

Q&A Summary

Presentation of Financial Results Progress under Management Plan for the 2Q of FY2023

Date: October 30, 2023

* HPP Company: High Performance Plastics Company

About the HPP Company

Q: While falling each fiscal year from the 3Q to the 4Q in the Electronics field due to seasonal factors, sales are not expected to decline that much in this instance. What are the reasons for this?

A: (Shimizu) Adopting a somewhat conservative approach, we anticipate that the increase in sales attributable to new product opportunities built up over the 2Q will continue into the 3Q and 4Q. Impacted by the Chinese New Year, we anticipate shipments will stall. As far as the balance between the 3Q and 4Q is concerned, sales are forecast to decline slightly in the 4Q.

Q: What exactly do you mean by new non-LCD product opportunities? What kinds of products are bio-based adhesive tapes used for? What applications do you see in the future will trigger growth?

A: (Shimizu) New products in the Electronics field include Selfa[®], a material applied to highly adhesive and easy-to-release tapes used in semiconductor processing, and bio-based adhesive tapes made from plant-derived materials. These types of new products are being applied to smartphones and electronic devices. We believe that demand for bio-based adhesive tapes will continue to expand as the number of customers that are looking to address environmental concerns increases.

Q: What is behind the 108% growth in automotive high-performance interlayer film sales in the 4Q in the Mobility field?

A: (Shimizu) First, automobile production is projected to recover. Moreover, the rate of growth reflects the slight downturn in demand in the corresponding period of the previous year.

Q: The Group has explained that high-performance interlayer films with outstanding design features and heat insulation interlayer films will grow. Is there also the chance that this growth will be concentrated in the 4Q?

A: (Shimizu) We are seeing progress in the application of high-performance interlayer films largely for EVs. This progress is gradually expanding from the 2Q to the 3Q and from the 3Q to the 4Q.

Q: What are your thoughts on automobile conditions and trends by region and in particular your outlook for the 2H?

A: (Shimizu) As far as high-performance interlayer films are concerned, conditions are expected to slightly weaken in the 2H in China. In contrast, trends are projected to improve in Europe, Japan, and Asia. Turning to mainstay interlayer films for HUDs, we anticipate growth will be evenly distributed across all regions.

Q: What are the reasons behind SEKISUI AEROSPACE CORPORATION's projected return to the black on a non-consolidated basis from the 4Q? What is your outlook for the next fiscal year?

A: (Shimizu) Monthly aircraft production is gradually increasing. Announcements also indicate that production will continue to expand over 2025 and 2026. SEKISUI AEROSPACE CORPORATION is determined to address this demand. Beginning with a return to the black on a non-consolidated basis from the 4Q of the fiscal year under review, the company is projected to return to the black for the full fiscal year on a consolidated basis from 2024.

Q: You previously mentioned that investments are required for SEKISUI AEROSPACE CORPORATION to address the increase in demand. Can we assume that the company will report a profit after absorbing this expenditure?

A: (Shimizu) Under conditions as they currently stand, we believe that demand can be met without much in the way of substantial capital expenditure. While there was the need to secure human resources, the hiring of personnel was largely completed by the 2Q. Training is being provided for processes that require a high level of proficiency, and we believe that productivity will increase in the future.

About the Housing Company

Q: Exhibition visitors are not expected to increase. What then are the reasons behind the projected recovery in rebuilding orders in the 2H?

A: (Kamiyoshi) While the overall rebuilding market is gradually declining and conditions are extremely harsh, we believe that our ability to address rebuilding demand through high-performance and environmentally friendly products and services is effective. Moving forward, we will continue to engage in a variety of activities, including advancing our Smart House products and promoting resilience as well as introducing high-end products in urban area where the incidence of rebuilding is high in a bid to secure orders.

Q: What are your thoughts on component cost trends? Is there any indication that steel and other materials will decline? What are the effects of depreciation in the value of the yen?

A: (Kamiyoshi) We believe that conditions for steel and timber will be flat for the fiscal year. The need to lift component prices is becoming increasingly evident owing to such factors as the high cost of raw materials, utilities, transportation expenses, and fluctuations in foreign currency exchange rates. We do not expect conditions will improve in overall terms. In addition, the yen's depreciation is not anticipated to significantly change from current levels.

Q: The effects of measures aimed at strengthening profitability are expected to continue through to FY2025. What are some of the measures that will commence in FY2024 and Fy2025?

A: (Kamiyoshi) The color-coded bar graph on page 22 of the presentation materials plots the effects from FY2023 to FY2025. We have taken steps to shift mainly human resources in the new housing business to growth domains in the 1H of FY2023 and plan to continue this shift in the 2H. This is expected to generate ¥1.5 billion in the fiscal year under review. In addition, plans are in place to optimize the production structure, beginning with wooden-frame products from the 4Q, and to progressively move forward from FY2024 and beyond. Moreover, we will expand DX and automation at factories in a bid to improve productivity. As far as our product strategy is concerned, we will strengthen products by area, maintain the number of orders by taking full advantage of the benefits of nationwide expansion, and work to increase unit prices through such measures as strengthening apartment buildings. Looking toward 2025, we will take steps to strengthen purchasing by switching to alternative components, pursue purchases from multiple suppliers, and implement a variety of measures, including changes in distribution channels.

About the Medical Business

Q: How do you see the impact of the influenza epidemic in Japan compared to last year?

A: (Takahashi) While indeed prevalent, conditions are expected to slightly improve compared with the previous year. Taking into consideration the limited effects of the epidemic last year, sales agents saw a build-up in inventory. Actual shipments are expected to commence in the near future.

Q: Despite delays in authorizing new COVID-19 products in the U.S., sales commenced in August. What is your outlook for the 2H?

A: (Takahashi) We are capturing a share of the OTC, including drugstores, e-commerce, and government tender-related markets. Sales in the 2H are expected to be lower than in 2021, when the epidemic was most prevalent.

About Returns to Shareholders

Q: SEKISUI CHEMICAL Group announced an increase in dividends and the additional purchase of treasury shares despite little change from previous performance forecasts. What are the reasons behind this?

A: (Kato) SEKISUI CHEMICAL Group upwardly revised its full fiscal year bottom line by ¥5 billion in July on the back of such factors as the gain on sale of available-for-sale securities. Confident in our ability to achieve this and in light of our commitment to securing a dividend payout ratio of 40% under the current Medium-term Management Plan, we announced details of an increase in dividends. As far as the Company's treasury shares are concerned, we have consistently pledged to adopt a flexible approach. Taking into consideration our results in the 1H and cash position, we have resolved to acquire additional shares at this time with a view to proactive implementation.