



**FUJIFILM Holdings Corporation**

Earnings Presentation for the Second Quarter Ended September 30, 2023

November 8, 2023

## Event Summary

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<b>[Company Name]</b>	FUJIFILM Holdings Corporation	
<b>[Company ID]</b>	4901	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Earnings Presentation for the Second Quarter Ended September 30, 2023	
<b>[Fiscal Period]</b>	FY2023 Q2	
<b>[Date]</b>	November 8, 2023	
<b>[Number of Pages]</b>	27	
<b>[Time]</b>	16:10 – 17:11 (Total: 61 minutes, Presentation: 21 minutes, Q&A: 40 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	6	
	Teiichi Goto	President and CEO, Representative Director, FUJIFILM Holdings Corporation
	Masayuki Higuchi	CFO, Director and Corporate Vice President, FUJIFILM Holdings Corporation
	Naoki Hama	Director/President, Representative Director, FUJIFILM Holdings Corporation and President and CEO, FUJIFILM Business Innovation Corp.
	Chisato Yoshizawa	Director & Senior Vice President, General Manager of Corporate Communications Division and ESG Division, FUJIFILM Holdings Corporation
	Tetsuya Iwasaki	Director and Corporate Vice President, General Manager of Electronic Materials Business, FUJIFILM Corporation
	Toshihisa Iida	Corporate Vice President, General Manager of Life Sciences Strategy Headquarters and Bio CDMO Division, FUJIFILM Corporation

## Presentation

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**Moderator:** FUJIFILM Holdings Corporation will now hold a financial results briefing for Q2 of the fiscal year ending March 31, 2024. Thank you very much for taking time out of your busy schedule to attend our financial results briefing today.

First of all, I would like to introduce today's participants. Teiichi Goto, President and CEO, Representative Director of FUJIFILM Holdings Corporation.

**Goto:** Thank you.

**Moderator:** Masayuki Higuchi, CFO, Director and Corporate Vice President of FUJIFILM Holdings Corporation.

**Higuchi:** I am Higuchi. Thank you.

**Moderator:** Naoki Hama, Director of FUJIFILM Holdings Corporation, President and Representative Director & CEO of FUJIFILM Business Innovation Corp.

**Hama:** I'm Hama. Thank you.

**Moderator:** Chisato Yoshizawa, Director and Senior Vice President, General Manager of Corporate Communications Division and General Manager of ESG Division of FUJIFILM Holdings Corporation.

**Yoshizawa:** My name is Yoshizawa. Thank you.

**Moderator:** Tetsuya Iwasaki, Director and Corporate Vice President of FUJIFILM Corporation.

**Iwasaki:** My name is Iwasaki. Thank you.

**Moderator:** Toshihisa Iida, Corporate Vice President, FUJIFILM Corporation.

**Iida:** I'm Iida. Thank you.

**Moderator:** This is Nagasawa from Corporate Communications Division, and I will serve as today's moderator. I appreciate your attention.

## Agenda

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### Consolidated Financial Results for H1 FY2023 (April to September 2023)

**1 | Earnings Highlights and Key Topics**  
Teiichi Goto, President and CEO, Representative Director,  
FUJIFILM Holdings Corporation

**2 | Financial Results and Business Summary by Operating Segment**  
Masayuki Higuchi, CFO, Director and Corporate Vice President,  
FUJIFILM Holdings Corporation

### FY2023 (The Fiscal Year Ending March 2024)

**3 | Financial Forecast for FY2023**  
Masayuki Higuchi, CFO, Director and Corporate Vice President,  
FUJIFILM Holdings Corporation

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The flow of today's briefing will begin with an explanation of financial highlights and topics by Goto. Higuchi will then present the consolidated financial results, business overview, and consolidated financial forecast for the fiscal year ending March 31, 2024. After that, we will have a time for questions and answers.

Goto will now begin the explanation.

## Earnings Highlights for H1 FY2023

### Consolidated Performance for H1 FY2023

Revenue

**¥1,388.5 billion**

Change from FY2022 ↑ +2.9%

Operating income

**¥125.5 billion**

↑ 3.9%

Net income  
attributable to FUJIFILM Holdings

**¥113.6 billion**

↑ +19.3%

#### H1

- › Revenue increased mainly due to strong sales in Medical Systems and Imaging, and the impact of exchange rates.
- › Operating income reached a record high for the first half mainly due to surging revenue from the Imaging, despite the impact of a stagnant semiconductor market and other factors.
- › Net income attributable to FUJIFILM Holdings also hit a record high for a first half mainly due to valuation gains on marketable and investment securities.

#### Q2 (3 months)

- › Highest ever revenue, operating income and quarterly net income attributable to FUJIFILM holdings.

### Full-year Forecast for FY2023

Revenue

**¥2,950.0 billion**

Operating income

**¥290.0 billion**

Net income  
attributable to FUJIFILM Holdings

**¥225.0 billion**

(Announced on August 9, 2023)

- › Full-year forecast remains unchanged from the previous forecast, aiming to achieve record-high revenue and profit.
- › Annual dividend is planned to be ¥150 per share, marking the 14th consecutive annual increase.

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**Goto:** I am Goto. I will begin with an overview of FUJIFILM Holdings Corporation's consolidated financial results for H1 of the fiscal year ending March 31, 2024.

Revenue for H1 were JPY1,388.5 billion, operating income was JPY125.5 billion, and net income attributable to FUJIFILM Holdings was JPY113.6 billion.

Revenue increased due to strong sales of Medical Systems and Imaging, as well as the foreign exchange impact.

Operating income was affected by the stagnant semiconductor market but achieved a record high in H1, mainly due to a significant increase in the Imaging sales.

Net income attributable to FUJIFILM Holdings also reached a record high in H1, mainly due to an increase in operating income and a gain on valuation of investment securities.

The full-year consolidated earnings forecast for the fiscal year ending March 31, 2024, will be revised for some businesses in view of the current economic environment, including a strong Imaging performance and semiconductor market conditions, but the overall forecast will remain unchanged, with the aim of achieving record-high sales and profits.

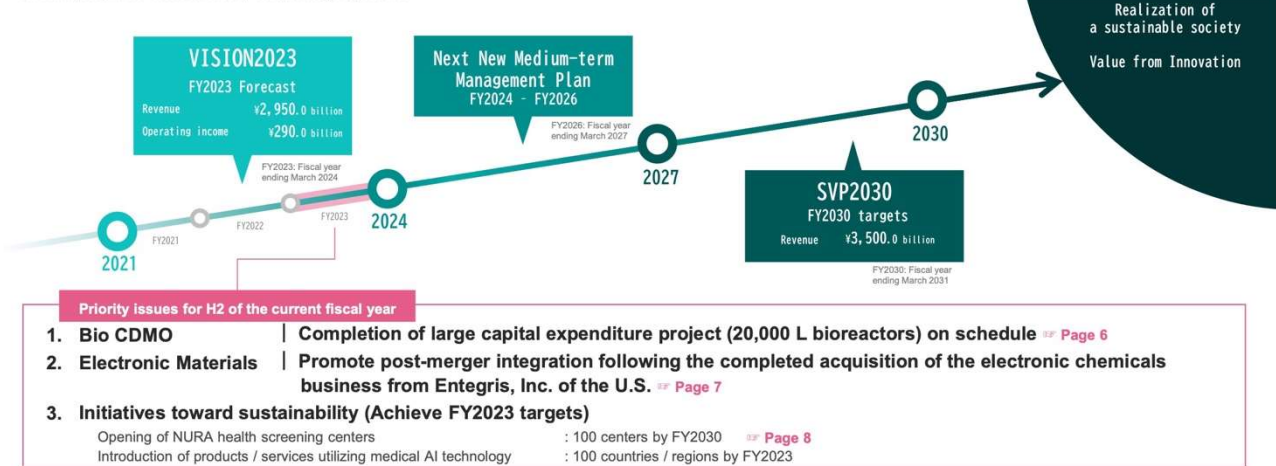
As previously announced, the annual dividend forecast for the fiscal year ending March 31, 2024, is JPY150, an increase for the 14th consecutive year.

## Key Topics for Q2 FY2023 1/4

### Current fiscal year initiatives for the next medium-term management plan

As the final year of VISION2023, we are working to strengthen the foundation for the next medium-term management plan that leads to the achievement of SVP2030\*.

\* SVP2030 (Sustainable Value Plan 2030): CSR plan targeting FY2030



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Next, I would like to discuss some topics for Q2. This fiscal year is the final year of the current medium-term management plan, VISION2023, and we will work to strengthen the foundation for the next medium-term management plan, which will start in the next fiscal year, and lead to the achievement of SVP2030 (Sustainable Value Plan 2030), which sets FY2030 as the goal.

The following are the three key issues for H2.

The first is to carry out large capital expenditure project in Bio CDMO on schedule. The second is to promote post-merger integration following the completed acquisition of the semiconductor process chemicals business from Entegris, Inc. of the U.S. in electronic materials. And third is our commitment to sustainability.

From the next page, we will explain each of these initiatives.

## Key Topics for Q2 FY2023 2/4

### Current fiscal year initiatives for the next medium-term management plan

#### Bio CDMO

##### Complete large capital expenditure project (20,000L bioreactors) on schedule

- Launch the Danish site (First-phase investment) scheduled to start operations in FY2024
- Promote negotiations with major pharmaceutical companies towards full-scale operation

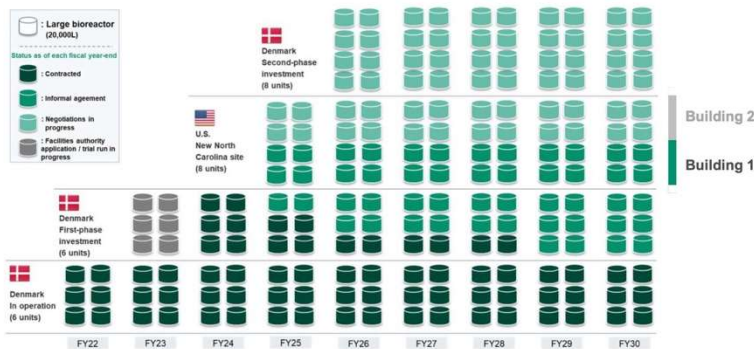


- Construction: 95% complete
- Started preparations for GMP\* acquisition\*

\*Good Manufacturing Practice



**Janssen Supply Group, LLC, a Johnson & Johnson company, has committed to a large-scale manufacturing suite at our new manufacturing facility in the U.S.** \*Scheduled to conclude formal agreement by the end of this fiscal year



FUJIFILM Diosynth Biotechnologies × Janssen Supply Group



Progressing on schedule to start operation in FY2025

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First, I would like to discuss the bio CDMO initiative.

We will carry out major capital expenditure project to add 20,000-liter bioreactors at the Denmark site and the North Carolina site in the U.S. on schedule.

Specifically, we will ensure the start-up of the first investment in the Denmark site, which is under construction as originally planned, leading to full-scale operations starting in FY2024. In addition, we will promote business negotiations with major pharmaceutical companies for full-scale operations, including a new site in the U.S., which is currently under construction, and a second investment in the Denmark site.

As an example, we will be contracted by Janssen Supply Group, a Johnson & Johnson Company with global healthcare operations, to manufacture their biopharmaceutical products. This is the result of the good relationship that we have built with Janssen, and we will continue to support the investigational drug manufacturing and commercial production needs of Janssen's pipeline over the long term.

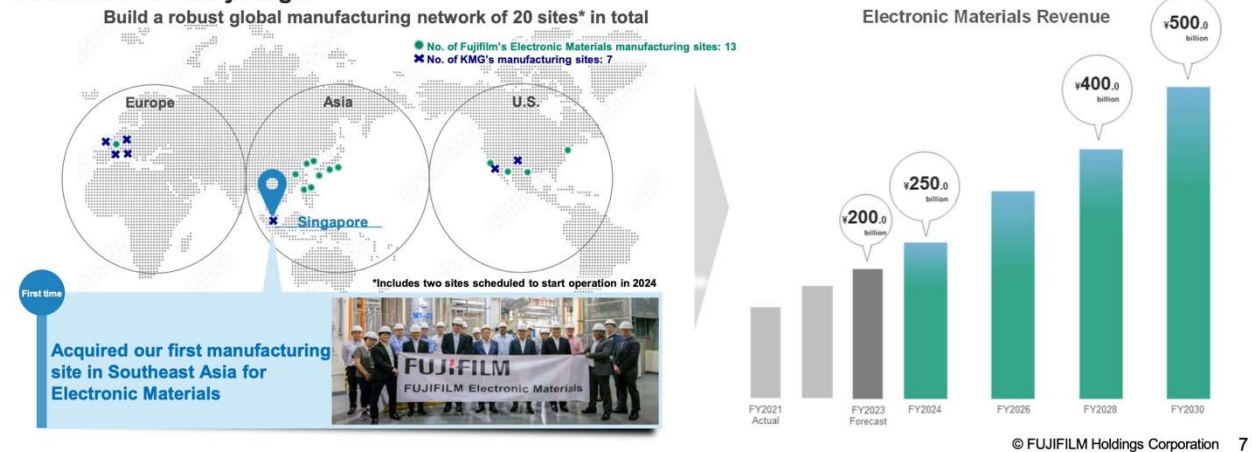
We have been significantly expanding our production capacity through strategic investments amounting to approximately USD7.0 billion in Bio CDMOs and will continue to launch new facilities and conduct business negotiations with customers in parallel to establish a system that will contribute to profitability as soon as possible.

## Key Topics for Q2 FY2023 3/4

### Current fiscal year initiatives for the next medium-term management plan

#### Electronic Materials

Completed the acquisition of the electronic chemicals business from Entegris Inc. of the U.S. (October 2023). Promote post-merger integration of the acquired business and create group synergies with the existing business at an early stage.



Next, I would like to discuss the electronic materials initiative.

We will promote the integration of the electronic chemicals business of Entegris, Inc. whose acquisition was completed in October of this year, to create group synergies at an early stage, which will lead to accelerated growth of electronic materials.

Through this acquisition, the Company aims to strengthen its sales capabilities by expanding its product portfolio and to further build a robust global manufacturing network. In addition to our existing 11 manufacturing sites, we have added seven manufacturing sites, including our first manufacturing site in Southeast Asia for electronic materials, bringing the total number of manufacturing sites to 18 globally to create a robust manufacturing system.

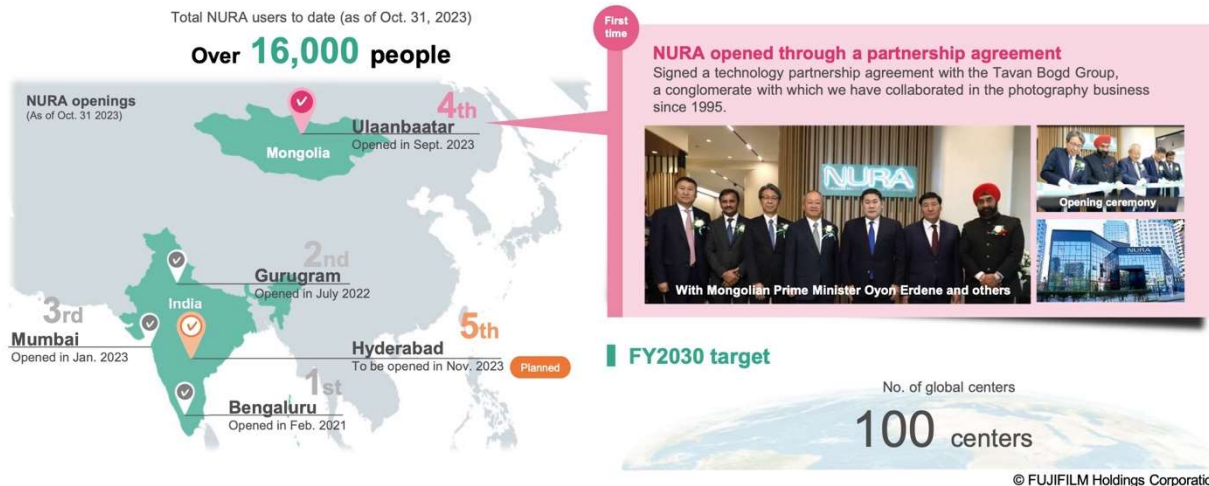
In addition, we will contribute to the development of the semiconductor industry by building a more robust supply chain with a total of 20 sites, including Kumamoto and South Korea, which will start operation in 2024.



## Key Topics for Q2 FY2023 3/3

### Initiatives toward Sustainability

Opened NURA, a health screening center focusing on cancer screening, in Ulaanbaatar, Mongolia. Expand to 100 centers worldwide, mainly in emerging countries, by FY2030



Finally, as a sustainability initiative, I will explain the development of the health screening center, NURA.

In September of this year, NURA, a medical checkup center focusing on cancer screening, opened in Ulaanbaatar, Mongolia. This location will be the fourth since the opening of NURA in Bengaluru in 2021.

We have provided medical checkup services to a total of 16,000 people through NURA.

Based on the partnership with the Tavan Bogd Group, a conglomerate that has been collaborating in the photography business since 1995, we will build an environment to provide high-quality medical checkup services in Mongolia based on our accumulated know-how of medical checkup services in India and contribute to improving the quality of medical care in Mongolia.

A fifth location is scheduled to open this month in Hyderabad, India.

We intend to expand the number of our offices to 100 worldwide, mainly in emerging countries, by FY2030, and by spreading the Japanese culture of health screening and prevention, we will contribute to the maintenance and improvement of people's health and lead to our sustainable growth.

That concludes my explanation. Next, Higuchi will provide an explanation.

## Financial Results for H1 FY2023 (April to September 2023)

(Billions of yen)

	H1				
	FY2022	FY2023	Change	Impact of exchange rate	Constant-currency basis
Revenue	1,349.9 100.0%	<b>1,388.5</b> <b>100.0%</b>	38.6 +2.9%	36.3	2.3 +0.2%
Operating Income	120.8 8.9%	<b>125.5</b> <b>9.0%</b>	4.7 +3.9%	8.7	(4.0) (3.2%)
Income before Income Taxes	129.5 9.6%	<b>152.1</b> <b>11.0%</b>	22.6 +17.4%	9.0	13.6 +10.5%
Net Income Attributable to FUJIFILM Holdings	95.2 7.0%	<b>113.6</b> <b>8.2%</b>	18.4 +19.3%	6.2	12.2 +12.8%
Net Income Attributable to FUJIFILM Holdings per Share	¥237.39	<b>¥283.08</b>	¥45.69	Other change factors (YoY): Impact of raw materials prices on operating income: -¥0.5 billion (Excluding prices of semiconductors and other materials)	
Exchange Rates	¥/US\$	¥135	¥142	¥7	
	¥/€	¥139	¥153	¥14	

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**Higuchi:** I am Higuchi. I will now present our consolidated financial results and business summary.

For H1 of the fiscal year ending March 31, 2024, the revenue increased by 2.9% YoY to JPY1,388.5 billion due to strong sales of Medical Systems and Imaging and the impact of yen depreciation.

Operating income increased by 3.9% YoY to JPY125.5 billion, mainly due to an increase in income from higher sales and the impact of foreign exchange rates, despite inventory write-downs in Bio CDMO and LS Solutions in Q1 and the impact of softening market conditions in electronic materials.

Net income attributable to FUJIFILM Holdings increased by 19.3% YoY to JPY113.6 billion, mainly due to an increase in operating income and a gain on valuation of investment securities.

## Consolidated Revenue and Operating Income by Operating Segment

Revenue	H1		Change		Constant-currency basis	
	FY2022	FY2023				
Healthcare	421.2	448.2	27.0	+6.4%	12.5	+3.0%
Materials	346.9	319.6	(27.3)	(7.9%)	(36.6)	(10.5%)
Business Innovation	398.4	401.5	3.1	+0.8%	(1.4)	(0.4%)
Imaging	183.4	219.2	35.8	+19.5%	27.8	+15.1%
Total	1,349.9	1,388.5	38.6	+2.9%	2.3	+0.2%

Note: After elimination of intersegment transactions

Operating Income	H1		Change		Constant-currency basis	
	FY2022	FY2023				
Healthcare	44.5	41.8	(2.7)	(6.0%)	(4.0)	(9.0%)
Materials	38.5	18.6	(19.9)	(51.5%)	(22.6)	(58.5%)
Business Innovation	30.1	33.0	2.9	+9.6%	2.6	+8.6%
Imaging	26.6	49.4	22.8	+85.5%	18.4	+69.1%
Corporate Expenses & Eliminations	(18.9)	(17.3)	1.6	-	1.6	-
Total	120.8	125.5	4.7	+3.9%	(4.0)	(3.2%)

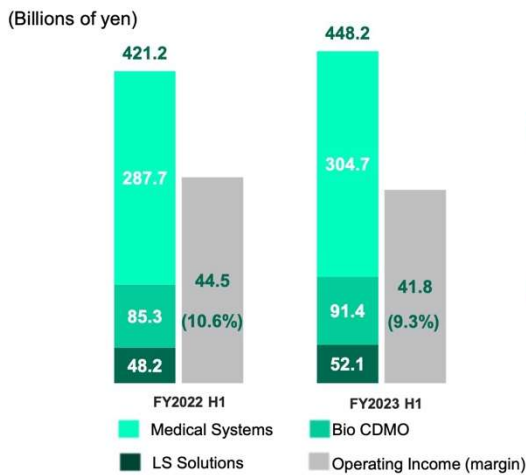
\*From FY2023, revenue and operating income from the non-destructive inspection equipment business are reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated in line with the above change in the segmentation.

Revenue and operating income by segment are shown here.

Financial Results for H1 FY2023 (April to September 2023)

## Business Summary: Healthcare

**Revenue increased 6.4% year-over-year due to higher contributions from all sub-segments, while operating income decreased 6.0% year-over-year mainly due to the absence of cancellation fee recorded in the previous fiscal year in the Bio CDMO.**



### Medical Systems Revenue ¥304.7 billion (up 5.9% YoY)

- Revenue rose mainly due to steady sales of endoscope and medical IT systems. In endoscopes, sales of new products were brisk in Japan and overall sales grew mainly in Europe. In medical IT, sales of systems and services, in particular the Picture Archiving and Communication System (PACS) SYNAPSE and the 3D image analysis system SYNAPSE VINCENT, were strong mainly in the U.S. and Europe.

### Bio CDMO Revenue ¥91.4 billion (up 7.0% YoY)

- Revenue increased due to steady growth in contract manufacturing of antibody drugs, mainly at the Denmark site, despite the absence of cancellation fee income related to the production of vaccine drug substance recorded in the previous fiscal year.
- Due to sluggish orders for gene therapy drugs, etc. against a backdrop of difficult fundraising climate for biotech venture customers, write-downs were recorded in the first quarter on components and consumables nearing the end of shelf life.

### LS Solutions Revenue ¥52.1 billion (up 8.2% YoY)

- In the Life Sciences, revenue increased mainly due to growth in shipments reflecting the easing of the tight supply-demand situation for raw materials to be used for biopharmaceutical cell culture media.
- Write-downs on some raw materials used for COVID-19 vaccine cell culture media and other products were recorded in the first quarter.

\*From FY2023, revenue and operating income from the non-destructive inspection equipment business are reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated in line with the above change in the segmentation.

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This section provides an overview of Healthcare's performance.

As all sub-segments secured revenue growth, revenue increased by 6.4% YoY to JPY448.2 billion, operating income was JPY41.8 billion, down 6% YoY, due to inventory write-downs in Bio CDMO and LS Solutions, which were recorded in Q1 of the current fiscal year, as well as the absence of cancellation fees recorded in the previous year in Bio CDMO.

Sales of Medical Systems increased due to strong sales of endoscopes, medical IT, and other products. In endoscopes, sales of new products were strong in Japan, and sales grew in Europe and other regions. In medical IT, system and service sales centered on the medical image information system SYNAPSE and the 3D image analysis system SYNAPSE VINCENT were strong, especially in the United States and Europe.

Sales of Bio CDMO increased mainly due to steady growth in contract manufacturing of antibody drugs mainly at the Denmark site, despite the absence of cancellation fee income related to the production of active pharmaceutical ingredients for vaccines recorded in the previous fiscal year. On the other hand, a write-down was recorded in Q1 for common parts and consumables that were about to expire due to a slowdown in orders for gene therapy drugs and other products against a backdrop of difficulties in raising funds by bio-venture customers.

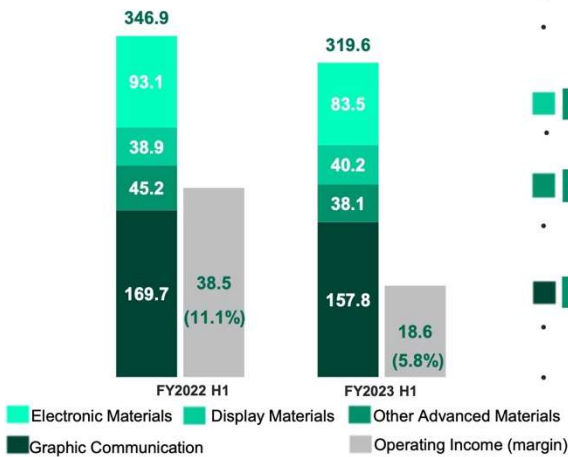
In LS Solutions, revenue increased mainly due to an improvement in the tight supply-demand situation for raw materials for biopharmaceutical culture media and progress in shipments. On the other hand, a write-down was recorded in Q1 due to the impending expiration of some raw materials used in culture media for COVID-19 vaccine, etc., which were secured in advance due to the extended procurement lead time for the COVID-19.

Financial Results for H1 FY2023 (April to September 2023)

## Business Summary: Materials

**Revenue and operating income decreased by 7.9% and 51.5% year-over-year, respectively, mainly hit by the stagnant semiconductor market and lower demand for inkjet printheads.**

(Billions of yen)



### Electronic Materials Revenue ¥83.5 billion (down 10.2% YoY)

- Revenue declined due to the impact of a slowdown in the semiconductor market.
- In October 2023, we completed the acquisition of the semiconductor process chemical business of Entegris, Inc. of the U.S. We will further expand the new business by strengthening our ability to meet customer needs based on a broader product lineup.

### Display Materials Revenue ¥40.2 billion (up 3.3% YoY)

- Revenue increased from the previous year, when there were production adjustments across the entire supply chain.

### Other Advanced Materials Revenue ¥38.1 billion (down 15.7% YoY)

- In the Industrial Products, revenue fell as sales of *EXCLEAR* sensor film for touch panels were driven down by slow demand for business PCs.

### Graphic Communication Revenue ¥157.8 billion (down 7.0% YoY)

- In the Graphic Communication, revenue declined, hit particularly by lower demand for printed materials mainly in Europe and the U.S. in the printing plates field.
- In the Inkjet, revenue fell as sales of inkjet printheads for the ceramic market were driven down by sluggish demand in the Chinese real estate market.

\*From FY2023, revenue and operating income from the non-destructive inspection equipment business are reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated in line with the above change in the segmentation.

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Next is Materials. Revenue declined by 7.9% YoY to JPY319.6 billion and operating income fell by 51.5% to JPY18.6 billion mainly due to stagnant semiconductor market conditions and lower inkjet head sales.

Revenue of Electronic Materials decreased due to the impact of softening market conditions in the semiconductor market. In October of this year, the acquisition of Entegris, Inc.'s semiconductor process chemical materials business was completed. In the future, we plan to further expand new business by strengthening our ability to make proposals to customers through the expansion of our product lineup.

Revenue of Display Materials increased as panel makers' operations recovered compared to the previous year, when there were production adjustments throughout the supply chain.

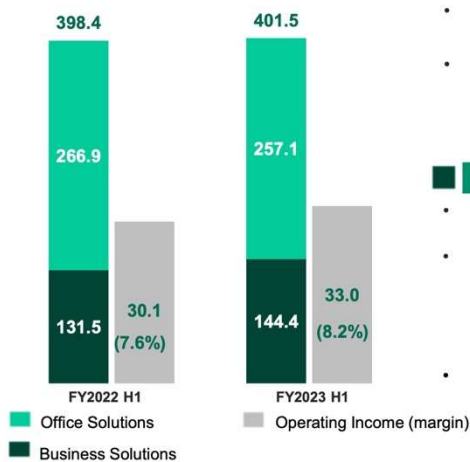
In Graphic Communications, revenue in the printing plates materials field decreased due to the impact of declining demand for printed materials mainly in Europe and the United States. In inkjet, sales of inkjet heads for the ceramic market declined, mainly due to sluggish demand in the Chinese real estate market.

Financial Results for H1 FY2023 (April to September 2023)

## Business Summary: Business Innovation

Revenue and operating income increased by 0.8% and 9.6% year-over-year respectively due to higher revenue from Business Solutions and other factors.

(Billions of yen)



### Office Solutions Revenue ¥257.1 billion (down 3.7% YoY)

- Revenue decreased as expansion of new OEMs and worldwide price revisions, among other factors, were not enough to offset lower exports to Europe and the U.S.
- In September 2023, we made inroads into India by launching compact A3 color/monochrome multifunction printers (*Apeos C3060/C2560/C2060/3560/3060/2560*) that feature high security level and support various workstyles including work-from-home.

### Business Solutions Revenue ¥144.4 billion (up 9.8% YoY)

- Revenue rose mainly due to an increase in sales to municipalities in Japan and higher sales of digital transformation (DX)-related solutions.
- We offer solutions and services to realize CHX (Customer Happy Experience) through customers' DX activities. As the first CHX solution and service, we launched *IT Expert Services* in June 2023, which offers a one-stop IT support service tailored to customer needs, providing everything from IT asset visualization and operation / management to environmental improvement support.
- As the second CHX solution and service, we started offering *FUJIFILM IWpro*, a new cloud service mainly for small and medium-sized businesses, in November 2023. It provides a workspace (integrated environment) that connects systems used by the customer and consolidates everything from information acquisition to utilization and storage.

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This is a summary of Business Innovation's performance. Revenue increased by 0.8% YoY to JPY401.5 billion, and operating income rose by 9.6% to JPY33.0 billion, mainly due to higher sales in business solutions.

In the Office Solutions business, revenue decreased mainly due to a decline in exports to Europe and the U.S., despite the expansion of new OEMs and worldwide price revisions.

In September this year, in the new market of India, we began selling compact A3 color and monochrome multifunction printers that support diverse work styles such as teleworking with a high level of security.

In Business Solutions, revenue increased due to higher sales to local governments in Japan and sales of DX-related solutions.

In Business Solutions, we are developing solution services that enable our customers to achieve a successful CHX (Customer Happy Experience) through DX.

Following *IT Expert Services*, an IT support service that provides one-stop services to meet customers' needs, from IT asset visualization, operation, and management to environmental improvement support, *FUJIFILM IWpro*, a cloud service mainly for small and medium-sized enterprises, was launched in November this year.

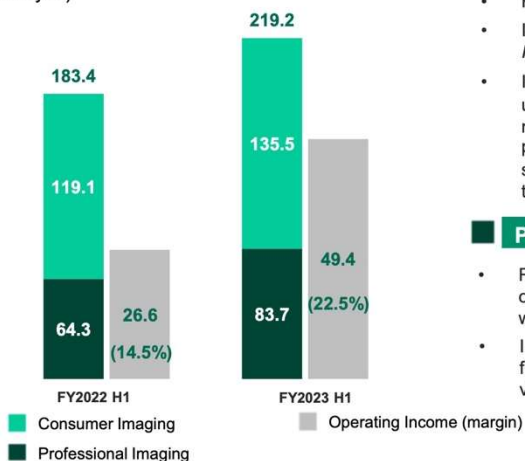
By providing a workspace that consolidates everything from information acquisition to utilization and storage, and by connecting the various business systems used by our customers, we support the reform of a wide variety of business processes and further promote DX for our customers.

Financial Results for H1 FY2023 (April to September 2023)

## Business Summary: Imaging

Revenue and operating income increased by 19.5% and 85.5% year-over-year, respectively, due to brisk sales of instant photo systems and digital cameras.

(Billions of yen)



### Consumer Imaging Revenue ¥135.5 billion (up 13.7% YoY)

- Revenue was driven higher by strong sales of the *INSTAX* instant photo systems.
- In September 2023, we announced the expansion of production facilities for *INSTAX* films in response to growing global demand for the *INSTAX* series.
- In October 2023, we launched *INSTAX Pal™*, a palm-top size camera that allows users to take photos anytime and anywhere. It earned a high reputation in the market as it features a variety of functions to facilitate shooting situations and photographic experiences, and can be connected to the *INSTAX Link™* smartphone printer series via Bluetooth to produce *INSTAX* prints out of images taken with it.

### Professional Imaging Revenue ¥83.7 billion (up 30.2% YoY)

- Revenue from digital cameras increased significantly, mainly due to solid sales of *X-H2*, *X-H2S* and *X-T5* released in the previous fiscal year. Sales of *X-S20*, which was released in June 2023, also fared well.
- In September 2023, as the latest model from the *GFX Series*, we released the flagship model *GFX100 II*, which features the highest burst-shooting, AF and video performance.

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Imaging achievements. The sales of instant photo systems and digital cameras were strong, with revenue up 19.5% YoY to JPY219.2 billion and operating income up 85.5% to JPY49.4 billion.

In Consumer Imaging, sales of the *INSTAX* instant photo system were strong and revenue increased.

In September 2023, *INSTAX* announced the expansion of its film production facilities to meet the growing global demand for the *INSTAX* series.

In October 2023, we also launched the *INSTAX Pal*, a palm-sized camera that allows users to easily take pictures anytime, anywhere. Equipped with a wealth of functions to expand the shooting scene and photographic experience, the camera can be connected via Bluetooth to the *INSTAX Link* series of smartphone printers and other devices to print the captured images into *INSTAX* prints for enjoyment, earning it high praise from the market.

In Professional Imaging, revenue increased significantly due to strong sales of the *X-H2*, *X-H2S*, and *XT5* launched in the previous fiscal year, as well as the *X-S20* launched in June 2023. In September 2023, we launched the flagship *GFX100 II*, the latest model in the *GFX* series, which offers the best high-speed continuous shooting, AF, and movie performance in the series.

Financial Results for H1 FY2023 (April to September 2023)

**Consolidated Balance Sheets**

(Billions of yen)									
	Mar. 2022	Mar. 2023	Sep. 2023	Change from Mar. 2023		Mar. 2022	Mar. 2023	Sep. 2023	Change from Mar. 2023
Cash and cash equivalents	486.3	268.6	322.2	53.6	Short-term and long-term debt	447.2	376.2	547.2	171.0
Notes and accounts receivable	598.6	633.1	636.0	2.9	Notes and accounts payable	303.2	320.4	322.5	2.1
Inventories	504.5	567.3	611.9	44.6	Other liabilities	680.0	649.8	678.9	29.1
Other current assets	135.3	162.1	164.9	2.8	<b>Total liabilities</b>	<b>1,430.4</b>	<b>1,346.4</b>	<b>1,548.6</b>	<b>202.2</b>
<b>Total current assets</b>	<b>1,724.7</b>	<b>1,631.1</b>	<b>1,735.0</b>	<b>103.9</b>	Total FUJIFILM Holdings shareholders' equity	2,502.7	2,763.1	2,974.9	211.8
Property, plant and equipment	736.8	976.1	1,178.9	202.8	Noncontrolling interests	22.2	24.8	3.5	(21.3)
Goodwill, net	824.0	858.3	895.2	36.9	<b>Total equity</b>	<b>2,524.9</b>	<b>2,787.9</b>	<b>2,978.4</b>	<b>190.5</b>
Investment securities and other	669.8	668.8	717.9	49.1	<b>Total liabilities and equity</b>	<b>3,955.3</b>	<b>4,134.3</b>	<b>4,527.0</b>	<b>392.7</b>
<b>Total noncurrent assets</b>	<b>2,230.6</b>	<b>2,503.2</b>	<b>2,792.0</b>	<b>288.8</b>					
<b>Total assets</b>	<b>3,955.3</b>	<b>4,134.3</b>	<b>4,527.0</b>	<b>392.7</b>					
									(yen)
Exchange Rates	Mar. 2022	Mar. 2023	Sep. 2023	Change from Mar. 2023					
¥/US\$	¥122	¥134	¥150	¥16					
¥/€	¥137	¥146	¥158	¥12					

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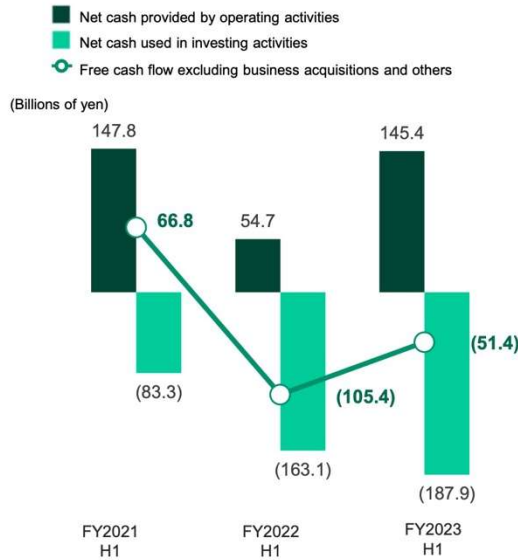
Next, I will explain the balance sheets. Total assets as of September 30, 2024, amounted to JPY4,527 billion, up JPY392.7 billion from March 31, 2023, mainly due to increases in property, plant and equipment and cash and cash equivalents.

Liabilities increased by JPY202.2 billion to JPY1,548.6 billion.

Shareholders' equity increased by JPY211.8 billion to JPY2,974.9 billion.



Financial Results for H1 FY2023 (April to September 2023)

**Consolidated Cash Flow**

	(Billions of yen)		
	FY2021 H1	FY2022 H1	FY2023 H1
<b>Net income</b>	<b>98.4</b>	<b>96.6</b>	<b>112.7</b>
Depreciation & amortization	65.0	70.8	71.8
Change in notes and accounts receivable	57.9	9.3	26.0
Change in inventories	(47.3)	(89.4)	(15.9)
Change in notes and accounts payable - trade	2.9	15.8	(7.0)
Others	(29.1)	(48.4)	(42.2)
<b>C/F from operating activities</b>	<b>147.8</b>	<b>54.7</b>	<b>145.4</b>
Capital expenditure	(58.4)	(118.6)	(192.1)
Purchases of software	(17.6)	(28.0)	(21.2)
Sales and purchases of marketable and investment securities	(2.3)	12.4	8.9
Acquisitions of businesses	0.0	(15.4)	-
Others	(5.0)	(13.5)	16.5
<b>C/F from investing activities</b>	<b>(83.3)</b>	<b>(163.1)</b>	<b>(187.9)</b>
<b>Free cash flows</b>	<b>64.5</b>	<b>(108.4)</b>	<b>(42.5)</b>
<b>Free cash flows excluding business acquisitions and others *</b>	<b>66.8</b>	<b>(105.4)</b>	<b>(51.4)</b>

\*Business acquisitions, sale/purchase of marketable and investment securities are deducted from free cash flow.

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Next, I will explain about cash flow. Cash flow provided by operating activities increased by JPY90.7 billion YoY to JPY145.4 billion, mainly due to an increase in net income, the optimization of inventories, which were temporarily accumulated in the same period of the previous year to prepare for tight supply and demand of parts and materials, by improving the supply chain, and progress in collecting notes and accounts receivables, which increased due to strong sales in H2 of the previous year.

Cash flow used in investing activities increased by JPY24.8 billion YoY to JPY187.9 billion due to increased capital expenditures, mainly for Bio CDMO.

As a result, free cash flow excluding business acquisitions and others was an outflow of JPY51.4 billion.

This was an explanation of the business results for Q2 of the fiscal year ending March 31, 2024.

## Full-year Forecast for FY2023

(Billions of yen)

	FY2022 Actual	FY2023 Previous forecast (as of August 9, 2023)	FY2023 Revised forecast (as of November 8, 2023)	Change from FY2022	Change from previous forecast
Revenue	2,859.0 100.0%	2,950.0 100.0%	<b>Record high</b> 2,950.0 100.0%	91.0 +3.2%	-
Operating Income	273.1 9.6%	290.0 9.8%	<b>Record high</b> 290.0 9.8%	16.9 +6.2%	-
Income before Income Taxes	282.2 9.9%	295.0 10.0%	<b>Record high</b> 295.0 10.0%	12.8 +4.5%	-
Net Income Attributable to FUJIFILM Holdings	219.4 7.7%	225.0 7.6%	<b>Record high</b> 225.0 7.6%	5.6 +2.5%	-
Net Income Attributable to FUJIFILM Holdings per Share <sup>(*)</sup>	¥547.21	¥560.95	<b>¥560.63</b>	¥13.42	(¥0.32)
ROE	8.3%	8.0%	<b>8.0%</b>	(0.3%)	-
ROIC	6.1%	5.9%	<b>5.9%</b>	(0.2%)	-
CCC	125 days	111 days	<b>111 days</b>	(14 days)	-
Exchange Rates	¥ / US\$	¥136	¥136	¥138	¥2
	¥ / €	¥141	¥146	¥149	¥3
Silver Price (/kg)	¥93,000	¥106,000	<b>¥106,000</b>	¥13,000	-

\*Net income attributable to FUJIFILM Holdings per share is calculated by using the number of shares issued as of September 30, 2023 (excluding treasury shares) as the average number of shares for the relevant period.

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Next, I will explain our financial forecasts for the fiscal year ending March 31, 2024.

As reported by Goto at the beginning of the report, we maintain our full-year consolidated forecasts for the fiscal year ending March 31, 2024, with revenue of JPY2,950 billion, operating income of JPY290 billion, and net income attributable to FUJIFILM Holdings of JPY225 billion, all of which are unchanged from our previous forecasts. We aim to break our record high.

## Financial Forecast by Operating Segment

(Billions of yen)

Revenue	FY2022 Actual	FY2023 Previous forecast (as of August 9, 2023)	FY2023 Revised forecast (as of November 8, 2023)	Change		Constant-currency basis	
Healthcare	928.6	970.0	970.0	-	-	(11.0)	(1.1%)
* Materials	682.0	705.0	695.0	(10.0)	(1.4%)	(16.5)	(2.3%)
Business Innovation	838.1	845.0	840.0	(5.0)	(0.6%)	(9.5)	(1.1%)
Imaging	410.3	430.0	445.0	15.0	+3.5%	9.0	+2.1%
Total	2,859.0	2,950.0	2,950.0	-	-	(28.0)	(0.9%)

Operating Income	FY2022 Actual	FY2023 Previous forecast (as of August 9, 2023)	FY2023 Revised forecast (as of November 8, 2023)	Change		Constant-currency basis	
Healthcare	102.8	112.0	112.0	-	-	(2.0)	(1.8%)
* Materials	65.4	58.0	50.0	(8.0)	(13.8%)	(9.5)	(16.4%)
Business Innovation	69.5	78.0	78.0	-	-	(0.5)	(0.6%)
Imaging	72.9	80.0	88.0	8.0	+10.0%	5.0	+6.3%
Corporate Expenses & Eliminations	(37.5)	(38.0)	(38.0)	-	-	-	-
Total	273.1	290.0	290.0	-	-	(7.0)	(2.4%)

\*From FY2023, revenue and operating income from the non-destructive inspection equipment business are reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated in line with the above change in the segmentation.

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The forecast by segment is as shown. We revise segment revenue and operating income in light of H1 results, current business conditions, and future market environment.

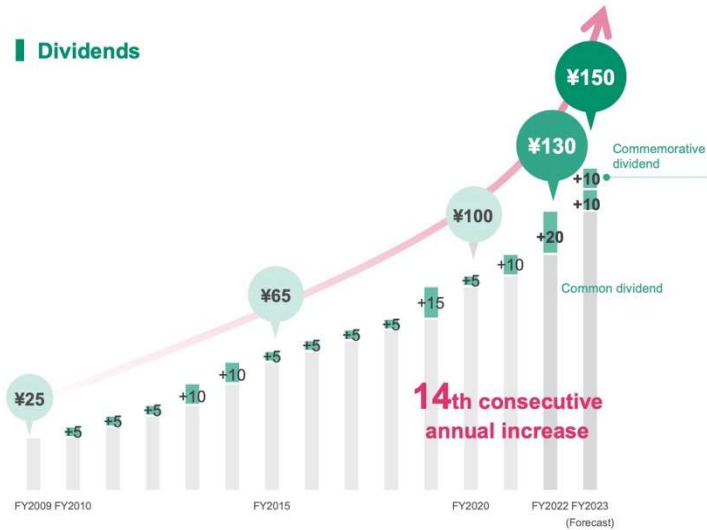
While we revise revenue upward for Imaging, which is performing well, we revise downward for Materials, which is affected by softening market conditions for both high-performance materials and Graphic Communications, and Business Innovation, where exports to Europe and the U.S. are declining.

Operating income will be revised upward for imaging, which is performing well, and revised downward for Materials, which is affected by the decline in sales and an increase in M&A expenses in Electronic Materials.

## Shareholder Returns

### Shareholder Returns

#### Dividends



#### Annual dividend forecast for FY2023:

- **¥150 per share, marking the 14th consecutive annual increase**
- **In addition to a ¥10 increase in common dividend, we will also pay the 90th anniversary commemorative dividend of ¥10.**

The annual dividend forecast for the fiscal year ending March 31, 2024, is JPY150 per share, an increase for the 14th consecutive year, including a commemorative dividend of JPY10 per share to celebrate the 90th anniversary of the Company's founding.

That concludes my explanation.

**Moderator:** That's all for the explanation from us.

## Question & Answer

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**Moderator:** We will now move on to the question-and-answer session.

**Shibano [Q]:** This is Shibano from Citigroup Global Markets. I have three questions. First of all, I know this is the same question as usual, but could you please explain how the JPY73.3 billion in operating income for the July to September period compares to the previous internal plan, both on a consolidated basis and by business segment? This is the first question.

**Higuchi [A]:** Higuchi will explain. Regarding the execution against the internal plan, first of all, revenue is almost in line with the forecasted plan, and the Company as a whole is on track.

By segment, Healthcare exceeded the plan due to strong sales of medical systems, especially endoscopes and medical IT, as well as the impact of foreign exchange rates.

In Materials, electronic materials fell short of the plan due to the poor market conditions for semiconductors, and graphic communications fell short of the plan due to a decline in revenue from graphic communications, as printing demand for printing panels, or printing panels, is sluggish due to the soaring cost of printing materials.

As for Business Innovation, business solutions grew due to strong sales of solution-related products, but failed to reach the target due to weak exports of office solution devices to Europe and the U.S.

The target of Imaging was greatly overachieved for both INSTAX and digital cameras. The Company as a whole is roughly in line with the projected plan.

Profits exceeded the forecast. In terms of the company-wide.

As for Bio CDMO in Healthcare, we had planned to receive Novavax vaccine cancellation fees in H1, but due to a difference of opinion on contractual payment requirements, they did not come in during H1. That is JPY4.5 billion. However, we covered it and landed almost as expected.

Materials, as I mentioned earlier, fell short of the plan by about JPY3.0 billion due to lower sales of semiconductor materials and graphic communications.

In Business Innovation, revenue was down, but this was offset by price revisions and an increase in business solutions sales, which were largely in line with the plan.

In Imaging, profit increased due to increased revenue. That's all.

**Shibano [Q]:** Second, I would like to ask President Goto about Imaging. Since President Goto took office, I believe you have often expressed your strong belief in the potentials of Imaging. In fact, the strong performance of H1 of the fiscal year indicates this, but the operating income for H1 was JPY49.4 billion, and even though Q4 is usually weak, there is Q3, so H2 of the fiscal year, which includes the sales season, is expected to see a 387% decrease, or even a 17% decrease YoY, which is a little questionable.

I would like to ask again if there is any specific reason for such a decline, worse than the previous year, in H2. This is the point what I would like to reconfirm.

**Higuchi [A]:** Regarding H2 of last year, we closed our U.S. plant in H2 of last year, and there was a one-time profit. One reason is that we don't have it in this term. Another is that we have increased development costs

for new products in H2 in order to continue to introduce new products without interruption, and we have also increased marketing expenses and marketing investment.

**Goto [A]:** I will continue with my answer. Now, we are looking at Black Friday toward December, the biggest sales season in the U.S. at the end of November, and the purchasing situation, or rather the movement, is on par with the previous year, but the voice from the person in charge is that inflation in the U.S. is high. We have heard that it is not clear whether it will be as good as the previous year.

However, in fact, given the tight demand for INSTAX film and the fact that cameras are selling well if they are made, I believe that there is room for a bounce upward, although we are taking a firm stance now. Is that all right?

**Shibano [Q]:** The third point is about CDMOs. Again, you have shown us a picture of the tank. According to what I have confirmed, I think the shades of color have remained the same throughout, as you indicated three months ago, but on the other hand, at the last briefing, Mr. Iida told us that by the end of this calendar year, they are scheduled to be up and running, and the ones that are already scheduled have already been contracted.

Here is a chart with no current updates, but what is the actual status of this area? I know there will be another update on December 14, but I was wondering if there was anything you could tell us as of today, including tone, etc. Thank you.

**Iida [A]:** Iida would like to respond your question. I think your question now is centered on the status of this whole, this picture of the building blocks, this dark green area.

I have not made any changes since the last time I was here, but just in October, there was a big exhibition called CPHI in Barcelona, Spain, where there was a business meeting, and I actually attended the meeting and confirmed the status of various business negotiations with top European and U.S. firms.

This is exactly where we are in the negotiation phase of the final contract, and we believe that we will gradually enter a phase where this color will change again.

We are also reporting our progress with Janssen this time, and we hope you will understand that we will change the colors again as soon as we make progress toward this contract.

**Moderator:** Next, Mr. Wakao from JPMorgan Securities, please go ahead.

**Wakao [Q]:** I'm Wakao from JPMorgan. In relation to CDMO, please tell me three things. The first is that I would like to know if there was any change in the business environment or in trends between Q1 and Q2.

In Q1, the cell & gene was weak, but I think you were supposed to make up with antibodies, but what about Q2? Please let us know if there are any changes in the biotech situation, etc. This is the first question.

**Iida [A]:** Iida would like to respond your question. The trend in Q1 and Q2 is the same trend, with little change in the major areas. Antibody drugs are doing well, and cell & gene and advances are continuing a severe trend, with some of the biotech funds, which have been narrowed down, and the severe trend has continued.

However, when we look at antibody drugs, the performance in Denmark has remained very strong, and although we have not yet started up new facilities and we still have six tanks, the release of these batches has been very efficient. By releasing, the antibodies pulled in more sales, and sales were higher in Q2 compared to Q1, and sales grew, so overall, the ratio of antibody drugs tended to go up further compared to Q1, this is the look back on Q2.

**Wakao [Q]:** Second, I would like to ask you a little more about the talk with Janssen. Actually, I think we will see a little more when this contract is signed, but how long is “long term,” and how much of the tank are we talking about when this contract is signed? Also, I think your company was probably commissioned to do something like DARZALEX in the first place, but I would like to know the background to this partnership and whether this could happen with other companies as well.

**Iida [A]:** Iida would like to respond your question. First, with Janssen, we agreed that we will not be disclosing the specific pipeline and its volume. On the other hand, if I may explain a little about the background of this partnership, there are two main reasons.

First of all, Janssen has a high opinion of our performance in Denmark. They have placed their trust in us. The reason behind this is to ensure accurate batch release and success rates so that batches are not compromised. Also, we have been told by them that we have agility or are agile. That is, the quick start-up of tech transfers when new products are introduced, etc. In general, this confident result in Denmark has led us to this statement of partnership at our new location in North Carolina.

The North Carolina facility is still about two years away from the grand opening in 2025, and we gained trust for CDMO, that is, a facility that is not even in operation gains trust. Denmark is just behind such a scene.

This North Carolina location will put in the same equipment in the form of clones of the Danish equipment, copying and pasting as much as possible, with the same layout. By doing so, the customer will feel very secure, and the various validations will go very smoothly, and in a concrete way.

I also met with key people there and was given a tour of the plant, where a 2,500-person construction project is currently underway in North Carolina. The partnership was announced at an unprecedented speed of about two years before the start-up of the project, as the on-the-spot situation and reliability at the site were highly evaluated. That's all.

**Wakao [Q]:** By the way, in the case of North Carolina, is it correct to assume that Janssen's project is included in this “Informal agreement” in the chart?

**Iida [A]:** Yes. It is fine with that understanding.

**Wakao [Q]:** I understand. Finally, the market for GLP-1 bariatric drugs has been expanding recently, and their manufacture has been slowing down with the current footprint and supply is challenging, I think.

On the other hand, I think there are growing expectations in the market that this will be one of the factors for the strong future expansion of the CDMO market. Is there any possibility for your company to be entrusted with the manufacture of API for GLP-1 or fill-and-finish? Please let me know if there is an actual story or anything else.

**Iida [A]:** We are aware that the market is expanding very rapidly. Since our focus is on antibody drugs and cellular genes, we do not have many possibilities in the area of APIs.

On the other hand, we have heard that demand for fill and finish is also very high, and in fact, we have received inquiries from various companies.

Although we are expanding our facilities for the so-called fill-and-finish back-end process, we consider this back-end process facility as a capacity to provide end-to-end services to our DS (Drug substance) and API customers, and we do not currently envision contracting out the back-end process of drug products alone.

**Moderator:** Next, Mr. Katsura from SMBC Nikko Securities, please ask your questions.

**Katsura [Q]:** I am Katsura from SMBC Nikko Securities. I have three questions. First, please reiterate your market perception and your company's strategic approach in the area of materials.

While I wonder if you are talking about domestic, including some mergers and acquisitions, I think that your M&As are more like M&As to expand your lineup. I think that the positioning in the industry is not necessarily high, but once they are taken out each they indicate the market share. Could you reiterate your thoughts on market reorganization and your company's strategy for the future? Let me get my thinking straight.

Also, the first major point is the follow-up, or rather, the timing of the turnaround and other factors, although I think the downward revision is being made in the midst of difficult market conditions.

**Iwasaki [A]:** Iwasaki will answer your question. First of all, in our extensive portfolio of front-end processes, high purity solvents used in the cleaning process are missing, and with this acquisition we have gained business in this area in one fell swoop.

This market itself is much larger than the lithography market, which includes resist, and the CMP slurry market, in which we are very strong in polishing, at over JPY500 billion. This is one part of the process of gaining business with a large presence.

Secondly, the synergistic effect of this, among the 500 to 1,000 front-end processes, there are about three major cleaning processes, and by connecting them, we expect to gain a considerable amount of business from the surrounding front-end and back-end processes.

In fact, prior to this October 2 acquisition, we met with almost all of the three companies that are considered Tier 1, and then 10 to 15 companies that are considered Tier 2, and we have very high expectations of them.

Our business strategy is to cover all aspects of the extensive process with one stop. The process of cleaning with high purity which is particularly strong. Then there is the CMP slurry, which has a 30% to 40% share in logic. And, slightly differently, the one that has more than 80% of the market share in image sensor RGB resist, etc. We have a portfolio with a very strong market share, and by having four or five of them and covering all of them, we are now in a position to supply almost all of our cutting-edge customers with almost all of their front-end processes. In addition, we have created a BCP system and a system that can supply high-quality products globally.

One of the keywords from now on, one of the keywords at the cutting edge of semiconductors, is equipment manufacturers, then materials manufacturers, and integration. This is a trend of expanding many processes and now connecting them one by one, and I believe we are in a very advantageous position in this regard. That is all.

**Katsura [Q]:** Please include the reversal of market conditions and the timing of your company's reversal.

**Iwasaki [A]:** Regarding market conditions and timing, as Goto and Higuchi mentioned earlier, we expect to see positive signs in Q3 starting this October, and a recovery in Q4 of this fiscal year and after the summer of 2024.

**Katsura [Q]:** Regarding the second point, the documents (Business Innovation), I think each company has different market recognition and your company's position in the market. While Xerox Corporation (XC)'s export business you mentioned, especially in Europe, seems to have hit the brakes quite sharply, I think there are other companies in the industry that are doing relatively well in Europe.

Dissolution of JV with XC, and also some kind of strategy for the future. I think you have managed to change your strategy, but please tell us again about your current awareness of the current market environment and your company's strategy and tell us about the status of your document.



**Hama [A]:** Hama will answer your question. As Goto explained, exports to overseas are not good for the companies as the year before last there was a considerable shortage of semiconductors and we were unable to produce equipment, so last year we produced a considerable amount, and compared to that amount, the major factor is that we have calmed down considerably.

However, we are wary of the fact that the market seems to be weakening a little compared to the overall market. We are working to increase OEM sales to various other companies in addition to continuing to properly market our products to existing overseas customers.

While it takes JPY 20.0 to 30.0 billion to develop a single model, we have been receiving inquiries from some companies, in light of the current market situation, so we are trying to expand our business in this area.

Of course, we are also going out to new overseas markets on our own, but rather than going out to all countries/regions, we are considering a strategy of limiting ourselves to places where we can win and entering directly, and, as I mentioned, increasing the overall chess pieces while increasing OEMs.

Also, our overall strategy right now is that solutions and services are performing very well, and we are in a situation where we can sell multi-functional devices as a part of our solutions services by expanding our solutions services in the areas where we are currently selling them. We would like to expand this by strengthening our solution services.

Although the printer business on its own is severe, we sell multi-functional devices as part of our solutions, so we suppose there is not much impact on us. That's all.

**Katsura [Q]:** Lastly, I would like to ask President Goto about the next mid-term plan, which will be announced, I believe, next year. On the other hand, I think that the business environment has changed significantly since the time when you drew up the big picture for 2030, and I would like to know what points are being discussed in the discussions that are taking place at this time. If there is anything to share with us. That's all.

**Goto [A]:** First of all, we are working hard to solve social issues and, as you can see in the Sustainable Value Plan, we are now in the process of drawing up a roadmap, not only for the medium-term plan, but also for the road to 2030, in which we aim to increase sales to JPY3.5 trillion by 2030.

We are confident that the core of the project will work out exactly as we have envisioned it. First of all, it is Healthcare. We also intend to make further investments in advanced materials, particularly having semiconductor materials in its center.

In particular, in Healthcare, we have been advocating the goal of JPY1 trillion in Healthcare, and at the current rate, we believe that we can achieve JPY1 trillion in Healthcare by 2025, perhaps one year ahead of schedule.

A large part of this is that Medical Systems is growing steadily. We have acquired the medical imaging business of Hitachi, Ltd., and integration is underway. We will do the last domestic consolidation in Japan this year and over the next year, where we will still be able to make more profit.

In the medical field, our greatest strength is the contribution of IT and AI, and we will increase the proportion of what is now called the recurring business. We are currently earning a little more than 10% of operating income in the Medical Systems business, and we are planning to grow it to more than 15% in the mid-term plan.

CDMOs are sure to have more chess pieces, and we need to figure out how we can contribute to profits in this area. We are currently working on various strategies and trying to create a winning pattern while keeping an eye on the situation of other companies.

In addition, we are also considering how to secure profit levels in the life sciences, especially in the area of culture media, which will surely grow until 2030 in terms of scale.

Under these circumstances, as we move forward in the mid-term, we are considering increasing the profit margin in each of our small business segments, as it will be difficult to achieve a profit of less than 10%, and at the same time, we intend to make bold adjustments in areas where it is still necessary.

Also, in the area of Advanced Materials, semiconductors are definitely our focus, but as Iwasaki mentioned earlier, the acquisition of the electronic chemicals business from Entegris Inc. was completed within five months of the start of full-scale negotiations, which is a very fast pace. Thanks to its speedy completion, we might be able to see the result in the latter half. While maintaining this kind of agility, we are thinking about how to create a world in the semiconductor business in which everyone cannot live without Fujifilm, and we believe that we will be able to achieve a very high profit margin when this becomes possible.

Then as for the Business Innovation and Imaging, which generates cash; as you can see from the Imaging business, there is still room to increase profits by changing marketing, changing the way we do things, and changing the way we sell.

The same is true for Business Innovation, and there are still many countries/regions in the world that do not yet use xerography, for example, how to colorize Asian countries/regions. In the printing business, for example, we have photography, printing, inkjet, xerography, color printing and others, so we are the one and only printing company in the world. We have to think about how we can combine these businesses and expand our business.

For example, in India, silver halide paper was widely used for photo albums, so that means there is room for xerography. We will sell xerography large production printers while using our existing photography channels. Also, in the European product field, digitalization is progressing instead of the conventional printing format, and we can use our existing sales network.

We are now in the process of drafting a mid-term plan that meshes things that will still generate cash. We hope to be able to share with you around mid-April next year, so please stay tuned.

**Katsura [M]:** Thank you so much for your kindness and much more than I expected. That's all.

**Moderator:** Next, we have several people raising their hands, but the end time is approaching, so I am very sorry, but we would like to have only one more person for questions. Mr. Okazaki of Nomura Securities, please.

**Okazaki [Q]:** I am Okazaki from Nomura Securities. The first point is Bio CDMO. You mentioned that JPY4.5 billion in cancellation fees were not received. I would like to ask you about the background of this and whether you will be able to recover this amount in H2 and thereafter. Also, please update me on the status of the vaccine line, as I believe you have been talking about filling it elsewhere.

**Iida [A]:** Iida would like to respond your question. The fact that JPY4.5 billion was not received in H1 was one of the conditions when we originally agreed to this cancellation fee with the counterparty. We had a difference in opinions with respect to the content of our activities to convert the facilities we had prepared for Novavax to other customers, and we were unable to reach an agreement during September.

We believe that we have fulfilled all of our obligations and will be able to recover the amount in H2.

As to your question about whether this facility was originally intended to be used for other purposes, there was a possibility that it could have been used to fill the relatively large gene therapy tanks in the background of COVID-19 or vaccines, but the recent downturn in the gene therapy and biotech industries has made it difficult to meet the need for large tanks.

Although there are a relatively small number of small tanks early clinical trial drug contracts, the reality is that there are no projects that fit here at Novavax's facilities, against the backdrop of the current market conditions. That is all.

**Okazaki [Q]:** Secondly, regarding the graphic communication of materials, I think you are still struggling here. I think this is a part of the mid-term plan that you were aiming for a considerable growth, but in light of the recent performance trends, please tell us whether you need to revise your strategy.

**Hama [A]:** Hama will answer your question. As for the graphics part, as you pointed out, we are behind in relation to the overall plan, and that is a problem right now.

The biggest reason for the delay is in the inkjet business, where the inkjet business has been stagnant due to a significant drop in real estate in China in terms of Chinese current economic situation, which has caused a significant halt in inkjet print-heads for the ceramic industry. This is the biggest reason, and it is stagnant and cannot achieve the target although we thought we could.

The other is that the demand for analog printing, including printing plates, is shrinking more than expected.

In response to this, we are now working on closing both of these plants and so on, and the results of this part of the project will be achieved soon or later but it is not easy to get results in FY2023, the so-called current fiscal year. We are expecting a V-shaped recovery in FY2024, and we are working very hard to reorganize the situation.

**Okazaki [Q]:** Lastly, about the Business Innovation. As you mentioned earlier about XC, I think they also announced that they would be changing their regional strategies from the past. If they were to further downsize their business in the future, what do you think of the risk of a further decline in your export business in the next fiscal year and beyond? You mentioned that your company's export business declined compared to the previous year.

**Hama [A]:** Hama will answer your question. As for your point, XC is of course doing its best to sell its products, and I think they are doing so based on a variety of strategies; however, the risk is that XC may shrink more than we expect. In response to this, we need to do two things: increase OEM supply to companies other than XC and increase direct sales. We are steadily preparing for this. It is difficult to disclose where we will supply them, but we will expand such things to prepare for such risks.

As I mentioned earlier, with such a large number of players and such a market situation, some companies are not able to invest in environmental measures and so on. We are now working to supplement or even increase the amount of supply to such areas.

**Moderator:** Thank you, Mr. Okazaki. With that, we would like to conclude the financial results briefing. Thank you very much for your participation today.

[END]

**Note:**

*Speaker speech is classified as follows: [Q] asks a question to the Company, [A] provides an answer from the Company*