Q&A Summary

Presentation of Strategic Area Map & Life Science Business

Date: June 29, 2022

Next-Generation Communication Components

Q: Next-generation communication components figure prominently in the Strategic Area Map. What's the background to that and what are your expectations for this area?

A: We showcased radio-wave reflection film as one example of our initiatives for the next medium-term management plan and beyond. One theme we're working on is fusing it with other companies' technologies to improve the radio-wave environment for 5G and 6G, aiming for commercialization. As communications are made faster, we expect to encounter problems such as blind spots in hospitals, factories and other buildings, and subtle signal delays due to communication blockages. We consider next-generation communication components to be a vital and promising growth market.

Q: What level of sales are you expecting for transparent & flexible radio-wave reflection film? What's your expected timeline?

A: We are targeting sales of ¥6 billion for this product in 2026.

Strategic Area Map

Q: In drawing up your Strategic Area Map, what were your thoughts on synergies with existing businesses and core technologies?

A: Precedent had taught us that entering markets far from our existing businesses and fields far from our area of technological expertise doesn't work well. We looked at areas where we could apply our core technologies and expertise in processing and began by specifying areas where Sekisui Chemical excels. Next, looking a little outside those areas, we examined and identified areas where we could acquire technologies through open innovation, such as investing in the technologies of other companies and universities and in venture companies, and have a high probability of success.

Long-term Vision, etc.

Q: What are the next frontiers not included in the four domains?

A: Biorefinery (BR) operations, turning trash into ethanol, is in this category. If proving tests proceed

according to expectations, from 2025 we should be able to run the business with commercial-scale equipment. This accomplishment will lead to a wide range of major solutions, addressing not only municipal trash but also waste-plastic problems and zero-petroleum plastic products. We expect BR operations to become a pillar of our operations. Another business currently in this category is perovskite solar cells.

Q: What sort of business model do you foresee for the BR business of turning trash into ethanol?

A: Our business model as originally conceived is that, when municipalities replace their trash incinerators after a working life of about 50 years, the municipalities furnish the basic equipment up to the gasifier and Sekisui Chemical supplies the means to convert the trash into ethanol. In addition, we see the possibility of collaborating with chemical manufacturers to turn waste plastic into ethanol and making the raw materials for use in our processes for making zero-petroleum plastic products.

Q: Unlike silicon-based solar cells, perovskite solar cells aren't integrated with roofs. How do you expect them to be used?

A: At first, we expect an increase in the number of units used on roofs that are not earthquake-resistant or reinforced for heavy loads. Other than that, on the walls of large buildings and so forth. Since they're lightweight and somewhat flexible, we expect the range of applications to broaden considerably.

Medical Business

Q: The FY2030 sales target in the pharmaceutical sciences field is based on an expectation of moderate growth in existing businesses, as compared to new businesses, which you expect to grow significantly. What is the reason for this difference in expectations?

A: Orders for some products from major pharmaceutical manufacturers will end, but as we open up new fields, we will be increasing our sales as a whole. For example, biotech-related materials produced in GMP-responsive processes at our UK Plant are counted as new business, making it appear as if existing businesses will be sluggish.

Q: What's your assessment of your earlier M&A activity in the Diagnostics field?

A: As a result of the acquisition of Daiichi Pure Chemicals, Genzyme and EIDIA, we are expanding our presence in the diagnostics area, accelerating development, developing devices and securing new sales channels. A lot of synergies have been realized. All of these mergers and acquisitions are contributing to the Medical Business. We believe that our M&A activities have had plenty of beneficial effects.

Life Science Business

Q: How is the competition in the field of scaffolding materials for cell-culture solutions?

A: In the past, natural, biological media and scaffolding materials were used for culturing of IPS cells. This practice introduces a number of difficulties and risks. We believe that, by applying our original strengths in PVB plastics, we can provide reliable scaffolding materials of stable, uniform quality and with low risk of infection. At this point we are unaware of any competitors who offer similar or better functions.

Q: Of your sales target for the Pharmaceutical Sciences field in 2030, what proportion do you expect from M&A and new business?

A: Of the ¥80 billion expected in new areas, we expect roughly two-thirds to be captured in the M&A area, with the remainder coming from products developed by Sekisui Chemical, such as cell-culture solutions.

Q: Can you give us some idea of the scale of M&A activities you will need to achieve your target for 2030 in the Life Science Business? What direction are you taking for that purpose?

A: We started the current medium-term management plan by setting a limit of ¥300 billion. Right now, however, we've only made small-scale investments in CVCs. In the next medium-term management plan, we plan to set a Company-wide limit of ¥300 billion, but we are looking into raising it. The main fields in which we are focusing the distribution of capital are life science and innovative mobility. M&A targets in the life science field are mainly CDMOs.

Q: What specific directions are you taking to establish a CDMO framework for Sekisui Chemical?

A: Sekisui Chemical has a long history and extensive business results as a CMO. To raise our operations to the next level, it will be important to add a "D" function, building relationships with major pharmaceutical manufacturers. Rather than start this process from scratch, it makes more sense in a number of ways to accomplish it through M&A. In the field of small-molecule APIs for which business results exist, we will build a business platform as a CDMO, to grow through acquisition of projects. In fields where stable technology is not yet established, such as combinations with cell-culture solutions as well as peptides and gene therapies, we will deploy operations as a CDMO with specific characteristics. In the competition environment with biotech CDMOs, a wide range of fields exist, so it is possible to compartmentalize using each company's area of special expertise. Over the long term, we expect this field to build a major presence.