

Shin-Etsu Polymer Co., Ltd.

President's Address at the Financial Results Briefing for the First Half of the Fiscal Year ending March 31, 2024

My name is Toshiaki Deto, and I am the President and Chief Operating Officer.

Thank you for attending this financial result briefing. I would like to take this opportunity to thank you for your continued support.

During the second quarter of this fiscal year, demand in the semiconductor industry entered an adjustment phase, and production of wafer containers saw a moderate decline. Sales of OA device components were solid, given an increase in sales of rollers for multifunctional printers. Sales of automotive input devices were firm, reflecting a rebound in demand in the automotive industry. Sales of functional materials were also firm given the expansion of automotive electronic components. Meanwhile, there was an increase in sales of wrapping films as people once again became more mobile.

Overall consolidated results in the first six months of the fiscal year ending March 2024 were

- Net sales 53,456 million yen (an increase of 907 million yen from a year ago)
- Operating profit 5,883 million yen (a decrease of 760 million yen)
- Ordinary profit 6,403 million yen (a fall of 981 million yen)
- Profit attributable to owners of parent 4,617 million yen (a decline of 416 million yen)
- Interim dividends 22 yen per share.

Under the Medium-term Management Plan that we announced in May, we will strive to boost our sales capabilities, improve productivity in base areas, and capture new demand in growth areas.

The semiconductor industry is expected to expand in the medium to long term as data communications networks expand. We have thus determined that the semiconductor-related containers business is the first driving force. We will make utmost efforts to expand our capacity to expand and develop the business. In the automotive industry, a shift to new energy vehicles and the rapid development of new technologies related to autonomous driving are expected. Furthermore, we will develop existing products in base areas, including electronic devices, and will capture new demand for silicone-molded products for automobiles, functional materials used in devices for electric vehicles and electronic components for automobiles. We will make this new business as our second driving force.

Meanwhile, we will consolidate our essential fields to build a more solid foundation, including OA device components, wrapping films for food packaging, functional compounds, and other products that underpin our growth, by expanding our market share and launching original products.

This fiscal year, we forecast that we will record on a consolidated basis

- Net sales 111.0 billion yen (a year-on-year increase of 2.5%)
- Operating profit 13.0 billion yen (a year-on-year increase of 2.0%)
- Ordinary profit 13.0 billion yen (a year-on-year increase of 0.1%)
- Profit attributable to owners of parent 9.0 billion yen (a year-on-year increase of 5.5%).

Based on the full-year results forecast, we have set annual dividend forecast for this fiscal year at 44 yen per share.

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Summary of Q&A about Financial Results Briefing for the First Half of the Fiscal Year Ending March 2024

Date and time	Wednesday, November 8, 2023 14:00 - 14:45	
Venue	Webinar (Live Streaming)	
Attendance	•Chairman, Chief Executive Officer	Yoshiaki Ono
	•President, Chief Operating Officer	Toshiaki Deto
	•Director, Managing Executive Officer	Satoru Sugano
	•Executive Officer, General Manager of Sales Unit	Naoki Kobayashi
	•Executive Officer, General Manager of Corporate Planning Department and Accounting & Finance Department	Osamu Kowada
	•Executive Officer, General Manager of Sales & Marketing Division III	Kazuhiko Yamamoto

<Company-wide>

Q1. A decline of Selling, General and Administrative expenses (SG&A) was seen in the first quarter financial results. In this second quarter, about 0.3 billion yen of SG&A expenses was decreased compared to the previous quarter. Will this trend have a positive impact to your company? If freight rates continue to decline in the second half of the fiscal year, was the freight rate too high in FY2022? And whether has freight rate reached bottom?

A1. During the previous fiscal year, both ocean and air freight costs were in the highest range. However, the transportation systems have been recovering to a normal level with a stable freight rate. Therefore, SG&A expenses have decreased year on year in Q2.

<Electronic Devices segment>

Q1. In the Electronic Devices segment, sales of products for automobiles to Japanese auto manufacturers are recovering, but sales to Europe, the United States and China are slow. What is your outlook for the auto industry?

A1. Sales to Japanese auto manufacturers account for a significant portion of the Company's total sales, and overall sales are currently strong. When looking at the global automotive industry, we see that European manufacturers are slow to recover, while US auto manufacturers are recovering moderately. We are closely monitoring the Chinese market, where sales of electric vehicles are growing rapidly. In general, sales of products for automobiles are trending moderately upward.

Q2. In Q3 of FY2022, net sales were approximately 6.8 billion yen, and operating income stood at approximately 0.6 billion yen. These figures declined in Q4. If the auto industry continues to recover at the current pace, will your performance in the second half of the fiscal year increase from the previous fiscal year?

A2. We expect similar results as the previous fiscal year if the sales of automotive-related products continue to recover at the current pace in the second half.

<Precision Molding Products segment>

Q1. Please describe the situation of the semiconductor-related container business in Q1 and Q2, as well as your projections for the second half of this fiscal year.

A1. Our performance was better in Q1 than in Q2. While certain customers have said that their capacity utilization would rise, we understand that the semiconductor industry as a whole has entered an adjustment phase. We thus expect that our performance will remain steady or slightly decrease in the second half of this fiscal year and the next fiscal year.

Q2. If the silicon wafer inventory does not decrease, then the number of shipping containers (FOSB) returned from device manufacturers to wafer manufacturers for reuse will not increase. Therefore, even if the production of silicon wafers goes down, it is unlikely to have a significant negative impact on your company. What do you think about this?

A2. The situation that you have just described may occur in the current situation. However, we do not have any relevant numerical data due to customers' internal information.

Q3. Please provide an outlook for the demand for general and medical silicone-molded products in the second half of the fiscal year.

A3. We expect that the demand for medical products will remain steady in the second half of the fiscal year without any significant fluctuation as it is not affected by seasonality. Regarding general silicone-molded product, we expect the sales of general products will improve to a certain degree during Q3 as jigs used for manufacturing multilayer ceramic capacitors account for a large portion.

<Housing & Living Materials Segment>

Q1. In the wrapping films business, sales of cling wraps were recovering due to the recovery of the food services sector. Shin-Etsu Polymer has been selling color and antibacterial wrap films and planning to launch a biomass cling wrap. What is your

outlook for the business? How will you differentiate your products from those of your competitors'?

- Q2.** As a result of the consolidation of Kitche Nista Co., Ltd., our cling wrap business has become much more competitive within the wrapping film industry. Sales of color cling wrap, in particular, have increased 20% year on year, partly due to the increase in human mobility. Sales of value-added products have increased. To boost sales, we will launch high-value-added products, such as the recently introduced biomass cling wrap. We are producing wrapping film products at our Tokyo Plant and Kitche Nista's Chikusei Plant. To improve efficiency, we plan to consolidate production at one site.
- Q2.** Please provide a description of the raw materials used for the biomass cling wrap as well as your sales strategy.
- A2.** The production of the biomass cling wrap will commence next spring at Kitche Nista's Chikusei Plant. At least 10% of the raw materials will come from plant-based materials, and the biomass cling wrap has become Japan's first wrapping films certified as a biomass 10 wrap film. We will steadily increase sales of the biomass cling wrap to support the SDGs.
- Q3.** Besides conductive polymers, are there any other promising functional materials?
- A3.** We are developing a thin, heat-resistant film for silicon carbide power semiconductors used in electric vehicles. We aim to achieve results in 2025.
- Q4.** You recently withdrew from the PVC pipe business. Could you please describe your medium to long-term vision for the Housing & Living Materials segment? It would be helpful if you could provide a breakdown of the business portfolio and your expectations for the growth of functional materials and functional compounds.
- A4.** The PVC pipe business had a relatively small significance within the Company, and the impact of the withdrawal from the business is minor. In the wrapping films business, Kitche Nista, which we acquired three years ago, sells cling wrap in the food services sector, and the demand for these films is increasing. To improve the business operations, we will consolidate the plants responsible for manufacturing the films. As the demand for low-friction materials for electric vehicles is emerging, we will shift our focus to high-performance, value-added functional compounds.

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