

## Financial Analysis and Review

### Operating Results for the Fiscal Year Ended March 31, 2016

#### Economic Environment

In an analysis of the global economy during the fiscal year ended March 31, 2016 (April 1, 2015, through March 31, 2016—FY2016/3), the overall trend of gradual economic recovery persisted, while there were signs of weak economic conditions in emerging countries in Asia. In the United States, centering on showing an increasing trend in consumption, the moderate economic recovery trend persisted. In Europe, the United Kingdom continued with its economic recovery, and the trend of gradual economic recovery persisted in the Euro region. Regarding Asia, reflecting a moderate economic slowdown in China, countries generally showed weak economic conditions. In Japan, against a background of improvement in the employment and income environment, a gradual economic recovery trend continued.

The effective currency exchange rates for the U.S. dollar and the euro against the Japanese yen during the fiscal year under review were ¥120 and ¥133, respectively.

#### Overview of Operating Results

##### Consolidated Operating Results

Against the backdrop of this economic environment, the Fujifilm Group has been expanding sales, market share, and operating income using the growth drivers of the healthcare, highly functional materials, and document business fields with sales promotions and new product launches to achieve the goals of the medium-term management plan VISION 2016 (April 1, 2014, through March 31, 2017). The Group is also accelerating the improvement of profitability by improving productivity and efficiency in every corporate activity while maintaining its business scale and market advantages.

In FY2016/3, the Fujifilm Group recorded ¥2,491.6 billion in consolidated revenue (almost unchanged from the previous fiscal year). While sales in such businesses as the photo imaging business, medical systems business, industrial products business, and electronic materials business increased, those in the optical device and electronic imaging business and flat panel display (FPD) materials business decreased.

Consolidated operating income totaled ¥191.2 billion, up 10.9% from the previous fiscal year, reflecting such factors as improvement of profitability in most businesses.

#### Operating Results by Segment

##### Imaging Solutions

Revenue declined due to such factors as a contraction of the digital camera product lineup. On a positive note, operating income improved substantially following the growth in revenues in the photo imaging business.

##### Information Solutions

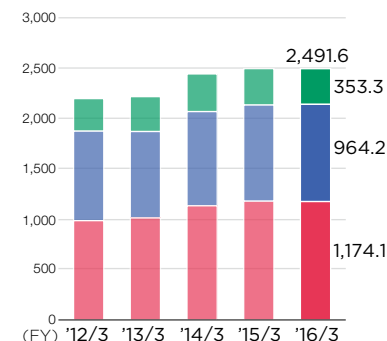
While sales in the FPD materials business decreased, sales in such businesses as medical systems, industrial products, and electronic materials increased. Taking these results into consideration and accounting for other factors including improvement in profitability, revenue and earnings increased.

##### Document Solutions

Despite the growth in revenues from operations in the Asia-Oceania region, overall sales remained almost unchanged from the previous fiscal year due to a decrease in demand in the office printer market in Japan and other factors. Operating income declined from the previous fiscal year, reflecting negative impact due to movements in foreign currency exchange rates.

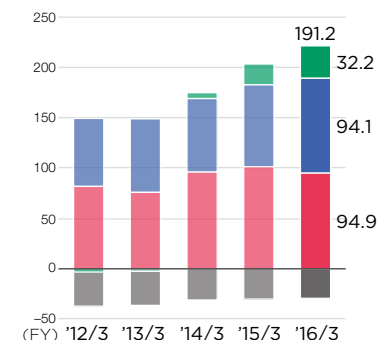
#### Revenue by operating segment\*

Billions of yen



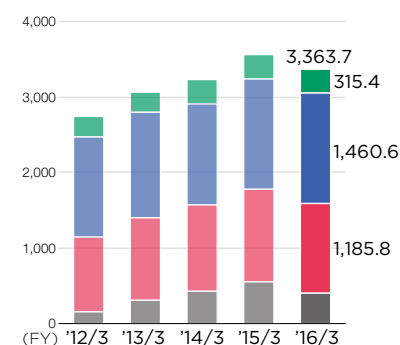
#### Operating income by operating segment\*

Billions of yen



#### Total assets by operating segment\*

Billions of yen



■ Imaging Solutions  
■ Information Solutions  
■ Document Solutions  
■ Corporate expenses and eliminations

\* Following organizational changes carried out in the first quarter of FY2014/3, the optical device business was moved from Information Solutions to Imaging Solutions. In accordance with this change, the numerical values for FY2012/3 and FY2013/3 have been restated.

## Net Income

Consolidated income before income taxes amounted to ¥194.5 billion, down 1.3% from the previous fiscal year. This was because in the previous fiscal year, when making Japan Tissue Engineering Co., Ltd., (J-TEC) a consolidated subsidiary of the Fujifilm Group, a gain on revaluation of ¥21.2 billion was recorded as other income. On the other hand, consolidated net income attributable to FUJIFILM Holdings totaled ¥123.3 billion, up 4.0% from the previous fiscal year, reflecting such factors as the impact from the reduction of the corporate tax rate due to the tax system revision in Japan.

## Basic Policy Regarding the Distribution of Profits

In addition to reflecting consolidated performance trends, dividend levels are to be determined based on the consideration of such factors as the level of funds required for M&A transactions, capital investment, and new product development investments needed to support priority business expansion as well as other measures aimed at increasing the Company's corporate value in the future. Adequate buybacks will be considered and implemented depending on the situation of cash flows and stock prices. In the context of its basic policy regarding the distribution of profits, the Company focuses on the payment of cash dividends with an eye to achieving a dividend payout ratio of 25% or more.

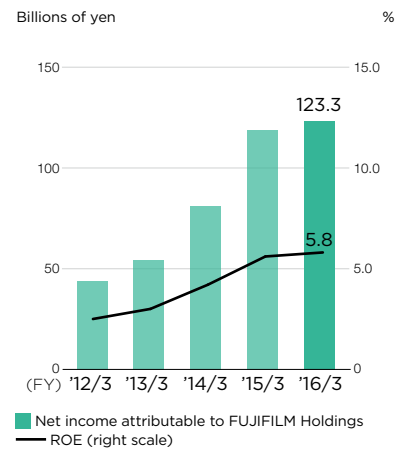
Annual cash dividends applicable to FY2016/3 were ¥65 per share. This amount included the interim cash dividend of ¥32.5 per share, which has already been disbursed.

## Outlook for the Fiscal Year Ending March 31, 2017 (As of April 27, 2016)

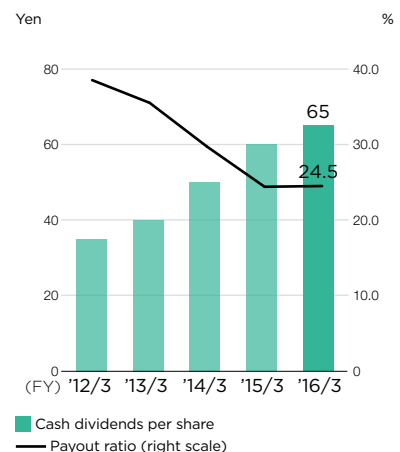
Regarding the Fujifilm Group's consolidated performance in FY2017/3, revenue is projected to reach ¥2,550.0 billion, up 2.3% from FY2016/3. From a profit perspective, operating income is forecast to total ¥220.0 billion, 15.1% higher than in FY2016/3. Income before income taxes is expected to climb 13.1% year on year, to ¥220.0 billion, while net income attributable to FUJIFILM Holdings is anticipated to reach ¥125.0 billion, an increase of 1.4% from FY2016/3.

These forecast results reflect a variety of factors, including anticipated business growth centering on the three core healthcare, highly functional materials, and document business fields as well as improved profitability in all businesses fields.

## Net income attributable to FUJIFILM Holdings / ROE



## Cash dividends per share / Payout ratio



Millions of yen	Imaging Solutions			Information Solutions			Document Solutions		
	FY2014/3	FY2015/3	FY2016/3	FY2014/3	FY2015/3	FY2016/3	FY2014/3	FY2015/3	FY2016/3
Revenue									
External customers	¥373,624	¥361,033	¥353,287	¥933,844	¥953,541	¥964,215	¥1,132,485	¥1,178,031	¥1,174,122
Intersegment	2,371	2,391	2,910	1,442	2,176	1,830	9,525	10,117	8,567
Total	375,995	363,424	356,197	935,286	955,717	966,045	1,142,010	1,188,148	1,182,689
Operating income	3,590	20,731	32,236	72,916	81,151	94,098	95,995	101,345	94,887
Operating margin (%)	1.0	5.7	9.1	7.8	8.5	9.7	8.4	8.5	8.0

- Sales of *instax* instant cameras and high-value-added printing businesses including the *Year Album* and *Shuffle Print* service expanded
- Sales of *X Series* were strong, reflecting such factors as new products launching sales expansion in Asian countries
- Sales of camera modules for use in smartphones significantly decreased

- In the medical systems business, sales increased in such growth fields as medical IT, endoscopes, and ultrasound diagnosis
- In the FPD materials business, sales decreased, reflecting such impact as production adjustment due to slowdown in the LCD panel market and other factors
- In the industrial products business, sales of such new business products as *EXCLEAR* and backsheets for solar cell were strong
- In the electronic materials business, sales of such advanced products as photo resists and treatment agents were robust

- In the office products business, overall sales volume increased. Although sales volume in export shipments to Xerox Corporation decreased, this overall increase was due primarily to the replacement of devices in major domestic convenience stores
- In the production services business, overall sales volume increased, reflecting strong sales of color on-demand publishing systems and monochrome production printers
- In the global services business, revenue increased in Japan and in the Asia-Oceania region owing to a rise in the managed print service business

### Outlook for the fiscal year ending March 31, 2017 (As of April 27, 2016)

Billions of yen	FY2016/3 (Actual)	FY2017/3 (Forecast)	Change (%)
Revenue	¥2,491.6	¥2,550.0	2.3
Operating income	191.2	220.0	15.1
Income before income taxes	194.5	220.0	13.1
Net income attributable to FUJIFILM Holdings	123.3	125.0	1.4
Currency exchange rates (U.S. dollar / Yen)	¥120	¥110	¥(10)
Currency exchange rates (Euro / Yen)	¥133	¥125	¥ (8)

### Financial Condition

#### Assets, Liabilities, and Net Assets

As of the end of FY2016/3, total assets decreased ¥192.9 billion compared with the end of the previous fiscal year, to ¥3,363.7 billion, owing to a decrease mainly in cash and cash equivalents, and investment securities. Total liabilities decreased ¥9.4 billion compared with the end of the previous fiscal year, to ¥1,079.8 billion. FUJIFILM Holdings shareholders' equity decreased ¥178.2 billion compared with the end of the previous fiscal year, to ¥2,054.5 billion.

As a result, the current ratio decreased 18.6 percentage points, to 293.7%; the debt-equity ratio increased 3.8 percentage points, to 52.6%; and the equity ratio decreased 1.7 percentage points, to 61.1%, compared with the end of the previous fiscal year. The Company is confident that it is maintaining a stable level of asset liquidity and a sound capital structure.

#### Capital Expenditures and Depreciation

Capital expenditures amounted to ¥74.1 billion for FY2016/3. The Company's investment was largely directed toward boosting production capacity of high-growth products, streamlining and increasing the efficiency of production facilities, and implementing eco-friendly measures aimed at protecting the environment.

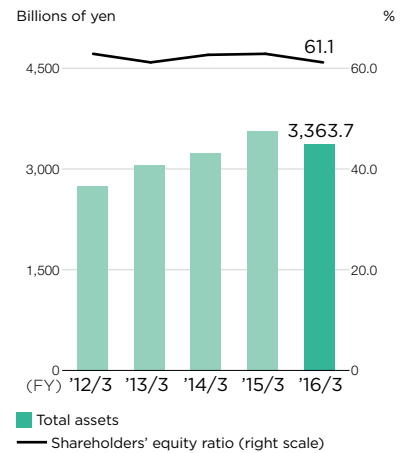
By operating segment, capital expenditures stood at ¥10.1 billion in the Imaging Solutions segment, ¥39.3 billion in the Information Solutions segment, and ¥23.3 billion in the Document Solutions segment. Total depreciation\* of property, plant and equipment, excluding rental equipment in the Document Solutions segment and others, increased ¥0.8 billion year on year, to ¥65.9 billion.

#### Cash Flow Analysis

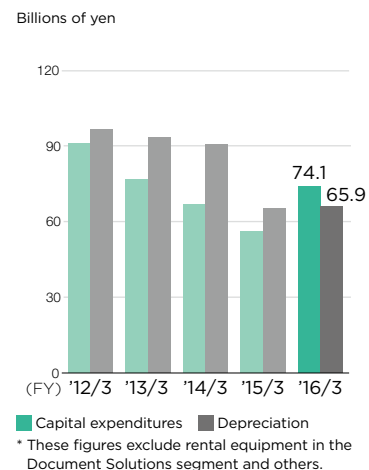
Net cash provided by operating activities totaled ¥221.9 billion, primarily due to the increase in net income and other factors. Net cash used in investing activities amounted to ¥155.7 billion due to purchases of property, plant and equipment, acquisitions of businesses, and other factors. Thus, free cash flows—or the sum of cash flows from operating and used in investing activities—resulted in cash inflows of ¥66.2 billion, down ¥77.0 billion from the previous fiscal year. Net cash used in financing activities amounted to ¥171.7 billion, due primarily to cash dividends paid to shareholders, purchases of stock for treasury, and other factors.

As a result, cash and cash equivalents as of the end of the fiscal year under review amounted to ¥600.9 billion, down ¥126.0 billion compared with the end of the previous fiscal year.

### Total assets / Shareholders' equity ratio



### Capital expenditures / Depreciation\*



### Cash flows

