

A Message from the CEO



During the fiscal year ended March 31, 2009—particularly from the fall of 2008—the global real economy deteriorated at a worse-than-expected pace and scale. Behind this deterioration was financial credit insecurity caused by the bankruptcy of major financial institutions in the United States, which consequently led to the negative spiral of demand contraction, inventory and production adjustments and weakened consumer sentiment. In addition to these harsh operating environments, FUJIFILM Holdings Corporation (“Fujifilm” or “the Company”) has faced other severe conditions, including the yen’s sharp appreciation and the slowdown in the economies of newly industrialized countries (NICs). As a result, on a consolidated basis, Fujifilm posted ¥2,434.3 billion in revenue, down 14.5% from the previous fiscal year, while recording ¥37.3 billion in operating income, down 82.0% year on year. Income before income taxes amounted to ¥9.4 billion, down 95.3%, and net income totaled ¥10.5 billion, down 89.9%. The decrease in consolidated revenue was attributable to such factors as a sharp appreciation of the yen and a persistent downward trend in the Imaging Solution’s sales. Having also caused the revenue decline were the Information Solutions segment, which is centered on the flat panel display (FPD) materials business that had shown steady growth, and the Document Solutions segment, both of which experienced a substantial decline in revenue due to stagnant demand on a worldwide scale. The Company’s earnings similarly suffered significant falls, adversely affected by decreased revenue, the yen’s appreciation and the posting of structural reform expenses totaling ¥33.5 billion.

In accordance with the fundamental strategies under its VISION75 medium-term management plan, Fujifilm implemented structural reforms, mainly in the Imaging Solutions segment. More specifically, the Company defined priority business fields with high growth potential and selectively allocated its management resources in these fields, thereby considerably expanding related businesses. These measures enabled us to post record-high revenue and operating income in the fiscal year ended March 31, 2008. However, sudden changes in operating conditions attributable to the current global financial

crisis have negatively affected the Company’s entire operation, and our performance abruptly deteriorated.

Although harsh economic environments are slated to persist for the time being, Fujifilm is committed to quickly reestablishing a slim, efficient and robust corporate constitution that is capable of securing profitability and realizing sustainable growth even under the severe economic conditions that we are now facing. As the first and foremost step toward creating a robust corporate constitution, the Company will pursue more aggressive cost and expense reductions by intensively and decisively implementing structural reforms from the current fiscal year, ending March 31, 2010. Such cost reduction efforts will allow no sanctuary—it will cover all Group operations and organizations. Also, the Company will earnestly reformulate its growth strategies. Based on such strategies, the Company will continue to concentrate its management resources in the five priority business fields of “medical systems/life sciences,” “graphic arts,” “document solutions,” “optical devices” and “highly functional materials,” while promoting the expansion of sales and market share in NICs.

In the past, Fujifilm has faced a number of crises, including the so-called “silver shock” in 1980 and the rapid advance in digital technologies in and after 2000. The Company has overcome these crises through the combined wisdom of the entire Fujifilm Group. All Fujifilm Group employees are more determined than ever to decisively implement structural reforms and promote growth strategies. Working as a single, well-coordinated entity, the Company will overcome the current economic crisis that plagues the world.

I would like to thank our stakeholders for their unwavering support and understanding as we accelerate toward realizing Fujifilm’s sustainable growth.

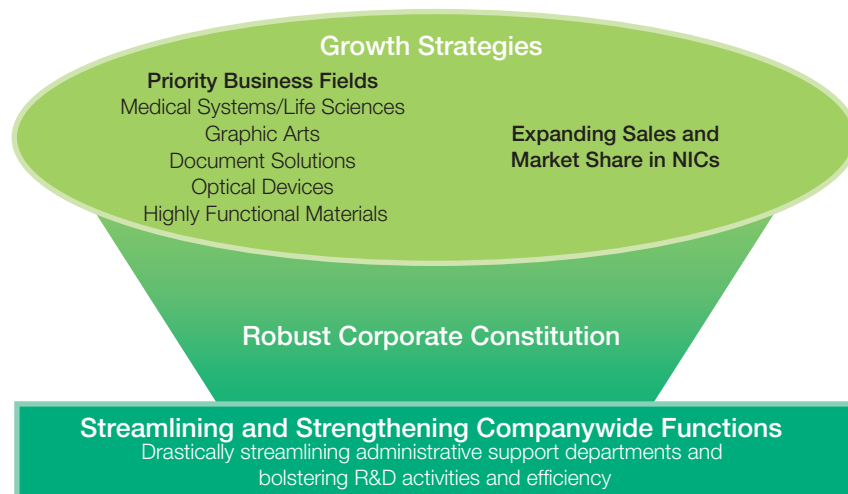
July 2009

A handwritten signature in black ink, appearing to read 'S. Komori', written over a white background.

Shigetaka Komori
President and Chief Executive Officer

Strengthening Its Corporate Constitution to Transform Fujifilm

Aiming to reestablish a management foundation capable of achieving the 10% level in the ratio of operating income to revenue, with a revenue level of ¥2,300 billion



● Growth Strategies by Priority Business Field

Medical Systems/Life Sciences

Accelerate the establishment of a new type of comprehensive healthcare business by leveraging fundamental technologies in such areas as diagnostic imaging, analysis, FTD*¹, synthesis, drug discovery and RI*²

*1 Formulation Targeting Delivery

*2 Radioisotopes

Graphic Arts

- Strengthen as a core business by employing Fujifilm and Fuji Xerox's inkjet and xerography technologies and effectively coordinating such management resources as marketing channels and brand values in the digital printing market
- Aim for the top global market share for CTP plates

Document Solutions

- Bolster operations in such growth areas as production services, solution business and global services
- Strengthen Fuji Xerox's business base by continuously expanding color device sales and reinforcing applications to increase the volume of color printing

Optical Devices

- Further expand the market share of camera phone lens units by launching ultra-compact, high-image-quality products
- Expand such new fields as security camera lenses and automotive camera lenses

Highly Functional Materials

- Boost sales of highly functional films in the FPD materials business
- Create new businesses in highly value-added functional materials, including solar cell materials, by applying leading-edge core technologies
- Focus on product development relating to environmental protection and energy fields

● Streamlining and Strengthening Companywide Functions

• Drastically streamlining administrative support departments

Lower fixed costs by ¥10.0 billion*³ through the reduction of personnel by over 20% in applicable departments

• Increasing R&D efficiency/focusing on priority fields

Reduce R&D fixed costs by ¥13.0 billion*³ through "selection & concentration" strategy for R&D projects and expenses

• Thoroughly streamlining photo-related businesses

Reduce fixed costs by ¥30.0 billion*³ through further streamlining

• Fundamentally reforming the digital camera business

Complete a critical business profitability reform program to secure profitability on an operational basis in the fiscal year ending March 31, 2010

• Continuously Expanding Document Solutions' Management Innovation Activities Groupwide

Accelerate activities, which began from the fiscal year ended March 31, 2009, and expand their scope to build a growth foundation and attain a 10% operating margin

● Reducing costs and expenses thoroughly on a Companywide basis and improving the marginal profit rate

- Aggressively promote "Slim & Strong Drive" program, which started from the second half of the fiscal year ended March 31, 2007 and other measures to reduce costs and expenses and improve productivity

"Slim & Strong Drive"

- Reduction of SG&A ratio
- Optimize R&D spending
- Reduction of manufacturing costs

"Transform Fujifilm corporate culture" and "Increase the dynamism of each work site" by raising employee awareness

*3 Projected amount of benefits from cost reduction for the fiscal year ending March 31, 2011 from the March 31, 2009 level



Building a Robust Corporate Constitution toward the Next Leap

→ Review of Performance and Major Initiatives

Can you give readers some thoughts based on a review of Fujifilm's activities under the VISION75 medium-term management plan and the Company's performance for the fiscal year ended March 31, 2009? Can you also give us an overview of initiatives undertaken by the Company during that period amid the rapid deterioration in operating environments?

At the beginning of the new millennium, Fujifilm faced a crisis, with demand for photographic materials suddenly and significantly decreasing due to the rapid advance in digital technologies. In response to the crisis, the Company formulated the VISION75 plan in 2004. In line with fundamental strategies under this plan, the Company has promoted structural reforms in the Imaging Solutions segment, while aggressively carrying out M&A activities and capital and R&D investments in growth areas.

Having succeeded in the transformation of its business structure through these activities, Fujifilm achieved record-high results in both revenue and operating income in the previous fiscal year ended March 31, 2008. Honestly, I myself believed that we had certainly turned on to a road toward medium-term growth. It was just around that time that the current recession, triggered by global financial crises, began spreading throughout the world. **This sudden turn of economic conditions has dramatically changed preconditions underlying the Company's VISION75 plan.**

I have to say that economic conditions during the fiscal year under review have been unprecedentedly severe, looking back over the 75 years of Fujifilm's history. To deal with the rapid worsening of economic environments, the Company has intensively implemented emergency initiatives to improve profitability for all Group organizations and operations from the third quarter. Actual activities included the reduction of manufacturing and other costs and expenses and the compression of capital investments and inventories. However, the economic deterioration progressed at a pace and scale that almost completely canceled out our management endeavors.

In order to overcome the current crisis and achieve sustainable growth for the Fujifilm Group, the Company must quickly rebuild a robust corporate constitution that enables it to secure profitability under such unprecedented adversities by streamlining and strengthening Companywide functions. At the same time, Fujifilm must flexibly reformulate its growth strategies in the five priority business fields of medical systems/life sciences, graphic arts, document solutions, optical devices and highly functional materials, all of which have considerable growth potential. To sum up my point: we are committed to accomplishing various initiatives aimed at streamlining and strengthening Companywide functions as well as reformulating our growth strategies.

→ Structural Reforms: Direction and Expected Benefits

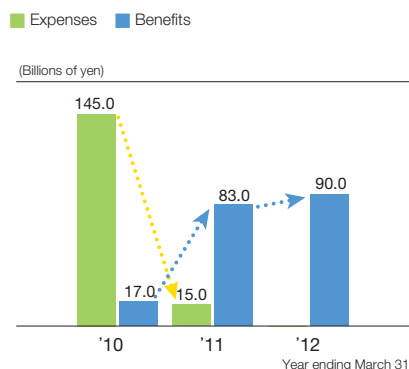
Please explain the underlying ideas and principal strategies regarding the streamlining and strengthening Companywide functions. What benefits are you expecting from these strategies?

What Fujifilm has to tackle now is to streamline and strengthen its Companywide functions through structural reforms and reestablish a foundation that supports its new growth strategies. In structural reforms, all Group organizations and businesses, without exception, will be subject to possible reformation. This is what differentiates structural reforms this time from those previously implemented, mainly for the Imaging Solutions segment. From the current fiscal year, ending March 31, 2010, we will step up efforts to complete structural reforms, thereby substantially reducing fixed costs and assets for optimized operations.

New structural reforms will be underpinned by five principal strategies. Specifically, they are: (1) drastically streamlining administrative support departments;

Overview of Structural Reforms

Structural Reform Expenses and Benefits of Fixed-Cost Reductions



(2) increasing R&D efficiency and focusing on priority fields; (3) thoroughly streamlining photo-related businesses; (4) fundamentally reforming the digital camera business; and (5) continuously expanding Document Solutions' Management Innovation Activities.

Fujifilm has defined the current fiscal year as a critical point for its transformation. Accordingly, the entire Fujifilm Group is facing the challenge with an indomitable resolve. In maintaining such an attitude, the Company is working to rebuild a management foundation on which it will be able to realize a 10% operating margin with a ¥2,300.0 billion revenue level, as was forecast for the current fiscal year. As a supplementary note, the Company expects structural reform expenses to total ¥145.0 billion and ¥15.0 billion for the fiscal years ending March 31, 2010 and 2011, respectively, for a two-year total of ¥160.0 billion. Structural reforms implemented during the fiscal year under review are forecast to produce benefits from fixed-cost reductions amounting to ¥17.0 billion in the current fiscal year and cumulative benefits amounting to ¥83.0 billion for the two fiscal years. From the fiscal year ending March 31, 2012 onward, the Company estimates that it will enjoy benefits totaling ¥90.0 billion each year.

→ Structural Reforms: Five Principal Strategies

Can you elaborate on the aforementioned five strategies for structural reforms?

In **drastically streamlining administrative support departments**, Fujifilm will reduce worldwide administrative personnel by over 20% to cut fixed costs by at least ¥10.0 billion. More specifically, the Company will consolidate administrative support functions of local subsidiaries in Europe, the Americas and the Asia-Pacific region, including China and Oceania, into individual regional headquarters to promote centralized administration. Similarly, in Japan, we will consolidate administrative support functions of the operating companies and their subsidiaries while expanding the scope of operations that use shared services.

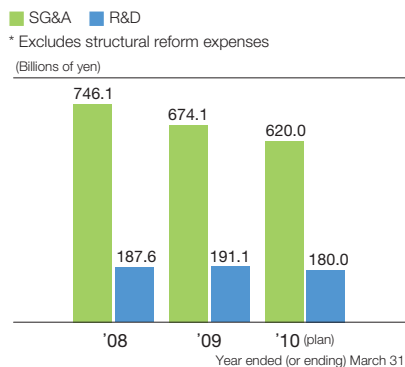
In **increasing R&D efficiency and focusing on priority fields**, the Company will more carefully select R&D projects on which to concentrate. We plan to cut R&D fixed costs by over ¥13.0 billion annually.

Through the previous structural reforms, Fujifilm has successfully slashed fixed costs in the Imaging Solutions segment by a total of more than ¥120.0 billion. By **thoroughly streamlining photo-related businesses under the current reforms**, Fujifilm plans to reduce an additional ¥30.0 billion in the segment's fixed costs, in response to the market contraction accelerated by the current worldwide recession. Specific measures to this end include: (1) integrating local sales subsidiaries; (2) reorganizing the worldwide color paper production structure; (3) suspending the operation of idle facilities; (4) optimizing personnel allocation; (5) stringently selecting products to be manufactured; and (6) further consolidating photo processing labs.

In **fundamentally reforming the digital camera business**, Fujifilm will accelerate reforms, focusing on the strengthening of product and cost competitiveness and supply chain management. In enhancing product competitiveness, the Company will differentiate its products from competitors' through the constant launch of innovative models that apply its proprietary technological offerings, including the new Super CCD EXR sensor (see pages 17 and 18 for details) and the 3D digital imaging system. In newly industrialized countries (NICs), where the penetration rate for digital cameras is still low, we will move ahead with efforts to promote product sales by launching affordable models priced at US\$100 or lower.

Through the success of a comprehensive reduction in production, procurement and logistics costs—an important issue for the Company—we are aiming to cut costs by 20% or greater compared with the previous fiscal year. Also, we have significantly reduced inventories by swiftly reflecting marketing data in our manufacturing activities. Looking forward, Fujifilm will expand its digital camera business to cover such product categories as camera modules for mobile phones, security-authentication cameras and automotive cameras. Through these measures, the Company will work to secure profitability in the digital camera business on an operational basis in the current fiscal year, ending March 31, 2010.

“Slim & Strong Drive” Program for Cost Reductions*



With regard to **continuously expanding Document Solutions' Management Innovation Activities**, we are moving further ahead with process reforms centered in domestic administrative support operations. This initiative will sustain improvements in the segment's per-capita productivity, thereby enabling elimination of the workload shouldered by 10%, or 2,500, of the segment's domestic employees. The Company is reallocating 50% of the human resources generated through this initiative mainly to sales operations, thereby bolstering the segment's domestic marketing capabilities.

Meanwhile, we are accelerating productivity enhancement toward consolidating the segment's R&D functions into a new base to be opened in 2010. In addition, we will further reduce costs in the Document Solutions segment through the development and increased use of automation and other advanced manufacturing technologies, while optimizing its manufacturing functions. Furthermore, we will expand Management Innovation Activities in the Document Solutions segment to overseas bases to streamline administrative support operations, thereby lowering fixed costs.

Along with these five principal strategies, Fujifilm will more aggressively advance the **“Slim & Strong Drive” program**, which has been implemented since 2006, and other activities aimed at reducing costs and increasing productivity.

→ Growth-Focused Strategies

Please tell us about specific initiatives aimed at Fujifilm's future growth in each of the five priority business fields.



As mentioned before, we have identified “medical systems/life sciences,” “graphic arts,” “document solutions,” “optical devices” and “highly functional materials” as our priority business fields and, accordingly, strengthened activities in these fields. Not only do they boast promising markets with high growth potential, but they also constitute areas where the Company has advantage in terms of technological superiority, product competitiveness and market position.

In **medical systems/life sciences**, Fujifilm will leverage its fundamental technologies to create new values in the prevention, diagnostic and treatment fields. Over the next ten years, the Company will aim to expand revenue in the medical systems/life sciences business to the ¥1 trillion level. More specifically, in the diagnostic field, we will work aggressively to augment business in the medical IT system market with particular emphasis on diagnostic imaging. In the prevention and treatment fields, Fujifilm will expand its pharmaceuticals business with Toyama Chemical Co., Ltd. functioning as the core business driver. (See pages 19 to 21 for details.)

In **graphic arts**, the Company will aim to grow into the global No.1 digital printing solutions company. By effectively combining the resources of Fujifilm Corporation and Fuji Xerox Co., Ltd., the Company will sharpen its competitive edge in the digital printing market with high growth potential. In the inkjet systems market, we will accelerate toward the market launch of the Jet Press 720 (provisional name) unique inkjet digital printer, and enhance effective marketing initiatives. In the existing materials business, we will bolster activities to expand sales of computer-to-plate (CTP) products in NICs, while launching such differentiated products as next-generation, environment-friendly, easy-to-process, violet photopolymer CTP products. In this way, we will strengthen our competitiveness, thereby capturing the top global share in the CTP products market.

Concerning **document solutions**, the Company will gear itself toward expanding the production services business, the solutions business and global services business, all of which hold high growth potential. In production services, we will reinforce product lineups while widening the customer base for our printing services in markets in Asia, including China. In the solutions business, we will enhance our industry- and function-specific solutions menu, thereby not only boosting machine sales, but also strengthening comprehensive solutions offerings. Meanwhile, we will strive to expand sales of color devices and continue to promote, through diversified applications, an increase in the volume of color printing by customers. Through these efforts, we will further solidify the business foundation for our Document Solutions segment.

In **optical devices**, Fujifilm has attained a global market share of over 60% for camera phone lens units with three megapixel or higher pixel counts. We aim to



bolster our market share by launching new, ultra-compact, high-image-quality products. In TV camera lenses, which require sophisticated technologies in design, grinding and assembly, the Company commands over 50% of the global market share. For a greater presence, we will work to increase shares in markets worldwide through such means as expanding sales in NICs. In lenses for security monitoring cameras and other security applications, which are expected to show future demand growth, we will boost sales by launching new lenses for use with megapixel products. Furthermore, the Company will expand into such new fields as automotive camera lenses and optical disc lenses.

As for **highly functional materials**, despite a temporary deterioration, market conditions for flat panel display (FPD) materials are expected to regain momentum, reflecting the global diffusion rate for thin-screen TVs, which currently stands at around 20%, and an anticipated rise in demand attributable to the replacement of CRT-based TVs. In such an environment, Fujifilm will strive to increase sales of highly functional films, including wide-view (WV) films. Also, boasting incredibly strong moisture barrier properties (10^{-6}g/m^2 per day)^{*1} superior to those of competitors' products in the roll film category, Fujifilm's new transparent, super-high-barrier film is increasingly being considered for use as a key component in such next-generation products as organic electroluminescence (EL) displays, electronic paper and thin-film solar cells. Applying a wealth of unique technologies, the Company will step up product development in such fields as environmental protection and energy conservation.

In step with the promotion of growth strategies in these priority fields, Fujifilm will facilitate its global expansion at a faster pace. With the aim of **expanding sales and market share in NICs**, the Company will strengthen marketing activities centering on the medical systems and graphic arts businesses, particularly in such strategic regions as BRICs, Turkey and the Middle East. Through these activities, we aim to double sales in BRICs over the next five years through business expansion driven by the launching of high-quality, low-price products.

*1 Unit of moisture permeability per square meter per day

→ Return to Shareholders

Finally, can you tell readers your view on improving corporate value and return to shareholders?

Cash Dividends and Company Share Buyback

Results for Year Ended March 31, 2009

Cash Dividends

Interim (Result)

¥17.50 per share (No YoY change)

Full-Year (Result)

¥30.00 per share (Down ¥5 YoY)

Company Share Buyback

November 5–December 17, 2008

Number of shares purchased **15,780,000**

Total amount **¥35.0** billion

Fujifilm started out with extreme difficulties, from its inception to the establishment of proprietary technologies. With the 1980 silver shock, the price of silver—a main raw material for Fujifilm's products—jumped tenfold in just a year. The rapid advance in digital technologies in and after 2000 has caused the photographic materials market to contract fast. Including these periods, the Company has experienced a number of crises that could have terminated its very existence. Every time the Company faced such a situation, however, it worked as one, overcoming hardships. Undoubtedly, the current economic crisis is of an impact and scale as yet not experienced. Nevertheless, I still believe that the Fujifilm Group will be able to beat the present crisis in making the next leap. We will beat it by completing the aforementioned structural reforms and growth strategies more decisively than ever before and thereby secure the Group's medium- and long-term growth. Maintaining such a positive stance, we aim to boost our operating income for the fiscal year ending March 31, 2012 higher than the operating income record we posted in the previous fiscal year, ended March 31, 2008, which was the highest ever. Toward achieving this mark, we will implement initiatives aimed at further upgrading Fujifilm's corporate value.

The Company has set a 25% target for its return to shareholders ratio^{*2}. During the fiscal year under review, the Company repurchased 15,780 thousand shares totaling ¥35.0 billion. With due consideration given to an 89.9% year-on-year decline in net income and other severe conditions, the Company paid an annual per-share cash dividend of ¥30. Because the Company regrettably expects to post operating loss again due to the promotion of further structural reforms, we forecast the payment of a per-share cash dividend of ¥25 for the current fiscal year ending March 31, 2010. Taking into account our cash position and future investment plans, we will continue returning profits to our shareholders adequately.

*2 Total of cash dividends and share buybacks divided by consolidated net income