Bio CDMO Presentation - Q&A Session - October 2020

Question 1: Is Fujifilm's CDMO's 200 billion yen revenue target for the fiscal year 2024 a relatively certain forecast or an ambitious goal? Does this target include undecided or uncertain elements?

Answer 1: We are increasingly confident that we can reach that revenue level. Due to the COVID-19 pandemic this year, we have been asking our clients to delay their projects. Because of these delays, we are creating a backlog of work that gives us confidence that the sales target of 200 billion yen is achievable.

Question 2: Do you disclose your order backlog? And can you give us a breakdown of your orders based on drugs in development versus drugs already commercialized?

Answer 2: We are not disclosing backlog information due to confidentiality agreements with our clients. Any client information that we have disclosed is because our clients allowed us to.

Question 3: Can you provide details about the CDMO revenue or business mix, including details on revenue composition by e.g. mammalian, vaccine, microbial, etc.?

Answer 3: The majority of our current revenue is coming from our mammalian business, which is similar to the breakdown of the bio CDMO market.

Question 4: Can you go into details about the composition of your CDMO revenue by, for instance, development, advisory services, pure manufacturing, or other parts of the business?

Answer 4: 60% to 70% of our revenue comes from the manufacturing of commercialized products. Fujifilm's process development services, which includes manufacturing of investigational new drugs, accounts for 20% to 30% of revenue.

Question 5: Are there any upside opportunities in margins possible by 2024, given the fact that you will be using the industry's first continuous manufacturing system?

Answer 5: If we realize our continual manufacturing system, it will surely improve profitability and of course bring value to our clients. However, over the next 3 to 4 years this part of our business is still relatively small. The driver for profit in the next few years will be mammalian cell culture for antibodies business, mostly from our facility in Denmark, but our continuous manufacturing system still has the potential to generate an increase in revenue.

Question 6: Can you share the number for the capital expenditure budget associated with the roadmap? Also, what is the depreciation period for the expenditures?

Answer 6: If you add up the sum of the investments, it is in the range of US$ 1.3 billion. With regards to your depreciation question; we depreciate equipment over 7 years, but for buildings that period is longer, so giving a definitive answer to your question is difficult.

Question 7: How are COVID-19 agreements with your clients structured? Are they formal contracts? Is Fujifilm taking on any risks with these agreements if the vaccine does not materialize?

Answer 7: All COVID-19 vaccines and therapies carry certain risks for the pharmaceutical companies developing them. We cannot disclose the details of the contracts, but Fujifilm is protected.

Question 8: As a CDMO Company involved in COVID-19 vaccine development with a client, are you going to supply together with other CDMOs or will Fujifilm be the sole supplier?

Answer 8: Actually it depends on the client. There is no rule of thumb. For example, Novavax is outsourcing their manufacturing requirements to several different CDMO companies out of which one is Fujifilm. With regards to our client Tonix Pharma, we believe Fujifilm is their only manufacturer, but we cannot be sure of this. For the Therapeutics Accelerator project in Denmark, we can't say for sure, but there is a good chance that there will be multiple CDMOs involved.

Question 9: With regards to the competitive landscape, how does Fujifilm's CDMO distinguish itself from its competitors? How much of a downward pressure will the increased competition have on the price of your services?

Answer 9: Fujifilm's strategy and ambition is that we don't want to compete just on price alone. We want to nurture and grow our competitiveness, seeing as we have an advantage in terms of productivity, our very short process development, high quality standards and flexibility in meeting the needs of our clients. We believe these types of things will add up and enhance our track record.

Question 10: With regards to future M&A opportunities, is price going to be an obstacle ? We are seeing stock prices of CDMOs rising sharply. Will Fujifilm have to give up some M&A opportunities because of high valuations?

Answer 10: It depends on the case. One example is antibody manufacturing, which is more conventional biologics and has a sufficient track record. In this instance a higher price could be justified since a quick

uptick in revenue growth may be expected. On the other hand, if we are talking about a gene therapy acquisition, then it is an emerging area where the technology is still very immature and the productivity of gene therapy drugs is 1,000 times lower than antibody drugs. This means this area needs more innovative technology to improve productivity, something we are busy trying to accomplish. For gene therapy, an M&A candidate may not be that attractive.

Question 11: Can you talk about your current client mix and how that will change in the next 3 to 4 years?

Answer 11: Previously, the major portion of our client base was from small- to medium-sized companies. However the acquisition of our Denmark facility drastically changed this situation. After the acquisition, communication with major global pharmaceutical companies was added on top of our existing client base. Now we have a very wide client base from small to very large clients.

Question 12: In what CDMO area are you seeing the strongest demand versus supply?

Answer 12: No. 1 is gene therapy and No. 2 is mammalian cell culture. Also, with regards to microbial fermentation, the growth trend is more modest, but there are less CDMO players in this market compared to gene therapy and mammalian cell culture. Fujifilm is a top player in the microbial fermentation segment, and we are seeing strong interest from clients in this area.

Question 13: Why do you think the demand for gene therapy is so strong?

Answer 13: The increase in the number of clinical trials in the gene therapy area is phenomenal (over 1,000 trials currently). Gene therapy is promising in that you can directly manipulate genes, which presents the possibility of a more effective way of curing diseases. Many of the pipeline entrants are handled by very small companies, with most not having the necessary infrastructure to manufacture their drugs, so almost all of them need a CDMO.

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