

Shin-Etsu Polymer

SUSTAINABILITY REPORT **2024**

Shin-Etsu Polymer - Sustainability Report 2024





GLEAMING MANUFACTURING

Shin-Etsu Polymer Group's Corporate Mission Statement

The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to the development of industry and society with technologies and products that create value.

Shin-Etsu Polymer Group places safety and fairness first in its business and targets becoming a group of companies that develops together with society.

Basic Sustainability Policy

The Shin-Etsu Group will:

- 1 Do our best to increase the Group's corporate value through sustainable growth and make multifaceted contributions to society.
- 2 Carry out all our company activities while always placing the utmost priority on safety.
- 3 Expand those businesses that contribute to the reduction of greenhouse gas emissions.
- 4 Maximize the efficiency of product development and manufacturing, and contribute to higher efficiency of society by supplying our products thus produced.
- 5 Engage in business activities while taking biodiversity into account and seeking harmony with the global environment.
- 6 Strive to respect human rights, assure equality in employment opportunities, and support the self-fulfillment of our employees.
- 7 Appropriately disclose information in a timely manner.
- 8 Carry out healthy, trustworthy, and transparent corporate activities in compliance with laws and regulations based on the integrity of the Group's ethical values.



CONTENTS

02	Contents/Editorial Policy
03	Business Summary
04	Financial and Non-Financial Highlights
06	Top Message
07	Shin-Etsu Polymer's Sustainability
08	Sustainability Management
09	Key Sustainability Issues
10	Shin-Etsu Polymer's Value Chain
11	Stakeholder Engagement
12	Special Feature
12	01 Input Devices for Connecting People and Machines Touch Switches
14	02 Light guides that allow safe driving and daily life Silicone Light Guides
16	Environment
17	Environmental Management
22	Addressing climate change
26	Initiatives for reducing environmental impact
28	Development of environmentally friendly/contributory products
29	Control of Chemical Substances

31	Society
32	Improving Quality
34	Supply Chain Management
36	Occupational Health and Safety
38	Respect for Human Rights
39	Diversity & Inclusion
43	Human Resource Development
46	Social Contribution Activities
48	Governance
49	Corporate Governance
52	Compliance
53	Risk Management
55	Dialogues with Shareholders and Investors
56	Third-Party Opinion

Editorial Policy

The Shin-Etsu Polymer Group issues a Sustainability Report every year as a communication tool to enable stakeholders to understand Group activities that will lead to the realization of a sustainable society. In addition to reports focusing on key sustainability issues, we also strive to disclose information in line with requirements from our stakeholders.

The editorial policies for the fiscal 2024 are as follows:

- 1 In this special feature, we introduce "Touch Switches" and "Silicone Light Guides".
- 2 The Sustainability Report covers our organizations and activities related to our sustainability, environment, society, and governance in a clear and easily understandable format for all our stakeholders.
- 3 The information in this Report is disclosed on our website. We also provide additional information on our website.
- 4 For this fiscal 2024 version, we received third-party comments from Mr. Yoshinao Kozuma, Professor Emeritus at Sophia University, as with previous editions. We will draw on the comments in our future efforts and initiatives.

- Period covered by this report

Fiscal 2023 (Group Companies in Japan: April 2023 to March 2024, Overseas Group: January to December 2023)

- Organizations covered by this report

Shin-Etsu Polymer Co., Ltd. and consolidated subsidiaries

– The environmental data is classified according to the following criteria:

Group: Production sites in Japan or overseas and non-production sites

Overall: Production sites in Japan or overseas

Domestic: Production sites in Japan (Tokyo Plant, Kodama Plant, Shiojiri Plant, Itoigawa Plant, and KitchaNista Co., Ltd.)

Overseas: Overseas production sites (Suzhou Shin-Etsu Polymer Co., Ltd., Dongguan Shin-Etsu Polymer Co., Ltd., Shin-Etsu Polymer (Malaysia) Sdn.Bhd., PT. Shin-Etsu Polymer Indonesia, Shin-Etsu Polymer India Pvt. Ltd., Shin-Etsu Polymer Hungary Kft., Hymix Co., Ltd.)

– Society and Governance Data: Production sites in Japan or overseas and non-production sites

- Date of Issue

September 2024 (Previous issue: September 2023; Next issue: September 2025)

- References

Environmental Reporting Guidelines 2018 by the Ministry of the Environment

GRI Sustainability Reporting Standards 2016/2018/2019/2020/2021

The Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

- Inquiries

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Business Summary

Company Profile

Corporate name: Shin-Etsu Polymer Co., Ltd.

Established: September 15, 1960

Head Office: Ote Center Building., 1-1-3 Otemachi,
Chiyoda-ku, Tokyo 100-0004 Japan

Paid-in Capital: ¥11,635 million

Employees: Consolidated: 4,457 (1,852 male, 2,605 female)

Non-consolidated: 962 (759 male, 203 female)

(As of March 31, 2024)

Main Business Activities

Shin-Etsu Polymer was established in 1960 as a manufacturer of polyvinyl chloride (PVC) products. Since then, we have developed applications using silicone and various plastics for our fundamental technologies involving materials and compounding, design, molding processes, and evaluation and analysis. As a manufacturer of molded plastic products, we meet diverse customer needs in a wide array of fields from automobiles and information devices to semiconductors and construction materials.

Main Products

- Wrapping films and other packaging material related products
- Functional compounds
- Functional materials
- Exterior material-related products

Housing and Living Materials

23%

We offer living-related products such as wrapping films for food packaging made from PVC, and material products such as functional compounds and conductive polymers.

GLOBAL NETWORK

Shin-Etsu Polymer Europe B.V.
Shin-Etsu Polymer Hungary Kft.

Shin-Etsu Polymer
India Pvt. Ltd.

Shin-Etsu Polymer
Hong Kong Co., Ltd.

Shin-Etsu Polymer
Taiwan Co., Ltd.

Suzhou Shin-Etsu Polymer Co., Ltd.
Dongguan Shin-Etsu Polymer Co., Ltd.
Shin-Etsu Polymer Shanghai Co., Ltd.

Shin-Etsu Polymer
America, Inc.

Headquarters

Branch/Sales Offices

Osaka Branch
Nagoya Branch
Fukuoka Branch
Sendai Sales Office
Sapporo Sales Office

Plants

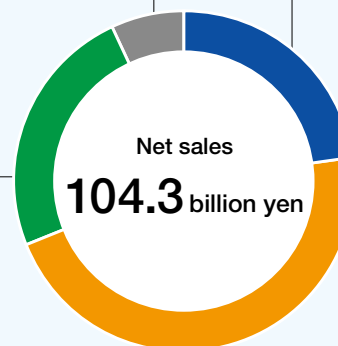
Tokyo Plant
Kodama Plant
Shiojiri Plant
Itoigawa Plant

Domestic Group Companies

Shin-Etsu Finetech Co., Ltd.
KitchaNista Co., Ltd.

Shin-Etsu Polymer (Thailand) Ltd.
Shin-Etsu Polymer Singapore Pte. Ltd.
Shin-Etsu Polymer (Malaysia) Sdn. Bhd.
PT. Shin-Etsu Polymer Indonesia
Shin-Etsu Polymer Vietnam Co., Ltd.
Hymix Co., Ltd.

Others
7%



Electronic Devices Business

24%

We are expanding our business globally, focusing on electronics-related fields such as input components for automobiles and information devices.

Main Products

- Input devices
- Display-related devices
- Component-related products

Precision Molding Products Business

46%

We supply precision molding products that require high-precision resin processing and rubber processing, such as semiconductor wafer transfer containers and printer rollers.

Main Products

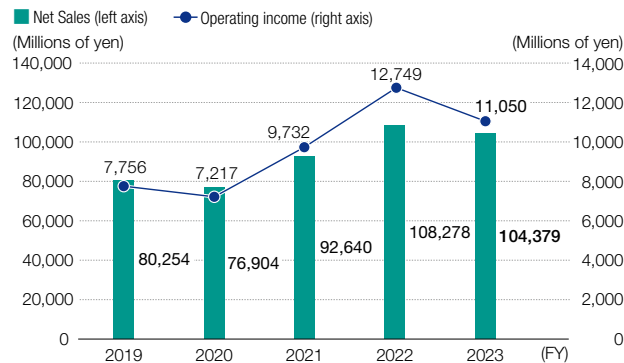
- Semiconductor-related containers
- Carrier tape-related products
- OA equipment parts
- Silicone rubber molded products



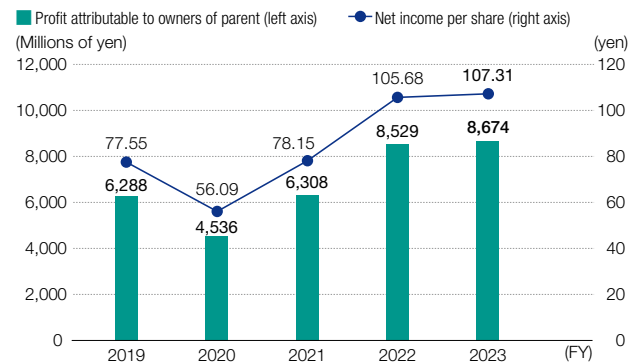
Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

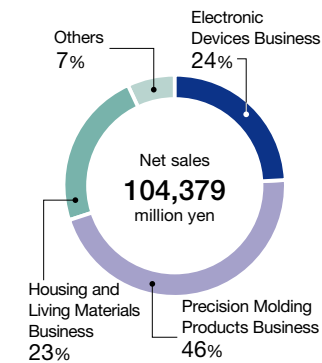
Net Sales / Operating Income



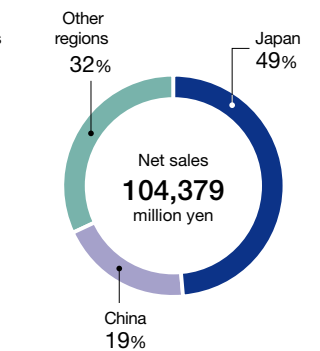
Profit Attributable to Owners of Parent, Net income per share



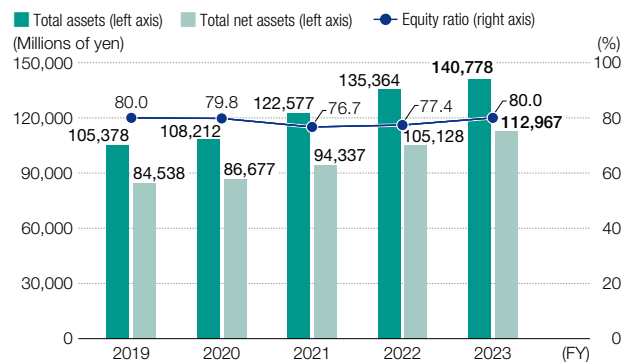
Distribution of Sales by Business Segment



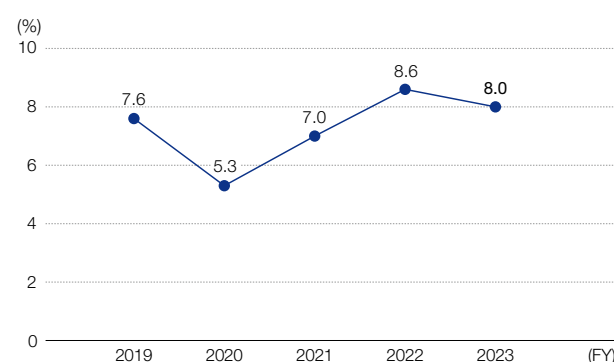
Composition Ratio of Sales by Shipping Destinations



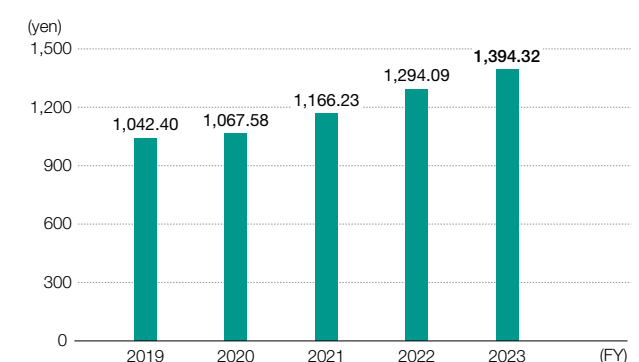
Total Assets / Total Net Assets / Equity Ratio



Return of Equity (ROE)

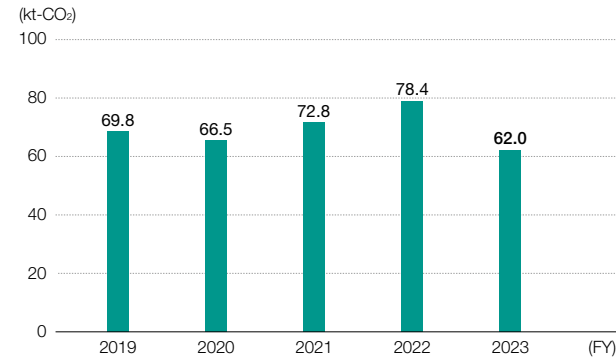


Total Net Assets per Share

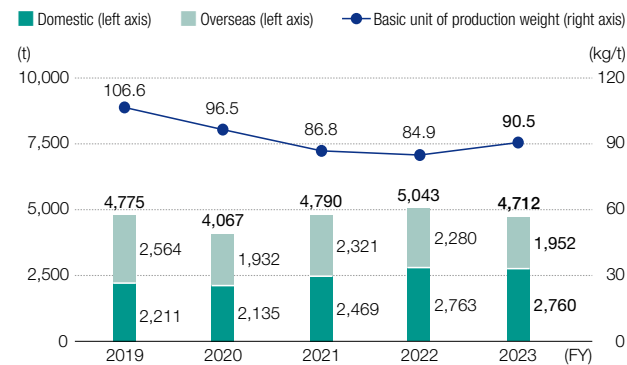




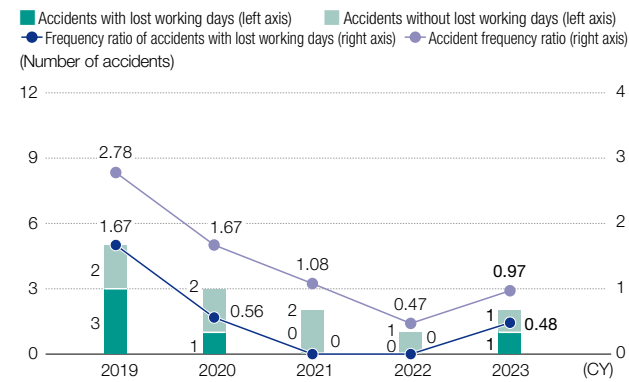
Non-Financial Highlights

CO₂ Emissions (Scope 1 and 2) (Group)

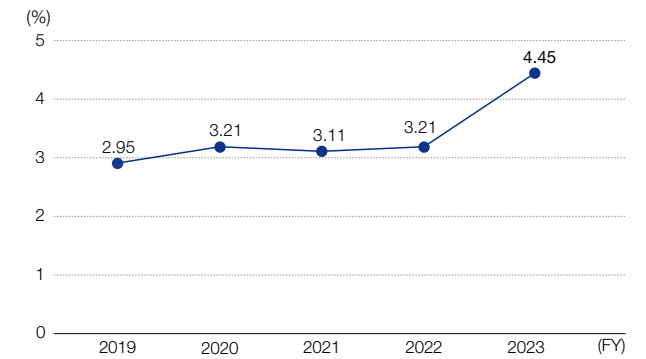
Waste emissions (Overall)



Work-related Workplace Accidents / Accident Frequency Ratio (Domestic)*

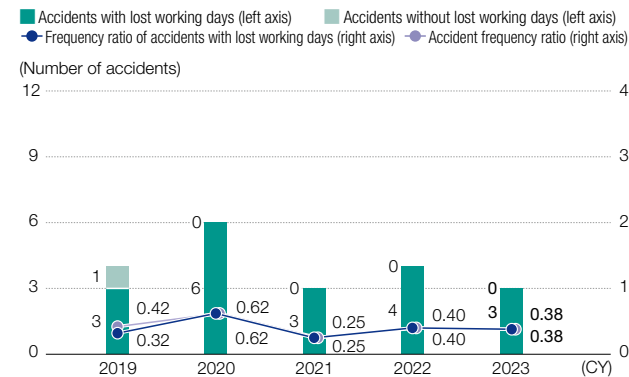


Ratio of Female Managers (Domestic)*



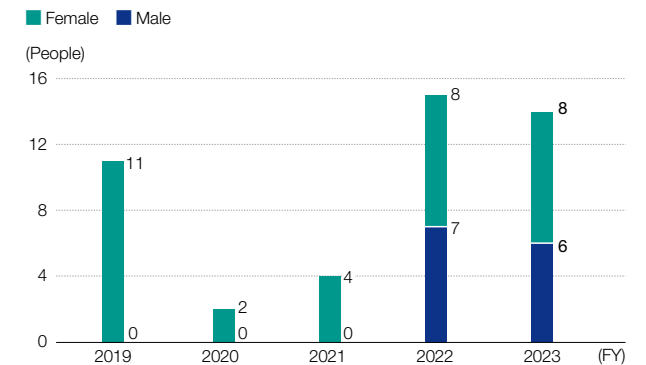
* Figures are as of the end of March of each fiscal year

Work-related Accidents / Accident Frequency Ratio (Overseas)*



* The graphs are divided due to differing definitions of workplace accidents between Japan and overseas.

Number of employees taking childcare leave (Domestic)





Top Message

Supporting the Creation of Sustainable Society Through Company-wide Efforts to Revitalize Our Organization and Develop Our Business

President
Chief Operating Officer

Toshiaki Weto

In accordance with its five-year Medium-term Management Plan, “Shin-Etsu Polymer Global & Growth 2027” announced in fiscal 2023, we continue to strive to capture new demands in growth areas and strengthen our sales capabilities in base areas. The semiconductor-related containers, which are considered as a growth area, are expected to grow in the future with a cessation of the recent demand adjustment, reflecting the increase in demand for semiconductors due to the spread of AI and other factors. Anticipating these changes in market conditions, the Group has made strategic investments to expand the Itoigawa Plant and construct a new building at the Tokyo Plant, thereby establishing a mass production system. At the same time, we are reorganizing production bases to promote measures to improve profitability in our base areas, including food packaging materials and products related to office automation equipment.

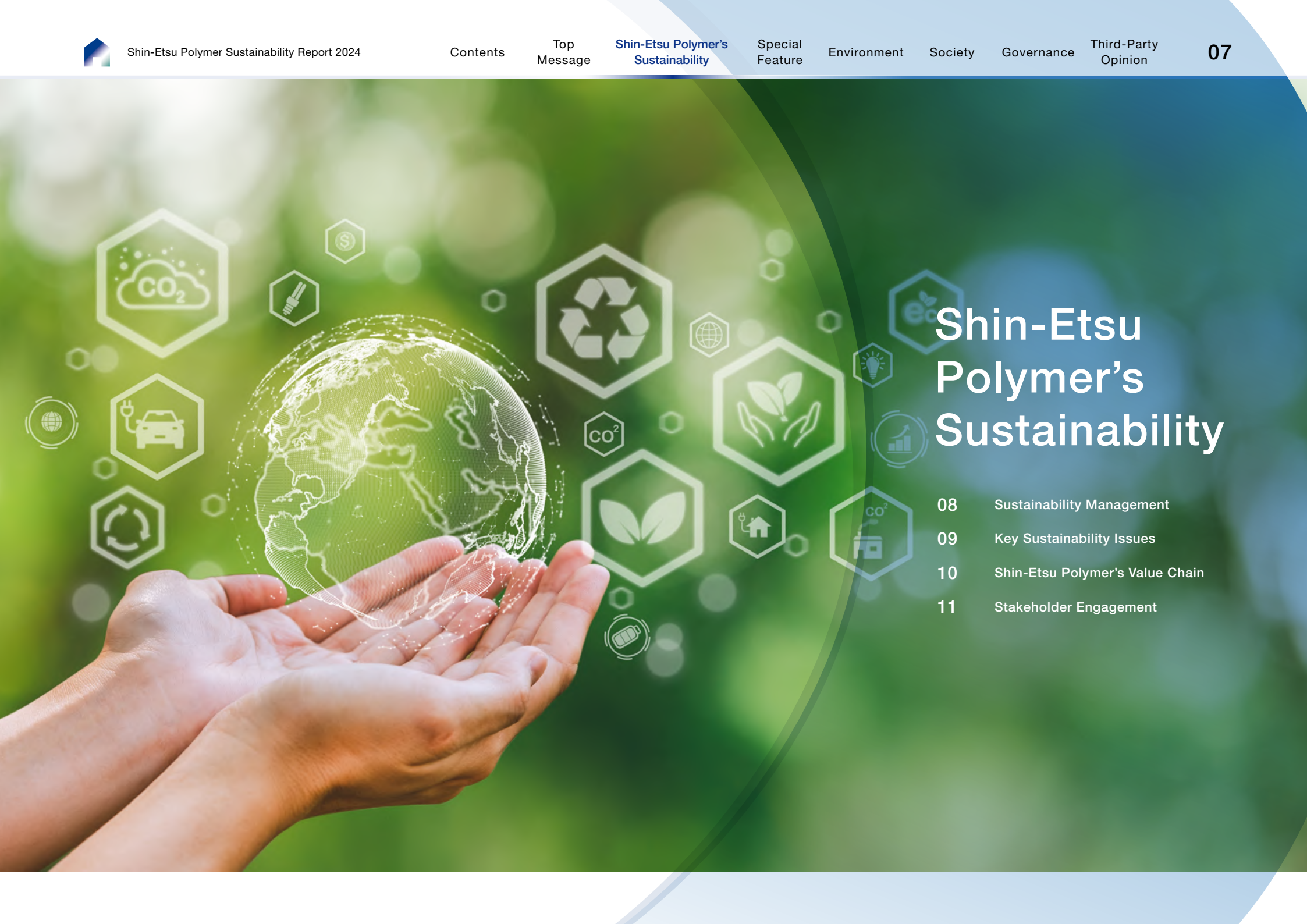
To enable continued growth of the Company for a prolonged period of time, sustainability initiatives are essential as the foundation of our business activities. Our Group has identified “energy saving, resource saving, and reducing our impact on the environment” as key sustainability issues. To achieve the common global target of reducing CO₂ emissions, we have set specific targets to reduce CO₂ emissions by 46% compared to fiscal 2013 by 2030 and become carbon neutral by 2050. To realize these targets, we will continue to pursue our energy-saving activities, such as switching to energy-efficient equipment.

Moreover, it is in progress to switch electric power to renewable energy for all plants in order to accelerate the reduction of CO₂ emissions.

We are also focusing our efforts on initiatives related to “respect for human rights, diversity promotion, and CSR procurement promotion,” which are key elements in supporting sustainability as the Group develops its business activities on a global scale. We have strengthened multilingual support by launching the “supplier hotline,” which is essential for human rights risk management, in Chinese as well. Based on our activities till date, we will revise the new promotion system for human rights due diligence and promote activities to reduce human rights risks in the supply chain. Moreover, as one of the “diversity promotion” activities, we consider “promotion of women’s activities” to be a key issue. We are fostering a corporate culture of mutual respect and cooperation by steadily increasing the number of female managers in an endeavor to narrow the gap in the average years of service between male and female employees, and promoting an increase in the percentage of male employees taking childcare leave. While improving and reforming work styles, education systems, and compensations, we intend to create a workplace where diverse human resources can enjoy their work and become the driving force for the next generation.

Our products support the global society in various ways and contribute to building the future. As a leading resin processing manufacturer even in a constantly changing social environment and market conditions, we are committed to revitalizing our organization and developing our business as a whole, thereby supporting the realization of a sustainable society.





Shin-Etsu Polymer's Sustainability

- 08 Sustainability Management
- 09 Key Sustainability Issues
- 10 Shin-Etsu Polymer's Value Chain
- 11 Stakeholder Engagement



Sustainability Management

Our Basic Approach

Based on its corporate philosophy, the Shin-Etsu Polymer Group strives to be a business that continues to grow with society by putting safety and fairness at the forefront of its management. To meet the demands and expectations of our stakeholders while aiming to solve social issues through our business, we have defined and implemented 13 specific types of corporate activity in line with our “Basic Sustainability Policy” and “Corporate Code of Conduct,” with our Corporate Mission Statement as our guide. Moreover, we will continue to contribute to the realization of a sustainable society by identifying key sustainability issues and continuously working to solve them.

Sustainability Promotion System



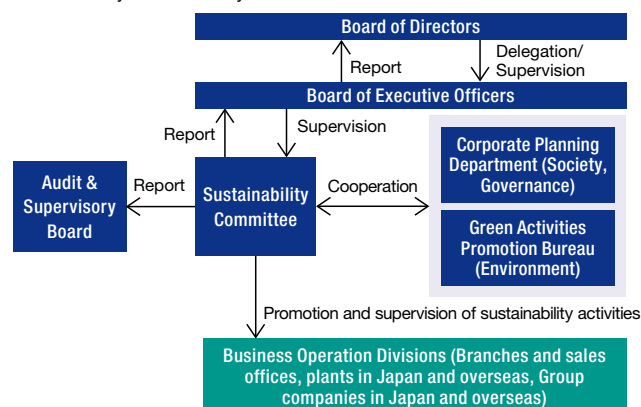
<https://www.shinpoly.co.jp/en/sustainability/activities/promotion.html>

Sustainability Promotion System

With an aim to enhance sustainability management, we, at the Group, have established the Sustainability Committee, which is chaired by the president, as a subordinate body of the Board of Directors and the Board of Executive Officers to deliberate and decide on important sustainability-related matters and policies. All particularly important issues are reported to the Board of Executive Officers and the Board of Directors for decision and approval. Under the promotion system led by the Sustainability Committee and in collaboration with the Corporate Planning Department and the Green Activities Promotion Committee, which work on individual ESG issues, the departments and Group companies take the lead in promoting sustainability

activities as a company-wide effort to solve environmental and social issues, including climate-related risks and opportunities.

Sustainability Promotion System Chart



Training and education

We believe that promoting interest and awareness in sustainability and ESG areas within the company will lead to the promotion of sustainability management, and therefore, we are focusing on sustainability training and education for the management and employees. In fiscal 2023, we conducted diversity and inclusion training for officers and general managers to increase awareness regarding diversity. We provide an annual e-learning program for all employees, and in fiscal 2023, fourth installment of this program was held by focusing on human rights under the theme of “The Basics of Sustainability.”

Respect for Human Rights ▶ P.38

The executive training session



Implementation year	Description
2020	Basics of CSR in 15 minutes!
2021	Basics of CSR (SDGs)
2022	Basics of Sustainability (Climate Change)
2023	Basics of Sustainability (Human Rights)



External Evaluations

The Group has been selected as a “Constituent” in the “MSCI Nihonkabu ESG Select Leaders Index” and the “S&P/JPX Carbon Efficient Index,” both of which are ESG indexes for Japanese equities used by the GPIF. We also received a score of 55 points in the latest Ecovadis Sustainability Assessment, earning us the Commitment Badge. In future, we will continue to pursue sustainability activities with the aim of acquiring even more highly acclaimed badges.

2024 CONSTITUENT MSCI NIHONKABU
ESG SELECT LEADERS INDEX



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Key Sustainability Issues

In fiscal 2019, based on international issues such as the SDGs, social demands, and the business environment surrounding the Shin-Etsu Polymer Group, we identified nine key sustainability issues by evaluating and summarizing the importance and impact of perspectives of the Group and the stakeholders. A “CSR Procurement Subcommittee” and a “Human Rights Promotion Subcommittee” have been established to tackle on priority the key issue of “promoting of CSR procurement and the diversification of supply sources,” and the key issue of “Respect for human rights, the development of human resources and the promotion of diversity”, respectively.











List of Key Activities and Targets for FY2023

Key issues	Details of activities	Medium-Term Management Plan/Targets	Target SDGs	Pages
The foundation of all activities: Legal compliance, Fair corporate activities	<ul style="list-style-type: none"> Developed compliance awareness among officers and employees through e-learning, etc. as well as activities to raise awareness Strengthened security export controls (held briefing sessions on security export controls) Monitored and prevented acts of dishonesty by setting up internal reporting systems, supplier hotline, etc. 	<ul style="list-style-type: none"> Strengthened the Sustainability Committee and the Compliance Committee 		P.52
Health and safety of employees and contractors	<ul style="list-style-type: none"> Strengthened risk assessment for the manufacturing facilities and operations and 5S+1A activities Conducted environmental security audits Promoted workplace calisthenics before work 	—		P.36,37
Energy-saving, resource-saving, and reduction of the environmental impacts	<ul style="list-style-type: none"> Carried out activities for achieving the targets of the seventh Mid-Term Plan (FY2021-2023) for Green Activities Established the roadmap and action plan for reducing CO₂ emissions 	<ul style="list-style-type: none"> CO₂ Emission Reduction (Scope 1 and 2)46% by 2030, 100% by 2050: FY2013 as a baseline 		P.18 P.22-27
Product quality improvements and product safety control	<ul style="list-style-type: none"> Conducted site inspections to prevent any quality-related misconduct Raised quality awareness among the Group's employees through various events during Quality Month Conducted a variety of educational programs to improve quality competence Appropriately resolved customer complaints 	—		P.32,33
Promoting CSR procurement and the diversification of supply sources	<ul style="list-style-type: none"> Released the Shin-Etsu Group CSR Procurement Guidelines to business partners Conducted CSR procurement survey of our business partners to gain better understanding of their status 	<ul style="list-style-type: none"> Expanded internal reporting systems and supplier hotline 		P.34,35
Respect for human rights, the development of human resources and the promotion of diversity	<ul style="list-style-type: none"> Conducted a survey on the employment of foreign workers and their work environments at domestic and overseas offices Promoted the use of internal systems and rules to address diversity in work Provided training on diversity and inclusion, business and human rights, and power harassment at workplace Established a supplier hotline with Chinese-language support 	<ul style="list-style-type: none"> Promoted measures and improvements based on human rights due diligence Cultivated human resources that are diverse and willing to take on challenges Expanded internal reporting systems and supplier hotline 		P.38-45
Respect for and protection of intellectual property	<ul style="list-style-type: none"> Deliberated and reported on the status of our activities in the Patent Committee, including the protection and management of intellectual property rights acquired through the industrial property rights systems and compliance manual, and how we treated competitors' intellectual property rights with respect 	—		—
Contribution to industry and social initiatives	<ul style="list-style-type: none"> Worked on eco-products promotional activities through the development of products that contribute to the environment as well as society, volunteer activities related to infrastructure maintenance using our product “Polymer Ace,” volunteer activities at local nursing homes, beautification activities, hands-on trainings, and traffic safety activities around the plants at production bases to maintain harmony with local communities 	—		P.46,47
Accurate and timely information disclosure and communication with stakeholders	<ul style="list-style-type: none"> Provided fair, timely, and appropriate information disclosure and enhanced IR and public relations activities 	<ul style="list-style-type: none"> Continued constructive dialogue with shareholders and investors 		P.55



Shin-Etsu Polymer's Value Chain

The Shin-Etsu Polymer Group identifies risks and opportunities by assessing environmental and social impacts throughout the value chain. We identify and address issues that should be prioritized in our business activities.

	Upstream		Shin-Etsu Polymer	Downstream	
	Procurement of Raw and Other Materials	Logistics	Production	Use/Consumption	Reuse/Recycling/Disposal
Risks	<ul style="list-style-type: none"> Cost increases and depletion of petroleum-derived and other resources Interruptions in supply chains due to natural disasters/accidents Indirect impacts on biodiversity and water risks Contamination by harmful chemical substances Potential risks to human rights Decline in quality of the procured raw materials and manufacturing-outsourced products Procurement suspension due to withdrawal of business by business partners Cancellation of certification, etc. due to violation of laws and regulations by business partners Country Risk 	<ul style="list-style-type: none"> Environmental impact due to increased CO₂ emissions during transportation Disruption of freight routes caused by natural disasters or accidents Impact on transportation due to work style reforms/manpower shortages Human right violations in the form of long working hours, etc. 	<ul style="list-style-type: none"> CO₂ emissions and water risks Suspending production due to natural disasters or accidents Occurrence of occupational accidents that can lead to health problems, operational downtime, discontinued orders, and sales suspensions Damaging customer trust due to quality issues Loss of social credibility due to the discovery of acts of dishonesty 	<ul style="list-style-type: none"> Increase of CO₂ emissions Complaints/Recalls due to product failures Disasters caused by products 	<ul style="list-style-type: none"> Increase of waste disposal quantity
Opportunities	<ul style="list-style-type: none"> Expansion of sustainable raw material needs Securing stable procurement and quality 	<ul style="list-style-type: none"> Resource conservation and reduction of environmental impact through efficient transportation and delivery practices Gaining trust of our customers through diversification of freight routes and establishing alternative transportation Eliminating transportation concerns through the selection of leading logistics providers Establishing a competitive advantage through stable supply 	<ul style="list-style-type: none"> Improving productivity by energy-saving and waste generation Accumulating and passing on technology and skills Ensuring occupational health and safety to enhance employee engagement, foster a safety culture, and accumulate know-how Ensuring and improving product quality and safety Improving customer rating through an enhanced quality assurance system Increasing business opportunities by offering "environmentally friendly/contributory products" 	<ul style="list-style-type: none"> Improving customer satisfaction and increasing order opportunities by improving product functionality and quality Creation of reuse-compatible products 	<ul style="list-style-type: none"> Promotion of effective use of resources Increasing demand of "environmentally friendly/contributory products"
Relevant initiatives	<ul style="list-style-type: none"> Understanding and dealing with procurement risks brought about by resource restrictions Procurement based on the CSR Procurement Guidelines Thorough control of harmful chemicals and proper information collection Investigations on procurement and human rights risks through CSR procurement surveys Distribution and dissemination of the "Quality Assurance Guide for Suppliers" Conducting periodic quality audits of business partners Promoting a multi-company purchasing system Reduction of procurement costs by optimizing the supply chains Publication of "Declaration of Partnership Building" 	<ul style="list-style-type: none"> Reduction of CO₂ emissions in logistics Further promoting the modal shift and logistics efficiency Switching to alternative transportation in the event of a natural disaster Promoting the diversification of transportation modes Strengthening partnership strategies with logistics operators 	<ul style="list-style-type: none"> Promoting group-wide Green Activities (energy-saving and waste reduction) Strengthening BCM system by reviewing and revising BCP procedure documents Human resource development Promotion of safety education using audio-visual tools Establishing and continuously improving quality management system Sharing of quality issues through quality assurance meetings between the bases, and horizontal expansion of quality improvements Conducting periodic audits of quality-related misconduct 	<ul style="list-style-type: none"> Thorough control of harmful chemical substances and proper information disclosure Provision of "environmentally friendly/contributory products" Feedback of and response to issues at the time of use Acquiring safety evaluation information Conducting customer satisfaction surveys 	<ul style="list-style-type: none"> Provision of "environmentally friendly/contributory products" (biodegradable plastics, infrastructure maintenance products)
Related SDGs	 	 	   		



Stakeholder Engagement

The Shin-Etsu Polymer Group aims to be a company that continues to grow together with society based on our Corporate Mission Statement, "The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to the development of industry and society with technologies and products that create value," as well as our Basic Sustainability Policy. In developing our business, we will act as a company with an open business structure that takes into account the requests and expectations of various stakeholders, including the local community, and fulfill our responsibilities by engaging in dialogue with them through various means of communication. Aiming to co-create value with our stakeholders, we formulated the Multi-Stakeholder Policy in March 2023 as a guideline for appropriate collaboration with diverse stakeholders.

Multi-Stakeholder Policy (In Japanese only)



https://www.shinpoly.co.jp/ja/sustainability/main/00/teaserItems2/04/linkList/0/link/multi_2024.pdf

Stakeholders	Responsibility to fulfill	Key dialogue method	FY2023 results
Customers	<ul style="list-style-type: none"> Provision of safe and secure products Improvement of customer satisfaction 	<ul style="list-style-type: none"> Dialogue through sales activities Participating in exhibitions Information disclosure through our website 	<ul style="list-style-type: none"> Posted installation videos of "Mizumore Goyo" and "Polymer Multi Tape STRONG" on the website Participated in exhibitions in various countries, including "CMEF" (China Medical Equipment Fair), "25th INTERPHEX Week Tokyo", "Maintenance Resilience TOKYO 2023", "12th Plastics Japan", "SEMICON Taiwan", and "MEDICA/COMPAMED Trade Fair 2023"
Suppliers / Business partners	<ul style="list-style-type: none"> Realizing fair and just transactions and building relationships of trust Procurement activities in consideration of the environment and society 	<ul style="list-style-type: none"> Application of CSR Procurement Guidelines to business partners Regular investigation of current status via survey slips Dialogues via supplier hotline Dialogues via periodic quality audits Opinion exchanges when surveying chemical content information in compliance with Green Procurement Standards 	<ul style="list-style-type: none"> Implemented Business Continuity Plan/Management System (BCP/BCM) Survey Implemented "Survey on Sustainability Initiatives" Implemented periodic quality audits Revised the transfer fees associated with the launch of the invoice system Changed the subcontractor payment site for companies subject to the Subcontract Act
Shareholders / Investors	<ul style="list-style-type: none"> Timely and proper information disclosure Improvement of IR/SR activities Promotion of ESG activities 	<ul style="list-style-type: none"> General Meeting of Shareholders Financial summary presentation Individual meetings Issuance of business reports Issuance of annual review and sustainability report Information disclosure through our website 	<ul style="list-style-type: none"> Conducted General Meetings of Shareholders and two financial summary presentations Issuance of business reports Issuance of annual review and sustainability report (Japanese/English versions)
Employees	<ul style="list-style-type: none"> Human resource development Cultivation of a safe work environment Initiatives for work-life balance Promotion of diversity & inclusion 	<ul style="list-style-type: none"> Implementation of human resource development programs Opinion exchanges at the time of environmental security audit Dialogue via 5S+1A activities Opinion collection via internal reporting system Information publicity via internal intranet/in-house magazines 	<ul style="list-style-type: none"> Issued the in-house magazine (Quarterly Issue) Conducted diversity and inclusion training Team building activities (Dongguan Shin-Etsu Labor Union) Held "Women's Day" ceremony (India Plant) Conducted environmental security audits at domestic and overseas bases
Local communities	<ul style="list-style-type: none"> Co-existence with local regional society Natural environment protection 	<ul style="list-style-type: none"> Social contribution activities through product donations, etc. Acceptance of workplace experiences and factory tours Community beautification activities Blood donation activities Donations for the Noto Earthquake 	<ul style="list-style-type: none"> Volunteer activities for infrastructure maintenance using "Polymer Ace" (Shunan City, Yamaguchi Prefecture) Volunteer activities at a local nursing home (India Plant) Beautification cleaning activities around the plant at production sites (Tokyo, Kodama, Itoigawa, KitchaNista Chikusei Plants) Workplace experiences and plant tours (Tokyo, Shiojiri, Itoigawa, and KitchaNista Chikusei Plants) Traffic safety activities (at plants in Japan and overseas) Blood donation activities (Tokyo, Kodama, and Malaysia Plants)



Features of Touch Switch



- High light transmittance achieved by using our original conductive ink
→ **Backlight illumination possible**
- Can be folded, thin and lightweight
→ **Combines design and functionality**
- All elements are integrated on a single thin film
→ **Reduces the number of parts, saving resources and improving recycling efficiency**

Special Feature

01

Input Devices for Connecting People and Machines

Touch Switches

The touch switch is an input device that is now found in various aspects of our daily lives. As the needs for touch switches have become more sophisticated in terms of operability, visibility, durability, and design, Shin-Etsu Polymer has developed a product with the best of our technologies.

Improving transparency and reliability while developing new technology

— Tell us about the background in development of touch switches

Nakashima: Our touch switches are used in various fields such as automobiles, home appliances, and digital devices. We developed capacitive touch switches as an alternative to mechanical switches by combining our original conductive ink with our conventional heat-seal connectors. At the time, smartphones were rapidly becoming popular, and the timing was right for us to match our technology and resources with the market needs.

Kitamura: Because this product includes a switch section that illuminates with a backlight provided at the back of the base film, transparency was an essential requirement. We used a transparent conductive ink to achieve pellucidity. Since then,

the product has been increasingly installed in areas that were previously not used such as automobile interiors, and this has led to a demand for products with higher reliability than ever before. In response to these challenges, we developed a switch with conductive ink printed in a fine pitch pattern by applying our high-definition printing technology cultivated in our heat-seal connectors to achieve transparency and high reliability.

Nakashima: Demand for touch switches is still growing. In particular with the shift to electric vehicles (EVs) and vehicle automation. This has led to a recent need for more futuristic and advanced products being guided by functionality and design. I believe that it will continue to be important how we respond to changing needs.

— What are the strengths of this product?

Nakashima: When expanding our products, we were dealing in a product called rubber contacts made from silicone rubber,

and this brand power became our strength.

Nukui: The rubber contacts are molded products made of silicone rubber. However, by introducing touch switches using high-definition printing technology, these switches have been widely accepted and have kept with the trends of the times, and stable production is now possible.

— Tell us about difficulties you encounter in the development process.

Kitamura: We encountered a series of hardships during the development of a touch switch made of high-definition printing. In the test specifications required for high reliability, a problem occurred when conductive ink peeled off due to poor adhesion to the base film. To deal with this problem, we re-selected the insulating layer to protect the base film and the conductive ink. Up to this point, everything was progressing as expected, but the re-selection of the base film caused the printing



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Takeshi Nukui,
Manager
Suzhou Shin-Etsu Polymer Co., Ltd.
General headquarters



pattern width to be too wide. We took countermeasures by re-selecting tools and re-setting the conditions.

Nukui: We also faced challenges at the production stage. Touch switches have densely printed lines that are too fine to be seen with the naked eye, and it was difficult to maintain print quality with blurred prints and chipped lines, so we had to overcome a high hurdle. However, through repeated trial and error, we gained empirical knowledge and arrived at the best specifications while gradually revising the versions.

We will continue to produce exciting products and deliver need-driven solutions

— Tell us about the future plans and prospects.

Nakashima: Machines and people will have to coexist increasingly in the future. As needs change, products will also need to be updated. In recent years, for example, touch pads, which allow more delicate operation, have been gaining popularity, and we have responded to our customers' needs with



our high-definition laminate printing technology on thin film. We will continue to support people's comfortable lives by connecting people and machines through continuous improvement by making full use of the technology and resources we have cultivated over the years.

Nukui: In China, where our production bases are located, touch switches are now found in every aspect of life and are becoming a trend. However, this is the opposite of market saturation, and the key will be how we improve on cost competitiveness.



Nakashima: It is true that the market environment has become more difficult, but we have always taken on challenges in accordance with the demands of our customers, no matter how demanding and difficult they are. We will continue to maintain that attitude and move forward together with our clients.

Kitamura: One of our strengths is that we handle development, design, production, and sales in an integrated manner, so we will continue to work together as a team and overcome all challenges.

— What value does the touch switch bring to society?

Nakashima: The important thing is to continue to create products that people expect and are excited about. Until now, our stance has been to respond to our customers' requests. However, in the future, we would like to take that one step further and not only pursue the needs of our customers, but also become a source of ideas and technologies, in order to be on the forefront of innovation. We have established A worldwide network and have a system for providing sales support that is rooted in that network. We will use these strengths to create products that will make people happy to have worked with Shin-Etsu Polymer.

Kitamura: To achieve this, the key is to develop value-added products. If we can create more enhanced (value-added it too redundant) products, I think we will be able to differentiate our products in various aspects, not only in terms of cost.



Nukui: We will continue to keep this in mind when it comes to production sites, and we will work with a feeling of tension to provide products to everyone.

Applications

● Various operation switches for automobiles



Frame switches
around the display



Center consoles



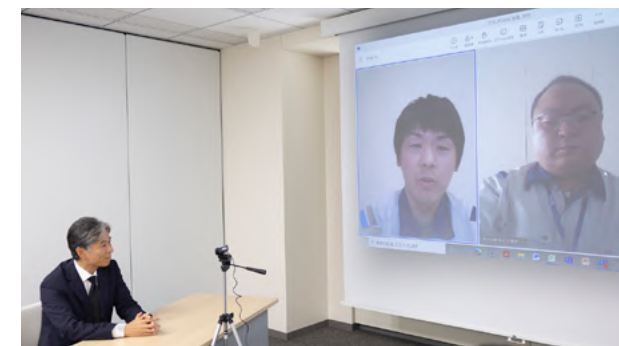
Overhead consoles



Steering switches

● Various control switches for home electric appliances and household appliances

- Refrigerators
- Washing machines
- Rice cookers
- Humidifiers, etc.





Special Feature

02

Light guides that Allow Safe Driving and Daily Life

Silicone Light Guides

“Silicone light guides” are highly transparent silicone rubber molded products that are resistant to UV rays and heat, and do not deteriorate or discolor even after long-term use. Demand for the light guides is expected to increase, especially in the European automobile market. Let us take a closer look at the product characteristics that contribute to automobile safety and the development of autonomous driving.

Developing Silicone Light Guides as Key item that Allows Safe Driving in line with European Highway Conditions

— What is Silicone Light Guide?

Muraai: It is a light guide that directs light emitted from LEDs and other devices to a desired location, and is used in products such as cameras, displays, and headlamps of automobiles. The silicone light guides that we have been manufacturing since 2019 use a newly-developed silicone rubber with higher light transmittance and excellent heat resistance compared to conventional products, making our light guides suitable for use in scenarios in which strong light is required and heat is likely to be generated. Although high beams are particularly desirable for car headlamps at all times, they can be too strong for oncoming vehicles and pedestrians. To remedy this, matrix headlamps that can divide the light and adjust which areas to be illuminated and which to be darkened are used. However, this would require the development of a large number of LED lights (over 80) as a key item to allow

safe driving in line with European highway conditions. Since the area near the light source becomes very hot, silicone rubber with high heat resistance is chosen as a material.

— Tell us about the background and the challenge you faced during the development.

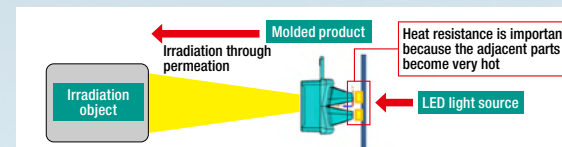
Muraai: This product was developed in response to growing demand for products suited to European road conditions. European highways, such as Germany's Autobahn, are often driven at high speeds and are generally dark, so LED lights are becoming increasingly popular as a tool to support safe driving. On the other hand, the development of this light guide was quite challenging due to the difficulty of making the mold and handling the material.

Nakaya: We originally developed a switch component called rubber contact. This was our first time dealing with optical components, so we had to develop through trial and error. We were able to move forward by working with knowledgeable mold manufacturers and equipment manufacturers to solve

Features of Silicone Light Guides



- High transparency
- Heat resistance (200°C) and weather resistance
- Freedom of shape and transferability
- Lightweight



Jumpei Muraai,
Assistant Manager
Group 1
Sales & Marketing Division I,
Sales Unit



Atsushi Nakaya,
Executive Expert
Group 2
Development Department I,
Development Unit



Laszlo TAMAS,
Head of Production
Shin-Etsu Polymer Hungary Kft.

issues we faced, one at a time.

Tamas: The first production line was introduced at Shin-Etsu Polymer Hungary Kft in 2022. Since then, we have gradually enhanced our production system, and are currently working on further expanding our facilities in preparation for large-scale projects. Things have been moving at a dizzying pace since the beginning, including that project. Since we had to tackle many new challenges, such as molds and equipment, and various other departments and people were involved, it was not an easy road.

Nakaya: Unlike other products that the plant has produced up until now, this light guide involves a variety of development elements, and this was all the more difficult because we had to transfer the molds and molding and inspection equipment newly developed for this product in Japan to the plant.

Tamas: That's the reason that we have gained the trust of our customers by understanding the importance of communication both inside and outside the company and working together as a global team with manufacturing, sales, and technology.



Muraai: Expressways in Japan have strict speed limits and are generally well lit, so its demand in Japan is limited. Meanwhile, in the United States, the use of headlamps that automatically switch has not been permitted until last year due to legal restrictions; however, with changes in the law, we predict that the United States will be the future market. Although there are still difficulties in proceeding with consideration and development while keeping the discussion going at global level, we will continue to respond to our customers' requests.

We will continue to develop our technology so that we are able to contribute to technological innovation that will continue to popularize in the future, including autonomous driving and environmentally-friendly vehicles.

— Is there any possibility of diversion to other products?

Muraai: This light guide is heat-resistant and can be put close to the light source, resulting in minimal light loss and energy saving. There are many applications that require strong light, so we will continue



to expand its range of use to include consumer applications. Lighting equipment is one of them. Lighting equipment is used not only in homes, but also in stores, on the streets, on billboards, and throughout the cities. We would like to develop into such areas as well.

Nakaya: When the application changes, customer requirements also change, making it necessary to use different manufacturing methods and approaches.

This is not an easy task, but as a member of the development team, we will continue to work hard to develop the product to a variety of applications. Of course, even in the currently widely used in-vehicle applications, safe driving systems have evolved significantly, so we will continue to strive to contribute to this area as well.

Muraai: The heads-up display (HUD) is a prime example. The importance of in-vehicle cameras has also increased, and headlamps themselves are also expected to continue to evolve. There are still various other parts inside a car that require bright light, so I think the possibilities can be expanded.

Nakaya: Silicone rubber is a versatile material, and we are



leading the industry with the molding technology. We will continue to take on new challenges by leveraging our strengths.

— How will this product contribute to society?

Muraai: There is no doubt that autonomous driving and environmentally-friendly vehicles will become more widespread in the future. We will continue to hone our technology while keeping an eye on needs of society and accurately grasping them, hoping that our products can contribute to technological innovation in the world, including for consumer applications.

Nakaya: In this way, we will continue to work hard as members of the development team to help people live safe and comfortable lives through our products.

Tamaa: I believe it is important to consider how we can contribute to sustainability not only through our products but also through the entire project. Our plant is also gradually doing what it can towards sustainability, such as installing solar panels and working to reduce waste. We will promote company-wide initiatives such as selecting production equipment that consumes less energy.

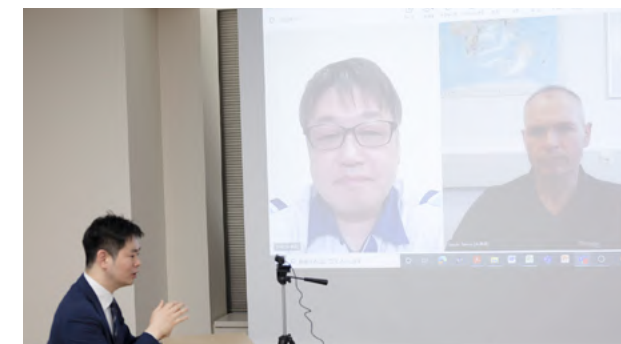
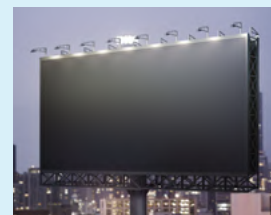
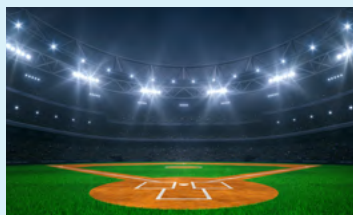


Applications

● Headlamps



● Lighting Equipment





Environment

- 17 Environmental Management
- 22 Addressing climate change
- 26 Initiatives for reducing environmental impact
- 28 Development of environmentally friendly/contributory products
- 29 Control of Chemical Substances





Environmental Management

Basic Approach

Based on its Basic Environmental Principles, the Shin-Etsu Polymer Group promotes “Green Activities”, addressing challenges such as combating global warming, measures for conserving and effectively using resources, the reduction of substances with environmental burdens, and other measures, for the protection of the environment by reducing environmental burdens.

Basic Environmental Principles

● Basic Policy

Our Group recognizes that work towards environmental conservation is the one of the highest priority issues for our operation. So that we are working hard to become part of building a recycling economic society through our responsibilities required.

● Action Policy

- 1 We are rebuilding the organization and systems to work for efficient and continuous environmental activities.
- 2 We observe laws and regulations for resource conservation, energy saving, waste reduction, recycling, and the proper handling of environmentally harmful substances. In addition, we set challenging goals and try to achieve them in our own manner with technical and economic resources.
- 3 We evaluate the environmental impacts of all phases from purchase and production through usage and disposal during the new product development stage and thus reduce any environmental impact.
- 4 We strive for the conservation and sustainable use of biological diversity by understanding, evaluating, and reducing the impact on ecosystems caused by business activities.
- 5 We provide internal education programs to achieve understanding and awareness of Basic Environmental Principles for all employees.
- 6 We disclose the information of our environmental activities and make efforts to coexist with local community.

Basic Environmental Principles



<https://www.shinpoly.co.jp/en/sustainability/environment/policy.html>

Promotion System

Our Group has established the Green Activities Promotion Bureau, chaired by the president, as a company-wide, cross-sectional organization to promote environmentally conscious management. We have put in place a system that strives to protect the global environment in all of our business activities. We have also established an Energy Saving Subcommittee and a Recycling Subcommittee under the Green Activities Promotion Bureau, and are working on setting specific reduction targets. Please see page 18 for our activities and achievements in fiscal 2023, the final year of the seventh “Green Activities”. Each production site reports its activity results to management and receives advice during the “Green Activities Presentation” event held every year.

Green Activities Presentation Events (In Japanese only)



<https://www.shinpoly.co.jp/ja/sustainability/environment/movement.html>

Promotion System Chart





Environmental Management

Addressing climate change

Initiatives for reducing environmental impact

Development of environmentally friendly/contributory products

Control of Chemical Substances

The 7th Mid-Term Targets (FY2021 to 2023) for the Shin-Etsu Polymer Group's Green Activities and FY2023 Results

Theme	Item	Indicator	Subject scope ^{*3}	Target year	Target value	Results	Evaluation	Page
Addressing Climate Change	Reduction of basic unit of CO ₂ emissions	Basic unit of production weight (t-CO ₂ /t)	Overall	2030	Reduction of 13% (compared with 2017)	Reduction of 19.8% (Achieved value: 11842 t-CO ₂)	Achieved	—
	Reduction of basic unit of energy	Basic unit of production weight (kl/t)	Domestic	2023	Average reduction of 1% or more over five fiscal-year average ^{*1}	5.5% increase (Achieved value: 0.3951 kl/t)	Not achieved	P.25
			Overseas			Reduction of 19.1% (Achieved value: 1.2132 kl/t)	Achieved	
Initiatives for reducing environmental impact	Reduction of basic unit of waste emissions	Basic unit of production weight (kg/t)	Overall	2023	Reduction of 3% (compared with 2020)	Reduction of 6.2%	Achieved	P.26
	Promotion of waste material recycling	Emission Rate (%) ^{*2}	Domestic	2023	Less than 1%	0.06%	Achieved	
			Overseas		—	18.7%	—	
	Creation of environmentally friendly/contributory products	Number of certifications (cases)	Group	2023	4 cases	4 cases	Achieved	P.28

^{*1} In accordance with the evaluation criterion in the Act on the Rational Use of Energy.

^{*2} (Amount of landfill + Amount of simple incineration) ÷ Total amount of waste discharged x 100

^{*3} See P.02 for the subject scope

The 8th Mid-Term Targets (FY2024 to 2026) for the Shin-Etsu Polymer Group's Green Activities

We set the new 8th Mid-Term Targets following the end of the period for the 7th Mid-Term Targets.

Theme	Item	Indicator	Subject scope	Target year	Target value
Addressing Climate Change	Reduction of CO ₂ emissions	CO ₂ emissions (t-CO ₂)	Group	2030	Reduction of 46% (compared with 2013)
	Reduction of basic unit of energy	Basic unit of production weight (kl/t)	Overall	2026	Average reduction of 1% or more over five fiscal-year average
Initiatives for reducing environmental impact	Reduction of basic unit of waste emissions	Basic unit of production weight (kg/t)	Overall	2026	Reduction of 3% (compared with 2023)
	Promotion of waste material recycling	Emission Rate (%)	Domestic	2026	Less than 1%
	Creation of environmentally friendly/contributory products	Number of certifications (cases)	Group	2026	4 cases

The 26th Green Activities Presentation

The Company-wide Green Activities Presentation was held with President, Mr. Deto as chairperson and other directors present.

Vice Chairperson, Mr. Kowada commenced the presentation by saying, "In line with our roadmap to achieve carbon neutrality by 2050, the entire company will continue to work together to address climate change risks, environmental and society issues, and promote sustainability activities".

Mr. Saito, Head of the Environmental Safety Department, served as the Secretariat. He reported the achievements in Japan and overseas in fiscal 2023. Subsequently, there were presentations and Q&A sessions by five domestic plants concerning their activities and achievements.



Back row: Presenters from domestic plants



Environmental Management

Addressing climate change

Initiatives for reducing environmental impact

Development of environmentally friendly/contributory products

Control of Chemical Substances

Certifications of Environmental Management System

We have been awarded with ISO14001 certifications at all domestic and overseas production sites. By effectively implementing the management system, we are working on the reduction of environmental burdens and continuous environmental improvement activities based on compliance with the environment-related laws and regulations.

Environmental Management: List of ISO14001 Certifications



<https://www.shinpoly.co.jp/en/sustainability/environment/management.html>

Certified as “Sony Green Partner”

Sony Corporation identifies the substances they judge that they have a significant impact on the global environment and human body among them included in the parts and the materials as “The Environment-Related Substances”, sets “Management Regulations for The Environment-Related Substances to be controlled which are included in Parts and Materials” and clarifies the chemical substances to be prohibited or reduced and their applications. They introduce the “Green Partner Certification” as an operational system for their suppliers to ensure compliance with these standards and regulations, and procure the parts and the materials only from them certified as “Green Partner Certification”.

In 2003, three of our domestic plants received the certification, and now seven plants are certified.

Shin-Etsu Polymer Co., Ltd.: 410A

Factory Code	MC Name	FC Name	Expiry Date
FC002584	Shin-Etsu Polymer Co.,Ltd.	Shiojiri Plant	20270831
FC002586	Shin-Etsu Polymer Co.,Ltd.	Kodama Plant	20270831
FC007726	Shin-Etsu Polymer Co.,Ltd.	Itoigawa Plant	20270831
FC007742	Shin-Etsu Polymer Co.,Ltd.	Tokyo Plant Production Department I	20270831
FC013450	Suzhou Shin-Etsu Polymer Co.,Ltd.		20270831
FC014180	Shin-Etsu Polymer Co.,Ltd.	Tokyo Plant Production Department II	20270831
FC014187	Dongguan Midas Electronic Co., Ltd.	Dongguan Midas Electronic Co., Ltd.	20270831

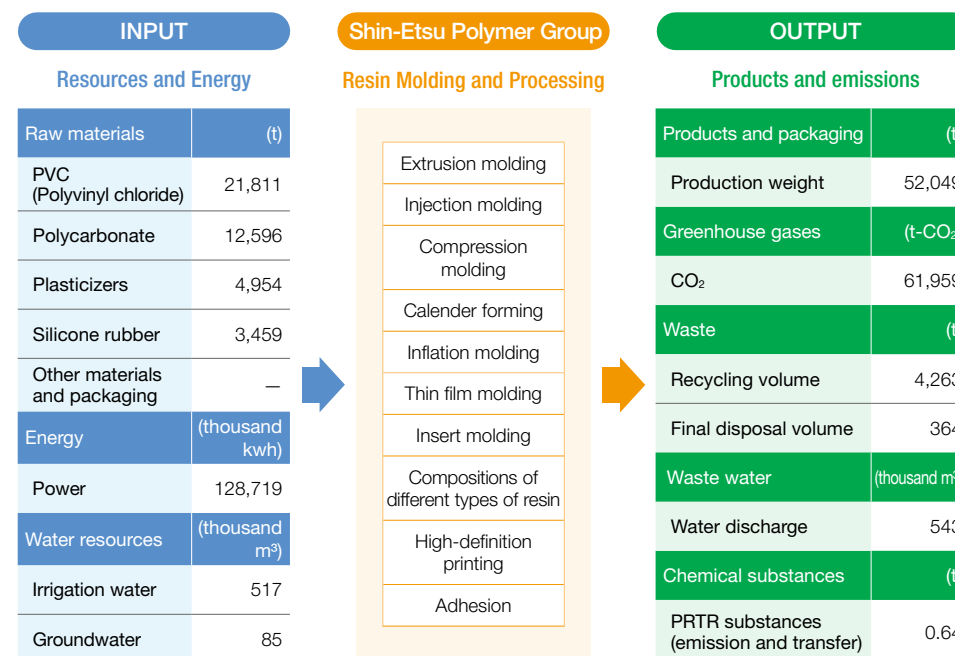
*Date of certification: May 24, 2024

Environmental Education

We continuously conduct environmental education to promote clean and energy-saving operations at each of the Group's production sites. We plan annual programs that are tailored for each production site and provide training to new employees when they join or when they are hired. In addition, Environmental Security Committee members at each business site implement the programs for voluntary environmental conservation management activities, such as waste management and energy conservation management.

Environmental Burdens Related to Our Business Activities

We believe the basis of environmental conservation activity is to accurately understand the environmental burdens that arise from business (production) activities. In order to effectively and continuously promote environmental conservation activities, we act while confirming the trend of those burdens and by formulating plans to reduce environmental burdens.





Environmental Management

Addressing climate change

Initiatives for reducing environmental impact

Development of environmentally friendly/contributory products

Control of Chemical Substances

Environmental Accounting

Our Group calculates the costs borne for and economic effects of environmental conservation, aiming to effectively promote initiatives for environmental conservation. Investments of ¥26.7 million were made in fiscal 2023, a decrease of ¥42.8 million from the previous fiscal year. The total cost was ¥182.2 million, a year-on-year increase of ¥0.2 million. The economic effect was ¥70.1 million, an increase of ¥14.3 million from the previous fiscal year.

Costs Borne for Environmental Conservation

(Unit: Millions of yen)

Item		Main Initiative	Investment Amount	Cost*1
1. Costs within business	1-1. Pollution prevention costs	Regular inspection of equipment, noise and vibration measurements, management of septic tanks, water quality measurements, etc.	5.2	9.9
	1-2. Global environmental conservation costs	Introduction of highly efficient air conditioners, shifting to LED lighting, application of inverters to equipment, thermal insulation, replacement with energy-saving equipment, motorization, etc.	21.4	61.4
	1-3. Resource recycling costs	Collection and recycling of resources, conversion into raw materials or fuel, etc.	0.0	7.2
Sub-total			26.7	78.5
2. Upstream and downstream costs		Costs related to control of chemical substances contained in products, etc.	0.0	2.5
3. Administration costs		EMS maintenance, education, management of green space of plants, cleaning of inside/outside of plants, inspection of water quality, etc.	0.0	50.6
4. R&D costs*2		Development of environmentally friendly/contributory products	0.0	49.6
5. Social activity costs		Support, fund-raising activity, donations, etc.	0.0	1.0
6. Environmental remediation costs		N/A	0	0
Total (Items 1 to 6)			26.7	182.2

*1 Costs = Actual costs—costs if an activity is not conducted. When the total difference is ≤ 0 , 0 is the assumed value.

*2 R&D costs are calculated based on our own standards.

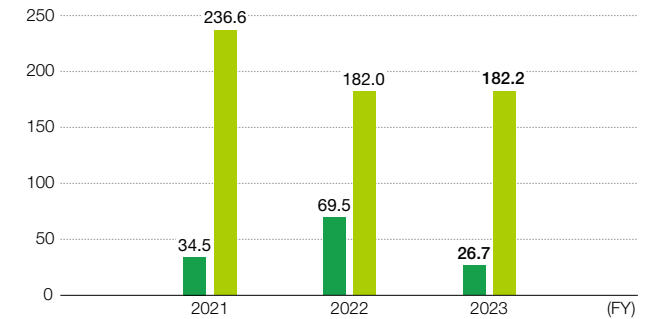
* Registration costs for recycling outsourcing agreements are not included.

* Due to rounding, sub-total and total figures may not correspond with the sum of separate figures.

Investment and expenditure

Investment Expenditure

(Millions of yen)



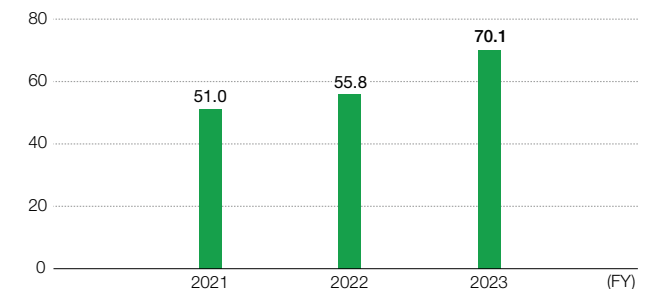
Economic Effects (Breakdown)

(Unit: Millions of yen)

Items	Economic effect
1. Reduction of energy costs	13.9
2. Reduction of waste disposal costs	8.5
3. Reduction of costs through resource conservation	0.2
4. Profit from the sales of valuable resources	47.5
Total	70.1

Economic Effects

(Millions of yen)





Environmental Management

Addressing climate change

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Control of Chemical Substances

Real Examples of Environmental Conservation Activities



Reducing energy usage by improving air conditioning systems

Shu Qiang Qi

Mechanical and Electrical Management Department,
Suzhou Shin-Etsu Polymer Co., Ltd.

We improved the air conditioning system to reduce power consumption at the silicone light guides production site.

Previously, the old painting room was taking up the entire work area (690 m²), and the air conditioning system covered the entire work area. However, the current work area is only a part of it (266 m²), and from the viewpoint of quality, we rearranged and partitioned the work areas requiring air conditioning control, and installed area-specific air conditioning systems. As a result, we were able to achieve an annual energy saving of 383,196 kWh and a 272-tons reduction in CO₂ emissions.

By implementing on-site improvement activities, we will continue to further conserve energy and strengthen our competitiveness as an environmentally friendly and cost-efficient company.



Partitions installed between the molding work area (left) and the back-end process area (right) to control air conditioning



Waste Reduction Through Segregated Management

Yuhasmiza Yusof

Shin-Etsu Polymer(Malaysia) Sdn.Bhd.

Shin-Etsu Polymer(Malaysia) Sdn.Bhd. has reduced landfill waste by strictly managing the segregation of recyclable waste. Every year, we invite external lecturers to deepen the knowledge of our department staff and teach them the importance of waste reduction and recycling. The environmental protection officer conducts monthly inspections to ensure proper disposal of waste. As a result, in 2023, we were able to reduce landfill disposal waste by approximately 170 tons compared to the previous year.

This year, in collaboration with a waste management company, we are studying the reuse of punched-out burrs and polishing powder from silicone rubber products as an alternative fuel. We are also developing and executing the collection and reuse of packaging materials for customers in Japan and overseas.

We will continue to take proactive approach to sustainability activities.



Attending an educational seminar



Patrolling a waste dump site



Addressing Climate Change

Basic Approach

The Shin-Etsu Polymer Group develops business activities that embrace sustainable approaches and aim to reduce our businesses' environmental impacts and contribute to achieving a sustainable society with a focus on the transition to a carbon-free society. Toward the goal of achieving "Carbon Neutrality by 2050", we are working to reduce CO₂ emissions related to all business activities of the Group.

Information Disclosure Based on TCFD Recommendations

The Group has endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and will actively disclose information per four recommended disclosure areas: Governance, Strategy, Risk Management, and Metrics and Targets.

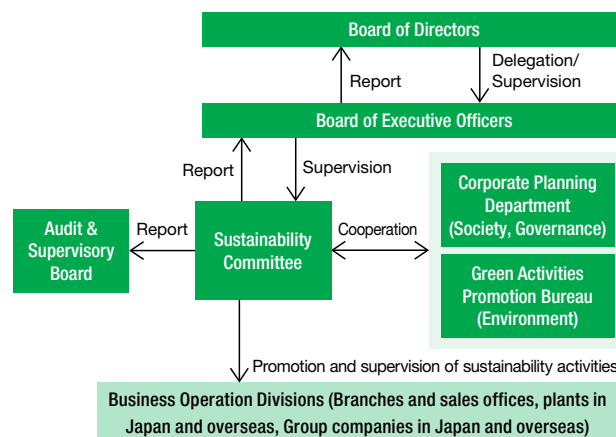


Governance

At the Group, we have established the Sustainability Committee, which is chaired by the president. Here, necessary discussions for enhancing sustainability management are held. This includes deliberations regarding climate change actions, such as reduction targets for CO₂ emissions, and the receipt of periodic reports, including annual activity reports from business operation divisions. Important matters discussed at the Committee are reported to the Board of Directors and the Audit & Supervisory Board, where they are monitored

and supervised. Also, as a part of our ongoing energy-saving initiatives in the Green Activities, we regularly report on the progress in achieving targets set for our domestic and overseas plants. In order to expand switching to renewable energy sources for electric power implemented at some plants in fiscal 2023 to the remaining plants, a roadmap for CO₂ emission reduction linked to business growth as indicated in the Mid-term Management Plan has been formulated and put into action from April 2024.

Promotion System Chart



Strategy (Scenario Analysis)

The Group has qualitatively assessed the financial impact of climate-related risks and opportunities in our major businesses for a future with heightened climate change. We base these assessments on the two scenarios, which reference multiple scenarios published by the IEA (International Energy Agency)

and the IPCC (Intergovernmental Panel on Climate Change).

Based on the scenario analysis, we assumed transition risks associated with changes in regulations, such as stricter GHG emission regulations and the introduction of carbon tax, and physical risks associated with extreme weather events, such as wind and flood damage. Transition risks are addressed by installing solar power generation equipment and purchasing renewable energy. Physical risks are addressed through risk assessment and supply chain management for sustainable procurement. In terms of product and service opportunities, we assumed a shift from gasoline-powered vehicles to EVs and the expansion of the digital network society. In response to these challenges, we will strive to capture opportunities by developing and launching new products for EVs, expanding sales of semiconductor-related containers, and developing and launching material products for electronic components.

Risk Management

At the Group, the Sustainability Committee identifies and evaluates climate-related risks and opportunities. Risks assessed to have a high impact on the business are reported to the Board of Directors and the Audit & Supervisory Board. In addition, strategies and targets are set to minimize identified risks and maximize opportunities. The status of these initiatives is regularly reported to the Board of Directors and the Audit & Supervisory Board.



Environmental Management

Addressing climate change

Initiatives for reducing environmental impact

Development of environmentally friendly/contributory products

Control of Chemical Substances

1.5°C Scenario

A scenario where strict measures against climate change would limit the average annual temperature rise to less than 1.5°C compared to pre-industrial levels

4°C Scenario

A scenario where the failure to take additional climate action is expected to lead to an average annual temperature rise of 3.2 to 5.4°C compared to pre-industrial levels

Climate-Related Risks

Transition Risks (risks associated with the transition to a low-carbon economy)

Changes in the external environment	Degree of impact	Anticipated time frame	Impacts on Shin-Etsu Polymer Group	Countermeasures
<ul style="list-style-type: none"> Strengthening of GHG emission regulations Introduction of carbon tax 	Major	Medium-term	<ul style="list-style-type: none"> Increase in development and procurement costs required to achieve carbon neutrality Increased taxes due to the introduction of a carbon tax 	<ul style="list-style-type: none"> Introduction of energy-saving equipment Purchase of renewable energy Introduction of solar power facilities Purchase of carbon credits
<ul style="list-style-type: none"> Increased demand for low-carbon products Need for new climate-change-related technologies 	Major	Medium-term	<ul style="list-style-type: none"> Increased R&D costs due to increased competition in the development of energy-related technologies Increased capital investment due to increased production 	<ul style="list-style-type: none"> Transition to low-carbon materials Expansion of eco-friendly products Promotion of technological innovation Improvement of facilities for production efficiency
<ul style="list-style-type: none"> Sharp rise in the cost of petroleum-derived raw materials Reduced use of petroleum-derived raw materials by customers 	Major	Medium-term	<ul style="list-style-type: none"> Increased procurement costs due to rising raw material costs Increased costs due to the introduction of equipment compatible with low-carbon raw materials Reduced revenue for existing products 	<ul style="list-style-type: none"> Transition to low-carbon materials Exploration of alternative raw materials Installation of equipment that is compatible with alternative raw materials

Physical Risks (risks associated with the physical impacts of climate change)

Changes in the external environment	Degree of impact	Anticipated time frame	Impacts on Shin-Etsu Polymer Group	Countermeasures
<ul style="list-style-type: none"> Wind or flooding damage caused by irregular weather 	Major	Short- to long-term	<ul style="list-style-type: none"> Decreased revenue caused by a shutdown or reduction in business activities due to flooding and damage to factories Increased costs such as restoration costs, natural disaster countermeasure costs, and insurance premiums Increased procurement costs and loss of sales opportunities due to interruptions in supply chains caused by disasters Costs associated with cleanup of chemical spill caused by disasters 	<ul style="list-style-type: none"> Updating BCP manual Risk assessments and sustainable supply chain management Diversification and decentralization of raw material suppliers Strict management of hazardous materials

Climate-related opportunities

Opportunities (products and services)

Changes in the external environment	Degree of impact	Anticipated time frame	Impacts on Shin-Etsu Polymer Group	Countermeasures
<ul style="list-style-type: none"> Transition from gasoline vehicles to EVs Expansion of the digital network society Increased demand for a reduction in CO₂ emissions Increased demand for low-carbon products 	Major	Short- to long-term	Electronic Devices: Development and launch of new products for EVs	Preparation of facilities for mass producing thermal control products for EVs
			Precision Molding Products: Sales expansion of semiconductor-related containers due to increased demand	Expansion of Itoigawa Plant and construction of a new building at Tokyo Plant are underway to increase production capacity for semiconductor-related containers
			Housing and Living Materials: Development and launch of material products for electronic components	Development of heat-resistant thin film for power semiconductors as thermal control solution underway

Anticipated time frame

Short term: within 10 years. Medium term: from 10 to 50 years. Long term: Over 50 years

Metrics & Targets

The Group has set a CO₂ reduction target for all group companies by 2050. We will promote measures such as switching to renewable energy, transitioning to energy-saving equipment in the future. We will also consider the introduction of solar power generation.

CO₂ Emission Reduction Targets (Scope 1 and 2)

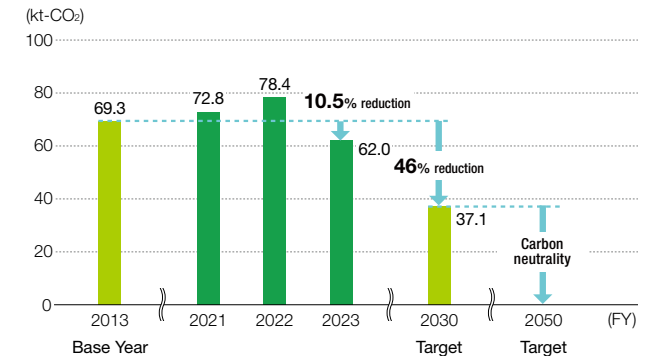
2030 Target

46% reduction
(compared to FY2013)

2050 Target

Achievement of carbon neutrality

CO₂ Emission Reduction (Scope 1+2) Targets and Results

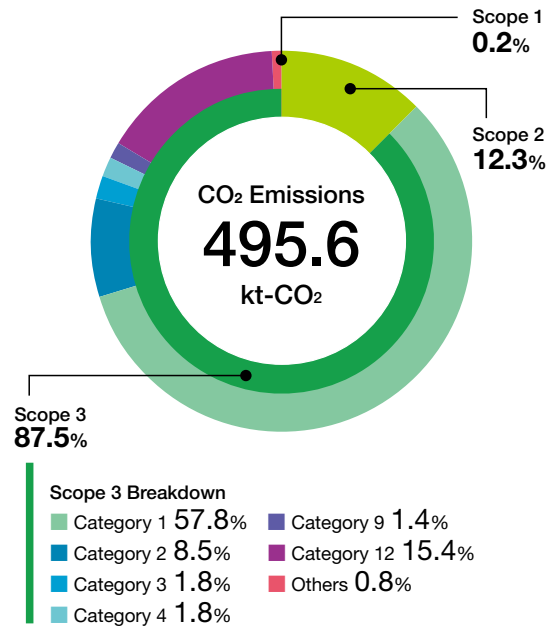




Emissions (Scopes 1, 2, and 3)

To determine the environmental burdens on the entire value chain, we have calculated Scope 1, 2, and 3 based on the GHG Protocol, an international calculation standard. Scope 3 accounts for about 88% of the entire supply chain, with category 1 accounting for about 58% and category 12 accounting for about 15%.

Scope/Category		FY2022 (kt-CO ₂)	FY2023 (kt-CO ₂)
(Scope 1) Direct emissions		1.3	0.9
(Scope 2) Indirect emissions from energy sources		77.1	61.1
(Scope 3) Indirect emissions excluding Scope 1 and 2		506.5	433.6
1	Purchased goods / services	362.2	286.4
2	Capital goods	27.6	42.3
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	9.7	8.9
4	Upstream transportation and distribution	11.6	9.0
5	Waste generated in operations	0.6	0.5
6	Business travel	0.4	0.5
7	Employee commuting	3.0	3.0
8	Upstream leased assets	—	—
9	Downstream transportation and distribution	9.9	6.8
10	Processing of sold products	—	—
11	Use of sold products	—	—
12	End-of-life treatment of sold products	81.5	76.2
13	Downstream leased assets	—	—
14	Franchises	—	—
15	Investments	—	—
Total emissions (Scopes 1, 2, and 3)		584.9	495.6
Proportion of Scope 3 emissions (%)		86.6	87.5



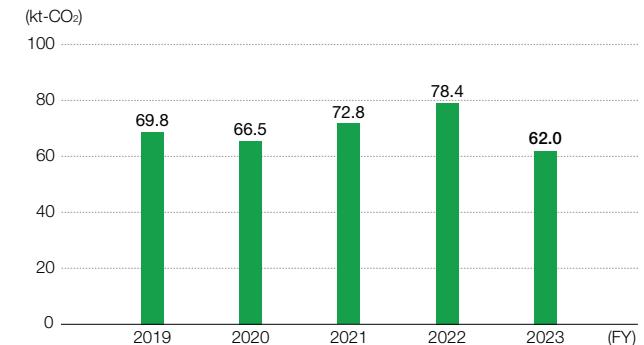
* We calculate data using the Database of Emissions Unit Values by the Ministry of the Environment (Ver. 3.3), IDEA v2, data on the basic unit of emissions obtained from suppliers, and the Act on the Rational Use of Energy (ton-kilometer method).

* Calculation methods for Categories 1 and 4 were revised since fiscal 2023.

Initiatives for Reducing CO₂ Emissions

Production activities account for the majority of the energy consumption of the entire Group, and approximately 99% of CO₂ emissions in Scope 1 and 2 are indirect emissions from the purchased electricity (Scope 2). In order to reduce CO₂ emissions, in addition to promoting energy conservation and reducing energy consumption itself, it is essential to switch to renewable energy sources. In addition to utilizing electricity generated by our own solar power plants, we have switched to CO₂-free electricity at some of our domestic and overseas production sites, reducing CO₂ emissions in Scope 1 and 2 by approximately 21% compared to the previous fiscal year.

CO₂ emissions (Scope 1+2) (Group)



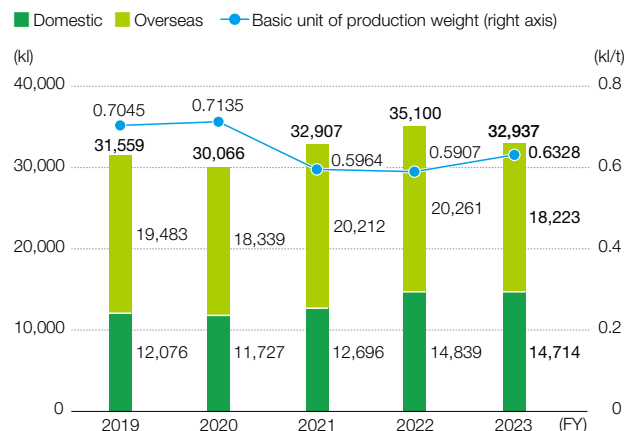
*To improve accuracy, values from previous years have been retroactively revised.



Rational Use of Energy

With the focus on the production sites, we have set a company-wide goal of “reducing average energy consumption over a five-year period by 1% or more per year,” which is the evaluation criterion of the Act on the Rational Use of Energy, and have promoted switching to energy-saving facilities and equipment and promoting power-saving activities for rational use of energy. We have been striving to improve production efficiency and reduce energy consumption and unit consumption, and have been evaluated as an excellent business (Class S) for two consecutive years from 2021 to 2022 under the domestic evaluation system for classifying businesses under the Act on the Rational Use of Energy.

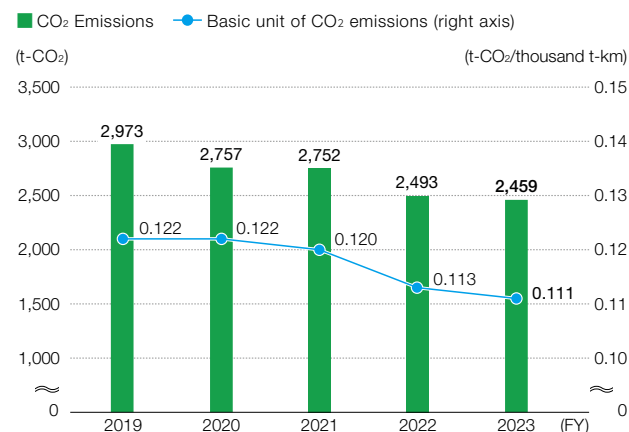
Energy Consumption (Overall)



Reduction of CO₂ emissions in logistics

In fiscal 2023, freight volume decreased by 0.5% compared to the previous year. Basic unit of CO₂ emissions decreased due to the promotion of a modal shift in the transfer of information equipment-related products between warehouses and the collection of empty pallets, which are transportation materials. Also, we reduced CO₂ emissions by 17%, from 2,973 t-CO₂ in fiscal 2019 to 2,459 t-CO₂ in fiscal 2023. We will continue to reduce CO₂ emissions while continuing modal shifts.

CO₂ Emissions (Domestic)



Future Initiatives and Issues

1) Measures to Reduce CO₂ Emissions

Most of the energy used in our business activities is electric power, and switching to renewable energy power (CO₂-free) is a highly-effective measure. In the future, we plan to set a target for the switching ratio of renewable energy and further accelerate our efforts to achieve carbon neutrality. Moreover, we will consider measures that we believe will be effective in reducing CO₂ emissions, such as the introduction of solar power generation and capacity expansion.

2) Scope 3

In addition to our efforts to reduce CO₂ emissions through in-house emissions (Scope 1 and 2), we will continue to strive to reduce CO₂ emissions throughout the supply chains. For Scope 3, we plan to identify categories and set reduction targets in the future.

3) Reliability of Disclosed Information

Disclosure of information is becoming increasingly important in corporate activities. When calculating GHG emissions, we will strive to clarify our own calculation standards and improve data accuracy, and conduct third-party verification to increase the reliability of the disclosed information.



Initiatives for reducing environmental impact

Basic Approach

The Shin-Etsu Polymer Group strives to reduce the environmental impact from various aspects through business activities. We contribute to the realization of sustainability by engaging in permanent efforts to address issues essential to the conservation and maintenance of the global environment, such as waste reduction, chemical substance management, and the prevention of air, water, and soil pollution for biodiversity conservation.

Waste Reduction and Recycling

Aiming for “zero landfills and simple incineration by promoting waste recycling,” our Group is engaging in activities aimed at the reduction and recycling of waste. As metrics, we are using the basic unit of waste emissions and emissions rate. At domestic and overseas plants, we are proactively improving production methods and equipment, resulting in yield and productivity improvements. Finally, we conduct periodic on-site inspections and audits of waste disposal contractors to ensure that proper disposal is being carried out for any waste that is generated.

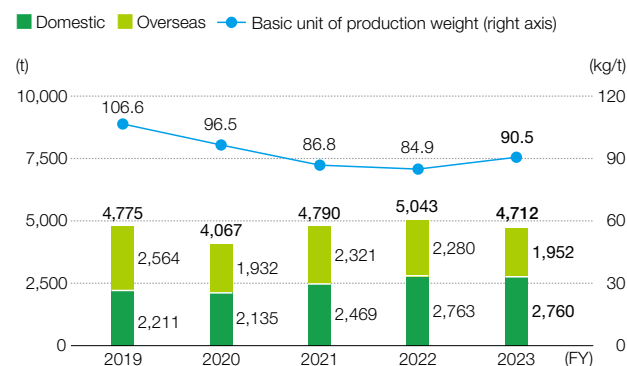
Actual Results of FY2023

Due to a decrease in production volume, the total waste emissions of domestic plants decreased by 0.1% year on year to 2,760 tons. The total waste emissions of overseas plants decreased by 14.4% year on year to 1,952 tons. As a result, total waste emissions decreased by 6.6% year on year to 4,712 tons.

The basic unit of waste emissions of domestic plants against

production weight was 74.1 kg/t, a 11.9% increase year on year. The main causes included an increase in waste and a decrease in production volume due to the expansion and reconstruction of the plant. Moreover, the basic unit of waste emissions of overseas plants against production weight increased by 2.2% to 131.8 kg/t. The overall basic unit of waste emissions of domestic and overseas plants against production weight was 90.5 kg/t. A 6.2% reduction compared to the 2020 standard was achieved, meeting the target.

Waste Emissions (Overall)



Promotion of recycling

The Group recycles waste materials generated during the production process by crushing them and turning them back into raw materials. We aim to achieve zero landfill and simple incineration through the promotion of waste recycling, and at our domestic plants, we have achieved our goal of an emission rate of less than 1%.

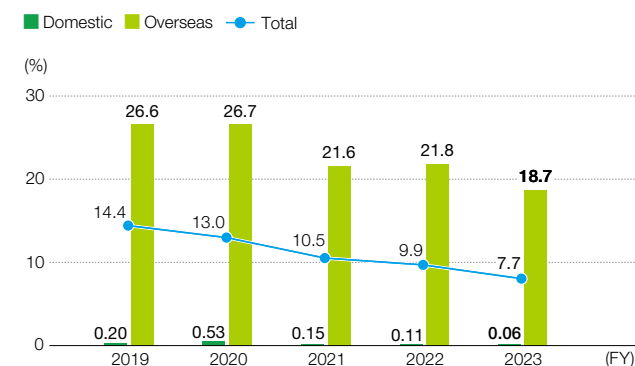
The Group's products include PVC (polyvinyl chloride), silicone

rubber, polycarbonate, and other processed resin products, as well as composite products made from other resins and metals, some of which are difficult to recycle.

Our domestic production sites have achieved nearly 100% recycling through partnerships with recycling companies to develop sorting technologies and reuse applications for composite products.

We will continue our efforts to recycle and reuse waste materials at our overseas production sites.

Emission Rate (Overall)





Environmental Management

Addressing climate change

Initiatives for reducing environmental impact

Development of environmentally friendly/contributory products

Control of Chemical Substances

Activities for Biodiversity Protection

As stipulated in our Basic Sustainability Policy, our Group will conduct its business activities in harmony with the global environment while taking biodiversity into consideration.

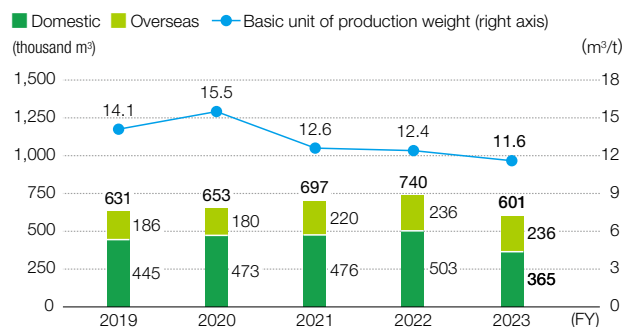
Conservation of Water Resources

We need to address water risks as water shortages have become more serious on a global scale due to the impact of climate change. Our Group promotes proper management of water resources, wastewater treatment, and efficient water use.

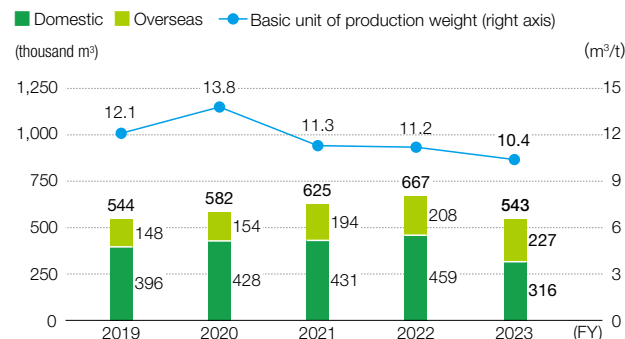
Efficient Use of Water

Total water consumption in fiscal 2023 for domestic and overseas plants was 601,000 m³, 81% of the previous fiscal year's consumption due to the decrease in production volume, with the basic unit being 11.6 m³/t, 94% of the previous fiscal year. Total water discharge was 543,000 m³, 81% of the previous fiscal year's consumption, while the basic unit was 10.4 m³, 93% of the previous year's result. Moreover, we have achieved efficiency in water usage, and the amount of circulated water at our overseas production sites has increased to 864,000 m³, approximately 2.4 times the amount in fiscal 2020.

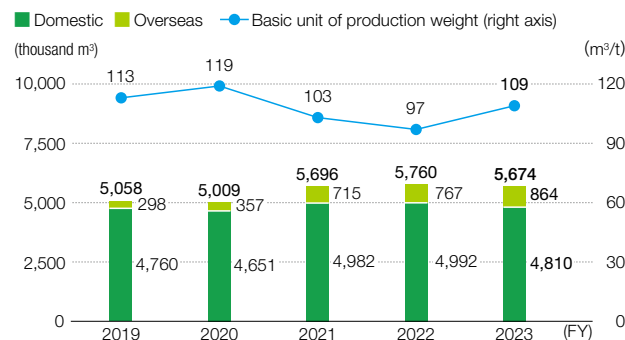
Industrial Water Use (Overall)



Water Discharge (Overall)



Circulated Water (Overall)



Air Pollution Prevention

We have no equipment that is subject to regulations, yet we do stipulate self-control standards when deemed necessary and work on reducing emission amounts. We periodically measure the emission concentration of VOCs in order to confirm that the value is below the limit.

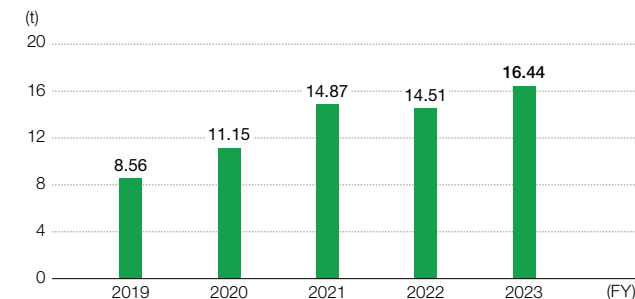
Total atmospheric emissions (t/year) in Japan for fiscal 2023 were 16.44 tons, an increase of about 13.3% from the previous fiscal year's 14.51 tons.

VOC9 Emissions Breakdown

(Unit: t)

VOC 9 substances	2019	2020	2021	2022	2023
Ethanol	6.71	9.02	10.40	11.37	13.94
Ethylbenzene	0.03	0.01	0.07	0.18	0.03
Xylene	0.05	0.03	0.20	0.13	0.05
Toluene	0.99	1.25	1.37	0.80	0.96
Acetone	0.00	0.00	0.24	0.22	0.13
Ethyl acetate	0.03	0.04	0.02	0.04	0.03
Butyl acetate	0.40	0.50	0.40	1.19	0.31
Isopropyl alcohol	0.35	0.30	0.47	0.58	0.99
Methyl ethyl ketone	0.00	0.00	1.71	0.00	0.00
Total	8.56	11.15	14.87	14.51	16.44

Total VOC9 Emissions



Water Pollution Prevention

We conduct regular analysis of discharged water to check that the quality of discharged water satisfies the standards of the "Water Pollution Prevention Act". We are also working on reducing the basic units of water use and aiming for conversion to circulated water.

Soil Contamination Prevention

We perform monitoring based on the "Soil Contamination Countermeasures Act". We also conduct analysis and surveys on soil and underground water when we build new plants and expand existing plants in order to confirm that there is no contamination.



Development of environmentally friendly / contributory products

Development of environmentally friendly / contributory products

Based on its Basic Environmental Principles, the Shin-Etsu Polymer Group is promoting an “environmentally friendly/contributory products” system as a unique sustainability contribution initiative to reduce environmental impact and solve social issues.

Development Concept

The Group's environmentally friendly/contributory products refer to new or existing products that solve customer problems and are certified to be needed by society and the environment (social needs).

Evaluation Standards

We have established 100 evaluation criteria for the seven categories below to evaluate whether a product can reduce the Group's environmental burden or contribute to streamlining processes and reducing environmental burden at customer sites. Evaluation and certification are performed by the Certification Subcommittee, which consists of representatives from each business site.

Evaluation standards for environmentally friendly / contributory products

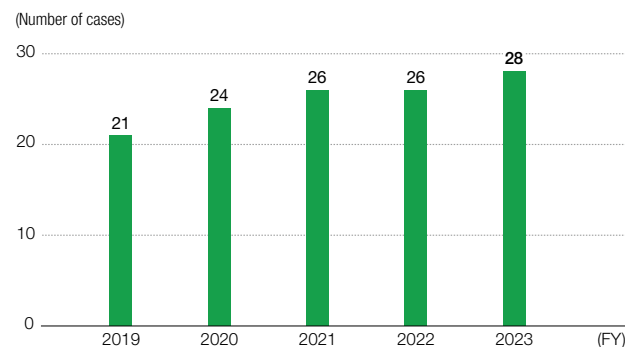
- | | | |
|-------------------|----------------------------|----------------------------|
| ① Resource saving | ④ Recycling | ⑦ Bio-diversity protection |
| ② Energy saving | ⑤ Environmental pollutants | |
| ③ Waste reduction | ⑥ Safety | |

Certification (Targets and Results)

One of our targets for the 7th mid-term Green Activities (fiscal 2021-fiscal 2023) was to certify four new cases, and we have been able to achieve the target with four new certifications.

For the 8th mid-term Green Activities (fiscal 2024-fiscal 2026), our target is to certify four new cases, similar to that in the previous mid-term target.

Number of certified products



Environmentally friendly / contributory products certified in FY2023

The list of Shin-Etsu Polymer Group's Environmentally friendly/contributory products that resolve social issues is as follows.

Certified product (1) KitcheNista Wrap Antiviral & Antibacterial



Reason for judgment The “KitcheNista Wrap Antiviral & Antibacterial” is the first wrap to be registered as an antiviral product at the SIAA (Society of International sustaining growth for Antimicrobial Articles), and was certified as having both antiviral and antibacterial effects and functions to keep the wrap more hygienic.

Certified product (2) Polyma-Wrap® Antibacterial



Reason for judgment This is because “Polyma-Wrap® Antibacterial” is an environmentally friendly/contributory product that uses a plant-derived organic natural antimicrobial agent as an antimicrobial agent, displays the SIAA mark, and uses FSC certified paper, while maintaining the original properties of vinyl chloride.



Control of Chemical Substances

Basic Approach

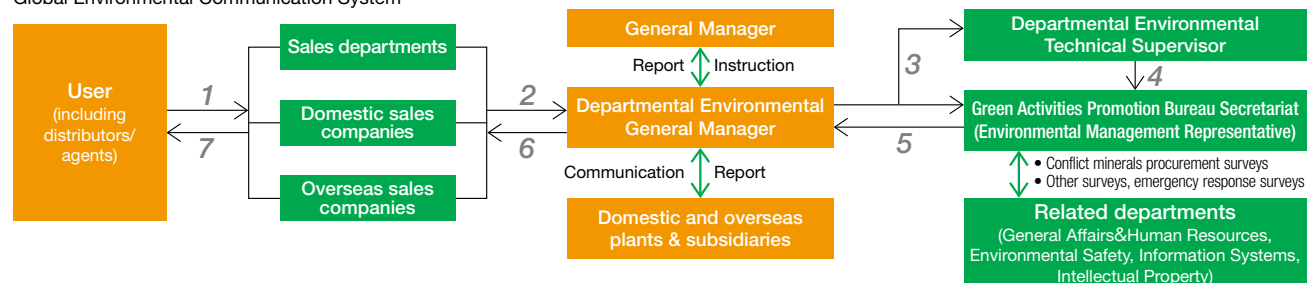
In accordance with Basic Environmental Principles, the Shin-Etsu Polymer Group is engaged in the control of chemical substances contained in products and the provision to customers of products with low environmental burdens through the proper handling of prohibited substances and controlled substances, and for the purpose of reducing environmental burdens in each process from procurement to production, use and disposal, and biodiversity conserving.

System for Control of Chemical Substances

The Group has established a “Global Environmental Communication System” to implement the centralized control of all Group companies including overseas business locations in response to requirements from customers and under the Control Rules of Chemical Substances Contained in Products.

- 1 An “Environmental Management Representative” for our Group is appointed who represents the Group regarding customer’s requirements in relation to the environmental quality of our products.
- 2 An “Environmental General Manager” and the “Environmental Technical Supervisor” are appointed in each division. The Environmental General Manager manages issues associated with the environmental quality of products in the division and related domestic and overseas plants and subsidiaries (hereinafter, “Departments”). The Environmental Technical Supervisor is responsible for businesses associated with the environmental quality of the products of the Departments.
- 3 Submissions of documents such as Green Procurement Survey Responses, certificates of non-use of environment-related substances and analysis data are conducted in accordance with the rules set forth in the Global Environmental Communication System.
- 4 Materials with low environmental burdens are purchased from suppliers that promote environmental considerations in accordance with the “Control Rules of Chemical Substances Contained in Products” and “Control Standards of Chemical Substances Contained in Products”.
- 5 This system is also applied to environmental quality system surveys and conflict minerals procurement surveys required by customers.

Global Environmental Communication System



● Control Standards of Chemical Substances Contained in Products

Based on the Control Rules of Chemical Substances Contained in Products, our Group stipulates our own Control Standards of Chemical Substances Contained in Products (Version 4.0). According to these standards, we aim to generate no serious incompatibility by thoroughly controlling chemical substances in all finished products and purchased materials.

Prohibited substances	① Chemical Substances Control Law Class I Specified Chemical Substances	
	② Industrial Safety and Health Law Hazardous substances prohibited in production, etc.	
	③ Poisonous and Deleterious Substances Control Law Specific poisons	
	④ TSCA	Prohibited or restricted substances for use (Section 6)
	⑤ POPs regulation	Annex I
	⑥ REACH regulation	Annex XVII (restricted substances)
	⑦ GADSL	Reference List (Classifications: “P” and “D/P”)
Controlled substances	Intentional use prohibited Cannot be contained as impurities	
	① ELV Directive	Designated substances
	② RoHS Directive	Designated substances
	③ REACH regulation	Candidate List of SVHC for Authorization and Annex XIV (substances subject to authorization)
	④ IEC62474	Declarable substance groups and declarable substances
	Intentional use prohibited Impurities may be present below the threshold value	
Reportable substances	GADSL	Reference List (Classification: “D”)
	Report only	

Control Standards of Chemical Substances Contained in Products



<https://www.shinpoly.co.jp/en/sustainability/environment/chemical/main/0/teaserItems1/01/linkList/0/link/standard.pdf>



Environmental Management

Addressing climate change

Initiatives for reducing environmental impact

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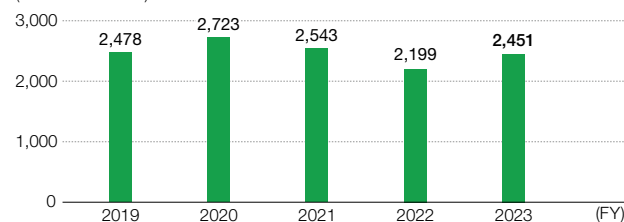
Control of Chemical Substances

● Number of Investigations on Chemical Substances Contained in Products

At the Group, we have conducted investigations on chemical substances contained in products. In recent years, we have received over 2,000 requests for investigations on chemical substances contained in products per year, and we report the results in accordance with our Global Environmental Communication System. Furthermore, no major nonconformities occurred in fiscal 2023.

Number of Investigations on Chemical Substances Contained in Products

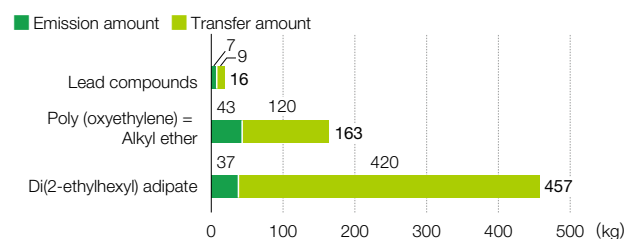
(Number of cases)



● Management of the Emissions and Transfer of PRTR Target Substances

In fiscal 2023, Tokyo Plant made PRTR registrations for 636 kg of three substances (87 kg for emissions and 549 kg for transfers), including 16 kg (7 kg for emissions and 9 kg for transfers) of lead compounds (lead-based stabilizer for PVC products), a Class I Specified Chemical Substance.

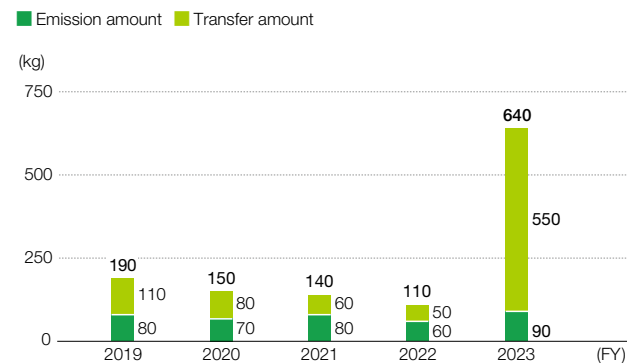
PRTR Registration Results



Emission amount: 87 kg Transfer amount: 549 kg Total amount: 636 kg

*Registered amount = Emission amount + Transfer amount

PRTR target substance emissions (air + water)





Society

- 32 Improving Quality
- 34 Supply Chain Management
- 36 Occupational Health and Safety
- 38 Respect for Human Rights
- 39 Diversity & Inclusion
- 43 Human Resource Development
- 46 Social Contribution Activities





Improving Quality

Basic Approach

The Shin-Etsu Polymer Group is building and strengthening our quality assurance systems. We believe that high quality and stable supplies are indispensable to providing our customers with safe, secure products. To that end, we are aiming to improve customer satisfaction according to our quality policy.

The Shin-Etsu Polymer Group Quality Policy

Through its manufacturing operations, the Shin-Etsu Polymer Group contributes to society by providing high quality products that are trusted by customers.

- 1 The Group endeavors to improve customer satisfaction by constantly working to incorporate market demands in its products.
- 2 The Group aims to continue to be a "company of choice" through unceasing efforts to improve its technologies and enhance quality.
- 3 The Group implements thorough field management and continues to supply consistently high quality products.
- 4 We will obey laws and regulations so that we remain a corporate group that is trusted by society and customers.

Quality Assurance System

The Group's quality assurance system is based on ISO9001 (international standard of quality management systems). Plants in Japan and overseas have been certified. Also, plants for automotive and medical equipment parts have acquired IATF16949 and ISO13485 certifications, which additionally support requirements from these particular industries, building up systems for seeking continuous quality improvements.

We have established the Quality Assurance Division as a company-wide, cross-sectional organization to oversee the quality assurance system of the Group, and promote information sharing and collaboration among production sites through quality meetings and other means, thereby strengthening the quality assurance system for the entire company. Each plant, including the group companies, has a quality assurance department that is independent from the manufacturing department, and is responsible for quality assurance-related operations.

Quality Management System

The quality-related ISO certifications acquired by the Shin-Etsu Polymer Group are as follows.

Site Name		ISO14001	ISO9001	IATF16949	ISO13485	ISO/IEC17025	ISO45001
Domestic Business Sites	Tokyo Plant	●	●				●
	Shin-Etsu Polymer Chemical Analysis Center					●	
	Kodama Plant	●	●		●		●
	Shiojiri Plant, Shin-Etsu Polymer Co., Ltd. Sales & Marketing Division I, Shin-Etsu Polymer Co., Ltd. Nagoya Branch, Shin-Etsu Polymer Europe B.V.		●	●			
	Shiojiri Plant, Shiojiri Plant Nagano Branch, Shiojiri Plant Kakumae Site	●					
	Shiojiri Plant, Shiojiri Plant Nagano Branch		●		●		
	Shin-Etsu Polymer Co., Ltd. FI Business, Itoigawa Plant	●	●				
	KitcheNista Co., Ltd. Chikusei Plant	●	●				
Overseas Business Sites	Suzhou Shin-Etsu Polymer Co., Ltd.	●	●	●	●		●
	Shin-Etsu Polymer (Malaysia) Sdn.Bhd.	●	●	●	●		
	PT.Shin-Etsu Polymer Indonesia	●	●				
	Shin-Etsu Polymer Hungary Kft.	●	●	●	●		
	Shin-Etsu Polymer India Pvt.Ltd.	●	●	●	●		
	Dongguan Shin-Etsu Polymer Co., Ltd.	●	●				
	Shin-Etsu Polymer America, Inc.	●	●	●			
	Hymix Co., Ltd.	●	●				●

*For more detailed information, contact your local sales department or use the "Contact Us" form on the website.

*As of March 14, 2024



Quality Education

We focus on educating our employees on quality to develop human resources who can contribute to quality improvement. Under the supervision of Quality Assurance Division, all employees involved in quality are given the opportunity to participate in “Basic Quality Education” from the early stage of their employment, and thereafter quality education is provided at each stage with various themes and forms. Moreover, each production site also provides quality education for its new employees and training for internal auditors to improve the knowledge and skills that support quality assurance.

Example of Quality Education

Basic quality education	Basic education for new employees hired for general positions (with prospect of promotions) (April)
Education on quality management methods	Education on quality management methods at the level of taking the Quality Management and Quality Control Examination Level 3 (December)
8D Introduction Course	Introduction course on the 8 disciplines for problem-solving (twice a year)

The Quality Management and Quality Control Examination

As part of our quality management education, we promote the acquisition of Quality Management and Quality Control Examination (QC KENTEI). The QC KENTEI is a certification test on quality management and quality control conducted by the Japan Society for Quality Control, which objectively evaluates the relevant knowledge at four levels*. We aim to improve employee motivation and strengthen our quality management and quality control system by supporting employees in obtaining qualifications, such as by providing incentives according to the passing level. A total of 450 employees have passed the test since this initiative was started in 2019.

*Each grade level

Grade 1: Candidates work in QC management or technical departments and require a high level of proficiency and understanding in all areas of quality control.

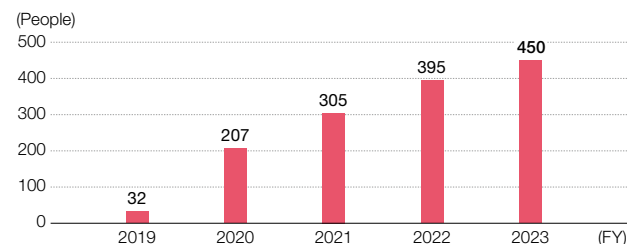
Grade 2: Candidates play a leading role in issues related to solving quality problems through the application of QC methodology.

Grade 3: Candidates include those with a basic understanding of QC methodology, members of Kaizen activities and students of industrial universities or colleges.

Grade 4: Candidates include new recruits, temp staff, high school and university students, and anyone interested in joining a company.

(From the website of the Japanese Standards Association)

Accumulated Total of Successful QC KENTEI Examinees



Initiatives for Improving Quality

Quality Month Activities

With the aim of strengthening quality across the entire Group, various in-house activities are conducted in conjunction with Quality Month, which is held nationwide every November under the auspices of the Union of Japanese Scientists and Engineers and other organizations. During Quality Month in November, we announce a special President's message at the beginning of the month, display posters, conduct plant evaluations, and give awards for the best motto about quality that are submitted by our employees, and publish them as a special article about quality control in our in-house magazine every year.

In fiscal 2023, plant inspections were conducted at the Tokyo Plant's Manufacturing Division II and KitchaNista Chikusei Plant under the theme of “Stop, Call, Wait, and Improve Internal Abnormalities to Prevent Defective Product Production”. The General Manager of the Production Unit and the General Manager of the Quality Assurance Division led the inspections, and attentively checked on the manufacturing shops, mechanisms of abnormality management at individual processes, and the implementation of error prevention to prevent operational errors that may lead to quality defects.



Plant evaluation scenes

Quality Audit

With an aim to improve quality and customer service, each

production site of the Group systematically conducts quality audits in accordance with ISO 9001 certification standards. Audits are conducted from the perspective of whether the prescribed quality management activities are being carried out and improvements are being made continuously from the perspective of improving customer satisfaction. From the viewpoint of preventing quality misconduct, “Quality-related Misconduct Evaluation” is conducted at each domestic and overseas production site in accordance with the Group's common auditing rules. In each process, plant managers conduct evaluations based on product inspection data to determine whether there are any “motives,” “opportunities,” or “justifications” that could cause misconduct, and whether there are any “tampering,” “fabrication,” or “falsification”.

Response to Quality-related Complaints

We have established a company-wide complaint handling policy to respond promptly and appropriately to customer inquiries, defect information, and other complaints. We have a system in place to promptly report serious cases to management. We have also established a quality-related complaint database that enables us to share information on the content and progress status of complaints in real time within the company, which is also useful for aggregating and analyzing past data.

Ensuring Product Safety

To ensure product safety, we strictly manage product safety from the development stage based on our company regulations that are in compliance with the relevant laws and regulations and industry standards for each product. Moreover, at the stage of transferring mass production from the development and engineering divisions to the production division, we operate a system to check the conditions of chemical substance control and manufacturing feasibility based on the mass production transfer guidelines. When we receive information from our customers that presents a high risk, such as information that threatens product safety, we have a system in place to promptly report it to management and take action. We also provide product safety information by publishing product safety data sheets (SDS) on our website.



Supply Chain Management

Basic Approach

The Shin-Etsu Polymer Group has established the “Shin-Etsu Polymer Group’s Basic Procurement Policy” to maintain fair and equitable relationships with our business partners and to promote procurement activities that take into account human rights, labor rights, and other social rights. Based on this policy, we aim to conduct responsible procurement in our supply chains to bring about a sustainable society. We have also established Green Procurement Standards to promote environmentally friendly procurement activities.

Shin-Etsu Polymer Group’s Basic Procurement Policy (Extract)

- 1 Legal compliance
- 2 Promotion of corporate social responsibility
- 3 Supplier selection
- 4 Development and review of the suppliers

CSR Procurement Promotion Activity

Under the “Shin-Etsu Polymer Group’s Basic Procurement Policy”, we are promoting CSR procurement activities across the entire supply chain. When selecting suppliers, we aim to solicit understanding from the suppliers of the contents of the “Shin-Etsu Group CSR Procurement Guidelines”. In line with these guidelines, we promote socially and environmentally responsible procurement initiatives as good partners aiming for mutual growth and development.

CSR Procurement Guidelines

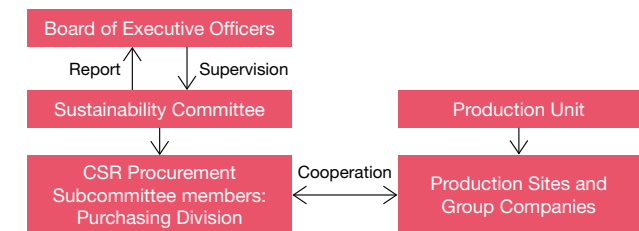


https://www.shinpoly.co.jp/en/sustainability/social/Procurement/main/00/teaserItems1/01/linkList/0/link/guide_shin-etsu_en.pdf

CSR Procurement Promotion System

Under the Sustainability Committee, we have established a CSR Procurement Subcommittee consisting of members mainly from the Purchasing Division. The subcommittee regularly holds meetings to promote CSR procurement in cooperation with each production site. In fiscal 2023, we conducted the following activities:

CSR Procurement Promotion System Chart



FY2023 Activities and FY2024 Plans

Item	FY2023 activity plans	FY2023 Activities and Achievements	FY2024 activity plans
Basic Procurement Policy	Review of revision plan	No revision upon confirmation of related policies	Review of whether or not revision is necessary
CSR Procurement Guidelines and CSR procurement investigation questionnaires	Review of methods for evaluating survey results	Revision of methods for evaluating survey results	Review of the content of the investigation questionnaires
Disclosure of CSR Procurement Guidelines to our business partners	Continuously posting on the website and dissemination of information to business partners		
Survey for selected business partners using CSR procurement investigation questionnaires	Scheduled to be implemented in accordance with FY2023 action plan	Review of evaluation methods, survey destinations, and implementation of investigations	Establishment of a new 3-year plan and implementation of investigation



Responsible Procurement Initiatives

● Business Partner Survey

In order to understand the current status of our business partners' sustainability activities, we prepared questionnaires based on the "CSR Procurement Guidelines" and the "RBA Code of Conduct*." We have been conducting surveys since fiscal 2018. In the fiscal 2023 survey, we asked suppliers to answer a total of 118 questions focusing on human rights.

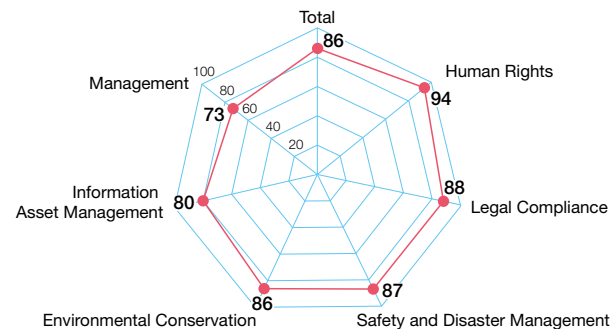
* Responsible Business Alliance (formerly, EICC)

Responsible Business Alliance



<https://www.responsiblebusiness.org/code-of-conduct/>

Summary of Results of the Business Partner Survey



Implementation Results

The evaluation result for the six items as a whole totaled 86 points. With regard to human rights as a key focus, the score was high with over 90 points. On the other hand, management needs to be strengthened.

● BCP in Supply Chains

Our Group will continue to strive to strengthen our BCP (Business Continuity Plan) not only in our own operations but also in our supply chains to ensure business continuity

and prompt recovery in the events such as a large-scale disaster. In fiscal 2023, we conducted a survey of our major business partners to assess the status of their BCP initiatives and ascertain their level of responsiveness. We have also increased the coverage of our safety verification system, which automatically sends out e-mails to major business partners in the event of a disaster to confirm their safety and the extent of damage, and have them respond to the e-mails. We are also working on strengthening our systems by asking business partners who handle irreplaceable and important materials to consider whether they can be handled at a separate plant in the case of emergency.

Compliance with the Subcontract Act

With regard to compliance with the Subcontract Act, we confirm that registration and renewal of business partners is carried out without delay in accordance with the capital and transaction details of each business partner. We continue to work with employees who have contact with companies subject to the Subcontract Act, collaborating not only with personnel in the Purchasing Division but also with related internal departments. We are also committed to raising awareness among employees through education on legal compliance by conducting e-learning and workshops for procurement staff in the Purchasing Division as well as on production sites.

Response to Conflict Minerals

Our Group has established a policy on conflict minerals. Under this policy, we continue our efforts to ensure zero use of any conflict minerals or minerals from OECD conflict and high-risk areas across the supply chain including in our business partners, thereby promoting responsible procurement.

Conflict Minerals Policy



<https://www.shinpoly.co.jp/en/sustainability/social/mineral.html>

Declaration of Partnership Building

We agreed with the purpose of the "Council on Promoting Partnership Building for Cultivating the Future" promoted by the Cabinet Office and the Small and Medium Enterprise Agency and have announced the "Declaration of Partnership Building."

Declaration of Partnership Building (In Japanese only)



<https://www.shinpoly.co.jp/ja/sustainability/social/procurement.html>





Occupational Health and Safety

Basic Approach

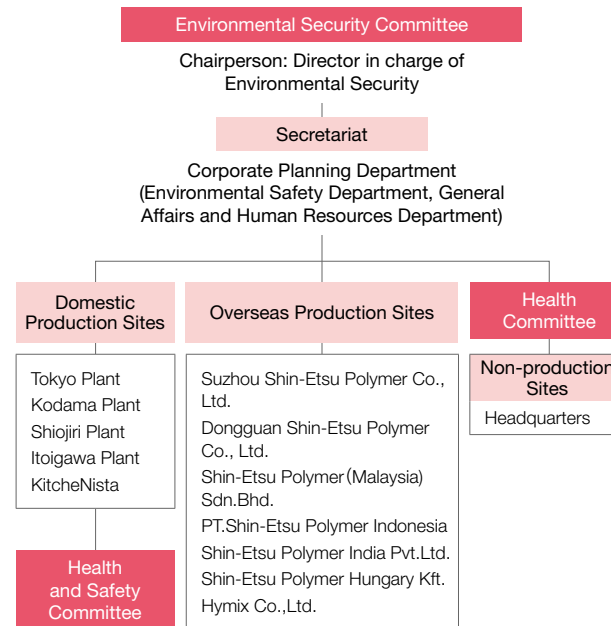
Under the management goal of “raise safety and hygiene awareness to achieve ‘zero industrial accidents’”, employees of the Shin-Etsu Polymer Group work together as one to reduce risks at workplaces.

Shin-Etsu Polymer Group Environmental Security Policy

Recognizing that safety, disaster management, and environmental protection are among the top management priorities, our Group makes collective efforts including the following:

- 1 creating safe, comfortable, and eco-friendly workplaces with the aim of eliminating occupational accidents, occupational diseases, and environmental accidents,
- 2 observing all relevant laws and regulations,
- 3 preventing disasters and environmental accidents by promoting risk management and minimizing risks. (promotion of risk assessments)
- 4 raising awareness of safety, disaster prevention, and environmental conservation via education, and
- 5 obtaining trust from society by openly disclosing information about the current status of all our environmental security activities.

Promotion System Chart



Certifications of Occupational Health and Safety Management System

Our two domestic production sites and two overseas production sites have obtained ISO 45001 certification, the international standard for occupational health and safety management systems, and we have also established and are operating management systems compliant with this standard at production sites that have not yet obtained the certification.

Occupational Safety Initiatives

— Aiming for Zero Occupational Accidents —

At our domestic and overseas production sites, in addition to performing regular risk assessments of facilities and operations based on our occupational health and safety management system, we promote risk prediction training (“KYT”) and 5S+1A (Sort, Set in order, Shine, Standardize, and Sustain + Safety) activities.

In 2023, we formulated guidelines regarding 1) the use of stepladders, stepping stools, etc.; 2) rolling operations; and 3) display colors inside the plants, as part of our efforts to achieve zero accidents and strengthen our systems, and ensured that all workers were familiar with these guidelines through education and guidance.

Environmental Security Audits

We conduct annual environmental security audits to check whether environmental security activities (health and safety, disaster prevention, environment and waste, and compliance) are properly implemented at all domestic and overseas plants.

In fiscal 2023, we conducted on-site audits or web-based audits at five domestic and two overseas sites out of 14 domestic and overseas sites in order to prevent COVID-19 infections.



Audit background (KitchaNista)



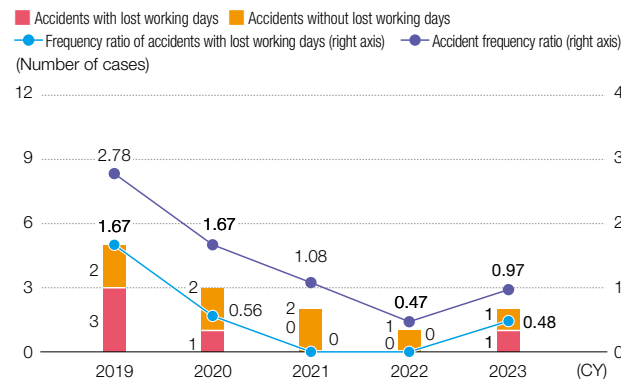
Health and Safety Education / Training

To enable our employees to perform their work safely, we have an education/training system in place to improve safety awareness and the ability to predict and avoid hazards. In addition to conducting training on health and safety for new employees every year, we distribute educational materials such as DVDs and booklets on health and safety to all offices, and encourage employees to take advantage of opportunities to participate in regular training sessions. We have also prepared our teaching materials in English, Thai, and Chinese languages to provide the same education at overseas plants as that at the domestic plants. Moreover, we have prepared guidelines for specific equipment and operations that are prone to have accidents, and are working for thorough dissemination of these guidelines.

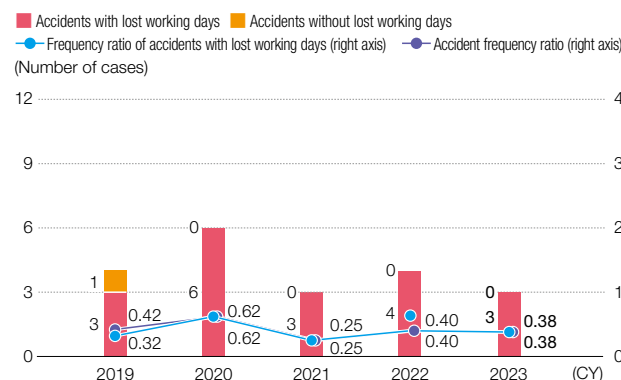
Occupational Accidents

The number of accidents that occurred at domestic and overseas plants in 2023 was five, including two in Japan (with one lost working day) and three overseas (with three lost working days). Most of the victims were middle-aged or older employees with more than 20 years of experience. They were mainly caused by human error. In response to the large number of incidents of a hand or finger getting caught in machinery, we reviewed our non-stationary work instruction and offered employees opportunities to re-educate themselves. We will continue to promote safety education, KYT, and other initiatives to reinforce safety measures at each workplace.

Occupational Accidents / Accident Frequency Ratio (Domestic)



Occupational Accidents / Accident Frequency Ratio (Overseas)



* The graphs are divided due to differing definitions of occupational accidents between Japan and overseas.

Risk assessments

We regularly conduct risk assessments to eliminate or reduce various dangers and toxicities in advance, mainly at production sites. We conduct risk assessments whenever there are changes in production processes or operations.



Respect for Human Rights

Basic Approach

The Shin-Etsu Polymer Group respects the human rights of all people based on “The Shin-Etsu Group Human Rights Policy”. To enable our Group companies across the globe to perpetually continue respecting human rights, we comply with all international codes of conduct and actively promote activities to respect human rights.

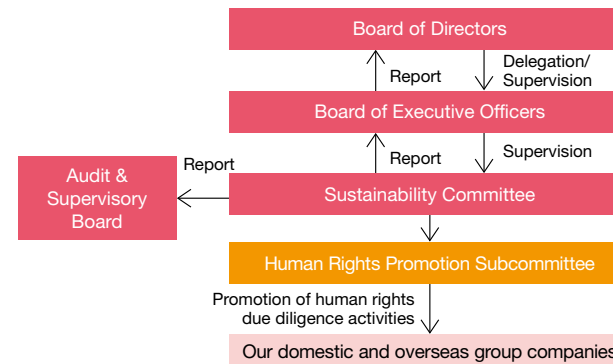
The Shin-Etsu Group Human Rights Policy

- 1 Prohibition of discrimination**
The Group does not discriminate at all on the basis of nationality, race, ethnicity, sex, religion, personal views, beliefs, age, social status, disability, sexual orientation, gender identification, labor union participation, health, marital status, political opinion, or any other status.
- 2 Prohibition of damaging human dignity**
The Group does not in any case conduct sexual harassment, power harassment, maternity harassment or any other acts that damage human dignity.
- 3 Protection of privacy**
The Group protects the privacy of individuals and handles personal information properly in accordance with the applicable laws and regulations of each country and region.
- 4 Respect for basic labor rights**
The Group respects the workers' right to organize, the right of collective bargaining, and further rights given to workers to establish, maintain, and improve trust and good cooperative relationships through dialogue between labor and management.
- 5 Prohibition of child labor and forced labor**
The Group prohibits our operations in all countries and regions from using child labor in accordance with the applicable laws and regulations of each country and region. We also prohibit the use of forced labor.
- 6 Working hours and wages**
The Group complies with the working hours, breaks, holidays, and minimum wages stipulated by the applicable laws and regulations of each country.
- 7 Health and safety**
For the Group, safety is a fundamental prerequisite for business operations. We prioritize safety above all else and strive to further improve the work environment so that employees can work with peace of mind.

Promotion System

Under the Sustainability Committee chaired by the president, our Group has established a “Human Resources Subcommittee” to tackle issues in the areas of human rights and labor. The Subcommittee has been renamed the “Human Rights Promotion Subcommittee” to focus more on “Business and Human Rights,” and will further promote activities related to human rights while acting as a contact point for domestic and overseas Group companies.

Human Rights Promotion System Chart



Human Rights Due Diligence Initiatives

As part of its human rights due diligence efforts, our Group identified human rights violations at suppliers as a priority issue to be addressed in fiscal 2021. We are conducting continuous surveys and assessments at our major suppliers for compliance, including human rights risk assessments.

Moreover, we are reviewing our human rights due diligence

initiatives throughout the supply chain under the Human Rights Promotion Subcommittee to further promote a management that respects human rights.

Supply Chain Management ▶ P.34

Human Rights Reporting and Consultation Desk

Our Group has established an internal reporting system that covers employees of domestic and overseas group companies, and receives reports and consultations on a variety of matters, including human rights. In addition, we have established a “Supplier Hotline” that is available in English and Chinese languages as a contact point for persons outside the Group to report issues.

Supplier Hotline



<https://www.shinpoly.co.jp/en/contact/contact17.html>

Human Rights-related Education / Training

The Group strives to foster awareness regarding human rights among employees through a variety of activities. In fiscal 2023, we conducted three education and training programs on “Human Rights.” We plan to continue holding these programs in the future.

- The Basics of Sustainability 2024 - Human Rights
- Human Rights Awareness Training - Abuse of Authority at Workplace
- Diversity & Inclusion Training

Sustainability Management ▶ P.8



Diversity & Inclusion

Basic Approach

Shin-Etsu Polymer promotes diversity and inclusion across the company in order to be a company that can continue to meet the expectations of stakeholders by creating an environment that makes the most of diversity and promoting sustainable management.

Diversity & Inclusion Policy

Creating a workplace where employees recognize diversity among themselves, feel comfortable with others, and cooperate with each other

- 1 We will strive to create a workplace environment and culture that respects and recognizes diversity not only in terms of gender, age, race, nationality, disability, sexual orientation, religion, beliefs, and values, but also in terms of career, experience, and work style, and that allows employees to work and grow together.
- 2 We will continue to foster a corporate culture in which each and every one of our diverse employees can work with enthusiasm and initiative, and make full use of their abilities and individuality.
- 3 We will achieve innovation and creation of new value by encouraging employees to participate in organizational management, demonstrating teamwork skills, and promoting communication among employees.
- 4 We aim to create a workplace where diverse human resources can play an active role by enabling sustainable ways of working according to life stages, such as supporting the balance between work and family, and creating a work environment that is comfortable for seniors and people with disabilities.

Fostering Corporate Culture

We are continuously conducting training with the aim of spreading and establishing diversity and inclusion. In fiscal 2023, training was conducted for executive officers and senior business executives. We invited external lecturers to conduct training on three themes: "Diversity and Management," "Diversity and Inclusion," and "Unconscious Bias" in response to the demand for diversity management that creates innovation and leads to value creation by making the most of diverse human resources and providing opportunities for them to maximize their abilities. In fiscal 2024, we plan to conduct training for managers.



Diversity & Inclusion Training (Executive officers)

Securing Diverse Human Resources

We strive to secure and recruit excellent human resources with diverse abilities and personalities regardless of nationality, race, or gender.

1 New recruitment

When recruiting students who have just graduated or completed high school, university, graduate school, etc., the department in charge of human resources as well as Sales Unit, Development

Unit, and Production Unit are involved in the recruitment activities to promote stable and continuous recruitment of diverse human resources from multiple perspectives.

2 Mid-career Hires

In order to hire human resources with diverse experience, professional skills, and knowledge, and to revitalize and transform the organization through diverse values, we actively recruit the necessary human resources based on our mid- to long-term business strategy.

3 Employment of People with Disabilities

By creating an environment where people with disabilities can work with peace of mind for a long time, we aim to be a company where diverse staff can play active roles. We will continue to accept interns from special needs schools, improve collaboration with local institutions, and continually address the employment of people with disabilities from a long-term perspective.

4 Reemployment System

For employees who wish to continue working after retiring at the age of 60, we have established a system to rehire them until the age of 65 in principle. Leveraging their knowledge, expertise, and experience, these re-employed workers pass on their valuable skills to the next generation and will continue playing a key role after re-employment. We are also working on expanding options for continued employment after the age of 65, with the aim of securing employment opportunities up to the age of 70. We will continue to enhance our reemployment system so that rehired employees can use diverse work styles that make the most of their respective backgrounds, which will lead to vitalization within the company.



Employee Assistance for Various Life Events

In October 2022, we established the “Employee Childcare Support Policy,” and are focusing on developing an environment to help employees achieve work-life balance, such as childbirth and childcare by providing support exceeding the legal requirements and enhancing employee assistance. In response to the revision of the Childcare and Family Care Leave Act in April 2023, we have created an environment that encourages male employees to participate in childcare and worked to increase the percentage of male employees taking childcare leave. Moreover, we are working on raising awareness regarding the related systems, such as by implementing e-learning on the theme of childcare leave for men, and to foster a culture of creating a workplace that supports work-life balance.

Employee Childcare Support Policy

Shin-Etsu Polymer is committed to creating a comfortable work environment where employees can maximize their abilities. As part of these initiatives, we have created an environment where employees can achieve work-life balance and childcare with peace of mind, and implement initiatives to promote the use of systems that support childcare.

1 Promoting Use of Childcare System

In order to promote creation of an environment that enables male and female employees to take childcare leave, we aim to promote the participation of male employees in childcare, and to quickly achieve 20% or higher rate of male employees who are taking childcare leave at the time of the childbirth.

2 Enhancement of Childcare Support

We have set up a permanent consultation desk via which employees can inquire about childbirth and childcare support. Moreover, in order to obtain the cooperation and understanding from superiors and at the workplace with respect to employees who are expecting children, we are promoting creation of an environment where employees can confirm their intention to take childcare leave at an early stage.

Various Systems related to Childcare

Item	Description
Childcare Leave	Can be taken until the child becomes 3 years old (until the day before the child's third birthday)
Childcare Leave at childbirth (paternity leave after childbirth)	Can be taken in two installments, up to 28 days, between the child's birth date or expected delivery date and 8 weeks after the date of birth
Shorter Working Hours for Childcare	Employees with a child in the third grade of elementary school or younger may shorten their scheduled work hours by 30 minutes within a range of two hours per day
Child Nursing Care Leave	Employees with at least 6 months of service and who have children in grade 3 or younger may take up to 5 days of paid leave per year (10 days for 2 or more employees) for childcare, vaccinations, or medical examinations
Accumulated Paid Leave	Up to 30 days of annual paid leave that has expired can be accumulated and used to care for family members, for own or spouse's pregnancy, or for children under 3 years of age
Childbirth Leave	Employees may take paid leave when their spouse gives birth (up to 7 days before the date of delivery or the expected date of delivery)
Maternity Leave	Female employees are granted 6 weeks of leave before childbirth (14 weeks in the case of multiple pregnancies) and 8 weeks of leave after childbirth
Hospital Visit Leave	Leave for health consultation or medical checkups is granted to female employees during pregnancy or before one year has passed since childbirth
Exemption from Overtime Work	If requested by employees with children in the third grade or younger, such employees are exempt from working outside of the scheduled working hours
Limitation on Overtime Work	Employees with children in the third grade of elementary school or younger are limited to 24 hours of overtime per month or 150 hours per year if they request it
Restriction on Late-night Work	Restrictions on late-night work for employees with children of pre-elementary school-going age



Comments from Male Employees Taking Childcare Leave

Eiichi Hosaka

Technology & Production Division, Production Unit

In-house Coordination, Fully Prepared for Leave from Work

I took three months of childcare leave because I wanted to reduce my wife's workload to almost zero, and be present with my child all the time during this irreversible stage of development and particularly rapid growth. When I first explained my supervisor of my wife's expected delivery, he affirmed my decision to take the childcare leave, for which I was very grateful. At first, I applied to take four weeks of "paternity leave after childbirth," but my supervisor recommended taking a longer period, saying, "It will be a lot of work till the baby can hold his head up," so I decided to take leave for this period. I received advice from my supervisor and discussed the number of days to take leave and handover in advance, so my anxiety was greatly reduced. However, I could not completely dispel my concerns about causing issues at work. Prior to my leave, I placed special importance on communication with my supervisor and colleagues, and shared a progress list and other handover information so that I could carry out my work smoothly after returning to work. At home, my wife was very happy that I took paternity leave. I was able to give her some peace of mind.



Putting All Efforts into Childcare During the Leave

After my baby was born, it took a month before my wife could move around again normally. Thanks to the childcare leave during that time, it felt really good that I was able to take care of my child and support my wife. The hardest thing was the lack of sleep. Even though we had to feed the baby every three hours, it did not mean we could sleep for three hours. We would talk to each other and try to sleep when we could.

Balancing Childcare and Work with a Sense of Appreciation for Those Around You

When I first returned to work, I had tough time switching my mind to work mode, but I was able to smoothly return to work thanks to the support I received, such as updating the progress list I had prepared before my leave. I am truly grateful for the warm support I received from my supervisor and colleagues, which made it possible for me to take the leave and then return to work.

After taking this leave, my work mindset also changed. Now I'm trying to work more efficiently so that I can go home earlier. I am also aware that I may be forced to deal with sudden fever in the future. Therefore, I am conscious of sharing tasks so that I can have my own work backed up, and I also want to be a person who can support those around me based on this experience.

Promoting Women's Participation and Advancement

Based on the Action Plan that was established in accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace, we promote working environments where women can play active roles for long periods of time, develop, and thrive in the workplace.

Policies to Promote Women's Participation and Advancement

1 [Create]

We will encourage not only female employees but also other employees to have a sense of "wanting to be more active" and "wanting to improve their career" and to work by themselves.

2 [Prepare]

In order to create an environment in which all employees can work comfortably and continuously, we will promote awareness among those around us and foster a corporate culture.

3 [Connect]

We will expand "horizontal connections" among employees to share information from various perspectives.

Action Plan to Promote Women's Participation and Advancement

April 2021 – March 2026

- ① Increase the proportion of female managers by 30% (compared to fiscal 2021)
- ② Reduce the gender difference in the average duration of service to three or less
 - Develop female managers
 - Develop worker-friendly environments for both male and female employees

In fiscal 2023, we held a workshop 13 employees, mainly female managers, with the aim of strengthening horizontal connections among managers, reflecting on their own careers, and linking this to their future careers. Furthermore, we have established a working group to propose and implement systems and initiatives that will support employees who aim to become managers in the future.

In addition, a career planning workshop was held by inviting outside lecturers with the aim of enabling female employees to draw up career plans and take on career challenges enthusiastically and proactively.



Comments from a Female Manager

Sachiko Ishii

General Manager, Auditing Department, Business Administration Unit

My Work History and Job Role

Since joining the company, I have worked in the department in charge of general affairs and corporate planning, and have also been involved in public relations. Currently, I am working in the Business Auditing Department, where I am mainly engaged in the establishment of internal control systems and internal audits. I also serve as the secretariat for the Internal Reporting Desk, Compliance Committee, and Sustainability Committee, and as an auditor for the Chinese subsidiary. As I am in charge of various areas, I feel that I am able to connect the dots and see a complete picture, and my understanding of the company as a whole is deepening.

Promoting Women's Future Participation and Advancement

The Company has established a "Policies for Promoting Women's Participation and Advancement" and for the first time held workshops for female managers over a one-year period. At the workshop, employees working in other divisions and departments discussed themes for sustainable corporate growth from the unique perspective of women. In the latter half of the workshop, the participants were divided into teams to discuss solutions to issues facing the company. At these meetings, each member of the team shared her own opinions, drawing on their own skills and experience, and gathered outside of the workshop for repeated discussions, ultimately resulting in a set of recommendations for the department in charge of human resources.

This valuable experience made me aware of the Company's corporate culture that is flexible and willing to accept proposals from a woman's point of view. Under the keywords "women's activities," the Company is now working to create an environment in which it is easy for women to be active, and we are trying to create an environment in which people of any age, not just gender, can broaden the scope of their work. Therefore, we have renewed our desire to work together with diverse human resources, pool our wisdom, and aim to become an even more attractive company.



Members engaged in discussions at the workshop; the author is on the far right.

Building good workplaces

We are committed to create a healthy working environment for each and every employee.

① Employee Assistance Program (EAP)

Shin-Etsu Polymer and its domestic Group companies have introduced the Employee Assistance Program (EAP) to help employees and their families lead healthy lives, both physically and mentally. Through this program, employees can consult professionals in various fields on a wide range of topics including mental and physical health, childcare, and nursing care. Toll-free calls and e-mail are used to protect privacy.

In addition, we regularly provide useful health-related information via intranet to raise awareness of mental health and health management.

② Promoting the Use of Annual Paid Leave

We promote and encourage employees at each workplace to regularly take annual paid leave. The employees can still use a certain number of days of expired annual paid leave as accumulated paid leave in cases of non-occupational injury and illness, nursing care, childcare, participation in social contribution activities, and the like.

③ Initiatives to Ensure Proper Working Hours

In addition to complying with labor-related laws, Shin-Etsu Polymer Group is committed to promote initiatives aimed at curbing long working hours and managing appropriate working hours. We aim to create a work environment that considers the work-life balance of all employees through continuous efforts to improve operational efficiency and thorough labor management. The average number of overtime hours worked per month in fiscal 2023 was 11.8 hours.

Labor-Management Relations

We strive to keep a relation of mutual understanding and open information sharing with the Shin-Etsu Polymer Labor Union through various opportunities for discussion. At the quarterly Central Labor Management Council, top-level management personnel attends and engages in a series of dialogues on management policies, business overview, personnel systems, and other issues. Moreover, monthly factory labor-management council meetings are held with the attendance from the Shin-Etsu Polymer Labor Union branches and top management of each factory, and at the concurrent Health and Safety Committee meetings, safety and health activities and working conditions are mutually confirmed and opinions are exchanged.



Human Resource Development

Basic Approach

Shin-Etsu Polymer Group is looking for “human resources who promote creation and innovation.” To achieve this goal, we will continue to promote the human resource development in accordance with the Human Resource Development Policy.

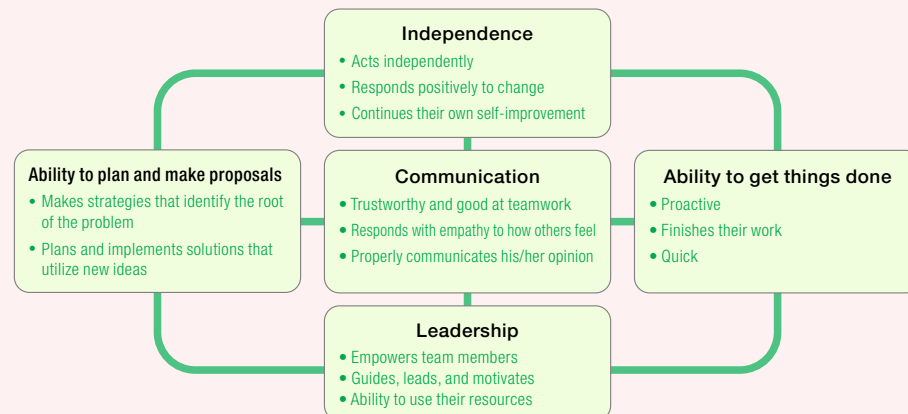
Shin-Etsu Polymer's Human Resource Development Policy

Shin-Etsu Polymer is looking for “human resources who promote creation and innovation.”

To achieve this goal, we will strive to cultivate a workplace culture that supports employees in taking on the challenge to reach stretchy high goals and promote PDCA training that emphasizes OJT training to enable the rotation of experience learning cycle in the field. We also provide an environment in which each employee can continually learn to ensure that they will have a proactive sense of wanting to learn, play a more active role, and advance their careers.

The Type of Person We Are Looking For

Human resources who promote creation and innovation



Education / Training

The Group considers that “staff development” is driving force for business continuity and development, so it aims to establish an education and training system that promotes the steady growth of each employee. We organize a wide variety of training programs, including on the job (OJT) and off the job (Off-JT) programs, such as training to develop the capabilities required by position and technical training. We also have systems in place to support employees’ independent career development, such as remote education system to support self-enlightenment and incentive system for qualification acquisitions.

Training Title	Purpose	Number of Participants in FY2023
Position-specific training		
Training for manager	<ul style="list-style-type: none"> Awareness shift towards management closer to executive-level Reconfirmation of overview and basics of management 	6
Training for new manager	<ul style="list-style-type: none"> Awareness shift from an employee to a position responsible for management Understanding of overview and basics of management as a manager 	20
Training for supervisor-level employee	<ul style="list-style-type: none"> Recognition of roles as mid-level and experienced employees Cultivation of ability to instruct subordinates and junior employees 	20
Training for third year of employment	<ul style="list-style-type: none"> Recognize the roles required for young employees Improve job satisfaction and motivation 	16
New employee training	<ul style="list-style-type: none"> Attitude as member of society and businessperson Basic work procedure and conduct 	8 (Master's or university graduates) 15 (High school graduates)
Purpose-specific training		
D&I training	<ul style="list-style-type: none"> Spread and establishment of diversity & inclusion 	38
Human rights awareness training	<ul style="list-style-type: none"> Understanding of human rights issues and raising awareness regarding human rights 	1,375
Tutor training	<ul style="list-style-type: none"> Understand how to lead as a guide for new employees Raise awareness among young employees and helping them grow as a guide 	23
Compliance training	<ul style="list-style-type: none"> Raise compliance awareness among new employees and mid-career hires Understanding of overseas compliance risks and confirming the importance of legal compliance for new expatriate 	44
Career planning workshop	<ul style="list-style-type: none"> Raise awareness of career planning among female employees 	24
QC training	<ul style="list-style-type: none"> Acquire basic QC knowledge 	92
Intellectual property training for beginners	<ul style="list-style-type: none"> Acquire basic knowledge of intellectual property and patents 	25
Seminar on trademarks	<ul style="list-style-type: none"> Acquire basic knowledge of trademarks that all sales employees should know, as well as the basics of using and obtaining rights to trademarks 	37



Tutor System

We have a tutor system in place in which a dedicated guide (tutor) is appointed for each new employee to provide one-on-one training. The tutors are our senior employees who have been with the company for at least two to three years. After receiving training on how to guide, they become role models for new employees and act as a confidant and support in the workplace, helping them to grow as a guide (tutor) themselves.

Human Resources System

Our Group works on the development of human resources systems that encourage employees to take on challenges from the viewpoint of creating work environments where each and every employee can work in their own way and develop themselves. We have adopted a track-based human resources system consisting of multiple tracks that is different for managers (based on expected roles or occupation) and the general employee (based on duties and work locations).

Human Resources Evaluation System

In addition to personal achievement, our human resources evaluation system also recognizes employees' ability to produce results as well as teamwork that contributes to the organization. It therefore focuses on fairness and soundness. We also provide training twice a year for evaluators in charge of human resources evaluations to improve the quality of the entire evaluation system, leading to fair and impartial evaluations and human resource development. We will continue to work on creating systems that encourage employees to take on challenges and promote their growth.

Internal Recruitment System

We have established an internal recruitment system to widely recruit personnel for department transfers and project participation within the company to enable selection and assignment of suitable personnel. Our goal is to properly assign human resources who have both motivation and ability, and to foster an environment that encourages employees' proactive desire to take on challenges and career development.



Improving Quality

Supply Chain Management

Occupational Health and Safety

Respect for Human Rights

Diversity & Inclusion

Human Resource Development

Social Contribution Activities

Human Resources Data As of the end of March of each fiscal year

Current Employment Situation (Non-consolidated)

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees (people)	Male	814	793	794	799	759
	Female	216	203	207	206	203
	Total	1,030	996	1,001	1,005	962
Number of employees (people) (Consolidated)	Male	1,865	1,902	2,023	1,946	1,852
	Female	2,790	3,187	3,134	2,760	2,605
	Total	4,655	5,089	5,157	4,706	4,457
Manager-level (people)	Male	296	302	311	302	300
	Female	9	10	10	10	14
	Ratio of female (%)	3.0	3.2	3.1	3.2	4.5
Supervisor-level (people)	Ratio of female (%)	16.3	19.2	21.9	25.8	27.4
Average duration of service (year)	Male	19.7	20.8	20.6	20.7	20.3
	Female	14.4	15.7	16.7	17.6	18.1
Number of new hires (people) (master's or university graduates)	Male	5	8	5	6	8
	Female	3	1	1	4	0
	Total	8	9	6	10	8
Number of new hires (people) (High school graduates)	Male	9	10	9	16	12
	Female	2	0	3	2	3
	Total	10	12	12	18	15
Number of mid-career hires (people)		8	4	24	23	10
Ratio of mid-career hires (%)		29.6	18.2	57.1	47.9	30.3

Item		FY2019	FY2020	FY2021	FY2022	FY2023
Wage difference between men and women (%)	All employees	—	—	—	67.3	69.5
	Full-time employees	—	—	—	69.0	71.8
	Part-time/ fixed-term employees	—	—	—	52.5	47.0
Employment ratio of people with disabilities (%)		1.9	2.0	2.1	2.2	2.4
Post-retirement re-employment ratio (%)		92.3	95.1	93.5	86.2	94.2
Employment ratio among those wishing to be re-employed (%)		100	100	100	100	100
Number of employees taking maternity leave (people)		5	2	5	5	3
Number of employees taking childcare leave (people)		11	2	4	15	14
Number of males employees taking childcare leave (people)		0	0	0	7	6
Ratio of employees taking childcare leave (%)	Female	100	100	100	100	100
	Male	—	—	0	77.7	100
Number of employees using shorter working hours for childcare (people)		19	17	16	13	18
Number of employees taking nursing care leave (people)		0	1	0	0	0
Average number of annual paid leaves (days)		19.0	19.0	19.0	18.7	18.9
Average use of annual paid leaves (days)*		14.0	11.2	12.2	13.6	14.9
Ratio of annual paid leave taken (%)*		73.3	59.3	64.4	72.3	78.7
Average overtime work per person (hours/month)		11.5	10.4	13.2	13.4	11.8

* The figures for fiscal 2022 have been retroactively revised to improve accuracy.



Social Contribution Activities

Basic Approach

Based on the concept of “making efforts to coexist with local communities,” we carry out health and safety, communication with communities, and humanitarian/disaster relief activities to promote coexistence and mutual prosperity. In relation to the implementation status of such activities, we openly disclose all relevant information.

Communication with Communities

Volunteer Activities for Orphanage in the Community

As part of an event held on Women's Day, employees of Shin-Etsu Polymer India Pvt. Ltd. delivered gifts to an orphanage near the plant.



Employee hand-delivering gifts directly in the facility

Volunteer Activities Through Infrastructure Maintenance Products

We participated in the Mizube no Hashi Migaki event, an event related to infrastructure maintenance in Shunan City, Yamaguchi Prefecture, and carried out volunteer activities using “Polymer-Ace”. This event is a bridge maintenance activity for Matsumuro Ohashi Bridge, a bridge with a long life that turned 100 years old (Japan's oldest steel simple truss bridge that can be used without being relocated after construction). This is an activity to polish up the bridge expressing gratitude for the infrastructure that has supported the lives of the local people.

For the purpose of extending the life of bridges as much as possible, the “CATS-B (Bridge Guard),” a voluntary organization consisting of volunteers from industry, government, academia, and the private sector, has been working to inspect and clean bridges. In this activity, “Polymer-Ace,” our product for infrastructure maintenance, was used to repair the bridge.

We will continue to contribute to local communities by providing maintenance products for easy and long-life installation.



Bridge maintenance activities

Beautification Activities

We continuously conduct beautification activities in the neighborhood as local community members. The Tokyo Plant conducts a monthly program for picking up garbage in the community around the plant. Also, the Kodama Plant, the Itoigawa Plant, and the KitchaNista Chikusei Plant conduct beautification several times a year, while a total of 160 employees participated in beautification cleaning. Many employees are engaged in beautification activities in local communities.



Activities at the Kodama Plant (Left) and the Itoigawa Plant (Right)



KitchaNista employees participating in the beautification activities



Acceptance of workplace experiences

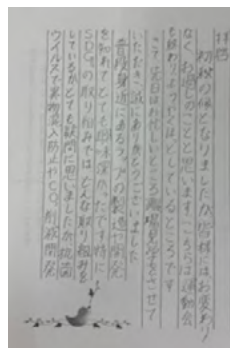
In November, the Shiojiri Plant accepted a student from a special needs school for workplace experience. The Itoigawa Plant also accepted three students from a nearby junior high school during the summer vacation and two students from a vocational school from January to February for workplace experience. Moreover, the Tokyo Plant held a plant tour for 29 high school students in July, and accepted two high school students as interns in November. In August, the KitchaNista Chikusei Plant held a workplace tour for employees and their children as part of career education of a local junior high school.



Workplace experience for vocational school students at the Itoigawa Plant



Workplace tour for employees and their children at Chikusei Plant



A thank-you letter from students who had workplace experience at the Chikusei Plant (excerpt)

Health and Safety

Traffic Safety

Throughout the year, the Tokyo Plant checks to make sure car commuters are using their seat belts and bicycle commuters are wearing their helmets during the morning commute, while also striving to enhance employee observance of the Road Traffic Act and strict enforcement of safe driving.

At the Shin-Etsu Polymer India Pvt. Ltd., we worked for the safety of the community and worked with the local police to encourage safe driving. In addition, at Shin-Etsu Polymer (Malaysia) Sdn. Bhd, 251 employees underwent safe driving training. Suzhou Shin-Etsu Polymer Co., Ltd. hosted a traffic safety knowledge workshop with the Nippon Property Insurance (China) Co., Ltd., which was attended by 95 employees. Each plant is striving to cultivate safety awareness.



Safety check on helmet use of bicycle commuters at the Tokyo Plant (Left) and a workshop in China (Right)



AED Training Session

At the KitchaNista Chikusei Plant, an AED training session was conducted by an external lecturer, and was attended by 16 employees. The employees acquired knowledge and skills that will be useful in emergency measures.

Blood Donation Activities

Blood donation drives were held at the Tokyo Plant, the Kodama Plant, and Shin-Etsu Polymer (Malaysia) Sdn. Bhd, in which 140 employees participated. We did this to save as many lives as possible while keeping an eye on the health of the blood donors.



Blood donation drive at the Kodama Plant



Blood donation drive in Malaysia



Governance

- 49 Corporate Governance
- 52 Compliance
- 53 Risk Management
- 55 Dialogues with Shareholders and Investors





Corporate Governance

Basic Approach

Shin-Etsu Polymer recognize that the cornerstone of management is to increase corporate value as a global corporation that is trusted by and meets the expectations of its shareholders and various other stakeholders.

Based on this fundamental awareness, the Company will work to enhance its corporate governance by making the right decisions through speeding up the management decision making process, ensuring transparency, strengthening its internal control functions and by making accurate decisions from stakeholders' standpoint.

Basic Principles

1 Ensuring shareholders' rights and equality

We strive to maintain an environment where shareholders can properly exercise their rights by respecting such rights and ensuring equality for all, including minority and overseas shareholders.

2 Appropriate cooperation with all stakeholders, in addition to shareholders

We strive to uphold appropriate cooperation with all stakeholders other than just shareholders, while working towards creating sustainable growth and medium to long-term corporate value for the company.

3 Ensuring disclosure and transparency of appropriate information

We strive to ensure that all information is useful and easy for users to understand, while making sure details are properly disclosed based on the relevant laws and regulations. We also independently provide various other information.

4 Responsibilities of the Board of Directors

We strive for the appropriate implementation of the roles and responsibilities of the Board of Directors based on our fiduciary responsibility to shareholders.

5 Dialogue with shareholders

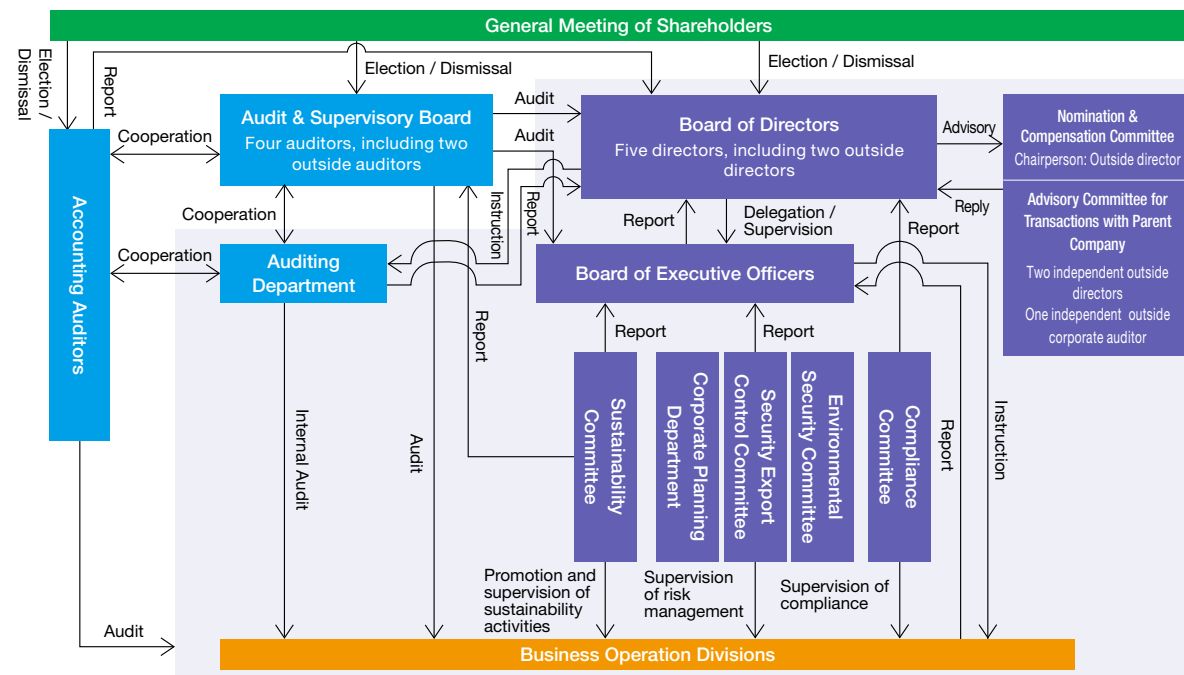
We strive to make constructive dialogue with shareholders, and understandably explain our management policies in order to make sure they are properly understood.

Corporate Governance System

Shin-Etsu Polymer adopts an Audit & Supervisory Board system. The Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution in multiple layers, thereby providing a functional and effective managerial supervisory function as well as a supervisory and audit function that ensures objectivity and neutrality.

As of June 25, 2024, the Board of Directors is composed of five directors, two of whom are outside directors who have extensive experience and deep insights accumulated over many years, one as a corporate executive and the other as an accounting and tax specialist. The Board of Directors delegates part of its executive authority to the Board of Executive Officers, thereby making it easier to exert its supervisory functions for operational execution.

Corporate Governance System Chart (As of June 25, 2024)





Name	FY2023 Performance	Purpose
Corporate Planning Department	—	Manages company-wide issues and risks, evaluates control policies and the situation of the entire company, and puts appropriate measures in place. Furthermore, it cooperates with other divisions and operates as a contact center in the case of an emergency.
Sustainability Committee	2 times	Deliberates over and decides on matters related to sustainability.
Green Activities Promotion Bureau	3 times	Deliberates and decides on matters related to Green activities, which is promoted as a company-wide activity, such as energy conservation and waste reduction.
Security Export Control Committee	1 time	Deliberates over and decides on compliance matters related to export control laws and regulations.
Environmental Security Committee	6 times	Deliberates over and decides on matters related to environmental security, disaster management and occupational health and safety.
Compliance Committee	4 times	Deliberates over and decides on matters related to compliance policies, measures, and situational awareness.
Nomination & Compensation Committee	4 times	Deliberates and decides on matters related to appointment and dismissal of directors, audit & supervisory board members and executive officers, and the compensation of directors and executive officers.
Advisory Committee for Transactions with Parent Company	3 times	The Board of Directors ensures the fairness of important transactions and actions of the Company that conflict with the interests of between the general shareholders of the Company and Shin-Etsu Chemical Co., Ltd., and prevents the Company's minority shareholders from being harmed.

Report on Corporate Governance

<https://www.shinpoly.co.jp/en/ir/governance.html>

Audit System

As of June 25, 2024, the Audit & Supervisory Board consists of two inside and two outside Audit & Supervisory Board members and is conducting audits independently of business execution. Audit & Supervisory Board members fulfill their functions of supervising management by attending Board of Directors meetings and other important meetings, and also hold regular and extraordinary Audit & Supervisory Board meetings to discuss important auditing matters arising from reports from each Audit & Supervisory Board member. In addition, two Standing Auditors visit business operation divisions including those of subsidiaries for inspections as necessary, enhancing the precision and effectiveness of auditing.

Audit & Supervisory Board members receive reports on accounting auditing plans and implementation status from accounting auditors every quarter, attend the audit with accounting auditors where appropriate, and closely cooperate with each other through exchanges of opinions and consultation, striving to improve the effectiveness and efficiency of auditing. In addition, they regularly exchange information with the Auditing Department, which is an internal audit department. The Auditing Department conducts the audits and investigations of management and operational systems and operational execution status from the viewpoint of legitimacy, rationality and efficiency and reports to the Audit & Supervisory Board members as necessary.

Executive Compensation

Compensation for senior management and directors consists of basic compensation, bonuses linked to annual performance, and stock options aimed at improving medium-term performance.

To bolster independence, objectivity, and accountability of the functions of the Board of Directors in relation to the nominations and compensations of directors, etc., Shin-Etsu Polymer established

the Nomination & Compensation Committee under the Board of Directors for appropriate engagement and advice. The Nomination & Compensation Committee is comprised of two inside directors and two outside directors, and is chaired by an independent outside director, thus assuring the independence of the Committee.

As requested by the Board of Directors, the Committee deliberates on the nomination of directors, auditors and executive officers, the compensation system of directors and executive officers, and the process of compensation decisions and reports on the results of deliberations to the Board of Directors.

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors of Shin-Etsu Polymer is composed of directors with diverse values and perspectives that are endorsed by a wide range of expertise in each field and overseas work.

To improve the performance of the Board of Directors as a whole, the Company's Board conducted a questionnaire for all Directors and Audit & Supervisory Board members on the effectiveness of the Board in fiscal 2023 and implemented a self-assessment at a Board meeting in May 2024. As a result, it was confirmed that the Board of Directors generally functions in a timely and appropriate manner, making swift decisions following open and constructive discussions and that the effectiveness of the Board of Directors is by and large assured. The Company will endeavor to further enhance the effectiveness of the Board of Directors by further deepening and enriching discussions on issues that have been reaffirmed to be addressed, such as the modality of the Company's organizational design, medium-term plans such as the medium-term management plan, issues related to sustainability, diversity management, the need to promote the development of human resources for Director candidates, and further enhancement of effectiveness.

In addition to the Nomination & Compensation Committee, Shin-Etsu Polymer strives to enhance its supervisory function by ensuring



the Board's independence and objectivity by establishing an Advisory Committee for Transactions with Parent Company. In fiscal 2023, four meetings of the Nomination & Compensation Committee and three meeting of the Advisory Committee for Transactions with Parent Company respectively took place, with all committee members in attendance.

Support System for Outside Officers

Outside directors and outside Audit & Supervisory Board members are informed in advance of the schedule and agenda of important meetings such as the Board of Director meetings. Moreover, we have been striving to increase the frequency and improve the quality of information provision to outside directors and outside auditors by, for example, holding liaison meetings with outside directors and Audit & Supervisory Board members on a regular basis.

The General Affairs and Human Resources Department

provides support to outside directors and the Office of Audit & Supervisory Board Members provides support to Outside Audit & Supervisory Board Members by distributing board meeting materials in advance and minutes after the meeting so that they can participate in discussions with a deeper understanding of the issues. In fiscal 2023, the attendance rate of all outside directors at the meeting of Board of Directors, the Audit & Supervisory Board and special committee was 100%.

Expertise of Directors and Corporate Auditors

To ensure proper and flexible decisions and supervision of business activities, Shin-Etsu Polymer's Board of Directors is composed of those who have expertise and experience in individual business fields and those who have diverse perspectives of stakeholders and knowledge about governance, thereby ensuring a balance and diversity of knowledge, experience and abilities as the Board of Directors as a whole.

Relationship with Parent Company

Shin-Etsu Chemical Co., Ltd., our parent company, is a materials manufacturer with its core business in the materials business focusing on PVC (polyvinyl chloride), semiconductor silicon, silicone and other materials, and holds 53.2% of the Company's shares. Within the parent company's corporate group, we are involved in other related businesses such as resin-processed products. We add value to the parent company's PVC, silicone, and other products by processing, molding, and other treatments and solve our customers' problems.

While maintaining cooperation with Shin-Etsu Chemical through the exchange of product technology and development information and the sharing of management policies, we manage our operations as an independent business entity and take advantage of the various management benefits of being listed on the stock exchange to enhance our corporate value.

In addition, we procure raw materials from Shin-Etsu Chemical, but for transactions, we negotiate with them on the basis of market prices and determine transactional conditions in a fair and appropriate manner. As for personal relationships, our officers do not concurrently hold an office with Shin-Etsu Chemical.

In October 2021, as a voluntary special committee, we established an Advisory Committee for Transactions with Parent Company. For important transactions and practices with the parent company and its group companies, the Committee guarantees the fairness of such transactions and practices. To protect the profit of general shareholders, the Committee deliberates on important transactions and practices in view of said purpose and reports to the Board of Directors. To enable fair and neutral judgments, committee members are required to be objectively and materially independent from the parent company and are composed of three members in total, i.e., two independent outside directors and one independent outside corporate auditor.

Officer Composition and Skills Matrix

	Name	Attributes		Main knowledge / Experience / Abilities, etc.					
				Corporate management	Global	Technology	Marketing	Financial affairs / Finance	Legal affairs / Governance
Directors	Yoshiaki Ono			●	●	●			●
	Toshiaki Deto			●	●		●		●
	Satoru Sugano					●	●		●
	Shigemichi Todoroki	Outside	Independent					●	●
	Osamu Miyashita	Outside	Independent	●	●		●		
Auditors	Hideaki Hirasawa				●			●	●
	Yoshiaki Torimaru				●		●		●
	Tatsuo Yoshihara	Outside	Independent	●	●	●			
	Tomoko Moriya	Outside	Independent					●	●

*Position names are as of June 25, 2024.

*Does not represent all knowledge, experience, abilities, etc. of individual officers.



Compliance

Basic Approach

The Shin-Etsu Polymer Group considers conducting corporate activities based on compliance as one of the most important tasks that a company should perform on a permanent basis. Through such corporate activities, we make efforts so that the Group maintains trust as a member of society.

We also strive to operate appropriate and efficient internal controls based on the establishment and maintenance of a compliance system.

Basic Compliance Policy

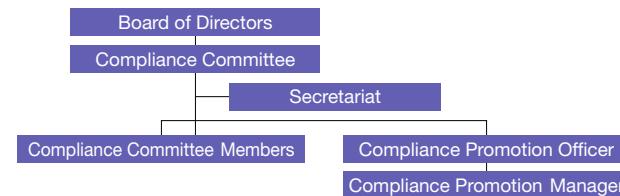
As a corporate group committed to legal compliance, conducting fair corporate practices, and contributing to society, we regard thorough compliance as a basic management principle and conduct compliance activities based on this principle to build a high reputation among all stakeholders and credibility in society.

Compliance Promotion System and Enhancement

As its compliance promotion system, the Shin-Etsu Polymer Group has established basic compliance principles and regulations, and the Compliance Committee under the direct control of the Board of Directors responds to compliance issues across the company. In the Medium-term Management Plan formulated in May 2023, we included “Strengthening of the Compliance Committee” as one of the measures for “Strengthening Governance,” which is a key issue in our ESG initiatives. In the current fiscal year, we have increased the

frequency of committee meetings from once a year to four times a year, and have set the goal of activities to improve awareness of “doing the job right.” We have set themes requiring subsidiaries and departments to take the initiatives, prioritize them, and work together with the secretariat to implement them. In addition, we are promoting compliance-based corporate activities throughout the Group by consistently implementing compliance education to raise employees’ awareness of compliance and by developing an internal reporting system.

Compliance Promotion System Chart



Compliance Initiatives

Internal Reporting System

The Group has established an internal reporting system to ensure the early detection and rectification of misconduct. We distribute pocket cards that describe the internal reporting system, which summarize the Compliance Manual, to employees of Group companies in Japan and abroad in the hope that they will lead to the discovery of improper acts. In addition to protecting whistleblowers by complying with the amendment to the Whistleblower Protection Act, we have established internal and outside contact points and we accept anonymous whistleblowing to make whistleblowers feel more secure in reporting any concerns.

Establishment of the Supplier Hotline

The Supplier Hotline was established as a contact point for those outside the Group to make reports. The hotline allows suppliers to report whenever they recognize any violations of laws, regulations by the Group’s officers and employees during transactions with our Group. Although previously available only in Japanese language, we established a contact point in English language in 2023, and in Chinese language in June 2024. Through such initiatives, we strive to maintain and develop appropriate business relationships by ensuring transparency and fairness in suppliers’ transactions with the Group.

Compliance Education

To facilitate the Group’s officers and employees in understanding and putting into practice the specific standards of action in compliance, we distribute a compliance manual as well as provide training through web streaming on a regular basis. These initiatives are designed to further raise compliance awareness within the Group so as to build a business culture to eliminate improper acts. In fiscal 2023, the Compliance Committee members of Japanese subsidiaries played a significant role in finalizing training content suited to the conditions prevailing at each company and inviting outside instructors to conduct compliance training.

Training Implementation in FY2023

Name of training	Description	Designated participants	Number of participants
New Employee Education	<ul style="list-style-type: none"> General compliance Internal control system 	New employees	44
Mid-Career Hire Employee Education		Mid-career hire employees	
Training on Compliance with Anti-Monopoly Act	Understanding of and response to Anti-Monopoly Act	People necessary for operational reasons	241



Risk Management

Basic Approach

Recognizing that risk management is a crucial issue for the sustainable growth of a company, the Shin-Etsu Polymer Group has established a risk management system to prevent and respond to risks that do materialize to ensure smooth business operations.

Risk Management System

The Group has established a system driven by four committees, including the Sustainability Committee, and five

risk management departments led by the Corporate Planning Department to control critical risks across the entire Group in an organized manner.

The Corporate Planning Department oversees risk management and distributes a list of significant risks in the form of a questionnaire twice a year to 10 departments and 4 plants within Shin-Etsu Polymer, 2 Group companies in Japan, and 15 Group companies overseas with an aim of identifying risks for each department and production site, and formulating countermeasures. Furthermore, we report the identified risks and the status of countermeasures to the Board of Executive Officers once a year.

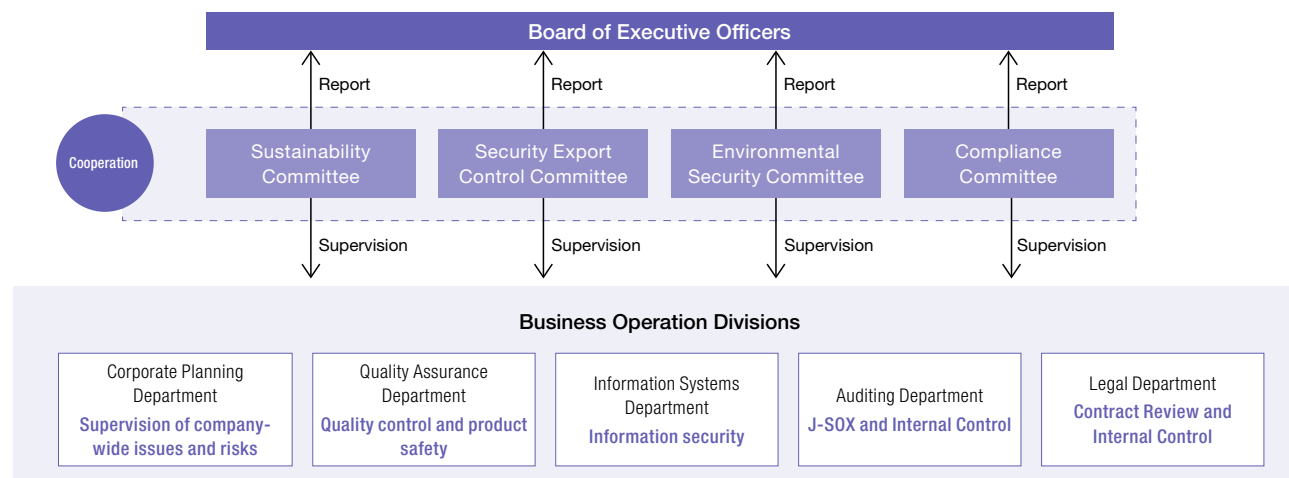
Management based on risk management regulations

In addition to establishing a comprehensive management system for the prevention of potential risks within our Group, we have established "Risk Management Regulations" that stipulate our response to such risks. We implement risk management in accordance with these regulations.

Definition of Risks

Our Group defines risks as factors that may inhibit the achievement of organizational goals and the implementation of business activities, and affect the profitability of our business. We anticipate risks due to issues related to business processes, such as manufacturing and marketing; and non-business-related events, such as social changes and natural disasters.

Risk Management System Chart



Risks associated with factors related to business activities

- Country Risk
- Significant rise in raw material costs and supply shortages
- Foreign currency exchange rate fluctuations
- Competition with other companies
- Risks related to intellectual property, contracts, and litigation
- Research and development risks
- Manufacturing and quality control risks

Risks from factors outside business activities

- Government regulations
- Natural disasters
- Epidemics of infectious diseases



Risk Control Procedures

In accordance with the risk management procedures, the Corporate Planning Department takes the lead in regularly assessing the major risks defined in the Risk Management Regulations once every six months. Moreover, the Board of Executive Officers meets once a year to discuss the identification of major risks and future actions to be taken.

1 Identifying risks

Identify and understand risks related to business and operations of individual departments, etc.

2 Evaluating risks

Evaluate magnitude, scope, etc. of identified and understood risks.

3 Controlling risks

Control magnitude, scope, etc. of evaluated risks.

4 Establishment of contingency plan

Establish contingency plan for risks when they actually occur.

5 Audit/Examination:

Evaluate current status and confirm response measures, etc.

Business Continuity Management (BCM)

As preparation against risks that may hinder business continuity, we have formulated and are practicing a business continuity plan (BCP) that stipulates measures to be taken in advance along with policies and measures to be taken after a disaster. We have also established Business Continuity Management (BCM) as a framework for more effective utilization of the BCP, and are making continuous improvements to realize a system for rapid business recovery and maintenance.

Basic BCP Policy

- 1 Protect the safety and security of employees, families and residents in communities
 - (1) Secure safety of workplaces.
 - (2) Improve safety of employees and their families.
 - (3) Support security of employees and their families.
 - (4) Extend assistance to residents in communities.
- 2 Make utmost efforts for continuity or early recovery of business for customers and employees
 - (1) Protect trust in customers.

Preparation and Improvement of BCP Action Procedure Documents

Since fiscal 2019, the preparation of BCP action procedure documents from an initial response to when a disaster occurs to the creation of recovery plans has been progressively undertaken in order to strengthen business continuation capabilities of each production site. The goal in the preparation of “Group Action Flow” and “Action Checklist” is to clarify what each department should do and enable them to take prompt action during the initial stages of a disaster. In fiscal 2023, to improve the effectiveness of the prepared action procedure documents, we conducted workshop-style exercise at two of our sites in Japan, in which we showed videos of disaster experiences at the plants. The exercise helped us to clearly visualize disaster situations, gain new insights, and review and revise procedural documents.

We will continue to improve the effectiveness of the BCP through regular exercises.



Workshop-style exercises

Information security

Information Security Policies and Rules

As for our corporate information security policies, we examine the impact range of risks in information security regarding company information assets, establish goals to maintain and manage information security, and aim towards achieving such goals.

Information security essentially involves maintaining the confidentiality, completeness, and availability of information

assets. Our management goals include the following:

Information Security Policies

- 1 Clarifying responsibilities for protection, utilization, management, and operation of information assets.
- 2 Informing every one of their responsibilities so they can act with an awareness of them.
- 3 Properly recognizing risks to ensure that effective countermeasures are taken.
- 4 Maintaining information system security for each employee who carries out operations.
- 5 Thoroughly observing social ethics and all applicable laws and regulations.

Information Security System

We are working on a company-wide control of information security measures and risk management in accordance with our Information Security Policy. The Information Systems Department serves as the secretariat for information security, reporting to the Officer of Information Systems. An IT leader, who is responsible for managing IT assets, communicating regarding system operations, and taking initial action in the event of a security incident, is designated for each department. Matters related to company-wide management of information security are communicated to each department through these IT leaders. The IT leaders promote activities covering everything from information security measures to information security education to strengthen the system.

Cybersecurity Support

To prepare for a cyberattack, the internal network and outside is completely separated by a firewall. All necessary security countermeasures, including monitoring with intrusion detection services 24 hours a day, 365 days a year are continuously taken. Targeted mail training and information security education via e-learning, incident response training, vulnerability assessment of all servers are regularly conducted, taking countermeasures from system and human perspectives.



Dialogues with Shareholders and Investors

Basic Approach

To achieve sustainable growth and increase medium- to long-term corporate value, Shin-Etsu Polymer recognizes that it is important to engage in active dialogue with shareholders and investors on a daily basis, reflecting the opinions and requests obtained into business management to grow as a company alongside them. We strive to ensure that our management policies and strategies are properly understood by disclosing management information appropriately on a timely basis and engaging in constructive dialogue with shareholders and investors.

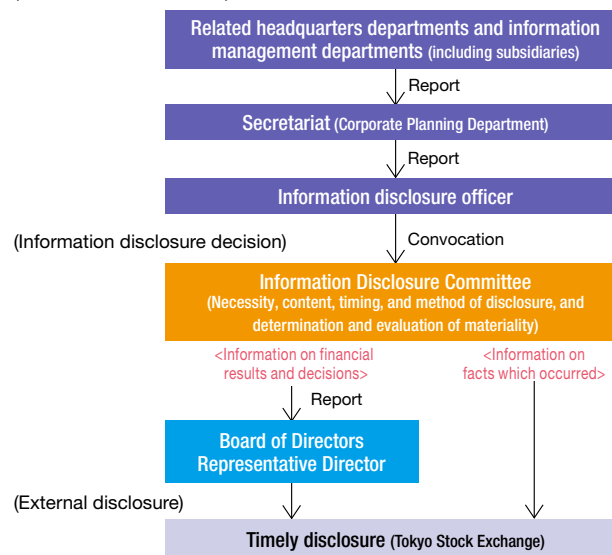
Information Disclosure System

We operate with a constant awareness of enhancing corporate governance and securing transparency of management. We also strive to provide fair, timely, and appropriate information disclosure to shareholders and investors in accordance with all applicable laws and regulations in relation to financial instruments trades and the rules of the Tokyo Stock Exchange.

The Shin-Etsu Polymer Group has established the Information Disclosure Rules and the Information Disclosure Committee, chaired by the information disclosure officer. With the General Manager of the Corporate Planning Department at the head, the Information Disclosure Committee is composed of members of the Corporate Planning Department, Accounting Department, Legal Affairs Department, and other related departments to form a flexible information disclosure system. Any corporate information that is subject to disclosure standards as stipulated by Securities Listing Regulations of the Tokyo Stock Exchange (TSE) is in principle disclosed on the Timely Disclosure Network

(TDnet) operated by the TSE upon approval and report by the Board of Directors, and as necessary, is announced to the media and/or published on our website.

Internal System for Timely Information Disclosure (As of June 28, 2024)
(Collection of information)



Communication with Shareholders and Investors

Dialogues with shareholders and investors are managed by the Corporate Planning Department as IR activities, with individual meetings handled by the General Manager of the Corporate Planning Department and members in charge of IR. As an opportunity to describe our business situation to shareholders and investors, we hold briefings for analysts

and investors after the term-end and interim financial results have been announced. Furthermore, we strive to improve dialogue to prompt and fair disclosure of information, through the issuance of business reports and annual reviews, in addition through our website, including news releases, financial summaries, presentation materials, notices of General Meeting of Shareholders, and notices of resolutions.

Investor Relations



<https://www.shinpoly.co.jp/en/ir.html>

General Meeting of Shareholders

General Meeting of Shareholders is held every June. To ensure that as many shareholders as possible can attend, we strive to enhance the content of the convocation notice, provide a summary in English, and post the notice on our website and send it out as soon as possible. Furthermore, with the aim of prioritizing convenience and enhancing communication with shareholders on the day of the General Meeting of Shareholders, we have adopted a system that allows shareholders to exercise their voting rights in writing or via the Internet in addition to exercising their voting rights in-person.

Financial summary presentation

We hold financial summary presentation twice a year, in the months of May and November, for institutional investors and analysts to gain a deeper understanding of our financial results. The materials for the financial summary presentation are provided in advance, and a summary of the Q&A session is posted on our website in both Japanese and English at a later date.



Third-Party Opinion

For this report, we have consulted with our third parties for opinions and comments to further enhance our Group's sustainability activities.



Third-Party Opinion on the "Sustainability Report 2024"

Yoshinao Kozuma, Professor Emeritus, Sophia University

These comments on the Shin-Etsu Polymer Group's sustainability management were made after reading the Company's "Sustainability Report 2024" and interviewing some of the people involved.

1. Path to Carbon Neutrality by 2050

The Company has initiated multifaceted efforts to promote the long-term climate goal of achieving carbon neutrality by 2050 (hereafter abbreviated as "CN") in its mid-term management plan "SEP G&G 2027."

The Environmental Safety Department is responsible for environmental management. From 2024, this department has been reorganized to the Business Administration Unit from the Production Unit. This change is expected to shorten the time of decision-making in the promotion of environmental management and further facilitate the planning of CO₂ emission reductions that need to be strategically addressed for the 2050 CN. Under the 8th Green Activities starting in FY2024, the Company has changed the CO₂ emissions reduction target from a per-unit basis to a quantitative target, making it consistent with the 2050 CN target. Moreover, the Company has started to expand the switching of electricity to renewable energy to other plants, which is currently being implemented at some of the Group's plants.

Although these factors are effective in achieving the 2050 CN, it is recommendable to consider an earlier implementation on the management of Scope 3 emissions which accounts for the majority of the total emissions.

2. Supply Chain Management Results

The Shin-Etsu Polymer Group is strengthening risk management concerning suppliers' BCP system. In fiscal 2023, the Group conducted a survey on the status of BCP initiatives among its key primary suppliers in an attempt to assess the business interruption risk in its supply chain. They also added key suppliers to the automated safety confirmation system, which is used in case of a disaster.

Also, the Human Resources Subcommittee has renamed to the Human Rights Promotion Subcommittee which committee is responsible for human rights risks in the supply chain. It is in preparation for full-fledged implementation of the human rights

due diligence by reviewing the assessment of human rights risks in the supply chain. Moreover, supplier hotlines both in Japanese and English have established in fiscal 2023 and Chinese-language hotline in fiscal 2024 as a contact point for reporting and consultation on human rights issues. These are remarkable achievements of supply chain management.

3. Results of Measures related to the Act on the Promotion of Female Participation and Career Advancement

Measures implemented in relation with the Act on the Promotion of Female Participation and Career Advancement are beginning to show results. Over the five years since FY2019, the ratio of female managers, ratio of female supervisors, and average length of service for female employees have been increasing; both targets in the action plan for the promotion of female participation and career advancement, with an achievement deadline of March 2026, have already been achieved in FY2023. The gender wage gap has been improved, however, it needs further improvement in future.

4. Future challenges

The legal rate of employment for people with disabilities has been raising gradually from April 2024 to July 2026, and I hope that the Company will make efforts to improve the workplace environment so that the statutory employment rate will be achieved. In addition, it would be better to disclose personnel data on a consolidated basis in a timely manner.



Response to Third-Party Opinion

Osamu Kowada, Head of Corporate Planning Department, Business Administration Unit Assistant Chairman, Sustainability Committee

With guidance from Professor Kozuma, Shin-Etsu Polymer Co., Ltd. has been conducting sustainability management with the aim of achieving a sustainable society. We will continuously work on these challenging tasks.

1. Initiatives for Carbon Neutrality by 2050

With the goal of "saving energy and resources, and reducing our impact on the environment," we aim to reduce CO₂ emissions by 46% compared to FY2013 by 2030 and achieve carbon neutrality by 2050. We will also actively work on "Scope 3" emissions management as per suggestions.

2. Supply Chain Management

The Shin-Etsu Polymer Group promotes responsible procurement throughout the entire supply chain with the aim of realizing a sustainable society. We are committed to enhancing the transparency and fairness of transactions with our suppliers, strengthening risk management, and building deeper relationship of trust.

3. Regarding Measures related to the Act on the Promotion of Female Participation and Career Advancement

As part of our "promotion of female participation," we will steadily increase the number of female managers, strive to narrow the gender gap in the average length of service, increase the percentage of male employees taking childcare leave, and create a workplace where diverse human resources can work with vigor while improving work styles, education systems, and compensation. We will actively contribute to solving the issues that Professor Kozuma pointed out.

4. Employment of People with Disabilities

By creating an environment in which people with disabilities can work comfortably for long hours, we aim to be a company where a diverse range of human resources can play an active role. We will also deepen cooperation with the community by accepting practical training from special support schools. We will continuously work on employment of people with disabilities from a long-term perspective by keeping the statutory employment rate in mind.



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