



Measures for Promoting a New Surge of Growth

- Fujifilm's measures to overcome harsh operating environment -

FUJIFILM Holdings Corporation

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FORWARD-LOOKING STATEMENTS

This document contains projections of performance and other projections, which are made based on judgments regarding currently available information and which encompass potential risks and uncertainties. Accordingly, please be aware that diverse factors may cause actual results to differ materially from projected results.

■ Extreme Changes in Operating Environment

- Worldwide economic deterioration
- Rapid yen appreciation
- Rise in raw materials prices



Impact on
overall businesses



Overcome deteriorating market environments
through business reforms and strengthening
of competitiveness in each business field

The external environment has greatly deteriorated, exerting a severe blow to global economies. Moreover, the impact of the financial crisis is spurring a sharp surge of yen appreciation that is having a considerable negative impact on businesses worldwide.

While the situation regarding surging prices of silver, aluminum, steel, and other raw materials has become somewhat more stable and less severe than previously, it is still having an impact on our business.

Amid this kind of difficult environment, we must accelerate our reform measures. I believe it is necessary to move ahead with measures to reform operations and increase competitiveness in each of our business fields as a means of overcoming the challenges of the harsh environment and ensuring our corporate survival.

Today, I will focus on the businesses that investors are particularly interested in and on our business developments.

■ Imaging Solutions

● Photography business

Recent issues

- ✓ Profitability worsened due to rise in raw materials prices
- ✓ Harsh price competition in color paper market
- ✓ Decrease in photo print volume

Fujifilm's business developments

- ✓ Reduce fixed costs by consolidation and closure of photofinishing laboratories in Europe and North America and other measures
- ✓ Personnel reduction at a domestic distribution subsidiary*
- ✓ Photo print expansion strategies
 - Expand high value added prints such as photo books
 - Increase print volume through various forms including silver halide, inkjet, dye sublimation and network printing



Transform photo business into source of stable cash flow

*Personnel reduction at a 3 segments' shared domestic distribution subsidiary. Related expenses are recorded in Information solutions segment. (Refer to P12)

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We will first take a look at the photo business centered on photographic films and color paper.

In this field, our FY2006/3 and FY2007/3 structural reforms greatly reduced fixed costs and built business systems that are able to generate stable profit. As a result, we were in the black in FY2008/3 despite a decline in demand.

Currently, however, we have decided we must go a step further with our structural reforms in response to such recent challenges as those presented by surging silver prices, intensifying price competition regarding color paper, and a decrease in photo print volume.

In addition to having reduced personnel at a domestic distribution subsidiary, we are quickly proceeding with measures to close or consolidate photofinishing laboratories in Europe and North America. We anticipate that these measures will entail approximately ¥20 billion of temporary expenses during the current fiscal year but reduce our annual costs by ¥5 billion or more going forward from the next fiscal year.

Regarding our offensive strategies, we are working to accelerate growth in sales of high-value-added photo books; use an array of silver halide, inkjet, and dye sublimation printers to meet a broad range of user needs, and strengthen our network print capabilities to increase print outputting opportunities.

■ Imaging Solutions

● Digital camera business

Recent issues

- ✓ Insufficient measures to spotlight Fujifilm products' special features
- ✓ Inventory growth due to insufficient supply chain management (SCM)
→ profitability deteriorated due to ASP drop

Fujifilm's business developments

- ✓ Revise marketing strategies in regions projected to suffer from growing risks
Implement "selection & concentration"
- ✓ Rapid and bold SCM reforms (inventory management, more-precise supply-demand planning, etc.)
- ✓ Promote high-value-added strategy
 - Promote high image quality through incorporation of Super CCD EXR
 - Pursue the enjoyment of photos through incorporation of 3D systems



Greatly reduce losses in FY2010/3

The next field I will focus on is digital cameras. I recognize the biggest and most urgent task is to improve the profitability of this business.

There are two main reasons we recorded a loss. First, we did not sufficiently emphasize the special characteristics of our products, which offer outstanding image quality. And second, during a period when we were forced to take time to reduce our inventory levels, we have been greatly impacted by the economic slowdown, which caused a drop in selling prices. To restore our profitability, it is crucial that we realize improvements with respect to these two situations.

To promptly restore profitability, we are speedily implementing reforms regarding the following three points.

First, we will rebuild our marketing strategies in regions that are projected to be associated with growing risks. Even if sales volume may decrease, we will improve profitability by optimizing unit pricing and reducing marketing expenses.

Second, we will rapidly improve our SCM so that we can minimize our marketing companies' inventory levels and facilitate quick responses to changing market conditions.

Third, we will use highly differentiated products featuring Super CCD EXR sensors and 3-D systems to enhance profitability. Moreover, we will use such products to increase our brand strength and seek to leverage it to expand sales in the volume zone of stylish models.

We anticipate that the benefits of these measures will enable us to greatly reduce losses in FY2010/3.

■ Document Solutions

Recent issues

- ✓ Increasingly evident impact of deteriorating economic conditions on enterprises, leading to cost cutting and investment reductions
(Continued downtrend in overall domestic demand/unit prices, slow-down in export sales to Europe and North America)

Fujifilm's business developments

- ✓ Strengthen domestic marketing capabilities
 - Reform domestic operational processes (increase efficiency and productivity)
- ✓ Strengthen growth businesses
 - Global Services, Production services, business in Asia including China and exports to newly industrializing countries
- ✓ Additional measures to cut costs and increase efficiency in spending



Aim to further improve profitability

The next field I will focus on is document solutions.

The financial crisis and deterioration of the real economy have caused customers to reduce their expenses and scale down their investments. To overcome challenges associated with this trend along with surging raw materials prices and the rapid appreciation of the yen, particularly against Asian currencies, we have quickly taken steps to reduce operational expenses and reduce costs throughout our value chain. During the 1st half period just completed, these measures led to a double-digit increase in operating income compared with the same period of the previous fiscal year.

Moreover, as a part of our management reforms, we are fundamentally reevaluating operations to increase productivity. Approximately 10% of the 25,000 domestic employees saved by this productivity improvement will be reassigned to posts designed to strengthen domestic marketing capabilities, and we will also concurrently introduce an early retirement program.

Amid decreasing demand in Japan, our measures to strengthen service businesses are leading to growth in sales of devices. However, to promote additional growth in the service business itself, we are taking steps to increase the number of staff able to gain a good understanding of customers' operational processes and make proposals on how to improve those processes.

To maintain our competitive advantages in production services businesses, which are projected to expand in the future, we are moving to further increase the coordination of associated hardware, software, and marketing units so that we can meet diverse customer needs and help realize customers' productivity enhancement goals. At the same time, we are moving ahead with steps to strengthen our product lineup in order to facilitate the expansion of sales in the Asian region, including China as well as in newly industrializing countries in other regions.

In addition to developing and manufacturing epoch-making, reasonably priced products and expanding sales of 22 new MFP models that are scheduled to be launched in November, we plan to increase cooperation among Fujifilm Group units in ways that increase efficiency and lower costs regarding distribution and staffing operations. By moving forward with such initiatives, we expect to be able to expand sales and further enhance profitability.

■ Information Solutions


● Flat panel display materials business

Recent issues

- ✓ Concerns about impact by panel makers' manufacturing adjustments on our performance

Fujifilm's business developments

- ✓ Increase supply of WV film for 20"-class TN-mode LCD TVs, for which demand is projected to increase
- ✓ Expand market share of 40 μm thick TAC film for laptop PCs, for which we have not established full-scale supply capabilities
- ✓ Increase our share of VA retardation film at major customers



Proactively promote business growth
as one of Fujifilm's core businesses

In the information solutions field, I will focus on explaining the topics that you are all particularly interested in. First, I will talk about FPD materials.

Since the second quarter of the fiscal year, LCD panel makers have been implementing manufacturing adjustments focused mainly on monitor applications, and this is expected to have an impact on our FPD business. Moreover, the deterioration of real economic conditions, particularly in Europe and North America, is depressing demand for LCD televisions, and we expect these trends to have an impact on our business through the latter half of the current fiscal year. Regarding the timing of a renewed demand surge in LCD markets, we anticipate that this will happen in the next fiscal year.

Despite the deteriorating business environment, however, we plan to realize additional growth by moving forward with the expansion of operations in fields where we have not previously established full-scale presences. For example, we are expanding business in WV film for 20"-class televisions; 40 micron thick TAC film for laptop PCs; and high-quality VA retardation film for use by major customers.

In FPD materials business, we will continue to proactively develop products and make capital investments going forward so that we can maintain and reinforce a solid position as the market leader.

■ Information Solutions


● Endoscope business

Recent issues

- ✓ Amid intensifying competition, facing difficulties and slowing growth due to insufficient resources

Fujifilm's business developments

- ✓ Reform the previous business structure centered on FUJINON CORPORATION and shift to a structure facilitating the proactive investment of FUJIFILM Corporation's resources
- ✓ Promptly strengthen development, marketing, and after-sales service systems in line with characteristics of each regional market
- ✓ Proactively promote sales of such new products as the top-of-the-line Advancia series (scheduled to be launched in Nov. 2008) and Justia series (launched in June 2008)



Promptly restore growth paths using a new organizational system centered on FUJIFILM Corporation

Next, I will explain what we are doing in endoscope business.

Growth in Fujifilm's endoscope business has slowed since the latter half of the previous fiscal year. We have worked to reverse this trend by introducing such new products as the Justia series (launched in June 2008) and the top-of-the-line Advancia series (scheduled to be launched in November 2008). However, I believe there is still a need for fundamental business structure-strengthening measures.

Using the previous business structure centered on our subsidiary FUJINON CORPORATION, it has taken time to establish and strengthen global marketing and after-sales service systems. Moreover, we were not able to invest sufficient resources in programs to develop and upgrade products and programs to reduce costs.

We need to undertake a comprehensive upgrading of all endoscope business systems. Having clearly identified what needs to be strengthened regarding each individual region and value chain, we are moving ahead speedily and effectively with the implementation of requisite strengthening measures, and we are also working to expand our business domains.

We anticipate that we will restore our growth momentum within one to two years, and we are targeting annual sales of ¥100 billion three years from now.

■ Information Solutions

- Established “Healthcare Business Headquarters” division
 - ✓ Consolidate strategies planning, pharmaceutical affairs and legal functions of Medical Systems business division (equipment, materials, PACS, endoscopes, etc.) and Life Science business division (pharmaceuticals, healthcare products, etc.)



Strengthen and integrate the management of
a comprehensive range of healthcare business related to
“prevention,” “diagnosis,” and “treatment”

Next, I will explain how Fujifilm will be working going forward to strengthen its healthcare business systems.

On November 1, we will establish the Healthcare Business Management Headquarters, which will comprehensively handle business planning, legal affairs, and pharmaceutical affairs functions for the medical systems business and the life science business.

We will be working to strengthen and expand our Healthcare Business in the form of a comprehensive healthcare company that integrates all relevant units of the Fujifilm Group—including the functions of Toyama Chemical, which we acquired in February 2008—and that handles a full range of operations related to “prevention,” “diagnosis,” and “treatment.”

Forecast for FY2009/3 (April '08 - March '09)

FUJIFILM

		1H FY'09/3 Apr.-Sep., '08 (Actual)		FY'09/3 Apr., '08-Mar., '09 (Plan)		Billions of yen FY'08/3 Apr., '07-Mar., '08 (Actual)	
Imaging	Revenue		231.1		460.0		547.1
	Operating Income	(3.3)%	(7.5)	(3.5)%	(16.0)	1.9%	10.6
Information	Revenue		541.5		1,180.0		1,108.1
	Operating Income	9.2%	49.8	9.3%	110.0	12.2%	135.4
Document	Revenue		565.8		1,210.0		1,191.6
	Operating Income	7.9%	45.1	9.1%	110.0	8.2%	98.7
Structural reform expenses			(4.1)		(40.0)		(33.0)
Intersegment transaction elimination			(2.1)		(4.0)		(4.4)
Total	Revenue		1,338.4		2,850.0		2,846.8
	Operating Income	6.1%	81.2	5.6%	160.0	7.3%	207.3
Income Before Income Taxes		6.1%	81.7	5.7%	163.0	7.0%	199.3
Net Income		3.4%	45.3	2.8%	80.0	3.7%	104.4
Earnings per Share			¥89.97		158.61		¥205.43
Exchange Rates							
	US\$		¥106		¥101		¥115
	€		¥163		¥147		¥162

*Exchange rates estimates for 2H of FY2009/3 US\$=¥95 €=130 **8**

The next subject for explanation is our performance outlook for the current fiscal year.

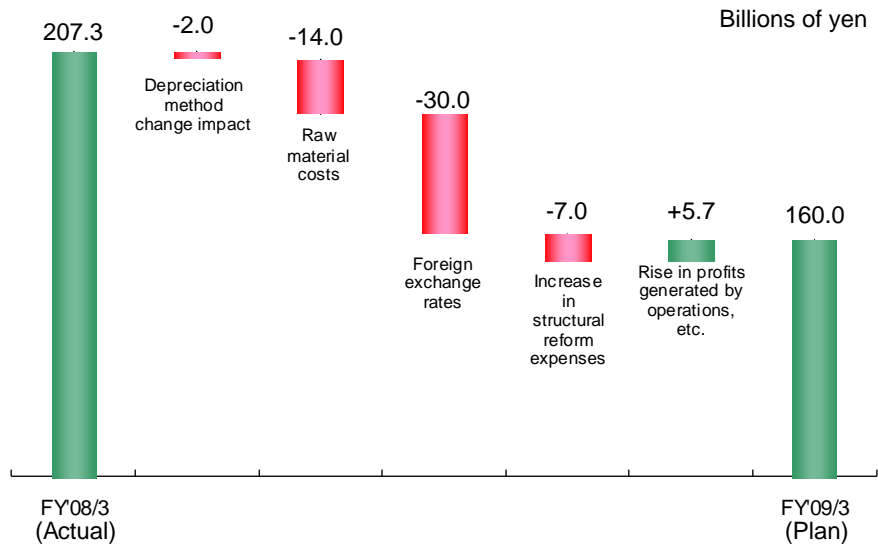
The current surge of yen appreciation makes it difficult to determine our currency exchange rate assumptions at this time. However, if we assume exchange rates of ¥95 against the U.S. dollar and ¥130 against the euro, then we project that our operating income will deteriorate by approximately ¥15 billion.

On the other hand, prices of silver, aluminum, and other main raw materials are tending to decline and, although it remains difficult to forecast future trends, it currently appears that the decline in raw materials prices will offset a large portion of the negative impact of yen appreciation.

As for business trends, the impact of economic deceleration is extremely fluid and difficult to predict. We will be stepping up our profitability enhancement measures while closely monitoring business trends going forward.

As a result of these assumptions, we have maintained our FY2009/3 forecast that we announced on August 28.

■ Operating Income Analysis (FY2008/3 → FY2009/3)



Next, I would like to overview the positive and negative factors that will be affecting our operating income.

As you see, the deterioration of conditions in the external environment—such as exchange rates movement and raw materials prices—has played a large role in decreasing our profitability.

We will do our utmost to offset the external environment's impact on our performance to whatever extent is possible. We will be doing this by further intensifying the implementation of our Slim and Strong drive, which is aimed at reducing costs, and further intensifying our marketing operations, particularly in strategically emphasized business fields.

■ Shareholder Returns

- Announced Share buyback (October 30)
 - ✓ Number of shares bought (upper limit) :¥35.0 billion
 - ✓ Total value of shares bought (upper limit) :17.5 million shares
(3.4% of shares outstanding)
 - ✓ Dates when the buyback is conducted :Nov. 5, '08 – Jan. 16, '09
- Dividends
 - ✓ Cash dividends (Forecast) :¥35 per share



Based on above measures,
expected return to shareholders ratio for FY2009/3 will be 65%.

(FY2008/3 result: 50%)

Next, I would like to touch on our moves regarding returns to shareholders.

Amid the harsh operating environment, to increase capital efficiency with expectations for a rise in our share price, today we have announced the acquisition of a total of 17.5 million (upper limit) shares as treasury stock. This acquisition will be executed from Nov. 5, 2008 through Jan. 16, 2009, at a total acquisition cost of ¥35 billion (upper limit). Together with the ¥35/share dividends, the return to shareholders ratio for the current fiscal year is expected to be 65%.

- Promote management amid adverse conditions
 - Realize comprehensive cost reductions through the Slim and Strong Drive
 - Promote growth strategies with continued capital investments and R&D investments
 - Comprehensively review and rebuild operations of each business



Ceaselessly increase business competitiveness and corporate strength, and aim for a new surge of growth despite the harsh operating environment

The external environment is now so extremely harsh that it is counteracting the management efforts of many companies, and we must assume that the environment will become even harsher in the future.

It is when facing great challenges that the differences among various companies' management capabilities, organizational dynamism, and human resource power become evident. Recently, we have moved ahead with structural reforms in imaging business and other fields, and these reforms have been creating a strong foundation for overcoming the challenges we are facing.

Moreover, we will not be relaxing our reform efforts. We will continue to identify areas of our business management systems and operations that require reevaluation, and we will proactively move ahead with reform measures that are highly focused and highly thorough.

Going forward, we will continue working to reinforce our overall corporate strengths as we build the capabilities needed to expand our businesses. Viewing the harsh challenges as opportunities, we anticipate that the current severe operating environment will present us with abundant chances to show our capabilities for rebounding from adversity. We will move ahead to realize a new surge of dynamic corporate development.

■ Expense & Benefit of Structural Reforms

Billions of yen

	Expense (FY'09/3) (Plan)	Benefit (FY'09/3 → FY'10/3) (Plan)
Imaging	20.0	Approximately 20.0
Information	5.0 ^{*1,2}	
Document	15.0 ^{*3}	
Total	40.0	

*1: Consolidation of warehouses, etc.

*2: Includes ¥2.3 billion expense accompanying personnel reduction at a 3 segments' shared domestic distribution subsidiary.

*3: Includes ¥7.0 billion expense accompanying the transfer of customer engineers to marketing companies.



We will use leading-edge, proprietary technologies to provide top-quality products and services that contribute to the advancement of culture, science, technology and industry, as well as improved health and environmental protection in society. Our overarching aim is to help enhance the quality of life of people worldwide.

IR Office, Corporate Planning Div.
FUJIFILM Holdings Corporation