

At the Starting Line for Renewed Growth



Fujifilm has recognized the current fiscal year, ending March 31, 2011, as an important period before the Fujifilm Group fully returns to the road to renewed growth. Over this critical period, the Company will selectively allocate its management resources in the business fields and geographical regions—particularly emerging markets—that are showing high potential for growth.

Q. How would you evaluate the Fujifilm Group's performance for the fiscal year under review?

A. We have resolutely tackled structural reforms and thereby reestablished a solid business foundation. We are now at the starting line for renewed growth.

Since the fiscal year ended March 31, 2006, Fujifilm has implemented structural reforms centered on its Imaging Solutions segment. At the same time, the Company has focused its management resources on the priority business fields that it defined. These business fields demonstrated high growth potential, and the Company boasted particular strengths in these fields. Our strategy back then has proved effective, enabling us to significantly expand our operations in those fields. However, with the onset of the Lehman shock in the autumn of 2008, and with the worldwide financial crisis triggering the ongoing global recession, our business performance has taken a sudden turn toward rapid deterioration. We estimate that the scale of the global market has contracted approximately 20% compared with that prior to the market turmoil.

In response to such an environment, Fujifilm upheld the top management priority of **quickly rebuilding a robust corporate constitution that enables it to secure profitability even under extreme adversity**. In line with this priority, the entire Fujifilm Group made the commitment and swiftly moved to **streamline and strengthen its functions through structural reforms**. In these structural reforms, all Group organizations and businesses—without exception—were subject to

reformation and streamlining. Also, by introducing a business management method based on operational ROA,*1 the Company has worked to improve asset efficiency and reduce costs and expenses, thereby raising overall profitability.

Meanwhile, we remained aggressive in **reformulating our growth strategies**. We accelerated the selective allocation of our management resources in the six priority business fields of medical systems/life sciences, graphic arts, document solutions, highly functional materials, optical devices and digital imaging. Moreover, while we have continued to accelerate growth-focused investments aimed at expanding sales in emerging countries and creating new businesses, we have not slowed down our R&D investments.

As a result of tackling structural reforms with an unwavering resolve and thereby strengthening its business foundation, Fujifilm is now at the starting point for renewed growth. In the fiscal year ending March 31, 2011, the Company is determined to help expand the market and increase its market share, thus showing healthy growth. In this way, we will work tirelessly and strategically to secure sales—a source of corporate growth.

*1 Operational ROA = Segment operating income / Segment assets

Transforming into a New Fujifilm Group

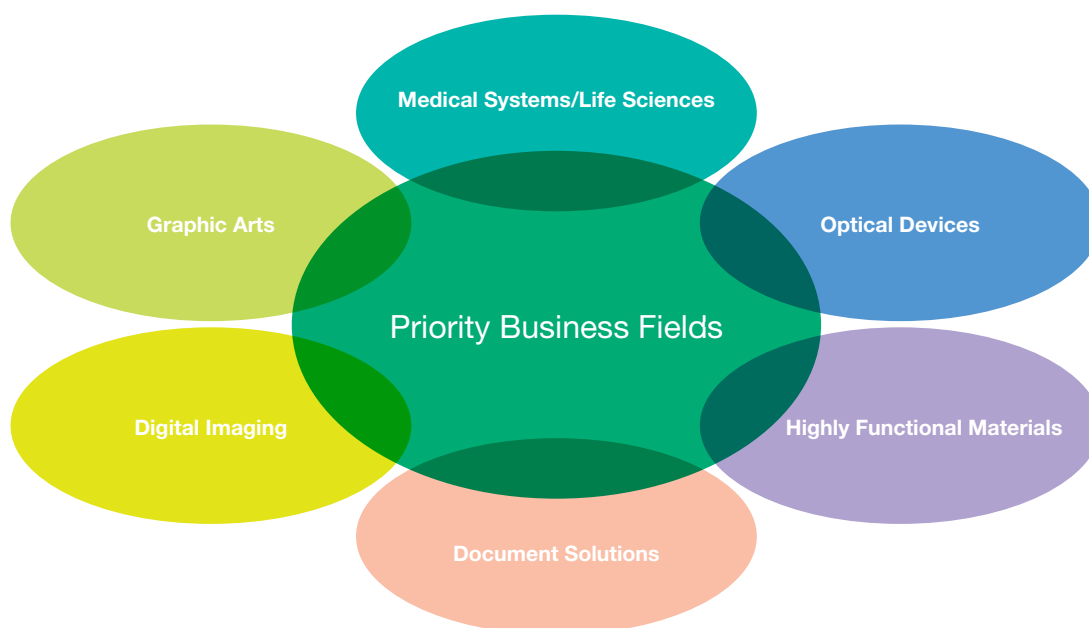
Transforming our business structure to jump-start renewed growth

Realizing a Robust Corporate Constitution

- >> Complete structural reforms
- >> Improve asset and capital efficiencies
- >> Achieve thorough cost and expense reductions by raising business efficiency

Accelerating Selective Investment in Growth Areas

- >> Promote growth strategies in priority business fields
- >> Concentrate management resources and investment in emerging countries



Q. Would you give readers specifics about the advances that Fujifilm made in structural reforms during the period under review? How do the most recent reforms differ from those implemented in the past?

A. Because we focused on such reforms, we have a better view now, and we are expecting to complete all necessary reforms by the end of the current fiscal year.

First of all, the purposes were different for the past and recent structural reforms. In the past, Fujifilm implemented structural reforms centered on the Imaging Solutions segment in response to the rapid decline in photographic film demand. On the other hand, the recent structural reforms were implemented with the aim of overhauling the Company's corporate constitution so that we would be able to constantly secure profitability even under extreme adversity. Accordingly, the recent reforms covered all Group organizations and businesses without exception as the targets of streamlining, including cost and expense reductions.

Specific initiatives we have implemented during the reporting term were as follows. For photo-related businesses in the **Imaging Solutions** segment, Fujifilm advanced the consolidation of its photo processing labs while rationalizing its product portfolio through lineup integration and elimination. Also, the Company reorganized its production network, which in some cases involved the closure and retirement of certain facilities, while compressing photo-related business assets. As a result of these activities, for which Fujifilm posted ¥54.1 billion in restructuring and other charges, the total book value of our photo-related production facilities is now at a near-zero level.

In the **Information Solutions** segment, the Company spent ¥64.3 billion to streamline human resources and reduce assets. The **Document Solutions** segment has brought about tangible results in its Management Innovation Activities. Based on the success in these activities, the Document Solutions segment has also tackled reforms of its R&D functions and production structure. The total expenses made in line with these reforms amounted to ¥25.3 billion.

Turning to the future, in the current fiscal year, Fujifilm plans to post ¥10.0 billion in expenses for reform activities in the Imaging Solutions segment. Meanwhile, as the Document Solutions segment continues to reorganize its R&D and manufacturing functions and expand its Management Innovation Activities to overseas bases, it expects to post ¥13.0 billion in expenses relating to these activities. We will **complete the entire range of necessary structural reforms** with the successful close of these activities.

The **benefits of fixed-cost reductions through structural reforms** totaled ¥38.0 billion for the fiscal year under review. For the current fiscal year, the cumulative benefits are expected to increase ¥45.0 billion to ¥83.0 billion.

Fujifilm has viewed its structural reforms as a means not only to cut costs and expenses, but also to solidify the business foundation required for underpinning the future growth of the Fujifilm Group. Strict adherence to this approach has enabled the Company to bring positive changes in employee awareness and corporate constitution. We accept the fact that our consolidated revenue declined 10.4% compared with the previous fiscal year. However, such intangible but invaluable changes have encouraged Group members and boosted their drive to overcome the current critical situation and restructure the corporate constitution. And these changes have empowered us to reduce the total of the cost of sales, SG&A expenses and other costs and expenses by 12.0% year on year.

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Fuji Xerox Accelerating Its
Management Innovation Activities

Fujifilm's Structural Reforms at a Glance

(Billions of yen)

	Principal Initiatives	Expenses	
		Year ended March 31, 2010 (Result)	Year ending March 31, 2011 (Forecast)
Imaging Solutions	>> Reduced assets such as color paper production facilities >> Consolidated photo processing labs >> Rationalized product portfolio through lineup integration and elimination	¥ 54.1	¥10.0
Information Solutions	>> Streamlined personnel and reduced assets	64.3	2.0
Document Solutions	>> Optimized production functions and promoted through reduction of cost of sales >> Expanded Management Innovation Activities to overseas bases	25.3	13.0
		¥143.7	¥25.0

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Cumulative Benefits		
Year ended March 31, 2010 (Result)	Year ending March 31, 2011 (Forecast)	Year ending March 31, 2012 (Forecast)
¥38.0	¥83.0	¥90.0

YoY Improvement ¥45.0 ¥7.0

Q. Would you clarify the improvements in Fujifilm's asset and capital efficiencies?

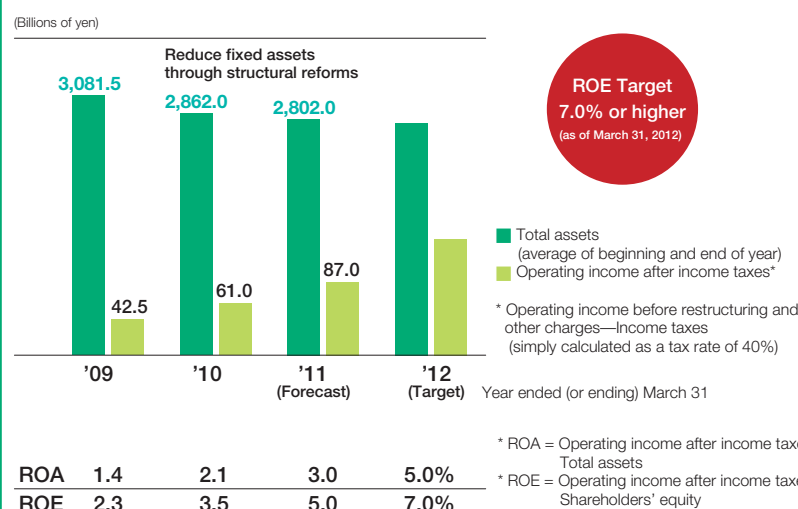
A. We eliminated inefficient assets and compressed inventories, thereby reducing our average total assets under review by more than ¥200.0 billion. Now, we are better positioned to achieve substantial improvements in our ROA and ROE.

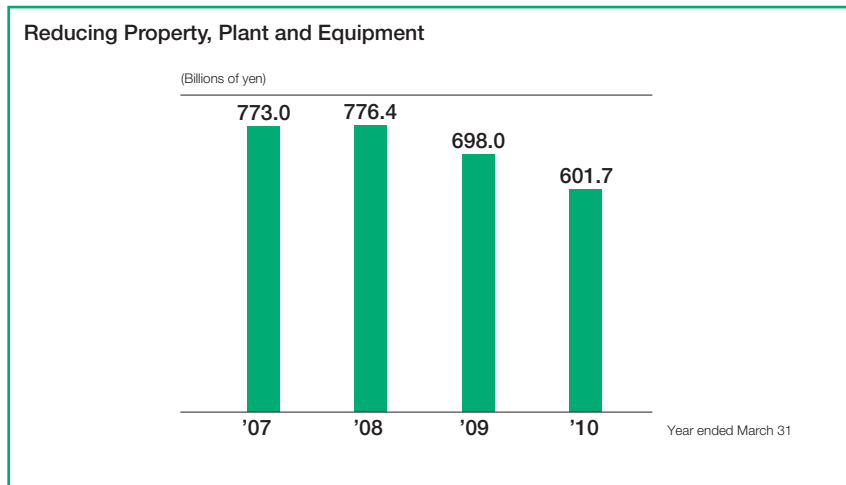
During the period under review, Fujifilm continued efforts to manage its asset and capital efficiencies more strategically by allowing individual segments to set their own operational ROA targets. Also, we eliminated inefficient assets and compressed fixed assets and inventories. Through these efforts, the Company has managed to **reduce its average total assets by more than ¥200.0 billion.**

In the current fiscal year, Fujifilm will continue to identify surplus fixed assets and compress its average total assets through the reduction of inventories held by each segment. Factoring in the potential for sales recovery and expansion as well as an improvement in earnings attributable to the benefits of structural reforms, the Company aims to achieve ROA and ROE of 5.0% and 7.0%, respectively, in the fiscal year ending March 31, 2012.



Compressing Fixed Assets and Improving ROA and ROE





Q. How will Fujifilm reformulate its growth strategy and accelerate growth?

A. We will focus on our priority business fields and emerging markets, and concentrate our management resources in these fields and markets.

As discussed above, Fujifilm will most likely complete the full round of structural reforms in the current fiscal year. In this critical period, the Company aims to take off from the starting line and race down the road to renewed growth. We will work tirelessly to achieve the specific goal of meeting our consolidated revenue target. In individual business fields—**priority business fields**, in particular—we will expand sales of our high-quality products that boast superior cost performance and accommodate market needs, thereby contributing to the growth of target markets. Meanwhile, targeting **emerging markets** as well as other markets where we have a low market share, we will accelerate the selective allocation of our management resources.

Q. Would you explain how Fujifilm is tackling the priority business fields?

A. We are channeling our management resources into the markets with high growth potential where we boast technological competitiveness and superior market positions.

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Initiatives Aimed at Establishing a Comprehensive Healthcare Business

The six priority business fields that Fujifilm has defined—namely, medical systems/life sciences, document solutions, graphic arts, highly functional materials, optical devices and digital imaging—provide markets with high growth potential. At the same time, each of these fields serves as a stage for the Company to fully leverage its superior market position and technological and product competitiveness. Accordingly, we are continuing to allocate our management resources in these six fields.

In the **medical systems** business, hospitals are boosting their drive toward resuming facility investment. In response, Fujifilm is working to expand sales of the new *FUJIFILM DR CALNEO* digital X-ray diagnostic imaging system, which has



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New Growth Opportunities in
the Production Services Business

earned high market praise for superior image quality. In addition, for its medical-use picture archiving and communications systems (PACS) boasting the top domestic market share, the Company will enhance the functionality so that PACS can be applied in the medical-use document field, while expanding the sales of PACS in the markets where it has a low share.

In the **life sciences** business, FUJIFILM PHARMA CO., LTD. has begun operations. Through this consolidated subsidiary, the Company aims to make a full-scale entry into clinical development and pharmaceutical marketing. Through these activities and by enhancing our lineup of functional cosmetics products, we plan to expand the life science business sales significantly. Particularly noteworthy in this business is the Company's advances in R&D efforts for a new anti-influenza agent, T-705, with the goal of obtaining drug approval for this new agent during the current fiscal year in Japan.

In the **document solutions** business, Fuji Xerox will promote its growth strategies with the four key factors of "SOHO," "digital printing," "China" and "ecology." In terms of the first key factor, SOHO, the Company will work to further expand sales of the *DocuCentre-IV C2260* color digital multifunction device, which has already been selling robustly. For digital printing, taking advantage of having a comprehensive product lineup, Fuji Xerox will aim to take the lead in growth in the digital printing market. In China, Fuji Xerox will complement its existing direct-sales network with an expanded authorized dealer network. Through such an enhanced sales network, Fuji Xerox aims to broaden its customer base in that country, while endeavoring to expand sales of low-end products. In terms of ecology, Fuji Xerox is launching a series of eco-friendly products that help reduce power consumption and provide other environmental benefits for customers using these products.

In the **graphic arts** business, Fujifilm will continue to focus on the digital printing field and increase sales of wide-format UV inkjet systems. As such, the Company started sales activities for the *Jet Press 720* next-generation digital inkjet printer for high-grade printing applications in April 2010.

With regard to the **highly functional materials** business, Fujifilm aims to maintain its superior competitiveness in the liquid crystal display (LCD) materials market, which supports such finished products as LCD TVs and monitors and is expected to continue growing. To this end, the Company will implement appropriate measures to keep pace with market growth, such as bolstering R&D and production capacity. Also, targeting the environmental, energy, electronics and security fields, all of which demonstrate future growth potential, we will accelerate the development of next-generation functional materials based on our proprietary technologies, while focusing on their commercialization.

Concerning the **optical devices** business, Fujifilm will strive to expand sales of camera phone lens units with high pixel counts and lenses for use in digital terrestrial broadcasting cameras, for both of which it has already attained a high market share. At the same time, the Company will advance the development of camera modules for mobile phones, automotive cameras and security authentication cameras.

In the **digital imaging** business, we will continue to expand sales of "Photobook" and other high-value-added printing services. In addition, the Company intends to bolster sales of products based on proprietary Fujifilm technologies. These products include the world's first 3D digital imaging system, which enables the naked eye, without the use of 3D glasses, to enjoy 3D displays and prints.

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The Fujifilm Group's Technological Assets

Underpinning these growth strategies is an extensive range of the Fujifilm Group's technologies. The Company's business has developed and expanded based on technologies relating to photographic films, and these technologies are now being applied in various other fields. Through the combination of its leading-edge proprietary technologies, the Fujifilm Group will work to achieve growth in and through its priority business fields.

Q. Would you discuss Fujifilm's growth strategies in emerging markets?

A. We will continue to allocate our management resources intensively in emerging and other markets that are showing growth potential and where we have a low market share.

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Diagnostic Field—Diagnostic Systems

First, through the medical systems business, Fujifilm has begun shipping from India a low-price, compact *Fuji Computed Radiography (FCR)* digital X-ray imaging and diagnosis system named *FCR PRIMA*. Sales of this new *FCR* system are growing steadily in each country of destination.

In the digital camera business, the Company has developed new entry-level models designed for emerging countries. These new digital cameras have been developed to meet user preferences—such as for functions and design—that vary in individual sales regions. These strategies have proven effective, enabling us to realize a sharp rise in sales volume.

Also, in the businesses of the *DocuCentre-IV C2260* SOHO-use multifunction device in the Document Solution segment, the low-price computer-to-plate (CTP) plates designed for the markets in emerging countries and other Fujifilm products, the Company will strategically launch and expand sales of new products that accommodate needs specific to individual emerging markets. Meanwhile, we are continuing to bolster our sales network through various initiatives. For example, the Company acquired a Brazilian independent distributor of medical equipment in March 2010.

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Digital Camera Business Improving Substantially in Profitability

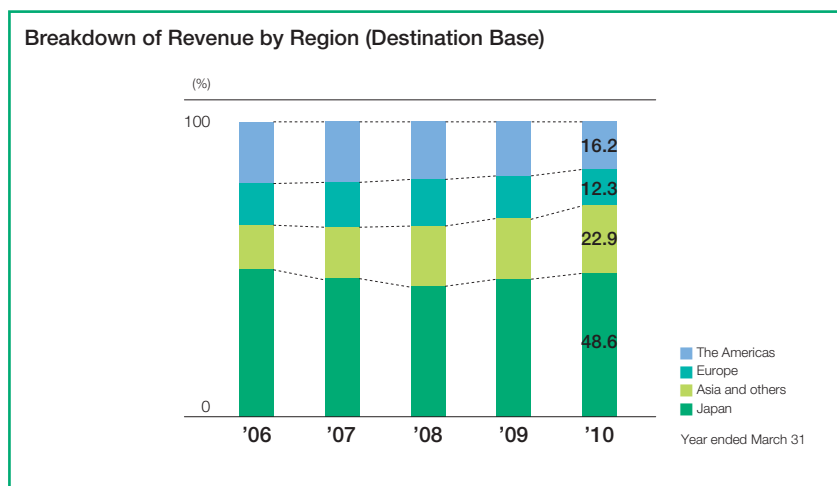
Entry-Level Digital Cameras for Emerging Countries

1. We have thoroughly reduced manufacturing costs to enable pricing suitable to the preferences of customers in emerging markets.
2. Our focus was not only on effective pricing: we have not compromised on basic performance and attractive design.
3. These cameras were customized for each sales region in terms of zoom capability, LCD size, chassis color and other features.



In order to realize sales expansion in emerging markets—an indispensable factor for the Company's additional growth—Fujifilm must implement bold initiatives that

are formulated outside of the realm of its conventional strategies. Through such measures as the launch of region-specific products and the selective allocation of personnel and other management resources, we are aggressively promoting business in emerging markets. As a target, we aim to increase our revenue in emerging countries by 20% in the current fiscal year, compared with the figure recorded in the fiscal year ended March 31, 2010.



Q. Finally, would you give readers your view on returning profits to shareholders?

A. We declared an annual per-share cash dividend of ¥25.00 for the fiscal year under review, which includes an interim per-share cash dividend of ¥12.50. Fujifilm is committed to accomplishing necessary structural reforms and securing medium- and long-term growth, thereby continuing to return profits to its shareholders in a stable manner.

Fujifilm has set a 25% target for its return to shareholders ratio.*² In an effort to maintain stable return to its shareholders, the Company has declared an annual per-share cash dividend of ¥25.00 for the period under review, despite its posting of a net loss attributable to FUJIFILM Holdings, totaling ¥38.4 billion. We recognize share buybacks as a means to complement our dividend payout. Through strategic management of its cash flows, the Company will flexibly and agilely conduct share buybacks as and when conditions permit. For the fiscal year ending March 31, 2011, we plan to pay out an annual cash dividend of ¥30.00 per share, an increase of ¥5.00 from the period under review.

The scale of the photographic film market has rapidly contracted more than 90% over the ten years after hitting a peak in 2000. While having persevered during this crisis period, Fujifilm has continued to drastically transform its business structure. Some say that it is definitely a rare case to see a corporation of this scale accomplish a business structural transformation of this scale within such a short time frame. The business environment remains harsh. However, all Group members are joining forces and working to return to the road to growth in the current fiscal year. Through such Groupwide endeavors, we are laying out solid steppingstones that will lead to renewed growth and, ultimately, maximize Fujifilm's corporate value.

*² Total of cash dividends and share buybacks divided by net income attributable to FUJIFILM Holdings

