



Annual Review 2020

Year Ended March 31, 2020



Profile

Shin-Etsu Polymer Co., Ltd. began operations in 1960 as a manufacturer of molded plastic products. Since then, we have developed applications for our fundamental technologies involving materials and compounding, design, molding processes, and evaluation and analysis for silicone rubber and various plastics.

In accordance with the corporate mission statement of the Shin-Etsu Polymer Group, we strictly comply with all laws and regulations, adhere to fair business practices, and contribute to people's daily lives as well as to society and industry by creating value with our key materials and technologies. We meet the diverse needs of our customers in a wide range of fields, from semiconductors, automobiles and information devices to food product packaging and construction materials.

Technological Strengths as a Manufacturer of Molded Plastic Products

We meet the diverse needs of our customers by consistently providing a wide range of high-value-added products that leverage our sophisticated technological capabilities based on our fundamental technologies for processing various plastics. Our products include silicone rubber, PVC, and engineering plastics.

Ability to Meet Global Needs

To meet increasing global demand and the diverse needs of customers, Shin-Etsu Polymer utilizes its sales and manufacturing network that extends beyond Japan to Europe, North America and Asia to provide a stable supply of high-quality products.

Forward-Looking Statements

This annual review contains information about Shin-Etsu Polymer's current plans, strategies and other items not based on historical fact. These are forward-looking statements that involve risks and uncertainties.

Actual results may differ significantly from those discussed in the forward-looking statements due to various factors in the Company's operating environment, including changes in economic and market conditions, foreign exchange rates and demand trends.

Note: All yen and dollar figures in this annual review have been rounded down to the nearest unit.

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Data Section

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Top message

We will continue to provide products that are beneficial to society

By nurturing the seeds of technology through tireless research and development, taking the never-ending challenge to the next stage.

For the fiscal year ended March 31, 2020, Shin-Etsu Polymer achieved increased profits* for the seventh consecutive year. The driving force of which was our high-value-added products made with our technologies, even though core business remained sluggish due to market stagnation. We now have our sights fixed squarely on the stage beyond the Company's 60th anniversary, and as such, we shall continue to refine our technology through constant research and development, and conduct business activities that can contribute to the realization of a sustainable society.

*Profit attributable to owners of parent

A Review of Fiscal 2019 and the Business Environment

While economies gradually expanded in developed countries such as Europe and the U.S., fiscal 2019 was a year in which prospects about the future of the global economy became even more uncertain due to an increase in trade disputes and the coronavirus pandemic. Domestic demand remained strong overall in Asia, but the economic slowdown continued in China. The domestic economy continues to experience weak production and weak exports due to trends in the global economy. Although the impact on the fiscal 2019 is relatively limited, there appears to be no apparent end in sight for the coronavirus pandemic.

Unfortunately, we were unable to achieve growth in our core businesses due to deteriorating market conditions. In the electronic devices business, although we were able to maintain the same level of shipments for automotive input devices as in the previous fiscal year, demand for electronic devices simmered down. The precision molding products business was also affected by a slowdown in investment in the semiconductor industry.

Nonetheless, we were able to achieve profit growth for the seventh consecutive year because of improved cost efficiency through streamlining in production and reduced distribution costs, while our product lineup built out of our unique technologies, remained strong.

Even if the scale of business is not large at this time, I feel confident in the steady growth of our highly profitable, high-value-added products.



President

Yoshiaki Ono

Achieving sustainable business expansion

Now that we are in a difficult business environment, we must demonstrate our true value and continue to move forward. As a global company operating on the world stage, I am determined to take on business activities with a sense of purpose. In order to achieve sustainable growth, it is imperative we swiftly and efficiently improve sales activities and product supply with a keen eye on demand trends. Following on from the Itoigawa Plant in the previous fiscal year, this year we increased production capacity in India, an important production base for automotive input devices, and reviewed domestic and overseas production processes and systems to improve productivity. Going forward, we will continue to look for the best places for production and accelerate our global expansion to further expand our market share, helping us to get through these difficult times.

From a long-term perspective, it will be key for us to establish and further develop the next major pillars, while we strengthen even more our main business areas in automobiles and semiconductors.

We will continue to provide products that "only Shin-Etsu Polymer can make", "Shin-Etsu Polymer is the best". By utilizing the strengths we have cultivated as a resin processing manufacturer boasting a world-leading share in the field of wafer containers, and other fields, we will establish a system to ensure profits can be made while nurturing a number of seeds for growth among our high-value-added products.

Making R&D the source of further evolution

Research and development is the driving force behind the continuous development of Shin-Etsu Polymer. The knowledge gained through the never-ending challenges in manufacturing not only provides new value to society, but also fosters employees and promotes technological progress. By taking steps, no matter how small, the next projects and ideas are

born. It is this steady accumulation of knowledge and ideas that leads to the germination and establishment of Shin-Etsu Polymer's unique technology.

What is important is the enthusiasm to be committed to research and development with a steadfast tenacity. We have the highest proportion of R&D expenses to sales in the industry. Regardless of our business results, we are willing to freely invest funds and human resources whenever we deem it necessary. Only by improving our technological capabilities and by continuing to bring high-quality products to market, can we maintain our solid growth potential. This series of actions should, as a result, be a big asset for us. We will continue to go all out to challenge ourselves, developing our real strengths to flexibly deal with the bewildering changes of our time.

A company growing together with its stakeholders

The responsibilities that companies are faced with in solving the many problems of the world are becoming ever greater. We have established a CSR-based management style, focusing our efforts on developing products that are beneficial to society in order to contribute to the realization of a sustainable society through our business activities. Now, our in-vehicle products, such as our electrical systems, are contributing to advances in CASE (Connected cars, Autonomous driving, Shared & Electric), and our semiconductor-related containers are playing a vital role in the evolution of IoT and 5G.

Addressing the needs of stakeholders is also an important responsibility. Lasting and compelling business activities that meet the strong expectations of shareholders is first and foremost a top priority for the company. And at the same time, employees are important stakeholders. The traditional way of pursuing profits as quickly as possible has changed since the coronavirus pandemic, so from this time forward, companies that can prioritize the interests of its employees, especially in times of emergency, will be the ones regarded for their worth. I am convinced we can go on running our business soundly

and maintain strong competitiveness by continuing to protect employment and provide a safe, secure and comfortable work environment.

Looking beyond our 60th anniversary

Our company will mark its 60th anniversary in September 2020. But nonetheless, we will not thoughtlessly seek to expand our business in the future. It is important that we keep our feet firmly on the ground and provide the high-value products needed in society. We have a bright future ahead.

Our goal is to achieve net sales of one hundred billion yen and ordinary income of ten billion yen, and I acknowledge that the rich soil needed for maintaining this goal is already being cultivated. Looking ahead to the next 10 years and beyond, we will fulfill the responsibility entrusted to our company, namely its commitment to contribute to the realization of a sustainable society by working together as a Group one with a view to stable and long-term growth.

I very much appreciate all our shareholders and investors for your understanding and continued support of our business.



At a Glance

■ Production ● Sales

Overseas

14 Locations



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

Others

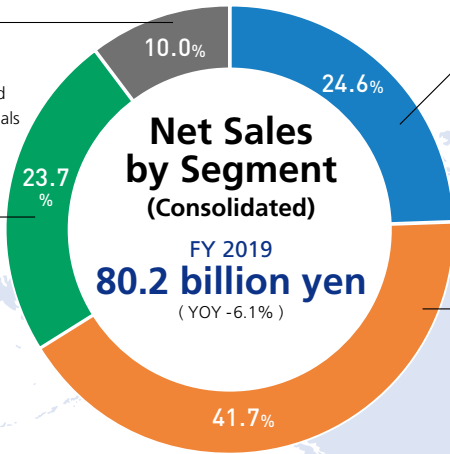
8 billion yen (+4.2%)

Leading construction business and packaging and agricultural materials business

Housing and Living Materials

19.0 billion yen (-4.6%)

Providing wrapping films for the retail and food service industry, PVC pipes related products and functional compounds



Electronic Devices

19.7 billion yen (-4.7%)
Leading company-wide overseas business in electronics such as electronic input devices for automobiles and information devices

Precision Molding Products

33.4 billion yen (-9.8%)
Providing shipping and carrying containers for semiconductor silicon wafers and parts for medical equipment using silicone rubber

Others

23.9 billion yen

Net Sales by Shipping Area (Consolidated)
FY 2019
80.2 billion yen

Japan
43.3 billion yen

China
13 billion yen

- Shin-Etsu Polymer Shanghai Co., Ltd.
- Suzhou Shin-Etsu Polymer Co., Ltd.
- Dongguan Shin-Etsu Polymer Co., Ltd.
- Shin-Etsu Polymer Vietnam Co., Ltd.
- Shin-Etsu Polymer Hong Kong Co., Ltd.
- Shin-Etsu Polymer (Thailand) Ltd.
- Hymix Co., Ltd.
- Shin-Etsu Polymer India Pvt. Ltd.
- Shin-Etsu Polymer (Malaysia) Sdn. Bhd.
- Shin-Etsu Polymer Singapore Pte. Ltd.
- PT. Shin-Etsu Polymer Indonesia

Shin-Etsu Polymer America, Inc.

- Tokyo Plant
- Kodama Plant
- Itoigawa Plant
- Shiojiri Plant
- Nanyo Plant
- Head Office
- Shin-Etsu Finetech Co., Ltd.

Japan

7 Locations



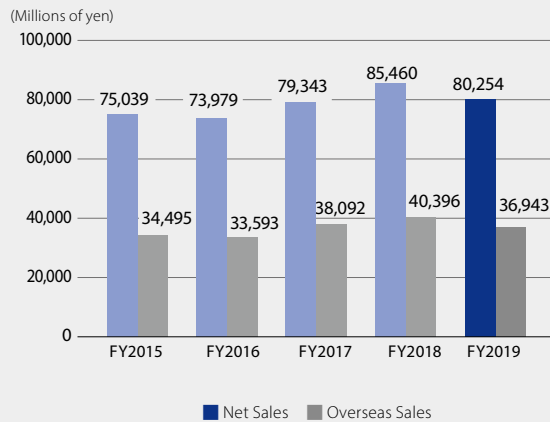
Financial Highlights (Consolidated)

In the fiscal year ended March 31, 2020, market conditions were stagnant both in the semiconductor industry and electronic components industry, while demand in the automotive-related market remained at the same level as the previous fiscal year. As a result of continuous business development focusing on sales expansion of main products and new business products to expand production and supply systems, consolidated net sales were ¥80,254 million (down 6.1% year on year) and operating income was ¥7,756 million (down 4.9% year on year).

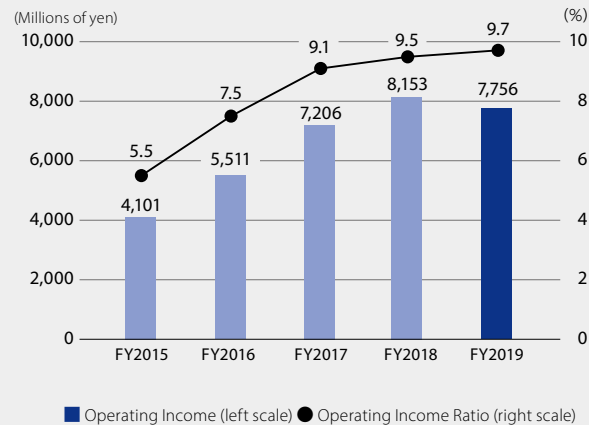
However, profit attributable to owners of parent was ¥6,288 million, an increase for the seventh consecutive year.

Moreover, the cash dividend was ¥10, with the annual dividend at ¥18, up ¥2 from the previous fiscal year.

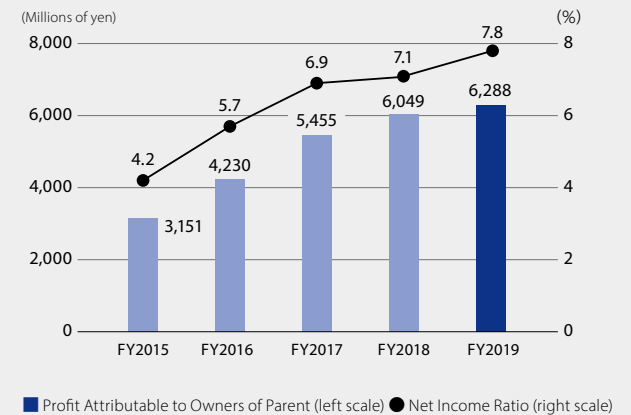
Net Sales and Overseas Sales



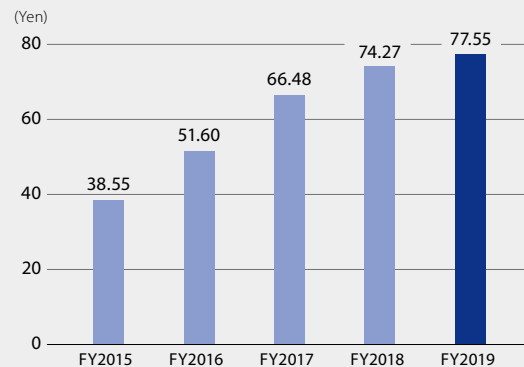
Operating Income and Operating Income Ratio



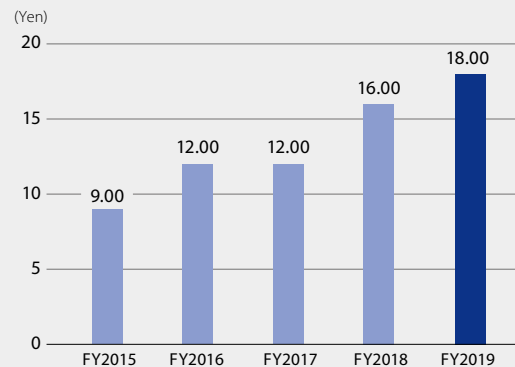
Profit Attributable to Owners of Parent and Net Income Ratio



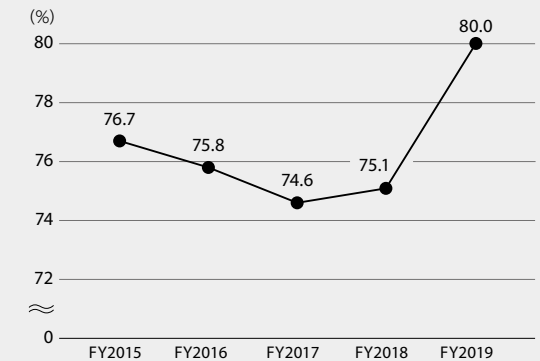
Net Income per Share



Cash Dividends per Share



Equity Ratio



Shin-Etsu Polymer Progress and Strength

Feature



As a resin processing manufacturer celebrating its 60th anniversary in September 2020, Shin-Etsu Polymer has become a company which responds to the diverse needs of its customers by making full use of its material compounding technologies and processing technologies such as silicone rubber and PVC, in a wide range of fields from automobiles and information devices to semiconductors and construction. We will continue to progress with confidence and strength based on the solid foundations it has created thus far.

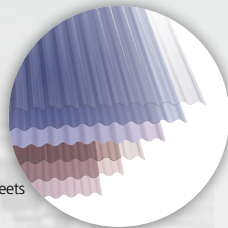
Social Background and Needs

- High economic growth fuels increased demand in construction
- Increased demand for light, thin, short and small products accompanying growth in the electronic component industry
- Japanese companies expand into overseas markets

Shin-Etsu Polymer's Products Supporting Growth in Japan

After its founding in 1960, Shin-Etsu Polymer established technologies for the mass production of PVC products such as PVC pipes and corrugated sheets to meet the demands in construction. As the company entered the 1970s it helped the drive for light, thin, short and small electronics with the industry's first conductive silicone rubber being adopted by all manufacturers of calculators. Then from the early 1980s Shin-Etsu Polymer began to expand its business overseas. With its production of OA rollers and added functionality and uses for its keypads, the company helped expand sales of audio-visual products and OA devices. In 1983, Shin-Etsu Polymer was listed on the second section of the Tokyo Stock Exchange and in 1985 was listed on the first section.

- 1960 Shin-Etsu Polymer established
- 1961 Started production of PVC corrugated sheets and pipes
- 1969 Developed conductive silicone rubber
- 1981 Established Shin-Etsu Polymer America, Inc.
- 1988 Established Shin-Etsu Polymer (Malaysia) Sdn. Bhd.



Shin-Etsu corrugated sheets

Sales Growth



1960-

- Personal computers and mobile phones abound as the IT revolution unfolds
- More sophisticated consumer electronics with the arrival of the ubiquitous society
- Greater product development needs in terms of protecting the environment

Evolved to be Leading Supplier in the IT Era

In the 1990s, Shin-Etsu Polymer built Japan's first clean room factory for wafer containers in Itoigawa City, Niigata Prefecture. Sales of the world's first 300mm wafer containers began and so started the company's full-scale business development. Since the 2000s, progress in IT accelerated the spread of mobile phones and more sophisticated consumer appliances and electronics. As a result, the keypad business grew rapidly and business performance grew significantly also. At the same time, Shin-Etsu Polymer established its position as a global company by promoting research and development in new technologies, creating new businesses, and expanding its overseas production bases and sales networks.

- 1993 Established Suzhou Shin-Etsu Polymer Co., Ltd. in China
- 1996 Launched the MW 300N, 300mm wafer containers
- 2001 Published the Environmental and Social Report (now the Sustainability Report)
- 2007 Established Shin-Etsu Polymer India Pvt. Ltd.
- 2009 Developed the conductive polymer, SEPLEGYDA®



Keypads

1990-

2010-

- Increased demand for semiconductors due to rise of ICT and the IoT
- Further expansion of next-generation mobility
- Expanding medical needs due to low birthrate and aging population



300mm wafer containers

An Essential Company to Society

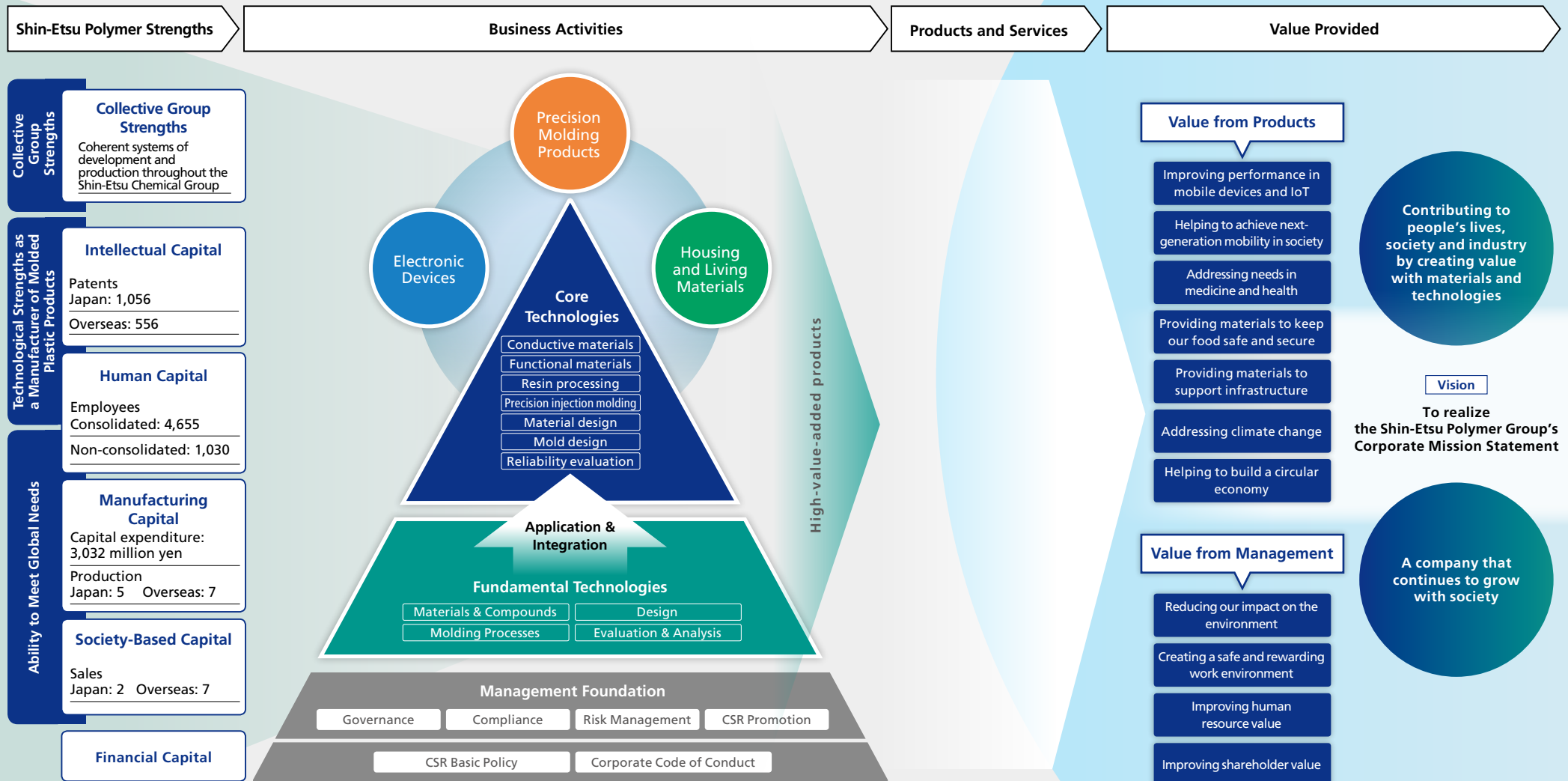
Since the beginning of the 2010s, the business environment has undergone major changes such as with the rise of ICT and the IoT, and autonomous and electric cars. In response, Shin-Etsu Polymer transformed its organization and network, carrying out its first acquisition in 2019. The company is also working to strengthen its production system in light of the rapidly expanding demand for semiconductors. Furthermore, medical components which use silicone rubber are helping to deal with the super-aging society and contribute to advances in medical care. Shin-Etsu Polymer will continue to move toward a brighter future as a company essential to society.

- 2014 Abolished business unit-based structure and reorganized into a function-based organization
- 2017 Merged domestic production subsidiaries
- 2018 Completed 3rd building at Itoigawa Plant
- 2019 Acquired Hymix Co., Ltd. in Thailand
- 2020 60th anniversary



Value Creation Model

Shin-Etsu Polymer has made full use of the management resources it has cultivated to date, creating high-value-added products with the technologies it has built up over the years. We will help to bring prosperity to people's lives by creating value through our materials and technologies, aiming for sustainable growth together with society.



Electronic Devices (Automotive and Information Devices)

Business Summary

The Electronic Devices segment primarily operates in electronics-related fields, such as input devices for automobiles and information devices. It expanded into overseas markets early on, leading the Company in overseas sales and production.

Shin-Etsu Polymer leverages fundamental technologies such as those for silicone rubber processing and combined processing with other materials, and high-definition printing to provide products and services that meet the requirements of domestic and overseas automotive, mobile device, electronic components, and other manufacturers that operate globally.

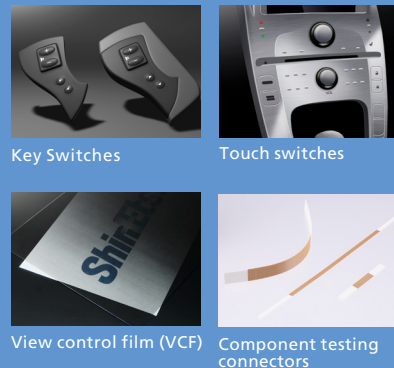
Strengths

- ▶ Global production and sales system
- ▶ Advanced material processing technologies
- ▶ High-definition printing technologies

Technology and Development

We develop input device components that use capacitive sensing based on high-definition printing technologies. We also develop composite products made from dissimilar materials such as resin and metal, based on silicone processing technologies. With an emphasis on these products, we are working to develop new demand in the automotive components, mobile device and home appliance markets.

Main Products



Key Switches

Touch switches

View control film (VCF)

Component testing connectors

A Review of Fiscal 2019

Points of Note

Input devices

Steady sales for automotive key switches
Sluggish sales for automotive touch switches and touchpads for thin laptops

Display-related products

Weak sales of LCD connectors
Sluggish sales of view control film (VCF) in optics

Component-related products

Strong sales of testing connectors for electronic components and wiper blades

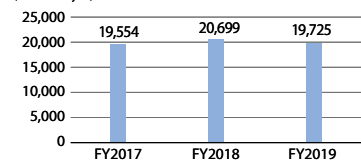
Main Financial Data

Percentage of Net Sales **24.6%**

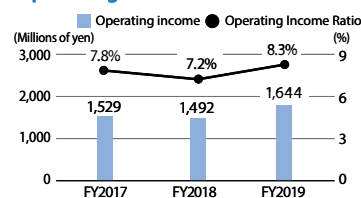
FY2019

Net Sales

(Millions of yen)



Operating Income and Operating Income Ratio



The Business Environment

Opportunities

- Mandatory introduction of advanced driver assistance systems (ADAS) in developed nations
- Shift towards electric vehicles (EV) and increased computerization and electrification in vehicles

Risks

- Economic downturn in China
- Stagnant automotive market due to prolonged effects of the COVID-19

The mainstay automotive-related market faces an unpredictable business environment due to the effects of trade friction between the United States and China as well as with the economic slowdown in China. In addition, the aftereffects of the coronavirus pandemic are likely to have an impact for many years to come.

Conversely, the automotive industry anticipates a period of transition with the introduction of CASE cars. The regulations on Advanced Emergency Braking Systems (AEBS) brought in by the United Nations in June 2019 have had a big effect on many developed nations, such as Japan, having already decided to make these systems mandatory in new vehicles. Furthermore, the shift towards electric vehicles (EV) is continuing to gain pace due to the stricter environmental regulations. Even in these uncertain times, we have high expectations for expanding our business through building more electrical systems for use in automobiles.

In this segment, net sales were 19,725 million yen (down 4.7% from previous fiscal year) and operating income was 1,644 million yen (up 10.2% from previous fiscal year). Automotive-related input devices, which account for about 70% of total segment sales, have remained stable due to further progress in electrification and automation of automobiles, helping to drive this business. Similarly, we have steadily increased shipments of component-related products such as wiper blades that give high functionality in automotive products as well as testing connectors for electronic components. In addition, thanks to lower transportation costs of raw materials and lower labor costs, profits increased even while sales fell below those of the previous fiscal year.

On the other hand, demand remained sluggish for both the newly released thin laptop touchpads and LCD connectors, an unavoidable consequence of worsening market conditions. VCF also tapered off in optical applications, such as newly developed sensing parts in digital devices, contributing to a drop in sales.

Electronic Devices (Automotive and Information Devices)

Business Strategies

Strategy Points

- ▶ Optimize production areas and increase market share for automotive input device
- ▶ Further strengthen production systems in India

Further expansion in the steadily growing area of automotive input devices is an important factor for improving the profitability of the whole business. It is essential to speed up product supply and carry out sales activities that accurately capture global trends in demand. To that end, in order to increase market share in market-leading Europe and North America, as well as in Asia where future growth is expected, we will look for the best places for our production bases thereby furthering our global expansion more quickly and efficiently.

At our subsidiary production base located in Chennai, India, a country where automotive business is rapidly developing, production capacity of automotive key switches has increased by 20% (as of April 2020, year-on-year). The construction of the third building at this plant has been somewhat delayed due to the coronavirus pandemic, but completion is expected soon. Preparations are still being made to increase orders for exports as well as domestic in India.

Outlook for Fiscal 2020

The 2021 fiscal year has gotten off to a difficult start with suspended operations in overseas automotive manufacturing plants and dropped production of related products in all countries owing to the coronavirus pandemic. As of June 2020, although our group factory utilization rates have returned to normal there, it is a highly unpredictable situation from a global perspective.

However, demand for automotive electrical systems is expected to grow steadily, mainly in Europe and North America where they are already widely used amid the global trend for CASE cars. It is necessary to keep a close eye on market trends to maintain a flexible supply system for our mainstay automotive key switches.

Market demand for 5G, where commercial services started in Japan in March 2020, is still limited, but given future developments, we can expect growth in connector products.

Mid-to-Long Term Outlook

The further spread of ADAS and autonomous driving systems is certain. Recognizing the United Nation's World Forum for Harmonization of Vehicle Regulations, manufacturers in Japan and overseas are aiming to put level 4 autonomous cars on the road by the mid-2020s. As such, demand is expected to grow significantly not only in Europe and North America, regions which currently lead the way in the advanced automotive market, but in Japan and China over the medium to long term. For in-vehicle products such as our mainstay automotive input device, securing supply systems that anticipate market conditions and developing and launching new applications or products that can support advanced technologies will become important issues for the future.

We can find possibilities for products in the area of communications too. It is expected that the quickening pace of IoT and enhancements in the 5G environment will promote a wide range of optical applications for VCF, leading to greater demand for such things as our testing connectors for electronic components.

TOPIC

Increased Production Capacity of Indian Subsidiary in India

The production subsidiary base in India, which has the largest site area in the Group, has taken steps to develop into a major production base in response to the strong demand for automobiles. In order to increase the supply capacity of automotive key switches, active investment was made in the fiscal year ended March 31, 2020 through a 20% increase in production capacity and starting construction of a third factory building.

It is in India, with its competitive labor force, expectations for increased domestic demand, and its position as a base for exports into Europe, where we will establish an even stronger production system to enhance our competitiveness.



The third factory building is under construction (upper right)

Precision Molding Products (Semiconductors, Electronic Components, Office and Medical Equipment)

Business Summary

The Precision Molding Products segment leverages Shin-Etsu Polymer's unique technologies to provide precision molding products in Japan and overseas, including shipping and carrying containers for semiconductor silicon wafers, carrier tapes for automatic mounting of electronic components, office automation (OA) device components and components for medical equipment made primarily from silicone rubber.

Based on our unique precision molding technologies, as well as our advanced evaluation and analysis technologies, we have established an excellent reputation and degree of confidence with our customers by ensuring reliable supply capability, high quality and cost-competitiveness through our flexible and quick production system which allows us to provide services tailored to customer needs.

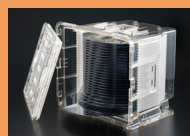
Strengths

- ▶ Flexible, quick and global production system
- ▶ High level molding technologies fully versed on resin properties
- ▶ Advanced evaluation and analysis technologies

Technology and Development

Based on our proprietary precision processing technologies and evaluation technologies, we are working on the development of carrying containers for the miniaturization of semiconductor processes and carrier tapes in response to the decreasing size of electronic component and next-generation semiconductor packages. Additionally, in response to the shift towards high-speed, low-cost OA devices, we are developing OA device components to meet customer needs by applying silicone rubber compounding technologies such as semi-conductive technology and foaming technology.

Main Products



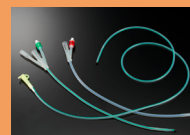
Wafer containers



Embossed carrier tapes



OA rollers



Medical components

A Review of Fiscal 2019

Points of Note

Semiconductor-related containers

No movement on shipping containers for 300 mm wafers
Drop in in-process containers

OA device components

No movement on mainstay development rollers

Carrier tape-related products

Lack of recovery for microelectronic components

Silicone rubber molded products

Solid sales for medical related products only

In this business, shipments of semiconductor-related containers and carrier tape-related products were sluggish with overall sales falling below those of the previous fiscal year.

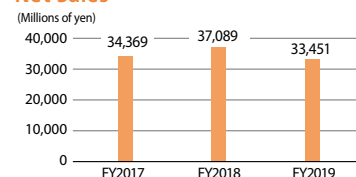
As for semiconductor-related containers, shipments of 300 mm wafer shipping containers were on a par with the previous fiscal year, but in-process containers remained sluggish due to the slowdown of investment in the semiconductor industry. As a result, conditions continued to remain bleak. In terms of components for OA equipment, sales decreased as demand stagnated for our mainstay development rollers of laser printer. In carrier tape-related products, demand for electronic components for high-end smartphones gradually recovered, but sales were sluggish. And although sales of our core medical-related products remained strong, overall sales of silicone rubber molded products dropped.

As a result, net sales in this business were 33,451 million yen (down 9.8% from the previous fiscal year), and operating income was 5,125 million yen (down 13.2% from the previous fiscal year).

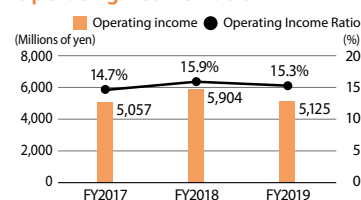
Main Financial Data

Percentage of Net Sales **41.7%**
FY2019

Net Sales



Operating Income and Operating Income Ratio



The Business Environment

Opportunities

- Increased production of semiconductors aimed at securing inventory
- Increased demand for semiconductors for data centers and for 5G devices and base stations

Risks

- Drop in orders due to backlash from semiconductor stockpiling
- Falling investment in the semiconductor industry due to global economic slowdown

The market has been sluggish since 2019 due to the effects of major memory manufacturers curbing investment. However, demand for semiconductors has picked up due to the commercial roll out of 5G. This demand has led to adjustments in inventory giving some signs of a recovery.

Furthermore, semiconductor manufacturers and assembler are continuing to stockpile so as to avoid the heightened risk of supply chain disruptions due to the growing coronavirus pandemic. Demand for epitaxial wafers for leading edge devices has been on the rise since the fall of last year and has remained strong for all wafer sizes with peak demand adjusted on coming into 2020. However, the outlook remains uncertain due to fears of a recoil after the securing of inventories as well as instability in future global affairs.

Precision Molding Products (Semiconductors, Electronic Components, Office and Medical Equipment)

Business Strategies

Strategy Points

- ▶ Differentiate by improving performance of 300 mm wafer containers
- ▶ Set up mass production system for 0201 size carrier tape
- ▶ Expand sales of medical products with the introduction of new products

With the miniaturization of processes, semiconductor-related containers are required to have higher performance in both shipping containers and in-process containers. To this end we will differentiate ourselves from other companies by leveraging our technological superiority. We will also expand sales of in-process containers for panels of PLP (Panel Level Packaging).

Even in the mature market of OA device components, we will accurately grasp customer needs, responding flexibly to maximize profits.

In terms of carrier tape-related products, we have established a system of mass production for microelectronic components and semiconductor products, enabling us to focus on capturing demand. Additionally, we shall be able to expand business by setting up a full-scale mass production system for 0201 size carrier tapes which have been in increasing demand in recent years.

With regard to silicone rubber molded products, we will continue to focus on expanding sales of our mainstay medical products which continue to do well, by launching new products.

Outlook for Fiscal 2020

While it is unclear how long the impact of the coronavirus pandemic will last, we expect that demand for electronic systems will fall in the short term and that demand for semiconductor components will also be affected. On the other hand, it is expected that the start of 5G services will drive technological investment in industrial machinery thus supporting the semiconductor and electronic components markets. We also anticipate increasing demand for medical devices due to growing public health concerns around the world. There are many uncertainties in the business environment at present, including those of capital investment and production trends. Prospects remain uncertain and we find ourselves in a situation where it is difficult to predict the future. However, we will prepare our production system to respond to any changes in the market.

Mid-to-Long Term Outlook

There is no doubt that semiconductors are an area where growth can be expected due to the rising expectations for growth in 5G and the data center market, as well as an increase in the number of semiconductors per car installed with the heralding in of the CASE era. Sales of carrying materials for electronic components, such as semiconductor-related containers and carrier tapes, are expected to continue growing.

For silicone rubber molded products especially medical-related, the future looks bright as medical needs are expected to grow in Japan due to the declining birthrate and aging population. And globally, it is also expected that demand will increase for medical devices needed for the early diagnosis and treatment of diseases in emerging nations, as well as for advances in medical care.

TOPIC

MEDICA/COMPAMED Trade Fair 2019

Shin-Etsu Polymer Europe B.V. participated in the world's largest medical exhibition, the MEDICA/COMPAMED Trade Fair 2019, Trade Fair, in Germany. As well as all sorts of medical products such as silicone parts for the fields of catheters, anesthesia, surgery and dialysis, we displayed its PEG button currently under development, showcasing the product to attendees.

With its own processing and compounding technologies using silicone rubber as a material, we provide a wide range of products to the medical field. The company will develop its business further by actively taking on-board feedback from the exhibition.



The booth at MEDICA / COMPAMED Trade Fair 2019

Housing and Living Materials (Packaging, Construction Materials and Industrial Materials)

Business Summary

In this business segment, as well as molded products made primarily from PVC resin, such as packaging materials for food products, construction materials, and semi-manufactured materials for molding products, a wide-ranging business is being developed with new products including conductive polymers that offer conductivity and heat resistance properties and thin film made from engineering plastics.

Compounds with improved functionality and conductive polymers are growth products with increasing rates of adoption in the automotive sector and others.

Strengths

- ▶ Expanded areas where conductive polymers are used
- ▶ High-precision thin film processing technology
- ▶ Secured production sites for functional compounds

Technology and Development

For PVC-based products, we are engaged in research and development that combines our material compounding technology and processing expertise built up over many years. And for conductive polymers and high-performance, engineering plastic films, we are engaged in research and development to improve functionality and ease of use.

Main Products



Wrapping films



PVC pipes



Functional compounds



Conductive polymers

A Review of Fiscal 2019

Points of Note

Wrapping films

Both supermarkets and the food service industry were sluggish, however, films for Western confectionery pulled through

Functional compounds

Sales for machine tool cables, such as those for robots, dropped, but those for automobiles performed well overseas

Exterior material-related products

Corrugated sheets and sealants were on a par with the previous fiscal year

Material products

Sales of conductive polymers for automotive electronic components and smartphones dropped

In this segment, net sales were 19,009 million yen (down 4.6% from the previous fiscal year) and operating income fell to 508 million yen (down 5.2% from the previous fiscal year).

Although we were able to revise some of the prices for our wrapping films, shipments to supermarkets and the food service industry were both sluggish due to unseasonable weather and a rise in consumption tax. On the other hand, films for Western confectionery put on a strong show.

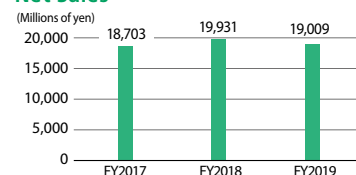
Sales of PVC pipe-related products dropped due to sluggish housing demand, although cash flow improved. Sales of exterior material-related products were strong in the first half of the year due to price revisions and special procurements for disaster relief work, but in the latter half of the year demand dropped leaving sales on a par with the previous fiscal year.

Shipments of functional compounds in the FA field continued to be slow from the beginning of the year due to the effects of a slowdown in investment, but automotive applications were strong overseas. Sales of conductive polymers dropped due to a slowdown in orders for automotive capacitor from the second half of the year, as well as a sharp decline in smartphone parts.

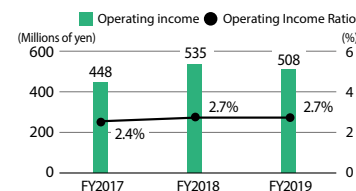
Main Financial Data

Percentage of Net Sales **23.7%**
FY2019

Net Sales



Operating Income and Operating Income Ratio



The Business Environment

Opportunities

- Shift towards electric vehicles (EV) and increased computerization and electrification in vehicles
- Expansion of market for functional compounds in Asia

Risks

- Slow market growth due to prolonged effects of Covid-19
- Impact on product prices from fluctuations in the price of crude oil

With many uncertainties in this business segment surrounding market conditions, such as with the coronavirus pandemic and fluctuations in crude oil prices, it is hard to make predictions for the future.

Demand for wrapping films in the food service industry shrank due to the effects of Covid-19, but this was offset with strong demand from supermarkets. In addition, demand for antibacterial packaging materials may increase in the future. In the ever increasingly electric automotive market, demand is expected for conductive polymers used in automotive capacitors. We can also expect further growth in the development of new applications. For functional compounds, growth will be developed by actively seeking the growing demand in the ASEAN region with the Thai subsidiary Hymix as its base.

Housing and Living Materials (Packaging, Construction Materials and Industrial Materials)

Business Strategies

Strategy Points

- ▶ Expand roll out of functional compounds the ASEAN region, and roll out in India
- ▶ Develop new applications for conductive polymers
- ▶ Develop new products in response to Covid-19

For functional compounds we were able to push forwards with product development in the ASEAN region through the merger in January 2019 of Hymix (Thailand) becoming our subsidiary, thereby expanding our production and sales bases. In addition to the ASEAN countries, we are looking at India, which is showing high economic growth, as a region for development. We will also strengthen our marketing in the medical market and work to increase profits.

Conductive polymers which are the high-value-added products show growth in automotive and smartphone fields. We also worked on developing powders for new products and we will continue to develop more new applications for these products. We will also step up sales expansion not only in Japan but also overseas in countries such as China, Taiwan, South Korea, and Malaysia.

In terms of wrapping films, as well as the need for individual packaging against the rise of more single-person households, the coronavirus has also created a need for individual packaging to prevent the spread of infection. Antibacterial products are also drawing attention, and there is a need to create such products in response to the 'new normal'. We will quickly address these needs and strive to develop products that can improve our business results.

Outlook for Fiscal 2020

The year got off to a horrendous start both in Japan and overseas owing to the coronavirus pandemic. But although the future is uncertain, the marketplace is gradually moving. In the functional compounds business, Hymix is looking to expand sales by strengthening its marketing with a focus on the ASEAN region and India also. We can expect strong demand for conductive polymers in the smartphone and electronic component markets. For wrapping films and exterior materials, we will develop the business to capitalize on the new demands brought about by Covid-19.

Mid-to-Long Term Outlook

The shortage of human resources is a medium- to long-term issue. As such, we anticipate there will be an increasing need for functional compounds as demand for machine tools such as robots and medical devices and equipment grows due to calls for labor saving requirements on site. The material-based products of conductive polymers are expected to grow over the long term in line with the trend toward hybrid cars and electric vehicles. Additionally, the number of newly built homes will continue to decline and home renovations are expected to remain flat. However, given that there are an increasing number of public infrastructures more than 50 years old, we expect continued growth for our repair materials.

TOPIC

SEPLEGYDA® Conductive Polymer OCK Series

SEPLEGYDA® is functional conductive ink that can be used in various applications. Shin-Etsu Polymer has developed a powder form product as a new one.

This is a powder of a low solid content conductive polymer dispersion that utilizes our unique synthesis and modification technology, and can be used for powder mixing applications such as high solid content slurry preparation. It has a particle size of about 2 μm and an electrical conductivity of 0.1-10 S/cm.

The product is expected to be used as an antistatic agent or as an electrode auxiliary agent. We will continue to look for future market possibilities.



SEPLEGYDA® in powder form is expected in various uses

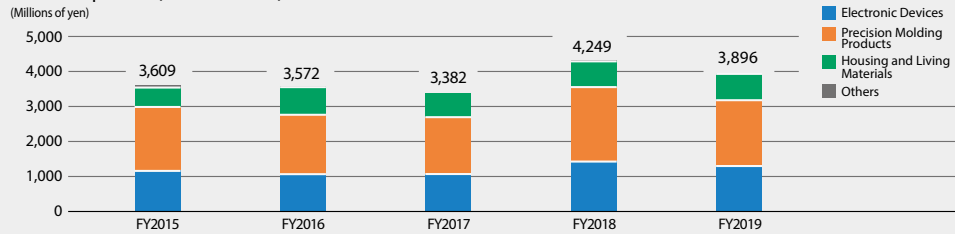
Research and Development

Basic Policy

The basis of the Shin-Etsu Polymer Group's research and development is to uncover new customer needs through close communication with customers, to provide valuable products that fully utilize the Group's core technologies.

We believe that the mission of our research and development is to expand existing businesses and create new businesses for the next generation to meet customer needs in a wide range of fields. This is to be achieved through the fundamental technologies that form the nucleus of the Group's technological development and through the multi-dimensional development of our core technologies which have been cultivated over many years.

● R&D Expenses (Consolidated)



R&D Organization

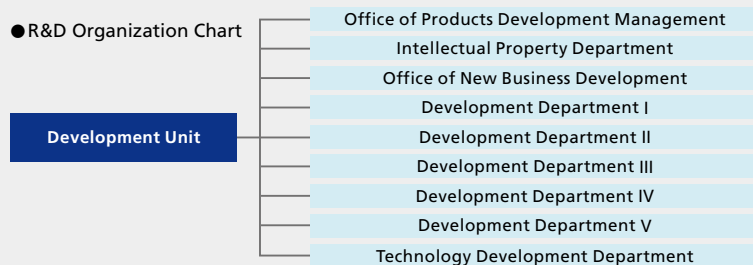
Research and development is led by the Development Unit working towards enhancing core technologies and establishing new ones.

Development Departments I - V handle development for work-site operations while the Office of New Business Development and the Advanced Development Group within the Office of Product Development takes care of new business development.

With a consistent development system from design to evaluation, the Development Unit makes full use of the Group's technology and production capacity, working closely together with the Sales and Production Units to discover various market needs and add high value.

Furthermore, we are actively promoting joint development within the Shin-Etsu Chemical Group, as well as promoting partnerships with research institutes such as universities, working towards developing markets for the next generation.

● R&D Organization Chart

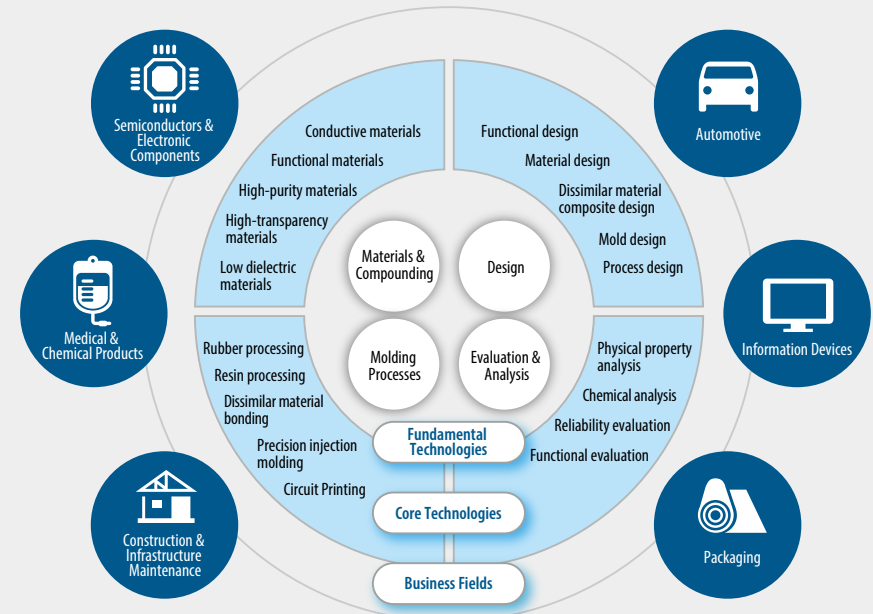


Main R&D Fields

The Group is developing products which meet the needs of customers in a broad range of markets such as in automotive, semiconductor, and medical equipment related markets utilizing our core technologies, which include precision micro-processing and compounding of functional resins such as silicone rubber, plastics and conductive materials.

Currently, we are working on the development of expanding applications for conductive polymers, high-performance engineering plastic films, next-generation semiconductor panel containers, and products for next-generation cars. Going forward, we will continue to work on research and development while carefully identifying market needs and growth potential.

● Main R&D/Technology Themes



Research and Development

Development of environmentally friendly/contributory products

● **Environmentally friendly/contributory products - Concept**
In accordance with its Basic Environmental Principal, Shin-Etsu Polymer Group is working on the development of Environmentally friendly/contributory products to reduce environmental impacts and solve social issues.

For our Group, environmentally friendly/contributory products refer to either new or existing products that solve customer challenges. And after confirming that society and the environment really require them (social needs), these products are certified according to 97-point evaluation criteria across 7 categories, including resource saving and energy saving, etc. They are also products which contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). We will contribute to the creation of a sustainable society by working to reduce environmental impacts of the entire product value chain from material procurement to production, use, and disposal.

● **Development Concept of environmentally friendly/contributory products**

Environmental Initiatives

The concept is to change conventional QCD to QCD+E (environment friendly)

Quality Cost Delivery



Ecology

1. Effective use of resources
2. Energy saving
3. Waste reduction
4. Recycling
5. Environmental pollutants
6. Safety
7. Biodiversity conservation

By developing Environmentally friendly/contributory products, we aim to be a company that contributes to the creation of a recycling-oriented society and a company that is appreciated in a society where environmental management is seen as important.

● **Environmentally friendly/contributory products - Certification Targets**

We started internal certifications of “Environmentally friendly/contributory products” which evaluating products based on these criteria since April 2013. By 2020, we are hoping to triple the number of certified products from those in 2014.

● **Development Case Example**

Self lock bandage & Polyma Multi-Tape

The Self lock bandage and the Polyma Multi-Tape are both self-adhesive, silicone rubber tapes.

Initially, the Self lock bandage was developed to repair water leaks in pipes and fittings. Then, after listening to customer feedback, the Polyma Multi-Tape with its anti-corrosion and leak repair qualities was developed, surpassing the Self lock bandage for its better adhesion.

Since these products do not use adhesives, there are no traces of residue when peeled off, and anyone can easily use them simply by winding them while pulling. Moreover, because of their high weather resistance and durability they can achieve sustainable use of existing infrastructure maintenance and reduce the negative impact on the environment.



Self lock bandage



Polyma Multi-Tape

Intellectual Property Initiatives

● **Basic Policy**

Recognizing that patents and technological expertise are important management assets, the Group supports the expansion of existing businesses and the creation of new businesses from the perspective of intellectual property. Our basic policy on activities connected with intellectual property is to enhance intellectual property management with our mission being to secure competitive advantages in the marketplace and reduce risks.

● **Intellectual Property - Management and Use**

With a focus on the Intellectual Property Department, the Group is working together with the Production unit, the Sales unit and the Development unit as one, to apply for and acquire strategic industrial property rights to create new businesses. And, based on respect for the intellectual property rights of other companies, we are also working on risk management by expanding our global research activities, conducting intellectual property life-cycle management, and making use of intellectual property agreements. Furthermore, we continue to carry out training and awareness building activities to further raise the level of our employees in terms of intellectual property.

● **Number of Proprietary Patents and Others**

		FY2018	FY2019
Japan	Patents	1,034	1,056
	Utility models	3	2
	Industrial designs	72	63
	Trademarks	143	144
Foreign patents		537	556

Corporate Governance

Basic Approach

The Company recognizes that the cornerstone of management is to increase corporate value as a global company 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 and strengthening its internal control functions.

Basic Policy

① **Ensure the rights and equality of shareholders**

We will respect the rights of shareholders, give consideration to the equality of all shareholders including minority shareholders and non-Japanese shareholders, and strive to provide an environment where shareholders can exercise their rights appropriately.

② **Cooperate appropriately with stakeholders other than shareholders**

We will strive to cooperate with stakeholders other than shareholders for the sustained growth of the Company and the creation of corporate value over the medium to long term.

③ **Carry out appropriate disclosure of information and ensure transparency**

We will make appropriate disclosures under laws and regulations, and proactively disclose other information in an effort to provide users with information that is easy to understand and highly useful.

④ **Duties of the Board of Directors**

Based on its fiduciary responsibility to shareholders, we will strive to ensure the Board of Directors fulfills its roles and responsibilities in an appropriate manner.

⑤ **Shareholder engagement**

We will explain our management policy to shareholders in an easily understandable manner, make efforts to obtain their understanding, and strive to engage in constructive dialogue.

● Corporate Governance System

Shin-Etsu Polymer is a company with corporate auditors. The Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution in multiple layer, thereby providing a functional and effective managerial supervisory function as well as a supervisory and audit function that ensures objectivity and neutrality.

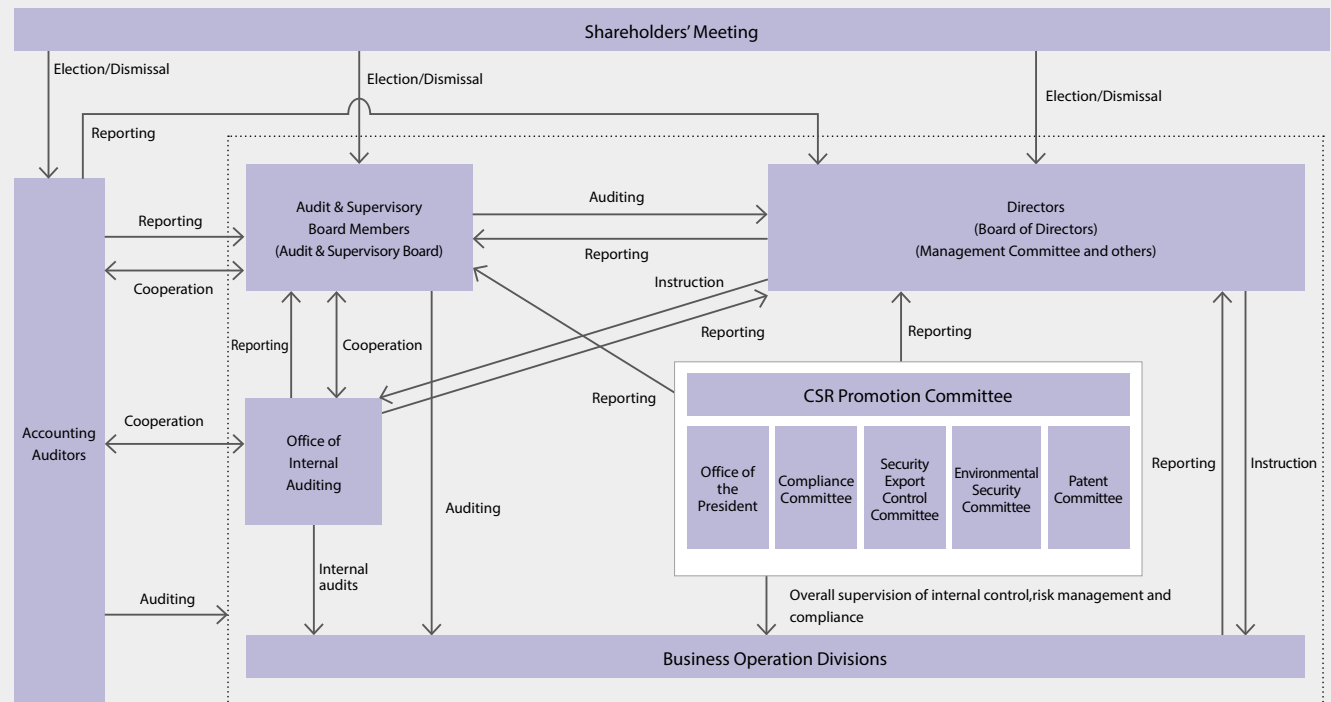
The Board of Directors is responsible for important management decisions and appropriately supervises the directors in executing their duties. As of June 24, 2020, the Board of Directors is composed of 11 directors, two of whom are outside directors (both independent officers). The outside directors have extensive experience and deep insight

accumulated over many years, one as a corporate executive and the other as an accounting and tax specialist, which allows for a broad perspective in conducting objective and appropriate supervision of Shin-Etsu Polymer management.

● Main Meetings and Attendance

Meeting	Number of Meetings	Average Outside Director Attendance
Board of Directors	13	96.2%
Management Committee	13	96.2%
Audit & Supervisory Board	18	100%

● Corporate Governance System (as of June 24, 2020)



Corporate Governance

●Improving the Effectiveness of the Governance System

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 2019, and implemented a self-assessment survey at a Board meeting held in May 2020.

As a result, it was confirmed that the Board of Directors is composed of directors with diverse values and perspectives that reflect the wide range of expertise in each field and overseas work. Moreover, the Board of Directors generally functions in a timely and appropriate manner, making quick decisions or open and constructive discussions, including the raising of issues by outside directors, confirming that the effectiveness of the Board of Directors is by and large assured.

In addition to its role as an executive body, issues were identified that further discussions are required on the medium-term management plan and strategies, and on strengthening governance as a listed subsidiary. With respect to these management issues, we will continue to deepen and improve discussions to solve the issues and work to further improve the effectiveness of the Board of Directors.

●Audit System

With regard to the auditor's audit, three outside auditors constitute the Audit & Supervisory Board and carry out audits independently from business execution. Audit & Supervisory Board members fulfill their function of supervising management by attending Board of Directors and other meetings, and also hold regular and extraordinary Audit & Supervisory Board to discuss important auditing matters arising from reports from each Audit & Supervisory Board member. The Office of Internal Auditing audits the execution of management and operational systems as well as work processes with respect to their legality, rationality and efficiency. With regards to accounting audits, we receive quarterly reviews or audits from an auditing firm, receiving accounting advice where appropriate.

The auditor's audits, internal audits and accounting audits are

all thoroughly carried out with close exchange of information based on mutual cooperation and collaboration to provide effective audits.

Relationship with the Parent Company

Shin-Etsu Chemical Co., Ltd., the parent company of Shin-Etsu Polymer, is a controlling shareholder holding 53.1% of the number of shares (issued treasury stock). Shin-Etsu Polymer is a part of the Shin-Etsu Chemical Group.

We recognize that maintaining close cooperation with Shin-Etsu Chemical and all the companies of the Group, demonstrating our collective strengths, will lead to improved corporate value for us. As such, we have established a collaborative relationship with Shin-Etsu Chemical for the purpose of exchanging information on the development of raw materials and management information. However, we have not received any license from Shin-Etsu Chemical for our products. In addition, when we purchase raw materials from Shin-Etsu Chemical, we make fair and appropriate decisions through negotiations based on standard terms of sale. And regarding personnel, no director at Shin-Etsu Polymer serves as an executive at Shin-Etsu Chemical.

Based on the above, we are in a situation where we can make our own choices with regard to such things as decisions on management policy, etc. We therefore recognize that we have a certain degree of independence from our parent company.

Shareholder and Investor Engagement

●Information Disclosure System

Along with always striving to enhance corporate governance and ensure management transparency, in relation to the disclosure of information to shareholders and investors, the Group strives for fair, timely and appropriate information disclosure based on the relevant laws and regulations regarding financial product transactions and Tokyo Stock Exchange Regulations.

Regarding the Information Disclosure System, the Company puts in place a person in charge of information disclosure based on the Basic Policy on Information Disclosure and holds the Information Disclosure Committee chaired by

the person in charge of information disclosure.

The Information Disclosure Committee, comprised of the heads of the Office of the President (IR Manager and PR Manager), the Accounting & Finance Department and the General Affairs Department, and heads of other relevant departments, convenes as required for flexible and prompt information disclosure.

●Communication with Shareholders and Investors

As an opportunity to describe its business situation to shareholders and investors, the Company holds briefings for analysts, investors and the media after the financial results for the end of each fiscal year and second quarter have been announced.

Furthermore, the Company also uses its website as a means to provide swift and fair information disclosure to its shareholders and investors, providing information such as news releases, financial summaries, presentation materials, annual reviews, Annual Meeting of Shareholders materials, and resolution notices.

●Officers (As of June 24, 2020)

President	Yoshiaki Ono	
Executive Director	Toshiaki Deto	General Manager, Sales Unit
Senior Directors	Toru Takayama	In charge of Environment Control & Safety and Internal Audits, General Manager, Office of the President
	Mikio Furukawa	General Manager, Office of Business Development, Sales Unit
	Satoru Sugano	General Manager, Development Unit
Directors	Shigemichi Todoroki	(Outside Director and Independent Officer)
	Osamu Miyashita	(Outside Director and Independent Officer)
	Yasushi Shibata	General Manager, Administrative Unit and General Manager, Human Resources Department
	Naoki Kobayashi	General Manager, Office of Sales & Marketing Unit, Sales Unit
	Kan Ishihara	President, Shin-Etsu Finetech Co., Ltd.
	Mitsuo Sato	General Manager, Production Unit
Full-Time Audit & Supervisory Board Members	Shuichi Noguchi	(Outside Corporate Auditor)
	Morio Miyazaki	(Outside Corporate Auditor)
Audit & Supervisory Board Member	Sachihito Hosogi	(Outside Corporate Auditor)

CSR Initiatives

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.

The Group will contribute to the realization of a sustainable society by aiming to solve social issues through its business while meeting the demands and expectations of society.



Shin-Etsu Group Business Principle and Basic ESG Policy
https://www.shinetsu.co.jp/en/csr/csr_management.html

CSR Initiatives
<https://www.shinpoly.co.jp/english/environment/>

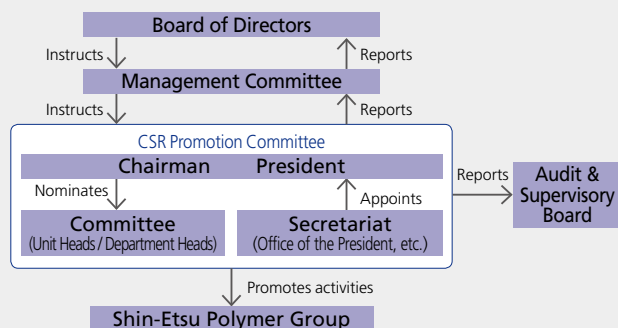
Sustainability Report
<https://www.shinpoly.co.jp/english/environment/report/>

CSR Promotion Structure

The Shin-Etsu Polymer Group has always been engaged in CSR activities with departments and group companies each playing a role, setting up and holding the CSR Promotion Committee to further strengthen its promotion of CSR management.

Under this framework, our ability to respond to ESG-related risks and opportunities has been strengthened through defining a CSR activity policy and establishing a system for carrying out CSR activities across the whole Group.

● CSR Promotion Structure Chart



Key CSR Issues

The Shin-Etsu Polymer Group has set out and is promoting initiatives for its Key CSR Issues as important issues the Group needs to address based on social demands and expectations from its stakeholders.

A subcommittee has been set up and is prioritizing activities to tackle, in particular, promoting CSR procurement and the diversification of supply sources, as well as the promotion of respect for human rights, the development of human resources and the promotion of diversity, as key challenges among the CSR issues.

● Major Initiatives in 2019

In fiscal 2019, we implemented the following initiatives. We also began an e-learning program for Group employees to learn about CSR in general, such as CSR trends, ESG investment, and the SDGs, in order to further everyone's understanding of CSR.

Key Issues		Main Committees and Meetings	Main Specific Activities
1	Securing the safety of workers and promoting good health	Environmental Security Committee	Environmental safety audits carried out at each business site to check how environmental conservation activities (health and safety, disaster prevention and fire prevention, environment, legal compliance) are being implemented.
2	Saving energy and resources and reducing the impact on the environment	Green Activities Promotion Committee	Promoted environmental conservation and environmental management through understanding and addressing our environmental performance, such as measures against global warming and effective use of resources, and through education and training.
3	Improving product quality and product safety management	Global Quality Assurance Meeting	In order to provide safe and secure products, established a quality assurance system for the entire Group which implements quality improvement activities through holding special "quality" months, conducting on-site audits to prevent cases of poor quality, as well as furthering education on quality matters and holding global quality conferences.
4	Promotion of CSR procurement and diversification of materials procurement	Company Procurement Meeting CSR Procurement Subcommittee	Distributed and disclosed CSR Procurement Guidelines to suppliers and held study sessions for procurement employees to promote understanding both inside and outside the Company.
5	Promotion of respect for people, development of human resources and diversity	CSR Human Affairs Subcommittee	Conducted due diligence on human rights for foreign workers at domestic and overseas sites, and worked to promote the use of internal systems and rules to address diversity in work styles.
6	Respect and protection of intellectual property	Patent Committee	The Patent Committee reported on its activities such as the protection of intellectual property rights acquired through work based on various regulations connected with industrial property rights, and respecting the intellectual property rights of other companies, etc.
7	Community contribution activities	CSR Promotion Committee	Worked together with local communities by promoting eco-products through product development that contributes to the environment and society, and donated our 'shupua' range of products to institutions and organizations.
8	Timely and accurate information disclosure and dialog with stakeholders	Information Disclosure Committee	Worked to enhance fair, timely and appropriate information disclosures as well as IR and public relations activities.

Eleven-Year Summary

(For the years ended March 31, 2010 through 2020)

	Millions of yen											Thousands of U.S. dollars ¹
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2020
Operating Performance (For the year):												
Net sales	¥80,254	¥85,460	¥79,343	¥73,979	¥75,039	¥71,707	¥67,332	¥60,669	¥62,650	¥70,469	¥70,181	736,275
New segments ²												
Electronic Devices	19,725	20,699	19,554	18,644	19,933	18,875	16,453	15,103	16,935	22,258	25,370	180,963
Precision Molding Products	33,451	37,089	34,369	31,074	30,377	28,644	26,407	22,329	23,270	25,141	22,925	306,889
Housing and Living Materials	19,009	19,931	18,703	17,269	18,205	18,435	18,499	17,427	17,273	17,818	16,847	174,394
Others	8,067	7,740	6,715	6,991	6,522	5,753	5,971	5,808	5,170	5,250	5,038	74,009
Old segments												
Electronics and Functional Products	—	—	—	—	—	—	—	—	—	—	36,502	—
Packaging Products	—	—	—	—	—	—	—	—	—	—	24,142	—
Construction Materials and Constructing	—	—	—	—	—	—	—	—	—	—	9,537	—
Overseas sales	36,943	40,396	38,092	33,593	34,495	31,660	27,160	21,844	21,041	25,511	25,468	338,926
Gross profit	25,693	26,762	24,627	22,692	20,896	18,534	16,582	15,028	15,081	18,466	17,168	235,715
Operating income	7,756	8,153	7,206	5,511	4,101	2,231	1,314	944	1,071	3,385	2,457	71,155
Ordinary income ³	8,097	8,026	7,274	5,934	4,532	2,865	1,662	1,291	1,248	3,054	2,816	74,284
Profit attributable to owners of parent	6,288	6,049	5,455	4,230	3,151	1,777	720	210	304	1,224	916	57,688
Comprehensive income (loss)	5,587	4,468	6,239	2,361	226	4,544	5,869	3,059	▲ 877	▲ 1,461	—	51,256
Capital expenditure	3,032	6,023	5,420	3,721	4,424	3,877	2,571	3,015	2,175	2,303	921	27,816
R&D expenses	3,896	4,249	3,382	3,572	3,609	3,225	2,807	2,601	2,260	2,581	2,519	35,743
Financial Condition (At year-end):												
Total assets	¥105,378	¥107,032	¥103,667	¥96,061	¥92,845	¥93,889	¥88,644	¥81,342	¥81,017	¥81,326	¥85,628	966,770
Total net assets	84,538	80,560	77,510	72,890	71,253	72,250	68,088	63,020	60,749	62,710	64,800	775,577
Net working capital ^{4,9}	58,904	54,118	53,658	51,549	49,917	49,798	46,092	41,745	39,810	40,057	39,831	540,403
Cash Flows:												
Cash flows from operating activities	¥7,688	¥9,498	¥8,447	¥7,278	¥7,682	¥4,656	¥4,373	¥3,106	¥5,252	¥7,505	¥8,806	70,532
Cash flows from investing activities	▲ 4,629	▲ 6,745	▲ 4,437	▲ 1,843	▲ 4,768	▲ 1,572	▲ 3,036	▲ 3,286	▲ 2,789	▲ 3,113	▲ 949	▲ 42,467
Free cash flow ⁵	3,059	2,752	4,009	5,435	2,914	3,084	1,337	▲ 180	2,463	4,392	7,856	28,064
Cash flows from financing activities	▲ 1,813	▲ 3,204	▲ 1,670	▲ 789	▲ 1,179	▲ 604	▲ 745	▲ 732	▲ 981	▲ 2,526	▲ 4,805	▲ 16,633
Per Share Data:												
Net income	¥77.55	¥74.27	¥66.48	¥51.60	¥38.55	¥21.85	¥8.86	¥2.59	¥3.74	¥15.06	¥11.28	\$0.71
Net assets	1,042.40	989.44	948.31	887.09	870.12	874.65	826.10	764.26	736.45	758.67	785.10	9.56
Cash dividend	18.00	16.00	12.00	12.00	9.00	9.00	9.00	9.00	9.00	12.00	9.00	0.17
Financial Ratios:												
	(Except interest coverage ratio)											
Return on equity (ROE) ⁶	7.6	7.7	7.3	5.9	4.4	2.6	1.1	0.3	0.5	2.0	1.5	
Return on assets (ROA) ^{3,7}	7.6	7.6	7.3	6.3	4.9	3.1	2.0	1.6	1.5	3.7	3.3	
Equity ratio	80.0	75.1	74.6	75.8	76.7	76.0	75.7	76.4	73.9	75.8	74.5	
Interest coverage ratio (Times) ⁸	254.6	396.1	345.1	285.5	283.2	150.5	133.8	91.8	152.8	77.2	64.0	

Notes: 1. U.S. dollar amounts are included solely for the convenience of readers, using the conversion rate of ¥109 per US\$1 prevailing on March 31, 2020.

2. Segment classification under net sales has been changed from the year ended March 31, 2011 due to the application of new accounting standards for reportable segments. Segment information for the previous fiscal year was restated accordingly to allow year-on-year comparison.

3. In the fiscal year ended March 31, 2015, "loss on retirement of noncurrent assets" was reclassified from extraordinary loss to non-operating expenses. Ordinary income and return on assets for the fiscal year ended March 31, 2014 were restated to reflect this change.

4. Net working capital = Current assets - Current liabilities 5. Free cash flow = Cash flows from operating activities + Cash flows from investing activities 6. ROE = Profit attributable to owners of parent / Total net assets (average of beginning and end of term balances)

7. ROA = Ordinary income / Total assets (average of beginning and end of term balances) 8. Interest coverage ratio = Cash flows from operating activities / Interest payment

9. For the fiscal year ended March 2019, according to the application of the Partial Amendments to "Accounting Standard for Tax Effect Accounting", deferred tax assets of current assets is included under fixed assets, and deferred tax liabilities of current liabilities is included under non-current liabilities. The net working capital for the fiscal year ending March 31, 2018 is calculated based on the results of similar reclassifications.

Company Profile, Group Network and Investor Information (As of March 31, 2020)

Company Profile

Corporate Name	Shin-Etsu Polymer Co., Ltd.
Established	September 15, 1960
Head Office	Sotetsu Kandasudacho Building, 1-9 Kanda-Sudacho, Chiyoda-ku, Tokyo 101-0041 Japan
Paid-in Capital	¥11,635 million
Number of Employees	4,655 (Consolidated) 1,030 (Non-consolidated)
Consolidated Subsidiaries	14 companies
URL	https://www.shinpoly.co.jp/english/

Network

Our Company

Head Office

Chiyoda-ku, Tokyo

Plants

Tokyo Plant (Saitama Prefecture)
Kodama Plant (Saitama Prefecture)
Nanyo Plant (Yamaguchi Prefecture)
Shiojiri Plant (Nagano Prefecture)
Itoigawa Plant (Niigata Prefecture)

Major Shareholders

Number of Shares Authorized	320,000,000
Number of Shares Issued	82,623,376
Number of Shareholders	8,407
Fiscal Year-End	March 31
Stock Listing	Tokyo Stock Exchange (Ticker code 7970)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Subsidiaries

Sales and Construction, etc.

Shin-Etsu Finetech Co., Ltd. (Tokyo)

Sales

Shin-Etsu Polymer America, Inc. (U.S.A.)
Shin-Etsu Polymer Europe B.V. (Netherlands)
Shin-Etsu Polymer Shanghai Co., Ltd. (China)
Shin-Etsu Polymer Singapore Pte. Ltd. (Singapore)
Shin-Etsu Polymer Hong Kong Co., Ltd. (Hong Kong, China)
Shin-Etsu Polymer (Thailand) Ltd. (Thailand)
Shin-Etsu Polymer Vietnam Co., Ltd. (Vietnam)

Manufacturing

Shin-Etsu Polymer (Malaysia) Sdn. Bhd. (Malaysia)
Suzhou Shin-Etsu Polymer Co., Ltd. (China)
PT. Shin-Etsu Polymer Indonesia (Indonesia)
Shin-Etsu Polymer Hungary Kft. (Hungary)
Shin-Etsu Polymer India Pvt. Ltd. (India)
Dongguan Shin-Etsu Polymer Co., Ltd. (China)
Hymix Co., Ltd (Thailand) (Non-consolidated)

Major Shareholders

	Number of Shares (Thousands)	Percentage of Total Equity (%)
Shin-Etsu Chemical Co., Ltd.	42,986	53.1
Japan Trustee Services Bank, Ltd. (Trust account)	4,004	4.9
The Master Trust Bank of Japan, Ltd. (Trust account)	3,752	4.6
Hiroshi Tsunoda	1,438	1.7
Japan Trustee Services Bank, Ltd. (Trust account 9)	904	1.1
Nippon Life Insurance Company	768	0.9
Japan Trustee Services Bank, Ltd. (Trust account 5)	732	0.9
Credit Suisse securities, LTD.	685	0.8
JP MORGAN CHASE BANK 385151	593	0.7
Mizuho Trust & Banking CO., Ltd.	585	0.7

1. In addition to the above and excluded from the above major shareholders, 1,744 thousand shares of treasury stock are held in the name of Shin-Etsu Polymer Co., Ltd.
2. Percentage of total equity is calculated excluding treasury stock.

Composition of Shareholders

