

Message from the CEO

Putting in Place Strategies for Further Growth while Carrying Out the Medium-Term Management Plan VISION 2016

Shigetaka Komori

Chairman and Chief Executive Officer



After 2000, when demand for photographic films, a former core business, began to decline sharply and rapidly, the Fujifilm Group undertook steps to convert its business structure. As a result, the Group has built a firm and strong management base to generate stable profit and cash to enter a new growth phase. Based on this strong management base, the Group is working to achieve record-high profits and improve its ROE by “Fulfilling its business portfolio to realize stable growth in the medium-to-long term,” and “Enhancing shareholders returns.” Both are the basic strategies under its medium-term management plan VISION 2016, which covers the three-year period from the fiscal year ended March 31, 2015 (FY2015/3) to FY2017/3. In addition to growth in the healthcare, highly functional materials, and document as priority business fields, the Group is working in unison to secure further improvements in profitability in each business and promote other initiatives while accelerating the pace of activities aimed at achieving VISION 2016.

Progress under VISION 2016

In FY2016/3, the second and middle year of VISION 2016, the Fujifilm Group recorded revenue of ¥2,491.6 billion on a consolidated basis. This was essentially unchanged from the previous fiscal year. From a profit perspective, operating income came in at ¥191.2 billion, up 10.9% year on year. Net income attributable to FUJIFILM Holdings reached a record high at ¥123.3 billion, an increase of 4.0%. Based on these results, the Group is showing steady progress under VISION 2016.

Concept of VISION 2016

Firm and strong management base Stable generation of profit and cash



Fulfill its business portfolio to realize stable growth in medium-to-long term

Accelerate growth of core businesses

Expand sales, market share, and operating income using growth drivers of healthcare, highly functional materials, and document business fields, with new product launches
Strategic use of M&A

Profitability improvement in all businesses

Improve profitability by improving productivity and efficiency in every corporate activity while maintaining business scale and advantages

Enhancement of shareholder returns



Achieve record-high profit, improve ROE

In the healthcare business field, both sales and profits increased compared with the previous fiscal year. Looking at the medical systems business, sales trends in such growth fields as medical IT, endoscopes, and ultrasound diagnosis were robust. In the pharmaceuticals business, trends in contract manufacturing of biopharmaceuticals were strong. At the same time, Fujifilm is promoting the development of new agent pipelines. In the fiscal year under review, for example, phase I clinical trials of anti-cancer agents *FF-21101* and *FF-10502* were started in the United States. In the field of regenerative medicine, Cellular Dynamics International, Inc. (CDI), a leading company in the development and manufacture of iPS cells, became a consolidated subsidiary of the Fujifilm Group in May 2015. With this and other initiatives, we have put in place a solid framework from which to expand our operating domain and accelerate the pace of regenerative medicine development.

In the highly functional materials business, despite the impact of production adjustments in components for liquid crystal display (LCD) TV use, results in the flat panel display (FPD) materials business were supported by revenue growth of such new products as *EXCLEAR* and backsheets for solar cell in the industrial products business as well as steady sales of photo resists and other products in the electronic materials business.

Earnings in the document business field declined year on year, owing mainly to the negative impact of movements in foreign currency exchange rates. On a positive note, sales in the Asia-Oceania region increased while trends in both the production services and global services businesses—areas of potential growth—were firm.

Throughout the fiscal year under review, energies were channeled toward harnessing the strengths of the Group's diverse business portfolio. By enhancing the earnings capacity of individual businesses, including photo imaging, graphic systems, and recording media, every effort was made to compensate for the increasingly harsh external environment. Through these means, the Fujifilm Group was able to successfully raise profitability.

Toward Achieving the Targets Set Out under VISION 2016

FY2017/3 is the final year of VISION 2016. Despite uncertainty surrounding the future due to such factors as the slowdown in the rates of economic growth in emerging countries and dramatic changes in the operating environment as a result of the United Kingdom's decision to exit the European Union, the Fujifilm Group remains committed to carrying out VISION 2016 to pass an important milestone for further growth. In the current fiscal year, we have set a target for revenue of ¥2,550 billion, up 2.3% year on year, on a consolidated basis. We are also anticipating another year of record-high earnings, with operating income coming in at ¥220 billion, up 15.1%, and net income attributable to FUJIFILM Holdings totaling ¥125 billion, an increase of 1.4%.

In the healthcare business field, we plan to secure a higher level of growth. We especially intend to further boost activities in each growth field in the medical systems business. Working to increase revenue and profitability in the pharmaceuticals business, we will expand sales of contract manufacturing of biopharmaceuticals. Among a host of measures, we will also reinforce our new drug discovery support activities by providing iPS cells through our regenerative medicine business.

In the highly functional materials business field, we will maintain the levels of sales for LCD TV use in the FPD materials business while actively pursuing opportunities in new fields. Through these means, we will endeavor to ensure our profitability. Furthermore, we will expand the scale of sales in the robust industrial products and electronic materials businesses in a bid to secure continued growth.

In the document business field, we will bolster activities in both of the global services and production services businesses while accelerating the pace at which we roll out our solutions business. We will look to realize further growth by strengthening sales in emerging countries including China.

Turning to other businesses, we will introduce new products that leverage the Group's original technologies and increase sales by engaging in marketing that is deeply rooted in each market. Drawing on each of the aforementioned endeavors, we will maintain and expand our business scale as well as our competitive market advantage.

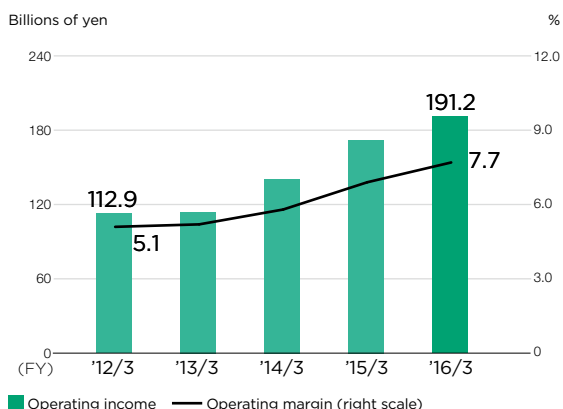
Accelerating Growth through the Efficient Allocation of Capital

We have identified ROE as an important benchmark in measuring capital efficiency under VISION 2016. In order to improve ROE, we recognize the need to increase profitability across the Company as a whole. Over the five-year period from FY2012/3 to FY2016/3, key profitability indicators saw substantial improvement. The operating income margin climbed from 5.1% to 7.7%, and ROE increased from 2.5% to 5.8%. In addition to achieving our profit targets through determined efforts to improve profitability in each business, we are taking positive steps toward our VISION 2016 ROE target of 7% by improving capital efficiency and pursuing M&A. In specific terms, we have set aside an amount of between ¥400 billion and ¥500 billion for M&A purposes. We will aggressively seek out investments that offer the potential of substantial profit returns in a bid to secure growth over the medium-to-long term while improving ROE.

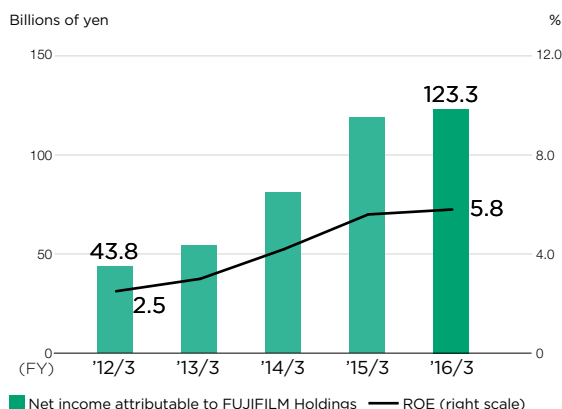
Shareholder Return Policy

Fujifilm has for some time prioritized efforts to restructure its operations and investments in constructing a new foundation for growth. Today, having achieved some success in establishing a firm and strong management base that is capable of generating a stable cash flow, we are looking to secure a balance between future growth investments and shareholder returns. From a cash dividend perspective, we have identified a payout ratio target of 25% or more in accordance with the level of profits. As a result, we have declared an annual dividend of ¥65 per share for FY2016/3, up ¥5 per share compared with the previous fiscal year. In FY2017/3, we plan to pay an annual dividend of ¥70 per share. This again represents a year-on-year increase of ¥5 per share and the seventh consecutive year of higher cash dividends. In addition, we bought back shares totaling ¥150 billion during FY2016/3. This was one year ahead of the schedule identified under VISION 2016. With the basic policy of undertaking a further share buyback of ¥100 billion during FY2017/3, it was resolved by the Board

Operating income / Operating margin



Net income attributable to FUJIFILM Holdings / ROE



of Directors to complete the buyback of shares up to a maximum of ¥50 billion by the end of 2016. Looking ahead, we will continue to promote the return of profits to shareholders while balancing the need for further growth through M&A and other means.

Activities Aimed at Promoting Sustainable Growth

The true worth of a company can be measured by its ability to continuously offer new value to the world. In delivering unique products and services that society deems valuable, companies are well positioned to generate the necessary earnings to reinvest for sustainable growth. The mission of each going concern is therefore to develop and maintain this virtuous cycle.

Meanwhile, innovation in every facet of a company's activities is vital to the creation of new value. With this in mind, we are committed to securing a unique competitive edge. Located in Japan, the United States, and Europe, Fujifilm's Open Innovation Hubs have attracted substantial numbers of visitors. Drawing on the concept of co-creation, the Fujifilm Group is making steady progress in concert with business partners to create new value. In April 2016, we established the Informatics Research Laboratory to conduct R&D on cutting-edge technologies in the field of information sciences, including big data analysis, as well as software fundamental technologies. In addition to reinforcing our information fundamental technologies that cover advanced ICT such as Internet of Things (IoT) and Artificial Intelligence (AI), we are looking to apply these technologies in the creation of new products and services while stepping up our manufacturing and marketing activities.

→ Please refer to page 37 for details about Open Innovation Hub.

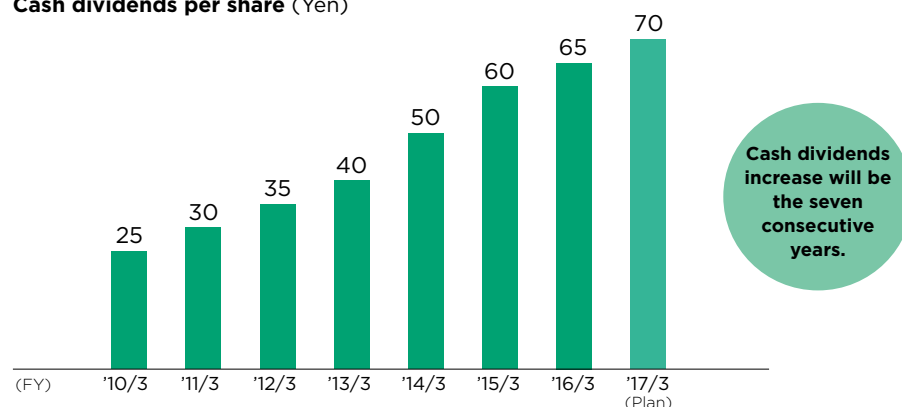
Looking beyond VISION 2016

Kenji Sukeno was appointed President and COO in June 2016. Under the stewardship of a new management team, we will first carry out VISION 2016 while at the same time formulating the next medium-term management plan, which is scheduled to commence in FY2018/3.

The overall direction of the next medium-term management plan will remain unchanged. Accordingly, we will maintain our focus on fulfilling our business portfolio to realize stable growth in the medium-to-long term. While ramping up efforts to promote growth strategies across such priority business fields as healthcare, we will look toward taking the next substantial leap forward.

Working in unison, the Fujifilm Group will make every effort to further increase its corporate value. As we stride toward achieving our established goals, we request the continued support and understanding of all stakeholders.

Cash dividends per share (Yen)





| Greetings from the COO

Making Great Strides Strategically toward New Growth

Kenji Sukeno

President and Chief Operating Officer

Having recently taken up the post of President and Chief Operating Officer, I would like to take this opportunity to make a few comments.

I joined the Company in 1977 and have worked mainly in the accounting and finance fields. During my career, I was posted overseas for a total of 12 years in the United Kingdom and the United States. In the United States, I was involved in the efforts of the Group to restructure its business in response to the shrinking demand for photographic films and to expand in areas that were earmarked for growth through M&A and post-merger integration (PMI). Since 2012, I have served as Corporate Vice President and General Manager of the Company's Corporate Planning Division. In this position, my role was largely to assist in promoting Groupwide corporate reform.

Under the strong leadership of Shigetaka Komori, Chairman and CEO, the Fujifilm Group has worked in unison to restructure its business in response to developments in digitization since 2000. As a result, we have today evolved into a Group that is active across multiple growth business fields, including the healthcare, highly functional materials, and document. Since 2012, we have placed particular emphasis on strengthening *genba* (onsite) capabilities, enhancing individual business profitability, and reinforcing our business foundation. Building on these endeavors, I believe the Group is moving beyond the reform stage and embarking on a new phase whereby our focus is on making great strides strategically to achieve new growth. In taking up the position of President and COO at this critical juncture, I plan to pursue the following three initiatives and to enhance the Group's corporate value.

The first initiative is **to strengthen and develop new businesses**. To date, the Group has proactively entered into M&A and undertaken investments geared toward the future. Areas of particular focus have included pharmaceuticals, regenerative medicine, and highly functional materials. My mission as COO is to ensure that each business is brought to full swing. Moving forward, I will actively pursue the necessary steps to secure the profits required to propel our future growth, including M&A and collaboration with other companies.

In pushing forward the second initiative, I will oversee efforts **to improve our management efficiency**. Reaching an ROE of 7% is one of the goals in VISION 2016. With this in mind, I will place considerable emphasis on improving management efficiency in order to increase the Group's return. By identifying the steps required to improve management efficiency, I will work diligently to put in place a flexible and slim organization with minimum waste.

Finally, I will channel energies of the Group toward **strengthening its global development activities** as a third initiative. While our overseas sales ratio currently stands at around 60%, there is ample room for further business expansion worldwide, including in emerging markets. Leveraging my experience outside Japan, I will accelerate the pace of our global business development.

To meet the expectations of all stakeholders, I will look to carry out drastic actions in new business fields that will help drive the Group's growth going forward. At the same time, I will pay careful attention to consistently maintaining efficient management.

Under the Chairman and CEO, I will make every effort to realize our corporate philosophy and VISION 2016.

As we work toward achieving our established goals, we kindly request your continued support and understanding.