



# Structural Reforms



Fujifilm carried out fundamental structural reforms centered on the imaging field from the fiscal year ended March 31, 2006 and completed them by the fiscal year ended March 31, 2007. Through these reforms, we have been building a business structure that is able to ensure stable earnings into the future by optimizing business systems in this segment so that they can adapt to changes in market size.

## Structural Reform Measures

### ■ Photosensitive Materials Business

#### ● Reorganization of Tripolar Global Manufacturing System

Fujifilm previously emphasized local production in its manufacturing system for photosensitive materials such as color films. Based on this emphasis, we maintained a tripolar global system, with facilities in Japan, the U.S., and Europe. However, as demand for photographic color films declined rapidly, fixed costs for large-scale manufacturing facilities put pressure on profits. Therefore, we attempted to optimize production capacity on a worldwide level, which included the termination of some coating lines, and we also reduced the number of employees in various manufacturing divisions.

#### ● Optimization of Selling Expenses and R&D Investment

In sales divisions, we streamlined the workforce and rigorously cut selling expenses. We also minimized R&D investment in areas other than digital camera printing-related and thereby substantially reduced investment. Furthermore, in the photofinishing field, we consolidated photo-processing laboratories on a global level, and through our alliance with

Noritsu Koki Co., Ltd., we have been efficiently developing high-performance digital minilabs and promoting the creation of an improved, efficient maintenance support system.

### ■ Electronic Imaging Business

In the electronic imaging business field, which includes digital cameras, we reinforced our feature-rich product lineup, centered on highly sensitive digital cameras, as well as downsized domestic production and established a mass-production system in China. In addition, we thoroughly cut costs and reduced total inventories by strengthening supply chain management.

Although features such as the ability to detect faces and high sensitivity received market acclaim, the business environment remained challenging. In this context, we will channel resources into developing high-quality digital cameras with features that enable users to take better photos, and reform our business promotion systems in manufacturing, sales, and research.

## Results of Structural Reforms

These structural reforms entailed expenses related to fixed assets, including accelerated depreciation of manufacturing facilities, and expenses associated with streamlining the work force, such as special retirement benefits. During the two years from April 1, 2005 to March 31, 2007, expenses including those associated with the "Slim & Strong Drive" (refer to next page) amounted to ¥202.5 billion in total. We shed just over 5,000 personnel by the end of March 2007.

On the other hand, the effects of cost cutting through structural reforms appeared earlier than we had initially projected. We believe that the effects amounted to just over ¥40 billion in the fiscal year ended March 31, 2007. In the fiscal year ending March 31, 2008, the extent of the effects will increase. We estimate they will reach just over ¥55 billion, including the effects from the "Slim & Strong Drive."

### Structural Reform Expenses

(including expenses related to the "Slim & Strong Drive")

Mar. '06	Mar. '07	Total
¥86.0 billion	¥116.5 billion*	¥202.5 billion*

\* This includes ¥22.4 billion that was posted under non-operating expenses as decline in value of investment securities.

### Personnel Streamlining

More than 5,000 personnel  
(as of the end of March 2007)

### Cost-cutting Effects

