August 20, 2024

First Half of Fiscal Year 2024
Major Questions and Answers at Financial Results Briefings, etc.

[Question] Regarding the 'Sensitivity of Raw Material Prices' on page 9 of the briefing materials. Is it correct to understand that raw material prices decrease with a stronger yen and cheaper naphtha? Also, how long does it take for market prices to be reflected in the income statement?

Raw material prices are determined based on global demand and manufacturers' intentions, but a stronger yen and cheaper naphtha tend to be advantageous. The purchase price of our company (the blue line on the slide) is calculated based on the monthly purchase price. However, it takes about three months for this to be reflected in the income statement due to accounting processes.

[Question] Regarding the 'Single-family Homes Division' on page 18 of the briefing materials. It is mentioned that the spread of higher grades (insulation class 6 and above) is slower than expected. What differed from the expectations? Was there any impact from subsidies, etc.?

We believe that subsidies, etc., had little impact on the higher grades. Since leading major house manufacturers have been promoting higher grades since 2023, it was thought that our customer base would also start promoting higher grades from 2024, but it seems that many are moving towards the latter half of the year. Builders and contractors may have needed some time to prepare.

[Question] Regarding the 'Full-Year Outlook for the Single-family Homes Division' on page 19 of the briefing materials. The number of constructions for Q3 and Q4 are projected to increase by +13% and +17% respectively compared to 2023. Isn't this an overestimation?

The number of constructions in 2023 was low, so it appears to be a significant increase, but it is a feasible number considering the current construction system. Also, as a new development, as explained in the earnings briefing video, we expect to add new constructions from major builders with an annual class of 2,500 units.

[Question] Following up on the previous question. In the earnings briefing video, it was mentioned that 'the price difference with other insulation materials has decreased, creating business opportunities for Aqua Foam.' Could you explain this in simpler terms?

Compared to fiber-based insulation materials, Aqua Foam, including construction costs, once had a price difference of more than 30%, but the gap has narrowed due to recent increases in

transportation costs, etc. Also, as interest in airtightness has increased, there are more cases of switching to Aqua Foam, which can achieve both high insulation and high airtightness.

[Question] Regarding the 'Increasing Inquiries for Airtightness Measurement Services' on page 23 of the briefing materials. How many airtightness measurements have been conducted so far? What are the future prospects?
It has increased further compared to the first quarter, and currently, it is about 300 cases per month. It is expected to continue increasing steadily in the future.

[Question] Regarding the 'Buildings Division' on page 26 of the briefing materials. It is mentioned that there has been a discrepancy in revenue recognition due to construction delays. Is there capacity to address this discrepancy in the second half? How much has the construction system of the Buildings Division been strengthened compared to the previous year?
There is no problem with the capacity. The construction system (staff) has been increased by approximately 20%.

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There is no problem with the capacity. The construction system (staff) has been increased by approximately 20%.

[Question] Following up on the previous question. Hypothetically speaking, if the delay in construction does not improve and the sales of the building do not meet the plan, resulting in the expected profit not being achieved, what would be the forecast for dividends? Would it remain at 34 yen?
It's difficult to give a concrete answer to a hypothetical question, but first of all, the delayed construction projects are gradually starting, and I believe they will not carry over into the next term. However, I understand the intent of the question as there are parts that cannot be controlled by our company. The same opinion has been expressed within the company, but even if there is a temporary time lag, we recognize that the market outlook and strategy set at the beginning of the period are appropriate, and we have confirmed that the dividend forecast remains unchanged.

[Question] Regarding the briefing material P28 'Redevelopment in the Metropolitan Area and Semiconductor Factories in Regional Areas'. Is it correct to understand that

the construction unit price for semiconductor factories is higher than for redevelopment projects?

It varies by project, but generally, the higher-end product AQUA MOEN NEO is often used in semiconductor factories, which tends to increase the construction unit price.

[Question] Regarding the medium-term management plan. It seems that the outlook for the building division in fiscal year 2026 is strong, but have some orders already been secured?

Some have already been secured, but it is a plan made at the beginning of 2024, and it includes estimates. Regarding the estimates, we are identifying clients and projects from various sources of information and stacking up those with a high certainty of acquisition. Also, the certainty is high because large-scale projects such as semiconductor factories can be somewhat understood 2-3 years in advance. On the other hand, there are many short-term spot constructions related to redevelopment, and we view the market environment as favorable.

[Question] Following up on the above question. I would like to know examples of AQUA MOEN NEO construction other than in semiconductor factories.

Outside of semiconductor factories, it is often used in food factories and data centers. It is also used in symbolic buildings like stadiums.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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