

Briefing on Acquisition of Toyama Chemical Co., Ltd.:  
Responses to Queries

Q1: It seems that you have taken a great leap from the previous center of Fujifilm's medical business—which was diagnostic equipment—to the therapeutic pharmaceuticals product business. Could you explain how Fujifilm has ties to the pharmaceutical industry?

A1: We do not consider our steady advance into therapeutic pharmaceuticals to be a big leap. Fujifilm has been accumulating knowledge and know-how in fine chemicals business for about 70 years, and we have several Fujifilm Group companies with successful operations related to pharmaceuticals, including FUJIFILM RI Pharma Co., Ltd., FUJIFILM FINECHEMICALS CO., LTD., and FUJIFILM CMIC HEALTHCARE Co., Ltd.

We have accumulated a library of approximately 200,000 synthetic compounds, and we have been supplying a portion of those compounds for pharmaceutical applications. Photographic-use chemicals are highly bioactive, and many of them can be adapted for pharmaceutical applications.

Moreover, Fujifilm has various technologies suitable for drug discovery processes. Integrating those technologies with those of Toyama Chemical can be expected to generate synergies, including those that enable that company to broaden the scope of its drug discovery work and strengthen its development pipeline.

For these reasons, we do not consider our advance into the pharmaceutical business to be a leap.

Q2: Please explain the kind of synergies you are expecting from the Toyama Chemical acquisition in more concrete terms.

A2: We see a potential for both management-related synergies and technological synergies.

Regarding management-related synergies, it should be noted that Toyama Chemical previously did not have sufficient funding to develop all its drug candidates independently—it had a number of promising drug candidates that it was forced to license out at early development stages. As a member of the Fujifilm Group, Toyama Chemical now has the financial backing to develop and market its own product candidates. Even if it chooses to license-out its

candidates in some cases, it is positioned to increase the value of its drug candidates before licensing them out.

Regarding technological synergies, Fujifilm has drug delivery system delivery system technologies such as nanotechnologies, biotechnologies, analysis technologies, and manufacturing technologies. We will be using these technologies to augment drug discovery capabilities and speed up drug discovery processes.

Q3: In view of the fact that pharmaceutical companies are considered to be in a high-risk/high-return business field, how does Fujifilm plan to control Toyama Chemical's operations?

A3: Toyama Chemical's strengths lie in its drug discovery systems, and believe those systems have a lot of potential for future success. By taking Toyama Chemical's outstanding development strengths and supplementing them with Fujifilm's R&D process management know-how and other Fujifilm resources, we will be working to accelerate R&D projects and increase the share of drug candidates that are eventually marketed. Once we integrate our operations with Toyama Chemical's operations, we expect to find new approaches to such tasks as those related to the improvement of manufacturing technologies and the shrinking of clinical trial periods.

Q4: How long do you project it will take to expand Toyama Chemical's sales and profits?

A4: We expect Toyama Chemical to begin making a full-scale contribution to our consolidated performance from the fiscal year ending March 31, 2011. In that year, we are projecting that Toyama Chemical will record ¥85.0 billion in net sales and (¥10.2?) billion in operating income, for an operating income ratio of 12%. In the fiscal year ending March 31, 2013, we are projecting that Toyama Chemical will record ¥100.0 billion in net sales and ¥20.0 billion in operating income, for an operating income ratio of 20%. These projections are based on expectations of the marketing or licensing-out of T3811, a synthetic antimicrobial agent; T705, an antiviral agent; and T817, an agent for treating Alzheimer's disease.

Q5: How much R&D investment will Toyama Chemical be making?

A5: In the two fiscal years ending March 31, 2010, plans call for aggressively accelerating Toyama Chemical's new drug development processes by

boosting the share of Toyama Chemical's R&D expenses to a level higher than 30% the level of that company's net sales. The third-party share allotment financing implemented (by Toyama Chemical) in February 2008 raised ¥30.0 billion, and a portion of that sum will be used to fund R&D expenses. In the fiscal year ending March 31, 2011, and subsequently, plans call for the Fujifilm Group's ratio of R&D expenses to net sales to be 10% or higher.

Q6: Could you provide more-detailed explanations of your overseas business expansion plans regarding such issues as marketing channels?

A6: Having been expanding its medical business for many years, Fujifilm has many contacts with hospitals as well as its own MRs and other marketing channels. Regarding overseas sales of pharmaceuticals, we may, in some cases, form alliances with other companies based on the results of clinical trials to date.