

Press Release

**Consolidated Financial Results for the First Half Ended September 30, 2021**



**Shin-Etsu Chemical Co., Ltd.**

**(JP GAAP)**

October 27, 2021

Listing Code: No. 4063 (URL: <https://www.shinetsu.co.jp/en/>)

Listing Stock Exchange: Tokyo and Nagoya

Representative: Yasuhiko Saitoh (Mr.) Representative Director/President

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Date of the filing of the quarterly consolidated financial statements: November 11, 2021

Date of dividend payment: November 19, 2021

Preparation of supplemental explanatory materials: Yes (“Appendix” is attached.)

Holding of quarterly financial results meeting: Yes (for investment analysts and institutional investors)

Amounts are stated in millions of yen by discarding fractional amounts less than 1 million.

Percentage figures indicate increase (decrease) over previous corresponding period.

**1. Consolidated Operating Performance for the First Half Ended September 30, 2021**

(From April 1, 2021 to September 30, 2021)

**(1) Results of consolidated operations**

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
April - September 2021	941,341	32.5%	298,403	61.9%	303,522	57.9%	220,904	57.4%
April - September 2020	710,526	(9.7%)	184,317	(12.5%)	192,243	(11.9%)	140,306	(15.0%)

(Note) Comprehensive income (Millions of yen) From April 1, 2021 to September 30, 2021: 318,232 [153.7%]

From April 1, 2020 to September 30, 2020: 125,435 [(0.5%)]

	Net income per share (yen)	Diluted net income per share (yen)
April - September 2021	531.67	531.19
April - September 2020	337.47	337.35

**(2) Consolidated financial position**

(Millions of yen)

	Total assets	Net assets	Stockholders' equity ratio	Net assets per share (yen)
September 30, 2021	3,676,888	3,140,298	83.1%	7,358.44
March 31, 2021	3,380,615	2,886,625	83.2%	6,769.72

(Note) Stockholders' equity (Millions of yen) As of September 30, 2021: 3,056,464 As of March 31, 2021: 2,813,137

**2. Cash Dividends**

	Cash dividends per share in the fiscal year (yen)				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Fiscal year
April 2020 - March 2021	-	110.00	-	140.00	250.00
April 2021 - March 2022	-	150.00			
April 2021 - March 2022 (forecast)			-	150.00	300.00

(Note) Revision of the latest forecast of cash dividends: No

**3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2022**

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (yen)
Fiscal year	1,700,000	13.6%	485,000	23.7%	500,000	23.4%	363,000	23.6%	873.49

(Note) Revision of the latest forecast of consolidated operating performance: No

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are based on management's assumptions and beliefs in light of the information currently available to it. The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollar and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

**(Notes)**

**(1) Changes in significant subsidiaries during the first half ended September 30, 2021: No**

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first half ended September 30, 2021.

**(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: No**

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

Changes in accounting policies applied due to revisions of accounting standards: Yes

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(Note) Please see [2. Consolidated Financial Statements (4) Notes to Consolidated Financial Statements, "Changes in Accounting Policies"] on page 14 for further details.

**(4) Number of shares outstanding (common stock)**

	September 30, 2021	March 31, 2021
Number of shares outstanding at period end	416,662,793	416,662,793
Number of shares of treasury stock at period end	1,294,464	1,115,572
	April - September 2021	April - September 2020
Weighted-average number of shares outstanding over period	415,487,937	415,765,898

**(Information regarding quarterly review procedures)**

The financial information contained in this report is not subject to quarterly review procedures by independent auditors.

**\*Notification of phone number change**

Following our company's office relocation, our phone number will be changed.

(Before November 5) Tel: +81-3-3246-5051

(After November 8) Tel: +81-3-6812-2350

**(Attached Documents)**

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## 1. Qualitative Information Regarding Quarterly Results

### (1) Explanation Regarding the Operating Results

During the first half of the fiscal year ending March 31, 2022 (April 1, 2021 to September 30, 2021), the world economy continued to grow steadily, as indicated by the economic growth rate of 5% (GDP growth rate). On the other hand, the major economies appear to be at a crossroads. The International Monetary Fund (IMF) headlined its World Economic Outlook October 2021 "RECOVERY DURING A PANDEMIC – Health Concerns, Supply Disruptions, and Price Disruptions". The Group has carried out its business while responding swiftly to these events. Going forward, we will continue, without prejudgment, to give the utmost priority to the health and safety of our employees, focus on business requirements such as maintaining high operations, ensuring a stable supply, and protecting accounts receivables, and maintain communication with our customers. We will promote the development of valuable products and provide a stable supply of products of unwavering quality.

The business results for the first half of the fiscal year ending March 31, 2022 are as follows:

	(Billions of yen)			2021	
	2020 Apr - Sep	2021 Apr - Sep	Increase (Decrease)	Apr - Jun	Jul - Sep
Net sales	710.5	<b>941.3</b>	32.5% 230.8	434.2	507.1
Operating income	184.3	<b>298.4</b>	61.9% 114.1	128.8	169.5
Ordinary income	192.2	<b>303.5</b>	57.9% 111.3	130.8	172.6
Net income attributable to owners of parent	140.3	<b>220.9</b>	57.4% 80.6	95.7	125.1
ROIC (per annum)	16.3%	<b>24.8%</b>	8.5 points		
ROE (per annum)	10.4%	<b>15.1%</b>	4.7 points		
ROA (per annum)	11.9%	<b>17.2%</b>	5.3 points		
Per Share (Yen)					
Net Income	337	<b>532</b>	195		
Cash Dividends	110	<b>150</b>	40		

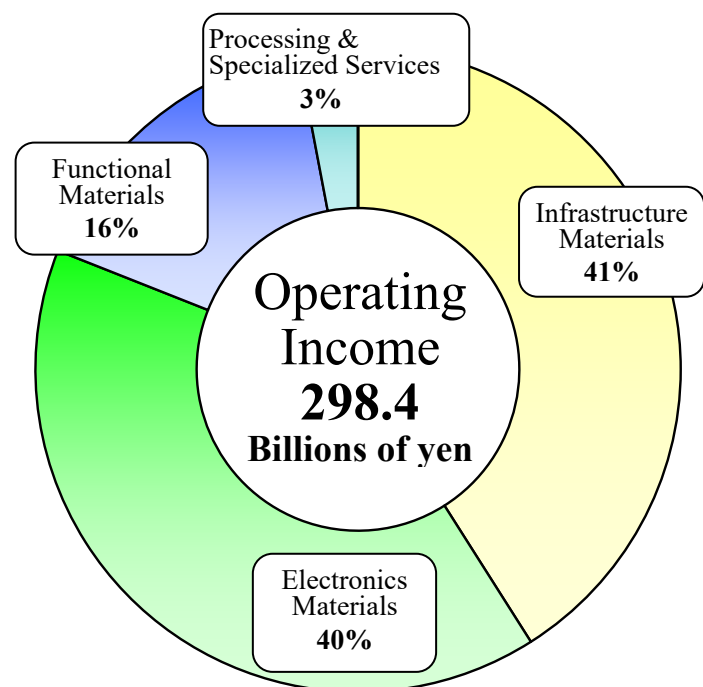
- Notes:
- ROIC: Return on invested capital  
Net operating income after tax / (Net assets + Interest-bearing liabilities – Cash)
  - ROE: Return (Net Income) on equity  
Equity used for this calculation is net assets excluding both share subscription rights and non-controlling interests in consolidated subsidiaries.
  - ROA: Return (Ordinary Income) on total assets.
  - ROIC, ROE and ROA (per annum) are calculated by doubling first-half net operating income after tax, net income and ordinary income, respectively.

- ▶ Amounts are stated in billions of yen by discarding fractional amounts less than 0.1 billion on this summary.

**Net Sales and Operating Income by Segment**

(Billions of yen)

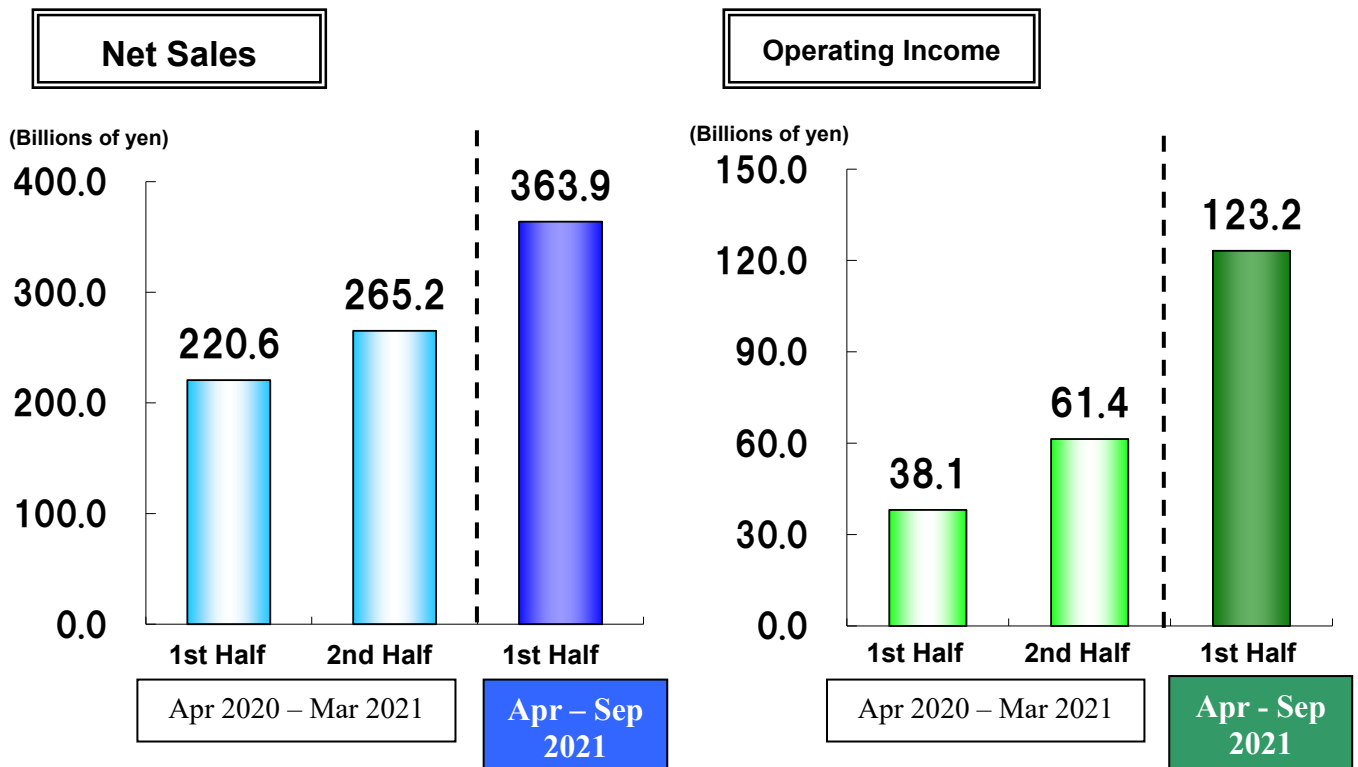
	Net Sales			Operating Income		
	2020 Apr - Sep	2021 Apr - Sep	Increase (Decrease)	2020 Apr - Sep	2021 Apr - Sep	Increase (Decrease)
<b>Infrastructure Materials</b>	220.6	<b>363.9</b>	65.0% 143.3	38.1	<b>123.2</b>	3.2 times 85.1
<b>Electronics Materials</b>	292.4	<b>335.5</b>	14.7% 43.1	105.5	<b>118.7</b>	12.6% 13.2
<b>Functional Materials</b>	150.4	<b>188.4</b>	25.3% 38.0	33.3	<b>46.4</b>	39.2% 13.1
<b>Processing &amp; Specialized Services</b>	47.0	<b>53.3</b>	13.3% 6.3	7.2	<b>10.4</b>	44.3% 3.2
<b>Total</b>	710.5	<b>941.3</b>	32.5% 230.8	184.3	<b>298.4</b>	61.9% 114.1



## Infrastructure Materials

	Apr - Sep 2020 (Billions of yen)	Apr - Sep 2021 (Billions of yen)	Increase / (Decrease)
<b>Net sales</b>	220.6	<b>363.9</b>	65.0%
<b>Operating income</b>	38.1	<b>123.2</b>	3.2 times

Sales prices of PVC continued to rise, supported by strong global demand. Market conditions for caustic soda have improved steadily since June. Demand exceeded supply capacity, even though all bases, including Shintech, Inc. in the United States, were fully operational.

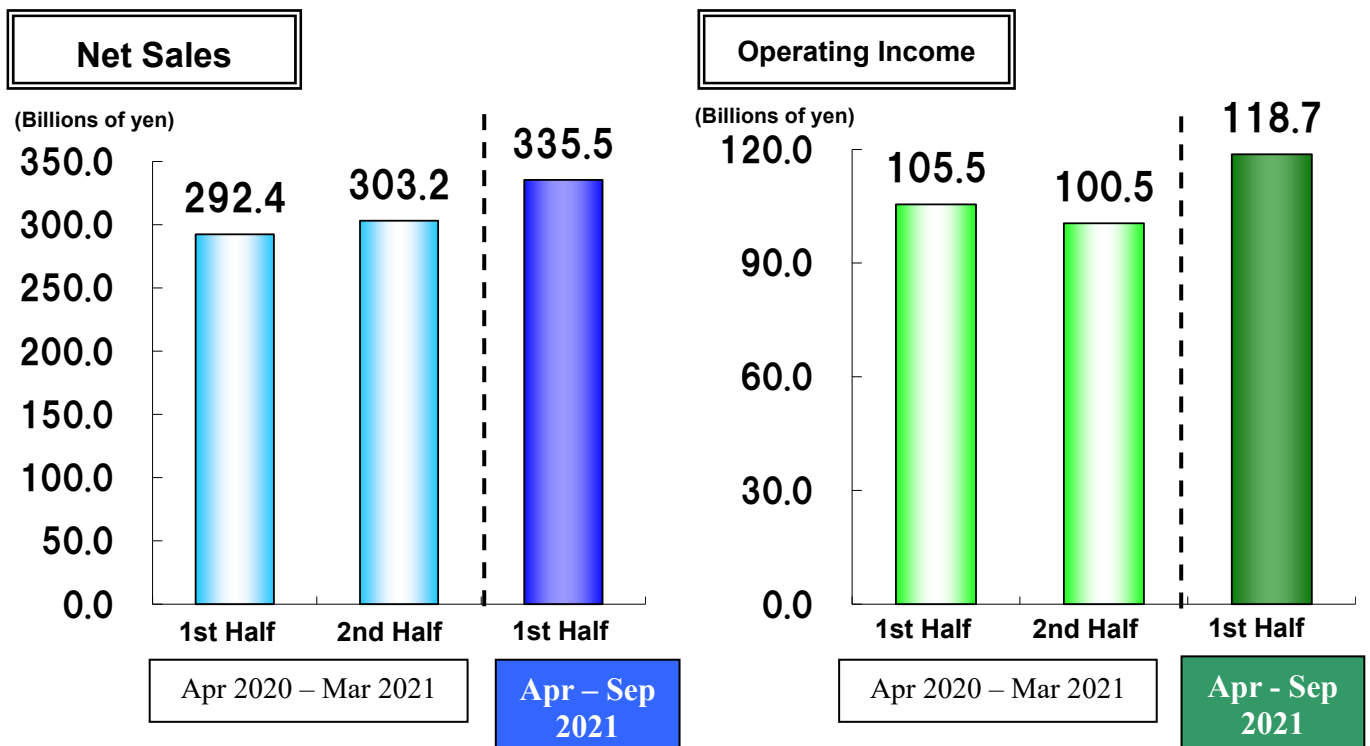


- The long-awaited enhanced production capacity at Shintech, Inc. in the United States will start operation next month.
- Basic demand for PVC resin is strong against the backdrop of housing shortages in major countries and financial investment in social infrastructure.
- Paying attention to the impact of the energy regulation “Dual Control” in China.

## Electronics Materials

	Apr - Sep 2020 (Billions of yen)	Apr - Sep 2021 (Billions of yen)	Increase / (Decrease)
<b>Net sales</b>	292.4	<b>335.5</b>	14.7%
<b>Operating income</b>	105.5	<b>118.7</b>	12.6%

The semiconductor industry continued to operate at full capacity in order to meet the demand for semiconductors, which continues to be so strong that shortages persist. Under such circumstances, we shipped the maximum number of semiconductor materials such as semiconductor silicon, photoresists, and photomask blanks. Even with respect to rare earth magnets, we have shipped the maximum amount to meet the strong demand for automobiles, industrial equipment, hard disks and other applications, despite the restrictions on operations in Malaysia.

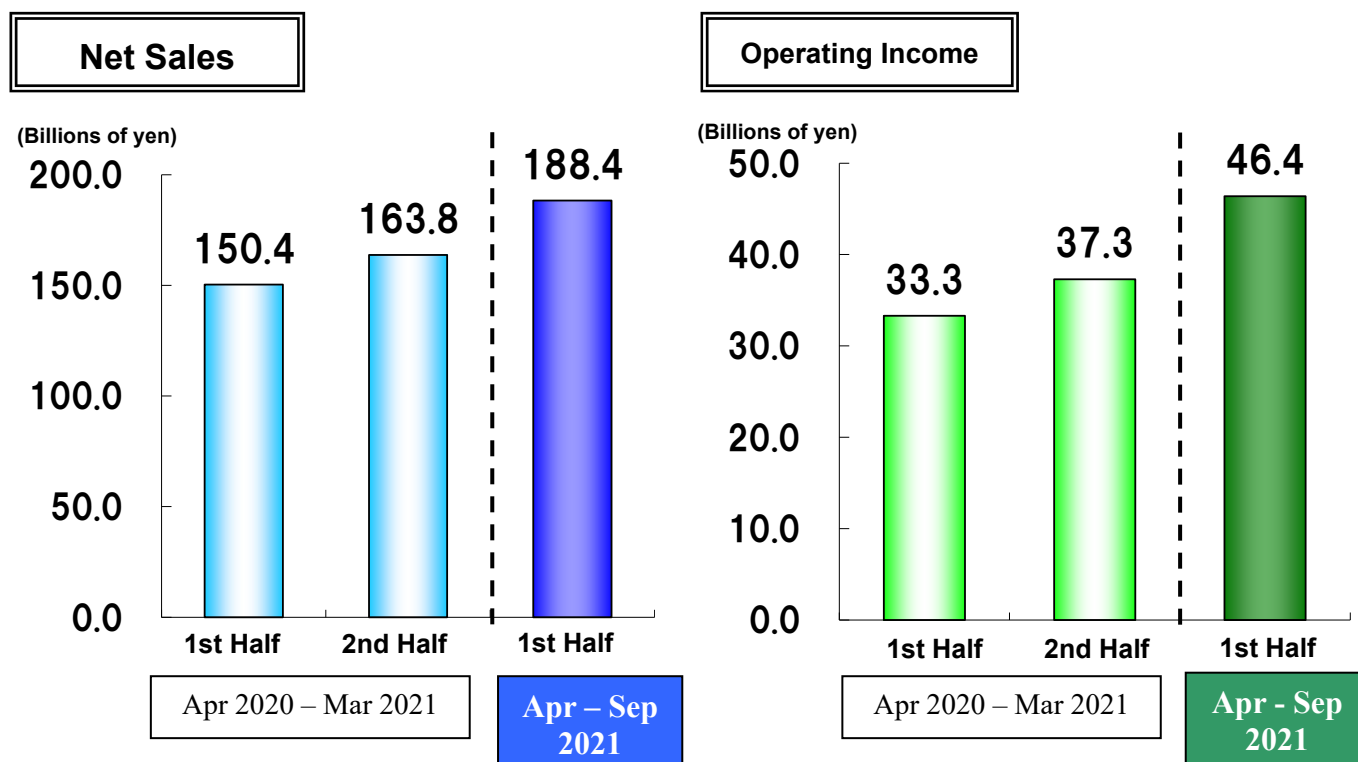


- Timely and meticulous response to future increase in demand for semiconductor materials.
- Compliant with increasingly sophisticated technical requirements.
- Development of products using significantly reduced heavy rare earths and development of magnets that do not use heavy rare earths.
- Supply of technologies and materials indispensable for the progress of electric and drive mechanism toward carbon neutrality.

## Functional Materials

	Apr - Sep 2020 (Billions of yen)	Apr - Sep 2021 (Billions of yen)	Increase / (Decrease)
<b>Net sales</b>	150.4	<b>188.4</b>	25.3%
<b>Operating income</b>	33.3	<b>46.4</b>	39.2%

Demand increased in all applications and markets, and all production sites continued to operate at full capacity to maximize supply. Meanwhile, we have implemented a series of price adjustments to deal with soaring raw material prices.



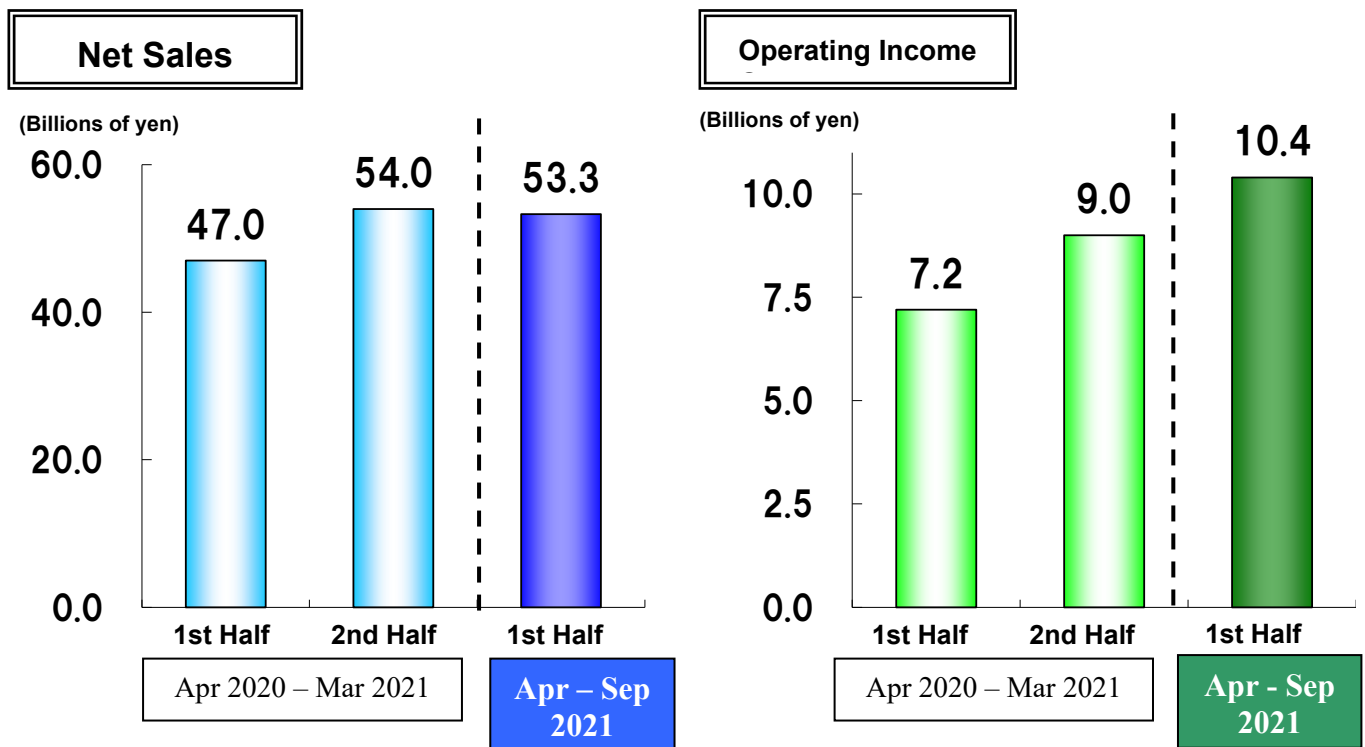
- Development of products that help reduce greenhouse gas emissions.
- Strengthening the supply network and differentiating by supply capability.
- A new negative electrode material has been adopted for lithium-ion batteries for smartphones, and shipments have started.



## Processing & Specialized Services

	Apr - Sep 2020 (Billions of yen)	Apr - Sep 2021 (Billions of yen)	Increase / (Decrease)
<b>Net sales</b>	47.0	<b>53.3</b>	13.3%
<b>Operating income</b>	7.2	<b>10.4</b>	44.3%

Shipments of semiconductor wafer-related containers were strong for both transporting use and manufacture process use, and shipments of input devices for automobiles were also strong. In August of the current fiscal year, we acquired KitcheNista Co., Ltd., which manufactures and sells PVC wrapping films for food packaging.



- Started price revisions for semiconductor wafer-related containers and PVC-related products.

## (2) Explanation Regarding Information Relevant to Forecasts such as Consolidated Business Forecast

The global economy is expected to grow overall this year, although the IMF lowered its growth rate forecast slightly this month. On the other hand, the rebound of COVID-19 pandemic, disruption of supply, labor shortage, and the progress of inflation may force the assumptions to be revised. In the face of such various risk factors, the Group will engage in efforts to grow all businesses. We will continue development investment and realize it at an early stage. We aim to improve ROE and ROIC by increasing profits.

The forecast of the Company's consolidated operating performance for the fiscal year ending March 31, 2022 is as follows, as was announced in July, 2021.

(Billions of yen)

	<b>FY 2021</b> Apr 2020 - Mar 2021 <b>Actual</b>	<b>FY 2022</b> Apr 2021 - Mar 2022 <b>Forecast</b>	<b>Increase</b> <b>(Decrease)</b>
<b>Net sales</b>	1,496.9	<b>1,700.0</b>	13.6%
<b>Operating income</b>	392.2	<b>485.0</b>	23.7%
<b>Ordinary income</b>	405.1	<b>500.0</b>	23.4%
<b>Net income attributable to owners of parent</b>	293.7	<b>363.0</b>	23.6%
<b>Net income per share (Yen)</b>	707	<b>873</b>	166
<b>Cash Dividends per Share (Yen)</b>	250	<b>300</b>	50

(Note)

Forward-looking statements such as the forecast of results of operations made in this document involves risks and uncertainties since they are based on management's assumptions and beliefs in light of the information currently available to it.

The reader should be aware that actual results may be materially different from any future results expressed herein due to various factors. Material factors affecting the actual results may include overall economic conditions in which the businesses of our company and our group companies are involved, the relevant market trends and fluctuations in foreign exchange rates of the yen, in particular, the exchange rate between the U.S. dollars and the yen; provided, however, that such factors as may affect results of operations are not limited to those enumerated above.

The year-end dividend for the fiscal year ending March 31, 2022 is expected to be ¥150 per share, as was announced in July, 2021 as well. As a result, the dividend has increased for seven consecutive terms, and we project that the dividend on an annual basis will be ¥300 per share, an increase of ¥50 per share from the dividend for the previous year.

## **2. Consolidated Financial Statements**

### **(1) Consolidated Balance Sheets**

As of March 31 and September 30, 2021

	Millions of yen	
	March 31, 2021	September 30, 2021
<b>ASSETS</b>		
Current Assets:		
Cash and time deposits	866,882	954,937
Notes and accounts receivable-trade	343,896	-
Notes, accounts receivable-trade and contract assets	-	422,654
Securities	286,039	326,216
Inventories	365,032	387,247
Other	59,085	48,349
Less: Allowance for doubtful accounts	(6,028)	(6,059)
Total current assets	1,914,909	2,133,345
Fixed Assets:		
Property, plant and equipment		
Machinery and equipment, net	559,992	616,856
Other, net	605,156	621,873
Total property, plant and equipment	1,165,149	1,238,730
Intangible assets	8,922	10,727
Investments and other assets:		
Investments and other assets	293,815	296,289
Less: Allowance for doubtful accounts	(2,180)	(2,204)
Total investments and other assets	291,635	294,085
Total fixed assets	1,465,706	1,543,543
TOTAL ASSETS	3,380,615	3,676,888

	Millions of yen	
	March 31, 2021	September 30, 2021
<b>LIABILITIES</b>		
Current Liabilities:		
Notes and accounts payable-trade	125,410	143,293
Short-term borrowings	11,768	8,902
Accrued income taxes	48,049	57,226
Allowances	4,370	4,226
Other	173,648	178,610
	363,246	392,259
Long-term Liabilities:		
Long-term debt	15,986	19,445
Net defined benefit liability	41,456	44,033
Other	73,300	80,850
	130,743	144,329
	493,990	536,589
<b>NET ASSETS</b>		
Stockholders' Equity:		
Common stock	119,419	119,419
Additional paid-in capital	128,954	129,087
Retained earnings	2,616,081	2,776,156
Less: Treasury stock, at cost	(12,612)	(16,683)
	2,851,842	3,007,980
Accumulated Other Comprehensive Income:		
Unrealized gains (losses) on available-for-sale securities	25,027	29,081
Deferred gains (losses) on hedges	(2,703)	(306)
Foreign currency translation adjustments	(58,618)	21,766
Remeasurements of defined benefit plans	(2,409)	(2,056)
	(38,704)	48,483
Share subscription rights	2,014	2,876
Non-controlling interests in consolidated Subsidiaries	71,473	80,958
	2,886,625	3,140,298
	3,380,615	3,676,888

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

### Consolidated Statements of Income

For the first half ended September 30, 2020 and 2021

	Millions of yen	
	April 1, 2020 - September 30, 2020	April 1, 2021 - September 30, 2021
Net sales	710,526	941,341
Cost of sales	452,548	554,715
Gross profit	257,978	386,625
Selling, general and administrative expenses	73,660	88,222
Operating income	184,317	298,403
Non-operating income:		
Equity in earnings of affiliates	2,419	3,325
Other income	10,589	3,800
Total non-operating income	13,009	7,125
Non-operating expenses:		
Interest expenses	392	446
Loss on retirement of non-current assets	865	804
Other expenses	3,825	754
Total non-operating expenses	5,083	2,006
Ordinary income	192,243	303,522
Income before income taxes and non-controlling interests	192,243	303,522
Income taxes:		
Current	47,339	73,253
Deferred	2,692	1,433
Total income taxes	50,032	74,687
Net income	142,211	228,835
Net income attributable to non-controlling interests	1,905	7,931
Net income attributable to owners of parent	140,306	220,904

## Consolidated Statements of Comprehensive Income

For the first half ended September 30, 2020 and 2021

	Millions of yen	
	April 1, 2020 - September 30, 2020	April 1, 2021 - September 30, 2021
Net income	142,211	228,835
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	5,252	4,035
Deferred gains (losses) on hedges	1,480	2,395
Foreign currency translation adjustments	(23,752)	82,210
Remeasurements of defined benefit plans	281	351
Share of other comprehensive income of affiliates accounted for using the equity method	(38)	403
	(16,776)	89,396
Total other comprehensive income		
	125,435	318,232
 (Breakdown)		
Comprehensive income attributable to owners of parent	124,178	308,092
Comprehensive income attributable to non-controlling interests	1,256	10,139

### (3) Consolidated Statements of Cash Flows

For the first half ended September 30, 2020 and 2021

	Millions of yen	
	April 1, 2020 - September 30, 2020	April 1, 2021 - September 30, 2021
Cash flows from operating activities:		
Income before income taxes and non-controlling interests	192,243	303,522
Depreciation and amortization	65,597	75,649
Interest and dividend income	(7,715)	(2,634)
(Increase) decrease in notes and accounts receivable	6,039	(75,023)
(Increase) decrease in inventories	(6,358)	(7,581)
Increase (decrease) in notes and accounts payable	(31,077)	14,581
Other, net	4,698	20,457
Subtotal	223,428	328,971
Proceeds from interest and dividends	9,806	4,398
Payments of interest	(379)	(391)
Payments of income taxes	(52,273)	(66,829)
Net cash provided by operating activities	180,581	266,148
Cash flows from investing activities:		
Net (increase) decrease in time deposits	153,496	(7,169)
Net (increase) decrease in marketable securities	(26,566)	(48,069)
Purchases of investments in securities	(959)	(1,056)
Proceeds from sales and redemption of investments in securities	2,766	213
Purchases of property, plant and equipment	(112,738)	(104,001)
Purchases of stocks of subsidiaries resulting in change in scope of consolidation	-	(3,552)
Other, net	(470)	(911)
Net cash provided by (used for) investing activities	15,527	(164,547)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(154)	(699)
Proceeds from long-term debt	1,187	2,420
Repayments of long-term debt	(194)	(2,335)
Purchases of treasury stock	(10,638)	(5,938)
Cash dividends paid	(45,744)	(58,176)
Other, net	741	2,744
Net cash used for financing activities	(54,802)	(61,985)
Effect of exchange rate changes on cash and cash equivalents	(5,860)	13,495
Net increase (decrease) in cash and cash equivalents	135,446	53,112
Cash and cash equivalents at beginning of period	745,125	801,596
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	64
Cash and cash equivalents at end of period	880,572	854,774

#### **(4) Notes to Consolidated Financial Statements**

##### **(Notes on Premise of Going Concern)**

Not applicable

##### **(Notes on Significant Changes in Stockholders' Equity)**

Not applicable

##### **(Changes in Accounting Policies)**

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

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards are applied from the first quarter of the fiscal year ending March 31, 2022. We now recognize revenue in the amount that expects to receive in exchange for promised goods or services at the time control of the goods or services are transferred to a customer.

Based on the transitional treatment outlined in Article 84 of the “Accounting Standard for Revenue Recognition,” the cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of the fiscal year ending March 31, 2022 is reflected in the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022. As a result, the balance of retained earnings at the beginning of the fiscal year ending March 31, 2022 decreased by ¥2,133 million.

The impact of the application of these accounting standards on Net sales, Gross profit, Operating income, Ordinary income and Income before income taxes and non-controlling interests is immaterial.

Due to the application of these accounting standards, “Notes and accounts receivable-trade” in “Current Assets” in the consolidated balance sheets have been reclassified as “Notes, accounts receivable-trade and contract assets” from the first quarter of the fiscal year ending March 31, 2022. Based on the transitional treatment stipulated in Article 89-2 of the “Accounting Standard for Revenue Recognition,” comparative information for the previous fiscal year has not been restated to reflect the new method of presentation.

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

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards are applied from the first quarter of the fiscal year ending March 31, 2022. Based on the transitional treatment prescribed in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), we have decided to apply the new accounting policies set forth by the “Accounting Standard for Fair Value Measurement” into the future. These changes had no impact on the quarterly consolidated financial statements.



**(Segment Information)**

**1. Overview of Reportable Segments**

We changed the reportable segments from this fiscal year. With this change, the goals of our businesses will become clearer, and the report will be more suitable for the markets and industries in which our business operates and makes its contribution. For each business unit that make up the segment, separate financial information is available. Such information will be regularly examined by the decision-making body for the allocation of management resources and performance evaluation. The main products and services that belong to each segment of the new reportable segment are as follows.

<b>Segment</b>	<b>Main products and services</b>	<b>Business description</b>
Infrastructure Materials	Polyvinyl chloride resin, Caustic soda, Methanol, Chloromethanes, Poval	Supporting infrastructure and daily life by lessening environmental impact.
Electronics Materials	Semiconductor silicon, Rare earth magnets, Semiconductor encapsulating materials, LED packaging materials, Photoresists, Photomask blanks, Synthetic quartz products	Providing material technology for better application for electronics, optics, and magnetics everywhere.
Functional Materials	Silicones, Cellulose derivatives, Silicon metal, Synthetic pheromones, Vinyl chloride-vinyl acetate copolymer, Liquid fluoroelastomers, Pellicles	Providing a wide range of better functions that are required.
Processing & Specialized Services	Processed plastics, Export of technologies and plants, Export and import of products, Engineering	Responding to problem solving by applying materials and utilizing engineering.

## 2. Information on Sales and Income (Loss) of Reportable Segments

### (1) For the first half ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

Millions of yen							
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment*	Figures in consolidated financial statements
Sales to outside customers	363,994	335,553	188,469	53,323	941,341	—	941,341
Intersegment sales	3,535	3,452	10,300	51,053	68,342	(68,342)	—
Total	367,530	339,006	198,769	104,377	1,009,683	(68,342)	941,341
Segment income (Operating income)	123,226	118,772	46,450	10,423	298,873	(470)	298,403

\*Elimination of intersegment transactions

### (2) For the first half ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

\*Figures below are based on the modified reportable segments.

Millions of yen							
	Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total	Adjustment*	Figures in consolidated financial statements
Sales to outside customers	220,618	292,438	150,407	47,061	710,526	—	710,526
Intersegment sales	2,554	2,521	8,502	60,394	73,972	(73,972)	—
Total	223,173	294,960	158,909	107,455	784,499	(73,972)	710,526
Segment income (Operating income)	38,178	105,526	33,376	7,225	184,307	10	184,317

\*Elimination of intersegment transactions

## (Appendix)

### 1. Quarterly Operating Results

(Billions of yen)

	FY 2021 April 1, 2020 - March 31, 2021					FY 2022 April 1, 2021 - March 31, 2022		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Net Sales	359.3	351.1	379.8	406.4	1,496.9	434.2	507.1	<b>941.3</b>
Infrastructure Materials	113.7	106.8	125.3	139.9	485.8	157.1	206.8	<b>363.9</b>
Electronics Materials	144.4	148.0	149.0	154.1	595.6	161.1	174.4	<b>335.5</b>
Functional Materials	77.4	72.9	79.7	84.1	314.2	91.6	96.8	<b>188.4</b>
Processing & Specialized Services	23.6	23.3	25.7	28.2	101.0	24.3	28.9	<b>53.3</b>
Operating Income	90.9	93.3	100.7	107.1	392.2	128.8	169.5	<b>298.4</b>
Infrastructure Materials	19.5	18.5	25.4	35.9	99.6	44.1	79.1	<b>123.2</b>
Electronics Materials	51.8	53.6	53.0	47.5	206.0	56.7	62.0	<b>118.7</b>
Functional Materials	16.2	17.0	18.1	19.2	70.7	22.7	23.7	<b>46.4</b>
Processing & Specialized Services	3.0	4.1	4.2	4.8	16.3	5.3	5.0	<b>10.4</b>
Ordinary Income	95.2	97.0	100.8	112.0	405.1	130.8	172.6	<b>303.5</b>
Net Income Attributable to Owners of Parent	69.3	70.9	73.0	80.4	293.7	95.7	125.1	<b>220.9</b>
R&D Costs	12.3	12.1	12.9	13.7	51.2	14.0	13.3	<b>27.3</b>
Overseas Sales	264.9	258.1	281.7	302.2	1,107.1	327.1	393.7	<b>720.9</b>
Ratio of Overseas Sales to Net Sales	74%	74%	74%	74%	74%	75%	78%	<b>77%</b>

## 2. Capital Expenditures and Depreciation and Amortization

(Billions of yen)

	FY 2021 April 1, 2020 - March 31, 2021					FY 2022 April 1, 2021 - March 31, 2022		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Capital Expenditures	52.7	58.2	63.6	54.1	228.8	46.7	51.7	<b>98.5</b>
Infrastructure Materials	27.2	24.7	24.9	26.4	103.4	15.7	20.4	<b>36.1</b>
Electronics Materials	17.1	25.5	27.0	18.7	88.4	21.6	20.1	<b>41.7</b>
Functional Materials	7.0	7.5	11.0	8.6	34.2	8.3	8.9	<b>17.3</b>
Processing & Specialized Services	1.6	0.7	0.6	1.0	4.1	1.2	2.6	<b>3.8</b>
Depreciation and Amortization	31.1	34.4	37.1	41.0	143.8	35.2	40.3	<b>75.6</b>
Infrastructure Materials	9.2	11.2	11.5	12.2	44.3	11.5	12.7	<b>24.3</b>
Electronics Materials	13.8	14.8	16.7	19.0	64.5	15.3	18.9	<b>34.3</b>
Functional Materials	7.0	7.2	7.8	8.7	30.8	7.5	7.7	<b>15.3</b>
Processing & Specialized Services	1.0	1.1	1.1	1.2	4.5	0.9	1.0	<b>1.9</b>

### Annual

(Billions of yen)

	Apr 2021 - Mar 2022 Forecast
Capital Expenditures	<b>220.0</b>
Depreciation and Amortization	<b>160.0</b>

### 3. Other Financial Items (Consolidated)

(Billions of yen)

	Sep 30 2020	Sep 30 2021	Mar 31 2021
Net Assets	2,793.2	3,140.2	2,886.6
Total Assets	3,249.0	3,676.8	3,380.6
Net Assets per Share (Yen)	6,556	7,358	6,770
Interest-bearing Liabilities	23.9	28.3	27.7
Number of Employees	23,218	24,304	24,069
Exchange Rate: Jan - Jun (Avg)	108.3	107.7	
(Yen/US\$) Apr - Sep (Avg)	106.9	109.8	

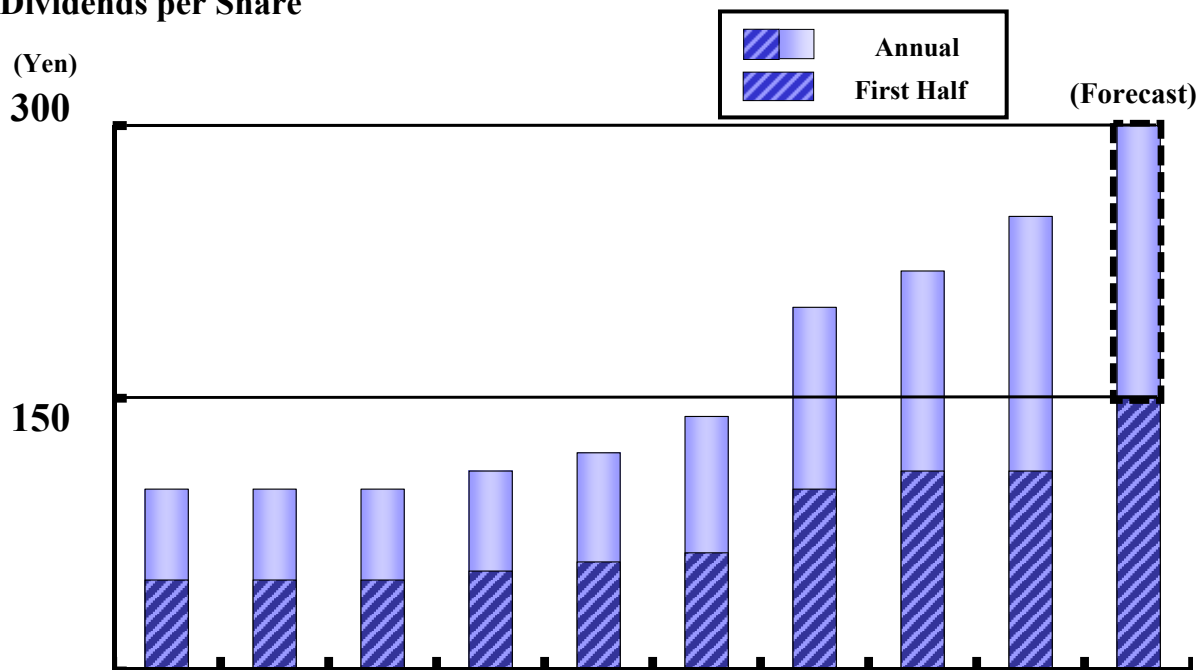
Note : An average exchange rate between January and June was used for the Consolidated Income Statements of overseas subsidiaries.

### 4. Comparative Balance Sheets (Consolidated)

(Billions of yen)

	Mar 31 2021	Sep 30 2021	Increase (Decrease) [a]	Effect of exchange rate [b]	[a]-[b]		Mar 31 2021	Sep 30 2021	Increase (Decrease) [a]	Effect of exchange rate [b]	[a]-[b]
<b>Current Assets</b>	1,914.9	2,133.3	218.4	47.1	171.3	<b>Current Liabilities</b>	363.2	392.2	29.0	6.2	22.8
Cash and time deposits	866.8	954.9	88.1	28.3	59.8	Notes and accounts payable-trade	125.4	143.2	17.8	2.7	15.1
Notes and accounts receivable-trade	343.8	422.6	78.8	10.1	68.7	Short-term borrowings	11.7	8.9	(2.8)	0.4	(3.2)
Securities	286.0	326.2	40.2	0.1	40.1	Accrued income taxes	48.0	57.2	9.2	0.5	8.7
Inventories	365.0	387.2	22.2	8.1	14.1	Other	178.0	182.8	4.8	2.6	2.2
Other	53.0	42.2	(10.8)	0.5	(11.3)	Long-term Liabilities	130.7	144.3	13.6	5.8	7.8
						<b>Total Liabilities</b>	493.9	536.5	42.6	12.0	30.6
<b>Fixed Assets</b>	1,465.7	1,543.5	77.8	51.8	26.0	Stockholders' Equity	2,851.8	3,007.9	156.1	0.0	156.1
Property, Plant and Equipment	1,165.1	1,238.7	73.6	49.7	23.9	Accumulated Other Comprehensive Income	(38.7)	48.4	87.1	83.8	3.3
Intangible Assets	8.9	10.7	1.8	0.2	1.6	Other	73.4	83.8	10.4	3.1	7.3
Investments and Other Assets	291.6	294.0	2.4	1.9	0.5	<b>Total Net Assets</b>	2,886.6	3,140.2	253.6	86.9	166.7
<b>Total Assets</b>	3,380.6	3,676.8	296.2	98.9	197.3	<b>Total Liabilities and Net Assets</b>	3,380.6	3,676.8	296.2	98.9	197.3

## 5. Cash Dividends per Share



Fiscal year ended March		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Dividend per Share (Yen)	First half	50	50	50	55	60	65	100	110	110	150
	Annual	100	100	100	110	120	140	200	220	250	* 300
Net Income per Share (Yen)	Annual	248.9	267.2	302.0	349.5	412.9	624.3	726.0	755.2	706.8	* 873.5
Dividend payout ratio	Annual	40.2%	37.4%	33.1%	31.5%	29.1%	22.4%	27.5%	29.1%	35.4%	* 34.3%

\*Forecast

## 6. Sales by Manufacturing Location for Each Segment

(Billions of yen)

		Infrastructure Materials	Electronics Materials	Functional Materials	Processing & Specialized Services	Total
2020 Apr - Sep	Goods Manufactured in Japan	36.4	243.2	100.8	36.7	417.2
	Goods Manufactured overseas	184.1	49.2	49.5	10.2	293.2
		220.6	292.4	150.4	47.0	710.5
2021 Apr - Sep	Goods Manufactured in Japan	54.1	263.1	117.6	38.1	473.1
	Goods Manufactured overseas	309.8	72.4	70.7	15.1	468.2
		363.9	335.5	188.4	53.3	941.3

## 7. Sales by Region

(Billions of yen)

		Japan	Overseas					Total	Total Consolidated Net Sales
			U.S.	Asia/Oceania		Europe	Other Areas		
				China					
First Half Apr - Sep 2020	26%	22%	35%	10%	10%	7%	74%	710.5	
	187.3	155.6	247.5	73.3	73.7	46.1	523.1		
Second Half Oct 2020 - Mar 2021	26%	24%	33%	10%	10%	7%	74%	786.3	
	202.3	187.6	264.5	78.4	78.9	52.8	584.0		
Fiscal Year ended March 2021	26%	23%	34%	10%	10%	7%	74%	1,496.9	
	389.7	343.2	512.1	151.7	152.6	99.0	1,107.1		
First Half Apr - Sep 2021	23%	27%	31%	9%	10%	9%	77%	941.3	
	220.4	254.9	292.8	83.5	90.1	82.9	720.9		

Note: % indicates the proportion of total consolidated net sales

## 8. Average Exchange Rate

		US\$ (yen/\$)				EUR (yen/€)					
		Quarterly	6 months		12 months		Quarterly	6 months		12 months	
			Jan-Jun	Apr-Sep	Jan-Dec	Apr-Mar		Jan-Jun	Apr-Sep	Jan-Dec	Apr-Mar
			Jul-Dec	Oct-Mar				Jul-Dec	Oct-Mar		
2020	Jan-Mar	108.9	108.3	106.8	106.1	120.1	119.3	121.8	123.7		
	Apr-Jun	107.6				118.5					
	Jul-Sep	106.2	106.9			124.1	124.3				
	Oct-Dec	104.5	105.4			124.5	126.1				
2021	Jan-Mar	105.9	107.7	109.8	129.8	127.7	129.8	130.9			
	Apr-Jun	109.5				132.0					
	Jul-Sep	110.1	109.8			129.8					

Note: An average exchange rate between January and June was used for the Consolidated Income Statements of overseas subsidiaries.

	US\$	EUR
Shin-Etsu's assumption for the forecast from October 2021	110Yen/\$	130Yen/€

## 9. Topics

### ○ Press Release (Oct. 2020 – Oct. 2021)

Oct. 2020	Shin-Etsu Chemical announced capacity expansion of photoresists in Japan and Taiwan.
Nov. 2020	Shin-Etsu Chemical has developed a molding silicone rubber that realizes lighter weight for rubber-molded products.
Dec. 2020	Shin-Etsu Chemical announced capital investment for the mass production of its SLK Series of Low Dielectric Constant Thermosetting Resins for 5G products
Jan. 2021	Shin-Etsu Chemical has developed silicone thermal interface materials for applications in electric vehicles and hybrid electric vehicles.
Jan. 2021	Shintech announced capital investment to further bolster integrated PVC business in the U.S.
Mar. 2021	Shin-Etsu Chemical announced silicone products price increase.
May. 2021	Shin-Etsu Chemical has developed a new volatile silicone fluid for personal care.
Jul. 2021	Shin-Etsu Chemical announced capital investment for the reduction in the volume of greenhouse gas emissions in the silicones business.
Aug. 2021	Shin-Etsu Chemical announced silicone products price increase.
Oct. 2021	Shin-Etsu Chemical proposed an innovative integrated chip process for manufacturing Micro LED displays. (transfer parts and equipment)

★ Please refer to news releases related to these matters on our website at <https://www.shinetsu.co.jp/en/news/>

### ○ Shin-Etsu Chemical Awarded Top 100 Global Innovator in 2021 Again

Every year, Clarivate (formerly Thomson Reuters) selects companies and institutions that protect their creative inventions through intellectual property rights and successfully commercialize them. The selection is conducted independently by Clarivate based on the "success rate," "globality," and "influence of patents in citation." We have received this award for the tenth consecutive year since it was established. Out of 100 companies, 29 companies have received the award for the tenth consecutive year, and 3 companies are in the chemical field. We are one of those companies.



## 10. Capital Investments

★: completion ☆: completion schedule

Company	Projects	Investment Amount	2020		2021		2022		2023	
			1H	2H	1H	2H	1H	2H	1H	2H
Shintech (USA)	Establishment of a manufacturing plant for ethylene	\$1.4 billion	★							
Shintech (USA)	Establishment of a new integrated PVC plant (1 <sup>st</sup> phase)	\$1.49 billion			☆					
Shintech (USA)	Facility investment in PVC (2 <sup>nd</sup> phase)	\$1.25 billion								☆
Shin-Etsu Chemical (Naoetsu) Shin-Etsu Electronics Materials Taiwan (Taiwan)	Facility investments in photoresists	¥30 billion			*1 ★		*2 ☆			
Shin-Etsu Chemical (Takefu, Naoetsu)	Reinforcement of the production capacity for photomask blanks	¥14 billion			*3 ★					
Shin-Etsu Chemical (Kashima) Shin-Etsu (Jiangsu) Optical Preform (China) Shin-Etsu YOFC (Hubei) Optical Preform (China)	Reinforcement of the production capacity for optical fiber preform	¥18 billion		*4 ★						
Shin-Etsu Chemical (Naoetsu)	Capital investment for the mass production of Low Dielectric Constant Thermosetting Resins for 5G products	¥3 billion					☆			
Shin-Etsu Chemical and main overseas bases (Gunma, Thailand, etc.)	Reinforcement of the production capacity for silicone monomer and polymer	¥110 billion		*5 →			☆			
Shin-Etsu Chemical (Gunma)	Capital investment for the reduction in the volume of greenhouse gas emissions in the silicones business. (gas turbine power generators, capacity increase of products that contribute to the environment.)	¥20 billion					*5 →			☆

\*1 Taiwan \*2 Naoetsu \*3 Takefu \*4 Jiangsu \*5 Starting up gradually