

Q&A Summary

Presentation of Financial Results and Progress under the Management Plan for the 2Q of FY2024

Date: October 31, 2024

* HPP Company: High Performance Plastics Company

* UIEP Company: Urban Infrastructure & Environmental Products Company

About the HPP Company

Q: [Presentation material P18] While taking into consideration your assumption that the yen will appreciate to ¥140 against the U.S. dollar in the 4Q, your outlook for net sales in the Electronics field for both the 2H compared with the 1H and the 4Q compared with the 3Q appears robust. What specific products are expected to grow?

A: (Shimizu) The timing of electronics-related demand in the fiscal year under review differs slightly from previous years. Historically, sales of new models have increased in the 2Q. This fiscal year, however, sales in the 2Q and 3Q are projected to remain relatively flat owing to such factors as delays in the launch of new models. A product that has exhibited growth of late is “SELFA,” a high-adhesion, easily removable UV tape for use in the semiconductor manufacturing process. Applied largely in the manufacture of high-band memories, demand for SELFA is extremely high. The Company’s binder resins for MLCCs, in which SEKISUI CHEMICAL Group maintains a significant market share, are also expanding steadily. Moreover, sales of the Company’s bio-tapes and foam tapes are expected to grow with the release of new device models, including smartphones, tablets, and PCs. Taking into account the aforementioned, sales are projected to increase in line with the release of new models.

Q: As far as interlayer films in the Mobility field are concerned, you mentioned that the slight downturn in sales volumes for HUD application in the 1H was due to the decline in China. Does this reflect trends in the Chinese auto industry as a whole, or is there another reason?

A: (Shimizu) Sales volumes of interlayer films for HUD application came in at 99% in the 1H owing mainly to the downturn in sales volumes in China. This reflects both market conditions for European and Japanese auto sales as well as the Company’s market share for certain customers.

Q: Despite sluggish growth in the 1H, sales volumes of interlayer films for HUD application are projected to recover in the 2H. What are the reasons for this positive turnaround?

A: (Shimizu) In contrast to the downturn in the 1H, conditions throughout the Chinese market are forecast to recover moderately from the 2H. We also anticipate that the use of our products will increase in new vehicles and models from the 4Q.

Q: What are your thoughts on interlayer film trends, excluding N-HPPs for HUD application?

A: (Shimizu) Apart from interlayer films for HUD application, sales volumes of color/designed films as well as heat insulation films grew by more than 110% owing to their steady use in EVs in Europe and the U.S. Sales volumes also exceeded 100% in China. In contrast, sales volumes decreased slightly in Japan owing to the impact of certification issues. Taking into account such factors as the application of products in several EV models, we anticipate sales volumes will continue to grow in the 2H, exceeding 110%.

Q: Do you plan to increase N-HPP sales volumes in the 2H while working to achieve overall growth?

A: (Shimizu) We will steadfastly expand N-HPP sales volumes. Trends regarding the use of designed films remain unchanged. Taking into consideration such factors as increased use in vehicles that are undergoing a model upgrade, sales volumes are expected to expand.

Q: How have customers' quality issues and the strike impacted SEKISUI AEROSPACE CORPORATION?

A: (Shimizu) Quality issues with respect to major customers resulted in lower-than-expected production rates, which in turn impacted SEKISUI AEROSPACE CORPORATION in the 1H. Although the strike remains ongoing, the impact on sales is limited. This is because the models involved do not affect the Company's products to any significant extent and the supply chain itself continues to operate. Going forward, we intend to offset any impact that may emerge in the future through additional rationalization and other measures. SEKISUI AEROSPACE CORPORATION is expected to return to the black in the 2H after turning positive from the 4Q.

About the Housing Company

Q: Despite a somewhat difficult new housing order environment, prices per unit are exhibiting an upward trend. Can you provide us with details.

A: (Yoshida) Looking at trends by region, signs of a recovery in demand are emerging mainly in metropolitan areas, including Tokyo and Osaka. At the same time, properties are increasing in size and becoming more expensive. Despite certain trends, including an upswing in the ratio of single-story housing in regional areas, and a level of weakness in the value of properties, prices per unit are rising on a nationwide basis. One factor in the composition discrepancy is the lower percentage of ready-built orders and the increase in rebuilding orders with large areas and amounts of equipment, etc.

Q: Please provide us with details of the amount of rebuilding and ready-built orders.

A: (Yoshida) While the rebuilding amount differs in each area, the order amount per house is steadily increasing, especially in metropolitan area. Turning to the extent of increase, the price per unit for ready-built houses is less than that for rebuilding.

Q: [Presentation material P23] The Group appears to be making steady progress in reducing housing costs in the fiscal year under review. What is your outlook for the next fiscal year? Do you also see a buildup?

A: (Yoshida) We are working toward our goal of a ¥10 billion improvement as a measure to strengthen profitability, and are making progress online. Within sight of our goal for the next fiscal year, we are in fact looking to exceed our target. We are shifting our focus to areas where demand is strong while lowering costs in the new housing business, and are steadily approaching the point where we will generate significant profits should sales volumes recover.

About Perovskite Solar Cells

Q: SEKISUI CHEMICAL Group's perovskite solar cells have been adopted by NEDO's GI Fund project. In addition to ongoing demonstration tests through to 2028, details of the shift to mass production from 2025 have been released. Can you provide us with the current status of play.

A: (Kato) Details announced at this time focus mainly in demonstration tests, which includes, for example, progress regarding the verification of construction methods. We will work with Tokyo Electric Power Company on the development of techniques to install solar cells on external walls as well as demonstration tests. Looking at the various steps involved, including the development of installation techniques and the consideration and selection of an installation partner, we anticipate a schedule of around one year. Moving forward, we will transition to the decision-making process, including capital investment, in conjunction with efforts to put in place a business model.

About Returns to Shareholders

Q: In the past, the Company has announced details of the buyback of shares also with respect to the interim period as a part of its efforts to provide returns to shareholders. Despite the generation of cash flows and higher-than-expected profits, the Company has not commented on the buyback of shares in this instance. What are your thoughts on returns to shareholders? In the event of an upside in the Company's financial results in the 2H, what is the likelihood of additional returns to shareholders?

A: (Nishida) The decision to buy back shares was not made in the interim period under review after taking into consideration such factors as future investment capital demand. As far as our total return and payout ratios are concerned, our efforts will reflect our financial results for the full fiscal year and the Group's returns to shareholders policy. Turning to other additional returns, we will take into consideration a variety of factors, including our stock price and capital demand. Looking ahead, we believe that various decisions could be made going forward.