

Shin-Etsu Chemical Co., Ltd.	
Summary of Telephone Conference on Financial Results for the Third Quarter Ended December 31, 2022	
Date	January 26, 2023 16:00–17:00
Venue	Shin-Etsu Chemical Co., Ltd.
Attendees from the Company	<ul style="list-style-type: none"> • Yasuhiko Saitoh, Representative Director – President • Masahiko Todoroki, Senior Managing Director, In Charge of Semiconductor Silicon Business • Toshiya Akimoto, Managing Corporate Officer, In Charge of Public Relations • Toshiyuki Kasahara, Corporate Officer, General Manager of Finance & Accounting Department • Shinji Fukui, General Manager of Public Relations Department
Reference material	Consolidated Financial Results for the Third Quarter Ended December 31, 2022

* This memo is a summary of a dialogue exchange in the telephone conference.

[Greetings and summary of financial results (President Yasuhiko Saitoh)]

- In the third quarter ended December 31, 2022 (October to December), the Company posted the following results:
Consolidated net sales of ¥753.9 billion (up 39% year on year),
operating income of ¥271.9 billion (up 50% year on year),
ordinary income of ¥265.1 billion (up 42% year on year), and
net income attributable to owners of parent of ¥186.1 billion (up 41% year on year)
Profits showed year-on-year growth for 8 consecutive quarters.
- In the first three quarters ended December 31, 2022, net sales increased by approximately 50% and profits increased by approximately 70%.

[Status by segment]

- **[Infrastructure Materials]:**
In Asia, the PVC price bottomed out in November last year and subsequently turned around. In the U.S. market, we are working on raising prices by 6 cents/lb this month. We also announced a 4-cent price increase in February. Inventory adjustments for PVC resin are coming to an end. Even though U.S. housing starts in December fell from the previous month, there were 1.38 million units. Housing is

still in short supply. In fact, the inventory of houses is decreasing, and houses must be built.

Demand for caustic soda is generally stable in both North America and Asia.

- [Electronics Materials]:

In the area of semiconductor front-end process materials, some customers are requesting quantity adjustments. When accommodating their request, we work to reach a mutually beneficial agreement. In terms of our operation, we continue to be in full production overall.

Looking at the demand for rare earth magnets, inventory adjustments of customers are ending for HDD.

All of our customers are confident that electronization/electrification, high-performance computing (HPC), and green transformation (GX) will continue, and are making investments. There is no change in the direction of capacity expansion, while separating short-term adjustments and basic demand.

- [Functional Materials]:

The market for general-purpose products tends to be influenced by trends in China, but the Company is enhancing performance in advanced functional products and specialty products where its strength lies. We are continuing to strengthen our supply system.

- [Processing, & Specialized Services]:

Demand for semiconductor wafer cases, including wafer cases used in the device manufacturing process, has not changed so far.

[Full-year operating forecasts and return to shareholders]

- Based on the results for the October-December quarter and the forecast for the January-March quarter, the Company revised upward its full-year earnings forecast for the current fiscal year.

The Company expects net sales of ¥2.78 trillion and ordinary income of ¥1.02 trillion, reaching the ¥1 trillion level.

- In conjunction with the revision of the full-year forecast, the annual dividend forecast was also revised upward by ¥50 to ¥500.
- Stock split -- 1 share as of March 31, 2023, will be split into 5 effective from April 1.
- Although the economic conditions are constantly changing, we will make steady efforts to further expand our business while promptly taking short-term measures.

[Supplementary explanation (Shinji Fukui, General Manager of Public Relations Department)]

- Capital investment in the fiscal year ending March 31, 2023, is estimated to be worth approximately ¥300 billion, and the level of depreciation and amortization is expected to be ¥215 billion.
- Foreign exchange sensitivity of ordinary income: ¥5.8 billion per year for the U.S. dollar and ¥0.3 billion per year for the euro, at a fluctuation of ¥1.

[Q&A Session]

<Infrastructure Materials>

Q	What is the background to the announcement of the PVC price increase in the U.S.?
A	<ul style="list-style-type: none">• The Company decided to announce the price increase based on three factors: the turnaround of the overseas PVC price mainly in Asia, trends in spring demand in North America, and an increase in costs. Based on these circumstances, we think we can raise prices. It is not the cold wave at the end of last year that triggered our approach to price increases.
Q	Please describe Shintech's results for the October-December period.
A	<ul style="list-style-type: none">• Shintech's earnings for the October-December period are expected to be lower than the July-September period, and slightly lower than the same period last year.
Q	What is the difference between the market price and Shintech's sales prices?
A	<ul style="list-style-type: none">• When raising prices, the Company has done so after carefully discussing the matter with its customers and negotiating with them in a mutually beneficial manner, taking their circumstances into account. It is not necessarily a give-and-take relationship where we give in at one point and the customer returns the favor when our earnings decline. However, in any case, we deal with pricing very carefully. All things considered, it might be that on a total average, our sales prices were higher than those of competitors.

Q	Why are PVC resin exports from North America on the rise and what is the impact of increased exports on profitability?
	<ul style="list-style-type: none"> • I think the increase in PVC resin exports pertain to shipments to India. There is very strong demand for PVC in India, importing a considerable amount. • Although there are differences in PVC prices between the U.S. and exports, we will work to fundamentally raise prices in North America and in exports to boost overall profits. • According to industry statistics, the ratio of PVC exports was about 30% in 2022 (Annual) and over 40% last month (December).

<Electronics Materials>

Q	Please describe the shipment trends of semiconductor wafers in the third quarter (October-December quarter).
A	<ul style="list-style-type: none"> • Compared with the July-September quarter, shipments generally experienced negative growth. By diameter, wafer sales of 150 mm or less continued to slow down after the summer, while 200 mm wafers were relatively firm, and sales of 300 mm wafers saw adjustments for memory from early autumn.
Q	What is your demand forecast for semiconductor wafers in the fourth quarter (January-March quarter)?
A	<ul style="list-style-type: none"> • We expect demand in the market to decline compared with the third quarter. Adjustments are notable for 150 mm wafers or less and 200 mm and 300 mm wafers are also in an adjustment phase. We believe that adjustments are slightly higher for 300 mm wafers. In the 300 mm wafer market, adjustments began for memory in early autumn and for logic in January. We believe there is roughly a 10% adjustment in the overall wafer market.
Q	What about adjustments under long-term agreements?
A	<ul style="list-style-type: none"> • We respond to requests for volume adjustments from customers with long-term agreements by carefully discussing matters such as short-term delivery time adjustments and price increases that are commensurate with the terms of the contract, in order to make adjustments in a mutually

	beneficial manner.
Q	Please describe the outlook for wafers in 2023 and the Company's production trends.
A	<ul style="list-style-type: none"> • In terms of the outlook for the semiconductor device market, many customers expect adjustments to end in the first half of this year and the market to recover from July. Accordingly, we expect demand for wafers to bottom out in the January-March quarter and gradually increase through the second half of the year. • Due to our low wafer inventory, we plan to raise our inventory by continuing high-level production from the January to March onwards.
Q	Please tell us about investments for semiconductor wafers.
A	<ul style="list-style-type: none"> • Many of our customers expect the semiconductor market to recover in the second half of this year, and we intend to increase our greenfield investments from 2024 onwards as planned under long-term agreements.
Q	What is the status of the rare earth magnets business?
A	<ul style="list-style-type: none"> • The HDD inventory adjustments of customers are coming to an end, and we anticipate demand to recover toward spring. • There are signs of some adjustments for FA, but customers are also making various efforts, including those for in-vehicle use and air conditioning. Therefore, we have been furnishing products to support their efforts and responding with our collective strengths. • Regarding our rare earth magnets business, we expect the situation will not differ much between the third and fourth quarters.

<Functional Materials>

Q	What is the status of the Functional Materials segment?
A	<p>(About overall segment)</p> <ul style="list-style-type: none"> • There was slack in supply and demand in the market for commodity products. <p>(Silicones Business)</p> <ul style="list-style-type: none"> • Since functional and specialty products are tailored for each customer, performance may fluctuate depending on customer demand. That said, we will expand sales in a variety of markets. • We are very interested in the situation in China. According to media

	<p>reports, Chinese consumption is expected to recover significantly. Under such circumstances, we are working to expand sales in anticipation of growth in cosmetics and other products.</p> <p>(Cellulose Business)</p> <ul style="list-style-type: none"> • The pharmaceutical field is growing in particular. In general, the demand for medicine is strong. • In Europe, we are working to further expand our range of products, including those for high-value-added pharmaceuticals.
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<Company-wide>

Q	What are the trends in new businesses?
A	<ul style="list-style-type: none"> • Various steps are being taken. For example, we have commercialized anode materials for lithium batteries, expanding production and gradually increasing sales. • New products such as SiC, GaN substrates and micro-LEDs are also being evaluated by customers, and we are looking forward to the next fiscal year.
Q	Please explain the background to the upward revision to the full-year forecast.
A	<ul style="list-style-type: none"> • At the Company, we also made an upward revision in the second quarter, but we took a rather conservative perspective for the second half at the time. Based on the results up to the third quarter and the outlook for the fourth quarter, we decided to revise upward.
Q	Please elaborate on the stock split.
A	<ul style="list-style-type: none"> • We have periodically been considering implementing a stock split in response to the request from the Tokyo Stock Exchange to make investment units easier for individuals to invest in the Company's shares. We have come to feel the need to broaden the base of shareholders more strongly and decided to implement the stock split.
Q	What is your policy on dividends?
A	<ul style="list-style-type: none"> • There is no change in the Company's basic policy. • This time, considering the level of earnings, we implemented an additional dividend increase. We will continue to maintain our policy of providing stable dividends over the long term.