

Shin-Etsu Polymer Co., Ltd.

CEO's Address at the Financial Results Briefing for Fiscal Year Ended March 2023 and Medium-term Management Plan Briefing

My name is Yoshiaki Ono, and I am the President and Chief Executive Officer of Shin-Etsu Polymer. Thank you for attending this financial results briefing. I would like to take this opportunity to thank you for your continued support.

Today, I would like to explain the financial results for the fiscal year under review and Shin-Etsu Polymer Global & Growth 2027, the medium-term management plan starting in the fiscal year ending March 31, 2024.

In the fiscal year under review, production of semiconductor wafer containers surged on strong semiconductor industry demand. This boosted the Company's overall profit considerably. Automotive input devices remained strong, reflecting the recovery of automotive production. Office automation equipment and functional compounds grew steadily, and profit from most other products increased. The weak yen had positive effects on earnings.

Results in the fiscal year ended March 2023 were

- Net sales 108,278 million yen (an increase of 15,638 million yen from a year ago)
- Operating profit 12,749 million yen (a rise of 3,017 million yen from a year ago)
- Ordinary profit 12,986 million yen (growth of 2,857 million yen from a year ago)
- Profit attributable to owners of parent 8,529 million yen (a climb of 2,221 million yen from a year ago)

We will pay year-end dividends of 20 yen per share, which will make the amount of annual dividends 38 yen.

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Summary of Q&A about Financial Results Briefing for Fiscal Year Ended March 2023 and Medium-term Management Plan Briefing

Date and time	Wednesday, May 10, 2023 15:00-16:00 (JST)	
Venue	Nomura Conference Plaza Nihonbashi	
Attendance	• President, Chief Executive Officer	Yoshiaki Ono
	• Director, Senior Managing Executive Officer, General Manager of Sales Unit	Toshiaki Deto
	• Director, Managing Executive Officer	Toru Takayama
	• Managing Executive Officer, General Manager of Office of Business Development, Sales Unit	Mikio Furukawa
	• Managing Executive Officer, General Manager of Development Unit	Satoru Sugano
	• Executive Officer, General Manager of Accounting & Finance Department, Administrative Unit	Osamu Kowada

Terms used to express fiscal years: "Previous fiscal year" for FY2021 term, "fiscal year under review" for FY2022 term, and "current fiscal year" for FY2023 term

<Company-wide>

- Q1.** Both sales and profit decreased in the third to fourth quarter of the fiscal year under review. Which segment was the factor for the profit decrease? Further, we see the performance in the Electronic Devices segment for the fourth quarter as reflecting results for the Oct-Dec quarter because the overseas sales ratio is high. Did the profit decrease because it was negatively affected by the market conditions in China in that period?
- A1.** While results decline in the fourth quarter every year due to seasonal factors, the greatest factor for the decline in the fourth quarter of the fiscal year under review was the poor performance of semiconductor-related products. Above all, the decline of FOUP (carriers used in the manufacturing process) was significant. And while the current shipments of wafer cases are at the same level as in the fourth quarter, we expect them to recover within this year, and we forecast their full-year sales to be on a par with the fiscal year under review. Further, regarding the Electronic Devices segment, another wave of COVID-19 that hit China in the Oct-Dec quarter of last year did not result in a significant decline in the operation of our plants, so the profit level was on par with the previous fiscal year's level.
- Q2.** As for cash allocation, 66.0 billion yen will be allocated to investment and 27.0 billion yen to shareholder return. Am I correct in thinking that you will not implement share buyback but increase the amount of dividends because of your relationship with the parent company?
- A2.** We are absolutely committed to paying dividends to return profit to shareholders.

Q3. You assume 15.0 billion yen for flexible investments including M&A. In which sectors will you invest?

A3. We have a basic policy of pursuing M&A that will produce synergy with our existing products, regardless of the sector. While the value in the presentation material is 15.0 billion yen, we would like to invest more in M&A if we find a good project.

Q4. What will happen to the segregation of duties in management as a result of the replacement of the president in June? In addition, can we ask about the new president's direction?

A4. We have consistently held discussions with President Ono, as we did in formulating the medium-term management plan. We will continue with this way of making decisions. If we change it here and an interval forms, we will be unable to quickly develop measures in response to rapid changes in the operating environment. For example, semiconductors were said to have entered the super silicon cycle a year ago. Actually, however, they are declining at present. We believe that keeping our current stance is important for taking immediate measures that are available. In addition, in the base area and the growth area that we explained in the medium-term management plan, we have products with top market shares or top shares among specific customers, such as wafer cases, key switches, and office automation rollers. We also have products ranked among the top three in the market. With these competitive businesses as the driving force, we would like to combine our relationship of trust with customers and our technologies to achieve growth in the growth area.

<Electronic Devices segment>

Q1. What are the details of products for EVs, which constitute the growth area in the Electronic Devices segment under the medium-term management plan, and contents of the investment?

A1. We cannot provide details, but they are heat insulating materials to be used for automotive batteries. We have decided to adopt products capitalizing on our expertise in silicone rubber, and we plan to begin shipping them in 2025. In addition, we have already begun capital expenditure on an comprehensive automated production line covering the process from silicone molding to product inspections.

Q2. What will be the leading force in achieving the overseas sales ratio at 60% or higher, which is targeted under the medium-term management plan? Is the reorganization of plants in India included in the capital expenditure under the medium-term management plan?

A2. We expect growth in sales in the ASEAN region and the Indian market. We also assume capital expenditure on our plants in India. Specifically, we assume automotive products and medical products. In addition, regarding the battery materials that we explained earlier today, we are considering production in India to be started after launching mass production in Japan.

<Precision Molding Products segment>

Q1. Regarding wafer cases under the medium-term management plan, what level of annual growth rate do you expect for the silicon wafer production quantity from 2024 onward and how high do you forecast the ratio between FOSB and FOUP to be in 2028?

A1. We expect the annual growth rate of silicon wafers to be around 6% to 8%, as announced by the wafer manufacturers. We based on our medium-term management plan on the assumption that the sales ratio between FOSB and FOUP will remain unchanged from the current level of 7 to 3.

Q2. While I have the impression that semiconductors will continue to slow for some time, you expect them to remain flat in the current fiscal year. Will wafer cases begin to recover in the second half? In addition, during the fiscal year under review, the production of FOSB could not catch pace with the excessive demand. Will production volume exceed shipping volume in the current fiscal year because customers' inventory demand has been met to a certain extent?

A2. While device manufacturers and wafer manufacturers have inventory of silicon wafers, the production lead time of each is long and differs among customers, grades, and regions. We therefore think that the inventory quantity of each company is not linked directly to our wafer case production. While there are signs of a slowdown at present, the shipping volume of some products is maintained. We will supply all of these products appropriately.

<Housing & Living Materials Segment>

Q1. What will the growth potentials of conductive polymer and functional compounds be like in the period of the medium-term management plan? To what extent will they grow quantitatively during the five-year period of the medium-term management plan?

A1. Conductive polymer is used for hybrid aluminum electrolytic capacitors. We expect it to grow in direct proportion to the expansion of EVs and other eco-friendly vehicles. We expect it to double under the medium-term management plan. The functional compounds we supply include EXELAST, a low-friction product for automobiles. We will achieve growth by launching new products for eco-friendly vehicles into the market.

Q2. What are the current status and future prospects of PVC products, or the pipe business in particular?

A2. PVC pipes moved into the black due to the price increase we implemented last year. They remain in the black at present. Further, while there is no price movement of PVC raw materials at present, logistics costs are likely to increase in the coming summer. If they do increase, we will explain the price revision to customers to maintain profitability.

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