

Shin-Etsu Polymer Co., Ltd.

President's Address at the Financial Results Briefing for the Fiscal Year ended March 31, 2024

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

Thank you for attending our company's financial results briefing. I would like to take this opportunity to thank you all for your warm support as always.

In the fiscal year ended March 31, 2024, the sales of wafer containers slowly decreased caused by a continued inventory adjustments in the semiconductor market. However, the results of OA equipment parts remained strong given an increase in orders for multi-functional printer rollers. The sales for automotive input devices increased as a result of a recovery in Japanese automakers' production. Sales of functional materials also remained strong in response to progress in vehicle electrification. Meanwhile, there was an increase in sales of wrapping films as people once again became more mobile.

Results in the fiscal year ended March 2024 were

- Net sales 104,379 million yen
 (a decrease of 3,899 million yen from the previous fiscal year)
- Operating income 11,050 million yen (a fall of 1,699 million yen)
- Ordinary income 11,530 million yen (a decline of 1,456 million yen)
- Net income 8,674 million yen (an increase of 145 million yen)

The year-end dividends will increase 2 yen, to 24 yen per share, which will make the amount of annual dividends 46 yen.

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 industry has shown a sign of bottom out from the prolonged inventory adjustment phase started from the fall of 2022. In the meantime, we have been enhancing our production capacity in advance to respond to a rise in future demand. Construction of a new building for semiconductor containers at the Tokyo Plant will be completed before the end of the year to further expand and develop our business.

The demand for automotive input devices, OA rollers and wrapping films in the current fiscal year is expected to be remained as steady as in the previous fiscal year.

We will aggressively work on new EV-related products (battery cushion materials, heat-resistant thin films for SiC, etc.), which have the potential to be growth drivers in the future to achieve the medium-term management plan.

We have yet to disclose our earnings forecasts for the current fiscal year as it is difficult to estimate at this point due to geopolitical risks such as the prolonged instability of Ukraine and the Middle East, monetary tightening in a number of countries, an increase in personnel and logistics expenses and other uncertainties. Therefore, we will promptly announce the earnings forecasts once it is available.

Shin-Etsu Polymer Co., Ltd.
Summary of Q&A about Financial Results Briefing
for the Fiscal Year Ended March 31, 2024

Date and time	Thursday, May 9, 2024 14:00 - 14:45	
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. The operating income of the Electronic Devices business for automobile-related products has remained high since Q3 of the FY ended March 2024 in comparison to the FY ended March 2023. Do you expect the growth of sales and profit growth to continue? What are your forecasts for automobile-related products in the Housing & Living Materials business?

A1. In the Electronic Devices business, the demand for automotive key switches in particular has been recovering since last year. While we do not expect it to grow significantly, we expect that the shipping quantity will be stable at a level higher than the previous fiscal year. The weak yen also contributed to the increase in sales of and profit from input devices due to a high overseas sales ratio. We expect results to be higher than the previous fiscal year based on our expectation that foreign exchange rates will remain at their current level for the time being. In the Housing & Living Materials business, shipments of conductive polymers for hybrid aluminum electrolytic capacitors for automobiles have been growing rapidly, and we expect sales and profit to continue to grow. In addition, we are developing products for new purposes other than key switches as products for EVs, and it is believed that production of EVs will increase more than other vehicle types in the future. While these new products will not contribute substantially to profit in the current fiscal year, we can expect sales to expand in and after the next fiscal year.

- Q2.** Sales of capacitive touch switches seem to have increased. Have automotive product trends changed?
- A2.** Key switches account for more than 80% of the input devices for automobiles. The percentage of capacitive touch switches is still low, but rising in new car models. We expect that use of capacitive touch switches as input devices for automobiles will continue to increase in the future.
- Q3.** Is it safe to expect that profit will not change regardless of whether the use of key switches or capacitive touch switches increases?
- A3.** We expect that there will be no significant change.
- Q4.** EV sales are slowing down in Europe. Will this trend affect the sales of conductive polymers?
- A4.** European automakers' production is not increasing and we are affected by this. However, Japanese automakers' production is increasing, and overall demand for conductive polymers is growing.

<Precision Molding Products segment>

- Q1.** Both sales of and profit from semiconductor containers decreased from Q3 to Q4 in the previous fiscal year. You have explained that recently, there have been signs of recovery. What signs of recovery are appearing for FOSB and FOUP?
- A1.** Some customers have been conducting large-scale wafer production adjustments since early fall last year or early this year at the latest, but the production adjustments are coming to an end, albeit slowly. We understand that, although there is a lag, manufactures have been shifting to demand-based production and preparing for an increase. Regarding FOUP, device manufacturers had been investing capital before the semiconductor market reduction in demand, and then they suspended those capital investments due to the conditions at the time. Investments in high-quality logic semiconductors that it is believed will be used for generative AI and the memory associated with these semiconductors have already resumed. The forecasts presented by these customers are becoming very strong.
- Q2.** It appears that FOSB did not recover between Q4 of the previous fiscal year and Q1 of the current fiscal year, and FOUP appears to have bottomed out and started recovering in Q4 of the previous fiscal year and continued to grow in Q1 of the current fiscal year. Is this correct?
- A2.** That is generally correct. It may be a matter of timing, but FOUP recovers first and the recovery of FOSB follows that.
- Q3.** What is your thinking regarding the reuse ratio of FOSB? New wafers are overstocked by device manufacturers. Will the reuse ratio of FOSB rapidly increase as the wafer inventory is reduced and a recovery is achieved, or will the reuse ratio of FOSB for advanced semiconductors not increase and demand for new boxes grow?

- A3.** There are two factors in the delay of the recovery of wafer containers. One is that increases in production by device manufacturers and wafer manufacturers are linked, and device production is currently on the road to recovery. Another factor is that the trend of reusing boxes may delay recovery. Reuse is discussed between device manufacturers and wafer manufacturers and, therefore, we do not know much about the situation. However, we think that the FOSB recovery will be delayed considering the conditions including the increase of the reuse ratio.
- Q4.** Your company is participating in the Semiconductor Assembly Test Automation and Standardization Research Association led by Intel. What is the background behind your participation, the role you expect to play, and what will your participation contribute to future earnings?
- A4.** In this research association, we are in charge of trays and carriers for the automatic conveyance of works. We understand that Intel searched for manufacturers capable of participating in Japan and contacted us. The ultimate aim is practical use by 2028. Participating companies are currently discussing specific goals. We recognize that technological requirements of the downstream processes of advanced devices are becoming very high. We expect business to reach a certain size in four years and will discuss specific monetary values through the association's activities.
- Q5.** Is it your understanding that the technologies to be developed at this time will be used exclusively by Intel and cannot be sold by other companies?
- A5.** Basically, the technologies developed will be the property of companies participating in the association. The purpose is to make these technologies widely available for use through standardization.
- Q6.** Do you expect that this goal of standardization will result in significant business opportunities in the future?
- A6.** While large business opportunities may appear, not all semiconductor manufacturers will use the technologies in the downstream processes. The association will have to discuss matters to determine its targets for deliverables.
- Q7.** What are the prospects regarding demand in the silicone rubber business in Precision Molding Products during the current fiscal year and what are the reasons for them?
- A7.** The mainstay silicone rubber molds are medical products, and sales remain strong. The new projects currently under way are expected to start in full swing in the next fiscal year. While the medical business is not a major segment as of now, we view it as a growth business to be developed in the future.