

Q&A Summary

Presentation of Financial Results for the 3Q of FY2024

Date: January 30, 2025

* HPP Company: High Performance Plastics Company

* UIEP Company: Urban Infrastructure & Environmental Products Company

About the HPP Company

Q: As far as the Electronics field is concerned, you explained that non-LCD trends were robust, yet we have seen an increase in the 3Q and decrease in the 4Q compared with plans. Is this because of results brought forward or did conditions change in some way?

A: (Shimizu) The reason sales increased in the 3Q while declining in the 4Q compared with plans is because of orders brought forward ahead of the Chinese New Year, which flowed into December.

Q: My question is about the Mobility field. You mentioned that the 3Q was strongly affected by the slowdown in China, but what exactly was the problem here?

A: (Shimizu) The Company maintains a strong position with Japanese and European automobile manufacturers in relative terms. Results were impacted by the sluggish sales of Japanese and European automobiles in China. Sales for HUD applications also fell year on year in the 3Q.

Q: 4Q net sales in the Mobility field have increased over the October plan. The main factor behind this, apparently, is the shift in underlying foreign currency exchange rate assumptions to a weaker yen, namely from ¥140 against the US dollar to ¥153. According to your current outlook, however, N-HPP interlayer film sales volumes forecasts have been downwardly revised compared with the October plan. What are the reasons for this?

A: (Shimizu) We expect 4Q sales volumes of interlayer films for HUD applications to fall in line with the revised forecast. The primary reason we weakened the outlook is that production starts for vehicle models scheduled to be equipped with design films have been delayed to FY2025. As you point out, the increase in sales value is primarily due to the impact of foreign currency exchange rates.

Q: When do you expect to see SEKISUI AEROSPACE CORPORATION turn a profit?

A: (Shimizu) SEKISUI AEROSPACE CORPORATION recorded smaller losses during the 3Q, despite this

being the holiday season in the US. Although modest, we do expect to see demand recover in the 4Q, as well as positive outcomes from production rationalization and improvements in selling prices. We therefore expect SEKISUI AEROSPACE CORPORATION to return the black in the 2H.

Q: Overall sales in the HPP Company are expected to improve from the 3Q to the 4Q, yet the outlook for QonQ operating profit remains flat. Can we assume that profits will increase in the 4Q?

A: (Shimizu) The growth in 4Q sales not be especially high due in part to the impact of foreign currency exchange rates. The Mobility field will see higher sales in the 4Q to the degree that sales declined in the 3Q. Meanwhile, the Electronics field, which experienced higher sales in the 3Q, will see sales fall in the 4Q below 3Q levels due in part to the effects of the Chinese New Year. Therefore, although sales will increase slightly, this outlook is based on the downturn in the product mix accounted for by the Electronics field.

About the Housing Company

Q: Among the forecast updates for the 2H due to marginal profit in the Housing Company, product mix and cost reduction measures, etc., are set to improve compared with the October plan. What are the specific reasons behind this?

A: (Shimizu) Orders for products in high price brackets have been growing following the recovery in demand from urban areas. Orders for apartment buildings are also expanding, so the reason is improvements in the product mix.

Q: Overall sales in the Housing Company are set to improve from the 3Q to the 4Q, yet profits are expected to decline. I understand you are concerned about leveling, yet the 4Q is a time when profits should be relatively easy to generate judging from typical years. Is that correct?

A: (Shimizu) Due in part to the lack of any unseasonable weather, sales were brought forward from the 4Q to the 3Q. Moreover, this outlook is based on our plan to formulate forecasts for the next fiscal year with a sufficient backlog.

About the Urban Infrastructure & Environmental Products Company

Q: Japan has recently experienced road cave-in accidents. I am aware that one factor is sewage and water pipes. If inspections and replacements of these sewage and water pipes were ordered by the government in response, what impact would this have on the Company? Will pipe shipments increase? Will there be any impact on pipe rehabilitation?

A: (Shimizu) Japan operates around 500,000 kilometers of sewage and water pipes. Of this, roughly 25,000

kilometers are more than 50 years old, so some forecasts have shown demand increasing to up to 80,000 kilometers even before 2030. We operate a pipe rehabilitation business to meet this demand. Moreover, we feel we are in a particularly strong position regarding large-diameter pipes. Our technology for rehabilitating pipes without digging up streets or suspending sewage and water service solves social issues, so we hope to expand broadly.

About Corporate, New Businesses, and Others

Q: Fixed cost increases in the Group-wide performance analysis are expected to fall significantly from the October plan. Is this the result of reductions for existing businesses? Will there be an increase in the next fiscal year if such up-front investments as perovskite solar cells and biorefineries are postponed?

A: (Shimizu) Broadly speaking, we cutback fixed cost increases in the HPP Company, UIEP Company, and the Medical Business. Although we also reduced biorefinery-related fixed costs, a certain portion will be carried over to the next year.

Q: I support your courage in actively investing so strongly in perovskite solar cells. Although you seem to have confidence in the technical aspects, in order to apply these in the real-world, particularly because they will be used in construction, won't they have trouble finding common use if they fail to meet fire-resistance standards?

A: (Okano) We are currently conducting proof-of-concept demonstrations in various locations under different conditions. Although we will need to cooperate with our partners in terms of installation, we are not aware of any specific issues in terms of fire resistance at the present time.

About Returns to Shareholders

Q: I understand that the dividend increase in this instance was determined in line with the increase in profits. Meanwhile, given the likelihood of a certain degree of surplus cash, what are your thoughts on future share buybacks?

A: (Nishida) Under the current Medium-term Management Plan, we have identified a target payout ratio of 40% with respect to shareholder returns, and total returns of 50% when share buybacks are included. We are steadily working toward this goal. Given that the next fiscal year is the final year of the current Medium-term Management Plan, we will make a decision regarding any additional returns, including share buybacks, after examining such factors as the progress in investments and the share price.