FUJIFILM Holdings Corporation

Medium-term Management Plan Briefing

April 17, 2024

Event Summary

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[Participants]		
[Number of Speakers]	5	
	Teiichi Goto	President and CEO, Representative Director
	Masayuki Higuchi	CFO, Director and Corporate Vice President
	Naoki Hama	Director/President, Representative Director & Chief Executive Officer of FUJIFILM Business Innovation Corp.
	Chisato Yoshizawa	Director & Senior Vice President, General Manager of Corporate Communications Division and General Manager of ESG Division of FUJIFILM Corporation
	Toshihisa Iida	Corporate Vice President, General Manager of Life Sciences Strategy Headquarters, General Manager of Bio CDMO Div., FUJIFILM Corporation

Presentation

Moderator: We will now begin the briefing on FUJIFILM Holdings' medium-term management plan, VISION2030. Thank you very much for taking time out of your busy schedule to attend our information session today.

I am pleased to introduce today's attendees. Teiichi Goto, President and CEO, Representative Director of FUJIFILM Holdings.

Goto: Thank you.

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

Higuchi: My name is Higuchi. Thank you.

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

Hama: I am Hama. Thank you.

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

Yoshizawa: My name is Yoshizawa. Thank you.

Moderator: Toshihisa Iida, Corporate Vice President, General Manager of Life Science Strategy Headquarters, General Manager of Bio CDMO Division, FUJIFILM Corporation.

Iida: My name is Iida. Thank you.

Moderator: My name is Nagasawa from the Corporate Communications Division, and I will be your moderator today. Thank you very much for your cooperation.

At today's briefing, Goto will first give an overview of the medium-term management plan. Next, Higuchi will explain the strategy of each business. A question-and-answer session will follow.

Now, Goto will explain.

Goto: Thank you very much for taking time out of your busy schedule today to attend the briefing on FUJIFILM Holdings' new medium-term management plan, VISION2030.

On the occasion of our 90th anniversary, we established the Group's Purpose "Giving our world more smiles." In order for the Fujifilm Group to continue to provide innovative value to society and achieve sustainable growth in the coming 100th anniversary and beyond, all employees, who are the driving force of the Group, will aspire to realize this Group's Purpose.

I would like to explain our medium-term management plan, VISION2030, which was formulated under this new Group's Purpose and will end in FY2030.

1-1 | Recap of VISION2023

- ☑ **Achieved target of VISION2023 in Revenue and Operating income one year ahead of schedule. FY2023 is also expected to achieve a record high.**
- ☐ **KPIs for Capital Efficiency were not achieved, due to large capital expenditure in Bio-CDMO and Electronic Materials which were not in the original plan as well as ensuring enough inventory to prioritize stable supply under COVID-19.**

	(Billions of yen)	FY2020 Actual	FY2021 Actual	FY2022 Actual	VISION2023 A: FY2023 Forecast As of 2024/4/17	A-B: vs Original	B: FY2023 Original plan As of 2021/4/15
	Revenue	2,192.5 100%	2,525.8 100%	2,859.0 100%	Record High 2,960.0 100%	+9.6%	2,700.0 100%
☑ Profitability	Operating Income	165.5 7.5%	229.7 9.1%	273.1 9.6%	Record High 277.0 9.4%	+6.5% -0.2pt	260.0 9.6%
	Income before Income Taxes	235.9 10.8%	260.4 10.3%	282.2 9.9%	Record High 310.0 10.5%	+55.0% +3.1pt	200.0 7.4%
	Net Income Arttribute to FUJIFILM Holdings	181.2 8.3%	211.2 8.4%	219.4 7.7%	Record High 240.0 8.1%	+20.0% +0.7pt	200.0 7.4%
	EPS	453.28yen	527.33yen	547.21yen	597.99yen	+97.72yen	500.27yen
☐ Capital efficiency	ROE	8.7%	9.0%	8.3%	8.2%	-0.2pt	8.4%
	ROIC	4.3%	5.6%	6.1%	5.6%	-0.5pt	6.1%
	CCC	123days	122days	125days	122days	19days	103days
☑ Financial soundness	Shareholders' equity ratio	62.1%	63.3%	66.8%	65.8%		-
	D/E ratio	0.23	0.18	0.14	0.16		-
Exchange(Average)	USD	106 yen	113 yen	136 yen	145 yen	+41 yen	104 yen
	EUR	124 yen	131 yen	141 yen	157 yen	+33 yen	124 yen

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First, let us look back at the previous medium-term management plan, VISION2023, which ended in March 2024.

Under VISION2023, with the aim of accelerating growth in Healthcare and Advanced Materials and building a strong business foundation that will enable sustainable growth, we have focused on strengthening our business portfolio management, enhancing cash flow management, entering new markets for further growth, and creating integration benefits from businesses strengthened through M&A.

The VISION2023 targets for revenue, operating income, income before income taxes and net income attributable to FUJIFILM Holdings were achieved in FY2022, each one year ahead of schedule, and are expected to reach a new record high in FY2023.

On the other hand, ROE, ROIC, and CCC, which are indicators of capital efficiency, are expected to fall short of the plan. This was mainly due to the decision to make additional large capital investments in the Bio CDMO and Electronic Materials businesses, as the market is expected to grow more than initially anticipated, and to increase inventories in response to the tight supply chain caused by the COVID-19 pandemic.

We have also revised our forecasts for FY2023 from those announced on February 8, 2024, raising revenue by JPY10.0 billion to JPY2,960.0 billion, lowering operating income by JPY13.0 billion to JPY277.0 billion, and raising both income before income taxes and net income attributable to FUJIFILM Holdings by JPY150.0 to JPY310.0 billion and JPY240.0 billion, respectively.

The increase in sales target is due to continued strong sales of the Medical Systems and Imaging businesses. On the other hand, the reduction in operating income was mainly due to a decrease in the amount of cancellation fees received for the Bio CDMO business from the amount that was initially expected. The increase in income before income taxes and net income attributable to FUJIFILM Holdings was mainly due to an increase in gain on valuation of investment securities.

FY2021-FY2023 Medium-term Management Plan

1-2 | Recap of VISION2023: By Segment

Achieved steady development in Healthcare and Electronic Materials and set Imaging on a growth path, while the challenge lies in improving resilience to volatility and enhancing profitability in each business field.

(Billions of yen)

		A FY2023 Forecast As of 2024/4/17	A-B vs Original	B FY2023 Original plan As of 2021/4/15
Healthcare	Revenue	975.0	+13.4%	860.0
	Operating Income	97.0	-5.8%	103.0
	Operating Margin	9.9%	-2.1pt	12.0%
Materials	Revenue	687.0	-4.6%	720.0
	Operating Income	43.0	-54.7%	95.0
	Operating Margin	6.3%	-6.9pt	13.2%
Business Innovation	Revenue	830.0	+1.2%	820.0
	Operating Income	71.0	-13.4%	82.0
	Operating Margin	8.6%	-1.4pt	10.0%
Imaging	Revenue	468.0	+56.0%	300.0
	Operating Income	102.0	+4.1times	25.0
	Operating Margin	21.8%	+13.5pt	8.3%
Corporate Expenses & Eliminations	Revenue	-	-	-
	Operating Income	-36.0	+9.0	-45.0
Total	Revenue	2,960.0	+9.6%	2,700.0
	Operating Income	277.0	+6.5%	260.0
	Operating Margin	9.4%	-0.2pt	9.6%

	Outcome	Challenge
Healthcare	• Medical Systems:Steady growth with IT and AI • Bio-CDMO: Decision of investments for future growth.	• Reinforcement of Small-scale manufacturing in Bio-CDMO, and Cell Culture media business in LS Solutions which are affected by biotech venture funding stagnation.
Materials	• Electronic Materials:Large M&As and aggressive investments • Establishment of High Functional Materials Strategic HQ	• Delayed recovery from COVID-19 impact (demand decrease in Graphics business, raw material price hikes, etc.)
Business Innovation	• Smooth transition to new company and structure • Steady growth in Business Solutions (M&A, new services)	• Maintain profitability of Office Solutions, which is experiencing a gradual decline in Print Volume • Improve profitability of Business Solutions
Imaging	• Build on INSTAX's stable market base and dominant brand • Two-line (X and GFX) strategy for digital cameras	• Sustain silver halide photography (CLP and film) • Develop new businesses (safety monitoring, inspection, etc.)

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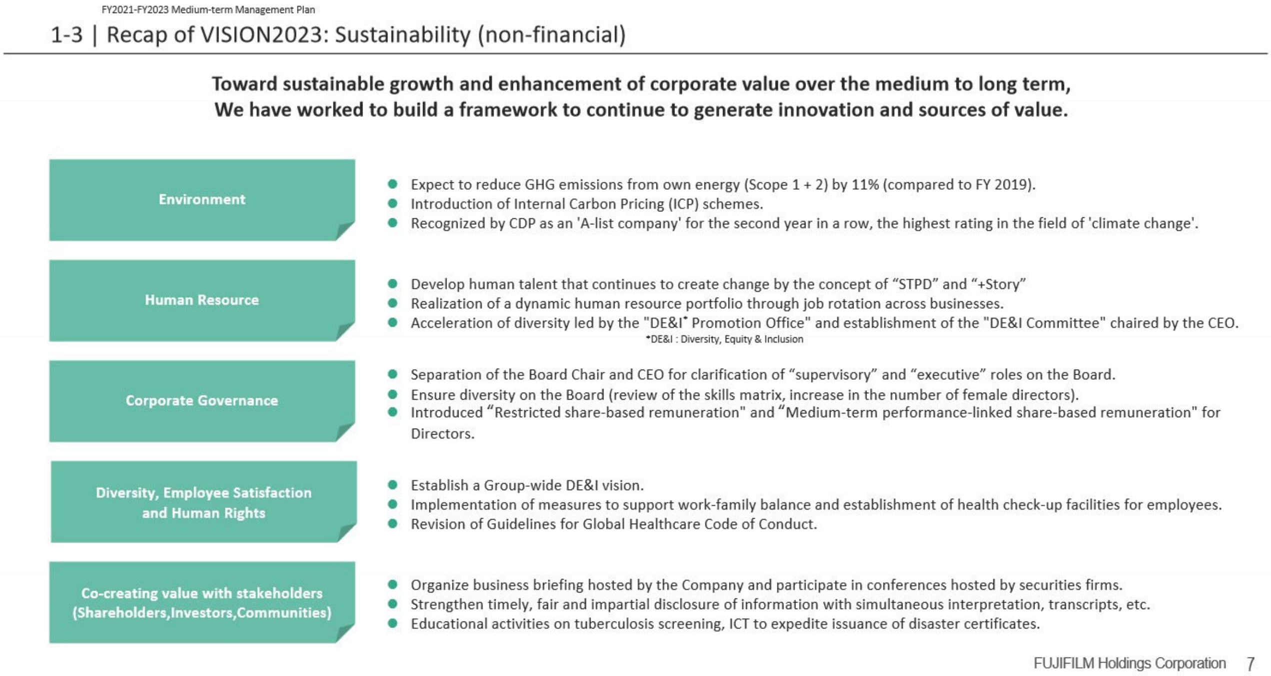
By segment, aggressive investment in Healthcare and Electronic aterials has steadily built their business foundations and put the imaging business on a growth trajectory with a significant increase in revenue.

At the same time, we consider it a challenge to improve the profitability of each of our businesses by strengthening their resilience to market conditions and other environmental changes. Under the newly formulated VISION2030, we will work to address these issues.

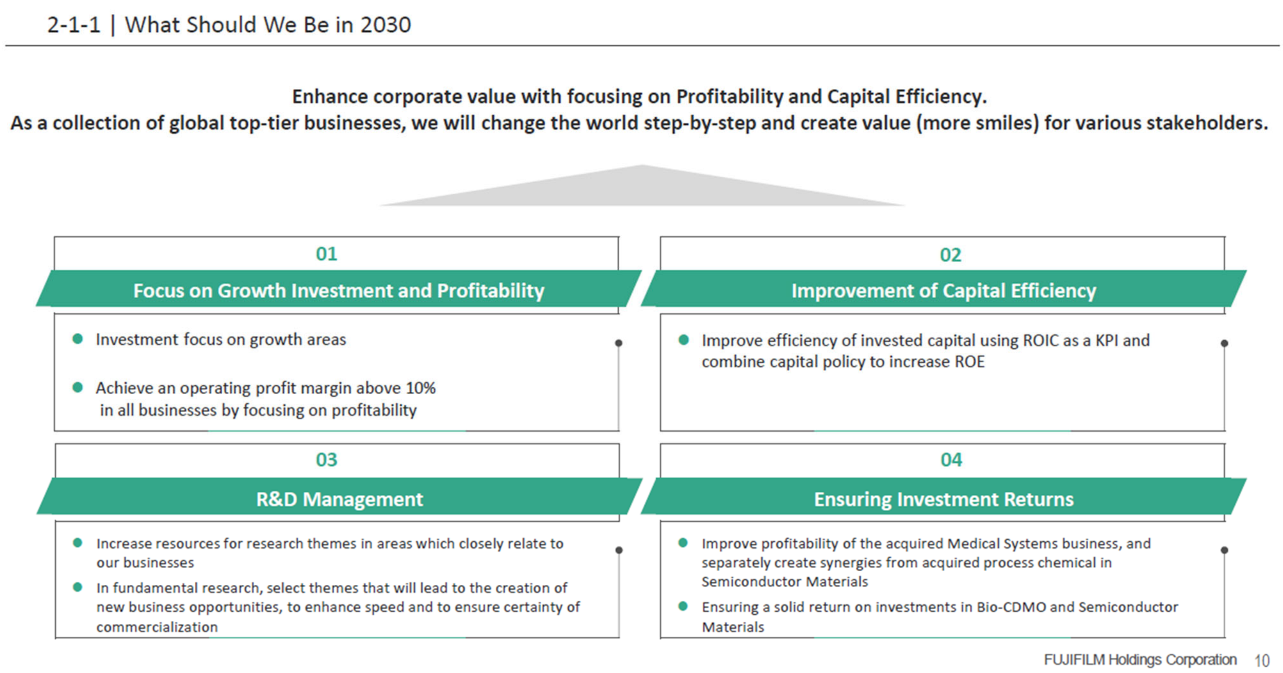


With regard to sustainability, we have been working to build a framework that continues to generate innovation and a source of value to achieve sustainable growth and increase corporate value over the medium to long term.

We have achieved concrete results, including an 11% reduction in greenhouse gas emissions from our own energy sources compared to FY2019 in the area of the environment, as well as separation of the Chair of the Board of Directors from the CEO and clarification of the supervisory and executive roles of the Board of Directors in the area of corporate governance.

We will continue to contribute to the realization of a sustainable society while co-creating value that will last into the future with our stakeholders.

These are the recap of VISION2023.



VISION2030 will now be explained.

First, let me explain the positioning of VISION2030.

We have defined the ideal company for 2030 as one that enhances the corporate value of the Group with focusing on profitability and capital efficiency, changes the world step by step as a collection of the global top-tier businesses, and creates value for various stakeholders. To achieve this, we will work on four priority issues.

The first is the focus on growth investment and profitability. We will aggressively invest in our growth areas of Healthcare and Semiconductor Materials, and achieve an operating margin of 10% or more in all of our businesses through more profitability-oriented business operations.

The second is to improve capital efficiency. We will continue to emphasize ROIC, adopted from VISION2023, as a KPI to improve the efficiency of invested capital and combine it with an optimal capital policy to improve ROE.

The third is R&D management. We will allocate resources to promote the commercialization of research themes in areas close to our businesses, while carefully selecting basic research themes that will lead to the creation of new businesses, in order to improve the certainty and speed of commercialization.

The fourth is ensuring investment returns. The Company will proceed to reap the benefits of the Medical Systems business acquired from Hitachi, Ltd. in 2021 and create synergies with the process chemical business acquired from Entegris, Inc. in 2023. We will also ensure that the aggressive capital investments we are making in the Bio CDMO and Semiconductor Materials businesses will generate returns.

2-1-2 | The Fujifilm Group's Approach to CSR

Sustainable Value Plan 2030

Under the SVP2030, the Fujifilm Group will contribute to realize a sustainable society by resolving social issues through innovative technologies, products, and services.

Sustainable Value Plan 2030 (SVP2030)
Long-term goal, which is expected to lay the foundations of the Group's business management strategies for sustainable growth.

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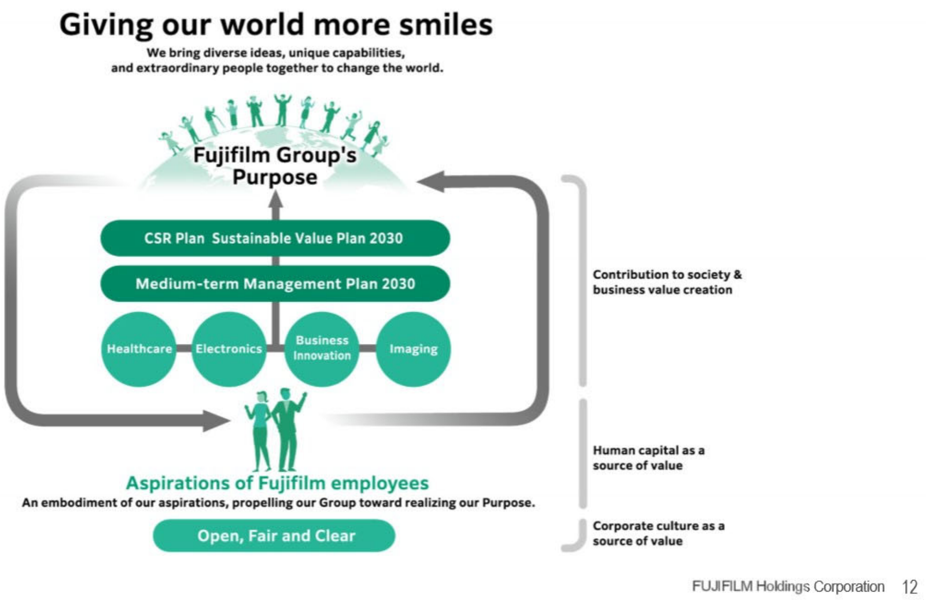
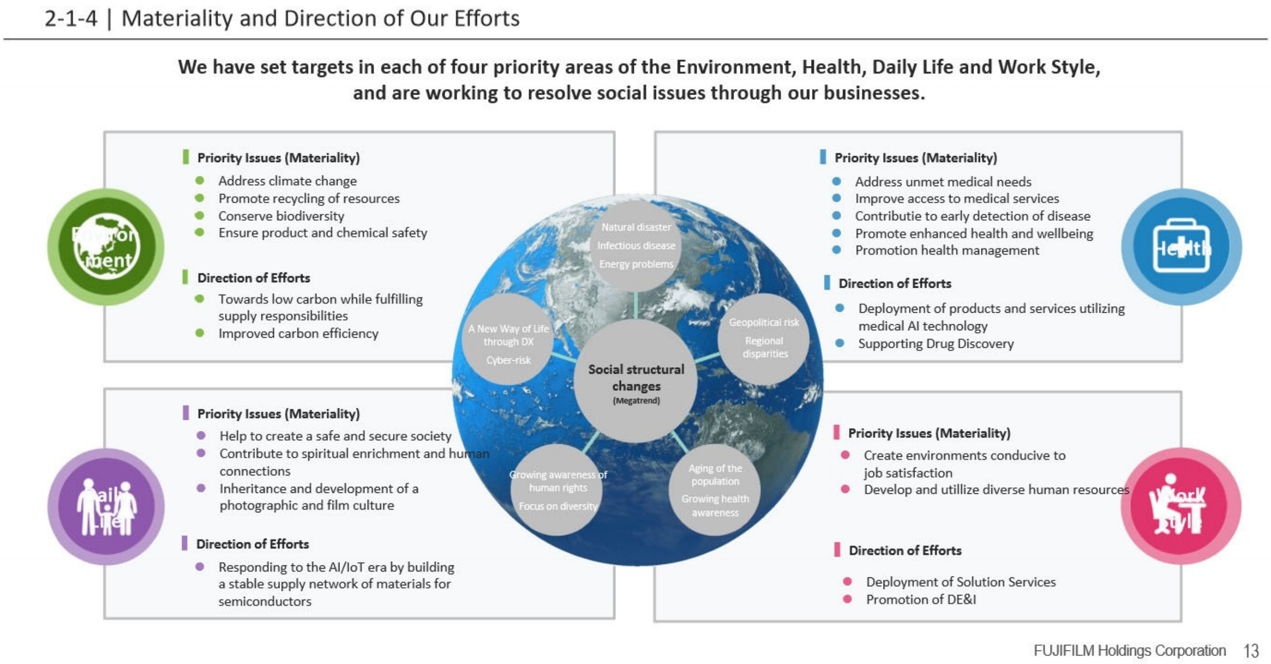
Next, I will explain the Fujifilm Group's approach to CSR.

Under the Sustainable Value Plan 2030, the Fujifilm Group aims to become a company that further contributes to the realization of a sustainable society by further working to solve social issues through its business activities by providing innovative technologies, products and services.



Here you see the positioning of the Group's Purpose and VISION2030, which were established in January of this year.

Under the banner of the Group's Purpose "Giving our world more smiles," all employees of the Fujifilm Group, who have diverse backgrounds and values, will carry out the action plan VISION2030 toward the Sustainable Value Plan 2030 with aspiration.



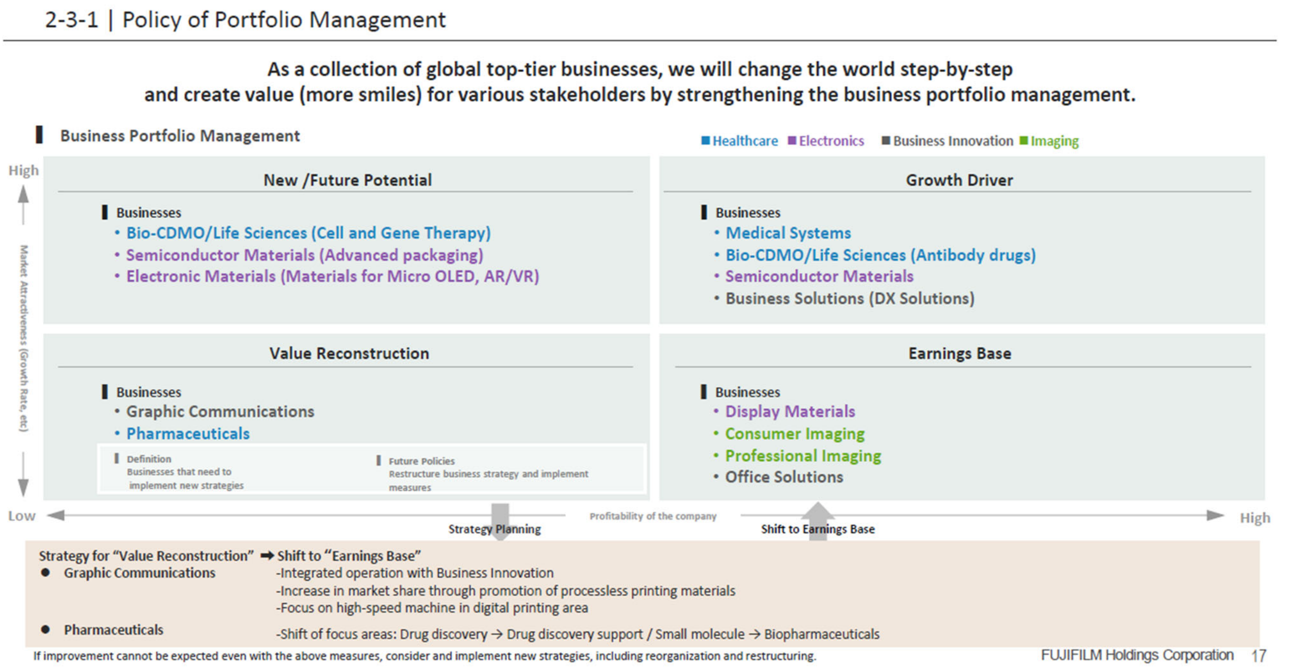
Finally, I would like to discuss materiality and the direction of our efforts.

The Fujifilm Group has established four priority issues of environment, health, daily life, and work style, and aims to solve social issues such as addressing climate change, correcting medical disparities, and transforming society into one in which people can enjoy a rich and peaceful life and find fulfillment in their work through our business.

Next, I will explain our efforts to realize a sustainable society.

Based on the belief that environmental initiatives are a qualification for participation in global business, we are committed to addressing issues in four areas in an integrated manner: responding to climate change, biodiversity conservation, promotion of resource recycling, and ensuring product and chemical safety.

In response to climate change, as before, we will accelerate our efforts to reduce greenhouse gas emissions. Along with this, we will promote the improvement of carbon efficiency in each of our businesses with the aim of shifting to a portfolio that generates revenue from lower-carbon businesses in line with the use of digital in our businesses and further growth of experience sales.



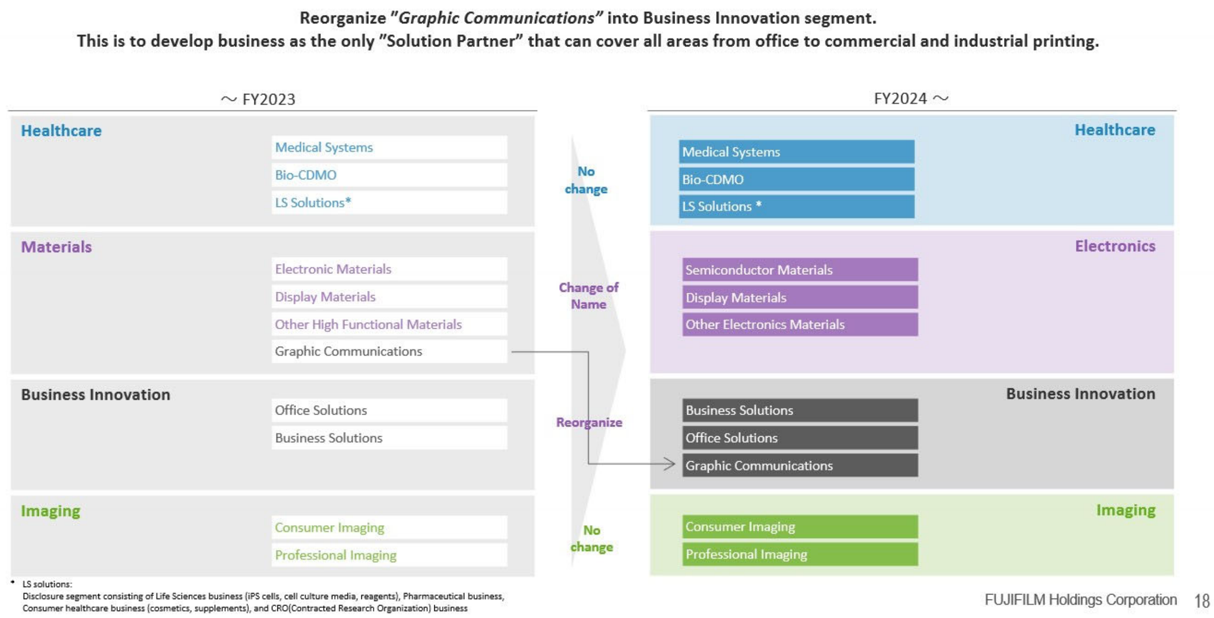
Next, I will explain the concept of business portfolio management in VISION2030.

We manage our business portfolio along two axes: market attractiveness and our own profitability.

We will position stable markets and our highly competitive earnings bases as our cash cow, and invest the management resources acquired through those businesses in strengthening the structure of the growth businesses that will drive our growth in the medium term, and in planting the seeds of new/future businesses that are expected to grow from a long-term perspective.

In addition, for businesses that we have positioned as value restructuring businesses in terms of growth and profitability, we will formulate and implement strategies to improve profitability and increase business value, and shift them to earnings bases.

2-3-2 | Reorganization of Segment



Graphic Communications, positioned as a value reconstruction business in the business portfolio, has been one of the businesses in the Materials segment, but will be reclassified to the business innovation segment beginning in FY2024.

By integrating business innovation together with business solutions and office solutions, we will further enhance the business value of business innovation as the only solution partner that can cover the entire range from office to commercial and industrial printing.

In conjunction with this change, the materials segment will be renamed the Electronics segment and the Electronic Materials business will be renamed the Semiconductor Materials business. As an aggregation of businesses in the electronics field with a focus on semiconductors, we will further leverage our unique strengths and accelerate our growth.

2-4-1 | Financial Target

Aggressive investment in Bio-CDMO and Semiconductor Materials in the three years to FY2026 will generate returns from FY2027 onwards, aiming for a company-wide operating margin of 15% in FY2030.

	(Billions of yen)	FY2023 Forecast As of 2024/4/17	FY2024	Change from FY2023	FY2026	CAGR (FY2023→FY2026)	FY2030 Direction
	Revenue	2,960.0	3,100.0	+4.7%	3,450.0	+5.2%	4 trillion yen
		100%	100%		100%		
Profitability	Operating Income	277.0	300.0	+8.3%	360.0	+9.1%	OPM 15%>
		9.4%	9.7%	+0.3pt	10.4%		
	Income before Income Taxes	310.0	310.0	–	360.0	+5.1%	
		10.5%	10.0%	-0.5pt	10.4%		
	Net Income Attributable to FUJIFILM Holdings	240.0	240.0	–	270.0	+4.0%	
		8.1%	7.7%	-0.4pt	7.8%		
	EPS	199.33yen	199.33yen	-	224.24yen		
Capital efficiency	ROE	8.2%	7.8%	-0.4pt	8.1%		10%>
	ROIC	5.6%	5.4%	-0.2pt	5.8%		9%>
	CCC	122days	119日	-3days	112days		
Financial soundness	Shareholders' equity ratio	65.8%	61.9%	-3.9pt	64.1%		
	D/E ratio	0.16	0.28	+0.12	0.24		
Shareholder Returns	DPS	* 50yen	60yen	+10yen	DPR approx. 30%		
Exchange(Average)	USD	145 yen	140 yen	-5 yen	140 yen		
	EUR	157 yen	150 yen	-7 yen	150 yen		

* One-for-three split of its common stocks was carried out on April 1, 2024.
DPS for FY2023 is based on the number of shares issued converted to the value after stock split

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Next, I will explain the management objectives of VISION2030.

In FY2026, the third year of VISION2030, we aim to achieve revenue of JPY3,450.0 billion, operating income of JPY360.0 billion, and net income attributable to FUJIFILM Holdings of JPY270.0 billion. While we plan to continue to make major capital investments during the three years, mainly in Bio CDMO, we will ensure financial soundness while returning profits to shareholders through continuous and stable dividend payments. In terms of capital efficiency, we aim for ROE of 8.1% and ROIC of 5.8%.

The annual dividend per share for FY2024 will be JPY60.0, an increase of JPY10.0 over FY2023.

In FY2030, the final year of VISION2030, we aim to achieve revenue of JPY4.0 trillion and an operating margin of at least 15%. In addition, we aim to achieve ROE of more than 10% and ROIC of more than 9% by moving the Bio CDMO, which is undergoing aggressive investment, into the profit-expanding phase from FY2027 onward.

2-4-2 | Financial Target: By Segment

(Billions of yen)		FY2023 Forecast As of 2024/4/17	FY2024	Change from FY2023	FY2026	CAGR (FY2023→FY2026)	FY2030 Direction
Healthcare	Revenue	975.0	1,010.0	+3.6%	1,200.0	+7.2%	approx.20%
	Operating Income	97.0	112.0	+15.5%	140.0	+13.0%	
	Operating Margin	9.9%	11.1%	+1.2pt	11.7%		
Electronics	Revenue	360.0	410.0	+13.9%	470.0	+9.3%	high 10%s
	Operating Income	45.0	57.0	+26.7%	70.0	+15.9%	
	Operating Margin	12.5%	13.9%	+1.4pt	14.9%		
Business Innovation	Revenue	1,157.0	1,200.0	+3.7%	1,275.0	+3.3%	10%>
	Operating Income	69.0	73.0	+5.8%	90.0	+9.3%	
	Operating Margin	6.0%	6.1%	+0.1pt	7.1%		
Imaging	Revenue	468.0	480.0	+2.6%	505.0	+2.6%	20%>
	Operating Income	102.0	100.0	-2.0%	105.0	+1.0%	
	Operating Margin	21.8%	20.8%	-1.0pt	20.8%		
Corporate Expenses & Eliminations	Revenue	-	-	-	-	-	
	Operating Income	-36.0	-42.0	-6.0	-45.0	-	
Total	Revenue	2,960.0	3,100.0	+4.7%	3,450.0	+5.2%	
	Operating Income	277.0	300.0	+8.3%	360.0	+9.1%	
	Operating Margin	9.4%	9.7%	+0.3pt	10.4%		15%>

* Graphic Communications business has been reclassified from the "Electronics" (Former "Materials") segment to the "Business Innovation" segment.
In conjunction with this reclassification, information for FY2023 has been restated.

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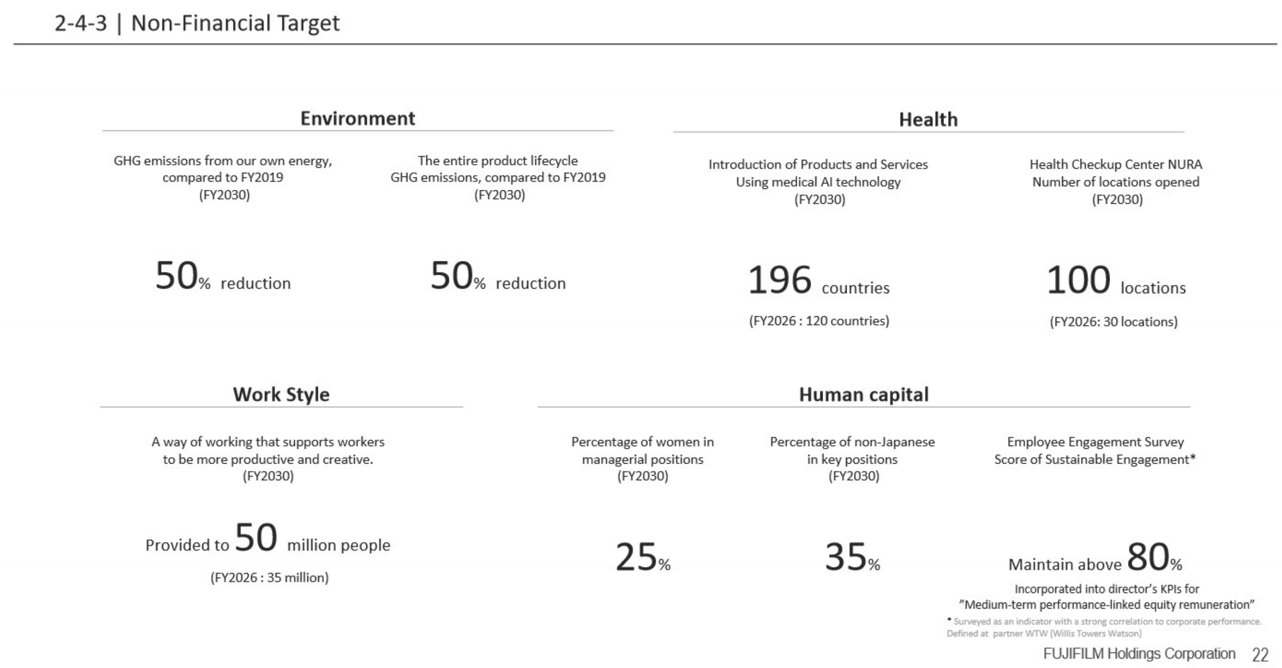
The targets for revenue and operating income by segment are as shown.

With respect to operating margin by segment for FY2030, we are aiming to improve profitability by approximately 20% in the Healthcare; the upper 10% range in the Electronics; 10% or more in the Business Innovation; and 20% or more in the Imaging, respectively.



Finally, I will discuss non-financial KPIs.

In terms of the environment, we aim to reduce greenhouse gas emissions in FY2030 by 50% compared to FY2019, both from our own energy sources and throughout the product lifecycle.

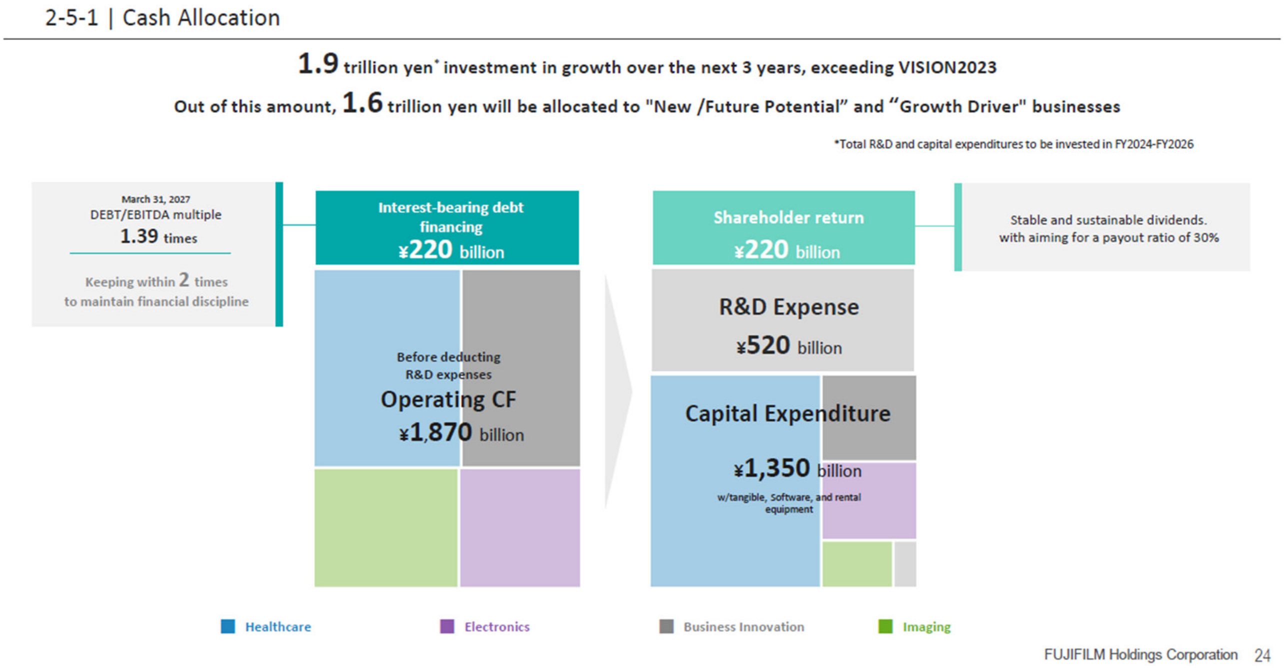
In health, we will promote the overseas development of NURA, a health screening center, with products and services that utilize medical AI technology, and aim to open 100 locations by FY2030.

In terms of work styles, we provide 50 million people with work styles that support increased productivity and creativity of workers.

In terms of human capital, we will increase the ratio of female executives and the ratio of non-Japanese employees in key positions, and aim to create a highly engaged organization in which employees share the Company's philosophy and vision and are motivated and willing to act on their own initiative.

That is all I have to say.

Moderator: Next, Higuchi will explain.

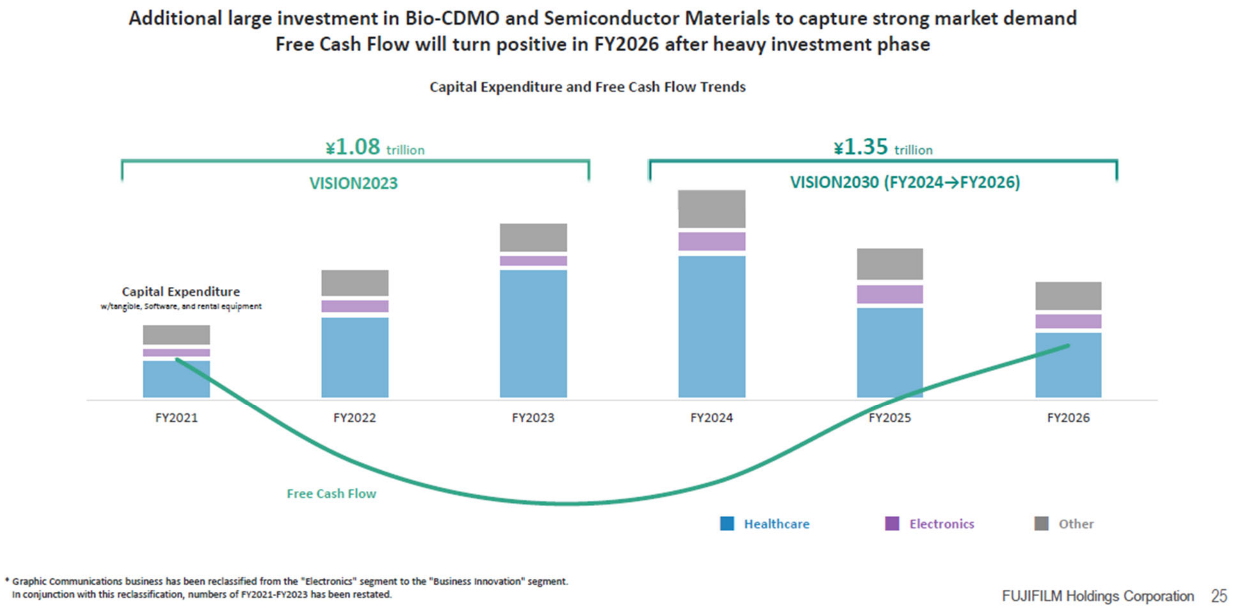


Higuchi: I, Higuchi, will now explain. First, let me explain the financial capital strategy of VISION2030.

First, I will discuss our cash allocation approach for the three years through FY2026.

While maintaining operating cash flow and financial discipline, we will allocate JPY1.9 trillion more than the three years of VISION 2023 to investment in growth, after financing with interest-bearing debt. Of this amount, JPY1.6 trillion will be concentrated investment in new/future potential and growth driver businesses, mainly in Bio CDMO and Semiconductor Materials.

2-5-2 | Capital Expenditures and Free Cash Flows



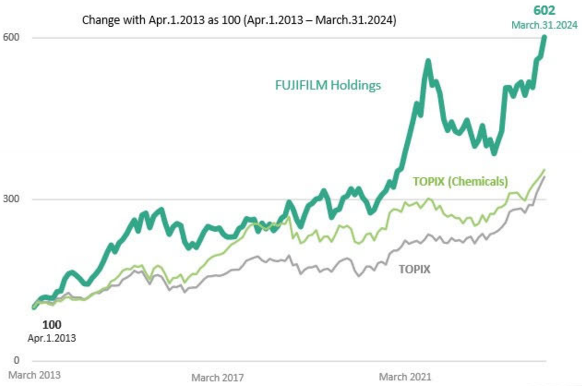
Capital expenditures and free cash flows for the three years of the previous medium-term plan period and for the next three years through FY2026 are shown in the table below.

In the past three years, we have decided to make additional major investments to ensure that we are able to capitalize on the strong demand in the biopharmaceutical and semiconductor markets. While we will continue to invest aggressively over the next three years, we also plan to reap the benefits of the new Bio CDMO facility operations that we have been pursuing, and by FY2026, we plan to turn the Company's free cash flow into a positive figure.

2-5-3 | Shareholder Return Policy

The basic policy is to return profits to shareholders through dividends by balancing business growth and financial discipline.
Buybacks will be considered and implemented based on the status of cash flow, share price, and other factors.

TSR (Total Shareholder Return)



Shareholder Return Policy

1. Maintain balance between business growth and financial discipline
2. The basic policy is to return profits to shareholders through stable and continuous dividends.
3. Target payout ratio of 30%.
4. Share buybacks are considered and implemented based on the status of cash flow status, stock price and other factors.

Management that is conscious of Cost of Capital and Stock Price

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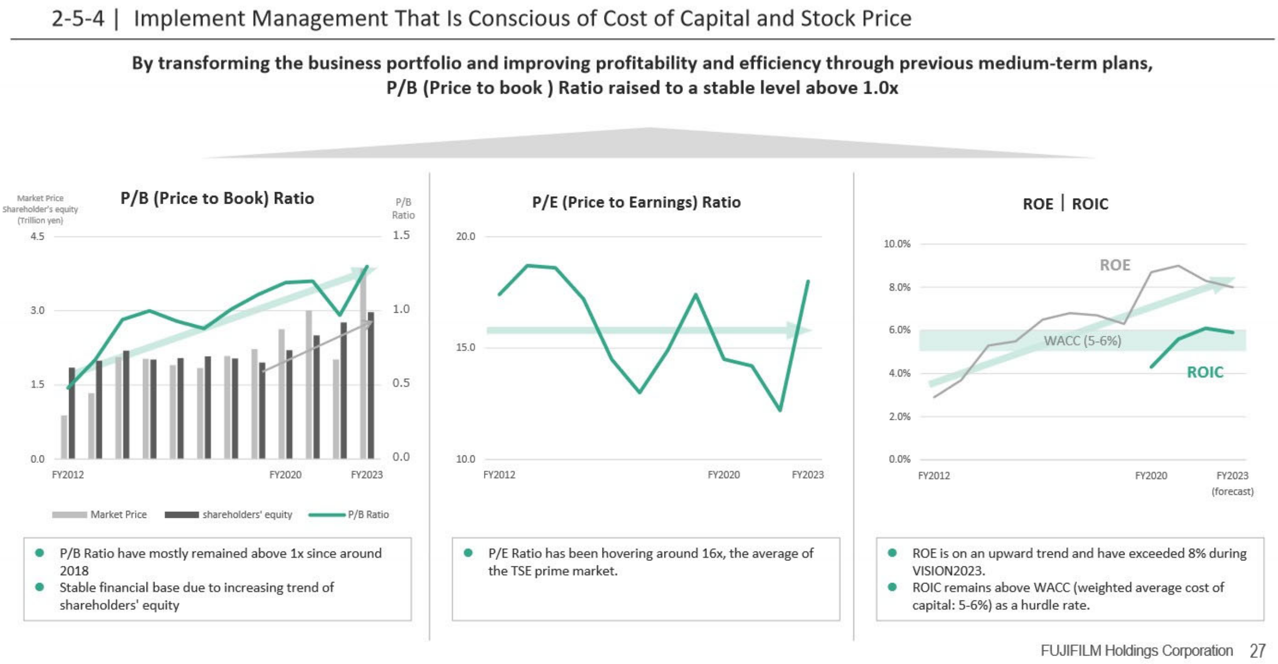
Next, I would like to discuss our shareholder return policy.

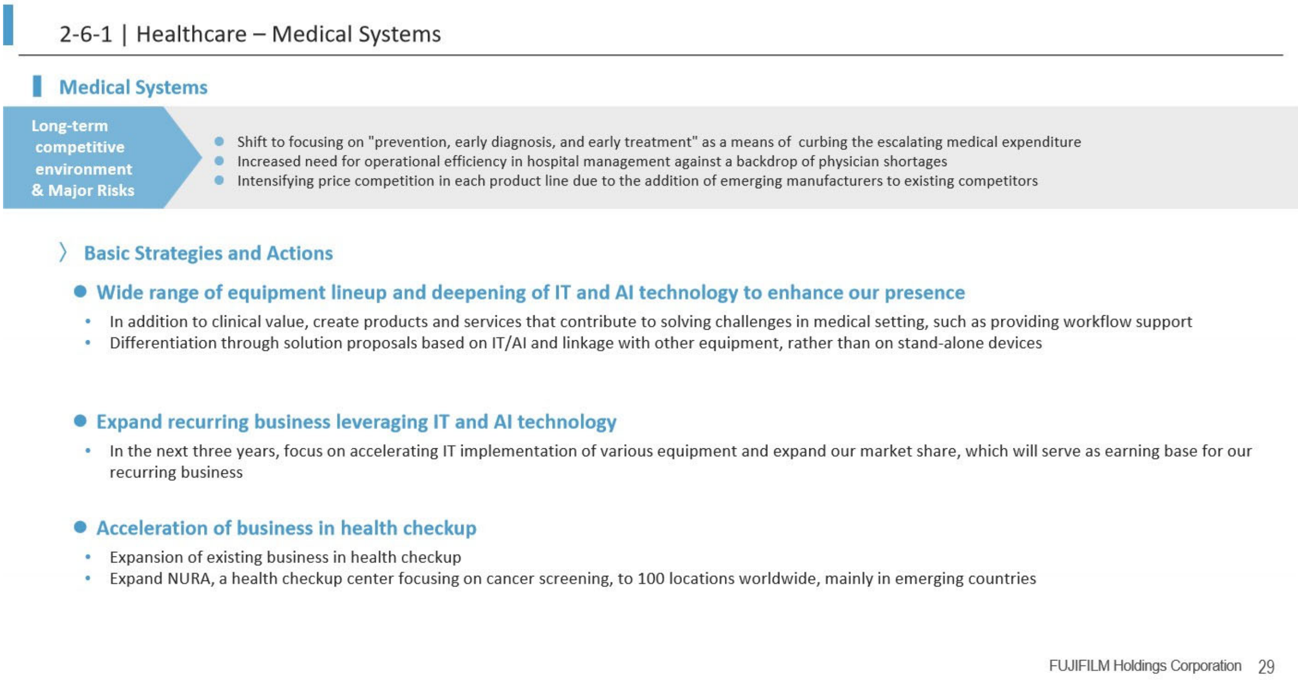
Our basic policy is to maintain a stable and continuous dividend payout ratio of 30%, while maintaining a balance between business growth and financial discipline. As Goto mentioned earlier, the annual dividend per share for FY2024 will be JPY60, an increase of JPY10 over FY2023. In addition, the Company will consider share repurchases in a flexible manner, taking into account cash flow, stock price conditions, and other factors.



Next, I would like to share with you our current understanding of management with an awareness of the cost of capital and stock price.

Due to the transformation of our business structure and improvement in profitability and efficiency to date, our P/B ratio has increased to a stable level of over one time. In addition, we have been working to improve profitability by setting the WACC at 5% to 6% with respect to the cost of capital.

We will continue to manage the Company with an awareness of its cost of capital and stock price to further improve profitability and capital efficiency.



Next, I will explain our strategy by business segment. First is the Medical Systems business.

Trends in the medical industry include a shift to prevention, early diagnosis, and early treatment to curb rising medical costs, and the increasing need for operational efficiency in hospital management against the backdrop of a physician shortage.

In this context, we have set three basic strategies and actions for FY2030.

The first is to enhance our presence by combining our broad medical equipment lineup with AI/IT technology. In addition to clinical value, we will create products and services that contribute to solving issues in the medical field, such as workflow support, and differentiate ourselves from competitors by proposing solutions that link equipment and AI/IT.

The second is to expand the recurring business using AI/IT. Particularly in the next three years, we will focus on accelerating IT implementation of various modalities necessary for the foundation of the recurring business and expanding our market share.

The third is to accelerate the field of medical screening and the health screening business. We will expand our existing business in the field of medical screening, and expand our health screening center NURA to 100 sites around the world, mainly in emerging countries.

2-6-1 | Healthcare – Bio-CDMO

Bio-CDMO

Long-term competitive environment & Major Risks

- As market of antibody drugs is growing (CAGR+8%), backed by strong investment by pharmaceutical companies, CDMO companies are required to have ample supply capacity and high productivity
- In addition to supply capacity, "track record" and "trust" are important to be selected for outsourcing in competitive environment
- Expanding needs for next-generation drugs (ADCs, bispecific antibodies, CGTx) and drug formulations with future growth potential

〉Basic Strategies and Actions

● "Partners for Life" Strategy

- Providing end-to-end services that support a wide range of pipelines from early development to commercial production
- Quick tech-transfer and respond to regulatory requirements and agility to meet fluctuating demand, backed by ample supply capacity

➡ Build track record and trust, and as a "Trusted Partner," deliver cutting-edge biopharmaceuticals to more patients more quickly and with reliable quality

● Building and Optimizing production structure to meet growing demand

- **Large scale facilities:**
  - Additional investment in Holly Springs, North Carolina, U.S. (8 tanks: scheduled to start operation in 2028), one of the largest sites for antibody drugs in North America
  - Expanding capacity by cloning existing highly productive facilities at a faster speed than other companies (KojoX)
- **Small to Medium scale facilities:**
  - Establishment of a production organization capable of meeting demand fluctuations (Restructuring, Conversion of facilities to antibody drugs)

● Development of next-generation technologies that will lead to sustainable growth

- **Continuous Production System** (continuous production of APIs from culture to purification):
  - Productivity improvement by applying N-1 Perfusion (20,000 L) , Application of next-generation production technology (500-2,000 L)
- **ADC (Antibody-Drug Conjugate):**
  - Start of end-to-end CDMO service in Japan (Toyama), including antibody, conjugation, and drug formulation (scheduled for 2026)

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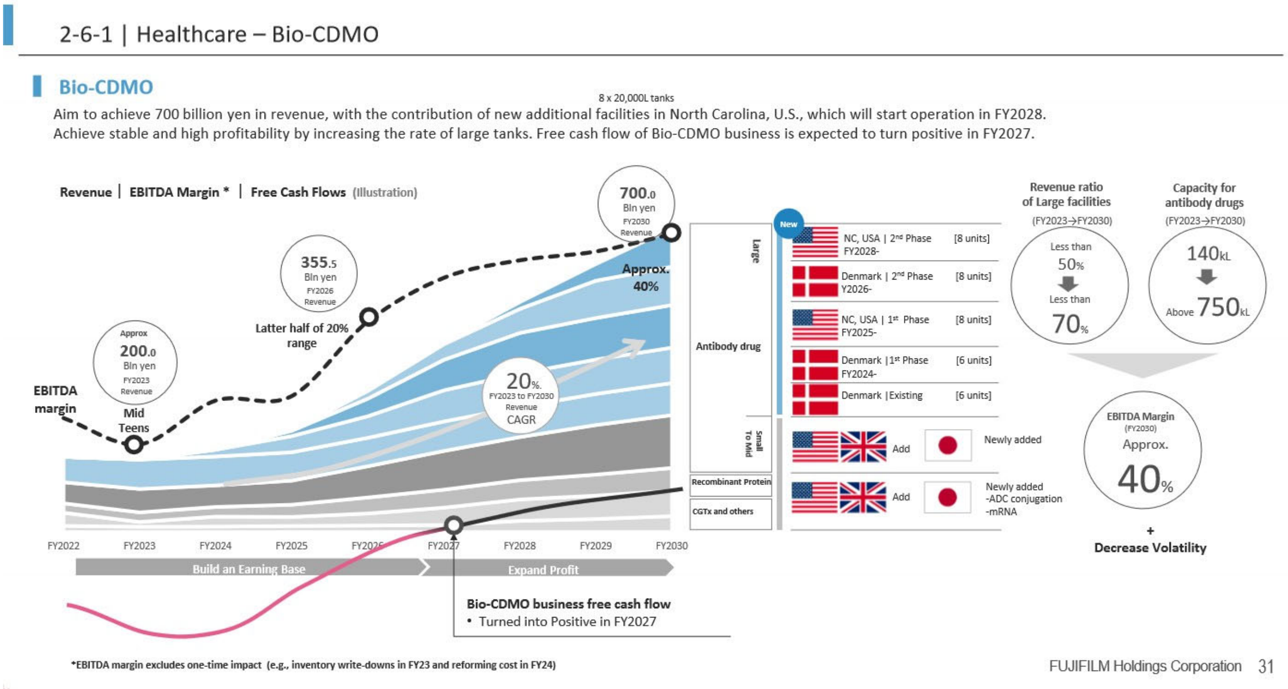
Next is the Bio CDMO business.

As the demand for antibody drugs grows and scale competition accelerates, it is increasingly important for CDMO companies to have not only ample capacity and high productivity, but also an extensive track record and the trust of their customers. The ability to respond to next-generation drugs such as ADCs and cell & gene therapies is also necessary.

Our Bio CDMO business, with a business vision of Partners for Life, will be a trusted partner through end-to-end full service, supply capacity, agility, and track record in fulfilling our customers' needs.

We expect that demand for large production facilities with 20,000-liter tanks will continue to outstrip supply, and we have decided to invest an additional USD1.2 billion for eight new units at our North Carolina facility in the United States. In conjunction with the announced expansion plan, we will ensure the start-up of facilities and promote the expansion and stabilization of earnings.

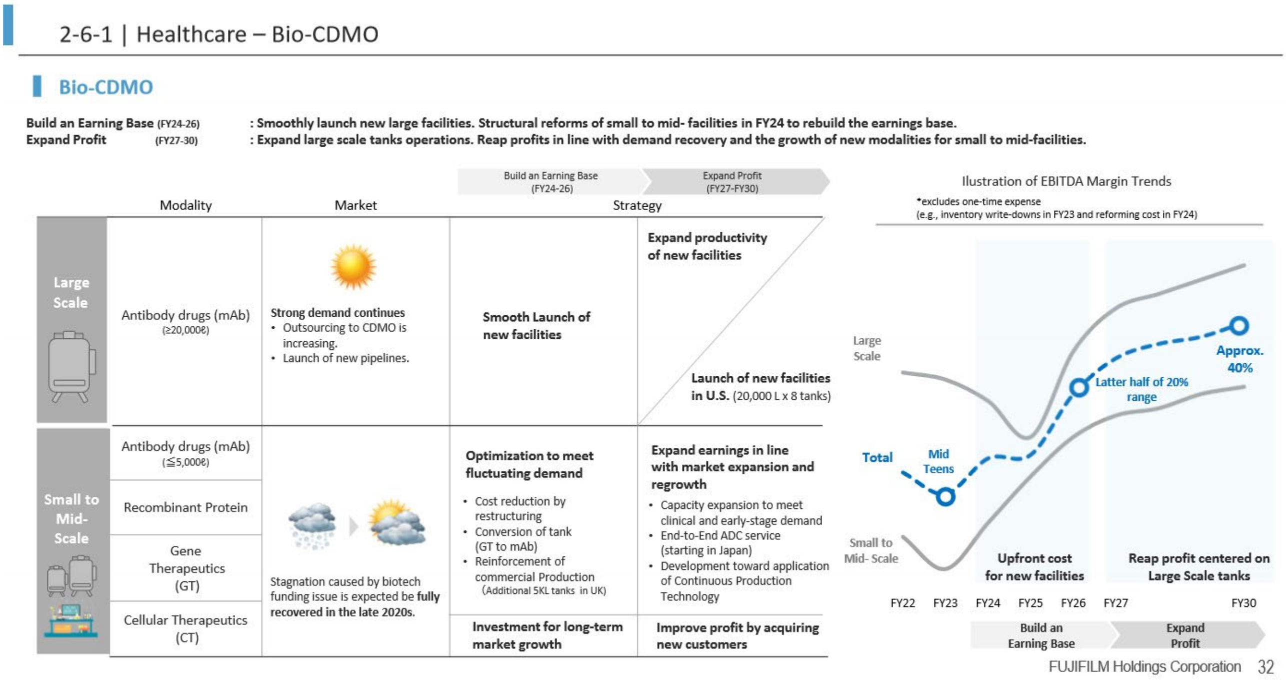
For small- and medium-sized manufacturing facilities, we expect market conditions to recover in earnest from the late 2020s, despite the current impact of stagnant financing for biotech ventures. We will continue to support pharmaceutical companies' pipelines for next-generation modalities by building a flexible production system to meet demand and investing in growth in anticipation of medium-term market growth.



I will now explain our image of the transition of sales, EBITDA margin, and free cash flow toward FY2030.

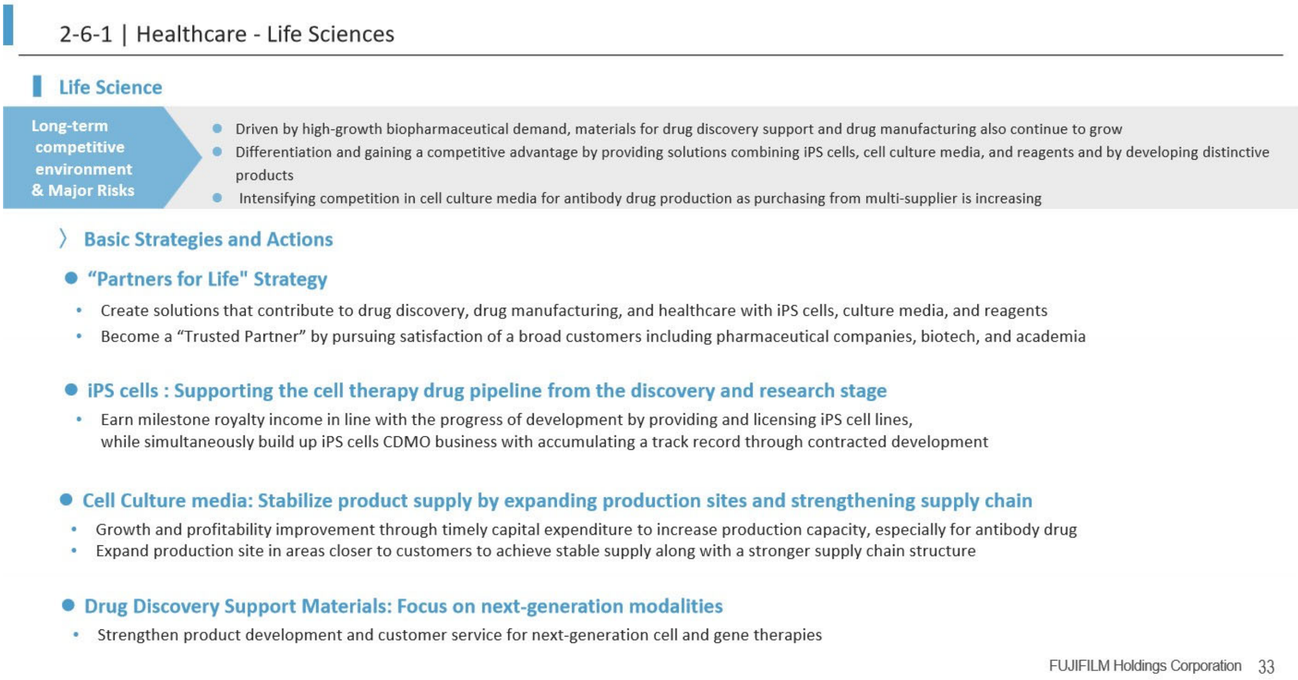
Combined with the newly announced additional investment in the North Carolina site in the US, this will bring the total number of large 20,000-liter tanks to 36, expanding production capacity for antibody drugs to just over 750,000 liters. In line with this, we will grow our sales to JPY700 billion in FY2030 and further increase the sales ratio of large tanks to achieve stable and high profitability.

The amount of capital investment will gradually decrease after peaking in FY2024, and the business will turn to positive free cash flow on a non-consolidated basis in FY2027 as earnings increase due to the operation of new facilities.



Bio CDMO has positioned the period from FY2024 to FY2026 as a period for building a revenue base, and the period from FY2027 to FY2030 as a period for expanding earnings. Over the next three years, we will smoothly launch new large-scale manufacturing facilities at our Denmark and North Carolina bases in the US, while restructuring our production system by implementing structural reforms at our small- and medium-sized manufacturing facilities in response to current demand conditions, thereby building an earnings base for future rapid growth.

Although costs will continue to be incurred upfront due to the start-up of new large-scale manufacturing facilities until FY2026, we will steadily proceed to reap profits as the operation of large-scale manufacturing facilities expands from 2027 onward.



Next is the Life Sciences business.

Like Bio CDMO, under the business vision of Partners for Life, we aim to become a trusted partner by creating solutions that contribute to drug discovery, drug manufacturing, and healthcare, and by pursuing satisfaction for a wide range of customers.

In the iPS cell field, we will build up our iPS cell CDMO business by providing cell lines and licensing them out, earning milestone royalty income according to the progress of development, and at the same time accumulating a track record through contracted development.

In the field of cell culture media, we will strive to improve business growth and profitability by making appropriate capital investments to meet growing demand, with a focus on production of therapeutic antibodies, and to stabilize product supply by expanding our global production bases and strengthening our supply chain system.

Let us move on to the Electronics segment. First, I would like to discuss the Semiconductor Materials business, which we have positioned as a growth area.

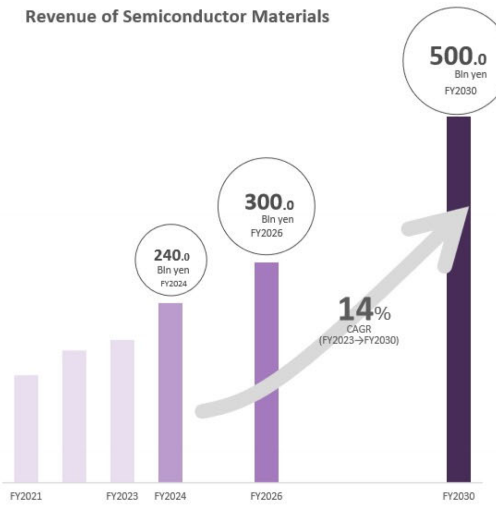
The semiconductor market is expected to continue to grow at an annual rate of 7% and accelerate technological evolution. In addition to aggressive investment in the US, Europe, and Asia in response to major customers who are expanding globally, and business expansion through one-stop solutions, we will also promote business acquisition in advanced EUV based on our strengths in CMP slurries and NTI (negative tone imaging) developer solution, in which we have a high market share.

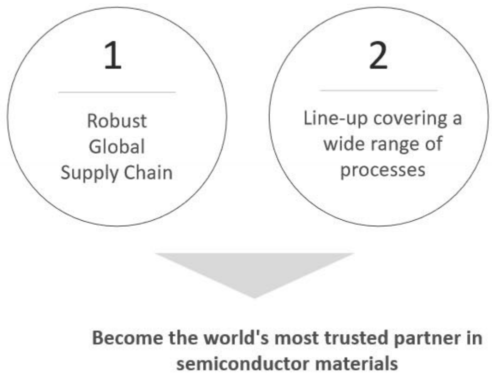
In addition, we will expand sales by ensuring the execution of PMI for the process chemical business acquired in 2023 and by leveraging our customer connections in our existing materials business.

From the perspective of economic security, we will also build a supply chain network that takes geopolitical risks into account, as well as promote early entry into emerging markets. In addition, we will expand our advanced packaging business by leveraging our front-end process materials technology and accelerate the development of new products and technologies for next-generation image sensors.

2-6-2 | Electronics - Semiconductor Materials

Semiconductor Materials





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We aim to achieve sales of JPY500.0 billion in the Semiconductor Materials business by FY2030, including the process chemicals business acquired from Entegris, Inc. in October 2023.

2-6-2 | Electronics – Display Materials and Others

Display Materials and Other Electronics Materials

Long-term competitive environment & Major Risks

- Materials are required to support the explosion of communication volume and changes in energy infrastructure, in addition to the development of Human Machine Interface (HMI) which connect the real world and cyber space
- The ability to foresee changes in the market and technology, and to promptly and consistently propose new materials that address social problems, is considered important.

〉 Basic Strategies and Actions

Propose new materials that meet customer needs by reorganizing department to be more market-oriented

● Addressing the Development of Human Machine Interface (HMI)

- Promoting business in growth markets such as anti-reflective materials for OLED, which is expanding in smartphones and IT, touch-sensor materials and light-emitting layer materials
- Increase presence in the industry by proposing new materials (e.g. Materials for High-definition color filters, Thin-layer optical films, Reflective films for head-up displays) to manufactures for micro-OLED, AR/VR and mobility, which are expected to be the next generation HMI, and assist them in problem-solving

● New businesses in Telecommunications and Energy market

- Based on core technologies such as Flow synthesis, High-purity liquefaction, Optical control using liquid crystals, etc., we propose to develop and implement new materials (e.g. Materials for separation and recovery of rare metal*) using our customer base that we have cultivated in the telecommunications (e.g. Data center archives) and energy business areas

* Materials for separation and recovery of rare metal: Low molecular materials to recover rare metals such as cobalt from waste Lithium-ion batteries.

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This is followed by the Display Materials and others business.

As human machine interfaces that connect the real world and information space evolve, we will expand our business in display materials and touch sensor materials for growing markets and propose new materials to enhance our presence in the industry.

We will also expand the scale of our business by leveraging our accumulated technologies and contacts with customers in the communications and energy markets that will support the increasing information space in the future.

2-6-3 | Business Innovation

Business Innovation

Long-term competitive environment & Major Risks

- Print volumes on MFPs and printers are downwards due to digitization and hybrid work, although decline in A3 color is moderate due to replacement from monochrome
- While the need for DX is increasing, SME customers are facing challenges due to a lack of resources, resulting in a delay in achieving DX
- In commercial printing, demand for large-volume (analog) printing, monochrome printing, etc. will decline, while demand for high-mix, small-lot (digital) printing and color printing will increase, leading to greater needs for high-speed digital printing and DX. Also demands for commercial printing, such as heads for inkjet printers for package printing (flexible packaging, labels, etc.), and water-based pigment inks and colorants for food safety are increasing

*MFP : Multifunction Printer

〉 Basic Strategies and Actions

● **Become a solution partner supporting the digital shift of every customer, starting with the best devices for the environment and sustainable customer service**

- Managed as a "Printing & Solutions" business through integration of Graphic Communications into Business Innovation, as the only solution provider covering all areas from office to commercial (analog and digital) and industrial printing
- For customers in a wide range of fields including office, commercial, and industrial printing, we offer a lineup of xerography and inkjet technologies, as well as device and DX solutions based on the synergy and our ability to solve challenges in customers
- Improve profitability of Graphic Communication and shift its position in the portfolio from “Value reconstruction” to “Earning base”, by leveraging our strong domestic market share and customer base, enhancing cash generation of Analog printing business which have lean structure by streamlined global production line, and investing in digitalization for commercial printing
- Build business alliance with external partner to further strengthen business foundation by integrating procurement function of raw materials and components, and building toner development and production supply systems

Leveraging further group synergies

- Sales synergies through mutual utilization of channels and customer bases by integrating BI and GC
- Strengthen competitiveness through integrated development by bringing together the technologies and know-how of BI and GC
- Expand sales of digital printing presses for the photo industry through joint development with Imaging

* BI : Business Innovation , GC: Graphic Communications

FUJIFILM Holdings Corporation 37

Next is the Business Innovation segment.

As we reported earlier, in line with our strategy to operate as the only solutions partner that can cover the entire spectrum from office to commercial and industrial printing, in addition to the Business Solutions and Office Solutions businesses, we have integrated Graphic Communications into the Business Innovation segment.

For customers in a wide range of fields, including office, commercial and industrial printing, we will offer a lineup of xerography and inkjet technologies, as well as device and DX solutions based on the synergy of these technologies, and will appeal our high solution capability for customers' issues.

In addition to its overwhelming market share and customer base in the domestic market, the Company will also enhance cash generation of the analog printing business, which has been transformed into a leaner structure through the consolidation of production lines on a global basis. Along with this, we will improve the profitability of the overall Graphic Communications business by investing in digitalization and shifting resources in commercial printing, shifting this business from a value reconstruction business to an earnings base. In addition, through the business alliance with KONICA MINOLTA, INC., we will further strengthen our business foundation by procuring raw materials and components and establishing a toner development and production supply system.

In addition to maximizing sales synergies by leveraging our mutual customer base through integration of the Graphic Communication business into Business Innovation and strengthening product competitiveness through integrated product development, we will also work to further demonstrate group synergies by expanding photo printer sales through joint development with the Imaging business.

2-6-3 | Business Innovation

Business Strategies

〉 Business Solutions

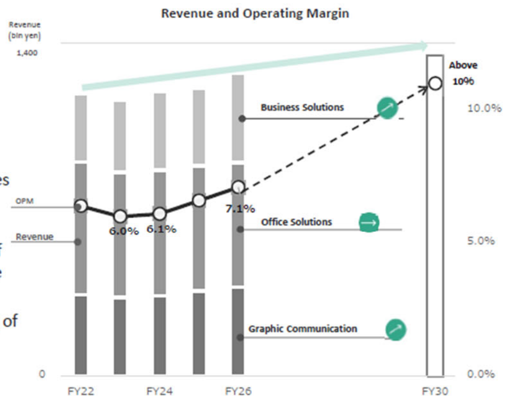
- While growth in "IT/Business solutions" centered on new in-house solutions (IT Expert Services, FUJIFILM IWpro, etc.) for SMEs, expand the "ERP solutions" based on D365 to acquire a new earning base
- Provide new value to customers, by supporting business optimization based on the data accumulated through each solutions

〉 Office Solutions

- Focus on A3 color segment with top-level market share. Maintain and improve revenue and operating income with prioritizing environmental friendliness, reinforcement of production base, and sales productivity
- Commencement of new distribution channel of our MFP by leading distributors in Europe

〉 Graphic Communications

- In response to the decline in demand for analog printing, already streamlined the production lines for plate materials. Improve profitability by concentrating on expanding sales of the high value-added Processless Plate*
- Investment in digital printing/DX for the growing market of commercial printing, and provision of device and DX solutions to support the digital shift from analog to digital printing for analog plate customers
- Build an earning base and generate further cash through revision of sales price and restructuring of low-profit products



*Processless Plate:
No development process is required, which reduces workload and costs, and is environmentally friendly (no developer solution is used and no waste liquid is produced).

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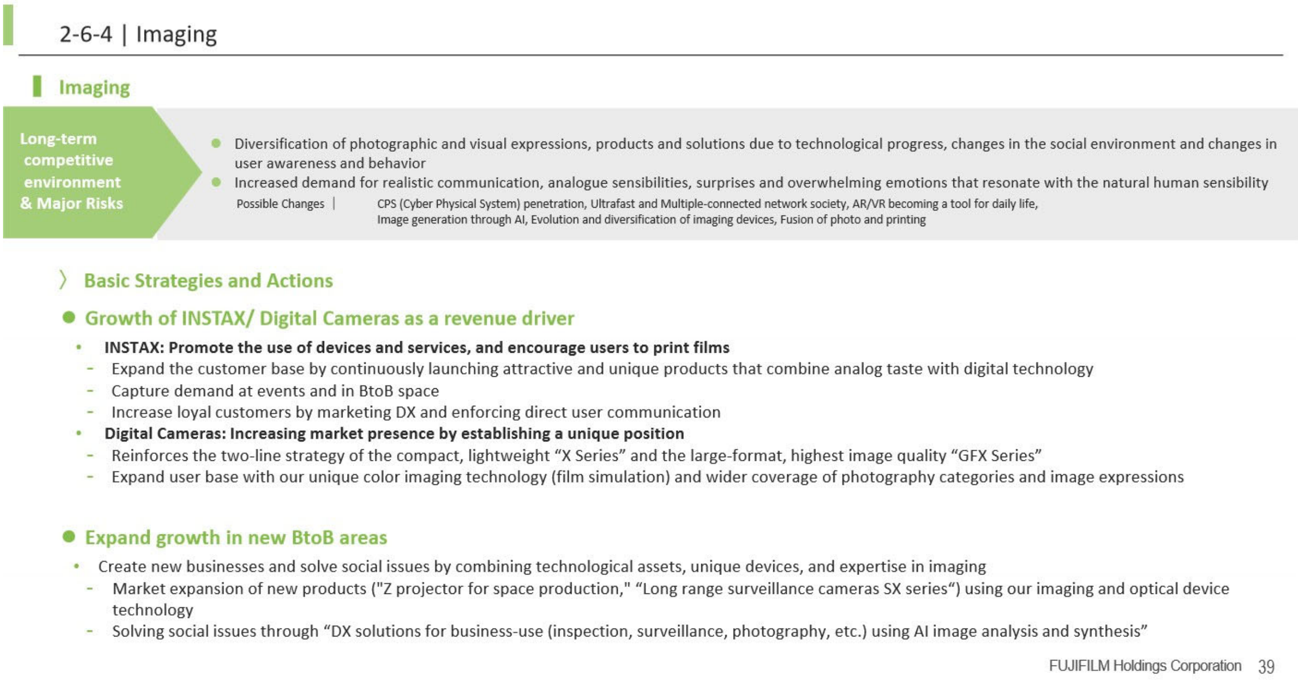
Next, I will explain the business strategy of the Business Innovation segment.

In Business Solutions, we will seek growth in IT solutions and business solutions centered on new commercial products, such as in-house solutions for small and medium-sized enterprises, while acquiring a new revenue base by expanding the ERP solution business based on Microsoft Dynamics 365. We will provide new value to our customers and achieve further business growth by supporting business optimization based on the data accumulated by each solution.

In Office Solutions, we will maintain and improve profitability by focusing on the A3 color area, where we have the top market share, while further increasing sales efficiency in addition to strengthening our environmental responsiveness and production base. In addition, new MFPs will be handled by leading distributors in European countries, such as Tyche S.r.l. in Italy and Aurora in the UK, which used to be Olivetti's distributor.

As for Graphic Communications, although there is a decline in total demand for analog printing, we will concentrate on expanding sales of high value-added non-processing plates to improve profitability. In digital printing, we will invest in DX for commercial printing, a growing market, and develop a device and DX solution business to support customers' shift from analog to digital printing. In addition, by reviewing selling prices and withdrawing from or liquidating low-profit products, we will further enhance our cash-generating ability and build a solid earnings base.

By steadily implementing these measures, we aim to achieve an operating margin of more than 10% for the Business Innovation segment as a whole in FY2030.



Finally, the Imaging segment. INSTAX and digital cameras have grown significantly as earnings pillars during the period of the previous medium-term management plan.

As a strategy to maintain its strong performance, we will continuously introduce attractive new INSTAX products by combining its unique analog value with the latest digital technology, expand its user base, and promote events and business demand initiatives. In addition, we will accelerate the conversion of loyal customers by strengthening marketing DX/user direct communication to promote the use of devices and services and create a mechanism that leads to film usage.

In digital cameras, we will strengthen our two-line strategy: the compact and lightweight X series and the large-format GFX series with the highest image quality. In addition to our unique color reproduction technology, we will further expand the range of shooting and image expression to enhance our presence by establishing a unique position in the market.

In the BtoB field, we will also contribute to society by creating new businesses through the development of new product solutions that combine our unique technological assets and know-how related to video.

Through these strategies, the imaging segment will continue to sustain high profitability with an operating margin of over 20%.

This concludes the explanation of FUJIFILM Holdings' new medium-term management plan, VISION2030.

Moderator: That is all from our company.

Question & Answer

Moderator [M]: We will now move to the Q&A session.

Mr. Shibano of Citigroup Global Markets, please ask your question.

Shibano [Q]: First, I would like to ask Mr. Goto, the CEO, a question.

I believe that the contents of this three-year medium-term plan are an extension of the last three years, which have progressed well, so I personally did not have the impression that the plan would deviate significantly from expectations. Based on the operating income target of JPY360.0 billion in the current medium-term plan, I believe that you will earn more than JPY600.0 billion in operating income in FY2030.

I believe that the name VISION2030 has the aim of advancing toward the target value for FY2030. So, although it is a little early to speak, I would appreciate it if you could provide a higher resolution of which businesses will be the drivers for the next four years.

Goto [A]: Actually, I thought we should also make the target for FY2030 a little clearer. However, in these rather uncertain times, we could not announce our targets for FY2030 with firm confidence, and as a rough guide, we set a common goal of JPY4.0 trillion in sales and an operating margin of 15% or more.

One of the biggest growth drivers for the next four years after the end of the current medium-term plan is that the investment phase of the Bio CDMO will end with the current medium-term plan, and we will enter the recovery, or reaping, phase toward FY2030.

The other is semiconductors. This time, for the purpose of horizontal transfer of people and efficient research and development, we slightly changed the framework of the Electronics business and changed its name. As you know, the steady upward trend in semiconductors will undoubtedly continue through FY2030. In this context, we are steadily investing in facilities, and in the last fiscal year we acquired the electronic chemicals business (formally CMC Materials KMG Corporation) from Entegris, Inc., a process chemical company, and have secured six research facilities at 20 sites around the world. These two are also growth drivers.

In the Healthcare segment, of course, the most important aspect of the Medical Systems business is AI/IT. In addition, we expect that the endoscope field, which is currently showing considerable growth, will gain further momentum and grow.

In addition, as described as a cash cow, the Business Innovation segment, which newly incorporates Graphic Communications, will earn a steady profit toward FY2030.

I think everyone is of the opinion that there is room for a little more growth in the Imaging segment. In my opinion, the reason this business has grown over the past three years to just under JPY500.0 billion in sales and a profit margin of over 20% is solely due to the fact that we have taken care of the brand by telling people to protect the brand and build the brand.

Until now, in the Japanese photographic industry, the cycle of mass-production and decline of value has been repeated. For example, there are two types of digital cameras: the X series and GFX, which I mentioned earlier. The GFX has been recognized worldwide as a large CMOS camera. This time, we have drawn up a plan with the desire to ensure that profits are earned without damaging this brand.

Shibano [Q]: Second, I would like to ask the CFO a question.

You explained the replacement of portfolios on page 17. In this context, Graphic Communications and Pharmaceuticals are listed in the lower left quadrant. We see an explanation of what actions will be taken for both of these businesses. I would like to ask what more concrete actions you plan to take and at what point in the next three years.

Perhaps, especially in Graphic Communications, you have failed to achieve a drastic improvement in profitability every time for the past 15 years or so. On the other hand, the importance of rebuilding this business is a symbolic point of view, since the scale of the business and its sales is very large. So, I would like to ask about these, including what to do if rebuilding is difficult.

Higuchi [A]: First of all, in terms of graphic communications, which we have positioned as a value reconstruction business, in fact, in the last three years of the medium-term plan, we have already implemented structural reforms for offset printing PS plates in line with the shrinkage in global capacity, and we were able to reduce process costs by the last fiscal year. In other words, with respect to the cost structure, restructuring is complete.

As I mentioned in my presentation earlier, we will not pursue volume in this business, but rather cash cow by specializing in the environmentally friendly and high-value-added version of untreated boards. After the COVID-19 pandemic, the world is shifting from the era of high-volume printing to more customized, small-volume printing and digital, flexible printing for a variety of printed materials and industrial printing.

We would like to increase profitability by shifting our business to digital printing, especially high-definition and high-speed devices, combined with workflow solutions based on FUJIFILM Business Innovation Corp.'s xerography and Fujifilm's inkjet technologies.

In the Pharmaceutical business, the pipeline for the development of new low–molecular-weight drugs is currently being assessed in the remaining Phase II, and is not being expanded. Rather, geographically speaking, we will invest in Japanese antibody drugs, ADCs, and other biotech products, and shift the pharmaceutical business in that direction. We would like to change our business structure by transforming it almost entirely into a CDMO business in Japan, and by creating bases for our biotech business in Asia in addition to Europe and the US.

Shibano [Q]: Finally, I would like to ask about FUJIFILM Business Innovation Corp .

Prior to today's medium-term plan, there was talk of an alliance with KONICA MINOLTA. Once again, I would like to ask President Hama for his thoughts on this trend of industry reorganization in the office equipment industry. I would also like to hear more specifics about how your company will behave in this context.

Hama [A]: Originally, our company has undergone various reforms over the years with the idea that we could manage to do our business by ourselves. We have been promoting the consolidation of production bases, in-house production of key components, and production in Japan, and this policy has not changed.

The business alliance discussions were based on the idea that in addition to what we could do on our own, we wanted to do something that would further strengthen our business foundation through a new business alliance. We want to do things that will benefit both parties if we partner with them and that will produce results as soon as possible. With that in mind, I thought that a partnership in procurement and toner production would probably be the most effective way to start.

Overall demand will decrease in the future. As we move out into the new region for FY2030, I believe we can manage to achieve a similar performance. However, we believe that such reorganization will continue to progress as we consider how to efficiently improve our performance in the face of declining overall demand in the future.

In addition, environmental requirements are becoming very strict. In addition to how to use fluorine compounds like PFAS, we must promote recycling and reuse. Considering this, I think there will be two types of companies: those that can do business on their own and those that cannot. In that context, I believe that various reorganizations will occur.

We would like to proactively participate in such a movement so that we can protect the positioning of cash cows.

Moderator [M]: Next, Mr. Wakao from JPMorgan Securities, please ask your question.

Wakao [Q]: First, please tell us about your capital investments, especially in the Healthcare.

Looking at the bar chart on page 25, from FY2024 to FY2026, it looks like it is mainly parallel to the CDMO plant start-up, is this correct?

You have also decided to invest in eight additional 20,000-liter tanks in the US. Can you give us a little more background on this? I think there were originally possibilities other than the 20,000-liter tank, but why was the 20,000-liter tank chosen? I would also like to know a little more about the background behind your decision to choose the US.

As for the US, you have told us before that you have plenty of land available, but did you decide to invest further in the US considering the current market environment? Recently, the BIOSECURE Act bill is being considered, and there is growing momentum that it would be better to manufacture in the US. Please let me know if you have considered this as well.

Higuchi [A]: First of all, regarding overall capital investment, as you mentioned, the Bio CDMO business has already decided on additional capital investment in the current medium-term plan and is implementing it in Denmark and North Carolina. The capital investment is gradually coming to an end and the plant will be put into operation, including the second phase in North Carolina. Please understand that the capital investment will decrease as plants begin to operate.

Iida will answer about the background of North Carolina.

Iida [A]: First, in your question, you mentioned that there may be options other than 20,000 liters. Behind this decision is the extremely strong demand for antibody drugs.

Our compound annual growth rate is 8%, and we will continue to see growth in the field of antibody drugs at least through FY2030. Moreover, we have heard that there are very aggressive investments in strong pipelines, mainly from top pharmaceutical companies. Therefore, the demand in the field of antibody drugs will be very strong.

Under such circumstances, we believe that a 20,000-liter tank, rather than a medium or small tank, would be the best investment to meet this strong demand in terms of productivity and supply volume.

Next, I will explain why we chose North Carolina, US. As mentioned earlier, the basic principle of production is to produce close to the place of demand. We believe that this would be good for our clients and for the patients beyond them.

In Denmark, we have even decided to make a second investment and are working on it. As for North Carolina, of course, the availability of land is a prerequisite, but of the eight units for primary investment, as we have announced, we have signed a large contract with Janssen Supply Group, LLC for Suite 1. We are already in talks with new customers for the four units in the second building of Suite 2, and we have increased our confidence that we will be able to secure a customer for these four units in the near future.

In addition, North Carolina's location is a factor. There is a very good pool of biotech personnel, and relationships with local government authorities have been very good so far. Therefore, we decided to invest in a large facility in North Carolina, judging that investing here would be very advantageous in terms of subsequent operations.

Wakao [Q]: I have a few additional questions. Is my understanding correct that there was an option of a continuous culture system, but since this is still in the development stage and will not be ready in time to meet the current demand, you have not decided to invest in this and are investing in the 20,000-liter tank ahead of the others?

Also, am I correct in understanding that the four units in Suite 2 will also be partnered with a company in a major partnership, similar to the partnership with Janssen?

Iida [A]: Regarding your first question, you are correct. We have a continuous production system in place, but it will take a little more time for the pharmaceutical pipeline to reach commercial production in a GMP environment. For the time frame of FY2030, we decided that a large facility would be most beneficial in terms of both cost and supply. Continuous production takes a little more time.

For the Suite 2, we are now in talks with several pharmaceutical companies to contract their pipelines, not just one.

Wakao [Q]: I would like to ask a second question about this page. I would like to know a little more about what the premise of these sales is.

I would especially like to know about the 20,000-liter tank. I believe that the increased utilization of the 20,000-liter tank is based on what you indicated at the end of last year. Without knowing what the peak sales per 20,000-liter tank are, it is not clear how much money you might make with a large facility. Could you please tell us what level of sales you expect per unit?

Iida [A]: First, let me explain how we calculate sales. The first element is capacity. At the beginning of the start-up, there are many batches of detailed prototypes, and it takes time for productivity to increase. We take into account how the capacity rises and first ascertain its capacity. For demand, we estimate how many batches we are likely to receive from each client's pipeline, based primarily on the pipelines of major pharmaceutical manufacturers. By multiplying this prospect by the demand and supply capacity, we have created this figure.

For each tank launched in each fiscal year, we consider how many batches each will contribute and how much productivity we can increase, and multiply that by the number of batches and the unit price per batch, which is the revenue of large facilities in the blue area at the top.

Multiplying the JPY700.0 billion in revenue for FY2030 by the nearly 70% revenue ratio of large facility shown on the right-hand side, we arrive at a figure of just under JPY500.0 billion. This is the revenue contributed by the 36 units, including this second investment in North Carolina. Imagine about 36 units with revenue of about JPY500 billion.

Wakao [Q]: I understand. So, regarding the 20,000-liter tanks, you can expect about JPY14.0 billion per tank.

Iida [A]: Yes, I think it will be about that size.

Wakao [Q]: Finally, especially with regard to the Healthcare, you also presented quantitative figures overall this time, but regarding profit levels I felt that the figures for the final year were somewhat insufficient, even compared to the market consensus.

As you have been telling us since the end of last year, we have learned that as far as the Bio CDMO business is concerned, you will incur more upfront costs related to start-up than expected for the next three years, and that it will be difficult to generate profits. In the end, that is dragging down the healthcare business as a whole, and it doesn't look like it will be very profitable for the next three years. I would be happy to receive any comments on this.

Higuchi [A]: As you say, there is inevitably an upfront cost to start up the facility. It takes three to four years to reach full capacity for Bio CDMOs, and the next three years are right on the edge of that time frame. The medical systems business is doing well and earning an operating margin above the mid-teens, but the current phase is taking some time to monetize the bio-based business.

Moderator [M]: Next, Mr. Okazaki from Nomura Securities, please ask your question.

Okazaki [Q]: First, I would like to ask you about your Medical Systems business.

If we calculate the sales growth rate for these three years, it will be about 2.5% per year. On the other hand, at last year's business briefing, you mentioned that you would like to grow at a CAGR of 6.3% by FY2030, and in your explanation today, you mentioned that there are many things you can do, particularly in the area of AI/IT. Please explain why the growth in Medical Systems sales over the next three years is so weak.

Goto [A]: First, as I said in the first part of the three-year policy, the emphasis is on profitability. The Medical Systems business is now growing in size and is second only to business innovation as a stand-alone business. In this context, we will increase profitability while considering the replacement of the contents in order to raise the current profit margin, which is above 10% and in the mid-15% range, to nearly 20%.

In other words, we initially said that our goal was to achieve sales of JPY1.0 trillion in FY2030, but we are now considering reducing this to JPY900.0 billion and increasing our profitability and operating income ratio. Of these, I believe that the biggest key to profitability is how much endoscope recurring business can be built using AI/IT.

Okazaki [Q]: I would also like to ask about the Business Innovation segment.

We just received your comment about industry restructuring. In the announcement of the business alliance with KONICA MINOLTA, there was a description of "other business alliances related to the subject business to be separately agreed upon." Any comments regarding your thoughts on future developments would be appreciated.

The Ricoh and Toshiba Tec thing was about integrating the entire production and development of the printer unit. Considering the European and US markets in terms of your company's future growth potential, I think there is room for collaboration with KONICA MINOLTA's sales network in the European and US markets.

In addition, can you tell us if this case is likely to change your relationship with Xerox, your original partner?

Hama [A]: As I mentioned earlier, we decided to form this alliance in the procurement and toner areas after considering the immediate results for both parties and the strengthening of our business foundation.

As for the toner, production especially is a topic. With regard to BCP, our current production center is in Toyama, and the other location is in Takematsu, and we have been thinking about how to increase their capacity. KONICA MINOLTA has production facilities in Kofu and Tatsuno and has excess capacity. There is the most benefit from a capital investment standpoint when both parties are able to manufacture products at both sites.

The meaning of item three, "other business alliances," is that as we succeed in such deals and improve the results, we can expect to be able to do even more.

Considering the integration of overall production, the overall demand will decrease in the future. Decreasing means that when we add up what both parties have now, we get a surplus. It is very inefficient to handle that surplus together.

KONICA MINOLTA's situation is quite different from ours. We have been under the assumption that we would survive as a single company, but we will do so.

KONICA MINOLTA announced on April 4 that it will undertake an overall structural reform. Once KONICA MINOLTA has firmly implemented structural reforms, I think there is a possibility that we will be able to cooperate with KONICA MINOLTA in the next stages. At this point, we cannot yet see beyond that, but we may be able to find it in the future. This is how we think about industry restructuring.

You mentioned Europe and the US. Right now, there is a business alliance, or rather an industry reorganization, but we are not considering an overall capital alliance or sales integration at this time. We believe that is what each of us should do to avoid violating antitrust laws.

There is no impact on the relationship with Xerox. We intend to build a good relationship with Xerox and continue our business in a solid partnership.

Okazaki [Q]: Third point, the overall numerical targets include ROE and ROIC. I think some would feel that those are somewhat disappointing for the next three years. Of course, I understand that this is an investment phase. Please comment on your current awareness of the current issues in further improving capital efficiency.

Higuchi [A]: In both the current and the next medium-term plan, we will rather firmly capture opportunities for future growth, as you just mentioned. To that end, we have again decided to make additional capital investments in the Bio CDMO, and we are also making investments worldwide in semiconductor-related areas.

Particularly with respect to ROIC, we believe that we can turn free cash flow positive for the entire company in FY2026. We believe that the Bio CDMO alone can achieve positive cash flow in FY2027.

We believe that now is the phase to make investments to capture the strength of demand ahead. Also, once cash is generated, there will be more room to take various actions on the equity side. The next three years are more like a continuation of the investment phase to capture future growth.

Moderator [M]: Next, Mr. Tokumoto from SMBC Nikko Securities, please ask your question.

Tokumoto [Q]: First, this time, the first item on the list of what you should be in 2030 is to invest in growth and focus on profitability. I would like to ask your thoughts on the balance of profitability of growth investments limited to the Bio CDMO.

You mentioned that free cash flow in the Bio CDMO will turn positive in FY2027. Do you envision the possibility that growth investments may still occur in the future in the Bio CDMO, as in the case of the discussion of secondary investments? Or do you think that the time horizon of free cash flow surplus in FY2027 will not shift much because of some projects that are starting up? I would first like to ask you about the concept of growth investment and profitability for the Bio CDMO.

Iida [A]: The secondary investment will create capacity of 36 units. We believe that there will be no need for additional investment, at least during the new medium-term period through FY2026. First, the Bio CDMO intends to ensure that it will achieve positive free cash flow on a stand-alone basis in FY2027.

Tokumoto [Q]: The assumption is that profitability is in the upperhigh 20% range. Am I correct in assuming that you are willing to make a significant commitment to this prospect as well?

Iida [A]: Yes. See the next page. We show how we will bring it to the upper 20% level of EBITDA margin in FY2026. Please see the graph on the right.

First, earnings from small and medium-sized tanks are currently weak. Biotech funds tapered off in the early phase, and the launch of cell & gene therapies was a bit slow and unprofitable.

For this area, we will implement both slim and strong measures first. First, we will raise profitability in FY2024 through FY2026 by strengthening our structure, including structural reforms. While optimizing costs, we will also expand some facilities in the field of antibody drugs, where demand is strong among small and medium-sized tanks. This will allow us to recover the current difficult profit/loss of the small and medium tanks, through both slim and strong initiatives.

Since fixed costs precede profits from large tanks, FY2024 and FY2025 are phases of lower EBITDA margin. However, through FY2025 and FY2026, the Danish primary and North Carolina primary, which will start up this year, will be in the operating phase. We believe that the target of the upper 20% range will be achievable in FY2026, given the balance between small, medium, and large tanks.

Tokumoto [Q]: Let me ask another question from a different perspective. I think it is also important to emphasize the importance of profitability throughout the entire business at this time.

I believe that you will intentionally take various measures in the pharmaceuticals in healthcare, changes in small and medium tanks in the Bio CDMO, and also in the Graphic Communications business in the Business Innovation. Will some effect of these things be seen in the third year?

For example, with regard to the Graphic Communications and the Business Innovation, at what point in the medium-term plan period are you placing particular emphasis and will you see the effects? I would appreciate any comments on the timing of each measure and when the effects will manifest.

Goto [A]: First, regarding healthcare, the largest Bio CDMO is still in the investment phase in this medium-term plan, as I mentioned earlier. After that, we will reap the harvest toward FY2030. We believe that results will begin to emerge at the end of FY2026.

Regarding the Business Innovation, for one thing, we have now integrated our organization and the Graphic Communications is a part of the Business Innovation. In other words, we are now the one and only printing company that can provide a wide range of services from analog PS plates and printing plates to digital, xerography, and inkjet.

At the end of May, for the first time in perhaps six years, Drupa, the world's largest printing show, will be held in Düsseldorf, Germany. This is where we are focusing our efforts, and we will be exhibiting our solutions from analog to the digital edge. From there, we hope to build momentum and bring the Company to a point where some profit is in sight by the third year of the medium-term.

Regarding our strengths, most printing companies that handle printing plates today deal only with analog printing plates. Although some large companies use digital printing in conjunction with analog printing, analog printing plates that rotate rotary presses are still the mainstream in the business. But there is quite a bit of know-how there, and it is completely Fujifilm's strength to be able to propose digitization while understanding that workflow.

The integration of the organization is also about how to create workflows and promote digitalization by using this analog, invisible know-how.

In today's printing industry, we are still just beginning to see a bit of analog-digital hybrids, but I believe that a situation will surely come where more and more hybrids will emerge. By assisting in this effort, as I mentioned earlier, I believe we will be on the road to achieving an operating margin of 10% by the third year of the medium-term management plan.

Also, the matter with KONICA MINOLTA has been brought up earlier. It is true that the current MOU is the first step and is just the beginning. I think the concerns about MFPs are common for each company right now.

The market for MFPs is shrinking and production is falling. To stabilize it, we have to stem the bleeding. To achieve this, first of all, production volume should not be dropped. Also, the cost of production needs to be reduced. Unless we do that, we will have to do structural reforms for many, many years as the market shrinks. I believe that each company shares the same awareness of this issue.

As for who will take the lead in this context, I think the real production figures, not the number of units sold in the market or by brand, will be the key point. We are doing business under FUJIFILM Business Innovation brand, and as you know, we are also an OEM supplier to Xerox Corporation. We also supply various other OEMs. Our production and shipment levels are probably close to the top in the industry, although I don't have exact data. I believe this is one of the starting points in the alliance with KONICA MINOLTA.

I believe that each company has established a business model to stabilize production, increase sales in what we call the business solution, and earn profits, which is the same for all companies.

Moderator [M]: Next, Ms. Yoshihara from UBS Securities, please ask your question.

Yoshihara [Q]: First, let me ask you about the Bio CDMO business.

Again, an additional investment has been decided. Of course, the demand for outsourcing antibody drugs is growing, but perhaps the pace of your company's investment expansion is outpacing the market demand. From the outside, it is difficult to see how your company's aggressive investment capacity will be filled.

Most recently, Lonza has bought Genentech’s capacity. With the supply increasing to a certain extent, I would like to ask once again what is behind your belief that your company will be able to take a solid share of the market.

In particular, you have shown us on the slide you are projecting how your company differentiates itself from the two major competitors. Again, I would like to know what points of differentiation give your company the confidence to fill capacity.

We were also informed of the capacity situation last December. Customers for the remaining four units of Suite 2 in the US are also about to be decided. I would also like to know when you might be able to tell us about the next update, if that is possible.

Iida [A]: First, let me answer about demand. Several research firms estimate that the 8% average annual growth of antibody drugs will continue at least until about 2030. We ourselves have heard and confirmed from pharmaceutical companies that there are quite a few extremely promising pipelines.

Some of these pharmaceutical companies are not only doing their own R&D, but are also acquiring pipelines through M&A. Since these products will now move into the clinical trial phase and then into commercial production, we believe that the degree of certainty of 8% CAGR growth rate is high.

In contrast, with regard to the increase in capacity, including competition, we estimate that the global tank capacity and supply of antibody drugs, including pharmaceutical companies' in-house and CDMO, will be approximately 8 million liters. If this grows by 8% per year, the annual capacity will be 640,000 liters, and even if we fill all of them with 20,000 liters, we will need 32 units of capacity each year.

Also, the new ADC and bispecific pipelines that are running now have low titers and yields and complex manufacturing processes, depending on the pipeline. With such new modalities of antibody drugs emerging, we believe that demand will remain strong with respect to tank capacity.

As for how much market share, we will gain, we are planning to increase our capacity and increase our market share faster than the pace of the market.

How to overcome the competition? According to a major pharma customer, it is difficult to get a CDMO contract, especially from a customer who is aiming for a commercial production blockbuster, unless you have a good capacity first. I think one of the first strengths of the Company will be its ability to show production capacity sufficient to meet supply after a customer has moved from clinical trials to commercial production, cleared various countries' regulatory requirements, and become a blockbuster or mega-blockbuster.

In addition to the supply, as noted here, track record and trust are crucial. Our strengths in this regard include our productivity at the Danish site, our track record of clearing regulators, and our track record of regulatory approvals in various countries. We would like to enter a virtuous cycle in which these track records spawn more business, and new business builds up track records again.

This is made concretely possible by our KojoX approach, and a state-of-the-art facility will be placed in Denmark and North Carolina in turn, using the cloning method. This ensures that at least 95% of the design is common to all factories. The fact that they are made with almost the same equipment and using the same process will also benefit each regulatory approval.

This has an effect on speed. With the pharmaceutical industry competing with each other to develop the next blockbuster with its substantial pipeline, it is important how quickly we can get it off the ground, out of clinical trials, through regulatory filings, and into commercial production. It is important how quickly we can get approval in various countries and quickly get the product to market.

In this world that demands speed, we will partner with pharmaceutical manufacturers through trust and speed. This is our basic strategy. Because of our aggressive investment in new equipment, we believe that we can demonstrate our strength in creating a network of the latest equipment and common design.

Yoshihara [Q]: I have one additional question. When your company prepares capacity, does it proceed with the idea of first preparing it, rather than making an informal agreement with the client? In that case, I think there are some risks involved, but how do you control those risks?

Iida [A]: I think it is a matter of balance. If we make all of our capital investment decisions after receiving an order from a customer, we will not be able to meet our customer's demand for speed capability. We decide on the investment once it is considered to be certain in the conversation and build up capacity proactively.

However, the risk management approach is exactly a part of Partners for Life, which is our business mission. We have established a relationship of trust with pharmaceutical companies, especially major pharma, and receive information on their future pipelines, and make our own decisions based on our own assessment about how certain they are.

Moderator [M]: Last, Mr. Nakanomyo of Jefferies, please ask your question.

Nakanomyo [Q]: I would like to ask three questions.

First, in your explanation, you mentioned that the capacity of the tank, including in-house tanks of pharmaceutical companies, is 8 million liters, with growth rate of 8%. I think the figure is probably around 3 million to 4 million liters for major CDMOs. Is the 8% the growth rate of antibody drugs, which includes in-house production of pharmaceutical companies or is it the growth rate of CDMO? That would make the denominator different.

Iida [A]: Gross demand for antibody drugs. We are assuming that the total demand for antibody drugs, including both in-house and CDMOs, will grow by 8%.

Nakanomyo [Q]: I think what many investors are hoping is that the BIOSECURE Act will make it easier to generate more capacity growth in the medium term from now on, as deals flow from CDMOs in China to your company. What are your expectations?

Iida [A]: The BIOSECURE Act is still in the bill stage, so I don't know how this will turn out, but basically we have patients, and it makes the most sense to produce our products close to where they are consumed. Taking geopolitical considerations into account, and for the reason that a strong supply chain can be established, it would make sense to make a lot of it in Europe and the US, close to where the demand is, in addition to Toyama, Japan.

As for the BIOSECURE Act, I don't know what will happen, but perhaps now CDMOs in the US have less capacity than in Europe. Even though Lonza bought the Roche plant, the capacity of CDMOs is still small compared to the European market. Therefore, we are hopeful that this may be a tailwind for us.

Nakanomyo [Q]: I would like to know one additional thing about the Bio CDMO. If possible, could you please tell us how much capital investment you have made in the Healthcare and the Bio CDMO over the past three years and approximately how much you plan to make over the next three years? You have posted the diagram, but if you break this down into the Medical Systems and the Bio CDMO, what is the breakdown?

Higuchi [A]: About 75% of our investment in the Healthcare is for the Bio CDMO. The percentages are similar for the past three years and for the next three years.

Nakanomyo [Q]: I think one of the reasons why the results for FY2023 were slightly lower is the deposit from Novavax, which I think is probably a downside factor of about JPY4.0 billion. In the Healthcare, there was a downward swing of about JPY15.0 billion, but for what reason?

Higuchi [A]: The downside impact of Novavax is about JPY4.0 billion. Also, there was a JPY15.0 billion downside impact from healthcare-related factors. There was a litigation case in the cell culture business, and although I will not disclose the details, we have set aside a reserve of JPY5.0 billion for the lawsuit.

The Bio CDMO had thought that the timing of the shutdown due to maintenance would be early 2024, but the Bio CDMO moved that up to 2023, resulting in a downward swing of about JPY3.0 billion.

Nakanomyo [Q]: In the last Q3 briefing, I believe you explained that the one-time cost was JPY21.5 billion for the entire company. What is likely to happen in the next three years?

Higuchi [A]: We will give you more details at the time of another financial announcement. In FY2023, one-time expenses have increased by about JPY7.0 billion from the figure we reported at that time due to the lawsuit I mentioned and a slight increase in M&A expenses for KMG in the Semiconductor Materials business.

We have not factored in such a large one-time expense in our future medium-term plan. I believe that one-time costs will be approximately JPY30 billion this fiscal year. In FY2024, as Mr. Iida touched on a bit earlier, we will record small-scale restructuring and other expenses for the Bio CDMO. In addition, we expect one-time expenses of about JPY15.0 billion to JPY20.0 billion for the entire company in FY2024 due to structural reform costs in the Graphic Communications business and PMI costs at KMG, which still remain.

Moderator [M]: We will now conclude the briefing on the medium-term management plan.

Thank you very much for your participation today.

[END]

Note:

Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.