

[Translation for reference and convenience purposes]

Corporate Governance Report

Last Update: July 11, 2022

Shin-Etsu Chemical Co., Ltd.

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

The corporate governance of Shin-Etsu Chemical Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

It is our fundamental management policy to continue enhancing corporate value, thereby meeting the expectations of our shareholders. In order to realize this policy, our basic approach for corporate governance is to work on accurate and timely information disclosure to our shareholders and investors in terms of improving management transparency and strengthening monitoring functions, as well as to develop an efficient organizational structure and various systems able to quickly respond to changes in the business environment. The Company regards the aforementioned idea as one of our most important management priorities.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the code.

[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

【Principle 1-4: Cross-Shareholding】

(Policy on cross-shareholding)

The Company may hold shares of the other parties for the purpose of maintaining and strengthening stable relationships therewith. However, the Company will sell the stocks of the parties which it judges not to be beneficial considering the above purposes.

(Verification on significance of ownership and rationality)

At the Board of Directors meetings, the Company verifies medium- and long-term economic rationality of individual policy holdings at least once a year after considering the maintenance and strengthening of relationships and whether the benefits and risks associated with the holding of the stocks are commensurate with the capital cost.

As of the end of March 2018, the number of shares owned by policies, which had 86 issues, was 58 issues as of the end of March 2022. The Company will continue to sell stocks which it judged not to be beneficial, and will continue to reduce shares of the other parties.

(Exercise of voting rights)

The Company exercises voting rights through comprehensive judgment after considering whether each individual proposal will lead to the damage of shareholder value or whether it will contribute to the improvement of corporate value based on the Company's sustainable growth and to the enhancement of the corporate value of the investee.

【Principle 1-7: Related Party Transactions】

Pursuant to the Companies Act and the Regulations of the Board of Directors of the Company, any transaction between the Company and a Director shall require the approval of the Board of Directors, and such Director shall not participate in the discussion or the resolution.

In addition, pursuant to the “Accounting Standard for Related Party Disclosures” and the “Guidance on Accounting Standard for Related Party Disclosures,” we confirm with each Director every year about the existence of any transactions with related parties and the importance of any such transactions. We disclose any such transactions if there is a requirement to do so.

【Principle 2-4-1: Ensuring Diversity, Including Active Participation of Women】

We strive to promote diversity. Regardless of race, gender, religion, disability, etc., we respect individual diverse values as a basic principle of our human resources system. We work on development of systems to support employees' work-life balance, improving work environment to enable both self-realization and career development.

We have established a personnel evaluation system for human resource development and skill development. We increase employees' motivation and skills by focusing on the process of challenging high goals and by reflecting achievements and work attitudes in the evaluation.

In terms of promoting women's participation and advancement, based on Act on the Promotion of Female Participation and Career Advancement in the Workplace, we set a target for a new five-year period from the fiscal year ended March 31, 2022. We set women hires ratio at 40% for administrative positions, 10% for engineering positions, and four times the number of female managers compared to the fiscal year ended March 31, 2015 to realize the thickness of the human resources layer.

As of March 31, 2022, the percentage of women in managerial positions of entire group companies was 10.7% and that of foreign nationals was 30.6%. The percentage of mid-career hires of group companies in Japan was 27.2%. With the idea of diversity in mind, we will continue our employment activities to hire suitable personnel for each position from a broad perspective.

【Principle 2-6: Roles of Corporate Pension Funds as Asset Owners】

Since the Company does not offer a defined benefits plan, the Company does not assign persons to manage corporate pension funds.

The Company regularly offers its employees briefing sessions concerning the operation of its defined contribution plan, and is implementing measures to assist employees in the management of their pension assets.

【Principle 3-1: Full Disclosure】

i) Our business principle and management policies are as follows. For management strategies, please see management messages from the “Annual Report” posted on our website.
(<https://www.shinetsu.co.jp/en/ir/ir-data/ir-annual/>)

The Shin-Etsu Group's Business Principle: 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.

Management Policies:

(1) Basic Management Policies

The Company aims to respond to our shareholders' expectations by contributing to society and industries through value creation with our materials and technologies. To achieve this, we are 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, we are stably supplying products to customers all over the world. In order to sustain this, we are 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 environments. We believe that we have and can play a key role to that end. In addition to reducing greenhouse gas emissions by ourselves, we will focus on providing technologies and materials that are useful for decarbonization. We will work to ensure that many of our products serve these purposes and that the more our products are used, the more we can contribute to industry and people's lives. We will thus fulfill our role as an essential supplier that supports the world's industries and people's lives.

(2) Targeting Our Management Objectives: Shin-Etsu's Mid-to Long-term Management Strategies

The management indicator sets a target of increasing revenue and earnings every fiscal year. Among our main products, there are some that are affected by changes in business environment including market conditions. We need to adapt speedily to changes in the external environment in order to manage each business in rapidly changing markets. We have significantly broken the highest profit record in the fiscal year ended March 2022. With that as a new starting point, we have begun work aimed at even greater heights. We will meet the demands of the times, such as the move to make things "ubiquitous" and carbon-neutralization, and realize sustainable growth.

ii) Basic views on corporate governance

Please see "I 1. Basic Views" of this report.

iii) Policies and procedures in determining the remuneration of Directors

Please see "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of "II 1. Organizational Structure and Operation, etc." of this report.

iv) Policies and procedures with respect to the nomination of Directors/Audit & Supervisory Board Members candidates and appointment/dismissal of executives

The appointment of Director/Audit & Supervisory Board Member candidates and appointment/dismissal of executives (a) are discussed at meetings of the Officers' Remuneration Committee, which was voluntarily established as an advisory body to the Board of Directors and is headed by an Independent Outside Director to enhance objectivity/transparency, and (b) are decided by the Board of Directors based on the Committee's reports. In addition, Audit & Supervisory Board Member candidates are subject to approval by the Audit & Supervisory Board.

The policies concerning appointment of Director/Audit & Supervisory Board Member candidates are as follows.

[Policy concerning appointment of Director candidates]

With respect to both Internal Directors in charge of the execution of business and Outside Directors, candidates are chosen irrespective of nationality or gender and are required to have good character and relevant expertise.

Secondly, candidates for Internal Director positions in charge of the execution of business are required to have considerable business knowledge and experience. Candidates for Outside Director positions are required to have considerable management experience or advanced knowledge and experience in their field of expertise.

[Policy concerning appointment of Audit & Supervisory Board Member candidates]

With respect to both Internal Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, candidates are chosen irrespective of nationality or gender and are required to have good character, relevant expertise, and necessary knowledge of financial, accounting, and legal matters.

Secondly, candidates for Internal Audit & Supervisory Board Member positions are required to have a wide-ranging familiarity with the Company's business, general business practices and industry practices. Candidates for Outside Audit & Supervisory Board Member positions are required to have advanced knowledge and experience in a field such as law, finance or accounting, or wide-ranging expertise in general management matters.

v) Explanations with respect to the individual appointments/dismissals and nominations for the nomination of Director/Audit & Supervisory Board Member candidates and appointment/dismissal of executives
Reasons for the appointment/dismissal of each Outside Officer are described in "II 1. Organizational Structure and Operation, etc." of this Corporate Governance Report.

Reasons for the appointment/dismissal of all Directors and Audit & Supervisory Board Members are described in the "Notice of Convocation of the General Meeting of Shareholders" posted on our website.
(<https://www.shinetsu.co.jp/en/ir/ir-general-meeting/>)

【Principle 3-1-3: Full Disclosure】

i) Sustainability Initiative

Our sustainability initiatives are as follows.

Since 1990, the Group has been working to increase corporate value through sustainable growth. Our management and business activities are based on always placing the highest priority on safety, giving consideration to the environment and taking appropriate measures, contributing to society, and ensuring appropriate corporate governance. In order to share and implement these policies throughout the Group, we have established Basic Sustainability Policy and various internal regulations.

Specifically, the Sustainability Committee, which is chaired by the Company's president and consists of approximately 60 directors, executive officers, division heads, and sustainability officers from Group companies, engages in activities that cut across divisions.

For details of our sustainability initiatives, please refer to the Sustainability Report posted on our website.
(<https://www.shinetsu.co.jp/en/sustainability/>)

ii) Investment in Human Capital

Based on our belief that human resources are the cornerstone of our corporate activities, we have clearly stated in our Management Objectives "promotion of a rewarding workplace". In the Basic Sustainability Policy, we stated "support the self-fulfillment of our employees" and strive to develop human resources and secure human resources.

Regarding human resource development, we are systematically advancing training for each job level, safety education and specialized training to develop a wide range of human resources according to the purpose, while emphasizing OJTs (On the Job Training) through daily operations. In recent years, we introduced a curriculum to develop AI and MI human resources and promote the acquisition of technologies that meet the demands of the times.

As business globalization progresses, we strive to invest in human capital and work to secure and enhance human resources in consideration of diversity.

iii) Patent & Management Know-How

In order to fulfill our role in each business segment, as shown on page 25, on a sustained basis, we are more actively protecting the intellectual property that we generate and use through the use of patents and other rights and intellectual property management methods. In particular, our overseas sales ratio is high, and we strive to acquire global intellectual property rights. In addition, we respect the intellectual property rights of others and take appropriate measures to prevent disputes from occurring from the standpoint of our Business Principle namely "strictly complies with all laws and regulations and conducts fair business practices." Please refer to the Sustainability Report for information on intellectual property management, including the status of acquisition and possession of our intellectual property rights.

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

In addition to the initiatives described above, we will strive to further improve management know-how, the ultimate intellectual property we have accumulated.

【Supplementary Principle 4-1-1: Roles and Responsibilities of the Board of Directors (1)】

The Company determines that the matters requiring a resolution of the Board of Directors under laws and regulations and other important matters relating to its business, as listed below, must be decided by resolution of the Board of Directors:

(1) Matters set forth in the Companies Act and other laws and regulations; (2) Matters set forth in the Articles of Incorporation; (3) Matters delegated by a resolution of the General Meeting of Shareholders; and (4) Important business matters and other matters set forth in the Regulations of the Board of Directors of the Company.

In addition, the following matters must be reported to the Board of Directors:

(1) Status of execution of business and other matters set forth in the Companies Act and other laws and regulations; (2) Matters set forth in the Regulations of the Board of Directors; and (3) Other matters which the Board of Directors considers necessary.

【Principle 4-9: Independence Standards and Qualification for Independent Outside Directors】

Independent Outside Directors are elected in accordance with the requirements for Outside Directors set forth in the Companies Act and the "Standards for Independence of Outside Directors/Audit & Supervisory Board Members" which the Company adopted based on the independence standard set forth by the Financial Instruments Exchange. The "Standards for Independence of Outside Directors/Audit & Supervisory Board Members" adopted by the Company are described in "Matters relating to Independent Directors/Audit & Supervisory Board Members" in "II 1. Organizational Structure and Operation, etc." of this Corporate Governance Report.

【Principle 4-10-1: Policies, Mandates, and Roles regarding the Independence of the Composition of the Officers' Remuneration Committee】

Please see "Committee's Name, Composition, and Attributes of Chairperson" in "II 1. Organizational Structure and Operation, etc." of this Corporate Governance Report.

【Principle 4-11/Supplementary Principle 4-11-1: Preconditions for Board and Audit & Supervisory Board Effectiveness】

The Company's corporate group globally develops its various businesses relating to the materials industry. To enable the Board of Directors to make correct and timely decisions about these business activities and provide sufficient supervision, the Company's basic policy is (a) to elect, regardless of their nationality or gender, Internal Directors who have business expertise in sales, manufacturing, research and development, etc. and several Outside Directors who can proactively provide their opinions about enhancing growth strategies and governance from a comprehensive viewpoint and (b) to have an appropriate number of Internal and Outside Directors on its Board of Directors, considering the Company's business scale.

We have appointed five Outside Directors (including one foreign Director) with achievements and extensive experience in a variety of industries.

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members, one of whom is a lawyer (a specialist in legal issues), and one of whom is a certified public accountant (a specialist in accounting issues). One of the five Audit & Supervisory Board Members is a woman.

Currently, we do not have any women Directors. However, if we encounter a suitable person, we will appoint her to the appropriate Director position, and we aim to promote the appointment of diverse human resources to Directors and Audit & Supervisory Board Members positions.

【Supplementary Principle 4-11-2: Preconditions for Board and Audit & Supervisory Board Effectiveness】

For the status of concurrent Directors and Audit & Supervisory Board Members as Officers of other listed companies, please see "II 1. Organizational Structure and Operation, etc." of this report.

【Supplementary Principle 4-11-3: Preconditions for Board and Audit & Supervisory Board Effectiveness】

The Company's major discussion and decision-making bodies for business execution include the Board of Directors, as stipulated by law, and the Managing Directors' Committee. Directors and Audit & Supervisory Board Members, including Outside Directors and Audit & Supervisory Board Members, attend the Board of Directors and the Managing Directors' Committee. During these Meeting, Outside Directors ask questions and make proposals, and active discussions are held each time. In fiscal year 2021, the Board of Directors' meeting was held 13 times, and the matters stipulated under the laws and regulations, Articles of Incorporation and the Regulations of the Board of Directors of the Company were submitted without omission and resolved after deliberation.

In addition, the Company individually hears opinions from Outside Directors on the effectiveness of the entire Board of Directors every year. The Company received an evaluation from Outside Directors that the

Company's Board of Directors was effective, and also received valuable opinions such as “further enhancement of discussions at the Board of Directors’ meeting” and “appointment of female directors”. As described above, the Board of Directors of the Company is operating appropriately. In addition, as a result of self-assessment and analysis, the Board of Directors ensures the effectiveness of the entire Board of Directors and fully demonstrates the functions that the Board of Directors should fulfill. The Company will continue to improve the effectiveness of the Board of Directors.

【Supplementary Principle 4-14-2: Director and Audit & Supervisory Board Member Training】

In order to realize the business principle, “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,” we provide the Directors and the Audit & Supervisory Board Members with training and seminars focusing particularly on compliance at the time of their appointment and at other appropriate times.

The Audit & Supervisory Board Members also attend external training events to acquire necessary knowledge and improve their skills.

【Principle 5-1: Policy for Constructive Dialogue with Shareholders】

The Company recognizes that constructive communication with the shareholders can enhance corporate value based on the Company’s sustainable growth and has determined the following policies:

- 1) Shareholders’ requests for communication are handled mainly by (i) the President, (ii) the Officers in charge of each Division, Finance & Accounting or Public Relations and (iii) the full-time persons in charge of Investor Relations (IR) in the Public Relations Department.
- 2) For promoting constructive communication with the shareholders, the Public Relations Department, which is in charge of IR, shares information as needed with the Management, each Division, the Office of the President, the Finance & Accounting Department and the General Affairs Department, and ensures an organized cooperation within the Company.
- 3) We hold Company-sponsored earnings calls, business briefings and plant tours, and also participate in the meetings held by securities companies for the investors, etc.
- 4) The opinions, etc. acquired through communication with the shareholders and investors are reported as needed to the management and relevant Divisions.
- 5) We endeavor to perform fair and transparent information disclosure and set a “silent period (from the day following the date of quarterly financial settlement to the date of publication of financial settlement)” during which we decline any communication regarding the information of the financial results and, during such period, we decline any inquiries about the financial results and interaction with news media so as to securely prevent any insider information leakage.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] (Updated)

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	83,450,400	20.09
Custody Bank of Japan, Ltd. (Trust Account)	26,690,200	6.42
Nippon Life Insurance Company	16,669,130	4.01
JP MORGAN CHASE BANK 385632	16,608,347	4.00
The Hachijuni Bank, Ltd.	11,790,677	2.84
Custody Bank of Japan, Ltd. (Trust Account 4)	11,760,800	2.83
Meiji Yasuda Life Insurance Company	10,687,919	2.57

SSBTC CLIENT OMNIBUS ACCOUNT	9,877,543	2.38
GOVERNMENT OF NORWAY	9,256,119	2.23
STATE STREET BANK WEST CLIENT – TREATY 505234	5,940,799	1.43

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation **(Updated)**

- (i) The above mentioned status of major shareholders states the situation as of March 31, 2022.
(ii) The percentage is calculated after deducting the number of treasury stocks from that of total outstanding shares.
(iii) While the following Change Report Pertaining to Report of Possession of Large Volume regarding the Company's shares was submitted, since the Company cannot confirm the actual ownership status as of March 31, 2022, the status of the above major shareholders is stated based on the contents of the shareholder list.

Change Report Pertaining to Report of Possession of Large Volume filed on November 5, 2021

Filer: BlackRock Japan Co., Ltd.

Number of shares held: 20,941 thousand shares are held with the filer and seven companies of the filer's co-owners (Holding Ratio of Share Certificates, etc. is 5.03% as of September 29, 2021)

Change Report Pertaining to Report of Possession of Large Volume filed on March 7, 2022

Filer: Capital Research and Management Company

Number of shares held: 24,454 thousand shares are held with the filer and four companies of the filer's co-owners (Holding Ratio of Share Certificates, etc. is 5.87% as of February 28, 2022)

3. Corporate Attributes

Listed Stock Market and Market Section (Updated)	Tokyo Stock Exchange Prime market / Nagoya Stock Exchange Prime market
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company owns 53.3% of the voting rights of Shin-Etsu Polymer Co., Ltd. (listed on the Prime market of the Tokyo Stock Exchange). For the reasons described below, we believe that maintaining the listing of Shin-Etsu Polymer Co., Ltd. will contribute to the enhancement of its corporate value and the development of the comprehensive business activities of the Group. At this time, as in the past, the Company does not plan to make Shin-Etsu Polymer Co., Ltd. a wholly owned subsidiary or sell off the Company's shareholding.

One of Shin-Etsu Polymer Co., Ltd.'s main businesses is to solve its customers' problems by adding value to the Company's PVCs, silicones and other products through processing, molding and other treatments. In addition, being part of the Group, Shin-Etsu Polymer Co., Ltd. is able to obtain information related to electronic materials and develop products using this information. The wafer case is a typical example. The Company believes that Shin-Etsu Polymer Co., Ltd. will benefit from maintaining its listing in terms of trust with business partners, motivation of employees, recruitment, and brand value. While the Company maintains cooperation with Shin-Etsu Polymer Co., Ltd. through exchanging information about technology development and sharing management policies, the Company basically respects the autonomy of Shin-Etsu Polymer Co., Ltd. as an independent corporate entity in the management of its business in accordance with the Company's "Group Companies Management Regulations". In addition, the Company engages in normal selling and purchasing transactions with Shin-Etsu Polymer Co., Ltd., and they are made fairly based on market prices.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational Structure and Operation, etc.

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	13
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	Chairman
Number of Directors	11
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1) (Updated)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tsuyoshi Miyazaki	From another company												○
Toshihiko Fukui	Other												○
Hiroshi Komiyama	Other												○
Kuniharu Nakamura	From another company									△			
Michael McGarry	From another company									△			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

- b. Non-executive Director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) (Updated)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Election
Tsuyoshi Miyazaki	○	Former Representative Director and President, Mitsubishi Logistics Corporation Former Representative Director and Chairman, Mitsubishi Logistics Corporation Advisor, Mitsubishi Logistics Corporation	The Company elected Tsuyoshi Miyazaki as an Outside Director with the expectation of not only the supervision from an independent standpoint, but also advice on overall management by capitalizing on his management experience at Mitsubishi Logistics Corporation. Furthermore, he was appointed as an Independent Officer for the reason that he has been judged to maintain a high independence taking into account that he has provided useful suggestions by capitalizing on his management experience at Mitsubishi Logistics Corporation and has also exercised supervision from an independent standpoint since he became an Outside Director.
Toshihiko Fukui	○	Former Governor, the Bank of Japan President, the Canon Institute for Global Studies Outside Director, Kikkoman Corporation	The Company elected Toshihiko Fukui as an Outside Director with the expectation of not only the supervision from an independent standpoint, but also advice on overall management by capitalizing on his experience he acquired through his service at the Bank of Japan. Furthermore, he was appointed as an Independent Officer for the reason that he has been judged to maintain a high independence taking into account that he, who was a former Governor of the Bank of Japan, etc., has provided useful suggestions by capitalizing on his outstanding knowledge and wealth of experience related to global finance and the economy, and has also exercised supervision from an independent standpoint since he became an Outside Director.
Hiroshi Komiyama	○	Former President, the University of Tokyo	The Company elected Hiroshi Komiyama as an Outside Director with the expectation of not

		<p>Chairman, Mitsubishi Research Institute, Inc. Outside Director, Imagineer Co., Ltd.</p>	<p>only the supervision from an independent standpoint, but also advice on overall management by capitalizing on his experience he acquired through his service as a former president of the University of Tokyo. Furthermore, he was appointed as an Independent Officer for the reason that he has been judged to maintain a high independence taking into account that he has provided useful suggestions 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, and has also exercised supervision from an independent standpoint since he became an Outside Director.</p>
Kuniharu Nakamura	○	<p>Director and Chairman, SUMITOMO CORPORATION Outside Director, NEC Corporation</p> <p>(Note) Although the Company is a trading partner of the SUMITOMO CORPORATION, to which Mr. Nakamura concurrently holds, the transaction amount is less than 1% of net sales from both sides, so it does not affect his duties or independence.</p>	<p>The Company elected Kuniharu Nakamura as an Outside Director with the expectation of not only the supervision from an independent standpoint, but also advice on overall management from his management experience of the SUMITOMO CORPORATION. Furthermore, he was appointed as an Independent Officer for the reason that he has been judged to maintain a high independence taking into account that he has provided useful suggestions capitalizing on his outstanding knowledge and wealth of experience in a wide range of international business, and has also exercised supervision from an independent standpoint since he became an Outside Director.</p>
Michael H. McGarry	○	<p>Director, Chairman & CEO, PPG Industries, Inc. Outside Director, United States Steel Corporation</p> <p>(Note) Although the Company is a trading partner of the PPG Industries, Inc. to which Mr. McGarry concurrently holds, the transaction amount is less than 1% of net sales from both sides, so it does not affect his duties or independence. Also, Mr. McGarry has received compensation as a special advisor to the Company since April 2021, but this compensation was paid in exchange for his advice on the Company's management based on his experience and insight, so it does not affect his duties or independence. The special advisory contract with him has already been terminated.</p>	<p>The Company elected Michael McGarry as an Outside Director with the expectation of not only the supervision from an independent standpoint, but also advice on overall management from his management experience of the PPG Industries, Inc. Furthermore, he was appointed as an Independent Officer for the reason that he has been judged to be able to make suggestions and exercise supervision from an independent standpoint, since he has outstanding knowledge and wealth of experience in a wide range of chemical fields, with management expertise in the U.S., Europe, and Asia, as well as in driving the company's business portfolio transformation as Chairman and CEO of PPG Industries, Inc.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson (Updated)

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Officers' Remuneration Committee	Officers' Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation (Updated)

To ensure the transparency and fairness in determining Officer's remuneration and nominating executives and Director/Audit & Supervisory Board Member candidates, the Company has established the Officers' Remuneration Committee, which is chaired by an independent Outside Director and has a majority of independent Outside Directors, as an advisory body to the Board of Directors.

Based on "the Officers' Remuneration Committee Regulations," the Committee deliberates on Officer's remuneration and nominations of executives and Director/Audit & Supervisory Board Member candidates through regular meetings twice a year and teleconferences held as needed, and reports the results to the Board of Directors. The chairperson of this committee is Outside Director Toshihiko Fukui, and the other members are Outside Director Hiroshi Komiyama, Outside Director Michael H. McGarry, Representative Director-President Yasuhiko Saitoh, and Director-Adviser Shunzo Mori.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

In order to enhance the effectiveness of audits, the Company's Audit & Supervisory Board Members receive reports and explanations on accounting audits from the Accounting Auditor and then exchange opinions every quarter. They also exchange information and opinions at any time. This enables the Company's Audit & Supervisory Board Members to cooperate with the Accounting Auditor.

The Auditing Department is a dedicated department responsible for conducting the Company's internal audits, and conducts such audits independently from other Departments and Administrative Divisions. The Audit & Supervisory Board Members regularly receive reports and explanations from the Auditing Department regarding the internal auditing situation. And then, they exchange opinions and work together. In addition, the Full-time Audit & Supervisory Board Members receive progress reports on activities, internal auditing results and other matters. They provide advice and make requests about the contents of the reports and the selection

of audit theme as needed. The Auditing Department also attends meetings where the Audit & Supervisory Board Members receive reports and explanations regarding auditing plans and accounting audits from the Accounting Auditor every quarter in an effort to strengthen auditing functions based on more effective tripartite cooperation.

Election of Outside Audit & Supervisory Board Members	Elected
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Yoshihito Kosaka	CPA														○
Kiyoshi Nagano	From another company														○
Mitsuko Kagami	Lawyer														○

* Categories for "Relationship with the Company"

- * "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- * "△" when the Audit & Supervisory Board Member fell under the category in the past
- * "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- * "▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive Director or accounting advisor of the Company or its subsidiaries
- c. Non-executive Director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2) (Updated)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Election

Yoshihito Kosaka	○	<p>CPA Certified Public Tax Accountant Representative Partner, HIYU Certified Tax Accountants' Corporation Outside Audit & Supervisory Board Member, ASTMAX Co., Ltd. Outside Audit & Supervisory Board Member, OXIDE Corporation</p>	<p>The Company elected Yoshihito Kosaka as an Outside Audit & Supervisory Board Member to conduct audits from an independent standpoint based on his professional knowledge and abundant experience as a certified public accountant and a certified public tax accountant. Mr. Kosaka was appointed as an Independent Officer because the management regards him as highly independent. Since becoming an Outside Audit & Supervisory Board Member, he has performed a satisfactory job in auditing from a professional perspective as a certified public accountant and a certified public tax accountant and has contributed to the establishment of a compliance structure for the Company from an independent standpoint.</p>
Kiyoshi Nagano	○	<p>Former Representative Director, Chairman and President, former Jasadq Securities Exchange, Inc. Outside Director, LEC, INC.</p>	<p>The Company elected Kiyoshi Nagano as an Outside Audit & Supervisory Board Member to conduct audits from an independent standpoint as he has wide range of knowledge and wealth of experience based on his management experience at former Jasadq Securities Exchange, Inc. Mr. Nagano was appointed as an Independent Officer because management regards him as highly independent. Since becoming an Outside Audit & Supervisory Board Member, he has performed a satisfactory job of auditing from a broad perspective based on his management experience at former Jasadq Securities Exchange, Inc. and has contributed to the establishment of a compliance structure for the Company from an independent standpoint.</p>
Mitsuko Kagami	○	<p>Lawyer Partner lawyer at KAGAMI Law Office Outside Director of MEDIPAL HOLDINGS CORPORATION Outside Director of Sotetsu Holdings, Inc.</p>	<p>The Company elected Mitsuko Kagami as an Outside Audit & Supervisory Board Member to conduct audits from an independent standpoint based on her professional knowledge and wealth of experience as a lawyer. Ms. Kagami has a wealth of experience and expertise in the area of corporate legal affairs as she has held various posts such as the position of Outside Director of listed companies and Professor at Keio University Law School. Ms. Kagami was appointed as an Independent Officer because management regards him as highly independent. Since becoming an Outside Audit & Supervisory Board Member, she has performed a satisfactory job of auditing from a professional perspective as a lawyer and has contributed to maintain the Company's</p>

			compliance system from an independent standpoint.
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[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	8
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Matters relating to Independent Directors/Audit & Supervisory Board Members

<p>The Company has appointed all Outside Directors/Audit & Supervisory Board Members as Independent Directors/Audit & Supervisory Board Members, insofar as they meet the qualifications thereof. In addition, the Company stipulates “Standards for Independence of Outside Directors/Audit & Supervisory Board Members”, and Outside Directors/Audit & Supervisory Board Members who do not fall under any of the following items shall be regarded as independent.</p> <ol style="list-style-type: none"> 1. Executives (the Directors (excluding the Outside Directors), Corporate Officers, Executive Officers, the equivalents thereof and employees; the same applies hereafter) or those who were executives in the Company, its subsidiaries and affiliated companies. 2. Executives of legal persons, etc. that the Company is a major shareholder of. 3. Major shareholders of the Company or executives of legal persons, etc. that are major shareholders of the Company. 4. Major clients or suppliers of the Company or those to whom the Company is a major client or supplier. (In the case of legal persons, etc., executives of the said legal persons, etc.) 5. Those who belong to audit firms acting as the Accounting Auditors of the Company. 6. Those who render professional services, such as legal, financial, tax and other fields, or consulting work to the Company and receive a large amount of monetary compensation (In the case of legal persons, etc., those who belong to the said legal persons, etc.) 7. Those who receive large donations from the Company (In the case of legal persons, etc., executives of the said legal persons, etc.) 8. Those who have fallen under any of the above items 2 through 7 until recently. 9. Those who are relatives within the second degree of kinship to the persons described in any of the following items (limited to important persons ^(Note)) <ol style="list-style-type: none"> (1) Executives of the Company, its subsidiaries and affiliated companies. (2) Those who fall under any of the above items 2 through 7. (3) Those who have fallen under the above items (1) and (2) until recently. <p>(Note) “Important persons”</p> <ol style="list-style-type: none"> 1) In case of executives, include the Directors (excluding the Outside Directors), Corporate Officers, Executive Directors and any employee with a senior managerial position of general manager or higher. 2) Includes certified public accountants among those who belong to audit firms or accounting audit offices, attorneys-at-law among those who belong to legal offices and Officers (including councilors, board members and auditors) among those who belong to incorporated foundations, incorporated associations, educational institutions and other legal persons.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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Supplementary Explanation

The remuneration for Directors (excluding Outside Directors) of the Company consists of fixed remuneration, performance-based remuneration and stock options. The policy for determining the ratio of payments is detailed in the “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” of the “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” of the “II 1. Organizational Structure and Operation, etc.” in this report.

The index related to performance-linked remuneration for the Directors and the reasons for selecting the index and method for determining the amount of performance-based remuneration is detailed in the “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” of the “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” of the “II 1. Organizational Structure and Operation, etc.” in this report.

Recipients of Stock Options	Inside Directors / Employee / Other
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Supplementary Explanation

Stock options are for the Directors of the Company (excluding the Outside Directors), Corporate Officers, and executive-level employees who are deeply involved in corporate management for the purpose of enhancing the willingness and the morale to improve the Company’s business performance.

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Selected Directors
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Supplementary Explanation (Updated)

The total amount of fixed remuneration and performance-based based remuneration of the Directors for the Company (excluding the Outside Directors) for the fiscal year ended March 31, 2022 was 1,297 million yen for 16 Directors (Including 10 directors who retired at the end of the 144th Ordinary General Meeting of Shareholders held on June 29, 2021).

In addition, for the fiscal year ended March 31, 2022, pursuant to a resolution adopted by the Board of Directors on August 17, 2021, 6 Directors (excluding the Outside Directors) were granted non-monetary remuneration (stock acquisition rights intended as incentive stock options), which were valued at 210 million yen.

The fixed remuneration does not include the amount of salary (including bonuses) in relation to the employee position payable to the Directors who are concurrently serving as employees. In addition, there is no employee portion for performance-based remuneration and non-monetary remuneration for directors who also serve as employees.

The total amount of remuneration to the Outside Directors/Audit & Supervisory Board Members (5 Outside Directors and 4 Outside Audit & Supervisory Board Members, including an Outside Audit & Supervisory Board Member who retired at the end of the 144th Ordinary General Meeting of Shareholders held on June 29, 2021) for the fiscal year ended March 31, 2022 was 171 million yen.

Details for those who were awarded remuneration of 100 million yen or more are separately disclosed in the Annual Securities Report (Japanese only).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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 for 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.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The Outside Directors and the Outside Audit & Supervisory Board Members are assisted by the staffs of the related divisions. The Company receives appropriate opinions from the Outside Directors, by communicating and giving explanations on the agenda in advance as necessary, at any important internal meetings such as the Board of Directors. In addition, the Company reports the matters discussed in the Board of Directors to those Outside Directors and Outside Audit & Supervisory Board Members who were unable to attend the meeting by sending the copies of the minutes.

2. Matters on Functions of Business Execution, Auditing, Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

[Execution of Business Processes]

The Board of Directors and the Managing Directors' Meeting meet once a month as a general rule to discuss and make decisions on business execution. The Board of Directors deliberates and makes decisions on important management matters, including matters that require resolutions under laws and regulations and the Articles of Incorporation. The Managing Director's Meeting deliberates and makes decisions on overall business operations (excluding matters to be discussed at the Board of Directors) in order to execute the Company's business operations quickly and efficiently. In addition, the Company has established Corporate Officers.

[Audit and Supervision]

The Company's Audit & Supervisory Board Members conduct audits concerning the execution of operations by the Directors through the attendance of important internal meetings including those mentioned above, through the reports on the execution status of duties from directors and employees and through web-based audits and other surveys of its production facilities, business locations and subsidiaries. In order to enhance the effectiveness of audits, they receive reports and explanations on accounting audits from the Accounting Auditor and exchange opinions every quarter. They also exchange information and opinions at any time. This enables them to cooperate with the Accounting Auditor. In addition, they regularly receive reports and explanations from the Internal Audit Department regarding the internal auditing situation. And then, they exchange opinions and work together.

The Full-time Audit & Supervisory Board Members review documents such as approval documents and receive progress reports on activities, internal auditing results and other matters. They provide advice and make requests as needed. In addition, to strengthen cooperation among auditors within the Company and its subsidiaries, they exchange information and opinions at the Company's Liaison Meetings and its subsidiaries' Audit & Supervisory Board Members.

The Company is making every effort to prepare appropriate personnel and structures to support audits by the Audit & Supervisory Board Members, by allocating dedicated staff to assist the Audit & Supervisory Board Members, where the appointment, termination and other actions concerning such staff require the consent of the Audit & Supervisory Board Members to be obtained in accordance with the procedure set out in the internal rules and regulations. In addition, the Company elected three Outside Audit & Supervisory Board Members who are highly independent, one of whom has legal knowledge as a lawyer and one of whom has knowledge of finance and accounting as a certified public accountant and a certified public tax accountant.

In terms of the internal audit, the Auditing Department (a dedicated department) is engaged in the operational auditing of each department from the perspectives of legal compliance and the rationality of business activities. The results of the audits are reported to the Directors and the Audit & Supervisory Board Members, etc., thereby ensuring cooperation between the internal auditing organization, the Outside Directors and the Audit & Supervisory Board Members.

The Accounting Auditor of the Company for the year ended March 31, 2022 is Ernst & Young ShinNihon LLC. They have been auditing the Company since 1951. The certified public accountants who conducted audits are Yuji Mukaide, Noriaki Kenmochi and Yasuyuki Kitamura, all of whom are designated members with limited liabilities / executive members whose number of years of continuous service is five years, two years and six years, respectively. The composition of audit engagement assistants is 15 certified public accountants and 37 other staff involved in the engagement, for a total of 52 people. Among the Company's significant subsidiaries, overseas subsidiaries such as Shintech, Inc. and Shin-Etsu Handotai America, Inc. have been audited by Deloitte & Touche LLP and others.

With regard to the Outside Directors, the Company invited Tsuyoshi Miyazaki, former Representative Director and President as well as former Representative Director and Chairman of Mitsubishi Logistics Corporation, Toshihiko Fukui, former Governor of the Bank of Japan, Hiroshi Komiyama, former President of the University of Tokyo, Kuniharu Nakamura, Director and Chairman of SUMITOMO CORPORATION, and Michael H. McGarry, Director, Chairman & CEO of PPG Industres, Inc. in the U.S., all of whom have advised us on overall corporate management as well as monitoring and supervision from independent standpoints.

[Agreements limiting liability]

The Company, in accordance with the provision of Paragraph 1 of Article 427 of the Companies Act, concludes agreements with all Outside Directors and all Audit & Supervisory Board Members limiting their liability for damages, as described in Paragraph 1 of Article 423 of the Companies Act; provided that the limitation of liability for damages in the agreements shall be based on the amount prescribed by relevant laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the corporate structure under which it established the Audit & Supervisory Board. The audits to be conducted by the Audit & Supervisory Board Members regarding the execution of duties by the Directors is stipulated under the Companies Act and the Audit & Supervisory Board comprises five Audit & Supervisory Board Members in total, including three highly independent Outside Audit & Supervisory Board Members. In addition to the aforementioned effort to prepare appropriate personnel and structures to support audits by the Audit & Supervisory Board Members, the Company ensures that audits by the Audit & Supervisory Board Members sufficiently serve their function, under the coordination of the Audit & Supervisory Board Members and the Internal Audit Department. Furthermore, the Company elected five highly independent Outside Directors, who conduct satisfactory supervision over corporate management under the coordination of the Audit & Supervisory Board Members and the Internal Audit Department. As mentioned above, the Company has established the framework to strengthen supervisory function over corporate management, effectively utilizing the functions carried out by the Audit & Supervisory Board

Members. The Company selected the aforementioned system as a company with the Audit & Supervisory Board, in the belief that such system can establish the governance structure desirable for the Company and also ensure the trust of the shareholders and investors.

[Role and function of the Company's Outside Directors]

The Company's Outside Directors provide thorough supervision from an independent standpoint and also shared their comments from a broad, high-level perspective capitalizing on their wealth of experience and outstanding knowledge.

And Outside Director Toshihiko Fukui serves as the commissioner of the Officers' Remuneration Committee, and Hiroshi Komiyama and Michael H. McGarry serve on the Committee.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholders' Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends the Notice of Convocation of the Ordinary General Shareholders' Meeting to the shareholders three weeks prior to the Ordinary General Shareholders' Meeting. In addition, such notices are posted on TDnet and the Company's website four weeks prior to the Meeting in order to ensure enough time for shareholders to consider the agenda.
Allowing Electronic Exercise of Voting Rights	The Company implements a system for exercising voting rights via the Internet.
Participation in Electronic Voting Platform	The Company participates in electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	In order to facilitate the exercise of voting rights by non-Japanese shareholders, the Company prepares and posts an English version of the Notice of Convocation of the Ordinary General Shareholders' Meeting on its website on the same day the Japanese version is posted.
Other	The results of the exercise of voting rights at the General Shareholders' Meeting are disclosed in the Extraordinary Report and are also posted on the Company's website (together with an English version).

2. IR Activities (Updated)

	Supplementary Explanations	Personal explanation by representative
Preparation and Publication of Disclosure Policy	The Company ensures fair and transparent disclosure to our shareholders and investors in accordance with Financial Instruments and Exchange Act and the Securities Listing Regulations stipulated by the Stock Exchange on which our stocks are listed. This is based on our understanding that timely and accurate disclosure of the Company's corporate information to the shareholders and investors facilitates the understanding of the Company and brings appropriate evaluation from the market. The Company's information disclosure policy is posted on its website.	
Regular Investor Briefings for Individual Investors	The Company has opened a website whose content is easy to understand for individual investors and provides	No

	information for them. The Company also participates in briefings for individual investors hosted by securities companies.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds earnings calls quarterly. In addition, the Company participates in small meetings and business briefings hosted by securities companies.	Yes
Posting of IR Materials on Website	The Company posts financial results summaries, Q&A Summaries of the Business Results Explanatory Meeting and the Annual Securities Reports, etc. on its website. Financial results summaries are posted on its website on the date the results are announced.	
Establishment of Department and/or Manager in Charge of IR	As the Company believes that “IR is the responsibility of senior executives,” Representative Director and President, are proactively involved in IR activities. Public Relations Department is in charge of IR activities, and seeks to make timely and appropriate information disclosure and discussions, working closely together with Finance & Accounting Department.	

3. Measures to Ensure Due Respect for Stakeholders (Updated)

	Supplementary Explanations
Environmental Conservation Activities, CSR Activities and others	<p>Shin-Etsu Group’s Business Principle is “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.” We share the recognition that social and environmental considerations are indispensable in our business activities for the sustained growth of corporate earnings.</p> <p>The Group continues to work on specific goals to reduce environmental impact in the business activities. The Group is working on providing materials that contribute to achieve the United Nation’s “SDGs”. The Group’s core products such as PVC, semiconductor silicon, silicones, cellulose derivatives and rare earth magnets contribute to the future of the earth by addressing issues on climate change, preservation of ecosystems and biodiversity. We will accelerate the development of product application as well as the development of new products in order to further contribute to the SDGs.</p> <p>To achieve the business principle, we formulated the Basic Sustainability Policy and internal regulations, and are carrying out sustainability activities. In order to promote sustainability activities on a company-wide level in all aspects of corporate activity, we have set up an Sustainability Committee consisting of about 60 members, including Directors, Corporate Officers, and people in charge from the relevant divisions, departments and subsidiaries. In addition, President Saitoh serves as the Committee Chairman.</p> <p>The Group announced its support for and implementation of the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA) in 2006. In 2014, the Company also signed the revised Responsible Care Global Charter. Furthermore, the Group became a participant in the United Nations Global Compact (UNGC) in 2010, where it announced its support for and implementation of the UNGC’s Ten Principles with regard to the four areas; human rights, labor standards, the environment and the prevention of corruption. In February 2018, the Company signed on, as the first company to do so, to the Tokyo Principles for Strengthening Anti-Corruption Practices established by the Global Compact Network Japan. In May 2019, the Group announced our support for the recommendations from the TCFD (Task Force on Climate-related Financial</p>

	<p>Disclosures) and is working to reduce greenhouse gas emissions as part of our business activities toward the global goal of "2050 carbon neutrality." Furthermore, the Company publicized the everyday efforts to business that respect human rights as "The Shin-Etsu Group Human Rights Policy" to the outside of the Company and thoroughly disseminate this policy within the Group. The Company continues to promote business activities in line with these principles in order to obtain the trust of many people.</p> <p>The Group's ESG activities are disclosed on the Company's website. (https://www.shinetsu.co.jp/en/sustainability/)</p>
Other	<p>The Group has been promoting the success of diverse human resources. In order to promote women's participation and advancement, the Group set five-year goals in the fiscal year ended March 31, 2017. From the fiscal year ending March 31, 2022, we set new five-year goals and promote further women's advancement.:</p> <ol style="list-style-type: none"> 1. raise the female employment rate to 40% for administrative positions and 10% for engineering positions. 2. four times the number of women in managerial positions including junior manager level compared to the number in the fiscal year ended March 31, 2015. <p>Also, in order to enable employees to demonstrate their abilities while raising children, we have established a Childcare Leave System and a Short-time Working System that exceeds legal requirements. The Childcare Leave System can be acquired until the child is 3 years old. In addition, the Short-time Work System that shortens work hours by up to two hours per day can be used until the child graduates from elementary school.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company has formulated a Basic Policy on Internal Controls to help put in place a "structure to ensure that the execution of duties by the Directors is fully compliant with applicable laws and regulations and the Articles of Incorporation, and other structures to ensure the propriety of business operations of the company and its subsidiaries," Article 362, Paragraph 4, Item 6 of the Companies Act. We recognize the establishment, operation and maintenance of an internal control system as an important management obligation. In line with this basic policy, we have established and operate an internal control system, which is subject to constant review, in an effort to enhance its appropriateness and efficiency.

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 Propriety 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:

- (1) matters that will cause substantial damage to the Company or which have the potential of doing so;
- (2) important matters concerning management or financial information;
- (3) the status of the performance of internal audits;
- (4) material breaches of law or the Company's Articles of Incorporation;
- (5) 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. Basic Views on Eliminating Anti-Social Forces

(1) Basic views on eliminating anti-social forces

The Group has adopted to strictly comply with all laws and regulations and to conduct fair business practices as a business principle, and confronts with a resolute attitude towards anti-social forces that threaten wholesome social order and safety, thereby striving for the elimination of any relationship with anti-social forces.

(2) Status of establishing a system for eliminating anti-social forces

In order to further facilitate initiatives to eliminate any relationship with anti-social forces, the Company established a dedicated division to handle such matters within the General Affairs Department, and assigned a person in charge preventing the Company from being subject to any undue demands. This establishment enables to organize and strengthen the internal systems and ensures that the Auditing Department and the related divisions serve a checking function from the perspectives of internal control and risk management. Furthermore, the General Affairs Department plays a central role in building a close cooperative relationship with the police and its external organizations as well as external professional bodies such as lawyers on a regular basis, endeavors to share information concerning anti-social forces and work on the central management and accumulation of the gathered information, as well as to participate in seminars held by the said professional bodies and to provide information and warnings within the Company as necessary.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	

2. Other Matters Concerning to Corporate Governance System

The status of the internal system for the timely disclosure of the Company's corporate information is as follows.

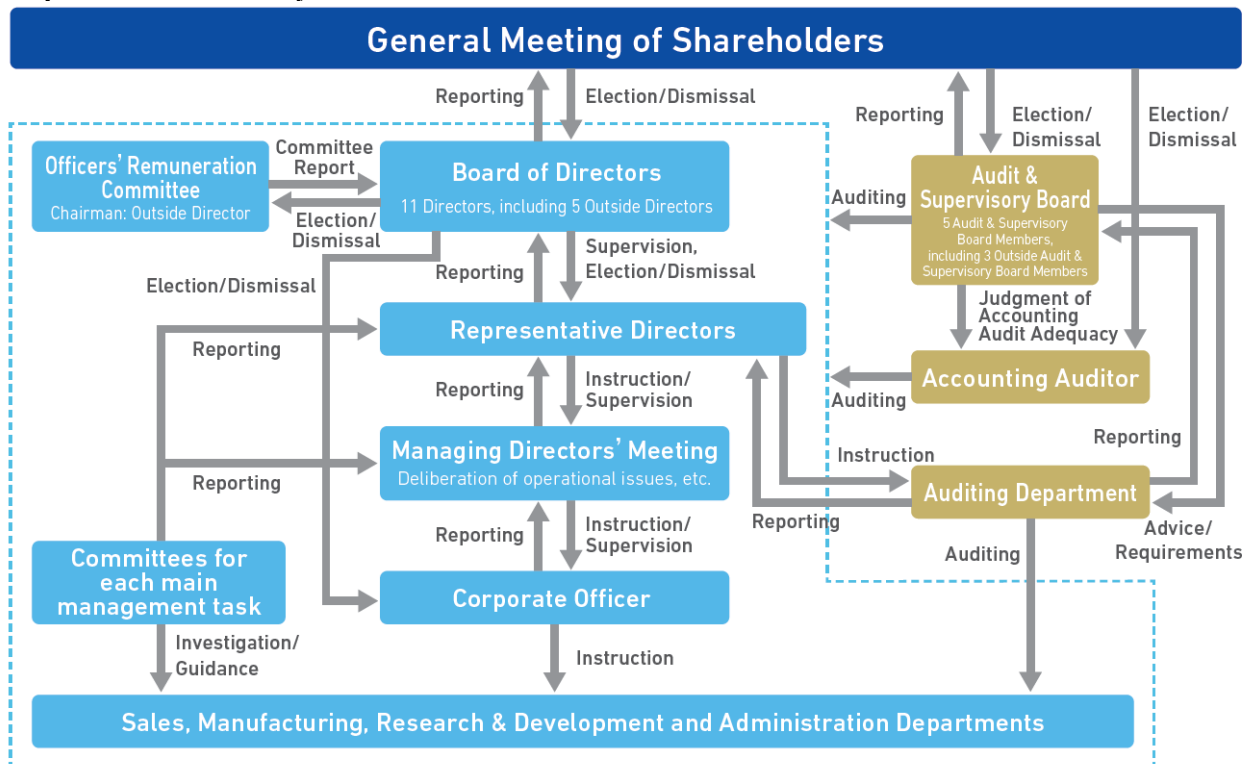
In accordance with the regulations regarding information disclosure prescribed by the Stock Exchange, the Company sets out and informs the Company and Group Companies of the internal rules for the understanding, management and timely disclosure of corporate information, such as "the Rules on Timely Disclosure of Corporate Information" and "the Rules on Insider Trading Regulations." The Company strives for seamless operation through the following initiatives.

- 1) The Company informs employees of internal regulations by posting them on the Intranet.
- 2) The Company defines the department, based on the type of information, that is in charge of each type of material corporate information, which includes decisions made and occurrence of material facts, etc.
- 3) When material corporate information comes up, the Department in charge or the applicable subsidiary verifies such information and immediately reports the details to the Officers and employees whose responsibilities are related to such information as well as to the Office of the President. The Office of the President, upon receiving the report, immediately communicates the information to the Public Relations Department, which is in charge of timely disclosure.
- 4) The Public Relations Department determines whether such information needs to be disclosed in a timely manner and, if it needs to be disclosed, the Department immediately reports to each of the Directors, the Audit & Supervisory Board Members or the Board of Directors.
- 5) Announcements shall be made as early as possible and at an appropriate timing. The Public Relations Department should discuss the exact timing with the related Departments including the Department in charge.
- 6) The Finance & Accounting Department shall carry out administrative procedures for disclosing information in a timely manner.

The main products and services that belong to each segment

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

Corporate Governance System at Shin-Etsu Chemical



State of the internal system for timely disclosure

