



**FUJIFILM Holdings Corporation**

Earnings Presentation for the Third Quarter Ended December 31, 2023

February 8, 2024

## 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 Third Quarter Ended December 31, 2023	
<b>[Fiscal Period]</b>	FY2024 Q3	
<b>[Date]</b>	February 8, 2024	
<b>[Number of Pages]</b>	31	
<b>[Time]</b>	16:10 – 17:06 (Total: 56 minutes, Presentation: 25 minutes, Q&A: 31 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	5	
	Teiichi Goto	President and CEO, Representative Director
	Masayuki Higuchi	CFO, Director and Corporate Vice President
	Naoki Hama	Director / President, Representative Director & Chief Executive Officer of FUJIFILM Business Innovation Corp.
	Chisato Yoshizawa	Director & Senior Vice President, General Manager of Corporate Communications Division and General Manager of ESG Division of FUJIFILM Corporation
	Toshihisa Iida	Corporate Vice President, General Manager of Life Sciences Strategy Headquarters, General Manager of Bio CDMO Division., FUJIFILM Corporation

# Presentation

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**Moderator:** FUJIFILM Holdings will now hold a financial results briefing for Q3 of the fiscal year ending March 2024. Thank you very much for taking time out of your busy schedule to attend our financial results briefing today.

Let me introduce today's attendees. Teiichi Goto, President and CEO, Representative Director of FUJIFILM Holdings.

**Goto:** I am Goto. Thank you.

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

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

**Moderator:** Naoki Hama, Director of FUJIFILM Holdings and President, Representative Director & Chief Executive Officer of FUJIFILM Business Innovation Corp.

**Hama:** I am Hama. Thank you.

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

**Yoshizawa:** I am Yoshizawa. Thank you.

**Moderator:** Toshihisa Iida, Corporate Vice President, General Manager of Life Sciences Strategy Headquarters, General Manager of Bio CDMO Div., FUJIFILM Corporation.

**Iida:** I am Iida. Thank you.

**Moderator:** I am Nagasawa from the Corporate Communications Division, and I will serve as today's moderator. Thank you for your cooperation.

## **Consolidated Financial Results for Q3 FY2023 (April to December 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 31, 2024)**

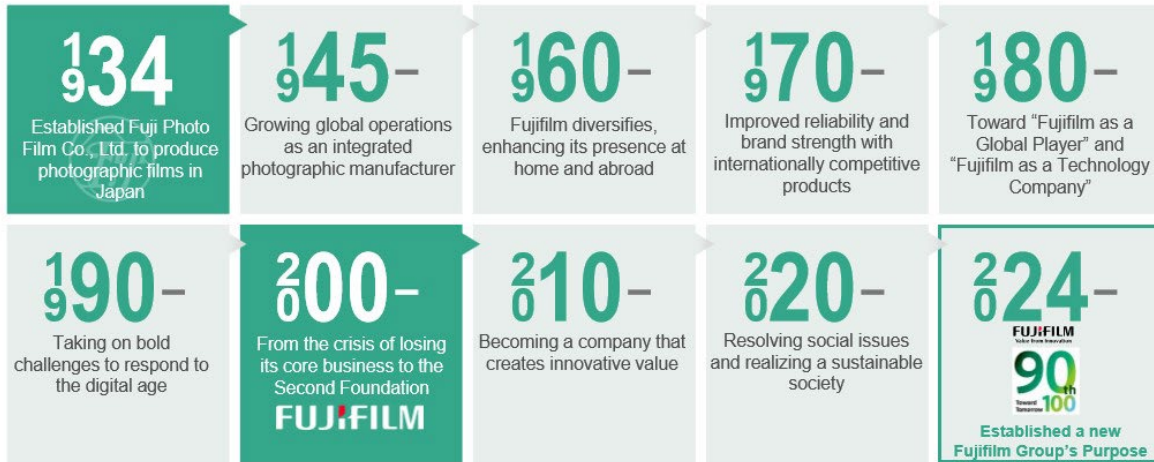
- 3 | Financial Forecast for FY2023**  
Masayuki Higuchi, CFO, Director and Corporate Vice President,  
FUJIFILM Holdings Corporation

Today's briefing will begin with an explanation of financial highlights and topics by Goto. Higuchi will then present the consolidated financial results and business overview, as well as the consolidated financial forecast for the fiscal year ending March 2024. This will be followed by a Q&A session.

Now, Goto will begin the explanation.

January 20

Since its founding in 1934, with the mission of producing photographic film for the Japanese market, the Fujifilm Group has continued to embrace challenges and overcome various difficulties without fear of change by combining its technological strengths and the wisdom of its diverse and talented workforce.



**Goto:** Last month, on January 20, the Fujifilm Group celebrated its 90th anniversary. We would like to express our sincere gratitude to all stakeholders who have supported us throughout our long history.

The past 90 years have been a history of hard work and breaking new ground as we made a difference in the world through our founder's photography business, overcame the crisis of losing our core business, and transformed into a company that innovates in a variety of businesses. The DNA of the Fujifilm Group can be described as our passionate aspirations, which have enabled us to overcome numerous challenges.

In celebrating our 90th anniversary, we established a new Fujifilm Group's Purpose. It represents our shared aspiration for the Group to unite as one team and create new value through innovation.



### [Video Begins]

“Giving our world more smiles.”

People smile. Because it's fun. Because we are happy. Feeling that something is about to begin. Feeling our own potential. New Life. Smiles are our greatest gifts. The Fujifilm Group, which has been watching smiles all over the world, will increase the number of smiles on the earth by being close to people in a wide range of areas.

### [Video Ends]

**Goto:** For the Fujifilm Group to continue providing innovative value and achieve sustainable growth towards our 100th anniversary and beyond, all employees—our driving force—will propel our group toward realizing our purpose with shared aspiration.

Our vision for the future is to become a company that creates smiles for our various stakeholders. Learning from the past to shape the future, we will continue to take on challenges by combining the Fujifilm Group’s technological strengths and the wisdom of our diverse and talented workforce to contribute to resolving social issues through all of our businesses—Healthcare, Materials, Business Innovation and Imaging—and bring happy smiles to people's faces over and over again.



## Earnings Highlights for Q3 FY2023

## Consolidated Performance for Q1-Q3 FY2023

Revenue  
 Record high  
**¥2,155.4 billion**  
 Change from FY2022 ↑+2.9%

Operating income  
 Record high  
**¥204.9 billion**  
 ↑+1.1%

Net income  
 attributable to FUJIFILM Holdings  
 Record high  
**¥173.8 billion**  
 ↑+13.0%

## Q1-Q3 (9 months)

- › Revenue, operating income and quarterly net income attributable to FUJIFILM holdings reached record highs.
- › Revenue and operating income increased mainly due to strong sales in Medical Systems and Imaging, and the impact of exchange rates.
- › Net income attributable to FUJIFILM Holdings increased mainly due to higher operating income and valuation gains on marketable and investment securities.

## Q3 (3 months)

- › Revenue and net income before income taxes reached record highs.

## Full-year Forecast for FY2023

Revenue  
 Record high  
**¥2,950.0 billion**

Operating income  
 Record high  
**¥290.0 billion**

Net income  
 attributable to FUJIFILM Holdings  
 Record high  
**¥225.0 billion**

(Announced on November 8, 2023)

- › Full-year forecast remains unchanged from the previous forecast, aiming to achieve record-high revenue and profit.

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I will provide a summary of the consolidated financial results for Q3 of the fiscal year ending March 2024.

In the nine months ended December 2023, revenue amounted to JPY2,155.4 billion, operating income amounted to JPY204.9 billion, and net income attributable to FUJIFILM Holdings amounted to JPY173.8 billion. Revenue, operating income, and net income attributable to FUJIFILM Holdings reached record highs.

Revenue and operating income increased mainly due to strong sales in the Medical Systems and the Imaging, and the impact of exchange rates. Net income attributable to FUJIFILM Holdings increased mainly due to higher operating income and valuation gains on marketable and investment securities.

Although we will revise forecasts for some businesses in light of the strong performance of the imaging segment and the current economic environment, the overall full-year forecast for the fiscal year ending March 2024 remains unchanged as we aim to achieve record highs, with revenue of JPY2,950.0 billion, operating income of JPY290.0 billion, and net income attributable to FUJIFILM Holdings of JPY225.0 billion.

## Shareholder Returns

## Dividends

## Annual dividend forecast for FY2023

¥150 / share\*

- 14th consecutive annual increase
- Up ¥20 from the previous year  
(¥10 for ordinary dividend + ¥10 for 90th anniversary commemorative dividend)

\*Based on the number of shares before the stock split with the record date of March 31, 2024



## Stock split

Aimed at creating a more investment-friendly environment and broadening the investor base by reducing the minimum investment price.

## Split ratio

3 for 1

Record date for stock split : March 31, 2024 (Sun.)  
Effective date : April 1, 2024 (Mon.)

As a result of the stock split, the total number of authorized shares as set forth in Article 6 of the Company's Articles of Incorporation will be changed effective Monday, April 1, 2024, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act. For details, please refer to the 'Notice Regarding Stock Split and Partial Amendment to the Articles of Incorporation' released on February 8, 2024.

## Dividends for FY2024

Starting with the interim dividends for the fiscal year ending March 2025 (FY2024), dividend payments will be based on the number of shares after the stock split.

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As we informed you at the previous earnings presentation, the annual dividend forecast for the fiscal year ending March 2024 is JPY150 per share, including the 90th anniversary commemorative dividend of JPY10, marking the 14th consecutive annual dividend increase.

In addition, we have today decided to implement a stock split to create a more investor-friendly environment and broaden the investor base by reducing the minimum investment price. With the record date of March 31, 2024, every single common share held by the Company's shareholders as of the same date will be split into three shares. Please note that the dividend for the fiscal year ending March 2024 will be based on the number of shares before the stock split, and starting with the interim dividend for the fiscal year ending March 2025, the dividend will be based on the number of shares after the stock split.



## Key Points for Q3 FY2023 1/3

## Electronic Materials

## Color filter materials for image sensors

Photosensitive color materials needed to manufacture color filters for image sensors  
Currently marketed as Wave Control Mosaic (WCM)

Invested approx. ¥6.0 billion in the Kumamoto site to install a production facility<sup>\*1</sup> for color filter materials used in image sensors. With four production sites around the world, we aim to expand revenue by fulfilling our supply responsibility as the top manufacturer.

<sup>\*1</sup> Installed at the Kyushu site of manufacturing subsidiary FUJIFILM Material Manufacturing Co., Ltd. (FFMT Kyushu) in Kumamoto Prefecture

## Market for color filter materials used in image sensors



## Production capacity expansion

- ① Installing a new facility in Kyushu, where approx. 1,000 semiconductor-related companies are concentrated
- ② Backup for Kumamoto Prefecture and local governments working to achieve sustainable growth of the manufacturing industry
- ③ Utilizing the site and human resources of FFMT Kyushu (Kikuyo-machi), which manufactures display materials and CMP slurries<sup>\*2</sup>

<sup>\*2</sup> Stands for Chemical Mechanical Polishing  
Fully operational from January 2024

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## Our market share and manufacturing sites

Fulfill our supply responsibility as the top manufacturer through stable production and distribution of our high-quality products

## Kikuyo-machi, Kikuchi-gun, Kumamoto

Amount invested | ¥6.0 billion

Operational launch | Spring 2025

Feature | Production and quality assurance system on par with that of the Shizuoka site  
Stable customer support system including BCP



I will now explain the key topics for Q3.

The first topic is about the January 2024 announcement in the Electronic Materials business on the increase in the production capacity for color filter materials used in image sensors.

With the recent expansion of image sensor applications in automobiles and security devices, the image sensor market is expected to grow at a rate of 7% per annum. We manufacture color filter materials for image sensors in Shizuoka Prefecture as well as in Taiwan, and are also building a new color filter materials production site in South Korea.

In addition, we will install a state-of-the-art production facility and an advanced clean room for semiconductors at the Kyushu site of our manufacturing subsidiary in Kumamoto Prefecture, where a number of semiconductor companies are concentrated, while also establishing a solid production/quality assurance structure on par with that of the Shizuoka site to ensure business continuity planning.

As the leading manufacturer of color filter materials for image sensors with over 80% of the global market share, we aim to produce and deliver high-quality products and increase revenue under our global production structure consisting of four sites.

## Key Points for Q3 FY2023 2/3

## Electronic Materials

CMP slurry

CAGR

-10%

Material used to polish and planarize the surface of semiconductor chips where wiring and insulating layers of different hardness are mixed.  
CMP: Chemical Mechanical Polishing

State-of-the-art facility for the production of CMP slurries, a key material in the semiconductor manufacturing process, started full operation at the Kumamoto site\*.

Continuing to meet customer requirements for stable global supply and quality to expand sales of CMP slurries

\* Installed at the Kyushu site of manufacturing subsidiary FUJIFILM Material Manufacturing Co., Ltd. (FFMT Kyushu) in Kumamoto Prefecture

## Semiconductor-related investment accelerating in Kyushu

Kyushu, major semiconductor mass production base in Japan



Kumamoto actively seeking to attract semiconductor-related companies



## Semiconductor-related capital investment in FFMT Kyushu

Leverage the manufacturing capabilities gained from display material production in semiconductor material production



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A production facility for CMP slurries, a key material in the semiconductor manufacturing process, which had been prepared for operation at the Kumamoto site, became fully operational on January 25, 2024.

In recent years, investment in Kyushu, which has a national share of over 50% in IC production value, has been increasing, driving momentum for the revitalization of Silicon Island. Kumamoto Prefecture, in particular, has positioned the semiconductor industry as an important sector under its Kumamoto Semiconductor Industry Promotion Vision.

In addition to actively attracting companies and promoting technological development through industry-academia-government cooperation, the prefecture has attracted a flood of capital investment from companies due to its abundant water resources, convenient transportation access, and other advantages.

In 2005, we established our core production base for display materials in Kikuyo-machi, Kikuchi-gun, Kumamoto, to support the growth of the display industry and to hone and accumulate manufacturing and technological capabilities that realize high-quality and highly efficient production.

Now, we will use these capabilities to drive our sustainable growth through production of semiconductor materials and play a role in strengthening the domestic semiconductor supply chain, thereby contributing to the development of the semiconductor industry not only in Kyushu but all over Japan.

## Key Points for Q3 FY2023 3/3

## Life Sciences

January 2024

Granted a license to BlueRock Therapeutics LP to develop and commercialize of iPSC-derived cell therapies for eye diseases  
Aiming to create best-in-class cell replacement therapies for ophthalmic diseases by unlocking the full potential of iPSC technology

## In 2021 (Option agreement)

Strategic alliance for R&D of iPSC-derived cell therapies for ophthalmic diseases

Granting the exclusive option to license three retinal cell therapy programs focused on dry age-related macular degeneration and retinitis pigmentosa

## Overcoming ophthalmic diseases

## Features of ophthalmic treatment

- ✓ Small cell volume
- ✗ Immune-tolerant site
- ✗ Easy access

## Advantages of iPSC-derived cell therapies

- ✓ Mass production & low cost
- ✗ Fewer differences between donors
- ✗ Shorter lead time to treatment

## In January 2024 (License agreement)

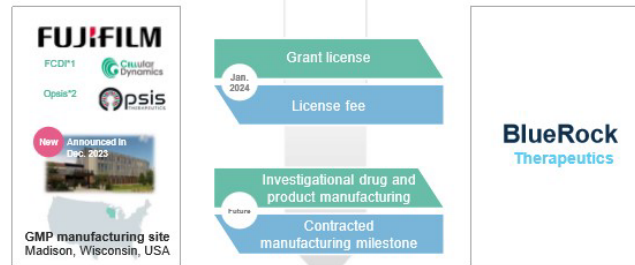
\*1 FCDI

\*2 Opals

FUJIFILM Cellular Dynamics, Inc

Opalis Therapeutics, LLC

BlueRock Therapeutics exercised its option to license a program for treating retinitis pigmentosa



Establish a recurring business model that leads to contract development and manufacturing (CDMO) services in the future

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The third topic is about Life Sciences.

The first case of transplantation of iPSC cells into a human patient in 2014 was for an eye disease.

This is an eye disease therapy using iPSC cells, combining the features of ophthalmic treatment, such as small cell volume, immune-tolerant site, and easy access due to its location on the body surface, with the advantages of iPSC cells, such as the possibility of mass production at low cost, fewer differences between donors, and shorter lead time to treatment. There are great expectations for the establishment of this therapy.

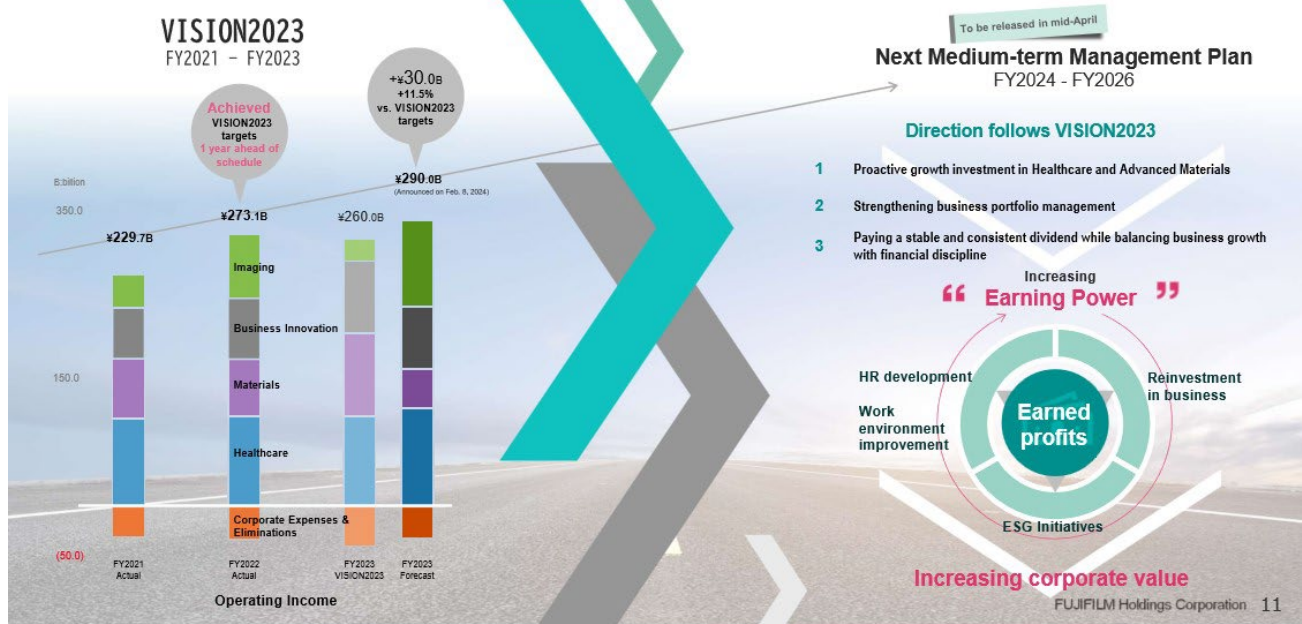
Against this backdrop, we granted BlueRock Therapeutics LP an option in 2021 to obtain the exclusive license to three retinal cell therapy programs of our US subsidiaries.

Of the three programs, BlueRock Therapeutics has recently exercised its option for the program focused on retinitis pigmentosa, in exchange for which we received a license fee from BlueRock Therapeutics in January.

By licensing patents related to novel iPSC-derived cell therapies to companies in the field, we will receive royalties and milestone payments based on development progress, while also seeking contract manufacturing agreements for investigational drugs and commercial products from such companies. A part of this effort is the investment in the manufacturing facility for cell therapy drugs at the Wisconsin site in the US, announced last December.

We will continue to work with companies developing novel therapies using iPSC cells to develop the next generation of iPSC-derived cell therapies.

## Next Medium-term Management Plan starting April 2024



Last, about the medium-term management plan.

The current medium-term management plan VISION2023, whose sales and profit targets were achieved one year ahead of schedule, has entered the final corner, and in April we will start a new medium-term management plan for FY2024 to FY2026.

In the next medium-term management plan, we aim to increase our earning power by further promoting "Accelerating growth in the Healthcare and Advanced Materials and building a robust business foundation that enables sustainable growth," set out in VISION2023, and aim to achieve Sustainable Value Plan 2030 (SVP2030), our long-term CSR plan targeting FY2030. Profits earned by increasing our earning power will be used for the following three purposes.

The first is reinvestment that leads to sustainable business growth. The second is to fund initiatives that address ESG issues including the environment, respect for human rights, and supply chain management. The third is to fund initiatives that lead to employee job satisfaction and fulfillment of potential, including human resources development, work environment improvement and wage increases.

We will increase our corporate value by strengthening our earning power further through these initiatives. Specific details of the next medium-term management plan will be announced in mid-April.

That is all from me.

**Moderator:** Next, Higuchi will provide an explanation.



## Financial Results for Q3 FY2023 (April to December 2023)

	(Billions of yen)				
	9 months				
	FY2022	FY2023	Change	Impact of exchange rate	Constant-currency basis
Revenue	2,094.3 100.0%	<b>2,155.4</b> 100.0%	61.1 +2.9%	59.7	1.4 +0.1%
Operating Income	202.6 9.7%	<b>204.9</b> 9.5%	2.3 +1.1%	14.1	(11.8) (5.8%)
Income before Income Taxes	204.8 9.8%	<b>229.7</b> 10.7%	24.9 +12.1%	15.9	9.0 +4.4%
Net Income Attributable to FUJIFILM Holdings	153.7 7.3%	<b>173.8</b> 8.1%	20.1 +13.0%	11.0	9.1 +5.9%
Net Income Attributable to FUJIFILM Holdings per Share	¥383.43	<b>¥433.08</b>	¥49.65	Other change factors (YoY): Impact of raw materials prices on operating income: ¥0.2 billion (Excluding prices of semiconductors and other materials)	
Exchange Rates	¥ /US\$	¥137	¥144	¥7	
	¥ /€	¥141	¥156	¥15	

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

In the nine months of the fiscal year ending March 2024, revenue increased by 2.9% YoY to JPY2,155.4 billion mainly due to strong sales in the Medical Systems and Imaging, coupled with the impact of the yen's depreciation.

Operating income increased by 1.1% YoY to JPY204.9 billion due to higher revenue and the impact of exchange rates, despite the impact of a slowdown in the electronic materials market.

Net income attributable to FUJIFILM Holdings increased by 13% YoY, to JPY173.8 billion, mainly due to higher operating income and valuation gains on marketable and investment securities.

## Consolidated Revenue and Operating Income by Operating Segment

(Billions of yen)						
Revenue	9 months		Change		Constant-currency basis	
	FY2022	FY2023				
Healthcare	641.8	<b>690.7</b>	48.9	+7.6%	26.4	+4.1%
Materials	514.7	<b>494.7</b>	(20.0)	(3.9%)	(34.6)	(6.7%)
Business Innovation	614.1	<b>601.4</b>	(12.7)	(2.1%)	(20.8)	(3.4%)
Imaging	323.7	<b>368.6</b>	44.9	+13.8%	30.4	+9.4%
Total	2,094.3	<b>2,155.4</b>	61.1	+2.9%	1.4	+0.1%

Note: After elimination of intersegment transactions

(Billions of yen)						
Operating Income	9 months		Change		Constant-currency basis	
	FY2022	FY2023				
Healthcare	62.2	<b>60.3</b>	(1.9)	(3.2%)	(4.5)	(7.3%)
Materials	57.9	<b>31.4</b>	(26.5)	(45.8%)	(30.3)	(52.4%)
Business Innovation	47.8	<b>50.4</b>	2.6	+5.5%	1.8	+3.8%
Imaging	62.7	<b>88.9</b>	26.2	+41.7%	19.2	+30.6%
Corporate Expenses & Eliminations	(28.0)	<b>(26.1)</b>	1.9	-	2.0	-
Total	202.6	<b>204.9</b>	2.3	+1.1%	(11.8)	(5.8%)

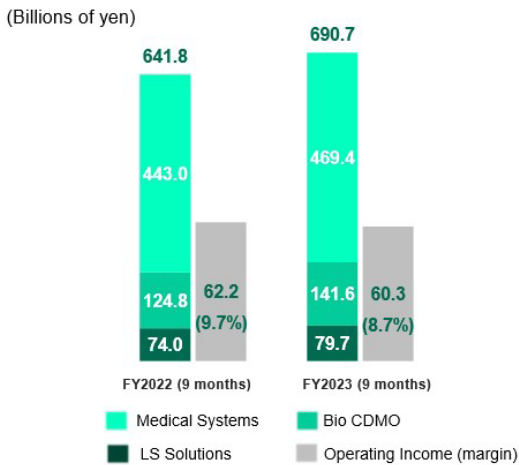
\*From FY2023, revenue and operating income from the non-destructive inspection equipment business are reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated in line with the above change in the segmentation.

Revenue and operating income of each segment are as shown here.



Financial Results for Q3 FY2023 (April to December 2023)  
**Business Summary: Healthcare**

**Revenue increased 7.6% year-over-year due to higher contributions from all sub-segments, while operating income decreased 3.2% year-over-year mainly due to the absence of cancellation fee recorded in the previous fiscal year in the Bio CDMO.**



- Medical Systems Revenue ¥469.4 billion (up 5.9% YoY)**
    - Revenue rose mainly due to growing sales of endoscopes and CT/MRI systems. Sales of endoscopes rose mainly in Japan, Europe and China. CT/MRI systems remained strong due to higher sales in Central and South America and in India.
  - Bio CDMO Revenue ¥141.6 billion (up 13.5% YoY)**
    - Revenue increased due to steady growth in contract manufacturing of antibody drugs, mainly at the Denmark site, where productivity also improved.
    - Reflecting the continued stagnation in the market for gene therapy drugs and other products as a result of bio-ventures' fundraising difficulties, inventory write-downs were recorded in the third quarter due to the end of shelf life of materials that were expected to be used.
  - LS Solutions Revenue ¥79.7 billion (up 7.8% YoY)**
    - In the Life Sciences, revenue increased mainly due to higher shipments resulting from an easing of the tight supply/demand situation for raw materials used for biopharmaceutical cell culture media, and steady sales of cells used to support drug discovery.
    - 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. FUJIFILM Holdings Corporation 15

We will now look at an overview of the Healthcare segment.

Revenue increased 7.6% YoY to JPY690.7 billion due to higher contributions from all sub-segments, while operating income decreased 3.2% YoY to JPY60.3 billion due to the absence of cancellation fee recorded in the previous fiscal year in the Bio CDMO, in addition to inventory write-downs in the Bio CDMO and LS Solutions.

In the Medical Systems, revenue was driven higher by steady sales of endoscopes, CT/MRI systems, and other products. Sales of endoscopes rose mainly in Japan, Europe, and China. Sales of CT/MRI systems remained strong due to higher sales in Central and South America, the Middle East and India.

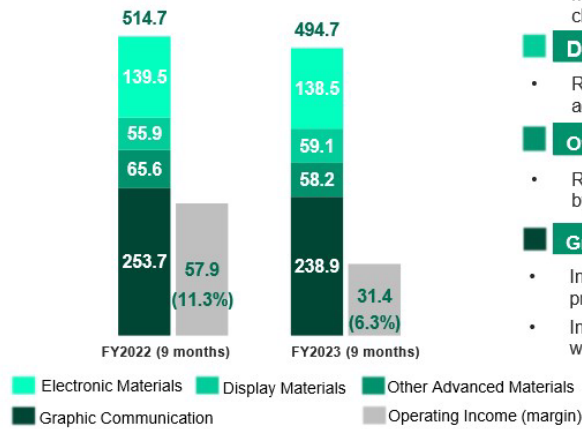
In the Bio CDMO, revenue increased mainly due to steady growth in contract manufacturing of antibody drugs, mainly at the Denmark site, where productivity also improved. However, reflecting the continued stagnation in the market for gene therapy drugs and other products as a result of bio-ventures' fundraising difficulties, inventory write-downs were recorded in Q3 due to the end of shelf life of materials that were expected to be used.

In the LS solutions, revenue increased mainly due to higher shipments reflecting the easing of the tight supply/demand situation for raw materials used in biopharmaceutical cell culture media and steady sales of cells used to support drug discovery. However, in Q1, we wrote down some raw materials used in COVID-19 vaccine cell culture media and other products, which were secured in advance in response to the longer procurement lead time during the COVID-19 pandemic, due to the nearing shelf life.

Financial Results for Q3 FY2023 (April to December 2023)  
**Business Summary: Materials**

**Revenue and operating income decreased by 3.9% and 45.8% year-over-year, respectively, mainly hit by the stagnant semiconductor market and lower demand for printing materials.**

(Billions of yen)



**Electronic Materials Revenue ¥138.5 billion (down 0.7% YoY)**

- Revenue remained flat year-over-year as the impact of the stagnant semiconductor market was covered by sales contributions from the semiconductor process chemicals business acquired from Entegris, Inc. of the U.S. in October 2023.

**Display Materials Revenue ¥59.1 billion (up 5.6% YoY)**

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

**Other Advanced Materials Revenue ¥58.2 billion (down 11.3% YoY)**

- Revenue fell as sales of EXCLEAR sensor film for touch panels were driven down by sluggish demand for business PCs.

**Graphic Communication Revenue ¥238.9 billion (down 5.8% YoY)**

- In the Printing Plates, revenue decreased due to the impact of declining demand for printed materials mainly in Europe and the U.S.
- In the Inkjet, revenue decreased 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.

Moving on to the performance of the Materials segment.

Revenue decreased 3.9% YoY to JPY494.7 billion and operating income decreased 45.8% YoY to JPY31.4 billion, mainly hit by the stagnant semiconductor market and lower sales for inkjet printheads.

In the Electronic Materials, despite the stagnant semiconductor market conditions, revenue remained flat YoY due to contributions from the semiconductor process chemicals business acquired from Entegris, Inc. of the US in October 2023.

In the Display Materials, revenue increased as panel makers' operations recovered compared to the previous year, when there were production adjustments across the entire supply chain.

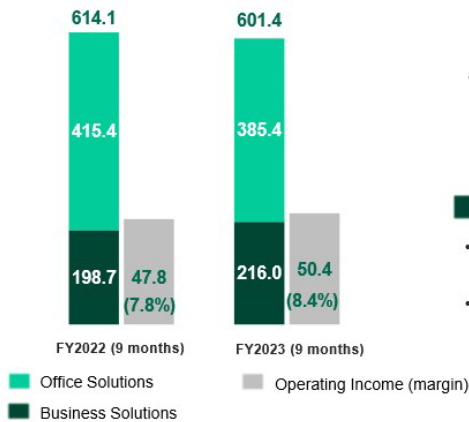
In the Graphic Communication, revenue declined in the printing plates mainly due to declining demand for printed materials mainly in Europe and the US.

In the Inkjet, revenue decreased as sales of inkjet printheads for the ceramic market were driven down by sluggish demand in the Chinese real estate market.

Financial Results for Q3 FY2023 (April to December 2023)  
**Business Summary: Business Innovation**

**Overall revenue decreased by 2.1% year-over-year, hit by lower revenue from the Office Solutions, but operating income increased by 5.5% year-over-year as the Business Solutions remained strong.**

(Billions of yen)



**Office Solutions Revenue ¥385.4 billion (down 7.2% YoY)**

- Revenue decreased as expansion of new OEMs and worldwide price revisions, among other favorable factors, were not enough to offset lower exports to Europe and the U.S. compared to the previous year, when the backlog was largely cleared due to the elimination of supply restrictions.
- In December 2023, the *Apeos series* digital multifunction devices/printers received the highest AAAs rating for two consecutive years in the information security rating program, which indicates compliance with the U.S. security standards NIST SP800-171/172.

\*ApeosPro C810 / C750 / C650, Apeos C8180 / C7580 / C6580, Apeos C4030 / C3530, Apeos C7070 / C6570 / C5570 / C4570 / C3570 / C3070 / C2570, Apeos C2960 / C2060, Apeos C5240, Apeos 7580 / 6580 / 5580, Apeos 4570 / 3570, Apeos 3060 / 2560 / 1860, Apeos 6340, Apeos 5330, ApeosPrint C5570 / C4570, ApeosPrint C5240, ApeosPrint 4960 S / 3960 S / 3360 S, ApeosPrint 6340, ApeosPrint C4030 / C3530, ApeosPrint 4830 / 4830 JM

**Business Solutions Revenue ¥216.0 billion (up 8.7% YoY)**

- Revenue rose mainly due to higher sales of digital transformation (DX)-related solutions and an increase in sales to municipalities in Japan.
- In April 2024, we will establish FUJIFILM Cloud Corp., a joint venture with Serverworks Co., Ltd., and start its operations in Japan. The company will provide installation support as well as operation and maintenance of cloud services, including *Microsoft Azure* and *Amazon Web Services (AWS)*, primarily for small and midsize businesses.

Moving on to the performance of the Business Innovation segment.

Overall revenue decreased by 2.1% YoY to JPY601.4 billion hit by lower revenue from office solutions, but operating income increased by 5.5% YoY to JPY50.4 billion, thanks to the effect of worldwide sales price revisions and other favorable factors.

In the Office Solutions, revenue decreased as expansion of new OEMs, worldwide price revisions and other favorable factors, were not enough to offset lower exports to Europe and the US compared to the previous year when the backlog was largely cleared due to the elimination of supply restrictions.

In December 2023, the Apeos series digital multifunction devices/printers received the highest rating of AAAs for two consecutive years in the information security rating program, which indicates compliance with the US security standards.

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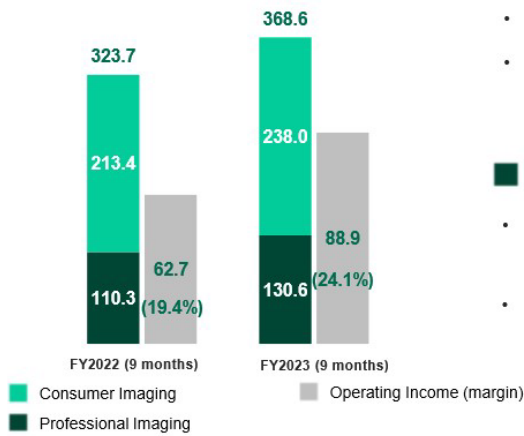
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Financial Results for Q3 FY2023 (April to December 2023)

**Business Summary: Imaging**

**Revenue and operating income increased by 13.8% and 41.7% year-over-year, respectively, due to brisk sales of instant photo systems and digital cameras.**

(Billions of yen)



**Consumer Imaging Revenue ¥238.0 billion (up 11.5% YoY)**

- Revenue rose due to brisk sales of the instant photo systems.
- In addition to the existing product lineup, sales of *INSTAX mini Evo*, *INSTAX Pal*, a palm-sized camera launched in October 2023, and other high value-added products fared well.

**Professional Imaging Revenue ¥130.6 billion (up 18.4% YoY)**

- Revenue rose due to strong sales of *X-S20* launched in June 2023 and *GFX100 II* launched in September 2023, in addition to brisk sales of *X-H2*, *X-H2S* and *X-T5* released in the previous fiscal year.
- In October 2023, we started offering the *Tunnel inspection DX solution* that improves tunnel inspection efficiency by using the latest optical technology, image processing technology and AI.

Moving on to the performance of the Imaging segment.

Revenue increased by 13.8% YoY to JPY368.6 billion and operating income rose by 41.7% YoY to JPY88.9 billion, due to brisk sales of instant photo systems and digital cameras.

In the Consumer Imaging, brisk sales of the INSTAX instant photo systems drove revenue higher. In addition to the existing product lineup, sales of INSTAX mini Evo, INSTAX Pal, a palm-sized camera launched in October 2023, and other high value-added products fared well.

In the Professional Imaging, revenue rose due to strong sales of X-S20 launched in June 2023 and GFX100 II launched in September 2023, in addition to brisk sales of X-H2, X-H2S, and X-T5 released in the previous fiscal year. In October 2023, we started offering the Tunnel inspection DX solution that improves tunnel inspection efficiency by using the latest optical technology, image processing technology and AI.

Financial Results for Q3 FY2023 (April to December 2023)

## Consolidated Balance Sheets

	Mar. 2022	Mar. 2023	Dec. 2023	Change from Mar. 2023		Mar. 2022	Mar. 2023	Dec. 2023	Change from Mar. 2023
Cash and cash equivalents	486.3	268.6	242.9	(25.7)	Short-term and long-term debt	447.2	376.2	609.3	233.1
Notes and accounts receivable	598.6	633.1	625.0	(8.1)	Notes and accounts payable	303.2	320.4	325.9	5.5
Inventories	504.5	567.3	599.3	32.0	Other liabilities	680.0	649.8	639.0	(10.8)
Other current assets	135.3	162.1	156.4	(5.7)	<b>Total liabilities</b>	<b>1,430.4</b>	<b>1,346.4</b>	<b>1,574.2</b>	<b>227.8</b>
<b>Total current assets</b>	<b>1,724.7</b>	<b>1,631.1</b>	<b>1,623.6</b>	<b>(7.5)</b>	Total FUJIFILM Holdings shareholders' equity	2,502.7	2,763.1	2,971.4	208.3
Property, plant and equipment	736.8	976.1	1,256.4	280.3	Noncontrolling interests	22.2	24.8	3.4	(21.4)
Goodwill, net	824.0	858.3	954.3	96.0	<b>Total equity</b>	<b>2,524.9</b>	<b>2,787.9</b>	<b>2,974.8</b>	<b>186.9</b>
Investment securities and other	669.8	668.8	714.7	45.9	<b>Total liabilities and equity</b>	<b>3,955.3</b>	<b>4,134.3</b>	<b>4,549.0</b>	<b>414.7</b>
<b>Total noncurrent assets</b>	<b>2,230.6</b>	<b>2,503.2</b>	<b>2,925.4</b>	<b>422.2</b>					
<b>Total assets</b>	<b>3,955.3</b>	<b>4,134.3</b>	<b>4,549.0</b>	<b>414.7</b>					

	Mar. 2022	Mar. 2023	Dec. 2023	Change from Mar. 2023
Exchange Rates				
¥/US\$	¥122	¥134	¥142	¥8
¥/€	¥137	¥146	¥157	¥11

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Now, let's take a look at the balance sheet.

Total assets as of the end of December 2023 amounted to JPY4,549.0 billion, up JPY414.7 billion from the end of March 2023, mainly due to an increase in property, plant, and equipment.

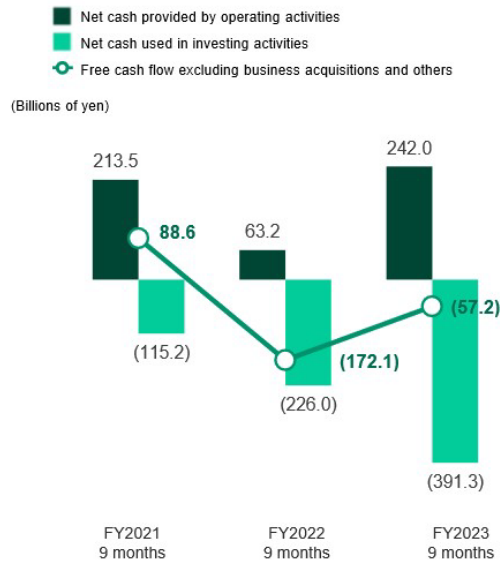
Total liabilities increased by JPY227.8 billion to JPY1,574.2 billion.

Total FUJIFILM Holdings shareholders' equity increased by JPY208.3 billion to JPY2,971.4 billion.



Financial Results for Q3 FY2023 (April to December 2023)

## Consolidated Cash Flow



(Billions of yen)

	FY2021 9 months	FY2022 9 months	FY2023 9 months
<b>Net income</b>	<b>160.4</b>	<b>154.9</b>	<b>173.0</b>
Depreciation & amortization	97.7	106.7	110.1
Change in notes and accounts receivable	35.4	(46.8)	33.4
Change in inventories	(66.1)	(108.3)	(6.6)
Change in notes and accounts payable - trade	7.9	9.5	(13.4)
Others	(21.8)	(52.8)	(54.5)
<b>C/F from operating activities</b>	<b>213.5</b>	<b>63.2</b>	<b>242.0</b>
Capital expenditure	(90.9)	(191.0)	(299.0)
Purchases of software	(27.0)	(35.6)	(33.0)
Sales and purchases of marketable and investment securities	9.7	24.7	11.8
Acquisitions of businesses	0.0	(15.4)	(103.9)
Others	(7.0)	(8.7)	32.8
<b>C/F from investing activities</b>	<b>(115.2)</b>	<b>(226.0)</b>	<b>(391.3)</b>
<b>Free cash flows</b>	<b>98.3</b>	<b>(162.8)</b>	<b>(149.3)</b>
<b>Free cash flows excluding business acquisitions and others *</b>	<b>88.6</b>	<b>(172.1)</b>	<b>(57.2)</b>

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

Let's move on to cash flow.

Net cash provided by operating activities increased by JPY178.8 billion YoY to JPY242.0 billion, due to an increase in net income, supply chain improvements, which optimized inventories that were temporarily augmented a year ago to prepare for tight supply–demand balance of parts and materials, and progress in collecting receivables, which had increased due to strong sales in H2 of the previous fiscal year.

Net cash used in investing activities increased by JPY165.3 billion YoY to JPY391.3 billion, due to an expansion of capital expenditure mainly on the Bio CDMO.

As a result, free cash flow excluding business acquisitions and others was a negative JPY57.2 billion.

This concludes the overview of the Company's performance for the nine months ended December 2023.



## Full-year Forecast for FY2023

	(Billions of yen)				
	FY2022 Actual	FY2023 Previous forecast (as of November 8, 2023)	FY2023 Revised forecast (as of February 8, 2024)	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	¥560.63	¥560.61	¥13.40	(¥0.02)
ROE	8.3%	8.0%	8.0%	(0.3%)	-
ROIC	6.1%	5.9%	5.9%	(0.2%)	-
CCC	125 days	111 days	111 days	(14 days)	-
Exchange Rates	¥ /US\$	¥136	¥138	¥144	¥8
	¥ /€	¥141	¥149	¥155	¥14
Silver Price (/kg)	¥93,000	¥106,000	¥108,000	¥15,000	¥2,000

\*Net income attributable to FUJIFILM Holdings per share is calculated by using the number of shares issued as of December 31, 2023 (excluding treasury shares) as the average number of shares for the relevant period.

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Next, I will explain our forecast for the fiscal year ending March 2024.

As reported by Goto at the beginning of the presentation, our full-year consolidated forecast for the fiscal year ending March 2024 remains unchanged from the previous forecast, with revenue of JPY2,950.0 billion, operating income of JPY290.0 billion, and net income attributable to FUJIFILM Holdings of JPY225.0 billion, aiming to break our record highs.

## Financial Forecast by Operating Segment

(Billions of yen)

Revenue	FY2022 Actual	FY2023 Previous forecast (as of November 8, 2023)	FY2023 Revised forecast (as of February 8, 2024)	Change		Constant-currency basis	
Healthcare	928.6	970.0	970.0	-	-	(16.0)	(1.6%)
Materials	682.0	695.0	687.0	(8.0)	(1.2%)	(18.0)	(2.6%)
Business Innovation	838.1	840.0	830.0	(10.0)	(1.2%)	(14.0)	(1.7%)
Imaging	410.3	445.0	463.0	18.0	+4.0%	8.0	+1.8%
Total	2,859.0	2,950.0	2,950.0	-	-	(40.0)	(1.4%)

Operating Income	FY2022 Actual	FY2023 Previous forecast (as of November 8, 2023)	FY2023 Revised forecast (as of February 8, 2024)	Change		Constant-currency basis	
Healthcare	102.8	112.0	112.0	-	-	(4.0)	(3.6%)
Materials	65.4	50.0	45.0	(5.0)	(10.0%)	(7.0)	(14.0%)
Business Innovation	69.5	78.0	71.0	(7.0)	(9.0%)	(6.5)	(8.3%)
Imaging	72.9	88.0	98.0	10.0	+11.4%	6.5	+7.4%
Corporate Expenses & Eliminations	(37.5)	(38.0)	(36.0)	2.0	-	2.0	-
Total	273.1	290.0	290.0	-	-	(9.0)	(3.1%)

\*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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Financial forecast by segment is as shown here.

We have revised revenue and operating income forecasts on a segment basis in light of the Q3 results, current business conditions, and the future market environment.

In term of both revenue and operating income, we have revised up forecasts in the Imaging, while revising down forecasts in the Materials, where the Advanced Materials and the Graphic Communication are affected by a market slowdown, and in Business Innovation, where exports to Europe and the US are declining.

## Full-year Forecast for FY2023 (as of February 8, 2024)

## Revenue by Business

	FY2022 Actual	FY2023 Previous forecast (as of November 8, 2023)	FY2023 Revised forecast (as of February 8, 2024)	Change from previous year		Change from previous forecast	
(Billions of yen)							
<b>Healthcare</b>	<b>928.6</b>	<b>970.0</b>	<b>970.0</b>	<b>41.4</b>	<b>+4.5%</b>	-	-
Medical Systems	621.8	650.0	650.0	28.2	+4.5%	-	-
Bio CDMO	194.2	195.0	195.0	0.8	+0.4%	-	-
LS Solutions	112.6	125.0	125.0	12.4	+11.0%	-	-
<b>Materials</b>	<b>682.0</b>	<b>695.0</b>	<b>687.0</b>	<b>5.0</b>	<b>+0.7%</b>	<b>(8.0)</b>	<b>(1.2%)</b>
Electronic Materials	180.6	200.0	195.0	14.4	+8.0%	(5.0)	(2.5%)
Display Materials	70.1	75.0	75.0	4.9	+6.9%	-	-
Other Advanced Materials	89.3	90.0	90.0	0.7	+0.7%	-	-
Graphic Communication	342.0	330.0	327.0	(15.0)	(4.4%)	(3.0)	(0.9%)
<b>Business Innovation</b>	<b>838.1</b>	<b>840.0</b>	<b>830.0</b>	<b>(8.1)</b>	<b>(1.0%)</b>	<b>(10.0)</b>	<b>(1.2%)</b>
Office Solutions	555.5	545.0	535.0	(20.5)	(3.7%)	(10.0)	(1.8%)
Business Solutions	282.6	295.0	295.0	12.4	+4.4%	-	-
<b>Imaging</b>	<b>410.3</b>	<b>445.0</b>	<b>463.0</b>	<b>52.7</b>	<b>+12.8%</b>	<b>18.0</b>	<b>+4.0%</b>
Consumer Imaging	266.9	280.0	298.0	31.1	+11.7%	18.0	+6.4%
Professional Imaging	143.4	165.0	165.0	21.6	+15.0%	-	-
<b>Total</b>	<b>2,859.0</b>	<b>2,950.0</b>	<b>2,950.0</b>	<b>91.0</b>	<b>+3.2%</b>	-	-
<b>Exchange Rates</b>							
¥/US\$	¥136	¥138	¥144	¥8		¥6	
¥/€	¥141	¥149	¥155	¥14		¥6	

\*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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For revenue revision on a segment basis, please refer to page 32.

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 Q&A session.

**Shibano [Q]:** I am Shibano from Citigroup Global Markets.

First, I would like to ask you about the difference in operating income of JPY79.4 billion on a three-month basis in Q3 from October to December compared to the internal plan. How was this figure of JPY79.4 billion achieved on a consolidated basis? I would appreciate it if you could touch on the strength and weakness of each segment: the strength and weakness of CDMO, Imaging, and other businesses that are particularly important.

Also, although you have not changed your annual plan, I would like to know if there are any risks for the January to March period as well.

**Higuchi [A]:** Higuchi will answer. First, regarding the execution of the internal plan in Q3, overall, in terms of profit, the Company as a whole was roughly in line with the plan.

By segment, revenue in the Imaging was significantly overachieved, and profits were also considerably overachieved.

Conversely, in the Healthcare, there was a slight movement in the direction of losses that we had not factored in. In the CDMO business, the Danish drug business of animal cells and large antibody is performing very well, and revenue and profits are in line with forecasts.

On the other hand, as I mentioned in the previous earnings announcement, the contract for the COVID-19 vaccine from Novavax was cancelled, and although we are supposed to receive cancellation fees under the contract, there was a discrepancy in the recognition of the requirements under the contract. We had expected to receive compensation in Q3, but we did not receive it, which amounted to about JPY5.0 billion.

The market for gene therapy drugs was also very poor, and we recorded an additional inventory write-down of about JPY2.0 billion for the inventory that we had built up during the pandemic. In addition, in the pipeline for new drug development, the Alzheimer's drug fell down in Phase II, and the impairment of intangible assets amounted to more than JPY1.0 billion.

This inventory write-down and this loss on intangible assets are non-cash, but together, these factors resulted in an extraordinary one-time factor of approximately JPY9.0 billion, and Healthcare sales fell short by that amount. The Imaging covered the difference.

Next, regarding Q4, if you subtract out, we think the profit will be roughly JPY85.0 billion or so. Last year's result was a little over JPY70.0 billion, but the yen has depreciated considerably, and we expect the effect of the exchange rate to be JPY10.0 billion in Q4 compared to last year.

Also, as mentioned in the presentation earlier, we have received license fees for the ophthalmic treatment using iPS cells, and the medical business is doing well. Moreover, the Danish large antibody in CDMO, which I mentioned earlier, continues to perform well. We believe that we will be able to achieve the Q4 target, taking such factors into account. That is all.

**Shibano [Q]:** The second question is about the direction of the medium-term management plan, which you introduced in your presentation material. I would like to hear from President Goto if he has any direction in this regard.

**Goto [A]:** We are currently in the final stage of formulating our medium-term management plan. We plan to announce the plan to you in mid-April. In our CSR plan, SVP2030, we have set two goals: one is to contribute to solving social issues, and the other is to achieve revenue of JPY3.5 trillion and operating income of between 15% and 20%.

The final fiscal year of the next medium-term management plan will be FY2026, and we will develop a plan that will lead to that goal. Our focus is on achieving growth centered on Healthcare and Advanced Materials. We have made various large capital investments to date. I believe that it is all about ensuring that the contribution to that performance is realized as planned.

In Healthcare, we had said that revenue of JPY1.0 trillion would be achieved in 2026, but looking at the current situation, we are now seeing that we can bring this forward one year and achieve JPY1.0 trillion in 2025.

In the Medical Systems, we will utilize and expand IT and AI technologies, which we have accumulated through our PACS (Picture Archiving and Communications System) for a long time. We would like to use AI to improve product value and added value, expand our recurring business with a focus on services, and build up the recurring portion, which is said to be the bedrock of revenue. We would like to increase the operating profit margin, which is currently in the low 10% range, to the high 10% range or even close to 20%.

Another Healthcare mainstay, the Bio CDMO, is currently under construction. The most important point is to steadily and successfully launch large-scale production facilities in Denmark and North Carolina in North America. We are receiving inquiries from various companies, and as far as I have heard, we are receiving steady demands and requests from customers who want to use our production facilities.

Regarding our Advanced Materials, we will continue to expand with a focus on Electronic Materials. We acquired the Entegris' process chemical business in October of last year, and we will generate synergies from this business more quickly to ensure that we capture demand for semiconductor materials and achieve revenue of JPY500.0 billion in the Electronic Materials business by FY2030. We will accelerate the pace of business expansion.

Also, businesses that generate cash include Business Innovation and Imaging. Imaging is also doing very well. We are considering various measures to maintain this. In the same way, we have not wavered in our stance to invest in growing businesses by maintaining or improving profit levels through the development of new markets, while considering solution services.

Last, I believe that in the next medium term, we will continue to focus on growth investments. Naturally, we will invest in defined growth areas while carefully considering returns. With regard to capital policy, we are emphasizing dividends in shareholder returns, but we would like to consider share buybacks while keeping an eye on the cash balance between investment in growth.

**Shibano [Q]:** The third and final question is about the Business Innovation. Downward revision was made, and the financial results of other office equipment-related companies, especially copier manufacturers, remain weak. I would like to ask you briefly about the harshness of the business environment, or if there are any opportunities for sales channel expansion in Europe.

**Hama [A]:** Hama will answer. As explained earlier, the effect of the price increase penetrated worldwide and sales of DX solutions increased, but the current situation is that exports of equipment and consumables to Europe and the US fell more sharply than originally anticipated.

We need to make improvements in this area. Of course, OEMs as a whole are expanding, and environmental measures are becoming more and more essential. Development and production costs

are getting very tight, and some companies are trying to supplement their costs by making them variable costs, so one thing we need to do is to take care of that.

Then the other thing is about new regions. For the current regions, such as Japan and Asia-Pacific, we will expand by leveraging DX solutions and selling multifunction devices and as part of solutions. In addition to Europe and the US, we are finding that the Middle East and South America, which have not come up until now, are quite opportunistic. We have been steadily implementing measures to address these regions, and I believe that we are now at the point where we can produce results from these measures.

**Wakao [Q]:** I am Wakao from JPMorgan Securities. The first question is regarding GLP-1. In Q2, I believe, you said that you do not intend to contract for GLP-1 drugs since these are generally injectable drugs, but at the J.P. Morgan Healthcare Conference, I think your comment was changed to something like, "We will be ready to accept contracts for such products once the API becomes available."

I would like to know what the change in comments here is as background. Is this comment made because you are actually starting to see the case? Or did you show a positive attitude because of the growing market for obesity?

**lida [A]:** lida will respond to this. Our thinking on GLP-1 hasn't changed much since before that, and we currently believe that it is probably not an area of modality that we will focus on. If there was a misleading explanation of its potential in API at the J.P. Morgan Healthcare Conference, I will correct it here. We have not changed our view that the manufacture of API for GLP-1 is not an area of focus for us.

**Wakao [Q]:** Second, in terms of changes in the external environment, I think you may now be in a situation where it may become more difficult to outsource to foreign companies in China. With the Biosecure Act Bill in the US, I think it will be harder for pharmaceuticals to actually outsource to Chinese companies when this kind of story comes out. Under the current circumstances, have there been any cases of pharmaceuticals actually pulling out of China and outsourcing to your company, or do you think this situation is likely to emerge in the future?

**lida [A]:** lida will answer your question. The Biosecure Act Bill is still in the draft stage and we do not know how it will be finalized, so it is impossible to measure the impact on our company at this point. In general, however, we have made large investments in the US and Europe in order to establish production facilities close to the demand, which is good for our customers and patients in general, including from the standpoint of BCP.

As our company is in line with this way of thinking, we will watch with anticipation where the demand for 'made-in-USA' will emerge in the US in the future.

At this point, we have not yet received any specific requests to switch from China to our company, but we expect to receive an increasing number of such inquiries in the future, depending on the trend of this bill. Our large North Carolina facility will be up and running next year in 2025, so I think it will be a good timing for us to be on the receiving end.

**Wakao [Q]:** Finally, the president just answered about the medium-term management plan, and I would like to know what we should expect from the medium-term management plan when we cut out just the CDMO. As explained at the business briefing at the end of last year, if you build on the launch of Denmark, the next three years will be the time to steadily launch the tank, so I think the numbers may not be very promising, but what do you think?

The president mentioned earlier about investing more in growth, so I wonder if investments in new CDMOs will come into play.



**Iida [A]:** Iida will now continue to explain. As we explained at the Bio CDMO and Life Sciences Business Briefing last December, the start-up of this large tank will take a certain amount of lead time.

We begin with small batches, as the customer is also calling it PPQ (Process Performance Qualification), but by taking the application of the authorities with the initial small batch, there is a loss in the period of cleaning in between, so while this is in, it takes quite a long time to work on the number of batches and revenue. In two or three years, commercial batches of customers will surely come in, as a lump sum.

On the other hand, regarding fixed costs, as we are preparing our personnel structure from the beginning, it is not possible to have a large profit right from the start, and profitability will increase in accordance with the start up.

Currently in Denmark, North Carolina, and as we explained in the recent Johnson & Johnson (J&J) contract, we are beginning to see considerable capacity in front of us, and business negotiations are becoming more active, and we are getting a better sense of the certainty of filling the vessel.

**Goto [A]:** This is Goto. I would like to add that, in talking with J&J, we have been able to see their pipeline and have a much clearer understanding of what they have in mind.

In this context, there is also the issue of what will happen to China, as mentioned earlier, but when we have more certainty that we can actually get business there, we are currently working on the first round in Denmark, the second round in Denmark, and the first round in North Carolina, and we believe that the time will eventually come when we will make a decision on what to do next at some point.

**Okazaki [Q]:** I am Okazaki from Nomura Securities. I would like to check on temporary factors in the Healthcare.

I believe you explained that the cancellation fee for the Novavax vaccine was shifted back JPY5.0 billion last time and that you would like to get it back on an annual basis. Is it safe to assume that it is under negotiation, including the possibility of getting it back in Q4? Or should we consider it as something that once did not exist?

You mentioned that you factored in licensing income from BlueRock, but is it correct to assume that you did not factor in this income at the beginning of the period? Also, in terms of scale, should we imagine that a scale equivalent to the cancellation fee would come in during Q4?

**Higuchi [A]:** Higuchi will answer. We are currently in negotiations with Novavax, and our current guidance is based on the assumption that they will come in in Q4. BlueRock was not factored in at the beginning of the period. The size of the project is undisclosed, and we would appreciate your patience. It is not as large as Novavax's compensation. It is like a single-digit billion yen.

**Okazaki [Q]:** Second, I would like to know about the Imaging. It is continuing to perform well, so please tell us how the year-end sales season went for instant cameras and mirrorless cameras, respectively. Looking at the three-month figures, I think the Professional Imaging is below the previous year's figures in local currency terms, but is there a slight market modulation of some sort?

**Goto [A]:** In the Imaging business, we are focusing on the *INSTAX* and digital mirrorless cameras. Looking at the Q3 figures of other companies, I feel that we did very well. At the end of the year, Europe was a little worse off, but the US, Japan, and the rest exceeded the previous year's numbers. This is partly because we have introduced new products.

We are also experiencing a very tight supply–demand situation, and we have received more orders than we can cover in our planned volume, which we have been gradually resolving. We believe the November and December sales season went well.

For the Professional Imaging, the way we see it, the high-end models of digital cameras are doing very well in terms of numbers. Also included in this category are lenses for broadcast and cinema use. These are also quite strong. In particular, we have heard that box lenses, which are used by large TV stations, are making a significant contribution to video distribution, such as for big concerts and sports games.

Regarding the figures below the previous year's level, I think this is due to the introduction of the new X-T5, X-H2, and X-H2S last year all at once, at the end of Q2 and into Q3 of last year, and these new products placed on the market or storefront have flowed, which has an impact.

While the numbers themselves are in line with what we had planned, we still have back orders, which is inconveniencing some users.

**Katsura [Q]:** I am Katsura of SMBC Nikko Securities.

The first question is about the one-time cost of structural reforms. Starting with about JPY9.0 billion this time, and with the various other factors that have occurred, I think it looks like JPY21.5 billion occurred. Of course, as you do business, things will come up, and I'm sure they will in the next medium-term, but if you have any idea of the scale of the cost, please let me know. The background to this question is that I believe you are not supposed to incur this fiscal year in the Business Innovation, but I think it is a bit difficult, thinking about the future.

The second is a simple question about the market condition of the Materials. Regarding the changes from three months ago, are there any updates on how to think about this as we look ahead to next fiscal year?

(as of November 8, 2023)  
Operating Income Analysis (Full-year forecast vs previous forecast)

		FY2023 Full year							(Billions of yen)
		Previous forecast (as of November 8, 2023)	Revised forecast (as of February 8, 2024)	Change	FX	Raw material price	One-time cost	Operation and others	
*4	Healthcare	112.0	112.0	-	-	4.0	(0.1)	(3.0)	(0.9)
	Materials	50.0	45.0	(5.0)	(10.0%)	2.0	(0.1)	-	(6.9)
	Business Innovation	78.0	71.0	(7.0)	(9.0%)	(0.5)	0.2	-	(6.7)
	Imaging	88.0	98.0	10.0	+11.4%	3.5	(0.1)	0.5	6.1
	Corporate Expenses & Eliminations	(38.0)	(36.0)	2.0	-	-	-	-	2.0
	Total	290.0	290.0	-	-	*1 9.0	*2 (0.1)	*3 (2.5)	(6.4)

\*1: Foreign exchange rate

	Previous (as of November 8, 2023)	Revised (as of February 8, 2024)
¥ /US\$	¥ 138	¥ 144
¥ /€	¥ 149	¥ 155

\*2: By raw materials (excluding semiconductor impact)

	Full year
Silver	(0.1)
Aluminum	0.0
Others(fuel etc)	0.0
Total	(0.1)

\*3: One-time cost breakdown

	Previous forecast (as of November 8, 2023)	Revised forecast (as of February 8, 2024)	Change
<b>Healthcare</b>	7.0	10.0	(3.0)
Inventory write-downs / Others (CDMO / LS)	5.0	7.0	(2.0)
Others	2.0	3.0	(1.0)
<b>Materials</b>	10.0	10.0	-
Acquisition (Electronic Materials)	3.5	3.5	-
Structure strengthening expenses (Other Advanced Materials)	1.0	1.0	-
Graphic / Inkjet / Others	5.5	5.5	-
<b>Business Innovation</b>	-	-	-
Structure strengthening expenses	-	-	-
Rebranding expenses	-	-	-
<b>Imaging</b>	2.0	1.5	0.5
Structure strengthening expenses / Others	2.0	1.5	0.5
<b>Corporate</b>	-	-	-
<b>Total</b>	19.0	21.5	(2.5)

\*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.

**Higuchi [A]:** What you are talking about structural reforms is the JPY21.5 billion forecast on page 33.

From the last forecast, the major change this time, which was talked about earlier, is the additional allowance for the gene therapy component, which is increasing in the Healthcare. Also, we have included the impairment of intangible assets for the Alzheimer's drug I mentioned earlier.

In the medium term, we are not considering any major new structural reforms at this stage, since we have already finished adjusting the production capacity of FUJIFILM Business Innovation Corp.

**Goto [A]:** Regarding the Materials, in Q3 of this fiscal year, the acquisition of Entegris' process chemical business in October was completed which had an increase of JPY10.0 billion on a consolidated basis, but the semiconductor business was down JPY5.0 billion for the full year due to the softening semiconductor market.

In the Materials, Graphic Communication, and within that, the demand for inkjet heads. We have a fairly high share of inkjet heads for building materials and tiles for China, but as you know, that has pretty much come to a halt due to the real estate recession.

Another miscalculation was that I thought the PCs would rise a bit more upward, but the numbers have not risen very much. We have a sensor film for touch panels called *EXCLEAR*, which did not come out as expected, resulting in this Q3 figure.

From Q4 through next year, Electronic Materials will probably be the driving force. Starting the first month of Q4, we are now in the middle of February, and we are now seeing signs that it will lead to an upturn. Therefore, now that we have acquired the Entegris' process chemical business early, we are working very hard on PMI, and we would like to proceed with the integration in such a way that it will be very profitable as soon as possible. We read that semiconductor demands are sure to come in the next fiscal year.

**Moderator:** As the time has come, we would like to conclude this financial results briefing. Thank you very much for joining us today.

[END]

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**Note:**

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