

Q&A Summary

Presentation of Financial Results for the 3Q of FY2022

Date: January 30, 2023

* HPP Company: High Performance Plastics Company

* UIEP Company: Urban Infrastructure & Environmental Products Company

About the HPP Company

Q: The increase in profit is expected to be larger in the 4Q than in the 3Q. What are your thoughts on conditions in each field?

A: (Kamiwaki) We are not projecting a recovery in demand in the Electronics field in the 4Q. Taking into account the partial recovery in the number of automobiles manufactured and progress in selling price improvements, conditions in the Mobility field are expected to further improve in the 4Q. Our outlook for the Building and Infrastructure field in the 4Q is basically the same as the 3Q.

Q: What are your thoughts on sales volumes and product mix for each field?

A: (Kamiwaki) As far as the Electronics field is concerned, sales volumes and product mix in the liquid crystal business have declined sharply owing to the substantial downturn in smartphone demand. Turning to the non-LCD business, certain components used in such items as MLCCs are also down. In the Mobility field, interlayer films and heat release materials are growing. In the Building and Infrastructure field, fire resistant materials are falling due to the decline in non-residential demand in Japan.

About the HPP Company and Electronics Field

Q: What are your reasons for the forecast recovery in liquid crystal business 4Q sales in the Electronics field compared with the 3Q?

A: (Kamiwaki) Having bottomed out in the 3Q, smartphone shipments are projected to recover slightly in the 4Q. Forecasts reflect this outlook of conditions throughout the market.

About the HPP Company and Mobility Field

Q: Can we assume that lockdowns have led to a decline in demand in the Mobility field in China?

A: (Kamiwaki) While lockdowns are indeed one contributing factor, conditions in December and the surge

in infections coupled with certain trends including temporary delays in production at the time lockdowns were lifted had a stronger impact.

Q: Is there any change in the Company's market share in the interlayer film business?

A: (Kamiwaki) Sales of high-performance interlayer films including HUD films, which are forecast to grow up by more than 15% YoY, and heat insulation films for EVs are increasing steadily. This is contributing to improvements in the product mix. Based on the aforementioned, we believe the Company maintains a certain share of the high-performance interlayer film market.

Q: Can we assume that improvements in selling prices are contributing more in the 4Q than the 3Q in the Mobility field?

A: (Kamiwaki) While we have seen the effects of improvements from the 3Q, the contribution is indeed greater in the 4Q.

About the HPP Company and Building and Infrastructure Field

Q: What are the reasons for the slowdown in non-residential fire resistant material demand in the Building and Infrastructure field?

A: (Kamiwaki) While plans were based on a forecast recovery in demand from the downturn caused by COVID-19, trends were impacted by the slower-than-anticipated pace of recovery.

About the Housing Company

Q: How long does it take for a recovery in the number of visitors to trigger an actual upswing in orders?

A: (Kamiwaki) The time lag between movements in the number of visitors to orders is around three to six months.

Q: While the unit price of orders is rising, what is the status of profitability in terms of cost increases? What is your outlook for the future?

A: (Kamiwaki) Despite the surge in component costs and period of housing profitability per unit decline, unit prices have continued to climb owing to such factors as upswings in the rates of power generation system and storage battery installation. Currently, profitability has returned to a level that is close to the level recorded prior to the surge in component costs. These increases in housing unit prices are expected to contribute from the next fiscal year.

Q: What are your thoughts on component cost trends? Can we assume that harsh trends in such component materials as steel and wood are finally improving?

A: (Kamiwaki) While conditions are slightly better than anticipated, there is no room for complacency.

About the UIEP Company

Q: Which molded products in the Advanced Materials business are being affected by the deterioration in conditions in the Electronics field?

A: (Kamiwaki) SEKISUI SEIKEI CO., LTD. manufactures relatively high-value-added products. Among these products is the mainstay lineup of high-performance, blow-molded containers that transport the polishing and other liquids used in the manufacture of semiconductors. Demand for these products is declining as a result of the downturn in Electronics market conditions.

Q: Will we see a recovery from the impact of delays in the FFU business from the 4Q?

A: (Kamiwaki) We will make every effort to prevent delays in the 4Q and promote the posting of sales. With orders firm, we will continue to capture orders from the next fiscal year at the same time.

Others

Q: Looking at the Company's balance sheet, inventories appear to be increasing compared with the end of September. Can you provide us with details?

A: (Nishida) Non-residential BtoB inventories are exhibiting a temporary upswing owing to lower-than-anticipated sales in December. Even if production in the 4Q falls more than anticipated as a result, the degree of decline will not have a major impact on the incidence of cost reductions. Moreover, we believe inventories will return to normal levels as of the end of March.