

<b>Shin-Etsu Chemical Co., Ltd.</b>	
<b>Summary of Telephone Conference on Financial Results for the First Half Ended September 30, 2023</b>	
<b>Date</b>	October 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 First Half Ended September 30, 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 second quarter ended September 30, 2023, the Company posted the following results:  
Consolidated net sales: ¥596.7 billion (down 21% year on year)  
Operating income: ¥191.0 billion (down 33% year on year)  
Ordinary income: ¥210.3 billion (down 29% year on year)  
Net income attributable to owners of parent: ¥147.8 billion (down 29% year on year)
- Income declined on a year-on-year basis, but remained almost unchanged quarter-on-quarter.
- In the first half, cumulative ordinary income reached 56% of the full-year forecast.
- To summarize the comparison with the previous quarter (April–June), in Infrastructure Materials, there was a rise in PVC price, while in Electronics Materials, there was a certain amount of volume reduction.

### **[Status by segment]**

- [Infrastructure Materials]:  
So far this year, demand for PVC in North America has been flat, with no spring demand, no summer doldrums, and no signs of autumn demand, as if the market had forgotten the seasons. We're expecting there won't be a winter doldrums either. The number of building permits for detached houses is increasing, which is a

positive trend. In Asia, the market price tends to be dragged down by weak domestic demand in China, but we are focused on maintaining prices. The caustic soda market price is expected to pick up in October–December due to major scheduled maintenance and other factors. The price trends for both PVC and caustic soda are expected to continue to fluctuate for a while, and we will steer prices and volumes in a precise manner. Furthermore, Shintech's new facility expansion, which will be completed in the middle of next year, incorporates the latest technology, which will increase competitiveness in addition to quantity.

- [Electronics Materials]:

From what we hear from our customers, it seems that inventory adjustments for semiconductor devices are coming to an end. There are various theories as to when the market will recover from the prolonged adjustment phase, and we are prepared to deal with any eventuality. Regarding rare earth magnets, demand is steady for automotive use. For all products, we will appropriately increase capacity and promote product lineup expansion and higher product performance while distinguishing short-term adjustments from medium- to long-term basic demand. For wafers, we will increase capacity under long-term agreements while taking into account customer investment plans. For lithography materials, we will further strengthen our supply capacity. Regarding magnets, we will soon complete a magnet that does not use heavy rare earths at all without compromising its properties. We have also started considering new locations.

- [Functional Materials]:

Although the commodity product market is still affected by economic trends in China, we are focusing on expanding sales of functional and specialty products, which are our strengths, including sales in China. Sales for automotive, personal care, and healthcare applications are growing. As for commodity products, we are doing our best for each project. As we have already announced, we will focus on expanding our lineup of silicone products that can contribute to carbon neutrality.

- [Processing, & Specialized Services]:

Earnings in this segment have been stable.

- We have been investing management resources in new products and technologies. We will focus on products such as EUV blanks, SiC substrates, GaN substrates, semiconductor packaging materials, and micro LED systems so that these products can contribute to earnings as soon as possible.

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

- Capital expenditures in the fiscal year ending March 31, 2024 is estimated to be approximately ¥380.0 billion, and the level of depreciation and amortization is expected to be approximately ¥240.0 billion.
- Foreign exchange sensitivity of ordinary income: ¥4.4 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 are the price trends for PVC, caustic soda, and raw materials in North America?
A	<p>(Market price of PVC)</p> <ul style="list-style-type: none"> <li>• For the market price in July–September, there was a slight increase compared to April–June.</li> <li>• We think the price of PVC will continue to rise and fall for a while, but we will focus on maintaining prices.</li> <li>• We expect the October–December period to be flat.</li> </ul> <p>(Market price of caustic soda)</p> <ul style="list-style-type: none"> <li>• Given the signs of a turnaround in October–December, we think the market price will be able to rebound.</li> </ul> <p>(Market price of raw materials)</p> <ul style="list-style-type: none"> <li>• The natural gas market has seen no major fluctuations, and ethane, which is a raw material, has also been relatively calm.</li> </ul>
Q	How was Shintech's business performance in the July–September quarter?
A	<ul style="list-style-type: none"> <li>• Ordinary income improved compared to the April–June quarter.</li> </ul>
Q	What is the current PVC demand situation in North America?
A	<ul style="list-style-type: none"> <li>• We expect the PVC demand in October–December period to be flat, with no seasonal fluctuation. Based on the lack of autumn demand in September–October, we expect demand to remain stable without any winter doldrums. Customers are keeping an eye on inventories, and housing construction in North America is relatively stable, so we have the impression that the overall trend is flat.</li> </ul>

Q	Please explain the profit level in the Infrastructure Materials segment.
A	<ul style="list-style-type: none"> <li>• This profit margin is the result of a combination of various factors.</li> <li>• The price movements reported in industry publications are one factor, but they alone cannot explain the PVC market. There are multiple grades of PVC, and overseas price trends vary depending on the location. By skillfully combining these factors, we sold out all manufactured products. This figure is also a result of the cost of raw materials, which is a combination of the market-based cost and the cost of in-house production.</li> <li>• Similarly, the situation for caustic soda is very different between the domestic and export markets, and the export situation differs depending on the destination. Since caustic soda is mainly shipped in liquid form, and half of its weight is water, logistical improvements can also be beneficial to profits.</li> </ul>
Q	How is the market for PVC in India?
A	<ul style="list-style-type: none"> <li>• We see India as a very important market, and we sell quite a bit there. Domestic production in India is also increasing, but as a trend, we expect demand in India to continue to grow. We ship to India from our bases in both Japan and the United States.</li> </ul>

### <Electronics Materials>

Q	What are the market trends for semiconductor wafers in the 2Q (July–September)?
A	<ul style="list-style-type: none"> <li>• Due to customer production adjustments, the wafer market was negative for all diameters compared to the previous quarter. Compared to last year's peak, the smaller the diameter, the greater the decline, making for a difficult situation. Our sales are also moving in line with this market trend.</li> </ul>
Q	What are the market trends for semiconductor wafers in the 3Q (October–December)?
A	<ul style="list-style-type: none"> <li>• We expect the wafer market as a whole to bottom out in July–September, followed by some growth in October–December. Looking at each diameter, we expect that 300 mm wafers have bottomed out. However, 200 mm wafers will not bottom out until next year since the industrial and consumer sectors, on which we are highly dependent, are struggling, and</li> </ul>

	<p>there are even some discussions about adjustments in the auto industry. 150 mm wafers are crawling along the bottom.</p>
Q	<p>What is the outlook for semiconductor wafers for memory and non-memory?</p>
A	<ul style="list-style-type: none"> <li>• 300 mm wafers for memory devices account for just under 60% of the market. In memory devices, customers are adjusting device inventories, and according to statistical data, bit demand is also on a recovery trend. Wafer demand is likely to remain difficult until the first half of next year, but we expect some recovery in the second half.</li> <li>• Regarding 300 mm wafers for non-memory devices, the timing of inventory adjustments varies from customer to customer, but similar to those for memory devices, we expect some recovery in the second half of next year.</li> </ul>
Q	<p>What are the trends in demand for 300 mm wafers?</p>
A	<ul style="list-style-type: none"> <li>• We expect customers' inventories of 300 mm wafers to peak in January–March of next year. We expect inventory adjustments will progress into the second half of next year and wafer shipments will increase.</li> <li>• Many customers seem to be anticipating an increase in demand from the second half of 2024 to 2025.</li> </ul>
Q	<p>Please describe the price trends and capital expenditures for 300 mm wafers.</p>
	<ul style="list-style-type: none"> <li>• With regard to prices based on long-term agreements (LTAs), although we have received requests from customers for cooperation, we are maintaining the LTA-based price because the agreement was based on the costs required for capital expenditures and increased production.</li> <li>• We have concluded LTAs with each customer, mainly through 2027. We are sequentially making capital investments. Although we have made some revisions due to the situation in the semiconductor device market, there are no major changes to our investment plan.</li> </ul>
Q	<p>What is the status regarding the start of mass production of EUV blanks?</p>
A	<ul style="list-style-type: none"> <li>• The prototype evaluation of the masks and the devices that use the masks took a considerable amount of time, but customers have completed prototypes of their devices, and we are moving into mass production. The contribution in this fiscal year will not be significant, but we expect it to make a substantial contribution in the next fiscal year.</li> <li>• As for which generation will be used, it's not just one generation. It varies</li> </ul>

	depending on the customer, but our goal is to be at the cutting edge, and we will work diligently to be useful to our customers.
Q	Tell us about your magnet without heavy rare earths.
A	<ul style="list-style-type: none"> <li>As the demand for rare earth magnets increases, we will continue to increase production of magnets without heavy rare earths, and to expand existing lines.</li> </ul>
Q	Tell us about the pre-depreciation profit and operating income ratio in the Electronics Materials segment.
A	<ul style="list-style-type: none"> <li>Pre-depreciation profit decreased compared to the previous quarter, but profit margins have not declined. One factor is that the selling price of rare earth magnets is linked to raw material prices. Despite a decline in sales due to lower raw material prices, we have been able to secure profits and increase the profit margin.</li> </ul>

### <Functional Materials>

Q	Tell us about the Silicones Business.
A	<ul style="list-style-type: none"> <li>We are having a hard time in the area of commodity products. Demand is weak and prices have fallen. We are working to increase the number of products with high added value.</li> <li>We think the bottoming out and recovery of commodity products will depend on how the Chinese economy turns out. This will depend not only on the demand from China, but also on the volume of exports from China, since there are quite a lot of commodity products made in China.</li> </ul>

### <Company-wide>

Q	What is the outlook for the full year?
A	<ul style="list-style-type: none"> <li>At present, the rate of progress of ordinary income against the full-year forecast is 56%. The world is changing rapidly, so we are working with a strong determination to make sure that every month we accumulate the necessary numbers.</li> </ul>