

Shin-Etsu Chemical Co., Ltd.	
Summary of Telephone Conference on Financial Results for the First Three Quarters Ended December 31, 2023	
Date	January 26, 2024 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	<u>Consolidated Financial Results for the First Three Quarters Ended December 31, 2023</u>

* 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, 2023 (October to December), the Company posted the following results:
Consolidated net sales: ¥627.5 billion (down 17% year on year)
Operating income: ¥177.6 billion (down 35% year on year)
Ordinary income: ¥188.2 billion (down 29% year on year)
Net income attributable to owners of parent: ¥105.0 billion (down 44% year on year)
- Business restructuring costs (¥15.1 billion) in the optical fiber preforms business were recorded as an extraordinary loss. This was brought on by the decline in preform demand in China.
- At the operating income level, approximately ¥13 billion in raw materials for rare earth magnet inventory write-downs were recorded, and in the Functional Materials segment, approximately ¥5 billion in silicone-related inventory write-downs were recorded.
- Excluding these write-downs, operating income for the October–December quarter in both the Electronic Materials and Functional Materials segments was on par with the July–September quarter. After incorporating these write-downs, in the third quarter, net income reached 78% of the Company's cumulative forecast for the fiscal year.

[Status by segment]

- [Infrastructure Materials]:

Regarding domestic PVC demand in North America, we mentioned three months ago that the normal seasonal variability seemed to disappear in 2023. In fact, last year's monthly volume fluctuations were the lowest since 2020. Domestic sales this month marked a positive start to the year. We have announced a price increase in anticipation of spring demand this year. The number of building permits for detached houses is increasing, which is a positive trend. In fact, homes are being built for first-time homeowners, and proposals to reduce mortgage burdens are being actively pursued. As of last week, the outlook for the next six months for homebuilders is quite upbeat, according to the National Association of Homebuilders. In Asia, the market tends to be dragged down by weak domestic demand in China, but here, too, we are working to adjust prices. The caustic soda market showed signs of picking up in October–December. We are focused on the prices of both caustic soda and PVC. There is no change in the progress of Shintech's new facility expansion.

- [Electronics Materials]:

From what we hear from our semiconductor device customers, it seems the market is on the verge of recovering from a prolonged adjustment phase. The fabrication of semiconductor devices has become more diverse and complex with the development of device structures such as the chiplet, 3D packaging, GAA (Gate All Around) structure, back-side power supply, vertical transistors for GaN power devices, and the introduction of wafer bonding technologies for these structures. As a result, the required characteristics of wafers have become much more diverse and difficult. We see this as an opportunity to gain recognition for our technology and value. We aim to leverage the recovery in demand for semiconductor materials, including wafers, and technological advancements to grow earnings. Demand for rare earth magnets remains steady for automotive applications, while other application areas are showing signs of recovery. For all products, we will appropriately increase capacity and promote product lineup expansion and advancement while distinguishing short-term adjustments from medium- to long-term basic demand.

- [Functional Materials]:

Although the commodity product market continues to be affected by economic trends in China, we were able to increase sales of functional and specialty products, which are our strengths, including sales in China. Sales are growing for automotive, personal care, and healthcare applications and products that reduce environmental

impact. As for commodity products, we are doing our best for each project.

- [Processing & Specialized Services]:

Earnings in this segment have been stable on a quarterly basis this fiscal year.

- This year, the Company is gearing up its capital investments to further expand its business. Specifics will be announced as necessary and appropriate for each project or plan.

[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	How was Shintech's business performance in the October–December quarter?
A	<ul style="list-style-type: none">• Ordinary income declined in the October–December quarter compared with the July–September quarter. The main reason for this was the cost of preventive maintenance and a decline in sales due to preventive maintenance, which had already been factored in.
Q	What are the PVC price and demand trends in the U.S.?
A	<p>(Price)</p> <ul style="list-style-type: none">• We are working to increase prices, aiming for early spring. For January, the prices have not yet been finalized. A price increase of 3 cents per pound for February was announced, and we are considering continuing to raise the price in March. We do not expect the increase to be limited to 3 cents per pound in February–March. Although it will depend on how spring demand develops, we are working with a strong determination to adjust prices appropriately. <p>(Demand)</p> <ul style="list-style-type: none">• The inventories of our customers and those of their customers further

	<p>down the line have decreased considerably. Inventory dropped significantly compared to the end of last year, and as a result of this, we are off to a very good start in January, and we also anticipate spring demand. This seems to be the general picture emerging from conversations with our customers.</p>
Q	<p>What can you tell us about the investigation by the U.S. Environmental Protection Agency (EPA)?</p>
A	<ul style="list-style-type: none"> • The EPA seems to think that VCM and EDC, which are intermediate materials for PVC, should be investigated in the same way as other chemicals. We believe that there is no problem at all in terms of toxicity and so on, but we will closely monitor the authorities' investigation and take any necessary action. There is absolutely no impact on demand.

<Electronics Materials>

Q	<p>What are the market trends for semiconductor wafers in the 3Q (October–December)?</p>
A	<ul style="list-style-type: none"> • The wafer market as a whole remained flat compared to the previous quarter. Shipments of 300 mm wafers grew, but those of 200 mm and smaller wafers declined due to sluggish demand from the consumer and industrial sectors.
Q	<p>What is 4Q (January–March) outlook for semiconductor wafers?</p>
A	<ul style="list-style-type: none"> • The semiconductor device market, which uses 300mm wafers, has begun to show signs of recovery. Customers are gradually increasing their input of 300 mm wafers, but their wafer inventories are still large. It is difficult to predict demand for 300 mm wafers in the January–March quarter because it will depend on the level of the inventory adjustments. If inventory adjustments progress, this will lead to an increase in demand in April–June and beyond. Demand for 200 mm and smaller wafers is weak, and we expect the situation to remain difficult for the time being.
Q	<p>What are the long-term trends in wafers?</p>
A	<ul style="list-style-type: none"> • Over the past 40 years, the number of ICs consumed per person in the world has doubled every 10 years. Currently, it's about 40 chips per person. AI will become the next major driver of semiconductors, and we expect this trend to continue, and we expect the wafer market to grow over

	<p>the long term.</p> <ul style="list-style-type: none"> We expect the wafer market to benefit from the expansion of chip sizes in advanced devices and the development of bonded wafer products.
Q	What is the outlook for the price of 300 mm wafers?
A	<ul style="list-style-type: none"> Most 300 mm wafers are priced under long-term agreements (LTAs). LTA prices are expected to rise because they include cost increases due to capital investment and raw material price increases.
Q	What is the inventory status of wafers?
A	<ul style="list-style-type: none"> Customers own a considerable amount of wafer inventory for both 300 mm and 200 mm or smaller wafers, but we expect inventory adjustments to progress from the current peak.
Q	What is the status of investment in 300 mm wafers?
A	<ul style="list-style-type: none"> We are proceeding with investments based on LTAs with our customers, but the current backlog of demand is also delaying the launch of facilities.
Q	Please describe the background to the write-down of rare earth magnets.
A	<ul style="list-style-type: none"> We have been carrying a considerable amount of inventory in order to secure raw materials for stable supply. At the same time, we have been actively diversifying our procurement of raw materials. We are currently in the midst of a transitional period, and based on the facts that we have adjusted our raw material inventory to a certain extent and market conditions have declined, we decided to take decisive action.
Q	Please explain the trends in rare earth magnets by application.
A	<ul style="list-style-type: none"> Sales are growing for automotive applications. Sales for HDDs have bottomed out and are beginning to show signs of recovery. Some areas, such as FA and air conditioning, have yet to emerge from the adjustment phase.
Q	What is the situation with regard to EUV blanks for DRAM?
A	<ul style="list-style-type: none"> The application of EUV for DRAM is advancing ahead of schedule, and customers are now actively evaluating the blanks used for this purpose. The work to prepare sufficient supplies for mass production has begun.

<Functional Materials>

Q	Please describe the background to the write-down of silicone-related inventory.
A	<ul style="list-style-type: none">• This is the result of an assessment based on current market conditions as we determined that inventories at our production base in Thailand had increased.

< Processing & Specialized Services >

Q	What is the outlook for wafer cases?
A	<ul style="list-style-type: none">• Demand for small-diameter (200 mm) wafer cases was lower than expected. Cases used in the device manufacturing process are showing signs of recovery.

<Company-wide>

Q	What is the outlook for capital expenditures?
A	<ul style="list-style-type: none">• Now that the facility expansion of Shintech is in its final phase leading up to launch, expenditures will generally subside. Regarding semiconductors, we will increase capacity in line with the fulfillment of our LTAs, so there will not be a large increase all at once.• We are gearing up for capital investment. We are not yet at the stage of making an announcement, but we are already considering a number of projects, and we will provide information about them as necessary once the details have been finalized.
Q	What are your policies on cash allocation and shareholder returns?
A	<ul style="list-style-type: none">• We are fully aware that our cash is accumulating, and we have repurchased our own shares in the past two to three years. We are also considering further share buybacks.• As for dividends, we have long stated that we will maintain a stable dividend over the long term, and that we will target a dividend payout ratio of 35%. This general policy hasn't changed, but we have been giving it a lot of thought and hope to talk about it later once these thoughts have been organized.