FUJIFILM Holdings Corporation

Earnings Presentation for the Second Quarter Ended September 30, 2024

November 7, 2024

Event Summary

[Company Name]	FUJIFILM Holdings Corporation
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[Event Name]	Earnings Presentation for the Second Quarter Ended September 30, 2024
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[Date]	November 7, 2024
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[Number of Speakers]	6

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
Tetsuya Iwasaki	Director and Corporate Vice President, Deputy General Manager of Electronic Strategy Headquarters, General Manager of Electronic Materials Business Division
Toshihisa Iida	Director and Corporate Vice President, General Manager of Life Sciences Strategy Headquarters, General Manager of Bio CDMO Division

Presentation

Agenda

Consolidated Financial Results for Q2 FY2024 (July to September 2024)

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

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

FY2024 (Fiscal Year Ending March 2025)

3 | **Financial Forecast for FY2024**
Masayuki Higuchi, Director & Corporate Vice President, CFO
FUJIFILM Holdings Corporation

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At today's briefing, Goto will first present financial highlights and topics. Higuchi will then present the consolidated financial results and business overview, as well as the consolidated financial forecast for the fiscal year ending March 2025. A Q&A session will follow.

Now, Goto will begin the explanation.

Earnings Highlights | Highlights | Key Topics | Q2 FY2024 | FY2024 Forecast | Appendices

Earnings Highlights for Q2 FY2024

Consolidated Performance for Q2 FY2024 (July to September)

(Exchange rates for Q2: ¥149/US$ +¥4 YoY; ¥164/Euro +¥7 YoY)

	Revenue (Record high)	Operating income (Record high)	Net income attributable to FUJIFILM Holdings
	¥765.7 billion	¥73.4 billion	¥49.6 billion
Change from FY2023	(↑ +5.2%)	(↑ +0.1%)	(↓ -16.2%)

- Revenue reached a record high mainly due to strong sales in the Electronics and the Imaging as well as the impact of exchange rates
- Operating income also hit a record high as higher profits on strong sales in the Electronics and the Imaging and the impact of exchange rates more than offset lower profits in the Healthcare, mainly due to an increase in one-time costs, and in the Business Innovation, mainly due to inventory adjustments by major OEM customer for multifunction printers in the U.S. and Europe
- Net income attributable to FUJIFILM Holdings decreased due to an increase in non-operating expenses, including foreign exchange losses and valuation losses on marketable and investment securities

Consolidated Performance for H1 FY2024 (April to September)

(Exchange rates for H1: ¥152/US$ +¥10 YoY; ¥166/Euro +¥13 YoY)

	Revenue (Record high)	Operating income (Record high)	Net income attributable to FUJIFILM Holdings
	¥1,514.7 billion	¥135.6 billion	¥110.3 billion
Change from FY2023	(↑ +9.1%)	(↑ +8.0%)	(↓ -2.9%)

- Revenue and operating income for the first half also reached record highs
- Revenue increased mainly due to strong sales in the Electronics and the Imaging as well as the impact of exchange rates
- Operaring income increased as higher profits on strong sales in the Electronics and the Imaging and the impact of exchage rates more than offset lower profits in the Healthcare, mainly due to an increase in one-time costs

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Goto: I am Goto. I will begin with an overview of FUJIFILM Holdings' consolidated financial results for Q2 of the fiscal year ending March 2025.

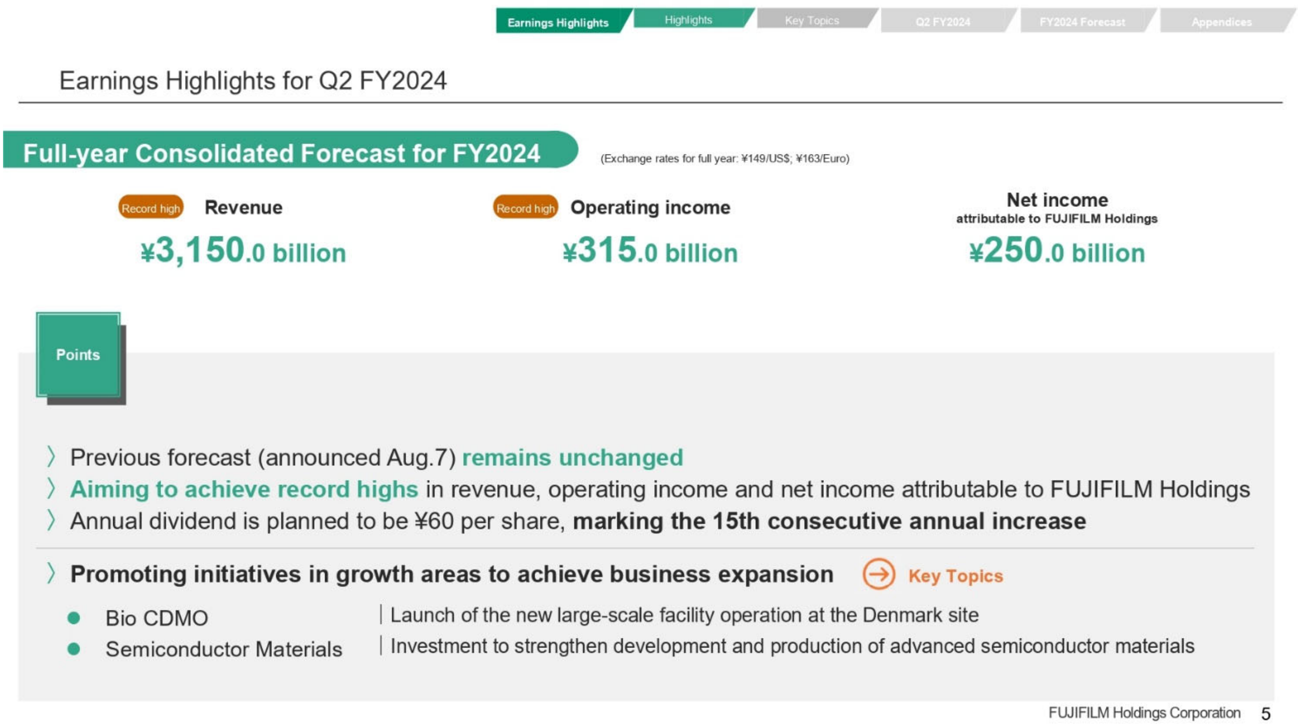
Q2 revenue and operating income reached new quarterly records of JPY765.7 billion and JPY73.4 billion, respectively.

Revenue increased due to strong sales in the Electronics and Imaging, as well as the impact of foreign exchange rates.

Operating income increased as higher profits on strong sales in the Electronics, driven by Semiconductor Materials, Imaging as well as the impact of foreign exchange, which more than offset lower profits in the Healthcare, mainly due to an increase in one-time expenses, and the Business Innovation, which saw a decrease in income due to inventory adjustments at a major OEM customer for MFPs in the US and Europe.

On the other hand, net income attributable to FUJIFILM Holdings declined from the previous year to JPY49.6 billion due to an increase in non-operating expenses, including foreign exchange losses and loss on valuation of investment securities.

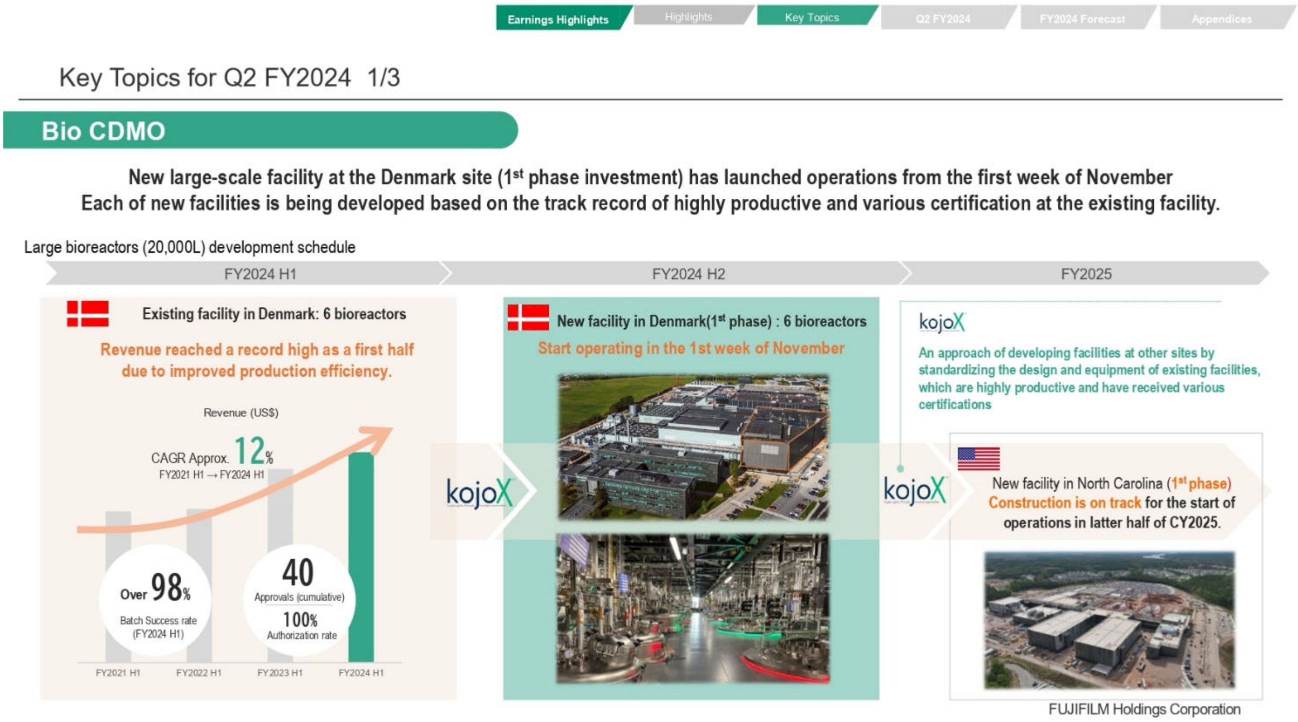
In H1, both revenue and operating income reached record highs for H1, respectively.



We will revise our full-year consolidated forecasts for the fiscal year ending March 2025, in light of the H1 performance and future business conditions in some businesses, but we will leave the overall forecasts unchanged and aim to break all records for revenue, operating income, and net income attributable to FUJIFILM Holdings.

As previously reported, the annual dividend for the fiscal year ending March 2025 is expected to be JPY60 per share, an increase for the 15th consecutive year.

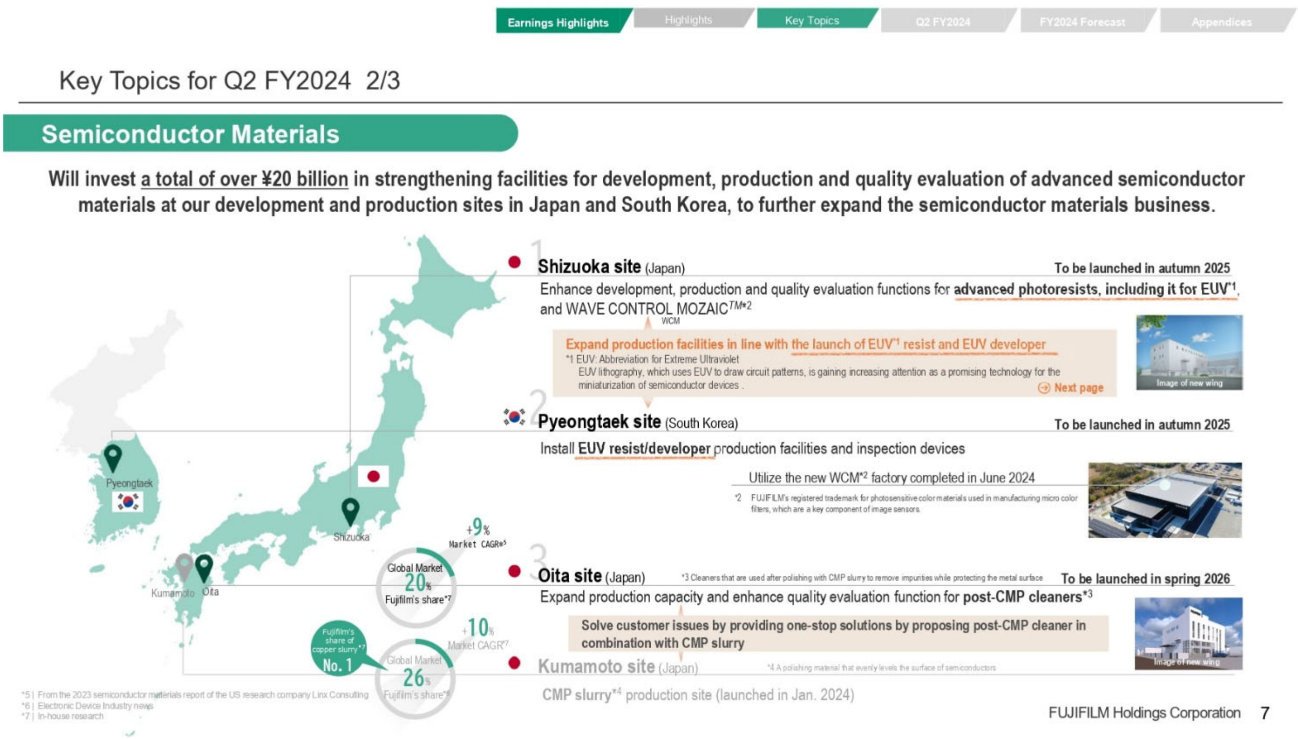
Focusing on the goals of the medium-term management plan VISION2030, in the current fiscal year, the first year of the medium-term management plan, we will further accelerate our efforts in growth areas centering on the Bio CDMO and Semiconductor Materials. The most recent initiatives in both of these businesses are presented in the following financial results topics.



The first is about the Bio CDMO.

The new large-scale facility at the Denmark site, which had been under construction, launched operation from the first week of November. Nine new programs have already been commissioned at the new facility, and trial production and manufacturing will proceed in sequence.

The equipment and design of the new facility is based on the existing facility at the Denmark site. The existing facility has high productivity and a track record of various certifications, and this fiscal year recorded the highest revenue ever for H1. With the track record of this facility, we will be able to deploy the common design and equipment in a clone manner to our various sites, including a new facility in Denmark and a new facility in North Carolina, the US, for which we have concluded a long-term large-scale contract with Janssen Supply Group, a Johnson & Johnson Group company. This will enable us to promote prompt facility start-up and establish a standardized manufacturing system in both Europe and the U.S., thereby ensuring a stable supply of high-quality biopharmaceuticals on a global basis.

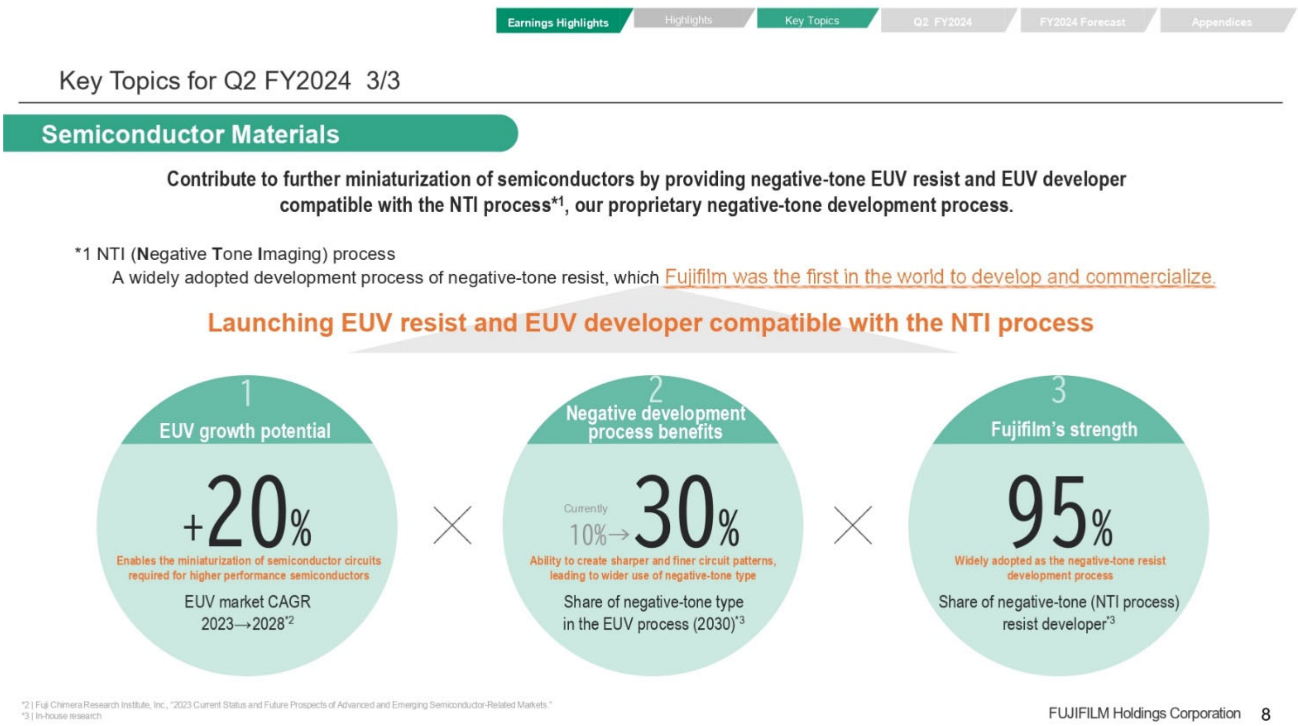


The second is about growth investment in the Semiconductor Materials.

In order to meet the strong demand for semiconductors and the rapid progress of high-performance semiconductors, we have decided to invest more than JPY20 billion in total to strengthen the production and development of advanced Semiconductor Materials at our three sites in Shizuoka and Oita, Japan, and Pyeongtaek, South Korea.

At the Shizuoka site, a new building will be constructed to strengthen the development, production, and quality evaluation functions for advanced photoresists such as EUV resist and WAVE CONTROL MOSAIC, and state-of-the-art inspection equipment will be installed in a new clean room. In addition to the Shizuoka site, we will also be expanding our production and quality control facilities for EUV resist and EUV developer, which we have started to sell, at our Pyeongtaek site in Korea, which was completed in June. Our EUV resist/developer will be explained later.

Furthermore, a new building will be constructed at the Oita site, the production site for post-CMP cleaners, to increase production capacity by approximately 40%. The market for post-CMP cleaners, which are used in the process of evenly leveling the surface of semiconductors, is expected to grow at an annual rate of approximately 9%, and this capacity expansion will enable a stable and rapid supply of post-CMP cleaners to further expand business. In addition, by leveraging our strength in proposing solutions in combination with our CMP slurry, we will help our customers solve their problems and further improve the performance of semiconductors.



We will talk about EUV resist and EUV developer.

EUV lithography technology is attracting attention as a technology to achieve the miniaturization of semiconductor circuits required for higher performance semiconductors, and the EUV resist market is expected to grow at an annual rate of approximately 20% in the future.

In this context, the negative-tone development process, which has the advantage of enabling the formation of sharper and finer circuit patterns, is becoming increasingly popular, and we expect the negative-tone type to account for 30% of the EUV process by 2030, up from 10% today.

In response to these market trends, we have recently begun selling negative-tone EUV resist and EUV developer compatible with the NTI process, which we were the first in the world to successfully develop and commercialize and which is widely used as a negative-tone development process. In the negative-tone development process, we have been leading the miniaturization of semiconductors used for ArF exposure with the NTI process, and by providing a combination of both materials compatible with the NTI process that has been evolved for EUV, we will contribute to further miniaturization of semiconductors.

In addition to an abundant product lineup that covers almost all areas of the semiconductor manufacturing process, from the leading edge to mature nodes, which has been expanded with the launch of EUV resist and developer, we also offer a stable supply system with manufacturing sites in major countries in Japan, the U.S., Europe, and Asia, and one-stop solutions that leverage our advanced research and development capabilities to solve customers' issues and accelerate the growth of our Semiconductor Materials business.

That is all from me.

Moderator: Next, Higuchi will explain.

Earnings Highlights | Q2 FY2024 | Company-wide | By Segment | BS | CF | FY2024 Forecast | Appendices

Financial Results for FY2024 Q2

(Billions of yen)

	Q2					H1				
	FY2023	FY2024	Change	Impact of exchange rate	Constant-currency basis	FY2023	FY2024	Change	Impact of exchange rate	Constant-currency basis
Revenue	727.7 100.0%	Record high 765.7 100.0%	38.0 +5.2%	13.8	24.2 +3.3%	1,388.5 100.0%	Record high 1,514.7 100.0%	126.3 +9.1%	65.1	61.2 +4.4%
Operating Income	73.3 10.1%	Record high 73.4 9.6%	0.1 +0.1%	3.7	(3.6) (4.9%)	125.5 9.0%	Record high 135.6 9.0%	10.1 +8.0%	16.9	(6.9) (5.5%)
Income before Income Taxes	82.8 11.4%	68.6 9.0%	(14.1) (17.1%)	(4.4)	(9.7) (11.8%)	152.1 11.0%	140.4 9.3%	(11.7) (7.7%)	11.3	(23.0) (15.1%)
Net Income Attributable to FUJIFILM Holdings	59.1 8.1%	49.6 6.5%	(9.6) (16.2%)	(3.0)	(6.6) (11.1%)	113.6 8.2%	110.3 7.3%	(3.3) (2.9%)	7.8	(11.1) (9.8%)
EPS	¥49.14	¥41.17	(¥7.97)			¥94.36	¥91.61	(¥2.75)		
Exchange Rates ¥/US$	¥145	¥149	¥4			¥142	¥152	¥10		
Exchange Rates ¥/€	¥157	¥164	¥7			¥153	¥166	¥13		

Q2: Other change factors (YoY): Impact of raw materials prices on operating income: -¥2.7 billion (Excluding prices of semiconductors and other materials)

H1: Other change factors (YoY): Impact of raw materials prices on operating income: -¥6.3 billion (Excluding prices of semiconductors and other materials)

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Higuchi: I will now explain our consolidated performance and business overview.

These are the results for Q2 of the fiscal year ending March 2025.

Revenue increased by 5.2% YoY to JPY765.7 billion due to strong sales of the Imaging and Semiconductor Materials, as well as the impact of yen depreciation.

Operating income increased by 0.1% YoY to JPY73.4 billion, as higher income from the Imaging and Electronics, and the impact of yen depreciation on foreign exchange offset the absence of one-time gains recorded in the Pharmaceutical business in the same period of the previous year, and the Healthcare, which saw a decrease due to one-time expenses and other factors.

Net income attributable to FUJIFILM Holdings decreased by 16.2% YoY to JPY49.6 billion due to an increase in non-operating expenses, including foreign exchange losses and loss on valuation of investment securities.

Financial Results for Q2 FY2024

Consolidated Revenue and Operating Income by Operating Segment

(Billions of yen)

Revenue	Q2						H1					
	FY2023	FY2024	Change		Constant-currency basis		FY2023	FY2024	Change		Constant-currency basis	
Healthcare	241.4	242.9	1.5	+0.6%	(3.6)	(1.5%)	448.2	472.0	23.8	+5.3%	0.8	+0.2%
Electronics	82.7	108.7	26.0	+31.4%	24.1	+29.2%	161.8	217.8	56.0	+34.6%	46.4	+28.7%
Business Innovation	289.7	287.7	(2.0)	(0.7%)	(6.1)	(2.1%)	559.3	567.7	8.4	+1.5%	(9.8)	(1.8%)
Imaging	113.9	126.5	12.6	+11.0%	9.8	+8.6%	219.2	257.2	38.0	+17.4%	23.8	+10.8%
Total	727.7	765.7	38.0	+5.2%	24.2	+3.3%	1,388.5	1,514.7	126.3	+9.1%	61.2	+4.4%

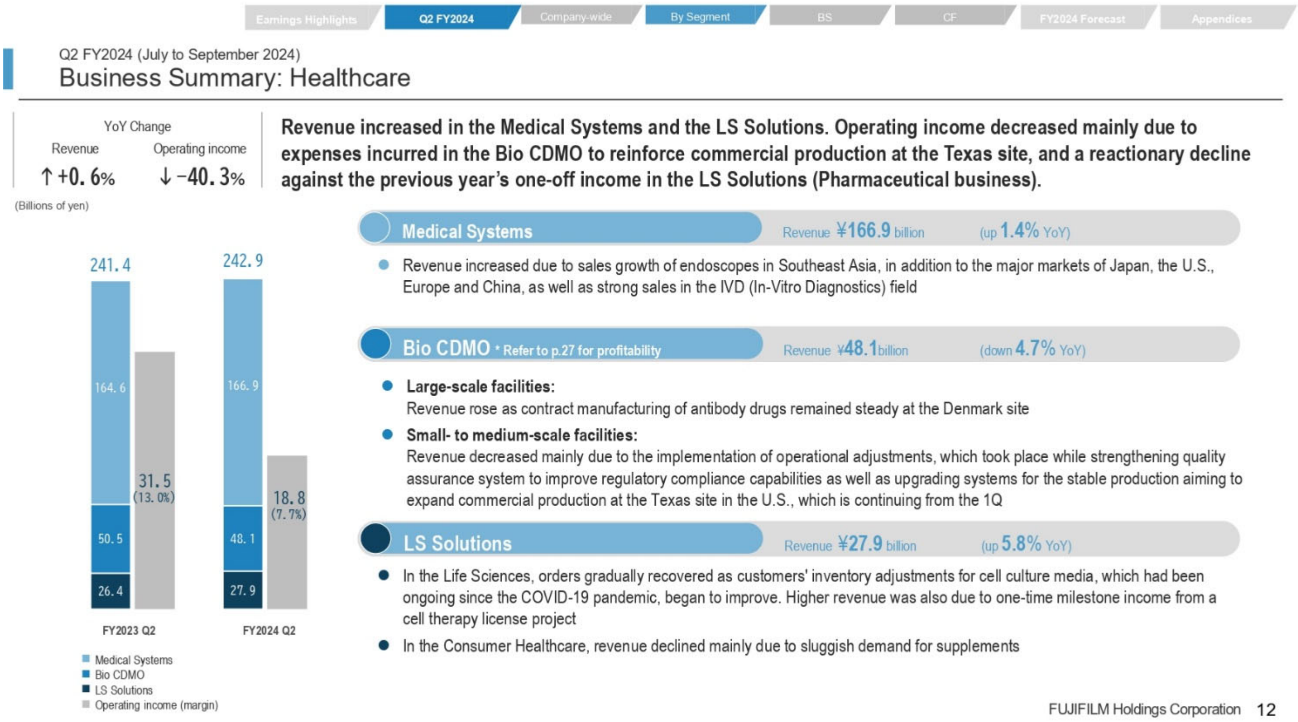
Operating Income	Q2						H1					
	FY2023	FY2024	Change		Constant-currency basis		FY2023	FY2024	Change		Constant-currency basis	
Healthcare	31.5	18.8	(12.7)	(40.3%)	(13.8)	(44.0%)	41.8	22.2	(19.6)	(46.9%)	(24.3)	(58.2%)
Electronics	10.1	19.5	9.5	+94.2%	8.9	+88.1%	19.8	39.6	19.8	+99.9%	16.7	+84.5%
Business Innovation	15.3	10.8	(4.5)	(29.3%)	(4.7)	(30.7%)	31.9	25.3	(6.6)	(20.8%)	(8.8)	(27.7%)
Imaging	26.1	33.7	7.6	+29.2%	5.9	+22.5%	49.5	66.2	16.7	+33.8%	9.6	+19.5%
Corporate Expenses & Eliminations	(9.6)	(9.4)	0.2		0.2		(17.5)	(17.7)	(0.2)		(0.1)	
Total	73.3	73.4	0.1	+0.1%	(3.6)	(4.9%)	125.5	135.6	10.1	+8.0%	(6.9)	(5.5%)

* The Graphic Communications business has been reclassified from the Electronics (formerly Materials) segment to the Business Innovation segment. Accordingly, in light of the progress of integrated operation on a segment basis, revenue and operating income for each segment have been changed to the amounts after elimination of inter-segment transactions.
The information for FY2023 has been restated in line with the above change in the segmentation.

Revenue and operating income by segment are as shown.

In the Healthcare, revenue increased due to contributions from the Medical Systems and Life Sciences, where sales were strong, but earnings declined due to the absence of one-time gains recorded in the Pharmaceutical business in the same period of the previous year and one-time expenses for the Bio CDMO that have continued since Q1.

In the Electronics, both revenue and income increased due to a recovery in the semiconductor market, driven by advanced applications, and sales of process chemicals for semiconductors, an acquisition of which completed in October last year.



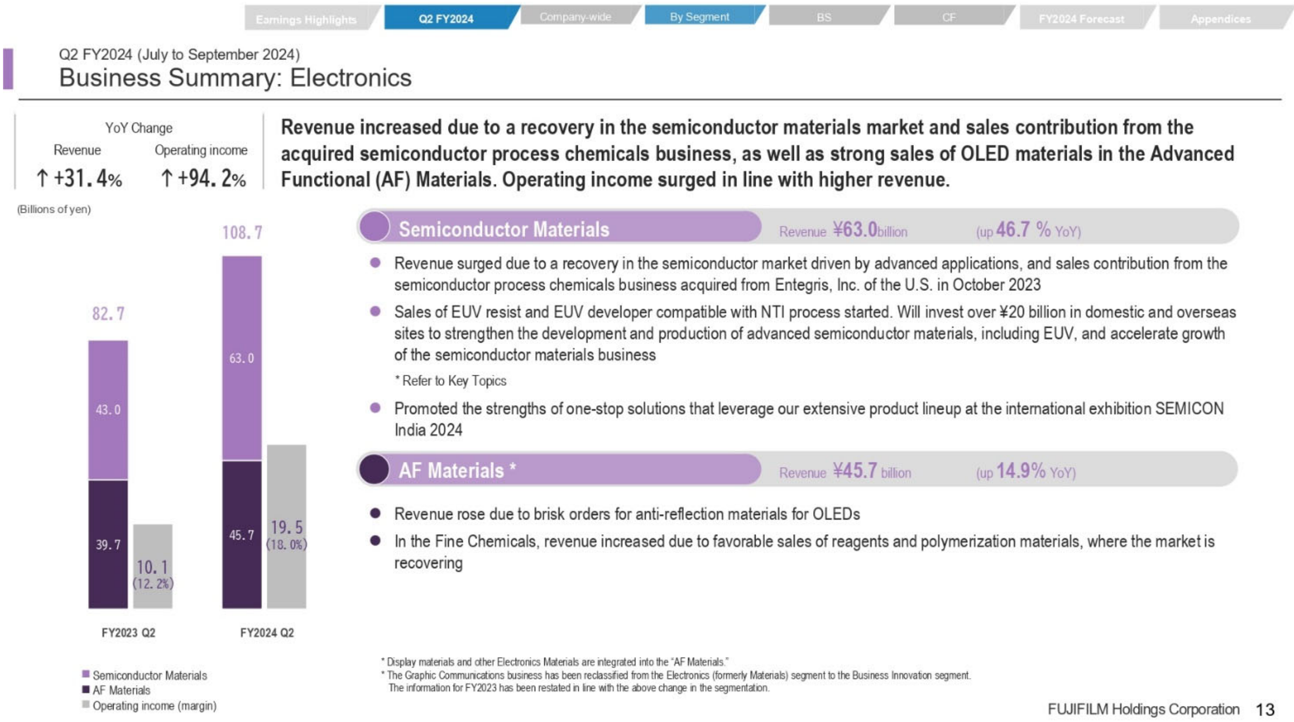
This is a business summary of the Healthcare.

Revenue increased by 0.6% YoY to JPY242.9 billion, as sales growth was secured in the Medical Systems and LS solutions. Operating income decreased by 40.3% YoY to JPY18.8 billion, due to the recording of expenses for strengthening commercial production at the Texas site in the U.S., which continued from Q1, and the absence of one-time gains recorded in the Pharmaceuticals business in the previous year.

Revenue of the Medical Systems increased due to strong sales in the endoscope and in vitro diagnostic fields. Sales of endoscopes grew in major markets including Japan, the U.S., Europe, and China, as well as in Southeast Asia.

In the Bio CDMO, contract manufacturing of antibody drugs at large-scale manufacturing facilities at the Denmark site continued to be strong. On the other hand, revenue of small- to medium-scale manufacturing facilities declined due to the implementation of operational adjustments, which took place while strengthening quality assurance system to improve regulatory compliance capabilities, as well as upgrading systems aiming to expand commercial production at the Texas site in the U.S.

In the LS solutions, revenue increased in the Life Sciences due to the gradual recovery of orders received as a result of the improvement in customer inventory adjustments for cell culture media that had been ongoing since the COVID-19 pandemic, as well as the recognition of one-time milestone income from a cell therapy licensing project. On the other hand, revenue in the Consumer Healthcare declined, mainly due to continued weak demand for supplements.

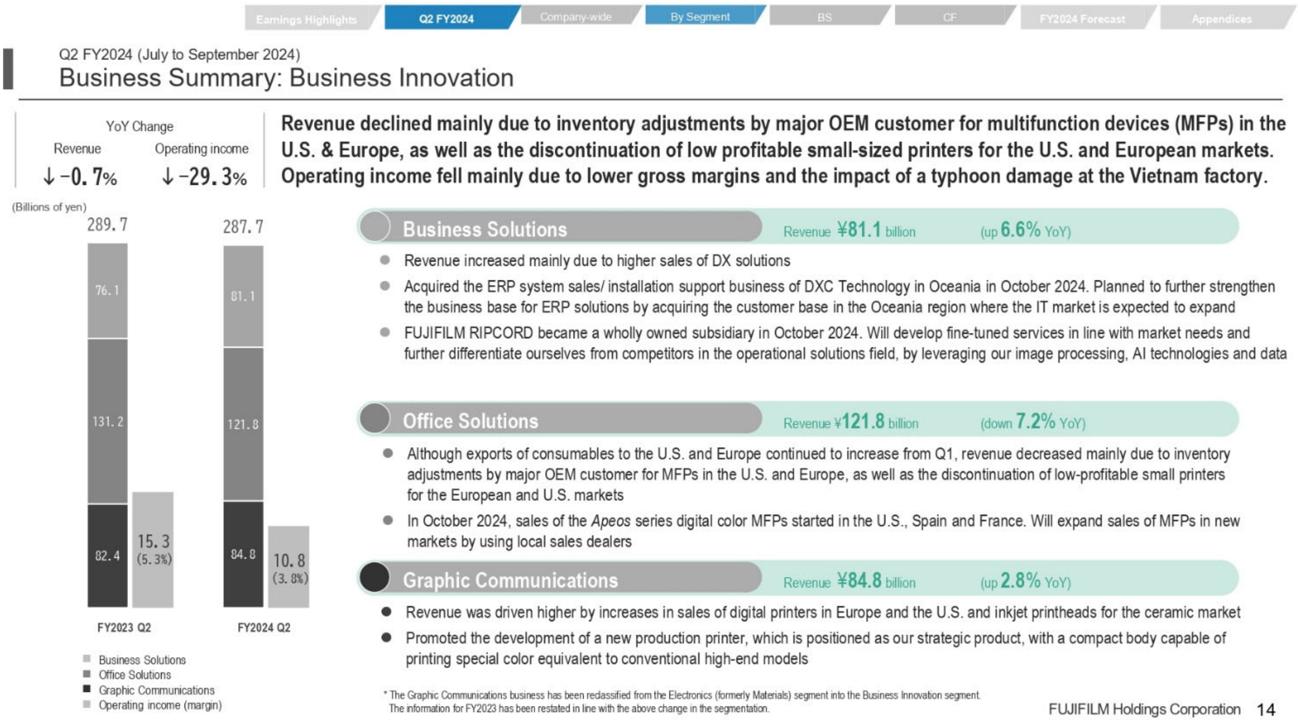


Next is the Electronics.

Revenue increased by 31.4% YoY to JPY108.7 billion due to a recovery in the semiconductor materials market, a sales contribution from the acquired Semiconductor Process Chemicals business, and strong sales of OLED materials in the AF Materials. Operating income increased by 94.2% YoY to JPY19.5 billion, in line with the increase in sales.

Revenue of semiconductor materials increased significantly due to the impact of market recovery driven by semiconductors for advanced applications, as well as the contribution from the Semiconductor Process Chemical business acquired from Entegris, Inc. in the U.S. in October 2023. As reported by Goto in the opening financial results topics, we have decided to start sales of negative-tone EUV resist and EUV developer, and to make new investments of more than JPY20 billion to strengthen production and development of advanced semiconductor materials, including EUV, at three sites in Japan and overseas.

In the AF materials, orders for anti-reflective materials for OLEDs were strong, and in the fine chemicals, sales of reagents and polymerization materials, for which the market is recovering, were favorable, resulting in a substantial increase in revenue.



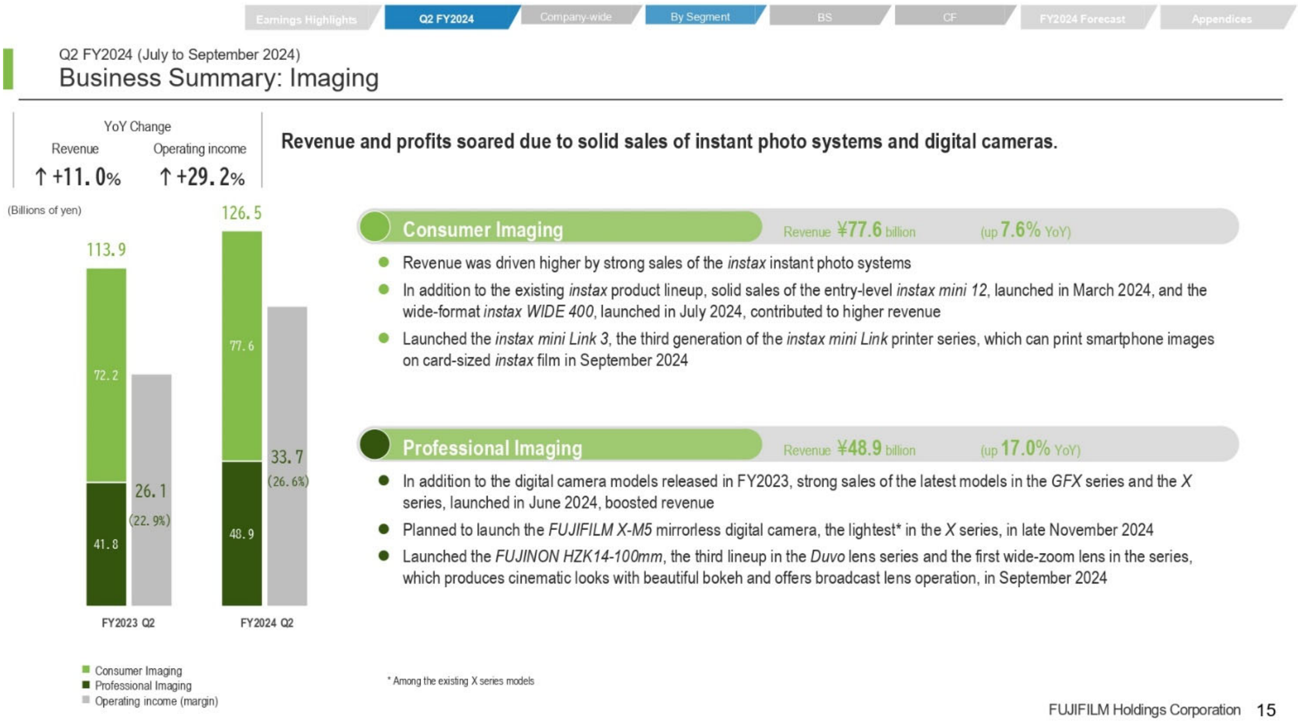
Next is the Business Innovation.

Revenue declined by 0.7% to JPY287.7 billion due to inventory adjustments by major OEM customer for MFPs in the US and Europe, as well as the discontinuation of low profitable small-sized printers for the U.S. and European markets. Operating income fell 29.3% YoY to JPY10.8 billion due to lower gross margins resulting from lower sales and the impact of damage to the Vietnam factory caused by Typhoon Yagi, which hit Vietnam in September.

Revenue of the Business Solutions increased, mainly due to higher sales of DX solutions. In October, we completed the acquisition of DXC Technology's ERP system sales/installation support business in Oceania. By acquiring the customer base in this region where the IT market is expected to expand, we are strengthening our business base for ERP solutions. We also made FUJIFILM RIPCORD a wholly owned subsidiary. By leveraging our image processing, AI technologies and data, we will develop fine-tuned services in line with market needs and further differentiate ourselves in the operational solutions field.

In the Office Solutions, while exports of consumables to Europe and the U.S. were strong as in Q1, revenue declined due to inventory adjustments by major OEM customer in the U.S. and Europe for MFPs and the discontinuation of low-profitable small printers for the European and U.S. markets. In October, we launched the *Apeos series* digital color MFPs in the U.S., Spain and France. We will continue to strengthen the expansion of MFPs in new markets.

Graphic Communications revenue increased due to higher sales of digital printers for the U.S. and Europe and higher sales of inkjet printheads for the ceramic market. Aiming for further growth, we are promoting the development of a new production printer, which is positioned as a strategic product, with a compact body capable of printing special color equivalent to conventional high-end models.



Finally, the Imaging.

Sales of instant photo systems and digital cameras were strong, and revenue increased by 11% YoY to JPY126.5 billion. Operating income increased by 29.2% YoY to JPY33.7 billion, with both revenue and income up.

Consumer Imaging recorded an increase in revenue, mainly due to strong sales of the *instax* instant photo system. In addition to the existing *instax* product lineup, strong sales of the *instax mini 12*, launched in March, and the in*stax WIDE 400*, launched in July, contributed to higher revenue. In September, we released the *instax mini Link 3*, the third generation of the *instax mini Link* printer series, which can print smartphone images on card-sized *instax* film, and this has also been well received.

In the Professional Imaging, in addition to the digital camera models released in the previous fiscal year, strong sales of the latest models in the *GFX* series and *X* series, launched in June, boosted revenue. In November, we will launch the *FUJIFILM X-M5*, the lightest mirrorless digital camera in the current *X* series.

Q2 FY2024

Consolidated Balance Sheets

(Billions of yen)

	Mar. 2023	Mar. 2024	Sep. 2024	Change from Mar. 2024
Cash and cash equivalents	268.6	179.7	187.1	7.4
Notes and accounts receivable	633.1	696.6	617.9	(78.7)
Inventories	567.3	547.8	576.0	28.2
Other current assets	162.1	150.5	160.1	9.6
Total current assets	**1,631.1**	**1,574.6**	**1,541.1**	**(33.5)**
Property, plant and equipment	976.1	1,395.7	1,554.9	159.1
Goodwill, net	858.3	953.8	933.3	(20.6)
Investment securities and other	668.8	859.3	864.7	5.4
Total noncurrent assets	**2,503.2**	**3,208.8**	**3,352.9**	**144.1**
Total assets	**4,134.3**	**4,783.5**	**4,894.0**	**110.5**

	Mar. 2023	Mar. 2024	Sep. 2024	Change from Mar. 2024
Short-term and long-term debt	376.2	502.8	619.8	116.9
Notes and accounts payable	320.4	346.5	382.8	36.3
Other liabilities	649.8	760.8	730.5	(30.3)
Total liabilities	**1,346.4**	**1,610.1**	**1,733.1**	**122.9**
Total FUJIFILM Holdings shareholders' equity	2,763.1	3,169.2	3,156.9	(12.4)
Noncontrolling interests	24.8	4.1	4.1	0.0
Total equity	**2,787.9**	**3,173.3**	**3,160.9**	**(12.4)**
Total liabilities and equity	**4,134.3**	**4,783.5**	**4,894.0**	**110.5**

(yen)

Exchange Rates	Mar. 2023	Mar. 2024	Sep. 2024	Change from Mar. 2024
¥/US$	¥134	¥151	¥143	(¥8)
¥/€	¥146	¥163	¥159	(¥4)

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I will explain about the balance sheet.

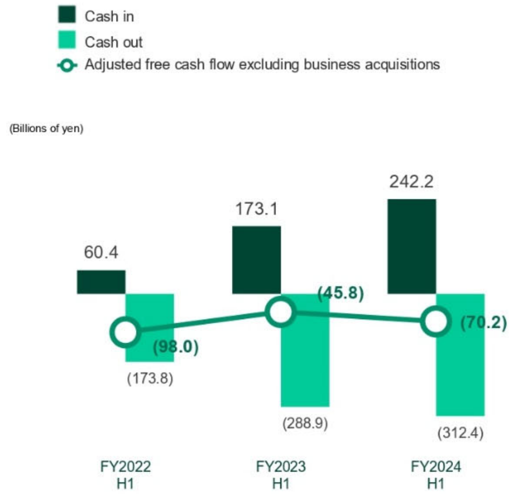
Total assets as of the end of September 2024 amounted to JPY4,894 billion, up JPY110.5 billion from the end of March 2024, mainly due to an increase in property, plant and equipment.

Liabilities increased by JPY122.9 billion to JPY1,733.1 billion.

Shareholders' equity decreased by JPY12.4 billion to JPY3,156.9 billion.

H1 FY2024 (April to September 2024)

Consolidated Cash Flow



(Billions of yen)

	FY2022 H1	FY2023 H1	FY2024 H1
Net income	**96.6**	**112.7**	**110.8**
Depreciation & amortization	70.8	71.8	78.2
Change in notes and accounts receivable / others	(15.1)	30.6	102.5
Change in inventories	(89.4)	(15.9)	(38.6)
Change in notes and accounts payable - trade / others	10.6	(10.6)	43.4
Change in working capital	(93.9)	4.1	107.3
Others	(13.1)	(15.4)	(54.0)
Cash-In	**60.4**	**173.1**	**242.2**
Capital expenditure	(113.3)	(188.5)	(271.3)
Purchases of software / rental assets	(45.0)	(30.3)	(41.1)
Acquisitions of businesses	(15.4)	(70.0)	-
Cash-Out	**(173.8)**	**(288.9)**	**(312.4)**
Adjusted free cash flows (FCF)	**(113.4)**	**(115.8)**	**(70.2)**
Adjusted free cash flows excluding business acquisitions *	**(98.0)**	**(45.8)**	**(70.2)**

*Business acquisitions are deducted from adjusted free cash flow.

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This is about cash flow.

Cash inflow increased by JPY69.1 billion from the previous year to JPY242.2 billion, mainly due to improved working capital efficiency. Cash outflows increased by JPY23.5 billion from the previous year to JPY312.4 billion, mainly due to increased capital expenditures, mainly for the Bio CDMO. As a result, adjusted free cash flows excluding business acquisitions were an outflow of JPY70.2 billion.

This is the explanation of the financial results for Q2 of the fiscal year ending March 2025.

Full-year Consolidated Forecast for FY2024

(Billions of yen)

		FY2023 Actual	FY2024 Previous forecast (as of Aug. 7, 2024)	FY2024 Revised forecast (as of Nov. 7, 2024)	Change from FY2023	Change from previous forecast
Revenue		2,960.9 100.0%	3,150.0 100.0%	**3,150.0** **100.0%**	189.1 +6.4%	- -
Operating Income		276.7 9.3%	315.0 10.0%	**315.0** **10.0%**	38.3 +13.8%	- -
Income before Income Taxes		317.3 10.7%	330.0 10.5%	**325.0** **10.3%**	7.7 +2.4%	(5.0) (1.5%)
Net Income Attributable to FUJIFILM Holdings		243.5 8.2%	250.0 7.9%	**250.0** **7.9%**	6.5 +2.7%	- -
EPS		¥202.29	¥207.63	**¥207.50**	¥5.21	(¥0.13)
ROE		8.2%	7.8%	**7.8%**	(0.4 pt)	-
ROIC		5.6%	5.4%	**5.4%**	(0.2 pt)	-
CCC		116 days	115 days	**115 days**	(1 day)	-
Exchange Rates	¥/US$	¥145	¥148	**¥149**	¥4	¥1
	¥/€	¥157	¥162	**¥163**	¥6	¥1
Silver Price (/kg)		¥109,000	¥151,000	**¥148,000**	¥39,000	(¥3,000)

*1 Exchange rates			
	Q3-Q4	¥145US$ (remains unchanged from the previous forecast)	¥160€ (remains unchanged from the previous forecast)
	Full year	¥149US$ (+¥1 from the previous forecast)	¥163€ (+¥1 from the previous forecast)

*2 Net income attributable to FUJIFILM Holdings per share is calculated by using the number of shares issued as of September 30, 2024 (excluding treasury shares) as the average number of shares for the relevant period.

I would like to continue by explaining our earnings forecast for the fiscal year ending March 2025.

As reported by Goto at the beginning of the presentation, our full-year consolidated forecasts for the fiscal year ending March 2025 are JPY3,150 billion for revenue, JPY315 billion for operating income, and JPY250 billion for net income attributable to FUJIFILM Holdings, unchanged from the previous forecast, each aiming for a new record high.

Financial Forecast by Operating Segment

(Billions of yen)

Revenue	FY2023 Actual	FY2024 Previous forecast (as of Aug. 7, 2024)	FY2024 Revised forecast (as of Nov. 7, 2024)	Change from previous forecast		Constant-currency basis	
Healthcare	975.1	1,010.0	**1,010.0**	-	-	(3.5)	(0.3%)
Electronics	358.4	420.0	**430.0**	10.0	+2.4%	8.5	+2.0%
Business Innovation	1,157.8	1,210.0	**1,190.0**	(20.0)	(1.7%)	(22.0)	(1.8%)
Imaging	469.7	510.0	**520.0**	10.0	+2.0%	8.0	+1.6%
Total	2,960.9	3,150.0	**3,150.0**	-	-	(9.0)	(0.3%)

Operating Income	FY2023 Actual	FY2024 Previous forecast (as of Aug. 7, 2024)	FY2024 Revised forecast (as of Nov. 7, 2024)	Change from previous forecast		Constant-currency basis	
Healthcare	97.4	100.0	**100.0**	-	-	(0.5)	(0.5%)
Electronics	46.3	72.0	**74.0**	2.0	+2.8%	1.5	+2.1%
Business Innovation	67.4	73.0	**68.0**	(5.0)	(6.8%)	(5.0)	(6.8%)
Imaging	102.0	112.0	**115.0**	3.0	+2.7%	2.0	+1.8%
Corporate Expenses & Eliminations	(36.4)	(42.0)	**(42.0)**	-	-	-	-
Total	276.7	315.0	**315.0**	-	-	(2.0)	(0.6%)

* The Graphic Communications business has been reclassified from the Electronics (formerly Materials) segment to the Business Innovation segment. Accordingly, in light of the progress of integrated operation on a segment basis, revenue and operating income for each segment have been changed to the amounts after elimination of inter-segment transactions. The information for FY2023 has been restated in line with the above change in the segmentation.

FUJIFILM Holdings Corporation 20

The forecast by segment is as shown here.

We will review each segment in light of the Q2 results, current business conditions, and future market environment, but overall, we maintain our previous forecasts for both revenue and operating income.

Revenue was revised upward by JPY10 billion in both the Electronics and Imaging, which are performing well, while the Business Innovation was revised downward by JPY20 billion due to weak sell-through by a major customer in the U.S. and Europe, leaving overall revenue unchanged.

Operating income was revised downward in the Business Innovation due to an increase in development investment for a new production printer, a strategic product; a decrease in gross profit due to anti-dumping duties on printing materials for the U.S. market, and lower sales to a major OEM customer in the U.S. and Europe, and revised upward in the Electronics and Imaging, which are performing well. Overall, the previous forecast remains unchanged.

See pages 25 and 26 for details on the revision of segment revenue.

That is all from me.

Question & Answer

Moderator: Now we will move on to the Q&A session.

Mr. Shibano of Citigroup Global Markets, please.

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

The first question is about the results for the July to September period. Operating income was JPY73.4 billion, but on a consolidated basis, how does this compare with the August forecast, and what are the strengths and weaknesses of each segment? It would be helpful if you could also add numbers if possible.

Higuchi [A]: Overall, revenue and profits for Q2 exceeded the internal plan.

First of all, revenue increased by 5 to 6 billion yen compared to the plan for the entire company. When excluding the impact of foreign exchange, revenue fell short of our plan by a low double-digit billion.

By segment, in the Electronics, regarding the semiconductor market, the Semiconductor Materials business is recovering, mainly for advanced applications, and the AF materials for OLED are performing well, resulting in a high single-digit billion increase in revenue. Then in the Imaging, *instax* and digital cameras were doing even better than expected, again with mid-single-digit billion revenue growth. The Healthcare is largely as planned.

The Business Innovation has fallen short of plan. This is also single-digit, over JPY5 billion decrease in revenue. This was due to inventory adjustments at our major OEM customer for the Office Solutions MFPs in the U.S and Europe. In addition, the recovery of inkjet printhead sales for construction materials in China and other countries was slower than expected, resulting in lower revenue.

Operating income is also overachieved for the Company as a whole, in the low single-digit billion yen range. Operating income is also exceeded the plan even excluding the impact from foreign exchange. In response to the current revenue, the Electronics and Imaging are overachieving by low single-digit billion yen in operating income.

In the Healthcare, the last organizational integration in Japan of former Hitachi's Medical Diagnostic Imaging business, which was acquired in 2020, was completed in July 2024, but there were some problems in the system process during the transition, and sales delayed to Q3. Also, although we did not originally anticipate this, the integration has resulted in a slight non-cash gain or loss in inventory valuation due to the complete unification of accounting standards. These factors have resulted in a decrease in operating income of about JPY2 billion for the Healthcare as a whole.

The Business Innovation also saw a single-digit billion decline in operating income, and this was due to inventory adjustments at a major OEM customer in the U.S. and Europe, as mentioned earlier about revenue. Then, as mentioned in the presentation earlier, we are increasing our investment in the development of strategic new products in production printing in order to accelerate development, so there is an impact from this. There was also a slight decrease in profit due to the impact of the typhoon in Vietnam.

Shibano [Q]: Second, I know this is a bit early, but could you summarize your current thinking on the drivers for the period from FY2024 to FY2025? In particular, is there continuity of operating income in the Imaging, or can it grow further? Can the Business Innovation, which is slightly depressed as a result, recover in the next fiscal year? As for the Bio CDMO, now that it has started operations in Denmark, how much of an effect will this have on profit growth in the Bio CDMO business in the next fiscal year? I would appreciate your thoughts, even if they are only rough, on these points.

Goto [A]: Basically, the direction we have set in the current medium-term management plan remains unchanged.

From FY2024 to FY2025, one thing that will raise the profits is the Semiconductor Materials business. Demand will vary in many ways, but in total, it will grow. In this context, the Company is rather associated with the winners in the industry, and we come by and go up with them. We also believe that the recent acquisition of the process chemicals business from Entegris will increase manufacturing volume as demand for semiconductors grows, which will reduce sales costs and lead to a turnaround in profits.

In the Bio CDMO, Denmark site's large tank, six 20,000-liter bioreactors, began operations on November 5. We are negotiating with various mega pharmas right now, and we will gradually start with testing, and it will be a little while before we are fully operational, but we will pull the profit with that, which is as originally planned.

Imaging will be stretched around *instax* and digital cameras. As a measure, *instax* is now also releasing two to three new models and printers every year, and we will create new ones that will accelerate this. In addition, on the software side, we will put our development efforts into creating new demand by linking printers with smartphones. As for digital cameras, we have current models that are doing well, and supply and demand problems have been causing a great deal of inconvenience, but we have been increasing production and are now in a situation where we can roughly say when we will be able to deliver the product to our customers, rather than not knowing when it will be available. We continue to extend this.

Another is to invest in various development projects into the future. This is not limited to digital cameras and *instax*, but we will also invest in the development of lenses for video, film and television, as I believe that there is still a large market space for these products.

The other is marketing. Looking to the future, we believe it would be a good idea to invest more in marketing. For example, sales of *instax* is leading the way in the developed countries but China and India are currently experiencing a boom. There are still many countries in the world where *instax* is not yet widespread. We should spend money on how to get them rooted in those areas. I think the Semiconductors Materials, Bio CDMO, and Imaging will pull in the lead.

Then there is the Medical Systems. When I look at information from other companies, I get the impression that the demand is slowing down. I also took a pretty close look at this H1. First, the Company is feeling that China has also been affected by the anti-corruption campaign. This is because H1 in China was down 2% YoY, excluding the impact from foreign exchange rate. This is the first YoY decline after a long period of growth.

And if we look at the contents of the YoY decline, endoscopes are an area in which we have increased revenue while also beginning manufacturing in China. Although revenue grew in the 2Q, it has dropped to almost flat YoY in the 1H. There has not been such a large growth in the areas, other than endoscopes, where we are competing with Chinese domestic products. The endoscopes has covered the entire business, but endoscopes are not selling as well as we had hoped, and I feel that the situation is changing for us.

Another thing is in Japan. Until now, subsidies and such for COVID-19 have supported the industry, but now that the pandemic is over, we hear that the number of hospitals that are closing in the red has increased considerably. This has cooled demand. Although we have not yet broken the previous year's level, I believe that we must keep a close eye on this area in the future.

The other big thing is the Business Innovation. We started sales in Europe and the U.S. using sales dealers. This is the measure that will keep the volume of prints earned worldwide.

At the same time, the area that needs to be done the most is the solutions. How much can we build up on software, including IT? We have been making various acquisitions in Oceania, and we feel that we are beginning to see the results of these acquisitions. I recently traveled to Oceania to check it out, and I felt that the picture is still being drawn to move up, and that we are at the beginning of that first step. For example, in Taiwan, we have a strong presence in office IT, and we originally have a strong market share for MFPs. That's where we are doing IT early on, and our sales are growing.

So I think the biggest point for the Business Innovation is how to cover the office print volume, that is going down, including solutions.

To conclude, for FY2025, we have not blurred the picture as Fujifilm, and we will continue to work as we have envisioned.

Moderator: Next, Mr. Wakao from JPMorgan Securities, please ask your questions.

Wakao [Q]: This is Wakao from JPMorgan.

First, is the timing of the start of CDMO operations in Europe and the U.S. as planned, and will not affect your company's plans for this fiscal year, next fiscal year and beyond? Let me first check to see if there has been any change with regard to the outlook on performance.

Iida [A]: There is no change. The timing of the operation, which we have incorporated into this year's guidance and medium-term management plan, is the timing you see here.

Wakao [Q]: What is the definition of the start of operation that your company is talking about here? Also, regarding North Carolina, I was wondering if it would start up around the beginning of 2025, is this off by any chance? There is no impact on your business performance, but is there anything that is off?

Iida [A]: Regarding the first question, we define the start of operation as the timing when we receive payment from customers. The first batch that can be charged to the customer begins with thawing the frozen cells. From there, we will record revenue on a progressive basis.The thawing began in the first week of November and this is where the recording of revenue began.

For the second question about the launch of the North Carolina site, it is currently written as the latter half of the year, but we actually envision it to be around summer. I think there is a margin of error of about one month from the original plan, but the construction ia progressing as planned. I am also stationed at the site, and the construction work is progressing well. Now it is called mechanical completion, and the hardware, the building facilities, is now more than 90% complete, so if you think of the summer of 2025, we are almost on schedule.

Wakao [Q]: Secondly, could you comment on each sub-segment for the July to September sales in Healthcare? As for the Medical Systems, they are indeed weak, except for the exchange rate, and you explained that China is weak, and that the Hitachi integration has had an impact. I would like to see if it is weak due to this impact. Bio CDMO looks weak, but it doesn't seem to be growing much QoQ. Is this as planned? As for the LS Solution, is my understanding correct that it includes something like the milestone you explained earlier, and that it looks good?

Higuchi [A]: What you are talking about is Q2 to Q2 on a YoY basis, right? First of all, for the Medical Systems, China, which was a growth driver so far in this area, has leveled off and there was also a delay in shipments due to the organizational integration in Japan that I mentioned earlier, so excluding foreign exchange, revenue is almost flat, or revenue is down slightly. There is no particular factor other than that.

Bio CDMO revenue is down from last year due to the impact of the medium- to small facilities in Texas, which are now shut down for strengthening systems for commercial production.

In the Life Sciences, milestone revenue was posted in Q2 and the fact that the improvement in customer inventory adjustments of cell culture media, led to the upside, resulted in a positive figure.

Wakao [Q]: How should we evaluate the current progress in the Medical Systems in terms of achieving its full-year plan?

Higuchi [A]: As a seasonality, it originally tends to be higher in H2, so although there is some weakness in China in H1, I think it will be within the range for the full year. The impact associated with the organizational integration that I mentioned earlier is transitory, and it will come back in Q3, so I think we should be fine there.

Goto [A]: Let me add few more points. If you look at Q2 to Q2 YoY, there is a rise in cost of sales, so in response, we are reviewing once more whether we are properly launching new products and raising prices.

And the organizational integration with FUJIFILM Healthcare (established as a wholly owned subsidiary of FUJIFILM Corporation after acquiring the diagnostic imaging-related business of Hitachi, Ltd.) has already completed for the overseas organizations, and we have started domestic integration in Japan from July. The point here is that we can make the largest profits in service contracts. So far, Fujifilm's service contracts have a high contract rate, such as a contract rate of over 80% when one machine for mammography is added. These are not spot contracts, but they are annual contracts. However, looking at FUJIFILM Healthcare, there are quite a few one-off contracts, and we believe there is room here to increase profits. We are now working hard to make this a source of profit at the global level, not to mention in Japan.

Overall, we are targeting JPY690 billion for the Medical Systems business and JPY1 trillion for the Healthcare as a whole for this fiscal year, and we hope to generate about 10% of our profits in line with these targets. Maybe there are many uncertainties from now on, including the exchange rate and the situation in the U.S., but we would like to achieve this while recombining various flexible measures.

Wakao [Q]: I understand that the milestones of the Life Science were originally in the initial plan, is it correct?

Higuchi [A]: Yes.

Moderator: Next, Mr. Okazaki from Nomura Securities, please ask your questions.

Okazaki [Q]: I am Okazaki from Nomura Securities.

I would like to ask you about the Business Innovation. OEM business in Europe and the U.S. was weak this time, and revenue was sluggish, but on the other hand, I think you have begun to sell your own products to the U.S. and Europe. When should we expect that you can cover this existing OEM drop-off with your own direct sales? Also, this time the sales to the U.S. have officially started. What should we think about the increased costs associated with this?

Hama [A]: The reality is that OEM in Europe and the U.S. have been falling, partly because a major customer is suffering quite a bit over there. In this respect, we have already started sales in Europe and the U.S., but as for the growth, it cannot be suddenly sold, so there is a bit of a time lag there. I think one key point is how to cope with that now.

As for the increase in costs, we are not selling in Europe and the U.S. through a direct sales system, but rather to so-called dealers, and it will be included in the existing sales system, so there will not be a large cost increase. We have to have a service network to support directly by ourselves, but since the service to customers is provided by the dealers, we do not have to invest in this area. We are basically proceeding with the idea of doing so without making such a large investment.

Okazaki [Q]: If so, I think that OEM customer is still in a shrinking mode, so should we see, for example, for the next fiscal year, the decline in OEMs still having an impact and not being easily covered by in-house sales?

Hama [A]: If you just look at what is happening in Q2, it is temporary. In terms of the future, we believe that the U.S. market will recover fairly well, but it is very unclear what will happen to the European market. We need to accelerate our efforts to increase the portion that is sold directly under the Fujifilm brand, and we are proceeding with a sense of urgency in this area.

Moderator: Next, Ms. Yoshihara from UBS Securities, please ask your questions.

Yoshihara [Q]: I am Yoshihara of UBS Securities.

Let me ask you about the status of your Bio CDMO business. You say that small- to medium-scale facilities are experiencing a decline in revenue, but is it correct to understand that this is only a story of the Texas conversion and not that the overall market situation is severe as a whole? I hear that some of the major pharmaceutical companies seem to be narrowing their R&D investment. I would like you to comment on this point. Perhaps you are doing very well overall regarding large scale facilities, but there is a slight worrisome situation with small- to medium-scale facilities.

Based on that, in the next fiscal year, FY2025, for this Bio CDMO business, I think the assumption was that margins would go down a bit in the medium-term management plan. What should the risks be considered at this time that a slow recovery in the small- to medium-scale facilities would make the decline of margins tougher?

Iida [A]: First of all, regarding the slump in small- to medium-scale facilities. Looking at Q2 to Q2 YoY, the decline is mostly due to the impact of Texas, as Higuchi explained earlier. Except for Texas, demand in the UK and the U.S. sites is strong particularly for early antibody drugs, so except for Texas, sales are positive for small- and medium-scale facilities.

Texas was in full production in Q2 last year, and in this Q2, it was temporarily suspended until about July 20, so about three weeks in July did not contribute to Q2 revenue. It has already resumed the operation, but it is operating with some caution and quality assurance and not at full swing. The impact of this Texas is the main reason for the decline in revenue of the small- and medium-scale facilities. Overall, however, it is doing well, especially in early antibody drugs.

The fund for cell and gene therapeutics (CGT) other than antibodies has not yet returned and is expected to remain flat. This CGT is still in a rather headwind phase.

For FY2025, regarding the large-scale facilities, the first phase in Denmark is now in operation and nine programs are now in place. We will make sure that these are up and running. Also, in North Carolina, there is also a contract with Janssen Supply Group, a Johnson & Johnson Group company, starting around next summer. We expect that this will come into effect in H2, and that the large-scale facilities will be almost in line with the medium-term management plan.

As for small- and medium-scale facilities, since the antibody drug market is strong, we are confident to handle antibody drugs once we establish a system that allows Texas site to operate at a certain speed capable for a commercial production. As an overall feeling, the market conditions in CGT need to be monitored carefully.

Moderator: Several people have already raised their hands, but I am afraid that it is past the end of the hour, so I will end the Q&A session.

Finally, we have two announcements. The first is a briefing on the Semiconductor Materials business, which will be held on December 10 at 9:30 AM JST. Iwasaki, who is attending today, will explain the superiority of our Semiconductor Materials business and our growth strategy.

And second, we are pleased to announce the publication of the Integrated Report. This year's Integrated Report introduces the path toward realizing the Group’s Purpose, "Giving our world more smiles," with a focus on how the Fujifilm Group, which continues to create value through innovation, can have an impact on society. The main contents are as shown here and are also available on our website in both Japanese and English, so please take the time to read them. We hope it will help you to better understand our value creation efforts.

This concludes the FUJIFILM Holdings financial results briefing. Thank you very much for joining us today.

[END]

Document Notes

Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company