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(Translation)

(Securities Code 4063)  
June 7, 2021

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

Notice of Convocation of the 144th  
Ordinary General Meeting of Shareholders

Dear Shareholder:

You are hereby notified that the 144th 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 Monday, June 28, 2021.

Description of Meeting

1. Date and Time : June 29, 2021 (Tuesday) 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 144th fiscal year (April 1, 2020 through March 31, 2021)  
2. Report on the Financial Statements for the 144th fiscal year (April 1, 2020 through March 31, 2021)

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 Five (5) Directors  
4th Agendum : Election of One (1) Audit & Supervisory Board Member  
5th Agendum : Revision of Remuneration, Etc. to Directors  
6th Agendum : Revision of the Amount, Etc. and the Substance of Stock Options Issued to Directors  
7th Agendum : Issuance of Stock Acquisition Rights as Stock Options to Employees

Very truly yours,

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Yasuhiko Saitoh  
Representative Director / President  
Shin-Etsu Chemical Co., Ltd.  
6-1, Ohtemachi 2-chome  
Chiyoda-ku, Tokyo

- 
- ◎ 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: Monday, June 28, 2021 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: Monday, June 28, 2021 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: Tuesday, June 29, 2021 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, smartphone or a cell phone, 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 144th  
Ordinary General Meeting of Shareholders**

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## ANNEX

# BUSINESS REPORT

(April 1, 2020 through March 31, 2021)

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

### 1. Business Operations

During the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021), demand recovered to varying degrees depending on the region and industry, after a downturn caused by worldwide restrictions on economic activities in the April to June quarter. Demand and market conditions recovered in our major business fields in the October to December quarter. Since then, demand and market conditions have generally improved. In March 2021, the U.S. government enacted the Covid 19 Economic Stimulus Package amounting to US\$ 1.9 trillion and the U.S. Federal Reserve confirmed that it would continue monetary easing toward full employment. Meanwhile, the Chinese government decided to renew its five-year plan and take flexible measures for economic growth.

The Shin-Etsu Group focused on business requirements such as maintaining high operating rates, ensuring a stable product supply, and preserving receivables, while giving top priority to the health and safety of our employees. Communicating closely with our customers, we promoted the development of products that are of value to our customers, and provided a stable supply of products of unwavering quality. In addition, we carried out the capital investment projects as scheduled.

As a result, the net sales for the Company's group for this consolidated fiscal year decreased by 3.0% (46,619 million yen) compared with the previous fiscal year to 1,496,906 million yen. Compared to the performance of the previous fiscal year, operating income decreased by 3.4% (13,828 million yen) to 392,213 million yen, ordinary income decreased by 3.1% (13,141 million yen) to 405,101 million yen, and profit attributable to owners of parent decreased by 6.5% (20,295 million yen) to 293,732 million yen.

The business operations of each division were as follows:

#### PVC/Chlor-Alkali

Although this division's total sales decreased by 3.0% (14,559 million yen) from the previous fiscal year to 469,763 million yen, operating income increased by 5.3% (4,864 million yen) to 97,051 million yen.

With regard to the PVC/Chlor-Alkali business, SHINTECH INC. in the U.S. continued to operate its plant at full capacity to maintain high shipment levels of both PVC and caustic soda. In April and May, it was influenced by market conditions caused by the restriction on economic activities. But, after that, the supply and demand tightened worldwide and the prices were raised. We endeavored to maintain the sales volumes at the European and Japanese bases as well, and benefitted from improved market conditions.

#### Silicones

This division's total sales decreased by 8.2% (18,548 million yen) from the previous fiscal year to 208,324 million yen, and operating income decreased 26.6% (16,378 million yen) to 45,112 million yen.

With regard to the silicones business, it was affected by the price decline of general-purpose products and the sluggish demand for products for cosmetic and automotive applications. Customer demand began to recover from the beginning of autumn.

#### Specialty Chemicals

This division's total sales decreased by 1.9% (2,164 million yen) from the previous fiscal year to 112,632 million yen, and operating income decreased by 21.3% (5,891 million yen) to 21,826 million yen.

With regard to the cellulose derivatives business, the products for pharmaceutical applications continued to hold steady although the sales of products for building and construction applications were weak. Shipments of the pheromone products and the POVAL products were sluggish.

#### Semiconductor Silicon

Although this division's total sales decreased by 3.5% (13,534 million yen) from the previous fiscal year to 374,097 million yen, operating income increased by 0.6% (802 million yen) to 144,100 million yen.

With regard to the semiconductor silicon business, demand increased due to the resumption of economic activities.

#### Electronics & Functional Materials

This division's total sales increased by 4.3% (9,772 million yen) from the previous fiscal year to 234,883 million yen, and operating income increased by 2.6% (1,758 million yen) to 70,298 million yen.

With regard to the rare earth magnets business, the operations at our overseas plants were temporarily affected by the restriction on economic activities in the first quarter, but automotive applications showed a strong recovery and the shipments of products for hard disk drives were favorable in the second half. With regard to the photoresist products business, the ArF photoresists and EUV photoresists continued to perform well. The photomask blanks business also performed well for both high-end and general-purpose products. The optical fiber preform business experienced harsh conditions due to the impact of the deteriorating market. The photomask substrates business for large panel applications was affected by slowing demand.

#### Processing, Trading & Specialized Services Business

This division's total sales decreased by 7.2% (7,587 million yen) from the previous fiscal year to 97,204 million yen, and operating income decreased by 3.1% (465 million yen) to 14,359 million yen.

The shipments of Shin-Etsu Polymer Co., Ltd.'s semiconductor wafer containers were steady, but the input devices for automobiles were affected by the deteriorating automobile market.

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

The Company's group invested 228,801 million yen during this consolidated fiscal year mainly in the following:

Major facilities completed during this consolidated fiscal year:

Construction of an ethylene manufacturing plant (SHINTECH INC.)

Enhancement of the facility for manufacturing photomask blanks (the Company's Takefu Plant)

Enhancement of the facility for manufacturing optical fiber preform (Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.)

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

Construction of an integrated PVC manufacturing plant (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. and the Company's Naoetsu Plant)

Construction of a new facility for manufacturing low dielectric constant thermosetting resins for 5G products (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 our shareholders' expectations by contributing to society and industries through value creation with our materials and technologies. To achieve this, we will pursue the world's best technology and quality. We will continuously make efforts to improve productivity as well as move forward with business management that enables us to provide our products stably to customers worldwide and to cope adequately and speedily with changes in the economic situation and market conditions. At the same time, we will develop numerous products that will help resolve the issues faced by customers and industries.

It is imperative to maximize efficiency throughout the economies in this day and age when humans pursue sustainable growth and prosperity while lessening the burden on the environment. We believe that we can play a key role to that end. We will develop our product offerings with that focus and make a contribution in such manner as the more of our products are used, the better the industries and human societies become. We are determined to do our part as an essential supplier to human life and industries in the world.

Also, as semiconductor devices are regarded as strategic materials, we will be adept and resourceful in both technology and supply. Lately, major countries have set goals for reduction in greenhouse gas emissions and begun to move forward to achieving so-called carbon neutrality. Our business is fully aligned to helping reduce greenhouse gas emissions. We will commit to further align our business toward it. In addition, we will adopt technologies effective in reducing greenhouse gas emissions as soon and as much as we are able.

## (2) Problems Confronting the Company's Group

As mentioned in 1. Business Operations, demand in our fields of business has generally been recovering, and it is hoped that the economic measures that the major countries have set out or are trying to set out will benefit the world economy. On the other hand, there were signs of an upswing in inflation, causing disruptions in supply chains. Although vaccinations for the corona virus have progressed, the epidemic has resurged, rendering the prospect unpredictable. In addition to localized geopolitical risks, we must pay attention to the increasingly evident confrontation between the U.S. and China. Large fluctuations in the global climate are also a cause for concern.

While maintaining our resilience to these developments, in line with (1) Basic Management Policies and Mid- to Long-term Management Strategies and the points mentioned in the previous section, we will continuously strive to improve our business performance further. It will still take some time for the epidemic to come to an end. When and if it comes to an end, there will be some parts of our life and economic activities that will go back to what they were before, and some other parts that will not. We view this as an opportunity for new growth. We see the purpose of so-called digital transformation as “dematerialization” of the economy and will seek to contribute to it. As a measure to realize carbon neutrality, we will proceed with measures and preparations for carbon taxes that will likely be implemented. Given that globalization may be reviewed and transformed with the possible decoupling of the global economy arising from the U.S.-China confrontation, we will continue to work flexibly to play a key role as an essential supplier, regardless of how all this may transpire.

By segment, the prospect is as follows:

In the PVC business, SHINTECH INC. in the U.S. will launch as planned a new plant of PVC resins to meet growing demand. We will steadily carry out the construction work in the second period. At the same time, we will consider the subsequent plan.

In the silicones business, we are proceeding with the expansion of the production capacity of final products and striving to expand the supply system and product lineups for customers worldwide. We will further develop our products and their applications in order to contribute to the solution of our customers' issues.

In the specialty chemicals business, for our cellulose business, we will strive for the stable supply of various products from our three bases in Japan, the U.S. and Europe. In addition to the products for pharmaceuticals and industrial applications, which have been our focus, we will respond to the increasing demand for food application products. As for our pheromone products, we will increase the number of application brands and contribute to the improvement of agricultural production as well as to forest preservation. Regarding other existing products such as POVAL, we will go forward and expand the sales as well.

In the semiconductor silicon business, although the semiconductor device market has short-term fluctuations, it is certain that its market will grow in the long-term. We will employ every possible means to continue our stable supply of high-quality silicon wafers that support miniaturization and other requirements. We will continue to respond to customer demand in consideration of investment efficiency.

In the electronics & functional materials business, for our rare earth magnet business, we will make use of our integrated production system from refining raw materials to producing final products at the two bases in Japan and Vietnam. We will implement raw material measures with great care and respond to security-related studies for supplies that have been initiated in Europe and the U.S. We will promote the launch of semiconductor device packaging materials, new types of substrate materials, and 5G compatible materials. In our optical fiber preforms business, we will capture demand derived from infrastructure investments beginning in major countries. In our synthetic quartz substrates business, we will respond to the demand by providing high quality products in various sizes quickly. In our photoresists business, we will continue focusing on

development and stable supply of high-end products, and in our photomask blanks business, we will meet the demand for high-end products with our integrated production system that starts from producing the substrates.

#### 4. Trend of Business Results and Financial Conditions

Item	Year	141st Fiscal Year	142nd Fiscal Year	143rd Fiscal Year	144th Fiscal Year
Net Sales	(Million Yen)	1,441,432	1,594,036	1,543,525	1,496,906
Profit attributable to owners of parent	(Million Yen)	266,235	309,125	314,027	293,732
Net Income per Share	(Yen)	624.28	725.99	755.17	706.76
Net Assets	(Million Yen)	2,413,025	2,532,556	2,723,141	2,886,625
Total Assets	(Million Yen)	2,903,137	3,038,717	3,230,485	3,380,615

- 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, 2021)

(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	53.3 (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

- Notes
1. 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. For the fiscal year under review, the scope of Major Subsidiary Companies has been reviewed to include one company, namely SHIN-ETSU HANDOTAI EUROPE LIMITED, and to exclude two companies, namely SIMCOA OPERATIONS PTY. LTD. and Nagano Electronics Industrial Co., Ltd.

## (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 97 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 1,496,906 million yen (down by 3.0% from the previous fiscal year), and the profit attributable to owners of parent amounted to 293,732 million yen (down by 6.5% from the previous fiscal year).

## 6. Major Lines of Business of the Company's Group (as of March 31, 2021)

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

PVC/Chlor-Alkali	Polyvinyl Chloride, Caustic Soda, Methanol, Chloromethanes
Silicones	Silicone
Specialty Chemicals	Cellulose Derivatives, Silicon Metal, Poval, Synthetic Pheromones, Vinyl Chloride - Vinyl Acetate Copolymer Resin
Semiconductor Silicon	Semiconductor Silicon
Electronics & Functional Materials	Rare-earth Magnets, Semiconductor Encapsulating Materials, LED Packaging Materials, Photoresists, Photomask Blanks, Synthetic Quartz Products, Liquid Fluoroelastomers, Pellicles
Processing, Trading & Specialized Services Business	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, 2021)

(1) Company

Principal Office: 6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo, Japan

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, 2021)

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

Business Dept.	Number of Employees	Increase or Decrease Compared with the End of the Previous Fiscal Year
PVC/Chlor-Alkali	1,495	+51
Silicones	2,609	-10
Specialty Chemicals	1,478	+28
Semiconductor Silicon	4,746	-31
Electronics & Functional Materials	6,057	+724
Processing, Trading & Specialized Services Business	7,684	+524
Total	24,069	+1,286

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
3,238	+98	42.2	20.2

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, 2021)

Name of Lender	Outstanding Borrowings (Million Yen)
MUFG Bank, Ltd.	10,358
The Hachijuni Bank, Ltd.	7,752
Nippon Life Insurance Company	3,600
Meiji Yasuda Life Insurance Company	2,300

## II. Matters Concerning Stock in the Company (as of March 31, 2021)

### 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:	46,332

Note: The total number of issued shares includes 1,115,572 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)	57,172	13.8
Custody Bank of Japan, Ltd. (Trust Account)	25,695	6.2
Nippon Life Insurance Company	21,933	5.3
JPMORGAN CHASE BANK 385632	17,973	4.3
Custody Bank of Japan, Ltd. (Trust Account 4)	12,018	2.9
The Hachijuni Bank, Ltd.	11,790	2.8
Meiji Yasuda Life Insurance Company	10,687	2.6
SSBTC CLIENT OMNIBUS ACCOUNT	8,532	2.1
GOVERNMENT OF NORWAY	8,227	2.0
Custody Bank of Japan, Ltd. (Trust Account 7)	6,839	1.6

Note: The holding ratios are computed net of the treasury shares (1,115,572 shares).

### III. Matters Concerning Stock Acquisition Rights Issued by the Company

#### 1. State of Stock Acquisition Rights (Stock Options) (as of March 31, 2021)

##### (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 Directors) (09/21/2017)	60	6,000 shares of Common Stock in the Company	1,479	10,000	September 22, 2018 through March 31, 2022	Directors of Company (excluding Outside Directors)
12th Issue of Stock Acquisition Rights (for Distribution to Employees) (09/21/2017)	215	21,500 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)	763	76,300 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)	1,371	137,100 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)	1,800	180,000 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)	2,859	285,900 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)	2,320	232,000 shares of Common Stock in the Company	Distributed gratis	13,123	September 3, 2021 through March 31, 2025	Employees of Company

Note: The terms and conditions on which to exercise stock acquisition rights in each issue are outlined below:

- 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).
- 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.
- 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:

Designation	Chronological Number of Issue	Number of Stock Acquisition Rights	Number of Optionees
Directors (Excluding Outside Directors)	12th Issue of Stock Acquisition Rights	60	1
	13th Issue of Stock Acquisition Rights	840	8
	14th Issue of Stock Acquisition Rights	1,965	14
	15th Issue of Stock Acquisition Rights	1,220	16
Audit & Supervisory Board Member	13th Issue of Stock Acquisition Rights	13	1

Notes 1. The 13th to 15th issues of stock acquisition rights held by Directors (excluding Outside Directors) described above include the stock acquisition rights granted to employee Directors in their capacity as employees.

2. Stock acquisition rights held by the Audit & Supervisory Board Member above are the stock acquisition rights distributed to Director of the Company before appointment of an Audit & Supervisory Board Member.

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

Pursuant to a resolution adopted by the Board of Directors on August 18, 2020, the 15th Issue of Stock Acquisition Rights (for Distribution to Employees), intended as incentive stock options, was issued as of September 2, 2020 for distribution to 100 employees, as outlined below:

(1) Number of Stock Acquisition Rights Distributed

2,170

(2) Type and Quantity of Shares Subject to Stock Options

217,000 shares of common stock in the Company  
(100 common shares of the Company per stock option)

(3) Issue Price

Issued without compensation.

(4) Payment Per Share upon Exercise of Stock Options

¥13,123

(5) Period within Which to Exercise Stock Options

From September 3, 2021, until March 31, 2025

(6) Conditions to Exercise Stock Options

The same terms and conditions apply as described in the Notes of 1.-(1) General Description of Stock Acquisition Rights above.

Note: The above figures do not include the stock acquisition rights granted to employee Directors in their capacity as employees.

#### 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, 2021)

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.
Senior Managing Director	Susumu Ueno	In charge of Special Functional Products General Manager, Silicone Div.
Senior Managing Director	Masahiko Todoroki	General Manager, Planning & Administration Dept., Semiconductor Materials Div. Senior Managing Director, Shin-Etsu Handotai Co., Ltd.
Managing Director	Toshiya Akimoto	In charge of Office of the Secretariat, Public Relations, Legal Affairs and Purchasing General Manager, Office for Digitization and Digitalization
Managing Director	Fumio Arai	General Manager, Organic Chemicals Div. Director & President, Shin-Etsu PVC B.V. Director & President, SE Tylose GmbH & Co. KG
Managing Director	Yukihiro Matsui	In charge of Patents General Manager, Electronics Materials Div.
Managing Director	Masaki Miyajima	In charge of Advanced Materials General Manager, PVC Div.
Managing Director	Kenji Ikegami	In charge of General Affairs, Personnel & Labor Relations and Business Auditing
Director - Adviser	Shunzo Mori	
Director <sup>1</sup>	Frank Peter Popoff	
Director <sup>1</sup>	Tsuyoshi Miyazaki	Adviser, Mitsubishi Logistics Corporation
Director <sup>1</sup>	Toshihiko Fukui	President, the Canon Institute for Global Studies Outside Director, Kikkoman Corporation
Director <sup>1</sup>	Hiroshi Komiyama	Chairman, Mitsubishi Research Institute, Inc.
Director <sup>1</sup>	Kuniharu Nakamura	Director & Chairman, SUMITOMO CORPORATION Outside Director, NEC Corporation
Director	Toshiyuki Kasahara	In charge of Office of the President General Manager, Finance & Accounting Dept.
Director	Kazumasa Maruyama	General Manager, New Functional Materials Div.
Director	Toshio Shiobara	In charge of R&D Deputy General Manager, Electronics Materials Div. (In charge of Organic Electronics Materials)
Director	Yoshimitsu Takahashi	In charge of Environmental Control & Safety General Manager, Business Development Dept.
Director	Kai Yasuoka	General Manager, International Div.

Title	Name	Responsibilities, Important Concurrent Positions, etc.
Full-time Audit & Supervisory Board Member	Hiroaki Okamoto	
Full-time Audit & Supervisory Board Member	Hidenori Onezawa	
Audit & Supervisory Board Member <sup>2</sup>	Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio University Law School Outside Director, YAMAHA CORPORATION
Audit & Supervisory Board Member <sup>2</sup>	Yoshihito Kosaka	C.P.A./Certified Public Tax Accountant Representative Partner, HIYU Certified Tax Accountants' Corporation
Audit & Supervisory Board Member <sup>2</sup>	Kiyoshi Nagano	Outside Director, LEC, INC.

Notes: 1. <sup>1</sup> indicates an Outside Director as defined in Item 15, Article 2 of the Corporations Law.

2. <sup>2</sup> 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. Taku Fukui, Outside Audit & Supervisory Board Member, serves in a concurrent role at the Kashiwagi Sogo Law Offices. However, there is no special relationship between the Company and the firm 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.
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. Taku Fukui, Outside Audit & Supervisory Board Member, serves concurrently as Outside Director for YAMAHA 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.
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. Mr. Toshinobu Ishihara, Director, retired from the office effective as of the conclusion of the 143rd Ordinary General Meeting of Shareholders held on June 26, 2020.
8. 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. Taku Fukui, Mr. Yoshihito Kosaka and Mr. Kiyoshi Nagano as Audit & Supervisory Board Members -- have been reported to the Tokyo Stock Exchange, Inc., etc. as Independent Officers.

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 held on February 16, 2021 (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.

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 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.

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

The 131st Ordinary General Meeting of Shareholders held on June 27, 2008 resolved to determine the amount of remuneration, etc. of Directors and Audit & Supervisory Board Members as follows: for Directors, no more than 2.5 billion yen per year (including within this amount 200 million yen for Outside Directors), and for Audit & Supervisory Board Members, no more than 150 million yen per year. The General Meeting also resolved that the Company shall issue monthly remuneration and bonuses 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 twenty (20) Directors (including four (4) Outside Directors). There were five (5) Audit & Supervisory Board Members. The amount of remuneration, etc. for Directors mentioned above does not include the employee salaries of Directors who serve concurrently as employees.

On a different account from the above, the 129th Ordinary General Meeting of Shareholders held on June 29, 2006 resolved that the amount of remuneration to be paid in the form of stock acquisition rights as stock options shall be within the range of 900 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 8,000 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 800,000 common shares of the Company may be issued at the exercise of such stock acquisition rights. As at the conclusion of the above General Meeting of Shareholders, there were eighteen (18) Directors in total. The remuneration for Directors does not include the employee salaries of Directors who serve concurrently as employees.

(Reference)

At the Board of Directors meeting held on May 25, 2021, it was resolved that proposals to change the above-mentioned "amount of remuneration, etc. for Directors" and "amount and details of remuneration to be paid in the form of stock acquisition rights as stock options to Directors" be submitted to the 144th Ordinary General Meeting of Shareholders scheduled to be held on June 29, 2021.

- (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 1,978	Persons 22	Million Yen 1,199	Persons 22	Million Yen 565	Persons 16	Million Yen 214	Persons 16
Audit & Supervisory Board Members	74	5	74	5	—	—	—	—
Total	2,053	27	1,273	27	565	16	214	16
(Of which, Outside Directors and Outside Audit & Supervisory Board Members)	(165)	(8)	(165)	(8)	(—)	(—)	(—)	(—)

Notes 1. The above figures for “Total Amount of Remuneration, etc.” and “Fixed Remuneration” include those relevant to one Director who retired from the office effective as of the conclusion of the 143rd Ordinary General Meeting of Shareholders held on June 26, 2020.

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 18, 2020, 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,” “Performance-based Remuneration, etc.,” and “Non-monetary Remuneration, etc.” of the Directors do not include the 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 43 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 via participation in these meetings and other arrangements are reviewed below:

a. Activities of Outside Directors

Name	Main Activities
Frank Peter Popoff	<p>The Director attended 12 out of the 13 meetings of the Board of Directors held during the fiscal year under review (attendance rate 92%).</p> <p>For the Outside Directors or Outside Audit &amp; Supervisory Board Members, we encourage them to participate in the review and decision-making process regarding business execution by explaining to them the agenda items of the meetings of the Board of Directors, asking them about their opinions in advance, and sending them copies of the minutes fully translated into English.</p> <p>Furthermore, the Company has been aggressively promoting its business development overseas through the establishment of business locations all over the world, including in the U.S., Asia, and Europe. 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 so far includes repealing the Officers' Retirement Benefits Program and making other significant revisions to the officers' remuneration system, thus striving to achieve an appropriate corporate governance structure with regard to the officers' remuneration system, and thereby satisfactorily performing the job expected of him.</p>
Tsuyoshi Miyazaki	<p>The Director attended all 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 risk management, ESG, 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, satisfactorily performing the job expected of him.</p>
Toshihiko Fukui	<p>The Director attended all 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 risk, etc. in the global 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, satisfactorily performing the job expected of him.</p>
Hiroshi Komiyama	<p>The Director attended all 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 ESG, etc. including utilization of renewable energy sources 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, satisfactorily performing the job expected of him.</p>

Name	Main Activities
Kuniharu Nakamura	The Director attended all meetings of the Board of Directors, as well as Managing Directors' Committee meetings, held during the fiscal year under review since his assumption of office. The Director shared his beneficial recommendations concerning group 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, satisfactorily performing the job expected of him.

b. Activities of Outside Audit & Supervisory Board Members

Name	Main Activities
Taku Fukui	The Audit & Supervisory Board Member attended meetings of the Board of Directors (attendance rate 92%) and of the Audit & Supervisory Board (attendance rate 100%), as well as Managing Directors' Committee meetings. At the Audit & Supervisory Board meetings, he shared his comments from a legal specialist's point of view. In addition, he received reports from Directors and employees on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his audit function thoroughly.
Yoshihito Kosaka	The Audit & Supervisory Board Member attended all meetings of the Board of Directors and 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 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 meetings of the Board of Directors and 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 Jasdac Securities Exchange, Inc. In addition, he received reports from Directors and employees on the execution of duties and conducted investigations of offices/factories and subsidiaries of the Company, thereby exercising his 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

135 million yen

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

181 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 Handotai Co., Ltd.; Shin-Etsu PVC B.V.; Shin-Etsu Engineering Co., Ltd.; S.E.H. Malaysia Sdn. Bhd.; Shin-Etsu Handotai Taiwan Co., Ltd.; Shin-Etsu Polymer Co., Ltd.; SE Tylose GmbH & Co. KG; Shin-Etsu Astech Co., Ltd.; 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 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 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 and the Company's subsidiaries' Directors, Audit & Supervisory Board Members, and employees, 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 its management objectives for each term 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 Company established regulations for preventing bribes in overseas group companies. Furthermore, 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 seminars reflecting the Company's ideas about compliance and the incidents of other companies in training for employees as well as seminars on Security Export Control for staff in charge at each division, and also attended training seminars held by outside institutions such as government agencies using a web conference system, etc., as necessary, and thereby ensured compliance awareness.

In addition, the Company created and publicized the "Declaration of Partnership Building" in an effort to advance collaboration and co-existence with business partners, etc. in the supply chain and follow a desired trade practice.

(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. In addition, the Company underwent an information security assessment by external experts to continue to carry out control measures in the form of taking multiple defense actions, among other things, against cyberattacks. Moreover, the Company endeavored to improve cybersecurity awareness by providing information security training to new employees and providing all employees who use e-mail with multiple training sessions which assumed an outside cyberattack using e-mail. The Company used work from home arrangements during the coronavirus crisis after improving the IT environment to ensure security.

(3) Progress of Managing the Risk of Damage

In the Company, the Risk Management Committee (meetings were held three times in this fiscal year) 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.

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 determines the basic policy of the Company, and discusses and determines the execution of important operations specified in the Corporations Law or the Articles of Incorporation, etc. 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 advices 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 employees on the execution of duties and through investigations, including web-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.

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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, 2021 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

### ASSETS

#### Current Assets:

	(Millions of yen)
Cash and time deposits -----	866,882
Notes and accounts receivable-trade-----	343,896
Securities -----	286,039
Merchandise and finished goods -----	157,401
Work in process -----	13,102
Raw materials and supplies -----	194,528
Other -----	59,085
Less: Allowance for doubtful accounts-----	<u>(6,028)</u>
Total current assets	<u>1,914,909</u>

#### Fixed Assets:

Property, Plant and Equipment:	
Buildings and structures, net-----	206,246
Machinery and equipment, net -----	559,992
Land-----	90,159
Construction in progress -----	290,901
Other, net-----	<u>17,850</u>
Total property, plant and equipment	1,165,149
Intangible Assets-----	8,922
Investments and Other Assets:	
Investments in securities -----	150,573
Deferred tax assets -----	58,703
Other -----	84,538
Less: Allowance for doubtful accounts-----	<u>(2,180)</u>
Total investments and other assets	<u>291,635</u>
Total fixed assets	<u>1,465,706</u>
TOTAL ASSETS	<u>3,380,615</u>

## LIABILITIES

### Current Liabilities:

	(Millions of yen)
Notes and accounts payable-trade-----	125,410
Short-term borrowings-----	11,768
Accounts payable-other -----	63,595
Accrued expenses -----	69,226
Accrued income taxes -----	48,049
Accrued bonuses for employees-----	3,663
Accrued bonuses for directors-----	707
Other -----	<u>40,825</u>
Total current liabilities	<u>363,246</u>

### Long-Term Liabilities:

Long-term debt -----	15,986
Deferred tax liabilities-----	55,289
Net defined benefit liability-----	41,456
Other -----	<u>18,011</u>
Total long-term liabilities	<u>130,743</u>
TOTAL LIABILITIES	<u>493,990</u>

## NET ASSETS

### Stockholders' Equity:

Common stock -----	119,419
Additional paid-in capital-----	128,954
Retained earnings -----	2,616,081
Less: Treasury stock, at cost-----	<u>(12,612)</u>
Total stockholders' equity	<u>2,851,842</u>

### Accumulated Other Comprehensive Income:

Unrealized gains (losses) on available-for-sale securities -----	25,027
Deferred gains (losses) on hedges -----	(2,703)
Foreign currency translation adjustments-----	(58,618)
Remeasurements of defined benefit plans -----	<u>(2,409)</u>
Total accumulated other comprehensive income	<u>(38,704)</u>

Share Subscription Rights-----	2,014
Non-Controlling Interests in Consolidated Subsidiaries -----	71,473

TOTAL NET ASSETS 2,886,625

TOTAL LIABILITIES AND NET ASSETS 3,380,615

## CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2021 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	(Millions of yen)
Net Sales-----	1,496,906
Cost of Sales -----	<u>953,203</u>
Gross profit-----	543,702
Selling, General and Administrative Expenses-----	<u>151,489</u>
Operating income-----	392,213
Non-Operating Income:	
Interest income -----	5,016
Dividend income -----	7,417
Equity in earnings of affiliates -----	5,364
Other income -----	<u>3,517</u>
Total non-operating income -----	21,316
Non-Operating Expenses:	
Interest expenses -----	728
Loss on retirement of fixed assets-----	1,954
Other expenses -----	<u>5,745</u>
Total non-operating expenses -----	<u>8,428</u>
Ordinary income-----	405,101
Extraordinary loss:	
Loss on disaster-----	<u>2,955</u>
Total extraordinary loss-----	<u>2,955</u>
Income before income taxes and non-controlling interests -----	402,145
Income Taxes:	
Current-----	105,356
Deferred-----	<u>(2,387)</u>
Total income taxes -----	<u>102,968</u>
Net Income -----	299,177
Net Income Attributable to Non-Controlling Interests -----	<u>5,444</u>
Net Income Attributable to Owners of Parent -	<u><u>293,732</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2021 (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, 2020	119,419	128,323	2,413,769	(7,123)	2,654,388
Changes during the year					
Cash dividends	-	-	(91,420)	-	(91,420)
Net income attributable to owners of parent	-	-	293,732	-	293,732
Purchase of treasury stock	-	-	-	(10,657)	(10,657)
Disposal of treasury stock	-	627	-	5,167	5,795
Other	-	3	-	-	3
Net changes of items other than stockholders' equity	-	-	-	-	-
Total changes during the year	-	630	202,311	(5,489)	197,453
Balance as of March 31, 2021	119,419	128,954	2,616,081	(12,612)	2,851,842

	Accumulated Other Comprehensive Income					Share subscription rights	Non-controlling interests in consolidated subsidiaries	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	[Total]			
Balance as of April 1, 2020	10,296	(2,799)	(8,187)	(1,387)	(2,078)	1,904	68,927	2,723,141
Changes during the year								
Cash dividends	-	-	-	-	-	-	-	(91,420)
Net income attributable to owners of parent	-	-	-	-	-	-	-	293,732
Purchase of treasury stock	-	-	-	-	-	-	-	(10,657)
Disposal of treasury stock	-	-	-	-	-	-	-	5,795
Other	-	-	-	-	-	-	-	3
Net changes of items other than stockholders' equity	14,730	95	(50,430)	(1,021)	(36,625)	110	2,546	(33,969)
Total changes during the year	14,730	95	(50,430)	(1,021)	(36,625)	110	2,546	163,484
Balance as of March 31, 2021	25,027	(2,703)	(58,618)	(2,409)	(38,704)	2,014	71,473	2,886,625

## NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2021 (Amounts are stated in millions of yen; amounts less than 1 million are omitted)

### ASSETS

#### Current Assets:

	(Millions of yen)
Cash and time deposits -----	143,064
Notes receivable-----	5,052
Accounts receivable-trade-----	241,334
Securities -----	143,000
Merchandise and finished goods -----	40,872
Semi-finished products -----	23,403
Raw materials and supplies -----	73,763
Advance payments -----	1,052
Short-term loans -----	1,919
Accounts receivable-other -----	49,526
Other -----	2,036
Less: Allowance for doubtful accounts-----	<u>(2,590)</u>
Total current assets	<u>722,437</u>

#### Fixed Assets:

##### Property, Plant and Equipment:

Buildings, net -----	59,984
Structures, net-----	7,157
Machinery and equipment, net -----	62,577
Vehicles, net -----	83
Tools, furniture and fixtures, net -----	4,616
Land-----	25,305
Leased assets, net-----	69
Construction in progress -----	<u>38,336</u>
Total property, plant and equipment	198,132

Intangible Assets ----- 995

##### Investments and Other Assets:

Investments in securities -----	70,762
Investments in capital of subsidiaries and affiliates -----	150,972
Investments in partnerships -----	10
Investments in partnerships of subsidiaries and affiliates-----	23,772
Long-term loans -----	10,429
Long-term prepaid expenses -----	79
Deferred tax assets -----	19,433
Other -----	2,756
Less: Allowance for doubtful accounts-----	<u>(10)</u>
Total investments and other assets	<u>278,206</u>
Total fixed assets	<u>477,334</u>

TOTAL ASSETS 1,199,772

## LIABILITIES

### Current Liabilities:

	(Millions of yen)
Accounts payable-trade-----	135,361
Electronically recorded obligations - operating -----	3,760
Short-term borrowings-----	6,140
Lease obligations-----	27
Accounts payable-other -----	23,691
Accrued income taxes -----	24,853
Accrued expenses -----	16,078
Advances received -----	595
Deposits -----	112,121
Accrued bonuses for directors -----	573
Other -----	<u>3,455</u>
Total current liabilities	<u>326,658</u>

### Long-Term Liabilities:

Long-term debt -----	5,000
Lease obligations-----	49
Long-term accounts payable-other-----	1,075
Accrued retirement benefits -----	10,873
Asset retirement obligations -----	71
Other -----	<u>3</u>
Total long-term liabilities	<u>17,073</u>
TOTAL LIABILITIES	<u>343,732</u>

## NET ASSETS

### Stockholders' Equity:

Common stock -----	119,419
Additional paid-in capital:	
Capital reserve -----	120,771
Other capital reserve-----	<u>627</u>
Total additional paid-in capital -----	<u>121,399</u>
Retained earnings:	
Legal earned reserve -----	6,778
Other retained earnings:	
Reserve for special depreciation-----	146
Reserve for disaster prevention-----	72
Reserve for reduction entry of fixed assets -----	1,856
Reserve for research -----	88
Reserve for dividend equalization-----	15
Reserve for reduction entry of land -----	20
General reserve -----	351,137
Retained earnings brought forward -----	<u>245,204</u>
Total other retained earnings-----	<u>598,542</u>
Total retained earnings	<u>605,320</u>
Less: Treasury stock, at cost-----	<u>(12,612)</u>
Total stockholders' equity-----	<u>833,526</u>

### Valuation and Translation Adjustments:

Unrealized gains (losses) on available-for-sale securities -----	20,813
--	--------

Share Subscription Rights-----	<u>1,699</u>
TOTAL NET ASSETS	<u>856,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,199,772</u>

## NON-CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31, 2021 (Amounts are stated in millions of yen; amounts less than 1 million are omitted.)

	(Millions of yen)
Net Sales-----	829,065
Cost of Sales -----	<u>644,369</u>
Gross profit -----	184,695
 Selling, General and Administrative Expenses-----	 47,354
Operating income -----	 <u>137,341</u>
 Non-Operating Income:	
Interest income -----	412
Dividend income -----	20,792
Other income -----	<u>3,207</u>
Total non-operating income-----	24,412
 Non-Operating Expenses:	
Interest expenses -----	160
Other expenses -----	<u>793</u>
Total non-operating expenses-----	953
Ordinary income -----	<u>160,800</u>
Income before income taxes -----	160,800
 Income Taxes:	
Current-----	44,030
Deferred-----	<u>(2,140)</u>
Total income taxes -----	<u>41,890</u>
Net Income-----	<u><u>118,910</u></u>

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the fiscal year ended March 31, 2021 (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, 2020	119,419	120,771	-	120,771	6,778	571,052	577,830	(7,123)	810,898
Changes during the year									
Cash dividends	-	-	-	-	-	(91,420)	(91,420)	-	(91,420)
Net income	-	-	-	-	-	118,910	118,910	-	118,910
Purchase of treasury stock	-	-	-	-	-	-	-	(10,657)	(10,657)
Disposal of treasury stock	-	-	627	627	-	-	-	5,167	5,795
Net changes of items other than stockholders' equity	-	-	-	-	-	-	-	-	-
Total changes during the year	-	-	627	627	-	27,489	27,489	(5,489)	22,628
Balance as of March 31, 2021	119,419	120,771	627	121,399	6,778	598,542	605,320	(12,612)	833,526
		Valuation and translation adjustments			Share subscription rights		Total net assets		
		Unrealized gains (losses) on available-for-sale securities							
Balance as of April 1, 2020		9,321			1,674		821,894		
Changes during the year									
Cash dividends		-			-		(91,420)		
Net income		-			-		118,910		
Purchase of treasury stock		-			-		(10,657)		
Disposal of treasury stock		-			-		5,795		
Net changes of items other than stockholders' equity		11,492			25		11,517		
Total changes during the year		11,492			25		34,145		
Balance as of March 31, 2021		20,813			1,699		856,040		

\* 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, 2020	205	70	1,889	88	15
Changes during the year					
Cash dividends	-	-	-	-	-
Provision of reserve for special depreciation	15	-	-	-	-
Reversal of reserve for special depreciation	(74)	-	-	-	-
Provision of reserve for disaster prevention	-	2	-	-	-
Reversal of reserve for reduction entry of fixed assets	-	-	(32)	-	-
Net income	-	-	-	-	-
Total changes during the year	(58)	2	(32)	-	-
Balance as of March 31, 2021	146	72	1,856	88	15
	Reserve for reduction entry of land	General reserve	Retained earnings brought forward	Total other retained earnings	
Balance as of April 1, 2020	20	351,137	217,625	571,052	
Changes during the year					
Cash dividends	-	-	(91,420)	(91,420)	
Provision of reserve for special depreciation	-	-	(15)	-	
Reversal of reserve for special depreciation	-	-	74	-	
Provision of reserve for disaster prevention	-	-	(2)	-	
Reversal of reserve for reduction entry of fixed assets	-	-	32	-	
Net income	-	-	118,910	118,910	
Total changes during the year	-	-	27,578	27,489	
Balance as of March 31, 2021	20	351,137	245,204	598,542	

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

**Independent Auditor's Report**

May 21, 2021

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 144<sup>th</sup> fiscal year from April 1, 2020 to March 31, 2021.

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, 2021, 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.

## **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 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 21, 2021

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 144<sup>th</sup> fiscal year from April 1, 2020 to March 31, 2021.

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, 2021, 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.

## **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 144th fiscal year from April 1, 2020 to March 31, 2021, 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 24, 2021

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)	Taku Fukui	(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)

[End]

## Reference Documents for Exercising Voting Rights

### Agenda and Reference Materials

#### 1st Agendum: Distribution of Retained Earnings to Shareholders

From the long-term perspective, we are focusing on expanding profitability and maintaining a solid financial base, and our basic policy is to return the fruits of such management efforts to our shareholders in a proper, consistent manner.

The Company proposes a year-end cash dividend distribution for the 144th 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 ¥140 per share of Common Stock in the Company; ¥58,176,610,940 in total.
3. Effective Date of Distribution of Retained Earnings  
June 30, 2021

The Company has paid an interim cash dividend of ¥110 per share for the current fiscal year; thus, dividend payment for the full year will be ¥250 per share, ¥30 up from the ¥220 for the previous term.

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

1. Purpose of amendment of the Articles of Incorporation:

For the purpose of enabling the Company to immediately respond to changes in the business environment, the maximum number of Directors as stipulated in Article 19 of the current Articles of Incorporation will be changed from the current number of 26 to 13, and their term of office as stipulated in Article 21 of the current Articles of Incorporation will be changed from two years to one year. In addition, a supplementary provision will be added to clarify the term of office of the incumbent Directors.

2. Details of amendment of the Articles of Incorporation

The amendment details are as follows:

(The proposed amended language is underlined.)

Current	Proposed Amendment
<p>CHAPTER IV. DIRECTORS AND THE BOARD OF DIRECTORS</p> <p>(Number) Article 19. The number of the Directors of the Company shall be not more than <u>twenty-six (26)</u>.</p> <p>Article 20. (Text of Articles omitted)</p> <p>(Term of Office) Article 21. The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders pertaining to the last of the fiscal years that end within <u>two (2) years</u> after their election.</p> <p>Article 22. to 39. (Text of Articles omitted)</p> <p>(Newly added article)</p>	<p>CHAPTER IV. DIRECTORS AND THE BOARD OF DIRECTORS</p> <p>(Number) Article 19. The number of the Directors of the Company shall be not more than <u>thirteen (13)</u>.</p> <p>Article 20. (No amendment of the text)</p> <p>(Term of Office) Article 21. The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders pertaining to the last of the fiscal years that end within <u>one (1) year</u> after their election.</p> <p>Article 22. to 39. (No amendment of the text)</p> <p><u>Supplementary Provision</u> <u>Notwithstanding the provisions of Article 21, the term of office of Directors who were elected at the ordinary general meeting of shareholders held on June 26, 2020 shall expire at the close of the ordinary general meeting of shareholders to be held in 2022. This supplementary provision shall be deleted after the expiration of the term of office of all of the applicable Directors.</u></p>

**3rd Agendum:** Election of Five (5) Directors

Upon the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of nine (9) Directors, namely, Messrs. Yasuhiko Saitoh, Susumu Ueno, Yukihiro Matsui, Masaki Miyajima, Frank Peter Popoff, Tsuyoshi Miyazaki, Toshihiko Fukui, Toshiyuki Kasahara and Kazumasa Maruyama will expire. Accordingly, the Board of Directors proposes that five (5) persons be elected as Directors.

Note that as a result of newly establishing the position of Corporate Officer, six (6) inside directors will resign as of the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, if this Agendum is approved as is, there will be a total of eleven (11) Directors (six (6) inside directors and five (5) Outside Directors).

The candidates for election to the position of Director are as follows:

Candidate number		Name	Current Position and Responsibilities at the Company	
1	Reappointment Candidate	Yasuhiko Saitoh	Representative Director and President	
2	Reappointment Candidate	Susumu Ueno	Senior Managing Director In charge of Special Functional Products General Manager, Silicone Div.	
3	Reappointment Candidate	Frank Peter Popoff	Outside Director Independent Officer	Director
4	Reappointment Candidate	Tsuyoshi Miyazaki	Outside Director Independent Officer	Director
5	Reappointment Candidate	Toshihiko Fukui	Outside Director Independent Officer	Director

<p>No. 1</p> <p style="text-align: center;"><b>Yasuhiko Saitoh</b> (December 5, 1955)</p> <p>Number of Company Shares Held 25,600 shares</p> <p style="text-align: center;"><u>Reappointment Candidate</u></p>	<p><b>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></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><b>-Important Positions in Other Entities-</b>  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><b>▶Reasons for Electing the Candidate for Director</b>  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. 2</p> <p style="text-align: center;"><b>Susumu Ueno</b> (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><b>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></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 (to date)  June, 2020    In charge of Special Functional Products (to date)</p> <p>▶ There is no special interest between the candidate and the Company.</p> <p><b>▶Reasons for Electing the Candidate for Director</b>  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 product operations. 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. 3

## Frank Peter Popoff

(October 27, 1935)

Number of Company Shares Held  
31,600 shares

Reappointment Candidate

Outside Director

Independent Officer

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

Dec., 1987 CEO of The Dow Chemical Company  
Dec., 1992 Director and Chairman of the above  
Jan., 2001 Director of SHINTECH INC. (to date)  
June, 2001 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. Frank Peter Popoff is a candidate for Outside Director as defined in Item 7, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. He first became an Outside Director of the Company in June 2001, and will have held this position for twenty (20) years at the conclusion of this Ordinary General Meeting of Shareholders. During this period, he has performed a satisfactory job of providing supervision from an independent standpoint.

Furthermore, the Company has been aggressively promoting its business development overseas through the establishment of business locations all over the world, including in the U.S., Asia, and Europe. Mr. Popoff's practical opinions and advice, based 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, have been of significant importance for the Company to expand its business overseas and enhance its corporate value.

He also serves as the commissioner of the Officers' Remuneration Committee. His work so far includes repealing the Officers' Retirement Benefit Program and making other significant revisions to the officers' remuneration system, thus striving to achieve an appropriate corporate governance structure with regard to the officers' remuneration system.

In view of this, his nomination as a candidate for Outside Director reflects the confidence that the Company places in him to continue to fully provide the required quality of recommendations and supervision, and also to contribute to the development of an appropriate corporate governance structure for the Company.

► Mr. Frank Peter Popoff has been serving as a Non-executive Director of our subsidiary SHINTECH INC. since January 2001.

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

No. 4

**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 thorough 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 fourteen (14) 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. 5</p> <p style="text-align: center;"><b>Toshihiko Fukui</b> (September 7, 1935)</p> <p>Number of Company Shares Held 0 shares</p> <div style="margin-left: 40px;"> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment Candidate</div>  <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 20px;">Outside Director</div>  <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: 20px;">Independent Officer</div> </div>	<p><b>▶Career Summary, Positions, Responsibilities, and Important Positions in Other Entities</b></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><b>-Important Positions in Other Entities-</b></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><b>▶Reasons, etc. for Electing the Candidate for Outside Director</b></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 thorough 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 twelve (12) 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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- Note: 1. The Company has entered into an agreement with each of the three persons, Mr. Frank Peter Popoff, Mr. Tsuyoshi Miyazaki, and Mr. Toshihiko Fukui, 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.
2. The Company has entered into a directors and officers liability insurance (D&O insurance) agreement with an insurance company, pursuant to Paragraph 1, Article 430-3 of the Corporations Law. The insurance policies cover liability of the insured persons including the Company's Directors arising in 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 candidates will be covered by these insurance policies upon approval of their reappointment. 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 close of this Ordinary General Meeting of Shareholders, the terms of office of one (1) Audit & Supervisory Board Member, namely, Mr. Taku Fukui 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;"><b>Mitsuko Kagami</b> (May 18, 1958)</p> <p>Number of Company Shares Held 0 shares</p> <p style="text-align: center;"><u>Newly Nominated Candidate</u> <u>Outside Audit &amp; Supervisory Board Member</u> <u>Independent Officer</u> <u>Female</u></p>	<p><b>►Career Summary, Positions, and Important Positions in Other Entities</b></p> <p>Apr., 1985 Appointed as a judge Jan., 1995 Registered as a lawyer (Dai-Ichi Tokyo Bar Association) Apr., 2004 Professor at Keio University Law School Sep., 2013 Partner lawyer at KAGAMI Law Office (to date)</p> <p><b>-Important Positions in Other Entities-</b></p> <p>Partner lawyer at KAGAMI Law Office Outside Director of MEDIPAL HOLDINGS CORPORATION Outside Director of Sotetsu Holdings, Inc.</p> <p>► There is no special interest between the candidate and the Company.</p> <p><b>► Reasons, etc. for Electing the Candidate for Outside Audit &amp; Supervisory Board Member</b></p> <p>Ms. Mitsuko Kagami is a candidate for Outside Audit &amp; Supervisory Board Member as defined in Item 8, Paragraph 3, Article 2 of the Corporations Law Enforcement Regulations. She has a wealth of experience and broad insight as a lawyer. In view of this, her nomination as a candidate for Audit &amp; Supervisory Board Member reflects the confidence that the Company places in her to perform her duties from a professional standpoint as a jurist, and to contribute to maintaining the Company’s compliance system. She has a wealth of experience and expertise in the area of corporate legal affairs as she has held various posts such as Professor at Keio University Law School and the position of Outside Director of listed companies.</p> <p>► Ms. Mitsuko Kagami meets the Independent Officer requirements provided in the applicable regulations of the Tokyo Stock Exchange, Inc., etc. If the proposed election of her is approved, it is planned that she will serve as an Independent Officer.</p>
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Note 1. If Ms. Mitsuko Kagami is appointed as an Audit & Supervisory Board Member, the Company will enter into an agreement with her, 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.

2. The Company has entered into a directors and officers liability insurance (D&O insurance) agreement with an insurance company, pursuant to Paragraph 1, Article 430-3 of the Corporations Law. The insurance policies cover liability of the insured persons including the Company’s Audit & Supervisory Board Members arising in 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. Ms. Mitsuko Kagami will be covered by these insurance policies upon approval of her appointment as an Audit & Supervisory Board Member and assumption of her position. In addition, the Company plans to renew the insurance policies on the same terms at the next time of renewal.

3. MEDICEO CORPORATION, a subsidiary of MEDIPAL HOLDINGS CORPORATION in which she serves as an Outside Director, received an on-site inspection by the Japan Fair Trade Commission in November 2019 for an alleged violation of the Antimonopoly Act in the bidding of ethical drugs where a tender was placed by the Japan Community Health care Organization and was also subsequently investigated by the Tokyo District Public Prosecutors Office and received an on-site inspection by the Japan Fair Trade Commission in October 2020. She had been regularly expressing opinions concerning the importance of ensuring and maintaining compliance in the Board of Directors' meetings of MEDIPAL HOLDINGS CORPORATION. In addition, after the occurrence of the said facts, the Board of Directors developed recurrence prevention measures and established a Compliance Committee in response to the results of cause analysis conducted by an independent advisory committee and its opinions regarding recurrence prevention measures. She was appointed a member of the Compliance Committee and worked to verify the progress of implementation of the recurrence prevention measures, the establishment of various regulations and rules, and the restructuring of the in-house audit and monitoring system, and thereby ensured the effectiveness of such actions.

5th Agendum: Revision of Remuneration, Etc. to Directors

The amount of remuneration of the Company's Directors was determined as follows, and has continued to the present: the remuneration for Directors was approved at the 131st Ordinary General Meeting of Shareholders held on June 27, 2008, as being no more than 2.5 billion yen per year (including within this amount 200 million yen for Outside Directors). However, if the 2nd and 3rd Agendums are approved as is, the number of Directors prescribed in the Articles of Incorporation will decrease, and the number of Directors who receive remuneration will also decrease. Therefore, the Company proposes to revise the amount of remuneration, etc. to Directors as follows: for Directors, no more than 2 billion yen per year (including within this amount 200 million yen for Outside Directors). The Company proposes to pay monthly remuneration as fixed remuneration and bonuses as performance-based remuneration, as remuneration for the execution of duties for the relevant fiscal year, within the range of the above amounts.

Note that an overview of the content of the policy for determining the amount of remuneration, etc. of the Company's individual Directors and Audit & Supervisory Board Members is as described in "(1) Policy, etc. for Determining the Amount of Remuneration, etc. of Individual Directors and Audit & Supervisory Board Members" on pages 15 to 17 of the Business Report. Since the said content is considered to still be appropriate as a policy for determining the amount if this Agendum is approved, there is no plan to change the above policy.

This Agendum is proposed because the number of Directors will decrease as described above, and the relevant policy provides that the amount of remuneration, etc. is determined according to that policy even when the amount of remuneration, etc. has been revised. Therefore, we consider the content of this Agendum to be appropriate.

As has been the case until now, the amount of remuneration, etc. for Directors will not include the employee salaries of Directors who serve concurrently as employees. In addition, we request approval of the 6th Agendum which proposes that the amount of stock option remuneration, etc. for Directors be no more than 750 million yen per year, as a separate payment from the remuneration, etc. of Directors.

While there are currently twenty-one (21) Directors (including five (5) Outside Directors), there will be eleven (11) Directors (including five (5) Outside Directors) if the 3rd Agendum is approved as is.

6th Agendum: Revision of the Amount, Etc. and the Substance of Stock Options Issued to Directors

The amount of remuneration, etc. to be used for the payment in exchange with stock acquisition rights issued to the Company's Directors as stock options and their content were determined as follows, and have continued to the present: the remuneration for Directors was approved at the 129th Ordinary General Meeting of Shareholders held on June 29, 2006, as being no more than 900 million yen per year.

However, if the 2nd and 3rd Agendums are approved as is, the number of Directors prescribed in the Articles of Incorporation will decrease, and the number of Directors (excluding Outside Directors) who receive stock options will also decrease. This Agendum is proposed to revise the amount of the relevant remuneration, etc. to be no more than 750 million yen per year and to change the period in which stock acquisition rights can be exercised in an attempt to contribute to the improvement of mid- to long-term corporate value.

Another reason for requesting the approval of this Agendum regarding the content of the stock acquisition rights as described below is as follows: following the "Act Partially Amending the Corporations Law" (Act No. 70 of 2019) coming into effect, specific details on the granting of stock acquisition rights as remuneration for Directors have become subject to approval of the General Meeting of Shareholders.

Note that an overview of the content of the policy for determining the amount of remuneration, etc. of the Company's individual Directors and Audit & Supervisory Board Members is as described in "(1) Policy, etc. for Determining the Amount of Remuneration, etc. of Individual Directors and Audit & Supervisory Board Members" on pages 15 to 17 of the Business Report. Since the said content is considered to still be appropriate as a policy for determining the amount if this Agendum is approved, there is no plan to change the above policy.

This Agendum is proposed because the number of Directors will decrease as described above, and the relevant policy provides that the amount of remuneration, etc. is determined according to that policy even when the amount of remuneration, etc. has been revised. In addition, as described below, the exercise price of the stock acquisition rights is designed to be at a level exceeding the market value of the Company's stock as of the date of the resolution of the Board of Directors' meeting regarding the allocation. Through this and other methods, the stock acquisition rights will serve as an incentive to increase work performance and improve the performance of the Company and raise the mid- to long-term shareholder value. Therefore, we consider the content of this Agendum to be appropriate.

As has been the case until now, the amount of remuneration, etc. for Directors will not include the employee salaries of Directors who serve concurrently as employees.

While there are currently twenty-one (21) Directors (including five (5) Outside Directors), there will be eleven (11) Directors (including five (5) Outside Directors) if the 3rd Agendum is approved as is.

The specific content of stock acquisition rights to be issued is as described below.

1. The aggregate number of the stock acquisition rights, and the type and quantity of shares subject to the stock acquisition rights

Aggregate number of stock acquisition rights:

Up to 4,000 rights may be issued during a year from the day of a regular general meeting of shareholders for each business year.

Type and quantity of shares subject to the stock acquisition rights:

Up to 400,000 common shares of the Company may be issued at the exercise of the stock acquisition rights during a year from the day of a regular general meeting of shareholders for each business year.

At the exercise of a stock acquisition right, 100 shares shall be issued (hereafter called “Granted Shares”).

After the day when the stock acquisition rights are allocated (hereafter called, “AllocationDay”), if the Company makes a share split (including gratis distribution, and the same in descriptions about the share split), a share consolidation of common shares of the Company or others, the Company shall adjust Granted Shares as regarded as necessary.

2. 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 calculated as follows: The amount of investment per share issued at the exercise of a stock acquisition right (hereinafter called “Exercise Price”) is multiplied by the 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 transaction closed) during the month prior to the month including the day of resolution by the Board of Directors to decide the 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 the 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 a fraction less than one (1) yen shall be rounded up.

After an Allocation Day, when the Company puts its common shares into a share split or share consolidation, or makes an issuance of new shares or a disposal 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, and the exercise of a stock acquisition right (including a right attached to a corporate bond with a stock acquisition right) that is allowed to claim the conversion of any certificate that shall or may be converted to common shares of the Company, or the issuance of common shares of the Company), the Company shall adjust the exercise price as regarded as necessary (a fraction less than one (1) yen shall be rounded up).

3. Period during which a stock acquisition right may be exercised

From the day following the day that is the two (2) year anniversary of the Allocation Day, to the day that is within seven (7) years from the Allocation Day.

4. 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.

5. Conditions for acquisition of stock acquisition rights

- (1) If a proposal to approve a Merger (as defined in the Corporations Law) agreement that will cause the Company to cease to exist as an entity is approved at a General Meeting of Shareholders of the Company, or if a proposal to approve a De-Merger (as defined in the Corporations Law) agreement or a De-Merger plan that will cause the Company to be divided, or if a proposal for a Share Exchange (as defined in the Corporations Law) agreement or a Share Transfer (as defined in the Corporations Law) plan that will cause the Company to become a wholly-owned subsidiary of another company is approved at a General Meeting of Shareholders of the Company (or in either case, if no resolution at a General Meeting of Shareholders is needed, is resolved by the Board of Directors of the Company), the Company may re-acquire the stock acquisition rights without compensation at a date specified by the Board of Directors of the Company.
  - (2) 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 Rights Agreement concluded between the Company and Directors concerned in accordance with a resolution at a meeting of the Board of Directors, the Company may re-acquire the stock acquisition rights concerned without compensation on the date specified by the Board of Directors of the Company.
6. Other substance of the stock acquisition rights shall be determined by resolution at a meeting of the Board of Directors to decide the conditions for offering the stock acquisition rights.

7th Agendum: 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 of Notification]