Trust” for lump-sum severance payment plans as of March 31, 2025 and 2026, respectively.

Rate of expected return on pension assets

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

(8) Basic Assumptions for Calculating Benefit Obligations

	2025	2026
Discount rate	Mainly 1.6%	Mainly 2.3%
Expected rate of return on pension assets	Mainly 2.5%	Mainly 2.5%

2. Defined Contribution Pension Plans

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

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
	¥4,135	¥4,513	$29,890

12. RETAINED EARNINGS

(1) Cash dividends from retained earnings represent dividends with an effective date during the fiscal year. Details of cash dividends paid during the fiscal years ended March 31, 2025 and 2026 are as follows:

				Millions of yen	Yen
Resolution	Type of shares	Record date	Effective date	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2025					
Ordinary general meeting of shareholders held on June 27, 2024	Common stock	March 31, 2024	June 28, 2024	¥99,802	¥50.00
Board of directors meeting held on October 25, 2024	Common stock	September 30, 2024	November 19, 2024	104,921	53.00

				Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
Resolution	Type of shares	Record date	Effective date	Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2026							
Ordinary general meeting of shareholders held on June 27, 2025	Common stock	March 31, 2025	June 30, 2025	¥103,886	¥53.00	$687,991	$0.35
Board of directors meeting held on October 24, 2025	Common stock	September 30, 2025	November 18, 2025	99,275	53.00	657,452	0.35

(2) Cash dividends for the fiscal years ended March 31, 2025 and 2026 with an effective date in the subsequent fiscal year are as follows:

					Millions of yen	Yen
Resolution	Type of shares	Source of dividends	Record date	Effective date	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2025 Ordinary general meeting of shareholders held on June 27, 2025	Common stock	Retained earnings	March 31, 2025	June 30, 2025	¥103,886	¥53.00

					Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
Resolution	Type of shares	Source of dividends	Record date	Effective date	Total amount of dividends	Cash dividends per share	Total amount of dividends	Cash dividends per share
Fiscal year ended March 31, 2026 Ordinary general meeting of shareholders held on June 26, 2026	Common stock	Retained earnings	March 31, 2026	June 29, 2026	¥98,405	¥53.00	$651,693	$0.35

13. SHARE SUBSCRIPTION RIGHTS

Fiscal year ended March 31, 2025

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2025
The Company	Stock options	—	—	—	—	—	¥5,826
Consolidated subsidiary	—	—	—	—	—	—	410
Total			—	—	—	—	¥6,237

Fiscal year ended March 31, 2026

Issuer	Description	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Millions of yen	Thousands of U.S. dollars
			Beginning balance	Increase	Decrease	Ending balance	Balance at March 31, 2026	Balance at March 31, 2026
The Company	Stock options	—	—	—	—	—	¥7,149	$47,350
	20th share subscription rights (Note) 1, 2	Common stock	—	72,100	72,100	—	—	—
	21st share subscription rights (Note) 1, 2	Common stock	—	46,900	46,900	—	—	—
	22nd share subscription rights (Note) 1, 2	Common stock	—	224,600	224,600	—	—	—
	23rd share subscription rights (Note) 1, 2	Common stock	—	188,700	188,700	—	—	—
	24th share subscription rights (Note) 1, 2	Common stock	—	276,100	276,100	—	—	—
Consolidated subsidiary	—	—	—	—	—	—	446	2,958
Total			—	808,400	808,400	—	¥7,596	$50,309

(Note) 1. The increase during the current consolidated fiscal year in stock acquisition rights from the 20th through the 24th resulted from the determination of the number of shares to be delivered.
2. The decrease during the current consolidated fiscal year in stock acquisition rights from the 20th through the 24th resulted from the exercise of stock acquisition rights.

14. STOCK OPTIONS

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

The stock option expenses for the fiscal years ended March 31, 2025 and 2026 of ¥1,813 million and ¥2,047 million ($13,561 thousand), respectively, were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2025 and 2026 were ¥34 million and ¥21 million ($139 thousand). In addition, for stock options granted by March 31, 2023 (2021 to 2023①), the figures are calculated based on the number of shares after the stock split, assuming that the five-for-one stock split on April 1, 2023 was implemented at the beginning of the fiscal year ended March 31, 2022.

Stock options as of March 31, 2026 were as follows:

	2021	2023①	2023②
Grantees	6 directors of the Company (excluding outside directors) 10 corporate officers of the Company (excluding those concurrently serving as directors) 107 employees of the Company	5 directors of the Company (excluding outside directors) 11 corporate officers of the Company (excluding those concurrently serving as directors) 108 employees of the Company	4 directors of the Company (excluding outside directors) 12 corporate officers of the Company (excluding those concurrently serving as directors) 116 employees of the Company
Number of stock options granted by category of stock (in shares)	1,672,500 shares of common stock	1,740,000 shares of common stock	1,941,000 shares of common stock
Grant date	September 1, 2021	February 10, 2023	November 30, 2023
Vesting conditions	None	None	None
Exercise period	September 2, 2023 through August 31, 2028	February 11, 2025 through February 9, 2030	December 1, 2025 through November 29, 2030

	2024	2025
Grantees	4 directors of the Company (excluding outside directors) 12 corporate officers of the Company (excluding those concurrently serving as directors) 116 employees of the Company	4 directors of the Company (excluding outside directors) 11 corporate officers of the Company (excluding those concurrently serving as directors) 118 employees of the Company
Number of stock options granted by category of stock (in shares)	2,082,500 shares of common stock	2,809,000 shares of common stock
Grant date	December 2, 2024	September 1, 2025
Vesting conditions	None	None
Exercise period	December 3, 2026 through December 1, 2031	September 2, 2027 through August 31, 2032

Movement in stock options during the fiscal year ended March 31, 2026 was as follows:

	Number of shares					
	2020	2021	2023①	2023②	2024	2025
Beginning balance (Stock options outstanding)	41,000	992,000	1,671,500	1,941,000	2,082,500	—
Granted	—	—	—	—	—	2,809,000
Exercised	—	513,500	380,500	78,200	—	—
Forfeited	41,000	7,500	—	—	—	—
Ending balance (Stock options outstanding)	—	471,000	1,291,000	1,862,800	2,082,500	2,809,000
	Yen					
Exercise price	—	¥3,701	¥3,583	¥4,947	¥6,089	¥4,798
Weighted average market value per share at the exercise date	—	5,321	5,731	6,162	—	—
Fair value per share at the grant date	—	618	798	1,056	871	729
	U.S. dollars					
Exercise price	—	$24.50	$23.72	$32.76	$40.32	$31.77
Weighted average market value per share at the exercise date	—	35.23	37.95	40.80	—	—
Fair value per share at the grant date	—	4.09	5.28	6.99	5.76	4.82

(Note) For stock options granted by March 31, 2023 (2020 to 2023 ①), the figures are calculated based on the number of shares after the stock split, assuming that the five-for-one stock split on April 1, 2023 was implemented at the beginning of the fiscal year ended March 31, 2021.

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

Stock options granted on September 1, 2025	
Expected volatility	**26.42%**
Expected remaining life	**4.50 years**
Expected dividend	**¥106/share**
Risk-free interest rate	**1.121%**

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

The stock option expenses for the fiscal years ended March 31, 2025 and 2026 of ¥73 million and ¥131 million ($868 thousand), respectively, were included in selling, general and administrative expenses in the consolidated statements of income. Gains on forfeited stock options for the fiscal years ended March 31, 2025 and 2026 were ¥17 million and ¥10 million ($69 thousand), respectively.

Stock options as of March 31, 2026 were as follows:

	2020	2021	2022
Grantees	9 Directors 25 Employees 5 Directors of its subsidiaries	3 Directors 8 Corporate officers 20 Employees 4 Directors of its subsidiaries	3 Directors 8 Corporate officers 25 Employees 4 Directors of its subsidiaries
Number of stock options granted by category of stock (in shares)	461,000 shares of common stock	475,000 shares of common stock	500,000 shares of common stock
Grant date	September 10, 2020	September 10, 2021	September 12, 2022
Vesting conditions	None	None	None
Exercise period	September 11, 2022 through March 31, 2026	September 11, 2023 through March 31, 2027	September 13, 2024 through March 31, 2028

	2023	2024	2025
Grantees	3 Directors 8 Corporate officers 21 Employees 5 Directors of its subsidiaries	3 Directors 8 Corporate officers 26 Employees	3 Directors 7 Corporate officers 32 Employees
Number of stock options granted by category of stock (in shares)	450,000 shares of common stock	465,000 shares of common stock	510,000 shares of common stock
Grant date	September 6, 2023	September 11, 2024	September 11, 2025
Vesting conditions	None	None	None
Exercise period	September 7, 2025 through March 31, 2029	September 12, 2026 through March 31, 2030	September 12, 2027 through March 31, 2031

Movement in stock options during the fiscal year ended March 31, 2026 was as follows:

	Number of shares						
	2019	2020	2021	2022	2023	2024	2025
Beginning balance (Stock options outstanding)	37,000	274,400	421,600	495,000	450,000	465,000	—
Granted	—	—	—	—	—	—	510,000
Exercised	—	232,400	109,400	58,600	29,000	—	—
Forfeited	37,000	5,000	5,000	10,000	5,000	—	—
Ending balance (Stock options outstanding)	—	37,000	307,200	426,400	416,000	465,000	510,000
	Yen						
Exercise price	—	¥910	¥1,051	¥1,410	¥1,405	¥1,539	¥1,897
Weighted average market value per share at the exercise date	—	1,901.18	2,036.37	1,978.38	2,010.79	—	—
Fair value per share at the grant date	—	191	192	218	200	158	257
	U.S. dollars						
Exercise price	—	$6.02	$6.96	$9.33	$9.30	$10.19	$12.56
Weighted average market value per share at the exercise date	—	12.59	13.48	13.10	13.31	—	—
Fair value per share at the grant date	—	1.26	1.27	1.44	1.32	1.04	1.70

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

Stock options granted on September 11, 2025	
Expected volatility	22.91%
Expected remaining life	3.78 years
Expected dividend	¥52/share
Risk-free interest rate	1.020%

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Net sales is not presented separately for revenues arising from contracts with customers and other revenues.
The amounts of revenues arising from contracts with customers are shown in Note 24.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2025 and 2026 mainly consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Shipping expenses	¥69,244	¥69,328	$459,127
Salaries and allowances	42,335	44,596	295,342
Provision for bonuses for employees	1,639	1,556	10,306
Provision for bonuses for directors	542	481	3,191
Retirement benefit expenses	14	(457)	(3,029)
Depreciation and amortization	4,876	5,537	36,672
Provision of allowance for doubtful accounts	2,068	2,175	14,409

17. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred and charged to income for the fiscal years ended March 31, 2025 and 2026 were ¥73,129 million and ¥77,819 million ($515,358 thousand), respectively.

18. GAIN ON STEP ACQUISITIONS

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

19. BUSINESS RESTRUCTING EXPENSES

Business restructuring expenses during the fiscal year ended March 31, 2025 were as follows:
In the Functional Materials segment, business restructuring expenses of ¥7,843 million were recognized for part of Cellulose derivatives, which include facility removal cost of ¥4,632 million.

Business restructuring expenses during the fiscal year ended March 31, 2026 were as follows:
In the Functional Materials segment, business restructuring expenses of ¥10,365 million ($68,648 thousand) were recognized for part of Silicon metal, which include loss on retirement of non-current assets of ¥9,306 million ($61,632 thousand).

20. LEASE TRANSACTIONS

The amounts of outstanding future lease payments due in respect of operating lease contracts at March 31, 2025 and 2026 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Future Lease Payments:			
Within one year	¥847	¥868	$5,753
Over one year	3,554	2,833	18,767
	¥4,401	¥3,702	$24,520

21. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in statutory tax rates of approximately 30.5% for the fiscal years ended March 31, 2025 and 2026.

The tax effects of significant temporary differences and tax loss carry forwards that resulted in deferred tax assets or liabilities at March 31, 2025 and 2026 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Deferred Tax Assets:			
Depreciation and amortization	¥26,338	¥28,280	$187,286
Unrealized profit	18,683	20,522	135,911
Maintenance costs	5,514	7,684	50,887
Accrued bonuses	5,050	5,718	37,871
Net defined benefit liability	9,006	5,405	35,797
Accrued enterprise taxes	4,060	4,390	29,075
Unsettled accounts receivable and payable	3,816	3,665	24,272
Allowance for doubtful accounts	2,464	2,473	16,377
Tax loss carryforwards	261	2,218	14,693
Unrealized gains/losses on available-for-sale securities	40	74	494
Other	47,075	55,725	369,043
Valuation allowance	(5,102)	(9,258)	(61,315)
Total	¥117,211	¥126,899	$840,396
Deferred Tax Liabilities:			
Depreciation and amortization	¥132,731	¥135,291	$895,971
Retained earnings of overseas consolidated subsidiaries	50,604	55,646	368,521
Unrealized gains/losses on available-for-sale securities	14,682	19,669	130,261
Reserve for special depreciation	2	—	—
Other	20,850	26,507	175,545
Total	¥218,871	¥237,115	$1,570,299
Net deferred tax assets (liabilities)	¥(101,660)	¥(110,215)	$(729,903)

A reconciliation of the difference between the statutory tax rate and effective rate on taxable income for the fiscal years ended March 31, 2025 and 2026 is as follows:

	2025	2026
Statutory tax rate	30.5 %	30.5 %
Rate difference from foreign subsidiaries	(3.6)	(2.4)
Retained earnings of overseas consolidated subsidiaries	3.2	0.7
Equity in (earnings) losses of affiliates	(0.2)	(0.3)
Dividend and other non-taxable income	(24.8)	(24.1)
Elimination of intercompany dividend income	26.0	24.1
Tax deduction for research expenses and other	(0.8)	(1.0)
Entertainment and other non-deductible expenses	0.0	0.0
Other, net	(0.6)	0.9
Effective tax rate	29.8	28.5

22. OTHER COMPREHENSIVE INCOME

Reclassification adjustments, income taxes and tax effects of each component of other comprehensive income for the fiscal years ended March 31, 2025 and 2026 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Unrealized gains (losses) on available-for-sale securities			
Amount arising during the year	¥(25)	¥25,971	$171,995
Reclassification adjustment for gains and losses included in profit or loss	(11,361)	(11,014)	(72,944)
Unrealized gains (losses) on available-for-sale securities before income taxes and tax effect	(11,387)	14,956	99,050
Income taxes and tax effect	3,267	(4,968)	(32,905)
Unrealized gains (losses) on available-for-sale securities	(8,120)	9,987	66,145
Deferred gains (losses) on hedges			
Amount arising during the year	2,641	(2,222)	(14,720)
Reclassification adjustment for gains and losses included in profit or loss	2,636	(385)	(2,550)
Deferred gains (losses) on hedges before income taxes and tax effect	5,278	(2,607)	(17,270)
Income taxes and tax effect	(1,567)	832	5,513
Deferred gains (losses) on hedges	3,710	(1,775)	(11,757)
Foreign currency translation adjustments			
Amount arising during the year	270,513	15,876	105,143
Reclassification adjustment for gains and losses included in profit or loss	(1,266)	—	—
Foreign currency translation adjustments	269,246	15,876	105,143
Remeasurements of defined benefit plans			
Amount arising during the year	2,928	7,851	51,997
Reclassification adjustment for gains and losses included in profit or loss	(4,227)	(5,665)	(37,520)
Remeasurements of defined benefit plans before income taxes and tax effect	(1,299)	2,185	14,476
Income taxes and tax effect	194	(1,029)	(6,815)
Remeasurements of defined benefit plans	(1,104)	1,156	7,660
Share of other comprehensive income (loss) of affiliates accounted for using the equity method			
Amount arising during the year	296	305	2,020
Reclassification adjustment for gains and losses included in profit or loss	15	(8)	(57)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	312	296	1,963
Total other comprehensive income (loss)	¥264,044	¥25,542	$169,156

23. SUPPLEMENTAL CASH FLOW INFORMATION

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

Reconciliations between cash and cash equivalents and the related accounts shown in the consolidated balance sheets as of March 31, 2025 and 2026 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Cash and time deposits	¥1,708,438	¥1,660,060	$10,993,776
Securities	103,240	7,035	46,594
Time deposits (maturities over three months)	(923,202)	(1,102,971)	(7,304,444)
Securities (maturities over three months)	(5,740)	(2,035)	(13,482)
Cash and cash equivalents	¥882,736	¥562,089	$3,722,445

24. REVENUE RECOGNITION

1. Disaggregation of revenue from contracts with customers

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

	Millions of yen				
	2026				
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Total
Sales to outside customers					
Domestic production	¥836,682	¥123,370	¥295,066	¥101,966	¥1,357,085
Overseas production	179,082	857,999	145,781	34,019	1,216,883
Total	¥1,015,765	¥981,370	¥440,847	¥135,985	¥2,573,969

	Thousands of U.S. dollars				
	2026				
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Total
Sales to outside customers					
Domestic production	$5,540,944	$817,023	$1,954,080	$675,273	$8,987,322
Overseas production	1,185,978	5,682,118	965,440	225,293	8,058,831
Total	$6,726,922	$6,499,142	$2,919,520	$900,567	$17,046,153

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

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

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

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

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

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

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

(1) Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Receivables from contracts with customers (Beginning balance)	¥481,408	¥514,628	$3,408,134
Receivables from contracts with customers (Ending balance)	514,628	535,334	3,545,264
Contract assets (Beginning balance)	403	74	493
Contract assets (Ending balance)	74	48	319
Contract liabilities (Beginning balance)	3,445	3,512	23,259
Contract liabilities (Ending balance)	3,512	4,683	31,014

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

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

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

(2) Transaction price allocated to remaining performance obligations

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

25. SEGMENT AND RELATED INFORMATION

1. Segment information

(1) Overview of reportable segments

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

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

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

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

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

Assets and liabilities are not allocated to business segments.

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

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

	Millions of yen						
	2026						
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment [1]	Figures in consolidated financial statements
Sales to outside customers	¥1,015,765	¥981,370	¥440,847	¥135,985	¥2,573,969	¥—	¥2,573,969
Intersegment sales	6,014	4,247	11,752	174,279	196,293	(196,293)	¥—
Total	¥1,021,779	¥985,618	¥452,599	¥310,264	¥2,770,262	¥(196,293)	¥2,573,969
Segment income (Operating income)	¥344,537	¥164,890	¥100,955	¥27,338	¥637,722	¥(2,517)	¥635,204
Depreciation and amortization	¥108,201	¥86,101	¥39,961	¥8,257	¥242,521	¥(1,390)	¥241,130
Amortization of goodwill	¥1,382	¥—	¥353	¥106	¥1,842	¥—	¥1,842
Increase in property, plant and equipment and intangible assets	¥212,366	¥67,856	¥56,077	¥7,216	¥343,515	¥(3,809)	¥339,706

	Thousands of U.S. dollars						
	2026						
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment [1]	Figures in consolidated financial statements
Sales to outside customers	$6,726,922	$6,499,142	$2,919,520	$900,567	$17,046,153	$—	$17,046,153
Intersegment sales	39,831	28,129	77,830	1,154,166	1,299,957	(1,299,957)	$—
Total	$6,766,754	$6,527,271	$2,997,350	$2,054,734	$18,346,111	$(1,299,957)	$17,046,153
Segment income (Operating income)	$2,281,708	$1,091,991	$668,579	$181,046	$4,223,326	$(16,675)	$4,206,650
Depreciation and amortization	$716,564	$570,206	$264,645	$54,682	$1,606,099	$(9,205)	$1,596,893
Amortization of goodwill	$9,155	$—	$2,338	$708	$12,201	$—	$12,201
Increase in property, plant and equipment and intangible assets	$1,406,398	$449,381	$371,371	$47,788	$2,274,939	$(25,230)	$2,249,709

Note: [1] Elimination of intersegment transactions.

2. Related information

Geographic information

(1) Net sales

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Net sales			
Japan	¥522,442	¥549,936	$3,641,965
U.S.	796,528	705,099	4,669,534
China	239,799	246,950	1,635,434
Asia / Oceania (excluding China)	595,628	654,984	4,337,648
Europe	236,510	241,038	1,596,283
Other	170,340	175,958	1,165,287
Total	¥2,561,249	¥2,573,969	$17,046,153

(2) Property, plant and equipment

	Millions of yen		Thousands of U.S. dollars
	2025	2026	2026
Property, plant and equipment			
Japan	¥774,242	¥884,954	$5,860,625
U.S.	1,011,219	987,482	6,539,621
Other	280,483	280,850	1,859,937
Total	¥2,065,945	¥2,153,287	$14,260,183

3. Loss on impairment of fixed assets

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

	Millions of yen					
	2026					
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Loss on impairment of fixed assets	¥—	¥—	¥—	¥17	¥—	¥17

	Thousands of U.S. dollars					
	2026					
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Loss on impairment of fixed assets	$—	$—	$—	$115	$—	$115

4. Amortization of goodwill and unamortized balance

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

	Millions of yen					
	2026					
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Amortization of goodwill	¥1,382	¥—	¥353	¥106	¥—	¥1,842
Unamortized balance	¥24,992	¥—	¥584	¥—	¥—	¥25,576

	Thousands of U.S. dollars					
	2026					
	Electronics Materials	Infrastructure Materials	Functional Materials	Processing & Specialized Services	Elimination or common asset	Total
Amortization of goodwill	$9,155	$—	$2,338	$708	$—	$12,201
Unamortized balance	$165,515	$—	$3,868	$—	$—	$169,383

26. RELATED PARTY TRANSACTIONS

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

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

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

Transactions between the Company and related parties during the fiscal year ended March 31, 2026 are as follows:

					Millions of yen			Thousands of U.S. dollars
Type	Name	Percentage of voting rights	Relationship	Transactions	Transaction amount	Account	Balance at the fiscal year end	Transaction amount
Director or other Officer	Fumio Akiya	Direct Ownership 0.00%	Representative Director-Chairman of the Board Meeting	Exercise of stock options (Note)	¥222	—	—	$1,470
Director or other Officer	Yasuhiko Saitoh	Direct Ownership 0.01%	Representative Director-President	Exercise of stock options (Note)	¥135	—	—	$894
Director or other Officer	Toshiya Akimoto	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥37	—	—	$245
Director or other Officer	Yukinori Satoh	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥18	—	—	$122
Director or other Officer	Shigeyoshi Netsu	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥18	—	—	$122
Director or other Officer	Hideaki Oka	Direct Ownership 0.00%	Managing Corporate Officer	Exercise of stock options (Note)	¥72	—	—	$481
Director or other Officer	Toshiyuki Kasahara	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥109	—	—	$725
Director or other Officer	Kai Yasuoka	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥64	—	—	$428
Director or other Officer	Ichiro Onozawa	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥55	—	—	$367
Director or other Officer	Yukio Shibano	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥47	—	—	$312
Director or other Officer	Tetsuya Kurokawa	Direct Ownership 0.00%	Corporate Officer	Exercise of stock options (Note)	¥18	—	—	$122
Director or other Officer	Yoshimitsu Takahashi	Direct Ownership 0.00%	Full-Time Audit & Supervisory Board Member	Exercise of stock options (Note)	¥46	—	—	$306

(Note) Share subscription rights were approved at the Board of Directors meetings held on August 17, 2021, January 26, 2023 and November 15, 2023

27. SUPPLEMENTARY INFORMATION

(Unapplied Accounting Standards)
- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

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

(2) Date of application

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

(3) Effect of application

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

28. CHANGES IN THE METHOD OF PRESENTATION

(Consolidated Statement of Income)

"Foreign exchange gain (loss)" had been presented as a separate item under "Other Income (Expenses)." However, as Foreign exchange loss has decreased to less than one-tenth of the total amount of other expenses, it is therefore included in "Other, net" from the fiscal year ended March 31 2026.

Furthermore, "Interest expenses" had been included in "Other, net" under "Other Income (Expenses)." However, as it has exceeded one-tenth of the total amount of other expenses, it is therefore presented as a separate item from the fiscal year ended March 31, 2026.

In order to reflect these changes in the method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year. As a result, ¥(10,687) million that had been presented in "Foreign exchange loss" and ¥6,621 million that had been presented in "Other, net" on the consolidated statement of income for the fiscal year ended March 31, 2025 have been reclassified into "Interest expenses" of ¥(1,350) million and "Other, net" of ¥(2,715) million.

29. ACCOUNTING ESTIMATES

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

Impairment of property, plant and equipment

As of March 31, 2026, the balance of property, plant and equipment was ¥2,153,287 million ($14,260,183 thousand), accounting for 38% of total assets. Impairment should be considered when economic trends in countries and regions where major product markets are located or increased price competition due to lower global demand negatively impact business performance. When considering impairment, the process of asset grouping and estimating indications of impairment is complex and subjective, and future cash flow estimates are based on many assumptions, so it is necessary to assess the prerequisites carefully. As a result, depending on the amount of estimated future cash flows, there is a possibility that loss on impairment of fixed assets will be recorded.

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

Consolidated Subsidiaries

SHIN-ETSU CHEMICAL CO., LTD. AND SUBSIDIARIES

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shintech Inc.*	100.0	December 31
Shin-Etsu Handotai Co., Ltd.	100.0	March 31
Shin-Etsu Handotai America, Inc.*	100.0	December 31
Shin-Etsu PVC B.V.*	100.0	December 31
Shin-Etsu Handotai Taiwan Co., Ltd.*	70.0	December 31
Mimasu Semiconductor Industry Co., Ltd.	100.0	February 28
Shin-Etsu Polymer Co., Ltd.	53.6	March 31
S.E.H. Malaysia Sdn. Bhd.*	100.0	December 31
Shin-Etsu Engineering Co., Ltd.	100.0	March 31
Shin-Etsu Handotai Europe, Ltd.*	100.0	December 31
SE Tylose GmbH & Co. KG*	100.0	December 31
Shin-Etsu Silicones (Thailand) Ltd.*	100.0	December 31
Asia Silicones Monomer Limited*	100.0	December 31
JAPAN VAM & POVAL Co., Ltd.	100.0	March 31
Shin-Etsu Astech Co., Ltd.	99.6	March 31
Naoetsu Electronics Co., Ltd.	100.0	February 28
Shin-Etsu Electronics Materials Singapore Pte. Ltd.*	100.0	December 31
Shin-Etsu Silicone International Trading (Shanghai) Co., Ltd.*	100.0	December 31
Nagano Electronics Industrial Co., Ltd.	90.0	February 28
Shin-Etsu Finetech Co., Ltd.	100.0	March 31
Shin-Etsu Magnetics Philippines., Inc.*	100.0	December 31
CIRES, Lda.*	100.0	December 31
Shin-Etsu Silicone Korea Co., Ltd.*	100.0	December 31

*Overseas subsidiary

Principal Consolidated Subsidiaries	Percentage of Voting Rights	Fiscal Year-End
Shin-Etsu (Malaysia) Sdn. Bhd.*	100.0	December 31
Nissin Chemical Industry Co., Ltd.	100.0	February 28
Shin-Etsu MicroSi, Inc.*	100.0	December 31
Shin-Etsu Silicone Taiwan Co., Ltd.*	93.3	December 31
Shin-Etsu Silicones of America, Inc.*	100.0	December 31
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.*	100.0	December 31
Shin-Etsu Polymer Europe B.V.*	100.0	December 31
Shin-Etsu International Europe B.V.*	100.0	December 31
Naoetsu Precision Co., Ltd.	100.0	February 28
Shin-Etsu Polymer America, Inc.*	100.0	December 31
Shin-Etsu Shinkoh Mold Saitama Co., Ltd.	100.0	March 31
Shin-Etsu Shinkoh Mold Co., Ltd.	100.0	March 31
Suzhou Shin-Etsu Polymer Co., Ltd.*	100.0	December 31
S.E.H. (Shah Alam) Sdn. Bhd.*	100.0	December 31
Simcoa Operations Pty. Ltd.*	100.0	December 31
SE Tylose USA, Inc.*	100.0	December 31
K-Bin, Inc.*	100.0	December 31
Shin-Etsu Silicone (Nantong) Co., Ltd.*	100.0	December 31
Kashima Chlorine & Alkali Co., Ltd.	79.0	March 31
Kashima Vinyl Chloride Monomer Co., Ltd.	70.6	March 31
Shin-Etsu Magnetic Materials Vietnam Co., Ltd.*	100.0	December 31
Shin-Etsu Electronics Materials Taiwan Co., Ltd.*	100.0	December 31
Shin-Etsu Electronics (Malaysia) Sdn.Bhd.*	100.0	December 31

52 other consolidated subsidiaries

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Satisfaction of performance obligations for revenue recognition	
Description of Key Audit Matter	**Auditor's Response**
Shin-Etsu Chemical Co., Ltd. (the Company), along with its consolidated subsidiaries, is a chemical manufacturer comprised of the following four business segments: Electronics Materials, Infrastructure Materials, Functional Materials and Processing & Specialized Services, and whose main business is the manufacture and sale of related products. As described in Note 2, "Summary of significant accounting policies, (13) Standards for recognizing revenues and expenses" in the Notes to Consolidated Financial Statements, although revenue is ordinarily recognized when the Company satisfies its performance obligations by transferring products to customers based on sales contracts, the exact point in time when performance obligations are satisfied by the Company varies depending on a diverse range of specific contract terms since the Company sells a wide range of products to customers, not only in Japan, but also in various countries worldwide. Accordingly, regarding revenue recognition at the Company, there is a possibility that errors could be made in determining when the corresponding performance obligations are satisfied. Also, sales is one of the key figures which management and users of financial statements focus on. Based on the above, we determined the timing of revenue recognition to be a key audit matter.	Regarding revenue recognition at the Company, we performed the following audit procedures in assessing whether the revenue is recognized at the point in time when performance obligations are satisfied based on sales contracts, among others: ・ We evaluated the design and operating effectiveness of internal controls related to the sales process, including IT general controls and application controls over the sales systems. ・ By inspecting written contracts with major domestic or overseas customers or other documents, we assessed whether the point in time when performance obligations of sales transactions are satisfied is determined on the basis of the contract terms. ・ We tested appropriateness of the timing on which sales were recorded and the amounts thereof regarding sales transactions selected in consideration of their quantitative and qualitative materiality and randomly selected sales transactions by agreeing to related source documents such as bill of lading and acceptance reports. We selected sales transactions to be tested from each business segment. ・ For sales transactions occurring just before and after the fiscal year end, in order to evaluate the timing of revenue recognition, we randomly selected specific samples as deemed necessary after performing a trend analysis of daily sales to consider if there were any unusual fluctuations, and tested the selected sales transactions by agreeing to related source documents such as bill of lading and acceptance report. We selected sales transactions to be tested from each business segment. ・ We confirmed the balance of accounts receivable-trade directly with specific customers. We selected customers subject to external confirmation procedures in consideration of quantitative and qualitative materiality.

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 10, 2026

Noriaki Kenmochi
Designated Engagement Partner
Certified Public Accountant

Satoshi Kanazawa
Designated Engagement Partner
Certified Public Accountant

Tetsuya Kawawaki
Designated Engagement Partner
Certified Public Accountant