



Consolidated Financial Summary (Japanese Accounting Standards)
(For the six months ended September 30, 2020)

October 26, 2020

Listed company: Shin-Etsu Polymer Co., Ltd.

Listing code: No. 7970 (URL <https://www.shinpoly.co.jp/en/index.html>)
 Listing stock exchange: Tokyo
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Scheduled date to submit the Quarterly Securities Report: November 11, 2020
 Scheduled date of dividend payout: November 26, 2020
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for analysts)

(Amounts under a million yen are truncated.)

1. Consolidated Financial Highlights for the First Half of the Fiscal Year Ending March 31, 2021
(April 1, 2020 to September 30, 2020)

(1) Consolidated Financial Results

(The percentages indicate the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
April – September 30, 2020	35,791	(11.2)	2,705	(31.1)	2,927	(27.4)	2,151	(29.9)
April – September 30, 2019	40,286	(4.8)	3,925	3.8	4,033	(3.4)	3,069	3.0

(Note) Comprehensive income (loss): September 30, 2020: ¥1,194 million (-42.8%); September 30, 2019: ¥2,087 million (7.4%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
April – September 30, 2020	26.60	26.56
April – September 30, 2019	37.78	37.77

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Six months ended September 30, 2020	104,209	85,020	81.3
Year ended March 31, 2020	105,378	84,538	80.0

(Reference) Equity capital: September 30, 2020: ¥84,703 million; March 31, 2020: ¥84,308 million

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March 2020	–	8.00	–	10.00	18.00
March 2021	–	9.00			
March 2021 (forecast)			–	9.00	18.00

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(The percentages indicate the year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	74,000	(7.8)	5,800	(25.2)	6,000	(25.9)	4,400	(30.0)		54.40

(Note) Revisions to financial forecasts published most recently: Yes

While have not yet determined our full-year financial forecasts for the fiscal year ending March 31, 2021 because it was difficult to make a rational calculation, we will publish them as stated above in light of the recent business environment and performance trends of the Company, etc.

* Notes

- (1) Any changes in important subsidiaries during the six months ended September 30, 2020 (any changes in specific subsidiaries accompanied by a change in the scope of consolidating): None
Newly added: None , Eliminated: None
- (2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: None
- (3) Any changes in accounting policies and changes or restatement of accounting estimates
- | | |
|---|------|
| 1. Changes in accounting policies associated with the revision of accounting standards, etc.: | None |
| 2. Changes in accounting policies other than the above: | None |
| 3. Changes in accounting estimates: | None |
| 4. Restatement: | None |
- (4) Number of shares issued (common stock)
- | | | |
|--|----------------|-------------------|
| 1. Number of shares issued as of the term end (including treasury shares): | September 2020 | 82,623,376 shares |
| | March 2020 | 82,623,376 shares |
| 2. Number of treasury shares as of the term end: | September 2020 | 1,732,742 shares |
| | March 2020 | 1,744,611 shares |
| 3. Average number of shares during the term: | September 2020 | 80,883,167 shares |
| | September 2019 | 81,246,007 shares |

The consolidated financial summary is not included in the scope of the quarterly review by certified public accountants or audit corporations.

Statement regarding the proper use of financial forecasts and other special remarks

(Caution regarding forward-looking statements)

The forward-looking statements, such as results forecasts, included in this document are based on information currently available to the Company and certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially, depending on a range of factors.

(Method of obtaining presentation material for business result meeting)

The Company will hold a business result meeting for analysts on November 9, 2020. The presentation material distributed at this meeting will be posted promptly on the Company's website after the meeting.

Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Results, etc. for the Six-Month Period Ended September 30, 2020

(1) Qualitative Information on the Consolidated Results

The global economy experienced a significant slowdown during the six-month period ended September 30, 2020, reflecting travel bans and lockdowns instituted by many countries to prevent the spread of COVID-19, in addition to the impact of the prolonged trade conflict between the U.S. and China. Subsequently, the pace of recovery remained moderate due to the prolonged impact of the novel coronavirus. In the U.S., employment recovered, and consumer spending picked up after the lifting of lockdowns. In European economies, production and exports were on track to recovery from their trough in April, but momentum decelerated as the second wave of infection spread arrived. In Asia, economic recovery continued in China, where economic activities were resumed ahead of other countries.

In the Japanese economy, consumer spending, production and exports all picked up after the lifting of the declaration of a state of emergency, but it is expected to take time before the economy fully recovers, given weakening corporate capital expenditure.

The Group's business environment remained challenging overall, reflecting sluggish demand in the automotive sector despite hardly any fall in demand in the semiconductor and electronics component industries due to the coronavirus pandemic.

In this operating environment, the Group took steps to control the spread of the coronavirus while also continuing to focus its sales activities on boosting sales of both key products and products in new businesses in Japan and overseas, while also working to expand production/supply systems.

As a result, consolidated net sales stood at ¥35,791 million (down 11.2% year on year). Operating profit amounted to ¥2,705 million (down 31.1% year on year), ordinary profit was ¥2,927 million (down 27.4% year on year), and profit attributable to owners of parent stood at ¥2,151 million (down 29.9% year on year) for the six months under review.

Consolidated results by segment are as follows.

1) Electronic Devices segment

In the Electronic Devices segment, overall sales were lower than the year-ago level, reflecting weak shipments particularly of automotive input devices, mainly due to lackluster demand in the automotive sector amid the coronavirus pandemic.

In the business of input devices, sales significantly declined, reflecting lackluster shipments of mainstay automotive key switches, although shipments of touchpads for slim notebook personal computers remained strong.

Sales of display-related products decreased overall due to the continued poor performance in LCD connectors combined with shipments of view-control films (VCFs) for optical applications that remained flat.

Sales of component-related products were on a par with the year-ago level, despite steady shipments of electronic-part testing connectors.

As a result, segment sales amounted to ¥7,924 million, down 21.7% year on year, and the segment operating loss was ¥32 million, compared with operating profit of ¥792million in the same period of the previous fiscal year.

2) Precision Molding Products segment

In the Precision Molding Products segment, overall sales remained unchanged from the year-ago level although shipments of semiconductor-related containers and carrier tape-related products held firm.

Sales of semiconductor-related containers grew, reflecting steady shipments for 300-mm wafer shipping containers on the back of firm demand in the semiconductor industry.

Sales of office automation equipment were weak given the lack of growth in demand for consumable supplies of development rollers for laser printers as mainstay products.

Sales of carrier tape-related products remained solid because demand for electronic components for smartphones remained strong.

Sales of silicone rubber molded products generally remained flat despite steady sales of mainstay medical

equipment.

As a result, segment sales stood at ¥16,673 million (up 1.9% year on year) and operating profit was ¥2,554 million (down 1.9% year on year).

3) Housing & Living Materials segment

In the Housing & Living Materials segment, the Company implemented new pricing, worked to increase production efficiency, and promoted sales of products in new businesses amid the extremely harsh market environment of PVC products. However, growth in overall sales was slower than a year earlier, impacted by weak demand for food packing materials, construction materials and automotive-related materials.

In the segment of packing materials such as wrapping films, sales were weak, reflecting poor shipments overall, with firm sales to supermarkets offset by a slump in sales to the food service industry.

Sales of PVC pipes and related products were below the level a year earlier due to the failure to maintain the shipment volume amid intensifying market competition.

Sales of functional compounds declined significantly, reflecting continued sluggish shipments of robot cables coupled with a slowdown in the growth of automobile-related demand.

Sales of exterior materials remained unchanged from the year-ago level, despite efforts to maintain a strong performance such as implementation of price revisions and expansion of sales to new customers.

Sales of conductive polymer, a new business product, remained flat in the absence of recovery in orders for use in automotive electronic components, despite a recovery in orders for use in smartphone components.

As a result, segment sales stood at ¥8,445 million (down 12.6% year on year) and segment operating profit was ¥89 million (down 75.4% year on year).

4) Others segment

Overall sales were down from the year-ago level due to a decrease in orders for new construction and renovation of commercial facilities, particularly in Tokyo and neighboring areas, and the interior work on public facilities in the construction business, reflecting weak demand amid the coronavirus pandemic.

As a result, segment sales amounted to ¥2,748 million (down 33.8% year on year) and operating profit was ¥93 million (down 43.5% year on year).

(2) Explanation of Information on Future Forecasts Such as Consolidated Financial Forecasts

With respect to the future outlook, it is likely to take time before economic activities in Japan and overseas fully recover from the slowdown associated with the spread of COVID-19 as well as the prolonged impact of trade conflict between the U.S. and China.

Looking at the business environment surrounding the Group, demand is likely to be relatively firm in the semiconductor industry and the electronics components industry. Meanwhile, the pace of recovery for demand in the automobile industry is expected to be slow, given the impact of COVID-19.

Under these circumstances, the Group will ensure optimal location production and further rationalize manufacturing to minimize the impact of the slump in automotive demand caused by the COVID-19 pandemic. The Group will also ensure thorough workplace hygiene and alter work styles to prevent the spread of the coronavirus amongst employees as well as strengthening BCM in case of shutdown.

The consolidated results for the fiscal year ending March 31, 2021 are expected to include sales of ¥74,000 million, operating profit of ¥5,800 million, ordinary profit of ¥6,000 million, and profit attributable to owners of parent of ¥4,400 million.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	Year ended March 31, 2020 (As of March 31, 2020)	Second quarter of year ending March 31, 2021 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	42,514	45,294
Notes and accounts receivable - trade	19,250	16,308
Electronically recorded monetary claims - operating	2,870	2,547
Merchandise and finished goods	7,086	6,583
Work in process	1,396	1,302
Raw materials and supplies	3,212	3,533
Accounts receivable - other	1,090	1,076
Other	765	399
Allowance for doubtful accounts	(511)	(493)
Total current assets	77,676	76,554
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,512	8,119
Machinery, equipment and vehicles, net	5,137	5,009
Land	6,652	6,616
Construction in progress	1,503	2,041
Other, net	1,774	1,699
Total property, plant and equipment	23,579	23,487
Intangible assets		
Software	74	112
Other	81	44
Total intangible assets	156	157
Investments and other assets		
Investment securities	1,874	2,006
Deferred tax assets	1,058	1,027
Other	1,033	975
Total investments and other assets	3,966	4,010
Total non-current assets	27,701	27,654
Total assets	105,378	104,209

Shin-Etsu Polymer Co., Ltd. (7970) Financial Summary (For the six months ended September 30, 2020)

(Million yen)

	Year ended March 31, 2020 (As of March 31, 2020)	Second quarter of year ending March 31, 2021 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,591	8,624
Electronically recorded obligations - operating	2,057	2,140
Accounts payable - other	1,053	1,131
Income taxes payable	520	865
Accrued expenses	2,141	2,100
Provision for bonuses	1,296	1,368
Provision for bonuses for directors (and other officers)	57	28
Other	1,053	1,077
Total current liabilities	18,771	17,337
Non-current liabilities		
Net defined benefit liability	1,341	1,155
Other	726	695
Total non-current liabilities	2,068	1,851
Total liabilities	20,839	19,189
Net Assets		
Shareholders' equity		
Share capital	11,635	11,635
Capital surplus	10,718	10,718
Retained earnings	66,259	67,600
Treasury shares	(1,683)	(1,672)
Total shareholders' equity	86,930	88,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	190	285
Foreign currency translation adjustment	(2,776)	(3,833)
Remeasurements of defined benefit plans	(36)	(31)
Total accumulated other comprehensive income	(2,622)	(3,579)
Share acquisition rights	229	316
Total net assets	84,538	85,020
Total liabilities and net assets	105,378	104,209

(2) Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

Consolidated Statements of Income

Six months ended September 30

(Million yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net sales	40,286	35,791
Cost of sales	27,498	24,705
Gross profit	12,787	11,086
Selling, general and administrative expenses	8,861	8,381
Operating profit	3,925	2,705
Non-operating income		
Interest income	163	131
Foreign exchange gains	–	5
Insurance claim income	–	52
Gain on sales of investment securities	76	–
Other	75	49
Total non-operating income	315	239
Non-operating expenses		
Interest expenses	9	14
Foreign exchange losses	173	–
Other	23	2
Total non-operating expenses	207	17
Ordinary profit	4,033	2,927
Profit before income taxes	4,033	2,927
Income taxes - current	782	785
Income taxes - deferred	181	(9)
Total income taxes	963	775
Profit	3,069	2,151
Profit attributable to owners of parent	3,069	2,151

Consolidated Statement of Comprehensive Income

Six months ended September 30

(Million yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Profit	3,069	2,151
Other comprehensive income		
Valuation difference on available-for-sale securities	(70)	94
Foreign currency translation adjustment	(917)	(1,056)
Remeasurements of defined benefit plans, net of tax	5	5
Total other comprehensive income	(982)	(956)
Comprehensive income	2,087	1,194
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,087	1,194

(3) Consolidated Statement of Cash Flows

(Million yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	4,033	2,927
Depreciation and amortization	1,861	1,752
Interest and dividend income	(181)	(146)
Interest expenses	9	14
Foreign exchange losses (gains)	144	74
Decrease (increase) in notes and accounts receivable-trade	1,713	3,003
Decrease (increase) in inventories	(557)	91
Increase (decrease) in notes and accounts payable-trade	(1,785)	(1,708)
Loss (gain) on sales of investment securities	(76)	-
Increase (decrease) in net defined benefit liability	(200)	(179)
Decrease (increase) in consumption taxes receivable/payable	430	8
Other, net	(1,045)	616
Subtotal	4,346	6,454
Interest and dividends income received	176	150
Interest expenses paid	(11)	(14)
Repayment (payment) of corporate taxes	(1,168)	(631)
Net cash provided by (used in) operating activities	3,343	5,957
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	80	307
Purchase of property, plant and equipment	(2,873)	(1,671)
Other, net	195	(72)
Net cash provided by (used in) investing activities	(2,596)	(1,435)
Net cash provided by (used in) financing activities		
Cash dividends paid	(650)	(808)
Other, net	(0)	(73)
Net cash provided by (used in) financing activities	(650)	(882)
Effect of exchange rate change on cash and cash equivalents	(660)	(545)
Net increase (decrease) in cash and cash equivalents	(563)	3,093
Cash and cash equivalents at beginning of period	40,802	41,675
Cash and cash equivalents at end of period	40,239	44,769

(4) Explanatory Notes to Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity (if any))

Not applicable

(Segment Information)

Information on net sales and profits or losses by reported segment

Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(Million yen)

	Reported segments				Others (Note)	Total
	Electronic Devices	Precision Molding Products	Housing & Living Materials	Sub-total		
Net sales						
Sales to outside customers	10,115	16,354	9,665	36,136	4,149	40,286
Inter-segment sales or transfers	–	–	–	–	–	–
Total	10,115	16,354	9,665	36,136	4,149	40,286
Segment profit (Operating profit)	792	2,603	363	3,760	165	3,925

(Note) "Others" is a business segment that is not included in the reported segments and includes the constructing business, etc.

Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)

(Million yen)

	Reported segments				Others (Note)	Total
	Electronic Devices	Precision Molding Products	Housing & Living Materials	Sub-total		
Net sales						
Sales to outside customers	7,924	16,673	8,445	33,043	2,748	35,791
Inter-segment sales or transfers	–	–	–	–	–	–
Total	7,924	16,673	8,445	33,043	2,748	35,791
Segment profit or loss (Operating profit or loss)	(32)	2,554	89	2,611	93	2,705

(Note) "Others" is a business segment that is not included in the reported segments and includes the constructing business, etc.