

Shin-Etsu Polymer Co., Ltd.

President's Address at the Financial Results Briefing for the Six Months Ended September 30, 2024

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

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

During the six months ended September 30, 2024, there was progress in resolving the inventory issues in the semiconductor industry and demand for advanced semiconductors remained high. Consequently, wafer container sales grew. In addition, sales of rollers for OA devices increased, amid strong printer sales and brisk replacement demand for multifunction printers. The buoyant demand in the automobile industry resulted in solid sales of automotive input devices and automotive silicone molded products. Among our wrapping films, sales of cling wraps, especially colored ones, continued to be brisk.

Overall consolidated results in the first six months of the fiscal year ending March 2025 were

- Net sales 54,737 million yen (an increase of 1,281 million yen from a year ago)
- Operating income 6,922 million yen (an increase of 1,039 million yen from a year ago)
- Ordinary income 6,633 million yen (an increase of 230 million yen from a year ago)
- Profit attributable to owners of parent 4,589 million yen (a fall of 28 million yen)
- Interim dividends 25 yen per share

Under the Medium-term Management Plan, we will continue to strive to boost our sales capabilities, improve productivity in our base areas, and capture new demand in growth areas. The semiconductor market is still in an adjustment phase, while an excess of inventory has been gradually declined. The semiconductor market is expected to recover at a moderate pace which demand mainly from generative AI related products. To fulfill a future increase of demand, we have attempted to increase our production capacity both at Itoigawa Plant and Tokyo Plant. Following the two phases of expansion in the Itoigawa Plant, the construction of a new semiconductor container factory within the Tokyo Plant was completed accordingly. We will capture new demand without missing the timing of the market turnaround, aiming to further expand and develop our business.

From October, we also started mass production of EV-related new product, the batteries cushion material which was designated as growth areas. We will enter the full-scale mass production phase for this product in around the end of this fiscal year.

Heat-resistant thin films for film capacitors are under verification process prior to its mass

production. Input devices, OA rollers for printers and wrapping films are defined as products in the base area. We will further promote our current products in base areas to expand our market share. Moreover, we will endeavor to continuously increase production efficiency by utilizing our technologies cultivated over several decades. We will continuously and actively carry out these activities to achieve the targets set in the medium-term management plan.

This wraps up my brief explanation of our progress against the medium-term management plan. The full-year consolidated financial forecasts for the current fiscal year, shown here, remain unchanged from those announced on July 25.

- Net sales 106.0 billion yen (a year-on-year increase of 1.6%)
- Operating income 12.8 billion yen (a year-on-year increase of 15.8%)
- Ordinary income 13.0 billion yen (a year-on-year increase of 12.7%)
- Profit attributable to owners of parent 8.8 billion yen (a year-on-year increase of 1.4%)

In light of the full-year forecasts, we have revised the annual dividend forecast for the current fiscal year from 48 yen per share announced on July 25 to 50 yen per share.

This concludes my report.

Shin-Etsu Polymer Co., Ltd.

Summary of Q&A about the Financial Results for the Six Months Ended September 30, 2024

Date and time	Friday, November 8, 2024 14:00-14:50	
Venue	Webinar (Live Streaming)	
Attendance	<ul style="list-style-type: none"> •Chairman, Chief Executive Officer •President, Chief Operating Officer •Director, Managing Executive Officer of Development Unit •Executive Officer, General Manager of Sales & Marketing Unit •Executive Officer, General Manager of Corporate Planning Department & Accounting Department •Executive Officer, Division Director of Sales & Marketing Division III 	<ul style="list-style-type: none"> Yoshiaki Ono Toshiaki Deto Satoru Sugano Naoki Kobayashi Osamu Kowada Kazuhiko Yamamoto

<Electronic Devices segment>

- Q1.** What are the product features of fire prevention cushions for EV batteries? What is your medium- and long-term sales forecast for this new product?
- A1.** Our fire prevention cushions for EV batteries are silicone foam products. It is new product based on our original foaming technologies which has cushioning properties to absorb pressure from battery expansion and contraction. It has been approved by our customers. We understand that it should take some time till a full-sized market as it is still in initial stage. We will further expand this business to secure a market share of at least 30%.

<Precision Molding Products segment>

- Q1.** Profit in the Precision Molding Products business increased around 650 million yen from Q1 to Q2. Sales by product show that sales rose not only in semiconductor-related containers but also in OA rollers for printers and in carrier tapes-related products. How much did each of these individual products contribute to the growth of profit? In addition, was there any difference in the degree to which they contribute to profit between Q1 and Q2?
- A1.** In the Precision Molding Products business, semiconductor-related containers contributed the most to profit, followed by OA rollers for printers. The degree to which semiconductor-related containers and OA rollers for printers contributed to profit was almost the same in Q1 and Q2.

- Q2.** In the Precision Molding Products business, sales of silicone rubber molded products for the first half remain unchanged year on year. What were the sales trends for medical-related products and general molded products and what is the outlook for their sales in the second half?
- A2.** New medical products we have worked on since 2023 will go into mass production in the second half of the current fiscal year. After that, the sales share of medical products is expected to increase.
- Q3.** In the semiconductor-related container category, I believe that front opening unified pods (FOUP) has a higher profit ratio than front opening shipping boxes (FOSB). In the first half, sales of the FOUP dropped while the FOSB surged. What are the factors behind the increase in profit, such as increases in product prices, productivity improvements and cost reductions?
- A3.** As you pointed out, the profit ratio for FOUP is higher than for FOSB. We achieved a sales volume that was higher than expected at the beginning of the fiscal year, which contributed greatly to the operating margin of the plant. Additionally, the weak yen also assisted the increase in profit.
- Q4.** What were the reasons for the increase in FOSB sales and for the decrease in FOUP sales? What is the sales trend for small diameter containers? In addition, what is the performance forecast for the current fiscal year?
- A4.** Basically, our understanding is that major device manufacturers and wafer manufacturers have yet to fully recovered. FOSB shipments to Chinese wafer manufacturers increased as their inventory adjustments had implemented earlier around the end of 2023 to the beginning of 2024. This demand returned to its real level and sales for China rallied. FOUP sales fell after the end of investments by device manufacturers, including customers in China, which were aimed at increasing production capacity. It seems that investments pace was appeared to be lull in increasing capacity, but we are aware that wafer manufacturers and device manufacturers are in progress to increase production from the previous fiscal year. The shipping quantity of small diameter containers increased at a moderate pace, but it had not reached the expected level in comparison with containers for 300 mm wafers. In the second half, the shipping quantity is expected to be nearly the same as in the first half.
- Q5.** Is there any change in the FOSB's reuse ratio?
- A5.** The semiconductor wafer inventory level is slowly decreasing, but the demand has yet to return to the previous level. We assume that the recovery of the reuse box collection rate is behind the initially expected schedule.

- Q6.** How much capacity is expected to be increased by expansion of the Itoigawa Plant and the Tokyo Plant?
- A6.** In the Itoigawa Plant, the expanded N4 factory is currently in operation with low operation rate, because it has not been qualified by all our customers. Additional capacity in N4 factory contributed to FOSB sales in the first half year despite of a surplus capacity against the current market demand. Therefore, we will monitor closely and begin operations at the Tokyo Plant according to next year's market demand.
- Q7.** You said that both expansions in the Itoigawa Plant and the Tokyo Plant were intended to increase FOSB production capacity. Is lower demand expected for containers for wafers with diameters other than 300 mm?
- A7.** When we classify silicon wafers by size, sales of 300 mm wafers are projected to increase, while, looking at small-diameter wafers, sales of 8-inch wafers will stay flat and sales of other smaller diameter wafers will decrease. Therefore, the primary purpose of our increasing capacity at the Itoigawa Plant and the Tokyo Plant was basically to increase our 300 mm wafer container production capacity. With this market trend, we will establish an appropriate production capacity in consideration of allocation to individual bases and other factors.
- Q8.** How much capacity will increase for total production capacity both in the Itoigawa Plant and Tokyo Plant than the current level?
- A8.** We anticipate that the N4 factory at the Itoigawa Plant will increase capacity around 20% and the new building at the Tokyo Plant will increase capacity approximately 20%. With production at the two locations, Itoigawa and Tokyo, we will be capable of supplying products stably. Another key purpose is to help customers with their business continuity planning (BCP).