

Shin-Etsu Chemical Co., Ltd.

Summary of Telephone Conference on Financial Results for the First Three Quarters Ended December 31, 2025

Date	January 27, 2026 16:30–17:30
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, 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 third quarter ended December 31, 2025, the Company posted the following results:
 - Consolidated net sales: ¥649.4 billion (down 2% year on year)
 - Operating income: ¥164.0 billion (down 8% year on year)
 - Ordinary income: ¥190.0 billion (down 6% year on year)
 - Net income attributable to owners of parent: ¥126.4 billion (down 9% year on year)
- In the nine months from April 1, we were able to finish the period with roughly 80% progress against the full-year forecast announced in July.

[Status by segment]

- [Electronics Materials]:
 - In the Electronics Materials segment, the advanced sector continues to thrive as the AI-related market expands. We believe that the market in conventional sectors such as PCs and smartphones has finally bottomed out.
 - Demand for 300 mm wafers has maintained a recovery trend since last year's April–June quarter. Future developments will likely depend on demand in each sector and on customers' inventory policies.

- The lithography materials sector continues to expand, and we are working quickly to increase and expand our supply capacity.
- In magnetic materials, we are focusing on measures related to raw materials, including ways to further reduce the use of heavy rare earths.
- [Infrastructure Materials]:
 - Regarding domestic PVC demand in North America, domestic sales in October–December 2025 fell as expected due to fiscal-year-end factors. According to industry statistics, domestic sales in October–December were down 11% from the previous quarter (July–September quarter). Sales also fell slightly on a year-on-year basis.
 - Looking at market conditions in general, supply and demand remained slack in October–December, primarily due to exports from China, but the market has bottomed out. The North American market also held firm on prices in October–December. Starting this month, we are raising prices in overseas markets, and we will be pursuing price rebuilding in a “triple-jump” manner toward April. We announced a price increase in North America this month as well.
 - The caustic soda market also remained flat in October–December. We announced a price increase for caustic soda this month as well.
- [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. In last quarter's briefing, I noted that the ratio of these product lines had increased by 11 percentage points compared to three years ago. In Q3, it further increased by approximately 1 percentage point.
- [Processing & Specialized Services]:
 - Earnings in this segment remain stable.
 - We are working to expand our AI-related product lineup across these segments, but so far in the current fiscal year, we believe that it accounts for 15% of sales. We will work to expand it even further.

[Secondary offering of shares (announced on January 27th) and capital policy]

- After extensive discussions with some of our shareholders, we have reached an agreement on a secondary offering of shares worth ¥140 billion. In addition to improving the liquidity of our shares, we expect that the diversification of the shareholder base will help reduce the cost of capital and further enhance corporate

value.

- In addition, after the completion of this secondary offering, we plan to acquire the remaining approximately ¥100 billion of treasury stock as part of the ¥500 billion share buyback announced in April last year. The specific method of acquisition will be determined after comprehensively taking into consideration future stock price levels and other factors such as market conditions.
- Going forward, we will continue to proactively allocate the funds we hold and generate to business investments while taking into consideration the total payout ratio centered on dividends.

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

- [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]:
 - Looking at the comparative balance sheets, due to appreciation of the yen, the exchange rate for overseas subsidiaries changed from 1 US dollar = ¥158.2 at the end of December 2024 to 1 US dollar = ¥148.9 at the end of September 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 ¥150.7 billion, securities decreased by ¥90.8 billion, and long-term debt increased by ¥229.0 billion, resulting in a net cash decrease of approximately ¥470 billion in the balance sheet since the end of the previous fiscal year (March 31, 2025). Other than that, fixed assets increased by ¥119.3 billion, while shareholders' equity decreased by ¥217.4 billion, mainly due to shareholder returns.
- [Assumed exchange rates]:
 - The exchange rates for January–March 2026 are assumed to be 1 US dollar = ¥150 and 1 euro = ¥180. The impact will be limited to imports and exports by domestic companies.
 - Annual exchange rate sensitivity of ordinary income is ¥4.1 billion for US dollars and ¥200 million for euros.

[Q&A Session]

<Electronics Materials>

Q	What were the market trends for silicon wafers in Q3 (October–December 2025)?
A	<ul style="list-style-type: none">Industry shipment volumes of 300 mm wafers increased, with growth in the high single digits year on year and in the low single digits quarter on quarter. Shipments of 200 mm wafers showed a slight increase year on year and a high single-digit growth quarter on quarter, indicating a bottoming out. The market for wafers 150 mm and below is already small and is on a downward trend.
Q	What is the outlook for silicon wafers for the current Q4 (January–March 2026) and beyond?
A	<ul style="list-style-type: none">In the semiconductor market, a demand trough occurs annually between January and March due to seasonal factors. Moreover, the level of 300 mm wafer inventory held by customers varies from customer to customer. Some customers who have held inventory for a long period of time are adjusting their inventory. We believe that the results in Q4 will depend on the extent of these inventory adjustments.
Q	What is the medium-term outlook for the silicon wafer business?
A	<ul style="list-style-type: none">With regard to semiconductors for AI, our customers are rushing to expand capacity. We see the surge in AI demand as a structural change in the industry, and we expect data centers to be built at a considerable pace not only this year, but also next year and the year after. We therefore expect demand for wafers to continue to grow. As a result of this growth, there is currently a shortage of DRAM supply. In this situation, memory manufacturers in particular are beginning to show interest in securing future wafer supplies, driven by the pace of growth in demand.
Q	What are the trends in terms of volumes for wafers used in semiconductors for AI?
A	<ul style="list-style-type: none">Currently, wafers for AI memory (HBM) account for just over 5% of the overall 300 mm wafer market, while wafers for advanced AI logic account for a percentage in the high single digits. However, we expect volumes of wafers for AI to increase substantially going forward.

Q	Please discuss the status of the magnetic materials business.
A	<p>(Price of rare earth magnets)</p> <ul style="list-style-type: none"> • We are introducing a pricing system separate from the portion linked to raw material prices. This is taking time, but we are making steady progress. <p>(Procurement of rare earths)</p> <ul style="list-style-type: none"> • Securing rare earths is a critical issue and we are diligently pursuing multiple options.
Q	Please discuss the photoresist business.
A	<ul style="list-style-type: none"> • Compared to the October–December quarter, we are expecting momentum to pick up in the January–March quarter.

<Infrastructure Materials>

Q	How was Shintech's business performance in Q4 (October–December 2025)?
A	<ul style="list-style-type: none"> • Shintech's pre-tax profit on a dollar basis declined in Q4 compared to Q3 (July–September 2025). The main cause was major preventive maintenance, and a drop in prices also contributed.
Q	What is the outlook for Shintech starting from Q1 of the next fiscal year (January–March 2026)?
A	<p>(Prices in North America)</p> <ul style="list-style-type: none"> • Although we were forced to make some price adjustments to PVC at the beginning of the year, we were able to keep them to a minimum. Also, in January, we announced a price increase of 5 cents per pound. This has not been finalized yet, but we are definitely getting the feeling that some kind of price increase will go through, even if not the full amount. If we are unable to raise the price by the full 5 cents, we will work on raising the price again by the remaining amount in February. <p>(Prices outside of North America)</p> <ul style="list-style-type: none"> • We have already raised prices for PVC in January. In addition, we were able to implement price increases starting in February, and we view the market as having bottomed out. The primary reason for the price increases was that prices had fallen too far, and companies had come to see that hikes were necessary. At that time, several triggering events —

	<p>including China's revision of the VAT refund system, a pause in new capacity additions, and the shutdown of Westlake's plant — occurred, and as a result we took the lead in implementing price increases. Other companies in the industry are following suit.</p> <p>(Production)</p> <ul style="list-style-type: none"> • Our basic policy of "full production and sales of all products made" remains unchanged, but the most pressing issue right now is raising prices, and that will be our priority. • The market price of natural gas has risen considerably, but that of ethane has not risen as much.
Q	What is the status of the North American PVC market?
A	<ul style="list-style-type: none"> • Typically, North American customers cut back on their PVC purchases in December, and then demand returns in January. This year, the recovery in demand in January has been somewhat weaker than last year. Although customers appear to be cautious in their planning, we are not pessimistic about demand from the spring onward. <p>• The recent cold wave and other factors caused localized equipment problems that reduced our production, and some competitors even preemptively shut down their plants on a temporary basis. We also plan to carry out preventive maintenance on one of our resin plants this spring. We expect the supply–demand environment to improve to some extent due to these factors.</p>
Q	Please discuss Shintech's upcoming capital investment (raw material processing).
A	<ul style="list-style-type: none"> • We are in the process of finalizing our plans. • We don't want profitability to backslide to where it was 10 years ago. In fact, it was precisely because our profitability had improved to some extent that we were able to invest. Improving profitability will be essential for the sake of future reinvestment as well.

<Company-wide>

Q	Please discuss your AI-related products.
A	<ul style="list-style-type: none"> • We estimate that AI-related products account for approximately 15% of our total sales.

	<ul style="list-style-type: none">• The product breakdown is mainly photoresists, mask blanks, and silicon wafers, followed by rare earth magnets used in HDDs, silicones, and optical materials. PVC is also used in the piping and electrical cables used in data centers.• We will continue to make the necessary investments to build out these product lines. In the case of photoresists, the new facility in Isesaki City is scheduled to start operations in April.
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Q	Please discuss procurement risks.
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A	<ul style="list-style-type: none">• We are working to reduce procurement risks by investigating not only our direct suppliers but also those further removed in the supply chain.• We are taking a multifaceted approach, including in-house production, to avoid dependence on any specific country.
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