

Shin-Etsu Chemical Co., Ltd.	
Summary of Telephone Conference on Financial Results for the Fiscal Year Ended March 31, 2024	
Date	April 25, 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	Consolidated Financial Results for the Fiscal Year Ended March 31, 2024

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

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

- For the fiscal year ended March 31, 2024, the Company posted the following results:
Consolidated net sales: ¥2,414.9 billion (down 14% year on year),
operating income: ¥701.0 billion (down 30% year on year),
ordinary income: ¥787.2 billion (down 23% year on year), and
net income attributable to owners of parent: ¥520.1 billion (down 27% year on year).
- We were able to finish the fiscal year with numbers in line with the forecasts we announced in July of last year.
- Our full-year dividend forecast of ¥100 remains unchanged.

[Segment highlights]

- [Infrastructure Materials]:
 - In terms of PVC demand in North America, domestic sales in the January–March quarter were favorable. Industry data showed a roughly 7% year-on-year increase in domestic sales in the U.S. over the same period. Although somewhat moderate, spring demand did emerge, so we moved to raise prices. Even though the number of new housing starts in March dropped by nearly 15% from the previous month, we see no cause for concern because the numbers have fluctuated between an annualized 1.3 million and 1.5 million units every month since autumn last year, while the number of building permits remains stable. The outlook for the next six

months for homebuilders is still upbeat, according to the National Association of Home Builders.

- In Asia, the market tends to be dragged down by exports from China, but we are doing the best we can. The caustic soda market is definitely picking up. The prices of both caustic soda and PVC remain a focal point for us.
- There is no change in the progress of Shintech's new facility expansion slated for completion this summer.
- [Electronics Materials]:
 - The market continues to recover from a prolonged adjustment phase. That said, the degree of recovery is uneven and different for each product type, application, and even customer. The recovery in wafer demand will differ for each customer depending on their wafer inventory levels. On the other hand, the recovery in lithography materials is progressing faster. We aim to leverage the recovery in demand for semiconductor materials, including wafers, as well as technological advancements, to steadily drive up earnings.
 - As for rare earth magnets, there has been a marked recovery in demand for HDD applications, while demand for automotive applications has so far held firm.
 - For all products, we will adequately increase capacity and press ahead with the expansion and enhancement of our product lineup while distinguishing short-term adjustments from medium- to long-term basic demand. As part of this approach, we will waste no time in constructing the new lithography materials base that we announced in April.
- [Functional Materials]:
 - The commodity product market continues to be swayed by trends in China. We have been able to expand sales of functional and specialty products, which are our strengths, including sales in China. Going forward, we will focus even more on these products. In order to modify and strengthen our approach, we booked an impairment on our polymer equipment in Thailand in the fourth quarter.
- [Processing & Specialized Services]:
 - Earnings in this segment have been stable.

[Future outlook]

- In light of the various factors affecting our businesses, we believe it is quite difficult at this point in time to rationally forecast our earnings for the fiscal year ending March 31, 2025, which is why we have yet to disclose our full-year forecasts.
- However, to help everyone better understand our business operations, the following

are our earnings forecasts for the first quarter (April–June 2024).

Consolidated net sales: ¥585.0 billion (down 1% quarter on quarter),

operating income: ¥165.0 billion (up 17% quarter on quarter),

ordinary income: ¥190.0 billion (up 11% quarter on quarter), and

net income attributable to owners of parent: ¥120.0 billion (up 6% quarter on quarter)

- We will publicly disclose our full-year earnings forecasts without delay as soon as we are able.
- Today, we announced plans to initiate a tender offer to make Mimasu Semiconductor Industry Co., Ltd. a wholly owned subsidiary. We took this decision because we believe making it a wholly owned subsidiary is the best way to further deepen the collaboration between Mimasu and Shin-Etsu Chemical, and also with Group company Shin-Etsu Handotai Co., Ltd. We will be spending a total of ¥68.0 billion to acquire the shares, which we hope to finalize in August this year.

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

- In terms of foreign exchange sensitivity, based on our financial results for the fiscal year ended March 31, 2024, we estimate that each one-yen movement against the US dollar and the euro affects full-year ordinary income by ¥4.4 billion and ¥0.2 billion, respectively.
- For the fiscal year ending March 31, 2025, we estimate capital expenditure of around ¥440.0 billion (including ¥68.0 billion in the tender offer for the shares of Mimasu) and depreciation and amortization of approximately ¥240.0 billion.

[Q&A Session]

<Infrastructure Materials>

Q	How did Shintech's business perform in the January–March quarter?
A	<ul style="list-style-type: none">• Large-scale preventive maintenance was carried out in the October–December period last year, and the maintenance work to bring new capacity online that was scheduled for autumn this year was completed much earlier in March. That is one reason behind the profit decrease.• There was a change in pricing structure as part of annual contract

	<p>negotiations for this year. We have tried to raise PVC prices month to month since then. Spring demand did materialize, although it was only moderate, and we were able to push through price hikes every month in February, March, and April.</p> <ul style="list-style-type: none"> • The caustic soda market is picking up.
Q	How will the industry be impacted by the EPA's tighter standards on VCM?
A	<ul style="list-style-type: none"> • There are two EPA regulations. One is the toxicity evaluations of EDC and VCM. As both VCM and EDC have been used for a considerably long time, there are no issues. However, the evaluations will be carried out according to the provisions of the TSCA*, so we will have to follow the procedures for this. The other regulation concerns the measuring of emissions in the atmosphere, much like other chemicals, which will now be carried out at the boundary of our sites. Procedures for this regulation are underway, including the public comment process, but these restrictions are starting to come into view. We will need to make some investments to ensure that we comply with them, but we believe no specific company in the industry will be disadvantaged.

*In the telephone conference, the speaker incorrectly referred to the acronym "RCRA." The correct acronym of the law is TSCA.

<Electronics Materials>

Q	What were the market trends for semiconductor wafers in the fourth quarter (January–March)?
A	<ul style="list-style-type: none"> • In the wafer market overall, shipments declined both year on year and quarter on quarter. By diameter, shipments of 300mm wafers declined, but signs of an upturn in the market did emerge. Shipments of 200mm, 150mm or smaller wafers declined sharply due to persistently weak demand from the consumer electronics and industrial equipment sectors.
Q	What is the outlook for semiconductor wafers for the first quarter (April–June) and beyond this fiscal year?
A	<ul style="list-style-type: none"> • Customer inventories of 300mm wafers are getting smaller and given that demand for semiconductor devices is on an upward trend, we expect to see a recovery in 300mm wafer demand from the April–June quarter through to the end of the year.

	<ul style="list-style-type: none"> • Demand for 200mm and smaller wafers remains weak. Although it will depend on the macroeconomy, we think demand will start to recover gradually from the July–September quarter onwards.
Q	What is the situation with long-term agreements (LTAs) for 300mm wafers and what kind of investments will be made going forward?
A	<ul style="list-style-type: none"> • In some cases we are cooperating with customers who have asked for a reduction in their wafer inventory without changing the total volume under the LTAs, but we have not changed the LTA-based price. We continue to review our investments in capacity expansion as we see fit.
Q	Could you explain the differences in the recovery in demand for each 300mm wafer application?
A	<ul style="list-style-type: none"> • In the 300mm wafer market, memory devices account for just under 60% of applications, while logic applications account for a little over 40%. We expect demand for memory applications will recover faster, driven by demand for AI, since adjustments started earlier. Still, for logic applications, demand for cutting-edge devices including those for AI, are growing, however, it will take some time for general-purpose devices to recover, in our view.
Q	Other than semiconductor wafers, how did the Electronics Materials segment perform in the first quarter (April–June)?
A	<ul style="list-style-type: none"> • Compared to the January–March quarter, we have yet to see an obvious recovery in magnets for industrial applications in April–June, but HDD applications are rebounding significantly. • Shipments of lithography materials are turning upward, reflecting customer demand.
Q	What can you tell us about the major investment of ¥83.0 billion in lithography materials in Isesaki?
A	<ul style="list-style-type: none"> • This investment will be quite costly because we are constructing a plant from scratch on a vacant lot. It is premised on market growth, and in addition to expanding our market share, we will also look to enhance our lineup of lithography materials. • As to why we chose this location, we assessed a number of sites in Japan and overseas and comprehensively considered such factors as time to completion and the speed at which we could get operations up and running. As a result, we decided on the Isesaki site.

<Company-wide>

Q	Could you provide a segment breakdown of the first quarter operating income forecast of ¥165.0 billion?
A	<ul style="list-style-type: none"> • By segment, we forecast slightly lower operating income in the Infrastructure Materials segment compared to the fourth quarter, growth in the Electronics Materials segment, and higher income in the Functional Materials segment because we booked an impairment loss last quarter (January–March).
Q	What is your policy on shareholder returns?
A	<ul style="list-style-type: none"> • We have so far steadily targeted a dividend payout ratio of 35% for the medium and long term. Over the past 10 years it was 31%, and then in the fiscal year ended March 31, 2024, it exceeded 38%. Up ahead, we will aim to raise this level while bearing in mind a dividend payout ratio of 40%. • We are also mindful of the total payout ratio. Looking back on the past 6-7 years, we have flexibly conducted share buybacks as well, so we will continue to make such decisions fittingly.
Q	What is your view of capital efficiency?
A	<ul style="list-style-type: none"> • We are acutely aware that the Company is a constituent in the JPX Prime 150 Index based on Equity Spread* criteria, so we will endeavor to rightly improve our capital efficiency. To that end, we will closely examine our financial statements and cash position. What is important is that we properly invest in growth. Without overlooking this aspect, we intend to carefully consider our approach to capital policy in the future.
Q	What other information can you provide about the tender offer for the shares of Mimasu Semiconductor Industry?
A	<ul style="list-style-type: none"> • We will aim to further strengthen the framework of our semiconductor business by making Mimasu a wholly owned subsidiary. By doing so, we think we can also scale up business operations at Mimasu. • We are not considering a similar course of action for Shin-Etsu Polymer.

*Equity Spread (%) = ROE less the cost of equity