

Business Strategies by Segment

At a Glance

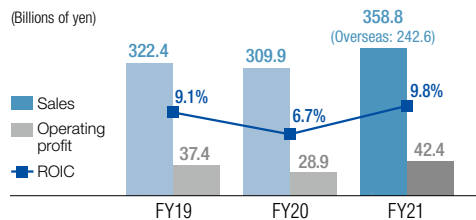
High Performance Plastics Company

Business Activities

Leveraging our proprietary fine particle, adhesion, precise molding, and other technologies, we provide advanced high-performance materials on a global basis that help bring about the further evolution of our customers' products and services for application in the Electronics, Mobility, and Building and Infrastructure material fields as well as various other industries.

No. of employees and consolidated subsidiaries: **7,506/60** (FY21)

Performance Trends



Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Accelerate improvements in selling prices and further strengthen profitability by shifting to high-performance products

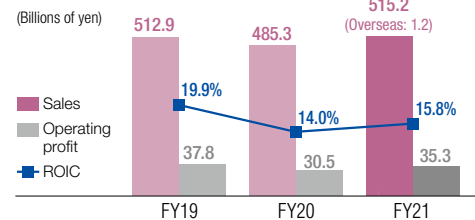
Housing Company

Business Activities

The Housing Company is engaged in new housing construction activities as a specialist in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. As of the end of fiscal 2021, the cumulative total of houses sold exceeded 600,000. Drawing on SEKISUI CHEMICAL Group's prominence in infrastructure materials, the Housing Company is engaged in the nationwide development of smart and resilient cities in its Town and Community Development Business.

No. of employees and consolidated subsidiaries: **11,017/38** (FY21)

Performance Trends



Main ROIC Improvement Measures

- Improve the land and stock of ready-built houses turnover rate
- Promote comprehensive measures to hedge against the sharp rise in raw material prices

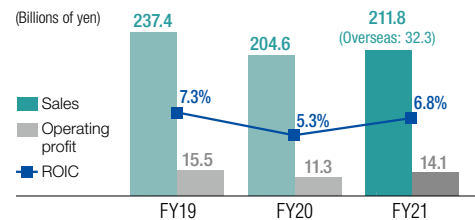
Urban Infrastructure & Environmental Products Company

Business Activities

The UIEP Company manufactures and markets water sewerage and supply pipe systems, in which it has a leading share in Japan, while also engaging in construction materials supply businesses, which collectively form the company's core operating platform. We are striving to expand sales and create markets for products that help solve increasingly serious and complex social issues, including labor shortages, aging infrastructure, and climate change.

No. of employees and consolidated subsidiaries: **4,897/38** (FY21)

Performance Trends



Main ROIC Improvement Measures

- Accelerate improvements in selling prices
- Level out production and sales and optimize inventory
- Improve productivity by accelerating DX investment

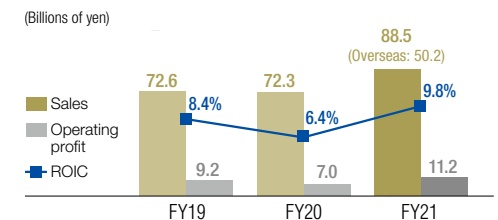
Medical Business

Business Activities

Consisting of the Diagnostics Business, which sells diagnostic reagents and equipment, and the Pharmaceutical Sciences Business, which is broken down into the pharmaceutical and fine chemicals business, which manufactures active pharmaceutical ingredients (APIs), etc., under contract, the drug development solutions business, which supports the R&D efforts of pharmaceutical companies, and the enzymes business, which manufactures precursors for diagnostic reagents and manufactures enzymes for the manufacture of biopharmaceuticals, the Medical Business is expanding its business globally.

No. of employees and consolidated subsidiaries: **2,214/9** (FY21)

Performance Trends



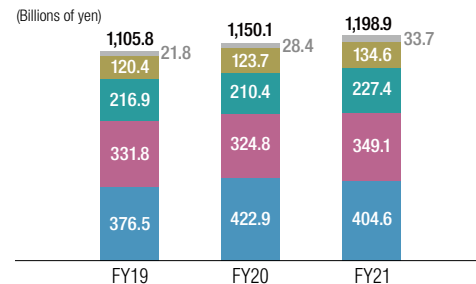
Main ROIC Improvement Measures

- Accelerate returns on M&As and growth investments
- Maintain appropriate inventory levels by product

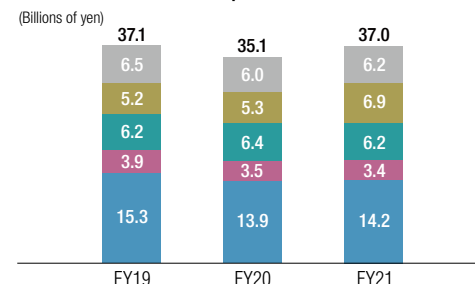
Various Data

Legend: High Performance Plastics Company (Blue), Housing Company (Pink), Urban Infrastructure & Environmental Products Company (Teal), Medical Business (Olive), Other (Grey)

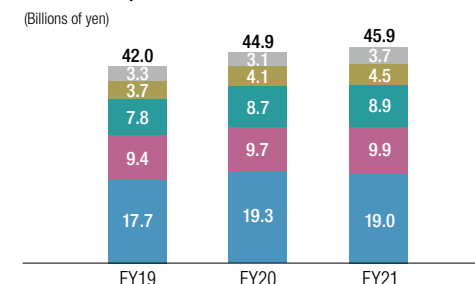
Total Assets



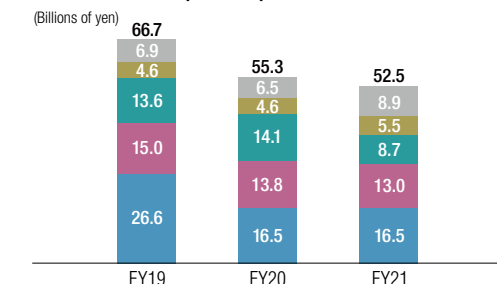
R&D Expenditures



Depreciation and Amortization



Capital Expenditures



High Performance Plastics Company

History in Process Creation

Since SEKISUI CHEMICAL Group introduced its current three divisional company organization system in 2001, the High Performance Plastics (HPP) Company has engaged in growth strategies centered on overseas business expansion, enhanced its management foundation, strengthened the Electronics field, such as fine particle products and high-performance resins, and the Automotive Materials field, including its interlayer film and foam businesses, and worked to expand profits. In the automotive interlayer film business, which is one of our main products, we have achieved a solid position globally through developments that have accurately captured social needs—for example, we added a sound insulation function that suppresses noise and a heat insulation function that significantly cuts ultraviolet rays and heat to the interlayer film's original functional role of making the windshield shatterproof—and the establishment of film manufacturing business bases overseas. In the Electronics field, we responded to the emergence and higher functionality of smartphones by launching a variety of products. Today, we are supporting the foundation of a digital society and contributing to people's prosperous lifestyles.

Major M&As and Strategic Investments in Recent Years

Jun. 2015	Operations commence at a CPVC plant in Thailand	2018–2019	Operations commence at new foam plants in Thailand and China
Sep. 2017	Acquired Polymatech Japan Co., Ltd.	Nov. 2019	Acquired AIM Aerospace Corporation
Dec. 2017	Acquired SoflanWiz Co., Ltd.	Aug. 2020	MINASE INNOVATION CENTER opened
Dec. 2017	Operations commence at a new interlayer film production line (Mexico)	Oct. 2020	Operations commence at a new interlayer film plant in Europe in earnest
Apr. 2018	Operations commence at a new automotive exterior parts plant in Japan		

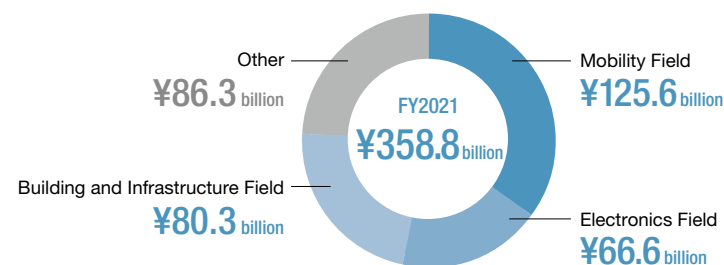
History of Adaptability

Until now, we have expanded profits by capturing and responding ahead of time to changes in society and the business environment, and by focusing and specializing on growth areas. One example is the device materials-related business. By successfully perceiving the technological turning points in the emergence of smartphones, building relationships of trust with customers, and replacing product portfolios, we have achieved substantial growth along with the expansion of the smartphone market. In addition, during the previous Medium-term Management Plan, we established a collaborative system and sales network in terms of R&D and production in future growth markets through M&As with companies in areas where we can expect synergies with our company, such as SoflanWiz Co., Ltd., which boasts high technological capabilities in the domestic market for rigid polyurethane stock solutions, and Polymatech Japan Co., Ltd., which possesses strengths in processing such high-performance resins as heat dissipation materials for automotive and electronics applications. We will continue to vigorously expand our business through new product development and M&As with the aim of exceeding the rate of market growth.

Review of Fiscal 2021

Profits recovered to a level higher than in fiscal 2019 prior to the outbreak of COVID-19 owing to the effects of overall cost innovation, the shift to high-value-added products, and successful efforts to reduce fixed costs. Looking at each of the three strategic fields, profits increased from products for Electronics application. This largely reflects extremely strong semiconductor-related and other Non-LCD demand and firm demand trends for liquid crystal panels. In the Mobility field, despite prolonged global automobile production cutbacks due to shortages in the supply of semiconductors, we achieved substantial profit growth due to expanded sales of high-performance interlayer films and an increase in our share of the market. Profits also grew substantially in the Building and Infrastructure field. In addition to firm trends in overseas construction market conditions and a recovery in Japan, this substantial growth was attributable to timely steps to improve selling prices in response to the surge in raw material prices.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Electronics Field

- Expand non-LCD sales of mainly semiconductor products
- Expand into the next-generation telecommunications field, including 5G transparent reflection films

Mobility Field

- Improve the functional complexity and high performance of interlayer films
- Expand applications of CFRP products in the next-generation mobility field

Building and Infrastructure Field

- Expand sales of CPVC resins
- Continue to expand sales of noncombustible urethane/thermal insulation materials

Important Indicators from a Management Perspective

- Global smartphone shipments
- Next-generation telecommunications infrastructure improvement
- Volume of semiconductor shipments
- Global automobile production volume
- EV production volume
- Ratio of SEKISUI AEROSPACE CORPORATION sales to non-aircraft-related fields
- Domestic and global construction market conditions
- Noncombustible urethane/thermal insulation material sales

Business Strategies by Segment High Performance Plastics Company

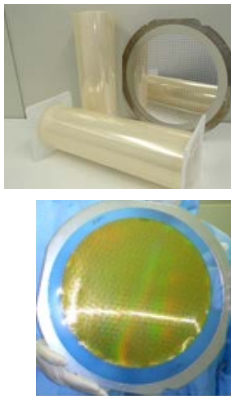
Electronics Field

Expansion mainly in semiconductor-related products

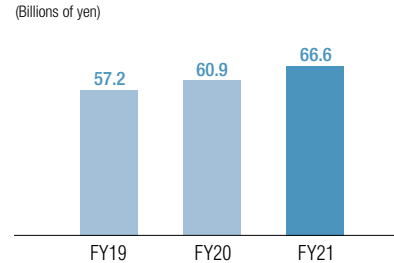
With the upswing in global semiconductor demand, the Electronics field is also performing well, especially for semiconductor-related products. In particular, the application of heat resistant Selfa®, a processing material that addresses the further miniaturization of semiconductors and interlayer insulation films that boast high transmission performance (low dielectric properties) as well as strengths in suppressing substrate warpage required for multi-layered CPUs, is steadily increasing. In addition, we are aiming for further growth and the strengthening of our portfolio through the development of new products and entry into the market for next-generation displays that make use of the knowledge we have cultivated in the development and sale of liquid crystal products.

Product example: Heat resistant Selfa® (semiconductor processing material)

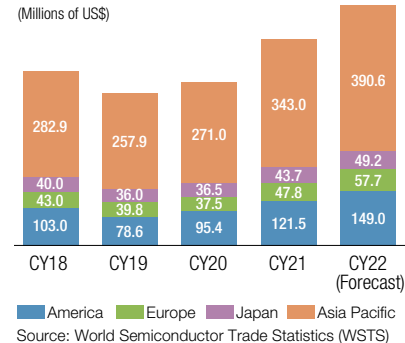
The company's UV release tapes balance strong adhesion with an easy peel-off capability. Exposure to UV generates gas between the tape and the adherend, which cancels out the tape's adhesiveness and enables it to be peeled off easily. These tapes thus allow the finer, thinner film wafers and other components that have emerged with the evolution in telecommunications technologies to be processed without damage.



Electronics Field Net Sales



Value of Semiconductor Shipments Market Forecast by Global Region

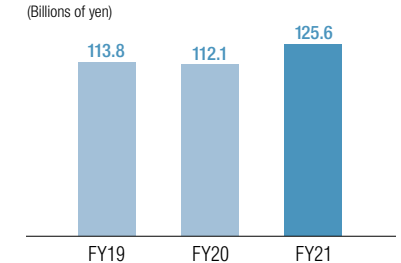


Mobility Field

Shift to high-value-added products

There are clear indications of a growth trajectory against the backdrop of a pickup in interest toward the electrification of automobiles and automated driving. In our mainstay interlayer film business, we are working to improve profitability by shifting to high-value-added products such as heat and sound insulation films and wedge-shaped interlayer films for head-up displays (HUDs), while further increasing added value by combining interlayer film functions.

Mobility Field Net Sales

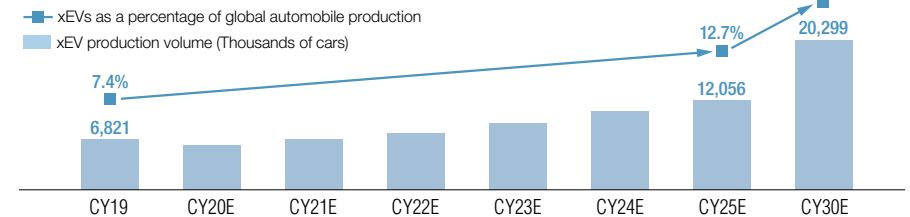


Product example: HUD + insulation functionality

Heat insulation interlayer films reduce the rise in temperature inside vehicles attributable to direct sunlight while reducing air-conditioning load. Practical EV evaluations confirm a reduction in power consumption of approximately 20%. This in turn helps extend the cruising range of EVs.



Trends in xEV Production Volume



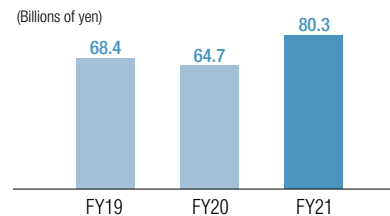
Source: Prepared by the Company drawing from market-based forecast data in the xEV Market 2020 Report issued by Yano Research Institute Ltd.

Building and Infrastructure Field

Expansion of CPVC resin and thermal insulation/ noncombustible material sales

In light of the upswing in capital investment by the manufacturing industry attributable to such factors as growing global demand for semiconductors, the application of CPVC resins with outstanding heat- and corrosion-resistant properties is expanding. The company has gained a high market share in India, where construction demand is particularly strong in line with economic growth, and demand is expected to continue to expand in the future. In Japan, we will continue to expand sales of thermal insulation/noncombustible materials on which we are focusing.

Building and Infrastructure Field Net Sales



Product example: CPVC resin

CPVC is a special type of polyvinyl chloride (PVC) with added chloride and is mainly used as a raw material in pipes for supplying hot water, industry, and sprinklers, etc., which require heat resistance.



Housing Company

History in Process Creation

Since the launch of our first product SEKISUI HEIM M1 in 1971, we have continued to develop a new housing construction business that specializes in the Unit Construction Method, an advanced factory-built approach that enables short construction periods and delivers functions in accordance with design plans. To date, cumulative sales of such residences have exceeded 600,000 units. In 1997, the Company began full-scale sales of housing with solar-power generation systems, and in 2012, it introduced Smart Heim models with standard features such as built-in storage batteries and HEMS*, thereby advancing the development and increased use of energy self-sufficient housing. In fiscal 2021, the Net Zero Energy House (ZEH) ratio of the Group's new detached houses sold came to 89%. Looking ahead, we will continue to provide housing where people can live comfortably and with peace of mind by strengthening our product development and proposal capabilities for new detached houses as well as sustainable town and community development centered on the promotion of ZEH.

Major Strategic Investments and the Structural Reform of Business in Recent Years

Apr. 2017 Merged real estate companies in Tokyo, Nagoya, and Osaka
 May 2018 Launched the Town and Community Development Business in earnest
 Jun. 2018 Commenced the nationwide rollout of experience-based showrooms
 Nov. 2019 Launched SEKISUI's SMARTHEIM DENKI power trading service

History of Adaptability

As the number of new housing starts in Japan declined from the late 1990s due to the declining birth rate, aging population, and other social changes, the Housing Company worked to improve its competitiveness while restoring profitability by reorganizing its sales structure thereby strengthening its sales force and increasing efficiency. The Company has also worked diligently to bolster its Renovation and other Stock businesses and to expand its business overseas.

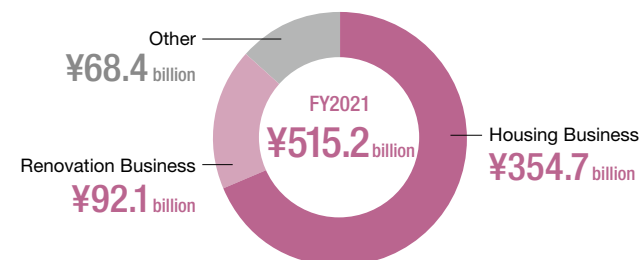
Over the past few years, the Company has made an unwavering commitment to structural reforms in a bid to stay ahead of changes in the business environment. These reforms include investing in automation and integrating the operations of housing production plants in each region to further improve productivity.

* HEMS: Smart Heim Navi Home Energy Management System

Review of Fiscal 2021

Despite a harsh business environment owing to the substantial impacts of the COVID-19 pandemic, high raw material prices, and natural disasters, the Housing Company reentered a growth trajectory in fiscal 2021. In addition to the recovery in new house and renovation orders, this return to an expansion trend also reflected contributions from the Town and Community Development and Real Estate Businesses. By business segment, orders for subdivision and ready-built houses, where demand is firm, exceeded the previous fiscal year in the Housing Business. In the Stock Business, sales increased on the back of steady efforts to implement periodic renovation diagnoses, coupled with steps to strengthen proposal capabilities including the use of showrooms. Moreover, sales of the purchase and resale brand, BeHeim, launched in fiscal 2020, are also expanding. The Housing Company is committed to accelerate the pace of the nationwide rollout. Turning to the Town and Community Development Business, work commenced on the sale of four new projects. At the same time, orders substantially surpassed the previous year.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Housing Business

- Strengthen WEB marketing
- Strengthen the appeal of Smart House and resilience
- Promote subdivisions and ready-built houses as well as detached housing town planning

Renovation Business

- Upgrade and expand periodic diagnosis; strengthen proposal capabilities
- Expand sales of strategic products (Smart House and resilience; new normal)

Common/Other

- Common: Process leveling
- Real Estate: Expand sales of BeHeim (purchase and resale)
- Town and Community Development: Strengthen systems for such endeavors as the procurement of sites (land)

Important Indicators from a Management Perspective

- Visitors
- Smart facilities installation rate/ZEH ratio
- Land and ready-built house inventory/turnover rate
- Level of periodic diagnosis satisfaction
- Orders by product
- Leveling ratio
- Purchases

Business Strategies by Segment Housing Company

Housing Business

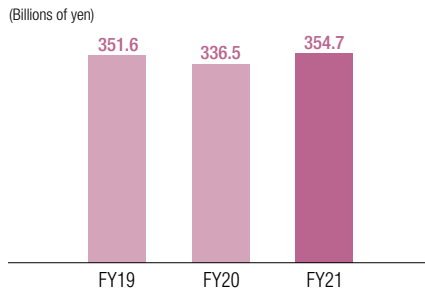
Aiming for the top share in the detached housing market

The Company ensures the stable supply of high-quality (high earthquake resistance, airtightness, and heat insulation) housing through its revolutionary Unit Construction Method, where the vast majority of construction is conducted at the factory. In the housing market, the Unit Construction Method is highly advantageous with the aging of craftsmen, labor shortages, and the ongoing upswing in construction labor costs.

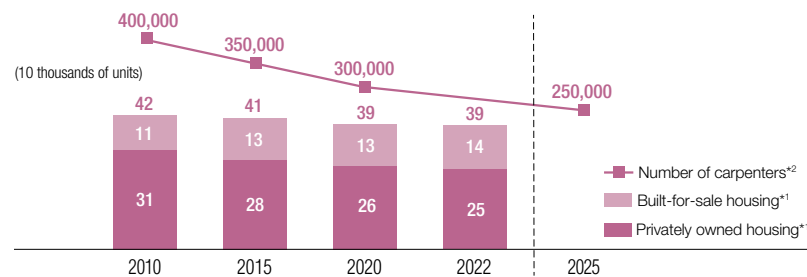
Although the domestic housing market is shrinking, the market share of major prefab manufacturers remains small at around 15%. Based on the aforementioned, there is significant room for expansion.

In addition to developing products that meet smart and resilient needs, as well as demands in line with the new normal, the Company has focused its energies on expanding sales of subdivision and ready-built houses, where demand is expected to remain stable, particularly from first-time buyers in recent years. Over and above capturing the volume zone, progress is being made in leveling out sales and improving costs by controlling the uneven number of properties constructed at different times of the year through efforts to systematically roll out ready-built houses.

Housing Business Net Sales



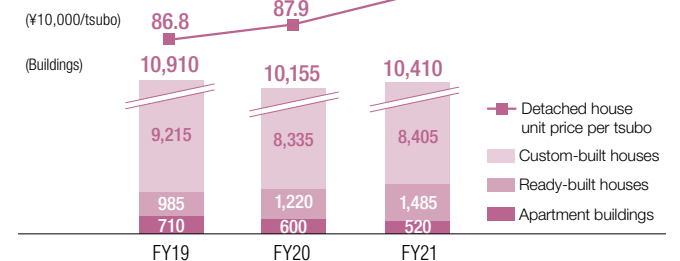
Trends in detached housing starts and the number of carpenters



*1 FY2010–FY2020 figures are based on data from the Ministry of Land, Infrastructure, Transport, and Tourism's FY2020 Survey on Construction Starts; FY2022 figures reflect the Company's estimates.

*2 Source: Ministry of Land, Infrastructure, Transport, and Tourism Housing and Housing Land Subcommittee of the Social Infrastructure Development Council data

Trends in the number of units sold and detached house unit price per tsubo¹



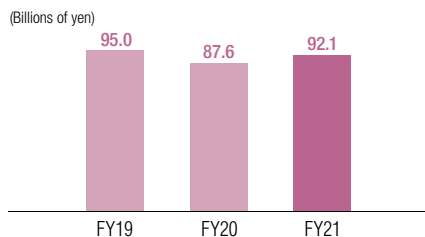
*1 1 tsubo = 3.3 square meters

Renovation Business

Improve CS and maximize net sales

In addition to increasing the number of orders and improving CS (Customer Satisfaction), the Company will target growth in renovation of non-Heim houses in the Renovation Business.

Renovation Business Net Sales



Real Estate Business

Increasing the value of the Company's prominence in factory-built housing products and passing this on to the next generation

Purchase and resale of Heim



Launched in fiscal 2020, the purchase and resale BeHeim brand is comprised of SEKISUI HEIM houses purchased from customers at an appropriate price, based on a SumStock appraisal, and resold after renovation to enhance quality and performance. By passing on the value of real estate to the next generation, the Company generates benefits to both buyers and sellers while contributing to the development of a sustainable, recycling-oriented society by breaking away from the concept of scrap and build.

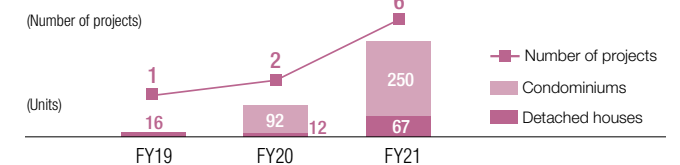
* Houses built by manufacturers participating in the Provision of Quality Housing Stock Association that meet certain standards including the possession of a housing history database are certified as SumStock.

Town and Community Development Business

Nationwide rollout of smart and resilient town and community development

In the Town and Community Development Business, the Company will bring together the Group's prominence in infrastructure materials to differentiate itself from its competitors by creating disaster-resistant and sustainable communities. With the number of projects steadily increasing, the Company will work to further expand the business.

Trends in the number of Town and Community Development business projects and the number of units



Urban Infrastructure & Environmental Products Company

History in Process Creation

Having in 1952 commenced the manufacture of ESLON pipe, the first rigid PVC pipe in Japan, we subsequently promoted the explosive spread of ESLON water supply and drainage pipes by establishing injection molding technologies for those PVC pipe fittings, while establishing a solid position in the market. In anticipation of the needs for resource conservation and high functionality, from the latter half of the 1970s we utilized new materials and innovative technologies in releasing a series of pipework and related products that opened up new applications. To this day, we have been contributing to weight reduction and easy construction by replacing metal pipes and concrete pipes in a wide range of fields, such as water supply, sewage, housing, construction, agriculture, electric power, communications, gas, and plants. First developed in 1974, FFU synthetic wood has also been expanded to applications such as sleepers for railroads in Japan and overseas and tunnel excavation, and demand is growing due to the increasing need to reduce environmental impact. In the years to come, we will continue to create products that help solve social issues and contribute to the maintenance of a resilient social infrastructure.

Major Strategic Investments and the Structural Reform of Business in Recent Years

Oct. 2019 Transferred shares of KYUSHU SEKISUI KOHAN CO., LTD.

Jun. 2020 Opened the Ritto Development Building General Institute

Aug./Oct. 2020 Transferred the agri and food container molding product businesses of Sekisui Hinomaru Co., Ltd.

Oct. 2020 Decision made to establish a sleeper (FFU) production plant in Europe

Jul. 2021 Opened the Chiba Solution Center General Institute

History of Adaptability

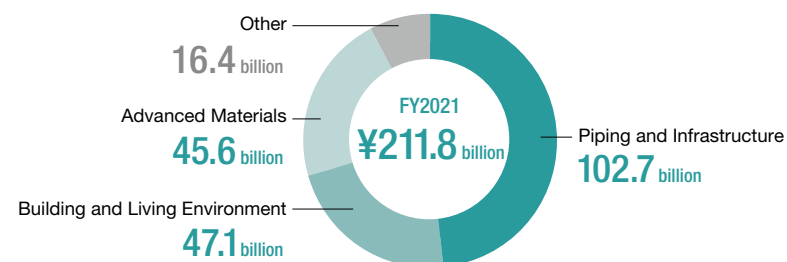
To address the problem of aging sewer pipes in urban areas and other locations, in 1986 we developed the sewer pipe renewal (SPR) method jointly with Tokyo Metropolitan Sewerage Service Corporation and Adachi Construction & Industry Co., Ltd. Requiring no excavation, this method achieved a significant shortening in construction times and a significant reduction in industrial waste, such as earth and sand. Having seen the damage to water pipes caused by the Great Hanshin-Awaji Earthquake in 1995, we rapidly developed ESLO Hyper, Japan's first polyethylene pipe for water distribution. Subsequently demonstrating its earthquake resistance in tremors that occurred, ESLO Hyper was stipulated as an earthquake-resistant pipe material in the Ministry of Health, Labour, and Welfare's Water Supply Vision in 2004 and the Japan Water Works Association Water Supply Business Guidelines of 2005. Historically, metallic high-pressure fire extinguishing pipes were considered the only option. Today, the application of ESLO Hyper has been approved, and its adoption has expanded to include piping for important buildings and plants. Turning to the overseas sheet business, application was extended to exterior materials after establishing a business foundation in interior materials for aircraft and vehicles. We are currently promoting the development of a variety of applications, such as for medical equipment.

Review of Fiscal 2021

In fiscal 2021, the domestic non-residential market was sluggish due to the prolonged effects of COVID-19. Activities by the UIEP Company were also impacted by delays in construction projects both in Japan and overseas. Despite the greater-than-anticipated upswing in raw material prices, sales volume increased owing to firm domestic housing market conditions and robust semiconductor and other capital investment demand in Japan and overseas as well as steady progress in improving selling prices. As a result, the UIEP Company secured increases in sales and profit. By sub-segment, results in the Piping and Infrastructure field were affected by delays in construction projects as well as sluggish domestic non-residential demand. This was more than offset by firm sales trends for products targeting the domestic housing market and semiconductor and liquid crystal plants in Japan and overseas. Accordingly, net sales were up year on year. In the Building and Living Environment field, products for detached houses, apartment buildings, and renovation were steady. As a result, net sales were up year on year. In the Advanced Materials field, sales of sleepers (FFU) were significantly affected by such factors as sluggish domestic demand and delays in overseas construction projects. On a positive note, liquid transportation container sales trends for medical, semiconductor, and other applications were firm. As a result, net sales increased on an actual basis when the impact of structural reforms (business transfers) is excluded.

While also focusing on structural reforms, steps were taken to transform the business portfolio and improve profitability. Based on these endeavors, the UIEP Company achieved reductions in fixed costs totaling ¥4.7 billion over the two-year period from fiscal 2020. In fiscal 2022, we will continue to implement structural reforms while taking into consideration synergies and work to strengthen the UIEP Company's overall earnings structure.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Piping and Infrastructure

- Capture metal replacement (weight saving, workability) demand
- Expand sales of aging infrastructure countermeasure products

Building and Living Environment

- Expand sales of climate change countermeasure products
- Capture care instrument demand

Advanced Materials

- Promote the multipurpose development of plastic molding sheets for interior materials
- Accelerate the rollout of sleepers (FFU) overseas

Important Indicators from a Management Perspective

- Number of new housing starts
- Operating profit per employee
- Overseas sales ratio
- Non-residential construction starts floor area
- Domestic PVC market share
- Prioritized product sales

Business Strategies by Segment

Urban Infrastructure & Environmental Products Company

Strengthening Profitability by Expanding Sales of
Prioritized Products* and Increasing Overseas Sales

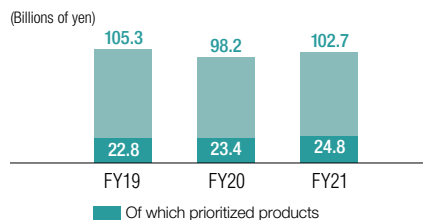
* High-value-added products with the potential for market growth and substitutability

Piping and Infrastructure

Capture metal replacement demand and expand sales of products that address aging infrastructure

In the Piping and Infrastructure field, we supply a wide range of piping materials from water supply/drainage and air-conditioning pipes for residences and buildings to valves and high-performance pipes for plants as well as other pipes for such social infrastructure as water supply/sewerage and gas supply systems that are easy to install and help shorten construction periods. In addition to construction materials for repair, rehabilitation, and renewal to help solve the social problem of aging infrastructure, we also provide manhole toilets and other products for use in the event of a disaster. In addition to our existing strengths in earthquake and corrosion resistance, we will enhance features, such as pressure resistance and high drainage, to accelerate and promote substitution from metal piping. Moreover, we aim to expand sales by capturing increased demand for capital investment in plants.

Piping and Infrastructure Net Sales



Product example: Ultra-pure water piping

Smooth surface roughness on the inner surface of the pipe inhibits the growth of organisms and the risk of contamination. Orders are expanding for cutting-edge industries that require ultrapure water, especially in the semiconductor field, where miniaturization is advancing.

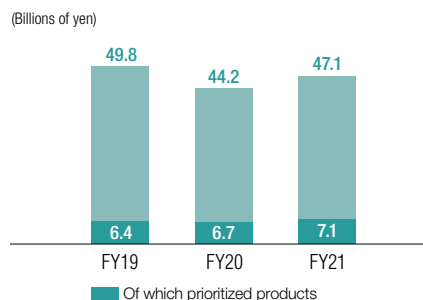


Building and Living Environment

Expand sales of prioritized products for a variety of applications including climate change prevention and products for nursing care facilities

In the Building and Living Environment field, we provide materials for interior use, including prefabricated baths and functional (artificial) tatami, and construction materials for external use, such as rain gutters and downspouts, and exteriors. We will focus on expanding sales of prioritized products such as products to respond to serious disasters, including torrential rain (high flow rate drainage system) and nursing care/independence support equipment.

Building and Living Environment Net Sales



Product example: wells large-scale Prefabricated Bath

Part of a range of ergonomically designed nursing care and independence support equipment, this bath also features high heat insulation and earthquake resistance. wells reduces the burden of caregivers by supporting independent living to dealing with serious illnesses.

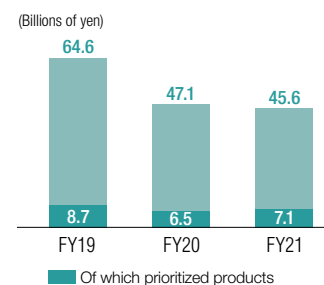


Advanced Materials

Expand applications of plastic molding sheets for materials and accelerate the overseas rollout of railway sleepers

In the Advanced Materials field, we provide FFU synthetic wood sleepers for railroads, soundproofing materials, plastic molding sheets for interior materials, and liquid transportation containers. There is significant room for market growth in this field, including overseas expansion, and we will accelerate the development of other applications for high-value-added products for aircraft, railroads, and medical care.

Advanced Materials Net Sales



SEW (Shield Earth Retaining Wall)

In shield work, SEW is a temporary component for direct shield launch that entails the incorporation of a synthetic wood FFU in the section of the earth retaining wall where the shield tunnel is constructed and shield equipment passes.



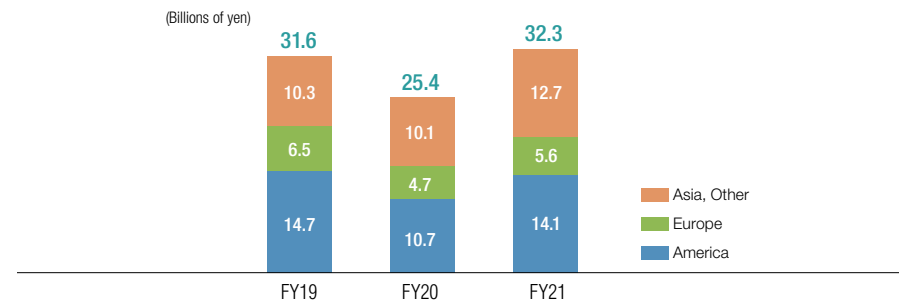
Overseas Net Sales

Overseas sales on an increasing trend

In its FFU activities, the UIEP Company is working on the launch of new products with European specifications and the development of a processing system in preparation for the start of operations at a production base in the Netherlands in fiscal 2022.

In the pipeline renewal business, we will promote the introduction of new products that are easier to install. In the plant piping business, we aim to steadily capture semiconductor demand and expand business.

Sales by Overseas Area



Medical Business

History in Process Creation

In 1977, SEKISUI CHEMICAL Group decided to enter the growing medical business market by applying its polymer technology. In addition to research on diabetes testing, steps were also taken to acquire skills in various areas including clinical testing and biotechnology at universities in Japan and overseas. As a result of its persistent development endeavors, the Group developed the Glyco-hemoglobin Automatic Analyzer AUTO A1c HA-8110 in 1981 realizing the world's first fully automated measurement of hemoglobin A1c. Following this milestone, the Group launched INSEPACK, the world's first unbreakable plastic vacuum blood collection tubes in 1985. INSEPACK helps reduce the risk of infection due to broken tubes and blood splatter during testing. After acquiring Daiichi Pure Chemical Co., Ltd., the Group launched SEKISUI MEDICAL CO., LTD., in 2008. Through these measures, positive steps were made to complete a supply chain that extends from materials to sales. Over the ensuing period, the Medical Business has further accelerated efforts to refine its core technologies focusing on fine particle control technology.

Major M&As and Strategic Investments in Recent Years

Feb. 2010 Established Sekisui Medical Technology
Dec. 2015 Acquired EIDIA Co., Ltd.
Aug. 2017 Participated in the establishment of PeptiStar

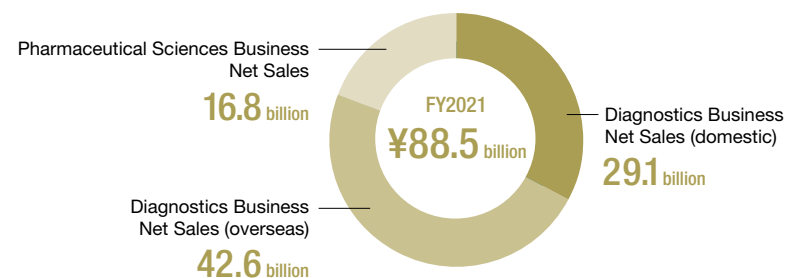
History of Adaptability

Since the establishment of SEKISUI MEDICAL, we have promoted the selection and concentration of businesses from the perspectives of growth potential and the ability to develop business overseas. Through these endeavors, we have steadily expanded the scale of our business through strategic investments including M&As. With the acquisition of the Diagnostic Pharmaceuticals Division of Genzyme Corporation in the United States in 2011, EIDIA Co., Ltd., in 2015, and Veredus Laboratories Pte. Ltd. in Singapore in 2018, SEKISUI CHEMICAL Group put in place an ASEAN sales network. After exceeding an overseas sales ratio of 50% in fiscal 2019, the Group has increased its overseas sales annually. The Medical Business will continue to accelerate business expansion in North America, Europe, China, and Asia, and will work to enhance its development systems as it targets the expansion of business domains by actively introducing new products.

Review of Fiscal 2021

The Medical Business reported increases in both sales and profit in fiscal 2021. Profit in fact hit a record high on the back of the recovery in demand from outpatients suffering from lifestyle-related diseases in Japan and overseas, increased sales of COVID-19 test kits in the United States, and growth in new active pharmaceutical ingredients in the Pharmaceutical Sciences Business. By business segment, sales and profit increased in the Diagnostics Business in Japan owing to a recovery in the number of outpatients, growth in the immunology field, and an upswing in sales of infectious disease diagnostic reagents following outbreaks of the RS virus and COVID-19. In the Overseas Diagnostics Business, sales and profit also increased. This largely reflects the growth in sales of diagnostic reagents in China as well as the substantial pickup in demand for testing kits following the further spread of COVID-19 in the United States. Sales and profit increased in the Pharmaceutical Sciences Business owing to firm trends in sales of new active pharmaceutical ingredients. In addition, the Group initiated steps to enhance production capacity at its Iwate Plant in August 2020. Work is progressing smoothly with operations scheduled to commence in March 2023 in line with plans.

Net Sales by Sub-segment



Strategic Points by Sub-segment

Diagnostics Business

- Actively introduce new products
- Continue to expand blood coagulation activities and enter new domains in China
- Expand alliances with major companies in North America and Europe
- Enter the genetic POCT field

Pharmaceutical Sciences Business

- Strengthen the base of the API CDMO business
- Respond to the growing diversification in drug modalities

Important Indicators from a Management Perspective

- Domestic and global clinical testing market conditions
- Contract active pharmaceutical ingredients (APIs), etc., manufacturing market conditions
- Overseas sales ratio
- Number of new products brought to the market and net sales

Business Strategies by Segment Medical Business

Diagnostics Business

Expanding sales of new diagnostic reagents and analyzers mainly overseas while strengthening local production

In its Diagnostics Business, SEKISUI CHEMICAL Group engages in the development, manufacture, and sale of diagnostic reagents and equipment for areas including clinical chemistry, immunology, diabetes and blood coagulation, as well as for vacuum blood collection tubes. We have gained a high market share in clinical

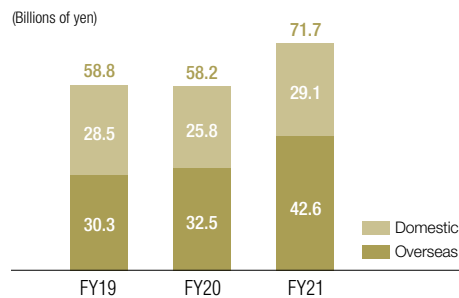
chemistry, diabetes, and blood coagulation testing, where we have an edge in terms of quality. Moving forward, we aim to increase the scale of our business by expanding sales of new diagnostic reagents and analyzers overseas and strengthening local production while growing our existing business and entering new fields in Japan.

Focus Areas

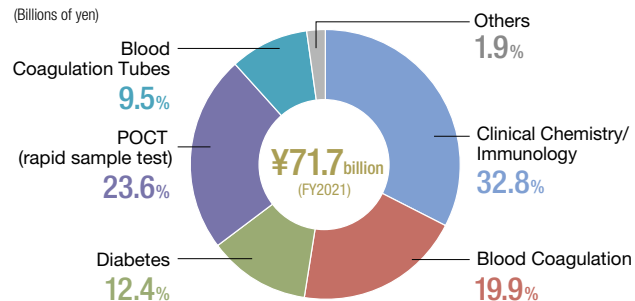
Focus Areas	Clinical Chemistry/ Immunology	Blood Coagulation	Diabetes	Infectious Disease POCT*	Blood Collection Tubes
Main Products	Diagnostics reagents for cholesterol, neutral lipids, and syphilis	Instruments and diagnostic reagents for coagulation and fibrinolysis	Diagnostic reagents for HbA1c	Diagnostics reagents for influenza and adenovirus	High-speed-clotting vacuum blood collection tubes

* POCT: Point of Care Testing; refers to timely on-site (clinics, etc.) testing

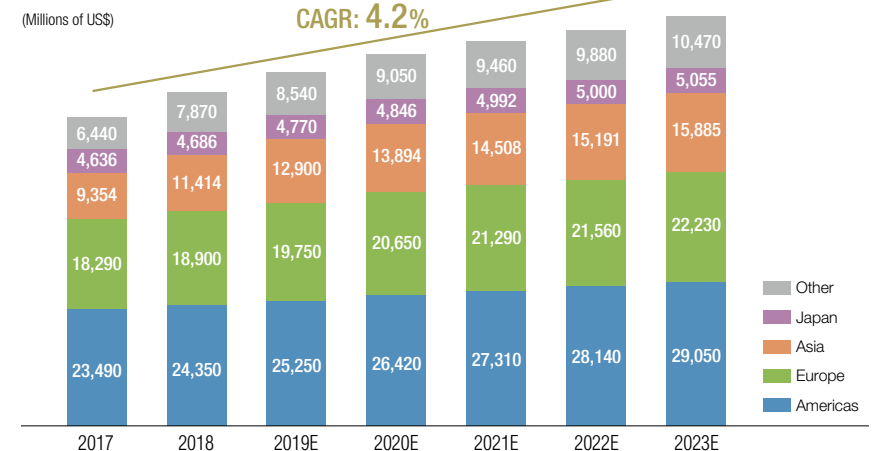
Diagnostics Business Net Sales



Breakdown of Diagnostics Business Sales



Clinical Testing Market by Region



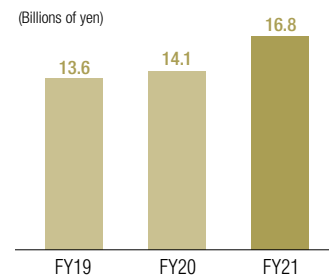
Source: Fuji Keizai, Worldwide Clinical Reagent Market in 2019 (in Japanese)
Fuji Keizai, Clinical Reagent Market in 2019 No. 4: General Analysis and Corporate Strategy (in Japanese)

Pharmaceutical Sciences Business (pharmaceutical and fine chemicals, enzymes)

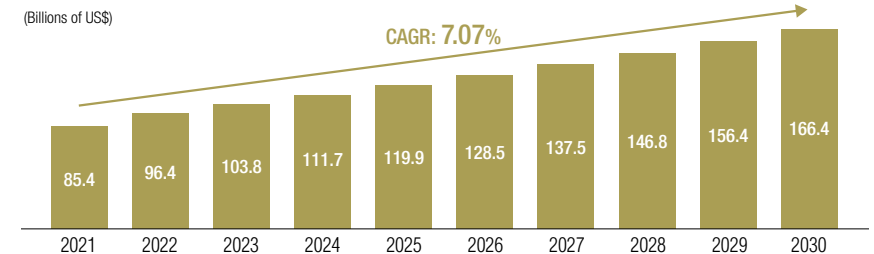
Contract manufacturing and development of diverse APIs from contractors in Japan and overseas

The Pharmaceutical Sciences Business consists of the pharmaceutical and fine chemicals business, which produces APIs under contract (CMO); the drug development solutions business (CRO); and the enzymes business, which manufactures and sells precursors for diagnostic reagents and manufactures recombinant proteins under contract (CDMO). In August 2020, the decision was made to expand production facilities at two major plants in Japan and overseas to establish a supply system across a wide range of areas against the backdrop of the accelerated outsourcing of development work and API manufacturing operations by pharmaceutical companies. In addition to our strength in small molecule drugs, peptides, protein drugs, and various other modalities, we aim to boost our presence and share by reinforcing our production systems in Japan and overseas.

Pharmaceutical Sciences Business Net Sales



Forecast of the Contract Manufacturing Market for APIs



Source: Grand View Research
"Pharmaceutical Contract Manufacturing & Research services market MARKET ESTIMATES & TREND ANALYSIS FROM 2018 TO 2030"