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(Translation)

(Securities Code 4063)
June 7, 2022

To: All Shareholders of Shin-Etsu Chemical Co., Ltd. (the “Company”)

Notice of Convocation of the 145th
Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 145th Ordinary General Meeting of Shareholders will be held as described below.

You are entitled to exercise your voting rights in writing or via the Internet. We would appreciate it if you would take the time to review the Reference Documents for the General Meeting of Shareholders attached hereto and exercise your voting rights no later than 5:00 p.m. on Tuesday, June 28, 2022.

Description of Meeting

1. Date and Time : June 29, 2022 (Wednesday) at 10:00 a.m. (the reception is to start at 9:00 a.m.)
2. Place : Conference Center on the 2nd floor of Otemachi Place East Tower at 3-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo
3. Agenda for the Meeting:
Matters to be reported : 1. Report on the Business Report, the Consolidated Financial Statements, and the Audit Reports of the Accounting Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements for the 145th fiscal year (April 1, 2021 through March 31, 2022)
2. Report on the Financial Statements for the 145th fiscal year (April 1, 2021 through March 31, 2022)

Matters to be resolved:

- 1st Agendum : Distribution of Retained Earnings to Shareholders
- 2nd Agendum : Amendment of Certain Provisions of the Articles of Incorporation
- 3rd Agendum : Election of Eleven (11) Directors
- 4th Agendum : Election of One (1) Audit & Supervisory Board Member
- 5th Agendum : Issuance of Stock Acquisition Rights as Stock Options to Employees

Very truly yours,

Yasuhiko Saitoh
Representative Director / President
Shin-Etsu Chemical Co., Ltd.
4-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo

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- ⊙ The Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements, which are to be attached to this notice of convocation, are published via the Internet on the website of the Company (<https://www.shinetsu.co.jp/en/>) pursuant to laws and the articles of incorporation of the Company. Therefore, the Consolidated Financial Statements and the Financial Statements attached to this notice of convocation are part of the Consolidated Financial Statements and the Financial Statements which the Audit & Supervisory Board Members and the Accounting Auditor audited in the course of preparing the audit report.
 - ⊙ Any modification that may be required in the Reference Documents for the General Meeting of Shareholders, or in the Business Report, the Consolidated Financial Statements or the Financial Statements, will be published via the Internet on the website of the Company (<https://www.shinetsu.co.jp/en/>).

Guidance on How to Exercise Voting Rights

If you will be exercising your voting rights in writing or via the Internet

By Voting Card

To reach us by: Tuesday, June 28, 2022 5:00 p.m.

Please indicate your approval or disapproval on the enclosed Voting Card and send it back by postal mail to reach us by the date and time shown above.

Via the Internet

To be exercised by: Tuesday, June 28, 2022 5:00 p.m.

Please access the voting rights exercise site which we specify below and indicate your approval or disapproval and send it via the internet by the date and time shown above.

Voting rights exercise site: <https://evote.tr.mufg.jp/>

If you will be attending the Meeting of Shareholders in person

Date: Wednesday, June 29, 2022 10:00 a.m.

(The reception desk will be opened at 9:00 a.m.)

Please hand in the enclosed Voting Card at the reception desk. In the interest of preserving resources, please bring this “Notice of Convocation” with you on the day of the Meeting.

If you exercise your voting rights multiple times

1. If you exercise your voting rights both by Voting Card and via the Internet, the rights exercised via the Internet will be treated as effective.
2. If you exercise your voting rights multiple times via the Internet, the latest exercised voting rights will be treated as effective. In addition, if you exercise your voting rights multiple times from a PC or a smartphone, the latest voting rights exercised from whichever devices will be treated as effective.

To Institutional Investors

You may exercise your voting rights using the “Electronic Voting System Platform,” operated by ICJ, Inc.

**Notice of Convocation of the 145th
Ordinary General Meeting of Shareholders**

Table of Contents

Reference Documents for Exercising Voting Rights	
Agenda and Reference Materials	
1st Agendum: Distribution of Retained Earnings to Shareholders	1
2nd Agendum: Amendment of Certain Provisions of the Articles of Incorporation	2
3rd Agendum: Election of Eleven (11) Directors	4
4th Agendum: Election of One (1) Audit & Supervisory Board Member	13
5th Agendum: Issuance of Stock Acquisition Rights as Stock Options to Employees	14
Annex	
Business Report	
I. Matters Concerning the Current State of the Company's Group	18
II. Matters Concerning Stock in the Company	26
III. Matters Concerning Stock Acquisition Rights Issued by the Company	27
IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company	30
V. Status of Accounting Auditor	38
VI. System to Ensure the Properness of Operations and the Progress thereof	40
Consolidated Financial Statements	
Consolidated Balance Sheet	45
Consolidated Statement of Income	47
Consolidated Statement of Changes in Net Assets	48
Financial Statements (Non-Consolidated)	
Balance Sheet (Non-Consolidated)	49
Statement of Income (Non-Consolidated)	51
Statement of Changes in Net Assets (Non-Consolidated)	52
Audit Reports	
Audit Report of Accounting Auditor on the Consolidated Financial Statements	54
Audit Report of Accounting Auditor on the Financial Statements (Non-Consolidated)	58
Audit Report of Audit & Supervisory Board	62

Reference Documents for Exercising Voting Rights

Agenda and Reference Materials

1st Agendum: Distribution of Retained Earnings to Shareholders

From the long-term perspective, the Company is focusing on expanding profitability and maintaining a solid financial base, with the basic policy of returning the fruits of such management efforts to the Company's shareholders in a proper, stable manner.

The Company proposes a year-end cash dividend distribution for the 145th fiscal year as summarized below:

1. Type of Assets Proposed for Distribution
Monetary
2. Asset Allotment Details and Total Amount
The Company proposes a monetary allotment of ¥250 per share of Common Stock in the Company; ¥103,861,196,250 in total.
3. Effective Date of Distribution of Retained Earnings
June 30, 2022

The Company has paid an interim cash dividend of ¥150 per share for the current fiscal year; thus, dividend payment for the full year will be ¥400 per share, ¥150 up from the ¥250 for the previous term.

2nd Agenda: Amendment of Certain Provisions of the Articles of Incorporation

1. Reason for Proposing Amendment

The amending provisions of the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Corporations Law (Act No. 70 of 2019) shall come into force on September 1, 2022. For the purpose of being prepared for the introduction of electronic distribution of materials for general meetings of shareholders, the Articles of Incorporation of the Company shall be amended.

- (1) Article 16 of the draft amended Articles of Incorporation provides that the Company shall distribute the information contained in reference documentation for general meetings of shareholders in an electronic format and limits the scope of matters to be stated in written documents distributed to shareholders who request the distribution of such documents.
- (2) The provisions relating to Internet disclosure and the deemed distribution of reference documentation for general meetings of shareholders (Article 16 of the current Articles of Incorporation) shall no longer be necessary and shall be deleted.
- (3) In connection with the above establishment and deletion of provisions, supplementary provisions relating to the effective date of the amendment, etc., shall be added.

2. Amendment Details

The amendment details are as follows:

(The proposed amended language is underlined.)

Current	Proposed Amendment
<p style="text-align: center;">CHAPTER III. GENERAL MEETINGS OF SHAREHOLDERS</p> <p><u>(Internet Disclosure & Deemed Distribution of Reference Documentation for General Meetings of Shareholders)</u></p> <p><u>Article 16. In convening general meetings of shareholders, the Company may disclose by way of the Internet, and in accordance with the applicable Ministry of Justice ordinance, information regarding the affairs that the Company is required to record or present in reference documents prepared therefor and in its business reports, financial statements and consolidated financial statements, and may deem these particulars to have been distributed to shareholders as a result of such disclosure.</u></p>	<p style="text-align: center;">CHAPTER III. GENERAL MEETINGS OF SHAREHOLDERS</p> <p style="text-align: center;">(Deleted)</p>

3rd Agendum: Election of Eleven (11) Directors

Upon the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of all eleven (11) Directors will expire. Accordingly, the Board of Directors proposes that eleven (11) persons be elected as Directors.

The candidates are as follows:

Candidate number		Name	Current Position and Responsibilities at the Company	
1	Reappointment Candidate	Chihiro Kanagawa	Representative Director and Chairman	
2	Reappointment Candidate	Fumio Akiya	Representative Director and Vice Chairman In charge of Semiconductor Materials and Technologies	
3	Reappointment Candidate	Yasuhiko Saitoh	Representative Director and President	
4	Reappointment Candidate	Susumu Ueno	Director, Senior Managing Corporate Officer In charge of Special Functional Products Dept. General Manager, Silicone Div.	
5	Reappointment Candidate	Masahiko Todoroki	Director, Senior Managing Corporate Officer In charge of Semiconductor Materials Dept.	
6	Reappointment Candidate	Shunzo Mori	Director and Adviser	
7	Reappointment Candidate	Tsuyoshi Miyazaki	Outside Director Independent Officer	Director
8	Reappointment Candidate	Toshihiko Fukui	Outside Director Independent Officer	Director
9	Reappointment Candidate	Hiroshi Komiyama	Outside Director Independent Officer	Director
10	Reappointment Candidate	Kuniharu Nakamura	Outside Director Independent Officer	Director
11	Newly Nominated Candidate	Michael H. McGarry	Outside Director Independent Officer	

<p>No. 1</p> <p>Chihiro Kanagawa (March 15, 1926)</p> <p>Number of Company Shares Held 287,600 shares</p> <p><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Feb., 1962 Joined the Company Dec., 1970 General Manager of Overseas Business Div. Jan., 1975 Director Aug., 1976 Managing Director Jan., 1979 Senior Managing Director Aug., 1983 Representative Director and Executive Vice President Aug., 1990 Representative Director and President June, 2010 Representative Director and Chairman (to date)</p> <p>-Important Positions in Other Entities- Director and Chairman of SHINTECH INC.</p> <p>▶There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director</p> <p>Mr. Chihiro Kanagawa has done his utmost to increase the Company's value such as by leading the Company with his excellent management prowess, building up the world's largest PVC and semiconductor silicon operations, endeavoring to establish an even stronger operational foundation and serving as the chairman of the Meeting of Board of Directors. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 2</p> <p>Fumio Akiya (October 20, 1940)</p> <p>Number of Company Shares Held 11,800 shares</p> <p><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1964 Joined the Company Oct., 1997 General Manager of Technology Dept. June, 1998 Director June, 2000 Managing Director June, 2002 Senior Managing Director June, 2004 In charge of Technology (to date) July, 2007 Representative Director and Senior Managing Director Nov., 2008 In charge of Semiconductor Materials (to date) June, 2009 Representative Director and Executive Vice President June, 2016 Representative Director and Vice Chairman (to date)</p> <p>-Important Positions in Other Entities- Representative Director and President of Shin-Etsu Handotai Co., Ltd.</p> <p>▶There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director</p> <p>Mr. Fumio Akiya has extensive knowledge on production technologies and has endeavored to construct a strong foundation in the semiconductor silicon operations, and has done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

<p>No. 3</p> <p style="text-align: center;">Yasuhiko Saitoh (December 5, 1955)</p> <p>Number of Company Shares Held 27,100 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1978 Joined the Company Dec., 1999 Director of Shin-Etsu PVC B.V. (to date) June, 2001 Director of the Company June, 2002 Managing Director June, 2005 Senior Managing Director July, 2007 Representative Director and Senior Managing Director June, 2010 Representative Director and Executive Vice President June, 2016 Representative Director and President (to date)</p> <p>-Important Positions in Other Entities-</p> <p>Director and President of SHINTECH INC. Director and President of Shin-Etsu Handotai America, Inc.</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director</p> <p>Mr. Yasuhiko Saitoh has been contributing to the development of the international business of the Group, including our PVC operations in the U.S., for many years, and since taking office as the President in June 2016, he has used his global management experience and done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 4</p> <p style="text-align: center;">Susumu Ueno (May 24,1943)</p> <p>Number of Company Shares Held 13,506 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1968 Joined the Company June, 2005 General Manager of Gunma Complex June, 2013 Director General Manager of Silicone Div. (to date) June, 2015 Managing Director June, 2016 Senior Managing Director June, 2021 Director, Senior Managing Corporate Officer (to date) Apr., 2022 In charge of Special Functional Products Dept. (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director</p> <p>Mr. Susumu Ueno has extensive knowledge on the field of production and has endeavored to expand the Silicone operations which have produced diverse products for many years, and has done his utmost to increase the Company's value such as by taking charge of Special Functional Products Dept. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

<p>No. 5</p> <p style="text-align: center;">Masahiko Todoroki (May 16, 1953)</p> <p>Number of Company Shares Held 16,220 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1976 Joined the Company Jan., 2001 General Manager of Planning & Administration Dept. of Semiconductor Materials Div. Apr., 2004 Director of Shin-Etsu Handotai Co., Ltd. June, 2006 Director of the Company June, 2009 Managing Director of Shin-Etsu Handotai Co., Ltd. June, 2010 Managing Director of the Company June, 2017 Senior Managing Director of Shin-Etsu Handotai Co., Ltd. (to date) Senior Managing Director of the Company June, 2021 Director, Senior Managing Corporate Officer (to date) Apr., 2022 In charge of Semiconductor Materials Dept. (to date)</p> <p>-Important Positions in Other Entities- Senior Managing Director of Shin-Etsu Handotai Co., Ltd.</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Masahiko Todoroki has endeavored to expand the semiconductor silicon operations for many years and has done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>
<p>No. 6</p> <p style="text-align: center;">Shunzo Mori (June 27, 1937)</p> <p>Number of Company Shares Held 19,250 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Sept., 1963 Joined the Company May, 1985 Director of Shin-Etsu Engineering Co., Ltd. May, 1988 Managing Director of the above Jan., 1992 General Manager of Takefu Plant of the Company June, 1992 Director June, 1996 Managing Director June, 1998 Senior Managing Director July, 2007 Representative Director and Senior Managing Director June, 2009 Representative Director and Executive Vice President June, 2010 Representative Director and President June, 2016 Director and Adviser (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons for Electing the Candidate for Director Mr. Shunzo Mori has provided the Company with useful advice at the Board of Directors meetings, etc. from broad perspectives based on abundant experience as an engineer and corporate management experience earned by serving as President from June 2010 to June 2016 and done his utmost to increase the Company's value. Considering these reasons, he has been chosen as a candidate for the position of Director with expectations that he will continue contributing to the Company's management.</p>

No. 7

Tsuyoshi Miyazaki

(December 16, 1931)

Number of Company Shares Held
0 shares

Reappointment Candidate

Outside Director

Independent Officer

► Career Summary, Positions, Responsibilities, and Important Positions in Other Entities

Mar., 1990 Representative Director and President of Mitsubishi Logistics Corporation
June, 1998 Representative Director and Chairman of the above
June, 2003 Adviser of the above (to date)
Aug., 2004 Audit & Supervisory Board Member of Shin-Etsu Handotai Co., Ltd.
June, 2007 Director of the Company (to date)

► There is no special interest between the candidate and the Company.

► Reasons, etc. for Electing the Candidate for Outside Director

Mr. Tsuyoshi Miyazaki is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. He has shared his beneficial recommendations, capitalizing on his management experience at Mitsubishi Logistics Corporation, a global logistics company, and based on his wealth of experience and outstanding knowledge as a corporate manager. He also has provided supervision from an independent standpoint. In view of this, his nomination as a candidate for Outside Director reflects the confidence that the Company places in him to continue to provide the required quality of recommendations and supervision. Moreover, he assumed the position of Outside Director of the Company in June 2007 so his term of office as Outside Director of the Company will have reached fifteen (15) years as of the close of this General Meeting of Shareholders.

► Mr. Tsuyoshi Miyazaki served as an Audit & Supervisory Board Member of our subsidiary Shin-Etsu Handotai Co., Ltd. from August 2004 to June 2007.

► The Company has reported Mr. Tsuyoshi Miyazaki as an Independent Officer as provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If Mr. Miyazaki will be reappointed as Director, he is planned to continue acting as an Independent Officer.

<p>No. 8</p> <p style="text-align: center;">Toshihiko Fukui (September 7, 1935)</p> <p>Number of Company Shares Held 0 shares</p> <p style="text-align: center;"> Reappointment Candidate Outside Director Independent Officer </p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>Apr., 1958 Joined the Bank of Japan Dec., 1994 Deputy Governor of the above Mar., 2003 Governor of the above June, 2009 Director of the Company (to date)</p> <p>-Important Positions in Other Entities-</p> <p>President of the Canon Institute for Global Studies Outside Director of Kikkoman Corporation</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p>▶Reasons, etc. for Electing the Candidate for Outside Director</p> <p>Mr. Toshihiko Fukui is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. He has provided beneficial recommendations, capitalizing on his outstanding knowledge and wealth of experience related to global finance and the global economy as a former Governor of the Bank of Japan. He also has provided supervision from an independent standpoint. In view of this, his nomination as a candidate for Outside Director reflects the confidence that the Company places in him to continue to provide the required quality of recommendations and supervision. Moreover, he assumed the position of Outside Director of the Company in June 2009 so his term of office as Outside Director of the Company will have reached thirteen (13) years as of the close of this General Meeting of Shareholders.</p> <p>▶The Company has reported Mr. Toshihiko Fukui as an Independent Officer as provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If Mr. Fukui will be reappointed as Director, he is planned to continue acting as an Independent Officer.</p>
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<p>No. 9</p> <p>Hiroshi Komiyama (December 15, 1944)</p> <p>Number of Company Shares Held 3,200 shares</p> <p><u>Reappointment Candidate</u> <u>Outside Director</u> <u>Independent Officer</u></p>	<p>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>July, 1988 Professor, School of Engineering, The University of Tokyo</p> <p>Apr., 2000 Dean of the Graduate School of Engineering, Dean of the School of Engineering, The University of Tokyo</p> <p>Apr., 2005 President of National University Corporation, The University of Tokyo</p> <p>June, 2010 Director of the Company (to date)</p> <p>-Important Positions in Other Entities-</p> <p>Chairman, Mitsubishi Research Institute, Inc.</p> <p>▶There is no special interest between the candidate and the Company.</p> <p>▶Reasons, etc. for Electing the Candidate for Outside Director</p> <p>Mr. Hiroshi Komiyama is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. Mr. Komiyama, who has held, in succession, various important posts, including the President of the University of Tokyo, has provided beneficial recommendations, capitalizing on his outstanding knowledge and wealth of experience in a wide variety of fields, including chemical technology, the global environment, resources, and energy. He also has provided supervision from an independent standpoint. In view of this, his nomination as a candidate for Outside Director reflects the confidence that the Company places in him to continue to provide the required quality of recommendations and supervision. Moreover, he assumed the position of Outside Director of the Company in June 2010 so his term of office as Outside Director of the Company will have reached twelve (12) years as of the close of this General Meeting of Shareholders.</p> <p>▶The Company has reported Mr. Hiroshi Komiyama as an Independent Officer as provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If Mr. Komiyama will be reappointed as Director, he is planned to continue acting as an Independent Officer.</p>
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<p>No. 10</p> <p>Kuniharu Nakamura (August 28, 1950)</p> <p>Number of Company Shares Held 0 shares</p> <p><u>Reappointment Candidate</u> <u>Outside Director</u> <u>Independent Officer</u></p>	<p>▶ Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</p> <p>June, 2012 Representative Director and President, SUMITOMO CORPORATION</p> <p>Apr., 2018 Representative Director and Chairman of the above</p> <p>June, 2018 Director and Chairman of the above (to date)</p> <p>June, 2020 Director of the Company (to date)</p> <p>-Important Positions in Other Entities-</p> <p>Director and Chairman, SUMITOMO CORPORATION</p> <p>Outside Director, NEC Corporation</p> <p>▶ Although the candidate is the Director and Chairman of SUMITOMO CORPORATION and it is a trading partner of the Company, the value of the transactions between them is less than one percent (1%) of our and their net sales. In this respect, the Company concludes that his independence will not be affected.</p> <p>▶ Reasons, etc. for Electing the Candidate for Outside Director</p> <p>Mr. Kuniharu Nakamura is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. Mr. Nakamura, who has held, in succession, various important posts, including Representative Director and President of SUMITOMO CORPORATION, has provided beneficial recommendations, capitalizing on his outstanding knowledge and wealth of experience in international business in a wide variety of fields. He also has provided supervision from an independent standpoint. In view of this, his nomination as a candidate for Outside Director reflects the confidence that the Company places in him to continue to provide the required quality of recommendations and supervision. Moreover, he assumed the position of Outside Director of the Company in June 2020 so his term of office as Outside Director of the Company will have reached two (2) years as of the close of this General Meeting of Shareholders.</p> <p>▶ The Company has reported Mr. Kuniharu Nakamura as an Independent Officer as provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If Mr. Nakamura will be reappointed as Director, he is planned to continue acting as an Independent Officer.</p>
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<p>No. 11</p> <p>Michael H. McGarry (March 7, 1958)</p> <p>Number of Company Shares Held 0 shares</p> <p><u>Newly Nominated Candidate</u> <u>Outside Director</u> <u>Independent Officer</u></p>	<p>►Career Summary, Positions, Responsibilities, and Important Positions in Other Entities July, 2015 Director, Chief Executive Officer of PPG Industries, Inc. Sep., 2016 Director, Chairman and Chief Executive Officer of the above (to date)</p> <p>-Important Positions in Other Entities- Director, Chairman and Chief Executive Officer, PPG Industries, Inc. Director, United States Steel Corporation</p> <p>►Although the candidate is the Director, Chairman and Chief Executive Officer of PPG Industries, Inc. and it is a trading partner of the Company, the value of the transactions between them is less than one percent (1%) of our and their net sales. In this respect, the Company concludes that his independence will not be affected.</p> <p>►Reasons, etc. for Electing the Candidate for Outside Director Mr. Michael H. McGarry is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. Mr. McGarry, who concurrently serve as Director, Chairman and Chief Executive Officer of PPG Industries, Inc. in the United States, a worldwide manufacturer of paints, coatings, etc., is well versed in management in the United States, Europe, and Asia, and has prominent knowledge and abundant experience in a wide range of chemical fields, including driving business portfolio reforms at the company. Considering these reasons, he has been chosen as a candidate for the position of Outside Director, with the expectation that he will contribute to establishing appropriate corporate governance through advice leveraging his management experience and supervision from an independent standpoint.</p> <p>► Mr. Michael H. McGarry meets the Independent Officer requirements provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If the proposed election of him is approved, it is planned that he will serve as an Independent Officer.</p>
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- Notes: 1. The Company has entered into an agreement with each of the four persons, Mr. Tsuyoshi Miyazaki, Mr. Toshihiko Fukui, Mr. Hiroshi Komiyama and Mr. Kuniharu Nakamura, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of the said law to the amount set forth in the applicable law. If their reelections are approved, the relevant agreements are scheduled to remain effective. If Mr. Michael H. McGarry is appointed as director and assumes the position, the Company will enter into the same agreement with him.
2. The Company has entered into a directors and officers liability insurance agreement with an insurance company, pursuant to Paragraph 1, Article 430-3 of the Corporations Law. The outline of the contents of the insurance agreement is as described in “IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company, 1. Name and Other Information Concerning Directors and Audit & Supervisory Board Members, Note 7” of the business report. The candidates other than Mr. Michael H. McGarry are covered by the insurance agreement and they will continue to be covered by these insurance policies upon approval of their reappointment. If Mr. Michael H. McGarry is appointed as director and assumes the position, he will be covered by these insurance policies. In addition, the Company plans to renew the insurance policies on the same terms at the next time of renewal.

4th Agendum: Election of One (1) Audit & Supervisory Board Member

Upon the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of one (1) Audit & Supervisory Board Member, namely, Mr. Yoshihito Kosaka will expire. Accordingly, the Board of Directors proposes that one (1) person be elected as Audit & Supervisory Board Member.

The candidate for the above is as follows:

In addition, this agendum has obtained the consent of the Audit & Supervisory Board.

<p style="text-align: center;">Yoshihito Kosaka (July 13, 1955)</p> <p>Number of Company Shares Held 600 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u> <u>Outside Audit & Supervisory Board Member</u> <u>Independent Officer</u></p>	<p>► Career Summary, Positions, and Important Positions in Other Entities</p> <p>Dec., 1984 Registered as a Certified Public Tax Accountant Mar., 1990 Registered as a Certified Public Accountant Apr., 1991 Representative Partner, Actus Audit Corporation (currently Grant Thornton Taiyo LLC) June, 2006 Audit & Supervisory Board Member of the Company (to date) Nov., 2020 Representative Partner, HIYU Certified Tax Accountants' Corporation (to date)</p> <p>-Important Positions in Other Entities- Representative Partner, HIYU Certified Tax Accountants' Corporation</p> <p>► There is no special interest between the candidate and the Company.</p> <p>► Reasons, etc. for Electing the Candidate for Outside Audit & Supervisory Board Member</p> <p>Mr. Yoshihito Kosaka is a candidate for Outside Audit & Supervisory Board Member as defined in Item 8, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. He has satisfactorily performed his auditing duties from a professional perspective with respect to finance and accounting as a Certified Public Accountant and a Certified Public Tax Accountant. In view of this, his nomination as a candidate for Outside Audit & Supervisory Board Member reflects the confidence that the Company places in him that he will continue to provide the same appropriate performance as Outside Audit & Supervisory Board Member and to contribute to ensuring the compliance system. Moreover, he assumed the position of Outside Audit & Supervisory Board Member of the Company in June 2006 so his terms of office as Outside Audit & Supervisory Board Member of the Company will have reached sixteen (16) years as of the close of this General Meeting of Shareholders.</p> <p>► The Company has reported Mr. Yoshihito Kosaka as an Independent Officer as provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If Mr. Kosaka will be reappointed as Audit & Supervisory Board Member, he is planned to continue acting as an Independent Officer.</p>
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- Notes 1. The Company has entered into an agreement with Mr. Yoshihito Kosaka, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of the said law to the amount set forth in the applicable law. If his reelection is approved, the relevant agreement is scheduled to remain effective.
2. The Company has entered into a directors and officers liability insurance agreement with an insurance company, pursuant to Paragraph 1, Article 430-3 of the Corporations Law. The outline of the contents of the insurance agreement is as described in “IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company, 1. Name and Other Information Concerning Directors and Audit & Supervisory Board Members, Note 7” of the business report. Mr. Yoshihito Kosaka is covered by the insurance agreement, and he will continue to be covered by these insurance policies upon approval of his reappointment. In addition, the Company plans to renew the insurance policies on the same terms at the next time of renewal.

5th Agenda: Issuance of Stock Acquisition Rights as Stock Options to Employees

In accordance with the provisions of Articles 236, 238 and 239 of the Corporations Law, the Company proposes to issue stock acquisition rights as stock options to executive-level employees, and to entrust the authorization of such issue, and the determination of the conditions for invitation to the stock acquisition, to the Board of Directors.

1. Reason for issuing stock acquisition rights with particularly advantageous terms and conditions:

For the purpose of enhancing the willingness and the morale to perform their duties and to improve the Company's business performance, stock acquisition rights may be issued to executive-level employees without the requirement for cash payment, in accordance with the outlines described below.

2. Substance and maximum quantity of the stock acquisition rights, etc. conditions for invitation of which may be determined based on authorization

- (1) Type and quantity of shares subject to the stock acquisition rights:

The type of share subject to the stock acquisition rights shall be the common shares of the Company, and the quantity of shares subject to the stock acquisition rights (hereinafter called the "Number of Granted Shares") shall be one hundred (100) shares per one (1) stock acquisition right.

After the day when the stock acquisition rights are allocated (hereinafter called the "Allocation Day"), if the Company makes a share split (including gratis distribution, and the same is hereinafter applicable to the descriptions of share split) or a share consolidation of common shares of the Company, the Number of Granted Shares shall be adjusted according to the formula described below. Such adjustment, however, shall be made to the Number of Granted Shares for the stock acquisition rights that are not yet exercised at that point of time, and if, as a result of the adjustment, there arises any share less than one (1) share, such fraction shall be omitted.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Ratio of share split or share consolidation

In addition to the above, if any cause arises to force the Company to adjust the Number of Granted Shares, the Company shall make the adjustments considered necessary.

- (2) Upper limit of the number of stock acquisition rights

The number of stock acquisition rights shall be limited to 3,500 rights.

(Up to 350,000 common shares of the Company shall be issued at the exercise of stock acquisition rights. If the Number of Granted Shares is adjusted as prescribed in (1) above, however, the Company shall adjust the upper limit by multiplying the adjusted Number of Granted Shares by the upper limit of the number of stock acquisition rights.)

- (3) Payment for the stock acquisition rights

No payment of cash is needed for issuance of the stock acquisition rights.

- (4) Calculation of the value of assets to be contributed at exercise of each stock acquisition right

The value of assets to be contributed at the exercise of each stock acquisition right shall be (x) the amount of investment per share issued at the exercise of a stock acquisition right calculated in the following (hereinafter called the "Exercise Price") multiplied by (y) the Number of Granted Shares.

The Exercise Price shall be 1.025 times as high as the closing price of the common shares of the Company at the Tokyo Stock Exchange averaged on a daily basis (excluding days with no transactions closed) during the month prior to the month including the day of resolution by the Board of Directors to decide conditions for invitation of the stock acquisition rights, or 1.025 times as high as the closing price of the common shares of the Company at the Tokyo Stock Exchange on the day prior to the day of resolution by the Board of Directors to decide conditions for invitation of the stock acquisition rights (if there is no closing price on such date, the closing price of the closest preceding day), whichever is higher, and fractions less than one (1) yen shall be rounded up.

After an Allocation Day, when the Company issues new common shares or disposes of treasury shares at a price lower than the market price (excluding the sale of treasury stock in accordance with the provisions of Article 194 (Request by the Holder of Fractional Shares for Sale of the Fractional Shares) of the Corporations Law, the conversion of any certificate that shall or may be converted to common shares of the Company, and the exercise of a stock acquisition right (including a right attached to a corporate bond with a stock acquisition right)), the Company shall adjust the Exercise Price according to the formula described below, and if, as a result thereof, there arises any fraction less than one (1) yen, such fraction shall be rounded up.

Exercise Price after adjustment = Exercise Price before adjustment

$$\times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Payment amount per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

(In the formula above, “Number of issued shares” is the gross total number of shares issued by the Company minus the number of treasury shares held by the Company, and at the disposal of treasury shares, “Number of shares newly issued” shall be replaced with “Number of treasury shares to be disposed of.”)

If a share split or a share consolidation is effected after an Allocation Day, the Exercise Price shall be adjusted according to the formula described below, and any fractions less than one (1) yen resulting from such adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition to the above, if any cause arises to force the Company to adjust the Exercise Price, the Company shall make adjustments considered necessary.

(5) Period during which a stock acquisition right may be exercised

The period starting on the day following the day that is two (2) years after the Allocation Day and ending on the day that is seven (7) years after the Allocation Day.

(6) Matters related to capital stock and capital reserve to be increased by issuance of shares at exercise of the stock acquisition rights

(i) The amount of capital stock increased by issuance of shares at exercise of the stock acquisition rights shall be half (1/2) of the limit of an increase in capital stock and the like to be calculated in accordance with Paragraph 1, Article 17 of the Corporate Accounting Rules, and a resulting fraction less than one (1) yen shall be rounded up.

(ii) The amount of capital reserve increased by issuance of shares at the exercise of the stock acquisition rights shall be the limit of an increase in capital stock and the like in (i) minus the amount of capital stock increased prescribed in (i).

(7) Restriction on acquisition of a stock acquisition right through transfer

Acquisition of a stock acquisition right through transfer requires approval by a resolution of the Board of Directors of the Company.

(8) Conditions for acquisition of the stock acquisition rights

- (i) If an agendum to approve a merger agreement that will make the Company a disappearing company is approved at a General Meeting of Shareholders of the Company, or if an agendum to approve a corporate split agreement or a corporate split plan that will make the Company a split company, or if an agendum for a share exchange agreement or a share transfer plan that will make the Company become a wholly-owned subsidiary of another company is approved at a General Meeting of Shareholders of the Company (in either case, if no resolution at a General Meeting of Shareholders is needed, resolved by the Board of Directors of the Company), the Company may acquire back the stock acquisition rights without compensation on the day specified by the Board of Directors of the Company.
- (ii) If those persons to whom the stock acquisition rights are issued or the heirs of such persons no longer satisfy the conditions to exercise the stock acquisition rights prescribed in the “Stock Acquisition Right Agreement” concluded between the Company and employees concerned based on the resolution at a General Meeting of Shareholders and at a meeting of the Board of Directors, the Company may acquire back the stock acquisition rights concerned without compensation on the day specified by the Board of Directors of the Company.

(9) Handling of the stock acquisition rights under the Reorganization Action

When the Company effects a merger (only when the Company disappears), an absorption corporate split, a foundation corporate split, a share exchange or a share transfer (hereinafter collectively called a “Reorganization Action”), under the following conditions, stock acquisition rights of a joint stock corporation listed in any of Sub-Items a - e in Item 8, Paragraph 1, Article 236 of the Corporations Law (hereinafter called the “Reorganized Corporation”) shall be delivered to holders of stock acquisition rights (hereinafter called “Remaining Stock Acquisition Rights”) remaining unexercised as of the point of time when the Reorganization Action comes into effect. In this case, the Remaining Stock Acquisition Rights shall expire, and the Reorganized Corporation shall issue new stock acquisition rights. This issuance, however, shall be limited to the case where the issuance of the stock acquisition rights of the Reorganized Corporation under the following conditions is prescribed in the absorption merger agreement, the foundation merger agreement, the absorption corporate split agreement, the plan of the foundation corporate split, the share exchange agreement, or the plan of the share transfer:

- (i) Number of the stock acquisition rights to be issued by the Reorganized Corporation
The same number of stock acquisition rights shall be issued as the number of the Remaining Stock Acquisition Rights.
- (ii) Type of share of the Reorganized Corporation subject to the stock acquisition rights
Common shares of the Reorganized Corporation.
- (iii) Number of shares of the Reorganized Corporation subject to the stock acquisition rights
This number shall be decided in the same manner as (1) above taking into consideration the conditions for the Reorganization Action.

- (iv) Value of assets to be contributed at exercise of each stock acquisition right
The value of assets to be contributed at exercise of each stock acquisition right shall be the amount of contribution calculated through adjustments, taking into consideration the conditions for the Reorganization Action, multiplied by the number of shares subject to the stock acquisition right as decided in (iii) above.
- (v) Period during which a stock acquisition right may be exercised
This period shall commence on the starting day of the period for exercising the stock acquisition right specified in (5) above, or the day when the Reorganization Action comes into effect, whichever is later, and end on the day of expiration of the period during which a stock acquisition right may be exercised as specified in (5) above.
- (vi) Matters related to capital stock and capital reserve to be increased by issuance of shares at the exercise of the stock acquisition rights
They shall be decided in the same manner as (6) above.
- (vii) Restriction on acquisition of a stock acquisition right through transfer
Acquisition of a stock acquisition right through transfer requires approval by the Reorganized Corporation.
- (viii) Conditions for acquisition of the stock acquisition rights
They shall be decided in the same manner as (8) above.
- (10) Omission of fractions resulting from the exercise of stock acquisition rights
Fractions less than one (1) share shall be omitted from the shares issued to holders of stock acquisition rights at the exercise of the rights.
- (11) Authorization to decide the conditions for invitation of the stock acquisition rights, and the like
Conditions for invitation of the stock acquisition rights, and related details, other than the aforementioned, shall be decided by resolutions at meetings of the Board of Directors to be held separately.

[End]

BUSINESS REPORT

(April 1, 2021 through March 31, 2022)

I. Matters Concerning the Current State of the Company's Group

1. Business Operations

During the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022), the world economy continued to grow steadily, as indicated by the economic growth rate (GDP growth rate) of over 5%. On the other hand, Russia invaded Ukraine in February 2022 and the world was shaken up, while the major economic zones continued to grapple with the COVID-19 pandemic, supply turmoil, price pressures and other challenges. The Shin-Etsu Group will continue to respond with alacrity and without prejudgment to changing circumstances. Going forward, the Company will continue to give the utmost priority to the health and safety of the Company's employees, focus on business requirements such as maintaining high operations, ensuring a stable supply, and protecting accounts receivables, and maintain communication with the Company's customers. The Company will promote the development of valuable products and provide a stable supply of products of unwavering quality.

As a result, the net sales for the Company's group for this consolidated fiscal year increased by 38.6% (577,522 million yen) compared with the previous fiscal year to 2,074,428 million yen. Compared to the performance of the previous fiscal year, operating income increased by 72.4% (284,109 million yen) to 676,322 million yen, ordinary income increased by 71.4% (289,333 million yen) to 694,434 million yen, and profit attributable to owners of parent increased by 70.3% (206,385 million yen) to 500,117 million yen.

The business operations of each division were as follows:

The Company changed the reportable segments from this fiscal year. The main products and services belonging to each of the new reportable segments are described in "I. Matters Concerning the Current State of the Company's Group, 6. Major Lines of Business of the Company's Group" of this report. With this change, the goals of the Company's businesses will become clearer, and the report will be more suitable for the markets and industries in which the Company's business operates and makes its contribution. Accordingly, comparisons of net sales and operating income with the previous consolidated fiscal year are based on the segmentation after the change.

Infrastructure Materials

This division's total sales increased by 76.4% (371,322 million yen) from the previous fiscal year to 857,189 million yen, and operating income increased 3.2 times (218,191 million yen) to 317,792 million yen.

The demand for both PVC and caustic soda remained strong, and the Company worked to raise product prices in light of the raw material situation. The Company continued full operation at all bases including SHINTECH INC. in the United States except for the scheduled maintenance period of each plant.

Electronics Materials

This division's total sales increased by 19.0% (113,303 million yen) from the previous fiscal year to 708,979 million yen, and operating income increased by 18.8% (38,693 million yen) to 244,778 million yen.

The global supply shortage of semiconductor devices has not been resolved yet. To meet the strong demand from customers, the Company shipped the maximum number of semiconductor materials such as silicon wafer, photoresists, and photomask blanks. Even with respect to rare earth magnets, despite the restrictions on operations in production bases in Asia due to coronavirus infections and natural disasters, the Company operated as much as possible in order to meet the vigorous demands in all areas such as automobiles, industrial equipment, and products for hard-disk drives, etc.

Functional Materials

This division's total sales increased by 25.9% (81,354 million yen) from the previous fiscal year to 395,626 million yen, and operating income increased by 34.0% (24,063 million yen) to 94,774 million yen.

Amid the continuing global logistics turmoil, the Company made efforts to maximize shipments and worked on price adjustments in response to high raw material prices. At the same time, the Company launched a lot of distinctive products to increase sales. The Company has also started raising prices for cellulose derivatives.

Processing & Specialized Services

This division's total sales increased by 11.4% (11,542 million yen) from the previous fiscal year to 112,632 million yen, and operating income increased by 28.1% (4,590 million yen) to 20,910 million yen.

Shipments of semiconductor wafer-related containers were strong for both transporting use and manufacture process use, and shipments of input devices for automobiles were also strong. Sales of PVC wrapping film for food packaging increased due to the consolidation of KitcheNista Co., Ltd. The Company has raised prices for silicone-related products and PVC-related products.

2. Status of Capital Investments and Procurement of Funds of the Company's Group

The Company's group invested 213,918 million yen during this consolidated fiscal year mainly in the following:

Major facilities completed during this consolidated fiscal year:

Construction of an integrated PVC manufacturing plant (1st phase) (SHINTECH INC.)

Enhancement of the facility for manufacturing silicone (the Company's Gunma Complex and Asia Silicones Monomer Limited, among others)

Enhancement of the facility for manufacturing photoresist (Shin-Etsu Electronic Material Taiwan Co., Ltd.)

Construction of a new facility for manufacturing low dielectric constant thermosetting resins for 5G products (the Company's Naoetsu Plant)

Facilities under construction as of the end of this consolidated fiscal year:

Enhancement of an integrated PVC manufacturing plant (2nd phase) (SHINTECH INC.)

Enhancement of the facility for manufacturing silicones advanced functional products (the Company's Gunma Complex, Takefu Plant and Naoetsu Plant)

Capital investment for the reduction in the volume of greenhouse gas emissions (gas turbine power generators, enhancement of the facility for manufacturing silicone products that contribute to the environment) (the Company's Gunma Complex)

Enhancement of the facility for manufacturing photoresist (the Company's Naoetsu Plant)

The Company's group expended mostly its own funds for investment capital during this consolidated fiscal year.

3. Problems Confronting the Company's Group

(1) Basic Management Policies and Mid- to Long-term Management Strategies

The Company aims to respond to the Company's shareholders' expectations by contributing to society and industries through value creation with the Company's materials and technologies. To achieve this, the Company is developing numerous products that will help resolve the issues faced by customers and industries. At the same time, while pursuing the world's highest level of technology and quality and constantly striving to improve productivity, the Company is stably supplying products to customers all over the world. In order to sustain this, the Company is striving for management that can respond promptly and precisely to changes in economic conditions and market conditions.

In every economy it is imperative to maximize efficiency in this day and age when there is a greater need for human society to pursue sustainable growth and better quality of life while lessening the burden on the environment. The Company believes that the Company has and can play a key role to that end. In addition to reducing greenhouse gas emissions by ourselves, the Company will focus on providing technologies and materials that are useful for decarbonization. The Company will work to ensure that many of the Company's products serve these purposes and that the more the Company's products are used, the more the Company can contribute to industry and people's lives. The Company will thus fulfill the Company's role as an essential supplier that supports the world's industries and people's lives.

The Company will meet the demands of the times, such as the move to make things "ubiquitous" and carbon-neutralization, and realize sustainable growth.

(2) Problems Confronting the Company's Group

In order to reliably meet the demands of the Company's customers, the Company constantly inspects the supply system, including the supply chain, and takes measures to expand it. The fluctuation range of the economic situation has become wider than in the past, and the Company will strive to improve the Company's adaptability and resilience to these changes. The Company will review the location of new and expanded supply capacities. The Company will inspect the Company's business conditions carefully so that the Company can face up to the so-called imponderable situations.

4. Trend of Business Results and Financial Conditions

Item	Year	142nd Fiscal Year	143rd Fiscal Year	144th Fiscal Year	145th Fiscal Year
Net Sales	(Million Yen)	1,594,036	1,543,525	1,496,906	2,074,428
Profit attributable to owners of parent	(Million Yen)	309,125	314,027	293,732	500,117
Net Income per Share	(Yen)	725.99	755.17	706.76	1,203.80
Net Assets	(Million Yen)	2,532,556	2,723,141	2,886,625	3,429,208
Total Assets	(Million Yen)	3,038,717	3,230,485	3,380,615	4,053,412

Notes: 1. For the 143rd Fiscal Year, net sales decreased because certain products were affected by market conditions.

2. For the 144th Fiscal Year, net sales and net income decreased due to the impact of the coronavirus crisis.

5. Status of Major Subsidiary Companies, etc. (as of March 31, 2022)

(1) Status of Major Subsidiary Companies

Name of Company	Amount of Capital	Holding Ratio (%)	Major Lines of Business
SHINTECH INC. (U.S.A.)	US\$18.75	100.0	Manufacture and sales of polyvinyl chloride
Shin-Etsu Handotai Co., Ltd.	¥10,000 million	100.0	Manufacture and sales of semiconductor silicon
Shin-Etsu Handotai America, Inc. (U.S.A.)	US\$150 million	100.0 (100.0)	Manufacture and sales of semiconductor silicon
Shin-Etsu PVC B.V. (Netherlands)	EUR18 thousand	100.0 (100.0)	Manufacture and sales of polyvinyl chloride
Shin-Etsu Engineering Co., Ltd.	¥200 million	100.0	Design, engineering and construction of plants, etc.
S.E.H. Malaysia Sdn. Bhd. (Malaysia)	RM188 million	100.0 (100.0)	Processing and sales of semiconductor silicon
Shin-Etsu Handotai Taiwan Co., Ltd. (Taiwan)	NT\$1,500 million	70.0 (70.0)	Processing and sales of semiconductor silicon
Shin-Etsu Polymer Co., Ltd.	¥11,635 million	53.5 (0.1)	Manufacture and sales of plastic products, etc.
SE Tylose GmbH & Co. KG (Germany)	EUR500 thousand	100.0 (100.0)	Manufacture and sales of cellulose derivative products
Shin-Etsu Astech Co., Ltd.	¥495 million	99.6 (1.8)	Sales of chemical products, etc., and construction under contract
Shin-Etsu Silicones (Thailand) Limited (Thailand)	THB6,325 million	100.0	Manufacture and sales of silicone products
SHIN-ETSU HANDOTAI EUROPE LIMITED (U.K.)	£Stg. 73 million	100.0 (100.0)	Processing and sales of semiconductor silicon
Asia Silicones Monomer Limited (Thailand)	THB3,393 million	100.0 (100.0)	Manufacture of silicone monomer
JAPAN VAM & POVAL CO., LTD.	¥2,000 million	100.0	Manufacture and sales of vinyl acetate monomer and polyvinyl alcohol

Note: For the column regarding holding ratio, the upper number indicates the entire ratio of holdings held by both the Company and the Subsidiary Companies, while the lower number indicates the ratio held by the Subsidiary Companies. The holding ratios are computed net of any treasury shares held.

(2) Status of Major Affiliated Companies

Name of Company	Amount of Capital	Holding Ratio (%)	Major Lines of Business
Mimasu Semiconductor Industry Co., Ltd.	¥18,824 million	43.9 (1.1)	Processing of semiconductor silicon and sales of precision equipment
SHIN-ETSU QUARTZ PRODUCTS COMPANY LTD.	¥1,000 million	50.0	Manufacture and sales of quartz glass products

Note: For the column regarding holding ratio, the upper number indicates the entire ratio of holdings held by both the Company and the Subsidiary Companies, while the lower number indicates the ratio held by the Subsidiary Companies. The holding ratios are computed net of any treasury shares held.

(3) Results of Consolidation

For this consolidated fiscal year, there are 99 consolidated subsidiaries, etc. and 3 companies to which the equity method is applied, including the Major Subsidiary Companies and the Affiliated Companies mentioned above.

For this consolidated fiscal year, net sales amounted to 2,074,428 million yen (up by 38.6% from the previous fiscal year), and the profit attributable to owners of parent amounted to 500,117 million yen (up by 70.3% from the previous fiscal year).

6. Major Lines of Business of the Company's Group (as of March 31, 2022)

The Company's group's major lines of business are the manufacture and sales of the following products:

Infrastructure Materials	Polyvinyl Chloride, Caustic Soda, Methanol, Chloromethanes, Poval
Electronics Materials	Semiconductor Silicon, Rare Earth Magnets, Semiconductor Encapsulating Materials, LED Packaging Materials, Photoresists, Photomask Blanks, Synthetic Quartz Products
Functional Materials	Silicones, Cellulose Derivatives, Silicon Metal, Synthetic Pheromones, Vinyl Chloride - Vinyl Acetate Copolymer Resin, Liquid Fluoroelastomers, Pellicles
Processing & Specialized Services	Processed Plastics, Export of Technologies and Plants, Export and Import of Products, Engineering

7. Major Bases of the Company's Group (as of March 31, 2022)

(1) Company

Principal Office: 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Note: The principal office was moved from 6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo to the above address on November 1, 2021.

Branch Offices: Osaka Branch, Nagoya Branch, and Fukuoka Branch

Plants: Naoetsu Plant (Niigata Prefecture), Takefu Plant (Fukui Prefecture), Gunma Complex [Isobe Plant and Matsuida Plant], Kashima Plant (Ibaraki Prefecture)

Research & Development Centers: Silicone-Electronics Materials Research Center (Gunma Prefecture), Advanced Functional Materials Research Center (Gunma Prefecture), PVC and Polymer Materials Research Center (Ibaraki Prefecture), Specialty Chemicals Research Center (Niigata Prefecture), New Functional Materials Research Center (Niigata Prefecture) and Magnetic Materials Research Center (Fukui Prefecture)

(2) Subsidiaries

Domestic: Shin-Etsu Handotai Co., Ltd. (Tokyo); Shin-Etsu Engineering Co., Ltd. (Tokyo); Shin-Etsu Polymer Co., Ltd. (Tokyo); Shin-Etsu Astech Co., Ltd. (Tokyo); and JAPAN VAM & POVAL CO., LTD. (Osaka Prefecture)

Overseas: SHINTECH INC. (U.S.A.); Shin-Etsu Handotai America, Inc. (U.S.A.); Shin-Etsu PVC B.V. (Netherlands); S.E.H. Malaysia Sdn. Bhd. (Malaysia); Shin-Etsu Handotai Taiwan Co., Ltd. (Taiwan); SE Tylose GmbH & Co. KG (Germany); Shin-Etsu Silicones (Thailand) Limited (Thailand); Asia Silicones Monomer Limited (Thailand); and SHIN-ETSU HANDOTAI EUROPE LIMITED (U.K.)

8. Status of Employees of the Company's Group and the Company (as of March 31, 2022)

(1) Status of Employees of the Company's Group

Business	Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year
Infrastructure Materials	1,738	+102
Electronics Materials	11,198	+549
Functional Materials	4,098	+92
Processing & Specialized Services	7,920	+142
Total	24,954	+885

Note: The number of employees is the number of persons actually at work.

(2) Status of Employees of the Company

Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year	Average Age	Average Years of Service
3,341	+103	42.2	20.3

Note: The number of employees is the number of persons actually at work.

9. Major Lenders to the Company's Group (as of March 31, 2022)

Name of Lender	Outstanding Borrowings (Million Yen)
MUFG Bank, Ltd.	10,191
The Hachijuni Bank, Ltd.	10,111
Nippon Life Insurance Company	3,600
Meiji Yasuda Life Insurance Company	2,300

II. Matters Concerning Stock in the Company (as of March 31, 2022)

1. Number of Shares and Shareholders

Total number of shares authorized to be issued:	1,720,000,000
Total number of issued shares:	416,662,793
Number of shareholders:	56,329

Note: The total number of issued shares includes 1,218,008 treasury shares.

2. Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand shares)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	83,450	20.1
Custody Bank of Japan, Ltd. (Trust Account)	26,690	6.4
Nippon Life Insurance Company	16,669	4.0
JPMORGAN CHASE BANK 385632	16,608	4.0
The Hachijuni Bank, Ltd.	11,790	2.8
Custody Bank of Japan, Ltd. (Trust Account 4)	11,760	2.8
Meiji Yasuda Life Insurance Company	10,687	2.6
SSBTC CLIENT OMNIBUS ACCOUNT	9,877	2.4
GOVERNMENT OF NORWAY	9,256	2.2
STATE STREET BANK WEST CLIENT - TREATY 505234	5,940	1.4

Note: The holding ratios are computed net of the treasury shares (1,218,008 shares).

3. Other Major Matters Concerning Stock in the Company

The Board of Directors Meeting held on April 27, 2022, resolved to repurchase a total of 7 million shares (common shares of the Company) (maximum), which could be purchased between April 28, 2022 and October 31, 2022 for a total purchase amount of 100 billion yen (maximum), based on the provisions of Article 156 of the Corporations Law, as applied pursuant to Paragraph 3, Article 165 of the Corporations Law, and to cancel all shares acquired based on the provisions of Article 178 of the Corporations Law.

III. Matters Concerning Stock Acquisition Rights Issued by the Company

1. State of Stock Acquisition Rights (Stock Options) (as of March 31, 2022)

(1) General Description of Stock Acquisition Rights

The stock acquisition rights (stock options) the Company has issued are summarized below:

Chronological Number of Issue (Date Issued)	Number of Stock Acquisition Rights	Type & Number of Shares Stock Acquisition Rights are Entitled to	Issue Price per Share (Yen)	Amount Payable per Share upon Exercise of Rights (Yen)	Exercisable Period of Rights	Eligible Grantees
12th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/21/2017)	40	4,000 shares of Common Stock in the Company	Distributed gratis	10,000	September 22, 2018 through March 31, 2022	Employees of Company
13th Issue of Stock Acquisition Rights (for Distribution to Directors) (09/05/2018)	640	64,000 shares of Common Stock in the Company	1,202	10,721	September 6, 2019 through March 31, 2023	Directors of Company (excluding Outside Directors)
13th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/05/2018)	836	83,600 shares of Common Stock in the Company	Distributed gratis	10,721	September 6, 2019 through March 31, 2023	Employees of Company
14th Issue of Stock Acquisition Rights (for Distribution to Directors) (09/30/2019)	1,395	139,500 shares of Common Stock in the Company	1,552	11,906	October 1, 2020 through March 31, 2024	Directors of Company (excluding Outside Directors)
14th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/30/2019)	2,107	210,700 shares of Common Stock in the Company	Distributed gratis	11,906	October 1, 2020 through March 31, 2024	Employees of Company
15th Issue of Stock Acquisition Rights (for Distribution to Directors) (09/02/2020)	1,070	107,000 shares of Common Stock in the Company	2,004	13,123	September 3, 2021 through March 31, 2025	Directors of Company (excluding Outside Directors)
15th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/02/2020)	2,079	207,900 shares of Common Stock in the Company	Distributed gratis	13,123	September 3, 2021 through March 31, 2025	Employees of Company
16th Issue of Stock Acquisition Rights (for Distribution to Directors and Corporate Officers) (09/01/2021)	1,055	105,500 shares of Common Stock in the Company	3,092	18,503	September 2, 2023 through August 31, 2028	Directors (excluding Outside Directors) and Corporate Officers of Company
16th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/01/2021)	2,290	229,000 shares of Common Stock in the Company	Distributed gratis	18,503	September 2, 2023 through August 31, 2028	Employees of Company

Notes: 1. The terms and conditions on which to exercise stock acquisition rights in each of the 12th through 15th issues are outlined below:

- (1) Those persons to whom the stock options are issued may exercise such stock options even after they cease to be a Director or an employee of the Company, within two (2) years from the later of such cessation of being a Director or an employee of the Company or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires).
- (2) In the event of the death of any person to whom the stock options are issued, heirs of such deceased person may exercise such stock options within two (2) years from the later of such death or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires). Notwithstanding the foregoing, in the event of the death of any recipient of stock options that occurs after such recipient ceases to be a Director or an employee of the Company, heirs of such deceased person may exercise such stock options only within the period during which such deceased recipient would have been entitled to exercise such stock options in accordance with paragraph (1) above.
- (3) Other conditions are as prescribed in the Stock Option Allotment Agreement.

2. The terms and conditions on which to exercise stock acquisition rights in the 16th issue are outlined below:

- (1) Those persons to whom the stock options are issued may exercise such stock options even after they cease to be a Director, a Corporate Officer or an employee of the Company, within two (2) years from the later of such cessation of being a Director, a Corporate Officer or an employee of the Company or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires).
- (2) In the event of the death of any person to whom the stock options are issued, heirs of such deceased person may exercise such stock options within two (2) years from the later of such death or the commencement of the exercisable period of rights (but only before the exercisable period of rights expires). Notwithstanding the foregoing, in the event of the death of any recipient of stock options that occurs after such recipient ceases to be a Director, a Corporate Officer or an employee of the Company, heirs of such deceased person may exercise such stock options only within the period during which such deceased recipient would have been entitled to exercise such stock options in accordance with paragraph (1) above.
- (3) Other conditions are as prescribed in the Stock Option Allotment Agreement.

(2) State of Stock Acquisition Rights (Stock Options) Held by Directors and Audit & Supervisory Board Members of the Company

The portion of the stock acquisition rights (stock options) described in (1) General Description of Stock Acquisition Rights above that belong to the Directors and Audit & Supervisory Board Members of the Company are broken down as below:

	Chronological Number of Issue	Number of Stock Acquisition Rights	Number of Optionees
Directors (Excluding Outside Directors)	13th Issue of Stock Acquisition Rights	610	3
	14th Issue of Stock Acquisition Rights	995	4
	15th Issue of Stock Acquisition Rights	770	6
	16th Issue of Stock Acquisition Rights	680	6

2. State of Stock Acquisition Rights (Stock Options) Distributed to Corporate Officers and Employees during the Fiscal Year under Review

Pursuant to a resolution adopted by the Board of Directors on August 17, 2021, the 16th Issue of Stock Acquisition Rights, intended as incentive stock options, was issued as of September 1, 2021 for distribution to 10 Corporate Officers and 107 employees, as outlined below:

Eligible Grantees	Number of Stock Acquisition Rights	Type & Number of Shares Stock Acquisition Rights are Entitled to	Issue Price per Share (Yen)	Amount Payable per Share upon Exercise of Rights (Yen)	Exercisable Period of Rights
Corporate Officers of Company	375	37,500 shares of Common Stock in the Company	3,092	18,503	September 2, 2023 through August 31, 2028
Employees of Company	2,290	229,000 shares of Common Stock in the Company	Distributed gratis	18,503	September 2, 2023 through August 31, 2028

Note: Terms and conditions on which to exercise stock acquisition rights are as described in Note 2 of 1.- (1) General Description of Stock Acquisition Rights above.

IV. Matters Concerning Directors and Audit & Supervisory Board Members of the Company

1. Name and Other Information Concerning Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Title	Name	Responsibilities, Important Concurrent Positions, etc.
Representative Director - Chairman	Chihiro Kanagawa	Director & Chairman, SHINTECH INC.
Representative Director - Vice Chairman	Fumio Akiya	In charge of Semiconductor Materials and Technologies Representative Director & President, Shin-Etsu Handotai Co., Ltd.
Representative Director - President	Yasuhiko Saitoh	Director & President, SHINTECH INC. Director & President, Shin-Etsu Handotai America, Inc.
Director, Senior Managing Corporate Officer	Susumu Ueno	In charge of Special Functional Products General Manager, Silicone Div.
Director, Senior Managing Corporate Officer	Masahiko Todoroki	General Manager, Planning & Administration Dept., Semiconductor Materials Div. Senior Managing Director, Shin-Etsu Handotai Co., Ltd.
Director - Adviser	Shunzo Mori	
Director ¹	Frank Peter Popoff	
Director ¹	Tsuyoshi Miyazaki	Adviser, Mitsubishi Logistics Corporation
Director ¹	Toshihiko Fukui	President, the Canon Institute for Global Studies Outside Director, Kikkoman Corporation
Director ¹	Hiroshi Komiyama	Chairman, Mitsubishi Research Institute, Inc.
Director ¹	Kuniharu Nakamura	Director & Chairman, SUMITOMO CORPORATION Outside Director, NEC Corporation
Full-time Audit & Supervisory Board Member	Hiroaki Okamoto	
Full-time Audit & Supervisory Board Member	Hidenori Onezawa	
Audit & Supervisory Board Member ²	Yoshihito Kosaka	C.P.A./Certified Public Tax Accountant Representative Partner, HIYU Certified Tax Accountants' Corporation
Audit & Supervisory Board Member ²	Kiyoshi Nagano	Outside Director, LEC, INC.
Audit & Supervisory Board Member ²	Mitsuko Kagami	Lawyer Partner Lawyer, KAGAMI Law Office Outside Director, MEDIPAL HOLDINGS CORPORATION Outside Director, Sotetsu Holdings, Inc.

- Notes: 1. ¹ indicates an Outside Director as defined in Item 15, Article 2 of the Corporations Law.
2. ² indicates an Outside Audit & Supervisory Board Member as defined in Item 16, Article 2 of the Corporations Law.
3. Described below are important concurrent services as executives for other companies performed by Outside Directors and Outside Audit & Supervisory Board Members and the relationship between the Company and such other companies. Mr. Toshihiko Fukui, Outside Director, serves in a concurrent role at the Canon Institute for Global Studies, a general incorporated foundation. However, there is no special relationship between the Company and the foundation that must be disclosed under this item. Mr. Hiroshi Komiyama, Outside Director, serves in a concurrent role at Mitsubishi Research Institute, Inc. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Yoshihito Kosaka, Outside Audit & Supervisory Board Member, serves in a concurrent role at HIYU Certified Tax Accountants' Corporation. However, there is no special relationship between the Company and the certified tax accountants' corporation that must be disclosed under this item. Ms. Mitsuko Kagami, Outside Audit & Supervisory Board Member, serves in a concurrent role at KAGAMI Law Office. However, there is no special relationship between the Company and the firm that must be disclosed under this item.
4. Described below are important concurrent services as Outside Directors or Outside Audit & Supervisory Board Members for other companies performed by Outside Directors and Outside Audit & Supervisory Board Members and the relationship between the Company and such other companies. Mr. Toshihiko Fukui, Outside Director, serves concurrently as Outside Director for Kikkoman Corporation. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Kuniharu Nakamura, Outside Director, serves concurrently as Outside Director for NEC Corporation. However, there is no special relationship between the Company and the company that must be disclosed under this item. Mr. Kiyoshi Nagano, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for LEC, INC. However, there is no special relationship between the Company and the company that must be disclosed under this item. Ms. Mitsuko Kagami, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for MEDIPAL HOLDINGS CORPORATION and Sotetsu Holdings, Inc. However, there is no special relationship between the Company and either of these two companies that must be disclosed under this item.
5. Mr. Yoshihito Kosaka, Outside Audit & Supervisory Board Member, is licensed as a Certified Public Accountant and as a Certified Public Tax Accountant, and brings with him a considerable degree of knowledge and experience in the fields of finance and accounting.
6. The Company has entered into an agreement with each of the Outside Directors and Audit & Supervisory Board Members, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of said law to the amount set forth in the applicable law.
7. The Company has entered into a directors and officers liability insurance agreement with an insurance company, pursuant to Paragraph 1, Article 430-3 of the Corporations Law. The insurance policies cover the liability of the insured persons arising from the performance of their duties as well as damages arising from claims received pertaining to the pursuit of said liability. However, there are certain exclusions, such as no coverage for damages arising from actions taken with the knowledge that they were in violation of laws and regulations. The insured persons under the insurance policies are Directors, Audit & Supervisory Board Members, Corporate Officers and managerial employees of the Company and certain subsidiaries.
8. Six Directors of the Company -- Mr. Toshiya Akimoto, Mr. Fumio Arai, Mr. Kenji Ikegami, Mr. Toshio Shiobara, Mr. Yoshimitsu Takahashi and Mr. Kai Yasuoka -- retired from the office effective as of the conclusion of the 144th Ordinary General Meeting of Shareholders held on June 29, 2021.
9. Five Outside Directors and three Outside Audit & Supervisory Board Members of the Company -- Mr. Frank Peter Popoff, Mr. Tsuyoshi Miyazaki, Mr. Toshihiko Fukui, Mr. Hiroshi Komiyama and Mr. Kuniharu Nakamura as Directors, Mr. Yoshihito Kosaka, Mr. Kiyoshi Nagano and Ms. Mitsuko Kagami as Audit & Supervisory Board Members -- have been reported to the Tokyo Stock Exchange, Inc., etc. as Independent Officers.
10. Corporate Officers have been established as of June 29, 2021.
11. Following the reorganization effective on April 1, 2022, Mr. Susumu Ueno, Director, Senior Managing Corporate Officer, has become in charge of Special Functional Products Dept. and General Manager of Silicone Div., and Mr. Masahiko Todoroki, Director, Senior Managing Corporate Officer, has become in charge of Semiconductor Materials Dept.

2. Remuneration, etc. of Directors and Audit & Supervisory Board Members Attributable to the Fiscal Year under Review

(1) Policy, etc. for Determining the Amount of Remuneration, etc. of Individual Directors and Audit & Supervisory Board Members

The Company has resolved the above policy at the Board of Directors Meeting (Paragraph 7, Article 361 of the Corporations Law). For the relevant resolution, the Company has obtained approval of the Officers' Remuneration Committee.

With regard to the remuneration, etc. of individual Directors attributable to the fiscal year under review, the Board of Directors confirmed that the method for determining remuneration, etc. is consistent with the foregoing policy and that the determined remuneration, etc. was as reported by the Officers' Remuneration Committee based on its examination and evaluation. As such, the Company deems the amounts are in line with the foregoing policy. Effective on February 1, 2022, the majority of the Officers' Remuneration Committee shall be composed of Outside Directors.

The policy, etc. for determining the amount of remuneration, etc. of individual Directors and Audit & Supervisory Board Members is as follows.

a. Basic policy

The remuneration system of Directors shall be designed to contribute to the mid- to long-term enhancement of the corporate value of the Company, and the remuneration of Directors shall be determined by the Board of Directors based on the results of the review and evaluation by the Officers' Remuneration Committee as well as its opinion thereon. The remuneration shall consist of "fixed remuneration" determined as appropriate for each individual's position, job responsibilities, etc., and "performance-based remuneration" that takes into consideration the annual financial performance of the Company as an incentive for the enhancement of corporate value, as well as "stock options" as an incentive for higher motivation and morale to execute one's duties and to improve performance, and ultimately for the enhancement of shareholder value (stock price-linked remuneration).

On the other hand, the remuneration of Audit & Supervisory Board Members shall be determined through their mutual consultation. The remuneration shall consist of "fixed remuneration" determined as appropriate for each individual's job responsibilities as an Audit & Supervisory Board Member.

Outside Directors and Audit & Supervisory Board Members are not entitled to any "performance-based remuneration" or "stock options" as they are expected to perform supervisory and checking functions over management.

b. Policy on determining the amount of fixed remuneration (monetary remuneration) of individual Directors or the calculation method thereof

Based on the request of the Board of Directors, fixed remuneration shall be deliberated regularly by the Officers' Remuneration Committee to set the remuneration levels and to perform the review and evaluation to determine the amount of fixed remuneration of individual directors for the relevant fiscal year as appropriate for each individual's position, job responsibilities, etc., and advised by the Committee to the Board of Directors. The Board of Directors shall decide to delegate the determination of the amount of fixed remuneration of individual directors to the chairman of the Board of Directors (Representative Director and Chairman Chihiro Kanagawa; the same shall apply hereinafter) on condition that it will be determined as advised by the Officers' Remuneration Committee.

Fixed remuneration shall be paid on a monthly basis as monthly remuneration.

- c. Policy on determining the performance measures used for the calculation of performance-based remuneration of Directors and the amount or quantity of performance-based remuneration of Directors

The performance measure for performance-based remuneration shall be the annual consolidated ordinary income of the Company. This is because the Company defines its management targets in terms of annual increases in revenue and profit and focuses on growth in sales and profit through daily, monthly, and annual efforts to achieve the solid operation and management of the Company. On the other hand, as the business of the Company is subject to the impact of market conditions, the Company shall also perform evaluations based on a comparison with the financial performance of industry peers.

Based on the request of the Board of Directors, performance-based remuneration shall be deliberated regularly by the Officers' Remuneration Committee to set the performance-based remuneration levels and to determine the relative remuneration proportion and mechanism to ensure it is tied to the Company's financial performance, as well as to perform the review and evaluation to determine the total amount of performance-based remuneration and the amount to be allotted to individual Directors based on changes in the consolidated ordinary income for the relevant fiscal year from the previous fiscal year and in consideration of the financial performance of industry peers, and advised by the Committee to the Board of Directors. The Board of Directors shall decide to delegate the determination of the amount allotted to individual Directors to the chairman of the Board of Directors on condition that it will be determined as advised by the Officers' Remuneration Committee.

Performance-based remuneration shall be paid as a bonus after the close of each annual general meeting of shareholders.

- d. Policy on determining the non-monetary remuneration details of Directors and the amount or quantity of non-monetary remuneration of Directors or the calculation method thereof

Stock acquisition rights, which will be issued as stock options based on a resolution of the Board of Directors, shall be granted as non-monetary remuneration. Based on the request of the Board of Directors, the Officers' Remuneration Committee shall perform the review and evaluation to determine the number of stock options to be allotted to eligible Directors and advise the Board of Directors accordingly.

The monetary value of stock options granted as non-monetary remuneration shall be calculated by multiplying the unit fair value of the stock acquisition rights calculated as of the date of allotment of the stock acquisition rights by the total number of stock acquisition rights allotted based on the advice of the Officers' Remuneration Committee.

The timing of grants of stock options shall be determined by a resolution of the Board of Directors.

- e. Determining the relative proportion of each type of remuneration (performance-based remuneration, non-monetary remuneration, and other remuneration) for the remuneration of individual Directors

The remuneration of the Directors (excluding Outside Directors) consists of fixed remuneration, performance-based remuneration, and stock options. The relative proportion of each type of remuneration shall be appropriately deliberated by the Officers' Remuneration Committee as set forth in a. Basic policy above to ensure that the remuneration will effectively serve as an incentive for the enhancement of corporate value and shareholder value.

- f. Policy on determining the amount of remuneration for Audit & Supervisory Board Members or the calculation method thereof

Audit & Supervisory Board Members shall have the right to decide on the policy on determining the amount of their remuneration or the calculation method thereof. Audit & Supervisory Board Members shall determine their remuneration through mutual consultation among them in consideration of the content of the deliberations of the Officers' Remuneration Committee.

The Officers' Remuneration Committee shall deliberate on the total amount of remuneration of Audit & Supervisory Board Members and the amount of remuneration of individual members to be determined as appropriate for each individual's job responsibilities.

(2) Matters concerning Resolutions of the General Meeting of Shareholders regarding the Remuneration, etc. of Directors and Audit & Supervisory Board Members

The 144th Ordinary General Meeting of Shareholders held on June 29, 2021 resolved to determine the amount of remuneration, etc. of Directors as follows: no more than 2 billion yen per year (including within this amount 200 million yen for Outside Directors). The General Meeting also resolved that the Company shall issue monthly remuneration, which is fixed remuneration, and bonuses, which is performance-based remuneration, as remuneration for execution of duties for the relevant fiscal year, within the range of the above amounts. Aside from the above, the 144th Ordinary General Meeting of Shareholders held on June 29, 2021 resolved that the amount of remuneration, etc. to be used for the payment in exchange for the stock acquisition rights issued to the Company's Directors (excluding Outside Directors) as stock options shall be within the range of 750 million yen per year. The General Meeting also resolved that the details of the stock acquisition rights to be issued shall be as follows: up to an aggregate number of 4,000 stock acquisition rights may be issued within the one-year period commencing from the day of the Ordinary General Meeting of Shareholders for each business year. As for the type and quantity of shares subject to such stock acquisition rights, up to 400,000 common shares of the Company may be issued upon the exercise of such stock acquisition rights. The amount of remuneration, etc. for Directors mentioned in the two resolutions above does not include the employee salaries of Directors who serve concurrently as employees. As at the conclusion of the above General Meeting of Shareholders, there were eleven (11) Directors (five (5) Outside Directors included) in total.

The 131st Ordinary General Meeting of Shareholders held on June 27, 2008 resolved to determine the amount of remuneration, etc. of Audit & Supervisory Board Members as follows: no more than 150 million yen per year. The General Meeting also resolved that the Company shall issue monthly remuneration, which is fixed remuneration, as remuneration for execution of duties for the relevant fiscal year, within the range of the above amounts. As at the conclusion of the above General Meeting of Shareholders, there were five (5) Audit & Supervisory Board Members in total.

(3) Matters concerning Delegation of Authority to Decide the Amount of Remuneration, etc. of Individual Directors

In accordance with the resolution adopted by the Board of Directors, the Company delegates authority to determine the amount of remuneration, etc. of individual Directors to Mr. Chihiro Kanagawa, Representative Director and Chairman, serving as the Chairman of the Board of Directors. This is because a person serving as the Representative Director and Chairman who is the Chairman of the Board of Directors is an appropriate person to determine the amount of remuneration, etc. of individual Directors reported by the Officers' Remuneration Committee based on its examination. The details of the authority and measures to ensure that such authority will be exercised appropriately are as described in "b. Policy on determining the amount of fixed remuneration (monetary remuneration) of individual Directors or the calculation method thereof" and "c. Policy on determining the performance measures used for the calculation of performance-based remuneration of Directors and the amount or quantity of performance-based remuneration of Directors" in "(1) Policy, etc. for Determining the Amount of Remuneration, etc. of Individual Directors and Audit & Supervisory Board Members" above.

(4) Amounts of Remuneration, etc. Payable to Directors and Audit & Supervisory Board Members

Designation	Total Amount of Remuneration, etc.		Amount of Remuneration, etc. by Type					
			Fixed Remuneration		Performance-based Remuneration, etc.		Non-monetary Remuneration, etc.	
	Total Amount	Number of Recipients	Total Amount	Number of Recipients	Total Amount	Number of Recipients	Total Amount	Number of Recipients
Directors	Million Yen 1,640	Persons 21	Million Yen 940	Persons 21	Million Yen 489	Persons 6	Million Yen 210	Persons 6
Audit & Supervisory Board Members	74	6	74	6	—	—	—	—
Total	1,714	27	1,015	27	489	6	210	6
(Of which, Outside Directors and Outside Audit & Supervisory Board Members)	(171)	(9)	(171)	(9)	(—)	(—)	(—)	(—)

Notes: 1. The above figures for “Total Amount of Remuneration, etc.” and “Fixed Remuneration” include those relevant to ten Directors and one Audit & Supervisory Board Member who retired from the office effective as of the conclusion of the 144th Ordinary General Meeting of Shareholders held on June 29, 2021.

2. The above figures for “Performance-based Remuneration, etc.” include the bonus reserve amount attributable to the fiscal year under review. The performance measures chosen as the base figures for calculating the amount of performance-based remuneration, etc. and the reasons for having chosen the performance measures are as described in “(1) Policy, etc. for Determining the Amount of Remuneration, etc. of Individual Directors and Audit & Supervisory Board Members” above. In addition, the calculation method for the amount of performance-based remuneration, etc. is as described in “(1) Policy, etc. for Determining the Amount of Remuneration, etc. of Individual Directors and Audit & Supervisory Board Members” above. The consolidated ordinary income for the Company’s group for this consolidated fiscal year, a performance measure, is as described in “I. Matters Concerning the Current State of the Company’s Group” above.

3. Stock acquisition rights, which were issued as stock options based on a resolution of the Board of Directors held on August 17, 2021, were granted to the Directors excluding Outside Directors as non-monetary remuneration. The details of the relevant stock acquisition rights (stock options) are as described in “III. Matters Concerning Stock Acquisition Rights Issued by the Company” above.

4. The above figures for “Fixed Remuneration,” of the Directors do not include the employee salaries of Directors who serve concurrently as employees. As for “Performance-based Remuneration, etc.,” and “Non-monetary Remuneration, etc.,” there are no corresponding employee salaries of Directors who serve concurrently as employees.

5. In addition to the above, the amounts of remuneration and others paid or payable to Outside Directors and Outside Audit & Supervisory Board Members from subsidiaries of the Company for serving as Director or Audit & Supervisory Board Member of such subsidiaries in the fiscal year under review aggregated 46 million yen. There is no information reportable under the disclosure item regarding remuneration and others paid or payable to Outside Directors and Outside Audit & Supervisory Board Members from a parent company or its subsidiaries for serving as Director or Audit & Supervisory Board Member in the fiscal year under review.

3. Matters Concerning Outside Directors and Outside Audit & Supervisory Board Members

(1) Main Activities via Board of Directors Meetings and Other Arrangements during the Fiscal Year under Review

In addition to the statutory Board of Directors, the Company has a second principal organ, called the Managing Directors’ Committee, for considering and deciding the execution of business processes, and each organ holds a meeting once a month (The Board of Directors meetings were held 13 times during the fiscal year under review.) as a general rule. The activities of the Company’s Outside Directors and Outside Audit & Supervisory Board Members, which were centered on participation in these meetings, are reviewed below:

a. Activities of Outside Directors

Name	Main Activities
Frank Peter Popoff	<p>The Director attended 12 out of 13 meetings of the Board of Directors held during the fiscal year under review (attendance rate 92%).</p> <p>He shared his opinions and practical advice capitalizing on his management experience as CEO of the former The Dow Chemical Company, a U.S. company that has a long history as a global company, which have been of significant importance for the Company to expand its business overseas and enhance its corporate value. In addition, he has satisfactorily performed the job expected of him, such as providing supervision from an independent standpoint.</p> <p>He also serves as the commissioner of the Officers' Remuneration Committee, and his work during the fiscal year included revising the Directors' remuneration range, thus striving to achieve an appropriate corporate governance structure with regard to the officers' remuneration system, and thereby performing the job expected of him.</p>
Tsuyoshi Miyazaki	<p>The Director attended all 13 meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review, and shared his beneficial recommendations concerning the importance of intellectual property for sustainable growth and development of human resources involved in this area, etc., capitalizing on his management experience at Mitsubishi Logistics Corporation, a global logistics company, and based on his wealth of experience and outstanding knowledge as a corporate manager. He also provided thorough supervision from an independent standpoint, performing the job expected of him.</p>
Toshihiko Fukui	<p>The Director attended all 13 meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review, and shared his beneficial recommendations concerning the Group's measures, etc. based on the outlook for the U.S. economy, capitalizing on his outstanding knowledge and wealth of experience related to global finance and economy as an ex-Governor of the Bank of Japan. He also provided thorough supervision from an independent standpoint, performing the job expected of him.</p> <p>He was appointed as a member of the Officers' Remuneration Committee, effective on February 1, 2022.</p>
Hiroshi Komiyama	<p>The Director attended all 13 meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review. The Director, who has served as President of the University of Tokyo, as well as in a variety of distinguished positions, shared his beneficial recommendations concerning the use of renewable energy sources, reduction of environmental impact, etc., capitalizing on his outstanding knowledge and wealth of experience in a wide range of disciplines, including chemical engineering, the global environment, and natural resources and energy. He also provided thorough supervision from an independent standpoint, performing the job expected of him.</p> <p>He was appointed as a member of the Officers' Remuneration Committee, effective on February 1, 2022.</p>

Name	Main Activities
Kuniharu Nakamura	The Director attended all 13 meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review. The Director shared his beneficial recommendations concerning the diversification of raw material suppliers from the perspective of economic security, location of bases for investment, risk management, etc., capitalizing on his management experience at SUMITOMO CORPORATION, a general trading company, and based on his prominent knowledge of and abundant experience in international business in a wide variety of fields. He also provided thorough supervision from an independent standpoint, performing the job expected of him.

b. Activities of Outside Audit & Supervisory Board Members

Name	Main Activities
Yoshihito Kosaka	The Audit & Supervisory Board Member attended all 13 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from a finance and accounting specialist's point of view. In addition, he received reports from Directors and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.
Kiyoshi Nagano	The Audit & Supervisory Board Member attended all 13 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board, as well as Managing Directors' Committee meetings, held during the fiscal year under review. At the Audit & Supervisory Board meetings he shared his comments from an extensive viewpoint based on his management experience at the former Jasdaq Securities Exchange, Inc. In addition, he received reports from Directors and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.
Mitsuko Kagami	The Audit & Supervisory Board Member attended 9 out of 10 meetings of the Board of Directors (attendance rate 90%) and all 8 meetings of the Audit & Supervisory Board that were held after her appointment, as well as Managing Directors' Committee meetings. At the Audit & Supervisory Board meetings, she shared her comments from a legal specialist's point of view. In addition, she received reports from Directors and employees, etc. on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising her audit function thoroughly.

(2) Relationship with the Company or the Company's Particular Associated Business Interests, Such as Major Trading Partner

No Outside Directors or Outside Audit & Supervisory Board Members hold such a relationship that must be disclosed under this item.

V. Status of Accounting Auditor

1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

2. General Description of Limitation of Liability Agreement

No agreement exists that must be disclosed under this item.

3. Amount of Remuneration and Others Payable to Accounting Auditor Attributable to Fiscal Year under Review

- a. Amount of remuneration and others payable by the Company for the audit service as specified in Paragraph 1, Article 2 of the Certified Public Accountants Law

85 million yen

- b. Total amount of monetary and other financial benefits payable by the Company and its Subsidiaries

273 million yen

Notes: 1. The Audit Agreement between the Company and the Accounting Auditor does not distinguish between the amounts of remuneration and others for the Accounting Auditor's audit service specified under the Corporations Law and for the audit service specified under the Financial Instruments and Exchange Law. In fact, these amounts are practically indivisible, so the amount shown above is given as a lump sum.

2. With respect to remuneration and others payable to the Accounting Auditor, the Audit & Supervisory Board of the Company gives consent set forth in Paragraph 1, Article 399 of the Corporations Law after confirming and reviewing the audit plan of the Accounting Auditor, the performance of duties relating to accounting audit, the necessity for amending the amount of remuneration and others payable and other matters.

4. Details of Non-audit Services

The Company pays the Accounting Auditor a retainer in consideration of its advice, etc. on internal controls over financial reporting, which falls outside the scope of audit services specified in Paragraph 1, Article 2 of the Certified Public Accountants Law.

5. Retention of Audit Corporations Other Than Company's Accounting Auditor to Audit Financial Documents of Subsidiaries of the Company

Of the Company's Significant Subsidiaries, those employing an audit corporation (that may be an equivalent auditor qualified outside Japan) other than the Company's Accounting Auditor, to receive audit services (to the extent specified in the Corporations Law and in the Financial Instruments and Exchange Law [or in equivalent legislation applicable outside Japan]) are as follows: Shin-Etsu PVC B.V.; S.E.H. Malaysia Sdn. Bhd.; Shin-Etsu Handotai Taiwan Co., Ltd.; SE Tylose GmbH & Co. KG; Shin-Etsu Silicones (Thailand) Limited; SHIN-ETSU HANDOTAI EUROPE LIMITED; and Asia Silicones Monomer Limited.

6. Policy for Determining the Dismissal or Non-reappointment of Accounting Auditor

The Company's policy states that, if the Accounting Auditor is found to meet the definition of one of the Items of Paragraph 1, Article 340 of the Corporations Law, subject to the consent of all Audit & Supervisory Board Members, the Audit & Supervisory Board shall dismiss the Accounting Auditor. In addition to the cases mentioned above, the Audit & Supervisory Board determines the content of the proposal to be submitted to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the Accounting Auditor if the Company has a reason or need of its own to do so or if it is difficult for the Accounting Auditor to perform its duties appropriately.

VI. System to Ensure the Properness of Operations and the Progress thereof

1. System to Ensure the Properness of Operations

“The Group strictly complies with all laws and regulations, conducts fair business practices and creates unrivaled value for society and industry through the provision of key materials and technologies.” In accordance with the foregoing business principle, the Board of Directors of the Company has resolved to carry out these systems and arrangements as described below.

(1) System to Ensure That the Company’s and Its Subsidiaries’ Directors and Employees Perform Their Work Duties in Accordance with Applicable Laws and the Company’s and Its Subsidiaries’ Articles of Incorporation

The Company and its subsidiaries (hereinafter the “Group Companies”) have a business principle of taking appropriate corporate actions, based on a desire to act in a lawful manner.

The Company will maintain regulations concerning the Group Companies’ compliance system, and the Group Companies’ Directors and employees, etc. will perform their work duties in accordance with these regulations. The Internal Audit Department and other departments that are related to the contents of the audits will perform internal audits concerning the status of the operation of the compliance system.

In order to uncover illegal activities at an early stage and correct such situations, the Company will establish a compliance consultation office and administer a compliance consulting/reporting system for Group Company executives and employees in accordance with the relevant internal regulations. Also, the Company will provide compliance training in an appropriate manner.

The Company will appoint independent Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to preserve the compliance system from an independent point of view, by attending meetings of the Board of Directors and Managing Directors’ meetings and/or by other actions.

(2) System to Preserve and Administer Information Concerning the Company’s Directors’ Performance of Their Work Duties

Based on the regulations of information management and other internal regulations, the Company will prepare and preserve written and other records concerning the Directors’ performance of their work duties. The Company will promptly provide these records in response to a request from the Directors or Audit & Supervisory Board Members.

(3) Regulations Concerning Management of Risk of Damage to the Company and Its Subsidiaries, and Other Systems

Along with maintaining regulations concerning the Group Companies’ risk management system, the Company will establish a Risk Management Committee and facilitate the committee’s work across the Group Companies, in order to discover and prevent risks that may occur in conjunction with the execution of the Group Companies’ business.

The Company will appoint Outside Directors and Outside Audit & Supervisory Board Members, who will endeavor to ensure the exchange of relevant information and appropriate risk management, by attending meetings of the Board of Directors and Managing Directors’ meetings and/or by other actions.

(4) System to Ensure That the Company’s and Its Subsidiaries’ Directors Perform Their Work Duties in an Effective Manner

The Company will establish a system to ensure that the Group Companies’ Directors and employees, etc. perform their work duties in an effective manner, in accordance with (i) decision-making rules and division of work duties based on the regulations of the Board of Directors, division of duties, the Group Companies’ management regulations, and other internal regulations and (ii) the holding of meetings of Group Companies and meetings of Presidents of Group Companies (hereinafter “Group Company Meetings”).

Also, in order to increase the effectiveness of the Directors' performance of their work duties, the Company will appoint Outside Directors, and these Outside Directors will not only observe and manage the Company's affairs from an independent viewpoint but also provide suggestions concerning all aspects of the Company's corporate management.

(5) System to Ensure the Properness of the Activities of the Corporate Group Consisting of the Company and Its Subsidiaries

The Group Companies have a business principle of taking appropriate corporate actions, based on a desire to act in a lawful manner.

The Company's Group Company Management Department, based on the Group Companies' Management Regulations and the Group Company Meetings, will require Group Companies to report to them important matters relating to the business of the subsidiaries. Also, the Company's Internal Audit Department and other departments that are related to the contents of the audits will, as necessary, work together with the Internal Audit Departments and other departments of the subsidiaries to perform internal audits of the relevant subsidiaries.

The Company will establish an Audit & Supervisory Board Member Liaison Committee and Group Audit & Supervisory Board Member Liaison Committee comprised of Full-time Audit & Supervisory Board Members and others from the Company and its main subsidiaries, and the Company's Full-time Audit & Supervisory Board Members will gather relevant information by attending Group Company Meetings and/or by other actions, together with other Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members).

(6) Matters Concerning Employees Who Are Requested by Audit & Supervisory Board Members to Assist with the Work Duties of the Audit & Supervisory Board Members

The Company will appoint audit staff from among its employees, in accordance with the methods set forth in the Company's internal regulations, to assist the Audit & Supervisory Board Members with their work duties.

(7) Matters Concerning the Independence from the Directors of the Employees Referenced in the Previous Item and Ensuring of Such Employees' Compliance with the Instructions of the Audit & Supervisory Board Members

The Company will appoint, terminate, and take other actions concerning the audit staff, in accordance with the methods set forth in the Company's internal regulations, with the consent of the Audit & Supervisory Board Members.

The audit staff will comply with the instructions and orders of the Audit & Supervisory Board Members and assist with the work of the Audit & Supervisory Board Members.

(8) System for Reporting to the Audit & Supervisory Board Members and for Ensuring that Persons Making Such Reports Are Not Treated in an Unfavorable Manner for Making Such Reports

The Company's Directors and employees, etc. and the Company's subsidiaries' Directors, Audit & Supervisory Board Members, and employees, etc., as well as any persons who received reports from any of the above-referenced persons, shall promptly report the following matters to the Company's Audit & Supervisory Board Members, in accordance with the methods set forth in the Company's internal regulations:

- matters that will cause substantial damage to the Company or which have the potential of doing so;
- important matters concerning management or financial information;
- the status of the performance of internal audits;
- material breaches of law or the Company's Articles of Incorporation;
- the status of the administration of the compliance consulting/reporting system and the contents of reports made in connection with the system.

Also, the Group Companies shall not unfavorably evaluate (in internal personnel records) or otherwise treat in an unfavorable manner, any of the above-referenced persons who makes a report, because of the making of such report.

(9) System for the Purpose of Otherwise Ensuring That the Audits Performed by the Audit & Supervisory Board Members Will Be Performed Effectively

The Audit & Supervisory Board Members will hold periodic meetings with the Company's Accounting Auditors to exchange opinions, hold regular reporting meetings with the Company's Internal Audit Department, and take other measures to facilitate collaboration with them.

(10) Matters Concerning Procedures for Advance Payment/Reimbursement of Expenses Arising From the Work of Audit & Supervisory Board Members and Other Matters Relating to the Treatment of Expenses and Other Financial Obligations Arising from Such Work

If the Audit & Supervisory Board Members requests prepayment or reimbursement of any amounts necessarily incurred in the course of their audit work, the Company shall pay such amounts within a reasonable time and in a reasonable manner, unless it is clearly proven that such expenses were not necessarily incurred in the course of the audit work.

(11) System to Cut Ties with Anti-social Forces

The Company's group shall adopt a consistently resolute attitude towards anti-social forces and shall take all measures necessary to cut itself off from any and all associations with anti-social forces.

In accordance with this policy, our group will endeavor to develop internal systems under the leadership of the department in charge of managing these issues. Working closely with the police and other external organizations addressing these issues, our group will strongly push forward initiatives aimed at eradicating anti-social forces.

2. Overview of the Progress of the System to Ensure the Properness of Operations

The following shows an overview of the progress of the system to ensure the properness of operations for the fiscal year.

(1) Progress of Compliance

In order to perform corporate activities in compliance with laws and regulations, the Company's Group has included legal compliance in its business principle and is working to ensure legal compliance.

Out of laws and regulations related to corporate activities to be established or revised, the Legal Department took the leadership in notifying and informing other departments of the Company of matters which are important. In addition, the Internal Audit Department made the annual audit plan in terms of the legality and reasonableness of business activities and audited each department, and reported the results thereof to the Directors and the Audit & Supervisory Board Members, etc.

With respect to compliance training, the Company held, using a web conferencing system, lectures by lawyers on compliance with the Antimonopoly Act. In addition, the Company held seminars based on the Company's policy and ideas about compliance as well as incidents at other companies in the training for new employees. Training for each class of managerial personnel included seminars on compliance with the Antimonopoly Act, Security Export Control and the like in addition to training seminars held by outside institutions such as government agencies using a web conference system, etc., as necessary, thereby ensuring compliance awareness.

(2) Progress of Preserving and Managing Information

The Company audited each division concerning information management under the information management system, which was established following the Regulations of Information Management to confirm the preservation and management status of information including important documents. With regard to information security, the Company received diagnoses

from outside experts and promptly took necessary measures, and the Company continued the Company's efforts to take multiple defensive measures against cyber-attacks at the Company and all domestic and overseas companies of the Group. Furthermore, in order to raise awareness of cyber security among executives and employees, the Company conducted training that simulated targeted attack e-mails, and also provided training on information security for new employees. The Company used work-from-home arrangements after improving the IT environment to ensure security to the same level as in-house systems.

(3) Progress of Managing the Risk of Damage

In the Company, the Risk Management Committee took the leadership in performing cross-sectional risk management activities in accordance with the Risk Management Regulations and thereby established a risk management system in order to detect and prevent the risks associated with the execution of operations. In addition, the Company held seminars on risk management in the training for each class of managerial personnel, thereby ensuring awareness.

Furthermore, the Company treated the prevention of accidents and disasters, etc. as its most important issue under the management policy that placed the first priority on safety, and regularly conducted environment and safety audits at the plants of the Company and its major subsidiaries in order to enhance the management system and take measures against the risks associated with processes and operations.

(4) Progress of Efficient Execution of Duties by the Directors

The Company has the Board of Directors and the Managing Directors' Committee as the bodies that discuss and determine the execution of operations. The Board of Directors discusses and determines important management issues, including basic policies of the Company and matters that need to be resolved according to the Corporations Law or the Articles of Incorporation, etc. The Managing Directors' Committee discusses and decides on general business matters (excluding matters to be determined at Board of Directors meetings) in order to ensure prompt and efficient business execution. In this fiscal year, the Company held meetings of the Board of Directors thirteen times and meetings of the Managing Directors' Committee twelve times. All the meetings were attended by the Outside Directors and the Audit & Supervisory Board Members and various matters relating to the execution of operations were discussed and determined by receiving advice from the Outside Directors.

Furthermore, the Company has developed an efficient organizational framework and various regulations that will enable the Company to speedily respond to changes in the business environment.

(5) Progress of Ensuring the Properness of Operations at the Company's Group

The Company worked for proper and efficient management of the Company's Group in accordance with the Group Companies' Management Regulations, held Group Company Meetings, and presented reports on the operations of major Group Companies at the Managing Directors' Committee to deliberate on issues while receiving reports on important matters related to the management.

The Internal Audit Department audited each Group Company in terms of the legality and reasonableness of business activities in cooperation with the Group Companies as needed, and reported the results thereof to the Directors and the Audit & Supervisory Board Members, etc.

(6) Progress of Ensuring the Effectiveness of Audit Performed by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members, in addition to attending important internal meetings, such as meetings of the Board of Directors and the Managing Directors' Committee, audited the execution of operations by the Directors through receiving reports from them and from employees, etc. on the execution of duties and through investigations, including web conferencing system-based audits of offices/factories and subsidiaries of the Company. In order to improve the effectiveness of audits, the Audit & Supervisory Board Members received reports and explanations

about accounting audit quarterly from the Accounting Auditor and exchanged opinions, and also exchanged information and opinions as needed to facilitate collaboration. Furthermore, the Audit & Supervisory Board Members received, from the Internal Audit Department, reports and explanations regularly on the status of internal audits, and exchanged opinions and collaborated with the Department. The Full-Time Audit & Supervisory Board Members reviewed approval documents and other documents, received reports such as those on the status of activities and the results of internal audits from the Internal Audit Department when appropriate, and gave advice and made requests as needed. In addition, the Audit & Supervisory Board Member Liaison Committee and the Group Audit & Supervisory Board Member Liaison Committee exchanged information and opinions to strengthen collaboration between the Audit & Supervisory Board Members of the Group.

The monetary amounts and numbers of shares set out in this BUSINESS REPORT are expressed as full units with any fractions of the indicated units rounded down to the nearest full unit.

CONSOLIDATED BALANCE SHEET

As of March 31, 2022 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

ASSETS

Current Assets:

	(Millions of yen)
Cash and time deposits -----	1,112,775
Notes, accounts receivable-trade and contract assets -----	473,513
Securities -----	323,305
Merchandise and finished goods -----	201,478
Work in process -----	15,422
Raw materials and supplies -----	236,759
Other -----	80,539
Less: Allowance for doubtful accounts -----	<u>(5,818)</u>
Total current assets	<u>2,437,975</u>

Fixed Assets:

Property, Plant and Equipment:	
Buildings and structures, net -----	246,154
Machinery and equipment, net -----	788,524
Land -----	94,043
Construction in progress -----	140,162
Other, net -----	<u>21,280</u>
Total property, plant and equipment	1,290,165

Intangible Assets -----	10,535
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Investments and Other Assets:

Investments in securities -----	161,338
Deferred tax assets -----	65,594
Other -----	93,624
Less: Allowance for doubtful accounts -----	<u>(5,822)</u>
Total investments and other assets	<u>314,734</u>
Total fixed assets	<u>1,615,436</u>

TOTAL ASSETS	<u>4,053,412</u>
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LIABILITIES

Current Liabilities:

	(Millions of yen)
Notes and accounts payable-trade-----	177,682
Short-term borrowings-----	13,461
Accounts payable-other -----	81,350
Accrued expenses -----	69,197
Accrued income taxes -----	73,756
Accrued bonuses for employees-----	4,147
Accrued bonuses for directors-----	599
Other -----	<u>57,562</u>
Total current liabilities	<u>477,759</u>

Long-Term Liabilities:

Long-term debt -----	16,940
Deferred tax liabilities -----	66,833
Net defined benefit liability-----	41,469
Other -----	<u>21,201</u>
Total long-term liabilities	<u>146,444</u>
TOTAL LIABILITIES	<u>624,204</u>

NET ASSETS

Stockholders' Equity:

Common stock -----	119,419
Additional paid-in capital-----	129,090
Retained earnings -----	2,993,026
Less: Treasury stock, at cost-----	<u>(15,702)</u>
Total stockholders' equity	<u>3,225,834</u>

Accumulated Other Comprehensive Income:

Unrealized gains (losses) on available-for-sale securities -----	26,841
Deferred gains (losses) on hedges -----	(2,535)
Foreign currency translation adjustments-----	75,374
Remeasurements of defined benefit plans -----	1,049
Total accumulated other comprehensive income	<u>100,729</u>

Share Subscription Rights-----	2,733
Non-Controlling Interests in Consolidated Subsidiaries -----	99,910

TOTAL NET ASSETS 3,429,208

TOTAL LIABILITIES AND NET ASSETS 4,053,412

CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2022 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	(Millions of yen)
Net Sales-----	2,074,428
Cost of Sales -----	<u>1,206,425</u>
Gross profit-----	868,002
 Selling, General and Administrative Expenses-----	 <u>191,680</u>
Operating income-----	676,322
 Non-Operating Income:	
Equity in earnings of affiliates -----	7,140
Foreign exchange gain-----	14,265
Other income -----	<u>7,162</u>
Total non-operating income -----	28,567
 Non-Operating Expenses:	
Loss on retirement of non-current assets-----	2,814
Other expenses -----	<u>7,641</u>
Total non-operating expenses -----	<u>10,455</u>
Ordinary income-----	694,434
 Extraordinary Income:	
Gain on sales of non-current assets -----	<u>1,703</u>
Total extraordinary income-----	<u>1,703</u>
Income before income taxes and non-controlling interests -----	 696,137
 Income Taxes:	
Current-----	172,596
Deferred-----	<u>(1,491)</u>
Total income taxes -----	<u>171,105</u>
Net Income -----	525,032
 Net Income Attributable to Non-Controlling Interests -----	 <u>24,914</u>
Net Income Attributable to Owners of Parent -	<u><u>500,117</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2022 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	Stockholders' Equity					(Millions of yen)		
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	[Total]			
Balance as of April 1, 2021	119,419	128,954	2,616,081	(12,612)	2,851,842			
Cumulative effects of changes in accounting policies			(2,133)		(2,133)			
Restated balance	119,419	128,954	2,613,947	(12,612)	2,849,708			
Changes during the year								
Cash dividends			(120,481)					(120,481)
Net income attributable to owners of parent			500,117					500,117
Change of scope of consolidation			(556)					(556)
Purchase of treasury stock				(5,954)				(5,954)
Disposal of treasury stock		111		2,864				2,975
Other		24						24
Net changes of items other than stockholders' equity								
Total changes during the year	-	136	379,079	(3,089)	376,125			
Balance as of March 31, 2022	119,419	129,090	2,993,026	(15,702)	3,225,834			
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 as of April 1, 2021	25,027	(2,703)	(58,618)	(2,409)	(38,704)	2,014	71,473	2,886,625
Cumulative effects of changes in accounting policies								(2,133)
Restated balance	25,027	(2,703)	(58,618)	(2,409)	(38,704)	2,014	71,473	2,884,491
Changes during the year								
Cash dividends								(120,481)
Net income attributable to owners of parent								500,117
Change of scope of consolidation								(556)
Purchase of treasury stock								(5,954)
Disposal of treasury stock								2,975
Other								24
Net changes of items other than stockholders' equity	1,814	167	133,993	3,459	139,434	719	28,437	168,590
Total changes during the year	1,814	167	133,993	3,459	139,434	719	28,437	544,716
Balance as of March 31, 2022	26,841	(2,535)	75,374	1,049	100,729	2,733	99,910	3,429,208

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2022 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

ASSETS

Current Assets:

	(Millions of yen)
Cash and time deposits -----	120,194
Notes receivable-----	5,082
Accounts receivable-trade-----	301,103
Securities -----	127,000
Merchandise and finished goods -----	53,159
Semi-finished products -----	31,037
Raw materials and supplies -----	84,825
Advance payments -----	1,730
Short-term loans -----	2,256
Accounts receivable-other -----	64,732
Other -----	2,774
Less: Allowance for doubtful accounts-----	<u>(2,320)</u>
Total current assets	<u>791,578</u>

Fixed Assets:

Property, Plant and Equipment:

Buildings, net -----	69,607
Structures, net-----	7,729
Machinery and equipment, net -----	62,723
Vehicles, net -----	150
Tools, furniture and fixtures, net -----	4,402
Land-----	25,216
Leased assets, net-----	91
Construction in progress -----	<u>45,516</u>
Total property, plant and equipment	215,437

Intangible Assets ----- 1,143

Investments and Other Assets:

Investments in securities -----	72,631
Investments in capital of subsidiaries and affiliates -----	150,972
Investments in partnerships -----	10
Investments in partnerships of subsidiaries and affiliates-----	27,227
Long-term loans -----	12,256
Long-term prepaid expenses -----	72
Deferred tax assets -----	24,695
Other -----	3,306
Less: Allowance for doubtful accounts-----	<u>(10)</u>
Total investments and other assets	<u>291,162</u>
Total fixed assets	<u>507,744</u>

TOTAL ASSETS 1,299,322

LIABILITIES

Current Liabilities:

	(Millions of yen)
Accounts payable-trade-----	167,581
Electronically recorded obligations - operating -----	2,755
Short-term borrowings-----	9,990
Lease obligations-----	39
Accounts payable-other -----	27,899
Accrued income taxes -----	32,914
Accrued expenses -----	19,329
Advances received -----	714
Deposits -----	138,899
Accrued bonuses for directors -----	489
Other -----	974
Total current liabilities	<u>401,587</u>

Long-Term Liabilities:

Long-term debt -----	1,150
Lease obligations-----	79
Long-term accounts payable-other-----	1,063
Accrued retirement benefits -----	11,760
Asset retirement obligations -----	72
Other -----	103
Total long-term liabilities	<u>14,229</u>
TOTAL LIABILITIES	<u>415,816</u>

NET ASSETS

Stockholders' Equity:

Common stock -----	119,419
Additional paid-in capital:	
Capital reserve -----	120,771
Other capital reserve-----	738
Total additional paid-in capital -----	<u>121,510</u>
Retained earnings:	
Legal earned reserve -----	6,778
Other retained earnings:	
Reserve for special depreciation-----	76
Reserve for disaster prevention-----	75
Reserve for reduction entry of fixed assets -----	1,825
Reserve for research -----	88
Reserve for dividend equalization-----	15
Reserve for reduction entry of land -----	21
General reserve -----	351,137
Retained earnings brought forward -----	<u>274,082</u>
Total other retained earnings-----	<u>627,321</u>
Total retained earnings	<u>634,100</u>
Less: Treasury stock, at cost-----	<u>(15,702)</u>
Total stockholders' equity-----	<u>859,327</u>

Valuation and Translation Adjustments:

Unrealized gains (losses) on available-for-sale securities -----	21,785
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Share Subscription Rights-----	2,392
TOTAL NET ASSETS	<u>883,505</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,299,322</u>

NON-CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2022 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

		(Millions of yen)
Net Sales		693,933
Cost of Sales		<u>471,608</u>
	Gross profit	<u>222,324</u>
Selling, General and Administrative Expenses		<u>59,282</u>
	Operating income	<u>163,042</u>
Non-Operating Income:		
Interest income		184
Dividend income		26,623
Other income		<u>13,186</u>
	Total non-operating income	<u>39,995</u>
Non-Operating Expenses:		
Interest expenses		194
Other expenses		<u>1,601</u>
	Total non-operating expenses	<u>1,795</u>
	Ordinary income	<u>201,241</u>
	Income before income taxes	201,241
Income Taxes:		
Current		55,410
Deferred		<u>(5,000)</u>
	Total income taxes	<u>50,410</u>
	Net Income	<u><u>150,831</u></u>

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2022 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	Stockholders' Equity							(Millions of yen)	
	Common stock	Additional paid-in capital			Retained earnings			Treasury stock, at cost	[Total]
		Capital reserve	Other capital reserve	[Total]	Legal earned reserve	*Other retained earnings	[Total]		
Balance as of April 1, 2021	119,419	120,771	627	121,399	6,778	598,542	605,320	(12,612)	833,526
Cumulative effects of changes in accounting policies						(1,570)	(1,570)		(1,570)
Restated balance	119,419	120,771	627	121,399	6,778	596,972	603,750	(12,612)	831,956
Changes during the year									
Cash dividends						(120,481)	(120,481)		(120,481)
Net income						150,831	150,831		150,831
Purchase of treasury stock								(5,954)	(5,954)
Disposal of treasury stock			111	111				2,864	2,975
Net changes of items other than stockholders' equity									
Total changes during the year	-	-	111	111	-	30,349	30,349	(3,089)	27,371
Balance as of March 31, 2022	119,419	120,771	738	121,510	6,778	627,321	634,100	(15,702)	859,327

	Valuation and translation adjustments	Share subscription rights	Total net assets
	Unrealized gains (losses) on available-for-sale securities		
Balance as of April 1, 2021	20,813	1,699	856,040
Cumulative effects of changes in accounting policies			(1,570)
Restated balance	20,813	1,699	854,470
Changes during the year			
Cash dividends			(120,481)
Net income			150,831
Purchase of treasury stock			(5,954)
Disposal of treasury stock			2,975
Net changes of items other than stockholders' equity	971	692	1,664
Total changes during the year	971	692	29,035
Balance as of March 31, 2022	21,785	2,392	883,505

* Breakdown of other retained earnings

	(Millions of yen)				
	Reserve for special depreciation	Reserve for disaster prevention	Reserve for reduction entry of fixed assets	Reserve for research	Reserve for dividend equalization
Balance as of April 1, 2021	146	72	1,856	88	15
Cumulative effects of changes in accounting policies					
Restated balance	146	72	1,856	88	15
Changes during the year					
Cash dividends					
Reversal of reserve for special depreciation	(70)				
Provision of reserve for disaster prevention		2			
Reversal of reserve for reduction entry of fixed assets			(31)		
Provision of reserve for tax purpose reduction entry of land					
Net income					
Total changes during the year	(70)	2	(31)	-	-
Balance as of March 31, 2022	76	75	1,825	88	15

	Reserve for reduction entry of land	General reserve	Retained earnings brought forward	Total other retained earnings
Balance as of April 1, 2021	20	351,137	245,204	598,542
Cumulative effects of changes in accounting policies			(1,570)	(1,570)
Restated balance	20	351,137	243,634	596,972
Changes during the year				
Cash dividends			(120,481)	(120,481)
Reversal of reserve for special depreciation			70	-
Provision of reserve for disaster prevention			(2)	-
Reversal of reserve for reduction entry of fixed assets			31	-
Provision of reserve for tax purpose reduction entry of land	0		(0)	-
Net income			150,831	150,831
Total changes during the year	0	-	30,448	30,349
Balance as of March 31, 2022	21	351,137	274,082	627,321

Audit Report of Accounting Auditor on the Consolidated Financial Statements
(English Translation)

Independent Auditor's Report

May 16, 2022

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

Yuji Mukaide
Designated Engagement Partner
Certified Public Accountant

Noriaki Kenmochi
Designated Engagement Partner
Certified Public Accountant

Yasuyuki Kitamura
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of Shin-Etsu Chemical Co., Ltd. and its consolidated subsidiaries (the Group) applicable to the 145th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2022, 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, 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.

Other Information

The other information comprises the information included in the Group's business report and its supplementary schedules. 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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, related safeguards.

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.

Audit Report of Accounting Auditor on the Financial Statements (Non-Consolidated)
(English Translation)

Independent Auditor's Report

May 16, 2022

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

Yuji Mukaide
Designated Engagement Partner
Certified Public Accountant

Noriaki Kenmochi
Designated Engagement Partner
Certified Public Accountant

Yasuyuki Kitamura
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Shin-Etsu Chemical Co., Ltd. (the "Company") applicable to the 145th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2022, 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 Financial Statements and the Related Supplementary Schedules section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, 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.

Other Information

The other information comprises the information included in the Company's business report and its supplementary schedules. 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 Company's reporting process of the other information.

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

In connection with our audit of the financial statements and the related supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the related supplementary schedules 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 Financial Statements and the Related Supplementary Schedules

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

In preparing the financial statements and the related supplementary schedules, management is responsible for assessing the Company'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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Related Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the related supplementary schedules 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 financial statements and the related supplementary schedules.

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 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 financial statements and the related supplementary schedules is not expressing an opinion on the effectiveness of the Company'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 Company'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 financial statements and the related supplementary schedules 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements and the related supplementary schedules, including the disclosures, and whether the financial statements and the related supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

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 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, related safeguards.

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 Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Audit Report of Audit & Supervisory Board

Audit Report

The Audit & Supervisory Board has prepared this Audit Report on the execution of duties by the Directors during the 145th fiscal year from April 1, 2021 to March 31, 2022, based upon, and after having considered, the audit reports prepared by the individual Audit & Supervisory Board Members. The Report follows:

1. Audit Methods and Procedures Used by Audit & Supervisory Board Members and by the Audit & Supervisory Board

(1) The Audit & Supervisory Board established its audit policy, plan and so forth, and received reports from the individual Audit & Supervisory Board Members on their progress in conducting audits, as well as their findings. The Board also received reports from the Directors and others and from the Accounting Auditor concerning their progress in executing duties, and requested explanations as needed.

(2) In accordance with the standards established by the Audit & Supervisory Board for auditing by the Audit & Supervisory Board Members, pursuant to the audit policy and assigned duties and others, the individual Audit & Supervisory Board Members promoted communication with the Directors, the internal audit function, and other employees and others, in order to enhance information collection and the overall audit environment, and conducted audits by the following methods.

① They also attended the Board of Directors' meetings and other important meetings via online or other methods and received reports from the Directors and employees and others on their progress in executing duties and requested explanations from them as needed. They perused important documented decisions, approvals and others, and conducted investigations to ascertain the operation of business practices and the status of assets of the Head Office and other principal places of business. With regard to the subsidiaries, the Audit & Supervisory Board Members promoted communication and information sharing with the Directors, Audit & Supervisory Board Members and others of the subsidiaries via online or other methods and received business reports from subsidiaries as needed.

② They audited the substance of the Board of Directors' resolutions regarding the development of the systems to ensure the Directors execute their duties in conformity with laws and regulations and the Articles of Incorporation, and other systems specified in Paragraphs 1 and 3, Article 100 of the Corporations Law Enforcement Regulations necessary for ensuring the properness of operations undertaken by the company group composed of the stock company and its subsidiaries, as well as the systems (internal control systems) being developed in accordance with such resolutions. The Audit & Supervisory Board Members received periodic reports from the Directors and employees and others on their progress in establishing and operating such systems and requested explanations from them as needed.

③ The Audit & Supervisory Board monitored the Accounting Auditor to determine whether it maintained its independence and conducted appropriate audits, and received reports from the Accounting Auditor on its progress in executing duties and asked for explanations as needed. The Board was also advised by the Accounting Auditor of its appropriate development of systems enumerated in the Items of Article 131 of the Corporate Calculation Regulations as constituting a "system to ensure the proper execution of duties," and asked for explanations as needed.

Based on the methods above, the Audit & Supervisory Board examined the Business Report and its Annexed Schedules, Financial Documents (Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Other Net Assets, and Non-consolidated Notes thereto) along with their Annexed Schedules, as well as the Consolidated Financial Documents (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Shareholders' Equity and Other Net Assets, and Consolidated Notes thereto), all covering the fiscal year under review.

2. Results of Audits

(1) Results of Auditing Business Report and Others

- ① The Audit & Supervisory Board certifies that the Business Report and its Annexed Schedules fairly present the state of affairs of the Company in conformity with laws and regulations and the Articles of Incorporation.
- ② The Board finds no irregular acts that occurred or significant facts that violated laws and regulations or the Articles of Incorporation, in connection with the execution of duties by the Directors.
- ③ The Board certifies the adequacy of the Board of Directors' resolutions relevant to internal control systems. Also, the Board finds no items that require particular notice in connection with the substance of the Business Report or the execution of duties by the Directors relevant to such internal control systems.

(2) Results of Auditing Financial Documents and their Annexed Schedules

The Audit & Supervisory Board certifies the appropriateness of audit procedures used by the Accounting Auditor, Ernst & Young ShinNihon LLC, and of the results of its audit.

(3) Results of Auditing Consolidated Financial Documents

The Audit & Supervisory Board certifies the appropriateness of audit procedures used by the Accounting Auditor, Ernst & Young ShinNihon LLC, and of the results of its audit.

May 17, 2022

The Audit & Supervisory Board, Shin-Etsu Chemical Co., Ltd.

Full-time Audit & Supervisory Board Member	Hiroaki Okamoto	(Seal)
Full-time Audit & Supervisory Board Member	Hidenori Onezawa	(Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Yoshihito Kosaka	(Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Kiyoshi Nagano	(Seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Mitsuko Kagami	(Seal)

[End of Notification]