

Medium-term Management Plan

# VISION 2016

## FUJIFILM Holdings Corporation

November 11, 2014

**Shigetaka Komori**

**Chairman, Representative Director and CEO**

**FORWARD-LOOKING STATEMENTS**

Forward-looking statements, such as those relating to earnings forecasts and other projections contained in this material, are management's current assumptions and beliefs based on currently available information. Such forward-looking statements are subject to a number of risks, uncertainties, and other factors. Accordingly, actual results may differ materially from those projected due to various factors.

# Value from Innovation

*Contribute to the development of a sustainable society by creating new value to meet true customers' needs and by resolving social issues*

*New medium-term CSR plan*  
**Sustainable Value Plan 2016**

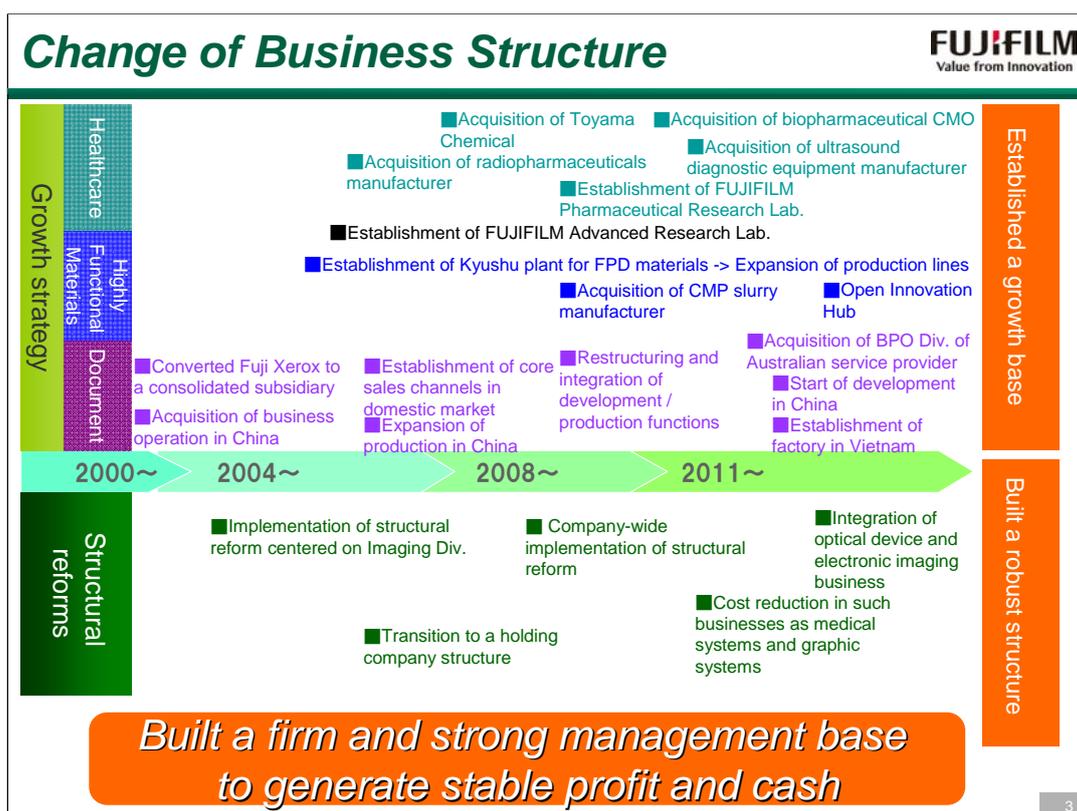


Fujifilm commemorated its 80th anniversary on January 20 of this year, and formulated a new corporate slogan, “Value from Innovation,” in conjunction with the anniversary.

The slogan encapsulates the desire to continuously provide innovative technologies, products, and services that offer excellent value to society, and that empower the potential and expand the horizons of tomorrow’s businesses and lifestyles in accordance with the innovator’s DNA of Fujifilm.

Under this desire, Fujifilm is committed to implementing CSR activities from the new perspectives of “creating value for society” and “contributing to resolving social issues,” and set the medium-term CSR plan as a foundation for the Group’s business management, with which Fujifilm actively aims to resolve social issues through products, services, and technologies.

Fujifilm will continue to resolve various social issues in such areas as the environment, health, daily life, and working styles and contribute to the development of a sustainable society by creating new value to meet true customers’ needs.



The demand for photographic film peaked in 2000, in the year I was inaugurated as the president, and then decreased significantly.

Under such circumstances, Fujifilm was forced to reform its profit structure speedily and drastically.

Then, Fujifilm implemented structural reforms centered on the Imaging Division, in which demand decreased rapidly, and built a robust corporate constitution.

In addition, to build a new profit structure, Fujifilm has been focusing its management resources on the important business area through sorting out in which business area it can utilize its technological assets. Fujifilm has established a growth base especially in three main pillars for further growth: Healthcare, Highly Functional Materials, and Document.

These reforms paid off, and then, finally, Fujifilm managed to build a firm and strong management base where it can generate stable profit and cash.

To sum up Fujifilm's current circumstances, though the Pharmaceuticals business hasn't contributed to profit yet due to the R&D investment ahead of schedule, a great leap forward of the business can be expected in around 2018, when the new drugs launch. On the other hand, it became possible to generate stable profit through maintaining profit continuously in FPD materials business, achieving profit growth in such businesses as Medical systems and Document. In addition, Fujifilm will expand its profit through such businesses that possess competitive products as Graphic systems, in which further growth of digital printing is expected, Recording media, which answers the growing demands for data archiving, Industrial Products, which introduces various new products to the market, and Electronic Materials, which provides a wide line-up of materials.

Today, I will explain our growth strategy under this management base.



The goals for the medium-term management plan VISION 2016 are to achieve record high profit and to improve ROE.

To accomplish these goals, Fujifilm will efficiently utilize profit and cash that can be generated stably by a firm and strong management base, and will realize mainly these two points.

First: Build a business portfolio to realize stable growth in the medium-to-long term

Positioning these businesses, Healthcare, Highly-functional Materials and Document, as the growth drivers, Fujifilm will expand sales, market share, and profit by introducing new products and implementing promotional activities. In addition, to accelerate profit growth, Fujifilm will strategically utilize M&A.

Also, Fujifilm will maintain business scales and market advantages in mature businesses, and will improve profitability in all businesses by improving productivity and efficiency in every corporate activity.

Second: Enhance shareholder returns, including share buybacks

By combining these two measures, Fujifilm will achieve record high profit and improve its ROE.

## Financial Targets for VISION 2016

	FY2014/3	FY2017/3 (vs.FY2014/3)
Revenue (billions of yen)	2,440.0	2,630.0 (+7.8%)
Operating Income (billions of yen)	140.8	<b>Record High</b> 220.0 (+56.3%)
Ratio of Operating Income (%)	5.8	8.4 (+2.6 points)
Net Income Attributable to FUJIFILM Holdings (billions of yen)	81.0	<b>Record High</b> 120.0 (+48.1%)
ROE (%)	4.2	7.0 (+2.8 points)

**FY2019/3**

➔ **Target : 10%**

➔ **Target : 8%**

Exchange rate: US\$/¥ ¥100, €/¥ ¥135 Premises for silver price: ¥76,000/kg  
Impact of exchange rate fluctuations on operating income (Full year, ¥1 change)  
US\$/¥: ¥1.0 billion, €/¥: ¥0.8 billion

**To achieve  
ROE 7%**

- Full achievement of operating income
- Add on profit by strategic investment activities
- Enhancement of shareholder returns

5

In the final year of VISION 2016, Fujifilm will achieve revenue of ¥2,630.0 billion and operating income of ¥220.0 billion.

Operating income is expected to be increased significantly and to reach a record high.

The ratio of operating income to revenue will improve significantly to 8.4%. This figure is regarded as a waypoint to achieve 10% in FY2019/3.

Net income attributable to FUJIFILM Holdings will be ¥120.0 billion, marking a record high.

If the current level of exchange rate continues, for example under the assumption rate of ¥110 to the U.S. dollars, around ¥10 billion might be added on annual operating income.

By attaining these income targets, adding on profit through strategic M&A investment, and the enhancement of shareholder returns, Fujifilm will achieve an ROE of 7% in FY2017/3, and in FY2019/3, Fujifilm aims to achieve an ROE of 8%.

## Financial Targets by Segment

(billions of yen)

Revenue	FY2014/3	FY2017/3 (vs.FY2014/3)
Imaging	373.6	<b>360.0</b> (-3.6%)
Information	933.9	<b>1,030.0</b> (+10.3%)
Document	1,132.5	<b>1,240.0</b> (+9.5%)
Total	2,440.0	<b>2,630.0</b> (+7.8%)

\*After elimination of intersegment transaction

(billions of yen)

Operating Income	FY2014/3	FY2017/3 (vs.FY2014/3)
Imaging	3.6	<b>25.0</b> (around seven times)
Information	72.9	<b>105.0</b> (+44.0%)
Document	96.0	<b>125.0</b> (+30.2%)
Corporate Expenses & Eliminations	(31.7)	<b>(35.0)</b>
Total	140.8	<b>220.0</b> (+56.3%)

### Imaging

Secure stable income from Photo Imaging business, improve profitability in Optical Device & Electronic Imaging business

### Information

Achieve 10% of OPM contributed by Healthcare business as a growth driver, and also Highly Functional Materials business while maintaining the advantages of FPD material business while launching new products

### Document

Achieve 10% of OPM by increasing sales mainly in the Asia-Oceania region and expanding service businesses

6

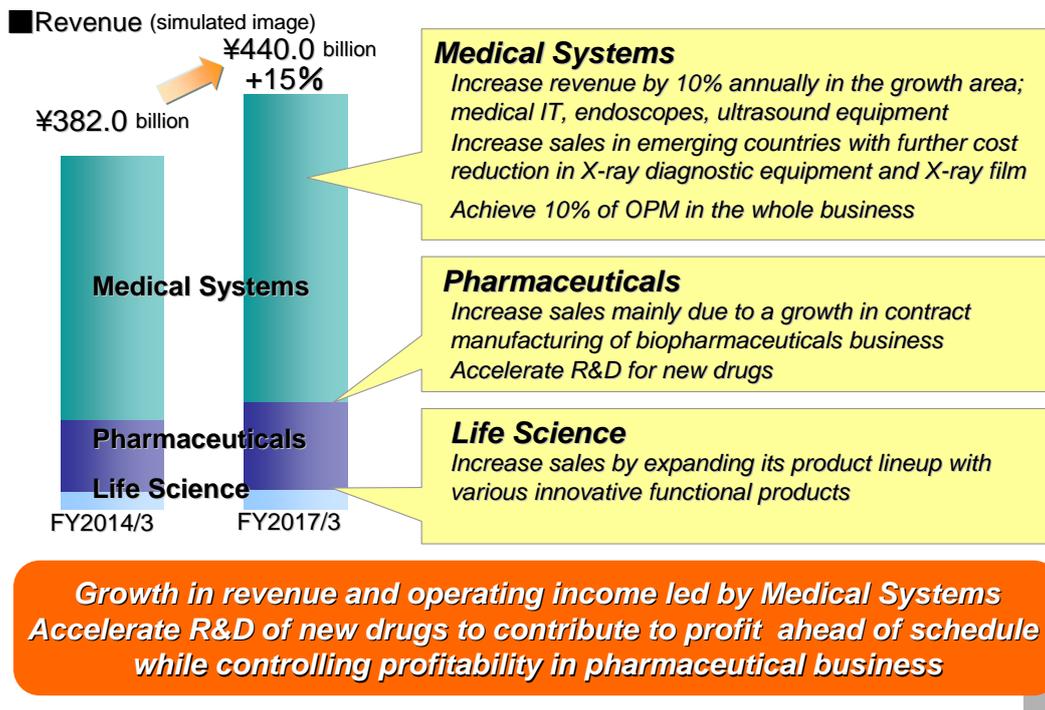
In the Imaging Solutions segment, operating income will increase significantly by securing stable income from Photo Imaging business through the growth of *instax* and value-added printing business, and via major improvement in profitability in Optical Device & Electronic Imaging business.

In the Information Solutions segment, 10% of the operating margin will be achieved by Healthcare business as a growth driver and by maintaining the advantages of the FPD materials business and launching new products in the Highly Functional Materials business and other measures. In addition, stable growth is expected in other businesses as Graphic Systems, which has competitive product in digital printing, and Recording Media, in which the market of magnetic tape for data storage, containing BaFe (barium ferrite) particles has been expanding.

In the Document Solutions segment, 10% of the operating margin will be achieved by the measures that include sales increase mainly in the Asia-Oceania region, expanding service businesses and continued cost reductions.

From the next slide, I will explain Fujifilm's three core businesses, Healthcare, Highly Functional Materials, and Document in detail.

## Accelerate Growth of Core Businesses - Healthcare FUJIFILM Value from Innovation



The revenue target for Healthcare is ¥440.0 billion, 15% increase compared to the figure of FY2014/3. Medical Systems will be a key driver of the growth.

In Medical Systems, Fujifilm will increase revenue by 10% annually in the growing fields of medical IT, which contributes to efficiency in medical treatment; endoscopes, where Fujifilm is characterized by such differentiated products as transnasal endoscopes; and ultrasound diagnostic equipment, centered on portable equipment, where the market is growing.

As for X-ray diagnostic equipment and X-ray film, Fujifilm will implement further cost reduction measures and increase sales in emerging markets.

In the business total, Fujifilm will achieve an operating margin of 10% via a marginal profit increase through revenue growth and cost reductions.

In Pharmaceuticals, the contract manufacturing of biopharmaceuticals business will drive growth in these three years.

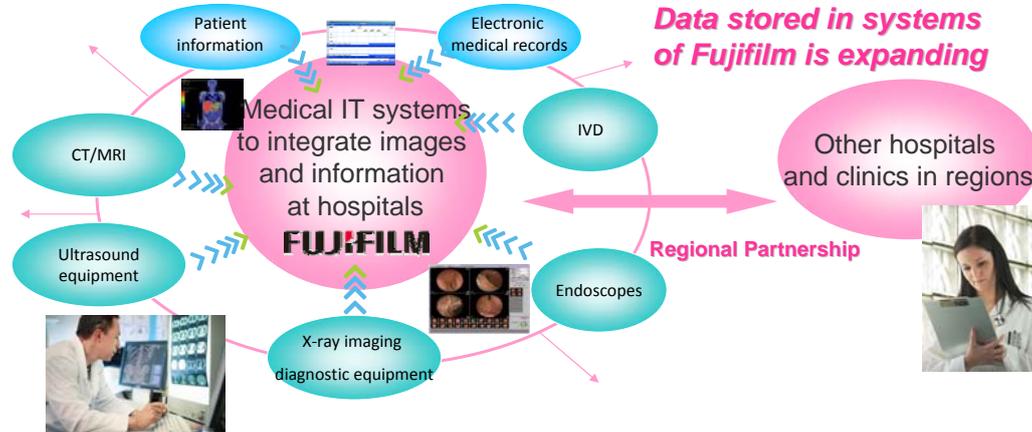
In addition, the important measure in this three years is to accelerate R&D for new drugs. Though it is estimated that the earliest timing for launching actual pipelines is around the year 2018, Fujifilm is trying to make this business contribute to profit ahead of schedule as soon as possible.

In Life Science, Fujifilm will expand its product lineup with various innovative functional cosmetics and supplements utilizing its technologies and increase sales.



## Medical IT

- Contribute to diagnostic support with high accuracy and high speed, and contribute to reduction of medical expenses with systems that can integrate various diagnostic images and clinical information



*Gain a position as owner of big data by utilizing advantage of open platform.  
Support doctors by enabling diagnosis with ease by analyzing stored data  
Realize over 10% annual revenue growth by responding to market demand for efficiency in medical treatment*

8

I will explain the business strategy in medical IT, one of the growth fields in Healthcare.

One unique characteristic of Fujifilm's product is its open platform. It is possible to integrate diagnostic images taken by other companies' equipment and to collectively manage image data that is separately stored at hospitals, where various equipment is being used.

As the volume of image data increases, Fujifilm's system becomes more indispensable for hospitals and other medical institutions, thus, Fujifilm will be able to build a stronger position.

In addition, Fujifilm will expand value-added services, which support diagnosis by doctors through analyzing stored data.

Such diagnosis time reduction with ease in storing data and in diagnosis can help each country's demand of efficiency in medical treatment.

Fujifilm will respond to such market demand and realize over 10% annual revenue growth.



**Expansion of contract manufacturing of biopharmaceuticals**

— Realize stable and speedy production of biopharmaceuticals to contribute to treatments for many patients who require biopharmaceuticals thanks to their high efficiency and safety

**FUJIFILM Diosynth Biotechnologies**

- Developed a high-performance mammalian expression technology "Apollo"

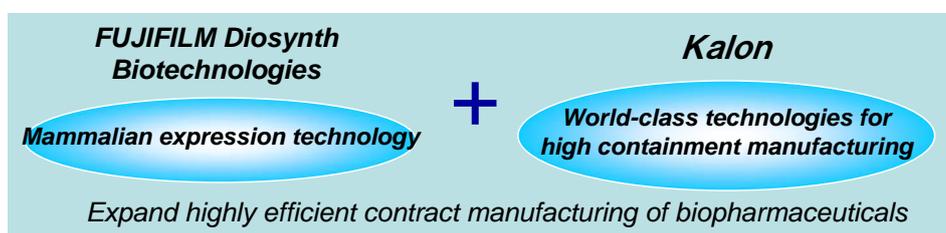


Mobile clean rooms

**Acquired U.S. company Kalon**

**Entering the market of vaccine contract manufacturing**

- World-class technologies for high containment manufacturing. Utilizes mobile clean rooms



I will explain our strategy for the contract manufacturing of biopharmaceuticals, which is becoming a growth driver in Pharmaceuticals business.

In the Fujifilm group, there is a biopharmaceuticals contract manufacturing organization (CMO), FUJIFILM Diosynth Biotechnologies, acquired from Merck & Co., Inc. in the United States in 2011.

The company is enhancing its business by reinforcing the mammalian expression facility that is required for the production of anti-body pharmaceuticals with especially high needs, in addition to a microbial culture facility.

FUJIFILM Diosynth has acquired the U.S. company Kalon, which has cutting-edge facilities that can produce vaccines. Kalon also has world-class technologies for robust, high containment manufacturing, which completely contains viruses used to manufacture vaccines inside production sites. In addition, Kalon utilizes mobile clean rooms featuring compactness and mobility. It will be possible to manufacture with high efficiency by separating the cleaning process to meet the increasing demand for the high-variety, low-volume manufacturing of biopharmaceuticals.

Fujifilm will expand the CMO of biopharmaceuticals business, where high growth is expected, by combining FUJIFILM Diosynth's high technologies and Kalon's strength to establish a one-stop solution system that can meet various needs.



## Accelerate R&D for pipeline

– Accelerate R&D for pipeline to respond to unmet medical needs, such as cancer

**FF-10501**  
Anticancer drug  
(Myelodysplastic syndrome)

**FF-10502**  
Anticancer drug  
(Intractable solid cancer)

**FF-21101**  
Anticancer drug  
(Intractable solid cancer)

**Clinical trials in cooperation with MD Anderson Cancer Center**

**T-817MA**  
Alzheimer's disease drug  
**Clinical trials in cooperation with ADCS\* / Collaborative research with Kyoto University, Center for iPS Cell Research and Application**

**AVIGAN**  
(T-705)  
Anti-influenza drug  
**Effects on Ebola hemorrhagic fever are expected**



\*Alzheimer's Disease Cooperative Study

*Accelerate R&D for pipeline by cooperating with leading research organizations and other institutions  
Differentiate from competitors by creating innovative new drugs with new mechanisms*

The other key measure in Pharmaceuticals is to accelerate R&D for the product pipeline.

Fujifilm will accelerate R&D for new drugs by cooperating with experienced leading research organizations and therapeutic institutions, and differentiate from competitors' drugs by creating innovative new drugs with new mechanisms.

As for anticancer drugs, Fujifilm has been conducting clinical trials in cooperation with the MD Anderson Cancer Center.

Regarding Alzheimer's disease, Fujifilm is conducting clinical trials for the drug called T-817MA in the United States and in Japan. In the United States, Fujifilm is undertaking phase II clinical trials with the world's largest Alzheimer's disease therapeutic research consortium, and in Japan, Fujifilm will make use of the results of collaborative research with the Center for iPS Cell Research and Application of Kyoto University.

Concerning Alzheimer's disease drugs, Fujifilm also decided to enter the market of PET (positron emission tomography) radiopharmaceuticals, which detect a buildup of the protein called amyloid-beta in brains. Fujifilm will contribute to Alzheimer's disease from diagnosis to treatment.

The clinical trials of AVIGAN, which was approved as an anti-influenza drug in Japan and has been expected to have effects on Ebola hemorrhagic fever, are planned to be conducted by French and Guinean governments in Guinea in November.

**Accelerate Growth of Core Businesses - Healthcare** FUJIFILM  
Value from Innovation

**Regenerative medicine**  
— Lead the promising market of regenerative medicine, which Japanese government is promoting its R&D and popularization

3 main components in regenerative medicine

Cytokine (cell-to-cell signaling proteins)

Scaffolds (matrix grafts)

Cell

**FUJIFILM**

Realized recombinant peptide, non-animal-derived material

Introduce RCP Cell

granule sponge

1cm

yeast

**J-TEC**

Realized Japan-first regenerative medical products

Autologous cultured epidermis

JACE

In 2007

Autologous cultured cartilage

JACC

In 2012

J-TEC becomes consolidated subsidiary in FY2015/3  
Continue to be a leading company of regenerative medicine in Japan, maximizing group synergies

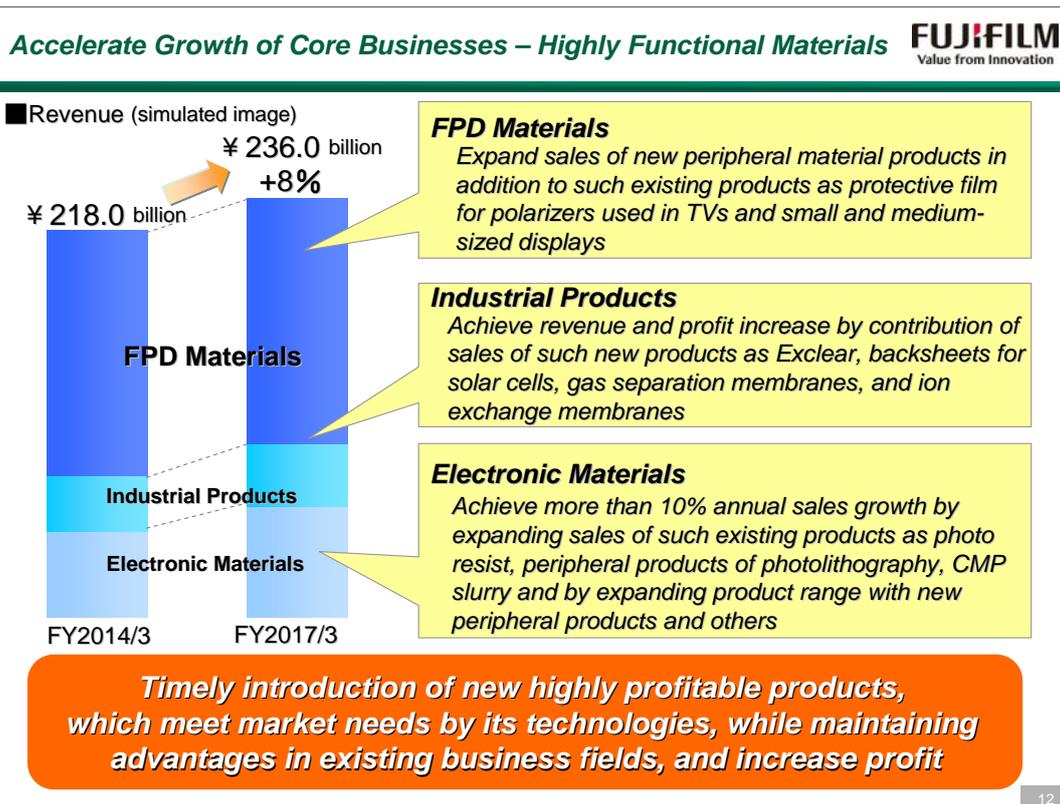
11

Fujifilm has been engaged in regenerative medicine in the field of scaffolds, utilizing its collagen technologies cultivated through photographic business.

In addition, to accelerate industrialization of regenerative medicine, Fujifilm formed a capital partnership with Japan Tissue Engineering Co., Ltd. (J-TEC) in 2010, which has technological capacity and know-how in cell cultivation, and introduced Japan-first regenerative products.

The improvement of the legal systems for early commercialization of regenerative medicine in Japan is also proceeding. Especially, the fast track approval process for the medicine and outsourcing cell culturing from medical institutions to external companies, are designed as a form of deregulation that accelerates the industrialization of regenerative medicine in Japan. In such circumstances, Fujifilm decided to make J-TEC a consolidated subsidiary of Fujifilm Holdings in this fiscal year.

Fujifilm aims to continue to be a leading company of regenerative medicine in Japan by strengthening the synergy with J-TEC, promoting the development of regenerative medicine products, and expansion of its business domain.



The revenue target for Highly Functional Materials is ¥236.0 billion, 8% increase compared to the figure of FY2014/3.

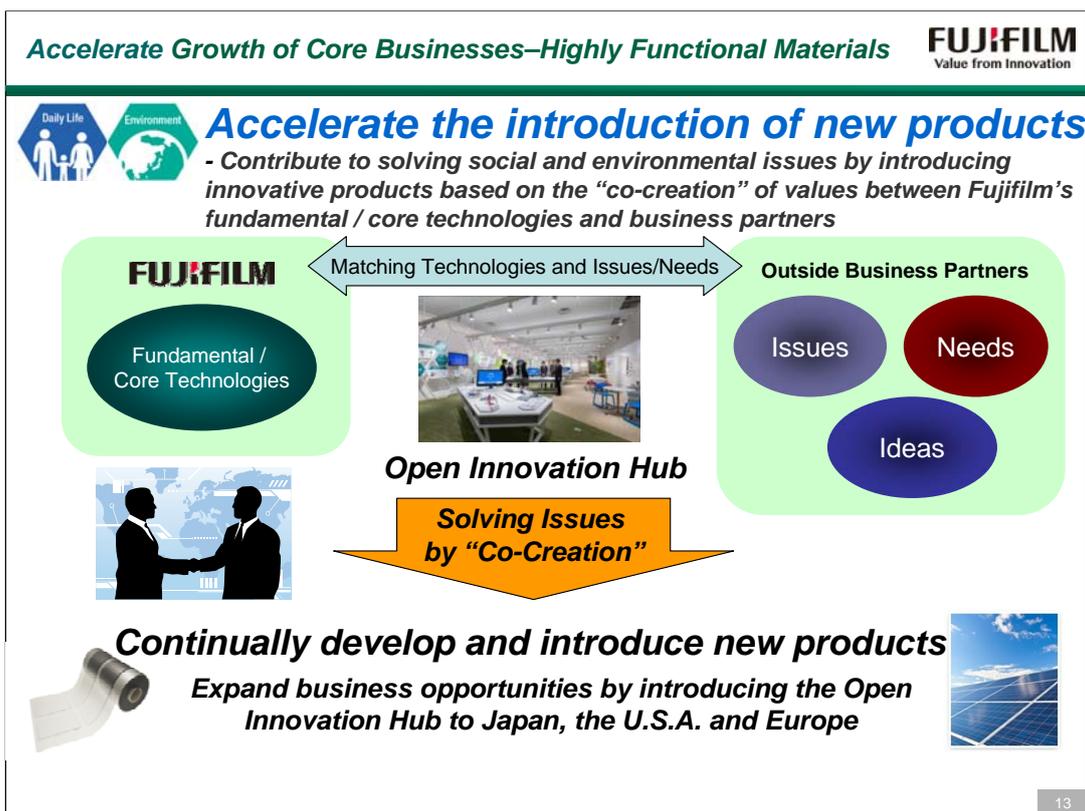
In FPD Materials business, Fujifilm will maintain its strong market position through sales expansion of such existing products as protective film for polarizers used in LCD TVs and small and medium-sized displays. In addition to that, Fujifilm will expand sales of new peripheral material products.

In Industrial Products business, Fujifilm will achieve revenue and profit increases through the contributions to sales of such new products as a touch panel sensor film *Exclear*, backsheets for solar cells, gas separation membranes, and ion exchange membranes.

In Electronic Materials business, Fujifilm estimates high growth among its Highly Functional Materials. Fujifilm will achieve more than 10% annual sales growth by sales expansion of existing products and by expanding its product range with new peripheral products and others.

Highly Functional Materials is one of the fields of expertise of Fujifilm, where it can utilize its high technological capabilities cultivated through its photographic film business.

In this field, Fujifilm will increase profit by timely introducing new highly profitable products.



To achieve this target, Fujifilm established the Open Innovation Hub on its day of establishment, January 20, this year.

This facility was established to continuously develop new products and introduce them to the market through “co-creation” of values by matching Fujifilm’s fundamental / core technologies and business partners’ issues, needs, and ideas.

Though it has not been even one year since it was established, a lot of business partners have already visited the hub, and various new businesses are being created.

To meet diversified needs speedily, it is necessary to think of the cooperation with other companies as an important option, while fully leveraging its strengths.

In addition to Japan, Fujifilm will also establish other two Open Innovation Hubs in the United States and in Europe to expand business opportunities.

## Strategies in Each Business

### Optical Device and Electronic Imaging

Expand sales of such business-use products as broadcasting/cine, security, in-vehicle cameras utilizing optical design and image processing technologies

Focus on high-end digital cameras "X Series" and expand sales of highly profitable interchangeable lenses



### Photo Imaging

Maintain profitability of color paper by increasing market share and cost reductions, expanding sales of such value-added printing business as photobook, and capturing printing demand from smartphones

Further expand sales of instant camera "instax"



### Graphic Systems

Expand digital printing business through collaboration with Heidelberg and other measures while maintaining share in CTP plates

### Recording Media

Expand sales of high storage capacity tapes containing barium ferrite (BaFe) particles, further accelerate data archive service toward long-term data storage needs in "big data" era

I'm going to explain the strategies in other business divisions in Imaging and Information Solutions.

In Optical Device and Electronic Imaging, Fujifilm will expand businesses in various use and domains by maximizing the advantage of the integration of two business divisions, utilizing optical design and image processing technologies.

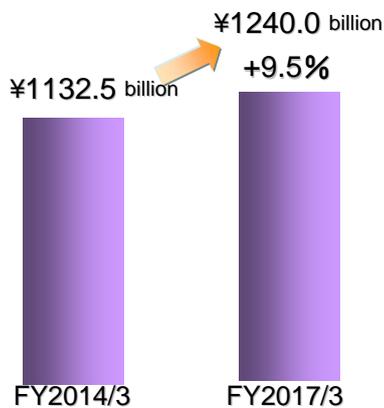
In Photo Imaging, Fujifilm will maintain profitability by such measures as increasing market share and cost reduction in color paper business, expanding such value-added printing business as *photobooks*, and capturing printing demand from smartphones.

In addition, Fujifilm will expand sales of the instant camera "*instax*," which is showing high sales growth recently.

In Graphic Systems, Fujifilm will maintain the top market share in CTP plates, and expand its digital printing business, where the demand is growing, utilizing cooperation with Heidelberg.

In Recording Media, Fujifilm will expand sales of high storage capacity data tapes containing barium ferrite (BaFe) particles and of data archive services toward long-term data storage needs in the "big data" era.

■ Revenue (simulated image)

**Business Growth**

Accelerate growth by expanding service business and solution business in Japan and other developed countries  
Capture substantial market share to increase profit by enhancing the development and sales of cost-competitive equipment, which meet market needs in China and other emerging countries

**Reinforce Corporate Constitution**

Improve costs, including shift to new production base in Vietnam  
Optimize and reinforce R&D  
Reduce ratio of SG&A expenses

**Maintain the revenue base, accelerate growth by reinforcement of sales in growth business and growth region, reinforce corporate constitution by improvement of manufacturing costs to reach 10% of OPM**

15

The third core business is Document Solution, which Fuji Xerox handles.

The revenue target for Document Solution is ¥1240.0 billion and it will achieve 10% operating margin by accelerating growth as well as reinforcing its corporate constitution.

As for its business strategy, Fuji Xerox will reinforce sales in growth businesses and in growth regions to accelerate its own growth.

In Japan and other developed countries, Fuji Xerox will accelerate the transformation of its business structure by expanding such service businesses as Global Services and Production Services as well as its solutions business.

Especially in Global Services, Fuji Xerox will expand its service businesses in the Asia-Oceania region maximizing synergies with an Australian service provider acquired in FY2013/3.

In China and other emerging countries, Fuji Xerox will reinforce its business for large enterprises and government administration offices using its direct sales system, as well as increase its sales volumes by enhancing its dealer network and reinforcing the development of new products focusing on local needs.

In addition to these growth measures, Fuji Xerox will reinforce its corporate constitution by manufacturing cost improvement to achieve a 10% operating margin.



## Document Solutions

**-Support productive working styles by providing office equipment and services, which meet customers' needs in the information society**

### Business of Fuji Xerox in China

**In addition to the business for large enterprises and government administration offices using its direct sales system, introduce new products focusing on local needs to small and medium-scale enterprises by reinforcing its dealer network**

#### Enhance highly profitable businesses using its direct sales system

*Achieve high profitability with medium-to-high speed and color equipment sales, acquiring large-scale orders, and providing solution services*

#### Expand market share by reinforcing its dealer network

*Capture substantial share in mass market with cost competitive new products, which meet market needs*

**No.1 share in A3 color multifunction devices**



DocuCentre SC2020

### Strengthen its production system

**Established a new production base in Vietnam in addition to China to deal with increasing production and achieve cost reductions**



16

In Document Solutions, the business in the Chinese market is especially growing rapidly.

Fuji Xerox has achieved high profitability by providing highly functional equipment and solutions for large enterprises and government administration offices utilizing its direct sales system. At the same time, Fuji Xerox is reinforcing its dealer network and is increasing sales volumes to small and medium-scale enterprises by providing cost-competitive products, and it has gained the No.1 share in the A3 color multifunction device market in the Chinese market. It has the position as the leading group in all A3 equipment markets including for monochrome equipment.

An A3 full-color, low-end model *DocuCentre SC2020*, which was developed focusing on the local needs in China, was launched in May 2014, and it largely committed to acquiring the new market where Fuji Xerox could not have reached before.

In addition to a production base in China, a new production base in Vietnam was established and started operation last year to deal with an anticipated increase in production. Fuji Xerox will reduce equipment manufacturing costs by increasing production volume, while continuing its cost reduction measures in other fields.

***Substantially increase profitability in the all businesses.  
Manage business portfolio appropriately with an eye  
on the changes in the portfolio as one of the options***

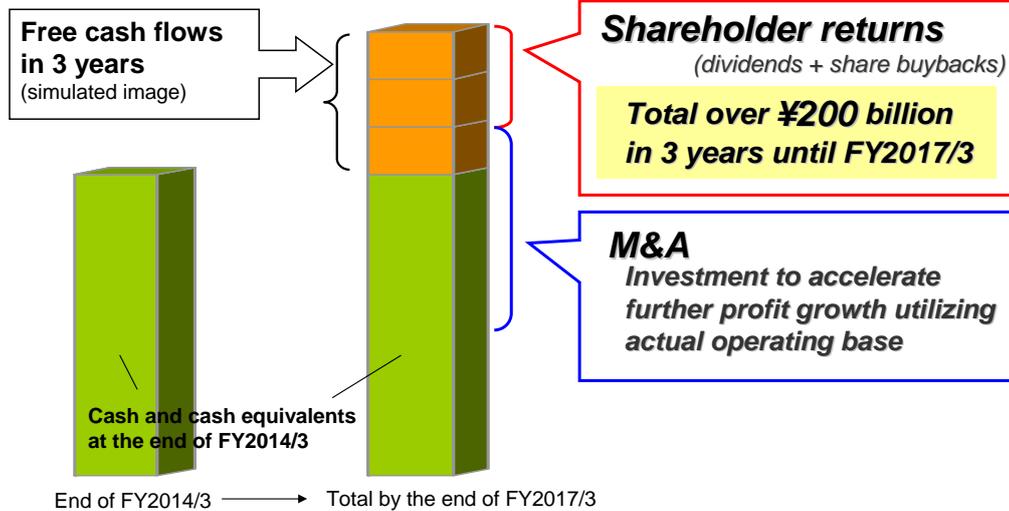
***Bolster competitiveness by company-wide effort  
for enhancing “on-site capabilities”***



Fujifilm will achieve its targeted operating income by significantly improving profitability through out the Company in addition to the growth in business fields. Furthermore, Fujifilm will manage businesses portfolio appropriately, with an eye on changing the portfolio as one of the options.

In addition to the measures for each business as mentioned, Fujifilm will bolster competitiveness for enhancing “on-site capabilities” by Company-wide efforts including in R&D, production, administrative divisions and other business units, to construct a stronger management base.

**Make Efficient Use of Cash/  
Enhancement of Shareholder Returns**



***Achieve ROE of 7% by accomplishing target operating income, accelerating profit growth through strategic investment, and enhancement of shareholder returns***

Finally, I'm going to explain the policy for cash applications.

Out of the total cash including cash and cash equivalents at the end of FY2014/3, and future cash flows estimated to be generated in these three years, Fujifilm will return over ¥200 billion through dividends and share buybacks to shareholders in the three years until FY2017/3.

In particular, under the dividend payout ratio of 25%, about ¥80 billion of dividends in three years and about ¥50 billion of annual share buybacks are expected by achieving this management plan.

Besides that, Fujifilm plans to invest about ¥400 billion to ¥500 billion as necessary in these three years, as strategic investments to accelerate further profit growth utilizing its actual operating base.

In addition to accomplishing its targeted operating income in each business strategy, by adding profit through these strategic M&A investments and enhancing shareholder returns, Fujifilm will achieve an ROE of 7%, its target figure for this medium-term management plan.

*80th*  
Anniversary

# FUJIFILM

## Value from Innovation

At Fujifilm, we are continuously innovating — creating new technologies, products and services that inspire and excite people everywhere.

Our goal is to empower the potential and expand the horizons of tomorrow's businesses and lifestyles.

### **FUJIFILM Holdings Corporation**

Corporate Communication Office, Corporate Planning Div.

<http://www.fujifilmholdings.com/en/index.html>