

Press Release

Consolidated Financial Results for the First Three Quarters Ended December 31, 2020



Shin-Etsu Chemical Co., Ltd.

(JP GAAP)

January 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

Personnel to contact: Toshiyuki Kasahara (Mr.) Director, General Manager of Finance & Accounting Department

Tel: +81-3-3246-5051

Date of the filing of the quarterly consolidated financial statements: February 10, 2021

Date of dividend payment: -

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 Three Quarters Ended December 31, 2020

(From April 1, 2020 to December 31, 2020)

(1) Results of consolidated operations

(Millions of yen)

| | Net sales | Operating income | Ordinary income | Net income attributable to owners of parent |
|-----------------------|------------------|------------------|-----------------|---|
| April - December 2020 | 1,090,407 (7.1%) | 285,021 (10.6%) | 293,043 (11.3%) | 213,321 (13.6%) |
| April - December 2019 | 1,174,011 (2.7%) | 318,735 (1.8%) | 330,231 0.3% | 246,836 1.9% |

(Note) Comprehensive income (Millions of yen) From April 1, 2020 to December 31, 2020: 190,980 [(6.8%)]
From April 1, 2019 to December 31, 2019: 204,970 [(14.3%)]

| | Net income per share (yen) | Diluted net income per share (yen) |
|-----------------------|----------------------------|------------------------------------|
| April - December 2020 | 513.25 | 512.95 |
| April - December 2019 | 593.58 | 593.51 |

(2) Consolidated financial position

(Millions of yen)

| | Total assets | Net assets | Stockholders' equity ratio | Net assets per share (yen) |
|-------------------|--------------|------------|----------------------------|----------------------------|
| December 31, 2020 | 3,253,562 | 2,814,760 | 84.3% | 6,602.30 |
| March 31, 2020 | 3,230,485 | 2,723,141 | 82.1% | 6,377.93 |

(Note) Stockholders' equity (Millions of yen) As of December 31, 2020: 2,742,861 As of March 31, 2020: 2,652,309

2. Cash Dividends

| | Cash dividends per share in the fiscal year (yen) | | | | |
|------------------------------------|---|-------------------------|-------------------------|----------|-------------|
| | 1 st quarter | 2 nd quarter | 3 rd quarter | Year-end | Fiscal year |
| April 2019 - March 2020 | - | 110.00 | - | 110.00 | 220.00 |
| April 2020 - March 2021 | - | 110.00 | - | | |
| April 2020 - March 2021 (forecast) | | | | 130.00 | 240.00 |

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

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

| | Net sales | Operating income | Ordinary income | Net income attributable to owners of parent | Net income per share (yen) |
|-------------|------------------|------------------|-----------------|---|----------------------------|
| Fiscal year | 1,430,000 (7.4%) | 377,000 (7.2%) | 390,000 (6.8%) | 283,000 (9.9%) | 681.10 |

(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 three quarters ended December 31, 2020: No

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the first three quarters ended December 31, 2020.

(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: No

Changes in accounting policies other than the above: No

Changes in accounting estimates: No

Retrospective restatement: No

(4) Number of shares outstanding (common stock)

| | December 31, 2020 | March 31, 2020 |
|---|--------------------------|--------------------------|
| Number of shares outstanding at period end | 416,662,793 | 416,662,793 |
| Number of shares of treasury stock at period end | 1,222,617 | 805,396 |
| | April - December 2020 | April - December 2019 |
| Weighted-average number of shares outstanding over period | 415,630,230 | 415,843,760 |

(Information regarding quarterly review procedures)

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

(Attached Documents)

INDEX

| | |
|--|----|
| 1. Qualitative Information Regarding Quarterly Results..... | 2 |
| (1) Explanation Regarding the Operating Results | 2 |
| (2) Explanation Regarding Information Relevant to Forecasts such as Consolidated Business Forecast..... | 10 |
| 2. Consolidated Financial Statements..... | 12 |
| (1) Consolidated Balance Sheets | 12 |
| (2) Consolidated Statements of Income and Statements of Comprehensive Income | 14 |
| (3) Notes to Consolidated Financial Statements..... | 16 |
| (Notes on Premise of Going Concern)..... | 16 |
| (Notes on Significant Changes in Stockholders' Equity) | 16 |

(Appendix)

| | |
|---|----|
| 1. Quarterly Operating Results | 17 |
| 2. Capital Expenditures and Depreciation and Amortization | 18 |
| 3. Other Financial Items (Consolidated)..... | 18 |
| 4. Comparative Balance Sheets (Consolidated)..... | 19 |
| 5. Comparative Statements of Cash Flows (Consolidated) | 19 |
| 6. Cash Dividends per Share | 20 |
| 7. Sales by Region | 20 |
| 8. Average Exchange Rate..... | 21 |

1. Qualitative Information Regarding Quarterly Results

(1) Explanation Regarding the Operating Results

During the third quarter of the fiscal year ending March 31, 2021 (April 1, 2020 to December 31, 2020), the changes were generally as follows. In the first quarter, we experienced a decline in our business performance due to the spread of COVID-19 pandemic and the resultant restrictions on economic activities. In the second quarter, demand recovered, to varying degrees depending on the region and industry, and in the third quarter, demand and market conditions recovered in our major business fields.

The Shin-Etsu Group focused on maintaining its employees' health and safety as the first priority, continuing high rates of production, securing stable supply of products and fulfilling business requirements including the protection of accounts receivables. Communicating closely with our customers, we proceeded to develop products that have value for them and ensured the stable supply of products of unwavering quality. We also carried out the scheduled investments.

As a result, the business results for the third quarter of the fiscal year ending March 31, 2021 are as follows:

| | (Billions of yen) | | | 2020 | | |
|---|-------------------|-------------------|------------------------|-----------|-----------|-----------|
| | 2019 Apr - Dec | 2020 Apr - Dec | Increase (Decrease) | Apr - Jun | Jul - Sep | Oct - Dec |
| Net sales | 1,174.0 | 1,090.4 | (7.1%) (83.6) | 359.3 | 351.1 | 379.8 |
| Operating income | 318.7 | 285.0 | (10.6%) (33.7) | 90.9 | 93.3 | 100.7 |
| Ordinary income | 330.2 | 293.0 | (11.3%) (37.2) | 95.2 | 97.0 | 100.8 |
| Net income attributable to owners of parent | 246.8 | 213.3 | (13.6%) (33.5) | 69.3 | 70.9 | 73.0 |
| ROIC (per annum) | 20.4% | 16.4% | (4.0 points) | | | |
| ROE (per annum) | 13.1% | 10.5% | (2.6 points) | | | |
| ROA (per annum) | 14.3% | 12.1% | (2.2 points) | | | |
| Net income per share (Yen) | 594 | 513 | (81) | | | |

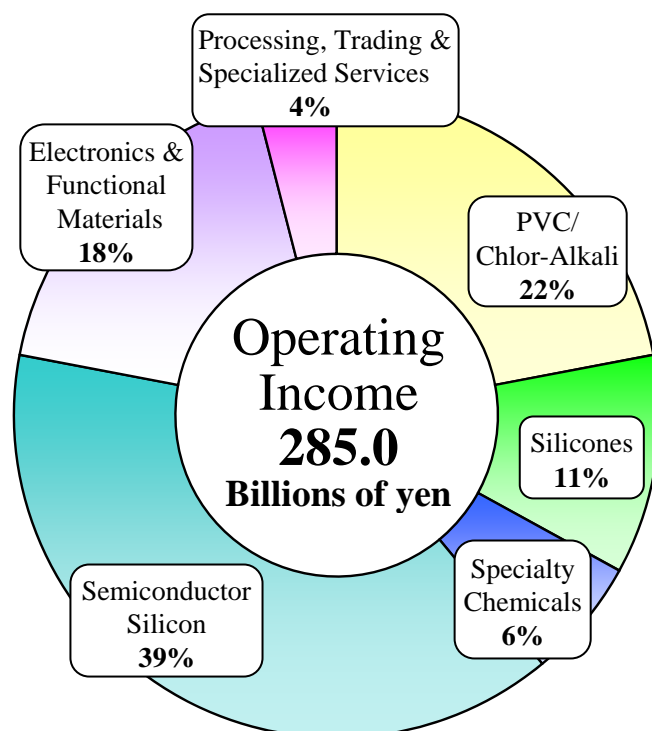
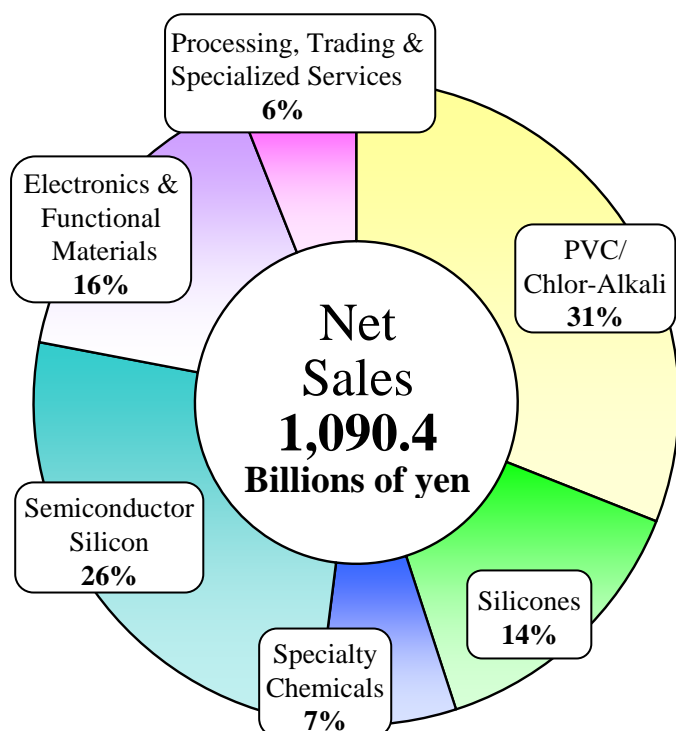
- Notes:
- ROIC: Return on invested capital
Net operating income after tax / (Net assets + Interest-bearing liabilities – Cash)
 - ROE: Return (Net Income) on equity
Equity used for this calculation is net assets excluding both share subscription rights and non-controlling interests in consolidated subsidiaries.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

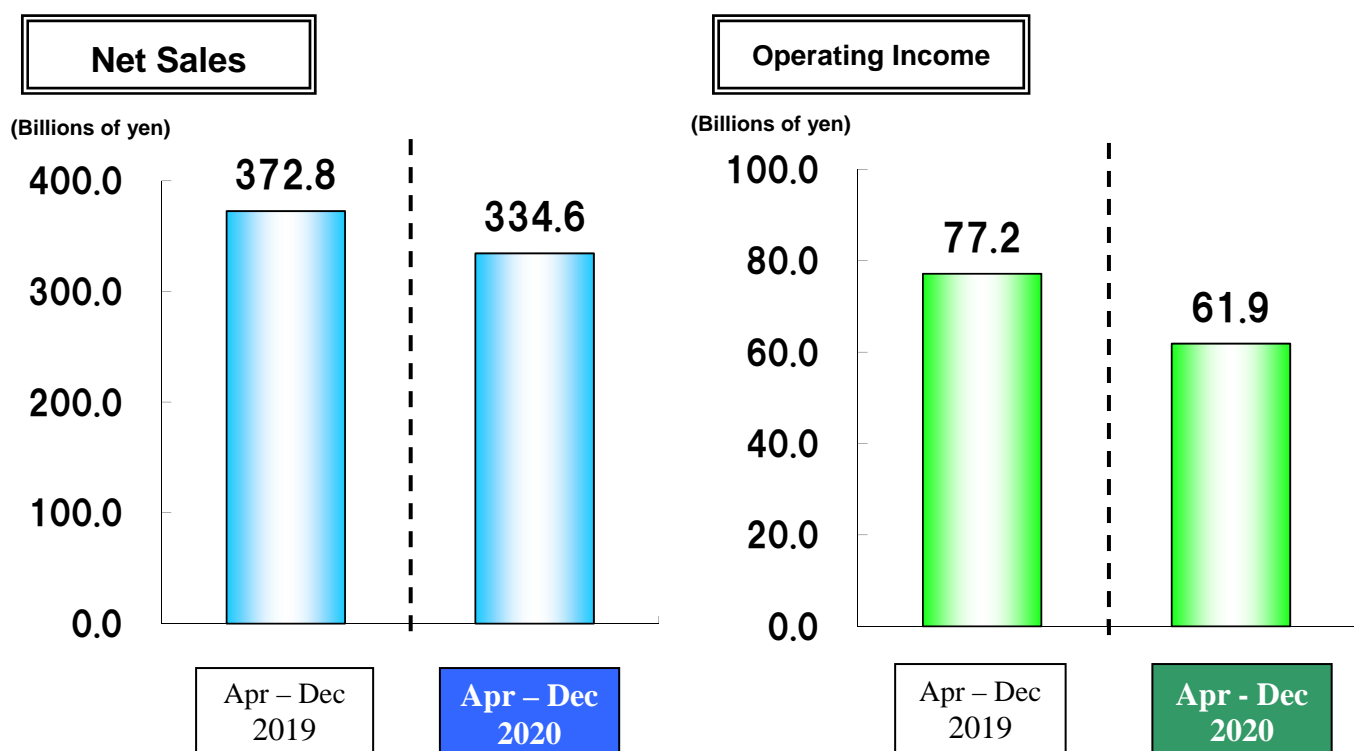
| | Net Sales | | | Operating Income | | |
|--|-------------------|-------------------|------------------------|-------------------|-------------------|------------------------|
| | 2019 Apr - Dec | 2020 Apr - Dec | Increase (Decrease) | 2019 Apr - Dec | 2020 Apr - Dec | Increase (Decrease) |
| PVC/Chlor-Alkali Business | 372.8 | 334.6 | (10.2%) (38.2) | 77.2 | 61.9 | (19.7%) (15.3) |
| Silicones Business | 172.1 | 151.9 | (11.7%) (20.2) | 47.0 | 31.7 | (32.6%) (15.3) |
| Specialty Chemicals Business | 87.4 | 82.5 | (5.6%) (4.9) | 21.3 | 17.0 | (20.2%) (4.3) |
| Semiconductor Silicon Business | 295.8 | 281.1 | (5.0%) (14.7) | 112.1 | 112.6 | 0.5% 0.5 |
| Electronics & Functional Materials Business | 167.9 | 170.1 | 1.3% 2.2 | 51.4 | 51.6 | 0.3% 0.2 |
| Processing, Trading & Specialized Services Business | 77.8 | 70.0 | (10.1%) (7.8) | 11.0 | 10.1 | (7.9%) (0.9) |
| Total | 1,174.0 | 1,090.4 | (7.1%) (83.6) | 318.7 | 285.0 | (10.6%) (33.7) |



PVC/Chlor-Alkali Business

| | Apr - Dec 2019 (Billions of yen) | Apr - Dec 2020 (Billions of yen) | Increase / (Decrease) |
|-------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Net sales | 372.8 | 334.6 | (10.2%) |
| Operating income | 77.2 | 61.9 | (19.7%) |

With regard to the PVC/Chlor-Alkali business, Shintech Inc. in the U.S. continued to operate its plant at full capacity to maintain high shipment levels of both PVC and caustic soda. In April and May, it was influenced by market conditions caused by the restriction on economic activities. But, after that, the supply and demand tightened worldwide and the prices were raised. We endeavored to maintain the sales volumes at the European and Japanese bases as well, and benefitted from improved market conditions.

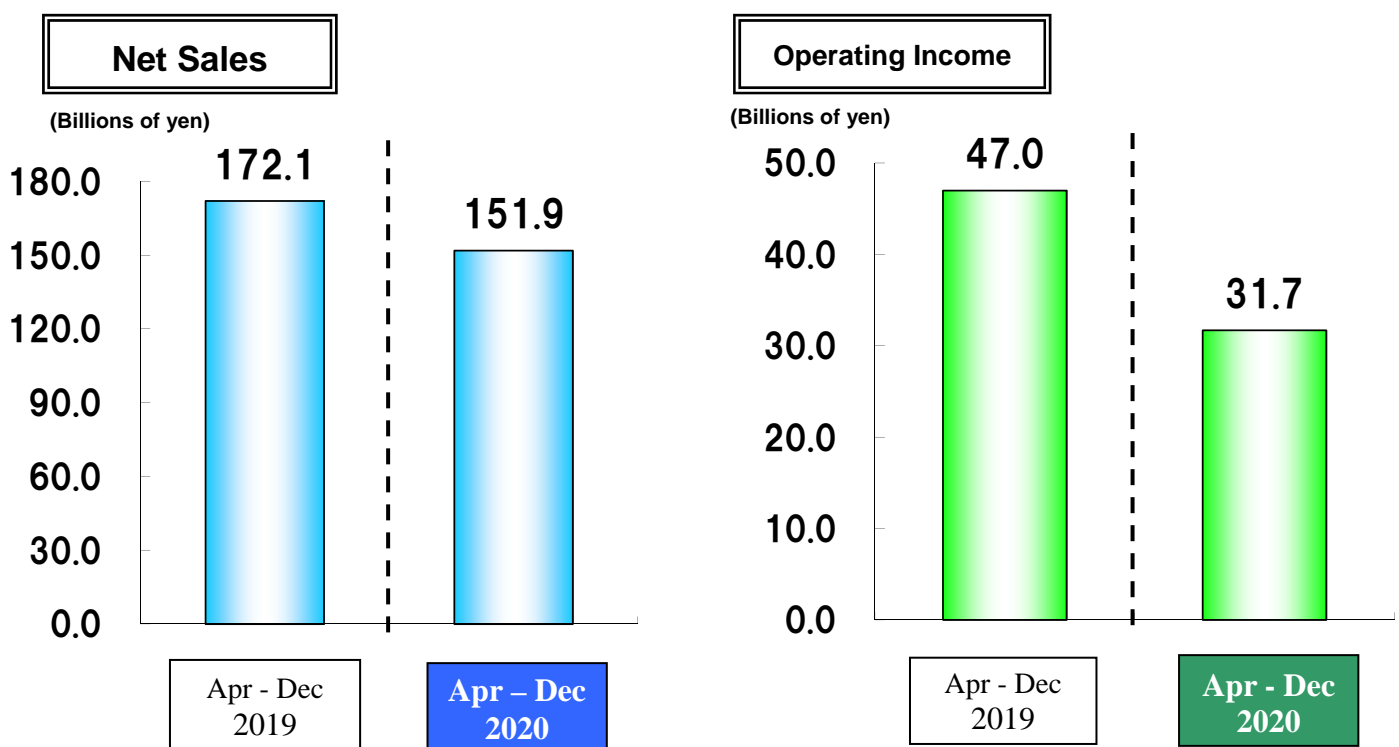


- We expect that the demand for PVC will grow at a healthy rate as housing markets are showing a steady expansion and environmental awareness is increasing in North America and emerging countries.
- Our capacity expansion construction at Shintech (first phase) should be completed in the middle of this year. We started the second phase of capacity expansion construction at Shintech.

Silicones Business

| | Apr - Dec 2019 (Billions of yen) | Apr - Dec 2020 (Billions of yen) | Increase / (Decrease) |
|-------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Net sales | 172.1 | 151.9 | (11.7%) |
| Operating income | 47.0 | 31.7 | (32.6%) |

With regard to the silicones business, it was affected by the price decline of general-purpose products and the sluggish demand for products for cosmetic and automotive applications. Customer demand began to recover from the beginning of autumn.

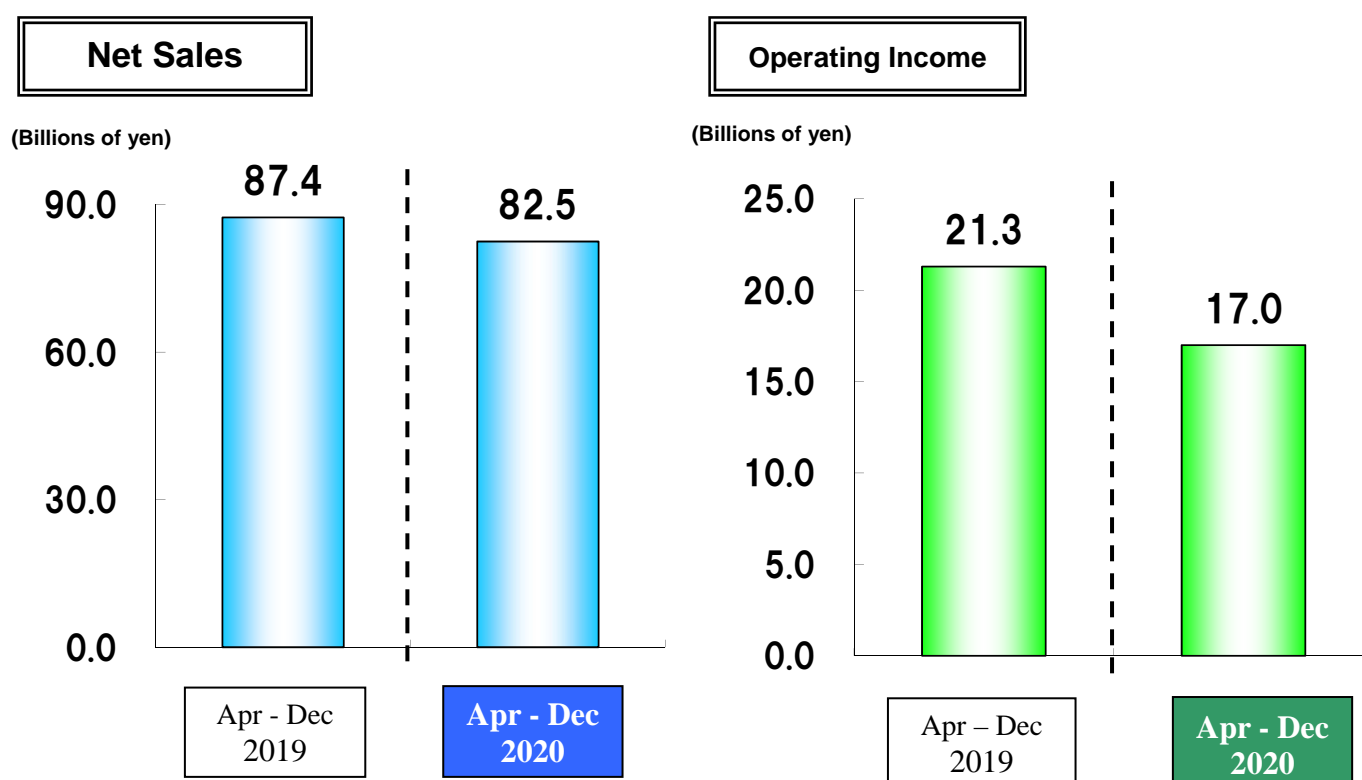


- We are closely following the recovering customer demand to capture all demands and raise the ratio of functional products and specialty products, which constitute a distinguishing feature of our business.
- We will continue to respond quickly to customer needs.

Specialty Chemicals Business

| | Apr - Dec 2019 (Billions of yen) | Apr - Dec 2020 (Billions of yen) | Increase / (Decrease) |
|-------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Net sales | 87.4 | 82.5 | (5.6%) |
| Operating income | 21.3 | 17.0 | (20.2%) |

With regard to the cellulose derivatives business, the products for pharmaceutical applications continued to hold steady although the sales of products for building and construction applications were weak. Shipments of the pheromone products and the POVAL products were sluggish.

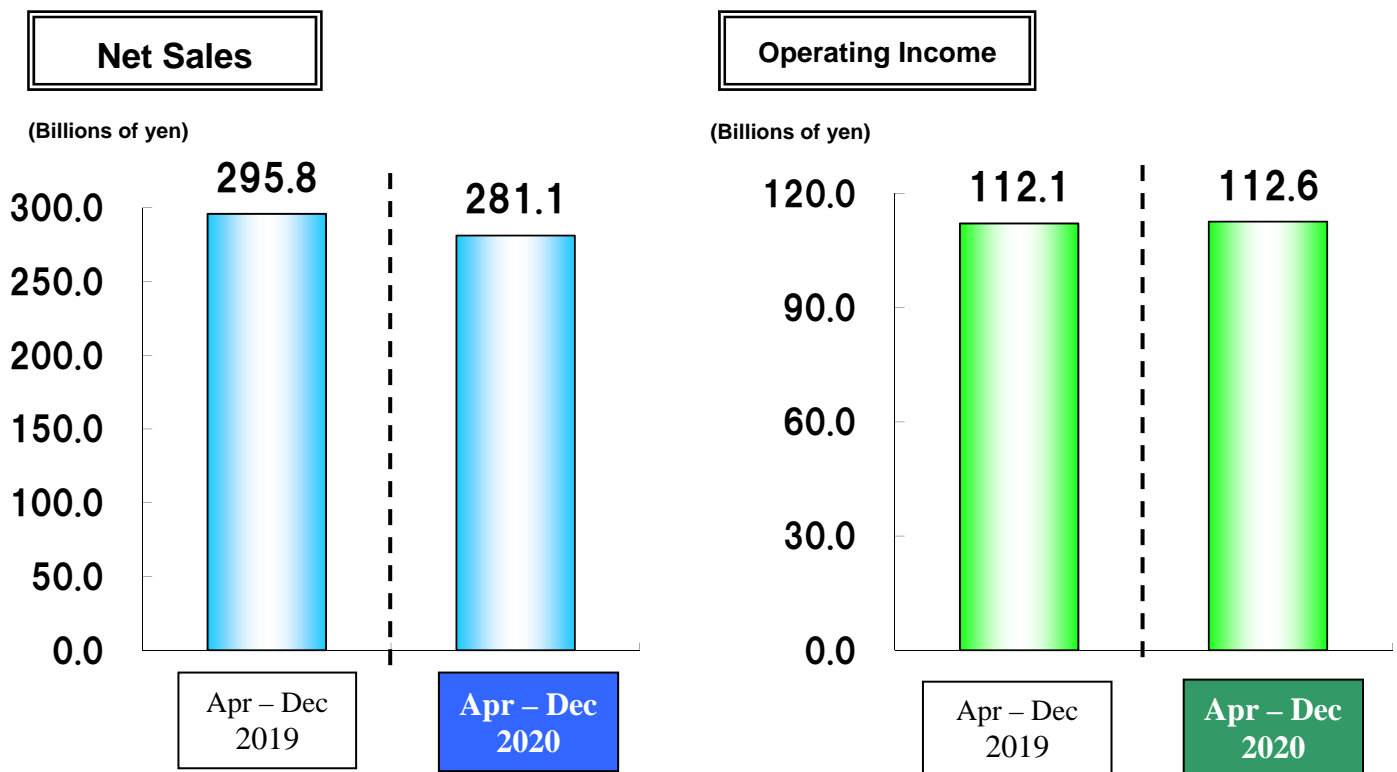


- With regard to the cellulose derivatives business, the ratio of pharmaceutical and food applications increased by 13 percentage points from the previous year.
- Exhaust gas filter applications are also expanding as automobile production recovered.

Semiconductor Silicon Business

| | Apr - Dec 2019 (Billions of yen) | Apr - Dec 2020 (Billions of yen) | Increase / (Decrease) |
|-------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Net sales | 295.8 | 281.1 | (5.0%) |
| Operating income | 112.1 | 112.6 | 0.5% |

With regard to the semiconductor silicon business, demand increased from the latter half of the period due to the resumption of economic activities.



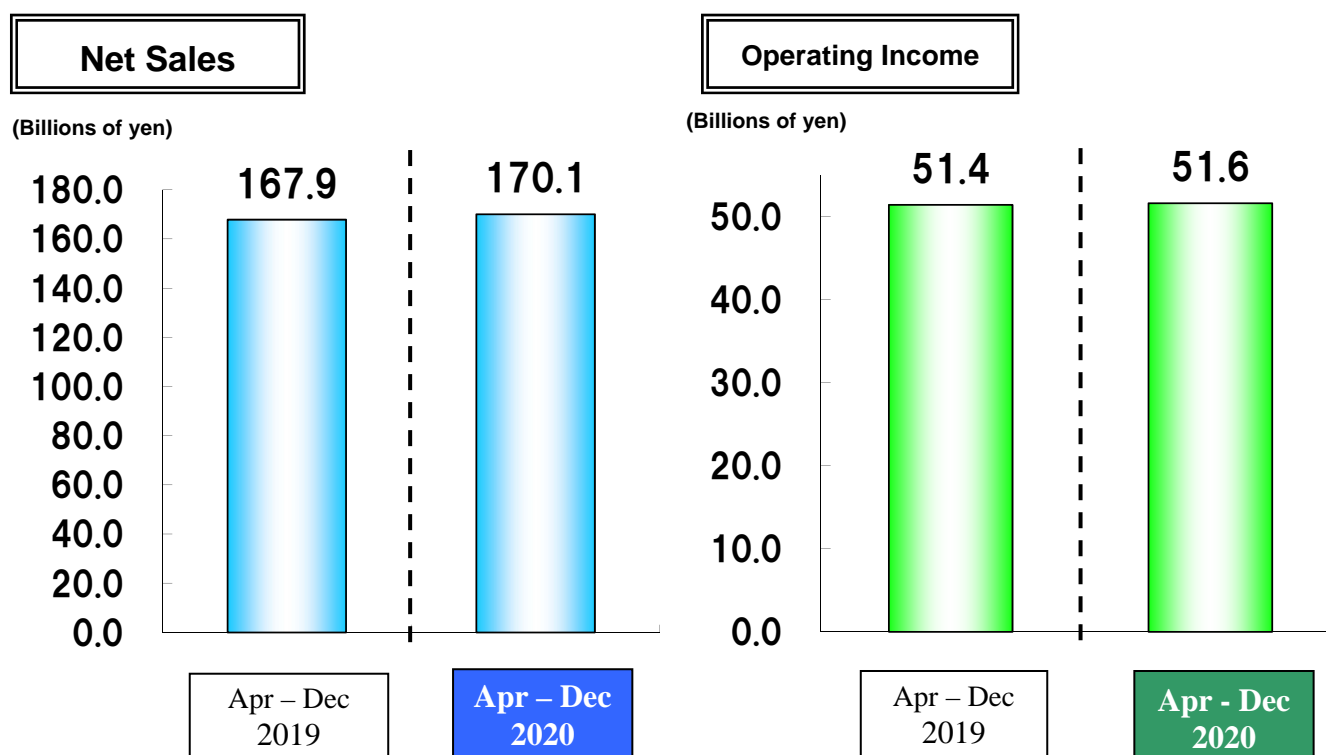
- The semiconductor device market is expanding steadily due to the increasing need for automation and energy saving, as well as infrastructure development such as online and high-speed data communication, which are becoming widespread with the development of the new normal. In addition, demand for advanced devices with ever-increasing functionality is growing. In response to customers who are promoting such development, we provide the ultimate quality and stable supply that supports further miniaturization.
- We contribute to the digitization being advanced toward the so-called "dematerialization" of the economy.

Electronics & Functional Materials Business

| | Apr - Dec 2019 (Billions of yen) | Apr - Dec 2020 (Billions of yen) | Increase / (Decrease) |
|-------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Net sales | 167.9 | 170.1 | 1.3% |
| Operating income | 51.4 | 51.6 | 0.3% |

With regard to the rare earth magnets business, the operations at our overseas plants were temporarily affected by the restriction on economic activities in the first quarter, but the shipments of products for hard disk drives were favorable and automotive application showed a strong recovery in the second half.

With regard to the photoresist products business, the ArF photoresists and EUV photoresists continued to perform well. The photomask blanks business also performed well for both high-end and general-purpose products. The optical fiber preform business experienced harsh conditions due to the impact of the deteriorating market. The photomask substrates business for large panel applications was affected by slowing demand.

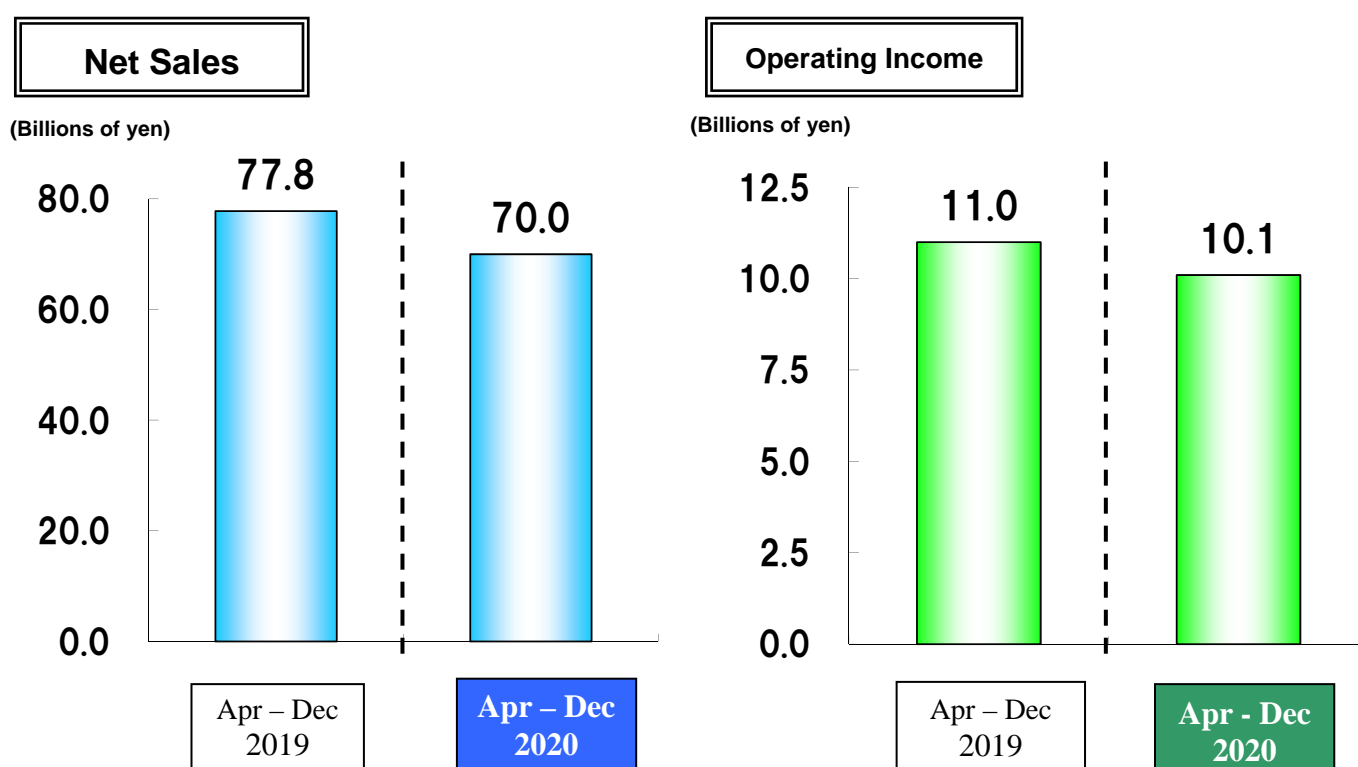


- With regard to the rare earth magnets business, the applications for automobiles (especially environmentally friendly automobiles which use rare earth magnets about ten times more than conventional automobiles), factory automation, data centers and wind power generators continue to grow.
- With regard to the lithographical areas, we immediately respond to further miniaturization, multi-layering resist system and advanced packaging. We speed up development and accelerate the implementation of capacity expansion plans to meet quality and supply required by customers.
- We accelerate mass production and development of 5G related products.

Processing, Trading & Specialized Services Business

| | Apr - Dec 2019 (Billions of yen) | Apr - Dec 2020 (Billions of yen) | Increase / (Decrease) |
|-------------------------|-------------------------------------|-------------------------------------|--------------------------|
| Net sales | 77.8 | 70.0 | (10.1%) |
| Operating income | 11.0 | 10.1 | (7.9%) |

The shipments of Shin-Etsu Polymer Co., Ltd.'s semiconductor wafer-related containers were steady, but the input devices for automobiles were affected by the deteriorating automobile market.



- Regarding the semiconductor wafer-related containers business, we surely capture the demand of both the semiconductor device and wafer markets and respond to the rapid recovery of demand for automotive input devices.

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

Business Forecast

In the world economy, there are still several markets and regions where we see the weakening or transformation of demand due to COVID-19 and health-related concerns. This may last for a while. Under these circumstances, the Shin-Etsu Group is striving to grow all of our businesses. We are not slackening down our R&D investments and intend to bring them to fruition fast. We intend to raise our ROIC and ROE further through earnings growth.

The forecast of the Company's consolidated operating performance for the fiscal year ending March 31, 2021 is as follows, as was announced in October, 2020.

(Billions of yen)

| | April 2019 - March 2020 Actual | April 2020 - March 2021 Forecast | Increase (Decrease) |
|--|---|---|--------------------------------|
| Net sales | 1,543.5 | 1,430.0 | (7.4%) |
| Operating income | 406.0 | 377.0 | (7.2%) |
| Ordinary income | 418.2 | 390.0 | (6.8%) |
| Net income attributable to owners of parent | 314.0 | 283.0 | (9.9%) |
| Net income per Share (Yen) | 755 | 681 | (74) |
| Cash Dividends per Share (Yen) | 220 | 240 | 20 |

(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, 2021 is expected to be ¥130 per share, an increase of ¥20 per share from the interim dividend of ¥110 per share, as was announced in October, 2020 as well. As a result, the dividend has increased for six consecutive terms, and we project that the dividend on an annual basis will be ¥240 per share, an increase of ¥20 per share from the dividend for the previous year of ¥220 per share.

Reference material

Consolidated sales composition ratio by function and utility (Apr-Dec, 2020)

| Functions/utilities | Consolidated sales composition ratio |
|---------------------|--------------------------------------|
| Faster electronics | 44% |
| Smarter electronics | 13% |
| Better mobility | 8% |
| Healthier life | 35% |

Moving toward the realization of a sustainable society ~ Examples of problem solution through Shin-Etsu group's products ~

Higher energy efficiency

- Semiconductor silicon (motor drive control system and power-saving transistors)
- Silicones (resin modifier for eco-tires and adhesives/heat dissipation agent for electrical and electronic components)
- Quartz glass product (jigs for semiconductor production processes)
- Rare earth magnet (motors for HV, EV, FCV, power steering system and power-saving air conditioner)
- Silicon tetrachloride (semiconductor insulator)
- Photoresists and Photomask blanks (semiconductor circuit forming material)
- Semiconductor encapsulating materials (power modules, sensors, 5G-related materials and millimeter-wave radar)
- Rare earth (multilayer ceramics condenser)

Lower carbon emissions

- PVC resin
- Photoresists and Photomask blanks (semiconductor circuit forming material)
- Semiconductor silicon (power device and power-saving transistors)
- Silicones (LED, ship-bottom paint, resin modifier for eco-tires, adhesives/heat dissipation agent, solar cell and wind power generator)
- Rare earth magnet (motors for HV, EV, FCV, power-saving air conditioner and wind power generator)
- Rare earth (oxygen sensor for improving fuel efficiency and fluorescent material for LED)
- LED material (LED encapsulation material)
- Semiconductor encapsulating materials
- Cellulose derivatives (ceramic component molding additive for household fuel cells)

Emission capturing

- Semiconductor silicon (semiconductor device for system control)
- Cellulose derivatives (ceramic component molding additive for purifying automobile exhaust gas)
- Rare earth (oxygen sensor for improving fuel efficiency)

Renewable energy

- Silicones (solar cell and wind power generator)
- Rare earth magnet (wind power generator)
- Rare earth (ceramic component molding additive for wind power generator)
- Semiconductor silicon (semiconductor device for system control)
- Quartz glass product (jigs for solar cell production process)

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31 and December 31, 2020

| | Millions of yen | |
|---------------------------------------|------------------|-------------------|
| | March 31, 2020 | December 31, 2020 |
| ASSETS | | |
| Current Assets: | | |
| Cash and time deposits | 836,448 | 795,073 |
| Notes and accounts receivable-trade | 325,489 | 354,229 |
| Securities | 251,377 | 235,066 |
| Inventories | 365,667 | 366,202 |
| Other | 52,723 | 57,753 |
| Less: Allowance for doubtful accounts | (7,186) | (6,580) |
| Total current assets | 1,824,519 | 1,801,744 |
| Fixed Assets: | | |
| Property, plant and equipment | | |
| Machinery and equipment, net | 440,595 | 578,325 |
| Other, net | 679,319 | 587,253 |
| Total property, plant and equipment | 1,119,915 | 1,165,579 |
| Intangible assets | 10,099 | 9,479 |
| Investments and other assets: | | |
| Investments and other assets | 278,241 | 278,987 |
| Less: Allowance for doubtful accounts | (2,291) | (2,228) |
| Total investments and other assets | 275,950 | 276,758 |
| Total fixed assets | 1,405,965 | 1,451,818 |
| TOTAL ASSETS | 3,230,485 | 3,253,562 |

| | Millions of yen | |
|--|-----------------|-------------------|
| | March 31, 2020 | December 31, 2020 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Notes and accounts payable-trade | 136,442 | 114,741 |
| Short-term borrowings | 8,295 | 10,785 |
| Accrued income taxes | 44,377 | 21,302 |
| Allowances | 4,390 | 3,791 |
| Other | 184,288 | 159,010 |
| | 377,794 | 309,630 |
| Long-term Liabilities: | | |
| Long-term debt | 15,124 | 14,268 |
| Net defined benefit liability | 36,243 | 38,323 |
| Other | 78,181 | 76,579 |
| | 129,549 | 129,171 |
| | 507,343 | 438,802 |
| NET ASSETS | | |
| Stockholders' Equity: | | |
| Common stock | 119,419 | 119,419 |
| Additional paid-in capital | 128,323 | 128,853 |
| Retained earnings | 2,413,769 | 2,535,669 |
| Less: Treasury stock, at cost | (7,123) | (13,819) |
| | 2,654,388 | 2,770,123 |
| Accumulated Other Comprehensive Income: | | |
| Unrealized gains (losses) on available-for-sale securities | 10,296 | 19,079 |
| Deferred gains (losses) on hedges | (2,799) | (245) |
| Foreign currency translation adjustments | (8,187) | (45,115) |
| Remeasurements of defined benefit plans | (1,387) | (979) |
| | (2,078) | (27,261) |
| Share subscription rights | 1,904 | 2,155 |
| Non-controlling interests in consolidated subsidiaries | 68,927 | 69,743 |
| | 2,723,141 | 2,814,760 |
| | 3,230,485 | 3,253,562 |

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

Consolidated Statements of Income

For the first three quarters ended December 31, 2019 and 2020

| | Millions of yen | |
|---|--------------------------------------|--------------------------------------|
| | April 1, 2019 - December 31, 2019 | April 1, 2020 - December 31, 2020 |
| Net sales | 1,174,011 | 1,090,407 |
| Cost of sales | 740,443 | 694,845 |
| Gross profit | 433,568 | 395,561 |
| Selling, general and administrative expenses | 114,833 | 110,539 |
| Operating income | 318,735 | 285,021 |
| Non-operating income: | | |
| Interest income | 8,069 | 4,277 |
| Dividend income | 5,274 | 6,832 |
| Equity in earnings of affiliates | 3,566 | 3,660 |
| Other income | 1,483 | 3,395 |
| Total non-operating income | 18,393 | 18,166 |
| Non-operating expenses: | | |
| Foreign exchange loss | 2,920 | 7,500 |
| Other expenses | 3,977 | 2,644 |
| Total non-operating expenses | 6,897 | 10,144 |
| Ordinary income | 330,231 | 293,043 |
| Extraordinary income: | | |
| Gain on sales of investment securities | 7,646 | - |
| Total extraordinary income | 7,646 | - |
| Income before income taxes and non-controlling interests | 337,878 | 293,043 |
| Income taxes: | | |
| Current | 87,746 | 71,932 |
| Deferred | 79 | 4,440 |
| Total income taxes | 87,825 | 76,373 |
| Net income | 250,052 | 216,670 |
| Net income attributable to non-controlling interests | 3,216 | 3,349 |
| Net income attributable to owners of parent | 246,836 | 213,321 |

Consolidated Statements of Comprehensive Income

For the first three quarters ended December 31, 2019 and 2020

| | Millions of yen | |
|---|--------------------------------------|--------------------------------------|
| | April 1, 2019 - December 31, 2019 | April 1, 2020 - December 31, 2020 |
| Net income | 250,052 | 216,670 |
| Other comprehensive income: | | |
| Unrealized gains (losses) on available-for-sale securities | (2,625) | 8,829 |
| Deferred gains (losses) on hedges | (2,596) | 2,542 |
| Foreign currency translation adjustments | (39,411) | (37,461) |
| Remeasurements of defined benefit plans | (134) | 415 |
| Share of other comprehensive income of affiliates accounted for using the equity method | (315) | (14) |
| Total other comprehensive income | (45,082) | (25,690) |
| Comprehensive income | 204,970 | 190,980 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 203,182 | 188,139 |
| Comprehensive income attributable to non-controlling interests | 1,788 | 2,841 |

(3) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable

(Notes on Significant Changes in Stockholders' Equity)

Not applicable

(Appendix)

1. Quarterly Operating Results

(Billions of yen)

| | FY 2020 April 1, 2019 - March 31, 2020 | | | | | FY 2021 April 1, 2020 - March 31, 2021 | | | |
|---|---|-------|-------|-------|---------|---|-------|-------|---------|
| | 1Q | 2Q | 3Q | 4Q | Total | 1Q | 2Q | 3Q | Total |
| Net Sales | 386.2 | 400.3 | 387.4 | 369.5 | 1,543.5 | 359.3 | 351.1 | 379.8 | 1,090.4 |
| PVC / Chlor-Alkali | 122.8 | 130.3 | 119.6 | 111.5 | 484.3 | 110.2 | 103.6 | 120.7 | 334.6 |
| Silicones | 56.3 | 58.4 | 57.3 | 54.7 | 226.8 | 51.2 | 47.9 | 52.7 | 151.9 |
| Specialty Chemicals | 28.9 | 29.3 | 29.2 | 27.3 | 114.7 | 27.4 | 25.7 | 29.3 | 82.5 |
| Semiconductor Silicon | 99.0 | 97.4 | 99.2 | 91.8 | 387.6 | 94.9 | 94.1 | 92.0 | 281.1 |
| Electronics & Functional Materials | 54.7 | 56.6 | 56.4 | 57.1 | 225.1 | 52.5 | 57.1 | 60.4 | 170.1 |
| Processing, Trading & Specialized Services | 24.2 | 28.0 | 25.5 | 26.8 | 104.7 | 22.8 | 22.5 | 24.6 | 70.0 |
| Operating Income | 107.5 | 103.0 | 108.2 | 87.3 | 406.0 | 90.9 | 93.3 | 100.7 | 285.0 |
| PVC / Chlor-Alkali | 25.3 | 26.3 | 25.5 | 14.9 | 92.1 | 19.0 | 18.3 | 24.5 | 61.9 |
| Silicones | 15.9 | 15.1 | 15.9 | 14.4 | 61.4 | 10.5 | 10.1 | 11.0 | 31.7 |
| Specialty Chemicals | 7.5 | 6.3 | 7.4 | 6.3 | 27.7 | 5.0 | 5.8 | 6.2 | 17.0 |
| Semiconductor Silicon | 39.4 | 35.0 | 37.6 | 31.1 | 143.2 | 38.5 | 37.0 | 37.1 | 112.6 |
| Electronics & Functional Materials | 16.6 | 16.7 | 18.1 | 17.0 | 68.5 | 14.9 | 18.5 | 18.0 | 51.6 |
| Processing, Trading & Specialized Services | 3.5 | 3.6 | 3.7 | 3.7 | 14.8 | 2.6 | 3.7 | 3.7 | 10.1 |
| Ordinary Income | 108.9 | 109.3 | 112.0 | 88.0 | 418.2 | 95.2 | 97.0 | 100.8 | 293.0 |
| Net Income Attributable to Owners of Parent | 84.0 | 80.9 | 81.8 | 67.1 | 314.0 | 69.3 | 70.9 | 73.0 | 213.3 |
| Depreciation and Amortization | 31.6 | 33.7 | 31.7 | 34.1 | 131.1 | 31.1 | 34.4 | 37.1 | 102.7 |
| Capital Expenditures | 56.3 | 60.5 | 62.2 | 85.8 | 265.0 | 52.7 | 58.2 | 63.6 | 174.6 |
| R&D Costs | 12.9 | 11.8 | 11.4 | 12.3 | 48.5 | 12.3 | 12.1 | 12.9 | 37.4 |
| Overseas Sales | 280.9 | 295.8 | 283.5 | 268.1 | 1,128.4 | 264.9 | 258.1 | 281.7 | 804.9 |
| Ratio of Overseas Sales to Net Sales | 73% | 74% | 73% | 73% | 73% | 74% | 74% | 74% | 74% |

2. Capital Expenditures and Depreciation and Amortization

(Billions of yen)

| | 2019 April - December | 2020 April - December |
|--|--------------------------|--------------------------|
| Capital Expenditures | 179.1 | 174.6 |
| PVC/Chlor- Alkali Business | 60.2 | 70.8 |
| Silicones Business | 22.7 | 19.9 |
| Specialty Chemicals Business | 17.4 | 11.5 |
| Semiconductor Silicon Business | 43.9 | 31.9 |
| Electronics & Functional Materials Business | 32.8 | 38.0 |
| Processing, Trading & Specialized Services Business | 3.4 | 3.0 |
| Depreciation and Amortization | 97.0 | 102.7 |
| PVC/Chlor- Alkali Business | 26.0 | 31.1 |
| Silicones Business | 11.6 | 12.6 |
| Specialty Chemicals Business | 7.7 | 10.0 |
| Semiconductor Silicon Business | 33.1 | 30.6 |
| Electronics & Functional Materials Business | 15.0 | 15.2 |
| Processing, Trading & Specialized Services Business | 3.6 | 3.2 |

Annual

| | Apr 2019 - Mar 2020 Actual | Apr 2020 - Mar 2021 Forecast |
|-------------------------------|-------------------------------|---------------------------------|
| Capital Expenditures | 265.0 | 240.0 |
| Depreciation and Amortization | 131.1 | 140.0 |

3. Other Financial Items (Consolidated)

(Billions of yen)

| | Dec 31 2019 | Dec 31 2020 | Mar 31 2020 |
|--------------------------------|----------------|----------------|----------------|
| Net Assets | 2,640.2 | 2,814.7 | 2,723.1 |
| Total Assets | 3,104.2 | 3,253.5 | 3,230.4 |
| Net Assets per Share (Yen) | 6,185 | 6,602 | 6,378 |
| Interest-bearing Liabilities | 21.7 | 25.0 | 23.4 |
| Number of Employees | 22,277 | 23,536 | 22,783 |
| Exchange Rate: Jan - Sep (Avg) | 109.2 | 107.6 | |
| (Yen/US\$) Apr - Dec (Avg) | 108.7 | 106.1 | |

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

4. Comparative Balance Sheets (Consolidated)

(Billions of yen)

| | Mar 31 2020 | Dec 31 2020 | Increase (Decrease) [a] | Effect of exchange rate [b] | [a]-[b] | | Mar 31 2020 | Dec 31 2020 | Increase (Decrease) [a] | Effect of exchange rate [b] | [a]-[b] |
|-------------------------------------|----------------|----------------|-------------------------------|--------------------------------------|--------------|---|----------------|----------------|-------------------------------|--------------------------------------|---------------|
| | | | | | | | | | | | |
| Current Assets | 1,824.5 | 1,801.7 | (22.8) | (19.2) | (3.6) | Current Liabilities | 377.7 | 309.6 | (68.1) | (2.3) | (65.8) |
| Cash and time deposits | 836.4 | 795.0 | (41.4) | (11.4) | (30.0) | Notes and accounts payable-trade | 136.4 | 114.7 | (21.7) | (1.2) | (20.5) |
| Notes and accounts receivable-trade | 325.4 | 354.2 | 28.8 | (2.9) | 31.7 | Short-term borrowings | 8.2 | 10.7 | 2.5 | 0.0 | 2.5 |
| Securities | 251.3 | 235.0 | (16.3) | 0.0 | (16.3) | Accrued income taxes | 44.3 | 21.3 | (23.0) | 0.0 | (23.0) |
| Inventories | 365.6 | 366.2 | 0.6 | (4.5) | 5.1 | Other | 188.6 | 162.8 | (25.8) | (1.1) | (24.7) |
| Other | 45.5 | 51.1 | 5.6 | (0.4) | 6.0 | Long-term Liabilities | 129.5 | 129.1 | (0.4) | (2.2) | 1.8 |
| | | | | | | Total Liabilities | 507.3 | 438.8 | (68.5) | (4.5) | (64.0) |
| Fixed Assets | 1,405.9 | 1,451.8 | 45.9 | (25.4) | 71.3 | Stockholders' Equity | 2,654.3 | 2,770.1 | 115.8 | 0.0 | 115.8 |
| Property, Plant and Equipment | 1,119.9 | 1,165.5 | 45.6 | (24.6) | 70.2 | Accumulated Other Comprehensive Income | (2.0) | (27.2) | (25.2) | (39.6) | 14.4 |
| Intangible Assets | 10.0 | 9.4 | (0.6) | (0.1) | (0.5) | Other | 70.8 | 71.8 | 1.0 | (0.5) | 1.5 |
| Investments and Other Assets | 275.9 | 276.7 | 0.8 | (0.7) | 1.5 | Total Net Assets | 2,723.1 | 2,814.7 | 91.6 | (40.1) | 131.7 |
| Total Assets | 3,230.4 | 3,253.5 | 23.1 | (44.6) | 67.7 | Total Liabilities and Net Assets | 3,230.4 | 3,253.5 | 23.1 | (44.6) | 67.7 |

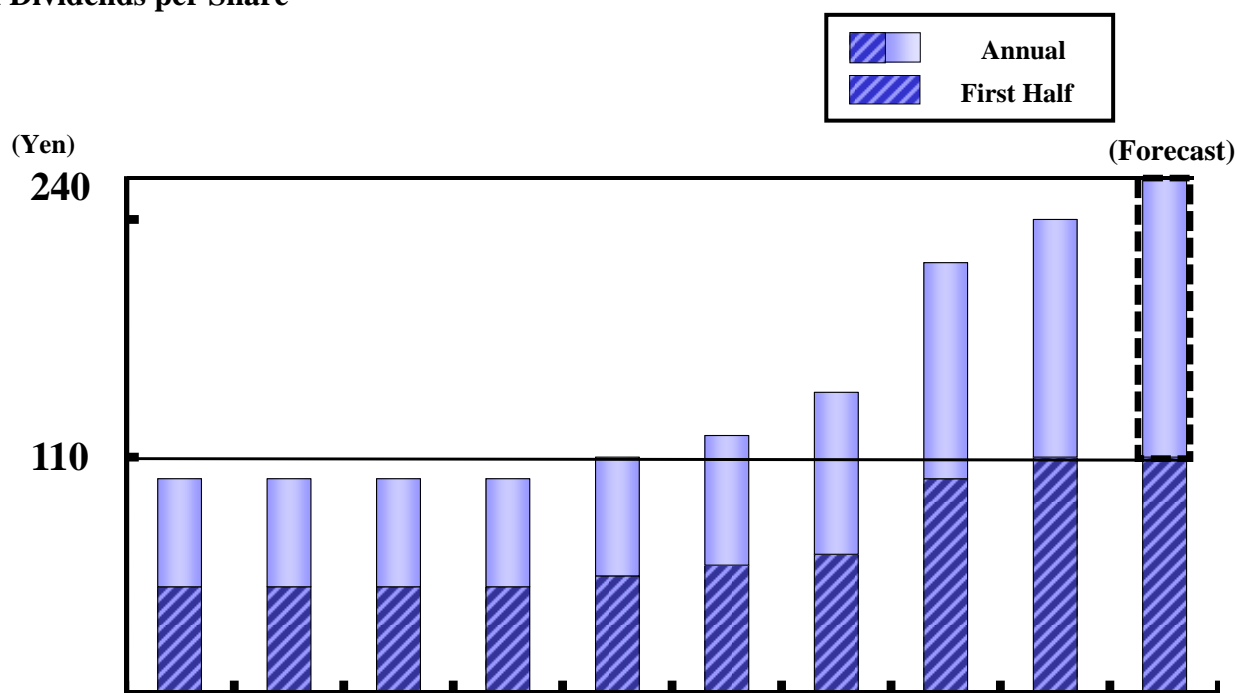
5. Comparative Statements of Cash Flows (Consolidated)

(Billions of yen)

| | 2019 Apr-Dec | 2020 Apr-Dec | Increase (Decrease) |
|--|-----------------|-----------------|------------------------|
| (1) Cash Flows from Operating Activities | 280.0 | 228.6 | (51.4) |
| Income Before Income Taxes | 337.8 | 293.0 | (44.8) |
| Payments of income taxes | (103.9) | (96.5) | 7.4 |
| Depreciation and amortization | 97.0 | 102.7 | 5.7 |
| (Increase)Decrease in working capital | (50.0) | (57.8) | (7.8) |
| Other | (0.9) | (12.8) | (11.9) |
| (2) Cash Flows from Investing Activities | (242.0) | (110.1) | 131.9 |
| Capital expenditures | (189.4) | (177.9) | 11.5 |
| (Increase)Decrease in securities | 1.0 | 8.7 | 7.7 |
| (Increase)Decrease in time deposits | (52.7) | 59.5 | 112.2 |
| Other | (0.8) | (0.4) | 0.4 |
| (3) Cash Flows from Financing Activities | (95.9) | (97.6) | (1.7) |
| Increase(Decrease) in borrowings | 7.5 | 1.8 | (5.7) |
| Cash dividends paid | (87.4) | (91.4) | (4.0) |
| Purchases of treasury stock | (10.5) | (10.6) | (0.1) |
| Other | (5.6) | 2.5 | 8.1 |
| (4) Effect of Exchange Rate Changes on Cash and Cash Equivalents, and other | (13.1) | (6.9) | 6.2 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (71.1) | 13.8 | 84.9 |
| Balance of Cash and Cash Equivalents | 757.2 | 758.9 | 1.7 |
| Balance of Interest-bearing Liabilities | 21.7 | 25.0 | 3.3 |

Note : These statements were prepared on an informal basis.

6. Cash Dividends per Share



| Fiscal year ended March | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| Cash Dividend per Share (Yen) | First half | 50 | 50 | 50 | 50 | 55 | 60 | 65 | 100 | 110 | 110 |
| | Annual | 100 | 100 | 100 | 100 | 110 | 120 | 140 | 200 | 220 | 240* |
| Net Income per Share (Yen) | Annual | 237.0 | 248.9 | 267.2 | 302.0 | 349.5 | 412.9 | 624.3 | 726.0 | 755.2 | 681.1* |
| Dividend payout ratio | Annual | 42.2% | 40.2% | 37.4% | 33.1% | 31.5% | 29.1% | 22.4% | 27.5% | 29.1% | 35.2%* |

*Forecast

7. Sales by Region

(Billions of yen)

| | Japan | Overseas | | | | | Total | Total Consolidated Net Sales |
|-------------------|-------|----------|--------------|-------|--------|-------------|-------|------------------------------|
| | | U.S. | Asia/Oceania | | Europe | Other Areas | | |
| | | | China | | | | | |
| 2019 Apr - Dec | 27% | 22% | 33% | 10% | 11% | 7% | 73% | 1,174.0 |
| | 313.6 | 253.6 | 392.5 | 116.0 | 128.6 | 85.5 | 860.3 | |
| 2020 Apr - Dec | 26% | 22% | 35% | 10% | 10% | 7% | 74% | 1,090.4 |
| | 285.4 | 242.8 | 377.1 | 109.9 | 113.6 | 71.3 | 804.9 | |

(Note) % indicates the proportion of total consolidated net sales.

8. Average Exchange Rate

| | | US\$ (yen/\$) | | | | | EUR (yen/€) | | | | |
|------|---------|---------------|----------|---------|-----------|---------|-------------|----------|---------|-----------|---------|
| | | Quarterly | 9 months | | 12 months | | Quarterly | 9 months | | 12 months | |
| | | | Jan-Sep | Apr-Dec | Jan-Dec | Apr-Mar | | Jan-Sep | Apr-Dec | Jan-Dec | Apr-Mar |
| 2019 | Jan-Mar | 110.2 | | | | | 125.1 | | | | |
| | Apr-Jun | 109.9 | 109.2 | | | | 123.5 | 122.7 | | | |
| | Jul-Sep | 107.4 | | 108.7 | 109.1 | | 119.3 | | 121.1 | 122.1 | |
| | Oct-Dec | 108.8 | | | | 108.7 | 120.3 | | | | 120.8 |
| 2020 | Jan-Mar | 108.9 | | | | | 120.1 | | | | |
| | Apr-Jun | 107.6 | 107.6 | | | | 118.5 | 120.9 | | | |
| | Jul-Sep | 106.2 | | 106.1 | 106.8 | | 124.1 | | 122.4 | 121.8 | |
| | Oct-Dec | 104.5 | | | | | 124.5 | | | | |

(Note) An average exchange rate between January and September was used for the Consolidated Income Statements of overseas subsidiaries.