

<b>Shin-Etsu Chemical Co., Ltd.</b>	
<b>Summary of Telephone Conference on Financial Results for the First Quarter Ended June 30, 2024</b>	
<b>Date</b>	July 26, 2024 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 Quarter Ended June 30, 2024</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 first quarter ended June 30, 2024, the Company posted the following results:
  - Consolidated net sales: ¥597.9 billion (down 0.2% year on year)
  - Operating income: ¥191.0 billion (up 0.1% year on year)
  - Ordinary income: ¥219.8 billion (up 1.2% year on year)
  - Net income attributable to owners of parent: ¥144.0 billion (down 6.3% year on year)
- We were able to finish the quarter with operating income roughly flat and ordinary income slightly up, both on a year-on-year basis.

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

- [Infrastructure Materials]:
  - Regarding PVC demand in North America, the U.S. domestic sales in April–June were good. According to industry statistics, domestic sales in the U.S. grew 15 % year-on-year and 6 % quarter-on-quarter. Taking this into consideration, we implemented a price increase. Compared to the previous month, housing starts in June increased 3%, and housing permits also increased 3%, both positive trends. Housing demand, which is sensitive to interest rates, is expected to pick up starting in the fall. In markets outside North America, we are raising prices where we can.

- The caustic soda market has been seesawing recently, but we see all the factors for a price increase coming together, and we have announced a price increase in North America. Price remains the central theme for both caustic soda and PVC.
- [Electronics Materials]:
  - The market recovery from the adjustment phase has not been uniform, but has varied by product type, application, and customer. We expect the recovery of wafer demand to be just a matter of time, although the timing will vary depending on the wafer diameter and customer inventory levels. Demand for lithography materials is steadily recovering. We aim to leverage the recovery in demand for semiconductor materials, including wafers, and technological advancements to ensure earnings growth.
  - In rare earth magnets, the recovery in HDD applications has been very strong, and signs of recovery in factory automation applications are emerging, although customers remain cautious.
  - For all products, we are appropriately increasing capacity and promoting product lineup expansion and sophistication.
- [Functional Materials]:
  - We are working on price increases for silicone products. In addition, as in the past, we will continue to expand sales of functional and specialty products, which are our strengths, including in China.
- [Processing, & Specialized Services]:
  - Earnings in this segment remain stable.

[Full-year operating forecasts and return to shareholders]

- The full-year earnings forecast for this fiscal year is as follows.  
 Consolidated net sales: ¥2,500.0 billion (up 3.5% year on year)  
 Operating income: ¥735.0 billion (up 4.8% year on year)  
 Ordinary income: ¥820.0 billion (up 4.2% year on year)  
 Net income attributable to owners of parent: ¥533.0 billion (up 2.5% year on year)  
 Net income per share: ¥268 (up 3.3% year on year)
- Based on this forecast, the full-year dividend is expected to be ¥106 per share.
- We will continue to work to improve our business performance.

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

- Investment in the fiscal year ending March 31, 2025 is estimated to be

approximately ¥460.0 billion (including ¥68.0 billion for the tender offer for Mimasu Semiconductor Industry), and the level of depreciation and amortization is expected to be approximately ¥248.0 billion.

- Foreign exchange sensitivity of ordinary income in the earnings forecast for the fiscal year ending March 31, 2025: ¥4.4 billion per year for the U.S. dollar and ¥0.2 billion per year for the euro, at a fluctuation of ¥1.

## [Q&A Session]

### <Infrastructure Materials>

Q	How was Shintech's Q2 (April–June) business performance (dollar basis, ordinary income)?
A	<ul style="list-style-type: none"> <li>• Profits are expected to increase compared to the previous quarter (January–March), but decrease slightly year on year.</li> </ul>
Q	What is the PVC price trend in the U.S. from July onwards?
A	<ul style="list-style-type: none"> <li>• We were able to raise prices until June, and are now working on raising prices again in July. One of our competitors announced a price increase for August, and we are also considering this while monitoring the strength and weakness of the market. Given the situation, I expect the price increase in July to go through.</li> </ul>
Q	What is the outlook for U.S. housing demand?
A	<ul style="list-style-type: none"> <li>• I haven't mentioned interest rates until now, but I believe the time is finally ripe for an interest rate cut. Housing demand is driven by countercyclical factors, and as the economy weakens and interest rates fall, it tends to become easier to purchase a home, so we expect housing demand to pick up starting in the fall.</li> </ul>
Q	What will be the impact of a new U.S. administration on the PVC business?
A	<ul style="list-style-type: none"> <li>• It is difficult to gauge at this point what policy changes a new administration would bring, but we are certainly paying close attention. It is said that there is nowhere near enough housing, with a shortage of several million housing units, which means a considerable number of houses have to be built. In addition, the infrastructure is deteriorating in various places and needs to be upgraded. Both political parties share the same goal of maintaining the economy and continuing economic growth, so I'm not too worried.</li> </ul>

	<ul style="list-style-type: none"> <li>• The strength of environmental regulations will obviously vary depending on which administration is in power, but we are prepared to deal with them whichever way they go.</li> </ul>
Q	Please explain the timing of the launch of the new plant and how it will be factored into the earnings forecast for this fiscal year.
A	<ul style="list-style-type: none"> <li>• Construction of the new plant has been delayed, but will be completed this fall and launched by the end of this year. We are currently in the final push to achieve this.</li> <li>• There are multiple reasons for the delay. First, there were several bouts of bad weather during construction. Furthermore, although our company has done a considerable number of in-house construction projects in the U.S. and has been making preparations accordingly, securing personnel for construction work has become quite challenging in the U.S. We've been able to come this far with some ingenuity, but significant delays are also occurring in other companies' large projects. There have also been delays in equipment delivery. We design our processes with a certain margin built in, but events have occurred that exceed it. This has been the case all over the world; in connection with the introduction of renewable energy and so on, delivery dates for electrical equipment and machinery are being extended. For these reasons, construction was delayed.</li> <li>• Although the new plant has been factored into the financial results for the current fiscal year, we are taking a conservative view of its contribution to earnings.</li> </ul>

### <Electronics Materials>

Q	What are the market trends for silicon wafers in Q1 (April–June)?
A	<ul style="list-style-type: none"> <li>• The wafer market as a whole appears to be bottoming out, with volume negative year on year, but positive compared to the previous quarter.</li> <li>• Looking at wafers by diameter, sales of 300 mm have recovered considerably, while sales of 200 mm and smaller rose from the January-March quarter, but were down double digits compared to the same quarter last year.</li> </ul>
Q	What is the outlook for silicon wafers for the current Q2 (July–September) and beyond?

A	<ul style="list-style-type: none"> <li>• Demand for 300 mm wafers is on the rise, primarily for AI applications, and compared to Q1 (April–June), we expect wafer shipment volume across the industry to gradually increase through Q2, Q3, and into next year.</li> <li>• End-use demand for 200 mm wafers is weak, and we expect the situation to remain sluggish for a while.</li> <li>• For wafers of 150 mm and smaller, the situation remains stagnant. This is in line with expectations as demand is poised to decrease in the medium to long term.</li> </ul>
Q	What are the price trends for 300 mm wafers?
A	<ul style="list-style-type: none"> <li>• We also set our prices in long-term agreements. Agreement prices vary, with some increasing gradually and others remaining constant for a long period of time. Long-term agreement prices have not changed.</li> </ul>
Q	What are the investment trends in silicon wafers by region?
A	<ul style="list-style-type: none"> <li>• In order to diversify risks, we operate multiple locations both in Japan and overseas. In terms of future capital investment, we are not considering expanding capacity intensively at any one site.</li> </ul>
Q	What is the demand for silicon wafers for AI?
A	<ul style="list-style-type: none"> <li>• The current recovery in the wafer market is mainly driven by AI-related demand. The AI-related market has just started up, and its ratio to overall wafer demand is still not high. Starting next year, many semiconductor manufacturers will begin mass production of devices for AI, and demand is expected to increase.</li> </ul>

### <Functional Materials>

Q	What are the reasons behind the return of profit levels in functional materials?
A	<p>(Silicones Business)</p> <ul style="list-style-type: none"> <li>• Although we made financial adjustments in the January–March quarter (recording impairment losses related to manufacturing equipment), even excluding this, we can see a degree of recovery. We were able to recover the volume compared to the same quarter last year. Most of this recovery in volume is functional products.</li> <li>• With respect to general-purpose products, since market conditions</li> </ul>

	continue to be poor, we are working to further extend our unique products by bringing our unique flavor even to general-purpose products.
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<Others>

Q	Please tell us about the equipment to manufacture semiconductor package substrates for back end process.
A	<ul style="list-style-type: none"> <li>• I am very excited about this new technology. We are receiving inquiries from many different places and are extremely busy trying to coordinate with interested customers.</li> <li>• I think it will be a big deal once it is up and running, although it will take some time to materialize because customers are very cautious about changes in semiconductor processes. We hope to achieve some good results by 2027.</li> <li>• The elimination of silicon interposers is not expected to have a significant impact on wafers.</li> </ul>

<Company-wide>

Q	What factors led to your Q1 results exceeding the company forecasts?
A	<ul style="list-style-type: none"> <li>• All segments outperformed. The Electronics Materials segment saw particularly strong growth. When we announced our forecast for Q1 in April, our customers' wafer inventories were high, so we made conservative estimates taking that into consideration.</li> </ul>
Q	Please tell us about the consolidated earnings forecast for the fiscal year ending March 31, 2025?
A	<ul style="list-style-type: none"> <li>• At this time, we have not factored in any one-off factors into our full-year forecast and are taking a conservative approach. We are working with the determination to achieve further growth each quarter.</li> <li>• Net income growth is slightly lower than ordinary income growth, but this may be due to extraordinary income as well as a slight increase in the tax rate. A shift in our policy of receiving dividends from overseas subsidiaries has resulted in a change in tax effects.</li> </ul> <p>(Effect of making Mimasu Semiconductor Industry a consolidated subsidiary)</p> <ul style="list-style-type: none"> <li>• The full-year forecast includes the assumption that Mimasu</li> </ul>

	<p>Semiconductor Industry will become a consolidated subsidiary starting in the second quarter. In terms of amounts, we do not expect any significant change in Mimasu Semiconductor Industry's financial results for their fiscal year ended May 31, 2024, and this assumption is being factored into the forecast.</p>
Q	Please discuss shareholder returns and your capital policy.
A	<p>(Shareholder returns)</p> <ul style="list-style-type: none"> <li>• The change from the previous fiscal year is that we have set the dividend payout ratio to 40% as a target.</li> <li>• We focus on stable long-term dividends as our core strategy, and we also consider appropriate share buybacks, keeping the total return ratio in mind. I think you can see the Company's stance reflected in the fact that in the current full-year forecast, the increase in dividends exceeds the increase in net income per share.</li> <li>• There is no change in our policy of reinvesting the cash earned by subsidiaries back into those subsidiaries. At the same time, we have begun cash repatriation by receiving dividends from our overseas subsidiaries to facilitate shareholder returns by bringing the necessary cash to Japan while keeping an eye on our cash balance.</li> </ul> <p>(Capital policy)</p> <ul style="list-style-type: none"> <li>• Regarding the amount of cash holdings, the Board of Directors has been discussing and deliberating on the appropriate level of capital to invest in major businesses and acquisitions, to prepare for shocks, and to provide a return to shareholders, and these deliberations continue to this day.</li> <li>• We will conduct capital policy with full consideration of capital efficiency and an awareness of the equity spread*.</li> </ul>

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