Shin-Etsu Chemical Co., Ltd. Summary of Telephone Conference on Financial Results for the First Half Ended September 30, 2026	
Date	October 27, 2026 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 ・Toshiyuki Kasahara, Corporate Officer, In Charge of Finance & Accounting ・Satoshi Onishi, Corporate Officer, In Charge of Public Relations ・Shinji Fukui, General Manager of Public Relations Department
Reference material	Consolidated Financial Results for the First Half Ended September 30, 2026

* This memo is a summary of a dialogue exchange in the telephone conference.

[Greetings and summary of financial results (President Yasuhiko Saitoh)]

- In the second quarter ended September 30, 2026, the Company posted the following results:

  Consolidated net sales: ¥758.2 billion (up 16% year on year)

  Operating income: ¥212.1 billion (up 27% year on year)

  Ordinary income: ¥222.9 billion (up 20% year on year)

  Net income attributable to owners of parent: ¥156.1 billion (up 19% year on year)

- Revenue and profit increased year-on-year, continuing the trend seen in the April–June quarter.
- Interim net income per share increased by 14% compared to the first half of the previous year.

[Status by segment]

- [Electronics Materials]:

・ Expansion of the AI-related market is driving demand, and with other sectors also generally recovering, our electronic materials production is operating at full capacity.

・ All the top executives at the corporate customers I have spoken with recently requested additional supply and prioritized future supply volumes. Since meeting

this demand requires investment, we are working to make the necessary investments across many of the products we handle—not just wafers—and to establish pricing and other terms to support them.

- In magnetic materials, while working with customers to urgently implement measures to minimize the use of heavy rare earths, we are also working diligently on multiple measures to address raw material issues.

- [Infrastructure Materials]:

- Regarding PVC demand within the U.S., domestic sales in July–September this year increased 7% year-on-year according to industry statistics. July–September sales were lower than April–June.
- U.S. market prices fell by 3 cents per pound in July, but have since held steady, and the price increase announced this month is expected to stick, even if it is not the full amount. From our perspective, sales in the U.S. this month are at the same level as September, and the outlook for November is not bad.
- Meanwhile, in overseas markets, we pushed through price increases in July. Market conditions then fluctuated, but more recently we have been able to raise prices.
- The caustic soda market has been relatively stable.

- [Functional Materials]:

- Our strategy of significantly increasing our sales of functional and specialty products remains unchanged, and we are focusing on that area. This has resulted in an increase in the overall average unit price, leading to improved profitability.

- [Processing & Specialized Services]:

- Earnings in this segment are also growing, mainly in semiconductor-related sectors, as indicated by Shin-Etsu Polymer's upward revision of its earnings forecast.

[Full-year earnings forecasts]

- Although we have left our own full-year earnings forecast unchanged, we are working to improve our performance to meet our stakeholders' expectations. We will also pay closer attention to trends in crude oil prices and their impact in order to take timely measures.

[Supplementary explanation (Toshiyuki Kasahara, Corporate Officer, In Charge of Finance & Accounting)]

- [Consolidated Financial Results, p. 8]:

- Regarding the earnings forecast, the projected earnings per share of ¥286

represents a 13% year-on-year increase. Due to the reduction in the number of shares resulting from the ¥250 billion share buyback, the increase in earnings per share is expected to exceed the 11% year-on-year increase projected for net income of ¥525 billion.

- [Consolidated Financial Results, p. 16]:

・ As for the full-year forecast for investment and for depreciation and amortization, the former has been revised to ¥380 billion. This is mainly due to the fact that the progress of the investment plan is ahead of schedule.

- [Consolidated Financial Results, p. 17]:

・ Looking at the balance sheet, long-term borrowings increased by ¥161.1 billion during the first half of the current fiscal year. These are funds borrowed in yen to meet strong capital demand, including capital investment and shareholder returns, while preserving higher-yielding dollar funds on hand. Net cash and cash equivalents, excluding borrowings, decreased by approximately ¥72 billion from the end of the previous fiscal year to approximately ¥1,350 billion.

・ Regarding shareholders' equity, a ¥250 billion share buyback was completed during the first half of this fiscal year, causing the equity ratio to fall to 75.6%.

- [Consolidated Financial Results, p. 19]:

・ In the earnings forecast, the assumed exchange rates from October onward have been revised toward a stronger yen, to 1 dollar = approximately ¥157 (previously approximately ¥160) and 1 euro = approximately ¥176 (previously approximately ¥180), although the full-year earnings forecast remains unchanged.

- [Exchange rate sensitivity]:

・ Foreign exchange sensitivity of ordinary income for the fiscal year ended March 31, 2027: ¥3.6 billion per year for the U.S. dollar and ¥0.2 billion per year for the euro. (A weaker yen brings profit, a stronger yen brings loss.)

[Q&A Session]

<Electronics Materials>

Q	What are the market trends for silicon wafers in Q2?
A	・ The wafer market as a whole saw a mid-single-digit percentage increase quarter-on-quarter and just over 10% year-on-year. ・ The 300 mm wafer market saw a mid-single-digit percentage increase quarter-on-quarter and just over 10% year-on-year. ・ The 200 mm wafer market saw a slight decrease quarter-on-quarter but a

	year-on-year increase of just over 10%. ・ Wafers of 150 mm or less saw a mid-single-digit percentage increase quarter-on-quarter and over 20% year-on-year.
Q	What is the outlook for silicon wafers from Q3 onward?
A	・ Due in part to the impact of preventive maintenance at wafer manufacturers, including us, volume is expected to remain roughly flat compared with the July–September quarter. We don't expect any significant changes based on diameter.
Q	Could you comment on your approach to long-term agreements (LTAs) and your outlook for pricing?
A	(LTAs) ・ Most customers recognize that wafer supply and demand are tight. Due to concerns about further supply constraints, more customers have begun negotiations for their next contracts even while their existing contracts are still in effect. (Price outlook) ・ Pricing for leading-edge products (primarily logic devices) is more finely segmented, so a higher proportion of these products leads to a higher average selling price. ・ We have requested that our customers accept higher prices for the additional volumes, and discussions are currently underway.
Q	Could you comment on renewals of long-term silicon wafer supply agreements and pricing from 2028 onward?
A	・ The agreement expiration dates vary from customer to customer. ・ We will prioritize expanding capacity at existing facilities (brownfield expansion) and carefully evaluate greenfield investments, as their costs have risen considerably. ・ Based on past periods of low production, we are wary of the risks associated with overly optimistic order planning. We are currently negotiating the agreement periods and prices, taking into account future capital investments and rising costs, including raw materials.
Q	What is the short-term outlook for the silicon wafer business?
A	(Pricing) ・ We are negotiating with customers on volumes exceeding existing commitments, as well as with customers without long-term agreements,

	taking rising costs into account. Depending on the customer, price increases will be applied starting this October. (Production capacity) ・ In the first half of next year, we will be able to increase production to a limited extent by expanding capacity at existing facilities (brownfield expansion), but this will not result in a significant increase in our current production capacity.
Q	What are your thoughts on investment and price pass-through strategies for leading-edge products?
A	・ Customers have long understood that leading-edge products involve significant cost increases due to factors such as lower manufacturing productivity and more extensive inspections, and we have consistently passed those costs on through pricing.
Q	How is the 200 mm wafer business?
A	(Current situation) ・ Current demand is now about three-quarters of the peak seen during the COVID-driven demand boom from 2021 to 2022. After a roughly four-year downturn following COVID, we reviewed our production system, bringing us to where we are today. Recently, AI-related demand has been growing, and demand in other areas has bottomed out and is now rising, keeping utilization high. (Future outlook) ・ The automotive sector, which accounts for a large share of 200 mm wafer demand, remains sluggish, and we see its future trajectory as a key point to watch.
Q	Please discuss the rare earth magnet business.
A	・ Prices of rare earth magnets increased due to their linkage to rare earth market prices and changes to the pricing formula. ・ Volumes are also increasing, and the combined effects of pricing and volume are boosting profit margins.
Q	What about price increases for electronic materials products other than wafers?
A	・ We are working to raise prices across the board for our electronic materials product lineup. ・ We are raising prices through a combination of measures, including

	passing on increases in raw material and other costs, revising prices to reflect investments made for customers, and differentiating prices for leading-edge products.

<Infrastructure Materials>

Q	How was Shintech's business performance in Q3 (July–September)?
A	・ Ordinary income on a dollar basis declined both year-on-year and quarter-on-quarter.
Q	What is the outlook for Shintech in Q4 (October–December) and beyond?
A	(Background behind PVC price increase in the North American market) ・ This month's price increase was due to two factors: the price increase in the export market and the fact that the autumn demand is somewhat solid. (Preventive maintenance in Q4) ・ We are currently carrying out preventive maintenance on a scale similar to last year's Q4. (Next year's annual PVC contracts) ・ Contract negotiations for next year are currently underway. We are currently negotiating the price revision planned for the beginning of the year, so I'll refrain from commenting on the specifics. ・ This year, the price adjustments accompanying the annual contract renewals negatively impacted Shintech's performance. As we head into next year, we are approaching negotiations determined to keep this negative impact to a minimum.
Q	Please discuss demand for PVC related to industrial investment in North America.
A	・ Although the US housing market is sluggish, demand for PVC is being supported by significant industrial investment, including data centers. As a result, it seems that demand is less dependent on seasonal factors. ・ Customers generally understand trends in products used in data centers, but demand extends beyond those products. For example, there is also demand for pipes used to supply water to data centers, so we do not necessarily have a complete picture of overall demand. ・ As of September this year, cumulative PVC demand in North America has

	increased by 2%. Given the level of housing starts this year, we believe that investment in data centers and related facilities, as well as broader social infrastructure, will exceed this 2% increase in demand.

* Since our U.S. subsidiary Shintech has a December fiscal year-end, there is a one-quarter timing difference on a quarterly basis in Shin-Etsu Chemical's consolidated financial statements. That is, Shintech's result from April-June of 2026 is incorporated into Shin-Etsu's second quarter (July-September) financial statements.

<Functional Materials>

Q	What are the factors contributing to the increase in profit margin in this segment?
A	・ Sales of high-value-added silicone products are increasing. And for products that fall in the category between general-purpose and high-value-added, we are also raising prices to meet customer demand. ・ A higher proportion of cellulose is being used for pharmaceutical formulations, and sales of higher-margin products within that category are on the rise.