Shin-Etsu Chemical Co., Ltd. Summary of Telephone Conference on Financial Results for the First Quarter Ended June 30, 2025	
Date	July 24, 2025 16:30–17:30
Venue	Shin-Etsu Chemical Co., Ltd.
Attendees from the Company	・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 Quarter Ended June 30, 2025 ・Notice Regarding Operating Performance and Dividend Forecasts

* 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, 2025, the Company posted the following results:

  Consolidated net sales: ¥628.5 billion (up 5% year on year)

  Operating income: ¥166.8 billion (down 13% year on year)

  Ordinary income: ¥181.6 billion (down 17% year on year)

  Net income attributable to owners of parent: ¥126.4 billion (down 12% year on year)

- We were able to finish the quarter with numbers in line with the forecast announced this April, with an increase in revenue and a decrease in profit on a year-on-year basis.

[Status by segment]

- [Infrastructure Materials]:

・ Regarding domestic PVC demand within North America, domestic sales in the April–June quarter were generally steady. According to industry statistics, domestic sales in April–June were up 3% from the previous quarter (January–March), but unchanged from the same quarter last year. Looking at market conditions in general, however, supply and demand remain slack, primarily due to exports from China, and the opportunity for a market turnaround has yet to materialize.

- Due the softening of U.S. market prices for ethane and ethylene, spreads improved in April–June compared to the previous quarter (January–March).
- Market conditions for caustic soda also improved in April–June compared to the previous quarter (January–March).

● [Electronics Materials]:

- In the electronics materials market, the AI-related sector continued to perform well, but while other sectors showed some signs of recovery, the overall situation remained lackluster.
- Although customer inventory levels for 300 mm wafers appear to still be high, demand is recovering, particularly for advanced devices.
- Sales of lithography materials to a wide range of customers continue to perform well.
- As for magnetic materials, as momentum for rebuilding supply systems grows worldwide, we are handling a sharp increase in inquiries while also pursuing a range of initiatives, seeing this as an opportunity for new business development.
- In all areas of electronics materials, we are swiftly capturing market and technology trends, while expanding supply capabilities, addressing quality requirements, and advancing technology development.

● [Functional Materials]:

- The primary challenge and focus for this business segment is to significantly expand sales of functional and specialty products, which are our strengths. In particular, we will grow earnings by leveraging our silicones (Shin-Etsu Silicones Solution-Engineering™) and the functionality of our cellulose.

● [Processing & Specialized Services]:

- Earnings in this segment remain stable.

[Earnings forecast for the current fiscal year]

- There are still several factors that make it difficult to forecast full-year performance, including U.S. tariff policies, the responses of the targeted countries, and the wavering confidence in the U.S. dollar. That said, to help everyone understand our business situation, we have set our earnings forecast for the full fiscal year as follows.

  Consolidated net sales: ¥2,400.0 billion (down 6% year on year)

Operating income: ¥635.0 billion (down 14% year on year)

Ordinary income: ¥700.0 billion (down 15% year on year)

Net income attributable to owners of parent: ¥470.0 billion (down 12% year on year)

Net income per share: ¥250 (down 7% year on year)

- Net income attributable to owners of parent is expected to be down 12% year on year, while net income per share is expected to be down 7%. Based on this forecast, the full-year dividend is expected to remain unchanged at ¥106 per share.
- This forecast indicates a decrease in both revenue and profit compared to the previous fiscal year. The decline in operating income is expected to be entirely attributable to the Infrastructure Materials segment. We will continue to work on a turnaround in earnings for this segment and further revenue growth in the other three segments as well.

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

- [Consolidated Financial Results, p. 2]:
  - The ROE (annualized 11.5%) cited in the business performance summary increased by 0.5 percentage points due to a ¥400 billion share buyback executed in May.
- [Consolidated Financial Results, p. 3]:
  - Looking at the segment information, all segments except for Processing & Specialized Services saw an increase in revenue but a decrease in profit. Revenues increased due to higher sales volumes, but profits decreased due to worsening market conditions, differences in product mix, and yen appreciation.
- [Consolidated Financial Results, p. 12]:
  - In the Statement of Income, the extraordinary income refers to the sale of investment securities related to cross-shareholdings.
- [Consolidated Financial Results, p. 19]:
  - The full-year forecast for amounts of investments and for depreciation and amortization remains unchanged from the April forecast.
- [Consolidated Financial Results, p. 20]:
  - The comparative balance sheets show the impact of exchange rate differences at overseas subsidiaries. The exchange rate at the end of March 2025 significantly strengthened compared to the end of December 2024, resulting in a decrease in the amounts on the balance sheet.

- We executed a ¥400 billion share buyback in May, of which ¥230 billion was covered by bank loans. Because of this, cash on hand, consisting of cash and securities, decreased by ¥270 billion in real terms, and long-term debt increased by ¥230 billion. As a result, net cash decreased by approximately ¥500 billion from the end of March to approximately ¥1.23 trillion.

- [Assumed exchange rates and exchange rate sensitivity]:
  - In the earnings forecast for the fiscal year ending March 31, 2026, the exchange rates from July onwards are assumed to be 1 dollar = ¥140 and 1 euro = ¥160.
  - Foreign exchange sensitivity of ordinary income: ¥4.0 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	What is the status of Shintech in Q2 (April–June quarter) and beyond?
A	(Q2 results) ・ Ordinary income on a dollar basis was roughly in line with Q1 (January–March quarter), and interest income decreased compared to Q1, so income was basically flat. (Outlook for Q3 and beyond) ・ Market conditions are tough, and there is no sign of a turnaround. We continue to sell the quantity we produce. We anticipate that the sales ratio for the U.S. market and for exports will not change significantly. ・ This year, there will be scheduled preventive maintenance at the plant in Q4 (October–December quarter), so a decrease in volume has been factored into the earnings forecast.
Q	How is demand for PVC?
A	(Demand in the U.S.) ・ Housing starts have been slow to pick up. On the other hand, investment in industrial sectors such as data centers is booming, and demand for such projects is increasing. However, the underwhelming performance of the housing sector is one of the factors leading to a pessimistic outlook for the latter half of this year. (Demand in India) ・ Indian customers continue to import PVC in large quantities. However,

	buying patterns fluctuate to a certain extent, which can cause swings in market conditions. We are watching closely as these swings become more noticeable from month to month and quarter to quarter. However, the overall trend of increasing demand remains unchanged.
Q	What are the PVC price trends globally?
A	・ Prices have been slow to pick up. However, in China, administrative guidance to limit excessive price competition is getting underway. One thing to watch is to what extent this will be implemented going forward and whether prices will recover as a result. ・ We sell to markets all over the world, with a focus on the U.S. Even in adverse market conditions, we have been able to sell more in places where profits are higher. These and other efforts have resulted in high profitability for this segment.
Q	Please describe Shintech's capacity utilization.
A	・ Shintech continues to operate at full capacity. Overall, prices are weak, and we definitely have to reverse the downward pricing trend. However, at present there are no plans to curtail production in order to tighten the market.

<Electronics Materials>

Q	What are the market trends for silicon wafers in Q1 (April-June quarter)?
A	・ Shipments of 300 mm wafers increased by double digits both year on year and quarter on quarter. Wafers of 200 mm or smaller were negative year on year, but are starting to increase quarter on quarter. In the case of 300 mm wafers, Q1 sales were made on a long-term agreement (LTA) basis, so the results cited above are due to the reversal of inventory adjustments made in the previous quarter. In the case of 200 mm or smaller wafers, while sales remain sluggish, they show signs of bottoming out.
Q	What is the outlook for silicon wafers for the current Q2 (July–September quarter) and beyond?
A	・ We do not expect the trend to change significantly from the April–June quarter. In the semiconductor industry, only AI-related devices are doing well; sales related to other semiconductor devices are still sluggish. We expect both 300 mm and 200 mm or smaller wafers to remain flat or

	slightly increase compared to the April–June quarter. The outlook for October and beyond will depend on the overall economic situation at that time.
Q	What is the outlook for AI-related semiconductors and wafers?
A	・ On a monetary value basis, the semiconductor device market has grown 14% compared to its peak during the COVID-19 period in 2022. On a volume basis, however, it has declined 13%, which is a big difference. This phenomenon is caused by the high unit price of AI devices; for non-AI devices, inventory adjustments are still underway. For 300 mm DRAM wafers, we estimate that those used for AI memory (HBM) account for just under 20%, while for 300 mm logic wafers, those used for AI logic account for just under 10%.
Q	What are the quality requirements and technological trends for wafers for advanced semiconductors?
A	・ The advanced logic devices used in AI are highly complex, partly due to the difficulty of wafer bonding technology, which only a limited number of our customers are capable of. The quality requirements for these wafers are also extremely high, and it is believed that only a limited number of wafer manufacturers can meet these requirements. We will continue to invest in quality measures to reliably support our customers in this area. ・ Regarding the technical requirements for wafer crystal orientation, there are requirements for 110-oriented silicon and for different orientations beyond that. We feel that meeting these requirements has a positive effect on the company, despite the fact that productivity suffers and mass production is not easy.
Q	What is the impact of the trend toward economic security?
A	・ In connection with U.S.-China tensions, there is a noticeable trend of fabless manufacturers shifting their orders from Chinese device manufacturers to non-Chinese device manufacturers, especially among those using 300 mm wafers.
Q	How are non-wafer sales revenues?
A	・ Sales of all products increased compared to the previous quarter.

Q	Has there been last-minute demand for products other than wafers related to tariff policies?
A	・ We have seen no signs of last-minute demand.
Q	Please discuss the status of lithography materials.
A	・ Sales increased due to steady demand for advanced semiconductor devices, which are our main focus. This situation continues at the moment.
Q	Please discuss the impact of rare earth export restrictions on the magnetic materials business
A	・ Regarding the procurement of raw materials, in the case of light rare earths, they are not subject to these regulations, so there is no problem. For heavy rare earths, which are the materials in question, we are following the procedures for obtaining export permits from China in accordance with these regulations. It takes time, but permission is being granted. ・ There is strong demand for magnets. We are currently in the process of expanding our capacity, and the additional production resulting from this expansion has been sold out. ・ The plant is operating at full capacity. Although this higher utilization rate has resulted in a slight increase in profits, the sales price of magnet products is linked to the raw material price and its application is subject to a time lag. For this reason, the increased capacity has not immediately resulted in a significant increase in profits.

<Functional Materials>

Q	Please discuss the possibility of changes in China's industrial policy and its impact on the silicone market
A	・ In China, there is a move to restrict excessive price competition, and we are closely monitoring this. This move is starting to be seen not only in silicones but also more generally. In fact, coal has begun to be subject to administrative guidance prohibiting price reductions and restrictions on excessive production.

<Others>

Q	Can you explain the context behind the increase in long-term debt?
A	・ We hold a significant portion of our balance sheet cash in foreign currency (U.S. dollars). Because the interest rate on U.S. dollar investments is much higher than the interest rate on yen borrowings, we borrowed yen funds and used them as part of the funds for the share buyback.
Q	Please discuss the Japanese government investments in the U.S. included in the Japan-U.S. tariff agreement.
A	・ We are already engaged in a variety of production in the U.S., primarily of PVC. We have been increasing our production capacity and will continue to do so with or without support from the Japanese government. ・ We do not rely on the Japanese government's loans or guarantees in our investment decision, though we may consider them, if it is beneficial to the execution of our investments.

<Company-wide>

Q	Please discuss the earnings forecast for the current fiscal year.
A	・ The year-on-year decline in profits is expected to be entirely attributable to Infrastructure Materials. ・ We expect a slight increase in profits for the Electronic Materials segment, while the Functional Materials segment and the Processing & Specialized Services segment are both expected to remain flat year on year.
Q	Please discuss shareholder returns.
A	(Dividend) ・ We have continued to increase dividends based on our basic policy of long-term stable dividends. The current forecast was made based on this basic policy. (Thoughts on the method of share buyback) ・ For the share buyback in May, we adopted a new method (fully committed share repurchase). This was to ensure that we were able to carry out a large-scale share buyback on the scale of ¥500 billion. Approximately ¥100 billion of this has not yet been applied. For this amount, we will choose the best method among the available options, which include the usual method, the TOB method, and this method.