

Q&A Summary

Presentation of the FY2023-2025 Medium-term Management Plan

Date: May 23, 2023

* HPP Company: High Performance Plastics Company

About Returns to Shareholders

Q: Why has the Company raised its dividend payout ratio target from 35% or higher to 40% or higher?

A: (Kato) Our goal is to further strengthen returns to shareholders.

Q: The Company has reconfirmed its total return ratio target of 50% or higher. What do you mean when you say that the Company will provide additional returns as appropriate? What is the basis for this approach?

A: (Kato) In a bid to achieve its total return ratio target in the previous fiscal year, the Company purchased 15 million shares of treasury stock. Our commitment to provide additional returns as appropriate reflects the Company's flexible approach toward strengthening returns to shareholders while closely monitoring the status of such indicators as our cash position and stock price as well as the progress of investments in various areas, including M&As, during the period of the newly disclosed Medium-term Management Plan.

About ROIC Management

Q: Looking back on efforts to reduce business risks identified under the previous Medium-term Management Plan, what initiatives are being considered under the new Medium-term Management Plan?

A: (Kato) We adopted ROIC as a management KPI under our previous Medium-term Management Plan. In addition to raising ROIC in its own right, we are working to control the cost of capital by reducing the occurrence of such incidents as serious misconduct, and are consciously endeavoring to expand subsequent margins. These initiatives have also been incorporated into the evaluation of each division's performance, which has improved over the three years of the previous Medium-term Management Plan. We will continue to engage in efforts to lower risk under the new Medium-term Management Plan and work to further expand margins.

About Group-wide and Other Investments

Q: Plans call for an increase in corporate expenses outside of the four segments. Can you provide us with details?

A: (Kamiwaki) Plans are in place to invest in R&D, and in particular such large-scale themes as BR and perovskite solar cells as well as in DX and ESG infrastructure. Moreover, we also anticipate incurring corporate expenses outside the four segments in light of the risk of future fluctuations in foreign currency exchange rates.

Q: When will the benefits of DX investments begin to emerge?

A: (Kamiwaki) SEKISUI CHEMICAL Group invested in DX from the start of the previous Medium-term Management Plan. We expect the benefits of this investment will gradually emerge over the period of the new Medium-term Management Plan.

Q: Can you elaborate on investments in human capital? When and what kind of benefits are you expecting?

A: (Murakami) We anticipate investing ¥12 billion over three years across a wide range of human capital areas. This includes expanding the careers of employees, compensation, and improving labor conditions. As far as the benefits of this investment are concerned, we have identified the challenge action rate as a quantitative KPI to measure the degree of efficacy. In this manner, we have put in place a specific medium-term target as a mechanism through which to confirm the challenges that employees have taken to achieve their goals and the level of achievement. We believe this will help increase the productivity of the organization and lead to improved business performance.

About the HPP Company

Q: Operating profit is projected to grow substantially under the new Medium-term Management Plan. What are the main areas of growth?

A: (Shimizu) At least 50% of this growth will be in the Mobility field and roughly 30% in the Electronics field. From a product perspective, operating profit is expected to improve substantially for high-performance interlayer films and heat release materials as well as SEKISUI AEROSPACE CORPORATION. In the Electronics field, operating profit is forecast to improve in a variety of lineups, including such non-LCD products as binder resins for MLCCs and bio products.

Q: In which fields will heat release materials expand? Do you expect EV-related products to expand?

A: (Shimizu) We are looking at around 70% growth in the Mobility field with an increase in EV-related products. About 30% growth is anticipated in the electronics sector, mostly in semiconductor-related products.

Q:What can you tell us about build-up film growth?

A: (Shimizu) Although it will take a little more time, we will focus on commercialization by making the most of our product's various strengths, including high durability and high transmission capability.

About the Housing Company

Q:As far as growth in the number of orders under the new Medium-term Management Plan are concerned, what are your plans regarding the ratio of subdivision and ready-built houses? What is the basis for your thinking?

A: (Kamiyoshi) We expect that all of the increase in the number of orders under the new Medium-term Management Plan will come from subdivision and ready-built houses. We plan to develop a land and subdivision housing strategy for first-time buyers, where trends are firm. With this in mind, we will engage in a variety of endeavors, including strengthening land procurement activities, pursuing high value-added, and utilizing the Town and Community Development business.

Q: With the overall market shrinking, conditions for high-end customers are also expected to be difficult. What impact do you envisage from efforts to increase unit prices in a bid to pursue value and lifting the ratio of ZEH and solar installation?

A: (Kamiyoshi) With the decline in the number of high-end customers, especially in the rebuilding market, we will maintain and expand our market share by promoting the cost performance and performance of our factory-built housing products to the volume zone first-time buyer segment. Customers are highly aware of smart systems, and the ZEH ratio is growing with each year. Our policy is to also promote and extend the sale of products, including storage batteries, to subdivision and detached houses.

Q: What are the reasons for the planned increase in fixed costs?

A: (Kamiyoshi) The projected increase in fixed costs covers promotional and activity expenses that we held back due to the impact of COVID-19. The forecast increase also factors in higher labor costs aimed at improving compensation, strengthening systems, and investing in growth.

About the Medical Business

Q: Operating profit is projected to increase substantially. What are the main areas of growth?

A: (Kamiwaki) We are anticipating growth in the overseas Diagnostics Business. Operating profit is forecast to increase on the back of expansion in China, mainly in blood coagulation testing equipment, and other products, including the POC simple rapid test primarily in the U.S. Following investments undertaken in the Iwate Factory under the previous Medium-term Management Plan, the contract manufacture of new pharmaceutical ingredients increased steadily. We believe this will also support growth.