

Special Feature

More Innovation on the Way

FUJIFILM Holdings Corporation Growth Strategies



With the aim of paving a new road to growth, Fujifilm is developing Group strategies from the viewpoints of both business operations and functions. Having placed medical systems/life sciences, graphics arts, documents, optical devices, and highly functional materials, such as flat panel display (FPD) materials, as priority business fields, we are pushing vigorously forward with investments in M&A initiatives, capital investments, and R&D. Specifically, over the next two years leading up to the final year of the medium-term management plan, the fiscal year ending March 31, 2010, we plan to invest ¥340 billion in capital investments and ¥410 billion in R&D. Moreover, while targeting operating income ratios over 10% in the each of the Information Solutions and Document Solutions segments, we also plan to achieve ¥3,050 billion in revenues and over ¥250 billion in operating income in the fiscal year ending March 31, 2010.

Business Portfolio and Priority Business Fields

Fujifilm's priority businesses are prominently positioned as the Group's driving force in achieving a Second Foundation as well as forming the central pillars of a new business structure that will accelerate future growth.

Through expansion in the diagnostics field, where we possess such differentiated products as digital X-ray diagnostic imaging systems and endoscopes, as well as in the fields of pharmaceuticals and preventive treatment, our medical systems/life sciences business is anticipated to become a significant source of future growth. In graphic arts, we are aiming to raise our global market share for digital printing computer-to-plate (CTP) plates, currently in the lower 30% range, to 40%, while taking steps to establish and fortify a worldwide quadripolar production structure. In the Document Solutions segment, we will accelerate our market introduction of full-color, on-demand printing systems, of which the market is expected to expand in the future. At the same time, we are working to expand sales of color devices in notable growth regions, specifically Asia-Pacific region including China. In the camera phone market, our optical device business offers camera phone lens units for two-megapixel and above cameras. Holding the top market share in this product category, we will continue to work toward strengthening our production capacity and further expanding our market share. Turning to our FPD materials business, robust demand for liquid crystal displays (LCDs) has led Fujifilm to plan for a new production plant to accommodate large LCD panel production, while looking toward future business growth.

Underpinning Fujifilm's Growth: Mainstay Products Boasting Global Presence and Growth Potential

Segment	Fujifilm Product	Fujifilm Global Market Share	Estimated Market Growth Rate (2007-2009)
Information Solutions	FCR digital X-ray imaging and diagnostic systems	Approx. 40%	Approx. 5% to 10% increase in CR system shipments
	CTP plates (printing plate material)	Approx. 35%	Approx. 15% increase in CTP plate shipments
	Camera phone lens units	Approx. 50% (for models with 2.0 mega-pixels and higher pixel counts)	Approx. 30% increase in camera phone lens unit shipments
Document Solutions	FPD materials (FUJITAC, WV films*1)	Approx. 80%, 100%	50% increase in LCD panel shipments
	Color POD systems*2	Approx. 60%	Approx. 25% increase in color POD system sales

The percentage figures above are estimates made by Fujifilm.

*1: Wide-view films for twisted nematic (TN)-mode LCD panels only

*2: Print-on-demand systems. The figures for the domestic market of systems priced over \$100,000 and capable of printing 41 copies per minute

M&A as a Core Growth Strategy

In order to reform its business structure, Fujifilm has fervently promoted capital investments and M&A initiatives since its VISION75 medium-term management plan launched in 2004. In the three-year period from 2006 through 2008, the Group invested approximately ¥250 billion in M&A activities alone. These funds were directed specifically at expanding priority business fields and cultivating new businesses, such as life sciences.

Fujifilm gauges the appropriateness of its M&A initiatives based on certain investment recovery standards. Accordingly, we weigh the future potential of ongoing success through synergies formed between acquired businesses, our own businesses and neighboring businesses. Taking into consideration a medium- to long-term view of business, we made the decision to acquire Toyama Chemical Co., Ltd., which we judged to present significant growth opportunities in line with our fundamental standards.

Furthermore, Fujifilm has accelerated its organic growth by taking M&A initiatives in inkjet businesses. As such, Fujifilm has executed the acquisition of ink-related materials and printer heads companies that form the core of marking technologies. Specifically, from 2005 through 2006, the Group successively acquired top U.K. industrial ink manufacturer Sericol Group Ltd. (currently, FUJIFILM Sericol UK Limited), U.K. consumer-use inkjet printer ink company Avencia Inkjet Ltd. (currently, FUJIFILM Imaging Colorants Limited), and the world's leading maker (based in the U.S.) of industrial inkjet printer heads Dimatix, Inc. (currently, FUJIFILM Dimatix, Inc.).

When we look at the future of the printing field, it is likely that inkjet and xerography technologies will replace certain graphic arts printing capabilities, and we see a significant growth potential for the industrial inkjet businesses. Bringing the foregoing companies into our Group was one particular response to this outlook. Furthermore, in order to seize essential business opportunities for the foreseeable future, Fujifilm set its Advanced Marking Research Laboratories as the focus of bringing together the technologies and know-how of these companies for the development of new technologies and products.

Demonstrating one of our latest breakthroughs, we announced the development of a next-generation inkjet digital printing technology at drupa 2008, the world's largest printing equipment trade show, held in Dusseldorf, Germany in May and June 2008. Also, through the integration of Dimatix's printer head technologies and Fujifilm's water-based inkjet technologies, a new type of printer equipped with a system developed by Fuji Xerox was realized and has become the world's first printer that uses the single-pass method to realize a speed of 180 (A4) pages per minute, resolution specifications at a high four-tone 1,200dpi and large-size paper (720mm x 520mm maximum) printing capabilities.

The "Slim & Strong Drive" to Realize a Robust Corporate Constitution

In addition to promoting growth strategies, we are also implementing measures to reduce costs throughout the Group based on more than 1,300 themes. More specifically known as the "Slim & Strong Drive," its initiatives helped reduce costs by about ¥60 billion in the fiscal year ended March 31, 2008. Also under this program, we have set a goal to reduce the Group's SG&A expenses to revenues ratio to between 20% and 25%. Furthermore, cost reduction efforts will become increasingly important in the fiscal year ending March 31, 2009, with negative impacts expected from high raw material prices and a strong yen.

Moreover, in order to achieve our VISION75 performance goals, it is essential that each and every employee maintains an open mind toward innovation and change. Also, it is important for employees to independently clarify issues, work proactively toward addressing these issues, learn, practice, and grow as a person. We are fostering a well-established corporate environment that embraces change and challenge and enables our employees' growth to lead the Company's future growth.

