

Consolidated Financial Summary (Japanese Accounting Standards) (For the nine months ended December 31, 2021)

January 26, 2022

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

Listing code:	No. 7970 (URL https://www.shinpoly.co.jp/en/)	
Listing stock exchange:	Tokyo	
Representative:	Yoshiaki Ono, President, Chief Executive Officer	
Person to contact:	Osamu Kowada, Executive Officer, General Manager of Accounting & Finance Department TEL: +81-3-5289-3716	
Scheduled date to submit the Quarterly Securities Report:	February 10, 2022	
Scheduled date of dividend payout:	—	
Supplementary documents for quarterly results:	None	
Quarterly results briefing:	None	

(Amounts under a million yen are truncated.)

1. Consolidated Financial Highlights for the First Nine Months of the Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)

(1) Consolidated Financial Results (The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen %	Million yen %	Million yen %	Million yen %
April – December 31, 2021	68,888 23.5	7,456 59.9	7,709 61.1	5,647 62.4
April – December 31, 2020	55,782 (8.1)	4,663 (20.2)	4,785 (24.3)	3,477 (26.6)

(Note) Comprehensive income (loss): December 31, 2021: ¥7,994 million (210.8%); December 31, 2020: ¥2,572 million (-21.0%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
April – December 31, 2021	69.90	69.68
April – December 31, 2020	43.00	42.93

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	120,370	92,360	76.4
As of March 31, 2021	108,212	86,677	79.8

(Reference) Equity capital: December 31, 2021: ¥91,999 million; March 31, 2021: ¥86,362 million

2. Dividends

	Dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
March 2021	Yen	Yen	Yen	Yen	Yen
March 2021	—	9.00	—	11.00	20.00
March 2022	—	12.00	—		
March 2022 (forecast)				12.00	24.00

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

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	86,000 11.8	8,800 21.9	9,000 28.2	6,400 41.1	79.11

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

* Notes

- (1) Any changes in important subsidiaries during the nine months ended December 31, 2021 (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.: Yes
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimates: None
4. Restatement: None
(Note) For details, please refer to 2. Consolidated Quarterly Financial Statements and Key Notes, (3) Explanatory Notes to Consolidated Financial Statements (Changes in Accounting Policies) on page 9 of the Accompanying Materials.
- (4) Number of shares issued (common stock)
1. Number of shares issued as of the term end (including treasury shares): December 2021 82,623,376 shares
March 2021 82,623,376 shares
2. Number of treasury shares as of the term end: December 2021 2,192,189 shares
March 2021 1,727,742 shares
3. Average number of shares during the term: December 2021 80,794,815 shares
December 2020 80,886,211 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

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.

Accompanying Materials – Contents

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1. Qualitative Information on Consolidated Results, etc. for the Nine-Month Period Ended December 31, 2021

(1) Qualitative Information on Consolidated Results

During the nine-month period ended December 31, 2021, signs of a recovery continued to spread, but the sense of uncertainty about the global economic outlook increased, given factors such as the recurrent spread of COVID-19, steep rises in the prices of raw materials, and the insufficient supply of semiconductors. In the United States, employment recovered, and consumer spending also gained strength. In Europe, business was generally weak, albeit with a recovery. In Asia, the Chinese economy continued to recover. However, recovery slowed in India and ASEAN countries due to COVID-19's recurred spread.

In the Japanese economy, corporate capital expenditure, production and exports picked up. However, more time appears necessary for a full-scale economic recovery as weak consumer spending demonstrates.

The Group's business environment remained favorable overall, reflecting continued demand expansion in semiconductor and electronics component industries and demand recovery in the automotive sector.

In this operating environment, the Group took steps to control the spread of the coronavirus while also continuing activities to boost sales of both key products and new businesses in Japan and overseas and working to expand the production/supply systems as well. The Group also strengthened the food wrapping film business through M&A.

As a result, consolidated net sales stood at ¥68,888 million (up 23.5% year on year). Operating profit amounted to ¥7,456 million (up 59.9% year on year), ordinary profit was ¥7,709 million (up 61.1% year on year), and profit attributable to owners of parent stood at ¥5,647 million (up 62.4% year on year) for the nine months under review.

Consolidated results by segment are as follows.

1) Electronic Devices segment

In the Electronic Devices segment, overall sales were substantially higher than the year-ago level, reflecting strong shipments particularly of automotive input devices, supported by demand recovery in the automotive sector.

Overall sales for input devices increased substantially attributable to the recovered shipments of mainstay automotive key switches and the strong shipments of touchpads for slim notebook personal computers.

Overall sales for display-related products expanded significantly thanks to the strong shipments of LCD connectors and view/light path control film (VCF).

Sales for component-related products grew sharply, reflecting the strong shipments of electronic-part testing connectors.

As a result, segment sales stood at ¥16,650 million (up 30.6% year on year) and operating profit was ¥1,007 million (up 327.8% year on year).

2) Precision Molding Products segment

In the Precision Molding Products segment, overall sales far surpassed the year-ago level, supported by shipments of semiconductor-related containers and carrier tape-related products which remained favorable.

Sales for semiconductor-related containers grew sharply, reflecting strong shipments of 300-mm wafer shipping containers and other products with lively demand in the semiconductor industry in the background.

Sales of office automation equipment increased due to the recovery in shipments of rollers for laser printers, which are mainstay products.

Sales of carrier tape-related products grew substantially, reflecting continued strong demand for electronic components for automobiles and smartphones.

Overall sales of silicone rubber molded products were roughly the same as the previous year because the sales of mainstay medical equipment showed slow growth.

As a result, segment sales stood at ¥31,087 million (up 24.0% year on year) and operating profit was ¥5,552 million (up 43.9% year on year).

3) Housing & Living Materials segment

In the Housing & Living Materials segment, the Company revised prices, increased production efficiency, promoted M&A, and expanded the sales of products in new business categories in the extremely difficult market environment for PVC products. Overall sales for the segment rose significantly from the previous fiscal year, supported by a recovery in demand for food packing materials and automotive-related materials.

Sales of packing materials such as wrapping films increased significantly, reflecting firm shipments to supermarkets and the consolidation of Kitche Nista Co., Ltd.

Sales of PVC pipes and related products were sluggish due to weak domestic demand.

Functional compounds rose significantly, reflecting a recovery in demand for those for robot cables and for automobiles and an increase in sales to new customers.

Sales for exterior materials decreased due to weak sales to existing customers.

Sales for conductive polymer rose sharply, reflecting increased orders for display and automotive electronic components.

As a result, segment sales stood at ¥15,943 million (up 21.2% year on year) and operating profit was ¥669 million (up 82.5% year on year).

4) Others segment

Overall sales from the construction business grew year on year with increases in orders for projects for building and renovating commercial facilities, particularly in Tokyo and neighboring areas, and projects for finishing the interior of public facilities.

As a result, segment sales amounted to ¥5,206 million (up 8.7% year on year) and operating profit was ¥227 million (up 12.4% year on year).

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

Consolidated financial forecasts for the fiscal year ending March 31, 2022 published on July 26, 2021 remain unchanged.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Million yen)

	Year ended March 31, 2021 (As of March 31, 2021)	Third quarter of year ending March 31, 2022 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	47,620	47,082
Notes and accounts receivable - trade	19,478	—
Notes and accounts receivable - trade, and contract assets	—	23,337
Electronically recorded monetary claims - operating	2,565	3,065
Merchandise and finished goods	6,221	7,146
Work in process	1,380	1,473
Raw materials and supplies	3,274	4,502
Accounts receivable - other	1,405	2,023
Other	540	931
Allowance for doubtful accounts	(295)	(287)
Total current assets	82,191	89,275
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,914	8,246
Machinery, equipment and vehicles, net	4,118	5,474
Land	6,615	7,230
Construction in progress	2,003	3,785
Other, net	1,639	1,807
Total property, plant and equipment	22,292	26,544
Intangible assets		
Software	119	108
Goodwill	—	1,711
Other	26	243
Total intangible assets	145	2,063
Investments and other assets		
Investment securities	1,789	887
Deferred tax assets	810	623
Other	982	976
Total investments and other assets	3,583	2,487
Total non-current assets	26,021	31,094
Total assets	108,212	120,370

(Million yen)

	Year ended March 31, 2021 (As of March 31, 2021)	Third quarter of year ending March 31, 2022 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,171	12,611
Electronically recorded obligations - operating	2,454	3,046
Accounts payable - other	1,128	3,039
Income taxes payable	1,101	1,120
Accrued expenses	2,188	2,859
Provision for bonuses	1,240	1,132
Provision for bonuses for directors (and other officers)	57	23
Other	1,292	1,782
Total current liabilities	19,635	25,617
Non-current liabilities		
Net defined benefit liability	1,167	1,312
Other	732	1,080
Total non-current liabilities	1,899	2,392
Total liabilities	21,535	28,010
Net Assets		
Shareholders' equity		
Capital stock	11,635	11,635
Capital surplus	10,718	10,718
Retained earnings	69,257	73,032
Treasury shares	(1,667)	(2,152)
Total shareholders' equity	89,944	93,235
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	345	292
Foreign currency translation adjustment	(3,914)	(1,519)
Remeasurements of defined benefit plans, net of tax	(12)	(8)
Total accumulated other comprehensive income	(3,581)	(1,235)
Share acquisition rights	314	360
Total net assets	86,677	92,360
Total liabilities and net assets	108,212	120,370

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

Consolidated Statements of Income

Nine months ended December 31

(Million yen)

	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)
Net sales	55,782	68,888
Cost of sales	38,374	47,194
Gross profit	17,407	21,694
Selling, general and administrative expenses	12,744	14,238
Operating profit	4,663	7,456
Non-operating income		
Interest income	164	78
Foreign exchange gains	–	130
Other	215	109
Total non-operating income	379	318
Non-operating expenses		
Interest expenses	21	12
Foreign exchange losses	230	–
Loss on retirement of non-current assets	5	9
Loss on valuation of investment securities	–	20
Other	1	22
Total non-operating expenses	258	65
Ordinary profit	4,785	7,709
Extraordinary profit		
Gain on reversal of share acquisition rights	–	27
Total extraordinary profit	–	27
Profit before income taxes	4,785	7,737
Income taxes - current	1,113	1,897
Income taxes - deferred	194	192
Total income taxes	1,307	2,089
Profit	3,477	5,647
Profit attributable to owners of parent	3,477	5,647

Consolidated Statement of Comprehensive Income

Nine months ended December 31

(Million yen)

	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)
Profit	3,477	5,647
Other comprehensive income		
Valuation difference on available-for-sale securities	128	(52)
Foreign currency translation adjustment	(1,042)	2,395
Remeasurements of defined benefit plans	8	3
Total other comprehensive income	<u>(905)</u>	<u>2,346</u>
Comprehensive income	2,572	7,994
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,572	7,994

(3) 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

(Changes in the Scope of Consolidation or the Scope of Equity Method Application)

From the first quarter of the current fiscal year, the Company included Hymix Co., Ltd., whose status had been a non-consolidated subsidiary at the end of the previous fiscal year, in the scope of consolidation, taking its increased importance into consideration.

Further, the Company included Kitche Nista Co., Ltd. in the scope of consolidation from the second quarter following the acquisition of all its shares on August 2, 2021. The deemed acquisition date for the subsidiary is September 30, 2021.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter the “Revenue Recognition Accounting Standard”) and the implementation guidance on the Revenue Recognition Accounting Standard from the first quarter. Accordingly, the Company is recognizing amounts expected to be received in exchange for promised goods and services as revenues at points where control over such goods or services moves to customers.

Previously, the Company had recognized the disappearance of supplies from onerous supply transactions. From the first quarter of the current fiscal year, the Company replaced this practice with the method of not recognizing the disappearance of supplies in cases where it bears the obligation to buy them back. For onerous receipt transactions, the Company had previously recognized the sum of sales to suppliers and the amount of raw materials and the like received as revenues. From the first quarter of the current fiscal year, the Company replaced the practice with the method of recognizing an amount excluding the amount of raw materials and the like received as revenues.

As a result, compared with previous accounting treatment, net sales and the cost of sales in the first nine months under review decreased ¥375 million, respectively. At the end of the first nine months under review, merchandise and finished goods increased ¥87 million, work in progress decreased ¥5 million, raw materials and supplies increased ¥119 million, other current assets increased ¥19 million, and other current liabilities increased ¥220 million.

For the application of the Revenue Recognition Accounting Standard and the like, the Company complies with the transitional handling prescribed in the proviso in Section 84 of the same Standard. The practice has no effect on the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022 and income for the nine months under review.

From the first quarter of the current fiscal year, the Company changed its practice to state notes and accounts receivable - trade, which had been stated under current assets in Consolidated Balance Sheets for the previous fiscal year, as part of notes and accounts receivable - trade, and contract assets based on the Revenue Recognition Accounting Standard and the like which the Company began to apply. The Company did not rearrange results for the previous fiscal year using a new presentation method in accordance with transitional handling prescribed in Section 89-2 of the Revenue Recognition Accounting Standard.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) and the implementation guidance on the Fair Value Measurement Accounting Standard from the first quarter. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with transitional handling stipulated in Section 19 of the same Standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the accounting standard has no impact on the consolidated quarterly financial statements.

(Segment Information)

I. Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments				Others (Note)	Total
	Electronic Devices	Precision Molding Products	Housing & Living Materials	Sub-total		
Net sales						
Sales to outside customers	12,753	25,080	13,156	50,991	4,790	55,782
Inter-segment sales or transfers	—	—	—	—	—	—
Total	12,753	25,080	13,156	50,991	4,790	55,782
Segment profit (Operating profit)	235	3,859	366	4,461	201	4,663

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

II. Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments				Others (Note)	Total
	Electronic Devices	Precision Molding Products	Housing & Living Materials	Sub-total		
Net sales						
Sales to outside customers	16,650	31,087	15,943	63,681	5,206	68,888
Inter-segment sales or transfers	—	—	—	—	—	—
Total	16,650	31,087	15,943	63,681	5,206	68,888
Segment profit (Operating profit)	1,007	5,552	669	7,229	227	7,456

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

2. Information on impairment loss on non-current assets or goodwill, etc. by reported segment

(Significant changes in the amount of goodwill)

In the Housing & Living Materials segment, the Company included Hymix Co., Ltd. and Kitche Nista Co., Ltd. in the scope of consolidation. This event resulted in an increase in goodwill of ¥1,823 million during the nine months under review.

The Company has corrected the amount of goodwill after the allocation of the acquisition costs for the business combination with Kitche Nista Co., Ltd., which took place towards the end of the first half, was completed and the provisional accounting was finalized during the third quarter under review. The amount was calculated provisionally because the allocation of the acquisition costs had not been completed.

3. Matters concerning changes in reported segments, etc.

As stated in Changes in Accounting Policies, the Company began applying the Revenue Recognition Accounting Standard, etc., and changed the method of accounting in connection with revenue recognition from the first quarter of the current fiscal year. Accordingly, the Company changed the method of calculating profits and losses for its business segments.

As a result of this change, compared with previous accounting treatment, net sales for the Electronic Devices segment, the Precision Molding Products segment and the Housing & Living Materials segment decreased ¥25 million, ¥38 million and ¥310 million, respectively, in the first nine months under review. The change produced no effect on segment profits for the first nine months under review.