

## Chapter 02 Strategy and Resource Allocation







# Chapter 02

Chapter

## Strategy and Resource Allocation

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## Review of Past Medium-Term Management Plans

VISION2016		VISION2019	VISION2023
Objectives	Achieve record-high profits and increase ROE by building a business portfolio that can grow stably over the medium to long term while strengthening shareholder returns.	Further solidify the business portfolio established under the previous medium-term management plan by entrenching each business and strengthening M&A investments and shareholder returns, in order to achieve record-high profits, increase ROE and inspire new leaps forward.	Accelerate growth in the Healthcare segment and the Advanced Materials business and build an even stronger business foundation for sustainable growth, in order to achieve record-high figures for operating income and net income attributable to FUJIFILM Holdings.
Priority issues/ Initiatives	<ul style="list-style-type: none"> <li>● Accelerate the growth of core businesses: Increase sales, market share and profits by expanding sales activities, launching new products and engaging in M&amp;As, with the Healthcare, Advancement Materials and Document businesses as growth drivers</li> <li>● Improve profitability in all businesses: Improve profitability by increasing productivity and efficiency in all businesses while maintaining business scale and a competitive edge</li> <li>● Set and disclose targets for ROE and shareholder returns (more than ¥200 billion)</li> </ul>	<ul style="list-style-type: none"> <li>● Position each business into three stages according to our growth process—"Improve profitability," "Further accelerate growth" and "Invest to create a new future"—and develop measures to suit the relevant growth process</li> <li>● Strengthen corporate governance as a foundation and accelerate global business development</li> <li>● Deliver total shareholder returns of ¥300 billion</li> <li>● Make total M&amp;A investments of ¥500 billion</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthen business portfolio management and make growth investments of ¥1.2 trillion over three years</li> <li>● Strengthen cash flow management and set/disclose target values for ROIC and CCC</li> <li>● Enter new markets for further growth</li> <li>● Create synergies from the businesses strengthened through M&amp;As in the Healthcare and Business Innovation segments</li> <li>● Establish indicators to show the status of efforts to address social issues through our business activities and disclose target values</li> </ul>
Achievements/ Progress	<ul style="list-style-type: none"> <li>● Promoted investment in advanced medical fields, including healthcare (through the acquisition of Texas-based Kalon Biotherapeutics, LLC in the Bio CDMO business) and regenerative medicine (through the acquisition of Cellular Dynamics International, Inc.)</li> <li>● Advanced Materials: Improved profitability through increased sales in the Electronic Materials and Display Materials businesses</li> <li>● Imaging: Achieved significant increases in profitability in both the Photo Imaging business driven by the growth of instant photo systems and the Electronic Imaging business, which is shifting to high-end mirrorless digital cameras</li> </ul>	<ul style="list-style-type: none"> <li>● Healthcare: Made and implemented aggressive investment decisions, including the acquisition of the diagnostic imaging business of Hitachi, Ltd., a large-scale capital investment in the Bio CDMO business in Denmark and the acquisition of Wako Pure Chemical Industries</li> <li>● Advanced Materials: Growth in revenue and profit driven by the Electronic Materials business</li> <li>● Document: Posted an operating margin above 10% (in the plan's final year), sped up decision-making by making Fuji Xerox a wholly owned subsidiary and built a foundation for further synergies within the Fujifilm Group</li> </ul>	<div>Fiscal 2021 to 2022</div> <ul style="list-style-type: none"> <li>● Healthcare has grown into the largest segment in both revenue and operating income</li> <li>● Following the sale of the radiopharmaceutical business, we decided to sell the electronic medical records and medical-receipt systems related business of FUJIFILM Healthcare (FHC) and promote building an optimal business portfolio</li> <li>● In fiscal 2022, the second year of the medium-term management plan, the Company posted consecutive record-high profits of ¥273.1 billion in operating income and ¥219.4 billion in net income attributable to FUJIFILM Holdings</li> </ul> <p><small>Note: Please refer to Financial Capital Strategy (Message from the CFO) on p.31 for details of the review of fiscal 2022.</small></p>
Performance target achievement level/ Tasks for the final year	<ul style="list-style-type: none"> <li>● FY2016: Underachieved revenue and operating income targets due to yen appreciation</li> <li>● Net income attributable to FUJIFILM Holdings reached a record high of ¥131.5 billion</li> <li>● Delivered around ¥290 billion in shareholder returns (including dividends and share buybacks) over the three-year period</li> </ul>	<ul style="list-style-type: none"> <li>● Achieved record-high operating income of ¥209.8 billion in fiscal 2018, but failed to meet the target for fiscal 2019 (final year of the plan) due to COVID-19 in the fourth quarter and the significant impact of foreign exchange rates in the Asia-Pacific region</li> <li>● Made around ¥700 billion in M&amp;As and other growth-oriented investments over the three-year period</li> <li>● Delivered around ¥300 billion in shareholder returns (including dividends and share buybacks) over the three-year period</li> </ul>	<ul style="list-style-type: none"> <li>● Maximize synergies with FHC in Medical Systems and reorganize the functions of domestic Group companies (scheduled to be completed in the summer of 2024)</li> <li>● Pass on cost increases to prices due to higher energy prices and labor costs in Bio CDMO and complete the first phase of ongoing capacity expansion at the Denmark site</li> <li>● Stabilize the supply and demand of raw materials in Life Sciences (culture media)</li> <li>● Secure closing of the acquisition of the Semiconductor Process Chemicals business in Electronic Materials</li> </ul>

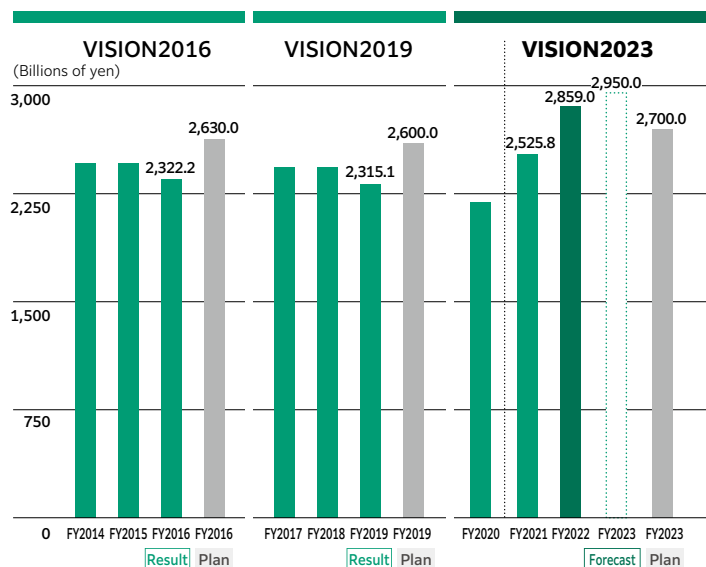
**Revenue**

VISION2016 (result)  
¥2,322.2 billion

VISION2019 (result)  
¥2,315.1 billion

VISION2023 (Full-year forecast)  
¥2,950.0 billion

VISION2023 (plan)  
¥2,700.0 billion

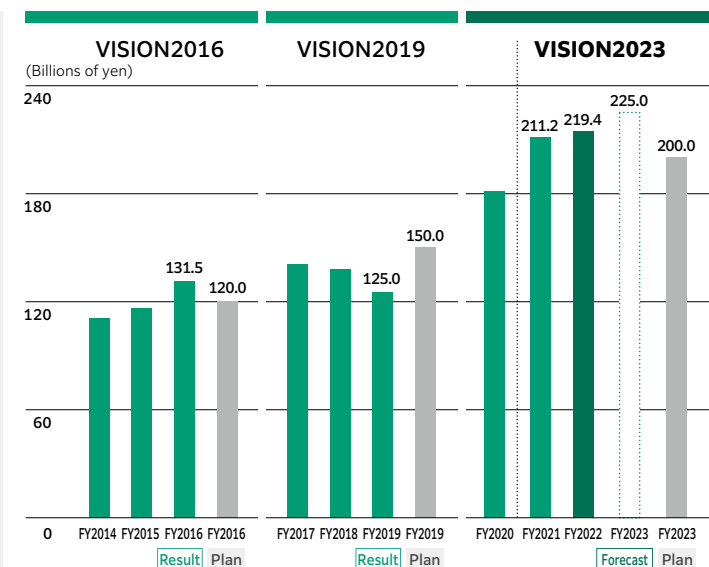
**Net income attributable to FUJIFILM Holdings**

VISION2016 (result)  
¥131.5 billion

VISION2019 (result)  
¥125.0 billion

VISION2023 (Full-year forecast)  
¥225.0 billion

VISION2023 (plan)  
¥200.0 billion

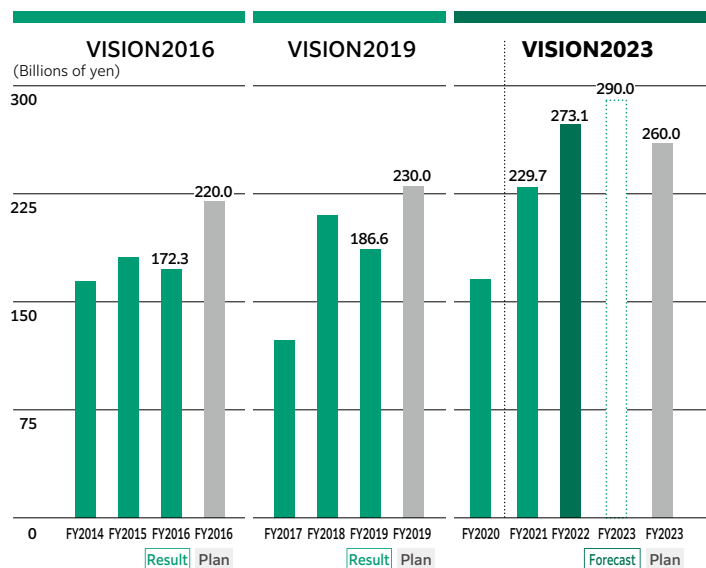
**Operating income**

VISION2016 (result)  
¥172.3 billion

VISION2019 (result)  
¥186.6 billion

VISION2023 (Full-year forecast)  
¥290.0 billion

VISION2023 (plan)  
¥260.0 billion

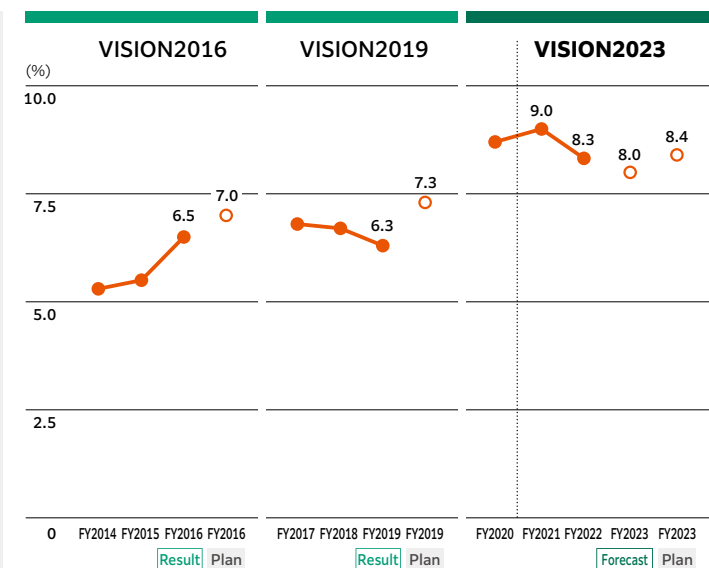
**ROE**

VISION2016 (result)  
6.5%

VISION2019 (result)  
6.3%

VISION2023 (Full-year forecast)  
8.0%

VISION2023 (plan)  
8.4%





## Financial Capital Strategy



### Message from the CFO

We will build a foundation for future earnings by strengthening our ability to generate cash and reinforcing business portfolio management.

### Masayuki Higuchi

Director and Corporate Vice President  
CFO and General Manager of Corporate Planning Division  
FUJIFILM Holdings Corporation

### Q Please give us a review of your medium-term management plan, VISION2023, and tell us about the challenges you face in fiscal 2023, the final year of the plan.

In fiscal 2022, we posted record-high figures for revenue and operating income, both of which surpassed the final-year targets of VISION2023 one year ahead of schedule. Revenue increased 13.2% year on year to ¥2,859.0 billion, with all segments achieving year-on-year revenue growth. Operating income rose 18.9% to ¥273.1 billion, mainly due to the revenue increase and the impact of foreign exchange rates. This was despite a decrease in COVID-related special demand in the Healthcare and Materials segments compared to the previous year, as well as higher material and energy costs.

We faced a challenging business environment due to lockdowns in China, soaring energy prices caused by the Ukraine situation and other geopolitical factors, and a tight supply-demand balance for parts and materials. Nevertheless,

businesses/segments such as Medical Systems, Business Innovation and Imaging performed better than expected because we swiftly addressed the parts procurement issue and appropriately reviewed our selling prices.

On the other hand, the Bio CDMO business, which could not absorb sharp increases in fixed costs due to inflation, and the Life Sciences business, which continued to face a tight supply-demand balance for raw materials, fell short of their targets. In addition, conditions remained difficult for Display Materials and other businesses compared to the previous fiscal year, which benefited from COVID-related demand, but the Company as a whole achieved favorable results that exceeded its forecasts.

In fiscal 2023, we are targeting revenue of ¥2,950 billion, operating income of ¥290 billion and net income attributable to FUJIFILM Holdings of ¥225 billion. All of these will be record-high figures surpassing the final-year targets of VISION2023. Meanwhile, demand for biopharmaceuticals and

### ● Performance targets

(Billions of yen)

	FY2021 result	FY2022 result	FY2023 forecast	FY2023 VISION2023
Revenue	2,525.8 100%	2,859.0 100%	<b>2,950.0</b> <b>100%</b>	2,700.0 100%
Operating income	229.7 9.1%	273.1 9.6%	<b>290.0</b> <b>9.8%</b>	260.0 9.6%
Income before income taxes	260.4 10.3%	282.2 9.9%	<b>295.0</b> <b>10.0%</b>	265.0 9.8%
Net income attributable to FUJIFILM Holdings	211.2 8.4%	219.4 7.7%	<b>225.0</b> <b>7.6%</b>	200.0 7.4%
Net income attributable to FUJIFILM Holdings per share	¥527.33	¥547.21	<b>¥560.95</b>	¥500.27
ROE	9.0%	8.3%	<b>8.0%</b>	8.4%
ROIC	5.6%	6.1%	<b>5.9%</b>	6.1%
CCC (days)	122	125	<b>111</b>	103

FY2022 exchange rates: US\$1.00=¥136, €1.00=¥141; silver price=¥93,000/kg

Operating income exchange rate sensitivity: US\$: ¥0.6 billion, €: ¥0.8 billion

Exchange rate assumptions (VISION2023): US\$1.00=¥104, €1.00=¥124; silver price=¥84,000/kg

Exchange rate assumptions (FY2023 forecasts): US\$1.00=¥136, €1.00=¥146; silver price=¥106,000/kg

semiconductor-related products is stronger than we assumed when we formulated VISION2023. For this reason, we have decided to further increase growth-oriented investments, particularly in the Bio CDMO and Electronic Materials businesses, to capture this growth opportunity.

In the Bio CDMO business, we are currently expanding the primary capacity of our tanks in Denmark (FDBD<sup>\*1</sup>), with the larger-capacity production scheduled to start in fiscal 2024. Accordingly, we expect revenue to remain flat in fiscal 2023. With respect to operating income, however, we will improve the operating margin by passing on higher costs caused by inflation to our selling prices.

In the Electronic Materials business, we expect the market for semiconductor-related materials to begin recovering from the second half of fiscal 2023, which will also benefit our business. In anticipation of significant growth in the semiconductor market, including in the area of generative AI applications, we will work to expand the Electronic Materials business.

In the Business Innovation segment, print volumes in the office market are on a gradual downtrend. Nevertheless, we will maintain steady sales of office equipment and supplies through OEM supply partnerships and expansion into new sales regions, while increasing revenue from solutions and services. As a result, we are targeting an increase in overall segment revenue.

In the Imaging segment, demand for INSTAX instant photo systems remains strong in North America and Europe, as well as China, Japan, India and other countries. We also expect demand to remain firm in the future, which will benefit earnings in this segment.

Our next medium-term management plan will cover the three-year period starting in April 2024. At present, we are conducting in-depth Company-wide discussions with a view to announcing the plan around next spring. Our strategy of positioning Healthcare and Advanced Materials as growth drivers remains unchanged. Based on this strategy, we will reiterate our specific management plan and guidance.

<sup>\*1</sup> FUJIFILM Diosynth Biotechnologies Denmark ApS

### How is your progress with respect to return on invested capital (ROIC)?

Our ROIC in fiscal 2022 was 6.1%, up 0.5 percentage point year on year, due to an improved operating margin. In fiscal 2023, however, we forecast ROIC of 5.9%, down 0.2 percentage point. While the operating margin will improve, we have to make large-scale capital investments exceeding the plan of VISION2023 (¥1,121.4 billion over three years, which is ¥371.4 billion higher than VISION2023) to address strong demand for biopharmaceuticals and semiconductor materials.

In the Bio CDMO business, we are currently in the large-scale growth-oriented investment phase, which involves negative cash flow. In the final year of the next medium-term management plan, however, we expect to generate positive cash flow, and capital efficiency will improve accordingly.

We are working to make sure that ROIC exceeds the weighted average cost of capital (WACC), which is the hurdle rate we have set, while taking into account global interest rate fluctuations and the business environment. For businesses with

ROIC below WACC (among Medical Systems, Life Sciences, Advanced Materials, Graphic Communication, Business Innovation and Imaging), we will work to improve ROIC by reducing working capital to improve the cash conversion cycle (CCC) while increasing capital investment efficiency and improving profitability.

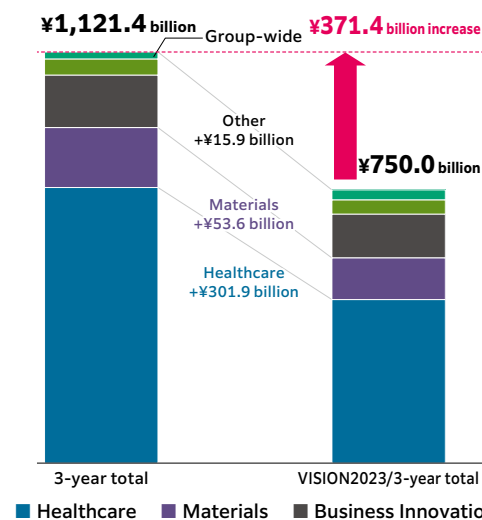
### How is your cash flow management progressing?

In fiscal 2022 financial results, net cash provided by operations amounted to ¥210.5 billion, down ¥113.4 billion from the previous year, mainly due to an increase in year-end receivables resulting from strong sales in the fourth quarter.

Net cash used in investing activities totaled ¥323.2 billion, up ¥169.7 billion from the previous year, mainly due to increased capital expenditures centered on the Bio CDMO business.

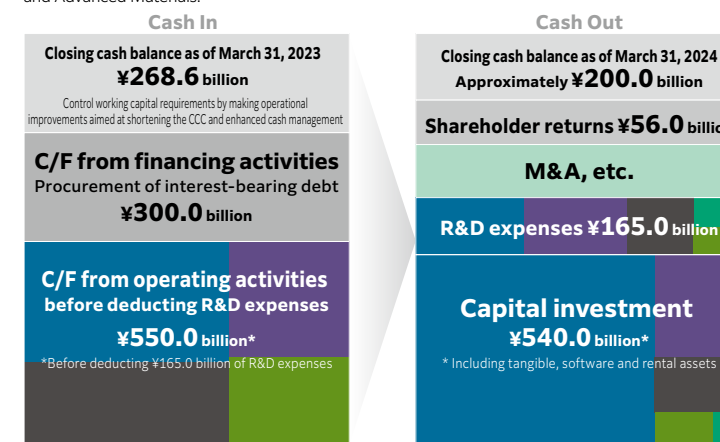
CCC for the year was 125 days, meaning we did not reach the 114-day target set at the beginning of the year. This was due to an increase in inventory days resulting from a temporary

### Capital investment (including tangible, software and rental assets)



### FY2023 cash allocation

We will maximize net cash provided by operating activities by strengthening portfolio management and maintaining financial soundness while continuing growth investment centered on Healthcare and Advanced Materials.



buildup of inventory associated with the procurement of semiconductors and other parts and materials. Our target for fiscal 2023 is 111 days. To this end, we will work on improvements mainly targeting inventories, including by building a system to prevent new inventory backlogs and shortening lead times for all aspects of supply, such as procurement, production and logistics.

In addition to making large capital investments centered on the Bio CDMO and Electronic Materials businesses, we have factored in cash outflows in fiscal 2023 associated with the acquisition of the semiconductor process chemical business of Entegris, Inc., a U.S. semiconductor materials manufacturer (approx. ¥95 billion investment) and the conversion of two Bio CDMO subsidiaries—FDBU<sup>\*2</sup> (United States) and FDBK<sup>\*3</sup> (United Kingdom)—into wholly owned subsidiaries.

Under these circumstances, in addition to operating cash flow, we will consolidate funds from Group subsidiaries to the head office and procure interest-bearing debt (totaling ¥300 billion) for growth-oriented investments in such areas as capital expenditures, R&D, M&As and shareholder returns.

With respect to our business portfolio, we will leverage the Business Innovation and Imaging segments, positioned as foundations for future earnings as reflected in VISION2023, to ensure the stability of the Group's overall management. Cash generated by those businesses will be allocated to the New/Future Potential and Growth Driver businesses, namely Healthcare and Advanced Materials, on a priority basis. We will continue maximizing operating cash flow by strengthening our business portfolio management. At the same time, we will work to increase corporate value through ongoing investments in growth, particularly in Healthcare and Advanced Materials, while maintaining financial soundness.

<sup>\*2</sup> FUJIFILM Diosynth Biotechnologies U.S.A., Inc.

<sup>\*3</sup> FUJIFILM Diosynth Biotechnologies UK Limited

### Q What is your approach to capital structure?

We aim to grow our business while maintaining financial soundness, without excessive reliance on leverage. Specifically, we aim to maintain the net debt/EBITDA ratio (net of cash and

cash equivalents) at no more than 2 times and receive credit ratings of at least single A (current ratings include long-term AA- from S&P and long-term AA from R&I). Our current EBITDA is approximately ¥400 billion, and interest-bearing debt at fiscal year-end was ¥376.2 billion. After taking into account additional financing of ¥300 billion and an estimated cash and cash equivalents balance of around ¥200 billion (end of fiscal 2023), our current net debt/EBITDA ratio is about 1.2 times. Therefore, we expect to be able to borrow up to around ¥1 trillion from external sources.

### Q What is your policy on shareholder returns?

In fiscal 2022, we paid an annual dividend of ¥130 per share (up ¥20 year on year). In fiscal 2023, we plan to declare an annual dividend of ¥150 per share, including a ¥10 commemorative dividend for the 90th anniversary of the Company's founding, marking the 14th consecutive year of dividend increases. The

full-year dividend payout ratio is projected to be 26.7%.

Our shareholder return policy remains unchanged. We will continue balancing business growth and financial discipline while paying stable and continuous dividends, with a target payout ratio of 30%. We will also implement share buybacks flexibly in accordance with changes in our stock price, taking into consideration our cash position and cash flow situation at the time. Our total shareholder return (TSR; June 30, 2023 basis) has outperformed the TOPIX Index and the TOPIX Chemicals Index over the past three, five and 10 years. We believe that the market recognizes our progress in increasing corporate value, with Healthcare and Advanced Materials as growth drivers, which is also reflected in our stable and progressive dividend payments.

### Q How is your business portfolio management progressing?

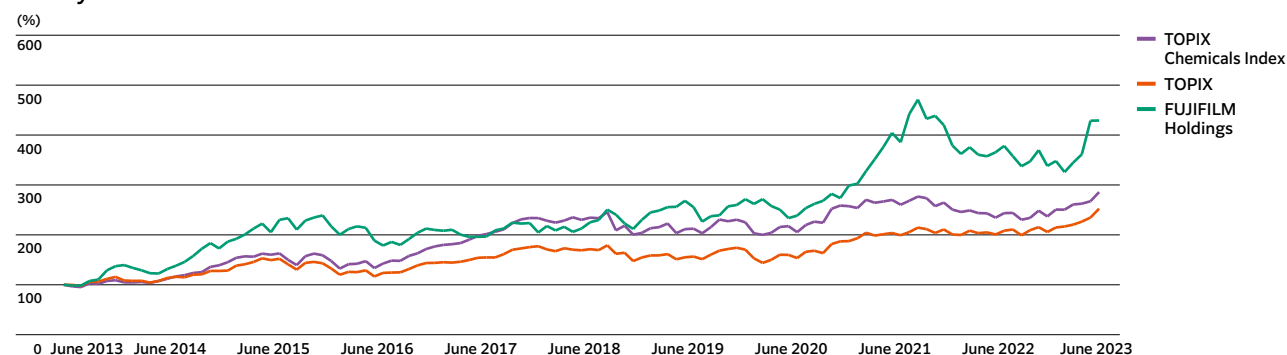
By strengthening business portfolio management, we will

## ● TSR (Total Shareholder Return)

Investment period	1 year	3 years		5 years		10 years	
		Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
FUJIFILM Holdings	19.1%	92.6%	24.4%	109.3%	15.9%	329.1%	15.7%
TOPIX	25.7%	57.8%	16.4%	49.3%	8.3%	152.4%	9.7%
TOPIX Chemicals Index	21.8%	31.3%	9.5%	24.2%	4.4%	185.7%	11.1%

Notes:  
 · Total shareholder return (TSR): Total return on investment, including capital gains and dividends  
 · Both indexes include dividends  
 · Annualized figures are geometric averages  
 · Prepared by the Company based on data from QUICK

## ● 10-year trends



maximize operating cash flow and continue making growth-oriented investments, centered on Healthcare and Advanced Materials, while maintaining financial soundness.

In the Medical Systems business, we will create greater synergies through the integration of FUJIFILM Healthcare Corporation (FHC), which took over the diagnostic imaging business of Hitachi, Ltd. in March 2021. In addition, we acquired the digital pathology business of Inspirata, Inc. of the United States, marking our full-scale entry into that business. In the process, we will accelerate our business strategy with medical IT at the core. We are aiming for 7% annual growth, with revenue targets of ¥700 billion in fiscal 2026 and ¥1 trillion in fiscal 2030.

In the Bio CDMO business, we are aiming for more than 20% annual growth, with a revenue target of ¥500 billion in fiscal 2030. We will achieve this by making FDBU and FDBK into wholly owned subsidiaries and increasing production capacity

at FDBD.

Meanwhile, we are constantly reviewing and optimizing our portfolio by withdrawing from business within the Healthcare segment deemed to be non-core, as reflected in our decision to sell FHC's electronic medical record and medical-receipt systems related business.

#### Q What are the implications of your acquisition of Entegris's semiconductor process chemical business?

To accelerate the growth of our Advanced Materials business, positioned as a growth area, we will acquire the semiconductor process chemical business of Entegris, Inc., a U.S. semiconductor materials manufacturer. Specifically, we will acquire CMC Materials KMG Corporation (KMG), an Entegris Group company that operates a global semiconductor process chemical business. This will enable us to expand our product lineup and strengthen our ability to make proposals to

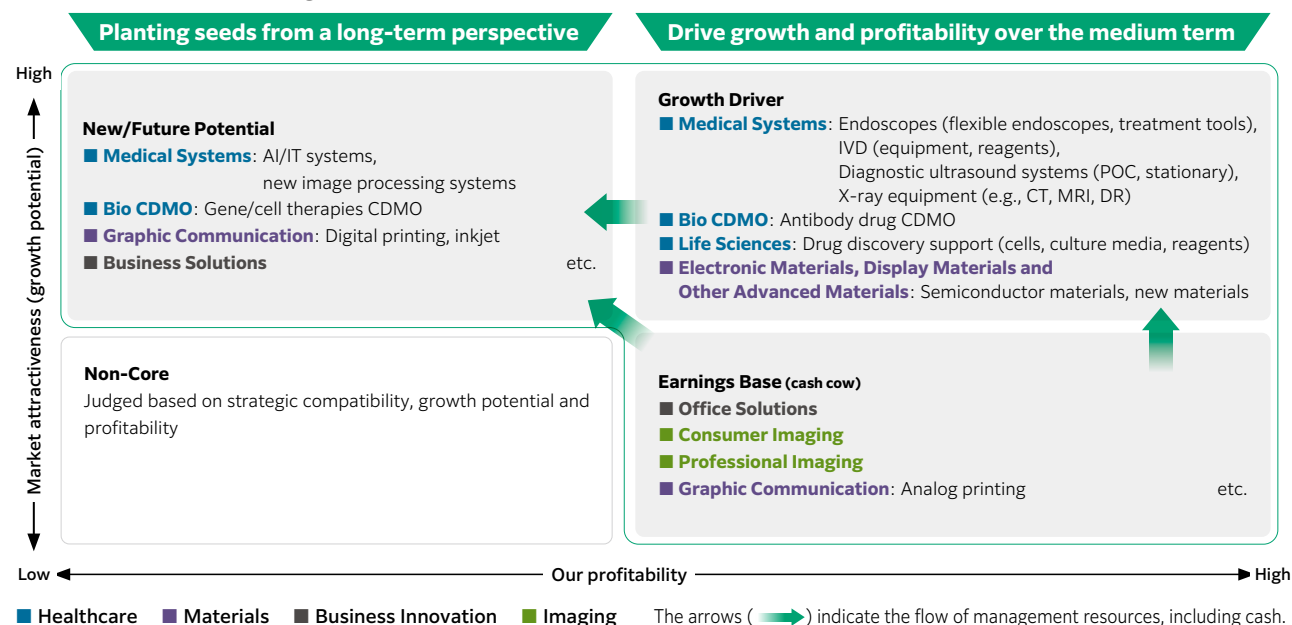
customers while broadening our manufacturing network in Europe and the United States. We will also acquire our first manufacturing base in Southeast Asia in the semiconductor materials field, thereby further strengthening our global manufacturing structure. In addition, it will accelerate the growth of our Electronic Materials business. This will allow us to achieve our revenue targets (¥250 billion for fiscal 2024 and ¥400 billion for fiscal 2028), two years ahead of our initial plan.

#### Q What are the results of your dialogue with capital market participants?

In February 2023, we cancelled 100 million shares of treasury stock, or 19.4% of shares outstanding before cancellation. We held treasury stock for the purpose of making large-scale M&As and the like. However, as we implement our current management plan, which centers on growth-oriented investments in capital equipment and R&D, we decided to cancel the treasury stock, judging that there will be no immediate opportunity to utilize it for its initial purpose. We have received high acclaim from shareholders and other investors regarding this matter, as some investors had raised concerns about dilution.

We also regard price-to-book value ratio (PBR) as one of our key performance indicators and always strive to close the gap between corporate value and the demands of the stock market. Through active dialogue with shareholders and other investors, we will increase their understanding of our medium-to long-term growth strategy and enhance our corporate value. Specifically, we will promote a growth scenario targeting revenue of ¥3.5 trillion or more by fiscal 2030, with Healthcare and Advanced Materials as the pillars. We will also work to help investors understand that intangible assets, such as human capital and intellectual capital, which have been the driving force behind our business structural transformation, are key sources of our corporate value creation. To this end, we will continue actively engaging in dialogue with stock market players.

### ● Business portfolio management





## Strategies by Business Segment



# Healthcare

Relevant  
materiality



## Business Environment

### Opportunities

The aging of society is increasing medical expenses, and at the same time, harsh working conditions in the medical field driven by a shortage of medical personnel are becoming apparent. In addition, there are many diseases for which effective treatments have yet to be established, such as cancer, rare diseases and new infectious diseases. Biopharmaceuticals, which have few side effects and are expected to be highly effective, have been attracting attention in recent years as a means of treating and preventing these diseases. They have grown to account for approximately 30% of the global pharmaceutical market, and the market size of the CDMO business, which develops production processes and contracts out manufacturing, continues to expand at an annual rate of approximately 10%.

### Risks

Unforeseeable large-scale changes in medical administration policies due to healthcare system reforms, tighter laws and regulations affecting medical devices, the postponement or cancellation of new drug development by pharmaceutical companies and changes in the business environment as the difficulty of drug discovery increases, and intensifying competition in the biopharmaceutical process development and contract manufacturing market because of technological innovation are recognized as risks.

### Competitive advantages

- Image processing and AI technologies for providing images suitable for diagnosis
- Advanced chemical compounds, design capabilities and nanotechnologies that enable development of pharmaceuticals to address unmet medical needs
- High levels of technological capabilities to manufacture under consistent conditions and with superior quality control utilized in the process development and manufacturing of biopharmaceuticals
- World-leading iPS cell initialization and differentiation induction technology and culture medium development capabilities

## Business Activities

Our Healthcare segment consists of Medical Systems, which includes medical IT and equipment, and Life Sciences, which includes the Bio CDMO business\*<sup>1</sup>, Life Sciences business, Pharmaceuticals business, Consumer Healthcare business, and the CRO Business Development Office that was established in April 2023. In the life sciences field, we have positioned CDMO and drug discovery support as priority businesses.

\*1 Abbreviation for Contract Development & Manufacturing Organization. These are companies offering services to pharmaceutical companies ranging from cell line development in the early stages of drug development, stability testing, and development and manufacturing of clinical trial drugs to commercial drug manufacturing.

\*2 According to a survey by Signify Research.

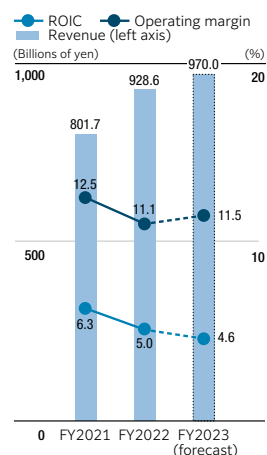
## No. 1

share of the global market for medical imaging information systems\*<sup>2</sup>

Medical-use PACS  
SYNAPSE

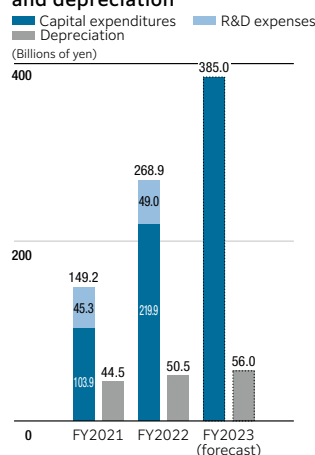


### Segment results

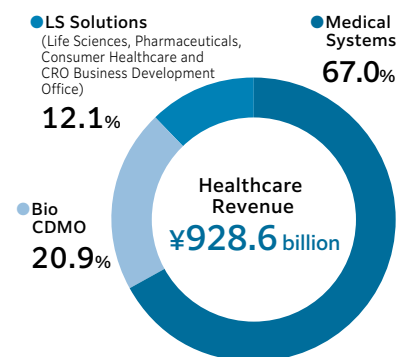


Notes:  
1. R&D expenses forecasts are not disclosed by segment.  
2. ROIC for FY2023 is based on the initial full-year forecast (announced in May 2023).

### Capital expenditures, R&D expenses and depreciation



### Revenue ratio by segment (FY2022)



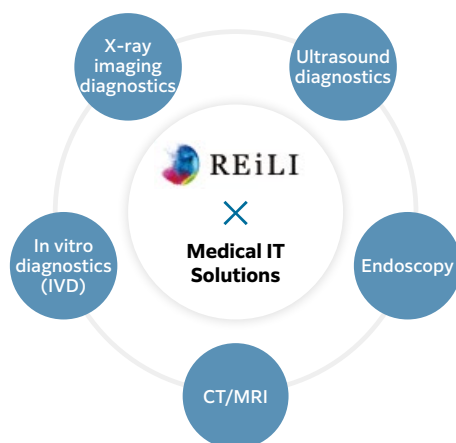
Note: From FY2023, the amounts for revenue and operating income from the non-destructive testing business have been reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated to reflect this reclassification.

## Medical Systems

### Growth Strategy

Utilizing its proprietary image processing and AI technologies, Fujifilm is advancing its business in a wide range of areas. These include X-ray diagnostic imaging, endoscopy, ultrasound, in vitro diagnostics (IVD) and medical IT solutions. In 2021, FUJIFILM Healthcare (which took over the Diagnostic Imaging business of Hitachi, Ltd.), for which the main products include CT and MRI equipment, joined the Fujifilm Group. With medical IT at the core of our business, we will continue developing and providing products and services that meet the needs of the medical field by linking our various product groups around SYNAPSE, our medical-use picture archiving and communication system (PACS), which boasts the world's top market share. In these ways, we will foster advances in medical care and help maintain and improve the health of people around the world.

To help resolve the major global issue of eliminating medical disparities, we will provide our unique solutions, such as NURA, a health screening business launched in India, and tuberculosis screening that utilizes a portable X-ray imaging device.



### Business Strategies

#### Medical Systems

**Create new value and help resolve social issues by combining our industry-leading AI/IT technology with our broad product lineup.**

- Under the AI technology brand “REiLI,” drive the development of IT and AI technologies that provide new value to medical professionals along four axes: high image quality, organ segmentation, computer-aided diagnosis and improved workflow efficiency
- Create synergies in sales and development with FUJIFILM Healthcare
- Expand the diagnostic solutions business in the endoscopy business
- Engage in full-scale development of “SYNAPSE Creative Space,” a cloud-based AI technology development support service
- Launch the INNOMUSE brand of women’s health solutions to support women facing health challenges at various life stages with a broad portfolio of solutions

Field	Diagnostic imaging system										Medical IT		IVD
Product	CT	MRI	Fluoroscopy system	General radiography system	Mammography	Mobile x-ray system	DR panels/ CR	Bone densitometry	Ultrasound system	Endoscopy	HER/ HIS	PACS	
FUJIFILM Corporation													
FUJIFILM Healthcare Corporation													

### TOPICS Launch of the women’s health solution brand INNOMUSE

The Fujifilm Group is strengthening its solution proposals for breast cancer screening and other breast imaging areas. Here, we combine a wide range of offerings, including digital radiography systems, medical IT, diagnostic ultrasound systems and MRI systems, to meet the needs of medical practices. We are also accelerating the development of products that combine the Group’s technologies to provide higher-value-added solutions. In the future, these efforts will be expanded from the breast imaging area to the area of women’s healthcare (women’s health), including obstetric and gynecological examinations and bone density testing. We will implement a broad rollout of solutions under the brand name “INNOMUSE” to help maintain and advance women’s health.

# Life Sciences

## Growth Strategy

We will continue to make capital investments in the Bio CDMO and Life Sciences businesses, which are expected to achieve high growth over the medium to long term, and aim to expand our business by providing one-stop value as a company that supports the creation of cutting-edge biopharmaceutical products.

## Business Strategies

### Bio CDMO



**Contribute to improving medical accessibility and fulfilling unmet medical needs through the stable supply of high-quality biopharmaceuticals and the process development and contract manufacture of cell and gene therapeutics, an advanced medical field.**

- Further expand our contract manufacturing business in cutting-edge therapeutics by adding gene therapies, which are being strengthened at our sites in Texas and Boston in the United States and the United Kingdom, and cell therapeutics, which were launched at our California site, to the antibody drugs for which production capacity is being increased at our sites in Europe and the United States.
- Establish FUJIFILM Diosynth Biotechnologies Japan. Expand the contract development and manufacturing business for biopharmaceuticals in the growing Japanese and Asian markets in cooperation with FUJIFILM Diosynth Biotechnologies (FDB), which has accumulated a large track record of contract manufacturing mainly in Europe and the United States.
- Achieve differentiation by establishing industry-leading high-productivity technologies in each modality, such as the commercial continuous production system, which enables integrated production of antibody drugs from culture to purification, and proprietary plasmid technology to build highly productive cell lines for bispecific antibodies.
- Establish "one-stop service offerings" including process development, drug substance manufacturing, fill/finish, assembly, labeling and packaging, from small-scale to large-scale production.

## Business Strategies

### Life Sciences

(Drug discovery support, contract development/ manufacture of cell therapeutic processes)



**To support the pharmaceutical industry through aggressive business development in the biomedical field.**

- Drug discovery support: Globally supply and sell cells (mainly iPS cells), culture media, cytokines and reagents as a set
- Cell therapeutics (utilizing iPS cell technology and know-how): Accelerate the development of therapeutics with alliance partners and promote contract development and manufacturing services
- Strengthen the supply and customer support capabilities under a global production system that includes the United States, Europe and Japan



### Pharmaceuticals



**Help further develop the pharmaceutical industry by utilizing our unique Drug Delivery System (DDS) technology, manufacturing facilities and infrastructure.**

- Promote liposomal formulation development using our nano-dispersion, analysis and process technologies.
- Use our lipid nanoparticulate manufacturing facilities and infrastructure to build a process development and contract manufacturing business for antibiotics such as penicillin and next-generation nucleic acid drugs and mRNA vaccines.
- The decision to establish Japan's first Bio CDMO site in Toyama Prefecture will accelerate business growth by introducing a dual-use facility that can produce biopharmaceuticals to meet customer needs in normal times and switch to vaccine production in the event of a pandemic. It will also play a role in the Japanese government's initiative to strengthen domestic vaccine production.



## Business Strategies

### Consumer Healthcare

(Cosmetics, supplements)

#### Offer highly distinctive products that address broader needs and contribute to people's beauty and health.

- Cosmetics: Develop highly original and functional products such as launching the ASTALIFT the Serum series by applying liposome technology to cosmetics and enhancing the value of the ASTALIFT brand to meet a wide range of needs.
- Supplements: Respond to growing needs to maintain and improve health, focusing on our MetabARRIER series of functional foods.



### TOPICS Full-scale entry into the drug discovery support CRO business

In recent years, pharmaceutical companies and bio-ventures have increasingly collaborated with a Contract Research Organization\* (CRO), which possesses advanced analytical technologies and expertise from the early stages of research and development, aiming to improve the probability of success in new drug development and the efficiency of the drug discovery process. To accelerate business growth in the life sciences field, we have established the CRO Business Development Office under the Life Sciences Strategy Headquarters, which promotes overall strategies across the Life Sciences business, and are entering the drug discovery support CRO business in earnest. The Office will formulate the overall strategy for the drug discovery support CRO business. We will first develop a drug discovery support CRO business in Japan by combining the resources of our Group companies, including the Bio Science & Engineering Laboratories, which conducts research and development of biotechnology; FUJIFILM Toyama Chemical, which has rich knowledge of drug discovery; and FUJIFILM Wako Pure Chemical, which has a strong domestic sales network built through its reagent business and other business activities.

Specifically, we provide services for efficacy and safety evaluation and mechanism-of-action analysis of drug candidate substances by combining human iPS cell-derived differentiated cells developed and manufactured by FUJIFILM Cellular Dynamics, a leading iPS cell company, and AI (artificial intelligence) technology accumulated through our extensive product development experience. We will respond to customer needs to reduce the number of animal experiments using mice and other animals by taking advantage of the ability to reproduce the effects on the human body and conduct highly accurate evaluation and analysis. We will also be contracted to prepare samples of gene therapeutic drugs and analyze the molecular structures of those drugs. In addition, we will provide drug discovery consulting services, drawing on our knowledge of pharmaceutical research and development, which we have cultivated mainly in the fields of oncology and infectious diseases.

\* An organization that provides services such as drug efficacy evaluation and safety testing to support pharmaceutical research and development conducted by pharmaceutical companies, bio-ventures and academia.



# Materials

Relevant  
materiality



## Business Environment

### Opportunities

Demand is growing for display-related materials and materials for LCDs and OLEDs in applications other than TVs and monitors, such as in-vehicle devices. In addition, the spread of 5G, autonomous driving and generative AI is expanding the semiconductor market, leading to increased business opportunities for semiconductor-related materials. Moreover, demand for digital printing is growing due to the increase in on-demand printing.

### Risks

Surging raw material costs due to soaring resource prices, intensifying competition from alternative materials due to the development and commercialization of new technologies, and lower-than-expected demand in the offset printing market are recognized as risks.

### Competitive advantages

- Advanced technologies, such as functional molecular technology for imparting high functionality to film
- Advanced film forming and coating technologies to support advances in thinness and display size
- Cost competitiveness and stable supply
- Rapid and accurate product formulation capabilities and development capabilities, and a global production and supply system adjacent to customers

## Business Activities

We provide advanced materials for communication devices, sensors and next-generation displays that support people's lives in the age of AI and IoT, as well as as graphic communication products and services. The Materials segment consists of Electronic Materials, Display Materials, Industrial Products\*<sup>1</sup>, Fine Chemicals, Graphic Communication and Inkjet.

\*<sup>1</sup> The Recording Media business was merged with the Industrial Products business in April 2023.

\*<sup>2</sup> According to a survey by Fujifilm



## No. 1

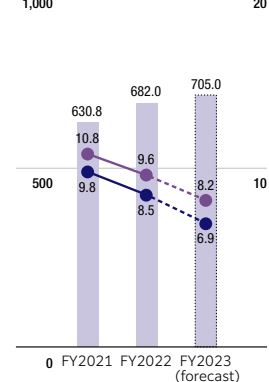
share of the global market in protective film for polarizers\*<sup>2</sup>

## No. 1

share of the global market in color resists for image sensors\*<sup>2</sup>

### Segment results

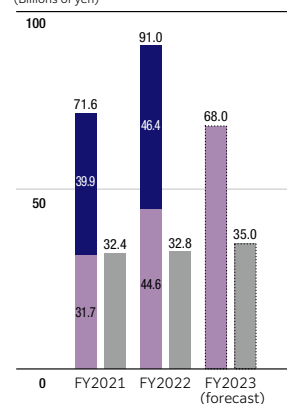
● ROIC ● Operating margin  
■ Revenue (left axis) (%)  
(Billions of yen) (right axis)



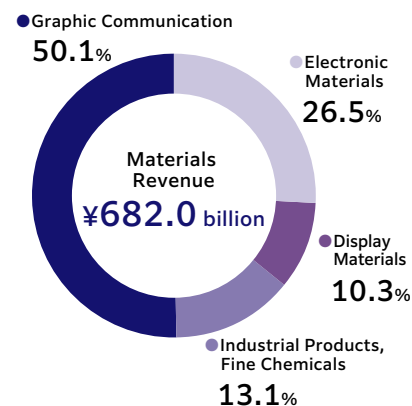
Notes:  
1. R&D expenses forecasts are not disclosed by segment.  
2. ROIC for FY2023 is based on the initial full-year forecast (announced in May 2023).

### Capital expenditures, R&D expenses and depreciation

■ Capital expenditures ■ Depreciation ■ R&D expenses  
(Billions of yen)



### Revenue ratio by segment (FY2022)



Note: From FY2023, the amounts for revenue and operating income from the non-destructive testing business have been reclassified from the Materials segment to the Healthcare segment. The information for FY2022 has been restated to reflect this reclassification.

## Growth Strategy

Under the Advanced Materials Strategy Headquarters, which serves a cross-divisional strategy-building role in the field of advanced materials, we will continue creating new businesses that foster acceleration of DX in various fields, including by developing 5G and other high-speed communication networks and enhancing the functionality of our sensors and communication devices, and by integrating the optical wavelength control and other technologies cultivated in our various businesses. In addition, we will strengthen collaboration under the new organization and structure of the Material Manufacturing Headquarters, which was established on July 1, 2023, and FUJIFILM MATERIAL MANUFACTURING, which was established by integrating five

## Business Strategies

### Advanced Materials

#### Electronic Materials



- Offer total solutions to solve customer issues by combining our technologies with a wide range of advanced materials that enable semiconductor miniaturization and higher layering density (e.g., photoresist, CMP slurry, polyimide and process chemicals newly added through acquisitions).
- Contribute to increases in the pixelization, sensitivity and functionality of image sensors through the development of Wave Control Mosaic (WCM) materials for controlling wider wavelength light.
- Strengthen our supply system through aggressive capital investment in our global production facilities.

#### Display Materials



- Maintain a high market share for OLED materials.
- Maintain a strong market position in TAC film for LCD panels.
- Develop and introduce differentiated products by leveraging our strengths in thin and multilayer coating.
- Expand our business in materials for new applications, such as in-vehicle displays and smart glasses.

#### Industrial Products (including Recording Media)



- Expand sales of storage tape products to support data growth in the 5G/AI era.
- Increase sales of advanced material products utilizing our proprietary technologies, such as EXCLEAR sensor film for touch panels.
- Create new businesses (e.g., rechargeable batteries/optical sensors/communication-related materials).

#### Fine Chemicals

- Create new businesses (advanced polymers/functional colorants/battery materials) by focusing on the three high-growth fields of life sciences, electronics and the environment/energy.
- Help reduce environmental impacts by deploying "flow synthesis" and other innovative manufacturing processes.

### Graphic Communication

#### Graphic Communication



- Digital Printing: Accelerate global expansion of digital printing presses mainly in the commercial printing domain and provide various DX solutions for brand owners and the printing industry by deploying synergies from the integration of FUJIFILM Corporation and FUJIFILM Business Innovation.
- Analog Printing: Help reduce environmental impacts by shifting from treated to non-treated offset printing plates (currently under way).

#### Inkjet



- Growth markets (commercial printing/packaging): Develop, introduce and expand high-precision, high-productivity inkjet printer heads, food-safe water-based pigment inks, and custom systems combining heads and inks to meet customer requirements.

domestic production subsidiaries, further improving our manufacturing capabilities by utilizing human resources with a wide range of technologies and skills and application development. In these ways, we will strive to increase revenue and earnings.

In Graphic Communication, we will combine Fujifilm's global customer base, mainly in commercial and package printing, with FUJIFILM Business Innovation's sales, technology and product capabilities. This will expand worldwide sales of on-demand digital printers, provide various types of DX solutions for brand owners and printing companies, and further accelerate improvements to profitability through sales and production streamlining in the area of printing plate materials.

### TOPICS Electronic Materials business: Acquisition of semiconductor high purity process chemicals business

On May 10, 2023, FUJIFILM Corporation entered into a share purchase agreement<sup>\*1</sup> to acquire all outstanding shares of CMC Materials KMG Corporation (Headquartered in Texas, the United States; hereinafter "KMG") for \$700 million<sup>\*2</sup>, a group company of U.S.-based Entegris, Inc. that operates a global semiconductor high purity process chemicals (HPPC) business.

HPPCs are used to remove foreign matter in the cleaning and drying processes of semiconductor manufacturing and to remove metals, oils and grease in the etching process<sup>\*3</sup> and are key products for the semiconductor manufacturing process. Today, as semiconductors become more sophisticated, they are becoming finer and more multilayered, and the manufacturing process is becoming more complex. Against this backdrop, the use of HPPCs is increasing at an accelerating rate, and the market for such chemicals is growing at an annual rate of 11%<sup>\*4</sup>.

Through this acquisition, Fujifilm has gained access to KMG's broad range of semiconductor HPPCs. We will enhance our ability to make comprehensive proposals with a product lineup that covers a wide range of semiconductor manufacturing processes to solve customers' manufacturing process issues. In addition to expanding our manufacturing bases in Europe and the United States, the acquisition of a manufacturing base in Southeast Asia, a first for Fujifilm in the semiconductor materials field, will enable us to build an even stronger global manufacturing structure and contribute to the strengthening of our supply chain. Furthermore, by combining KMG's advanced purification technology with Fujifilm's sophisticated R&D and quality assurance capabilities that enable us to develop and manufacture a wide range of semiconductor materials, we will develop and provide semiconductor materials that meet the most advanced needs, such as process chemicals for higher purity semiconductors, thereby facilitating further semiconductor performance gains.

<sup>\*1</sup> The agreement was concluded between Fujifilm and CMC Materials LLC, a subsidiary of Entegris.

<sup>\*2</sup> The acquisition price will be determined by taking into account the cash and cash equivalents, interest-bearing debt and working capital of the target company at the time of completion of the acquisition, and is therefore subject to change. The acquisition is expected to close by the end of 2023, subject to the satisfaction of customary closing conditions.

<sup>\*3</sup> A process in which a semiconductor circuit is formed by transferring a circuit onto a silicon wafer using an exposure device and then using the corrosive action of chemicals to scrape away unnecessary metal films, oxide films and others.

<sup>\*4</sup> Average annual growth rate over five years starting in 2021. Based on a semiconductor materials report by the U.S. research company Linx.





# Business Innovation

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Environment



Work Style

## Business Activities

The Business Innovation segment consists of the Office Solutions business, which provides office equipment and supplies, such as multifunction devices and printers, and the Business Solutions business, which helps customers address their business challenges through DX and work-style innovation by providing system integration, cloud services and multifunction device management solutions, along with BPO\*1 and ITO\*2 for core business processes.

\*1 Business Process Outsourcing  
\*2 IT Outsourcing

\*3 According to a survey by FUJIFILM Business Innovation



Apeos C7070

## No. 1

market share by sales volume for A3 color multifunction devices in the Asia-Pacific region\*3

Total number of DocuWorks document handling software licenses worldwide

More than 8 million licenses

## Business Environment

### Opportunities

Increased support is needed for building and operating office and IT infrastructure with enhanced security/networking against the backdrop of cyberattack threats and the spread of remote working. Also, there is a growing market for business solutions and services that utilize AI and the cloud for DX to improve office work productivity.

### Risks

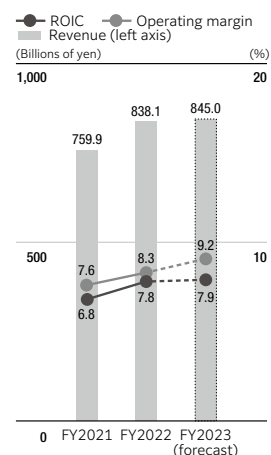
A decrease in office print volumes due to the spread of remote working and the trend toward paperless solutions are recognized as risks.

### Competitive advantages

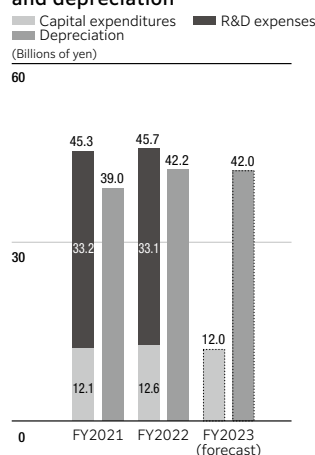
- Excellent customer base leveraging a robust direct sales structure in Japan and the Asia-Pacific region
- Solid sales capabilities for helping customers resolve increasingly complex and diverse management issues, a lineup of solutions and services for problem solving, and proprietary document-related technologies to support these offerings
- Familiarity with business processes in various industries developed through the Office Solutions business
- Strong relationships of trust with a wide range of customers, from major markets to the SMB\*4 market, through our multifunction device and printer business

\*4 Small to Medium Size Business

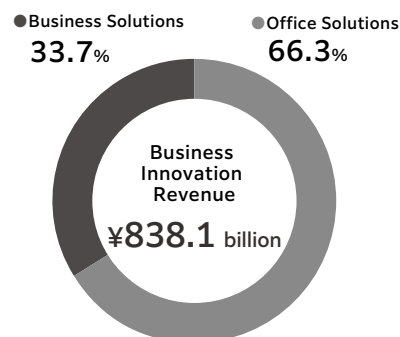
### Segment results



### Capital expenditures, R&D expenses and depreciation



### Revenue ratio by segment (FY2022)



Notes:  
1. R&D expenses forecasts are not disclosed by segment.  
2. ROIC for FY2023 is based on the initial full-year forecast (announced in May 2023).

## Growth Strategy






In the Office Solutions business, we will further promote the expansion of new Fujifilm brand products and the expansion of global sales, including new OEM supply opportunities. In the Business Solutions business, we will accelerate sustainable growth and business portfolio transformation through the expansion of core DX solutions, BPO services to achieve business reform, and ITO services to support the construction and operation of IT infrastructure environments, in addition to expansion of industry and business solutions.

### Accelerate growth by strengthening solutions and services.

**Value expected by customers**  
**CHX (Customer Happy Experience)**

**Evolve into an IT service provider**  
(enhancement of existing solutions and services)

**Expand into customer core business support** (new business development)

<b>DX (Digital Transformation)</b> Achieve business transformation through digital technologies	Strengthen in-house solutions  	Evolve to managed services for the entire IT environment through the integration of MPS and ITO	Develop the core solution business 
<b>DX (Digitalization)</b> Improve productivity through the digitization of operations	Expand industry/business solutions 	Full-scale launch of solutions and services in the Asia-Pacific region	Roll out BPO services to achieve business transformation 
<b>DX (Digitization)</b> Improve operational efficiency through the digitization of information	Enhance commercial products through strengthened partnerships		New business development (including M&A)
Utilize MFPs as office infrastructure	Maintain and expand MPS and print solutions		

**MPS (Managed Print Service):**

Services that optimize the office output environment while maintaining and enhancing cost control, security and governance

**ITO (IT Outsourcing):**

Services that support the development of IT strategies as well as IT environments from introduction to operation and management

**BPO (Business Process Outsourcing):**

Services that provide core business process services on behalf of local governments, public institutions and corporations

We will grow as a business innovation partner by providing one-stop DX services to our customers and achieving "CHX" (Customer Happy Experience) that contributes to their success beyond DX.

#### Evolve into an IT Service Provider

##### Bridge DX Library

We provide packages of solutions to address business issues tailored to six industries including construction, manufacturing and medical institutions, in addition to issues affecting all industries such as compliance with the Electronic Book Preservation Act, the invoice system and enhanced security. We currently have a lineup of 146 solutions for small and medium-sized companies.

#### IT Expert Services

These ITO services provide a wide range of support from IT operation and management to improving usage environments. Service options can be flexibly combined according to the customer IT environments, and contracts can be made for as little as one PC.

#### Expand the support of customers' core businesses

##### Microsoft Dynamics 365

Based on the concept of "Fit to Standard," we support business transformations that efficiently and effectively adapt the customer's existing business processes to the system to be introduced. We realize speedy implementation by providing business process templates packed with know-how in the cloud using a Business Process as a Service approach.

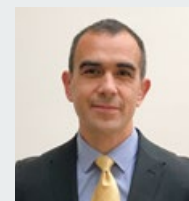
##### RIPCORD

FUJIFILM RIPCORD utilizes robot technology to digitize large volumes of printed documents at high speed, and extracts and assigns attribute information to each document using OCR. We also facilitate customer DX implementation by providing total support for the construction of data utilization environments.

### TOPICS Globally expanding our ERP business

On March 1, 2023, FUJIFILM Business Innovation (FB) acquired Australia-based IT company, MicroChannel Services Pty. Limited. (and its affiliates), and relaunched it under the name FUJIFILM MicroChannel Services (MicroChannel).

MicroChannel's main business is sales and implementation support of mission-critical systems, such as Microsoft Dynamics 365, in the Oceania region. It has a top-class track record in the market for serving small and medium-sized companies. The acquisition marks the full-scale global expansion of FB's ERP business. Going forward, FB will leverage the highly experienced IT personnel and advanced technological capabilities of MicroChannel to expand the value it provides to customers and accelerate the growth of its solutions business, including through collaboration with the Fujifilm Group's existing businesses.



**Brett Matthews**  
CEO  
FUJIFILM MicroChannel  
Services Pty Ltd

#### Message from the CEO of FUJIFILM MicroChannel Services

Our strategic plan is focused on becoming the core of FB's Solution Business and a trusted technology partner for our customers around the world. To this end, we are actively focusing on management integration and realizing our DX strategy. Based on the excellent customer experience built by our group, we will step up the global expansion of our core system sales and support business by providing one-stop services, from implementation to operation of diverse solutions, handled by dedicated teams in each solution field.

# Imaging



## Business Activities

The Imaging segment consists of two businesses: Consumer Imaging and Professional Imaging. In the Consumer Imaging business, we offer everything from color film and instant photo systems (INSTAX) to printing equipment, color paper and photo printing services. In the Professional Imaging business, we offer high-end mirrorless digital cameras (such as the GFX series, which delivers the ultimate in image quality, and the compact, lightweight, high image quality X series), broadcast and cinema lenses, long range surveillance camera and machine vision lenses, projectors and digital signage.

Instant photo system  
Cumulative worldwide  
sales volume

More than  
**50 million**  
units



INSTAX mini 12



### New development

Equipped with a high-speed  
102-megapixel sensor

FUJIFILM GFX100 II  
mirrorless digital camera

## Business Environment

### Opportunities

Demand for events and travel has recovered, and demand for print businesses such as instant photo systems and digital cameras is growing steadily. In addition, business opportunities are expanding due to the growth in demand for lenses resulting from the shift to IoT and 4K/8K video, as well as the growth of the surveillance camera system market due to heightened awareness of crime prevention and disaster preparedness.

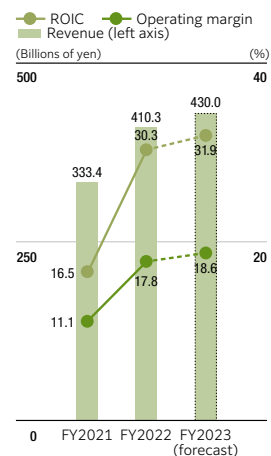
### Risks

Risks identified include an increasingly competitive environment in the high-end mirrorless digital camera market, declining demand for digital cameras due to the improved capabilities of smartphone cameras, tighter environmental laws and regulations, and confused supply chains due to geopolitical risks.

## Competitive advantages

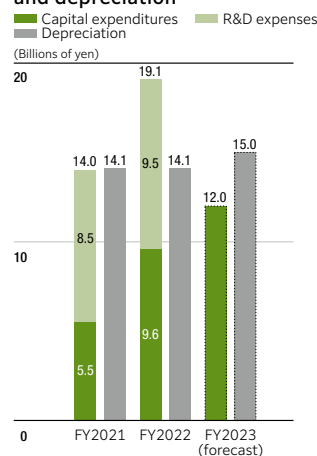
- Technological development capabilities to continuously create distinctive products in pursuit of originality
- Advanced technologies (photosensitive materials, optics, image design, precision processing and assembly) to support our appealing products
- Product planning capabilities to uncover and anticipate user needs
- Comprehensive capabilities to provide services from input (shooting) to output (printing)
- Strong market position as a leading company (global brand power and marketing and sales capabilities)

### Segment results

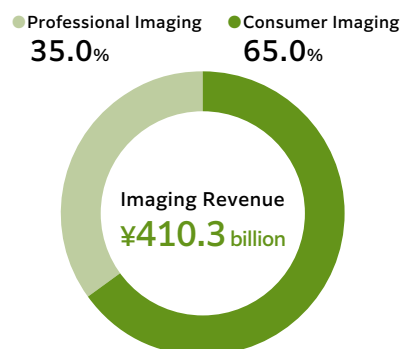


Notes:  
1. R&D expenses forecasts are not disclosed by segment.  
2. ROIC for FY2023 is based on the initial full-year forecast (announced in May 2023).

### Capital expenditures, R&D expenses and depreciation



### Revenue ratio by segment (FY2022)





## Growth Strategy

Our unique product line, which covers a wide range of imaging areas from input (shooting) to output (printing), has established a strong market position globally. With the INSTAX instant photo system and the GFX/X series of high-end mirrorless digital cameras, we will continue to offer attractive new products backed by cutting-edge technology and create new business areas by developing smartphone applications and proposing business applications. In the print business, including photo printing services, we will steadily respond to the demand for school and wedding photos, which has recovered from the COVID-19 pandemic. At the same time, in collaboration with FUJIFILM Business Innovation, we will develop and introduce toner-based printers with improved image quality for use in photography and focus on expanding the dry printing business. In addition, we will help solve social issues including border surveillance, natural disasters and the remote inspection of infrastructure facilities by expanding into new B-to-B fields, such as projectors and long-range multipurpose cameras, and the image inspection solution business, such as Hibimikke (Crack Finder), a social infrastructure image diagnostic service.

### Business Strategies

#### Consumer Imaging



- INSTAX instant photo systems: Introduce various new products and apps and promote cross-industry cooperation to provide different ways to enjoy INSTAX and expand its user base.
- Expand environmentally friendly dry systems (e.g., inkjet, xerography) to meet strong smartphone printing demand.

#### Professional Imaging



- Roll out the GFX series and the X series of high-end mirrorless digital cameras that are compact and lightweight and deliver outstanding image quality with our proprietary color reproduction technology.
- Monitoring, measurement and digital signage: Promote the image/video solutions business.

### TOPICS The INSTAX series celebrates its 25th anniversary

The INSTAX instant camera, nicknamed "Cheki" in Japan since its launch in 1998, not only allows users to capture their precious moments and print them on the spot but also serves as a new tool for communication and self-expression. Currently, INSTAX cameras are used by many people, especially the younger generation, in more than 100 countries and regions around the world, including Europe, the United States, China and Southeast Asia.

We have also expanded the user base by adding hybrid cameras that incorporate digital technology and a lineup of smartphone printers that allows users to easily print smartphone images on the spot. In fiscal 2022, we launched two smartphone printers, the INSTAX mini Link 2 and INSTAX SQUARE Link. These new products made a significant contribution to the performance of the Imaging business.

In development, we have worked to accelerate the growth of the overall INSTAX business by shifting from the traditional approach of providing functional value through the sale of goods to the expansion and optimization of usage value through new products and services and new business models driven by DX. In addition, our product planning, design and development teams work together from the initial stages of product planning, which enables us to develop innovative, unique and high-quality products.

As an entertainment brand that provides unique value, we will continue to create new value by combining analog printing and digital technology to offer products and services that facilitate spiritual enrichment and human connections.

#### A message from an INSTAX mini Link 2 planner

"Cheki" prints are characterized by their analog, physical feel and unique texture, and are a popular tool for unique and real communication particularly among younger generations, including Gen Z. The INSTAX mini Link 2 smartphone printer can easily make "Cheki" prints from images stored on a smartphone, making it a digital product with an analog feel, which is part of its appeal. As the main person in charge of the product planning team, I have been responsible for determining the direction of concepts, specifications and functions, as well as advancing the product toward commercialization. We conducted analyses from various perspectives including market conditions, the features of competing products and the needs of target users, and utilized raw feedback from users to develop a smartphone printer that users can enjoy playing with. We will continue to convey the appeal of our products to satisfy customers.

#### Kaoruko Mochizuki

Consumer Imaging Group,  
Imaging Solutions Division,  
FUJIFILM Corporation



## R&D Strategies

### R&D Vision

The silver halide photographic system, where the Fujifilm Group traces its roots, is based on a combination of wide-ranging technologies, including film-forming technology, particle-forming technology and precision-coating technology. Since our founding, we have evolved by refining and combining these technologies, which has enabled us to transform our business structure into what it is today and to continue creating innovations.

In our future R&D activities, however, we are facing an environment that is changing continuously and rapidly. To create value over the medium to long term, therefore, we need to engage in R&D that considers how we can help resolve social issues related to the Environment, Health, Daily Life and Work Style, which are the priority areas of our long-term CSR plan, Sustainable Value Plan 2030. With keener sensitivity and an open vision, we will engage in R&D to provide the values needed by society while placing importance on our broad and expansive “imagination,” which is inspired by changes in society and people’s behavior.

### R&D Structure

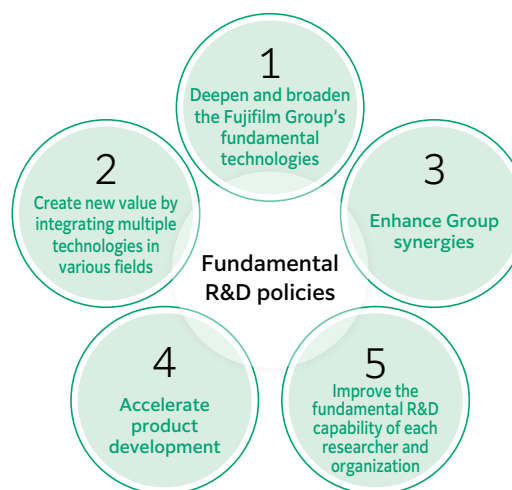
Our R&D structure consists of two laboratory groups: the Divisional Laboratories, which are under the direct control of the business units and conduct business-directed R&D, and the Corporate Laboratories, which are responsible for R&D on fundamental technologies from a Group-wide perspective.

For R&D that the two groups pursue together, members of both groups meet to discuss and collaborate in their respective fields. They also have regular forums, involving management and research institute directors, where they hold technical discussions about future business direction.

Furthermore, our Advanced Research Laboratories is an “open research space” that breaks down the barriers between technical

### R&D Policies

By integrating our business strategies and R&D strategies under the five research policies listed below, we will continue striving to develop robust new businesses that help improve people’s quality of life and maintain growth in existing business fields with innovative new products.



fields and organizations with the aim of conducting cutting-edge technology research with an eye to the future. Under the concept of “creating new value through the fusion of knowledge and innovation,” our researchers, business managers and designers from various fields confront each other and engage in active discussions and projects to create new and differentiated technologies and value.

Through this system of close coordination among related divisions across the Group, we actively engage in wide-ranging discussions, from the current business perspective to the resolution of medium-to long-term social issues. This enables us to delve deeper into issues, examine their value and improve their effectiveness.

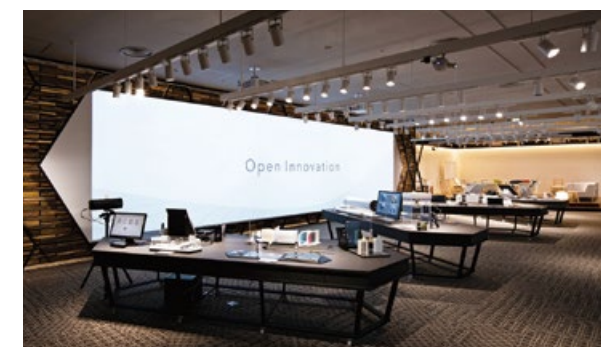
### Two Strategies: Digital Leverage and Open Innovation

#### 1. Digital leverage

From an early stage, the Fujifilm Group has embraced the challenge of digitization, developing Japan’s first computer and the world’s first fully digital camera, among other things. We have also conducted R&D on AI in various business areas for many years. Going forward, we will further advance our R&D by using ICT to link the Fujifilm Group’s unique strengths cultivated in the physical domain with knowledge accumulated in the cyber domain.

#### 2. Open innovation

We are collaborating with a variety of partners, including start-ups and universities, to multiply our core technologies and thus create new value. The Open Innovation Hub at our Head Office serves as a co-creation space that we also use for collaborative activities tailored to market characteristics in cooperation with our business divisions and research laboratories. Since opening in 2014, our Open Innovation Hub has attracted 26,000 visitors from around 5,000 companies (as of March 31, 2023), resulting in various forms of collaboration currently in progress.



Open Innovation Hub in the Tokyo Midtown Head Office

## AI Development and Utilization

### AI Policy

Based on its corporate philosophy, the Fujifilm Group has been developing and accumulating technologies to decipher valuable information from large volumes of image data in the fields of medical diagnostics and imaging. Leveraging our strength in these areas, we are developing AI technologies and deploying them in society while addressing the needs and challenges of each of our businesses, including healthcare and advanced materials.

In accordance with the Fujifilm Group AI Policy, we are committed to creating new value and resolving social issues by providing safe and secure products and services. To implement this policy properly, we are enhancing literacy training for employees who develop and use AI while strengthening the development of AI human resources.

#### Fujifilm Group AI Policy Framework

- 1 Accelerating new value creation with the active use of AI
- 2 Developing and providing products and services respecting human rights
- 3 Ensuring fair and appropriate use of AI
- 4 Ensuring the security of information to be used
- 5 Fulfilling accountability and ensuring transparency
- 6 Developing human resources capable of utilizing AI in an advanced and appropriate manner

### Combining the Fujifilm Group businesses with AI technology: Example cases

The following are examples of how we use AI technology in our businesses.

#### [AI × Imaging]

Using an AI chatbot platform developed in-house, we automate highly specialized inquiry-related tasks about such matters as equipment maintenance, which could not be handled by existing AI systems. This enables us to systematize business knowledge and centralize management. We are progressively introducing the platform to enhance our support for digital camera customers.

The introduction of AI chatbots has enabled us to respond to customers 24 hours a day, 365 days a year, which has led to cost reductions. It has also enabled us to systematize business knowledge and achieve uniformity of services, which helps improve both customer experience (CX) and employee experience (EX).

#### [AI × Medical Systems]

**SYNAPSE Creative Space: Cloud-based AI support service that assists in the development of diagnostic imaging AI**

FUJIFILM Corporation and Japan's National Cancer Center jointly developed a research platform that enables physicians and researchers to develop their own image diagnosis support AI technology without programming or other specialized knowledge.

The entire AI technology development process, from project management to the annotation of data with relevant information for AI training, learning and technology trials, can be performed in the cloud. By also using learning models developed for medical imaging, physicians and researchers can develop AI technology without programming knowledge.

By providing this service, we hope to encourage the development of AI technology to support image diagnosis of rare diseases in the future. We are also looking to use this service as an educational tool to improve AI literacy among healthcare professionals. In addition to creating an environment for AI technology to support medical practice, we are expanding and optimizing the content of the service to help medical and research institutions develop AI technologies to support image diagnosis.

#### [AI × Pharmaceuticals]

**Utilizing AI drug discovery technology in the contract research operation (CRO) business**

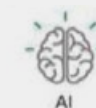
In April 2023, we launched AI Amino-Acid Mapping (AI-AAM), a system that can automatically search for and design new candidate compounds from the structural formula of a drug candidate compound using our proprietary AI technology, in the form a contract research service. This enables researchers to explore and design new candidate compounds using only the structural formula of the candidate compound, without the need for structural analysis of the target protein (disease-causing protein), which was previously necessary. It also shortens the time required for new drug development and improves the probability of success, thus benefiting our customers' drug discovery research activities.

#### [AI × Business Innovation]

**Photo quality optimization by AI**

The Revoria Press PC1120 production printer, which produces commercial prints, is capable of automatically determining the scene for each photo image to be printed and performing the appropriate image correction and printing for each photo (e.g., by judging whether the photo is too dark, too bright, backlit, or includes people or a blue sky with poor color). It is a great solution for production printers that require professional results.

Automatic  
scene  
detection for  
each photo



## DX Strategy

### Our DX Vision engages all employees and aims to transform the Fujifilm Group and society

Since 2014, we have worked actively to achieve digital transformation (DX) with the aim of using AI and IoT technologies to transform the Fujifilm Group. In 2021, we established the DX Strategy Council, chaired by the CEO and vice-chaired by the CDO, as the highest decision-making body for promoting the DX of the entire Group. Its permanent members engage in discussion with the top management of each business on how to determine DX-related investment priorities and maximize the effects of strategy implementation. We also launched the All-Fujifilm DX Promotion Program, with the CEO as the program director, to spearhead the Group-wide DX activities. Under the program, all of our businesses formulate and promote DX strategies in their respective activities. Corporate departments, such as ICT Strategy, Corporate Planning and Human Resources, provide cross-business support, and with the cooperation of outside experts we are working to accelerate the DX of our business.

As stated in the DX Vision, we will target a dramatic increase in employee productivity to give us more time to create products and services that provide new value to our customers and help resolve social issues. The basic idea is to establish and accelerate a virtuous cycle by using digital technology to drastically change the way we work. The foundation for realizing this vision consists of three pillars: products/services, operations and human resources, as well as the IT infrastructure that supports these pillars.

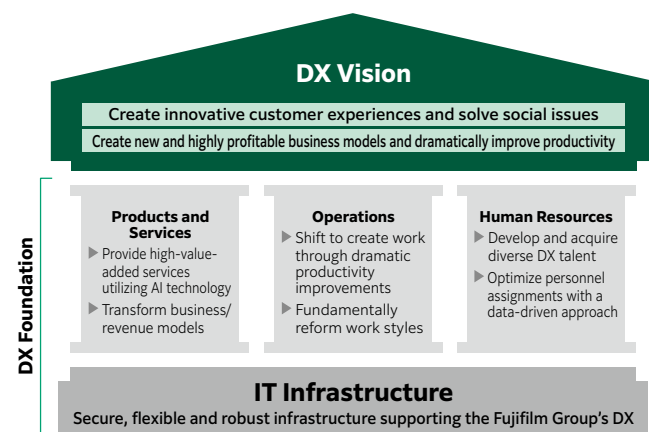
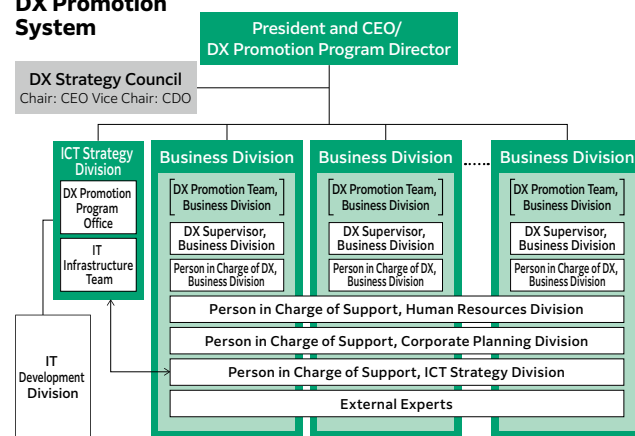
#### The Fujifilm Group's DX Vision and DX Foundation

Fujifilm's relentless pursuit of a better world is entrenched in the Company's commitment to a more sustainable, healthier and safer future. We are well prepared for taking on the greatest challenges of our time through the use of advanced and digital technology, valuable and innovative products and services, and the connected contributions of every business, every team and every individual at Fujifilm.

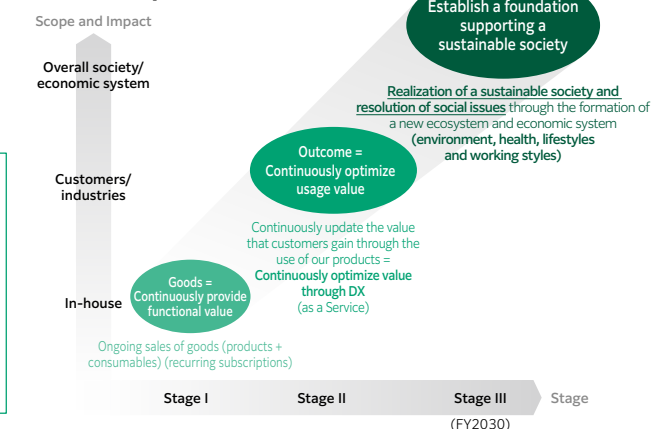
#### DX for a Sustainable Society

The Fujifilm Group is committed to realizing its long-term CSR plan, Sustainable Value Plan 2030, and its medium-term management plan, VISION2023, which outlines specific actions. Under these plans, we are developing our business from the two perspectives of "resolving social issues through our business activities" and "considering the environment and society in our business processes." It is difficult to strike a balance between achieving corporate growth (by increasing the output of products and services that help resolve social issues and increasing revenue) and reducing environmental impacts (by reducing CO<sub>2</sub> emissions and the like). To strike such a balance, the effective use of digital technology is crucial. Therefore, we formulated a DX roadmap as a common guideline to promote DX throughout the Group. The aim of the roadmap is to create and instill more products and services as the foundation to support a sustainable society by fiscal 2030. The roadmap is divided into three stages, and we are prioritizing investments to raise the level of each business, focusing on growth areas.

#### DX Promotion System



#### DX Roadmap





## Value Creation Framework of DX Activities

To follow the DX roadmap, we established the DX Activity Value Creation Framework, which shows what needs to be accomplished to deliver optimal value to customers through the use of digital technology from the perspectives of “management” and “strategy” and with the three aforementioned DX pillars in mind.

\* Deployment of various types of informatics that utilize internal and external data (such as Material Informatics and Process Informatics) in all aspects of DX



## Digital Trust Platform: Supporting the Fujifilm Group's DX

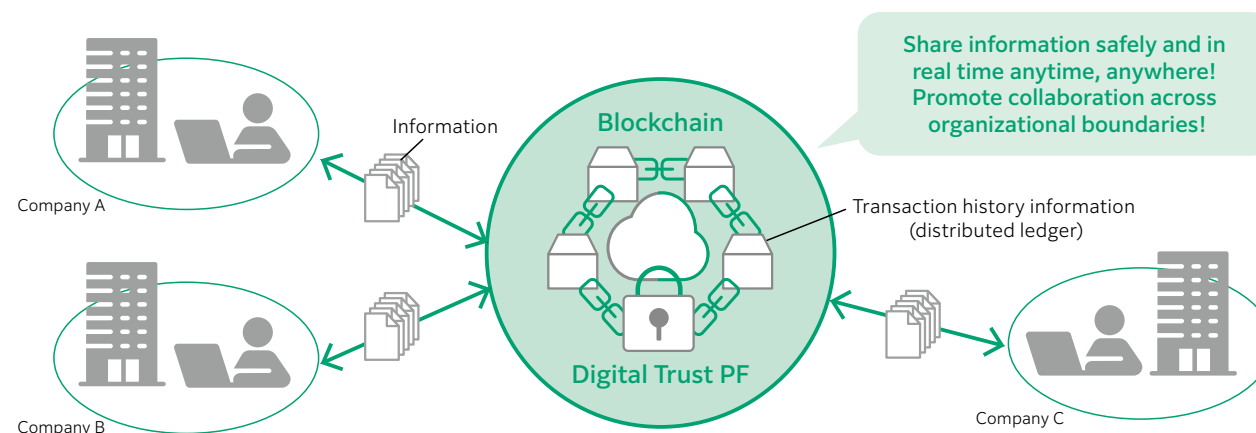
The Fujifilm Group is developing and deploying its Digital Trust Platform, an information platform that will benefit many businesses and operations that are promoting the DX of their products/services and operations. It serves as an information infrastructure that allows the correct digital information to be used safely and swiftly and in optimal real time while ensuring trust. In developing the platform, we introduced blockchain technology to decentralize and manage transaction histories between companies and individuals on the network. In 2016, the Informatics Research Laboratory of FUJIFILM Corporation, which leads R&D on cutting-edge information science technology and fundamental software technologies in the Fujifilm Group, started researching the blockchain technology, which provides robust tamper resistance for digital data based on distributed management and encryption. In 2020, engineers at FUJIFILM Business Innovation joined the laboratory, and the synergies that resulted from the collaboration led to the early realization of the Digital Trust Platform.

The platform enables inefficient internal and external communication of information, such as the conventional

“bucket relay system” for ordering and receipt, to be addressed and correct information to be shared in real time. This will help optimize supply chain operations, including by stabilizing the procurement of parts and

reducing excess inventories. It also has the advantage of providing users with a sense of security that the Fujifilm Group, a provider of products and services, has built and is operating its own cloud-based information infrastructure.

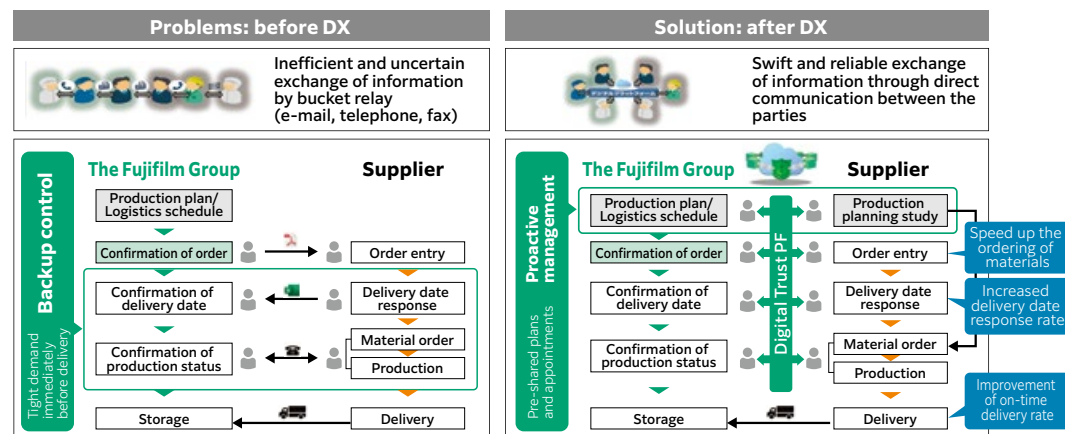
### Information coordination centered on the “Digital Trust Platform” (image)



## Digital Trust Platform Application Examples

### ① DX in supply chain management

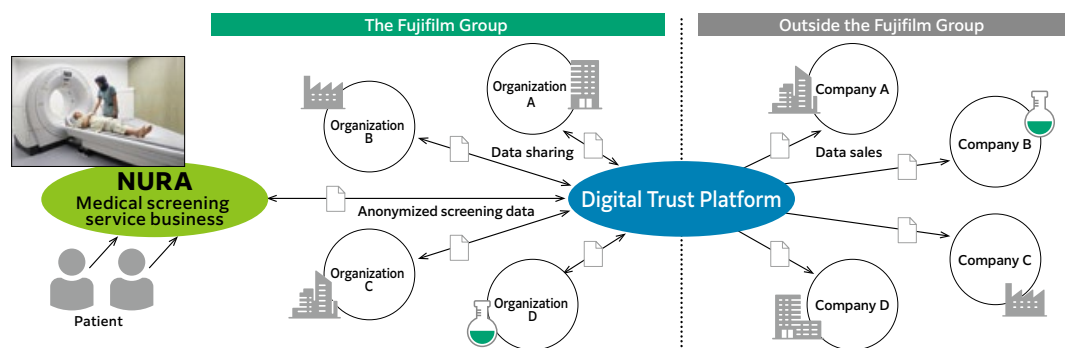
To ensure the stable procurement of raw materials and parts, we share various information, such as required quantities calculated from production plans, accurately and in real time with major suppliers. We are also conducting demonstration tests in multiple product fields, including digital cameras.



### ② Effective use of the huge amount of data from the health screening center "NURA" for business expansion

We share and analyze huge amounts of health screening data, gathered through our health screening service business in India, with partner companies in a completely anonymous and secure environment after obtaining the consent of the examinees and in compliance with the legal systems of each country and region. We are considering the possibility of linking this to new services, such as data sales, to help improve the health of examinees.

#### Distribution of health screening data using the Digital Trust Platform



We will continue to promote the development of the Digital Trust Platform as a part of the Group's "earning power."

## Evaluation by Outside Director



**Makiko Eda**

Chief Representative Officer,  
World Economic Forum Japan  
Outside Director, Tokyo Electron Ltd.

While the power of digital is essential for creating new business models, many opportunities are lost due to time-consuming decision-making or a lack of human resources to make the best use of digital resources. With this in mind, the Fujifilm Group established the All-Fujifilm DX Promotion Program, which enables rapid and decisive decision-making, including about organizational and process changes, with President and CEO Goto, who is well versed in digital technology, serving as program director. We are also actively investing in human resources, and I highly regard the progress we have made to improve digital sensitivity and skills throughout the Group.

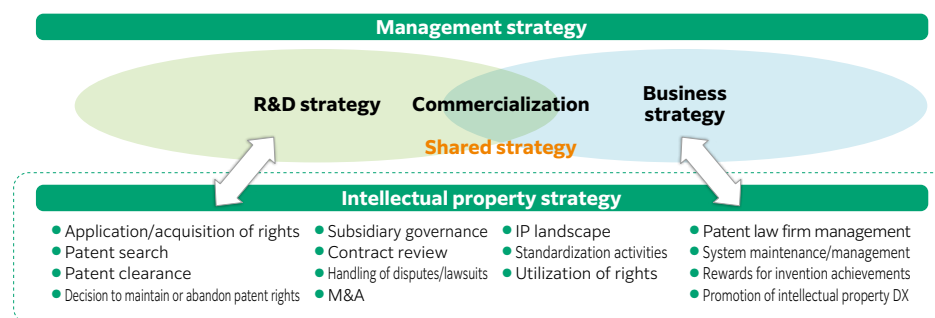
At the Group, we assume that both the external environment and our business will always change. Therefore, we have been aggressively pursuing M&As with an eye on the goals of our long-term CSR plan, Sustainable Value Plan 2030. I believe that the Fujifilm Group's advantage lies in its ability to quickly incorporate the strengths of acquired companies by taking advantage of DX-based systems and tools.

The world is deeply connected, and improving access to healthcare around the world is critical to the growth and stability of the global economy. The World Economic Forum's meeting in Davos, held in January 2023, featured lively discussions on how to achieve zero health disparities. Using digital technology is essential to extend the level of healthcare services enjoyed by developed countries to people around the world. Deploying medical AI technology developed by the Group, I am confident that we can make a significant contribution to eliminating health disparities.

## Intellectual Property Strategy

### The Fujifilm Group's Intellectual Property Strategy

The Fujifilm Group aims to create new value by integrating advanced and proprietary technologies and developing distinctive technologies. We will continue making a positive difference in society by providing customers with products and services of the highest quality. Our Intellectual Property Division focuses on proactive intellectual property activities to ensure that the value created across our various corporate activities is linked to our competitive advantage and contributes to our business, including by maximizing earnings.



### The Fujifilm Group's Intellectual Property Activities

The Intellectual Property Division works directly under the president to ensure close coordination with management strategy. Its team consists of people responsible for IP technology, legal and liaison affairs, standardization and IP planning operations. Rather than subdividing tasks and fixing responsibilities, the division enables each team member to have a broader scope of work. In addition to having the high level of expertise necessary for the job, we foster a multifaceted perspective by giving members diverse experiences and the opportunity to create innovation and use intellectual property to realize business strategies, which also helps improve corporate value.

For more than 10 years, the Fujifilm Group has been actively engaged in (1) formulating IP landscapes\*<sup>1</sup> to analyze the relationship with competitors from an IP perspective based on technical information, mainly patent documents, to gain a bird's-eye view of entire markets, and (2) international standardization activities, including participation in formulating international rules at the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC)\*<sup>2</sup>. The information we obtain from these activities is shared and utilized as "intelligence" with our business divisions and research laboratories and plays a role in our business development activities. In addition, members of the Intellectual Property Division, who have extensive knowledge of patents, designs and trademarks, are actively involved from the conception stage of commercialization. This is to ensure that product concepts, our proprietary advanced technologies, and functions that we want to highlight to customers are quickly and widely patented from multiple perspectives.

To create intellectual property that will contribute to our operations, our business divisions, the R&D divisions and the Intellectual Property Division work together to promote intellectual property activities. For example, we hold an annual Intellectual Property Strategy Council, where the general managers of business divisions and the R&D divisions, together with the general manager of the Intellectual Property Division, discuss and reach agreement on intellectual property measures. In addition, Intellectual Property Division members visit customers together with representatives of our business divisions and R&D divisions to directly listen to customer requests and help them obtain a better understanding of the distinctive points of our technology. This in turn helps us create high-value intellectual property. Our efforts in this area have been highly evaluated in the industry. In the Chemical Industry Competitiveness Ranking\*<sup>3</sup>, we have maintained the top position since 2012.

\*1 A term coined by combining the terms "intellectual property" and "landscape." It means analyzing intellectual property information and utilizing the results in corporate decision-making, including formulation of management and business strategies.

\*2 An international standardization organization that develops international standards in the field of electrical and electronic technology. <https://iec.ch/homepage>

\*3 Annual survey by Patent Result Co., Ltd. Shows ranking of companies according to the number of patents they hold that are cited as reasons for the rejection of other companies' patents. Ranks advanced companies possessing numerous innovative technologies that prove to be an impediment for competitors to obtain their own rights.

### Key Issues in Intellectual Property Activities

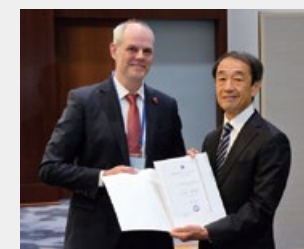
In our active pursuit of M&A opportunities in Japan and overseas, we engage in intellectual property activities across the Group, including at overseas Group companies. To this end, we hold Global IP Summits (United States in October 2022 and Germany in March 2023), where we closely share information and collaborate with intellectual property managers of overseas subsidiaries. In addition to supporting the intellectual property activities of Group companies in the United States, Europe and other regions from Japan, we are strengthening collaboration with overseas product development bases by dispatching local representatives. We will continue reinforcing the intellectual property capabilities of the Fujifilm Group as a whole.

#### TOPICS

#### Received IEC's Thomas A. Edison Award

The International Electrotechnical Commission (IEC) bestowed its Thomas A. Edison Award to Yoshihiko Shibahara, an employee of FUJIFILM Holdings. The Thomas A. Edison Award is a prestigious award given by the IEC, which establishes international standards for electrical and electronic matters (IEC standards).

Shibahara, who received the award, has been engaged in international standardization work in the field of electronic displays at the IEC since 2007. Making use of his knowledge of image evaluation cultivated in the photography field, he has helped formulate international standards for the electronic display field. The award recognizes his contributions to the IEC's operations over the years and his ability to negotiate with other countries since he became international secretary in 2012.



Dr. Ralph Sporer, IEC Vice-President and Chairman of the Standardization Management Board, presents the Thomas A. Edison Award to Yoshihiko Shibahara (right).

## Discussion between General Managers of the Intellectual Property, Medical System Research & Development and Design Divisions

# The Fujifilm Group continues to innovate with a solid intellectual property strategy.

### Current Status of Innovation Creation through Three-Way Collaboration

How do the Intellectual Property, Product Development and Design Divisions work together to develop medical systems?

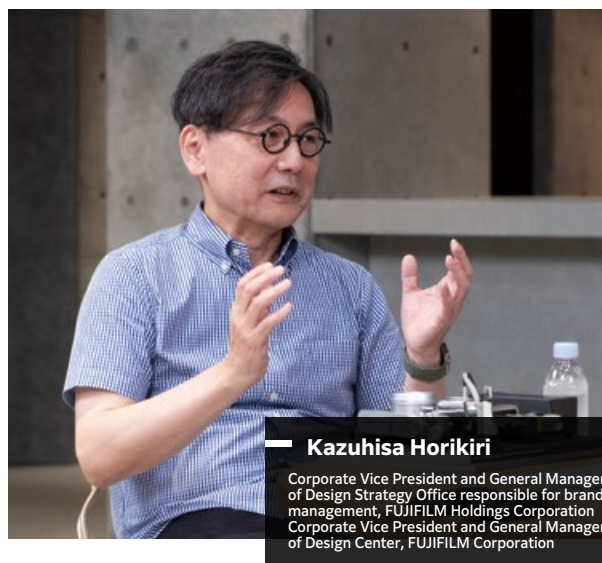
**Nabeta:** FUJIFILM Corporation's Medical Systems Research & Development Center aims to help resolve various medical issues around the world by developing X-ray diagnostic imaging systems and endoscope systems that improve the quality and efficiency of medical treatment. Society and markets are now changing quickly, making product development more and more difficult. In light of this situation, the Center works closely with the Intellectual Property Division and the Design Center from the so-called ground zero of product development. Together, they focus on improving the accuracy and efficiency of product development while remaining acutely aware of the appropriate use of intellectual property.

**Sakuma:** For example, we used AI technology<sup>\*1</sup> to develop the CAD EYE endoscopy diagnosis support platform (which supports the detection of polyps and other lesions during colonoscopies and differentiates between tumors<sup>\*2</sup> and non-tumors<sup>\*3</sup>). At the time, we closely examined the status of other companies' patent applications, particularly for AI technology. We focused on proactively communicating and sharing analytical information with the product development side, with two questions in mind: "If we proceed with development in this direction, will other companies file many patent applications?" and "If we file a patent application for such a technology, will it give us a competitive advantage?"

**Nabeta:** Investigations by the Intellectual Property Division have revealed that the products of one of our competitors have complex specifications that combine AI technologies from other companies. This prompted the Medical Systems Research & Development Center to quickly formulate its product development policy of "engaging in integrated in-house development of endoscope technology and AI technology to create simple and easy-to-use products for medical professionals."







**Horikiri:** CAD EYE has a function that lights up the outer edge of the endoscopic image displayed on the monitor near the suspected lesion or frames the target area when a lesion such as a polyp is detected. Initially, the Design Center focused on the design of the display and user experience of the monitor screens. Based on sound prior information provided by the Intellectual Property Division, however, it shifted the focus to creating a display design that is easy for medical professionals to understand, while avoiding patents and designs from other companies.

**Nabeta:** In our former product development projects, we had to check with the Intellectual Property Division for any potential infringements of other companies' patents and make corrections if there were any problems after the technology or product had reached a certain stage of development, which was often inefficient. Now, the Intellectual Property Division and the Design Center engage in discussions from the early stages of development. This

allows us to quickly recognize the existence of other companies' intellectual property that could be an obstacle and discuss countermeasures on the spot, which has greatly improved the quality and speed of product development.

**Horikiri:** I agree. Creating new products, technologies and designs is not an easy task and requires a considerable amount of "thinking time." By integrating intellectual property and product development and design at an early stage, we can avoid unnecessary repeated tasks and thus have more time to think through the process for a better product.

\*1 Deep learning, one artificial intelligence (AI) technology, was used in the design. The performance and accuracy of the system does not automatically change after implementation.

\*2 Polyps that are considered to be early-stage cancer or at the pre-cancer stage (precancerous lesion) and generally need to be resected.

\*3 Polyps that are not tumors and are generally considered not to require resection.

### Efforts to Strengthen Our Intellectual Property

#### How is the so-called IP landscape being used in the Fujifilm Group?

**Sakuma:** In addition to patent information, we use public resources, such as academic presentations, news releases and papers, to shape our IP landscape. This enables us to comprehensively analyze our own and other companies' intellectual property and markets for the benefit of our business and management strategies. We also disseminate information based on fixed-point observation, confirming in advance the perspective needed by the information recipient and focusing on that perspective. In the case of medical systems, we try to provide the product development and business divisions with a bird's-eye view of the information they need. This includes the status of applications for medical devices awaiting approval from the Ministry of Health, Labour and Welfare and trends in the development of next-generation technologies, such as AI. In addition to "dry" information obtained from patents

and other literature, we aim to increase accuracy by adding the latest "wet" information obtained from people. This includes information on industry trends obtained through the promotion of standardization activities.

**Nabeta:** In the product development divisions, we use the IP landscape as a compass to help us implement the best product development strategy. It helps us confirm whether competitors can easily catch up if we further develop a certain technology or whether we should form a partnership with a venture company with superior technologies.

**Horikiri:** Designers can also use the IP landscape to grasp major design trends in the market. In this sense, I feel that it functions as a "reference book" and a "treasure trove of design ideas."

**Nabeta:** During our most recent product development project, the IP landscape served as a "heat map" for understanding the technical advantages and disadvantages of our company and our competitors. It also helped us with product differentiation.



In addition to the so-called “macro” information provided by the IP landscape, the Fujifilm Group places importance on “micro” information obtained from actual markets and customers.

**Sakuma:** While the IP landscape enables us to understand major product and technology trends in the market, we must also consider the importance of understanding and analyzing micro information, including the real voices of customers. This is because product specifications and performance requirements change markedly according to regional differences and the like.

**Horikiri:** In the process of developing FDR nano, an ultra-lightweight mobile X-ray system for use in emergency medicine and other applications, members of the Design Center and the Medical Systems Research & Development Center visited emergency medicine sites. While closely observing the actions and workflows of medical personnel,



we identified a problem with existing mobile imaging units, namely that they are difficult to maneuver on the spot, where every minute counts, due to their large dimensions and weight. By determining the functions necessary to perform rapid imaging in crowded environments and drastically reducing the number of functions, we achieved a significant reduction in size and weight compared to existing equipment. We also incorporated a four-wheel caster cart and monitor with an arm, allowing easy movement and rapid image review through manual operation. In addition to these product development projects, in recent years we have emphasized the importance of having multiple people from the manufacturing side inspect the customer's site to ensure that all parties involved are aware of each other. This includes identifying potential issues that the customer might not even be aware of.

**Sakuma:** Our development members and designers identify customer needs and product specifications that we need to achieve and share this information immediately with the Intellectual Property Division. This is a great help because it enables us to quickly formulate strategies aimed at protecting our unique and differentiated technology in the form of intellectual property.

**Horikiri:** Incidentally, we also invite members of the Intellectual Property Division to participate in weekly meetings at the Design Center to share information on new design projects and ask us questions. I feel that our intellectual property is getting stronger given the number of questions they ask.

**Nabeta:** Some members of the Intellectual Property Division are stationed in the United States, where we have a base for developing such products as SYNAPSE, a medical imaging information system (PACS). The U.S. market has a major influence on trends in medical systems. Accordingly, we work with Intellectual Property Division staff at Group companies in the United States to develop and implement regionally based intellectual property strategies, which I find encouraging.

**Sakuma:** With multiple R&D and production bases overseas, we place high priority on advancing high-quality intellectual property activities on a global level, and we will continue strengthening activities based on collaboration with local product development bases and Intellectual Property Division personnel.



### Intellectual Property Strategy: Challenges and Prospects

What should the future image of innovation creation utilizing intellectual property look like?

**Nabeta:** In the Medical Systems business, we are targeting revenue of ¥1 trillion by fiscal 2030. To achieve this, we will need to not only expand individual product groups, such as X-ray diagnostic imaging systems and endoscope systems,



but also increase the number of IT solutions that support new approaches, such as building disease-specific solutions. In this context, creating value by combining the knowledge, technologies and products of Fujifilm Group companies will become even more important.

**Sakuma:** I agree. From the users' perspective, the value we provide is shifting from "products" to "products plus services." To this end, the role of the Intellectual Property Division in looking at products and services across the board is becoming more important. Going forward, we will strengthen our focus on using a combination of in-house technologies and products to create and protect the "service" aspect of our offerings.

**Horikiri:** For example, when developing the FDR nano, we added a four-wheel caster cart to enable smooth maneuvering in any direction. This, in itself, is not a novel

mechanism. However, to prevent the unit from tipping over and achieve a lightweight, compact design enabling easy handling in emergency medical-care settings, we had to devise a technologically advanced combination of solutions.

**Nabeta:** FDR nano is a compact, lightweight, highly mobile unit. We developed it by combining our expertise in "ultrahigh-sensitivity systems" to produce clear images even with small exposure, cultivated over many years through the development and manufacture of medical X-ray diagnostic systems, with our specialized medical image processing and recognition technologies.

**Sakuma:** Yes, that's right. If we focus only on the fact that FDR nano is "smaller" than competing products, nobody would notice the novelty of the individual technologies used. By contrast, we focused on values prioritized by the

user, such as "easy to move" and "hard to fall over," and turned them into intellectual property in the form of patents and designs. That was a great outcome.

**Horikiri:** I think one strength of our intellectual property activities in recent years is our emphasis on combining these technologies.

**Nabeta:** Let's take the example of our endoscopic retrograde cholangiopancreatography (ERCP) solution, a procedure in which an endoscope is used to deliver contrast medium into the bile and pancreatic ducts so that X-rays can be taken to confirm the presence and status of diseases. The solution evolved from Fujifilm's endoscope and medical image 3D analysis technologies and the X-ray moving image technology of FUJIFILM Healthcare, established in 2021 when we acquired the diagnostic imaging business of Hitachi, Ltd. I firmly believe that unique combinations like this will result in even stronger intellectual property.

**Horikiri:** We are also looking at combining various products and services of the Fujifilm Group to establish a facility where patients can receive simple medical treatment and help eliminate regional disparities in medical care. I believe this is another new innovation that can be realized through combinations of solutions.

**Sakuma:** The Intellectual Property Division has connections with all Fujifilm Group research laboratories, product development divisions, and business divisions and thus has access to the latest technical information possessed by the Group. To leverage this strength and accelerate the combination of technologies and products across business fields, we will monitor and share Group-wide product development trends. In so doing, for example, we hope to build an "intellectual property information platform" that will facilitate the flow of intellectual property created in Business A to the development of Business B. Ideally, we aim to establish a system that allows us to quickly search for the technologies we need when developing new products and services.

**Horikiri:** I like that. I think that viewing things through the prism of intellectual property will lead to stronger horizontal ties within the Fujifilm Group.



**Nabeta:** It is important to expand horizontal connections across departments. For example, when performing breast cancer screening using mammography, we need to capture images at the same location as the previous screening in order to accurately assess changes in the patient's condition. To assist with this, we developed AMULET SOPHINITY, a digital mammography system that uses AI technology\*4 to guide the camera to the same positioning as mammography images taken in the past. Its Positioning

MAP projection function allows the skinline\*5 and nipple position extracted from the image to be projected onto the monitor screen. To develop this function, our Imaging Solutions Development Center, which is separate from the Medical Systems Research & Development Center, utilized its expertise in professional-use projectors. I anticipate that collaborations like these will further accelerate as we evolve our intellectual property information into a platform.

\*4 The nipple position detection algorithm is designed using deep learning, an AI technology. The performance and accuracy of the system does not automatically change after installation.

\*5 The contour of the skin of the breast.

### What are your future aspirations for each division?

**Nabeta:** We will work together with the Intellectual Property Division and the Design Center to strengthen the Group's product development activities and create as many products and services as possible that address medical issues, such as regional health disparities, and have a powerful intellectual property component.

**Sakuma:** With the advancement of AI technology and the expansion of product and service offerings through collaboration among companies of different nationalities, the situation for intellectual property has reached a turning point. With this in mind, the Intellectual Property Division will continue strengthening cooperation with the product development, design and other divisions to build a Fujifilm Group that can provide more innovative value while protecting and utilizing intellectual property for technologies and products with unconventional foundations.

**Horikiri:** Our intellectual property strategy is essential for the Group to continue to shine as an honest brand trusted by society. Therefore, we recently opened FUJIFILM Creative Village, a new facility where designers and IT engineers can work together on product development. I am convinced that engaging in design with a sense of sincerity while including people's unspoken thoughts, with the FUJIFILM Creative Village as the starting point, will help us build a Fujifilm brand that continues to evolve. By combining people and technologies in this way, we will create innovative products and services that will become the "next standard."

## Connecting design and IT to build a strategic base for accelerating value creation

### Opening of FUJIFILM Creative Village

In May 2023, we opened the FUJIFILM Creative Village, a design and IT development base in Minami Aoyama, Tokyo. All members of our Design Center worked on the entire design process, from concept creation to the building's exterior, interior and facilities.

The center consists of two buildings: CLAY, a design development center that captures the potential needs of users and gives shape to their solutions, and ITs, an IT development center that utilizes AI and ICT to create added value for businesses. The center will allow our designers and IT engineers to demonstrate their creativity and maximize their performance. By combining the power of both teams to generate innovation, we will create more innovative products and services and help resolve social issues.



Exterior of FUJIFILM Creative Village (left) and "ITs," the medical AI researcher floor.



## Human Resources Strategy



### Message from General Manager of Human Resources Division

We will foster human resources and a culture in which each employee sees changes as opportunities for growth, embraces challenges and continues to create change.

**Yasushi Zama**

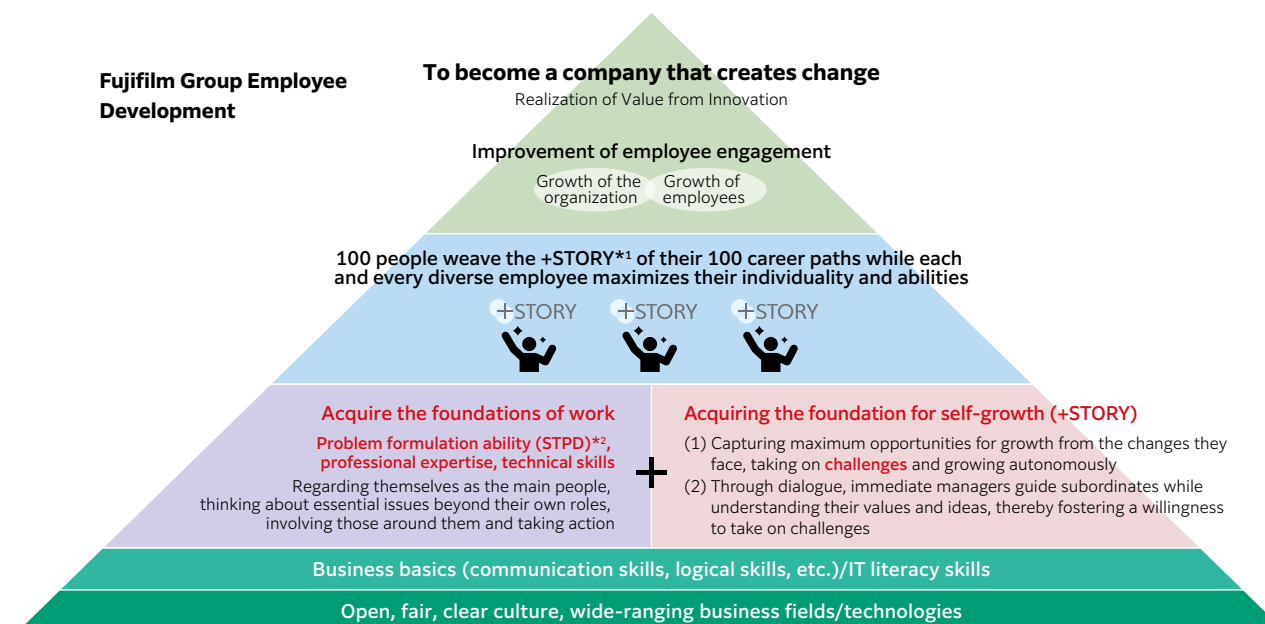
Corporate Vice President and General Manager  
of Human Resources Division  
FUJIFILM Holdings Corporation

## Focal Areas for Human Resources Development and Human Resources Strategy

We have achieved transformation and growth by embracing the challenge of boldly changing our business structure. I attribute this to our employees, who spearheaded the transformation and were not afraid to take on the challenge of change. I feel that the root of our company's success lies in a corporate culture that continues to drive change. The source of innovation in the Fujifilm Group is "employee power." To continue delivering sustainable growth in a rapidly changing business environment, we need to continue developing human resources who see changes as opportunities for growth,

embrace challenges and spearhead business transformation.

To realize our long-term CSR plan (Sustainable Value Plan 2030, SVP2030) targeting fiscal 2030 and our medium-term management plan, VISION2023, we have identified three priority areas of our human resources strategy: human resources development, diversity and health management. Under our "open, fair and clear" corporate culture, we are working to increase employee engagement while creating an upward spiral of individual and organizational growth.



\*1 Assistance program to acquire the foundation for individual growth    \*2 Fujifilm Group's unique management cycle: See-Think-Plan-Do (STPD)

## Developing Leadership Talent

The Fujifilm Group's human resources development focuses on helping employees build a foundation for work and personal growth. Here, we place particular emphasis on employees' ability to identify essential issues and formulate and implement key tasks. The Fujifilm Group has an innovative management cycle called STPD (See, Think, Plan, Do), which encourages employees to "look carefully at the facts, think until they understand the essence of an issue, clarify the issue and then forge ahead with a concrete implementation plan" as a common approach to work across all businesses and functions.

An indispensable part of developing leadership talent is "practice." The Fujifilm Group offers job rotations across a

variety of businesses and positions to broaden employees' perspectives through various experiences. Our aim is to help employees, through practice, understand the importance of continuous personal change and grow as human beings.

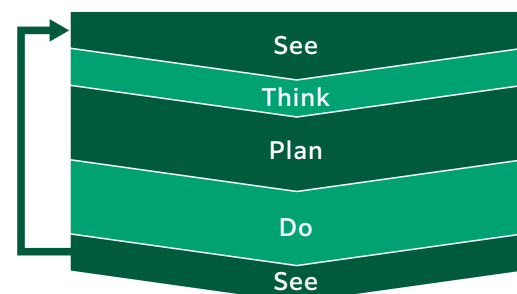
Another indispensable part is "learning." When creating change, there are many situations where the rules of thumb developed in practice do not apply. To make decisions on their own in wide-ranging situations never experienced before, employees must understand essential matters and principles of things and have a personal foundation on which to base their decisions. To foster future leaders, therefore, we developed a rigorous liberal arts program to

help employees obtain a solid view of the big picture and a sense of history. By turning the two wheels of "practice" and "learning," we encourage the growth of our employees.

We also have a system in place for selecting key personnel. Under the system, we select next-generation leaders from employees in their 30s and next-generation management leaders from managerial personnel in their mid-40s. In the final stage, we have a training program called Management School for selected personnel from the general manager level and higher. In addition to systematically training key human resources, we prepare them for the future by giving them difficult tasks that we call "tough assignments."

### The Fujifilm Group's unique management cycle See-Think-Plan-Do (STDP)

#### Work steps



- 1 Collection of information
- 2 Analysis of information and identification of issues
- 3 Establishment of objectives and targets
- 4 Development of achievement scenarios
- 5 Drafting of concrete implementation measures
- 6 Sticking to it and doing it thoroughly
- 7 Reflection and summary (feedback for next time)

### Education program system

Education program system							Light green: Selected and self-nominated		White: All employees							
Qualification	Foundation for work							Foundation for self-growth								
	Qualifying role	Selection	Mind	Business skill	Agenda setting skills	Technical skills	DX skills	+STORY	Diversity	Global						
Senior			Career life design training													
Job title		Management school			Project management Ability to accomplish agenda <Practice>		DX literacy course/Self-BI (Beginner/Intermediate)	Enhancement of data utilization/Self-BI (Advanced)	+STORY Academy learning content (online)	+STORY LIVE	+STORY connected workshop	+STORY childcare salon	Work-life balance seminar	Language ability (self-study, conversation class, judgment of language ability)	Short-term dispatch, trainee, overseas MBAs, etc.	Overseas assignment, cross-cultural understanding, overseas governance
		Training for newly appointed managers	Next generation of management leaders	Development of subordinates Strategic planning	Setting of the reform agenda											
V	Pre-promotion training	Next generation leaders		Marketing practice Coaching	Advanced QC problem solving	Technology presentation meeting										
IV	V promotion training		+STORY design training	Relationship building and negotiation skills Corporate finance Financial statement analysis	Project management Ability to accomplish agenda <Basics>	Patent education										
			"Stage Up" (third year achievement review) presentations Practical training in the field Step 2 training Training for new employees	Presentation Facilitation Marketing Accounting Finance Management strategy	KT method Data analysis Logical thinking Critical thinking Information structuring power Questioning skills	Problem solving Quality control Seven quality control tools Risk prediction Safety and environmental education										
III	IV promotion training															
II	III promotion training															
I	II promotion training															

Light green: Selected and self-nominated White: All employees

## Transforming Changes into Opportunities for Growth by Valuing Each Person's "Story"

When developing human resources, we encourage each employee to view changes as opportunities for growth and embrace challenges. We also ask supervisors to provide motivation to take on challenges by obtaining a thorough understanding of the values and ideas of their subordinates. To realize this goal, we offer the "+STORY" self-development assistance program.

The program has various elements to support employees' growth in multiple areas. These include "+STORY Dialogue," in which employees reflect on their experiences over the past year, gain new insights and knowledge through dialogue with their supervisors, and foster motivation to embrace further challenges; "+STORY Academy," a platform to support and promote independent learning; and "+STORY LIVE," an online platform enabling diverse employees

to share their experiences and knowledge.

We also encourage our employees to grow autonomously while embracing the "+STORY Challenge Cycle" (see figure below), which links these measures to the "+STORY" philosophy.

"+STORY Dialogue," which is the foundation of diversity management, is separate from interviews aimed at obtaining feedback on goals and evaluations. With "+STORY Dialogue," a dialogue is held once a year to help supervisors gain a thorough understanding of the values and ideas of their subordinates. The purpose of this dialogue is to help supervisors understand the personalities of their subordinates and support the creation of stories for the subordinates' future challenges based on their own personalities and characteristics.

In fiscal 2022, "+STORY Dialogue" received positive responses from 96% of executives and 82% of the general workforce,

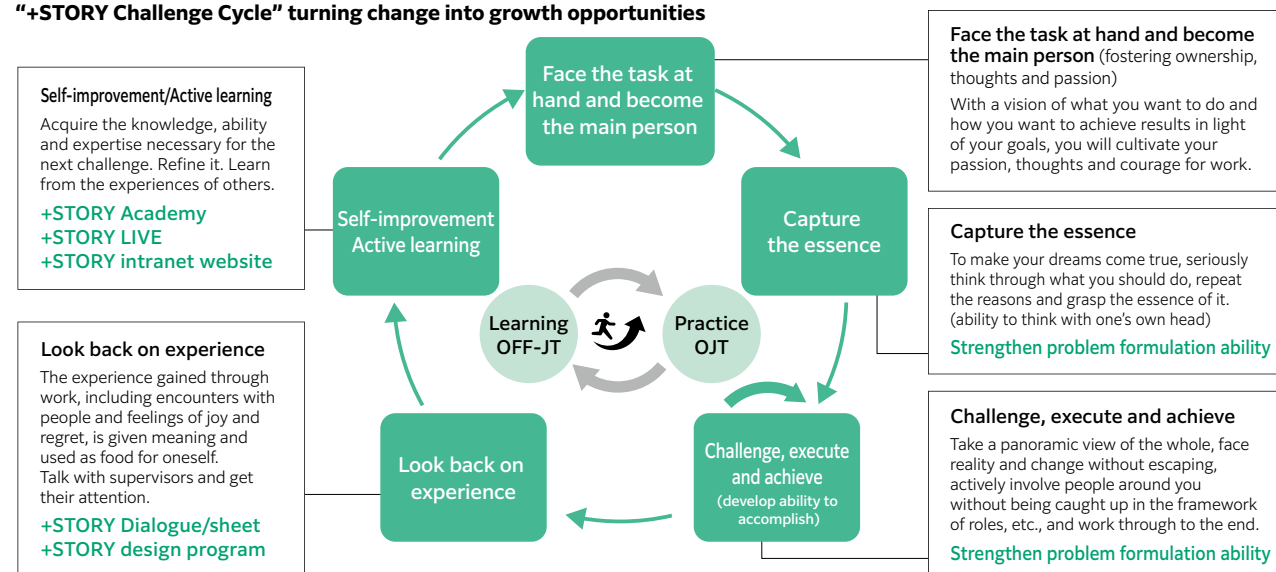
indicating a certain level of satisfaction with the program. We will continue working to raise the overall level of the Company while strengthening the dialogue skills of executives and employees.

Since March 2021, meanwhile, we have held "+STORY LIVE" sessions once a month, with a total viewership of more than 15,000 and an average of 700 to 800 employees participating each time. Through these sessions, we found that many employees are highly motivated to share their experiences and ways of thinking, gain new insights and learn from employees with various specialties, personalities and backgrounds. At the same time, we are encouraging employees to share their own stories to strengthen their connections with the legacy and development of the Fujifilm Group's corporate culture.



President Goto sometimes joined "+STORY LIVE" sessions to encourage speakers.

### "+STORY Challenge Cycle" turning change into growth opportunities



## "+STORY Academy"

Launched in 2023, "+STORY Academy" is a learning platform with many online programs. It offers more than 2,000 diverse programs, ranging from specialized areas, centered on business skills and MBA course essentials, to practical areas, such as languages, project management, specialized technology and programming. In consultation with their supervisors, employees select the programs they need to develop their strengths and address areas requiring improvement, enabling them to strengthen their skills base to embrace the challenges of change.

#### Course examples

GLOBAL Unlimited (provided by GLOBIS Corporation)

Udemy Business (provided by Benesse Corporation)



All components of the “+STORY” program received awards for excellence in the Human Resource Development category at the 12th Japan HR Challenge Awards 2023, sponsored by the HR Research Institute. Moreover, FUJIFILM Holdings was awarded the highest honor in the Corporate HR category of HR Awards 2023, bestowed by HR Vision Co., Ltd. and hosted by the HR Awards Steering Committee. We are pleased that our efforts to develop the human resources valued by the Fujifilm Group have been recognized, and we believe that continuing these efforts will help employees embrace the legacy and corporate culture that is unique to the Fujifilm Group. Going forward, we will expand this service to overseas Group companies while localizing it for each country and region.



## Achieving Greater Diversity

We have always valued the diversity of our employees, not only with respect to gender and nationality but also in terms of their diverse experiences and skills. In this context, we recognize the need to step up efforts to appoint exceptional non-Japanese employees and promote the advancement of women in the future. For example, the percentage of women in managerial positions in Japan was 6.9% in fiscal 2022, compared with our target of 15% in fiscal 2030. To achieve our target, we need to change our systems and awareness. With this in mind, in November 2022 we established the Diversity, Equity & Inclusion (DE&I) Promotion Group\*<sup>1</sup> within the Human Resources Division. Based on the concept of “recognizing and supporting each other’s diverse +STORY,” we are taking measures to promote the advancement of women, help employees balance work and childcare/nursing care, and encourage male employees to participate in childcare. In these ways, we are working to transform our culture to ensure that efficient work styles produce good outcomes. In fiscal 2022, we held meetings on the theme of the so-called barrier of first graders\*<sup>2</sup>. We also held seminars on balancing childcare and

work for employees to attend with their supervisors when they return to work after childcare leave. Through these steady measures, we are solidifying our foundation for employees.

Another challenge is the appointment of talented non-Japanese employees. The percentage of non-Japanese employees in major positions in the Fujifilm Group was 27.8% in fiscal 2022, compared with our target of 35% in fiscal 2030. We are developing a human resources system that optimally allocates and utilizes excellent human resources globally, regardless of nationality or gender. We have also started building a system to systematically identify, train and promote excellent human resources. In our next medium-term management plan, we aim to formulate a succession plan for fiscal 2030 together with the regional head offices and business managers in each region.

These are important priorities for helping employees maximize their capabilities on the Fujifilm Group stage. With this in mind, we plan to establish a DE&I Promotion Committee, chaired by the CEO, to accelerate DE&I measures.

\*1 Reorganized to Diversity, Equity & Inclusion Promotion Office as of October 1, 2023.

\*2 Refers to the time when a child graduates from nursery school and enters elementary school, making it difficult for parents to balance work and childcare due to the difference between school hours and regular working hours. This requires one parent to either shorten his/her workdays or have someone take care of the child after school.

## Dynamic Human Resources Portfolio

We have been drastically changing our business structure since the early 2000s, when the photographic film market shrank rapidly. Specifically, we have sought to change the mindsets of our employees by developing human resources capable of responding to our changed business strategy. We have also been conducting job rotations across businesses and now believe we have laid the foundation for a dynamic human resources portfolio.

Going forward, we need to appoint human resources speedily and appropriately so we can continue operating a dynamic portfolio that aligns with our business strategy. To implement innovative business measures with an eye on the future, we must not only look within our existing organization but also find good measures between organizations and formulate and implement them spontaneously. This is one way to build a dynamic human resources portfolio. Another characteristic of the Fujifilm Group is that many employees work independently in multiple organizations to implement future policies.



## Health Management Unique to the Fujifilm Group

For a company to develop, it needs a human resources strategy with high importance on employee health. With this in mind, the Fujifilm Group engages in health promotion activities by working closely with employee organizations, companies, the Fujifilm Group Health Insurance Association, and occupational health physicians and other medical personnel. We have identified five priority areas associated with employee wellness: lifestyle-related diseases, cancer, smoking, mental health and long working hours. We also encourage employees to adopt the “Seven Healthy Behaviors in the Fujifilm Group” to develop healthy lifestyle habits. We check the implementation status of these behaviors once a year and have found that employees who engage in more of the seven behaviors have better job performance. In addition, we are proud of the fact that we have made endoscopic examination a standard part of our stomach cancer screening and have set the rate of endoscopic examinations as a KPI to facilitate early detection.

In April 2022, we opened the Fujifilm Group Health Insurance Association's “FUJIFILM Mediterrace Yokohama,” a health screening center for Fujifilm Group employees. The center uses our state-of-the-art medical equipment and medical IT systems, which incorporate AI technology, to provide state-of-the-art health checkups to our employees.

As a result of these efforts, FUJIFILM Holdings was selected as a Health and Productivity Stock for the third consecutive year and as a Health and Productivity Management Outstanding Organization (White 500) for the seventh consecutive year.



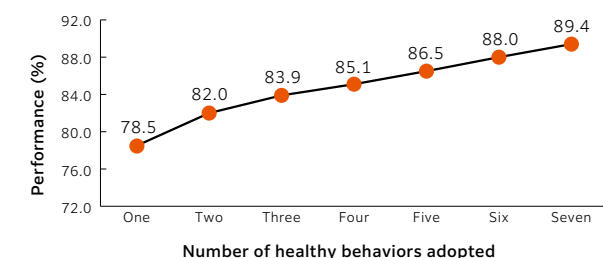
FUJIFILM Mediterrace  
Yokohama

## Targeting Further Growth of Employees and the Company

Understanding our employees' sense of job satisfaction and continuously improving employee engagement are also key priorities of our human resources strategy. In December 2022, we conducted the Fujifilm Group Employee Engagement Survey, which indicates whether our employees share the Group's philosophy and vision and act proactively. We received responses from 68,485 people, equivalent to 90% of the Group's employees worldwide. For “Engagement,” which indicates the percentage of positive responses, we received a score of 80%. According to the

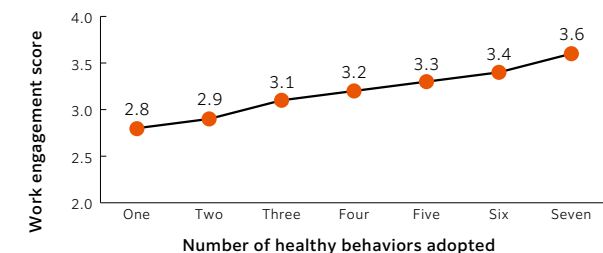
consulting firm that helped us conduct the survey, this is a high score compared to other companies in Japan and overseas. Most important, however, is to convey the survey results to each workplace, engage in discussions to create better workplaces, and translate the results into specific measures based on action plans following discussions at each company and department. We will continue conducting the survey annually to establish a cycle of dialogue in the workplace, and thus foster further growth of the Fujifilm Group and its employees.

### Seven healthy behaviors in the Fujifilm Group and performance



Results of responses from 38,006 Fujifilm Group employees in Japan (December 2022)

### Seven health behaviors in the Fujifilm Group and work engagement



Results of responses from 38,006 Fujifilm Group employees in Japan (December 2022)

In a new initiative, we have started “+STORY Connecting Workshops” in several departments to share stories across our organization. This has led to improvement in the psychological safety of the entire organization, creating a virtuous cycle of increased engagement. In our next medium-term management plan, we will focus on human resources development, organizational development, and corporate culture succession and development, with “+STORY” at the core. To continue driving change, we will enhance our human resources development system, which will serve as the foundation for change, and further enhance the value of the Fujifilm Group.

## Employee Engagement Survey

### Fujifilm Group Employee Engagement Survey 2022: Summary of Results

#### Purpose of the survey

The Fujifilm Group aims to create a highly engaged organization where employees empathize with its vision and act willingly and voluntarily, based on a foundation of physical and mental health and a high awareness of compliance. Through the Engagement Survey, we will ascertain the current status of engagement with employees in Japan and overseas and link this to measures for the joint growth of employees and the Fujifilm Group.

#### Survey overview

Survey target: Fujifilm Group (the Company and its consolidated subsidiaries; 75,474 employees)

Survey period: December 1–21, 2022 (3 weeks)

Response rate: 90% for the entire Fujifilm Group

#### Survey method

As an indicator, we used “Sustainable Engagement,” which quantitatively measures employees’ empathy with the Fujifilm Group’s philosophy and vision and their willingness to help achieve the Group’s goals. The three elements that make up “Sustainable Engagement” are “Engaged,” “Enabled” and “Energized,” and companies that score well in all three are said to be capable of strong performance. Under these indicators, we asked seven questions, and the percentage of Group employees who gave positive responses (1 or 2 on a 5-point scale) was cited as our engagement score (indicator of “Sustainable Engagement”).

#### Overview of survey results

Our engagement score was 80%, regarded as a good overall result. This indicates that many of our employees share the direction that the Fujifilm Group is heading and are acting proactively.

Course examples	Response rate	Number of responses	Engagement score
The Fujifilm Group as a whole (global results)	90%	68,485	80%

#### Realization of Fujifilm's Vision

##### Value from Innovation

Through the fusion of diverse “people, knowledge and technology” and flexible ideas, we will create our own changes and change the world and the future into a better place.

#### High level of engagement

##### Growth of individuals and the organization

A state in which employees sympathize with “Fujifilm’s vision” and act with enthusiasm and initiative

##### Acquire the foundation for work

✓Improve the quality of work by acquiring STPD, expertise and the skills necessary for growth.

##### Acquire the foundation for self-growth

✓See change as an opportunity for growth, take on challenges and grow autonomously.  
✓Through dialogue, immediate managers train subordinates while understanding their values and ideas and foster a willingness to take on challenges.

##### Understanding and empathy for the brand

✓Employees understand and sympathize with the Fujifilm brand (the ideal form) and feel the significance of their work. A place (brand) that they can be proud of.

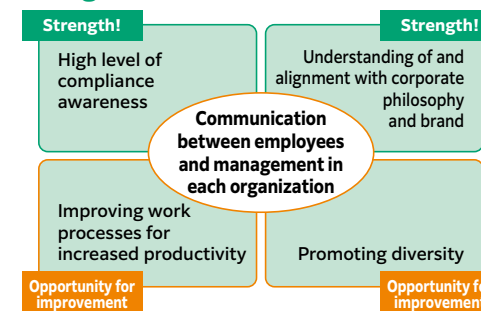
Compliance (open, fair and clear conduct)

Mental and physical health (motivation to work, communication between individuals and organizations, and psychological safety)

### The Fujifilm Group's Strengths and Challenges

The results of this Engagement Survey confirmed that the Fujifilm Group’s overall strengths are a pervasive “understanding of and alignment with corporate philosophy and brand” and a “high level of compliance awareness” among individual employees. The results also strongly showed that employees are committed to valuing the open, fair and clear corporate culture set forth in the Group’s vision. In other words, they approach their daily work with a strong sense of mission to continue providing better value to society. These strengths are an expression of each individual’s “pride” and “sense of responsibility,” which are the two wheels that carry their work forward. By developing these strengths, we will continue targeting growth as a company that creates positive change in society.

On the other hand, the survey revealed some points that require improvement, namely, the need to “improve work processes for increased productivity” and to “promote diversity.” In Japan, we launched our “Work Style Innovation” initiative in 2014 and have since sought to adopt highly productive work styles. In 2022, we launched the “Work Style Innovation × DX” initiative, through which we use the power of DX to simplify our organization and standardize processes throughout the Group. To create an environment where diverse employees can remain active through multiple life stages, meanwhile, we are strengthening systems and seminars to help employees balance work and other responsibilities, such as childcare and nursing care. Communication between employees and management of each organization is conducted through the “+STORY” self-development assistance program, as well as the DE&I initiative, which respects diversity.



### Future Activities

We will continue conducting the annual survey to identify issues facing the entire Group, recognize the challenges faced by each Group company’s divisions, and implement measures based on the action plans discussed through workplace discussions on each company’s strengths and improvement issues. Through annual discussions, we aim to achieve growth for both employees and organizations by transforming our work environment into one in which employees can work with high levels of motivation and vigor.