

## Q&A Summary

### Presentation of Financial Results for the 3Q of FY2023

Date: January 30, 2024

\* HPP Company: High Performance Plastics Company

\*UIEP Company: Urban Infrastructure & Environmental Products Company

#### About the HPP Company

**Q: Which product groups were affected by weak demand in 3Q in the Electronics field?**

A: (Kamiwaki) In the 3Q, tapes and microparticle products in the Liquid Crystal field were affected by weak demand for large panels for TVs. In addition, semiconductor processing materials in the non-LCD field were also sluggish due to the delayed recovery in market conditions for semiconductors.

**Q: A recovery in demand is expected in the 4Q for binder resins for multilayer ceramic capacitors (MLCCs). How accurate is this?**

A: (Kamiwaki) Market conditions for semiconductors in the 4Q is expected to gradually recover, with demand for MLCCs also on a recovery trend. For products such as our bio-based tape and Selfa<sup>®</sup>, in addition to a recovery in market conditions, we also expect to capture new demand and develop new business.

**Q: In the Mobility field, interlayer films for head-up displays (HUDs) were forecast to grow in the 2H by roughly 115%, yet in the 3Q alone they grew by 139%, far exceeding expectations. What is the reason for such a big difference? What is your outlook for the 4Q and 2H?**

A: (Kamiwaki) Electric vehicle production in China was strong in the 3Q, creating more adoptions and shipments of interlayer films for HUDs than expected. Our October plan forecasts growth of over 115% for the 4Q and we expect to maintain this level.

**Q: How do high-performance interlayer films look overall?**

A: (Kamiwaki) Along with interlayer films for HUDs, sales of heat insulation interlayer films mainly for electric vehicles has also been strong. High-performance products are driving overall sales, and we expect the same to continue in the 4Q.

**Q: Is your market share increasing with the growth in interlayer films for HUDs?**

A: (Okano) Although market share for our high-performance interlayer films is expected to remain strong, as a company we are focusing on higher-performance products, and we don't believe that our overall market share will change significantly.

**Q: Has there been any impact on distribution due to the situation at the Panama Canal or Suez Canal?**

A: (Kamiwaki) For now, we haven't experienced any significant impact. However, we do believe there will be risks going forward, for example, with increased distribution costs owing to the impact from the Suez Canal, which is why we are planning our operations fully aware of the situation.

**Q: As of October, SEKISUI AEROSPACE CORPORATION was planning to be profitable on a 4Q basis. Has the situation changed?**

A: (Kamiwaki) Due to the effects of a drop in demand for aircraft, it will be somewhat difficult for the company to move into the black in the 4Q. We therefore don't expect SEKISUI AEROSPACE to be profitable until the next fiscal year. On the other hand, the rate of production of some models continues as planned, and non-aerospace fields such as drones and the Medical field are also growing, so we believe that the company is making steady progress toward becoming profitable.

## About the Housing Company

**Q: In terms of orders, the situation was difficult in the 3Q, meaning the plan for the 4Q has also been lowered. What are your thoughts on rebuilding development and sales measures to improve the top line?**

A: (Kamiwaki) We will strengthen our meticulous rollout of products tailored to the characteristics and purchasing power of each area, for example, with one-story houses in rural areas and three-story houses in urban areas.

**Q: [Presentation materials P14] The company had planned to optimize its production system as a means to improve profitability. How is this progressing?**

A: (Kamiwaki) In particular, we have started concentrating production at a few plants for wooden-framed homes, for which orders are decreasing. Optimization of the production system is progressing as planned.

**Q: What progress has been made in increasing the average unit price?**

A: (Kamiwaki) Although the soaring prices of steel and timber have come down, the prices of a wide range of other housing materials continue to rise. We will keep a close eye on the risks, including the risk of rising distribution costs due to Japan's so-called '2024 problem' (shortage of truck drivers).

**Q: [Presentation materials P26] Looking at trends in unit prices, the rate has increased by more than 10% over the past two years. Is the understanding correct that there is a difference in orders between urban and rural areas, and that the rise in unit prices is accepted in urban areas so orders are not weak?**

A: (Kamiwaki) Yes. In urban areas, especially in the Tokyo metropolitan area, we are receiving orders for three-story homes and apartment buildings at higher-than-average unit prices.

**Q: Has the Noto Peninsula Earthquake had any impact on sales activities or procurement, etc.?**

A: (Kamiwaki) The impact on our business is limited. However, some of our customers' homes, built by us, have been damaged, so we recognize that our immediate challenge is to provide follow-up support to these people.

### **About the UIEP Company**

**Q: Regarding chlorinated polyvinyl chloride (CPVC), what is the situation regarding the decline in demand for CPVC in India? It appears to be a highly profitable business, but what is the impact on the company's earnings?**

A: (Kamiwaki) Public works projects in India are being put off ahead of the general election in fiscal 2024. This has caused a drop in demand but is seen as only temporary. Although there will be an impact as the CPVC Business is a relatively highly profitable business within the UIEP Business, we believe that any impact can be fully covered by other businesses within the company. As such, the outlook for the 2H is in line with the October plan.

### **About the Medical Business**

**Q: There have been delays in expanding sales of blood coagulation reagents in Japan and new products in the U.S. Delays in the United States have been particularly noticeable. What is the reason for this, and what is the basis for assuming that sales will return in the 4Q?**

A: (Kamiwaki) The launch of COVID-19 test kits in the U.S. had little effect in the 1H due to delays in FDA approval. Shipments began in August 2023 after approval was obtained, but a major distributor was hit by a cyberattack that disrupted delivery, putting a hold on sales promotion. The situation was resolved in the 3Q and the company is expected to resume sales in the 4Q.

## Others

**Q: What is your approach and what efforts are being made in terms of wage increases?**

A: (Kamiwaki) The average wage increase this fiscal year was slightly more than 4%. We have begun considering ways to maintain the same or higher level for the next fiscal year and beyond.