

**Main Questions and Answers Related to
the Fourth Quarter Results of the Fiscal Year Ended March 31, 2023**

Q: Tell us about the progress of the operating income in the fourth quarter toward the plan.

A: Operating income for the fourth quarter amounted to 70.5 billion yen, exceeding the plan by 57.4 billion yen. The Healthcare segment fell short of the plan by 7.5 billion yen, mainly due to the postponement of process development and microbial culture projects in the Bio CDMO business. In addition, the tight supply of raw materials for cell culture media did not recover as we expected in the Life Science business. The Materials segment exceeded the plan by 4.7 billion mainly due to the structural reforms and a one-time gain on the sale of production site in the U.S. by the Graphic Communication business. The Business Innovation and Imaging segments both exceeded the plan by 6.5 billion yen and 7.9 billion yen respectively, due to favorable business performance.

Q: Tell us about the outlook of the Bio CDMO business in the FY2023. How do you see the market environment currently?

A: Its revenue will be almost flat as the new large-scale production facilities that are under construction will not be commercially operated in the FY2023. Operating income will be improved by passing on cost increases from inflation to customers. All six bioreactors that are to be newly installed by the first large-scale investment in the Denmark site, for which construction is scheduled to be completed in fall 2023, are now fully booked. These new bioreactors will start full operation and contribute to earnings from the next fiscal year (FY2024).

As for the market environment, growth is slowing in the short term affected by stagnant funding for some bio-ventures in the growing field of cell and gene therapy. On the other hand, next-generation antibody drugs, such as antibody drug conjugates (ADC) and bispecific antibodies, have contributed to growth, and its demand continues to be extremely strong.

Q: Why are you forecasting a decline in operating income for the Materials segment this fiscal year (FY2023)?

A: In the FY2022, a one-time gain on the sale of production site in the U.S. was recorded by the Graphic Communication business. Although price revision is in progress for the display materials, we anticipate that the market will remain challenging until around September. We also anticipate that the electronic materials market will remain weak until the middle of this year, but its impact is likely to be limited as we provide ultra-advanced materials, mainly for logic semiconductors. Please note that the semiconductor process chemicals business, which we acquired from Entegris, Inc., announced today, on May 10, is not included in our financial forecast for the FY2023.

Q: Tell us about the current inventory level of *INSTAX* in the market and its sales performance by region. Why are they selling so well?

A: The inventory in the market is limited due to high demand and there are still backorders to be fulfilled. Regionally, sales were strong in the U.S. and Europe, followed by China and Japan, and sales grew also in India. *INSTAX* has become best-sellers, generating strong sales and profit margins, primarily thanks to the growing sales of the *instax mini Link 2* smartphone printer which led to an increasing use of films. The number of images taken with smartphones in a year is said to be dozens of times of that in the year around 2000, when the sales of photographic films peaked. How much of those huge number of images stored in smartphones can be printed is important for us. Although the photography business is sometimes seen as a declining industry, we believe that there is still a room for growth and we will continue to generate cash by providing new values to people around the world.

Q: Regarding cash allocation, what is the reason behind the increase in capital investment over the three years (from FY2021 to FY2023), which is increased by 371.4 billion yen from the medium-term management plan? Tell us also about future M&A strategy while you are flexibly and proactively strengthening your business portfolio management throughout this medium-term management plan period?

A: The increase in capital investment from the medium-term management plan (cumulative increase of 371.4 billion yen over the three years) included the impact of exchange rates, which is approx. 90 billion yen, about 80% of others is associated with the Bio CDMO business, and the rest is associated with the electronic materials and life science (cell culture) businesses.

As for M&A, post-merger integration for companies we have acquired is steadily underway. As an example, we have successfully created synergies with the diagnostic imaging-related business we acquired from Hitachi, Ltd. Since the FY2000, we have invested a cumulative total of more than 1.6 trillion yen in such acquisition and investment and accumulated human resources and knowledge. Hence, we have confidence in making quick decisions based on our abundant experience. In addition to ensuring growth of acquired businesses, we will conduct effective M&As flexibly should there be good opportunities.