

# Completing Business Foundation Reinforcement Processes for a New Growth Phase



The Japanese economy, which bottomed out in the first half of 2009 and has since shown signs of a mild recovery, has yet to evidence a full-fledged resurgence. Underlying such a lagging recovery is the persistent negative impact of the ongoing global recession, which has caused overall corporate-sector performance and employment conditions to deteriorate and fueled concerns about deflationary trends and yen appreciation. More recently, the global financial market was again shaken, by the Greek financial crisis. Accordingly, the global economy is still on the watch list in terms of the direction it will take.

Reflecting these and other severe operating conditions during the fiscal year ended March 31, 2010, the consolidated revenue of FUJIFILM Holdings Corporation (“Fujifilm” or “the Company”) declined 10.4% compared with the previous fiscal year to ¥2,181.7 billion. Of the total amount of revenue decline, ¥90.1 billion was attributable to the appreciation of the yen. In contrast, operating income before restructuring and other charges climbed 43.6% year on year to ¥101.6 billion, owing to the effect of the Company’s structural reforms and cost-reduction efforts.

In order to constantly secure profitability and sustain growth even under severe conditions, Fujifilm has striven to build a robust corporate constitution. Specifically the Company has resolutely implemented concentrated structural reforms and thoroughly executed measures to reduce costs and expenses throughout the entire Group and in all businesses, without excluding any business fields from the scope of these measures. In fact, we have significantly improved our profitability in the electronic imaging field through these efforts. As this success denotes, we are steadily advancing structural reforms as planned.

For the fiscal year under review, the Company posted restructuring and other charges totaling ¥143.7 billion, and, consequently, operating loss after restructuring and other charges amounted to ¥42.1 billion.

At the same time, Fujifilm has been rebuilding its growth strategies by moving ahead with the intensive allocation of management resources in priority business fields. For example, the Company has strengthened and expanded its manufacturing capacity in the flat panel display (FPD) materials business, while launching products designed for the markets of emerging countries and taking other measures to promote greater sales in these countries.

As a result of these activities, Fujifilm recorded loss before income taxes totaling ¥42.0 billion for the reporting term. Net loss attributable to FUJIFILM Holdings amounted to ¥38.4 billion.

During the fiscal year under review, Fujifilm has worked as one—as a well-coordinated team—to rationalize its

management processes, bolster its business foundation and enhance the on-site operational capabilities of its Group members. Now, in the current fiscal year, ending March 31, 2011, the Fujifilm Group is determined to return to the road to growth. To achieve this goal, the Company will further accelerate the selective allocation of its management resources in business fields and geographical regions—emerging markets in particular—that are showing high potential for growth. Specific initiatives are as follows.

1. We will selectively allocate our management resources in six priority business fields,\* where we have technological advantages and competitive market positions and which are characterized by significant market scales and high growth potential.
2. We will continue to strengthen our lineup of high-quality products that boast superior cost performance and accommodate market needs, thereby helping to penetrate new markets.
3. We will review the map of our worldwide operations and identify and aggressively target markets where our share is low in order to expand global market share.
4. Targeting emerging countries, which are now driving the global economy’s growth, we will implement bold measures—procedures that thus far have been foreign to our conventional strategies. In more specific terms, in emerging countries, we will concentrate the allocation of our personnel and other management resources while strategically launching products that exclusively meet regional needs. All business divisions and local subsidiaries will join forces to expand sales of the Company’s products in these countries.

In addition, Fujifilm aims to grow faster through new businesses. To realize such growth, the Company will leverage an extensive range of leading-edge technologies—Fujifilm Group’s proprietary assets—that have enabled it to win out over the competition. As such, we will work to reinforce our presence in the healthcare field, while entering the environmental and energy fields through the development of new, highly functional materials. Tackling new business is a challenge, but in facing this challenge, all Group members are committed to persevering on the issues identified and goals set forth by Fujifilm. Indeed, they will act as the central driver of the Company as it enters a new growth phase.

I would like to thank our stakeholders for their unwavering support and understanding as we take on the challenge of achieving renewed growth.

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Shigetaka Komori  
President and Chief Executive Officer

\* The six priority business fields consist of medical systems/life sciences, graphic arts, document solutions, highly functional materials, optical devices and digital imaging.