

## A Message From the CEO



Shigetaka Komori,  
President and  
Chief Executive Officer

# Toward a “Second Foundation”

## Review of Business Results for Fiscal Year Ended March 2007

Consolidated revenue in the fiscal year ended March 2007 rose by 4.3% year on year to ¥2,782.5 billion (\$23,580 million), despite lower revenues in the Imaging Solutions segment, mainly in color films and digital minilabs. Revenues rose significantly in the Information Solutions segment, buoyed in particular by medical products and services, CTP (computer-to-plate) plates and flat panel display (FPD) materials. Revenues also rose in the Document Solutions segment, where healthy sales were recorded for digital multifunction devices, mainly overseas. A weaker yen against the U.S. dollar and euro also boosted revenue.

We achieved operating income of ¥113.0 billion (\$958 million), a large increase of 60.5% year on year, the result mainly of higher sales volume and a reduction in fixed costs yielded by progress with structural reforms. These factors offset increased costs caused by soaring prices for such principal raw materials as silver and aluminum, and ¥94.1 billion in expenses associated with the concentrated implementation of structural reforms centered on the Imaging Solutions segment and the Group-wide “Slim & Strong Drive” cost-

reform program initiated in the second half of the fiscal year ended March 2007. Income before income taxes also increased by 29.7% to ¥103.2 billion (\$875 million), despite the negative impact of the decline in value of investment securities as part of structural reforms. Due to an increase in income taxes, net income decreased by 6.9% to ¥34.4 billion (\$291 million).

## Structural Reform – Initiatives and Results

During the last two fiscal years, we implemented fundamental structural reforms targeting mainly the Imaging Solutions segment. Specifically, in the photosensitive materials field, which includes color films, we conducted a reorganization of our tripolar global manufacturing system made up of facilities in Japan, Europe and the U.S., as well as streamlining the workforce and rigorously cutting expenses in sales and distribution. Other actions in this business included slashing R&D investment and consolidating photofinishing labs. These structural reforms progressed largely as planned and were completed by the end of March 2007. We are confident that they have yielded a business structure capable of generating



stable earnings into the future by optimizing business systems so they can adapt to changes in market size.

## Promoting Growth Strategies

Fujifilm has positioned medical systems and life sciences, graphic arts, documents, optical devices, and highly functional materials (FPD materials, electronic materials, and inkjet materials) as priority business fields. We are pursuing growth strategies in these areas through proactive M&A initiatives, capital investments and R&D investments. In addition, we are carrying out research and development towards accelerating the creation of new businesses and products that will play a leading role in the future. At the core of this research are the FUJIFILM Advanced Research Laboratories, established in April 2006.

## Strengthening Consolidated Management

The Fujifilm Group moved to a holding company structure on October 1, 2006. Since then, we have been operating with a new Group management structure centered on FUJIFILM Holdings Corporation, under which there are two major operating companies: FUJIFILM Corporation and Fuji Xerox Co., Ltd. FUJIFILM Holdings Corporation is responsible for the overall management of the Group. At the same time, we also revamped the corporate governance system for Group management—the Board of Directors of FUJIFILM Holdings Corporation comprises directors selected from both FUJIFILM Corporation and Fuji Xerox Co., Ltd. This marks our first appointment of an outside director, a move which will further enhance management transparency.

In February 2007, in order to boost strategic collaboration and create concrete synergies among these three companies, we concentrated their head office functions at Tokyo Midtown in Roppongi, Tokyo.

Moreover, seizing the opportunity of the move to a new management structure, we launched a “Slim & Strong Drive” aiming to create a more brawny, more robust company. The main thrust of this drive is to achieve the utmost efficiency of and better prioritize the use of manufacturing costs, selling, general and administrative (SG&A) expenses, and R&D expenses. This ongoing drive targets all organizations in the Group.

## Increasing Corporate Value

In this letter I have discussed our progress with our medium-term management plan, VISION75 (2006). We have made satisfactory progress so far, and I believe that we have built a corporate structure which will facilitate growth in the future.

But to realize our “Second Foundation” by making full use of this structure to drive forward the strategies contained in VISION75 (2006) and ensure future growth, we have relaunched our plan as VISION75 (2007). The new plan targets the key issues of promoting growth strategies and creating a robust corporate constitution. While boosting investment in priority businesses, we will also implement, through the “Slim & Strong Drive,” speedy and decisive measures to reduce manufacturing costs and SG&A expenses, and to streamline and strengthen the functions of administrative departments through the greater use of shared services. Through these efforts, we aim to bring about a sharp performance improvement in operating income in the fiscal year ending March 2008 and achieve a record result of ¥200 billion. The goal for the fiscal year ending March 2010, the final year of the medium-term management plan, is operating income of ¥250 billion or more.

We also aim to use the timing of this sharp performance improvement to return the higher earnings to our shareholders. Having reviewed such returns, we have set the target of a 25% return (the total of cash dividends and share buybacks divided by consolidated net income) to shareholders applicable to the fiscal year ending March 2008 and thereafter. We therefore plan to increase the annual dividend applicable to the year ending March 2008 by ¥10 to ¥35 per share. However, the amount will ultimately be determined based on our performance up until that time.

In conclusion, I would like to express my sincere appreciation to our stakeholders for their support and guidance. Please continue to support us as we strive to achieve our goals.

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Shigetaka Komori  
President and Chief Executive Officer