

Shin-Etsu Chemical Co., Ltd.	
Summary of Telephone Conference on Financial Results for the First Three Quarters Ended December 31, 2024	
Date	January 29, 2025 13:30–14:30
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 First Three Quarters Ended December 31, 2024

* 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, 2024, the Company posted the following results:
 - Consolidated net sales: ¥663.2 billion (up 6% year on year)
 - Operating income: ¥178.7 billion (up 1% year on year)
 - Ordinary income: ¥201.3 billion (up 7% year on year)
 - Net income attributable to owners of parent: ¥138.4 billion (up 32% year on year)
- We were able to finish the quarter with ordinary income up 7% and net income up 32%, both on a year-on-year basis.

[Status by segment]

- [Infrastructure Materials]:
 - Regarding domestic PVC demand within North America, U.S. domestic sales from October to December showed movements consistent with seasonal trends. According to industry statistics, domestic sales in the October–December quarter decreased by 8% compared to the July–September quarter, but increased by 8% year on year. Housing starts rebounded to the 1.5-million-unit level in December, and housing permits also remain close to the 1.5-million-unit level. Existing home sales have been rising since last October and are seen as a leading indicator. In fact, new home sales have been rising since last November. After demand in the U.S.

rebounded sharply in January, we proposed a price increase in February. We intend to continue raising prices going forward. Outside of the North American markets, the supply-demand balance remains slack, mainly due to PVC exports from China, but we have been able to secure sales at relatively favorable prices.

- The caustic soda market has generally been holding steady, though it has seesawed recently.
- The new U.S. administration tends to generate sensational headlines, and in terms of policies, I'm paying attention to three things. First, the new administration has a mandate to tackle inflation. In fact, one of the executive orders issued on the first day clearly states this, and declares the administration's intention to increase housing for that purpose. Second, there is the damage caused by last year's hurricane and the ongoing fires in Los Angeles. These disasters, which have been tragic for the victims, can be expected to generate considerable reconstruction demand. Third, investments under the IRA (Inflation Reduction Act) will be replaced by AI infrastructure investments and the like.
- [Electronics Materials]:
 - The market recovery has not been uniform, and has varied by product type, application, and customer. We expect demand for 300 mm wafers to recover from the April–June quarter as a whole, although the timing of recovery will vary depending on the customer's wafer inventory level. Demand for lithography materials continues to be strong. The industry forecast that the semiconductor market will grow at 12-15% this year seems reasonable. Whether it's wafers or lithography materials, we have a broad product lineup and technical support to meet the increase in demand for semiconductor materials and the increase in volume due to technological evolution.
 - Demand for rare earth magnets for use in HDDs is very strong, and we are aggressively expanding sales.
 - For all products, we are appropriately increasing capacity and promoting product lineup expansion and sophistication.
- [Functional Materials]:
 - We are working towards price increases for silicone products. In addition, we are making every effort to significantly expand sales of functional and specialty products, which are our strengths, including sales in China.
- [Processing & Specialized Services]:
 - Earnings in this segment remain stable.

[Capital policy]

- With regard to the share repurchase through tender offer completed last week, this was undertaken based on the belief that we should be active in terms of the liquidity and share price of our Company's stock in light of the elimination of cross-shareholdings by financial institutions. This is one of a series of share buybacks we have conducted aimed at improving capital efficiency and returning profits to our shareholders.
- As in the past, we intend to use our cash on hand for major investments, including acquisitions, to prepare for economic shocks such as the pandemic experienced five years ago, and to return profits to shareholders. We will continue to make effective use of our cash on hand. We believe that now is a good opportunity to repurchase our own shares. We will not increase cash on hand any further, and will further consider the appropriate amount of cash to hold.

[Supplementary explanation (Toshiyuki Kasahara, General Manager of Finance & Accounting Department)]

- [Consolidated Financial Results, p. 12]:
 - In the Statement of Income, the extraordinary income refers to the sale of investment securities related to cross-shareholdings. The gain on step acquisitions relates to the acquisition of Mimasu Semiconductor as a subsidiary.
- [Consolidated Financial Results, p. 16]:
 - As stated in the report, this is under review by the accounting auditor.
- [Consolidated Financial Results, p. 18]:
 - Regarding the changes in the Electronic Materials segment from Q2 to Q3, the reasons there was an increase in net sales but a decrease in operating income include: 1) a large difference in the product mix; 2) an increase in depreciation costs associated with new fixed assets; 3) one-time adjustments based on inventory review; and 4) differences in accounting periods for transactions with overseas subsidiaries.
- [Consolidated Financial Results, p. 20]:
 - Cash on hand, consisting of cash and securities, decreased by ¥130.9 billion from the end of March excluding the effects of exchange rate.
- [Exchange rate sensitivity]:
 - Foreign exchange sensitivity of ordinary income: ¥4.7 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 business performance in Q4 (October–December 2024)?
A	<ul style="list-style-type: none">• Winter is a time of low demand for PVC, and U.S. domestic shipments decreased by 8% on a quarter-on-quarter basis in the October–December quarter. December in particular was a challenging month, with a 13% drop compared to November. As a result, Shintech's profit in October–December decreased compared to July–September and also decreased compared to the same quarter last year.
Q	How was Shintech's PVC inventory as of December 31?
A	<ul style="list-style-type: none">• Shintech's PVC inventory increased in December because our new plant was launched and put into operation at the same time as orders declined in December due to a substantial reduction in inventories by North American customers. However, orders rebounded from their decline in December and January saw a sharp increase. Shipments are proceeding accordingly.
Q	What is the status of Shintech's annual contract renewals?
A	<ul style="list-style-type: none">• Contract-related price adjustments have occurred. We negotiated hard, but since our competitors made proposals, we had no choice but to respond to protect our customers and the market. As a result, January may start at a lower price than December. I therefore believe it is extremely important that we ensure that the price increase in February goes through and then continue to raise prices further.• The supply volume for the new plant will increase compared to last year, and most of the increase will be for export. We have secured the same volume as last year for North America, and we will meet the increased portion of demand for the growing North American market.
Q	Please describe Shintech's operating status and price trends.
A	<p>(Operating status)</p> <ul style="list-style-type: none">• Both the new and existing plants are operating at full capacity. Exports are increasing accordingly. <p>(PVC price trends)</p> <ul style="list-style-type: none">• Three out of four PVC manufacturers proposed a price hike for January, but we did not. Instead, we proposed a price increase of 5 cents per pound

	<p>in February, and the three companies that proposed price increases in January are now following our lead. We are determined to push through 5 cents per pound in February no matter what.</p> <ul style="list-style-type: none"> • There was a rebound from the decline in December leading to a sharp increase in shipments in January, and February shipments will be about the same as January when we adjust for the number of days, so I think it's safe to say we are seeing typical robust spring demand.
Q	What is the outlook for Shintech's profit growth in the next quarter?
A	<ul style="list-style-type: none"> • Price is important, and we will make up for the drop in price at the start of the quarter and then raise it even further. I am not worried about selling out our stock at a profit. Our first task is to raise the price.
Q	Please give your views on reconstruction demand from last year's hurricane in North America and the wildfires in Los Angeles
A	<ul style="list-style-type: none"> • Recovery from the hurricane damage is already underway, but it will take some time. Therefore, the reconstruction demand will emerge gradually. Regarding the wildfires in Los Angeles, there will certainly be reconstruction demand, but since the fires have not yet subsided, it will likely be quite some time before this demand becomes apparent.

<Electronics Materials>

Q	What were the market trends for semiconductor wafers in Q3 (October–December)?
A	<ul style="list-style-type: none"> • Sales of 300 mm wafers were up year on year, but slightly down quarter on quarter. Sales of 200 mm wafers remained negative year on year, but were flat quarter on quarter. Sales of 150 mm wafers were sluggish and continued to decline both year on year and quarter on quarter.
Q	What is the outlook for semiconductor wafers for Q4 (January–March 2025) and beyond?
A	<ul style="list-style-type: none"> • In the case of 300 mm wafers, the inventory adjustments from the October–December quarter will continue into the January–March quarter. However, these adjustments are expected to abate in the April–June quarter and there is a growing view that demand for semiconductor devices will recover in 2025. We are therefore expecting wafer demand to recover. In the case of 200 mm and smaller wafers, we expect conditions to remain difficult in the first half of the fiscal year due in part to the delayed

	<p>start of adjustments in the automotive sector. However, some customers have mentioned that although the situation remains difficult, they have started receiving some new orders recently, so I am hopeful.</p>
Q	Please discuss the impact of the emergence of DeepSeek on the semiconductor materials industry
A	<ul style="list-style-type: none"> • It's a very hot topic, and people's views on it are still in flux. While there are some negative aspects, the positive aspect is that we see the possibility of faster creation of demand for AI overall as costs and market unit prices come down.
Q	What is the status of Chinese wafer manufacturers?
A	<ul style="list-style-type: none"> • Chinese semiconductor manufacturers have gradually increased their use of Chinese wafers over the past two to three years. Meanwhile, it seems that some semiconductor manufacturers outside of China use Chinese wafers as dummies and monitor wafers. • In addition to improving semiconductor device performance, customers are focusing on maximizing yield to reduce costs, and are therefore looking for wafers with the best yield. As in the past, we will continue to hone our technical and quality capabilities to remain competitive.
Q	What is the inventory status of wafers at the Company?
A	<ul style="list-style-type: none"> • Our inventory is being appropriately managed according to demand.
Q	What about the wafer inventories of device manufacturers?
A	<p>(Status of inventories)</p> <ul style="list-style-type: none"> • Customer inventories of 300 mm wafers appear to have peaked in the October–December quarter. We expect 200 mm inventories to peak in the current January–March quarter and decline thereafter. <p>(Appropriate inventory levels)</p> <ul style="list-style-type: none"> • The appropriate level of inventory varies considerably from customer to customer. Previously, about one month was the industry standard. Today, it varies quite a bit from customer to customer, but it seems to be shifting to about 2-3 months.
Q	Please discuss the impacts of production cuts by some semiconductor device manufacturers in the January–March quarter.
A	<p>(Impact on wafers)</p> <ul style="list-style-type: none"> • Some customers are stepping up production cuts, but not uniformly, and it is not clear whether there will be an across-the-board impact.

	<p>(Impact on lithography materials)</p> <ul style="list-style-type: none"> • Since we deliver products to a wide range of customers, mainly focused on the advanced segment of the market, we have not been affected by the production cuts.
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<Others>

Q	What are the amounts of the one-time adjustments from the inventory review?
A	<p>(Electronics Materials)</p> <ul style="list-style-type: none"> • The impact on Electronics Materials amounts to 5 to 10 billion yen. This was mainly due to write-downs of raw materials for rare earth magnets that were overvalued compared to their current market value. <p>(Functional Materials)</p> <ul style="list-style-type: none"> • The impact on Functional Materials amounts to 1 to 2 billion yen.

<Company-wide>

Q	How do you view the consolidated earnings forecast for the current fiscal year?
A	<ul style="list-style-type: none"> • We believe we can achieve our full-year forecast.
Q	What about the next fiscal year (ending March 31, 2026)?
A	<ul style="list-style-type: none"> • Our basic approach for the coming fiscal year remains unchanged: we will continue our efforts to increase sales and profits, as we have done so far.
Q	What are your thoughts on the Company's level of cash?
A	<p>(Reason for the quarter-on-quarter decrease)</p> <ul style="list-style-type: none"> • Comparing our overseas subsidiaries' exchange rates at the end of Q2 (June 30) and Q3 (September 30), the yen appreciated and the converted amount decreased accordingly. <p>(Level of cash on the balance sheet)</p> <ul style="list-style-type: none"> • We do not intend to increase our yen-denominated cash beyond the amount at the end of Q3 (approximately ¥1.6 trillion).