Shin-Etsu Polymer Co.,Ltd.

Annual Review 2022

Year Ended March 31, 2022

Contents

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.

Corporate Mission Statement

Contribute to social and industrial development
by creating value based on technologies and products
while simultaneously facilitating fair corporate activities in compliance with laws and regulations.

Strength of Shin-Etsu Polymer

Comprehensive Strengths
of the Shin-Etsu Group

The Shin-Etsu Polymer Group collaborates with the Shin-Etsu Chemical Group, integrating Group strengths ranging from materials development to processing.

Technological Strengths
as a Manufacturer of Molded Plastic Products

We develop applications for our core technologies using silicone and various plastics, and provide high-value-added products that deploy our sophisticated technologies.

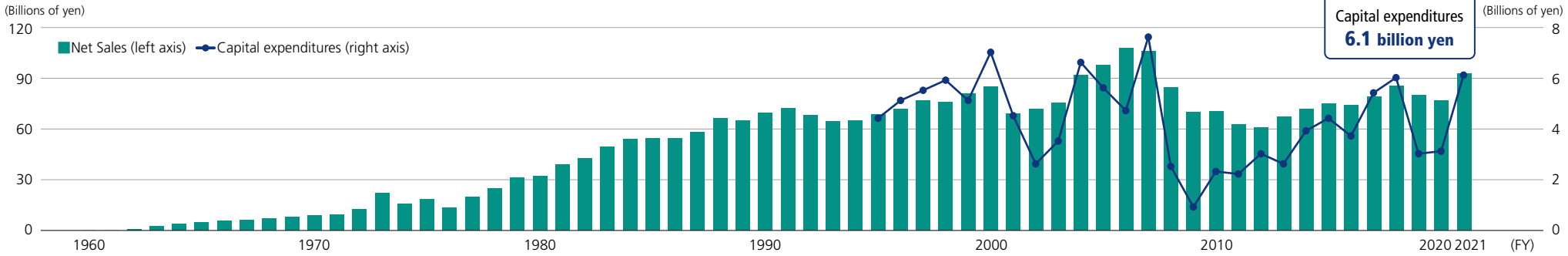
Ability
to Meet Global Needs

We use our network covering Japan, Europe, North America and Asia to produce and sell products that meet the diverse needs of customers in a wide range of business fields.

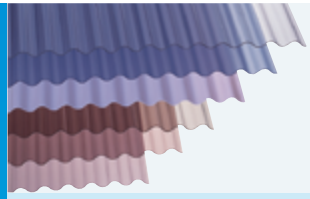
Shin-Etsu Polymer's Progress

Shin-Etsu Polymer Co., Ltd. began operations in 1960 as a manufacturer of molded PVC products. We started out by manufacturing and selling corrugated sheets, pipes, and other construction materials. As a resin processing manufacturer, we produce a wide variety of products to meet the demands of society in a wide array of fields from automobiles and semiconductors to construction materials.

FY2021
Net Sales
92.64 billion yen
Capital expenditures
6.1 billion yen



Value provided



Supported High Economic Growth with Infrastructure Materials

1961
Started production of PVC corrugated sheets and pipes
1965
Began production of PVC films and sheets
1969
Developed conductive silicone rubber

Contributed to making electronic devices lighter, thinner, and smaller

1972
Became first to adopt rubber contacts for calculators
1975
Developed and adopted inter-connector for LCD
1979
Began production of 5-inch wafer containers

Contributed to overseas expansion of Japanese companies and widespread use of electronic devices

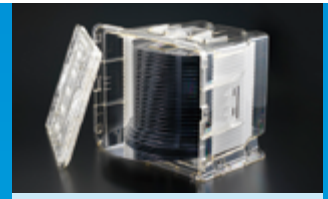
1981
Established first overseas sales base in the US
1984
Began production of carrier tapes for electronic components
1988
Established first overseas production base in Malaysia

Became a leading supplier in the IT era

1990
Began overseas production of rubber contacts
1993
Began production of semi-conductive rolls for printers
1996
Began production of 300mm wafer containers

Supported advancement of electronic devices and improved environmental friendliness

2001
Began publishing Environmental Reports (current Sustainability Report)
2001
Began overseas production of medical tubing
2008
Began production of capacitive sensor sheets
2009
Began production of conductive polymers



Addressed next-generation mobility and semiconductor demand

2018
Began production of 0201 carrier tapes
2018
Expanded wafer container production capacity
2021
Made KitcheNista Co., Ltd. a consolidated subsidiary

Social Issues & Needs

1960—
- Growing construction demand driven by high economic growth

1970—
- Increased development of consumer electronics products resulting from high economic growth
- Progress in energy conservation due to oil crisis

1980—
- Japanese companies began full-scale expansion into overseas markets
- Widespread use of audio-visual products such as CD players
- Widespread adoption of office automation equipment such as copiers and fax machines

1990—
- Widespread use of PCs and cell phones with the development of an IT-oriented society
- Widespread adoption of small printers

2000—
- Greater regulation in response to tighter environmental protections
- Widespread use of digital consumer electronics

2010—
- Increased demand for semiconductors driven by IoT and ICT
- Widespread use of smartphones
- Widespread adoption of environmentally friendly vehicles

* Net sales figures for FY1962 through FY1980 are non-consolidated, while figures for FY1981 and onward are consolidated. Capital expenditures figures cover only FY1995 and onward.

Value Creation Process

Shin-Etsu Polymer has been creating high-value-added products with the accumulated technologies by making full use of the management resources. We will contribute to social and industrial development by creating value through our technologies and products, aiming for sustainable growth together with society.

Input
Value Creation Sources P.04

- Intellectual Capital
- Human Capital
- Manu-factured Capital
- Social and Relationship Capital
- Financial Capital
- Natural Capital

Business Activities P.10

Materiality P.21

Output
Products and Services P.11

Electronic Devices
Electronics-related areas such as input and peripheral components for automotive and information devices

Precision Molding Products
Products for transporting semicon-ductor silicon wafers and electronic components, parts for OA equipment and medical equipment, etc.

Housing and Living Materials
Wide range of Products such as food packaging materials, construction materials, and materials used for electronic components, wires, etc.

Outcome
Value Provided

Value from Products
- Higher performance in next-generation devices
- Helping to achieve next-generation mobility in society
- Addressing to medical needs
- Providing safety and secure of food
- Providing materials for infrastructure
- Addressing climate change
- Achieving a circular economy

Value from Management
- Reduction of environmental impact
- Creating a rewarding workplace
- Providing safe and secure workplace
- Improving human resource value
- Respect for diversity
- Improving shareholder value

SDGs

Vision

Achieving Corporate Mission Statement of the Shin-Etsu Polymer Group

Contribute to the development of society and industry through technologies and products

A company that continues to grow with society

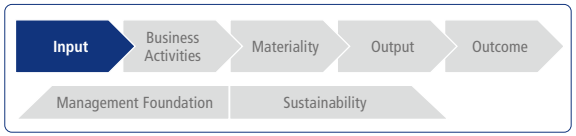
Management Foundation P.17
Corporate governance
Research and Development

Sustainability P.21

Improving Management Resources

Value Creation Sources

Shin-Etsu Polymer's capital, which has been cultivated since its establishment, supports our current business activities and plays an important role in the value creation process. By enhancing and effectively utilizing our capital, we will create value through our technologies and products and reinforce our management resources.



Intellectual Capital

Technology and intellectual property that creates products and services

We create high-value-added products and differentiate ourselves from competitors by expanding and evolving our core technologies, strengthening development for our fundamental technologies, and promoting our intellectual property strategies.

- R&D costs: **3.45 billion yen**
- Sales-to-R&D ratio: **3.7%**
- Number of proprietary patents: **1,120** patents in Japan, **584** patents overseas

Social and Relationship Capital

Achieving co-existence and co-prosperity with various stakeholders

We contribute to creating a sustainable society by building a relationship of trust through communication with our stakeholders, including customers, business partners, and local communities.

- Sales bases: **17 bases in 7 countries**
- **Extensive customer base and supply chain**
- **Brand strength based on a history of trust**

Human Capital

Recruiting and training a highly skilled and diverse workforce

We are committed to creating an environment where each employee can work in their own way and grow through their work while demonstrating a high level of expertise and skills.

- Number of employees: **5,157** (consolidated), **1,001** (non-consolidated)
- Ratio of overseas employees: **77.1%** (consolidated)
- Ratio of female employees: **20.7%** (non-consolidated)

Financial Capital

Solid financial structure that supports management

We strive to sustainably enhance corporate value by maintaining a stable financial base that enables us to actively invest in growing businesses and appropriately return profits to shareholders.

- Total assets: **122.57 billion yen**
- Equity ratio: **76.7%**
- Net working capital: **65.23 billion yen**

Manufactured Capital

Global production system that supports manufacturing

By streamlining production processes and optimizing production locations, we are boosting our global competitiveness and building a production system that can quickly address the needs of our customers.

- Production bases: **14 bases in 7 countries**
- Capital expenditures: **6.1 billion yen**

Natural Capital

Preserving the global environment by promoting "Green Activities"

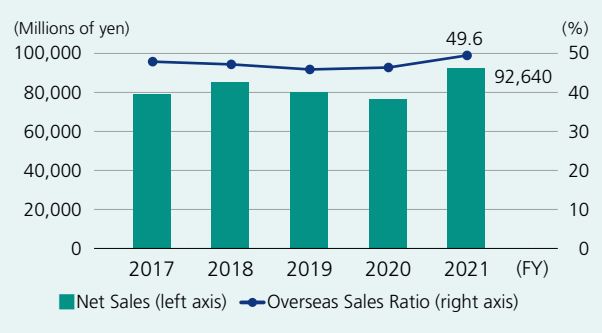
We are working to reduce our environmental impact and solve social issues by using resources and energy effectively and reducing environmentally hazardous substances.

- Crude oil equivalent energy consumption: **32,908 kl**
- Water consumption: **697,000m^3**

(As of March 31,2022)

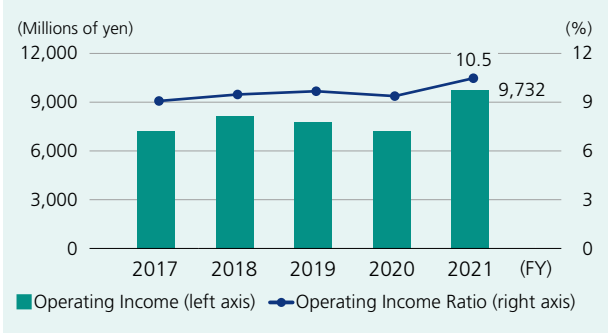
Financial Highlights

Net Sales and Overseas Sales Ratio



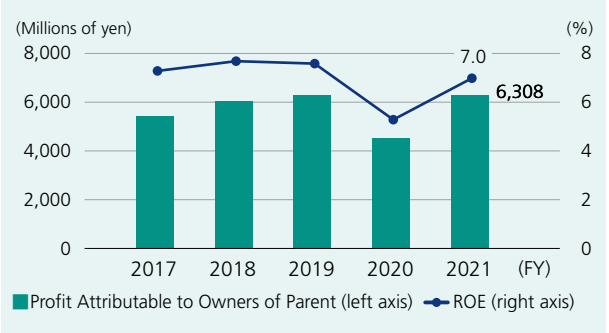
Sales of semiconductor-related containers, carrier tape-related products, and automobile-related input devices were strong, resulting in net sales of 92,640 million yen (up 20.5% from the previous fiscal year). Overseas sales totaled 45,992 million yen, accounting for 49.6% of total sales.

Operating Income and Operating Income Ratio



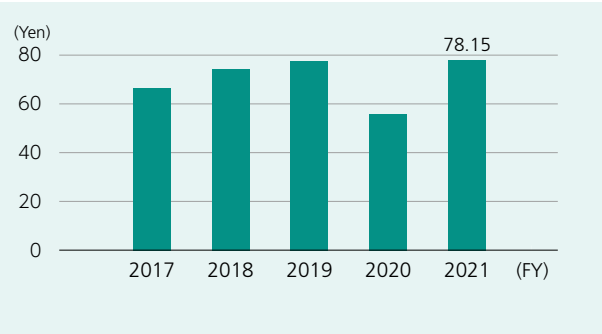
Operating income rose 34.8% from the previous fiscal year to 9,732 million yen thanks to strong sales in the Precision Molding Products and the Electronic Devices. As a result, the operating income ratio was 10.5%, up 1.1pp from the previous fiscal year.

Profit Attributable to Owners of Parent and ROE



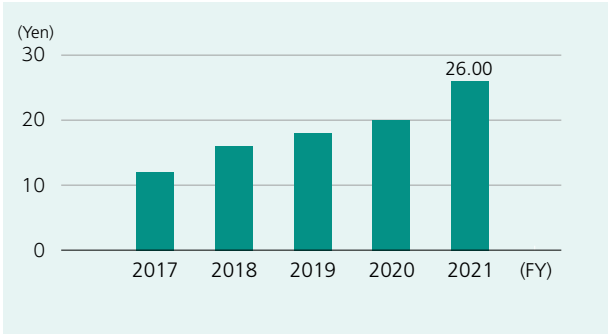
Profit attributable to owners of parent came to 6,308 million yen (up 39.0% from the previous fiscal year), including impairment losses and foreign exchange gains stemming from the weaker Japanese yen. As a result, ROE reached 7.0%, up 1.7pp from the previous fiscal year.

Net Income per Share



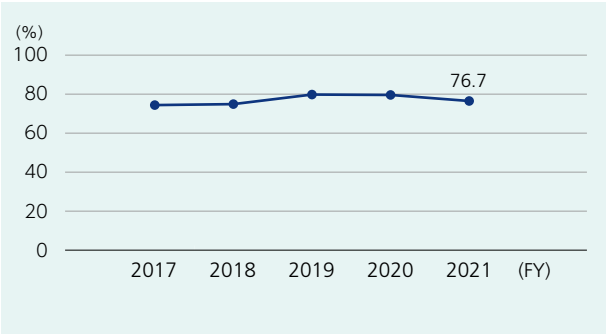
Net income per share was 78.15 yen (up 22.6 yen from the previous fiscal year) on higher net sales and operating income, mainly driven by strong performance in the Precision Molding Products and the Electronic Devices.

Cash Dividends per Share



We consider shareholder returns to be one of our key issues, and after taking into consideration our business performance and financial position for fiscal 2021, we decided to pay an annual dividend of 26 yen per share, an increase of 6 yen per share from the previous fiscal year.

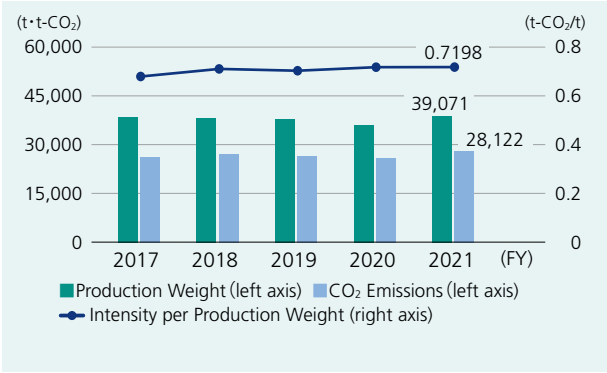
Equity Ratio



The equity ratio stood at 76.7%, down 3.1pp from the previous fiscal year, primarily reflecting an increase in total assets due to the weaker yen and the consolidation of two new subsidiaries.

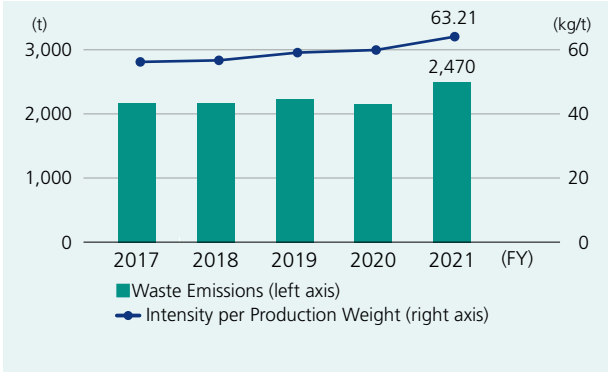
Non-Financial Highlights

CO_2 emissions and intensity per production weight (Domestic plants)



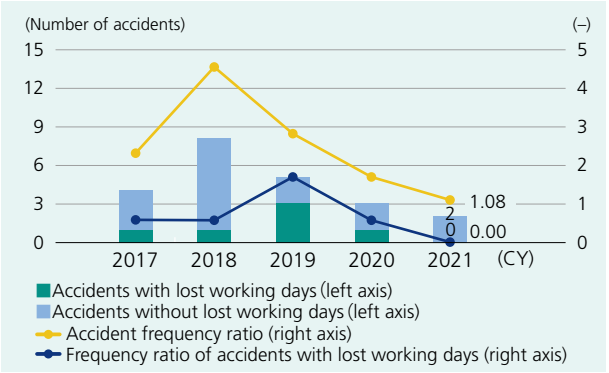
Orders for products for the semiconductor and automobile industries recovered, and overall domestic production weight increased, but basic unit of CO_2 emissions remained flat from the previous fiscal year.

Waste emissions and intensity per production weight (Domestic plants)



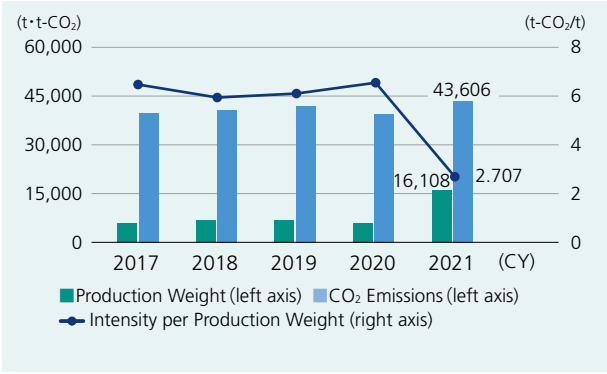
While basic unit improved at some sites due to an increase in production weight, it deteriorated at some other sites due to a change in product mix stemming from the transfer of production overseas. As a result, basic unit of overall domestic waste emissions increased by approximately 7% compared to the previous fiscal year.

Number of work place accidents and frequency ratio (Domestic plants)



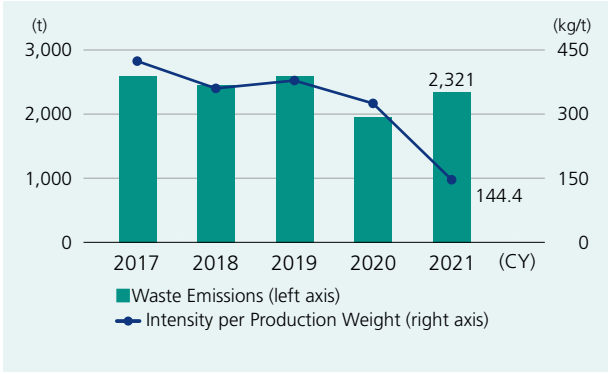
Overall, there were two accidents in Japan (no accidents with lost working days and two accidents without lost working days), a decrease of one accident from the previous year. Two of these accidents involved cuts to the fingers.

CO_2 emissions and intensity per production weight (Overseas plants)



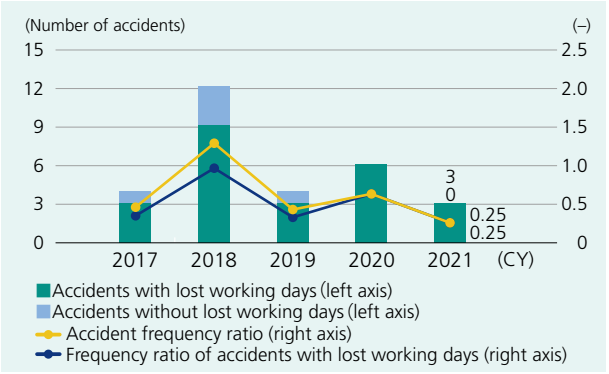
Due mainly to the fact that Hymix Co., Ltd. became a consolidated subsidiary in January 2021, production weight increased sharply, leading to a decrease of about 60% in basic unit of overall overseas CO_2 emissions from the previous year.

Waste emissions and intensity per production weight (Overseas plants)



Basic unit of overall overseas waste emission decreased by about 55% from the previous year due to a sharp increase in production weight, mainly as a result of making Hymix a consolidated subsidiary.

Number of work place accidents and frequency ratio (Overseas plants)



Overall, there were three accidents overseas (three accidents with lost working days and no accidents without lost working days), a decrease of three accidents from the previous year. Two of these accidents involved injuries due to a fall.

Message from President

Earning the trust of all stakeholders and building a structure capable of steadily generating strong earnings

President and
Chief Executive Officer Yoshiaki Ono

Despite the growing uncertainty in the external environment, we have been blessed with numerous business opportunities through which we plan to prudently, yet daringly invest in growth to establish a rock-solid structure capable of stably generating strong earnings. On this platform we will set our sights on achieving record-high profits.

Review of fiscal 2021

Demand from the semiconductor and electronic component industries continued to expand and a recovery in demand in automobile-related industries also helped drive brisk growth in sales and profits in fiscal 2021. As a result, we were able to achieve our long-standing ordinary income target of 10 billion yen.
Back in 2013 when I was appointed president of the Company, our very existence as an entity was at stake because the shift from feature phones to smartphones spelled the end of our feature phone keypad business—a business that commanded a sizeable share of the global market at the time. We therefore staged a comeback by channeling our managerial resources into two businesses we were sure that we could deliver growth over the medium –to long term: semiconductor-related containers and key switches for automobiles. We also aimed to outperform the industry with a lofty ordinary income target of 10 billion yen. To be more specific, we capitalized on our high-quality standards, our ability to meet deadlines, and our development capabilities to do more than any other company in the industry to accommodate the needs of our customers. Those efforts paid off in the form of a favorable turnaround in the order environment.

Even though we have yet to reach our net sales target of 100 billion yen, we consider sales to be an instrument with which to generate profit, so in that sense, earnings in fiscal 2021 certainly exceeded our expectations. Even so, there is a growing sense of uncertainty about the future, especially given the resurgence of COVID-19 infections, skyrocketing raw material prices, semiconductor supply shortages, and heightened geopolitical risks stemming from the war in Ukraine. So without being satisfied with the status quo, the next step for the Company will be to reliably build a structure with which we can consistently generate the same level of earnings.

Growth strategy conducive to stable earnings generation

The strong performance in fiscal 2021 mainly owes to sharp growth in semiconductor-related containers and going forward we anticipate steady growth in semiconductor-related markets over the medium term instead of the extreme up-and-down cycle seen thus far. This is because chip demand is expanding rapidly on the back of not only the smartphone market, but also the evolving automotive industry due to the adoption of electrification and autonomous driving technologies, advancements in telecommunications infrastructure, and data center expansions, among other factors. In fact, our production of semiconductor-related containers has been unable to keep up with the pace of orders. That is why we have decided to augment our production capacity for semiconductor-related containers by 20% for now in anticipation of healthy demand over the next few years.

As for the automotive market, it is unlikely that production volume will increase significantly, but we still consider it to be a growth market because it is experiencing a period of transformation in which mainly electrification and autonomous driving is expediting technological innovation. We will work closely with our customers to bring to market, in a timely manner, products that can be used in conjunction with these new technologies.

Meanwhile, in the OA equipment market—which is said to be maturing—sales of small printers are still rising and demand for development rollers is growing. Also, our fuser rollers for use in office printers have been rated highly. We believe we can further increase our market share in this category by bolstering our product development capabilities.

We also intend to accurately gauge the needs of our customers from point of view of materials and compounding, and when necessary, undertake joint development activities with Shin-Etsu Chemical and spare no effort in strengthening products with sales growth potential. Also, in response to rising prices of raw materials, all of our business departments will be sincerely explaining to customers our plans to raise product prices.

On the other hand, we cannot achieve long-term growth if we do not try to enter new business domains. For that reason, we are intent on developing a medical-related products business as a new pillar of the Company. Products in this field must undergo a rigorous approval process, but they have a different life cycle to products in other fields, so once they gain a foothold in the market, we can expect to benefit from enduring and steady demand. Up until now, we had hesitated to actively develop this business given the requirements of complying with the Product Liability Act, but compared to other organic polymeric materials, silicone has a benign effect on living tissue and that in itself means it is physiologically inactive. Considering that silicone is recognized to be safe biologically, we are actively pursuing plans to develop products for medical applications.

Our R&D costs as a percentage of sales remains higher than the industry average and in addition to speedily offering new high-performance, highly functional products as a result of listening closely to our customers' needs, we are focused on product development in new fields, so over the next three years we hope to increase our new product weighting to above 20% at the very least.

We also consider M&As to be a valid growth strategy, so in 2019 we made Thailand-based synthetic resin processing manufacturer Hymix Co., Ltd. a consolidated subsidiary in a bid to strengthen our supply capabilities to Southeast Asia. In 2021 we brought food wrapping film manufacturer KitcheNista Co., Ltd. into the Group. In doing so, we secured the highest share of sales in the domestic market for PVC wrapping films for the food service industry. So that we can smoothly develop a market for medical-related products up ahead, we intend to further refine our precision molding and material compounding technologies, and at the same time, actively consider leveraging M&As.

Targeting sustainable growth and stepping up sustainability activities

To realize sustainable growth for both society and the Company, we undertake sustainability activities in all of our business divisions.

We are pushing ahead with Group-wide "Green Activities" to tackle such issues as global warming and the effective use of resources and we are also working towards meeting concrete targets mainly for achieving carbon neutrality, addressing climate change issues, solving environmental problems, and developing products that contribute to the achievement of the SDGs.

We also place much importance on creating a rewarding and open workplace environment for employees and we are enhancing initiatives aimed at ensuring a higher level of compliance and respect for human rights not only within our organization, but also at our business partners.

Strengthening corporate governance is also key to sustainable growth, so last fiscal year we took steps to improve the independence and objectivity of the Board of Directors and enhance supervisory functions primarily by introducing an executive officer system and establishing a special Advisory Committee for Transaction with Parent Company comprised of independent officers.

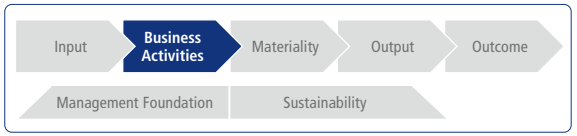
Shareholder returns and future aspirations

We do not link shareholder returns to near-term earnings alone. Instead, we hope to actively extend shareholder returns by taking into account not only the soundness of the Company's financial position, but also the securing of capital for future growth. In line with this policy, we raised our fiscal 2021 cash dividend by ¥6 to ¥26 per share (33.3% dividend payout ratio), the fourth year in a row we have hiked our full-year cash dividend. We will continue to maintain this stable dividend policy as we set ourselves target indicators.

As we have been blessed with various business opportunities over the medium term, we will prudently, yet daringly invest in growth and further beef up our earnings power in an attempt to surpass the record-high ordinary income level of 12 billion yen (achieved in fiscal 2006) as soon as possible.

Business Model

As a world-leading resin processing manufacturer, Shin-Etsu Polymer provides high-value-added products in a wide range of fields, flexibly and promptly responding to customer needs by applying our technologies to develop a variety of products.



Semiconductors & Electronic Components

We support cutting-edge processes for semiconductor wafers and electronic components by consistently leading the industry with carrier materials that incorporate precision molding technology and analysis/evaluation technology to accurately respond to the increasingly sophisticated needs of our customers.

Medical & Chemical Products

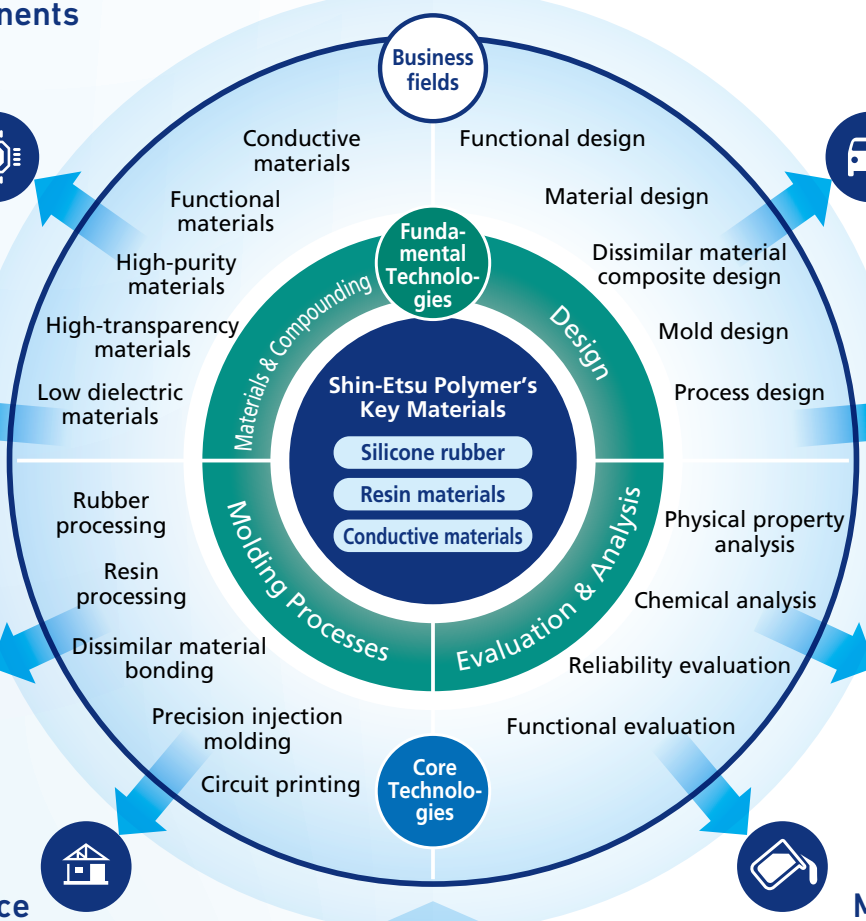
We meet the medical and health needs of people with medical devices and parts for medical equipment, such as catheters and drain tubes made from silicone rubber utilizing our highly unique compounding and processing technologies.

Office Equipment

We contribute to improving the functionality of OA equipment and protecting the environment by using rollers with world's highest level of conductivity control and foam technologies to provide the functions required for various components.

Construction & Infrastructure Maintenance

With an integrated production system that extends from raw materials to finished products, our pipes, corrugated sheets, and other construction materials have earned the trust of our customers. In addition, we support the foundations of daily life with our ease-to-use, long-lasting infrastructure maintenance materials.



Automobiles

We will contribute to technological innovation in the automotive industry by expanding our business domain through the development of various products such as input components, interior and exterior components, and materials, taking advantage of our advanced material compounding and processing technologies.

Information Devices

As electronic devices become smaller and thinner, our interconnectors, which combine thin-wall molding technology, dissimilar material composition technology, and high-precision printing technology, have good evaluation in response to the diversifying needs of the market.

Packaging

In addition to developing ultra-thin, high-stretch films with thin-film molding technology, we also focus on developing products with added functions such as coloring and antibacterial properties to meet the needs for food safety and security as well as convenience.

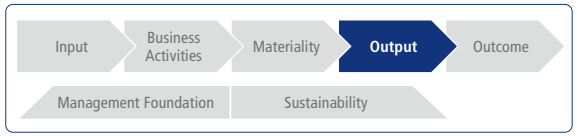
Materials

We develop and provide highly functional products such as functional compounds and conductive polymers that meet new customer needs by combining our unique material compounding, synthesis, and modification technologies that we have acquired over many years.

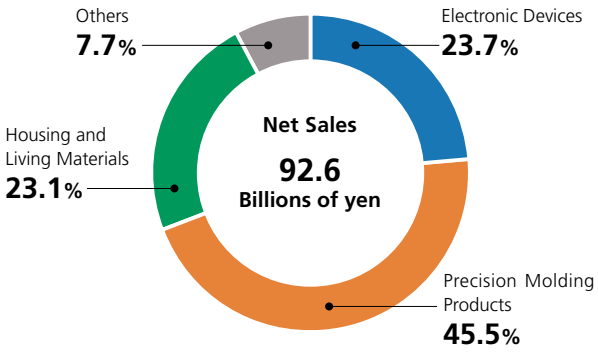
Uncovering the seeds for research

Marketing | Addressing global needs

At a Glance



Net Sales by Segments



Director and Senior Managing Executive Officer, General Manager, Sales Unit
Toshiaki Deto

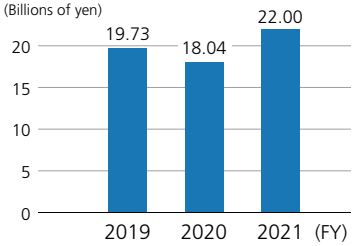
Growth trajectory built on close relationships with key customers

The strength of Shin-Etsu Polymer Co., Ltd. lies in the close relationships it has built with key customers in the automotive, semiconductor, living materials industries. Based on these relationships, we have developed product development capabilities to deliver the quality expected by our customers and a global production system that facilitates stable supply, thereby gaining even greater customer trust and setting us on a growth trajectory.

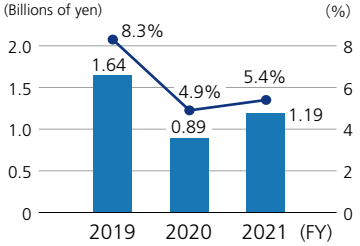
Electronics Devices

The Electronic Devices segment leverages core technologies such as those for silicone processing and combined processing of raw materials, as well as high-precision printing, to provide products and services that meet the requirements of customers in Japan and overseas that operate globally, such as manufacturers in automotive electrics, mobile devices, and electronic components. This segment expanded into overseas markets early on, leading the company in overseas sales and production.

Net Sales
(Billions of yen)



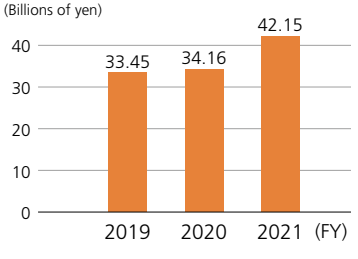
Operating Income and Operating Income Ratio
(Billions of yen) (%)



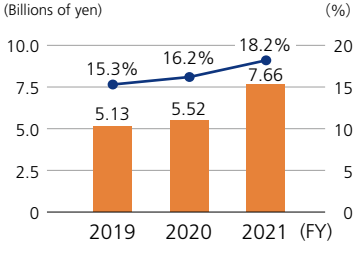
Precision Molding Products

The Precision Molding Products segment leverages our unique precision molding technologies and advanced evaluation and analysis technologies to provide precision molding products in Japan and overseas. Products offered include 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. Our stable supply capabilities, mass production quality stability backed by our flexible and quick production system has earned us a reputation for excellence.

Net Sales
(Billions of yen)



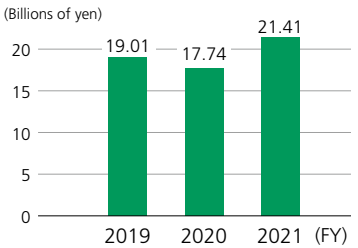
Operating Income and Operating Income Ratio
(Billions of yen) (%)



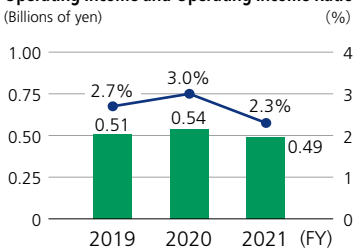
Housing and Living Materials

The Housing and Living Materials segment offers molded products made primarily from PVC resin, such as packaging materials for food products, construction materials, and semi-manufactured materials for molding products, as well as infrastructure maintenance products made mainly from silicone. Our functional compounds offering smoothness and conductive polymers offering conductivity and heat resistance are growth products that are increasingly being adopted by the automotive industry.

Net Sales
(Billions of yen)

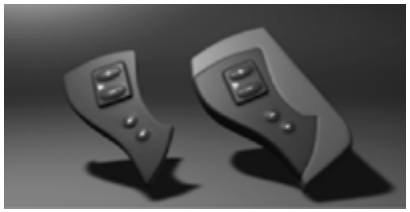


Operating Income and Operating Income Ratio
(Billions of yen) (%)



Electronic Devices

This segment operates globally with a focus on electronics-related fields, such as input components and peripheral components for automobiles and information devices.



Key switches

Touch switches

View/light path control film (VCF)

Connectors for testing electronic components

Customer Base	Manufacturers of automotive electrics, information devices, electronic components, etc.

Strengths	• Global production and sales system that enables global business development
Opportunities	• Advances in the shift toward CASE vehicles, including the electrification of automobiles • The widespread adoption of remote work accelerated by workstyle reforms and the COVID-19 pandemic
Threats	• Stagnation of automobile production resulting from supply chain disruptions, etc. • Soaring raw material prices, supply shortages, and rising logistics costs

Business Environment

Medium- to long-term growth expected in the mainstay automobile industry driven by the shift to CASE vehicles and other technological innovations

As of fiscal 2022, the negative impact of the COVID-19 pandemic is gradually subsiding worldwide. However, uncertainty remains in the automotive industry, which is the main source of demand for this segment, with the recent shortage of semiconductors and the lockdown in China causing disruptions in production and logistics. In addition, expectations for substantial growth in automobile production are diminishing.

On the other hand, the electrification of automobiles, in which vehicle operations are electronically controlled, is steadily advancing. Furthermore, the shift toward CASE vehicles underpinned by technological trends such as electrification and autonomous driving are expected to progress further going forward. Therefore, we anticipate medium- to long-term growth in automotive electrical systems for environmentally-friendly vehicles such as EVs and hybrids, as well as for autonomous driving. In addition, we expect further growth in demand for information devices as they become even smaller, thinner, and offer increasingly higher performance, with demand arising from new use cases as digital transformation initiatives take root in society.

Specific Measures for Opportunities and Threats

Accurately addressing customer needs with global production bases and sales offices

We have actively developed our production and sales bases with an eye toward the global market from early on. By establishing bases close to our customers, we are able to promptly and thoroughly respond to their needs. In recent years, the COVID-19 pandemic has prompted companies in various industries to review their supply chains. Automobile industry is also looking to their suppliers to build stable supply systems that can respond to unforeseen circumstances and surges in demand. In response to this, we will streamline our production system by ensuring that our production bases are optimally located from a global perspective with a focus on global rather than local optimization. Furthermore, we will aggressively expand our production capacity in line with market growth.

In addition, since many of our products, particularly automotive components, are custom products that are designed and developed according to the specifications set by our customers, we actively invest our resources into marketing and new product line development to ensure that we do not miss any growth opportunities.

Achievements in Fiscal 2021

POINT

Input devices

- Recovery in mainstay key switches for automobiles
- Touchpads for slim notebook personal computers (PC) also performed well

Display-related products

- Connectors for LCDs and VCF both saw steady sales

Component-related products

- Connectors for testing electronic components doing well

The Electronic Devices segment showed strong sales thanks to a recovery in demand from the automobiles industry, particularly in input devices. Net sales grew substantially over the previous fiscal year, rising 22.0% year on year to 21,996 million yen.

For input devices, sales rose overall as shipments of our mainstay key switches for automobiles recovered as the pandemic subsided and demand for touchpads for slim notebook personal computers (PC) remained strong. Display-related products saw a sharp increase in sales as a result of strong shipments of connectors for LCDs and view/light path control film (VCF). Sales of component-related products rose substantially on steady demand for connectors for testing electronic components and shipments of windshield wipers for automobiles.

As a result of the steady growth in sales, operating income in this segment rose 33.5% from the previous fiscal year to 1,186 million yen.

Outlook for Fiscal 2022 and Medium- to Long-Term Direction

The automotive industry, one of the main sources of demand in this segment, is experiencing delays in component procurement owing to the repeated lockdowns in Shanghai. Furthermore, supply shortages of semiconductors for automobiles are expected to continue for the foreseeable future in light of the global tight supply-demand balance of semiconductors. Accordingly, the situation remains uncertain despite the recent strong demand for our input devices for automobiles.

On the other hand, we expect demand growth to continue at a certain level for information devices despite the slowdown in smartphone and laptop demand underpinned by stay-at-home demand, as remote work becomes more common with workstyle reforms taking root. In the information and telecommunications field, the wave of digital transformation is not only sweeping corporate offices, but extending into everyday life. With the rapid adoption of 5G, we expect demand for touchpads for slim notebook personal computers (PC), view/light path control film (VCF), and connectors for testing electronic components to show sufficient growth, and thus anticipate solid business performance.

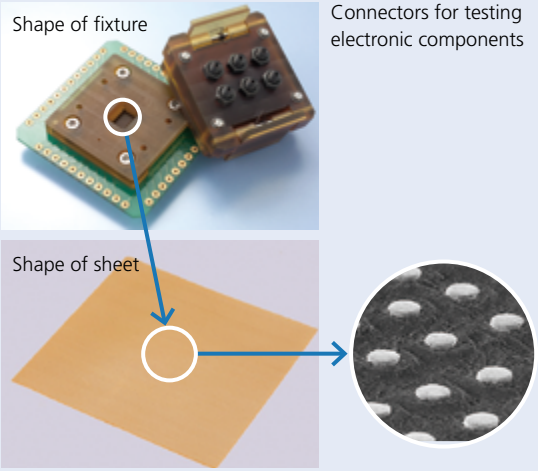
From a medium- to long-term perspective, we believe that improving production efficiency at our production bases and steadily launching and mass-producing new products are critical to achieving growth in our Electronic Devices segment. In addition to China and Malaysia, we will actively promote India as a key production base, and at the same time, we will increase our presence in the Indian market, which we consider to be a major market. We expect to expand our market share steadily for key switches for automobiles, our mainstay product, as they are used in EVs and other environmentally friendly vehicles, which are projected to grow going forward. In addition to this, we believe that capturing new markets by introducing new products, such as heat-resistant products, is also important strategy for our medium-to long-term growth.

TOPIC

Growing Demand for Connectors for Testing Electronic Components

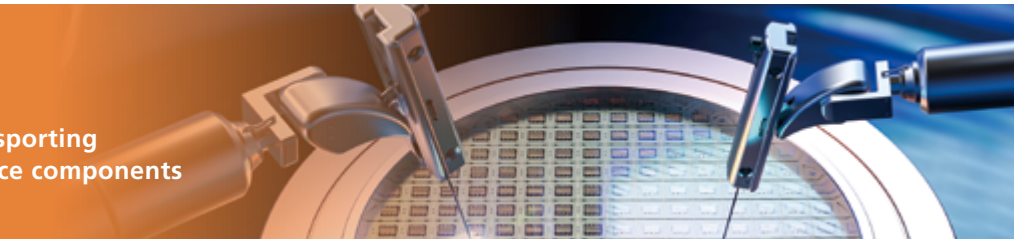
Connectors for testing electronic components are used in the production process of electronic components in communication infrastructure such as smartphones and base stations, electronic circuits for next-generation mobility, and semiconductor packages. These connectors are an anisotropic conductive sheet in which gold-plated copper wires are embedded vertically in a silicone rubber matrix with an inclination. They are used to measure the electrical characteristics of electronic components and semiconductor packages. Strengths of these connectors include high quality inspection performance, high repeat durability, and compatibility with common inspection fixtures.

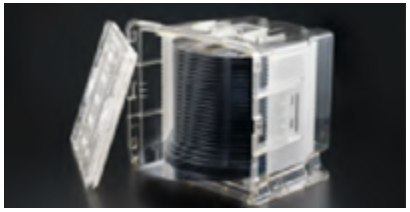
The spread of IoT and ICT has led to a rapid increase in demand for electronic components and semiconductors for next-generation communications, electrification of automobiles, and autonomous driving, and these connectors for testing electronic components contribute to the widespread adoption of these technologies.



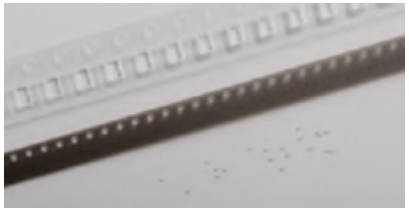
Precision Molding Products

This segment develops precision molded products such as materials for transporting semiconductor silicon wafers and electronic components, as well as OA device components and medical device components.



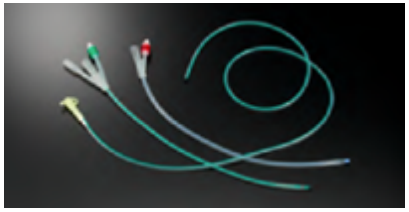


Wafer containers



Embossed carrier tapes

OA rollers



Medical device components

Customer Base	Manufacturers of semiconductors, electronic components, office automation devices, medical equipment, etc.

Strengths	• Global production system ensuring flexible and quick turnaround • Quality built on proprietary precision molding technologies and advanced evaluation/analysis technologies
Opportunities	• Capacity expansion at semiconductor and electronic component manufacturers in response to rapidly growing demand for semiconductors worldwide
Threats	• Opportunity losses arising from insufficient production capacity and delays in responding to market changes when demand expands

Business Environment

Demand for semiconductors and electronic components expected to grow over the medium term, while demand for OA devices remains firm.

Demand for semiconductors is growing rapidly as their applications have expanded substantially into new areas, with the IoT shift in manufacturing and advances in metaverse technologies, and the expansion of AI technologies and cloud servers that handle big data to support these technologies, as well as the shift to CASE vehicles, including the electrification of automobiles. As a result, semiconductor manufacturers are rushing to make large capital investments in response to the tight supply-demand balance, and semiconductor-related industries are certain to continue growing at a stable pace. Similarly, electronic components such as capacitors used in electronic circuit boards are also expected to grow over the medium-to-long term.

On the other hand, the OA device market is projected to remain firm for the time being, although demand for office printing is expected to gradually decline as telecommuting becomes more prevalent and digital transformation initiatives take root. In the medical field, the number of general surgeries and examinations is expected to gradually recover to pre-COVID levels as COVID-19 infection comes to a close.

Specific Measures for Opportunities and Threats

Expanding supply capacity to meet the growing demand for semiconductors and electronic components

Our strength lies in our manufacturing capabilities, which include the quality control technology designed to maintain a high level of cleanliness for semiconductor-related containers, and the precision molding technologies used in our carrier tapes for microelectronic components-related products designed to handle electronic component miniaturization. Moreover, OA device components and medical-related products, which are primarily custom-made, require technological expertise to manufacture products according to the customer's specifications, and our advanced compounding and processing technologies have been well received. In addition to leveraging these technological advantages, we will actively work to expand our supply capacity to meet the growing demand. In particular, for semiconductor-related containers, we aim to build a production system that can provide a stable supply of high-value-added products in an environment with high standards of cleanliness by further harnessing our molding and analysis/evaluation technologies.

In addition, for medical-related products, we will broaden our scope from the conventional upstream and midstream businesses to downstream in an attempt to expand our business. We will aim to increase our global value by developing a wide variety of products through the horizontal roll out of our unique technologies.

Achievements in Fiscal 2021

POINT

Semiconductor-related containers

- Strong sales of shipping containers for 300 mm wafers

OA device components

- Recovery in sales of rollers for mainstay laser printers

Carrier tape-related products

- Strong sales for electronic components for automobiles and smartphones

Silicone rubber molded products

- Solid sales of mainstay medical-related products and other products

In the Precision Molding Products segment, shipments of semiconductor-related containers and carrier tape-related products remained steady. Net sales rose sharply to 42,147 million yen, up 23.4% from the previous fiscal year.

Sales of semiconductor-related containers rose substantially, reflecting brisk sales of shipping containers for 300mm wafers and other products underpinned by strong demand from the semiconductor industry for a wide range of applications, including smartphones, 5G base stations, data centers, and automobiles. Sales of OA device components expanded thanks to a recovery in shipments of rollers for laser printers, a mainstay product in this segment. Sales of carrier tape-related products rose on the back of continued firm shipments of carrier tapes for electronic components used in automobiles and smartphones. Overall sales of silicone rubber molded products were flat year on year as shipments of mainstay medical-related products and general molded products remained firm.

Operating income in this segment rose 38.8% from the previous fiscal year to 7,658 million yen as a result of expanded sales of mainstay products.

Outlook for Fiscal 2022 and Medium- to Long-Term Direction

With regard to semiconductor-related containers, which is categorized as a growth driver for the Precision Molding Products business, demand for our mainstay shipping containers for 300mm wafers is booming. In addition, orders received of shipping containers for 200mm wafers is also expanding thanks to the growing demand for semiconductors in the automobiles and information devices industries. Major semiconductors device manufacturers are also aggressively making capital investments, and we expect strong demand for in-process containers. As such, we urgently need to expand our supply capacity in response to this demand. For carrier tape-related products, demand for electronic components is growing along with the full-scale rollout of 5G communications and the advent of CASE vehicles in the automobile industry, and we believe we must add capacity in anticipation of future demand.

With respect to OA device components, we aim to expand our market share of mainstay products and capture orders from new customers, even as teleworking becomes more common and the shift to paperless offices takes root. As for medical-related products, we will strive to expand our business by capturing market share for components for catheters and dialysis machines and by promoting the development of products further downstream.

From a medium- to long-term perspective, the key to growth in the Precision Molding Products segment is to respond quickly to the growth in semiconductor-related demand. In particular, we believe it is important to continue to make aggressive investments commensurate with the growth in semiconductor-related containers and carrier tape-related products, as demand for these products is expected to rise over the medium-to-long term.

With regard to OA device components, although the overall market is shrinking, we will aim to boost earnings by expanding our market share as demand for small laser printers remains firm. As for medical-related products, we aim to expand our business by exploring M&A opportunities for companies that show synergy potential with our processing technology.

TOPIC

Expanding Production Capacity for Semiconductor-related Containers

In anticipation of growth in the semiconductor industry, we are expanding the production capacity of semiconductor-related containers at our Itoigawa Plant (Itoigawa City, Niigata Prefecture). This will enable us to establish an even more stable supply system in preparation for higher demand of our mainstay shipping containers for 300mm wafers. The new facilities are scheduled to begin operating in January 2023.

Our mainstay products are shipping containers used to transport wafers from wafer manufacturers to device manufacturers and in-process containers used for in-process transportation by device manufacturers. We aim to expand our semiconductor-related business by continuing aggressive research and development as well as capital expenditures in line with market demand to grow our existing business and develop new businesses.

Itoigawa Plant, where we are boosting production capacity

Housing and Living Materials

This segment offers a wide range of products, including processed resin products such as packaging materials for food products and construction materials, as well as material products used for automobile components, electronic components, electric wiring, and other products.

Wrapping films

PVC pipes

Functional compounds

Conductive polymers

Customer Base	Supermarkets and food service industry, automotive parts manufacturers, electronic component manufacturers, industrial equipment manufacturers, construction and infrastructure industry, etc.

Strengths	• Leading market share in Japan for PVC wraps for commercial use • Increasing overseas production base for functional compounds, which are expanding globally
Opportunities	• Recovery in the food service industry as the COVID-19 pandemic comes to an end • Shift in production to environmentally friendly vehicles driven by accelerating global efforts to address global environmental issues
Threats	• Sluggish construction demand centered on weak new housing starts • Rising production costs stemming from soaring raw material prices

Business Environment

Pandemic recovery in the food service industry and expectations for a next-generation mobility society

The global economy is finally beginning to recover from the COVID-19 pandemic. Japan's food service industry is also gradually picking up as operating restrictions and other restrictions are being relaxed. In addition, next-generation automobiles market is expected to continue expanding as production is shifting to environmentally friendly EVs to achieve carbon neutrality.

On the other hand, the number of new housing starts in Japan has been on a long-term decline and is expected to remain stagnant owing to the decline in overall population and the number of households, as well as the impact of soaring lumber prices. In addition, with Russia's invasion of Ukraine leading to a persistent rise in crude oil prices, raw material costs are expected to continue rising as raw material manufacturers will inevitably raise prices of PVC, polycarbonate resin, and other products.

Specific Measures for Opportunities and Threats

Focus on enhancing competitiveness of wrapping films and material products and addressing higher raw material prices

Regarding wrapping films, we captured a leading market share in Japan for PVC wraps for commercial use in 2021 through the consolidation of KitcheNista Co., Ltd. We will leverage this market position to improve our sales competitiveness within the industry and expand our business. In functional compounds, the quality control technology at Thailand-based Hymix Co., Ltd. has been well received, and we will focus on establishing our position in the Asian market, particularly in Southeast Asia. Our conductive polymers are being used in hybrid aluminum electrolytic capacitors installed in EVs and other vehicles, and the stable quality of our products has been praised highly. We expect demand to grow going forward along with the progress in electrification of automobiles. In addition, we will actively develop applications for silicone-based infrastructure maintenance products for concrete repair on bridges and other structures and for anti-corrosion on bolts.

In addition to these efforts to meet market trends, we regard it as a the key issue of adjusting sales price as rise in raw material costs stemming from higher resource prices is inevitable.

Achievements in Fiscal 2021

POINT

Wrapping films
- Strong sales to supermarkets
- Consolidated KitcheNista Co., Ltd.

Functional compounds
- Functional compounds for robot cables and automobiles recovered
- Progress in expanding sales to new customers

Exterior material-related products
- Weak demand for corrugated sheets

Conductive polymers
- Demand for use in displays and electronic components for automobiles increased

In the Housing & Living Materials business, we revised prices and executed M&A deals amid an extremely challenging market environment for PVC-related products. Net sales rose 20.7% from the previous fiscal year to 21,406 million yen on the back of a recovery in demand for automotive material products.

Overall sales of wrapping films and other packaging-related products rose substantially reflecting strong shipments to supermarkets and the consolidated subsidiary of KitcheNista Co., Ltd. Sales of PVC pipe-related products were weak owing to sluggish demand. Sales of functional compounds increased significantly thanks to a recovery in demand for use in robot cables and automobiles, as well as growth in sales to new customers. Sales of exterior material-related products were down on weak demand. Sales of conductive polymers grew in line with an increase in orders for use in displays and automotive electronic components.

On the other hand, operating income in this business dropped 9.9% from the previous fiscal year to 485 million yen as a result of the severe impact of repeated price hikes in raw materials.

Outlook for Fiscal 2022 and Medium- to Long-Term Direction

There have been a series of price hikes in raw material prices, auxiliary materials, and logistics costs for PVC-related products, and adjusting product sales price is a pressing issue. With regard to wrapping films, with KitcheNista becoming a consolidated subsidiary, we believe we must begin working on improving efficiency by consolidating our production by product line to boost profitability.

For functional compounds, we aim to fully capture synergies from the consolidation of Hymix. As for conductive polymers, we plan to address the increase in orders for in-vehicle electronic components, mainly for EVs and hybrid vehicles, and also plan to develop high-performance engineering plastic films for automobiles and aircrafts.

From a medium- to long-term perspective, although growth in the Japanese market for PVC-related products such as wrapping films and exterior materials is not so big, we can anticipate stable demand unaffected by short-term economic trends. In addition to our own efforts to reduce production costs, we will aim to generate stable profits by appropriately revising prices as necessary. In addition, for wrapping films, we will combine the product and technology development and sales capabilities of both our company and KitcheNista to expand our sales network and develop products and technologies tailored to the needs of the market.

Furthermore, in addition to material products, we are aiming for further growth by introducing silicone-based infrastructure maintenance products to the market for use in repairing the aging transportation infrastructure built during the high economic growth period.

TOPIC

Consolidation of KitcheNista Co., Ltd.

On August 2, 2021, we acquired KitcheNista Co., Ltd. and made it our consolidated subsidiary to strengthen our food wrapping film business.

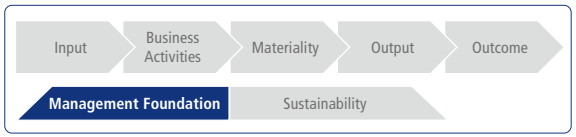
Shin-Etsu Polymer's food wrapping film business is centered on PVC wraps for commercial use, and we use our nationwide sales network to expand our business to supermarkets and other volume food retail outlets, as well as to restaurants and other food service companies. In addition, KitcheNista commands the highest market share in Japan for PVC wraps for the food service industry*, and its strength lies in its ability to develop value-added products such as colored wraps and antibacterial wraps. We launched the new colored antibacterial wrapping film "DECOWRAP" in April 2022, and are promoting its use in new markets including crafting applications such as layering, folding and wrapping, and as a decorative film for bento boxes.

* Source: Fuji Chimera Research Institute, Inc."Current Status and Future Prospects of Packaging Materials in 2021 (2020 Results)"

TM／©2022 Sesame Workshop.

Colored antibacterial wrapping film "DECOWRAP" launched in April 2022

Corporate Governance



Basic Approach

We 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, we 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 the standpoint of its stakeholders.

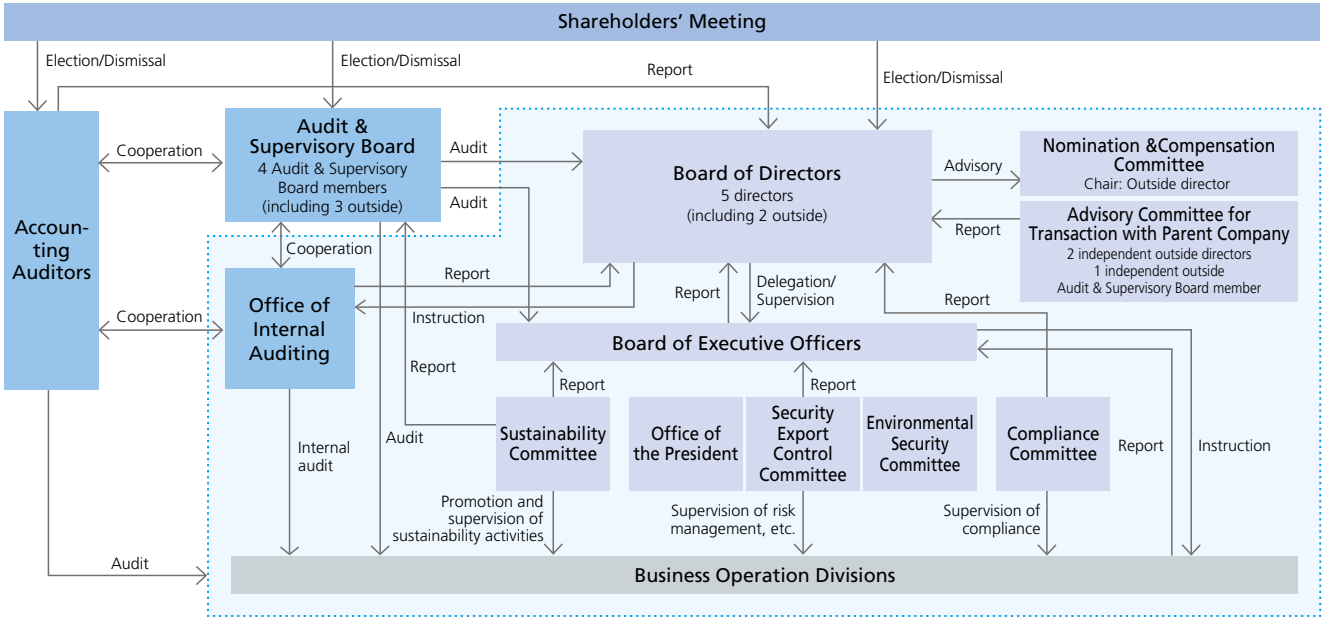
Corporate Governance Report
https://www.shinpoly.co.jp/en/ir/governance.html

Corporate Governance System

We adopt the "company with an Audit & Supervisory Board" system for its corporate governance framework. Both the Board of Directors and the Audit & Supervisory Board supervise and audit the execution of business at multiple levels and hold functional and effective management supervisory functions as well as oversight and audit functions that guarantee objectivity and neutrality.

As of June 23, 2022, the Board of Directors comprises five directors, two of whom are outside directors that possess a wealth of experience and extensive knowledge as corporate managers and experts in the areas of tax and accounting. Also, some of the authority on business execution is delegated to the Board of Executive Officers, which makes it easier for the Board of Directors to perform its role of supervising business execution.

Corporate Governance System (as of June 23, 2022)



Nomination & Compensation Committee

In order to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors concerning the nomination and compensation of directors and other key individuals, the Company has established a "Nomination & Compensation Committee" under the purview of the Board of Directors to benefit from its appropriate involvement and advice. The Nomination & Compensation Committee is chaired by an independent outside director, whilst its independence is guaranteed because the majority of its members are independent outside directors.

The Nomination & Compensation Committee consults with the Board of Directors, deliberates on such matters as the nomination of directors, compensation systems for directors, and the process for determining compensation, and then reports the outcomes of its discussions to the Board of Directors.

Evaluation of the Effectiveness of the Board of Directors

Our 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. In addition, we established the Nomination and Compensation Committee in 2020, introduced an executive officer system and established the Advisory Committee for Transaction with Parent Company as a voluntary special committee in 2021, to ensure the independence and objectivity of the Board of Directors, thereby enhancing its supervisory function. In fiscal 2021, the Nomination and Compensation Committee met twice and the Advisory Committee for Transaction with Parent Company met once, with all committee members present to participate in discussions at each meeting.

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 2021, and implemented a self-assessment survey at a Board meeting held in June 2022.

As a result, it was confirmed that the Board of Directors generally functions in a timely and appropriate manner, making swift decisions after 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, the Board held a series of discussions on strengthening governance as a listed subsidiary and on medium-term management plan and strategies. We will strive to further improve the effectiveness of the Board of Directors by deepening and enhancing discussions, including on issues related to sustainability.

Officers (As of June 23, 2022)

Directors

President and Chief Executive Officer	Yoshiaki Ono		1
Director and Senior Managing Executive Officer	Toshiaki Deto	General Manager, Sales Unit	2
Director and Managing Executive Officer	Toru Takayama	In charge of Office of the President President, KitcheNista Co., Ltd.	3
Directors	Shigemichi Todoroki	(Outside, Independent)	4
	Osamu Miyashita	(Outside, Independent)	5

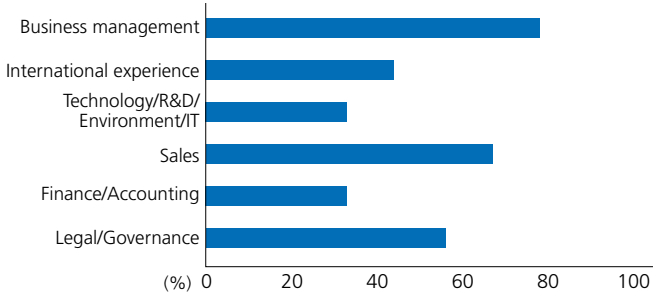
Audit & Supervisory Board Members

Full-Time Audit & Supervisory Board Members	Morio Miyazaki	(Outside)	6
	Hideaki Hirasawa		7
Audit & Supervisory Board Members	Sachihito Hosogi	(Outside)	8
	Tatsuo Yoshihara	(Outside, Independent)	9

Executive Officers

Managing Executive Officers	Mikio Furukawa	General Manager, Office of Business Development, Sales Unit In charge of Semiconductors & Electronic Components Containers Business	10
	Satoru Sugano	General Manager, Development Unit	11
	Yasushi Shibata	General Manager, Administrative Unit and General Manager, Human Resources Department In charge of Business Audit	12
Executive Officers	Naoki Kobayashi	General Manager, Office of Sales & Marketing Unit, Sales Unit President, Suzhou Shin-Etsu Polymer Co., Ltd	13
	Kan Ishihara	President, Shin-Etsu Finetech Co., Ltd.	14
	Mitsuo Sato	General Manager, Production Unit	15
	Masato Takahashi	Head of Itoigawa Plant, Production Unit	16
	Osamu Kowada	General Manager, Accounting & Finance Department, Administrative Unit President, Shin-Etsu Polymer (Thailand) Ltd. President, Shin-Etsu Polymer Singapore Pte. Ltd. CEO, Hymix Co., Ltd. President, Shin-Etsu Polymer (Malaysia) Sdn. Bhd. President, Shin-Etsu Polymer India Pvt. Ltd.	17

Expertise of Directors and Audit & Supervisory Board Members



*Weighting of officers possessing expertise

Activities of Outside Officers in FY2021

Category	Name	Major activities	Attendance
Director	Shigemichi Todoroki	By commenting mainly about measures for preventing dishonest practices from his professional perspective as a highly experienced CPA/tax accountant and also from an independent and objective point of view, Mr. Todoroki is properly fulfilling his role of ensuring valid and appropriate decision making.	Board of Directors: 100%
	Osamu Miyashita	By leveraging his wealth of experience in the medical supplies business at a general trading company and commenting mainly about the Company's approach to M&A deals from an independent and objective point of view, Mr. Miyashita is properly fulfilling his role of ensuring valid and appropriate decision making.	Board of Directors: 100%
Audit & Supervisory Board Member	Morio Miyazaki	Mr. Miyazaki has made comments from a financial and accounting perspective, as well as from an objective point of view.	Board of Directors:100% Audit & Supervisory Committee: 100%
	Sachihito Hosogi	Mr. Hosogi has drawn on his extensive business experience to make comments from an objective point of view.	Board of Directors:100% Audit & Supervisory Committee: 100%
	Tatsuo Yoshihara	Mr. Yoshihara has used his considerable experience and knowledge of a wide range of fields at a business corporation to make comments from an objective point of view.	Board of Directors:100% Audit & Supervisory Committee: 100%

Interview with an Outside Director

Shigemichi Todoroki
Outside Director, Independent Officer

Q1 In fiscal 2021, our ordinary income topped 10 billion yen and net sales were in reach of 100 billion yen. What factors were behind this earnings growth and what role do you play in the organization?

When I joined the Company as an outside director in 2015, earnings were recovering sharply on the back of successful management reforms instigated by President Ono. I believe the Company has managed to achieve ordinary income of 10 billion yen because after that earnings got back on track particularly with steady growth in not only our mainstay businesses of input devices for automobiles and semiconductor-related containers, but also businesses like silicone-related and other material products. I am quite sure that this owes to the hard work of each and every officer and employee and to the management capabilities of President Ono, who was not afraid to take risks and leverage his foresight and judgment to pioneer new products and businesses.

I am a certified public accountant, so people might think I would typically put the brakes on such risky endeavors, but we should all be prepared the fact that risk is part and parcel of a growth strategy, so when there are growth opportunities to be had, I actively endorse the adoption of growth policies to ensure the Company never misses out. In recent years, particularly with regard to M&A in the functional compounds business in Thailand and in the PVC wrapping film business in Japan, I expressed my opinion that the Company should pursue M&A deals in light of the synergies and the growth potential of PVC-related business endeavors. I believe we can expect these deals to yield results and start contributing to earnings growth.

Q2 How would you rate the Company's approach to corporate governance?

While we can expect to benefit from business synergies by virtue of being a Group company of Shin-Etsu Chemical Co., Ltd., those outside the Group might see risks in our corporate governance because we are publicly listed alongside our parent company.

The often-cited problem with parent-subsidiary listings is that transactions benefitting the parent company may ultimately prove detrimental to the subsidiary's general shareholders. With the objective of protecting the interests of ordinary shareholders, we have established the "Advisory Committee for Transaction with Parent Company," which is chaired by myself as an outside director, to carefully deliberate on inter-group transactions.

On top of this, all management decisions, including key decision making concerning investments, M&As, and other matters are reached independently by the Company without consulting the parent company. Moreover, we have established a Nomination & Compensation Committee to ensure independence regarding personnel affairs of executives. We maintain our independence in terms of corporate governance while creating unique products of high added value by taking full advantage of the business synergies that we generate mainly from the joint development of materials. If these relationships can lead to growth for the Company, then I believe value for all shareholders, including ordinary shareholders, will be ultimately improved.

Relationship with the Parent Company

Our parent company, Shin-Etsu Chemical Co., Ltd., is the controlling shareholder of Shin-Etsu Polymer, holding 53.3%* of the Company's shares. We maintain a close relationship with the parent company mainly by exchanging information about technological developments and sharing management policies. And giving full play to our collective strengths as a member of the Shin-Etsu Chemical Group also helps enhance our corporate value. Also, even though we purchase raw materials from Shin-Etsu Chemical, transaction terms and conditions are determined fairly and appropriately through negotiations based on market prices. In terms of personal relationships, no officer of the Company concurrently serves as an officer at Shin-Etsu Chemical.

*Shareholding ratio excluding treasury stock

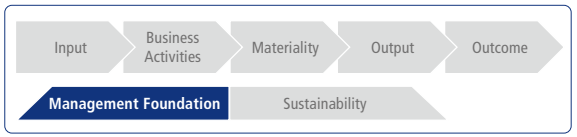
In October 2021 we established the "Advisory Committee for Transaction with Parent Company" as a special body comprising independent outside directors and independent Outside Audit & Supervisory Board members. The committee not only ensures the fairness of important transactions and dealings with our parent company and other Group companies, but also deliberates on important transactions and dealings for the purpose of protecting the interests of general shareholders and then reports its findings to the Board of Directors.

Dialogue with Shareholders and Investors

We recognize that in order to achieve sustained growth and enhance corporate value of the medium- to long-term, it is vital that we actively engage in dialogue with shareholders and investors at all times and reflect their opinions and requests into how the company is managed so that we can grow together. We make every effort to improve dialogue mainly by arranging one-on-one meetings with shareholders and investors, holding results briefings for analysts and investors, publishing business reports and annual reviews, and disclosing information swiftly and fairly via our website. In this way, we endeavor to gain the understanding of all stakeholders regarding our management policies and strategies.

Information for shareholders and investors
https://www.shinpoly.co.jp/en/ir.html

Research and Development



Basic Policy

The basis of the Group's research and development is to catch the needs through close communication with customers and provide products that are valuable to people's lives and society.

We believe it is our R&D mission to raise customer satisfaction in a wide range of fields, expand existing businesses, and create new businesses for the next generation with differentiated and high-value-added products deployed on multiple levels based on the fundamental technologies that form the nucleus of the Group's technological development, together with core technologies we have honed over many years.

R&D Organization

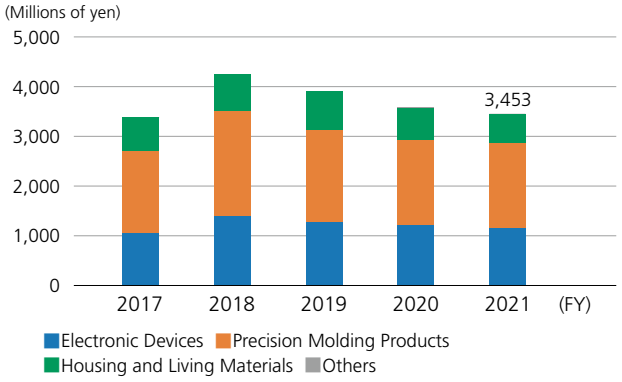
The Development Unit plays a central role to expand existing business and to create new business. By deepening collaboration with production plants and harnessing an integrated R&D system from design through evaluation, the Development Unit promotes development quickly to meet the needs of customers with making full use of the Group's technological and production capability with working closely together with Sales Unit and Production Unit. Furthermore, we are working quick and original development with actively promoting joint development with cross-industry joint developments and alliances and open innovation projects primarily with universities and other research institutions.

Main R&D Fields

We are developing products in a wide range of fields of automobiles, information devices, OA equipment and semi-conductor-related products, living materials and construction materials by using core technologies of functional resin compounding and precision/micro-processing — namely, silicone rubber, plastics and conductive materials. We will continue to engage in R&D with an eye on market demand and growth potential.

In the Electronic Devices business, we develop LED light guides for car headlights by utilizing our precision silicone molding technology. In the Precision Molding Products business, we develop wafer containers to meet the miniaturization needs of semiconductors by leveraging our super clean, high-performance materials, composite injection molding technology, and analysis/functional evaluation techniques. In the Housing and Living Materials business, we employ our proprietary compounding technology to develop conductive ink, functional compounds and other products, which are optimal for various applications.

R&D Costs by Segment



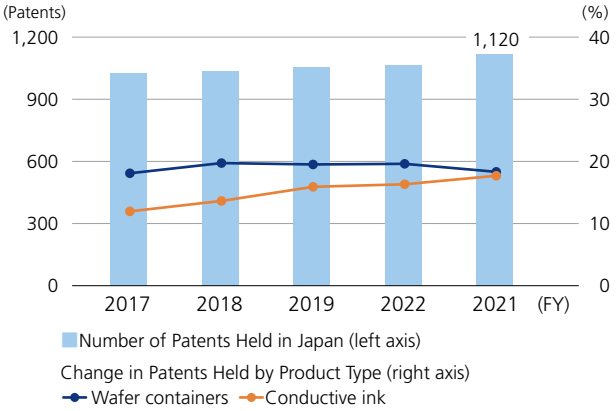
Intellectual Property Strategy

Based on our Basic Development Policy, we consider intellectual property and intangible assets to be key management assets. We have therefore formulated intellectual property strategies for each of our business fields. We also undertake intellectual property management and properly manage know-how and other technical information.

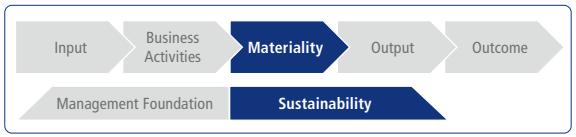
Particularly in our mainstay business of Precision Molding Products, our operations are firmly supported by the growing number of intellectual property rights related to mainly wafer containers and an ever-expanding patent portfolio. And bearing in mind the objectives of entering new markets and gaining new customers, we take steps to ensure that the achievements of joint research or joint developments with other companies, whether it be an industry-academia collaboration or a partnership with a customer, suitably and steadily lead to patent applications and the protection of IP rights.

Furthermore, we are accelerating the submission of patent applications to protect our intellectual property rights in the area of conductive ink (SEPLEGYDA), products that we think will be broadly adopted in various fields such as automotive and next-generation semiconductors.

Number of Patents Held in Japan



Sustainability Initiatives



Basic Approach

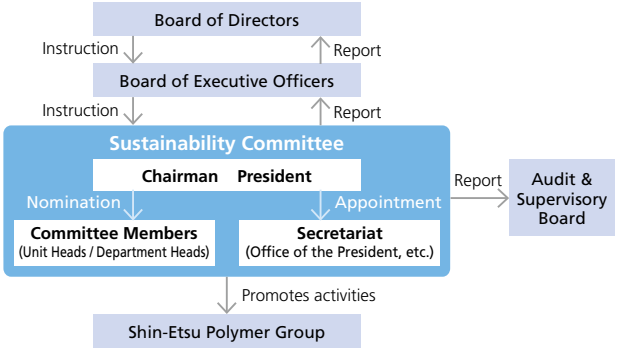
Based on its corporate philosophy, the Shin-Etsu Polymer Group strives to be a business that continues to develop together with society by putting safety and fairness first in its business. The Group will contribute to the realization of a sustainable society by aiming to solve social issues through its business while meeting the demands and expectations of society.

Sustainability Initiatives
https://www.shinpoly.co.jp/en/environment.html
Sustainability Report
https://www.shinpoly.co.jp/en/environment/report.html

Sustainability Promotion Structure

The Shin-Etsu Polymer Group has always been engaged in sustainability activities with departments and Group companies each playing a role, setting up the "CSR Promotion Committee" to further strengthen its promotion of Sustainability management. At the end of FY2021, the committee was renamed as the "Sustainability Committee" with the aim of creating a sustainable society and promoting sustainable business activities. Under this framework, our ability to respond to risks and opportunities has been strengthened through defining a sustainability activity policy and establishing a system for carrying out sustainability activities across the whole Group.

Sustainability Promotion Structure Chart



Key Sustainability Issues

The Shin-Etsu Polymer Group has set out and is promoting initiatives for its "Key Sustainability Issues (formerly Key CSR Issues)" as important issues the Group needs to address based on social demands and expectations from its stakeholders. We have set up the subcommittees and prioritize activities, in particular, "Promoting CSR procurement and the diversification of supply sources," as well as "Respect for human rights, the development of human resources and the promotion of diversity," as key challenges among the Sustainability issues.

Major Initiatives in FY 2021

We implemented the following initiatives for each key issue. Additionally, in June 2021, we conducted an e-learning course dedicated to the SDGs.

Key Issue	Main Activities	SDGs
The foundation of all activities: Legal compliance, Fair corporate activities	• Promoted compliance awareness among directors and employees through e-learning programs and other training activities • Strengthened security export controls • Monitored and prevented misconduct by establishing an internal reporting system and a supplier hotline	
Health and safety of employees and contractors	• Conducted audits at each business site to check security activities for the work environment, which cover health and safety, disaster and fire prevention, environmental protection, and legal compliance.	
Energy-saving, resource-saving, and reduction of environmental impact	• Active promotion of environmental conservation and management activities, with the aim of achieving medium-term goals (Established 7th Mid-Term Targets for Green Activities, including those against global warming and for the effective use of resources)	
Product quality improvements and product safety control	• Conducted plant evaluations (Quality Month) and audits to prevent quality related misconduct • Activities to improve quality in the Group, such as quality control tests	
Promoting CSR procurement and the diversification of supply sources	• Distributed and disclosed the Group's CSR Procurement Guidelines to clients • Understanding current situations through client surveys	
Respect for human rights, the development of human resources, and the promotion of diversity	• Survey of employment status and working environment for foreign workers at domestic and overseas offices • Promoted the use of internal systems and rules to address diversity in work	
Respect for and protection of intellectual property	• Protection of intellectual property rights acquired through work, and respecting the intellectual property rights of other companies • Progress of above activities reported by the Patent Committee	
Contribution to industry and social initiatives	• Promoted eco-products through product development that contributes to the environment and society • Worked together with local communities through donations of our 'shupua' range of products to institutions and organizations	
Accurate and timely information disclosure and communication with stakeholders	• Fair, timely and appropriate information disclosures • Enhanced IR and public relations activities	

External Evaluation

We have been selected for inclusion in the "FTSE Blossom Japan Sector Relative Index," an index created by FTSE Russell that reflects Japanese companies with comparatively strong ESG performance in their respective sectors. In addition, we were awarded a rating of "Bronze medal" in a sustainability assessment by EcoVadis, marking the third consecutive year that we were awarded a medal since we began responding to the assessment.

FTSE Blossom Japan Sector Relative Index

BRONZE 2022 ecovadis Sustainability Rating

Environmental Management

Based on its Basic Environmental Principles, the Shin-Etsu Polymer Group promotes "Green Activities," addressing challenges such as measures for global warming, for effectively using resources, for the reduction of substances with environmental burdens, and other measures. We are promoting environmental conservation by reducing environmental burdens. Green Activities mid-term plans are drawn up every three years, and in April 2021, we began renewed activities by setting targets for the 7th Mid-Term Plan (FY2021 to FY2023).

Basic Environmental Principles
https://www.shinpoly.co.jp/en/environment/policy.html

Global warming prevention initiatives

To help prevent global warming, the Shin-Etsu Polymer Group promotes energy conservation at all of its business sites and is working to reduce greenhouse gas emissions throughout its supply chain with the aim of achieving the international goal of "Carbon neutrality by 2050." In FY2021, we upgraded our equipment to high-efficiency energy-saving equipment, converted light fixtures to LED, and executed a modal shift in transportation, which yielded positive results.

Endorsement of TCFD recommendations

In January 2022, the Shin-Etsu Polymer Group expressed its support for the "Task Force on Climate-related Financial Disclosures (TCFD)" recommendations, recognizing that assessing business impacts related to risks and opportunities from climate change and developing countermeasures are essential for achieving a sustainable society and for business activities. Going forward, we will continue to actively engage in and disclose information in line with the TCFD recommendations in the four areas of governance, management strategy, risk management, and indicators and targets.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Development of environmentally friendly/contributory products

Based on its Basic Environmental Principles, the Shin-Etsu Polymer Group promotes a system for "Environmentally friendly and contributory products" that can help to reduce environmental burdens and solve social issues. By doing so, it contributes toward achieving a sustainable society. We also work to develop products that contribute toward achieving the SDGs.

Product development concept

Environmentally friendly and contributory products in our Group refer to new or existing products that solve customer challenges and are evaluated and certified upon confirmation that they are needed by society and the environment (social needs).

Evaluation standards

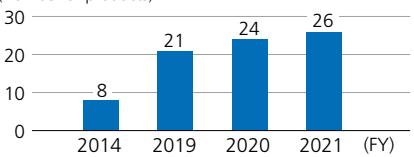
We set 97 evaluation criteria for the 7 categories shown below, and evaluate whether a product can reduce the Group's environmental burdens and is eco-friendly, as well as contributes to streamlining processes and reducing environmental burdens at customer sites.

Evaluation standards for environmentally friendly/contributory products	① Resource saving ② Energy saving ③ Waste reduction ④ Recycling ⑤ Environmental pollutants ⑥ Safety ⑦ Bio-diversity protection

Certification (target and results)

As part of our 7th Mid-Term Targets for Green Activities, we are aiming to newly certify four products. Two products were newly certified in FY2021.

Transition of the number of certified product groups



Supply Chain Management

The Shin-Etsu Polymer Group has established green procurement standards and promotes environmentally friendly procurement activities. Also, we have established the "CSR Procurement Guidelines" based on our recognition of the need for procurement, taking account of human rights, labor rights, and other social rights. With the understanding of our business partners, we are promoting responsible procurement in our supply chains to achieve a sustainable society.

CSR procurement promotion activity

The Shin-Etsu Polymer Group believes it is important to promote CSR activities throughout the entire supply chain under the Shin-Etsu Polymer Group Basic Procurement Policy. Accordingly, we have established a CSR Procurement Subcommittee consisting of members mainly from the Purchasing Department and are engaged in activities in line with this policy.

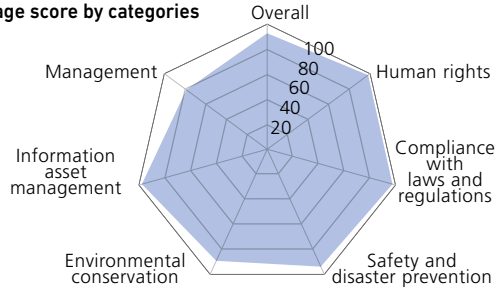
Business partner survey

In order to understand the current status of our business partners' sustainability activities, our Group prepared questionnaires based on our CSR Procurement Guidelines and the RBA* Code of Conduct and have been conducting surveys since FY2018. We request to our business partners to answer a total of 104 questions in 6 categories, such as human rights, compliance with laws and regulations, safety and disaster prevention, and environmental conservation.

*RBA: Responsible Business Alliance

FY2021 Results

Average score by categories



Eleven-Year Financial and Non-Financial Summary

(For the fiscal years ended March 31, 2012 through 2022)

											Millions of yen	Thousands of U.S. dollars*1
Fiscal year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2021
For the year:												
Net sales	¥ 92,640	¥ 76,904	¥ 80,254	¥ 85,460	¥ 79,343	¥ 73,979	¥ 75,039	¥ 71,707	¥ 67,332	¥ 60,669	¥ 62,650	$ 759,344
Segments												
Electronic Devices	21,996	18,037	19,725	20,699	19,554	18,644	19,933	18,875	16,453	15,103	16,935	180,295
Precision Molding Products	42,147	34,160	33,451	37,089	34,369	31,074	30,377	28,644	26,407	22,329	23,270	345,467
Housing and Living Materials	21,406	17,736	19,009	19,931	18,703	17,269	18,205	18,435	18,499	17,427	17,273	175,459
Others	7,090	6,969	8,067	7,740	6,715	6,991	6,522	5,753	5,971	5,808	5,170	58,114
Overseas sales	45,992	35,790	36,943	40,396	38,092	33,593	34,495	31,660	27,160	21,844	21,041	376,983
Gross profit	29,140	23,981	25,693	26,762	24,627	22,692	20,896	18,534	16,582	15,028	15,081	238,852
Operating income	9,732	7,217	7,756	8,153	7,206	5,511	4,101	2,231	1,314	944	1,071	79,770
Ordinary income*2	10,129	7,021	8,097	8,026	7,274	5,934	4,532	2,865	1,662	1,291	1,248	83,024
Profit attributable to owners of parent	6,308	4,536	6,288	6,049	5,455	4,230	3,151	1,777	720	210	304	51,704
Comprehensive income (loss)	9,849	3,577	5,587	4,468	6,239	2,361	226	4,544	5,869	3,059	▲ 877	80,729
Cash flows from operating activities	9,759	10,641	7,688	9,498	8,447	7,278	7,682	4,656	4,373	3,106	5,252	79,991
Cash flows from investing activities	▲ 9,664	▲ 3,736	▲ 4,629	▲ 6,745	▲ 4,437	▲ 1,843	▲ 4,768	▲ 1,572	▲ 3,036	▲ 3,286	▲ 2,789	▲ 79,213
Free cash flows	94	6,905	3,059	2,752	4,009	5,435	2,914	3,084	1,337	▲ 180	2,463	770
Cash flows from financing activities	▲ 2,364	▲ 1,691	▲ 1,813	▲ 3,204	▲ 1,670	▲ 789	▲ 1,179	▲ 604	▲ 745	▲ 732	▲ 981	▲ 19,377
Capital expenditures	6,107	3,147	3,032	6,023	5,420	3,721	4,424	3,877	2,571	3,015	2,175	50,057
R&D costs	3,454	3,588	3,896	4,249	3,382	3,572	3,609	3,225	2,807	2,601	2,260	28,311
At year-end:												
Total assets	¥ 122,577	¥ 108,212	¥ 105,378	¥ 107,032	¥ 103,667	¥ 96,061	¥ 92,845	¥ 93,889	¥ 88,644	¥ 81,342	¥ 81,017	$1,004,729
Total net assets	94,337	86,677	84,538	80,560	77,510	72,890	71,253	72,250	68,088	63,020	60,749	773,254
Net working capital*3	65,238	62,555	58,904	54,118	53,658	51,549	49,917	49,798	46,092	41,745	39,810	534,737
Per Share Data:											Yen	U.S. dollar*1
Net income	¥ 78.15	¥ 56.09	¥ 77.55	¥ 74.27	¥ 66.48	¥ 51.60	¥ 38.55	¥ 21.85	¥ 8.86	¥ 2.59	¥ 3.74	$ 0.64
Net assets	1,166.23	1,067.58	1,042.40	989.44	948.31	887.09	870.12	874.65	826.10	764.26	736.45	9.56
Cash dividends	26.00	20.00	18.00	16.00	12.00	12.00	9.00	9.00	9.00	9.00	9.00	0.21
Financial indicators:											% (Except interest coverage ratio)	
Return on equity (ROE)	7.0	5.3	7.6	7.7	7.3	5.9	4.4	2.6	1.1	0.3	0.5	
Return on assets (ROA)	8.8	6.6	7.6	7.6	7.3	6.3	4.9	3.1	2.0	1.6	1.5	
Equity ratio	76.7	79.8	80.0	75.1	74.6	75.8	76.7	76.0	75.7	76.4	73.9	
Interest coverage ratio (Times)	384.1	383.4	254.6	396.1	345.1	285.5	283.2	150.5	133.8	91.8	152.8	
Non-financial indicators:												
CO_2 emissions intensity per production weight (Domestic plants) (t-CO_2)	0.7198	0.7194	0.7049	0.7123	0.6812	0.6827	0.6880	0.7053	0.7063	0.7413	0.7475	
CO_2 emissions intensity per production weight (Overseas plants) (t-CO_2)*4	2.707	6.565	6.121	5.958	6.491	6.978	6.721	6.958	6.833	6.510	5.942	
Waste emissions intensity per production weight (Domestic plants) (kg/t)	63.21	59.10	58.30	55.92	55.44	57.28	56.67	59.55	59.31	58.78	65.13	
Waste emissions intensity per production weight (Overseas plants) (kg/t)*4	144.4	320.5	373.3	355.2	418.1	419.9	432.8	393.1	392.9	376.2	419.1	
Number of employees (Consolidated) (people)	5,157	5,089	4,655	4,614	4,407	4,144	3,942	3,962	3,628	3,547	3,665	

*1. U.S. dollar amounts are included solely for the convenience of readers, using the conversion rate of ¥122 per US$1 prevailing on March 31, 2022.
*2. 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.
*3. Since 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. Since the fiscal year ended March 31, 2018, the net working capital is calculated based on the results of similar reclassifications.
*4. Total amount from January to December each year.

Company Profile, Group Network and Investor Information

(As of March 31, 2022)

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, Japan *Effective July 19, 2022
Paid-in Capital	¥11,635 million
Number of Employees	5,157 (Consolidated) 1,001 (Non-consolidated)
Subsidiaries	16 companies
URL	https://www.shinpoly.co.jp/en/

Stock Information

Number of Shares Authorized	320,000,000
Number of Shares Issued	82,623,376
Number of Shareholders	8,973
Fiscal Year-End	March 31
Stock Listing	Tokyo Stock Exchange (Ticker code 7970)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Shareholders

Shareholder Name	Number of Shares (Thousands)	Percentage of Total Equity (%)
Shin-Etsu Chemical Co., Ltd.	42,986	53.3
The Master Trust Bank of Japan, Ltd. (Trust account)	7,333	9.1
Custody Bank of Japan, Ltd. (Trust account)	2,377	2.9
JPLLC-CL JPY	1,465	1.8
AVI JAPAN OPPORTUNITY TRUST PLC	1,304	1.6
Nippon Life Insurance Company	768	0.9
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING	721	0.8
STATE STREET BANK AND TRUST COMPA-NY 505103	595	0.7
Mizuho Trust & Banking Co., Ltd.	585	0.7
CEPLUX-THE INDEPENDENT UCITS PLAT-FORM 2	570	0.7

1. In addition to the above and excluded from the above major shareholders, 2,041 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.

Group Network

Our Company

Head Office

Chiyoda-ku,Tokyo

Branch and Sales Offices

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

Plants

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

Domestic Subsidiaries

Sales and Construction, etc.

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

Manufacturing and Sales

KitcheNista Co., Ltd. (Ibaraki Prefecture)

Overseas Subsidiaries

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. (China)
Shin-Etsu Polymer (Thailand) Ltd. (Thailand)
Shin-Etsu Polymer Vietnam Co.,Ltd. (Vietnam)

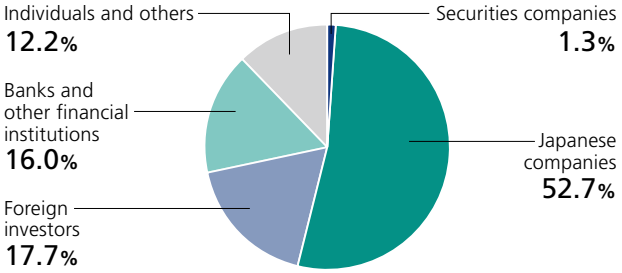
Manufacturing

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)

Manufacturing and Sales

Hymix Co., Ltd. (Thailand)

Composition of Shareholders



*Excludes 2.5% of treasury stock