

## Business-Related and Other Risks

The following types of risk have the potential for affecting the Fujifilm Group's financial condition and business performance. Text referring to the future is written from the perspective as of the end of FY2016/3.

### **Impact of Economic and Exchange Rate Trends on Performance**

The Fujifilm Group provides products and services in diverse markets throughout the world, and the share of consolidated revenue accounted for by overseas operations was 60% in FY2016/3. There is a possibility that performance will be greatly affected by economic conditions throughout the world, and particularly by currency exchange rates. To reduce the impact of currency exchange rates on performance, Fujifilm undertakes hedging measures, primarily using forward exchange contracts for the U.S. dollar and the euro, but currency exchange fluctuations, depending on their degree, still could have an impact on performance.

### **Competition in Markets**

In the business fields where the Fujifilm Group operates, the intensification of competition with other companies may lead to declines in the selling prices of products, shorter product lifecycles, and the emergence of alternative products. These phenomena may negatively impact Fujifilm's sales and, consequently, profit, forcing Fujifilm to increase R&D expenses and impair the goodwill and other intangible assets it holds. In the future, Fujifilm will continually work to develop products incorporating new technologies and to support the sales of such products with marketing activities. The success or failure of these activities is expected to have an influence on performance.

### **Patents and Other Intellectual Property**

The Fujifilm Group has diverse patents, know-how, and other intellectual property that enable competitive benefits, but such future events as the expiration of patents and emergence of replacement technologies may make it difficult to maintain a competitive edge. In the wide range of business fields with which Fujifilm is associated, there are numerous companies with sophisticated and complex technologies, and the landscape regarding these technologies is evolving rapidly. Developing Fujifilm's business operations sometimes may require the use of other companies' patents, know-how, and other intellectual property, and when negotiations for the use of such intellectual property are not successful, there is a potential risk for performance to be affected. In addition, Fujifilm is developing its business while constantly taking care not to infringe on the intellectual property of other companies, but it must be recognized that in reality it is difficult to completely eliminate the risk of getting involved in litigation. If Fujifilm gets involved in litigation, not only litigation costs but also possible compensatory payment costs could have an influence on Fujifilm's performance.

### **Public Regulations**

In the regions where the Fujifilm Group is developing its business, diverse government regulations exist that apply to Fujifilm's operations, such as business and investment

permits as well as limits and regulations related to imports and exports. Moreover, Fujifilm is subject to commercial, fair trade, patent, consumer protection, tax, foreign exchange administration, environmental, pharmaceutical, and other laws and regulations. If Fujifilm were to infringe on any of these laws or regulations, it could be subject to fines. Moreover, it is possible that these laws and regulations might be tightened or greatly changed, and in such cases it is impossible to deny the possibility that Fujifilm's activities could be limited or that Fujifilm might have to bear greater costs to ensure full compliance with the current and altering regulations. Accordingly, these laws and regulations have the potential to affect Fujifilm's performance.

### **Manufacturing Operations**

In connection with the Fujifilm Group's manufacturing activities, natural or human-made disasters, discontinuation by vendors of the manufacture of raw materials and components, and confusion caused by other factors may prevent the Group from delivering its products as well as cause major facility and equipment failure. It is also possible that a rapid rise in the price of raw materials and parts, etc., could affect Fujifilm's performance. The Fujifilm Group manufactures its products in conformance with rigorous quality control standards, but the possibility of defective products does exist. If Fujifilm were to have to respond to such an event by undertaking product recalls or other actions, Fujifilm's performance might be affected.

### **Information Systems**

The Fujifilm Group operates a variety of information systems in the ongoing execution of its operations and business. In this context, steps are taken to put in place an appropriate information system management framework as well as all relevant security countermeasures. Despite these initiatives, a wide range of factors including interruptions in electric power, disasters, and unauthorized access may impair the Group's information systems or lead to the leakage, modification, or falsification of personal data. In each of these events, Fujifilm's performance may be affected.

### **Large-Scale Disasters**

The Fujifilm Group engages in production, sales, and related business activities worldwide. In the event of a large-scale natural disaster including earthquakes, typhoons, or floods as well as a fire, terrorist attack, war, or spread of infection such as a new influenza virus, Fujifilm's business activities may be affected as well as its operating performance.

### **Structural Reforms**

The Fujifilm Group will continue implementing effective measures such as reductions in cost and expense as well as asset compression to improve its management efficiency in the future. However, the implementation of structural reforms and related measures may cause the Group to incur major contingent expenses associated with organizational and operational changes, and in such cases, Fujifilm's performance may be affected.