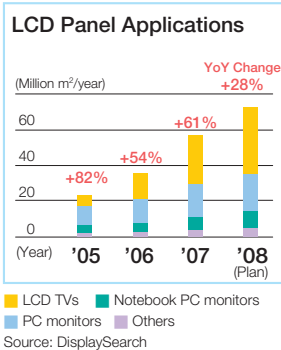


Flat Panel Display Materials

Question 1

What factors led to the success of the FPD materials business in establishing a dominant position in the market?



FPD Market

The FPD market has grown through increased demand for laptop computers and the replacement of cathode ray tube (CRT) desktop monitors by LCDs. Also, with LCDs well on their way to replacing CRTs, not only are we likely to see growth in demand for thin-screen TVs around the world, we can also expect this growth to rapidly increase.

Answer

Our products have received favorable market recognition for pricing and performance, and we have been consistent in fulfilling our responsibilities as a supplier. Our decision to make bold investments in LCD materials, amid an ongoing battle between LCD and plasma display makers, and response to the rapid surge in demand for LCD materials at just the right time, have given us the strength in the market.

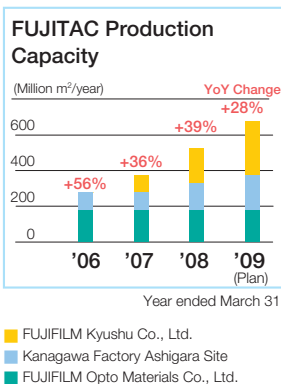
Thanks not only to the robust growth of computer LCD monitors, but also to the rapid diffusion of LCD TVs in Japan, the United States, and Europe, the current demand for LCDs is quickly expanding. Also, with an increase in demand for larger panels, we expect the annual rate of panel shipments, measured in square meters, to grow about 10%–20%. Along with supplying the industry with FUJITAC protective film indispensable for polarizers, we also offer WV (wide-view) Film. FUJITAC and WV Film possess approximately 80% and 100% shares of the worldwide market, respectively.

Again, I believe that our decision to invest management resources at a rapid successive pace in LCD materials, which consequently allowed us to satisfy a huge market demand, played a major role in acquiring such a large share of the market. It was this decision that captured the position we hold today.

The production of these materials is rooted in our four core technologies—1. precision thin coating; 2. organic synthesis; 3. film membrane precision production; and 4. optical simulation—that we have honed through the production of photographic films. These high technical strengths have led us to prominent market positions. Particularly in regard to our WV Film, which is the combined product of these technologies and our unique manufacturing process, I think we boast unbeatable competitiveness.

Question 2

How are your capital investments in the FPD materials business performing? Also, tell us about your plan for the future.



Total Investment from 2000 to 2008
¥300.0 billion

Answer

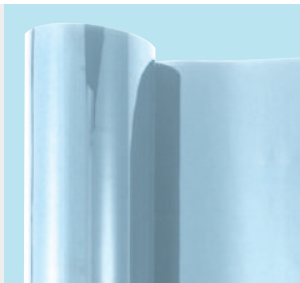
Since 2000, we have dedicated a total of ¥300 billion into the FPD business. We will aim to take the lead with more investments and new technologies and further secure our market position.

In anticipation of further growth in demand, we are working to expand our production capabilities. Following the start of FUJITAC production operations at FUJIFILM Kyushu Co., Ltd.'s plant No. 1 in October 2006, we invested another ¥70 billion into constructing plants No. 2 and No. 3, and plant No. 2 began operations in August 2007. As a result, our annual FUJITAC production capacity reached 580 million m² in April 2008. Also, in order to manufacture ultra-wide FUJITAC to suit production specifications of large-sized, 40-inch-class LCD TVs, we invested ¥24 billion into building Plant No. 4 on the Ashigara site of our Kanagawa Factory. Its operations began in April 2008. These efforts not only contributed to demand expansion for 40-inch-class LCD panels, but also allowed us to establish a supply structure to provide FUJITAC for LCD panels up to 100 inches wide. Turning to WV Film, we spent ¥6.5 billion on a new plant in Shizuoka Prefecture, which will start operation in April 2009 with a maximum annual production capacity of 115 million m².

We are confident that it will be able to sufficiently support future increases in demand. Furthermore, we believe that by working to maintain our overwhelming market share with FUJITAC supply structure this robust, our position of prominence in the market will remain firm. However, we cannot afford to be complacent and we will continue to invest in and develop new types of high-functional film as we pursue customer satisfaction in both quantity and quality. Also, we plan to further innovate WV Film to become the de facto standard for medium-sized TVs, going beyond computer LCD monitor application. At the same time, while establishing a firm position in the LCD materials field, we hope to contribute to the development of LCD businesses around the world.

Summing up
Our Technologies

How FUJITAC Sustains Its
Top Share



Fujifilm entered the FPD materials market by making full use of its photo film technologies. Successive technological innovations thereafter helped expand the market for these materials.

In the latter half of the 1970s, FUJITAC became used in LCDs for calculators. Entering the 1990s, in step with the development of the Thin Film Transistor, liquid crystal applications diversified, and demand for higher quality, higher function products began to expand. In 1993, Fujifilm released FUJITAC, a product of such enhanced quality that it instantly took the lead over other companies products in the market. Aiming to keep up with increasingly

larger-sized and sophisticated LCD panels, the Company tackled a variety of complex issues, such as creating a flatter film surface and reducing the number of defects. While continuing to develop its technologies, the Company overcame the difficulty of maintaining flatness and zero defects as panel size increased. In this way, Fujifilm strived to maintain its top position and refused to let competitors get ahead.

Continuous and active investment into upgrading technological capabilities allowed the Company to establish a stable supply structure at an early stage. Working from this vantage point, Fujifilm's ongoing efforts to improve quality and maintain its competitive edge have come together to solidify the top market position that the Company enjoys today.

FUJITAC is made of plant-derived cellulose triacetate. As such, Fujifilm possesses plant-derived material-processing technologies, uniform membrane precision production technologies, and, above all, air controlling and drying technologies necessary to obtain film flatness. These technological assets are playing a vital role for sustaining its position ahead of the competition.

Technologies at the Core of FPD Panel Materials

1 Highly uniform coating technologies for thin layers:

Enables high-function materials to be applied to the surface of a film in micron-thin coats and a variety of high-functional films production

2 Organic synthesis technologies:

Proprietarily developed and manufactured material that controls color and light. Attached to or coated onto film, organic synthesis is an integral part of creating high-function films.

3 Film membrane precision manufacturing technologies:

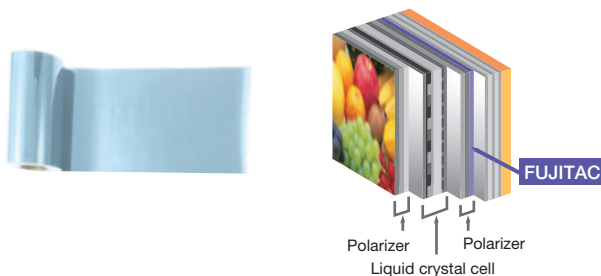
Enables the consistent manufacturing of film boasting excellent transparency and surface flatness, both highly sought-after characteristics in FPD materials

4 Optical simulation technologies:

Enables rapid and accurate production designing

These core technologies, cultivated through the development of photographic film, are used in each of our high-functional films—films that are essential to the production of FPD panels.

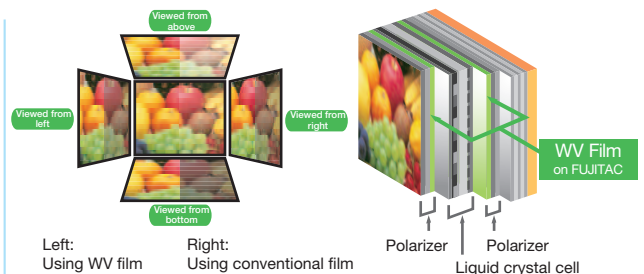
The following mainstay Fujifilm products are used in the FPD panel.



FUJITAC

Made from TAC (cellulose triacetate) that is also used as a base for photographic film, this film boasts excellent optical properties and is essential as a protective film for LCD polarizers. Also used as a base material for CV film and other high-functional films

Characteristic features: Optical uniformity and outstanding transparency and smoothness



WV(wide-view) Film

Film that incorporates our proprietary discotic liquid crystal compound on a TAC base to widen the viewing angle of LCDs

Characteristic features: Low cost; provides a wide viewing angle of up to 160 degrees (up/down, left/right contrast)