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October 24, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)



Company name: Shin-Etsu Polymer Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 7970
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 Scheduled date to file semi-annual securities report: November 8, 2024
 Scheduled date to commence dividend payments: November 26, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(% indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	54,737	2.4	6,922	17.7	6,633	3.6	4,589	(0.6)
September 30, 2023	53,456	1.7	5,883	(11.4)	6,403	(13.3)	4,617	(8.3)

Note: Comprehensive income For the six months ended September 30, 2024: ¥10,278 million [28.8%]
 For the six months ended September 30, 2023: ¥7,981 million [(28.8)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	56.81	56.52
September 30, 2023	57.01	56.67

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	149,912	121,424	80.7
March 31, 2024	140,778	112,967	80.0

Reference: Equity
 As of September 30, 2024: ¥120,991 million
 As of March 31, 2024: ¥112,578 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	22.00	–	24.00	46.00
Fiscal year ending March 31, 2025	–	25.00			
Fiscal year ending March 31, 2025 (Forecast)			–	25.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated financial results forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(% indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	106,000	1.6	12,800	15.8	13,000	12.7	8,800	1.4	108.99

Note: Revisions to the financial forecast most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – companies

Excluded: – companies

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	82,623,376 shares
As of March 31, 2024	82,623,376 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2024	1,808,961 shares
As of March 31, 2024	1,882,281 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	80,781,025 shares
Six months ended September 30, 2023	80,984,173 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of financial forecast and other special matters

(Caution regarding forward-looking statements)

The financial forecast and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable and are not intended as a guarantee that they will be achieved by the Company. Actual results may differ significantly from these forecasts due to a wide range of factors.

(How to obtain the presentation materials for the financial results briefing)

The Company plans to hold a financial results briefing for analysts on November 8, 2024. The presentation materials used at the briefing will be posted on the Company's website on the date of the briefing.

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2024, the global economy saw easing inflationary pressure, coupled with strong consumer spending in Europe and the U.S. Meanwhile, the Chinese economy continued to slow down in the face of sluggish domestic demand. In addition, geopolitical risks increased as a consequence of prolonged conflicts in Ukraine and the Middle East.

The Japanese economy saw a recovery trend in exports with corporate production activities recovering moderately and capital investments remaining firm, backed by increased demand for semiconductors worldwide.

Industries related to Shin-Etsu Polymer Group performed well. For instance in the automotive industry, sales of Japanese manufacturers remained strong supported by the weaker yen, while, in the semiconductor industry, excess inventories decreased gradually and the demand primarily for cutting-edge semiconductors remained on a recovery trajectory.

In this operating environment, the Group continued to focus its sales activities on expanding sales of key products and products for new businesses both at home and abroad to expand the production/supply systems. The Group also continued efforts to expand the production capacity of semiconductor-related containers. Moreover, the Group completed preparations for mass-producing thermal control products for automotive devices, of which demand is expected to grow in the years ahead.

As a result, for the six months ended September 30, 2024, net sales totaled ¥54,737 million (up 2.4% year on year), operating profit amounted to ¥6,922 million (up 17.7% year on year), ordinary profit was ¥6,633 million (up 3.6% year on year), and profit attributable to owners of parent was ¥4,589 million (down 0.6% year on year).

Operating results by segment are as follows.

1) Electronic Devices segment

In the Electronic Devices segment, operating results improved year on year with increases in the shipment of products such as automotive input devices, in-vehicle silicone molded products, and view/light path control film (VCF), as the demand from the automotive industry remained firm.

Regarding non-automotive industry in this segment, operating results also significantly improved year on year, backed by the recovery in demand for connectors for LCDs used in the consumer equipment and connectors for testing electronic components.

As a result, for this business segment, net sales totaled ¥12,699 million (up 4.5 % year on year), and operating profit amounted to ¥876 million (up 6.6% year on year).

2) Precision Molding Products segment

In the Precision Molding Products segment, the demand for semiconductor-related containers generally increased, although there were some disparities among regions including Japan. With the progress in inventory adjustment in the market, there were indications of an improvement in the operating results in this segment. Sales of OA device components increased year on year as the steady demand from printers was firm and the replacement demand from multifunction printers picked up. Sales of carrier tape-related products also increased year on year with the recovery of the demand for small-sized electronic components.

As a result, for this business segment, net sales totaled ¥27,382 million (up 10.0% year on year), and operating profit amounted to ¥5,224 million (up 26.5% year on year).

3) Housing and Living Materials segment

In the Housing and Living Materials segment, sales of cling wraps for the food industry picked up and the demand for corrugated sheets used for construction materials was firm. However, both net sales and operating profit decreased year on year due in part to a prolonged inventory adjustment in the functional

compounds market and the transfer of the PVC pipes and other businesses.

As a result, for this business segment, net sales totaled ¥11,098 million (down 13.7% year on year), and operating profit amounted to ¥605 million (down 11.6% year on year).

4) Others segment

In the Others segment, net sales totaled ¥3,557 million (down 0.2% year on year), and operating profit amounted to ¥216 million (down 12.3% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the six months under review amounted to ¥149,912 million (an increase of ¥9,133 million from the end of the previous fiscal year). This was mainly attributable to increases of ¥9,172 million in buildings and structures, net; ¥2,552 million in notes and accounts receivable – trade, and contract assets; ¥1,685 million in cash and deposits; ¥1,314 million in machinery, equipment and vehicles, net; and ¥524 million in raw materials and supplies, more than offsetting decreases of ¥4,722 million in construction in progress; ¥661 million in electronically recorded monetary claims – operating; ¥611 million in other of current assets; and ¥556 million in merchandise and finished goods.

Liabilities as of the end of the six months under review stood at ¥28,488 million (an increase of ¥676 million from the end of the previous fiscal year). This result was mainly due to increases of ¥1,055 million in income taxes payable and ¥400 million in accrued expenses, more than offsetting a decrease of ¥941 million in notes and accounts payable – trade.

Net assets as of the end of the six months under review stood at ¥121,424 million (an increase of ¥8,456 million from the end of the previous fiscal year), mainly reflecting an increase of ¥2,651 million in retained earnings and the weaker yen against the accounting currencies of all consolidated subsidiaries overseas compared to the end of the previous fiscal year.

As a result, the equity ratio increased to 80.7% from 80.0% at the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Consolidated financial results forecast for the fiscal year ending March 31, 2025 announced on July 25, 2024 remains unchanged.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	42,453	44,139
Notes and accounts receivable - trade, and contract assets	22,145	24,698
Electronically recorded monetary claims - operating	3,934	3,273
Merchandise and finished goods	12,833	12,277
Work in process	1,628	1,601
Raw materials and supplies	5,751	6,276
Accounts receivable - other	2,823	2,892
Other	1,294	683
Allowance for doubtful accounts	(153)	(99)
Total current assets	92,712	95,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,181	26,353
Machinery, equipment and vehicles, net	6,865	8,180
Land	6,696	6,797
Construction in progress	11,487	6,765
Other, net	2,190	2,384
Total property, plant and equipment	44,420	50,480
Intangible assets		
Software	776	689
Goodwill	144	114
Other	65	187
Total intangible assets	986	991
Investments and other assets		
Investment securities	1,112	1,074
Deferred tax assets	501	689
Other	1,044	934
Total investments and other assets	2,658	2,698
Total non-current assets	48,066	54,170
Total assets	140,778	149,912

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,333	12,391
Electronically recorded obligations - operating	2,917	3,050
Accounts payable - other	1,648	1,720
Income taxes payable	888	1,943
Accrued expenses	2,182	2,583
Provision for bonuses	1,526	1,710
Provision for bonuses for directors (and other officers)	43	26
Other	2,330	2,070
Total current liabilities	24,870	25,497
Non-current liabilities		
Retirement benefit liability	1,369	1,388
Other	1,571	1,602
Total non-current liabilities	2,941	2,991
Total liabilities	27,811	28,488
Net assets		
Shareholders' equity		
Share capital	11,635	11,635
Capital surplus	10,755	10,746
Retained earnings	85,022	87,674
Treasury shares	(2,052)	(1,972)
Total shareholders' equity	105,361	108,084
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	477	450
Foreign currency translation adjustment	6,719	12,468
Remeasurements of defined benefit plans	19	(12)
Total accumulated other comprehensive income	7,217	12,906
Share acquisition rights	388	433
Total net assets	112,967	121,424
Total liabilities and net assets	140,778	149,912

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	53,456	54,737
Cost of sales	37,658	37,492
Gross profit	15,798	17,244
Selling, general and administrative expenses	9,915	10,321
Operating profit	5,883	6,922
Non-operating income		
Interest income	67	143
Foreign exchange gains	298	–
Other	202	157
Total non-operating income	569	300
Non-operating expenses		
Interest expenses	17	14
Foreign exchange losses	–	560
Other	31	14
Total non-operating expenses	49	590
Ordinary profit	6,403	6,633
Extraordinary income		
Settlement income	40	–
Gain on reversal of share acquisition rights	35	17
Total extraordinary income	75	17
Extraordinary losses		
Impairment losses	62	–
Total extraordinary losses	62	–
Profit before income taxes	6,416	6,650
Income taxes - current	1,774	2,177
Income taxes - deferred	25	(115)
Total income taxes	1,799	2,061
Profit	4,617	4,589
Profit attributable to owners of parent	4,617	4,589

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	4,617	4,589
Other comprehensive income		
Valuation difference on available-for-sale securities	36	(27)
Foreign currency translation adjustment	3,326	5,749
Remeasurements of defined benefit plans, net of tax	0	(32)
Total other comprehensive income	3,364	5,689
Comprehensive income	7,981	10,278
Comprehensive income attributable to owners of parent	7,981	10,278

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	6,416	6,650
Depreciation	2,123	2,499
Impairment losses	62	–
Amortization of goodwill	34	36
Interest and dividend income	(89)	(172)
Interest expenses	17	14
Foreign exchange losses (gains)	(96)	527
Settlement income	(40)	–
Decrease (increase) in trade receivables	351	(121)
Decrease (increase) in inventories	(52)	1,093
Increase (decrease) in trade payables	(303)	(1,848)
Increase (decrease) in retirement benefit liability	3	(33)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	646	(308)
Other, net	(529)	1,054
Subtotal	8,543	9,393
Interest and dividends received	75	177
Interest paid	(18)	(16)
Income taxes refund (paid)	(2,221)	(932)
Net cash provided by (used in) operating activities	6,378	8,622
Cash flows from investing activities		
Decrease (increase) in time deposits	752	(352)
Purchase of property, plant and equipment	(7,950)	(7,174)
Purchase of intangible assets	(304)	(139)
Other, net	55	76
Net cash provided by (used in) investing activities	(7,446)	(7,590)
Cash flows from financing activities		
Dividends paid	(1,617)	(1,935)
Proceeds from sale of treasury shares	97	80
Other, net	(167)	(187)
Net cash provided by (used in) financing activities	(1,687)	(2,042)
Effect of exchange rate change on cash and cash equivalents	1,549	2,189
Net increase (decrease) in cash and cash equivalents	(1,206)	1,178
Cash and cash equivalents at beginning of period	43,843	40,672
Cash and cash equivalents at end of period	42,636	41,851

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

Information on net sales and profits or losses by reportable segments

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Millions of yen)

	Reportable segment				Others (Note)	Amount recorded in Semi-annual Consolidated Statements of Income
	Electronic Devices	Precision Molding Products	Housing and Living Materials	Total		
Net sales						
Net sales to outside customers	12,153	24,885	12,854	49,892	3,564	53,456
Inter-segment net sales or transfers	-	-	-	-	-	-
Total	12,153	24,885	12,854	49,892	3,564	53,456
Segment profit (Operating profit)	821	4,129	684	5,636	246	5,883

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

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Millions of yen)

	Reportable segment				Others (Note)	Amount recorded in Semi-annual Consolidated Statements of Income
	Electronic Devices	Precision Molding Products	Housing and Living Materials	Total		
Net sales						
Net sales to outside customers	12,699	27,382	11,098	51,179	3,557	54,737
Inter-segment net sales or transfers	-	-	-	-	-	-
Total	12,699	27,382	11,098	51,179	3,557	54,737
Segment profit (Operating profit)	876	5,224	605	6,706	216	6,922

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