Shin-Etsu Chemical Co., Ltd. **Summary of Telephone Conference on Financial Results for the First Half Ended September 30, 2025**	
Date	October 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 Half Ended September 30, 2025

* 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 half ended September 30, 2025, the Company posted the following results:
  Consolidated net sales: ¥655.9 billion (down 2% year on year)
  Operating income: ¥167.1 billion (down 22% year on year)
  Ordinary income: ¥185.7 billion (down 17% year on year)
  Net income attributable to owners of parent: ¥131.4 billion (down 12% year on year)
- Although revenue and profits decreased on a year-on-year basis, we were able to finish the quarter with numbers in line with our forecast announced in July.

[Status by segment]

- [Infrastructure Materials]:
- Regarding domestic PVC demand in North America, domestic sales figures in July–September quarter reflect summer seasonal factors as well as the cautious demand outlook for the remaining three months of this year. In fact, according to industry statistics, domestic sales in July–September were down 7% from the previous quarter (April–June quarter), but unchanged from the same quarter last year.
- Looking at market conditions in general, supply and demand remain slack,

primarily due to exports from China, and the North American market tended to be dragged down by this. There is no point or reason to allow price levels in North America to fall any further, so we will work on reversing the trend.

- Market conditions for caustic soda weakened slightly in the July–September quarter compared to the April–June quarter, but we will make efforts to reverse this trend as well.

- [Electronics Materials]:
  - In the Electronics Materials segment, the advanced sector is thriving as the AI-related market expands. Meanwhile, in legacy sectors such as PCs and smartphones, although the impact of US tariffs is not clearly known, some markets showed signs of bottoming out depending on the application.
  - Demand for 300 mm wafers bottomed out in the January–March quarter of this year, and has continued to recover since the April–June quarter. Future market trends will likely depend on demand in each sector and the extent to which customers have used up their inventory.
  - The lithography materials sector continues to expand, and we are working quickly to increase and expand our supply capacity.
  - Demand for magnetic materials is expected to rise further following China's announcement of tighter export controls two weeks ago. While discussions with customers are proceeding, efforts are being made to diversify the supply system.
- [Functional Materials]:
  - The primary challenge for this business segment is to significantly expand sales of functional and specialty products, which are our strengths, and we are focusing on this area. Compared to three years ago, the ratio of these product lines has increased by 11 percentage points, showing progress.
- [Processing & Specialized Services]:
  - Earnings in this segment remain stable.

[In the comparative balance sheets]

- As of the end of September, cash and time deposits deducted borrowings decreased by ¥328 billion from the end of December last year to ¥1,258 billion, and shareholders' equity decreased by ¥236 billion to ¥3,634 billion. This change was mainly due to the large-scale share buybacks executed this year. There is no change to our policy: we will proactively allocate the funds we hold and generate to business investments while taking into consideration the total return ratio.

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

- [Consolidated Financial Results, p. 11]:
  - In the Statement of Income, the extraordinary income refers to gains on the sale of investment securities related to cross-shareholdings as we mentioned in the Q1 earnings call. The gain on step acquisitions recognized in the same six-month period last year is due to the acquisition of Mimasu Semiconductor as a subsidiary.
- [Consolidated Financial Results, p. 16]:
  - The full-year forecast for amounts of investments and for depreciation and amortization remains unchanged from the April forecast.
- [Consolidated Financial Results, p. 17]:
  - Looking at the comparative balance sheets, due to appreciation of the yen, the exchange rate for overseas subsidiaries changed from 1 dollar = ¥158.2 at the end of December 2024 to 1 dollar = ¥144.8 at the end of June 2025, resulting in a decrease in the amounts on the comparative balance sheets.
  - Excluding the effect of the exchange rate, cash and deposits decreased by ¥110.3 billion, securities decreased by ¥53.3 billion, and long-term debt increased by ¥228.9 billion, resulting in a net cash decrease of approximately ¥390 billion in the comparative balance sheets since the end of March. In other matters, fixed assets increased by ¥98.2 billion, while shareholders' equity decreased by ¥244.9 billion.
- [Assumed exchange rates]:
  - For the fiscal year ending March 31, 2026, the exchange rates from October onwards are assumed to be 1 dollar = ¥145 and 1 euro = ¥165.
  - Compared to July, the assumed exchange rate has been changed by about 5 yen in the direction of a weaker yen. However, the impact on projected profits is only 1-2%, so we have not changed the earnings forecast.

[Q&A Session]

<Infrastructure Materials>

Q	What is the status of Shintech?
A	(Q2) ・ The decline in profits in Q2 (April–June) was roughly in line with the decline in Q1 (January–March). (Q3 and beyond)

	・ Shintech's pre-tax profit on a dollar basis has unfortunately declined quarter by quarter from 2Q to 3Q and from 3Q to 4Q (forecast). This is entirely due to the downturn in market conditions. Another factor that will push future profits downward is the major scheduled maintenance in Q4, which will lower sales volume. (Next year's annual PVC contracts) ・ Negotiations have just started. Needless to say, we don't want to lower prices. We are approaching negotiations with the attitude of keeping any decrease to a minimum.
Q	What is the state of the PVC market?
A	・ The situation where selling domestically in North America is more profitable than selling overseas has not changed since the first half of this year. One difference from the first half of this year is that the market conditions within North America are beginning to be influenced by overseas market conditions. If competitors anticipate that this situation will continue for some time, I think their behavior will change. ・ There is absolutely no point or reason to lower the price level within North America any further. The main culprit is overseas market conditions, so we will advance our efforts to adjust prices on all fronts, including overseas market conditions. ・ We are the leading company in the PVC industry, but unfortunately there is a limit to what we can achieve on our own given the China factor and the fact that the market is so broad and has so many moving parts. At any rate, we will do our best to turn the market around.

<Electronics Materials>

Q	What are the market trends for silicon wafers in the second quarter (July–September quarter)?
A	・ Industry shipment volumes of 300 mm wafers were flat compared to the previous quarter, with single-digit growth year on year. 200 mm wafers were flat compared to the previous quarter but decreased year on year. We believe that customer input of 300 mm wafers is on a recovery trajectory. ・ On a value basis, the market for semiconductor devices has reached a record high due to the impact of high unit prices for AI applications. On an IC quantity basis, however, it is below its 2022 peak. Demand for wafers is

	correlated with the quantity of semiconductor ICs.
Q	What is the outlook for silicon wafers for the current Q3 (October–December quarter) and beyond?
A	・ For October–December, orders for 300 mm wafers are steady. Future wafer demand after Q3 will depend on the extent to which customers have used up their inventory. Demand for 200 mm wafers is expected to remain weak for the time being, as customers have just begun further inventory adjustments for automotive applications.
Q	What is the medium-term outlook for the silicon wafer business?
A	・ We expect demand for semiconductors for AI to continue growing. Another reason we expect demand for 300 mm wafers to grow in the medium term is the increasing use of two separate wafers in semiconductor devices.
Q	What is the outlook for wafers used in semiconductors for AI?
A	・ As for quantity ratio, less than 10% of 300 mm wafers are used for AI. We see the AI industry as still in its infancy and expect a gradual, sustained expansion. ・ Wafers for the advanced nodes used in semiconductors for AI are a high-cost product, so we consult with customers as necessary to set prices that are commensurate with their value.
Q	What about capital investments in the silicon wafer business?
A	・ Our 300 mm wafer business is based on long-term agreements. The expansion process begins with the construction of a new building, and then equipment is installed and operations begin as needed, following a cycle that continues until completion. ・ In Q2, certain buildings were completed, which led to an increase in the amount of capital investment. Buildings are depreciated over a long period of time, so depreciation and amortization expenses do not increase rapidly.
Q	How is the 200 mm wafer business?
A	・ Although the supply-demand balance for 200 mm wafers remains slack, we expect the market to grow in the medium term, mainly for discrete devices. We believe that the direction of our business will change depending on the type of business that semiconductor device manufacturers engage in.

Q	Please discuss the impact of the market fluctuations in rare earths on the magnetic materials business.
A	・ Rare earth magnets are traded at prices linked to the prices of rare earths, which are the raw materials. Therefore, if the price of rare earths rises, the price of our rare earth magnets will also rise, although after a time lag. Furthermore, additional orders arising from current conditions are priced separately. ・ Since circumstances have changed significantly, we will undertake a fundamental price revision. ・ In addition to having the capabilities to separate and refine heavy rare earths and recycle them, we have established technology to limit the use of heavy rare earths and are effectively utilizing it. ・ We are working to diversify our supply system, including securing raw materials.
Q	What is the medium-term outlook for the Electronics Materials segment?
A	・ With regard to lithography materials, namely photoresists and mask blanks, we mainly sell to customers on the cutting edge. The state of the AI-related market is clearly reflected in the performance of these lithography materials businesses, and we are in a situation where we are expanding our supply system. In addition, although we are involved in a wide range of semiconductor products, we are currently working to position ourselves as an AI-related company.

<Company-wide>

Q	Please discuss the full-year forecast for the current fiscal year.
A	・ While we have revised our assumed exchange rate slightly in favor of a weaker yen from October onwards, the full-year forecast remains unchanged, with no factors requiring a downward revision. At the end of the first half, the progress rate against the full-year forecast exceeds 50%, and we are working to achieve this forecast.
Q	Please discuss capital allocation and shareholder returns.
A	・ We will prioritize reinvestment of funds for business expansion and growth, while also making effective use of these funds in the form of returns to shareholders.

	• There is no change in our shareholder returns policy: the main focus remains on dividends, and share buybacks are executed flexibly while monitoring the situation on a case-by-case basis. • Our basic dividend policy is to pay dividends in a long-term and stable manner. On top of that, the current benchmark for dividend payout ratio is 40%. Of course, we are working on how we can increase this number.