

Q&A Summary

Presentation of Financial Results for the 1Q of FY2024

Date: July 31, 2024

* HPP Company: High Performance Plastics Company

* UIEP Company: Urban Infrastructure & Environmental Products Company

About the HPP Company

Q: While net sales are forecast to increase in the Electronics and Mobility fields in the 2Q, compared with the 1Q, operating profit is expected to decline ¥2.1 billion across the HPP segment as a whole. What are the factors that are projected to underpin this forecast trend?

A: (Kamiwaki) One factor is the impact on the 2Q attributable to shipments brought forward in the 1Q. Details are provided in the “Analysis of Operating Profit” comment boxes on P10 of the presentation materials. Another factor is the risk of further increases in raw material costs over the 2Q.

Q: Can we assume that efforts will be made to lift selling prices in response to the increasing trend in raw material costs?

A: (Kamiwaki) We will indeed lift selling prices in a bid to secure margins in response to the increasing trend in raw material costs.

Q: What can you tell us about demand brought forward in the Electronics field?

A: (Kamiwaki) As indicated on P4 of the presentation materials, while trends in the 1Q were significantly higher than anticipated, smartphone demand in the 2Q is projected to fall below expectations. We see this as demand brought forward in the 1Q from the 2Q for smartphone-related products. Certain factors behind the strong performance in the Electronics field are the development of new applications and successful efforts to capture market share in the non-LCD field, and in particular semiconductor-related products.

Q: What specific products have grown in the non-LCD field?

A: (Kamiwaki) Typical products include Selfa, a semiconductor processing material, and ceramic binders for MLCCs.

Q: As far as the semiconductor processing material Selfa is concerned, how much do you plan to increase production capacity?

A: (Okano) Plans call for the doubling of production capacity.

Q: What exactly does for advanced semiconductors mean?

A: (Okano) Use in processing materials for semiconductors that require high throughput, including HBMs.

Q: Forecasts indicate lower N-HPP interlayer film sales volumes in the Mobility field. As far as SEKISUI AEROSPACE CORPORATION is concerned, volumes also appear weak. Are you looking at an increase or decrease in the 1H compared with plans in the Mobility field?

A: (Okano) We are looking at an increase in the 1H in the Mobility field compared with plans owing mainly to the impact of fluctuations in foreign currency exchange rates and efforts to control fixed costs.

Q: N-HPP sales, mainly for HUD use, which have exhibited steady growth, appear to have slightly stalled. While this is attributed to a downturn in market conditions in China, are there any other issues outside China?

A: (Kamiwaki) Sales of N-HPPs, used mainly for HUDs, are exhibiting firm growth outside China. The drop in sales reflects the many Japanese, European, and U.S. automobile manufacturers in China that apply N-HPPs for HUDs.

Q: SEKISUI CHEMICAL Group has decided to boost production capacity at its Thai factory. Why Thailand?

A: (Kamiwaki) We took into consideration a variety of factors, including the need for optimal production as well as transportation costs on a global basis. We placed particular importance on avoiding locations that could be significantly impacted by future trade friction between the U.S. and China. Another reason was the availability of suitable land at our Thai factory.

Q: We often hear about the withdrawal of Japanese automakers and the closure of plants in China. There are those who believe that this will also occur in Southeast Asia in the future. We would appreciate your thoughts and any additional comments.

A: (Kamiwaki) Chinese EV manufacturers are also increasingly adopting high-performance interlayer films, and we do not expect a major slowdown going forward. Buoyed furthermore by steady growth in areas outside China, we will take all preparatory steps on the assumption that N-HPPs will expand over the medium to long term.

About the Housing Company

Q: [Presentation materials P12] Looking at the “Analysis of Operating Profit” on P12 of the presentation materials, plans call for fixed costs in the Housing Business to decrease ¥1.2 billion in the 1H. Considerable progress has been made in the 1Q with a decline of ¥1.4 billion. What factors underpin this decrease? In contrast, the decrease in the Renovation Business was held to ¥0.4 billion in the 1Q compared with the planned increase of ¥1.3 billion in the 1H. As far as the total is concerned, should we expect fixed costs to decrease compared with the initial plan?

A: (Kamiwaki) We took steps to bring forward the shift of personnel to the Renovation and other businesses. As a result, the decrease in fixed costs in the Housing Business progressed in excess of plans. We intend to apply this amount of decrease to investments in sales promotion and development in the 2Q. Despite the increase attributable to the shift of personnel from the Housing Business, we will control fixed costs in the Renovation Business by curbing other operating expenses. We anticipate progress in the 1H to be in line with current forecasts.

Q: [Presentation materials P4] Requests via the WEB are increasing. Will the limited number of exhibition visitors contribute to a reduction in costs?

A: (Kamiwaki) While attracting customers via the WEB is less expensive than exhibition visitors on a cost per visitor basis, increasing visitors via the WEB does not necessarily mean that fixed costs will decline. The idea then is to increase visitors via the WEB amid roughly the same fixed costs.