

Briefing on Q2 Financial Results for the Fiscal Year Ending March 31, 2023
Sumitomo Bakelite Co., Ltd.

Q&A Summary

Date: November 7, 2022 (Monday) 3:00 p.m. - 4:30 p.m.

Presenter: Kazuhiko Fujiwara, Representative Director and President

[Question about company-wide matters]

Q: How do you evaluate Q2 results?

A: The results were within our expectations to some extent. In particular, we expect High Performance Plastics segment was in the bottom from July to September, and although Semiconductor Materials segment is expected to weaken, the second half may be potentially better than the first half. Therefore, the financial forecast for FY2022 has been left unchanged, but the segment figures have been revised to reflect current conditions.

[Questions about Semiconductor Materials segment]

Q: Please tell us about the situation surrounding semiconductor encapsulation materials in the first half and the outlook for the second half.

A: We were able to manage to hold up in Q1 against the slowdown in consumer applications, but such slowdown did not stop in Q2. We assume we have roughly bottomed out, but we do not expect a major recovery in the second half. On the other hand, automotive-related applications are doing well. Overall, we expect the second half of the year to be slightly better than Q2 on a volume basis.

Q: What is the background of the decision to invest in the new plant in Suzhou, China?

A: The Chinese market for encapsulation materials for power semiconductors and automotive-related applications has been growing. We need a plant to respond to this growth. Although the semiconductor market is calming down a bit, it is very rapid when recovering. Therefore, we need to take the next steps now. We will proceed cautiously in stages while considering various risks.

[Questions about the High Performance Plastics Segment]

Q: What were the reasons for the large drop in business profit in Q2?

A: The main reasons are decreased demand for consumer electronic component applications in China and lower operation rates in Europe and the U.S..

Q: What are the factors for the recovery in the second half of FY2022 forecast?

A: We expect profit to increase due to recovery from the impact of the lockdown in China, volume growth from higher automobile production, further progress in passing on rising raw materials and energy costs to selling prices, and the return to profitability of Vaupell, our U.S.-based group company in the aircraft interior materials business.

[Question about Quality of Life Products Segment]

Q: What are the reasons for the growth in sales of healthcare-related products?

A: The main factors are (i) the growth of blood collection kits due to increased demand as a result of recovery from COVID-19 in the North American hospital environment and increased market share, and (ii) the expansion of sales of blood bags due to increased demand of those of high quality in Asia, which have already received high reputation in Japan.

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