

<b>Shin-Etsu Chemical Co., Ltd.</b>	
<b>Summary of Telephone Conference on Financial Results for the Fiscal Year Ended March 31, 2023</b>	
<b>Date</b>	April 27, 2023 16:00–17:00
<b>Venue</b>	Shin-Etsu Chemical Co., Ltd.
<b>Attendees from the Company</b>	<ul style="list-style-type: none"> <li>• Yasuhiko Saitoh, Representative Director – President</li> <li>• Masahiko Todoroki, Senior Managing Director, In Charge of Semiconductor Silicon Business</li> <li>• Toshiya Akimoto, Managing Corporate Officer, In Charge of Public Relations</li> <li>• Toshiyuki Kasahara, Corporate Officer, General Manager of Finance &amp; Accounting Department</li> <li>• Shinji Fukui, General Manager of Public Relations Department</li> </ul>
<b>Reference Material</b>	<a href="#">Consolidated Financial Results for the Fiscal Year Ended March 31, 2023</a>

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

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

- In the fiscal year ended March 31, 2023, the Company posted the following results: Consolidated net sales of ¥2,808.8 billion (up 35% year on year), operating income of ¥998.2 billion (up 48% year on year), ordinary income of ¥1,020.2 billion (up 47% year on year), and net income attributable to owners of parent of ¥708.2 billion (up 42% year on year).
- Record highs were set in all the above categories.
- In the fourth quarter (January–March quarter) ended March 31, 2023, the Company posted the following results: Consolidated net sales of ¥645.5 billion (up 9% year on year), operating income of ¥189.9 billion (down 3% year on year), ordinary income of ¥195.9 billion (down 4% year on year), and net income attributable to owners of parent of ¥129.7 billion (down 12% year on year).
- Despite the slowdown, we were able to finish the quarter with numbers in line with our forecast, which was revised upward three months prior.

[Status by segment]

- [Infrastructure Materials]:

In North America, the price increase of PVC in January and February was 2 cents/lb in total. Elsewhere, the increase was around 5 cents/lb. The market today can generally be described as being in a state of inactivity, or what sailors call “the doldrums.” The price of caustic soda weakened temporarily, but is now turning around. Spring demand in North America is expected to be delayed by about two months. In a positive sign, housing starts were just over 1.4 million units in both February and March. While the housing shortage has not been resolved, as evidenced by remaining high housing costs, the market appears to be wary of the threat of a combination of monetary tightening and a credit crunch. Demand in emerging markets has been solid.

- [Electronics Materials]:

With regard to front-end process materials for semiconductors, we have worked out mutually beneficial arrangements to accommodate customers' requests for volume adjustments, which were mentioned at the January meeting. Although our current capacity utilization is generally high, red flags have emerged in the March sales figures from Taiwan's device industry and Q1 (January-March quarter) results from major semiconductor companies, and we are closely monitoring the situation. With regard to demand for rare-earth magnets, as inventory adjustments of customers for HDDs have dragged on, we are working to expand sales in automotive and other fields.

We will work closely with customers to appropriately increase capacity and accelerate product lineup expansion while distinguishing short-term adjustments from medium- to long-term basic demand.

- [Functional Materials]:

Although the general-purpose product market is affected by trends in China, the Company is focusing on expanding sales of functional and specialty products, which are its strengths, including sales in China. Sales for automotive, personal care, and healthcare applications were steady.

- [Processing & Specialized Services]:

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

- Inventory reductions and inventory adjustments tend to dominate the conversation, but there are multiple elements of business growth. To give an example, if a

complete set of our products for in-vehicle applications were used, the estimated cost per unit would exceed ¥10,000 at this time. For EVs, that number increases dramatically. We will continue to pursue growth opportunities in a variety of fields.

[Return to shareholders and future outlook]

- The full-year dividend forecast is ¥500.
- Although the economic climate is changing and headwinds are expected to increase in the future, we will steadily take steps to further expand our business.

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

- Capital investment in the fiscal year ending March 31, 2024 is estimated to be approximately ¥380 billion, and the level of depreciation and amortization is expected to be approximately ¥240 billion.
- Foreign exchange sensitivity of ordinary income: ¥5.7 billion per year for the U.S. dollar and ¥0.4 billion per year for the euro, at a fluctuation of ¥1.

## [Q&A Session]

### <Infrastructure Materials>

Q	What is the current demand for PVC?
A	<ul style="list-style-type: none"><li>• We are keeping a close eye on when we can break free of the doldrums we are currently in. The first important point is that spring demand in the United States is delayed, and even if spring demand is delayed, it will still happen to some extent. In that regard, we have not yet fully grasped the outlook of our customers. The second important point is Asia. In China, the economy is now picking up, led by personal consumption, but the question is what will happen to the construction sector, especially housing. The Indian market is doing relatively well, but how will the buying habits of Indian customers develop? We cannot say for certain when we will break free of the doldrums, but we are looking at those factors.</li></ul>

Q	What are the market conditions for caustic soda?
A	<ul style="list-style-type: none"> <li>• One factor in the turnaround of the caustic soda market, if you look at the supply side, is that there are several scheduled maintenances in this March to May period. Then there's the status of the capacity utilization at the electrolysis companies and the fact that demand is not particularly slack. The result of this is that we see a turnaround in caustic soda.</li> </ul>
Q	What is the status of Shintech in the January-March quarter?
A	<ul style="list-style-type: none"> <li>• Compared to the January-March period last year, profits declined. This is within our expectations since the January-March period last year was very good. On a dollar basis, I think it's about the same as the October-December quarter.</li> </ul>
Q	What are the market price trends for PVC and raw materials?
A	<p>(PVC market conditions in the U.S.)</p> <ul style="list-style-type: none"> <li>• We were unable to raise prices in March, and it will be difficult to raise prices in April, so it looks like prices will remain flat. This is due to the delay in spring demand, as I mentioned earlier. The background is that at the beginning of the year, in anticipation of spring demand, customer production was built up to a certain extent, but when spring demand did not pick up as expected, this led to some production adjustments in the opposite direction. We have high expectations for delayed spring demand.</li> </ul> <p>(PVC market conditions outside of North America)</p> <ul style="list-style-type: none"> <li>• The market price always goes up and down, but I don't foresee any big price drop at the moment.</li> <li>• Export prices are not necessarily one-size-fits-all, but vary depending on the region, the contract period, and the selling method of each company. It's not a market that can be easily managed with one price, as the trade papers say. That's why our numbers are better than our competitors. It's an accumulation of small adjustments to the state of the market and the market prices' movements. The market conditions reported in the trade press are not entirely wrong, but they are not the only ones.</li> <li>• From a North American perspective, the price difference between overseas and North America is a hot topic, but it's not the case that cheap Asian products flood into the US when the price gap widens. Domestic and foreign price differences do not determine North American prices. North</li> </ul>

	<p>American prices are determined by North American supply-demand situation. We are keeping a close eye on the delay in spring demand, and since we have good and strong relationships with our customers, if the market were to weaken, we would work with them to come up with and implement measures to overcome the weakness.</p> <p>(Market trend of raw materials)</p> <ul style="list-style-type: none"> <li>• The price drop in natural gas, and then ethane, certainly helped January-March in terms of profits.</li> </ul>
Q	What is the outlook for demand for PVC in North America?
A	<ul style="list-style-type: none"> <li>• Looking at the housing market, home sales increase when interest rates fall. Because housing sales are extremely sensitive to interest rates, I believe that once interest rates stop rising and stabilize, and interest rates on loans begin to decline, housing starts and other housing sales will enter a recovery phase. There is no doubt that demand for PVC will increase not only in North America but also throughout the world in the long term, so we are currently expanding our PVC production capacity.</li> </ul>
Q	What is the status of Shintech's 2nd phase capacity expansion?
A	<ul style="list-style-type: none"> <li>• We are proceeding with the construction as planned without delaying the construction of new facilities.</li> </ul>
Q	What will be the impact of the decline in housing permits and lending problems at regional banks in North America?
A	<ul style="list-style-type: none"> <li>• Looking at the financial results of the major housing construction companies, I think that the impact will be small.</li> </ul>

### <Electronics Materials>

Q	How were shipments in the semiconductor wafer market in Q4 (January-March)?
A	<ul style="list-style-type: none"> <li>• They fell by about 10% compared to the October-December quarter. Wafers of 150 mm or less, which had already experienced a large slowdown, slowed down even further, resulting in a year-on-year decline of more than 10%. The 200 mm and 300 mm wafers each declined by a little less than 10%.</li> </ul>

Q	What is the outlook for semiconductor wafers?
A	<p>(Outlook for Q1 (April-June))</p> <ul style="list-style-type: none"> <li>Customer's production adjustments have continued, but according to the outlook for the beginning of the year, a recovery in the latter half of 2023 was expected, so orders for the April-June quarter were placed based on that assumption, and we expect an increase over January-March.</li> </ul> <p>(Outlook for Q2 (July-September))</p> <ul style="list-style-type: none"> <li>Customer adjustments have tended to be longer than initially expected, and we believe that customer inventory adjustments may occur again between July and September.</li> </ul>
Q	How do you see the timing of recovery in the semiconductor market?
A	<ul style="list-style-type: none"> <li>The long-term trend in IC shipments has been an annual growth rate of about 7%, but due to special demand caused by COVID-19 and supply chain disruptions, from 2021 to the first half of 2022 we saw high growth that significantly exceeded that level. We are currently in the midst of the adjustment that emerged after the summer of 2022 in reaction to that spike. Adjustments are being made not only for memory ICs but also logic ICs, and the recovery starting in the July-September 2023 quarter that was originally anticipated may be postponed.</li> </ul>
Q	What is the status of performance of long-term agreements?
A	<ul style="list-style-type: none"> <li>As in the past, we respond to requests from customers with long-term agreements for volume adjustments by discussing, on an individual basis, options such as adjusting the quantity or increasing the price within the agreement period in a way that is consistent with what is stated in the agreement.</li> </ul>
Q	What about investments in semiconductor wafers?
A	<ul style="list-style-type: none"> <li>Our greenfield investments from 2024 onwards are based on long-term agreements with our customers.</li> </ul>
Q	What is the status of development of EUV mask blanks?
A	<ul style="list-style-type: none"> <li>This is an area that is quite difficult and it takes quite a bit of time to gain a reputation from customers. It will not make a significant contribution to earnings in the current fiscal year.</li> </ul>

## <Functional Materials>

Q	What accounts for the decrease in profit in the silicones business in Q4?
A	<ul style="list-style-type: none"><li>• Demand for general-purpose products has dropped, and prices have fallen accordingly. Another factor was the preventive maintenance between January and March.</li></ul>

## <Company-wide>

Q	What is the outlook for capital expenditures in the fiscal year ending March 31, 2024?
A	<ul style="list-style-type: none"><li>• It is increasing in each segment. We have not disclosed the breakdown by segment, but the increase is expected to be on the order of the increase in the previous fiscal year (ended March 31, 2023).</li></ul>
Q	What products are expected to grow?
A	<ul style="list-style-type: none"><li>• We are making efforts to expand in all areas.</li><li>• In electronics materials in particular, there are some areas where growth is difficult and others where there is still ample room to grow, but we will take appropriate measures in all areas.</li><li>• The volume of our products used in EVs, a growing market, will continue to increase. For example, the amount of silicone used in EVs is about four times that used in gasoline-powered cars. We will work to increase that number to five to six times.</li><li>• We are also focusing on new products in various ways, and we are working to expand our business in all directions from various angles so that we can contribute to the current fiscal year.</li></ul>
Q	How is the level of cash on hand?
A	<ul style="list-style-type: none"><li>• We believe that our current cash on hand is within an appropriate range.</li></ul>
Q	How about construction in progress for the fiscal year ended March 31, 2023?
A	<ul style="list-style-type: none"><li>• The largest increase was in Infrastructure Materials.</li></ul>
Q	What is your view on return on investment (ROIC)?
A	<ul style="list-style-type: none"><li>• Investment evaluation standards (hurdle rates) differ for each business or investment, but of course we have our return on investment criteria for each business.</li></ul>