

Q&A Summary

Presentation of Financial Results for FY2022 and the FY2023 Management Plan

Date: April 28, 2023

* HPP Company: High Performance Plastics Company

* UIEP Company: Urban Infrastructure & Environmental Products Company

About the non-compliance of apartment buildings and detached houses with Japan's Building Standards Act

Q: Why did this failure to comply occur? How could the Company have missed this?

A: (Kamiyoshi) Investigations into the cause are currently underway. We are looking closely at a number of factors, including instructions at the time of construction, the status of construction management, contractor training records, and inspection methods.

Q: How often are inspections undertaken?

A: (Kamiyoshi) Although conducted by manufacturing subsidiaries on an annual basis, inspections to date have not included checks on the dimensions of actual assembly screws. The issue at hand was uncovered following a voluntary quality inspection by a manufacturing subsidiary.

Q: What countermeasures are you considering for the future?

A: (Kamiyoshi) In addition to inspections, we are undertaking all necessary corrective work. Drawing from this incident, we will work diligently to prevent a recurrence by designing parts and establishing an effective inspection system.

About the HPP Company

Q: Operating profit is projected to improve ¥6 billion in the Mobility field. How much is attributable to interlayer films and SEKISUI AEROSPACE CORPORATION, respectively?

A: (Shimizu) Automotive-related products are forecast to contribute ¥4 billion and aircraft-related products ¥2 billion. In each case, we are looking at improvements in selling prices at the time of long-term contract renewal. The effects of these improvements will emerge throughout FY2023.

Q: What impact will by-product market conditions have on operating profit?

A: (Shimizu) The Company re-sells the acetic acid produced as a by-product during its PVA manufacturing process. We are anticipating an imbalance between the supply and demand of acetic acid in FY2023, which is expected to lower selling prices.

About the Housing Company

Q: Housing prices rose substantially in the previous fiscal year. Do you expect prices will continue to increase in FY2023? What specific product mix and cost reduction measures have been included in forecasts for current fiscal year?

A: (Kamiyoshi) Housing prices have been progressively revised owing to the surge in component costs. The effects began to significantly emerge from the 2H of FY2022 and are expected to continue throughout FY2023. We anticipate seeing incremental growth in apartment buildings and smart facilities as well as the effects of factory integration continue to emerge in FY2023.

Q: What is behind the number of houses sold falling below forecasts?

A: (Kamiyoshi) Construction sentiment fell substantially owing to the higher-than-expected increase in consumer prices amid the prolonged impact of COVID-19. This had a negative impact on first-time buyers, who had previously served as a driving force, and especially on orders for subdivision houses, which in turn led to a decline in the number of houses sold in the 2H.

About the UIEP Company

Q: Ongoing favorable terms and conditions continued to have a positive impact on the spread between raw materials and selling prices in FY2022. Further improvement is forecast in FY2023. What is behind the continued improvement in selling prices amid a business environment that is not entirely positive?

A: (Hirai) Revisions to the prices of piping materials saw considerable progress in FY2022. We have also taken steps to revise the prices of fire-resistant, FFU, and other products from the 2H. We anticipate the effects of these endeavors will emerge from FY2023.

Others

Q: The impact of fixed costs attributable to human capital investment is projected to have a negative impact on operating profit of ¥13.5 billion. Can you provide us with details?

A: (Kato) On top of the annual increase in wages, human capital investments include additional salary increases as well as outlays to upgrade and expand reskilling endeavors, including educational programs. Looking at DX initiatives, as one example, and the introduction of new accounting systems, fixed costs are projected to increase owing to various reskilling and other human capital investments aimed at developing the necessary human resources to address these initiatives.