

Imaging Solutions

The Imaging Solutions segment includes color films, digital cameras, photofinishing equipment and color paper, chemicals, and services for photofinishing.

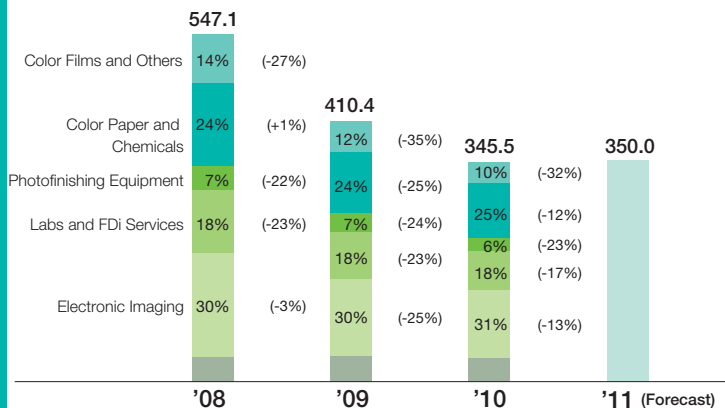


Breakdown of Revenue

Reasons for Changes from '09 to '10

- Lower sales due to shrinking markets for color films and the yen's appreciation
- Negative impact of the yen's appreciation, totaling ¥25.7 billion, or 6.3%

(Billions of yen)

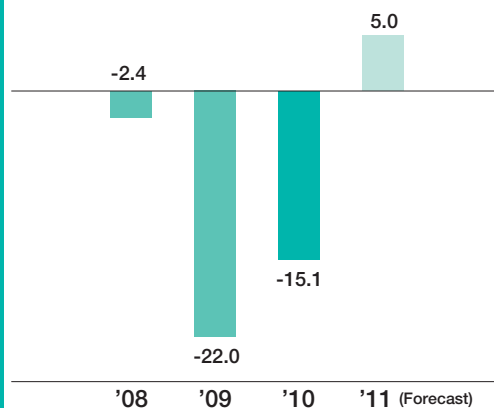


Operating (Loss) Income before Restructuring and Other Charges

Reasons for Changes from '09 to '10

- Decline in sales of color films and other products
- + Smaller degree of deficits due to improved profitability in the digital camera business

(Billions of yen)



● Results for Fiscal Year Ended March 31, 2010

Consolidated revenue declined 15.8% year on year to ¥345.5 billion due to decreased demand for color films and other products and the negative impact of the yen's appreciation. The digital camera business has improved its operating income significantly and consequently returned to profitability on an operational basis for the period under review. This turnaround has enabled the segment to reduce its operating loss before restructuring and other charges from the previous fiscal year to ¥15.1 billion. Also, the segment posted an operating loss after restructuring and other charges totaling ¥69.2 billion, mainly attributable to the recording of ¥54.1 billion in restructuring and other charges.

● Segment Outlook

In photo-related businesses, Fujifilm has almost finished the streamlining of its assets, including color paper manufacturing facilities. As a result, the total book value of photo-related production facilities now stands at around a near-zero level. Also, the Company has furthered the consolidation of its photo processing labs as well as the optimization of its product portfolio through lineup integration and elimination. For the current fiscal year ending March 31, 2011, the Company expects to post ¥10.0 billion in expenses associated with streamlining activities. The Company plans to complete all necessary structural reforms successfully in this final round of consolidation.

In the meantime, Fujifilm has recognized its digital imaging business, which covers digital cameras as well as *Photobook* and other digital printing services, as growth fields. Accordingly, the Company will work to expand its sales share in the digital imaging business, thereby enhancing revenue and brand power.

Photo Imaging (Color Films, Color Paper, Chemicals, Photofinishing Equipment, etc.)

Year in Review

Although sales of color films declined due to market contraction and the appreciation of the yen, Fujifilm's market share increased. In addition, the Company's market share for color paper expanded in principal countries, supported by various initiatives aimed at bolstering sales, such as sales promotion activities for *Photobook* and other high-value-added printing services.

Business Outlook

Having promoted streamlining, such as the global-scale reorganization of color paper production structure, the

consolidation of photo processing labs and the optimization of product portfolio, Fujifilm aims to complete the final round of structural reforms in its photo-related businesses during the current fiscal year. With the completion of all necessary structural reforms, the Company will establish the business structure required to secure profitability even under such conditions as declining demand.

Meanwhile, demand for inkjet paper is expected to grow. Accordingly, the Company will work to expand its market share for this promising product. At the same time, the Company will further bolster sales expansion initiatives for *Photobook* and other high-value-added printing services.

Electronic Imaging

Year in Review

The sales volume of Fujifilm's digital cameras increased during the fiscal year under review. More specifically, the total number of the Company's digital cameras sold on a worldwide basis grew 10% year on year to approximately 9.0 million units. Behind this sales volume increase, the Company released entry-level models that effectively accommodate user needs specific to individual sales regions in BRICs and other emerging countries. Also, the Company launched and worked to expand sales of advanced products based on its proprietary technologies. These products include the *FinePix Z700EXR* digital camera, which duplicates mechanisms of the human eye for ideal photoshooting in any environment, and the *FinePix REAL 3D System*, a 3D digital imaging system that enables

the naked eye, without the use of 3D glasses, to enjoy 3D displays and prints.

Business Outlook

Fujifilm's digital camera business has returned to profitability on an operational basis through significantly reduced procurement costs, shortened lead times, reinforced supply chain management (SCM) and other benefits of structural reforms. In the current fiscal year, the Company will strive to further strengthen its competitiveness in terms of product, marketing and cost. Based on its enhanced competitiveness, the Company will aim for higher global market shares, particularly in emerging markets, while reinforcing its brand power. Through these activities, Fujifilm will endeavor to push up its revenue and earnings in the digital camera business.

Digital Camera Business Improving Substantially in Profitability

Advances in Structural Reforms Enable a Substantial Profit Recovery

Fujifilm's electronic imaging business, centered on digital cameras, has promoted business structural reforms underpinned by the following four principal initiatives.

>> Increase Sales and Market Shares

Strengthened marketing capabilities particularly in emerging countries

>> Transform Product Strategies

Promoted product differentiation through lenses developed in-house and accelerated the development of low-price entry-level models

>> Achieve Comprehensive Cost Reductions

Furthered reductions in parts and fixed costs and expenses in general

>> Reduce Inventories

Shortened production and logistics lead times by effecting production and order controls in shorter intervals

Through these drastic initiatives, the **electronic imaging business has returned to profitability on an operational basis**. Also, through expanded sales of its competitive products, Fujifilm recorded the **9.0-million level of digital camera sales volume for the fiscal year ended March 31, 2010, up 10%** from the previous fiscal year. Particularly noteworthy were the **robust sales of entry-level models priced under one hundred U.S. dollars**, which the Company has been launching in succession **not only in emerging countries but also in Europe and the United States** since July 2009. Accordingly, the sales volume of these entry-level models showed a significant increase.



Steady Sales Growth amid Worldwide Demand Stagnation

The sales volume of digital cameras in the United States, Japan and Southern and Eastern Europe declined year on year due to an economic slowdown in these countries and regions. However, digital camera sales were strong in BRICs and other emerging countries. As a result, the global digital camera sales volume is estimated to stand at around 120 million units for the fiscal year under review, almost on par with the previous fiscal year.

In **Japan**, more than 80% of total digital camera demand is considered to be replacement demand. In such a market, the development of differentiated functions holds the key to success. Fujifilm has worked to **differentiate its digital cameras through in-house lens development**. Digital camera manufacturers had previously pursued higher pixel counts. More recently, they are competing for higher lens performance in such areas as zoom capacity and wider shooting angles. Soon, areas of competition are expected to include such basic lens specifications as brightness. All of Fujifilm's *FinePix* digital cameras use *FUJINON* lenses, which have attained high ratings and won credibility in wide-ranging applications, including for broadcast TV lenses, satellite optics lenses and mobile phone camera lenses.

Another example of digital camera differentiation is Fujifilm's **launch of the *FinePix Z700EXR* digital camera** at the beginning of 2010. The *Z700EXR*'s new "Dual Image Display" features the Multi-Frame Playback function, which

allows users to touch the screen and search through saved photos easily by manipulating the screen thumbnails and view a selected photo in a larger frame at the same time. Another distinctive feature is the "Auto Dog/Cat Detection" function, which makes the camera automatically detect the face of dogs and cats. These differentiated functions have been received well, **contributing to robust sales and the expansion of Fujifilm's domestic market share**.

In **the United States**, consumers are increasingly choosing digital cameras in a lower price range. In such an environment, Fujifilm was able to **improve its digital camera business profitability there by reducing manufacturing costs and reinforcing supply chain management (SCM)**. For the fiscal year ending March 31, 2011, the Company will accelerate advertising campaigns not only for entry-level models but also for the *FinePix Z* series, which are highly recognized for their stylish designs. Through these activities, we aim to bolster our brand power, thereby expanding digital camera sales.

In **Europe**, despite stagnant digital camera demand, particularly in Southern and Eastern Europe, Fujifilm achieved an **approximate 10% year-on-year growth in sales volume**. More specifically, the Company expanded its market share in the United Kingdom, where it has already attained a 20% share, and in other principal European countries through the launch of low-price models since the second half of 2009.

➔ **Actively Penetrating Emerging Countries, toward Achieving a 10% Global Market Share**

Fujifilm is facing severe competition in its digital camera business. **To remain a winner in the global digital camera market, the Company must expand its presence in emerging countries.** Looking at the current competition, two companies are far ahead of the third place and other makers at lower ranks. In order for Fujifilm to break away from the group following the two industry leaders, it must bolster its market shares in emerging countries, where digital camera markets are showing significant growth potential. The sales volume of Fujifilm digital cameras in BRICs and other emerging countries accounted for approximately 30% of total digital camera sales volume during the fiscal year under review. **In the fiscal year ending March 31, 2011, the Company aims to increase the sales volume in emerging countries by approximately 70%.**

First, in **Brazil**, Fujifilm has formed a business partnership with a local assembly company and begun the production of digital cameras in Manaus. By aggressively expanding sales channels and accelerating sales promotion activities, the Company will work to **increase digital camera sales in Brazil rapidly.**

In **Russia**, Fujifilm turned a local distributor into a subsidiary in January 2009 and, consequently, **launched a direct-sales structure** in the country. In February 2010, the Company established a new team within the new subsidiary dedicated to expanding digital camera sales, and this team has stepped up efforts to achieve expanded sales. Their efforts have borne fruit,

increasing the number of Fujifilm digital camera models handled by major retailers.

In **India**, Fujifilm turned its local office into a subsidiary in 2008 to establish a digital camera sales structure in the country. This subsidiary, FUJIFILM India Private Limited, is currently working to **broaden its sales channels through major retailers** while developing its sales support personnel to cover this vast nation. In addition, FUJIFILM India is reinforcing after-sales services with due consideration to possibly harsh conditions for digital camera use in the country.

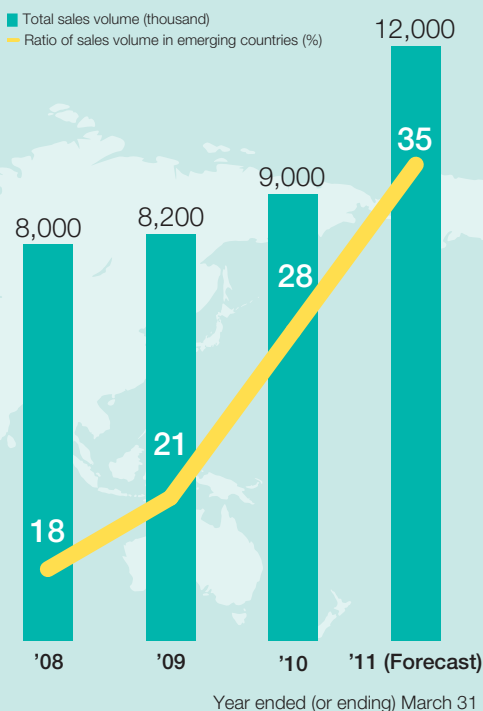
Finally, **China** offers wide-ranging customers, from those who prefer low-price models to those who purchase high-end models. Fujifilm has established an extensive digital camera lineup and expanded its network of authorized dealers in the country. As a result, we **achieved a 60% year-on-year increase in digital camera sales volume.**

In 2007, Fujifilm consolidated all of its digital camera production functions in Japan into the Suzhou plant as part of structural reforms in the digital camera business. The Suzhou plant now has its own procurement division and is increasing the lineup of locally developed digital cameras, gradually establishing itself as a “mother plant” in China. Meanwhile, entry-level models, such as A170, have been procured through original design manufacturing (ODM). Looking ahead, the Company will strengthen joint parts procurement and other collaborative initiatives with local companies operating in the digital camera field.



Digital camera production facilities at FUJIFILM Imaging Systems (Suzhou) Co., Ltd. in Suzhou, China

Fujifilm's Digital Camera Sales Volume in Emerging Countries



Composition of Estimated Total Sales Volume in Fiscal Year Ending March 31, 2011 (Forecast)

