

Q&A Summary

Presentation of Financial Results for FY2021 and the Management Plan

Date: April 27, 2022

*HPP Company: High Performance Plastics Company

*UIEP Company: Urban Infrastructure & Environmental Products Company

About FY2021 Results

Q: What was the reason for the decrease in 4Q profit compared with the 3Q in the HPP Company?

A: The forecast amount of future profit decline attributable to increases in raw material and fuel prices in Europe in connection with certain long-term customers was allocated to the 4Q of FY2021. The remainder exceeded forecasts (Jan.) in overall terms.

Q: What were the effects of such factors as delays in the delivery of housing components and the Fukushima earthquake?

A: Sales and profit both fell short of forecasts (Jan.). This was due to such factors as delays in the construction of mainly ready-built houses as a result of heavy snowfalls, delays in processing caused by the earthquake, the impact of COVID-19 on renovation orders, and delays in the delivery of components. While delays in the delivery of components continue to have a minor impact as a result of such factors as the lockdown in China, we will work to minimize this impact by engaging in various measures including collaboration with suppliers going forward.

About FY2022 Plans

Q: HPP Company sales in the Electronics field are projected to essentially remain unchanged in the 1H of FY2022 compared with the 2H of FY2021. What are the reasons and underlying assumptions behind this forecast?

A: This is due to strong sales of liquid crystal products in the 2H of FY2021. The possibility also exists that customers building up inventories mainly in China as a result of the Beijing Olympics and impact of lockdowns. Moreover, forecasts reflect withdrawal from certain unprofitable products in the 1H of FY2022.

Q: Why do you expect Pharmaceutical Sciences Business sales in the 1H of FY2022 to decline compared with the 2H of FY 2021 in the Medical segment? In addition, what are the reasons for the decline in sales of new products in FY2022 compared with FY2021?

A: Orders for pharmaceutical ingredients from major pharmaceutical manufacturers form the basis for the increase. FY2022 sales are projected to rise for the full fiscal period. Operations at the new factory will contribute to results from FY2023. Orders are progressing steadily in the leadup to the commencement of operations. In FY2021, sales of COVID-19 diagnostic kits saw a substantial temporary increase in results compared with historic levels. This is the principal reason for projecting a decline in FY2022.

Q: What are the reasons and underlying assumptions behind the difference between FY2022 1H and 2H operating profit plans?

A: In the HPP Company, we anticipate improvements in selling prices on high raw material costs will have a greater effect in the 2H.

A: As far as the Housing Company is concerned, we believe that the increase in sales attributable to order plans and contributions from the Town and Community Development Business will be felt in the 2H.

A: From the UIEP Company's perspective, results are generally concentrated in the 2H. In addition, conditions mainly in the non-residential market are expected to recover in the 2H.

A: The difference between 1H and 2H plans in the Medical Business is relatively small. The increase in the 2H largely reflects diagnostic kit sales associated with infectious disease- and influenza-related demand.

Q: What are your thoughts on the impact of lockdowns across certain areas of China?

A: While production bases in China are feeling the effects to a certain degree, the impact has been minimal. This reflects our ability to maintain the Group's production structure and systems as well as efforts to utilize inventories. We will continue to closely monitor the situation.

Q: Can you provide us with specific details of the substantial increase in capital investment and expenditures in FY2022 compared with the previous year?

A: SEKISUI CHEMICAL Group is investing in a wide range of activities including the new Biorefinery Business, which is converting waste into ethanol, integration of the ERP systems as a part of the Group's endeavors in the DX field, and housing-related management systems.

About Soaring Raw Material Costs and Improvements in Selling Prices

Q: Should naphtha prices rise more steeply, will you be able to pass on this increase to product prices in the HPP Company?

A: We will reflect any increase in naphtha prices to product prices as quickly as possible. However, we will not look to pass on the entire increase. Efforts will also be directed to other areas including volume increases and cost reductions.

Q: Looking at HPP Company FY2022 plans, which fields will contribute to improved margins?

A: Carrying on from FY2021, we will look to secure better margins from FY2022 by improving selling prices. Around half of all improvements in selling prices will be in the Building and Infrastructure field. The remainder will essentially be shared equally between the three Electronics, Mobility, and Industrial fields, the latter including general products in Japan.

Q: Proposals have been put forward to increase the price of PVC resin from April. In light of this price increase, will you be able to secure margins in the UIEP Company?

A: While multiple steps were taken to pass on increases in the price of PVC resin to product prices in FY2021, the timeframe between each effort has narrowed. We have already announced improvements in selling prices as a result of the increase in the price of PVC resin in April, and will continue with efforts to secure margins.

About Fluctuations in Foreign Exchange Rates

Q: Your assumption for the US\$:¥ exchange rate is US\$1:¥115. To what degree is operating profit affected by fluctuations in exchange rates?

A: For every ¥1 fluctuation in exchange rates, annual operating profit will increase around ¥500 million and ¥100 million for the US\$ and euro, respectively. Most of this increase in operating profit will come from the HPP Company. In the Housing Company, import activities have a negative impact of tens of millions of yen per US\$. The impact on operating profit in the UIEP Company is negligible.

About Progress under the Medium-term Plan

Q: What are your thoughts on progress under the Medium-term Plan? Are we correct in assuming that any discrepancy is due to macroeconomic factors, and that the efforts undertaken by the Company are being sufficiently carried out?

A: We believe that the Company has been steadily carrying out all appropriate measures. This includes structural reforms and improvements in fixed costs. EBITDA increased to near record levels in FY2021. We are confident that SEKISUI CHEMICAL Group has developed the ability to generate earnings over the past two years.