

Q&A Summary

Presentation of Financial Results for the 1Q of FY2022

Date: July 28, 2022

*HPP Company: High Performance Plastics Company

About the HPP Company

Q: Looking at your analysis of overall operating income in the 1H, despite the lack of growth in sales volume and product mix, net sales are projected to increase in the three strategic fields. How much of this is attributable to improvements in selling prices?

A: (Kamiwaki) While roughly 20% of the year-on-year increase in the Electronics field is attributable to improvements in selling prices, the overall impact of foreign currency exchange rates is significant. The same can be said of the Mobility field, where around 20% is due to improvements in selling prices. In the Building and Infrastructure field, improvements in selling prices account for approximately 80% of sales growth.

About the HPP Company <Electronics Field>

Q: Sales in the liquid crystal field were substantial in the 1Q. Generally speaking, it would appear that inventory adjustments were about to begin. What can you tell us about sales volumes? Also, what is your outlook for the 2Q?

A: (Kamiwaki) We believe that customers took steps in the 1Q to secure inventories prior to the lockdowns in China. At this point, the balance of market inventories would appear to be substantial. On this basis, we are looking at a 2Q correction to the 1Q rush in demand.

Q: Sales in the non-LCD field are expected to grow significantly from the 1Q to the 2Q. What are the principal products that are projected to grow?

A: (Okano) We are looking to expand our market share and secure growth in such products as protective films for semiconductor-related processing materials and protective foam sheets for components used in smartphones.

Q: Are there any changes in the semiconductor-related market environment?

A: (Kamiwaki) Currently, conditions in the semiconductor-related components market remain generally firm.

Q:What are price increases in the Electronics field earmarked to counter?

A: (Okano) Negotiations are underway to improve selling prices for polyolefin-related tape and film products to counter the surge in raw material costs.

About the HPP Company <Mobility Field>

Q:Progress is being made in the transition toward full-color HUDs. Will HUD interlayer films be addressed in new products?

A: (Okano) HUD brightness and color are a product of functional improvements in projectors. Our HUD interlayer films can be covered by conventional technologies. We believe any upswing in models equipped with HUDs would be a positive development for the Company.

Q:What is the current status and outlook for SEKISUI AEROSPACE CORPORATION?

A: (Kamiwaki) While domestic flight aircraft models are showing a certain degree of recovery, production of international flight aircrafts, our principal market, is yet to resume. Under these circumstances, we do not envisage a recovery at this point in time. In contrast, steady progress is being made in cultivating non-aircraft sectors including the medical, drone, and engine fields.

About the HPP Company <Building and Infrastructure Field>

Q:There are indications that price increases in the Building and Infrastructure field are substantial. Is this attributable to CPVC? Also, what can you tell us about market conditions?

A: (Kamiwaki) We are pushing forward improvements in the selling prices of all products in the Building and Infrastructure field and not just CPVC. In India, our largest market, trends in demand for CPVC that facilitates the manufacture of high-performance building materials is extremely firm. We are making steady progress in passing on the high cost of raw materials to selling prices.

About the Housing Company

Q:We are concerned about the impact of a renewed spread of COVID-19 on new housing orders. Results in June were weak. What is your outlook for the 2Q?

A: (Kamiwaki) While new housing orders were down year on year in June, we believe this is a temporary phenomenon and reflects orders captured in advance in May. With this in mind, we anticipate orders will once again progress in line with plans from July.

Q: Operating income is slightly ahead of schedule in the 1Q with the outlook of a decline in the 2Q. Can we assume that this reflects efforts to level out sales?

A: (Kamiwaki) This is indeed due to efforts aimed at leveling out sales, which progressed in excess of plans. We will continue to progress going forward. While sales are posted after receiving an order when delivery to the customer is completed, historically sales in the Housing business are substantial in the 2Q. Bringing this forward while lowering the overall peak will contribute to improved factory productivity and transportation efficiency. We anticipate overall trends in the 1H will essentially be in line with plans.

Q: What is the status of housing prices increases?

A: (Kamiwaki) We will adopt a cautious approach toward price revisions so as not to affect demand.

About the Medical Business

Q: What is the background behind the delay in authorizing COVID-19 diagnostics kits in the U.S. and what is the outlook for the future?

A: (Kamiwaki) While steps were taken to submit an application for approval to the U.S. authorities under the emergency use authorization system, the review process is showing signs of returning to normal as COVID-19 conditions settle. This is in turn making it more difficult to obtain approval. Another factor raised is the insufficient availability of positive specimens for the Omicron strain. Moving forward, we will prioritize combination kits that facilitate the diagnosis of both COVID-19 and influenza. We will work toward generating contributions to earnings from the 2H.

About Others

Q: Inventories on the balance sheet are increasing. What are the factors behind this increase? In addition, is the reduction in fixed costs due to the increase in inventory?

A: (Kamiwaki) Trends including the upswing in the procurement of land associated with the Group's housing, ready-built housing, and town and community development activities as well as the surge in raw materials costs are significant factors in the amount of raw material inventory. Reductions in fixed costs are progressing in real terms and not as a result of an increase in inventory.