

Chapter ———

# The Fujifilm Group's Value Creation

#### CONTENTS

- 7 Message from the CEO
- 13 Evolution of Innovation
- 16 The Fujifilm Group's Proprietary Technologies
- 17 Value Creation Process
- 18 Frameworks to Continue to Generate Innovation and Sources of Value
- 19 The Fujifilm Group's Future Vision
- 21 Medium- to Long-Term Risks/Opportunities and Materiality
- 23 Overview of Our Businesses
- 25 Financial Highlights
- 26 Non-Financial Highlights

# **Message from the CEO**

The source of our execution capability is our "burning desire." We will continue embracing the challenge of business transformation by firmly planting the seeds for "Creating the future of the Fujifilm Group."



**Teiichi Goto** President and CEO, Representative Director FUJIFILM Holdings Corporation

7

FUJIFILM Ho

Strategy and Resource Alloca

Sustainability

Data Section

By increasing our speed and agility, we achieved the targets of VISION2023 one year ahead of schedule. The ability of our frontline staff to deliver results has become our corporate strength.

#### Fiscal 2022 in Review

In the year under review, the global economy remained unstable and uncertain due to geopolitical risks, continued inflation and other factors. The Fujifilm Group also faced a challenging business environment, as it did in the previous fiscal year, affected by soaring resource and energy prices and tight supply-demand conditions for semiconductors and other materials. Despite the challenges, however, we posted recordhigh figures for both revenue and operating income. Moreover, we achieved the revenue and income targets of our mediumterm management plan, VISION2023, one year ahead of schedule.

I attribute these results to the persistent efforts of each and every Fujifilm Group employee to resolve issues. Fiscal 2022 was a year in which we gained ground as a company that can deliver results by turning risks into opportunities and taking prompt and appropriate preemptive action. In the 2000s, the rapid shrinkage of the photographic film market has caused the Group to lose its core business and prompted it to change its business structure. This experience gave us "speed" and "agility," which will greatly help us enhance our corporate value in the future. As we transformed our business structure, we also strengthened our STPD (See-Think-Plan-Do) business cycle, which begins with the collection and analysis of information (See), followed by the identification of essential issues (Think), the formulation of action plans (Plan) and the resolute implementation of those plans (Do). By deploying DX, Al and other technologies to accelerate this cycle, we can break away from "industry paradigms" that are rooted in the subconscious of individuals and the "inertia" that tends to occur in large organizations. I believe that this sense of speed will help us achieve "swift differentiation," which is the most effective way to gain a competitive advantage.

Starting in my 30s, I spent 17 years in Vietnam, Singapore and China. During that time, I gained a wide range of business experience, which has been the foundation of my career since then. One of the most memorable experiences was when I was assigned to Vietnam, where I established an office by myself and even built a processing plant for photographic film and photographic paper. While stationed in Singapore, I was responsible for sales and marketing of all Fujifilm businesses at the time, including photography, medical and printingrelated businesses throughout Asia, including India, Bangladesh, Indonesia and Pakistan. In addition, I worked to



In front of the office I set up when I was posted to Vietnam

#### **CEO** Message

expand our medical business in China as the head of that business. All the challenges I have taken on have shaped me into the person I am today as I strengthened bonds with various people. At the time, however, strategies and plans formulated on the business front lines were difficult to understand correctly by people in the head office in Japan, which was a long distance away. This sometimes slowed the speed of our business activities. Since then, I have focused on evolving and developing our business by seeing with my own eyes, using my sense of smell and understanding the key aspects of our business based on the belief that "the truth lies in the field." As the COVID-19 pandemic has subsided, I have been visiting offices and customers around the world to engage in meaningful discussions. Since July 2022, I have visited more than 30 business locations in 17 countries/ regions. In the process, I have become more confident than ever in our strategy of leveraging the Healthcare and Advanced Materials segments to achieve growth of the Group. To lay the groundwork for sustainable growth, we have

continued investing aggressively. In the three-year period of VISION2023, for example, we significantly increased the amount earmarked for capital investment, from  $\pm$ 750 billion in the original plan to  $\pm$ 1,121.4 billion.

In the Medical Systems business, we are actively working on areas where we can use DX to improve the quality of medical care. One example is the acquisition of the digital pathology division of Inspirata, Inc., a U.S. company that develops and sells software for digital pathology diagnoses. This marked our full-scale entry into the digital pathology business.

In the Life Sciences business (including the Bio CDMO business), we are expanding production capacity to meet strong demand for biopharmaceuticals, with plans to complete a large-scale facility at our Denmark site by the end of fiscal 2023. We will also introduce new large-scale facilities at our North Carolina site in fiscal 2025 and our Denmark site in fiscal 2026. In addition, we are constructing a new facility in Toyama Prefecture with the aim of starting operations at our first Japanese site.

I have focused on evolving and developing our business by seeing with my own eyes, using my sense of smell and understanding the key aspects of our business based on the belief that "the truth lies in the field."

In the Electronic Materials business, we are currently building a state-of-the-art facility for making CMP slurry in Kumamoto Prefecture, Japan. The aim in building the facility, the first of its kind in Japan for the Company, is to stably produce and supply high-quality materials under a global production system. Meanwhile, in May 2023 we announced our decision to acquire the semiconductor-use high-purity process chemicals business of U.S.-based Entegris, Inc. for US\$700 million (about ¥95 billion). This is our largest acquisition deal since I became CEO in 2021. Our decisions to make these large investments were based on our conviction that the biopharmaceutical and semiconductor markets will grow faster in the medium to long term than we had assumed when we formulated VISION2023. These decisions were made after careful consideration of each market situation and after identifying winning opportunities to quickly address growing demand and bolster earnings at an early stage. These are the seeds that I planted for "Creating the future of the Fujifilm Group," my stated mission when I became CEO, which will lead to our next stage of growth.

#### **Positioning of Fiscal 2023**

# Evolving into a "Profitable Company" in the Lead-up to Fiscal 2030

Fiscal 2023, the final year of VISION2023, is also an important year for formulating our next medium-term management plan aimed at achieving our long-term CSR plan, Sustainable Value Plan 2030 (SVP2030), ending in fiscal 2030. In fiscal 2030, we are targeting consolidated revenue of more than ¥3.5 trillion, of which the Healthcare business will account for ¥1.75 trillion, or roughly half. To achieve these long-term targets, the Fujifilm Group needs to further improve

#### **CEO** Message

the earning power of each of its businesses. To this end, I will focus on further enhancing the "earning power" of each business. Specifically, we will create high-value-added products and services and new business models and work to improve productivity, with the aim of becoming a "profitable company" that continues growing and providing value to society through its business. In fiscal 2023, the final year of VISION2023, we have raised our targets to record-high figures: revenue of ¥2,950 billion, operating income of ¥290 billion and net income attributable to FUJIFILM Holdings of ¥225 billion. By broadly applying the technological capabilities cultivated over the years to all its businesses, the Fujifilm Group will help resolve social issues from various angles. As a group, we are off to a good start in fiscal 2023 as each business continues introducing highly competitive and differentiated new products and services to the market.

In the Medical Systems business, we acquired the diagnostic imaging business of Hitachi, Ltd. in March 2021 and relaunched it as FUJIFILM Healthcare. Since then, we have taken various measures in rapid succession to maximize Group synergies. For example, we increased synergies on the sales side through the integration of local subsidiaries in the United States, Asia-Pacific and Europe, and on the product development side with the launch of CT and ultrasound diagnostic systems equipped with functions developed using Fujifilm's AI technology. In fiscal 2023 (third year after the acquisition) and fiscal 2024, we will reorganize Japanese Group companies involved in business strategy planning, R&D, and sales and maintenance services, which were previously dispersed among domestic Group companies. Our aim is to maximize synergies, accelerate business growth and further enhance the Group's comprehensive strengths.

Under the REiLI brand utilizing our unique image processing and AI technologies, we will further expand our business by developing and commercializing AI technology to support workflow in the medical field. Using AI technology, for example, we developed software that received Japan's first pharmaceutical approval as a medical device to support endoscopic diagnosis in the upper gastrointestinal tract area, which improves the efficiency of testing and the quality of medical care. We will continue creating innovations that help people maintain and improve their health.

Through these efforts, in the Medical Systems business we are targeting revenue of ¥1 trillion and an operating margin in the high 10% range in fiscal 2030. To this end, we must achieve our interim revenue target of ¥700 billion in fiscal 2026.

The Bio CDMO business posted year-on-year revenue growth in fiscal 2022. However, this business was impacted by increased costs due to higher-than-expected inflation, which led to a year-on-year decline in income and thus presents a challenge going forward. Our aim is to grow the Bio CDMO business into a pillar of our Healthcare business by fiscal 2030. To this end, we will first complete the expansion of API manufacturing facilities and the construction of a new formulation manufacturing line at our Denmark site by the end of fiscal 2023 to strengthen our business foundation. We will also aggressively invest in facilities in the United States and Europe to further strengthen our product development and contract manufacturing systems for various biopharmaceuticals, including antibody drugs, gene therapies and vaccines, while further accelerating the growth of our Bio CDMO business.

In materials, our Electronic Materials business has been affected by the softening semiconductor market, but we anticipate strong market growth in the medium- to long-term, including for generative AI applications. To this end, we will accelerate business growth by strengthening our global manufacturing and supply system without slowing our investment plans, including for the construction of new plants for cutting-edge semiconductor materials in Taiwan and Europe.

#### Sustainability

# Thoughts on Realizing SVP2030 to Create a Sustainable Society

To create a sustainable society, companies must tackle a wide range of issues head-on, such as climate change mitigation, resource recycling and biodiversity conservation, while emphasizing respect for human rights and responsible supply chain management. To realize SVP2030, with fiscal 2030 as the goal, we are advancing our business activities from the two angles of "resolving social issues through our business activities" and "reducing and considering negative impacts on society and the environment caused by our business activities." We have identified the Environment, Health, Daily Life and Work Style as our four priority areas. Going forward, we will promote the growth of both social and



Manufacturing facility under construction in Denmark

Strategy and Resource Allocat

Special Feature: Co-creating Value with Stakeholde

Sustainability

Corporate Governan

#### **CEO** Message

economic value by utilizing digital technology to accomplish our tasks. Of these, my top priorities are the Environment and Health.

With respect to the environment, we aim to achieve a decarbonized society by reducing CO<sub>2</sub> emissions from the energy we use and from the entire life cycle of our products by 50% in fiscal 2030 compared with fiscal 2019. For capital investments and other decisions, we introduced an "Internal Carbon Pricing System\*" and achieved a 10% reduction in CO2 emissions from in-house energy use in fiscal 2022 compared with fiscal 2019. Looking ahead, we will accelerate green transformation (GX) via the newly established GX Committee, a subordinate organization of the ESG Committee, which I chair. We will also use internal carbon pricing, which is based on the carbon price of the EU Emissions Trading Scheme (EU-ETS), in important aspects of our business activities, such as capital investment and M&As. In some cases, investments in M&As and production capacity expansion might lead to increased CO<sub>2</sub> emissions as the projects are implemented. Nevertheless, we will closely check to ensure that new cash generated by these investments can be earned at a level that exceeds our internal standards over the medium to long term, even after subtracting the carbon price. At the same time, we are developing measures that require investment, such as using electricity from renewable energy sources with an emphasis on scalability and developing innovative production processes that reduce energy consumption.

In the area of health, our aim is to help improve access to healthcare in emerging countries. One project is our NURA health screening centers focusing on cancer screening. I launched the first center as general manager of the Medical Systems Division before assuming the position of CEO. The NURA centers assist with doctors' diagnoses and provide health checkup services by utilizing Fujifilm's medical equipment, featuring high-definition diagnostic images and diagnostic imaging AI technology. We currently operate three NURA centers in India, serving more than 12,000 people (as of August 31, 2023). In September 2023, we opened a NURA center in Ulaanbaatar, Mongolia, and plan to open a new center in Hyderabad, India, in November. To expand into Southeast Asia, the Middle East and Africa, we will continue forming technology partnership agreements with local companies in the countries involved in addition to developing our own business. By fiscal 2030, we will expand the number of centers to 100 worldwide, mainly in emerging countries. Our aim is to help people maintain and improve their health by spreading the Japanese culture of regular health checkups and prevention measures to other countries.

Committed to ending tuberculosis (TB), we are promoting the use of compact and lightweight portable X-ray equipment that enables TB screening in suburban and mountainous areas without electric power infrastructure. By visualizing the global TB epidemic status using cloud computing based on data from TB screening conducted in each region, our vision is to help control TB in each country and region. To make this happen, we have started a project in India to combat TB in collaboration with the government and academia. We will continue fulfilling our responsibility by providing distinctive products and services that help eliminate medical disparities and maintain and improve the health of people around the world.

Protecting the health of employees is another important strategic theme for the Fujifilm Group's development. As part of this effort, we opened the Fujifilm Group Health Insurance Association's "FUJIFILM Mediterrace Yokohama," a health screening center for Fujifilm Group employees, in April 2022. The center uses our state-of-the-art endoscopes, medical equipment (including for mammograms) and AI-based medical IT systems to provide Fujifilm Group employees with the opportunity to receive high-quality health checkups. Our efforts to provide environments in which employees can work vigorously both mentally and physically have been highly evaluated by external sources. For example, FUJIFILM Holdings was selected as a Health and Productivity Stock for the third consecutive year in a program run jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.



The opening ceremony of NURA, held in Ulaanbaatar, Mongolia. (From left to right) Hiroyuki Kobayashi, Ambassador Extraordinary and Plenipotentiary of Japan to Mongolia; Mohinder Pratap Singh, Ambassador of India to Mongolia; Teiichi Goto; Baatarsaikhan Tsagaach, President of the Tavan Bogd Group; and Vellakkat Niaz, FUJIFILM DKH LLP (NURA) Board Director



Please also watch the video introducing NURA Mongolia

(which includes scenes from inside NURA and the opening ceremony):

https://www.youtube.com/watch?v=MEHLoBZJEYU

<sup>\*</sup> A system that promotes low-carbon business activities by allowing companies to set their own internal carbon prices, convert CO<sub>2</sub> emissions into cost equivalents, quantify the economic impact of increases or decreases in emissions and reflect this information in their decision-making processes.

Strategy and Resource Allocati

Sustainability

#### **CEO** Message

#### Human and Intellectual Capital

### Targeting Further Growth of Employees and the Fujifilm Group

The Fujifilm Group has achieved change and growth to date because of the "individual powers" of its highly motivated employees. Our competitiveness is underpinned by our diverse technologies, know-how and frontline capabilities that have continued to generate intellectual property. We are proud of these attributes. When employees in Japan and overseas share our corporate philosophy and vision and take pride in their work, this creates additional value and helps realize a sustainable society. As we welcome new employees to the Group through M&As, we are keenly aware of the need to continually improve engagement. The Fujifilm Group Employee Engagement Survey, conducted in December 2022, received responses from 90% of Group employees worldwide and resulted in an engagement score of 80% (percentage of positive responses). Analysis of the survey results revealed that while our strengths lie in our employees' deep understanding and empathy for the Group's vision and high awareness of compliance, there is also room for improvement in promoting productive work styles and diversity. Based on the results of the survey, we need to engage in discussion at each workplace and incorporate the results into specific measures to ensure that employees are highly motivated to work. Accordingly, we will put a system in place to firmly establish a cycle that will foster the further growth of the Fujifilm Group and the employees who work there.

To rapidly advance business activities aimed at realizing a sustainable society, which is our objective, we use data to optimize human resource allocations, in addition to conducting various programs to develop DX and AI human resources. Using DX, we will dramatically boost employee productivity while increasing the amount of time they spend creating products and services that provide new value to customers and help resolve social issues, while conducting work-style reforms to improve work efficiency.

#### **To Our Stakeholders**

#### Burning Desire: The Source of Our Execution Capability

Clean water and air are essential for manufacturing photographic film, which was the starting point of our founding. Because customers cannot test photographic film before taking photos, it was a product that customers purchased with "trust." Therefore, the Fujifilm Group's corporate culture is rooted in ESG concepts, such as environmental conservation, stakeholder trust and communication with the community. Our business structure has undergone a major shift along with the changing needs and values of society. Nevertheless, we will continue emphasizing a spirit of challenge as a company that creates change for the better in society.

At the start of fiscal 2023, I called on our employees to "act with a burning desire." When trying to accomplish something, a "burning desire" provides the power to overcome any difficulties. My "burning desire" is to achieve the goals of SVP2030. Aggressive investment in growth areas is part of this effort, and we will continue embracing challenges to make our business blossom. We will continue striving to be a company that always provides value to society. We look forward to your continued support of the Fujifilm Group.

As the needs and values of society change, we will continue to make positive changes for society by transforming our business structure.



### **Evolution of Innovation**

From our founding in 1934 to the present, we have continued to develop our proprietary core technologies to continually accumulate a competitive advantage by leveraging our base technologies. Here, we will explain the history of innovation in the Fujifilm Group, which has promoted a growth strategy by consistently anticipating the future.



# The Fujifilm Group has been providing society with a large number of products and solutions that contribute to solving social issues by combining its core technologies and acquiring new technologies.





# The Fujifilm Group's Proprietary Technologies

The process of completing a single photograph is made up of a wide variety of advanced, proprietary technologies. The Fujifilm Group has cultivated technological capabilities with a competitive advantage through the research and development of silver halide photography.



### **Value Creation Process**

By leveraging its invested capital to create value through innovation, the Fujifilm Group has worked to resolve social issues through our business activities and consider the environment and society in our business processes. We will continue co-creating value with society and thus help realize a sustainable society.

# Realizing a Sustainable Society Value from Innovation



Special Feature: Co-creating Value with Stakeholder

Sustainability

#### Frameworks to Continue to Generate Innovation and Sources of Value & The Fujifilm Group **Achieving a** A Suppliers sustainable society From customers to co-creation partners Customers and partners Through constant innovation **Providing the Co-creation with** Responding to diverse Co-creating future value highest quality with stakeholders suppliers customer needs the Fujifilm Group has provided top-ఉం > ది န္တာ > ဂိ <u> జి</u>< >ది ది quality products and services that Co-creation Co-creation meet the changing needs of **Co-creation** society. We are also working with Creating new value The changing needs of society stakeholders, including suppliers and and resolving social issues ~> 10 partners, to jointly create value for Value that continues the future while identifying not only into the future **Creating innovation** current needs but also potential ones. by combining technologies **Experience** value Changing societal needs Global Technological Sources of innovation network capability from products to Corporate Brand **Functional value** Human products and services culture resources **Global network Technological capabilities Corporate culture** Human resources Brand Accumulation of base technologies An open, fair and clear Fostering human resources that see Cultivating the brand through Proactive overseas expansion since our founding corporate culture change as an opportunity for growth continuous provision of innovative In the field of photography, which consists of the We began exporting in 1938, four years after our products and services accumulation of a wide variety of advanced and Based on our corporate culture of "open, We see change as an opportunity for founding. We established a sales company in Brazil proprietary technologies, we cultivate worldfair and clear," we aim to continue to growth and are focusing on developing The Fujifilm Group has cultivated the in 1958. Since then, we have actively expanded our class technological capabilities and accumulate be a company that is trusted and human resources who take on challenges Fujifilm brand by providing innovative business overseas and grown as a global company. products and services and confronting base technologies that support each business. needed by society by creating new and create change on a daily basis. Strengthening business management functions through value through brave challenges. social issues head-on while evolving the Improvement of core technologies High level of employee engagement cooperation with regional management companies "Open, fair and clear" is the basis for all advanced and proprietary technologies Based on our base technologies, we are We are promoting the creation of We established regional management companies to activities of the Fujifilm Group, and is it has developed in the field of refining our core technologies to build a an organization with a high level of accelerate decision-making and enhance business an essential element for sustainable photography. Raising the value of the sustainable competitive advantage. employee engagement that permits management functions. This has enabled the growth and medium- to long-term Fujifilm brand leads to a high level of diverse human resources to fully collection of information in each country or region in enhancement of corporate value. recognition worldwide. Fusion of multiple technologies demonstrate their capabilities. Each a timely manner, the planning of strategies adapted By combining base and core technologies, individual employee supports the to the local region, and cooperation with local we provide a variety of innovative growth of the Fujifilm Group. companies in research and development, production, products and services. marketing, sales and other aspects of business. p.13 Evolution of Innovation **p.5** The Fujifilm Group's Commitment p.56 Human Resources Strategy ▶ p.23 Overview of Our Businesses p.13 Evolution of Innovation p.16 The Fujifilm Group's Proprietary p.56 Human Resources Strategy p.75 Diversity, Motivated Work Style, p.62 Co-creating Value with **p.62** Co-creating Value with and Occupational Health and Safety Stakeholders Stakeholders Technologies p.75 Diversity, Motivated Work Style, and p.45 R&D Strategies Occupational Health and Safety p.50 Intellectual Property Strategy

Corporate Governand

# The Fujifilm Group's Future Vision

### Roadmap and Priority Issues (Materiality) for Realizing Our Future Vision

To achieve the goals of Sustainable Value Plan 2030 (SVP2030), we will promote the priority measures set forth in VISION2023, our medium-term management plan announced in April 2021, and help realize a sustainable society.

Accelerate growth in healthcare and advanced materials and build a business foundation for sustainable growth

# VISION2023

Strengthen our business portfolio and build a foundation for the next leap forward

# VISION2019

Revenue: ¥2,315.1 billion Operating income: ¥186.6 billion CO<sub>2</sub> emission reduction\*1: 25% (compared with FY2013) Revenue: ¥2,950.0 billion Operating income: ¥290.0 billion CO<sub>2</sub> emission reduction\*1: 11% (compared with FY2019)

The initial target of VISION2023, our medium-term management plan, was \$2.7 trillion for revenue and \$260 billion for operating income. The target was achieved one year ahead of schedule in FY2022 and has been revised upward accordingly.

Help realize a sustainable society by resolving social issues through innovative technologies, products and services

# SVP2030

Revenue: ¥3,500.0 billion or more (Healthcare ¥1,750.0 billion)

CO<sub>2</sub> emission reduction\*1, <sup>2</sup>: 50% (compared with FY2019)

# Realize a Sustainable Society

# Value from Innovation

 Deploy innovation to resolve global environmental and social issues
 Positively impact society through our business activities
 Respond appropriately to society's expectations through communication with stakeholders

\*1  $CO_2$  emission reduction figures apply to energy used by the Company (Scope 1 + 2).

\*2 50% reduction compared with FY2019 corresponds to 65% reduction compared with FY2013. CO<sub>2</sub> emission reduction target for the entire product life cycle in FY2030: 50% compared with FY2019.

#### Process for Formulating Priority Issues Materiality

In formulating SVP2030, we conducted a materiality analysis (prioritized evaluation and selection of items) from the perspective of "social and environmental issues to be resolved" and "the Fujifilm Group's business growth" expected in fiscal 2030. We will review our priority issues on a regular basis to further resolve social issues and enhance the Group's corporate value.

#### Step **Decide Basic Policies**

Step

2

Step

3

4

Clearly show our future vision of how we can contribute as a global company to resolve social issues from a long-term perspective

#### Identify Social Issues Based on Business Strategy

List issues from external perspectives (ISO26000, GRI and other guidelines, SDGs, etc.) and in terms of potential of issue resolution by all our divisions

#### **Evaluate Materiality**

Evaluate materiality via a two-pronged approach: 1) Reduce/consider negative impacts on the environment and society caused by our business activities

2) Resolve social issues through our business activities

#### Plan and Plan, Review, Approve

Step Coordinate with relevant divisions on identified materiality and set targets; after deliberation and approval by the ESG Committee and reporting to the Board of Directors, promote initiatives as a Group policy

SVP2030: Priority Areas/ Priority Issues (Materiality)		Co-creating Value with Stakeholders <b>p.62</b>		Sustainability p.70 Consider the environment and	SDGs addressed by	
Environ- e Ac e Ac e Ac e Ac e Ac e Ac	ddress climate change omote recycling of resources ddress energy issues with the aim realizing a decarbonized society	our business activities		society in our business processes	1     1	
Health	ddress unmet medical needs prove accessibility to medical services ntribute to early detection of disease ormete enhanced health and beauty	•	ovation	•	3 minimut →√√	
© Pr Daily Or Co Life Of Co an	omote health management on create a safe and secure society ontribute to spiritual enrichment d human connections	:	lnno	Employees	9 Jacobie Martine II and Angele Martine II a	
Work Style Ocre	eate environments conducive to job tisfaction (provide solutions and services) velop and utilize diverse human resources	•		<ul><li>Employees</li><li>Employees</li></ul>	5 mm	

#### **Basis of Business Activities**



Strengthen CSR foundations (including the environment, ethics and human rights) throughout the supply chain

Improve and maintain governance structures by further Governance disseminating an open, fair and clear corporate culture

Please refer to pp.9-12 of our Sustainability Report 2023 for details. https://holdings.fujifilm.com/en/sustainability/report

We are working to achieve the goals of SVP2030 by identifying risks and

opportunities from megatrends and identifying materialities and KPIs.

# Medium- to Long-Term Risks/Opportunities and Materiality

Megatrends that have an impact on materiality Emerging risks of large-scale natural disasters and infectious disease pandemics, changes in the global environment and ecosystems due to climate change, and depletion of energy and resources Unstable political and economic conditions, heightened geopolitical risks due to escalating conflicts, and widening disparities between countries and regions Declining birth rates and aging populations globally, declining workforces, changes in work styles and retirement security due to the advent of the 100-year life era; growing interest in healthy life expectancy

Increasing concern about human rights, diversification of individual values and emphasis on diversity in organizations

Rapid advances in technology, rise of new lifestyles/businesses due to DX and rising cyber risks

Priority issues (Materiality)	Opportunities	Risks	Major KPIs	Main achievements in FY2022	FY2023 (Targets)	FY2030 (Targets)	Main related segments
<ul> <li>Environ- ment</li> <li>Address climate change</li> <li>Promote recycling of resources</li> <li>Address energy issues with the aim of realizing a decarbonized society</li> <li>Ensure product and chemical safety</li> </ul>	<ul> <li>Growing need for efficient, energy-saving, low-cost storage of large volumes of data in the era of big data</li> <li>Increasing demand for systems, products and technologies to monitor and forecast weather conditions and diagnose deterioration of infrastructure, including buildings and water sources, in response to abnormal weather events</li> <li>Need to incorporate CO<sub>2</sub> emission reduction initiatives (such as use of low power consumption products and preference for carbon-free production) into customers' procurement criteria</li> <li>Increasing need to use water-free products (including process-less printing plates) due to growing concern about water resources</li> </ul>	<ul> <li>Disruption of supply chains, plant shutdowns and lack of water needed for production due to abnormal weather (e.g., heavy rains, floods, droughts) and natural disasters caused by rising temperatures</li> <li>Shortage of raw materials for products (pulp for paper, cellulose for film) due to depletion of forests and plants</li> <li>Levying a carbon tax on CO<sub>2</sub> generated when fossil fuels are used and the accompanying cost increases</li> <li>Please refer to p.73 for climate change measures.</li> </ul>	<ul> <li>CO<sub>2</sub> emission reduction rate from in-house energy</li> <li>CO<sub>2</sub> emission reduction rate over product life cycle</li> <li>Ratio of sales of environmentally friendly products/ services to net sales</li> <li>Contribution to CO<sub>2</sub> emission reduction in society</li> </ul>	<ul> <li>10% reduction in CO<sub>2</sub> emissions from in-house energy use (compared with FY2019)</li> <li>6.9% reduction in CO<sub>2</sub> emissions in product life cycles (compared with FY2019)</li> <li>Started collaboration with TOKYO GAS CO., LTD and Minamiashigara City to aim for zero carbon models in manufacturing</li> <li>Achieved carbon neutrality at multifunction device recycling sites in China</li> <li>Introduced internal carbon pricing (ICP) system</li> <li>Certified as an "A-list company" by the CDP, the highest evaluation in the two areas of "climate change" and "water security"</li> </ul>	CO2 emission reduction rate from in-house energy: 11% (compared with FY2019)	<ul> <li>CO<sub>2</sub> emission reduction rate from in-house energy: 50% (compared with FY2019)</li> <li>50% reduction of CO<sub>2</sub> emissions in product life cycles (compared with FY2019)</li> </ul>	Healthcare Materials Business Innovation Imaging
<ul> <li>Health</li> <li>Address unmet medical needs</li> <li>Improve accessibility to medical services</li> <li>Contribute to early detection of disease</li> <li>Promote enhanced health and beauty</li> <li>Promote health management</li> </ul>	<ul> <li>Growing need for IT solutions to support medical care and improve operational efficiency due to the aging population and shortage of medical personnel</li> <li>Increasing unmet medical needs, mainly for cancer, rare diseases and gene therapies</li> <li>Expanding market for biopharmaceuticals that deliver high efficacy with few side effects</li> <li>Progressive industrialization of advanced therapies</li> <li>Increasing need for vaccines and therapeutics to combat infectious disease pandemics</li> </ul>	<ul> <li>Major changes in healthcare administration policies due to healthcare reforms</li> <li>Strengthened laws and regulations for medical equipment</li> <li>Postponement or suspension of new drug development by pharmaceutical companies and changes in the management environment amid increasing difficulty of drug discovery</li> <li>Heightened competition in the biopharmaceutical process development and contract manufacturing market due to technological innovation</li> </ul>	<ul> <li>No. of countries/ regions where our medical Al technology-based products/services are deployed</li> <li>Ratio of Healthcare sales to total revenue</li> <li>Bio CDMO tank capacity (production capacity)</li> </ul>	<ul> <li>No. of countries/regions where our medical AI technology-based products/ services are deployed: 93</li> <li>Ratio of Healthcare sales to total revenue: 32.5%</li> <li>Bio CDMO tank capacity (production capacity): 180 kL</li> <li>Used IT and AI technologies to deploy products that improve workflow at medical sites</li> <li>Opened a new base (Gurugram, Mumbai) for "NURA," a health checkup center focusing on cancer screening in India</li> <li>Promoted TB control efforts in developing countries</li> <li>To expand business in the Asian market and strengthen the Japanese vaccine production system, the Company established its first domestic Bio CDMO base in Toyama Prefecture</li> </ul>	<ul> <li>No. of countries/ regions where our medical AI technology-based products/services are deployed: 100</li> <li>Achieve further growth as the largest segment</li> <li>Bio CDMO tank capacity (production capacity): 337 kL</li> </ul>	<ul> <li>No. of countries/ regions where our medical Al technology-based products/services are deployed: 196</li> <li>Ratio of Healthcare sales to total revenue: 50% (¥1,750.0 billion vs. total revenue of more than ¥3,500.0 billion)</li> <li>Bio CDMO tank capacity (production capacity): 658 kL (FY2026)</li> </ul>	Healthcare

#### Megatrends that have an impact on materiality

Priority issues (Materiality)	Opportunities	Risks	Major KPIs	Main achievements in FY2022	FY2023 (Targets)	FY2030 (Targets)	Main related segments
Daily Life • Help create a safe and secure society • Contribute to spiritual enrichment and human connections	<ul> <li>Expansion of related markets including the semiconductor market through the spread of new technologies such as 5G, autonomous driving and generative Al</li> <li>Expanding demand for related materials due to the growth of the OLED market</li> <li>Growing demand for digital printing due to increase in on-demand printing</li> <li>Growth in the number of images taken and printing needs due to smartphone proliferation</li> <li>Expanding demand for analog products for the digital native generation</li> <li>Increasing demand for high- performance lenses due to higher-resolution images, advanced IoT technologies and the growing importance of security monitoring</li> </ul>	<ul> <li>Rising raw material costs due to soaring resource prices</li> <li>Raw material procurement risks and supply chain disruptions due to increased concerns about economic security and the formation of economic blocs</li> <li>Commoditization of digital devices</li> <li>Intensifying competition from alternative materials due to the commercialization of new technologies</li> <li>Lower-than-expected demand in the offset printing market</li> <li>Intensifying competition in the high-end mirrorless digital camera market due to improved smartphone cameras</li> </ul>	<ul> <li>Electronic Materials business: Growth rate and growth- oriented investments</li> <li>Ratio of Materials sales to total revenue</li> </ul>	<ul> <li>Growth rate of Electronic Materials business: 23.1% (YoY)</li> <li>Ratio of Materials sales to total revenue: 23.9%</li> <li>Announced the introduction of state-of- the-art equipment to produce CMP slurries in Kumamoto with the aim of building a stable semiconductor supply system</li> <li>Announced the construction of a new plant for color filter materials for image sensors in South Korea</li> </ul>	Ratio of Materials sales to total revenue: 23.9%* <sup>1</sup>	<ul> <li>Average annual growth rate of Electronic Materials business: More than 10% by FY2030</li> <li>Achieve ¥500 billion in Electronic Materials business sales (¥250 billion by FY2024, ¥400 billion by FY2028)</li> </ul>	Materials Imaging
<ul> <li>Work Style</li> <li>Create environments conducive to job satisfaction (provide solutions and services)</li> <li>Develop and utilize diverse human resources</li> </ul>	<ul> <li>Need to build and operate IT infrastructure with enhanced security/networking against the backdrop of cyberattack threats and the spread of remote working</li> <li>Growing market for business solutions and services that utilize AI and the cloud for DX and improving office work productivity</li> </ul>	<ul> <li>Decrease in print volumes due to entrenchment of remote working and increasing digitization of business processes</li> <li>Slowing growth and declining profitability due to the maturation of the office equipment market</li> </ul>	<ul> <li>Provide solutions and services that help workers improve productivity and exercise their creativity</li> <li>Growth rate of Business Solutions business</li> </ul>	<ul> <li>Provided 25.33 million*<sup>2</sup> people with work styles that support increased worker productivity and creativity</li> <li>Business Solutions business growth rate: 8.5% (YoY)</li> <li>Leveraged the Fujifilm brand to drive global expansion</li> <li>Acquired MicroChannel Services Pty. Limited, an Australian IT services company, and began full-scale overseas development of core DX business mainly targeting small and medium-sized enterprises</li> </ul>	■ Achieve 4% annual growth (FY2020→ FY2023) in Business Solutions sales that contribute to customers' DX	Provide 50 million people with work styles that support improved productivity and creativity	Business Innovation

\*1 Based on full-year forecasts (announced on August 9, 2023) \*2 Revision of calculation logic from fiscal 2022

## **Overview of Our Businesses**

The Fujifilm Group's current business portfolio was established through the evolution of innovation with our leading-edge, proprietary and advanced technologies honing the photographic film business. We aim to build a portfolio that enables us to continue innovating even if our business environment changes.

# Imaging

#### Various products and services related to photographs and videos from shooting to printing

#### Consumer Imaging

INSTAX, color films, color paper for photo printing, developing and printing systems, photo printing services and more

#### Professional Imaging

Mirrorless digital cameras featuring high picture quality enabled by our proprietary color reproduction technology, TV and cine lenses, industrial lenses including security lenses and machine vision lenses, projectors, digital signage and more

Business

Solutions

9.9%

# Business Innovation

Products and solution services that bring about new changes in work styles, improving productivity and inspiring creativity

#### Office Solutions

Document-related office solutions provided through multifunction devices, printers, consumables and maintenance services

#### Business Solutions

Solution-oriented document services tailored to various industries and operations, including system integration, cloud services, management of multifunction devices and business process outsourcing





#### Providing a wide range of businesses in the fields of prevention, diagnosis and treatment as a total healthcare company

#### Medical Systems

Various diagnostic equipment such as X-ray diagnostic imaging, endoscopes, ultrasound, in vitro diagnostic (IVD), and medical IT systems for centralized management of diagnostic images and other data

#### Bio CDMO

Process development and manufacturing services for high-quality biopharmaceuticals, demand for which is growing, and in the advanced medical fields of cell therapy drugs and gene therapy drugs

#### LS Solutions

Life Sciences

Total solutions in the fields of cells, culture media and reagents for drug discovery support

#### Consumer Healthcare

Functional cosmetics such as the ASTALIFT brand and supplement products

#### Pharmaceuticals

Process development and manufacturing services for next-generation drugs and mRNA vaccines



Various advanced materials and graphic communication solutions for communication equipment, sensors, next-generation displays and other equipment that support lifestyles in the era of AI and IoT

#### Electronic Materials

Various materials (e.g., photoresists, CMP slurries) used to manufacture semiconductors

#### Display Materials

Materials for LCD panels, OLED panels and other products

#### Industrial Products and Fine Chemicals

Industrial Products (e.g., sensor films for touch panels, recording media) and Fine Chemicals (e.g., advanced chemicals, reagents for research use)

#### Graphic Communication

Graphic communication solutions (e.g., offset printing equipment, digital printing systems) and inkjet solutions such as industrial printheads

Note: Figures for revenue in the Non-destructive Inspection business have been reclassified from the Materials segment to the Healthcare segment from fiscal 2023. Information for fiscal 2022 has been restated to reflect this change in classification.

#### The Fujifilm Group around the World (Domestic and Overseas Revenue)

Since its founding, the Fujifilm Group has developed its business in global markets. Overseas business is "localization," in other words, a style of entering the market on one's own, discovering needs and creating the market itself. We are working to build a strong network of production, sales and services around the world, rooted in local communities.

#### Worldwide consolidated subsidiaries As of March 31, 2023

273 companies Including 56 companies in Japan



### **Financial Highlights**



In fiscal 2022, we posted revenue of ¥2,859.0 billion (up 13.2% year on year) and operating income of ¥273.1 billion (up 18.9% year on year), which were both record highs. We thus achieved significant increases in revenue and operating income in strong businesses such as Medical Systems, Electronic Materials, Business Innovation and Imaging.



In fiscal 2022, net income attributable to FUJIFILM Holdings was a record ¥219.4 billion (up 3.9% year on year), thanks to the contribution of the record-high operating income.



Net income attributable to FUJIFILM Holdings per share in fiscal 2022 totaled ¥547.21 (up 3.8% year on year). Cash dividend per share increased for the 13th consecutive year to ¥130, with a dividend payout ratio of 23.8%. The Company has a policy of shareholder returns that emphasizes cash dividends, targeting a dividend payout ratio of 30%.

\* Net income attributable to FUJIFILM Holdings per share is calculated based on the number of shares of common stock (excluding treasury stock) outstanding for the year.



The Fujifilm Group does business in a variety of fields. It advances research and

development in priority business areas through product design integrating a wide range of fundamental and core technologies, while at the same time generating new businesses for the future.



We are making aggressive capital investments to ensure that we capture the robust demand in the biopharmaceuticals and semiconductor markets. In fiscal 2022, a total of ¥288.3 billion in capital expenditures was made.

\* The figures do not include amounts for rental equipment handled by the Business Innovation segment, etc.



In fiscal 2022, total assets were ¥4,134.3 billion (up 4.5% year on year), mainly reflecting increases in property, plant and equipment. The shareholders' equity ratio was 66.8% (up 3.5 percentage points year on year), maintaining a stable capital structure.

Special Feature: o-creating Value with Stakeholders

Sustainability

## **Non-Financial Highlights**



To realize a decarbonized society, a target of the Paris Agreement, we have set  $CO_2$  emission reduction targets to achieve by fiscal 2030. We are working to reduce  $CO_2$  emissions throughout product life cycles (in raw material procurement and in product manufacturing, transportation, use and disposal). In addition, we are contributing to  $CO_2$  emission reductions in society through our products and services.

\* The figures are restated after fiscal 2019, the base year for the emission reduction target, by reviewing target products at each stage.



In the Sustainable Value Plan 2030, the creation of frameworks and workplaces in which diverse employees can play active roles is a priority issue. To promote the success of wormen, we have set a goal of increasing the percentage of wormen in managerial positions in the Fujifilm Group to 25% by the end of fiscal 2030. Fujifilm and FUJIFILM Business Innovation have each formulated and announced a five-year action plan for promoting the success of wormen covering the period from April 2021 to March 2026 based on the Act on the Promotion of Wormer's Active Engagement in Professional Life.

\* Executive and management positions are based on the definitions used by each Group company.



In addition to examining measures to maximize energy use efficiency and reduce CO<sub>2</sub> emissions in energy procurement across the Group, we are proactively developing these measures within the Group. Our target is to switch to renewable energy at a rate of 50% of purchased electricity by fiscal 2030 and 100% by 2040, achieving zero CO<sub>2</sub> emissions from all the energy that we use.

\*1 The total might not match the sum of the indicated figures.

\*2 Total of heavy oil A, heavy oil C, kerosene, light oil and gasoline \*3 Total of natural gas, liquefied natural gas (LNG), city gas, butane and liquefied petroleum gas (LPG)

\*4 Landfill methane gas

\*5 Total of electricity generated by in-house power generators and purchased electricity



To promote talented non-Japanese employees, we have set the goal of increasing the percentage of non-Japanese employees in key positions to 35% by fiscal 2030. We appoint the right people to be the leaders of our businesses in each market, regardless of their nationality.

\*1 Employees who do not have Japanese citizenship



We have been using a large amount of clean water for the manufacturing of photographic films. Therefore, we have been taking actions to reduce the water intake amount and to utilize recycled water since our early days. Our goal is to reduce the Group's water usage by 30%\* by fiscal 2030. In Kumamoto Prefecture, where Fujifilm operates a factory, we have been making efforts to protect water sources for many years. For example, we have been working with local residents to plant trees and maintain forests protecting the catchment function of the watershed in the upper reaches of the Shirakawa River.

\* Compared with fiscal 2013



In Japan, the Fujifilm Group has continued to achieve a percentage of employees with disabilities above the statutory level since fiscal 2016. We aim to maintain a percentage that is higher than the statutory level. We created operations that people with disabilities can skillfully accomplish by involving an external specialized institution (Local Vocational Centers for Persons with Disabilities) and helped those people become engaged in their jobs by working together with supporting organizations. We also continued to create workplaces where people with intellectual or mental disabilities can play active roles.

\* Starting in fiscal 2018, we disclose the rate achieved by FUJIFILM Holdings Group companies to which the special calculation rules for corporate groups apply.

<sup>\*2</sup> Key positions: The positions of the presidents of major subsidiaries, general managers of departments in charge of key businesses and the like are defined as key positions. Looking at the overall Group from a global perspective, to accelerate the growth of the global business, we have reorganized our structure by adding functions that will become increasingly important as well as adding key positions in the head office, clarifying them as key positions within the Group.