

REVIEW OF OPERATIONS

CONTENTS

Imaging Solutions	23
Information Solutions	25
Document Solutions	29

Imaging Solutions

Business Fields

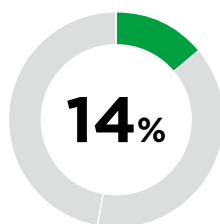


Photo Imaging

Develops photo-related products and services, ranging from photo-taking to printing

Optical Device and Electronic Imaging

Provides products such as the *X Series* of digital cameras, interchangeable lenses, and TV lenses

Performance Summary of FY2016/3

In the Imaging Solutions segment, consolidated revenue amounted to ¥353.3 billion, down 2.1% from the previous fiscal year. This was due to a decrease in sales in the optical device and electronic imaging business in line with a contraction of the compact digital camera lineup, despite an increase in sales in the photo imaging business. Consolidated operating income amounted to ¥32.2 billion, up 55.5% from the previous fiscal year, reflecting an increase in profit due to growth in revenues in the photo imaging business.

Reasons for Change in Revenue from FY2015/3 to FY2016/3

Increases ↗

- Sales of instant photo systems such as the *instax* series and *instax* films increased substantially, especially in the United States and Europe
- Sales in the photo imaging business as a whole increased due mainly to growth in high-value-added printing businesses including the *Year Album* service and the *Shuffle Print* service
- Sales of the *X Series* were strong due to sales expansion in the Asian region

Decreases ↘

- Sales volume decreased due to a contraction of the product lineup of compact digital cameras as a result of the shift to high-end models
- Sales of camera modules for use in smartphones significantly decreased

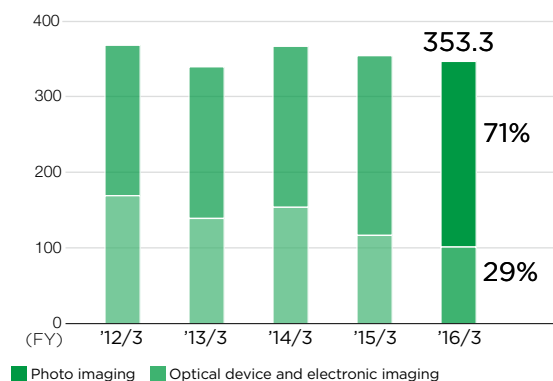
Reasons for Change in Operating Income from FY2015/3 to FY2016/3

Increases ↗

- Sales of instant photo systems were strong
- Profitability improved in the electronic imaging field, reflecting the further shift to such high-end digital camera models as the *X Series*

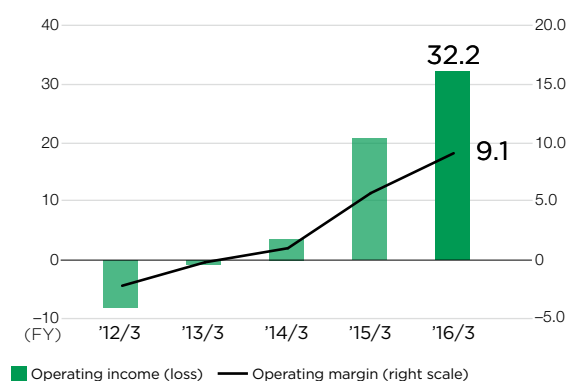
Revenue

Billions of yen



Operating income (loss) / Operating margin

Billions of yen



	Billions of yen				
FY	'12/3	'13/3	'14/3	'15/3	'16/3
Revenue	¥375.0	¥346.0	¥373.6	¥361.0	¥353.3
Operating income (loss)	(8.1)	(0.8)	3.6	20.7	32.2
Total assets	327.4	327.3	322.1	322.3	315.4
Depreciation	14.6	13.3	13.5	11.1	12.9
Capital expenditures	12.9	9.8	9.3	7.9	10.1

Photo Imaging

Revenue **¥249.9 billion**

Compared with previous fiscal year: **+3.9%** ↗



instax mini 70

Principal Products and Services

- Color paper and chemicals
 - Photographic paper for color prints
 - Photofinishing chemicals
- Photofinishing equipment
 - Minilabs
 - Thermal photo printers
- Labs and photo printing services
 - High-value-added printing business such as *Photobook* / photo printing services
- Instant photo systems

Performance Highlights and Major Initiatives

- Sales of instant photo systems such as the *instax* series and various designs of *instax* films increased substantially, especially in the United States and Europe
- Strengthened the instant camera product lineup by offering new products including the *instax mini HELLO KITTY 2016 limited edition <red>* and the *instax mini 70* that features versatile shooting modes, vivid color prints, and a modern and simple design
- Sales also increased as a result of expansion in the high-value-added printing business. This included the *Year Album* service, which can select good photographs and arrange them automatically, and the *Shuffle Print* service, which can summarize photo data and print it on a single sheet

Optical Device and Electronic Imaging

Revenue **¥103.4 billion**

Compared with previous fiscal year: **-14.2%** ↘



FUJIFILM X-Pro2

Principal Products and Services

- *X Series* digital cameras
- Interchangeable lenses for digital cameras
- TV lenses, cine lenses
- Security lenses
- Projector lenses



FUJINON UA107x8.4

Performance Highlights and Major Initiatives

Electronic Imaging Field

- Sales volume and sales decreased due to the contraction of product lineup of compact digital cameras as a result of the shift to high-end models
- Sales of the *X Series* were strong. In addition to the development of new products such as the mirrorless digital camera *FUJIFILM X-T10*, which realizes outstanding image quality and comfortable operability with a compact and lightweight body, and *FUJIFILM X-Pro2*, a flagship model

that realizes the best image quality and comfortable operability, robust sales reflected sales expansion in Asian region

Optical Device Field

- Sales of camera modules for use in smartphones significantly decreased
- The Company tries to expand global market share of broadcast zoom lenses, especially of those products for use with 4K cameras, which were launched ahead of its competitors

COLUMN

Business Activities Based on the Medium-Term CSR Plan: Sustainable Value Plan 2016 (SVP2016)

→ Please refer to page 47 (SVP2016).

Fostering Communications through Photographs

As a part of continued efforts since its foundation to spread and develop the culture of photography, the Fujifilm Group has been working to convey the true value and enjoyment of photography: shooting, preserving, displaying and gifting since 2013, based on the concept of enriching people's lives through photography. In February 2014, we opened WONDER PHOTO SHOP in Harajuku, Tokyo, as a new direct

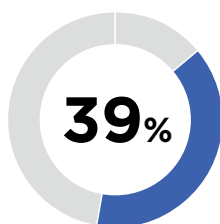
marketing initiative in the age of smartphones. In the ensuing period, we have rolled out additional shops in Asia and Europe. Through these activities, we are working to increase the use of *instax* products, expand the *Year Album* and other service of the high-value-added printing business, and pursue every possibility and new ways to enjoy photography.



WONDER PHOTO SHOP

Information Solutions

Business Fields



Healthcare

Develops businesses in the fields of medical systems, pharmaceuticals, regenerative medicine, and life sciences; operates in three fields of prevention, diagnosis, and treatment

Highly Functional Materials

Provides FPD materials, industrial products including non-destructive testing equipment and various types of highly functional films, electronic materials including semiconductor processing materials

Recording Media

Provides products including computer tape and data archive services

Graphic Systems

In addition to plate-making films and computer-to-plate (CTP) plates, products provided include digital printing devices and industrial inkjet printheads

Performance Summary of FY2016/3

In the Information Solutions segment, consolidated revenue amounted to ¥964.2 billion, up 1.1% from the previous fiscal year, as sales mainly in the medical systems business, industrial products business, and electronic materials business increased, while sales in the FPD materials business decreased. Consolidated operating income amounted to ¥94.1 billion, up 16.0% from the previous fiscal year, reflecting an increase in profit due to growth in revenues and improvement of profitability.

Reasons for Change in Revenue from FY2015/3 to FY2016/3

Increases ↗

- In the medical systems business, sales in growth fields including medical IT, endoscopes, and ultrasound diagnosis were strong
- In the industrial products business, sales in such new business areas 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 strong
- In the graphic systems business, sales of digital printing devices and industrial inkjet printheads were strong, while sales of computer-to-plate (CTP) plates were weak due to the negative impact of an economic slowdown in China and other countries

Decreases ↘

- In the FPD materials business, sales decreased reflecting such impacts as production adjustments due to the slowdown of the LCD panel market and other factors
- In the recording media business, total demand for professional-use videotapes decreased

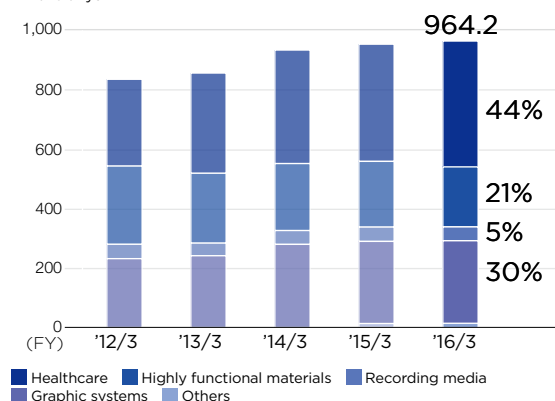
Reasons for Change in Operating Income from FY2015/3 to FY2016/3

Increase ↗

- Profitability improved in each business

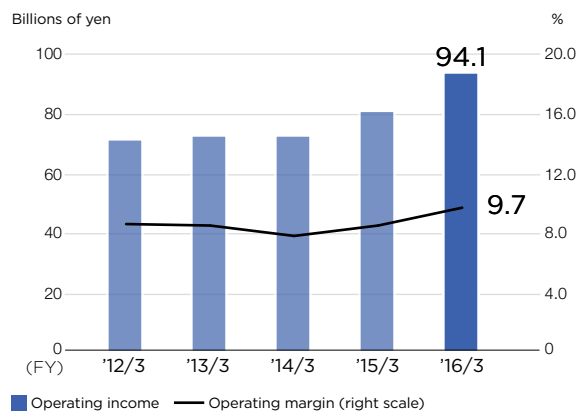
Revenue

Billions of yen



Operating income / Operating margin

Billions of yen



FY	Billions of yen				
	'12/3	'13/3	'14/3	'15/3	'16/3
Revenue	¥ 835.5	¥ 856.5	¥ 933.9	¥ 953.6	¥ 964.2
Operating income	71.6	72.9	72.9	81.2	94.1
Total assets	1,268.4	1,332.8	1,336.1	1,457.9	1,460.6
Depreciation	72.4	71.8	68.6	51.0	52.0
Capital expenditures	56.2	39.9	32.4	29.4	39.3

Healthcare

Revenue **¥423.5 billion**
 Compared with previous fiscal year: **+7.4%** 

Medical Systems

Principal Products and Services

- Digital X-ray imaging diagnostic systems: *FCR, DR*
- Medical-use picture archiving and communications systems *SYNAPSE*
- Endoscope systems
- Ultrasound diagnostic equipment
- X-ray films
- Dry imagers
- In-vitro diagnostic systems

Performance Highlights and Major Initiatives

- In the X-ray imaging diagnostic field, sales of the *CALNEO* series, a DR cassette digital X-ray imaging diagnostic system, and the *AMULET* series, a digital mammography system, were strong
- In the medical IT field, every effort is being made to expand business in the clinical field focusing mainly on picture archiving communications systems (PACS). In addition, Fujifilm made the acquisition of the medical IT software company TeraMedica, Inc., in the United States in May 2015.
- In the endoscope field, sales of *LASEREO* endoscope systems that use laser light and are equipped with high-quality image CMOS sensors, new endoscopic ultrasonography systems, and other products were strong
- In the ultrasound diagnosis field, sales of the high-end product *X-Porte* were strong, centering on North America

Medical-use picture archiving and communications systems *SYNAPSE*



Pharmaceuticals

Principal Products and Services

- Small molecule drugs
- Contract manufacturing of biopharmaceuticals
- Radiopharmaceuticals

Small molecule drug



Performance Highlights and Major Initiatives

- Sales increased due to strong sales of contract manufacturing of biopharmaceuticals and other factors
- In the field of research and development, Fujifilm is promoting the steady development of pipeline including anti-cancer agents and Alzheimer's disease drugs. In January 2016, phase I clinical trials of the anti-cancer agents *FF-21101* and *FF-10502* started in the United States

Regenerative Medicine

Principal Products and Services

- iPS cells for drug discovery support
- Recombinant peptide
- Autologous cultured epidermis / cartilage



Autologous cultured epidermis

Performance Highlights and Major Initiatives

- Cellular Dynamics International, Inc. (CDI), in the United States, a leading global company in the development and manufacture of iPS cells, became a consolidated subsidiary of the Fujifilm Group in May 2015. In addition, Fujifilm established Cellular Dynamics International Japan Co., Ltd., in October 2015 to develop iPS cell-related businesses in Japan
- Fujifilm and consolidated subsidiary Japan Tissue Engineering Co., Ltd., are harnessing synergies by incorporating CDI's technologies while accelerating the pace of product development and expanding its business domain

Life Sciences

Principal Products and Services

- Functional cosmetics
- Nutritional supplement products
- Hair care products



ASTALIFT series

Performance Highlights and Major Initiatives

- Sales increased significantly, reflecting strong sales of the jelly-like serum *ASTALIFT JELLY AQUARYSTA*, which was renewed in September 2015
- The skin-whitening serum *ASTALIFT WHITE ESSENCE INFILT* was renewed in March 2016

Highly Functional Materials

Revenue **¥202.0 billion**

Compared with previous fiscal year: **-8.6%** ↓

Flat Panel Display (FPD) Materials

Revenue **¥95.9 billion**

Compared with previous fiscal year: **-25.5%** ↓

FUJITAC protective film for polarizers



Principal Products and Services

- FUJITAC protective films for polarizers
- WV film for expanding viewing angles

Performance Highlights and Major Initiatives

- Sales decreased, reflecting such impacts as production adjustments due to slowdown in the LCD panel market and other factors
- Going forward, Fujifilm is working to maintain sales of products for LCD TVs, and to expand sales of high-end products for use in small and medium-sized displays. Moreover, Fujifilm is promoting the expansion of such new business fields as the materials related to touch panels and backlights

Industrial Products, Electronic Materials

Revenue **¥106.1 billion**

Compared with previous fiscal year: **+15.0%** ↑



EXCLEAR touch-panel sensor film

Principal Products and Services

- Non-destructive testing equipment and materials
- Touch panel materials
- Solar cell materials
- Semiconductor processing materials

Performance Highlights and Major Initiatives

- ##### Industrial Products

 - Sales significantly increased, reflecting strong sales in new businesses such as the touch-panel sensor film EXCLEAR and backsheets for solar cell
- ##### Electronic Materials

 - In the electronic materials business, sales increased, reflecting strong sales of such advanced products as photo resists and treatment agents
 - Fujifilm plans to expand business utilizing the broad product lineup and other strengths of Ultra Pure Solutions, Inc., a U.S. manufacturer and marketer of high-purity solvents, which became a consolidated subsidiary in December 2015

COLUMN

Business Activities Based on the Medium-Term CSR Plan: Sustainable Value Plan 2016 (SVP2016)

→ Please refer to page 47 (SVP2016).

Helping to Solve the World's Public Health Problems

Fujifilm has applied its silver amplification technology, traditionally used in the development process for photographs to the development of a diagnostic system that can detect even a very small amount of influenza virus at an early stage. The technology can be applied to diseases other than influenza, and Fujifilm aims to apply it more widely to contribute to the early detection of

various infectious diseases existing around the world. In particular, we are working to create a simple, quick, small-sized, and portable diagnostic system for use even in places where proper medical facilities are lacking and an infection has been reported. In doing so, our goal is to help solve the world's public health problems.



FUJI DRI-CHEM IMMUNO AG1

Recording Media

Revenue **¥46.6 billion**

Compared with previous fiscal year: **-3.3%** ↓

Principal Products and Services

- Magnetic recording tape for computers
- Professional-use videotapes
- Data archive service

Performance Highlights and Major Initiatives

- Despite smooth sales of computer tape with unique technologies such as barium ferrite (BaFe) particles, overall sales decreased because of the impact of a decline in total demand for professional-use videotapes
- Fujifilm is working to further offer high-value-added products and services to meet long-term storage needs and expand sales through a variety of activities of the *FUJIFILM LTO Ultrium 7 Data Cartridge*, which adheres to the 7th generation LTO Ultrium standards, while also promoting its data archive service *d:ternity*



FUJIFILM LTO Ultrium 7 Data Cartridge
computer tape with BaFe
magnetic particles

Graphic Systems

Revenue **¥285.0 billion**

Compared with previous fiscal year: **+0.5%** ↗

Principal Products and Services

- Printing materials, CTP plates
- Digital printing equipment
- Ink for inkjet printers
- Industrial inkjet printheads
- Package-related systems

Performance Highlights and Major Initiatives

- Overall sales increased due to strong sales of digital printing devices and industrial inkjet printheads, which offset weak sales of CTP plates due to the negative impact of an economic slowdown in China and other countries as well as heightened price competition
- Going forward, Fujifilm plans to promote a shift in its business portfolio and to expand sales by differentiating its products from competitors in the mainstay CTP plates field through resource-saving solutions and further expanding sales of digital printing devices and industrial inkjet printheads



Jet Press 720S digital inkjet press

COLUMN

Business Activities Based on the Medium-Term CSR Plan: Sustainable Value Plan 2016 (SVP2016)

→ Please refer to page 47 (SVP2016).

Storing a Range of the World's Valued Data for the Future

Recent technological developments have caused an exponential increase in the quantity of data generated worldwide. Such developments have included increases in data volume following the emergence of high-definition 4K and 8K video and the widespread use of supercomputers. As the utilization of this accumulated data rapidly increases, so does the need for the reliable and cost-effective long-term storage of such data for future use. The use of magnetic tapes is gaining

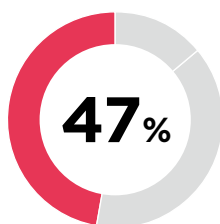
in popularity, especially at major data centers, thanks to their storage capacity, portability, and energy efficiency. Fujifilm was the first in the world to commercialize magnetic tapes using BaFe particles, a cutting-edge technology that can help further increase the capacity of magnetic tapes. The Company is providing reliable services and solutions to meet the need for the archive storage of data that is valuable for customers and society.



Data center of the data archive
service *d:ternity*

Document Solutions

Business Fields



Office Products

Provides digital multifunction devices and other devices for office use

Office Printers

Provides printers for office use

Production Services

Provides high-speed, high-quality digital printing systems and associated services

Global Services

Supports finding solutions to customers' document-related issues through improvements to corporate document solutions and operational processes

Performance Summary of FY2016/3

In the Document Solutions segment, consolidated revenue remained almost unchanged at ¥1,174.1 billion, down 0.3% from the previous fiscal year, due to a decrease in demand in the office printer market in Japan and other factors, despite the growth in revenues from operations in the Asia-Oceania region. Consolidated operating income amounted to ¥94.9 billion, down 6.4% from the previous fiscal year, reflecting the negative impact of the increased cost of imports due to the appreciation of the U.S. dollar against the Japanese yen, and the decrease in profit due to the depreciation of Asian currencies.

Reasons for Change in Revenue from FY2015/3 to FY2016/3

Increases ↗

- Regarding the office products business, sales of full-color models as well as monochrome models in the Asia-Oceania region were strong. Overall sales volume increased due primarily to the replacement of devices in major domestic convenience stores
- In the production services business, sales volume increased due to the strong sales of color on-demand publishing systems and monochrome production printers
- In the global services business, trends in managed print services were strong. Sales in Japan as well as the Asia-Oceania region increased

Decrease ↘

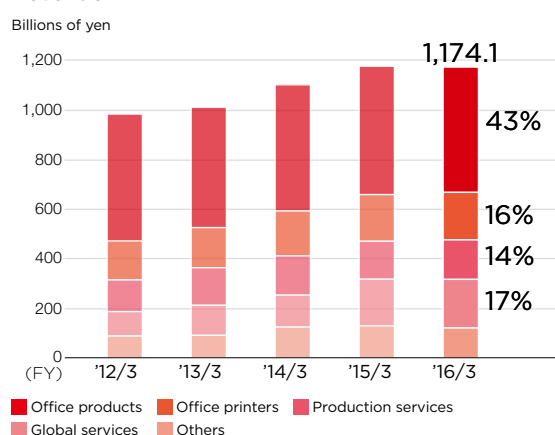
- Demand in the office printer market decreased in Japan

Reasons for Change in Operating Income from FY2015/3 to FY2016/3

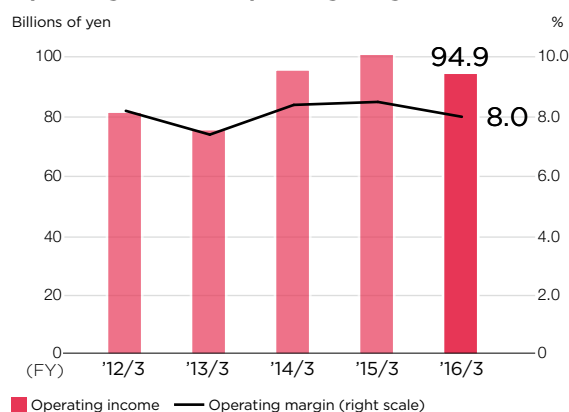
Decrease ↘

- Consolidated operating income decreased, reflecting the negative impact of the increased cost of imports due to the appreciation of the U.S. dollar against the Japanese yen, and the decrease in profit due to the depreciation of Asian currencies

Revenue



Operating income / Operating margin



	Billions of yen				
FY	'12/3	'13/3	'14/3	'15/3	'16/3
Revenue	¥984.8	¥1,012.2	¥1,132.5	¥1,178.0	¥1,174.1
Operating income	81.8	75.9	96.0	101.3	94.9
Total assets	988.4	1,091.0	1,141.2	1,224.2	1,185.8
Depreciation	57.5	53.1	56.1	58.7	54.5
Capital expenditures	19.3	24.8	23.9	17.3	23.3

Office Products



ApeosPort-V C5575

Revenue **¥505.9 billion**

Compared with previous fiscal year: **-2.8%** ↓

Principal Products and Services

- Office-use color / monochrome digital multifunction devices

Performance Highlights and Major Initiatives

- Sales of full-color models as well as monochrome models in the Asia-Oceania region were strong. Overall sales volume increased due primarily to the replacement of devices in major domestic convenience stores
- Sales volume of export shipments to Xerox Corporation in the United States decreased

Office Printers

Revenue **¥192.0 billion**

Compared with previous fiscal year: **+0.4%** ↗

Principal Products and Services

- Color / monochrome office printers



DocuPrint CP400 d

Performance Highlights and Major Initiatives

- Sales of monochrome models in the Asia-Oceania region were strong

Production Services

Revenue **¥159.2 billion**

Compared with previous fiscal year: **+1.5%** ↗

Principal Products and Services

- On-demand publishing systems
- Computer printing systems



Versant™ 2100 Press

Performance Highlights and Major Initiatives

- Sales of medium-to-high-speed and low-speed products of color on-demand publishing systems were strong. Sales of monochrome production printers were robust and sales volume increased

Global Services

Revenue ¥196.3 billion

Compared with previous fiscal year: **+5.2%** ↗

Principal Products and Services

- Managed print services (MPS)
- Business process outsourcing

Performance Highlights and Major Initiatives

- The MPS business, where the management and operation of print devices are undertaken to optimize the office print environment, was strong. Sales in Japan and the Asia-Oceania region increased



COLUMN

Business Activities Based on the Medium-Term CSR Plan: Sustainable Value Plan 2016 (SVP2016)

→ Please refer to page 47 (SVP2016).

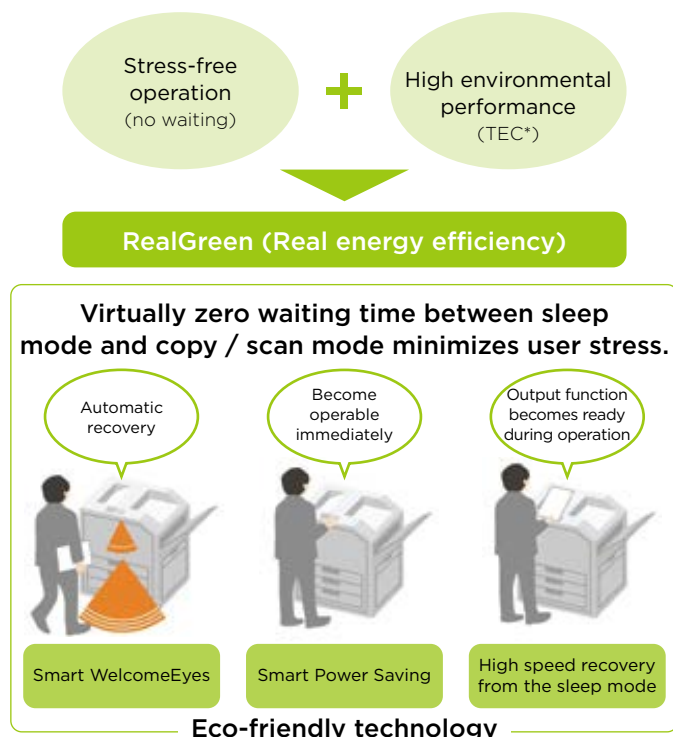
Promoting the RealGreen (Real energy efficiency) Concept

Fuji Xerox is working on cutting its environmental impact both in terms of hardware and software to minimize the impact of its products on global warming. Under the concept of RealGreen, the product development is undertaken with attention given to both reducing the impact on the global environmental by promoting the conservation of energy and pursuing the values of comfort and convenience.

Eco-friendly technologies have been introduced across the entire product lineup. In this manner, Fuji Xerox is seeking to reduce power consumption when customers use the company's products.

Moreover, a total of four models, two from the *ApeosPort-V* Series and two from the *DocuCentre-V* Series received the Chairman's Prize from the Energy Conservation Center, Japan. This was an industry record 13th time the company has been recognized in this manner.

RealGreen Concept



* Typical Electricity Consumption (TEC): The amount of power consumed by office equipment, such as printers and copiers over a conceptual week (five days of operation and repeated sleep / power-off mode, plus two days of sleep / power-off mode).