Annual Review 2019

Year Ended March 31, 2019

Shin-Etsu Polymer Co.,Ltd.

PROFILE

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

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

● Technological Strengths as a Manufacturer of Molded Plastic Products

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

● Ability to Meet Global Needs

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

Forward-Looking Statements

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

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

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

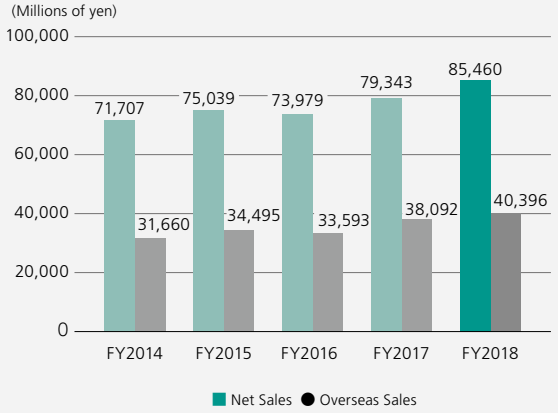
Contents

Financial Highlights (Consolidated)

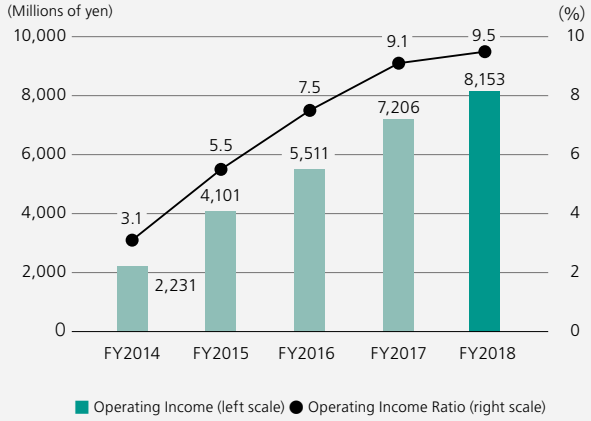
In the fiscal year ended March 31, 2019, demand for semiconductor-related containers and automotive-related markets remained steady. The Group has continued to develop its sales activities with a focus on increasing sales of core products and new business products both in Japan and overseas. Consolidated net sales increased 7.7% year on year to ¥85,460 million, operating income rose 13.1% to ¥8,153 million, and net income attributable to parent company shareholders was up 10.9% to ¥6,049 million, marking the sixth consecutive year of increased profits.

The fiscal year-end cash dividend was ¥8, an increase of ¥2 per share, with the annual dividend at ¥16 per share, up ¥4 from the previous year.

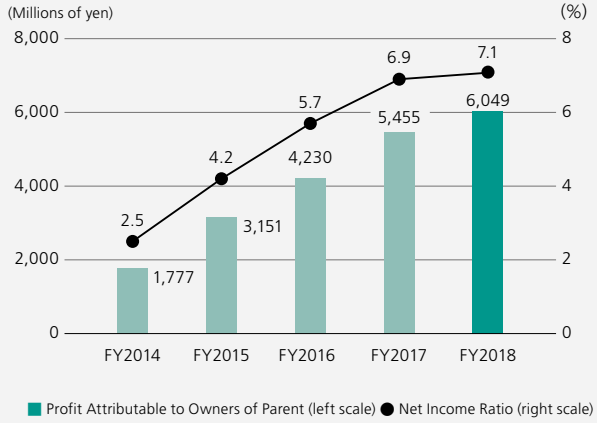
Net Sales and Overseas Sales



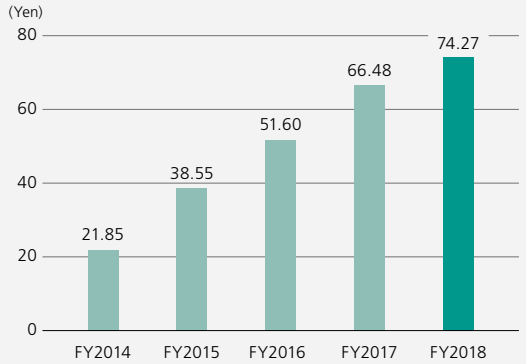
Operating Income and Operating Income Ratio



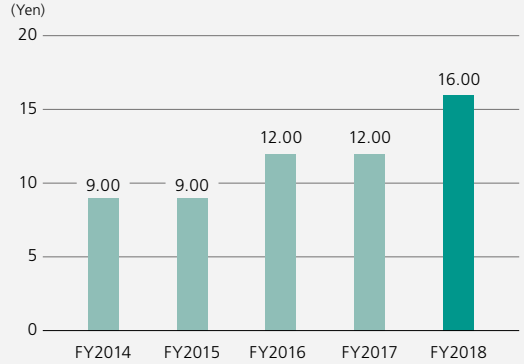
Profit Attributable to Owners of Parent and Net Income Ratio



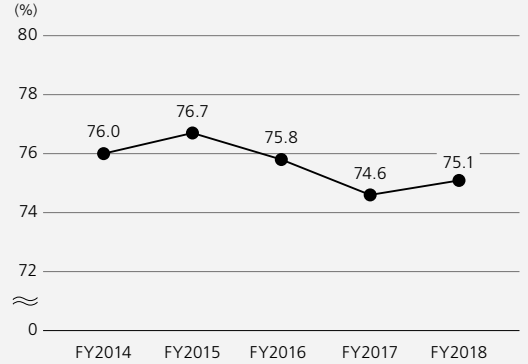
Net Income per Share

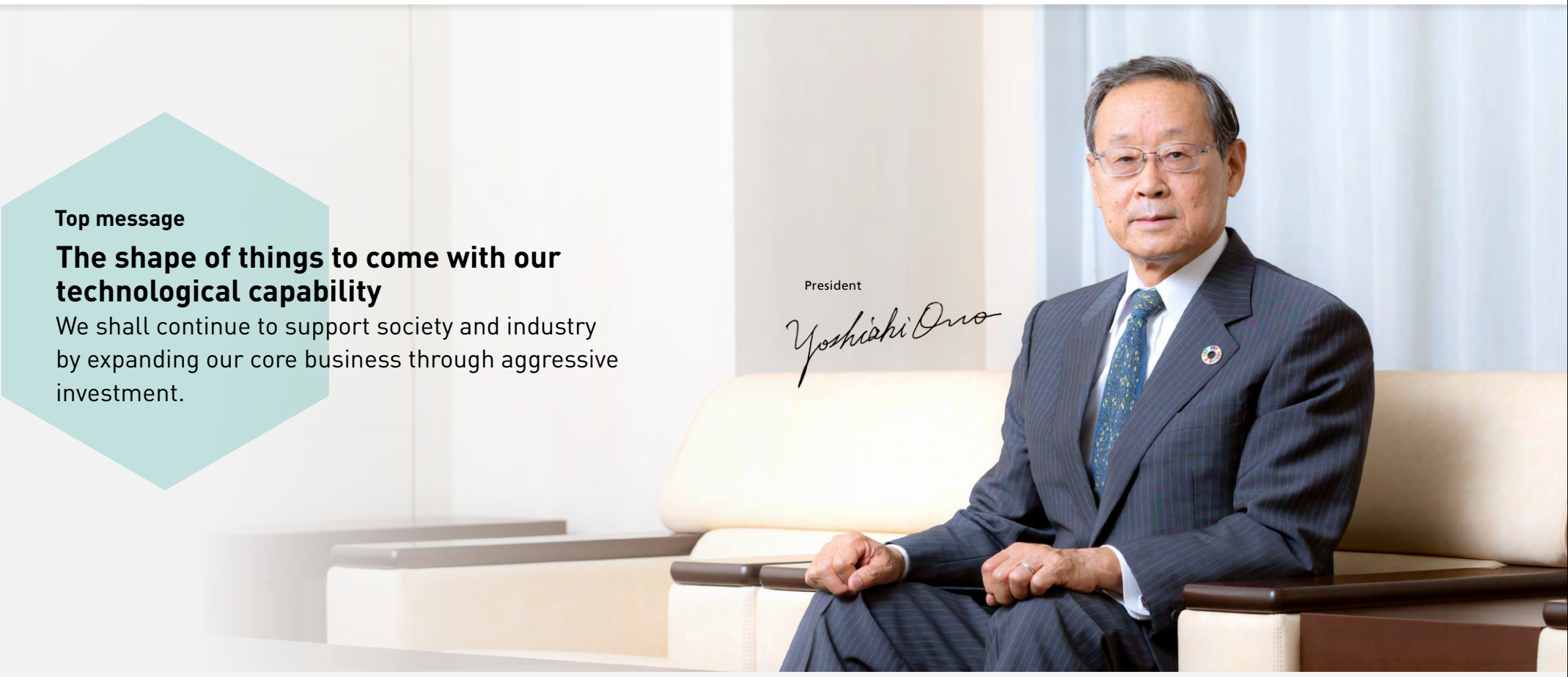


Cash Dividends per Share



Equity Ratio





Top message

The shape of things to come with our technological capability

We shall continue to support society and industry by expanding our core business through aggressive investment.

President
Yoshiaki Ono

For the fiscal year ended March 31, 2019, we have achieved six consecutive years of increased profits. Aggressive capital investment bolstered existing businesses, and strategic M&A laid the foundation for sustainable growth and development. In anticipation of 2020, the 60th anniversary of our founding, we shall further refine our technological capabilities and continue to provide products which hold value to society.

A Review of FY 2018 and the Business Environment

While the global economy continued to grow moderately, particularly in developed nations in the fiscal year ended March 31, 2019, prospects for the future looked uncertain as protectionist economic policies and resulting trade frictions increased.

In the United States, although exports were on the decline, employment continued to improve and consumer spending remained steady. In the EU, domestic demand remained steady but there were signs of an economic slowdown due to political instability in some countries.

In Asia, the economic slowdown in China has begun to materialize.

The business environment was on the whole driven by strong demand for semiconductor-related containers and automobile-related input devices, although demand in the semiconductor industry was somewhat affected in the second half of the year.

As a result, consolidated results achieved an increase in profits for the sixth consecutive year, as net sales, operating income, ordinary income and profit attributable to owners of parent company increased year on year.

Expanding our Core Business

The semiconductor-related market was booming in the first half of 2018 resulting in our largest ever shipments and profits for semiconductor-related containers in the previous fiscal year.

However, the outlook for the semiconductor industry has been uncertain since the latter half of the same year.

As it is difficult to gauge when exactly the industry will recover due to the big impact from trade friction between the United States and China, we intend to further build on the automotive-related input device business that continues to perform well and conductive polymers that have seen growth as new business products while maintaining our production capacity of semiconductor-related containers.

Conductive polymers have been more widely used in LCD protective films for mobile phones and capacitors for automobiles. We will continue to focus on the products and positioning that can contribute to business results.

In the automotive-related input device business, we will continue to improve quality and focus on developing new customers in order to further expand our market share in Japan as well as in Europe and the United States.

We shall also push forwards with product development in line with the rise of electric vehicles and autonomous driving.

In order to also improve our cost competitiveness, we will move away from our Chinese plant, one of our main production bases, to an Indian plant which has a large work force and room for increased production capacity.

The Indian plant is not only a base for the Indian market, but also a good location as an export base to Europe.

At this Indian plant with all its potential, we shall construct an additional factory where we plan to manufacture not only input device related products but also silicone rubber molded products in the future.

Developing Existing Business through M&A

Our first M&A was concluded in January 2019. As such, Hymix, which manufactures and sells synthetic resin products in Thailand, became a subsidiary of ours.

Until now we have outsourced the production of PVC compound products to other companies.

In the future however, Hymix can be used as our production base thereby establishing a system of production which meets the needs of our customers.

Demand for compound products can be expected to grow, particularly in the ASEAN region.

Securing a production base in Thailand is very significant and as such I believe we have achieved a strategic M&A.

We expect that our technological capabilities in development coupled with the industrial technology and sales capabilities of Hymix will produce a synergistic effect which will greatly contribute to the development of the compound business.

We will focus on synergies with existing businesses and, while searching for companies in the field of medical devices in the US and Europe, we shall actively investigate any future potential M&As without excluding other projects in other regions.

CSR as a Global Company

We recognize that contributing to CSR initiatives and achieving SDGs are important management issues for our globally expanding Company.

A major initiative in the fiscal year ended March 2019 was the newly established CSR Procurement Subcommittee.

In an effort to reduce risks in the supply chain we have strengthened the promotion of CSR procurement into a systematic framework and started CSR surveys of our business partners in order to respond to the diversification of raw material procurement.

Moreover, we have established an eco-friendly product certification system for products and technologies based on our own criteria, which also confirms whether they contribute to the SDGs or not.

We will continue to establish a promotion system to manage such CSR activities throughout the value chain.

Our 60th Anniversary and Beyond

With the 60th anniversary of the Company's founding in 2020, we are looking to achieve net sales of one hundred billion yen and ordinary income of ten billion yen.

As a company that contributes to society and industry, we intend to continuously improve our technological capabilities while at the same time strengthening our sales capabilities to achieve our goals.

Domestically, we will work on improving R&D and technology, and then through instruction at sites overseas we shall transfer our technologies abroad.

Due to the technological capabilities and human resources at the Malaysian plant having already grown on a par with Japan, we are working to improve technology and quality through working together with our overseas bases.

The ratio of our R&D expenditure to net sales is high even within the industry, yet in the future we will actively make investments including human investment in necessary technology development.

As it is also important to strengthen our sales capabilities, we will focus on recruiting not only technical experts but also people with sales skills.

In a world that aims to be a sustainable society, we aim to be a company that continues to provide environmentally friendly products that are accepted by society and products that everyone is happy to use, contributing to building a society where stable lives can be safely delivered.

Furthermore, we will continue to strive to be a company that employees can be proud to work for.

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

Feature

Creating New Business by Utilizing Functional Organization

The creation of new businesses is essential for a company that continues to grow. The Company established the Office of Business Development within the Sales Unit in fiscal 2017 backing up the 3 Units of Development, Production, and Sales which share and utilize their in-house performance, experience, and activities as internal resources, leading to the creation of new products and new businesses.

Launching Existing Products into New Markets through Restructuring

In April 2014, we restructured the organization changing from a divisional system to a functional organization comprising Development, Production, and Sales.

For example, the Sales Department which was linked to each business department was consolidated into the Sales Unit. As a result, the sales staff who take care of PVC pipe related products in the field of construction materials are now in a better position to meet the potential demands of our customers such as by suggesting other non-PVC products to customers.

In order to stimulate functional organization to broaden new possibilities, sharing information, and channels that leverage past knowledge and activities are essential.

As one of the projects in the Sales Unit in 2016, initiatives to create new business were started. Project members from the four Sales Divisions of the Sales Unit were chosen and meetings were held regularly.

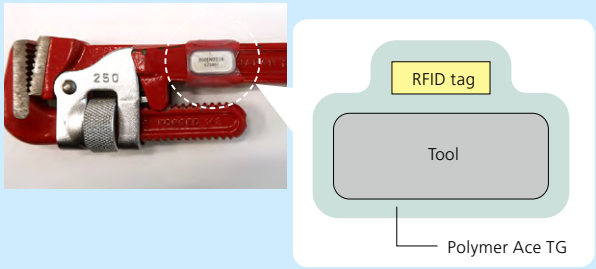
Of these initiatives that were started it was noticed that silicone rubber used for medical equipment, etc. can be used as an adhesive sheet to fix sensors to manage tools.

In collaboration with the sales divisions and plants in each field, the existing silicone adhesive known as Polymer Ace was made into a sticky tape and commercialized as Polymer Ace TG.

Tools attached with these small devices are used on work sites to check the number of tools being used or to search for lost equipment.

The maintenance market for aging infrastructure in Japan is expected to grow in the future, and so we are at present actively focusing on product sales in this market.

This is just one example of how we have expanded the market by discovering new uses for existing products.



Polymer Ace TG features cushioning that protects the small device and has a high weather resistance so it can be used safely outside

A Company-Wide System for the Creation of New Business

We have newly established the Office of Business Development so that the efforts of the Sales Unit will be a structure for the whole company.

Support is given so that we may bring products to market in the shortest possible time, making full use of the knowledge and experience of employees working in the Development, Production, and Sales Units as the driving force for new business.

In April 2019 we built a database that allows real-time sharing of business, product, and technology planning information, making it accessible to all employees in each department.

This has helped to eliminate any information gaps and creates the possibility for further business collaboration.

We also make direct visits to sites throughout the country such as to plants and sales offices, listening to people on the ground and drawing out fresh ideas for business.

An environment where employees can demonstrate their skills and experience and where it is easy to communicate what you think and feel is a source of new ideas.

We believe that new business is not created from scratch, but is created by utilizing all the different resources possessed by each organization. In the Office of Business Development, employees are not trapped within their own division, but are instead encouraged to shape for themselves the future of the Company.

Supporting New Business Generation by Utilizing Employees' Abilities

The Office of Business Development is not an organization that takes on the role of launching new business or controlling departments.

We take pride in excelling with our research and development capabilities, our manufacturing capabilities that process materials and deliver them to market, and our sales capabilities.

By collaborating with each other, we believe that we will be able to fully demonstrate those capabilities and can continue to provide much value in the manufacturing industry. In this way the Office of Business Development pushes on.

We will aim for further growth with our strengths based on functional organization that is so valued by business partners and customers both in Japan and overseas.

Senior Director Office of Business Development, Sales Unit
Mikio Furukawa

At a Glance

■ Production ● Sales

Overseas

14 Locations

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

● Shin-Etsu Polymer America, Inc.

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

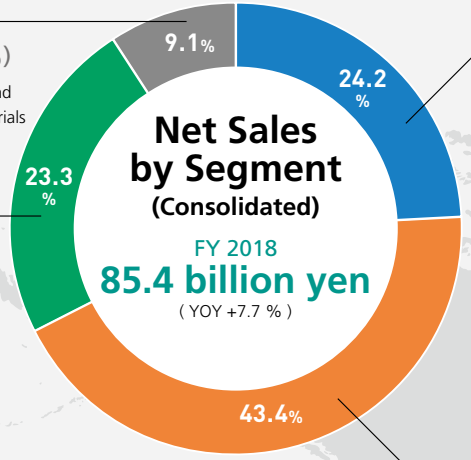
Japan

7 Locations

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

Net Sales by Segment (Consolidated)

FY 2018
85.4 billion yen
(YOY +7.7 %)



Others
7.7 billion yen (+15.7%)
Leading construction business and packaging and agricultural materials business

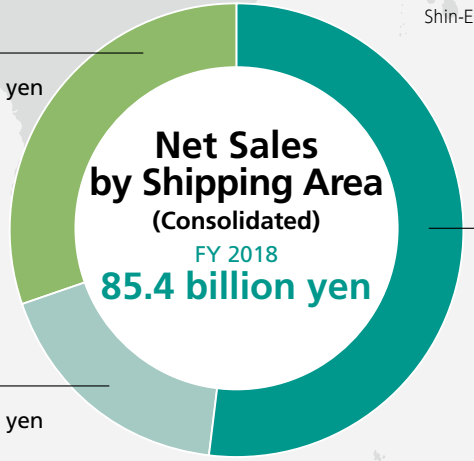
Housing and Living Materials
19.9 billion yen (+6.6%)
Providing wrapping films for supermarkets, PVC pipe related products and functional compounds

Electronic Devices
20.6 billion yen (+5.9%)
Leading company-wide overseas business in electronics such as electronic input devices for automobiles and information terminals

Precision Molding Products
37 billion yen (+7.9%)
Providing shipping and carrying containers for semiconductor silicon wafers and parts for medical equipment using silicone rubber

Net Sales by Shipping Area (Consolidated)

FY 2018
85.4 billion yen



Others
24.8 billion yen

Japan
45 billion yen

China
15.6 billion yen

Overview of Operations

Electronic Devices (Automotive and Information Devices)

Business Summary

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

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

Strengths

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

Main Products

View control film (VCF)


Automobile steering switches

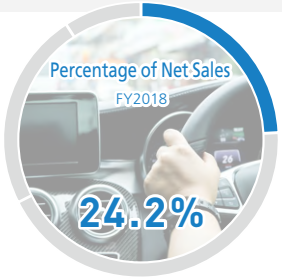

Automotive touch switches


Personal computer touchpads

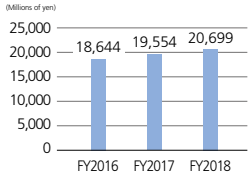
Technology and Development

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

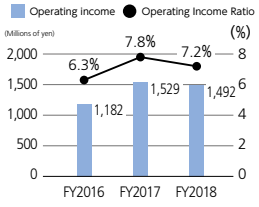
Main Financial Data



Net Sales



Operating Income and OperatingIncome Ratio



The Business Environment

Demand in the mainstay automotive-related market was generally favorable.

Although the slowdown in China resulted in a decrease in car sales, the impact was very limited.

The introduction of environmental technology is expected to accelerate over the coming years with the launch of the new energy vehicle (NEV) regulations in China in January 2019.

In addition, advanced driver-assistance systems (ADAS) have started to become mandatory around the world with 40 countries and regions, including Japan and Europe, introducing mandatory automatic brake systems.

As vehicles become more and more computerized and electric in the future, we expect global demand for vehicle electrical systems to remain steady.

A Review of Fiscal 2018

Points of Note for Fiscal 2018

Input devices

Strong sales of automotive key switches and touch switches
Launched new touchpad for thin laptops

Display-related products

Weak sales of LCD connectors
Sales of view control film (VCF) was increased in optics

Component-related products

Testing connectors for electronic components of smartphones were improved.

In this segment, net sales increased to 20,699 million yen (up 5.9% from the previous year) while operating income fell to 1,492 million yen (down 2.4% from the previous year).

Reasons for a drop in profits include an increase in transportation costs for raw materials and more staffing in line with the expansion of overseas production.

As for mainstay input device-related products, shipments of key switches and touch switches were steady as the types of electronic switches and number of equipped models increased with the acceleration of more computerized vehicles.

Despite the end of conventional products for touch pads in thin laptops, new products have been launched.

In display-related products, demand for new applications of existing products has driven performance.

VCF which have up until now mainly been used in ATMs and vehicles, have now found a use in optics such as in sensing parts for smart watches.

As for component-related products, shipments of testing connectors for electronic components increased as demand for mobile phone parts recovered.

Overview of Operations

Electronic Devices (Automotive and Information Devices)

Strategies for Fiscal 2019 and Onwards

Strategy Points of Note

- Increase European and US market share for automotive input device products
- Improve sales and production capabilities in North America, Greater China, ASEAN region and India
- Develop products compatible with model changes of automotive input device products

An important challenge for our core business of automotive input device products is to improve sales and production capabilities in North America, Greater China, the ASEAN region and India.

By taking hold of customer demand, we will expand our market share not only for Japanese users but also for European and American users, driving growth even further.

To that end, we will focus on continuous quality improvements and cultivating new customers.

We will also push forwards with product development in line with the timing of vehicle model changes.

To increase cost competitiveness, we will increase the production capacity of our Indian plant.

India is not only a major market which is aiming to make 40% of all its new car sales for electric vehicles by 2030, but it also has the advantage of being a good place to export to Europe where there is a big demand for electric vehicles because of their tough environmental regulations.

We will develop a strong production system in India where there is also a competitive labor force.

We shall also look at the development of VCF and next-generation connectors that contribute to an IoT environment.

Outlook for Fiscal 2019

Demand for information communication type vehicle electrical systems will continue to be strong due to complete model changes and an increase in the electrification of cars.

At the same time, the standardization of automotive parts is progressed.

Currently, next-generation input methods are being explored, but for the time being shipments of our products are expected to remain steady as conventional devices are being adopted.

Moreover, as the roll out of 5G is coming in 2020, demand for electronic components for automobiles and mobile phones is expected to start expanding.In particular, orders for our connectors used in testing of high frequency parts are expected to increase.

Mid-to-Long Term Outlook

Strong market expansion is expected due to; ADAS mandatory vehicles mainly in Europe becoming mandatory in all countries and regions, the spread of electrical systems due to a shift towards electric vehicles against the backdrop of tougher environmental regulations, and an increase in the number of input devices installed in systems.

As for the growing demand for VCF in optical applications, growth is expected with components that support the advancement of sensing technology due to advances in IoT.

With the development of 5G, demand for electronic components in communications will further increase, and connectors for testing are also expected to grow.

In the electronic devices business, stable and solid performance is expected to grow.

TOPIC

Next Generation Input Device PR at LOPEC 2019

In March 2019, Shin-Etsu Polymer Europe had a booth at LOPEC 2019, an international trade fair for printed electronics, held in Munich, Germany.

The booth mainly focused on touch switches and force switches, which get a pressure-sensitive function from putting conductive ink and silicone rubber on a film.

Prototypes were also on display allowing attendees to experience the touch and pressure functions, showing off our latest technologies.

A force switch prototype

Overview of Operations

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

Business Summary

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

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

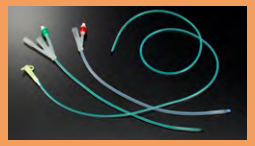
Strengths

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

Main Products


Semiconductor-relatedcontainers


OA device components (OA rollers)

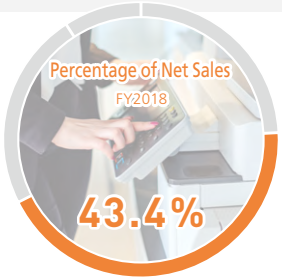

Medical catheters


Embossed carrier tape

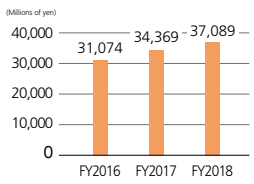
Technology and Development

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

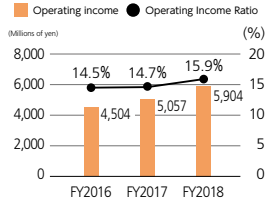
Main Financial Data



Net Sales



Operating Income and OperatingIncome Ratio



The Business Environment

Demand for our leading semiconductor-related containers remained strong both with shipping containers and intra-bay transport containers due to the booming electronics market which continues to diversify.

Future growth is expected to be in proportion with growth of semiconductor wafers.

Although there were fears over the investment slowdown in semiconductors due to US-China trade frictions, and the sudden downturn in the memory market that began in the second half of 2018, promising applications for electronic devices such as 5G, IoT and AI were seen to emerge.

This leads us to believe that semiconductor related markets can continue to grow over the medium to long term.

A Review of Fiscal 2018

Points of Note for Fiscal 2018

Semiconductor-related containers
Increased sales of products for 300 mm wafers and small diameter wafers

OA device components
Demand for laser printer rollers remained flat

Carrier tape related products
Product sales for semiconductors was strong but poor for micro-components from second half

Silicone rubber molded products
Solid sales for medical related products

Semiconductor-related containers were blessed with a favorable environment with heavy demands placed on inventories leading to sharp growth.

In the first half of the year, increased production was backed by investment in memory production and the establishment of new semiconductor plants in China.

In addition, the third building of Itoigawa Plant (Niigata Prefecture) started operations in January 2019, increasing production capacity of shipping containers by 20% over previous levels.

Device manufacturers, etc. are in a period of adjustment, however, there has been no major impact on our Group's production plan. We can prepare for steady shipments when demand recovers.

In terms of components for OA equipment, demand was flat for our leading developing rollers of laser printers.

Although demand for electronic components for high-end mobile phones showed signs of recovering, carrier tape sales fell from last year.

With regard to silicone rubber molded products, medical products such as catheters were strong on the back of rising global health and medical needs.

As a result, sales in this business were 37,089 million yen (up 7.9% from the previous year), and segment income (operating income) was 5,904 million yen (up 16.8% from the previous year).

Overview of Operations

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

Strategies for Fiscal 2019 and Onwards

Strategy Points of Note

- Expand production of semiconductor-related container products at home and abroad
- Respond to customers' cutting-edge needs
- Acquire new demands through the development of next-generation standardized products

While further improving the quality and performance of semiconductor-related containers and carrying materials for electronic components, we will further expand our production and supply systems in Japan and overseas, striving to expand sales by responding appropriately to the needs of customers stemming from the refinement of semiconductor processes and the miniaturization of electronic devices.

We shall also aim to capture new customer demands by developing next-generation standard semiconductor-related containers for which demand has been increasing over recent years.

With regards to components for OA equipment, we will categorically respond to the demand for laser printer components and look to increase profits by incorporating demands for components of multifunction equipment.

For our silicone rubber molded products, we will further promote overseas development of medical related products.

With a view to production of silicone rubber molded products at our Indian plant, which manufactures input devices for automobiles, we are also focusing on new product development and new market development utilizing our proprietary technologies such as highly transparent products and composite products.

Outlook for Fiscal 2019

The outlook for the semiconductor industry has been unclear since the second half of 2018 with the situation remaining somewhat unpredictable.

However, shipments of semiconductor-related containers are expected to remain steady as major semiconductor manufacturers continue to make aggressive capital investments.

And as lead up services for 5G will be launched from the second half of 2019, we anticipate increased demand for electronic components for communications and mobile devices.

In the medical devices business, demand is expected to further expand but OA equipment is expected to be on a par with fiscal 2018.

Mid-to-Long Term Outlook

Although it is difficult to fully ascertain market conditions due to the effects of US-China trade frictions, the Japanese government is pushing for the realization of its Society 5.0 initiative which attempts to solve various social issues by connecting people and things through IoT to create new values, etc. As a result, there is no change in prospects for growth in semiconductor-related markets.

In Japan, demand is expected to continue, centering on therapeutic equipment as the population continues to age.

In addition to the increasing populations in India and the ASEAN region, further growth is expected as medical infrastructures are being developed with the support of developed countries in Indonesia and Vietnam, where national health insurance systems have been introduced.

Semiconductor-related containers, carrying materials for electronic components, and components for medical devices are all expected to perform well.

TOPIC

Panel FOUP

In-process containers for panels of semiconductor PLP (Panel Level Packaging) is currently in the development, marketing, and sales expansion stages.

In order to promote the effects of clean automatic handling of panels to the semiconductor packaging industry, a video jointly produced by a load port manufacturer, a robot manufacturer and our Company was created and in June 2019 published along with an article on 3DInCites, an overseas website with information on the semiconductor packaging industry.

• Website article URL:
https://www.3dincites.com/2019/06/fan-out-panel-level-packaging-comes-to-the-ectc-technology-corner/

Panel FOUP (for 600 mm panels)

Overview of Operations

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

Business Summary

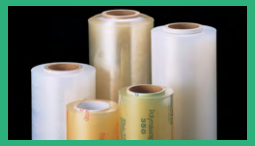
In this business segment, as well as molded products made primarily from PVC resin, such as packaging materials for food products, construction materials, and semi-manufactured materials for molding products, a wide-ranging business is being developed with new products including conductive polymers that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

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

Strengths

- Expanded areas where conductive polymers are used
- New establishment of overseas production base
- Secured production sites for PVC compound products

Main Products


Wrapping films


Compounds

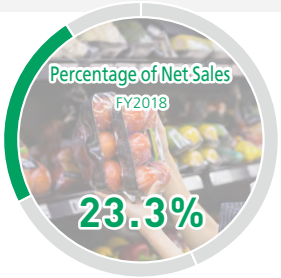

Conductive polymers


High-performance engineering plastic film

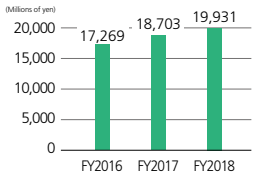
Technology and Development

The fundamental technologies for processed PVC products have been held in high regard for many years.
As a result of applying these technologies, we have developed and added a thin film made from engineered plastics, and a conductive polymer with conductivity and heat resistance properties, to this segment's product lineup. Additionally, we are developing products and cultivating demand for high-performance compounds with excellent sliding properties, and repairing materials made from silicone for superior workability.

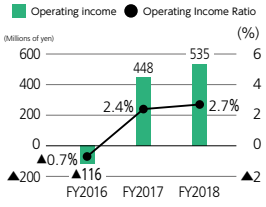
Main Financial Data



Net Sales



Operating Income and OperatingIncome Ratio



The Business Environment

Conductive polymers, a new business product used as anti-static materials, have been used in the capacitors due to the advancing computerization in vehicles.

Although compounds for automobile components stalled in part due to the economic slowdown and the increase in car purchase tax in China, growth is expected over the long term due to the global shift to electric vehicles.

For packaging materials and PVC pipe-related products, prices were partially revised in response to continued sluggish demand and a severely competitive market.

Despite the sluggish market for exterior products, there was demand from the efforts for disaster recovery.

A Review of Fiscal 2018

Points of Note for Fiscal 2018

Wrapping films
Sluggish sales for supermarkets and in the food-service industry with partial price revisions

PVC pipe-related products
No growth in shipment volume with partial price revisions

Functional compounds
Sales for machine tool cables, such as robots, was steady but slowed for automobiles towards the year end

Material products
Sales of conductive polymers increased in electronic component

In this segment, net sales increased to 19,931 million yen (up 6.6% from the previous year) and operating income increased to 535 million yen (up 19.4% from the previous year).

Although prices of wrapping films and PVC-related products were partially revised, shipments to restaurants and supermarkets did not grow, contributing to limited sales which remained at the same level as the previous year.

In functional compounds, robot cables continued to perform well on the back of the need for automation of machine tools due to a decline in the working population, but because of a decreased demand for automobiles in the huge car market of China, sales remained at the same level as the previous year.

On the other hand, despite the sluggish market for exterior material (cladding) related products, demand due to disaster recovery efforts, in addition to the development of new customers, price revisions, and an expanded product line-up, combined for a large increase in sales.

Moreover, conductive polymers, a new business product, is showing huge growth in capacitors for cars.

Overview of Operations

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

Strategies for Fiscal 2019 and Onwards

Strategy Points of Note

- Expand sales of conductive polymer products in growing markets
- Roll out compound products in the ASEAN region
- Roll out new products in the infrastructure maintenance market

We aim to put the business on a growth trajectory through cost reductions and sales expansion of PVC-related products, and through the expansion and sales of new business products.

In particular, we will promote increased sales of high value-added products such as functional compounds, conductive polymers and thin engineering plastic films in an effort to increase profits.

As we can expect product growth for the well performing conductive polymers in growth markets such as in LCD protective films for mobile phones, as well as being used in anti-static materials, and capacitors in the active automobile market due to the rise in electric vehicles, we are focusing on positioning the products to best achieve good business results.

With regard to compound products, we believe that the expansion of our sales and production bases through the subsidiary acquisition of Hymix (Thailand) in January 2019 will contribute to increased sales in the ASEAN market.

We will expand our product lineup to include our Polyma Multi-Tape, a silicone repair material for the infrastructure maintenance market.

Outlook for Fiscal 2019

By making Thailand's synthetic resin manufacturer Hymix Co., Ltd. a subsidiary through an M&A, we have now a new overseas production and sales base for PVC compound products.

This will help us to capture demand not only in Thailand but also in the ASEAN region.

In addition, we can expect further demand for conductive polymers as electric vehicles and car electrical systems progress.

This leads us to expect further growth in this segment.

Mid-to-Long Term Outlook

In Japan, the wrapping film market is expected to increase moderately due to the increase in individual packaging needs and food deliveries against the backdrop of more single people with Japan's declining population. However, we will also consider product development in line with the global trend for non-plastics.

The compound business is expected to expand in a wide range of fields, such as for electric wires, medical devices, and daily goods, etc., by combining Hymix's production and sales capabilities with our traditional development capabilities.

Given the growing demand for maintenance such as in public infrastructure, we also expect growth in repair materials such as with our Polyma Multi-Tape.

Performance is expected to grow for both PVC-related products and material-based products.

TOPIC

Polyma Multi-Tape

Shin-Etsu Polymer's new product, Polyma Multi-Tape

In July 2019, we began selling our Polyma Multi-Tape, a self-bonding silicone rubber tape that sticks the silicone material together by pulling and winding it.

The tape exhibits its sticking properties when several layers are pulled and wound together.

The sticking structure comes from the silicone rubber's tensile strength so no specific materials for its use have been chosen.

The tape is also very weather resistant being able to withstand temperatures from -50°C to 200°C, with high insulation properties.

It can be used in a multitude of different situations including stopping leaks, protection against corrosion, insulation coating, sticking things together, and also to prevent slipping, etc.

The tape also exhibits excellent durability under tough working conditions, such as for preventing pipe deterioration in buildings, apartments or factories, preventing water leakage from viaduct drain pipes, or insulation coatings in switchboards.

Research and Development

Using Unique Technologies to Create Themes That Deliver Value for Customers

The basis of the Shin-Etsu Polymer Group's research and development is to communicate closely with customers, identify their potential needs and provide them with valuable products.

The fundamental technologies that are the core of the Group's technological development are material compounding, design, molding processes, and evaluation and analysis with silicone, various resins and conductive materials as key materials.

Applying these fundamental technologies to meet the needs of our customers in a wide range of fields is our mission in research and development.

Precise and Rapid Development through Collaboration with Sales and Production Units

Research and development is led by the Development Unit with the aim of enhancing core technologies and establishing new ones. Development Departments I - V handle work-site operations development while the Office of New Business Development and the Office of Business Industrialization Management takes care of new business development.

The Development Unit works closely with the Sales and Production Units to accurately pinpoint the needs of customers and respond to them rapidly.

Targeting Growth Markets by Developing New Products Using Core Technologies such as Compounding

Currently, we are developing innovative products in our major product and related business areas that are being rolled out in a wide range of fields such as in next-generation automotive, next-generation semiconductor, and medical equipment related markets using our core technologies of precision processing and compounding of functional resins including those of conductive materials.

We are working on the development of applications for conductive polymers, high-performance engineering plastic films, next-generation semiconductor panel containers, and noise cancellation products.

Intellectual Property Initiatives

Based on the recognition that patents, technological know-how, and other such attributes are important management assets, the Intellectual Property Department sets intellectual property strategies for each of the business fields with different business models, improving the Company's management of intellectual property both "offensively" and "defensively" to develop and support new markets and new customers.

The Sales Unit, the Development Unit, and the Production Unit work together to promote offensive use of intellectual property, such as strategic filing for and utilization of industrial property rights. Such active use of our intellectual property rights will secure a competitive edge in the market.

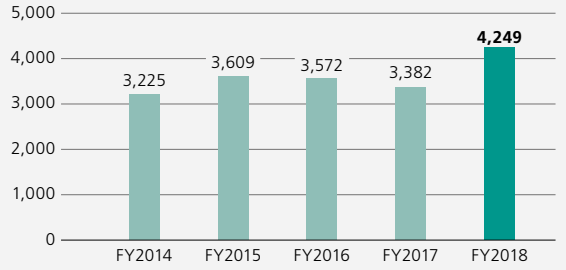
At the same time, we use defensive strategies such as expanding our global research activities, conducting intellectual property life cycle management, and making use of intellectual property agreements based on respect for the rights of other companies. We are also conducting training and awareness building activities to further raise the level of our intellectual property activities.

● Number of Proprietary Patents and Others

		FY2017	FY2018
Japan	Patents	1,028	1,034
	Utility models	6	6
	Industrial designs	78	72
	Trademarks	139	143
Foreign patents		554	537

● Research and Development Expenses (Consolidated)

(Millions of yen)



Corporate Governance

The Company recognizes that a fundamental premise of management is enhancing corporate value as a global corporation that is trusted by and meets the expectations of its shareholders and various other stakeholders.

Based on this fundamental awareness, the Company is working to enhance corporate governance through accurate decision-making and execution by speeding up the decision-making process of management to improve management transparency and internal control functions.

Basic Policy

① **Ensure the rights and equality of shareholders**
We will respect the rights of shareholders, give consideration to the equality of all shareholders including minority shareholders and non-Japanese shareholders, and strive to provide an environment where shareholders can exercise their rights appropriately.

② **Cooperate appropriately with stakeholders other than shareholders**
We will strive to cooperate with stakeholders other than shareholders for the sustained growth of the Company and the creation of corporate value over the medium to long term.

③ **Carry out appropriate disclosure of information and ensure transparency**
We will make appropriate disclosures under laws and regulations, and proactively disclose other information in an effort to provide users with information that is easy to understand and highly useful.

④ **Duties of the Board of Directors**
Based on its fiduciary responsibility to shareholders, we will strive to ensure the Board of Directors fulfills its roles and responsibilities in an appropriate manner.

⑤ **Shareholder engagement**
We will explain our management policy to shareholders in an easily understandable manner, make efforts to obtain their understanding, and strive to engage in constructive dialogue.

Corporate Governance System

Shin-Etsu Polymer has adopted a corporate auditors system with 3 of its auditors as outside auditors.

The Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution on multiple levels, thereby providing a functional and effective managerial supervisory function along with a supervisory and audit function that ensures objectivity and neutrality.

The Board of Directors is responsible for important management decisions and appropriately supervises the directors in executing their duties.

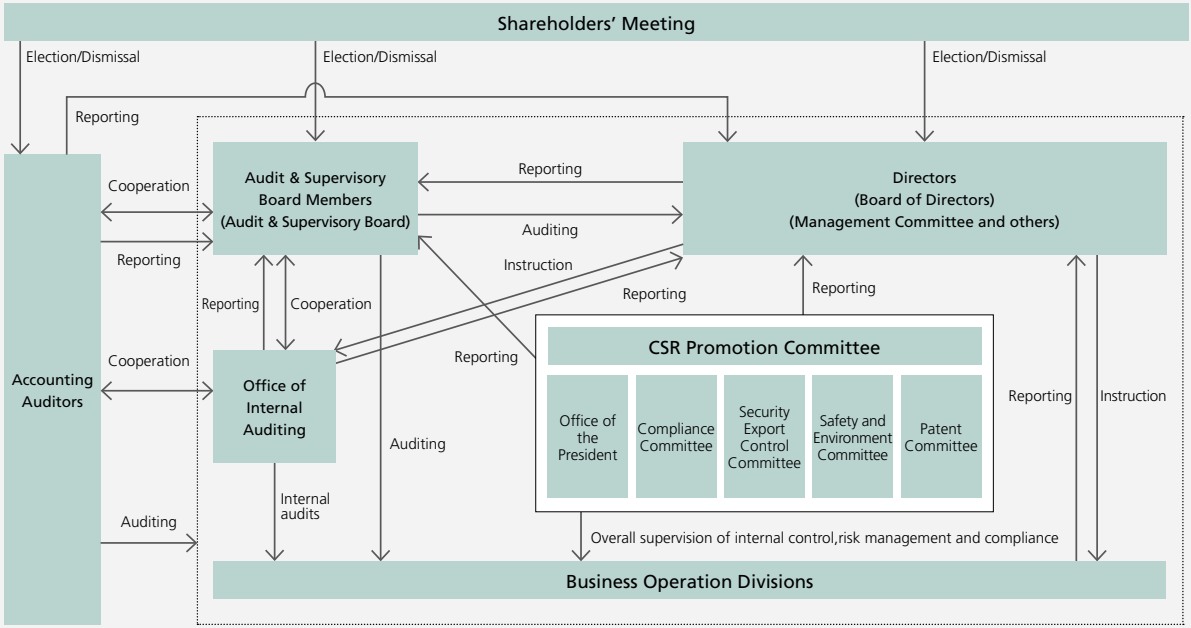
As of June 25, 2019, the Board of Directors is composed of 11 directors, two of whom are outside directors (both independent officers).

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

Relationship with the Parent Company

Shin-Etsu Chemical Co., Ltd., the parent company of Shin-Etsu Polymer, is a controlling shareholder (as of March 31, 2019) holding 52.9% of the total number of outstanding shares (excluding treasury stock) of the Company.
The Company maintains autonomy in its business activities and also purchases raw materials from its parent company, but in terms of transactions the Company properly decides terms and conditions based on market prices.

● Corporate Governance System (as of June 25, 2019)



Corporate Governance

●Improving the Effectiveness of the Governance System

Following on from the previous year, in fiscal 2018, the Company implemented a self-assessment survey for all its directors and corporate auditors on the effectiveness of the Board of Directors as a whole.

As a result, in addition to its role as an executive body, the issue of its function to examine business strategies should be more fully developed, and the issue to further deepen the discussion on formulating a medium-term management plan were taken from the survey.

From the above, the effectiveness of the Board of Directors as a whole has been generally secured meaning the Board of Directors has been assessed to be functioning effectively.

Moving forwards, we shall continue to improve the functions of the Board of Directors.

●Audit System

With regard to the auditor's audit as of June 25, 2019, three outside auditors (of which one is an independent outside auditor) constitute the Audit & Supervisory Board and carry out audits independently from business execution.

Audit & Supervisory Board members fulfill their function of supervising management by attending Board of Directors meetings and other management meetings, and also hold Audit & Supervisory Board meetings as necessary to discuss important auditing matters arising from reports from each Audit & Supervisory Board member.

The Office of Internal Auditing audits the execution of management and operational systems as well as work processes with respect to their legality, rationality and efficiency.

With regards to accounting audits, we receive quarterly reviews or audits from an auditing firm, receiving accounting advice where appropriate.

The auditor's audits, internal audits and accounting audits are all thoroughly carried out with close exchange of information based on mutual cooperation and collaboration to provide effective audits.

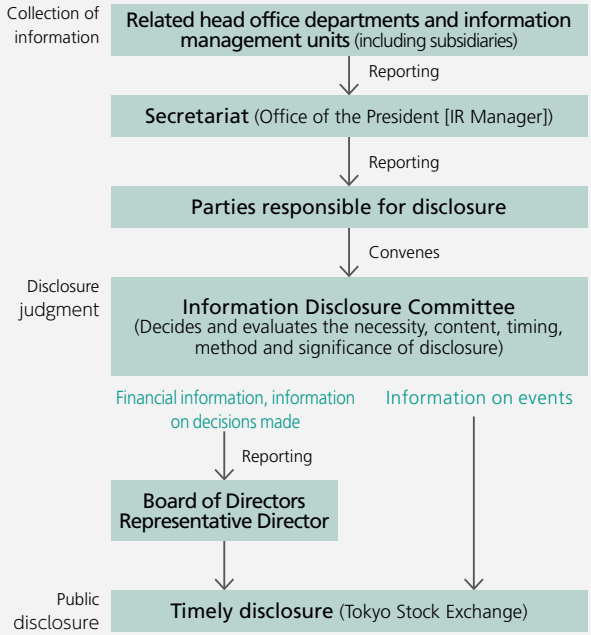
Shareholder and Investor Engagement

●Information Disclosure System

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

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

●Information Disclosure System



Please visit our website for more details on our Corporate Governance Report.
https://www.shinpoly.co.jp/company/corporate.html

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

●Communication with Shareholders and Investors

The Company holds briefings for analysts, investors and the media as an opportunity to explain its business conditions when announcing financial results after the end of each fiscal year and second quarter.

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

●Officers (As of June 25, 2019)

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

*Independent officer under the Tokyo Stock Exchange listing rules

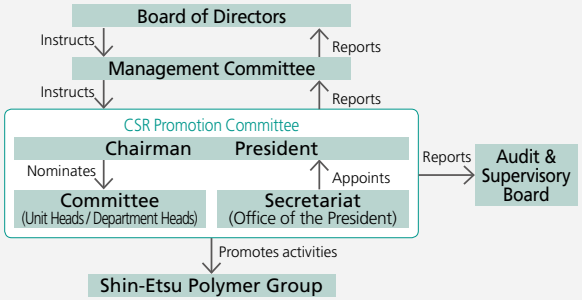
CSR Initiatives

Promotion of CSR Management

●Establishment of a Framework to Promote CSR

Previously the Shin-Etsu Polymer Group engaged in CSR activities with departments and group companies each playing a role. The Company has now established a system to further strengthen the promotion of CSR management and in November 2017 the CSR Promotion Committee was launched.

Under this new framework, the CSR activity policy has been made clear, the Company-wide CSR activity system has been restructured, and ESG-related risks and opportunities have been strengthened.



●Important CSR Issues

As a member of the Shin-Etsu Chemical Group, the Group is promoting initiatives to address important CSR issues for the Shin-Etsu Chemical Group.

The CSR Promotion Committee has designated the promotion of CSR procurement and the diversification of materials procurement as well as the promotion of respect for people, development of human resources and diversity, as particular priority issues and has been working on these activities since the year ending March 31, 2019.

Important CSR Issues for the Shin-Etsu Chemical Group

1. Securing the safety of workers and promoting good health
2. Saving energy and resources and reducing the impact on the environment
3. Improving product quality and product safety management
4. Promotion of CSR procurement and diversification of materials procurement
5. Promotion of respect for people, development of human resources and diversity
6. Respect and protection of intellectual property
7. Community contribution activities
8. Timely and accurate information disclosure and dialog with stakeholders

Respect for Human Rights

The Shin-Etsu Chemical Group is committed to its corporate philosophy of being a company that contributes to people's daily lives as well as to society and industry by creating value with our key materials and technologies, adhering to fair business activities in compliance with all laws and regulations. The foundation of which is that of respect for human rights. The Shin-Etsu Chemical Group respects the human rights of all people. In order for our Group companies around the world to permanently achieve respect for human rights we will strongly promote activities that respect human rights in compliance with international codes of conduct (such as the Universal Declaration of Human Rights, the ILO' International Labor Standards, the UN's Guiding Principles on Business and Human Rights, and the Ten Principles of the UN Global Compact).

The Shin-Etsu Chemical Group Human Rights Policy (extract)

1. Forbids discrimination
2. Forbids behavior that harms the dignity of others
3. Protects privacy
4. Respect for basic labor rights
5. Forbids child labor and forced labor

Shin-Etsu Chemical Group Human Rights Policy
https://www.shinetsu.co.jp/jp/csr/csr_employ.html

Development of Environmentally Friendly and Contributing Products

The Shin-Etsu Polymer Group is working on the development of environmentally friendly and contributing products to reduce its impact on the environment in accordance with its Basic Environmental Policy.

●The Concept of Reduced Impact on the Environment

Environmental Initiatives
The concept is to change conventional QCD to QCD+E (environment friendly)
(Q stands for quality, C for cost, D for delivery and E for ecology, or reduced impact on the environment)

Quality Cost Delivery + Ecology

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

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

CSR Information Communication

The Group's 2018 Sustainability Report which was published in September 2018 received the Award of Excellence in the Environmental Report category of the 22nd Environmental Communication Awards sponsored by the Ministry of the Environment. This is the third time the Company has won the award following its 2017 report publication. The Environmental Communication Awards were founded to recognize outstanding reports on the environment, as a means of promoting environmental communication initiatives by businesses and improving the quality of environmental information disclosures. The Company was assessed on its formulation of a long-term goal targeting CO_2 reductions by 2030, the Shin-Etsu Polymer Value Chain which sets out the Company's eight key CSR issues and business activities, and improvements in employee related data.


賞状

The award certificate received at the ceremony in February 2019

For more details please visit our website.

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

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

Eleven-Year Summary (For the years ended March 31, 2008 through 2019)

	Millions of yen											Thousands of U.S. dollars[1]
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2019
Operating Performance (For the year):												
Net sales	¥85,460	¥79,343	¥73,979	¥75,039	¥71,707	¥67,332	¥60,669	¥62,650	¥70,469	¥70,181	¥84,739	769,909
New segments[2]												
Electronic Devices	20,699	19,554	18,644	19,933	18,875	16,453	15,103	16,935	22,258	25,370	–	186,477
Precision Molding Products	37,089	34,369	31,074	30,377	28,644	26,407	22,329	23,270	25,141	22,925	–	334,135
Housing and Living Materials	19,931	18,703	17,269	18,205	18,435	18,499	17,427	17,273	17,818	16,847	–	179,558
Others	7,740	6,715	6,991	6,522	5,753	5,971	5,808	5,170	5,250	5,038	–	69,729
Old segments												
Electronics and Functional Products	–	–	–	–	–	–	–	–	–	36,502	45,994	–
Packaging Products	–	–	–	–	–	–	–	–	–	24,142	26,739	–
Construction Materials and Constructing	–	–	–	–	–	–	–	–	–	9,537	12,005	–
Overseas sales	40,396	38,092	33,593	34,495	31,660	27,160	21,844	21,041	25,511	25,468	33,864	363,927
Gross profit	26,762	24,627	22,692	20,896	18,534	16,582	15,028	15,081	18,466	17,168	17,708	241,099
Operating income	8,153	7,206	5,511	4,101	2,231	1,314	944	1,071	3,385	2,457	1,359	73,450
Ordinary income[3]	8,026	7,274	5,934	4,532	2,865	1,662	1,291	1,248	3,054	2,816	1,263	72,306
Profit attributable to owners of parent	6,049	5,455	4,230	3,151	1,777	720	210	304	1,224	916	▲ 200	54,495
Comprehensive income (loss)	4,468	6,239	2,361	226	4,544	5,869	3,059	▲ 877	▲ 1,461	–	–	40,252
Capital expenditure	6,023	5,420	3,721	4,424	3,877	2,571	3,015	2,175	2,303	921	2,522	54,261
R&D expenses	4,249	3,382	3,572	3,609	3,225	2,807	2,601	2,260	2,581	2,519	2,699	38,279
Financial Condition (At year-end):												
Total assets	¥107,032	¥103,667	¥96,061	¥92,845	¥93,889	¥88,644	¥81,342	¥81,017	¥81,326	¥85,628	¥85,914	964,252
Total net assets	80,560	77,510	72,890	71,253	72,250	68,088	63,020	60,749	62,710	64,800	63,213	725,765
Net working capital[4,9]	54,118	53,658	51,549	49,917	49,798	46,092	41,745	39,810	40,057	39,831	36,169	487,549
Cash Flows:												
Cash flows from operating activities	¥9,498	¥8,447	¥7,278	¥7,682	¥4,656	¥4,373	¥3,106	¥5,252	¥7,505	¥8,806	¥4,412	85,567
Cash flows from investing activities	▲ 6,745	▲ 4,437	▲ 1,843	▲ 4,768	▲ 1,572	▲ 3,036	▲ 3,286	▲ 2,789	▲ 3,113	▲ 949	▲ 2,798	▲ 60,765
Free cash flow[5]	2,752	4,009	5,435	2,914	3,084	1,337	▲ 180	2,463	4,392	7,856	1,613	24,792
Cash flows from financing activities	▲ 3,204	▲ 1,670	▲ 789	▲ 1,179	▲ 604	▲ 745	▲ 732	▲ 981	▲ 2,526	4,805	482	▲ 28,864
Per Share Data:											Yen	U.S. dollar
Net income (loss)	¥74.27	¥66.48	¥51.60	¥38.55	¥21.85	¥8.86	¥2.59	¥3.74	¥15.06	¥11.28	¥ ▲ 2.47	$0.67
Net assets	989.44	948.31	887.09	870.12	874.65	826.10	764.26	736.45	758.67	785.10	776.38	8.91
Cash dividend	16.00	12.00	12.00	9.00	9.00	9.00	9.00	9.00	12.00	9.00	12.00	0.14
Financial Ratios:											% (Except interest coverage ratio)	
Return on equity (ROE)[6]	7.7	7.3	5.9	4.4	2.6	1.1	0.3	0.5	2.0	1.5	–	
Return on assets (ROA)[3,7]	7.6	7.3	6.3	4.9	3.1	2.0	1.6	1.5	3.7	3.3	1.3	
Equity ratio	75.1	74.6	75.8	76.7	76.0	75.7	76.4	73.9	75.8	74.5	72.5	
Interest coverage ratio (Times)[8]	396.1	345.1	285.5	283.2	150.5	133.8	91.8	152.8	77.2	64.0	60.4	

Notes: 1. U.S. dollar amounts are included solely for the convenience of readers, using the conversion rate of ¥111 per US$1 prevailing on March 31, 2019.
2. Segment classification under net sales has been changed from the year ended March 31, 2011 due to the application of new accounting standards for reportable segments.Segment information for the previous fiscal year was restated accordingly to allow year-on-year comparison.
3. In the fiscal year ended March 31, 2015, "loss on retirement of noncurrent assets" was reclassified from extraordinary loss to non-operating expenses.Ordinary income and return on assets for the fiscal year ended March 31, 2014 were restated to reflect this change.
4. Net working capital = Current assets - Current liabilities 5. Free cash flow = Cash flows from operating activities + Cash flows from investing activities 6. ROE = Profit attributable to owners of parent / Total net assets (average of beginning and end of term balances)
7. ROA = Ordinary income / Total assets (average of beginning and end of term balances) 8. Interest coverage ratio = Cash flows from operating activities / Interest payment
9. For the fiscal year ended March 2019, according to the application of the Partial Amendments to "Accounting Standard for Tax Effect Accounting", deferred tax assets of current assets is included under fixed assets, and deferred tax liabilities of current liabilities is included under non-current liabilities.The net working capital for the fiscal year ending March 31, 2018 is calculated based on the results of similar reclassifications.

Company Profile, Investor Information and Group Network (As of March 31, 2019)

Company Profile

Corporate Name	Shin-Etsu Polymer Co., Ltd.
Established	September 15, 1960
Head Office	Sotetsu Kandasudacho Building, 1-9 Kanda-Sudacho, Chiyoda-ku, Tokyo 101-0041 Japan
Paid-in Capital	¥11,635 million
Number of Employees	4,614 (Consolidated) 1,034 (Non-consolidated)
Consolidated Subsidiaries	14 companies
URL	https://www.shinpoly.co.jp/

Investor Information

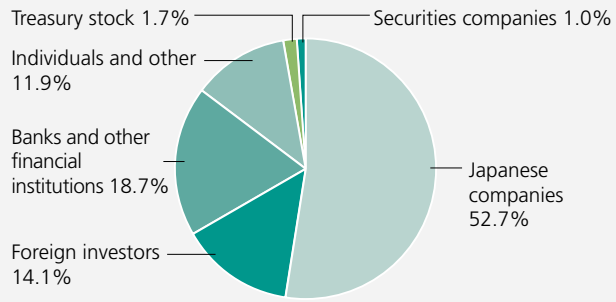
Number of Shares Authorized	320,000,000
Number of Shares Issued	82,623,376
Number of Shareholders	9,591
Fiscal Year-End	March 31
Stock Listing	Tokyo Stock Exchange (Ticker code 7970)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Shareholders

	Number of Shares (Thousands)	Percentage of Total Equity (%)
Shin-Etsu Chemical Co., Ltd.	42,986	52.9
Japan Trustee Services Bank, Ltd. (Trust account)	4,002	4.9
The Master Trust Bank of Japan, Ltd. (Trust account)	3,147	3.8
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,056	2.5
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	1,025	1.2
Nippon Life Insurance Company	768	0.9
GOLDMAN SACHS INTERNATIONAL	720	0.8
Japan Trustee Services Bank, Ltd. (Trust account 5)	715	0.8
GOVERNMENT OF NORWAY	705	0.8
The Nomura Trust & Banking Co., Ltd. (Investment trust account)	620	0.7

1.In addition to the above and excluded from the above major shareholders, 1,377 thousand shares of treasury stock are held in the name of Shin-Etsu Polymer Co., Ltd.
2.Percentage of total equity is calculated excluding treasury stock.

Composition of Shareholders



Network

Our Company

Head Office
Chiyoda-ku,Tokyo

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

Subsidiaries

Sales and Construction, etc.
Shin-Etsu Finetech Co., Ltd. (Tokyo)

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

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