

# Sustainability Report **2021**

Shin-Etsu Polymer





Shin-Etsu Polymer Group Corporate Mission Statement

The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people’s daily lives as well as to the advance of industry and society by creating value through providing key materials and technologies.

**Shin-Etsu Polymer Group places safety and fairness first in its business and targets becoming a group of companies that develops together with society.**

## Basic CSR Policy

- 1 We will do our best to increase the Group’s corporate value through sustained growth and make multifaceted contributions to society.
- 2 We will carry out all of our company activities by making safety always our utmost priority.
- 3 We will constantly pursue energy-saving, resources-saving and reduction of environmental impact, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
- 4 We will endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
- 5 We will strive to respect human dignity, assure equality in employment opportunities and support the self-fulfillment of our employees.
- 6 We will appropriately disclose information in a timely manner.
- 7 We will carry out trustworthy corporate activities that are based on the integrity of the Group’s ethical values.

## Corporate Code of Conduct

- 1 We have pride and awareness as employees of Shin-Etsu Polymer Co., Ltd. and its Group companies and do our best to become a company trusted by society by always maintaining a law-abiding spirit, complying with laws, regulations, internal codes and rules and conducting fair and highly transparent corporate activities.
- 2 We disclose a comprehensive range of corporate information where necessary and appropriate and promote communication with society as well as stakeholders, investors, customers, and communities as an “open company.”
- 3 We respect the histories, cultures, customs, etc. of individual countries and regions, work at developing business based on mutual trust, and make efforts to coexist with communities.
- 4 We recognize global environmental preservation as one of our first priority challenges and, by fulfilling our social responsibilities, actively participate in the establishment of a recycling-oriented economic society aiming for sustainable development.
- 5 Through business activities, we try to develop and manufacture environmentally friendly products with high performance, contribute to an affluent society and preserve the environment. Furthermore, we implement green procurement, properly control chemical substances, and comply with regulations on substances contained in products.
- 6 We commit ourselves to meet the requirements of customers and consumers and make efforts to provide attractive, safe, and quality products and services that are highly satisfactory. Furthermore, we carefully handle personal information associated with customer’s privacy and strictly control such information so that no information leakage or illegal use should occur.
- 7 We respect the principle of free competition and always promote fair trade. We also build transparent, fair, and healthy relations with customers and consumers.
- 8 We respect human rights, personality, and diversity of employees, realize fair treatment, and establish a working environment where they can exert their abilities, skills, and vitality. We comply with occupational laws and regulations and conduct no inhumane labor practice such as child or forced labor.
- 9 We maintain healthy and normal relations with governments and their administrations.
- 10 We confront antisocial groups and organizations that threaten social order and security with a resolute attitude.
- 11 We, as “good corporate citizens” carry out social action programs in a positive manner.

## Editorial Policy

The Shin-Etsu Polymer Group began publishing Environmental/Social Reports in fiscal 2001. Renamed "Sustainability Reports" from fiscal 2017, these reports show our group's CSR activities for the purpose of achieving a sustainable society.

The editorial policies for the fiscal 2021 version are as follows:

- 1 In the Special Feature, we introduce products for medical use.
- 2 The Sustainability Report covers the "environment," "society" and "governance" as well as our promotion system of sustainability in an easy-to-understand manner.
- 3 The information in this Report and details of environmental data are all disclosed on our website. We also provide additional information on our website.
- 4 For this fiscal 2021 version, we received third-party comments from Mr. Yoshinao Kozuma, Professor at Sophia University, as with previous editions. We will draw on them in our future efforts and initiatives.

### About our CSR initiatives

<https://www.shinpoly.co.jp/en/environment.html>

#### • Period covered by this report

April 2020 – March 2021

#### • Issued

September 2021 (Previous issue: September 2020;  
next issue: September 2022 (Scheduled))

#### • Organizations covered by this report

Shin-Etsu Polymer Group (For further information, please see p.44.)

#### • Fields covered by this report

This report covers the fields of environmental conservation and social activities. For an overview of the business, please refer to our corporate profile.

#### • References

Environmental Reporting Guidelines 2018 by the Ministry of the Environment  
GRI Sustainability Reporting Standards 2016/2018/2019/2020

#### • Inquiries

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URL <https://www.shinpoly.co.jp/en/>

## Editors' Note

The Shin-Etsu Polymer Group renamed its annual "Environmental/Social Report" to "Sustainability Report" in 2017. In order to realize a sustainable society, we have stepped up our activities under the guidance of the CSR Promotion Committee. Although we have not yet done enough in the areas of corporate governance, environmental load reduction and CSR procurement, we attempted to explain what we did in an easy-to-understand manner in this report. We are looking forward to receiving many opinions and comments from readers.

\*Due to the COVID-19 pandemic, discussions for this year's report were held online.

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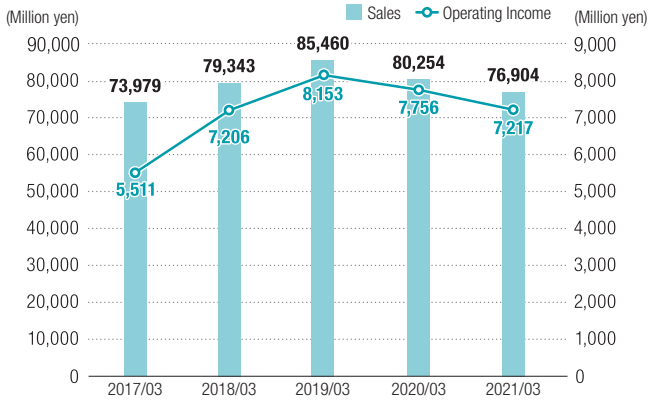
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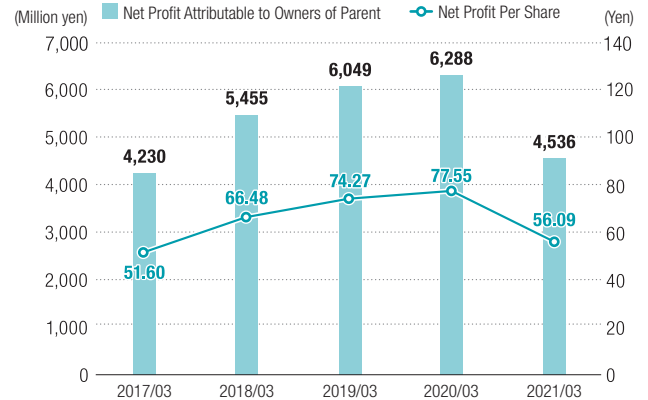
Business Overview of the Shin-Etsu Polymer Group  
Third-Party Opinion/Response to Third-Party Opinion

## Financial and Non-Financial Highlights

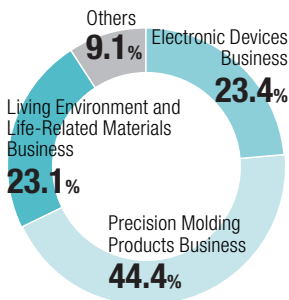
### Sales / Operating income (consolidated)



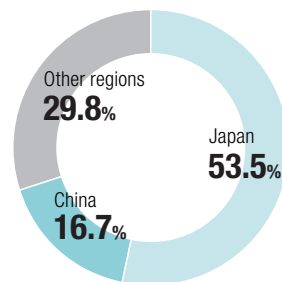
### Net profit attributable to owners of parent / Net profit per share



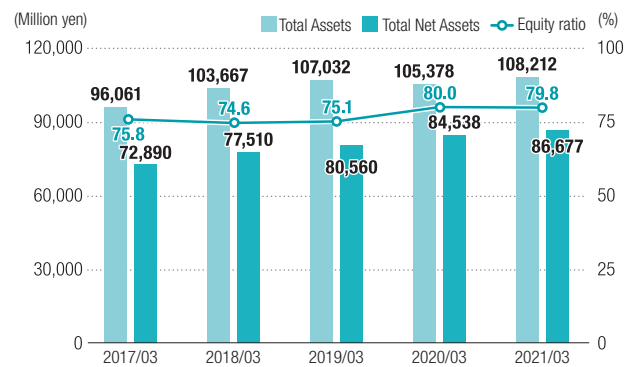
### Distribution of consolidated sales by business segment



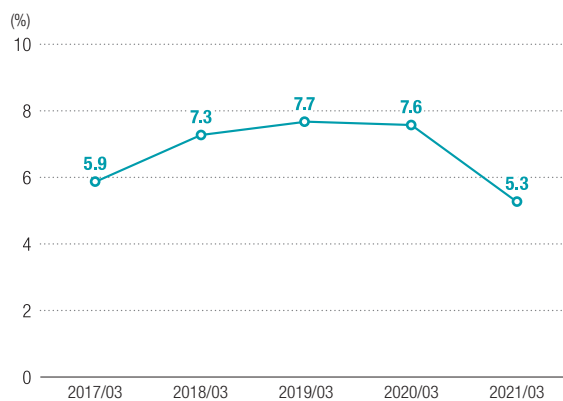
### Composition ratio of consolidated overseas sales and shipping destinations



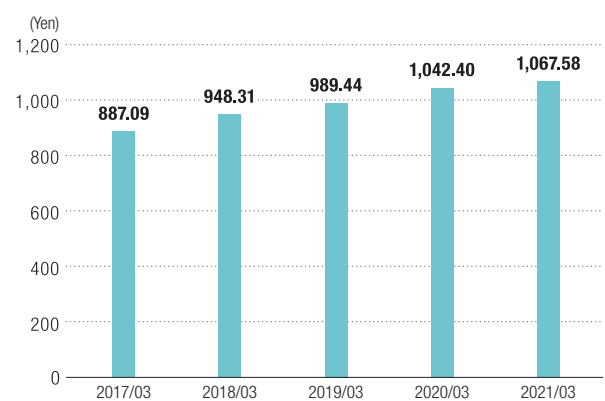
### Total assets / Total net assets / Equity ratio



### Return of equity (ROE)



### Total net assets per share

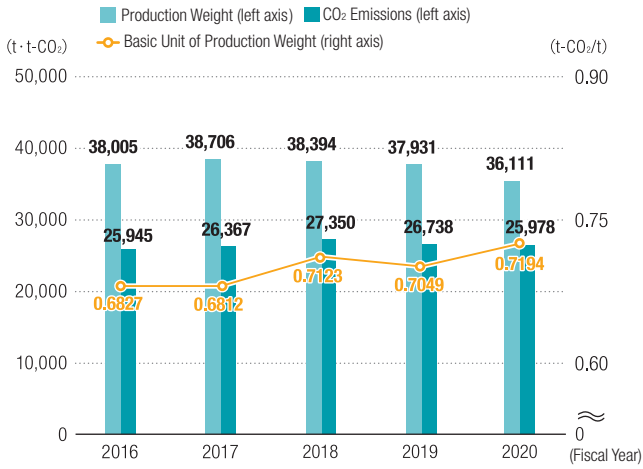


Sales do not include consumption tax.  
 Figures after March 2018 are post-merger.  
 For other key management indicators etc., please refer to our financial report.



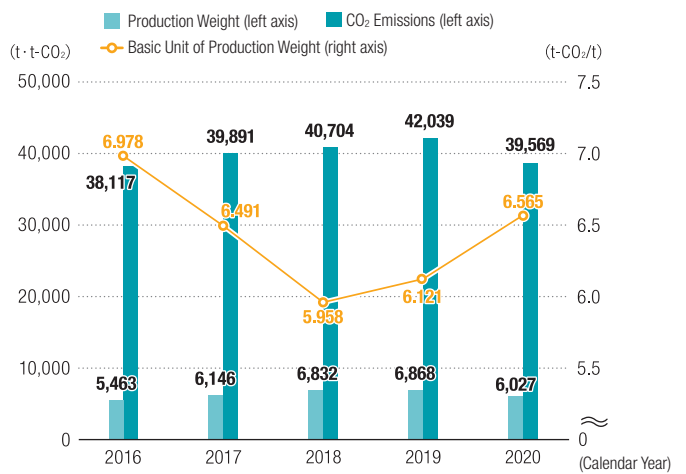
## Financial and Non-Financial Highlights

### CO<sub>2</sub> emissions and basic unit of production weight (Domestic plants)



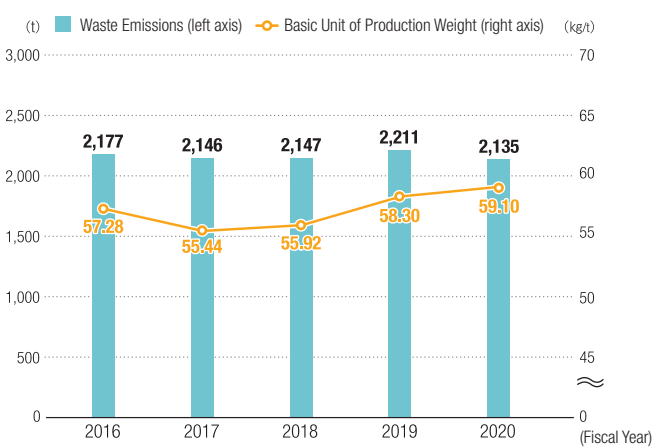
The CO<sub>2</sub> emission coefficient uses our coefficient.

### CO<sub>2</sub> emissions and basic unit of production weight (Overseas plants)



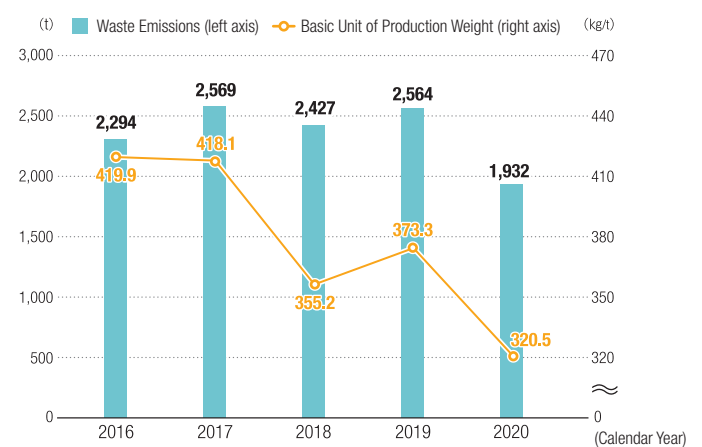
The CO<sub>2</sub> emission coefficient uses our coefficient.

### Waste emissions and basic unit of production weight (Domestic plants)

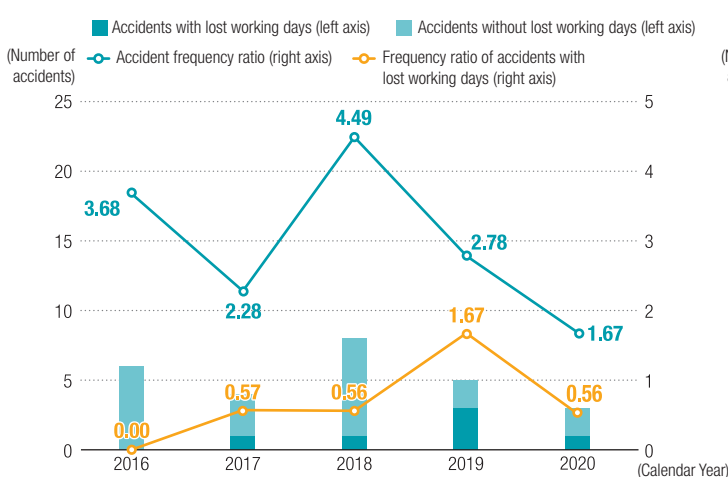


Revisions have been made retroactively this fiscal year to improve data precision.

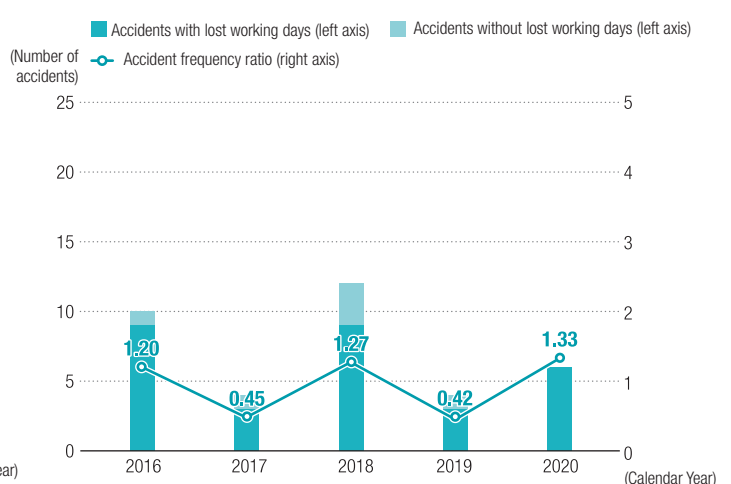
### Waste emissions and basic unit of production weight (Overseas plants)



### Workplace accidents (Domestic plants)



### Workplace accidents (Overseas plants)



Revisions have been made retroactively this fiscal year to improve data precision.



Top Commitment

# Promoting CSR Management with Pride to Contribute to the Establishment of a Sustainable Society

President

A handwritten signature in black ink that reads "Yoshiaki Ono". The signature is written in a cursive, flowing style.

## Promoting business activities based on a relationship of trust with stakeholders

Shin-Etsu Polymer celebrated its 60th anniversary in September 2020. Since its founding in 1960 as a resin processing company of the Shin-Etsu Chemical Group, we have built a long-standing relationship of trust with our customers, shareholders and other stakeholders through our efforts to provide high value-added

products using silicone rubber and various plastics based on our technological and application strengths that cover the processes of raw material development to fabrication.

As a chemical manufacturer, we have constantly pursued the development of better products, not to mention striving to provide products that place safety as the top priority. To this end, we have constantly made efforts to save energy and resources and reduce environmental impact from our business activities, and actively incorporated issues shared around the world, such as the SDGs, as our own goals.

The COVID-19 pandemic led to a significant, albeit temporary, drop in sales to the automotive industry, our key business area. However, revenues have been recovering this fiscal year, as the semiconductor-related business, our other key area, was able to maintain strength. We believe we succeeded in meeting the expectations of the global community and fulfilling our responsibilities by striving to ensure stable supplies amid the severe business environment.

We have incorporated CSR management in our basic policy, with the aim of becoming a company that grows together with society. In promoting CSR management, we have identified eight key CSR issues, which we have been taking on while carrying out our business activities. Each year, we also elect priority issues from among the key issues in an attempt to achieve steady progress by prioritizing initiatives. In fiscal 2020, we designated “Promotion of CSR procurement and diversification of supply sources” and “Respect for human rights, development of human resources and promotion of diversity” as our priorities, and sought to enhance measures. As a company that operates businesses globally, we recognize the strengthening of supply chain management and thorough enforcement of the respect for human rights as important initiatives also from a risk management perspective. Furthermore, based on a belief that “fostering people” is the source of development, as human resources embody a company’s CSR activities, we also focus on promoting the utilization of internal programs and rules designed to address workstyle reforms and diversity.

## Working to conserve the global environment toward achieving a sustainable society

As a chemical manufacturer, we must continuously focus on initiatives toward conservation of the global environment. Since 2000, we have been promoting the group-wide Green Activities, which are based on our Basic Environmental Policies and identify specific targets for reducing environmental impact in our actions against global warming and the effective use of resources. The seventh round of the Green Activities has been carried out since

April 2021, and we believe that the issues being addressed will serve as important indicators for the continuous growth of Shin-Etsu Polymer.

Furthermore, as an initiative derived from the Green Activities, we have been implementing the “Environmentally friendly and contributing products” program since 2013. This is an internal certification program that evaluates products based on their contribution to reducing customers’ environmental impact and the number of processes they use. Links to the SDGs connect the program with society and potential expansion into the future. In fiscal 2020, the seventh year since the start of the program, we succeeded in achieving our initial target of tripling the number of certified products from fiscal 2014. We will continue to be committed toward developing products with a focus on the program and will make efforts to achieve even higher targets.

## Aiming to solve social issues through materials

To continue to be needed by customers amid the rapidly changing social environment, it is crucial to establish a robust corporate base that supports CSR management, which forms our foundation. We will confront and strive to promptly solve our ESG issues, such as our failure to achieve the statutory employment rate of persons with disabilities, as well as addressing the Corporate Governance Code that was revised in June 2021. Meanwhile, we also believe that it is important to promote the series of CSR activities we have been engaged in with the recognition that they will also lead to business profits. CSR and business profits do not contradict each other.

The products we offer are seldom exposed to the public eye, but they support society as it is today in the form of various “materials.” As a resin processing company that operates globally, the COVID-19 pandemic was a reminder of the importance of fulfilling our role of providing stable supplies. Shin-Etsu Polymer is committed to continue satisfying customers’ requests as well as developing technologies that will lead to solving social issues. We will also promote CSR management with pride in our business to guarantee our business continuity and thus contribute to the achievement of a sustainable society.



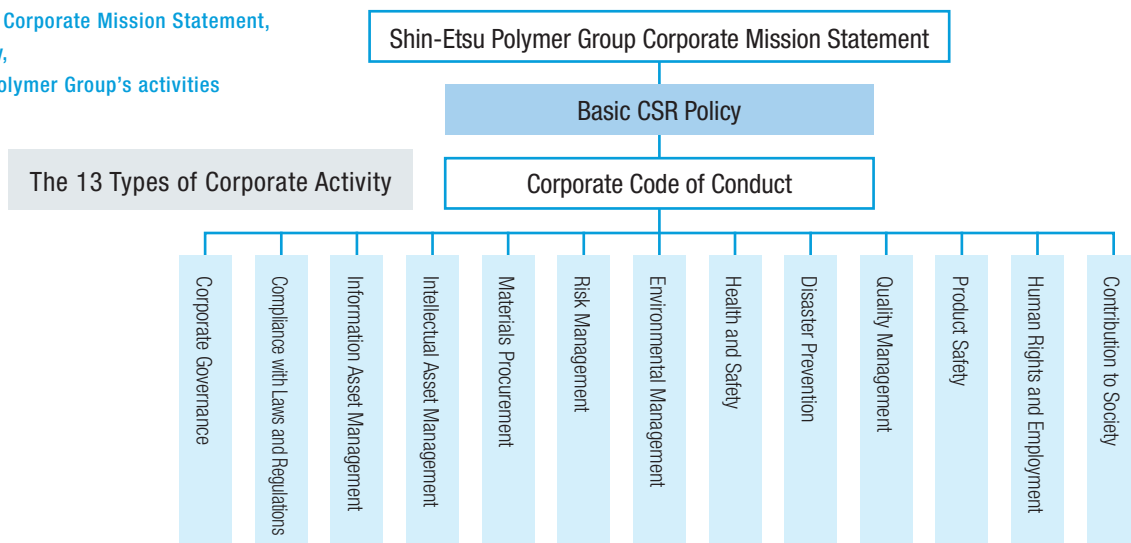
## Our Basic Approach to CSR

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

### • Our Basic CSR Policy and Corporate Code of Conduct

With Shin-Etsu Polymer Group's Corporate Mission Statement as our guide, our group lays out and puts into practice 13 specific types of corporate activity in line with the Basic CSR Policy and the Corporate Code of Conduct.

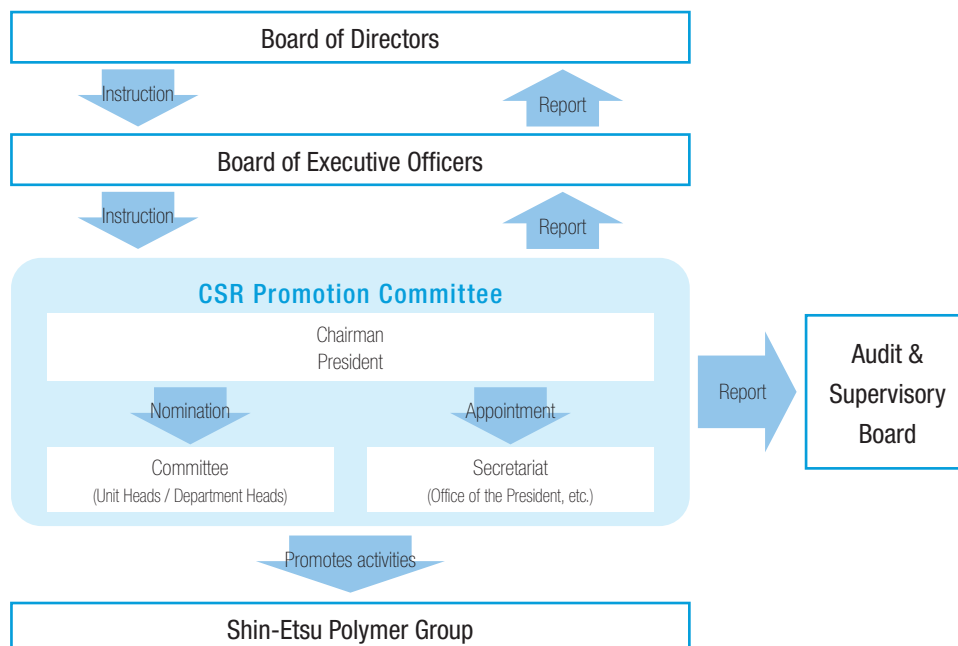
Hierarchy of the Corporate Mission Statement, Basic CSR Policy, and Shin-Etsu Polymer Group's activities



### • CSR Promotion Structure

The Shin-Etsu Polymer Group has always been engaged in CSR activities with departments and group companies each playing a role, setting up and holding the CSR Promotion Committee to further strengthen its promotion of CSR management. Under this framework, our ability to respond to ESG-related risks and opportunities has been strengthened through defining a CSR activity policy and establishing a system for carrying out CSR activities across the whole Group.

CSR Promotion Structure Chart (As of June 25, 2021)







## Key CSR Issues

The Shin-Etsu Polymer Group has set out and is promoting initiatives for its Key CSR Issues as important issues the Group needs to address based on social demands and expectations from its stakeholders.

A subcommittee has been set up and is prioritizing activities to tackle, in particular, promoting CSR procurement and the diversification of supply sources, as well as the promotion of respect for human rights, the development of human resources and the promotion of diversity, as key challenges among the CSR issues.

### •Major Initiatives in FY2020

We implemented the following initiatives for each key issue. In addition, we held an e-learning program for Group employees also in fiscal 2021, focusing on the background and the 17 goals of the SDGs, which was one of the subjects covered in the e-learning program, “basics of CSR,” held in fiscal 2020.

	Key issues	Committees and meetings	Details of activities, targets and results		Target SDGs	Reference pages
1	Ensuring the health and safety of employees and contractors	• Environmental Security Committee	We conducted inspections at each business site to check security activities for the work environment, which cover health and safety, disaster and fire prevention, environmental protection, and legal compliance.			P36
			The 6th Mid-Term Targets*	Results of the 6th Mid-Term Targets		
			Number of accidents at work: 0	9 (Domestic: 1 accidents that require time off work and 2 which don't) (Overseas: 6 accidents that require time off work and none which don't)		
2	Saving energy and resources and reducing the impact on the environment	• Green Activities Promotion Committee	Aiming to achieve the Mid-Term Targets, including those against global warming and for the effective use of resources, we actively worked to promote environmental conservation and environmental management.		  	P20 P21
			The 6th Mid-Term Targets	Results of the 6th Mid-Term Targets		
			<ul style="list-style-type: none"> <li>Basic unit of CO<sub>2</sub> emissions: 3% reduction compared to FY2017 (5 domestic plants)</li> <li>Basic unit of energy: 3% reduction compared to FY2017 (5 domestic and 6 overseas plants)</li> <li>Basic unit of waste emissions: 3% reduction compared to FY2017 (5 domestic and 6 overseas plants)</li> </ul>	<ul style="list-style-type: none"> <li>Basic unit of CO<sub>2</sub> emissions: 5.6% increase in the domestic total</li> <li>Basic unit of energy: achieved at 1 domestic and 3 overseas plants</li> <li>Basic unit of waste emissions: achieved at 3 domestic and 6 overseas plants</li> </ul>		
3	Improving product quality and product safety management	• Global Quality Assurance Meeting	We conducted plant evaluations (Quality Month) and site inspections to prevent quality-related misconduct, as well as engaged in quality improvement activities such as QC KENTEI (quality control tests).			P30
4	Promotion of CSR procurement and diversification of supply sources	• Company Procurement Meeting • CSR Procurement Subcommittee	We distributed and released the Group's CSR Procurement Guidelines to our clients and conducted client surveys to better understand their status.			P31
5	Respect for human rights, the development of human resources and promotion of diversity	• CSR Human Affairs Subcommittee	We conducted a survey on the employment of foreign workers and their work environments at domestic and overseas offices. Also, promoted the use of internal systems and rules to address diversity in work.		  	P32- P35
6	Respect for and protection of intellectual property	• Patent Committee	We reported the status of our activities in the Patent Committee, such as on the protection of intellectual property rights acquired through industrial property rights systems and how we regarded competitors' intellectual property rights with respect.			—
7	Contribution to industry and social initiatives	• CSR Promotion Committee	We worked on eco-products promotional activities through the development of products that contribute to the environment as well as society, and aimed to grow closer to local communities by donating our 'shupua' range of products to institutions and organizations.		  	P12 P37
			The 6th Mid-Term Targets	Results of the 6th Mid-Term Targets		
			Number of environmentally friendly/contributory products: Tripled number of products (8 products) compared to FY2014	Number of certified products: 24		
8	Accurate and timely information disclosure and communication with stakeholders	• Information Disclosure Committee	We strived to provide fair, timely, and appropriate information disclosure and enhanced IR and public relations activities.		—	—

\*The 6th Mid-Term Targets are activity targets for the company-wide Green Activities for the 6th term: three years, from 2018 to 2020.

### •External Evaluation for CSR

Shin-Etsu Polymer has been awarded the Ecovadis silver rating for its sustainability efforts. The silver rating means that Shin-Etsu Polymer scores in the top 25 percent of all companies Ecovadis rates.

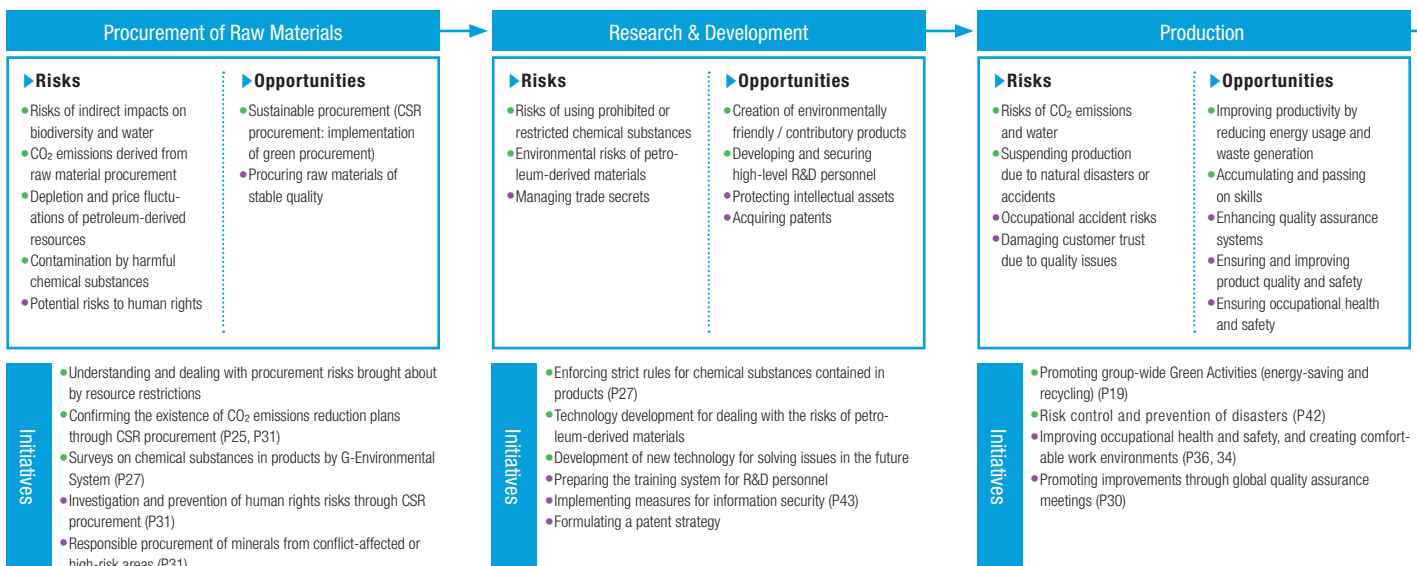
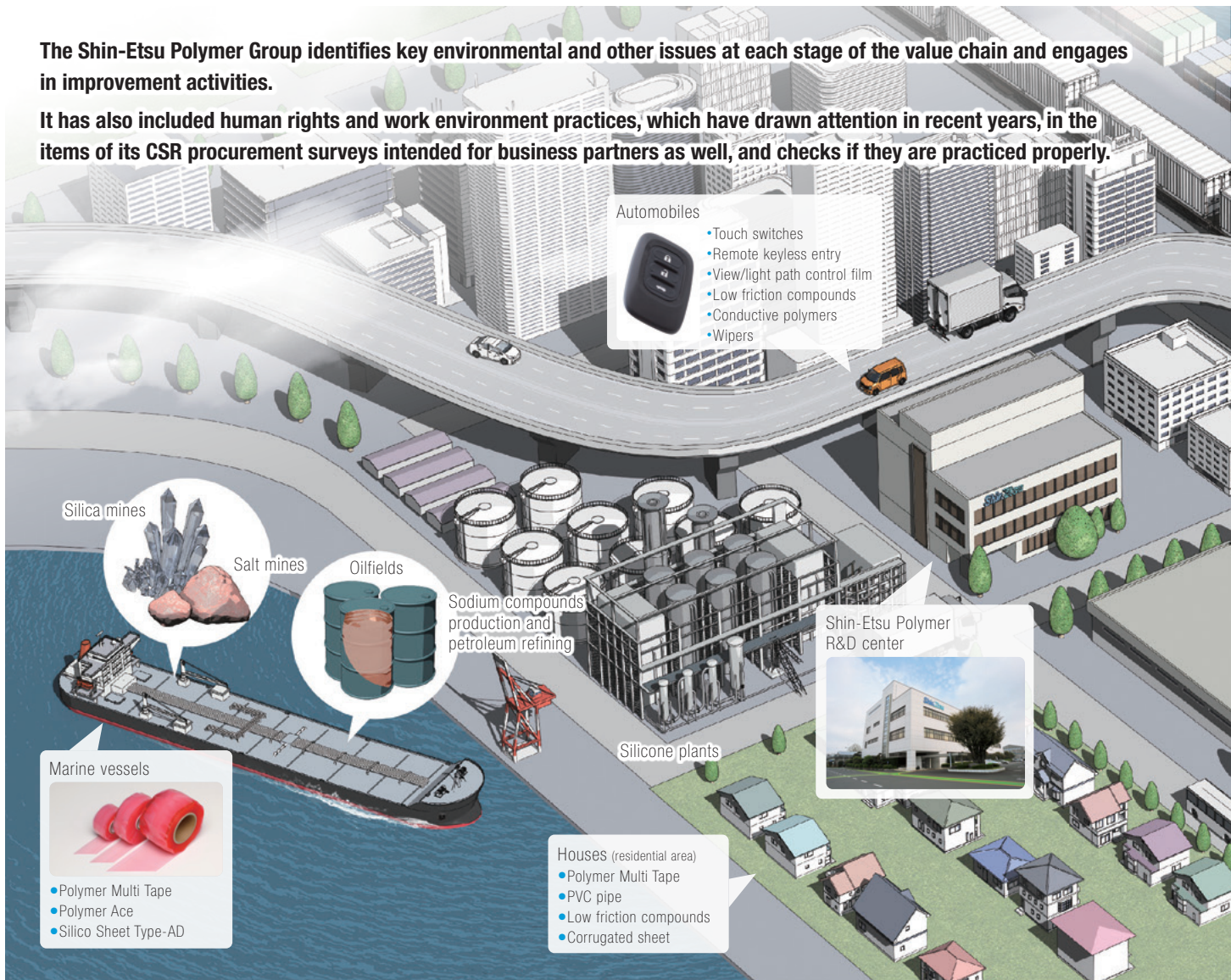




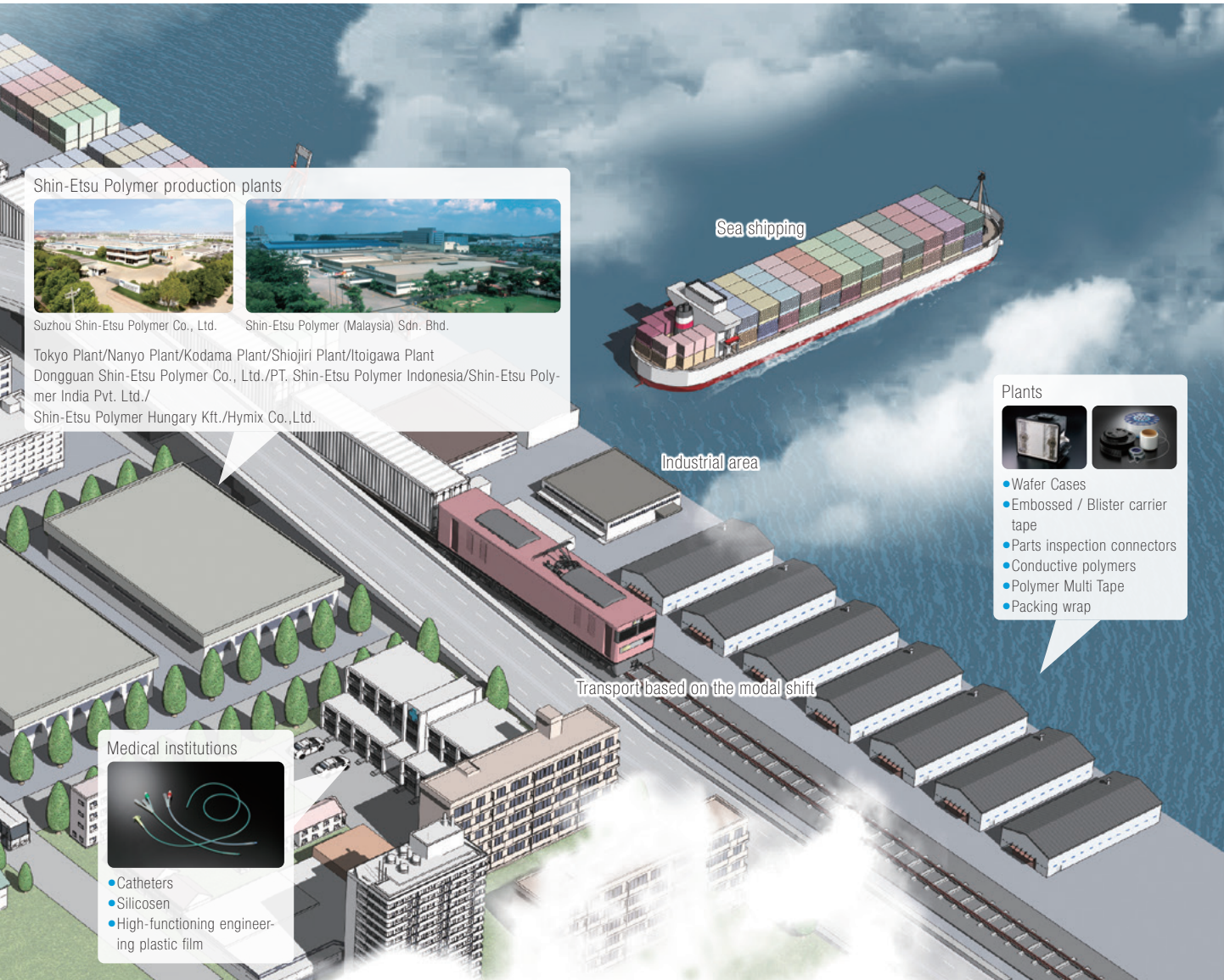
## Shin-Etsu Polymer Value Chain

The Shin-Etsu Polymer Group identifies key environmental and other issues at each stage of the value chain and engages in improvement activities.

It has also included human rights and work environment practices, which have drawn attention in recent years, in the items of its CSR procurement surveys intended for business partners as well, and checks if they are practiced properly.







● Items with green symbols are related to the environment. ● Items with purple symbols are related to society

### Logistics and Supply

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Disruption of freight routes caused by abnormal weather</li> <li>● Risk of transport accidents</li> <li>● Occupational accident risks</li> <li>● Loss of logistics quality</li> </ul>	<ul style="list-style-type: none"> <li>● Reducing CO<sub>2</sub> emissions and energy consumption</li> <li>● Diversifying freight routes</li> <li>● Securing good logistics</li> <li>● Establishing a competitive advantage through stable supply</li> </ul>

#### Initiatives

- Promoting the modal shift (P25)
- Using larger vehicles and enhancing loading efficiency
- Consideration of adopting optimal transport methods depending on the season
- Improving the efficiency of logistics
- Improving occupational health and safety in cooperation with transport companies
- Communicating with transport companies

### Disposal and Recycling

Risks	Opportunities
<ul style="list-style-type: none"> <li>● Contamination by harmful chemical substances</li> <li>● Complaints or recalls due to product defects</li> </ul>	<ul style="list-style-type: none"> <li>● Identifying customer needs that we can contribute to</li> <li>● Product improvements and innovation</li> </ul>

#### Initiatives

- Providing environmentally friendly and contributory products (P12)
- Enforcing strict control of chemical substances (P27-28)
- Acquiring customer's safety assessment information
- Making the most of customer feedback

# Towards Establishing a Recycling-Oriented Economic Society



## • Development of environmentally friendly/contributory products

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

## • Product development concept

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

## • Evaluation standards

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

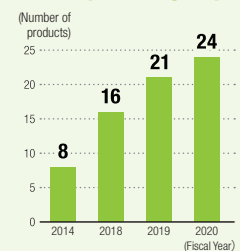
### Evaluation standards for environmentally friendly/contributory products

- ① Resource saving
- ② Energy saving
- ③ Waste reduction
- ④ Recycling
- ⑤ Environmental pollutants
- ⑥ Safety
- ⑦ Bio-diversity protection

## • Certification (target and results)

We have been striving to triple the number of certified products from fiscal 2014 by fiscal 2020. Three products were newly certified in fiscal 2020, and the goal was fulfilled.

## Transition of the number of certified product groups



Group products contributing to SDGs	UN Sustainable Development Goals (SDGs) and Targets
Biodegradable runner clips	Goal #2: Zero Hunger Target 2.4
	Goal #12: Responsible Consumption and Production Target 12.2
	Goal #15: Life on Land Target 15.1
Medical catheters	Goal #3: Good Health and Well-being Target 3.8
Food wrapping films	Goal #3: Good Health and Well-being Target 3.d
Vinyl chloride pipe / joints	Goal #6: Clean Water and Sanitation Target 6.4
	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Semiconductor wafer transport containers	Goal #7: Affordable and Clean Energy Target 7.3
Resin tape frames for wafers	Goal #7: Affordable and Clean Energy Target 7.3
Silicone rollers for office automation	Goal #7: Affordable and Clean Energy Target 7.3
shupua	Goal #7: Affordable and Clean Energy Target 7.3
Functional compound EXELAST SX Series	Goal #7: Affordable and Clean Energy Target 7.3
	Goal #9: Industry, Innovation and Infrastructure Target 9.4

Group products contributing to SDGs	UN Sustainable Development Goals (SDGs) and Targets
Touch switches (Input devices)	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Self-bonding silicone rubber tape Mizumore Goyo	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Polymer Ace	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Polymer Ace TG	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Shin-Etsu Silicosen/Bio-Silico	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Agriputty Aqua	Goal #9: Industry, Innovation and Infrastructure Target 9.4
Toilet booths	Goal #11: Sustainable Cities and Communities Target 11.3
Embossed / Blister carrier tape	Goal #12: Responsible Consumption and Production Target 12.5
HSP	Goal #12: Responsible Consumption and Production Target 12.5
Polycya Tough Corrugated board	Goal #12: Responsible Consumption and Production Target 12.5
SEPLEGYDA (Conductive paint)	Goal #12: Responsible Consumption and Production Target 12.2
Shin-Etsu Sepla Film	Goal #12: Responsible Consumption and Production Target 12.2
Fumigation sheets	Goal #15: Life on Land Target 15.1

Note: Products in blue are certified as environmentally friendly and contributory products.

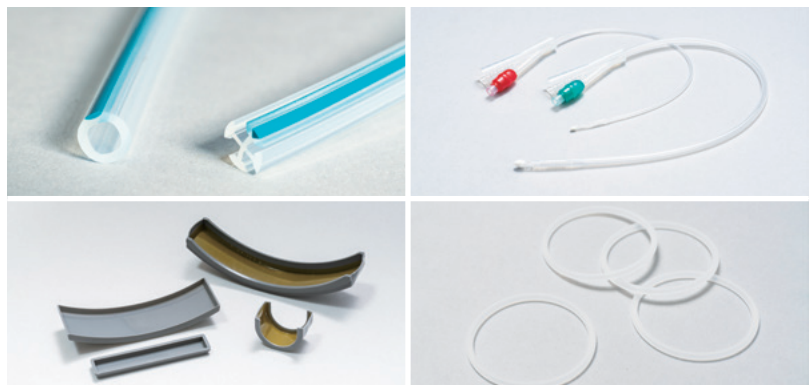


# Medical silicone rubber products that meet healthcare needs

Given the social changes brought about by the COVID-19 pandemic and other factors, people are becoming increasingly health conscious, and medical technology is advancing with accelerated speed. Here, we will introduce some medical silicone rubber products we produce and market in response to healthcare needs that are growing against this backdrop.



## Delivering added value to society based on synergy between our competitive materials



The COVID-19 pandemic, while prompting people to take more interest in their health, has increased the need for heart-lung machines and other medical technologies. In addition, as people's dietary lifestyles become increasingly diversified, their risk of suffering from lifestyle-related diseases, including kidney diseases, are growing. Therapeutic drugs and medical equipment used for their treatment have therefore become essential to society.

To respond to such needs, Shin-Etsu Polymer produces and markets medical products made from silicone rubber, such as catheters and tubes. The greatest advantage of silicone rubber is its compatibility with the human body. Compared with other materials, silicone rubber rarely causes reactions in body tissues, and therefore is less likely to trigger allergic reactions. As the material also excels in heat and chemical resistance, it can be used for advanced medical technologies.

Furthermore, being a resin processing manufacturer in the Shin-Etsu Chemical Group, Shin-Etsu Polymer is capable of establishing an integrated production system, which allows us to select and compound materials as well as develop, process, and supply products in response to a wide variety of needs from customers and healthcare providers. Our greatest competitive edge lies in our capacity to consider the specifications of products from their material selection stage and work through all the ensuing processes internally, which enables us to manufacture a wide range of products that flexibly cater to customers' individual needs.

Going forward, we expect medical needs to further increase, particularly in some developing countries achieving economic growth. We hope to cultivate needs and expand sales overseas in order to provide a broader customer base with products with unprecedented added value in our efforts to contribute to society.

Part 1

## Alleviating pain and discomfort of catheterization with technology

# Catheters and Tubes

Employees from development and sales talk about the features and future of our products.

The topic for Part 1 is catheters and tubes, which are used to drain patients' body fluids and provide nutrition. Shin-Etsu Polymer produces human-friendly products that fully capitalize on its technological prowess.




**Taku Wakasugi**  
Group Manager,  
Group II, Sales & Marketing Division II,  
Sales Unit



**Hiroki Nishio**  
Assistant Manager,  
Group II, Development Department II,  
Development Unit



**Hideaki Nagashima**  
Engineer,  
Group II, Development Department II,  
Development Unit

### Leveraging our proprietary forming technology to provide the most optimal products for patients

—Could you explain what catheters and tubes are?

**Wakasugi** Catheters and tubes are inserted into the bodies of patients to support physical functions that have declined due to an illness or surgery. The Company manufactures two types of products for medical device manufacturers—those for draining urine and other body fluids and those for providing nutrition via routes other than the mouth. As they are directly placed in the human body, quality is of utmost importance. We strive to ensure that they have no damage, taint or any other defects that would affect the human body.

—What unique features and strengths do the products have?

**Nishio** To maximize the prevention of defects, we pay special attention to the surrounding environment during production. Many catheters and tubes have a balloon attached at the tip, which is inflated and left inside the body. If any foreign substance is mixed into the balloon, it may rupture inside the body, causing adverse effects. So, for production we use a clean room, where airborne particles and microorganisms, temperature, and humidity are controlled and contamination by foreign substances is prevented. Workers wear dust-proof clothing and focus on the quality management of the materials.

# Medical silicone rubber products that meet healthcare needs

**Nagashima** One of the significant advantages of our catheters is that their inner shapes vary by segment, although their outer diameter remains the same. Specifically, the segment inserted into the body is designed to draw out body fluids efficiently, while the segment where the aspirated fluids flow is highly resistant to pressure. With conventional catheters, segments with different designs need to be linked with a connector, which causes pain or discomfort during insertion due to its protrusion. By adopting this variable design specification, our products achieve highly efficient suction and help alleviate the stress felt by patients.

The key to this advantageous design is our proprietary extrusion molding technology. In typical extrusion molding, the cross sections are the same for the entire product because the materials are processed to fit the shape of a single mold. However, variable-shape extrusion technology allows extrusion molding in the shape of multiple molds. The technology therefore enables us to perform the extrusion process in the form of efficient mass production, and yet mold different shapes for different sections of our products.

**Wakasugi** The variable-shape extrusion is an example of a technology that has been updated to meet the needs of customers.

Products are required to have different features depending on their purpose, and the approach to healthcare and culture vary between Japan and the rest of the world. Therefore, we believe that there are diverse needs out there in the world.

It is important to develop, produce and market products that cater to such wide-ranging needs.

## Responding to the needs of customers and healthcare providers with added value

### —How do you think the Company is contributing to society through its catheters and tubes?

**Wakasugi** In our sales activities, we have opportunities to gain direct feedback from the nurses who use our products. When they tell us that patients were in less pain, we feel reassured that our technologies and products are helping people

and society. As medical technologies become increasingly sophisticated, demand for highly durable silicone rubber is rising. Going forward, we hope to meet even more challenging requests from healthcare providers.

**Nishio** By making maximum use of the Company's technological expertise to respond to orders from medical device manufacturers, I believe we are making ourselves useful to healthcare providers and society at large in a behind-the-scenes manner. We engineers sometimes accompany salespersons on their visits to customers. By hearing customers' views in person, I can reaffirm how our tasks are connected with society.

### —How will the products develop in the future?

**Nishio** We are seeing a growing interest in antibacterial properties today. Our efforts have not been focused on strengthening antibacterial functions, but we would like to develop products with competitive antibacterial features going forward. All our catheters and tubes are made from silicone rubber, but we will consider compounding that with other materials in our quest to develop products that meet unprecedented needs.

**Nagashima** The key will be to add value to a product. In addition to antibacterial properties, I would also like to pursue hydrophilic properties for easier insertion into the body by treating the surface to enhance smoothness, as well as durability and chemical resistance.

**Wakasugi** In Japan, the government sets the price of most medical equipment. The prices are projected to further decline. Given such circumstances, it is vital that we add functions and value to our products to the greatest possible extent while pursuing cost reductions. We also hope to strengthen our overseas marketing. By expanding our global marketing network and achieving growth to gain better recognition in the international community, we will be able to identify needs from a broader perspective.

Our goal is to make products that are indispensable for future medical equipment, albeit in a modest way, in order to contribute to society more than ever.

#### Medical products (Catheters/tubes)

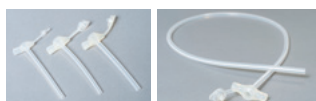
##### For urine/fluid drainage

- Foley catheters (two-way/three-way)
- Kidney pelvis catheters
- Drainage catheters



##### For providing nutrition

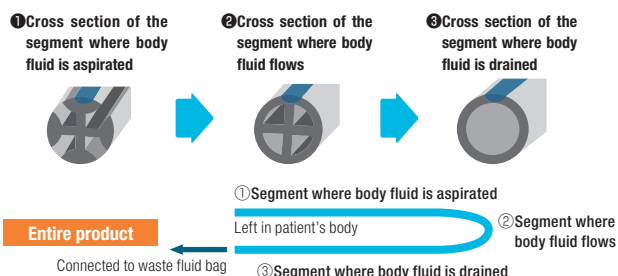
- Nasal feeding tubes
- Gastrostomy feeding products
- Jejunal tubes



#### Medical products (Catheters/tubes)

##### Extrusion molding technology: Variable-shape extrusion

Technology to change the inner shape in the course of an extrusion process while maintaining the same outer diameter.





## Part 2

Using optimal materials in reliable production systems

# Probe lens for ultrasound diagnostic devices and components for dialysis machines

In Part 2, we discussed our probe lens for ultrasound diagnostic devices, which are used to observe the inside of the body, and components attached to dialysis machines that work to supplement kidney functions. We meet growing needs for products by leveraging our competitive materials and integrated production systems.

## Two types of devices that meet notably growing needs

—First of all, what are ultrasound diagnostic devices and dialysis machines used for?

**Wakasugi** An ultrasound diagnostic device is used to examine lesions in the body by transmitting ultrasound waves into the body and processing the reflected waves into images by using a computer. Similar devices such as X-rays and CT scans using radiation and MRIs are common, but ultrasound diagnostic devices offer patients the benefits of avoiding exposure to radiation and undergoing an examination at a reasonable cost.

A dialysis machine is used to partially supplement the kidney function of a patient with kidney disease. The machine takes over the patient's kidney function by filtering out excess water, salt and waste. The number of patients with kidney disease is globally on the rise due to diversifying dietary lifestyles, which has resulted in heightening demand for dialysis machines.

—How are Shin-Etsu Polymer products used in the two types of devices?

**Nishio** When examining a patient with an ultrasound diagnostic device, the doctor places a probe on the body. The Company produces and markets the silicone lens attached to the tip of the probe. The silicone lens comes in direct contact with the patient, transmitting ultrasound waves into the body. We also

supply water bags attached to ultrasound probes to alleviate the pressure applied on the breasts during breast cancer examination.

**Nagashima** We supply multiple types of components for dialysis machines. Among them is the tubing for piping that connects various parts of the machine. The product enjoys a particularly high market share in the industry. We also produce and supply caps and rings affixed to the dialyzer that filters blood, as well as buttons for access ports that are used to circulate infusion solutions.

## Unique advantages of silicone rubber Unique advantages of Shin-Etsu Polymer

—What advantages do each product offer?

**Nishio** The advantage of the Company's silicone lens lies in its use of silicone rubber made with our proprietary compounding technology. Being a material that resembles the human body in texture, silicone rubber has little impact on the skin when directly in contact and can easily transmit sound waves into the body. In particular, our silicone lenses are made with our proprietary compounding technology. It allows ultrasounds emitted from the device to reach the inside of the body with minimal impedance, thereby helping achieve sharper imagery and more accurate diagnoses.



# Medical silicone rubber products that meet healthcare needs

**Nagashima** We partially adopt automated production for our components used for dialysis machines. By eliminating as much manpower as possible from our production system, we can deliver products at lower prices and ensure strict quality control to prevent deformation and damage due to contamination by foreign matters and other causes.

**Wakasugi** With regard to components for dialysis machines, we hope to differentiate them from those of our competitors by reducing costs and further capitalize on the strengths of the material. Silicone rubber excels in durability and chemical resistance compared with other materials. Medical equipment manufacturers and medical institutions have needs that can only be met by silicone rubber, so we hope to use the material to contribute to resolving customers' problems.

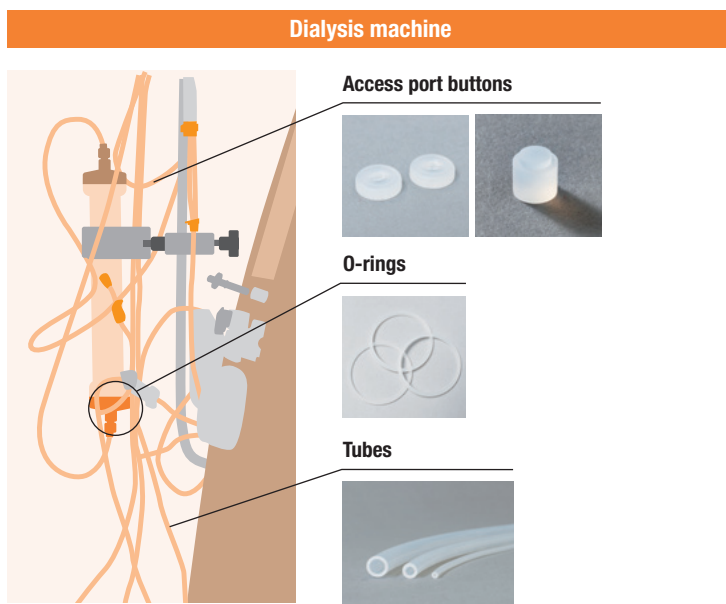
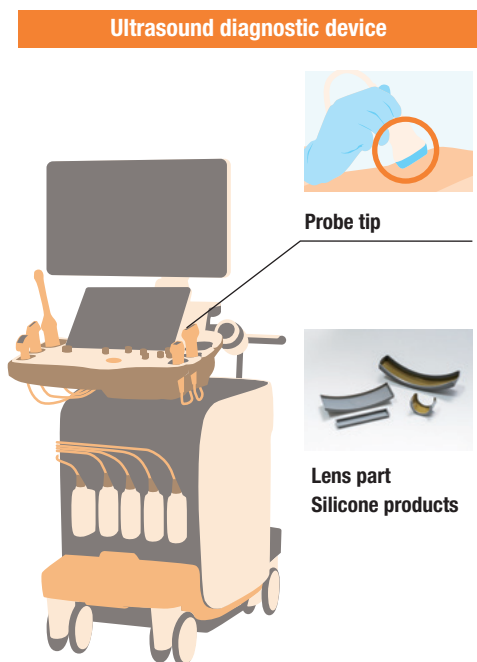
**Nishio** The advantages of both products lie in their materials, compounding technology and, most of all, the Company's signature integrated production system, which serves as the driving force. In fact, many of our customers have told us that they chose our products specifically because of these strengths. Notably, the entire material compounding process is entrusted to us in some cases, rather than the customers designating the ingredients themselves. The fact that our customers put such strong trust in us makes us realize the strengths we have as a company.

—How will the products develop in the future?

**Wakasugi** I have high hopes that demand for not only dialysis machines, but also ultrasound diagnostic devices will increase. There are large ultrasound devices installed in hospitals and portable ultrasound devices. I expect that demand for the latter will grow, driven by heightening needs to prepare for disasters and to provide medical care service at home. We would like to supply our products to even more customers by making full use of our integrated production system and our competitive materials.

**Nagashima** To meet rising needs, we should strive to reinforce our production capacity while maintaining high quality. I hope to deliver peace of mind to our customers by establishing a system that enables us to supply products whenever they are needed. We are currently working to further automate production, which will be the key to success.

**Nishio** With many regions around the world on lockdown due to the COVID-19 pandemic, we have received numerous inquiries about the production status of our dialysis machine components. Our Company also produces components for heart and lung machines that are used to treat severe cases of COVID-19. The increased needs for the components prompted us to renew our commitment never to disrupt production. While focusing on making social contributions through production and sales, we will endeavor to develop new products with a focus on acquiring new customers.



# Environmental Management

## Basic Approach

Based on its Basic Environmental Principles, the Shin-Etsu Polymer Group promotes Green Activities, addressing challenges such as combating global warming, measures for conserving and effectively using resources, the reduction of substances with environmental burdens, and other measures, for the protection of the environment by reducing environmental burdens.

## Basic Environmental Principles

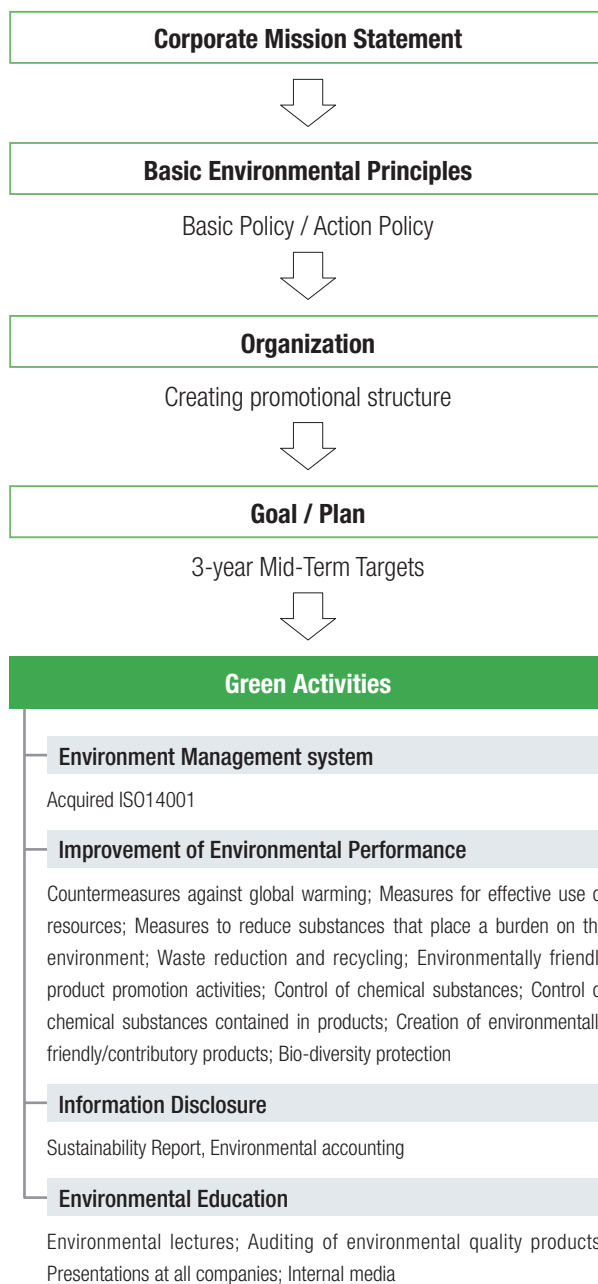
### •Basic Policy

Shin-Etsu Polymer Group recognizes that work towards environmental conservation is one of the highest priority issues for our operation. Therefore, we are working hard to become a part of building a recycling economic society through responsibilities we are expected to uphold.

### Action Policy

- 1 We are rebuilding the organization and systems to work for efficient and continuous environmental activities.
- 2 We observe laws and regulations for resource conservation, energy saving, waste reduction, recycling, and the proper handling of environmentally harmful substances. In addition, we set challenging goals and try to achieve them in our own manner with technical and economic resources.
- 3 We evaluate the environmental impacts of all phases from purchase and production through to usage and disposal during the new product development stage and thus reduce any environmental impacts.
- 4 We strive for the conservation and sustainable use of biological diversity by understanding, evaluating, and reducing the impact on ecosystems caused by business activities.
- 5 We provide internal education programs to achieve understanding and awareness of basic environmental policies for all employees.
- 6 We disclose the information of our environmental activities and make efforts to coexist with local communities.

## Environmental Management System Diagram

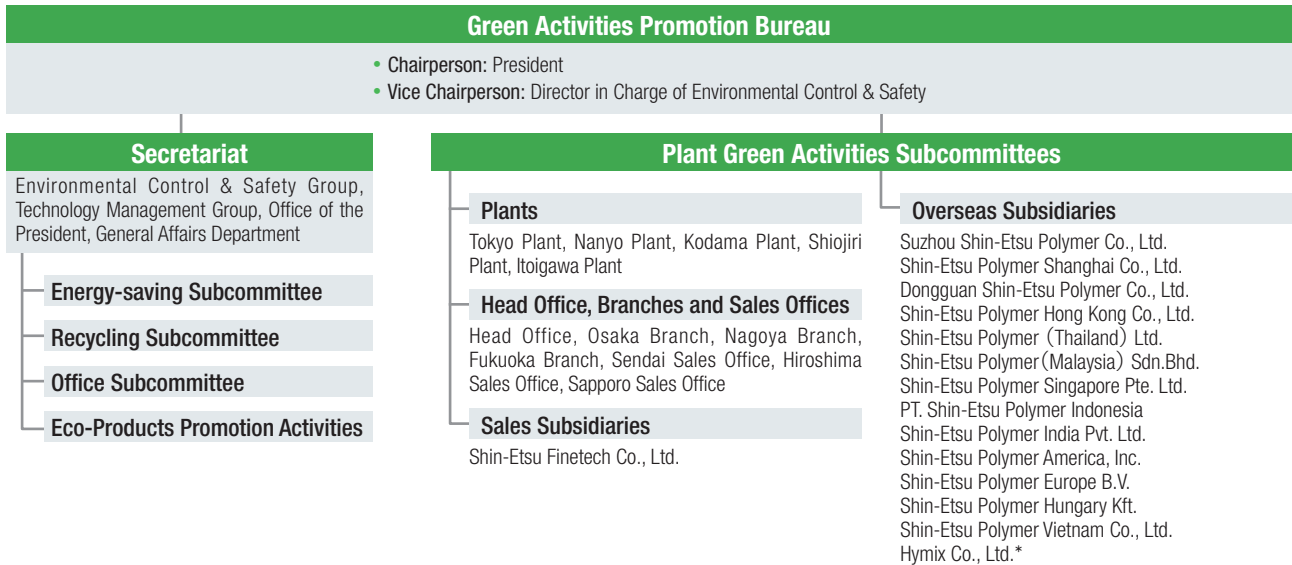


## Green Activities Organization

Green Activities include the acquisition of environmental management system certificates, understanding and supporting “Environmental Performance” such as countermeasures against global warming and measures for the effective use of resources, public relations as represented by this sustainability report, and education and training in the form of company-wide presentations. We promote environmental

conservation and environmental management by implementing these activities. We also draw up mid-term plans every three years, with fiscal 2020 being the final year of our 6th Mid-Term Plan (2018 to 2020). In April 2021, we began renewed activities by setting targets for the 7th Mid-Term Plan (2021 to 2023).

### Organization of the Bureau



\* Hymix Co., Ltd., became a consolidated subsidiary in January 2021. As the reporting period for overseas offices is from January 2021 to December 2021, the company is not covered in this report.

## List of Plants & Subsidiaries Approved by the Sony Green Partner Environmental Quality Approval Program

Of the substances contained in the parts and materials of Sony’s products, those judged as having a significant impact on the global environment and human body have been identified as “Substances Subject to Environmental Control” and specified in the “Control Regulations on the Substances Contained in Parts and Materials

Subject to Environmental Control.” Suppliers that comply with these standards and regulations are certified as a “Sony Green Partner.” In 2003, three of our domestic plants received the certification, and now seven plants are certified.

### Shin-Etsu Polymer Co., Ltd. ID: 410A

Factory Code	MC Name	FC Name	Expiry Date
FC002584	Shin-Etsu Polymer Co., Ltd.	Shiojiri Plant	20240831
FC002586	Shin-Etsu Polymer Co., Ltd.	Kodama Plant	20240831
FC007726	Shin-Etsu Polymer Co., Ltd.	Itoigawa Plant	20240831
FC007742	Shin-Etsu Polymer Co., Ltd.	Tokyo Plant Production Department I	20240831
FC013450	Suzhou Shin-Etsu Polymer Co., Ltd.		20240831
FC014180	Shin-Etsu Polymer Co., Ltd.	Tokyo Plant Production Department II	20240831
FC014187	Dongguan Midas Electronic Co., Ltd.	Dongguan Midas Electronic Co., Ltd.	20240831

\*Date of certification: May 20, 2021

## Certifications of Environmental Management System

We have been awarded with ISO14001 certifications at all Japanese and overseas production sites. By effectively implementing the management system, we are working on the reduction of environmental burdens and continuous environmental improvement activities based on compliance with the environment-related laws and regulations.

\*Please visit our website for further information on registration card numbers, certification bodies and various other data. <https://www.shinpoly.co.jp/en/environment/management.html>

## FY2020 Results of the 6th Mid-Term Targets (2018 to 2020) for the Shin-Etsu Polymer Group's Green Activities

Theme	Item	Indicator	Subject scope	6th Mid-Term Targets		Activities and Achievements in 2020
				Target year	Target value	Activities/Impact
Countermeasures Against Global Warming	Reduction of CO <sub>2</sub> emissions	Basic unit of production weight (t-CO <sub>2</sub> /t)	Domestic Plants (All plants)	2020	Reduction of 3% (Compared with 2017: 0.6812)	The reduction of production weight had an impact
			Overseas Plants (All plants)	2020	—	—
	Reduction of basic unit of energy converted to crude oil	Basic unit of production weight (kℓ/t)	Domestic Plants	2020	Reduction of 3% (Compared with 2017) Figures for each plant are not disclosed	The reduction of production weight had an impact
			Overseas Plants	2020	Reduction of 3% (Compared with 2017) Figures for each plant are not disclosed	The reduction of production weight had an impact
		Basic unit of floor space (kℓ/m <sup>2</sup> )	Domestic Non-Production Base (All plants)	2020	Reduction of 3% (Compared with FY2017: 0.03315)	Consumption at offices decreased due to the increase in working from home
Reduction of energy consumption related to logistics	Basic unit of freight volumes (kℓ/1,000 t kg)	Domestic	—	—	Promote a modal shift	
Waste reduction and recycling	Emissions rate	(Amount of landfill + simple incineration) / total waste emissions × 100 (%)	Domestic Plants (All plants)	2020	Less than 1%	Thorough sorting and promoting recycling
			Domestic Plants	2020		
	Reduction of basic unit of waste emissions	Basic unit of production weight (kℓ/t)	Domestic Plants (All plants)	2020	Reduction of 3% (Compared with FY2017)	Reduction of start-stop losses and promotion of recycling
			Domestic Plants	2020		
			Overseas Plants (All plants)	2020	—	
			Overseas Plants	2020	Reduction of 3% (Compared with FY2017)	
Creation of environmentally friendly / contributory products	Number of certified products	Group-wide	2020	To be tripled (to 24 products) (compared with eight in FY2014)	Promoting proposals of products for applications, working with relevant departments	
Control of Chemical Substances	PRTR registered amount	Amount of emissions + amount of transfers (kℓ)	Domestic Plants (All plants)	—	—	Further reduction of usage by reconsidering cleaning methods
	Emissions of VOC 7 substances	Emissions into atmosphere (t)		—	—	
Conservation of water resources	Reduction of basic unit of water usage	Basic unit of production weight (m <sup>3</sup> /t)	Domestic Plants (All plants)	—	—	Improvement of production efficiency and optimization of circulating water systems and wastewater treatment
			Overseas Plants (All plants)	—	—	

\*Domestic data is from the fiscal year of April 2020 to March 2021, whereas overseas data is from the calendar year of January 2020 to December 2020.



## FY2020 Results of the 6th Mid-Term Targets (2018 to 2020) for the Shin-Etsu Polymer Group's Green Activities

Theme	Activities and Achievements in FY2020		The 7th Mid-Term Targets and Challenges		Reference
	Achieved value	Achievement rate	Target	Challenge	
Countermeasures Against Global Warming	0.7192t-CO <sub>2</sub> /t (a 5.6% increase compared with the base year)	Failed to achieve	To be reduced by 13% in FY2030 compared with FY2017	Going forward, we will set long-term targets only as seen on the left	P24
	—	—	—	—	—
	Figures for each plant are not disclosed	Achieved: one plant Failed to achieve: four plants	Non-binding target Year-on-year reduction of 1% or more Evaluation target Reduction of 1% or more on a five-year average	Set the evaluation targets according to the classification method under the Act on the Rational Use of Energy to evaluate the energy-saving measures in several years	P24
	Figures for each plant are not disclosed	Achieved: three plants Failed to achieve: three plants	Non-binding target Year-on-year reduction of 1% or more Evaluation target Reduction of 1% or more on a five-year average		
	0.02969kℓ/m <sup>2</sup> (10.4% decrease compared with the base year)	Achieved	Non-binding target Year-on-year reduction of 1% or more Evaluation target Reduction of 1% or more on a five-year average	Activities will be restricted by the presence of tenants	—
	0.046kℓ/1,000tkg	—	—	—	P25
Waste reduction and recycling	0.53%	Achieved	Less than 1%	Recycling of landfill waste	P26
	Figures for each plant are not disclosed	Achieved: four plants Failed to achieve: one plant			
	59.1kg/t (a 6.7% increase compared with the base year)	Failed to achieve	a 3% reduction (compared with FY2020)	Further improvement of yield and reduction of occurrence of emergent events	
	Figures for each plant are not disclosed	Achieved: three plants Failed to achieve: two plants			
	321kg/t (Year-on-year decrease of 14.2%)	—	—		
	Figures for each plant are not disclosed	Achieved	a 3% reduction (compared with FY2020)		
	24 certified products	Achieved	Four cases	Deepening the connection with SDGs to contribute	
Control of Chemical Substances	152kg (Year-on-year decrease of 17.0%)	—	—	Further reduction of usage by reconsidering cleaning methods	P28
	11.15t (Year-on-year increase of 30.3%)	—	—		
Conservation of water resources	13.1m <sup>3</sup> /t (Year-on-year increase of 11.7%)	—	—	Improvement of production efficiency and promotion of usage of circulating water systems	P29
	29.8m <sup>3</sup> /t (Year-on-year increase of 9.8%)	—	—		

### The 23rd Green Activities Presentation

The Company-wide Green Activities Presentation was held with President Ono as Chairperson and other directors present. Vice Chairperson Mr. Takayama made an opening speech, saying, "The development of initiatives for the reduction of greenhouse gas emissions has been accelerating very quickly in society. I would like everyone here today to refer to these presentations and consider how we will be able to contribute to carbon neutrality—one of our future key management issues."

Mr. Saito, Head of the Environment Control & Safety Group, served as the Secretariat. He reported the achievements of the 6th Mid-term Plan (FY2018 to FY2020), and explained the 7th Mid-term Plan. Subsequently, there were presentations and Q&A sessions by five domestic plants concerning their activities.



Speakers who made presentations on the achievements of each plant

## Environmental Accounting

Our Group calculates the costs borne for and effects of environmental conservation, aiming to effectively promote initiatives for environmental conservation.

### Costs borne for environmental conservation

(Unit: Million yen)

Category		Main initiatives	Investment amount	Cost <sup>1</sup>
1. Costs within business	1-1. Pollution prevention costs	Regular inspection of equipment, noise and vibration measurements, management of septic tanks, water quality measurements, etc.	3.0	27.5
	1-2. Global environmental conservation costs	Introduction of high-efficiency air conditioners, LED lighting, application of inverter to equipment, introduction of motorized devices, etc.	112.0	156.1
	1-3. Recycling costs	Collection and recycling of resources, conversion into raw materials or fuel, etc.	0.0	35.7
Sub-total			115.0	219.3
2. Upstream and downstream costs <sup>2</sup>		Costs related to control of chemical substances contained in products, etc.	0.0	2.8
3. Control activity costs		EMS maintenance, education, management of green space of plants, cleaning of inside/outside of plants, inspection of water quality, etc.	0.0	33.2
4. R&D costs <sup>3</sup>		Development of environmentally friendly/contributory products	0.0	42.6
5. Social activity costs		Support, fund-raising activity, donations, etc.	—	0.9
6. Environmental damage prevention costs		N/A	0	0
Total			115.0	298.8

\*1. Costs = Actual costs – costs if an activity is not conducted. When the total difference is ≤ 0, 0 is the assumed value.

\*2. Registration costs for recycling outsourcing agreements are not included.

\*3. R&D costs are calculated based on our own standards.

### Effects of environmental prevention

Items for environmental burden reductions	Unit	Annual amount of reduction
A. Energy consumption	t-CO <sub>2</sub>	343
B. Waste discharge amount	t	1,805
C. Chemical substances consumption	t	0.0
D. Amount of purchased paper	1,000 sheets	0
E. Others	—	—

### Economic effects in accordance with environmental conservation measures

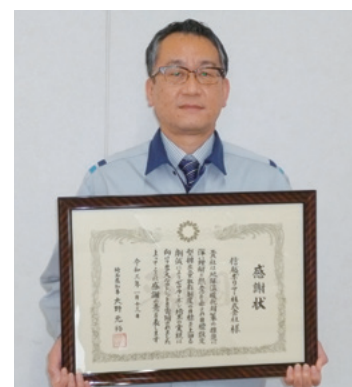
Items for environmental burden reductions	Unit	Cost
A. Energy costs	Million yen	19.5
B. Waste disposal costs	Million yen	2.2
C. Material purchase costs (Raw materials + subsidiary materials)	Million yen	1.3
D. Profit from the sales of valuables	Million yen	21.3
E. Others	Million yen	0.0
Total	Million yen	44.3

## Real Examples of Environmental Protection Activities

### • Received a Letter of Appreciation in recognition of our donation of credits to the initiative “Zero Carbon Saitama”

“Zero Carbon Saitama” is Saitama Prefecture’s initiative associated with carbon offsetting. The Tokyo Plant and Kodama Plant cooperated by working on energy-saving efforts in accordance with Saitama Prefecture’s Global Warming Countermeasures Plans. The plants donated the excess reduction of CO<sub>2</sub> (16,514t-CO<sub>2</sub>) that they achieved during the First Plan Period (2011 to 2014).

Going forward, we will promote our company-wide initiatives for the conservation of the global environment, such as the reduction of waste.



Mr. Saito, Head of the Environment Control & Safety Group, demonstrates the letter of appreciation (Left: Kobaton)

## Environmental Burdens Related to Our Business Activities

We believe the basis of environmental conservation activity is to accurately understand the environmental burdens that arise from business activities. In order to effectively and continuously promote environmental conservation activities, we act while confirming the trend of those burdens and by formulating plans to reduce environmental burdens.

### INPUT

#### Resources and energy

Year	Usage amount	Domestic		Overseas		Group total
		Production locations	Non-production locations	Production locations	Non-production locations	
2020	Energy converted to crude oil (kℓ)	11,727	108	18,340	36	30,211
2019		12,076	111	19,483	32	31,702
Year-on-year comparison (%)		97.1	97.6	94.1	112.1	95.3
2020	Water consumption (1,000 m <sup>3</sup> )	473	—	180	—	653
2019		445	—	186	—	631
Year-on-year comparison (%)		106.3	—	96.4	—	103.4
2020	PRTR chemical target substance (t)	90.8	—	—	—	90.813
2019		98.7	—	—	—	98.716
Year-on-year comparison (%)		92.0	—	—	—	92.0

#### Raw materials

- PVC (Polyvinyl chloride)
- Silicone rubber
- Other synthetic resins
- Other materials

\*Domestic figures represent fiscal year, while overseas figures are for the calendar year.



## Shin-Etsu Polymer Group (Domestic and Overseas)

#### Business activities (Resin molding and processing)



### OUTPUT

#### To the environment

Year	Emission amount	Domestic		Overseas		Group total
		Production locations	Non-production locations	Production locations	Non-production locations	
2020	CO <sub>2</sub> (t-CO <sub>2</sub> )	25,978	231	39,569	77	65,855
2019		26,738	238	42,039	69	69,084
Year-on-year comparison (%)		97.2	97.2	94.1	112.3	95.3
2020	Waste (t)	2,135	—	1,932	—	4,066
2019		2,211	—	2,564	—	4,775
Year-on-year comparison (%)		96.5	—	75.3	—	85.2
2020	Amount of waste recycled(t)	2,123	—	1,412	—	3,536
2019		2,207	—	1,881	—	4,088
Year-on-year comparison (%)		96.2	—	75.1	—	86.5
2020	Emission Rate(%)	0.53	—	26.9	—	13.0
2019		0.20	—	26.6	—	14.4
Year-on-year comparison (%)		263.5	—	101.1	—	90.3
2020	Waste water (1,000 m <sup>3</sup> )	428	—	154	—	583
2019		396	—	148	—	544
Year-on-year comparison (%)		108.2	—	104.2	—	107.1
2020	PRTR emissions Reported amount of target substances (t)	0.152	—	—	—	0.152
2019		0.184	—	—	—	0.184
Year-on-year comparison (%)		82.7	—	—	—	82.7

\*Domestic figures represent the fiscal year, while overseas figures are for the calendar year.

\*This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

\*The conversion coefficient of CO<sub>2</sub> emissions is calculated using our own coefficient.

# Countermeasures Against Global Warming



## Basic Approach

In order to contribute to the prevention of global warming, we actively promote energy conservation on all business sites.

We conducted Green Activities as part of our energy-saving promotion activities, and in fiscal 2020, the final year of the 6th Mid-Term Plan, we implemented activities at both domestic and overseas business locations. In the aspect of logistics, we implemented energy-saving initiatives through modal shifts and efficient site operations.

## Reduction of energy consumption

### Initiatives of all domestic and overseas plants

Energy consumption of all domestic plants decreased by 2.9% in fiscal 2020 compared with fiscal 2019, and the basic unit of production weight increased by 2.0%. Energy consumption of all overseas plants decreased by 5.9% in 2020 compared with 2019, and the basic unit of production weight increased by 7.3% compared with 2019.

### Initiatives of domestic plants

The target for basic units of production weight for fiscal 2020 was a 3% reduction compared with the base year (FY2017) and one plant managed to achieve this goal. Domestic plants implemented various energy-saving and CO<sub>2</sub> reduction measures, including the improvement of yield, reduction of loss of electric power by changing facility control programs, replacements employing equipment with excellent energy-saving functions (top runner equipment), and LED lighting, achieving good results. We will continue to contribute to the prevention of global warming by improving yield and implementing other energy-saving efforts.

### Initiatives of overseas plants

The target for basic units of production weight for 2020 was a 3% decrease compared with the base year (2017). Three plants managed to achieve this goal.

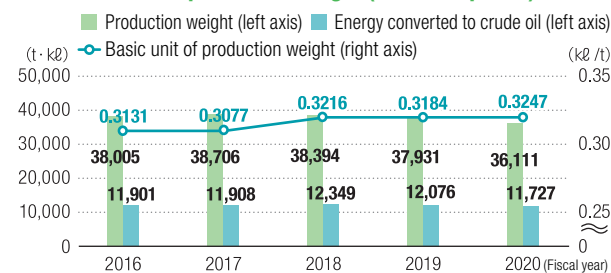
## Reduction of CO<sub>2</sub> emissions

### Initiatives of all domestic and overseas plants

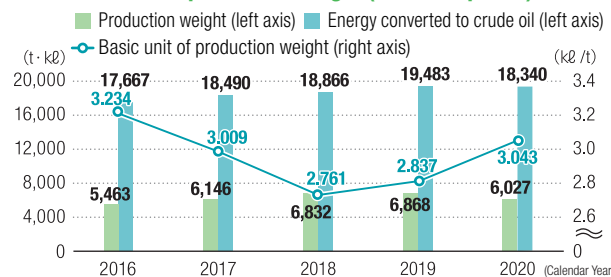
CO<sub>2</sub> emissions of all domestic plants decreased by 2.8% compared with fiscal 2019, to 25,978 tons, and the basic unit of production weight increased by 2.1% compared with fiscal 2019, to 0.7194. CO<sub>2</sub> emissions of all overseas plants decreased by 5.9% compared with 2019, to 39,569 tons, and the basic unit of production weight increased by 7.3% compared with 2019.

Each plant implemented various measures including the improvement of yield as energy-saving and CO<sub>2</sub> reduction measures, and the installation of heat insulation walls for heat dissipation in the production processes, replacements employing equipment with excellent energy-saving functions, and LED lighting, achieving good results. We will continue to contribute to the prevention of global warming by improving yield and implementing other energy-saving efforts along with the reduction of CO<sub>2</sub> emission activities.

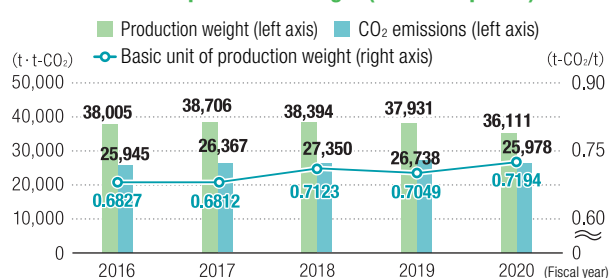
### Energy converted to crude oil and basic units of production weight (Domestic plants)



### Energy converted to crude oil and basic units of production weight (Overseas plants)

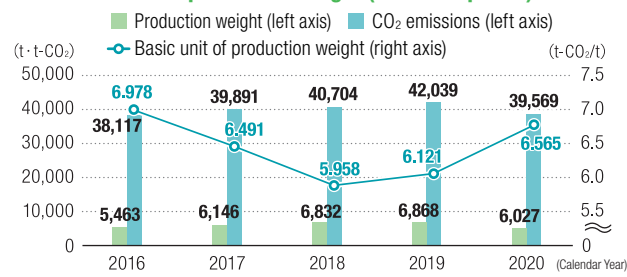


### CO<sub>2</sub> emissions and basic units of production weight (Domestic plants)



\* CO<sub>2</sub> emissions are calculated based on the emission factor of our company.

### CO<sub>2</sub> emissions and basic units of production weight (Overseas plants)



\* CO<sub>2</sub> emissions are calculated based on the emission factor of our company.



## GHG Scope 3 emissions

Our group calculates Scope 3 emissions based on guidelines from the Ministry of Environment and the Ministry of Economy, Trade and Industry and compares values with the previous year.

Scope 3 emissions in fiscal 2020 saw an 2% decrease from the previous fiscal year at 87,800 t-CO<sub>2</sub>, which accounted for 57% of the total. We will continue to work on reducing GHG emissions in our overall supply chain.

\*1. Category 1-8 belong to upstream in the supply chain, and Category 9-12 belong to downstream.

\*2. If not indicated, the unit for figures is 1,000t-CO<sub>2</sub>.

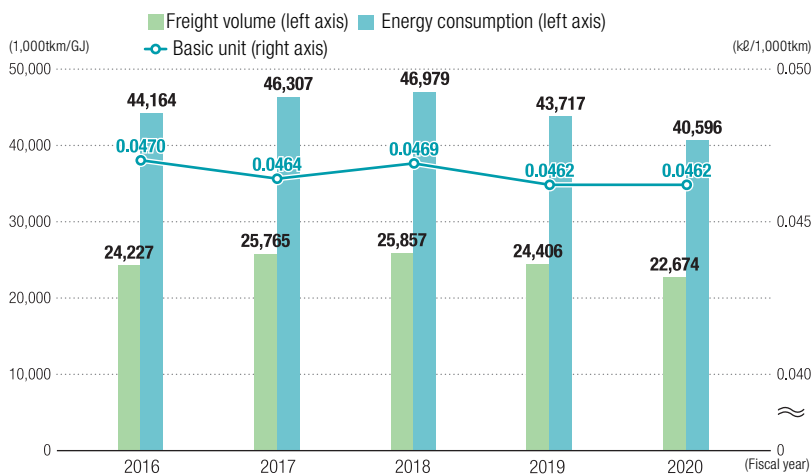
\*3. This fiscal year, in order to improve the precision of data, we retroactively revised data from previous years.

Category		FY2019	FY2020	Compared to previous FY
Our group	(Scope 1) Direct emissions	1.4	1.4	0%
	(Scope 2) Indirect emissions from energy sources	68.3	65.2	-5%
1	Purchased goods / services	12.1	11.8	-2%
2	Capital goods	8.3	8.6	4%
3	Fuel- and energy-related activities (not included in scope 1 or scope 2)	8.6	8.1	-6%
4	Upstream transportation and distribution	21.4	22.2	4%
5	Waste generated in operations	0.5	0.4	-20%
6	Business travel	1.5	0.3	-80%
7	Employee commuting	2.2	2.4	9%
8	Upstream leased assets	—	—	—
9	Downstream transportation and distribution	16.8	5.4	-68%
10	Processing of sold products	—	—	—
11	Use of sold products	—	—	—
12	End-of-life treatment of sold products	30.8	28.6	-7%
13	Downstream leased assets	—	—	—
14	Franchises	—	—	—
15	Investments	—	—	—
Subtotal of Scope 3		102.2	87.8	-14%
Total		251.1	154.4	-10%
Percentage (Scope 3)		59%	57%	-2%

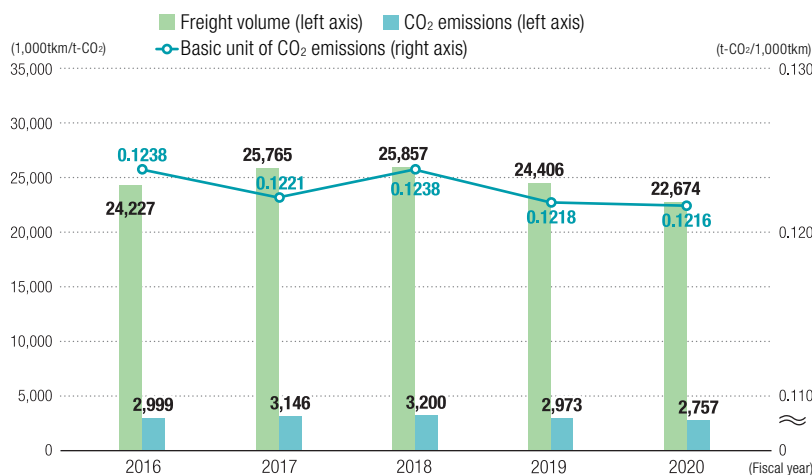
## Energy-saving Activities Related to Transportation

The volume of freight transportation in fiscal 2020 decreased by 8.8% year on year due to the impact of the COVID-19 pandemic. While the freight volume as the denominator of the basic unit decreased by 7.1% year on year, the basic unit of freight volume and energy remained at the same level as fiscal 2019 since the modal shift (to transport by railways and ship) further advanced than last year. Going forward, we will work on using larger vehicles and reducing the basic units while continuously promoting a modal shift.

### Energy consumption and basic unit of freight volumes



### CO<sub>2</sub> emissions and basic unit of freight volumes



# Waste Reduction and Recycling



## Basic Approach

Under the keywords “zero landfills and simple incineration by promoting waste recycling,” we are engaging in the activities aimed at the reduction and recycling of waste. As metrics, we are using basic units of waste emissions and emission rate.

## Key Initiatives

We are ending the 6th Mid-Term Plan (FY2018 to FY2020), and are now starting the 7th Mid-Term Plan (FY2021 to FY2023). Under the 7th Mid-Term Plan, we will continue the activity purposes stated in the 6th Mid-Term Plan, promoting initiatives with a goal of “maintenance and continuation of zero emissions” and “a 3% reduction in the basic units of waste emissions against production weight compared with fiscal 2020.”

## Waste reduction activities

In terms of waste reduction activities, we tackle the improvement of product pass rates and the reduction of start-stop losses, while also working on the reduction of waste disposal in the form of deterioration preventive measures for inventory, and the recovery and reuse of liquid silicon material residue. Particularly, overseas plants reported significant success in reduction activities.

Meanwhile, in order to make sure that waste is appropriately disposed of, we regularly conduct on-site inspections and audits of waste disposal contractors.

## Actual results of FY2020

### Initiatives of domestic plants

The total volume of waste in fiscal 2020 was 2,135 tons, which was a 3% decrease from the previous fiscal year. The basic unit of production weight was 59.1 kg/t, failing to achieve the targeted amount of the 6th Mid-Term Plan with a 10.0% increase from the base year (FY2017). The emission rate was 0.53%, thereby achieving the target rate of less than 1.0%.

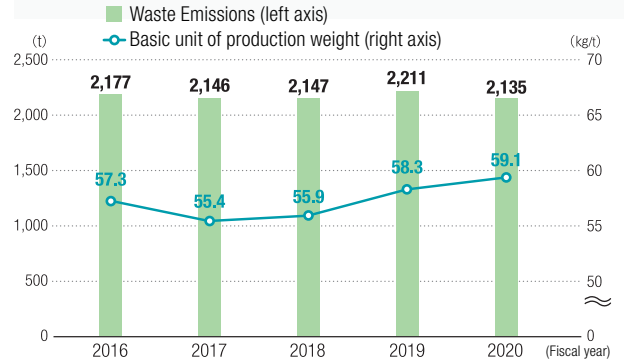
The main reason for the failure to achieve the target for the basic unit of production weight was the increase of trial production for quality evaluations conducted at a launch of new products or when changes occur in 4M.

### Initiatives of overseas plants

The total volume of waste in 2020 was 1,932 tons, which was a 24.6% decrease from the previous year. The basic unit of production weight was 321 kg/t, a 76.7% decrease compared with the base year (2017).

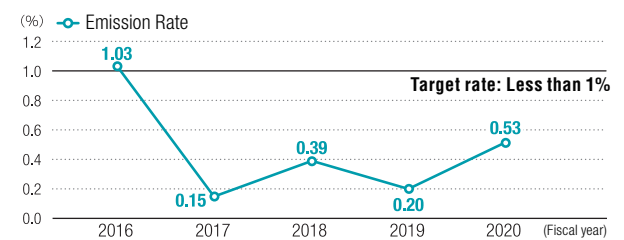
Each production location achieved favorite results with initiatives such as the reduction of start-stop losses of materials due to continuous operation and the promotion of recycling waste plastics.

Waste emissions and basic unit of production weight (Domestic plants)

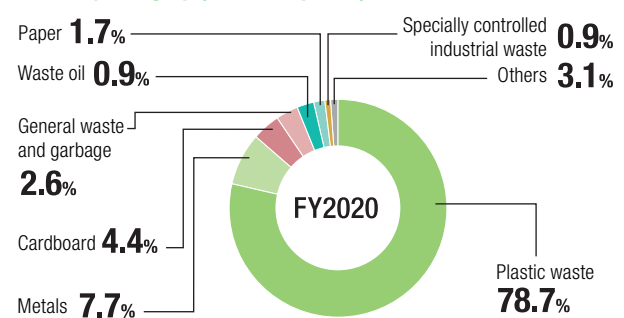


\*In this fiscal year, in order to improve the precision, we retroactively revised the data from previous years.

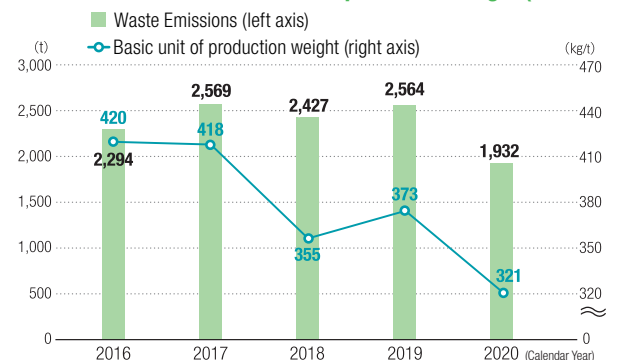
Annual emissions rate (Domestic plants)



Sorted by category (Domestic plants)



Waste emissions and basic unit of production weight (Overseas plants)



# Control of Chemical Substances



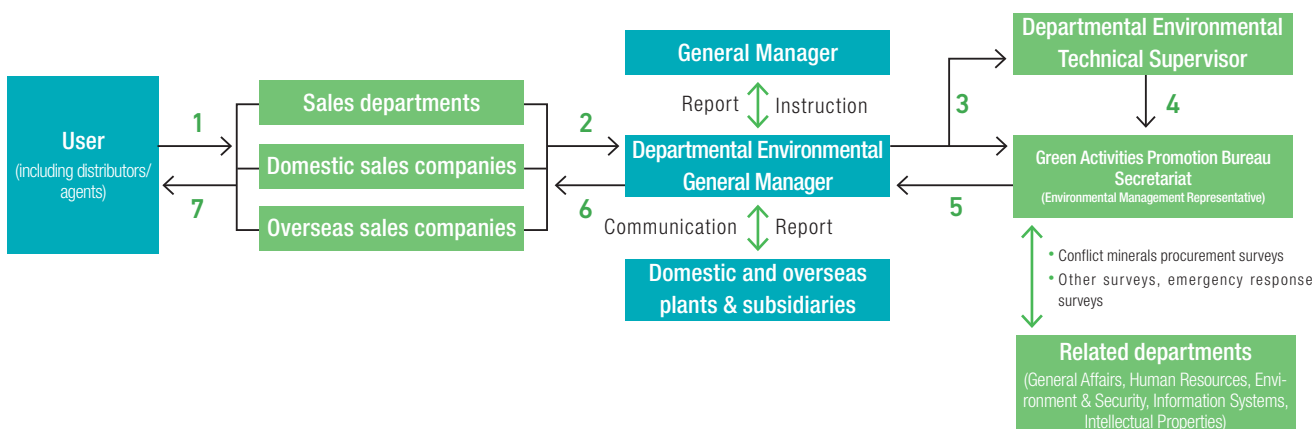
## Basic Approach

In accordance with its environmental basic policy, the Shin-Etsu Polymer Group is engaged in the control of chemical substances contained in products and the provision to customers of products with low environmental burdens through the proper handling of prohibited substances and controlled substances, and for the purpose of reducing environmental burdens in each process from procurement to production, use and disposal, and conserving biodiversity.

### •Global Environmental Communication System (G-Environmental System)

The Group has established a Global Environmental Communication System to implement the centralized control of all Group companies including overseas business locations in response to requirements from customers and under the Control Rules of Chemical Substances Contained in Products.

- 1 An "Environmental Management Representative" for our Group is appointed who represents the Group regarding customer's requirements in relation to the environmental quality of our products.
- 2 An "Environmental General Manager" and the "Environmental Technical Supervisor" are appointed in each division. The Environmental General Manager manages issues associated with the environmental quality of products in the division and related domestic and overseas plants and subsidiaries (hereinafter, "Departments"). The Environmental Technical Supervisor is responsible for businesses associated with the environmental quality of the products of the Departments.
- 3 Submissions of documents such as Green Procurement Survey Responses, certificates of non-use of environment-related substances and analysis data are conducted in accordance with the rules set forth in the Global Environmental Communication System.
- 4 Materials with low environmental burdens are purchased from suppliers that promote environmental considerations in accordance with the "Control Rules of Chemical Substances Contained in Products" and "Control Standards of Chemical Substances Contained in Products."
- 5 This system is also applied to environmental quality system surveys and conflict minerals procurement surveys required by customers.



### •Control Standards for Chemical Substances Contained in Products

Based on the Control Rules of Chemical Substances Contained in Products, our Group stipulates our own Control Standards for Chemical Substances Contained in Products (Version 4.0). According to these standards, we aim to generate no serious incompatibility by thoroughly controlling chemical substances in all finished products and purchased materials.

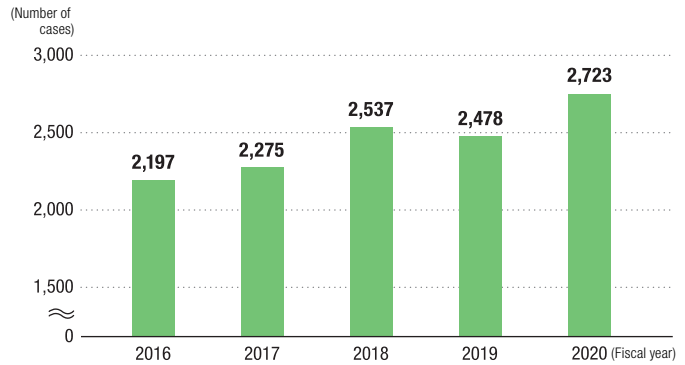
Prohibited substances	<p><b>1)Chemical Substances Control Law:</b> Class I Specified Chemical Substances</p> <p><b>2)Industrial Safety and Health Law:</b> Hazardous substances prohibited in production, etc.</p> <p><b>3)Poisonous and Deleterious Substances Control Law:</b> Specific poisons</p> <p><b>4)TSCA:</b> Substances based on Section 6</p> <p><b>5)POPs regulation:</b> Annex I</p> <p><b>6)REACH regulation:</b> Annex X VII</p> <p><b>7)GADSL Reference List</b> (Classifications: "P" and "D/P")</p>	<p><b>Intentional use prohibited</b></p> <p><b>Cannot be contained as impurities</b></p>
Controlled substances	<p><b>1)ELV Directive:</b> Designated substances</p> <p><b>2)RoHS Directive:</b> Designated substances</p> <p><b>3)REACH regulation:</b> SVHC</p> <p><b>4)IEC62474</b></p>	<p><b>Intentional use prohibited</b></p> <p><b>Must be below the threshold when contained as impurities</b></p>
Reportable substances	<p><b>GADSL Reference List</b> (Classification: D)</p>	<p><b>Report only</b></p>

\* For details, please refer to the Shin-Etsu Polymer Group's "Control Standards of Chemical Substances Contained in Products."  
(<https://www.shinpoly.co.jp/en/environment/chemical/main/0/teaseritems1/01/linkList/0/link/standard.pdf>)

•Control of Chemical Substances Contained in Products

At our group, we have been conducting investigations on the chemical substances contained in products since 2000. In recent years, we have received far more than 2,000 requests for such investigations annually. The results of the investigations are reported based on the Global Environmental Communication System. In fiscal 2020, no serious incompatibility cases were reported.

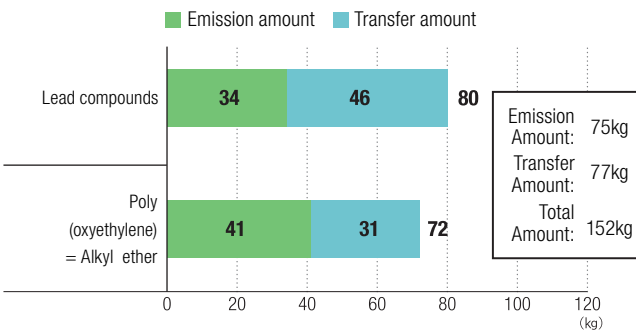
Number of investigations on chemical substances contained in products



PRTR registration results

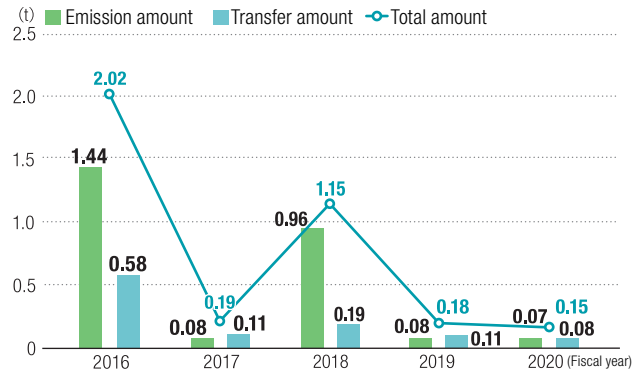
Tokyo and Nanyo Plants made PRTR registrations. In fiscal 2020, we made registrations for 152 kg of two substances (75 kg for emissions and 77 kg for transfers). As part of this, we registered 80 kg (34 kg for emissions and 46 kg for transfers) of lead compounds (lead-based stabilizer for PVC products), a Class I Specified Chemical Substance.

PRTR registration results



\*Registered amount = Amount of emissions + amount of transfers

Total results of PRTR registrations



\*The amount of PRTR registration fluctuates based on the total production volume.

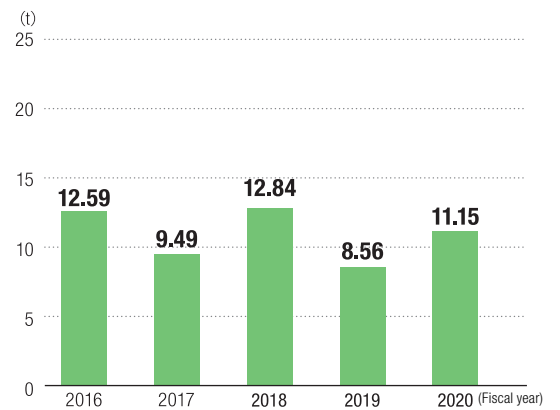
VOC Emissions into the Atmosphere

In fiscal 2020, the amount of domestic VOC emissions into the atmosphere (t/year) was 11.15 tons, a 30.3% increase from the previous year (8.56 tons). The subject VOCs are the seven substances shown in the table below.

Unit: t

Subject seven substances	FY2016	FY2017	FY2018	FY2019	FY2020
Ethanol	7.12	6.36	8.87	6.71	9.02
Ethylbenzene	0.01	0.01	0.02	0.03	0.01
Xylene	0.01	0.01	0.02	0.05	0.03
Toluene	1.65	0.43	1.18	0.99	1.25
Ethyl acetate	0.05	0.03	0.04	0.03	0.04
Butyl acetate	3.77	2.64	2.36	0.40	0.50
Propyl alcohol	0.00	0.00	0.35	0.35	0.30
<b>Total</b>	<b>12.59</b>	<b>9.49</b>	<b>12.84</b>	<b>8.56</b>	<b>11.15</b>

Annual VOC7 emission volumes



\*We reviewed the subject VOC substances and retroactively revised data from previous years.



# Activities for Bio-diversity Protection



## Basic Approach

Shin-Etsu Polymer Group address global warming countermeasures that affect bio-diversity protection, such as the effective utilization of resources, thorough control of chemical substances, effective use of water resources, and pollution prevention, while striving to reduce environmental burdens.

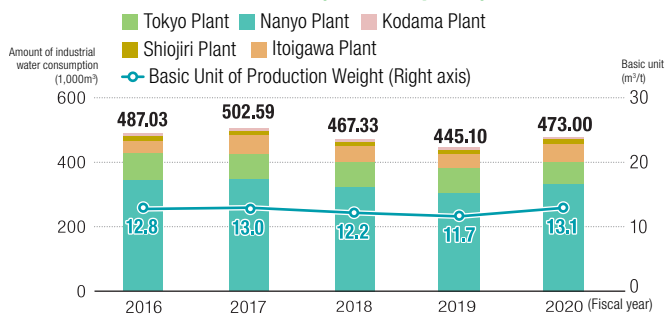
## Conservation of water resources

Water shortages have become more serious on a global scale due to the impact of climate change. Considering the risk of water shortage as critical, the Group endeavors to reduce the usage of water and implement recycling.

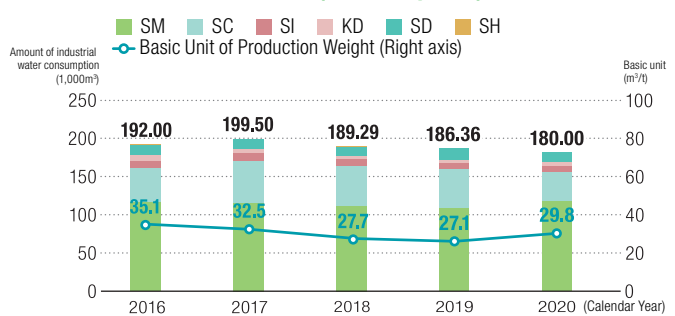
### •Efficient use of water

At domestic plants, industrial water consumption was 106% year on year, and basic units were 112% year on year. The main reason for this was an increase in trial production for new products and due to changes in 4M. Meanwhile, at overseas plants, industrial water consumption was 97% year on year, and basic units were 110% year on year.

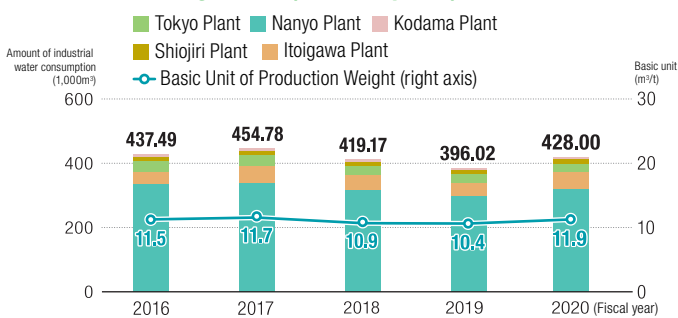
### Industrial water use status (Domestic plants)



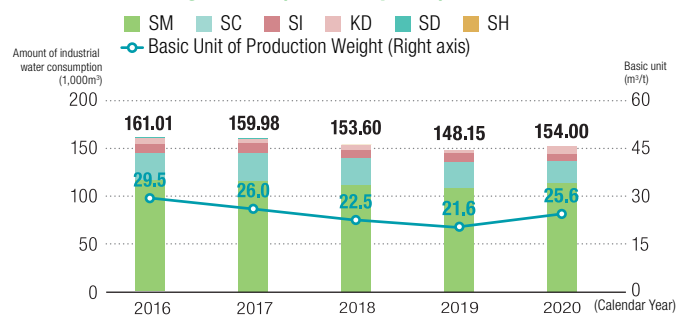
### Industrial water use status (Overseas plants)



### Water discharge status (Domestic plants)



### Water discharge status (Overseas plants) \*No water discharge in SD



SM:Shin-Etsu Polymer (Malaysia) Sdn.Bhd.  
SC:Suzhou Shin-Etsu Polymer Co., Ltd.

SI:PT. Shin-Etsu Polymer Indonesia  
KD:Dongguan Shin-Etsu Polymer Co., Ltd.

SD:Shin-Etsu Polymer India Pvt. Ltd.  
SH:Shin-Etsu Polymer Hungary Kft.

### •Air Pollution Prevention

We have no equipment that is subject to regulations, yet we do stipulate self-control standards when deemed necessary and work on reducing emission amounts. We periodically measure the emission concentration of VOCs in order to confirm that the value is below the limit.

### •Water Pollution Prevention

We check that the quality of discharged water satisfies the standard specified in the Water Pollution Prevention Act both voluntarily and in accordance with laws and regulations. We are also working on reducing the basic units of water use and aiming for conversion to circulated water.

### •Soil Contamination Prevention

We perform monitoring based on the Soil Contamination Countermeasures Act. We also conduct surveys on soil and underground water where necessary to confirm that there is no contamination.

# Improving Quality



## Basic Approach

The Shin-Etsu Polymer Group is building and strengthening our quality assurance systems. We believe that high quality and stable supplies are indispensable to providing our customers with safe, secure products. To that end, we are aiming to improve customer satisfaction according to our quality policy.

### Shin-Etsu Polymer Group Quality Policy

Through manufacturing, we will contribute to society by providing high-quality products that are trusted by customers.

- 1 We will always incorporate market needs into our products and strive to improve customer satisfaction.
- 2 We will continue efforts to improve quality and hone our technology, as we aim to become the company of choice for our customers.
- 3 We will conduct thorough field management to continuously provide a stable supply of high-quality products.

## Initiatives for Quality Control

### •Fourth Quality Month

During the fourth quality month in November, we announced a special President's message, conducted plant evaluations, and gave awards for the best mottos about quality that were submitted by our employees. We also published a special article in our in-house magazine about quality control.

Although plant evaluations overseas were canceled due to the COVID-19 pandemic, evaluations were carried out at the Kodama Plant and the Shiojiri Plant under theme of "Review management of in-house abnormalities (sudden defects and chronic defects)," which was set last year.



Shiojiri Plant

Kodama Plant

### •QC KENTEI

#### (Quality Management and Quality Control Examination)

In fiscal 2020, in addition to the staff in the Production Unit who have already been taking QC KENTEI, we decided that all new regular employees would take QC KENTEI to raise the level of their QC skills. We recruited QC KENTEI examinees from the Development Unit to spread QC KENTEI throughout the company, a total of 175 people passed in grades 2, 3 and 4.

### •Preventive Measures against Misconduct

In order to prevent misconduct, it is important that leaders take the initiative to create an atmosphere that allows employees to express their opinions freely and show their determination to fight against it. In fiscal 2020, preventive measures could not be applied as planned due to the COVID-19 pandemic. In fiscal 2021, the directors are planning to make inspections for misconduct (in the domestic sites: by a plant manager, in overseas sites: by the president).

## Initiatives to Secure Product Safety

### •Product Safety Activities

When we receive information from our customers that presents a high risk, such as information that threatens product safety, we promptly notify management and ensure that those in charge inform the Office of Quality Assurance so an appropriate response can be taken.

For chemical substances contained in the product, we have decided not to use harmful substances prohibited or restricted by the Act on the Evaluation of Chemical Substances,<sup>1</sup> Industrial Safety and Health Act,<sup>2</sup> RoHS Directive,<sup>3</sup> REACH Regulations,<sup>4</sup> TSCA<sup>5</sup> and other applicable regulations in our products in order to ensure the safety of our products.

We also strive to ensure the safety of our products in accordance with the required laws and standards such as Ministry of Health, Labour and Welfare ordinances<sup>6</sup> and SEMI Standards.<sup>7</sup>

<sup>1</sup> Act on the Evaluation of Chemical Substances: The "Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc." is aimed at preventing environmental pollution by chemical substances that may impair human health or hinder the habitat and growth of animals and plants.

<sup>2</sup> Industrial Safety and Health Act: Law that sets standards for worker safety and hygiene.

<sup>3</sup> RoHS Directive: Law in the EU concerning restrictions on the use of specified hazardous substances in applications such as electrical and electronic equipment (EEE).

<sup>4</sup> REACH Regulations: EU law on registration, evaluation, approval and restriction of chemical substances.

<sup>5</sup> TSCA: Aimed at regulating chemical substances and mixtures that pose an unreasonable risk to human health or the environment by the Environmental Protection Agency (EPA).

<sup>6</sup> Ministry of Health, Labour and Welfare Ordinance No. 169: QMS Ministerial Ordinance

<sup>7</sup> SEMI Standards: Established by SEMI (semiconductor-related industry group) for the purpose of unifying the international industrial standards of the semiconductor industry.

# Supply Chain Management



## Basic Approach

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

## CSR Procurement Promotion Activity

Under the Basic Procurement Policy of the Shin-Etsu Polymer Group, we consider it important to promote CSR activities across the entire supply chain.

To achieve this goal, we aim to solicit understanding from business partners and promote CSR activities in tandem on the basis of the Shin-Etsu Chemical Group’s CSR Procurement Guideline.

### •Basic Policy and Guidelines to Promote CSR Procurement

#### Basic Procurement Policy

- 1 Abiding by the law
- 2 Promotion of corporate social responsibility
- 3 Selection of vendors
- 4 Meeting the needs of suppliers and conducting performance reviews

#### [WEB](https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg_supply/management/csr_guideline.pdf) CSR Procurement Guidelines

[https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg\\_supply/management/csr\\_guideline.pdf](https://www.shinetsu.co.jp/en/sustainability/assets/pdf/sustainability/esg_supply/management/csr_guideline.pdf)

### •CSR Procurement Promotion System

We established a CSR Procurement Subcommittee consisting of members mainly from the Purchasing Department, and held meetings regularly. In fiscal 2020, we conducted the following activities:

#### FY2020 Activities

- Review of the Basic Procurement Policy (No Change)
- Examination of revision of the CSR Procurement Guidelines and CSR procurement questionnaires: Their conform to the RBA\* Code of Conduct Version 7.0 will be ensured next year.
- CSR promotion activities through distribution of the CSR Procurement Guidelines to our business partners: with the following survey
- Survey for selected business partners using CSR procurement investigation questionnaires: according to the 2020 action plan
- Review of how to provide feedback about the investigation: undergoing comprehensive evaluation

### •Business Partner Survey

We prepared questionnaires based on the “CSR Procurement Guidelines” and the “RBA Code of Conduct,” and have been con-

ducting surveys since fiscal 2018. We are striving to check that our business partners are doing business in accordance with our Group’s guidelines. In fiscal 2020, we conducted investigations for our production contractors and other partners.

#### Survey overview

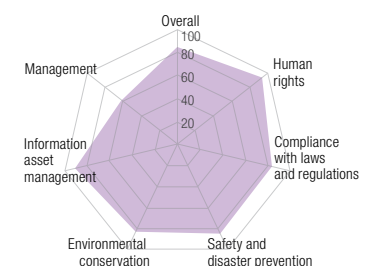
Survey categories: Six items (Human rights, compliance with laws and regulations, safety and disaster prevention, environmental conservation, information asset management and management) 104 questions

Survey format: Self-check where respondents give responses to questionnaire without on-site audit

#### Result

Almost 90% of companies met the requirements for the six items. The categories that were deemed to require additional support were CSR management (setting of CSR policy and goals, etc.) and supply chain management.

#### Average score by item



#### Future activities

We will tackle the following items, while also promoting activities.

- Review of the CSR procurement investigation questionnaire
- Expand the range of the survey to overseas partners
- Promote better understanding of the Procurement Guidelines among business partners
- Conduct risk assessments based on survey results

## Response to Conflict Minerals

The Shin-Etsu Polymer Group has established a policy on how to respond to conflict minerals.

Under this policy, we maintain initiatives to ensure zero use of any conflict minerals or minerals from OECD conflict and high-risk areas across the supply chain including business partners, thereby promoting responsible procurement.

#### [WEB](https://www.shinpoly.co.jp/en/environment/mineral.html) Conflict Minerals Policy

<https://www.shinpoly.co.jp/en/environment/mineral.html>



# Human Resources Development

## Basic Approach

Based on the belief that helping employees develop and grow is one of our most important management issues, the Shin-Etsu Polymer Group actively promotes the development of human resources capable of fully demonstrating their expertise and abilities. We also strive to create work environments where each and every employee can work in their own way and develop themselves.

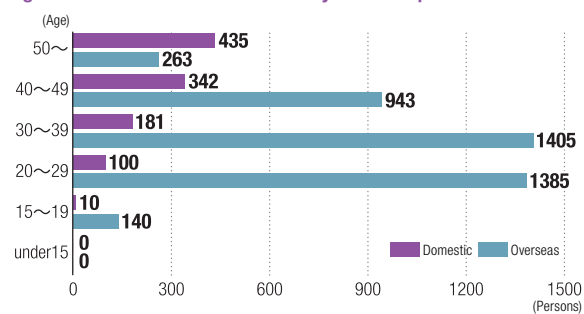
## Current Employment Situation

(Unit: People)

Item		FY2018 (End of FY)		FY2019 (End of FY)		FY2020 (End of FY)	
		Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Number of employees	Male	821	1,892	814	1,865	793	1,902
	Female	213	2,722	216	2,790	203	3,187
	Total	1,034	4,614	1,030	4,655	996	5,089
Number of managers	Male	301		296		302	
	Female	8		9		10	
Number of officers	Male	15		14		14	
	Female	0		0		0	
Number of new graduates hired (Bachelor's degree or higher)	Male	5		8		5	
	Female	3		1		1	
Number of new graduates hired (High school graduate)	Male	9		10		9	
	Female	2		0		3	
Number of mid-career hires	Male	14		6		4	
	Female	4		2		0	

(Scope of data: Shin-Etsu Polymer for non-consolidated data; 14 consolidated subsidiaries for consolidated data)

## Age structure of the Shin-Etsu Polymer Group workforce



## Education/Training

Based on the belief that helping our employees grow contributes to the continuity and further development of our business, we offer a variety of support, including OJT as well as a range of programs for employees at major career turning points.

### • Tutor System

Each new employee is assigned a tutor as a dedicated educator who focuses on training them for their new position. These tutors serve as role models and confidantes for new employees. The tutors themselves also grow and develop through this experience.

### • Management Training

Shin-Etsu Polymer, along with the Shin-Etsu Chemical Group companies, conducts rank-specific training (managerial and senior staff level) so that employees can learn about the management concepts and techniques shared across the Group. The Shin-Etsu Polymer Group also conducts Group-wide training for employees newly promoted to managerial positions in order to provide them with additional support for growth.

### • Career Self-Assessment Seminars

We have a career self-assessment system for employees turning 50 or 55, aiming to help them reflect on their careers and leverage their experience for the future so that they can maintain and increase their motivation. In addition to the information on this system, we also provide career self-assessment seminars for eligible employees to acquire essential knowledge for post-retirement living, such as financial planning.

## Human Resources System

We continually work on the development of personnel systems that encourage employees to take on challenges. We have adopted a track-based personnel system consisting of multiple tracks for managers (based on expected roles) and general staff (based on duties and work locations). In addition to personal achievement, our personnel evaluation system also recognizes employees' ability to drive performance as well as their contributions to the organization and teamwork. It therefore focuses on fairness and soundness. We will continue to work on creating systems that encourage employees to take on challenges.



# Respect for Human Rights



## Basic Approach

The Shin-Etsu Polymer Group respects human rights of all people based on the Shin-Etsu Chemical Group Human Rights Policy. To enable our Group companies across the globe to perpetually continue respecting human rights, we comply with all international codes of conduct and actively promote activities for human rights.

### The Shin-Etsu Group Human Rights Policy

#### 1 Prohibition of discrimination

We do not discriminate at all on the basis of nationality, race, ethnicity, gender, religion, personal views, beliefs, age, social status, disability, sexual orientation, gender identification, labor union participation, health, marital status, political opinions or any other status.

#### 2 Prohibition of damaging human dignity

We do not in any case conduct sexual harassment, power harassment, maternity harassment or any other acts that damage human dignity.

#### 3 Protection of privacy

We protect the privacy of individuals and handle personal information properly in accordance with the applicable laws and regulations of

each country.

#### 4 Respect for basic labor rights

We respect workers' right to organize, the right of collective bargaining, and further rights given to workers to establish, maintain and improve trust and good cooperative relationships through dialogue between labor and management.

#### 5 Prohibition of child and forced labor

We prohibit operations in all countries and regions from using child labor in accordance with the applicable laws and regulations of each country. We also prohibit the use of forced labor.

## Prevention of Human Rights Infringements

Our group conducts human rights due diligence.\* We strive to prevent the infringement of human rights in the course of business activities while also identifying and evaluating its effects on human rights.

\*Human rights due diligence:

To constantly identify and evaluate risks to human rights, we put preventative or corrective measures in place, monitor the situation and disclose information in accordance with the Group's human rights policy.

#### •Elimination of Child/Forced Labor

In accordance with global laws and regulations related to labor, our Group prohibits child and forced labor in all countries and regions. We have surveyed all group companies including those located overseas and confirmed that there is no child or forced labor.

#### •Training to Raise Awareness of Human Rights

At each business site and company across the Group, we strive to develop a proper understanding of human rights and an awareness of respect for human rights through various activities, including education for employees on human rights.

In fiscal 2020, we conducted training for all employees on the prevention of power harassment using online educational materials. For employees in sales departments, we invited an instructor and provided a webinar.

## Promotion of Respect for Human Rights across the Supply Chain

Our Group respects the human rights of all stakeholders associated with the Group. We have developed the CSR Procurement Guidelines to promote respect for human rights across the value chain. Based on these guidelines, we work with suppliers to deepen their understanding of the Group's idea of respect for human rights. We also ask them to respond to our CSR procurement survey that includes items on human rights.

## Reporting/Consultation System

Our Group has established a hotline for officers, Group employees, part-time employees and temporary workers. It responds to their reports and concerns properly and promptly in order to prevent human rights infringements in the course of business activities.

Supplier Hotline is also available, so that those outside the Group can report violations of human rights and procurement laws based on the CSR Procurement Guidelines and relevant laws.

[WEB](#) **Supplier Hotline**

<https://www.shinpoly.co.jp/ja/contact/contact17.html> (Japanese only)

# Work-Life Balance

## Basic Approach

The Shin-Etsu Polymer Group strives to create encouraging environments so that each employee can enjoy working in a healthy manner in various life stages.

## Employee Assistance for Various Life Events

### •Balancing Work with Childcare and Nursing Care

We focus on the development of environments to help employees balance work and various life events, such as childbirth and childcare, by providing support exceeding legal requirements and enhancing employee assistance.

### Usage of maternity, childcare and nursing care leave

End of Fiscal Year	FY2018	FY2019	FY2020
Number of employees who took maternity leave (People)	7	5	2
Number of employees who took childcare leave (People)	12	11	2
Number of males included in employees taking childcare leave (People)	1	0	0
Percentage of female employees taking childcare leave (%) (Leave takers/ Number of births ×100)	100	100	100
Number of employees who used reduced working time system to care for children (People)	15	19	17
Number of employees who took nursing care leave (People)	0	0	1

### Systems on Childbirth and Childcare

Item	Description
Childcare leave	Employees may take leave until a day before the child's third birthday.
Short working hours for childcare	Employees with a child in the third grade or below may work shorter hours. Reduction can be made up to two hours a day on a 30-minute basis.
Sick/injured childcare leave	Employees who have been in service for at least six months that have a child in the third grade or below may take leave on an hourly basis up to five days per year (or up to ten days if they have two or more eligible children) to look after the child in the event of an injury or sickness, or to have the child vaccinated or undergo a health examination.
Accumulated paid leave	Accumulated paid leave is designed to be used for nursing care for family members, pregnancy of the employee or spouse, and care for a child below age three.
Paternity leave	Employees may take three days of paid leave when their spouse gives birth (Between seven days before the estimated delivery date and seven days after the delivery date).
Maternity leave	Female employees may take six weeks (or 14 weeks for multiple pregnancies) of leave before childbirth and eight weeks after childbirth.
Medical appointment leave	Female employees, who are pregnant or within one year after childbirth, may take leave for health guidance or medical examinations.

Item	Description
Exemption from overtime work	Employees are exempted from working in excess of the prescribed working hours if they have a child in the third grade or below and request such an arrangement.
Limitation on overtime work	Employees are not made to work overtime in excess of 24 hours per month or 150 hours per year if they have a child in the third grade or below and request such an arrangement.
Limitation on late-night work	Employees are not ordered to work late at night if they have a pre-school-age child and make a request for such an arrangement.

## Health Promotion

### •Employee Assistance Program (EAP)

Shin-Etsu Polymer and its domestic Group companies have introduced the Employee Assistance Program (EAP) to help employees and their families lead healthy lives, both physically and mentally. Through this program, employees can consult professionals in various fields on a wide range of topics including mental and physical health, childcare, nursing care, as well as legal and financial matters. Toll-free calls and e-mail are used to protect privacy.

We also have a consultation service for sexual harassment. In addition, we regularly provide useful health-related information via our internal network to raise awareness of mental health and health management.

### •Promoting the Use of Annual Paid Leave

We encourage employees at each workplace to regularly take annual paid leave. If it has expired, employees can still use a certain number of days as paid leave in cases of non-occupational injury and illness, nursing care, childcare, participation in social contribution activities, and the like.

### Usage of annual paid leave

End of Fiscal Year	FY2018	FY2019	FY2020
Average annual paid leave granted (Days)	19.0	19.0	19.0
Usage of annual paid leave (Days)	11.4	14.0	11.2
Annual paid leave taken (%)	60.0	73.7	59.3

### •Initiatives to Ensure Proper Working Hours

We promote the reduction of overtime work through such measures as the improvement of work efficiency. In fiscal 2020, we reduced the average monthly overtime from the previous year by 1.5 hours.

### Average monthly overtime (per person)

Fiscal Year	FY2018	FY2019	FY2020
Hours/month	11.7	11.5	10.0

\*In comparison to set working hours.

# Promotion of Diversity



## Basic Approach

The Shin-Etsu Polymer Group encourages an organizational culture that enables every employee to respect individuals' different values and backgrounds, and to fully demonstrate their abilities.

## Promoting Diversity

### •Act on Promotion of Women's Participation and Advancement in the Workplace

At our company, the average years of service among female employees are 23.5 for managerial positions, and 16.5 for non-managerial positions. The differences from years for male employees are 5.2 years and 0.7 years, respectively. In fiscal 2020, 56 female employees held managerial positions, accounting for about 20% of the total, and prepared to further move up the career ladder. These women with long years of service are rising to leadership positions and thriving in the workplace. Aiming to further promote women's participation and advancement, we will develop a new action plan and continue to work on the establishment of mechanisms to help employees grow.

\*As of the end of March 2021, the figures are applicable only to Shin-Etsu Polymer Co., Ltd.

### Action Plan to Promote Women's Participation and Advancement

April 2021 – March 2026

- ① Increase the proportion of female managers by 30% (compared to FY2021)
- ② Reduce the gender difference in the average years of service to three or less
  - Develop female managers
  - Develop worker-friendly environments for both male and female employees

### •Employment Status of People with Disabilities and Initiatives for Their Continuous Employment

In fiscal 2020, while the number of employees with disabilities increased by one, but the employment rate did not achieve the legally required quota. We will continue to accept interns from special needs schools, strengthen collaboration with those schools, and actively promote the employment of people with disabilities.

\*The employment quota for people with disabilities for private companies was 2.2% in FY2020.

End of Fiscal Year	FY2018	FY2019	FY2020
Number of employees with disabilities (People)	23	22	23
Employment rate of people with disabilities (%)	1.96	1.87	1.98

### •Re-employment System

In accordance with the Amendments to the Act for Stabilization of Employment of Older Persons that came into effect in April 2013, we have updated our re-employment system to allow retired employees

to return to work if they wish to do so. Leveraging their knowledge, expertise and experience built over years, these older workers pass on their valuable skills to the next generation and keep playing a key role after re-employment. We will continue to update our systems in accordance with all laws and regulations to enable employees of all age groups to play active roles.

Fiscal Year	FY2018	FY2019	FY2020
Number of retired employees (People)	28	26	43
Number of re-employed workers after retirement (People)	24	24	41
Post-retirement re-employment rate (%)	85.7	92.3	95.3
Employment rate among those wishing to be re-employed (%)	100	100	100

### •Mid-Career Recruitment

We continuously recruit talent based on our medium- to long-term business strategy, embracing people with diverse experiences and values, in order to revitalize our organization and to develop our business.

Fiscal Year	FY2018	FY2019	FY2020
Number of mid-career hires (People)	18	8	4
Proportion of mid-career hires (%)	48.6	29.6	18.2



### Opinions from a female manager

Business Group 1,  
Office of Sales & Marketing Unit, Sales Unit  
Tomoko Oiwa

#### •Could you tell us about your past job experience and current role?

Since I joined the company, I have applied my system-related knowledge to my work. I have gradually expanded the scope of my work, and I now keep reminding myself to see things from various perspectives. The company has a culture that lets you take charge. So, I think my mission is to have a flexible mindset, explore new ways along with changes over time, and lead work from a broad range of aspects.

#### •What is necessary to promote women's participation and advancement?

It is essential that female workers can balance work and family life. Now, men are also being asked to play a role in childcare and nursing care. I believe we need to change our mindset regarding how we do our work. For example, by standardizing work processes, we can support each other at work regardless of gender.

# Occupational Health and Safety



## Basic Approach

Under the management goal of heightening the safety and health awareness to eliminate accidents, employees of the Shin-Etsu Polymer Group work together as one to reduce risks at workplaces.

### Shin-Etsu Polymer Group Environmental Security Policy

Recognizing that safety, disaster management and environmental protection are among the top management priorities, our Group makes collective efforts including the following:

- 1 creating safe, comfortable and eco-friendly workplaces with the aim of eliminating occupational accidents, occupational diseases and environmental accidents,
- 2 observing all relevant laws and regulations,
- 3 preventing disasters and environmental accidents by promoting risk management and minimizing risks (promotion of risk assessments),
- 4 raising awareness of safety, disaster prevention and environmental conservation via education, and
- 5 obtaining trust from society by openly disclosing information about the current status of all our environmental security activities.

## Initiatives for Environmental Security Management

### •Eliminating Workplace Accidents

In addition to performing regular risk assessments of facilities and operations based on our occupational health and safety management system, we promote safety proposals, near-miss elimination activities and risk prediction training. We aim to completely eliminate workplace accidents by establishing safety as part of our corporate culture and creating workplaces with a high level of safety awareness.

In fiscal 2020, we worked on the promotion of risk assessment and strengthening of 5S activities in all plants.

### •Environmental Security Audits

We regularly conduct environmental security audits to check whether environmental security activities (safety and health, disaster prevention, environment and waste, and compliance) are properly implemented at all domestic and overseas plants.

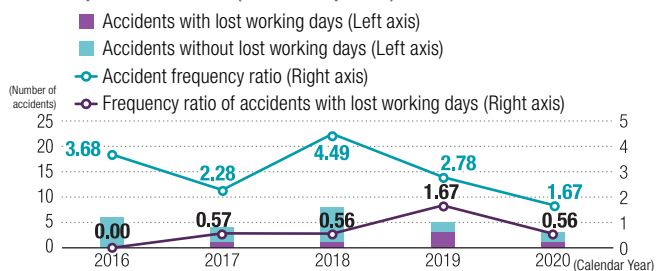
In fiscal 2020, onsite audits were conducted at only three domestic plants in order to prevent COVID-19 infections. For other plants, audits took place only through documents. During web-based audits, we reviewed countermeasures for previously identified issues and implementation of 5S activities.

In fiscal 2021, in addition to the existing items, we will also audit implementation of disaster management measures with a focus on fires at plants.

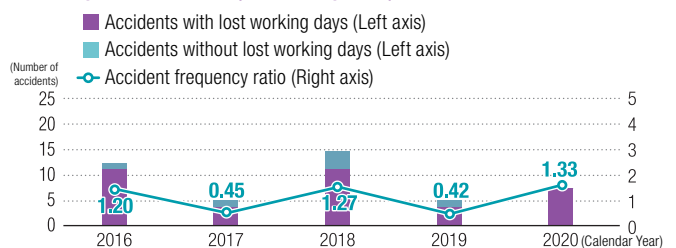
### •Work Time Accidents Report for 2020

The number of accidents that occurred at domestic and overseas plants was nine, including three in Japan (one accident with lost working days) and six overseas (six accidents with lost working days). Most of the victims were young employees with less than a year of work experience as well as middle-aged and older employees with 20 or more years of experience. They were mainly caused by human error. In response to the large number of falling accidents last year, we took thorough preventive measures such as repairing bumpy surfaces and clearly marking height differences. As a result, the number of falling accidents decreased by half in 2020. We will continue to promote safety education, KYT and other initiatives to reinforce safety measures at each workplace.

#### Workplace accidents (Domestic plants)



#### Workplace accidents (Overseas plants)



Note: This fiscal year, we retroactively revised data from previous years in order to improve the precision of the data.



# Social Contribution Activities



## Basic Approach

Based on the concept of “making efforts to coexist with local communities,” we carry out health and safety, communication with communities, and humanitarian/disaster relief activities to promote coexistence and mutual prosperity. In relation to the implementation status of such activities, we openly disclose all relevant information.

## Communication with Communities

### •Social Contribution through “shupua” Products, Cups Made of High Transparency Silicone Rubber

We donate “shupua” cups, which are made of highly transparent silicone rubber, to facilities and organizations as part of our CSR and social contribution initiatives. In fiscal 2020, we donated them to care facilities for older adults and for sick children. This soft, nonslip product makes it easy and safe for people of all ages to use, including older adults and small children.



The product is made of soft silicone rubber, enabling small children to pour liquid safely.  
(Photo provided by Elder Flower)

### •Donation of Computers to Disadvantaged Children

As part of our CSR activities, we donated computers that had been used at our company to Lights on Children. This nonprofit organization works with businesses and individuals to support children in need of social support, such as those in children's homes. While some of the computers were donated to children, others were used to provide online workshops on such subjects as ICT literacy.



Free ICT literacy workshop by Lights on Children

### •Acceptance of Workplace Experience Participants

As part of our initiatives to promote the employment of people with disabilities, Shiojiri Plant accepted an intern from a special school for the first time. The student experienced conducting some operations at the manufacturing site, where preventive measures against COVID-19 infections were firmly in place.



The student from Matsumoto Special School on a five-day internship

### •Beautification Activities

At production sites, we conduct beautification activities in the neighborhood as local community members. Many employees engage in these activities, including a monthly program at Tokyo Plant for picking up garbage in the area. At Itoigawa Plant, 120 employees participated in cleaning the neighborhood as an initiative for Environment Month in June.



An activity at Itoigawa Plant for Environment Month

## Health and Safety

### •Traffic Safety

At production sites, we regularly conduct activities for traffic safety, such as checking on commuters' seat belt use. Also, Shin-Etsu Polymer (Malaysia) Sdn. Bhd. invited an external instructor and organized a traffic safety workshop for motorcycle drivers.

At Suzhou Shin-Etsu Polymer Co., Ltd., 18 nominated employees attended a study meeting for traffic safety held by Sampo Insurance China Co., Ltd. These are some examples at sites to raise safety awareness.



Checking on seat belt use at Tokyo Plant

### •Blood Donation

We hosted blood donation drives at two sites (China and Malaysia). A total of 85 employees, including 24 in China and 61 in Malaysia, participated in the activities.



Donating blood at Shin-Etsu Polymer (Malaysia) Sdn. Bhd.

# Corporate Governance



## Basic Approach

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

Based on this fundamental awareness, the Company will work to enhance its corporate governance by making the right decisions through speeding up the management decision making process, ensuring transparency, strengthening its internal control functions and by making accurate decisions from stakeholders' standpoint.

### Basic Principles

#### (1) Ensuring shareholders' rights and equality

We strive to maintain an environment where shareholders can properly exercise their rights by respecting such rights and ensuring equality for all, including minority and overseas shareholders.

#### (2) Appropriate cooperation with all stakeholders, in addition to shareholders

We strive to uphold appropriate cooperation with all stakeholders other than just shareholders, while working towards creating sustainable growth and medium to long-term corporate value for the company.

#### (3) Ensuring disclosure and transparency of appropriate information

We strive to ensure that all information is useful and easy for users to understand, while making sure details are properly disclosed based on the relevant laws and regulations. We also independently provide various other information.

#### (4) Responsibilities of the Board of Directors

We strive for the appropriate implementation of the roles and responsibilities of the Board of Directors based on our fiduciary responsibility to shareholders.

#### (5) Dialogue with shareholders

We strive to make constructive dialogue with shareholders, and understandably explain our management policies in order to make sure they are properly understood.

## Corporate Governance System

Shin-Etsu Polymer is a company with an Audit & Supervisory Board. The Board of Directors and the Audit & Supervisory Board are the two institutions that supervise and audit business execution in multiple layer, thereby providing a functional and effective managerial supervisory function as well as an 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, 2021, the Board of Directors is composed of 5 directors, 2 of whom are outside directors and 4 Audit & Supervisory Board members, 3 of whom are outside Audit & Supervisory Board members. 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.

[WEB Corporate Governance Report](https://www.shinpoly.co.jp/en/ir/governance.html)

<https://www.shinpoly.co.jp/en/ir/governance.html>

## Relationship with Parent Company

Shin-Etsu Chemical Co., Ltd., the parent company of Shin-Etsu Polymer, is a controlling shareholder holding 53.1% of the total number of outstanding shares (excluding treasury stock) of the Company.

Shin-Etsu Polymer is a part of the Shin-Etsu Chemical Group with Shin-Etsu Chemical acting as the parent company. We recognize that maintaining close cooperation with Shin-Etsu Chemical and all the companies of the Group, demonstrating our collective strengths, will lead to improved corporate value for us. As such, we have established a collaborative relationship with Shin-Etsu Chemical for the purpose of exchanging information on the development of raw materials and management information. However, we have not received any license from Shin-Etsu Chemical for our products. In addition, we purchase raw materials from Shin-Etsu Chemical, but in terms of our trading, Shin-Etsu Polymer makes fair and appropriate decisions through negotiations based on standard terms of sale. And regarding personnel, no director at Shin-Etsu Polymer serves as an executive at Shin-Etsu Chemical.

Based on the above, we are in a situation where we can make our own choices with regard to such things as decisions on management policy, etc. We therefore recognize that we have a certain degree of independence from our parent company.

## Improving the Effectiveness of the Governance System

To improve the performance of the Board of Directors as a whole, the Company's Board conducted a questionnaire for all Directors and Audit & Supervisory Board members on the effectiveness of the Board in the fiscal year ended March 2021, and implemented a self-assessment survey at a Board meeting held in May 2021.

As a result, it was confirmed that the Board of Directors is composed of directors with diverse values and perspectives that reflect the wide range of expertise in each field and overseas work. Moreover, the Board of Directors generally functions in a timely and appropriate manner, making swift decisions after open and constructive discussions, including the raising of issues by outside directors, confirming that the effectiveness of the Board of Directors is by and large assured.

In addition to its role as an executive body, issues were identified relating to discussions on the medium-term management plan and strategies, and on strengthening governance as a listed subsidiary. Under such circumstances, the Board decided to establish a nomination and compensation committee in December 2020 and introduce an executive officer system in May 2021 to ensure the independence and objectivity of the Board of Directors and enhance its supervisory function. With regard to other management issues, we will strive to further improve the effectiveness of the Board of Directors by deepening and enhancing discussions aimed at resolving issues.

## Audit System

As of June 25, 2021, Audit & Supervisory Board, which consists of one inside and 3 outside Audit & Supervisory Board members, is conducting audits independently of business execution. Audit & Supervisory Board members fulfill their function of supervising management by attending Board of Directors meetings and other meetings, and also hold regular and extraordinary Audit & Supervisory Board meetings 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.

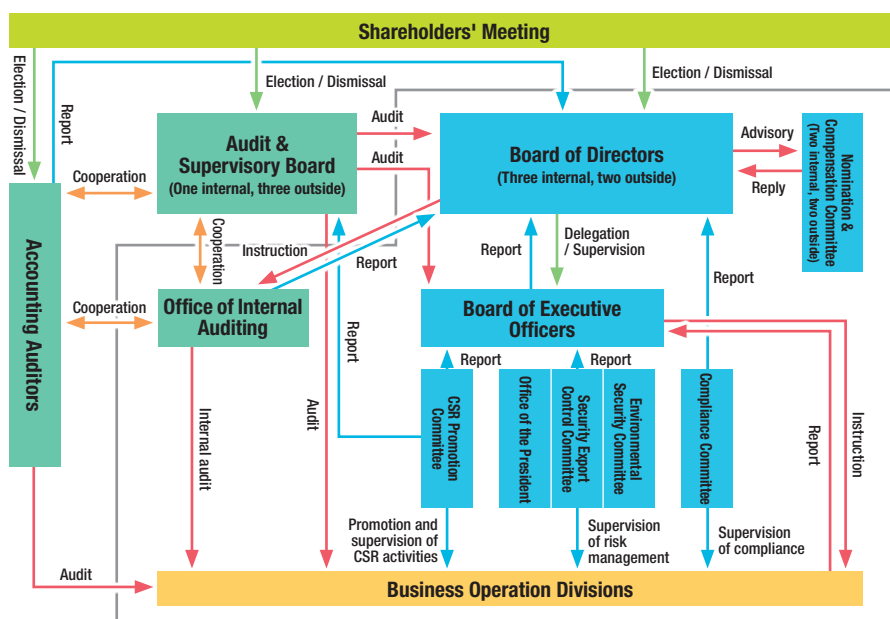
Through the close exchange of information, Audit & Supervisory Board members, the Office of Internal Auditing, and the accounting auditors strive to enhance the audit system based on mutual cooperation and collaboration.

## Support System for Outside Directors (Outside Audit & Supervisory Board members)

The General Affairs Department provides support to outside directors, while the Auditors' Office supports Outside Audit & Supervisory Board members.

Outside directors and Outside Audit & Supervisory Board members are informed in advance of the schedule and agenda of important meetings such as the Board of Director meetings. Since the fiscal year ending March 2017, we have been striving to increase the frequency and improve the quality of information provision to outside directors by, for example, holding liaison meetings with outside directors and Audit & Supervisory Board members on a regular basis.

### Corporate Governance System (as of June 25, 2021)



#### Office of the President

Manages company-wide issues and risks, evaluates control policies and the situation of the entire company, and puts appropriate measures in place. Furthermore, cooperates with other divisions and operates as a contact center in the case of an emergency.

#### Security Export Control Committee

Deliberates over and decides on compliance matters related to export control laws and regulations.

#### Environmental Security Committee

Deliberates over and decides on matters related to environmental security, disaster management and occupational health and safety.

#### Compliance Committee

Deliberates over and decides on matters related to compliance policies, measures and situational awareness.

# Dialogues with Shareholders and Investors



## Basic Approach

To achieve sustainable growth and increase medium- to long-term corporate value, Shin-Etsu Polymer recognizes that it is important to engage in active dialogue with shareholders and investors on a daily basis, reflecting the opinions and requests obtained into business management, and grow as a company. We strive to make sure our management policies and strategies are properly understood by disclosing management information appropriately on a timely basis and engaging in constructive dialogue with shareholders and investors.

## Information Disclosure System

We operate with a constant awareness of enhancing corporate governance and securing transparency of management. We also strive to provide fair, timely, and appropriate information disclosure to shareholders and investors in accordance with all applicable laws and regulations in relation to financial instruments trades and the rules of the Tokyo Stock Exchange.

Our information disclosure system involves the establishment of the Information Disclosure Committee, chaired by the information disclosure officer, in accordance with the Basic Information Disclosure Policies. The Information Disclosure Committee comprises personnel from the Office of the President (in charge of IR and PR), the Accounting Department and the General Affairs Department as well as other related departmental personnel. Meetings are held as necessary to disclose information in a flexible and prompt manner.

### WEB IR Policy

<https://www.shinpoly.co.jp/en/ir/policy.html>

## Communication with Shareholders and Investors

As an opportunity to describe our business situation to shareholders and investors, we hold briefings for analysts and investors after the term-end and interim financial results have been announced. Furthermore, we also use our website as a means of providing swift, fair information disclosure to our shareholders and investors. We upload news releases, financial summaries, presentation materials, annual reviews, General Meeting of Shareholders materials, and resolution notices.

### WEB Annual Review 2021

<https://www.shinpoly.co.jp/en/ir/library/annual.html>



## Efforts to Invigorate the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

We are engaged in various initiatives that include the following:

- **Early delivery of convocation notices for the General Assembly of Shareholders**  
Notices are sent three weeks prior to the day of the General Assembly of Shareholders
- **Avoiding overlaps with other companies' General Assembly of Shareholders**  
61st Annual General Meeting of Shareholders: June 25, 2021
- **Exercise of voting rights using an electromagnetic method**  
Exercise of voting rights using an electromagnetic method via the Internet adopted
- **Effort to improve voting environment**  
Participation in electronic voting platform



# Compliance



## Basic Approach

The Shin-Etsu Polymer Group considers conducting corporate activities based on compliance an important endeavor that a company must continuously pursue. Through such corporate activities, we make efforts so that the Group obtains trust as a member of society.

Additionally, we operate an appropriate and efficient internal control system by establishing and improving the compliance system that is required by the internal control system.

## Compliance System

As its compliance promotion system, the Shin-Etsu Polymer Group has established compliance principles and a compliance manual, and the Compliance Committee responds to compliance issues in a systematic manner.

We also promote group-wide corporate activities based on compliance, including the implementation of compliance education and the establishment of an internal reporting system (hotline).

## Improving Compliance

### • Establishment of the Supplier Hotline

In January 2021, the Supplier Hotline was established as a contact point for those outside the Group to make reports. The hotline allows suppliers to report whenever they recognize any violations of laws, regulations and compliance by the Group's officers and employees.

Through such initiatives, we strive to maintain and develop appropriate business relationships by ensuring transparency and fairness in suppliers' transactions with the Group.

### • Internal Reporting System

The Group has established an internal reporting system that includes the Supplier Hotline mentioned above. We distribute pocket cards that describe the internal reporting system to employees of group companies in Japan and abroad in the hope that they will lead to the discovery of improper acts. We have also established internal reporting rules which stipulate matters such as prohibiting disadvantageous treatment of employees who discover and report violations of laws, regulations and compliance.

### • Awareness-Raising Through Compliance Training

To facilitate the Group's officers and employees in understanding the specific standards of action in compliance, we distribute a compliance manual as well as provide training through e-learning on a regular basis. These initiatives are designed to further raise compliance awareness within the Group so as to, in cooperation with corporate auditors and internal audit divisions, eliminate improper acts in business management.

Title of training		Description	Designated participants	Number of participants, percentage of participation
New Employee Education		<ul style="list-style-type: none"> <li>• General compliance</li> <li>• Ethics education</li> </ul>	New employees	19
Mid-Career Hire Employee Education			Mid-career hire employees	4
E-learning	First session	<ul style="list-style-type: none"> <li>• Product Liability Act</li> <li>• Insider trading regulations</li> <li>• Security trade control</li> <li>• Treatment of entertainment and gifts, Unfair Competition Prevention Act</li> <li>• Anti-Monopoly Act</li> <li>• Subcontracting Law</li> </ul>	All employees	79%
	Second session	<ul style="list-style-type: none"> <li>• Unfair Competition Prevention Act</li> <li>• Anti-Monopoly Act</li> <li>• Subcontracting Law</li> </ul>	All employees	81%



# Risk Management

## Basic Approach

Recognizing that risk management is a crucial issue for the sustainable growth of a company, the Shin-Etsu Polymer Group smoothly conducts the business of the Company and the Group by developing a control system to prevent risks that have arisen or may arise.

## Risk Management System

Recognizing that risk management is a crucial issue for the sustainable growth of a company, the Group has established a system driven by four committees that include the CSR Promotion Committee and five risk management departments led by the Office of the President to control critical risks across the entire Group in an organized manner. The Board of Directors deliberates on critical companywide risks and passes the necessary measures to prevent them.

Furthermore, all departments at headquarters, as well as domestic and overseas production and sales bases, periodically assess individual critical risks and take appropriate measures to reduce such risks.

## Risk Management Regulations

The Group established Risk Management Regulations for the purpose of contributing to the smooth operation of its business by developing a control system to prevent risks that have arisen or may arise within the Group.

### (1) Risks due to factors related to business activities

- ① Management risks
- ② Sales and marketing risks
- ③ Customer risks
- ④ Production risks
- ⑤ Purchasing risks
- ⑥ Logistics risk
- ⑦ Quality risks
- ⑧ Technology risks
- ⑨ Environment and safety risks
- ⑩ Research and development risks
- ⑪ Intellectual property risks
- ⑫ Information risks
- ⑬ Finance and accounting risks
- ⑭ Personnel and labor risks
- ⑮ Publicity and reputational risks
- ⑯ Social risks
- ⑰ Business infrastructure risks
- ⑱ Legal risks
- ⑲ Country specific risks
- ⑳ Others

### (2) Risks due to factors outside business activities

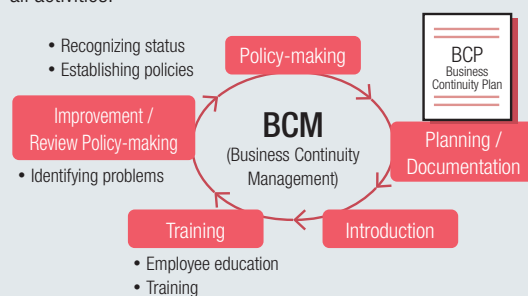
- ① Risks due to economic factors
- ② Risks due to social factors
- ③ Risks due to political factors
- ④ Risks due to scientific and technical factors
- ⑤ Risks due to natural environment and disaster factors
- ⑥ Others

## Business Continuity Management (BCM)

A business continuity plan (BCP) / action plan defines pre-emptive and post-disaster measures, and is one of the key factors for supporting business continuity. To practice this more effectively, we recognize that it is important to continually improve and manage business continuity management (BCM) for all activities.

### Basic BCP Policy

We consider a business continuity plan (BCP) / action plan, which defines pre-emptive and post-disaster measures, to be one of the key factors for supporting business continuity. To practice this more effectively, we recognize that it is important to continually improve and manage business continuity management (BCM) for all activities.



### Disaster Countermeasures and Business Continuity Manual (BCM Manual)

Our Disaster Countermeasures and Business Continuity Manual (BCM Manual) includes an outline of a business continuity plan and clearly states our aim for the continuation and early recovery of business for employees, their family members, neighboring residents and customers. The manual is updated every year, based on the Basic BCP Policy. The standard documents are also updated at each site and are managed by the Office of the President.

## Establishment of the BCP Action Plan

In fiscal 2019, we formulated an “overall action procedure” based on a scenario in which Tokyo Plant is struck by a major earthquake. The procedure lays out the actions to take from the initial disaster response to the restoration and resumption of business, as well as a “to-do check list” for each related division (function).

In fiscal 2020, we extended these initiatives to formulate BCP action plans at the Itoigawa Plant, Shiojiri Plant and Kodama Plant.

With the aim of enhancing the effectiveness of our BCP, we will continue to review and improve collaborative action between divisions in the event of a disaster.



Group discussion (Tokyo Plant)

## Preventive Measures against COVID-19

In response to the global outbreak of COVID-19, the Shin-Etsu Polymer Group has been carrying out various measures on a global scale in order to ensure the safety of our employees and their families, while also keeping the impact on our business to a minimum.

System	<ul style="list-style-type: none"> <li>Established Task Force Headquarters at Head Office (March 2020)</li> <li>Countermeasures planned and executed based on administrative policies and infection status in various countries</li> <li>Manufacturing activities carried out that comply with instructions and permissions from local governments</li> <li>Internal and external information disclosure in the event of infection of an employee</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Reports and notifications given for production and delivery updates</li> <li>Safety management measures conducted in relation to the delivery</li> </ul>
Local community	<ul style="list-style-type: none"> <li>Infection prevention products launched, such as face shields, applying technology used for existing products</li> </ul>
Partner companies	<ul style="list-style-type: none"> <li>Notifications given concerning our infection prevention measures</li> <li>Delivery and inventory management carried out in case of delivery delays and inventory shortage</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Remote work and flexible working hour schemes introduced for sales, back-office, and administration-related departments</li> <li>Measures implemented to avoid the 3Cs as much as possible at production sites</li> </ul>

## Information Security

### •Information Security Policies and Rules

As for our corporate information security policies, we examine the permissible range of risks in information security regarding company information assets, establish goals to maintain and manage information security and position the achievement of such goals as a real challenge for the company.

Information security essentially involves maintaining confidentiality, completeness and maintaining available information assets. Our management goals include the following:

### Information Security Policies

- (1) Clarifying responsibilities for protection, utilization, management and operation of information assets.
- (2) Informing every one of their responsibilities so they can act with an awareness of them.
- (3) Properly recognizing risks to ensure that effective countermeasures are taken.
- (4) Maintaining information system security for each employee who carries out operations.
- (5) Thoroughly observing social ethics and all applicable laws and regulations.

### •Information Security System

Information security is possible only when each individual employee understands the authority and responsibility granted to them in accordance with their work and role, and properly carries out their responsibilities.

Information security is handled by the Information Systems Department under the direction of the information systems officer. Matters concerning corporate-wide management of information security are communicated via IT leader meetings. The Information Systems Department also provides guidance on information security for Shin-Etsu Polymer and affiliated companies.

### Business Overview of the Shin-Etsu Polymer Group

#### •Company Profile

Corporate name:	Shin-Etsu Polymer Co., Ltd.
Established:	September 15, 1960
Headquarters address:	Sotetsu Kandasudacho Bldg. 1-9 Kanda-Sudacho, Chiyoda-ku, Tokyo 101-0041 Japan
Paid-in capital:	¥11,635 million
Number of employees:	Consolidated: 5,089 (1,902 male employees, 3,187 female employees) Non-consolidated: 996 (793 male employees, 203 female employees) (As of March 31, 2021)
Domestic production bases:	Tokyo Plant, Nanyo Plant, Kodama Plant, Shiojiri Plant, Itoigawa Plant
Number of subsidiaries:	15

#### Domestic Non-Production Base

Shin-Etsu Finetech Co., Ltd.

#### Overseas Plants

Suzhou Shin-Etsu Polymer Co., Ltd.  
Dongguan Shin-Etsu Polymer Co., Ltd.  
Shin-Etsu Polymer (Malaysia) Sdn.Bhd.  
PT. Shin-Etsu Polymer Indonesia  
Shin-Etsu Polymer India Pvt. Ltd.  
Shin-Etsu Polymer Hungary Kft.  
Hymix Co., Ltd.\*

#### Overseas Non-Production Bases

Shin-Etsu Polymer Shanghai Co., Ltd.  
Shin-Etsu Polymer Hong Kong Co., Ltd.  
Shin-Etsu Polymer (Thailand) Ltd.  
Shin-Etsu Polymer Singapore Pte. Ltd.  
Shin-Etsu Polymer America, Inc.  
Shin-Etsu Polymer Europe B.V.  
Shin-Etsu Polymer Vietnam Co., Ltd.

\*Hymix Co., Ltd. became a consolidated subsidiary in January 2021. As the reporting period for overseas offices is from January 2021 to December 2021, the company is not covered in this report.

#### •Main Business Activities

We were established as a polyvinyl chloride (PVC) processing manufacturer in 1960 and have continued to work on the development and application of basic technologies such as materials and composition, design, manufacturing processes and evaluation and analysis of various resins including silicone rubber. We support various customer needs in a comprehensive range of fields from automobiles and information equipment to semiconductors and construction.

#### Electronic Devices Business

- Input devices  
Automobile key switches, laptop PC touch pads, remote control input devices, electronic home appliance switches
- Display-related devices  
Electronic device connectors, view/light path control film
- Component-related products  
Waterproof products for smartphones, parts inspection connectors

#### Precision Molding Products Business

- Semiconductor-related containers  
Wafer cases, semiconductor-related containers
- Carrier tape-related products  
Embossed carrier tapes, top cover tapes
- OA equipment parts  
Various rollers for printers, faxes and PPCs
- Silicone rubber molded products  
Medical catheters, Silicosen, adhesive plates

#### Living Environment and Life-Related Materials Business

- Wrapping films and other packaging material related products  
Wrapping films for fresh food, self-adhesive films
- Functional Compounds  
Items for various electrical cables (communication cables, robot cables etc.), interior and exterior equipment for automobiles
- PVC pipe-related products  
Water supply and sewerage piping, general drain piping, agricultural piping, piping joints
- Exterior material-related products  
PVC/Polycarbonate corrugated sheets
- Infrastructure maintenance materials  
Self-bonding silicone rubber tape, silicone adhesive sheet

#### New Materials Business

- Polythiophene-based conductive polymer, high-functioning engineering plastic film

#### Others

- Construction  
Shop and store design and construction, interior and exterior design and construction of commercial facilities, bathrooms, etc.
- Packaging materials  
Industrial trays, packaging for fruit, agricultural materials, shopping bags, container washing



### Third-Party Opinion

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For this report, we asked for opinions and comments from third parties to help further enhance our group's environmental and social activities.



#### Third-Party Opinion on the "Sustainability Report 2021"

#### Yoshinao Kozuma

Professor Emeritus, Sophia University

After reading the Group's "Sustainability Report 2021" and interviewing some of the people involved, I would like to make the following comments in relation to the Shin-Etsu Polymer Group's CSR management.

#### 1. Sustainable Business Model

Modern companies are expected to grow in a sound manner in a sustainable society. They are required to contribute to developing society by providing products and services that meet market requirements for a sustainable society, thereby also growing themselves. Such corporate approaches are generally presented as business models. At the Shin-Etsu Polymer Group, the Special Feature section has been playing this role. Every year, products that contribute to achieving a sustainable society have been featured in this section. For instance, it introduced products using thin film technology in fiscal 2017, products for infrastructure maintenance in fiscal 2018, conductive polymer products in fiscal 2019, biodegradable plastic products in fiscal 2020, and medical products in this fiscal year. These products allow for energy saving, resource saving, waste reduction, and the improvement of human health and welfare. Thus, it well represents the Group's businesses, in which it connects customers' needs with polymer technology by leveraging its high application capability. I hope the Group will also disclose information on its business model itself to provide a better understanding of the full picture.

#### 2. Indicator of Comfortable Work Environments

As for personnel and labor relations, I highly evaluate the Group's efforts made in fiscal 2020 to improve work environments. In particular, the amount of overtime work has continued to decrease since 2017, which indicates that the Group's initiative to reduce working hours to an adequate level is progressing. In the meantime, the Career Self-Assessment Seminars intended for employees aged 50 years and older have also become available to those aged 55 years, which better helped middle-aged employees to maintain motivation. I also saw major prog-

ress on gender equality initiatives. The Group formulated an action plan to promote women's participation and advancement, and set new goals for increasing the number of female managers and closing the gap in the average years of service between male and female employees. In addition to the above-mentioned achievements, the Group was ranked first in a ranking of major companies which employees are less likely to leave, compiled in the Employment and Human Resource Utilization edition of the 2021 CSR Kigyo Soran (Directory of CSR Corporations). This serves as an indicator that the Group provides comfortable work environments.

#### 3. Human Rights Due Diligence

The Group's initiatives on human rights due diligence have been reported since the Sustainability Report 2020. Implementation of human rights due diligence is becoming obligatory in Europe as a way to prevent human rights abuses especially in supply chains. It will be unavoidable for global companies to further strengthen this initiative. Although the Group's early implementation was regarded as a significant accomplishment for CSR management, the actual situation was not clear. I hope that further information, including how it is related to supply chain management and risk management, will be disclosed.

#### 4. Future Challenges

For some ESG challenges, transparency needs to be further enhanced. In environmental aspects, targets to strive for and to be used for evaluation have been set for energy consumption at domestic plants as the Seventh Mid-Term Targets of Green Activities. However, the relation between the two targets and how they are to be used as a management indicator are unclear and difficult to understand. In social aspects, the actual state of the supply chain management was not fully disclosed, and the situation of the key issues and progress of the initiatives are also not clear.



#### Toru Takayama

Director,  
Managing Executive Officer;  
Assistant Chairman  
Green Activities  
Promotion Bureau

### Response to Third-Party Opinion

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With guidance from Professor Kozuma, Shin-Etsu Polymer Co., Ltd. has been conducting CSR-oriented management with the aim of achieving a sustainable society.

We intend to work on the challenges he identified as follows:

#### 1. Disclosed Information in the Special Feature Section Introducing Products That Contribute to a Sustainable Society

We have been focusing on the background of our development activities and technology trends. In the future, we will disclose more in-depth information that covers downstream supply chains, including actual use of our products by customers and their effect.

#### 2. Indicator of Comfortable Work Environments

We are pleased to receive a high evaluation for some of our initiatives. We are aware that further improvements are required for challenges, such as the employment rate of people with disabilities and the gender gap.

#### 3. Human Rights Due Diligence

We recognize that the key issues and the progress of initiatives were not clearly shown in the report due to insufficient disclosure of the situation with supply chain management.

#### 4. Green Activities

As for the unclear targets set for the Seventh Mid-Term Targets, we will review the target setting by including the overseas business bases.

## About the symbol mark

The symbol mark expresses our feelings of creating our brilliant value in a “green environment” with the green leaf and bright morning dew.



The combination of indigo water, green trees and blue sky symbolizes our commitment to “continuously develop vitality,” while the Shin-Etsu colors provide an image of the development of Shin-Etsu Polymer.



## About the design

The Shin-Etsu Polymer Group is striving to make a sustainable society with the community a reality. For four years since the 2017 Sustainability Report, the cover designs have depicted endangered species within a circle representing the earth under the themes of each season, with an “S” for Shin-Etsu Polymer wrapped around it. From the fiscal 2021 report, the cover designs will express the coexistence of nature and the company (plants) under the theme of “coexistence of nature and society” by drawing symbolic objects, flowers, and birds seen in areas where our domestic sites are located. The fiscal 2021 edition depicts the Saitama Super Arena, Keyaki Hiroba, and collared doves seen in Saitama Prefecture, where the Tokyo Plant and the Kodama Plant are located.



**Shin-Etsu**  
Shin-Etsu Polymer Group

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