

Fujifilm's R&D Initiatives for Medium to Long-term Growth

FUJIFILM Holdings Corporation

March 29, 2016

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.

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- 2. Technological Advantages of Fujifilm**
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- 4. Controlling Efficiencies in R&D**

Structural Reforms in the Second Foundation

→Coexisting of both "Breaking away from silver halide photographs" and "Utilizing photo related technologies"

"Breaking away from silver halide photographs"

Business driven development system

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"Utilizing photo related technologies"

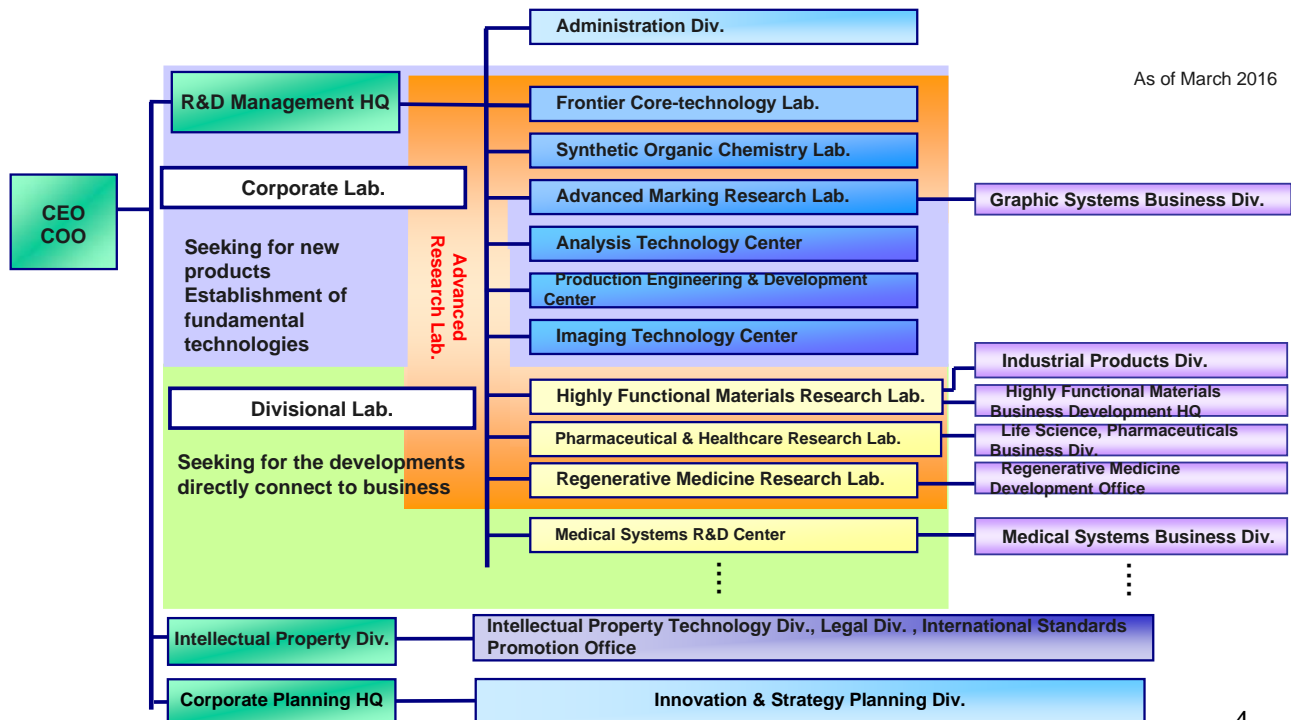
Cross functional corporate system

(Strengthening fundamental and core technologies, promoting new business themes)

Smooth transfer of staffs within the Company / Carrier pass

Actual R&D system

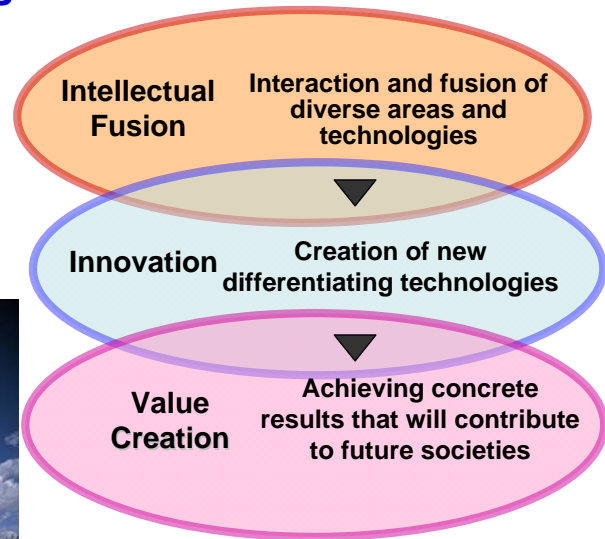
Consolidated management by R&D Management Headquarters through clarifying the functions and roles



As of March 2016

R&D policies of FUJIFILM Advanced Research Laboratories

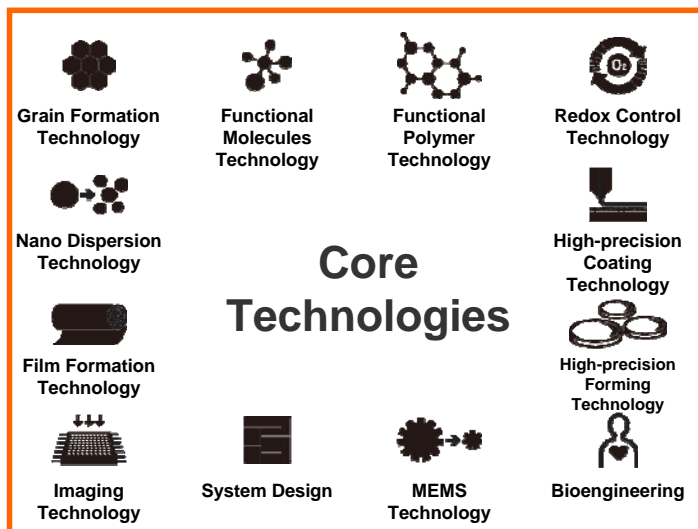
Creation of new value through “Intellectual Fusion and Innovation” : Promoting new business themes



Opened in April 2006

2. Technological Advantages of Fujifilm

Fundamental and Core Technologies



Core Technologies
= Resources to win in businesses

Fundamental Technologie

S
= Physical strength to keep⁶

| | | | | |
|--------------|--------------------|-------------------|----------|------------------------|
| Fundamental | Material Chemistry | Imaging | Optics | Analysis |
| Biochemistry | Mechanical Design | Production System | Software | Electrical, Electronic |

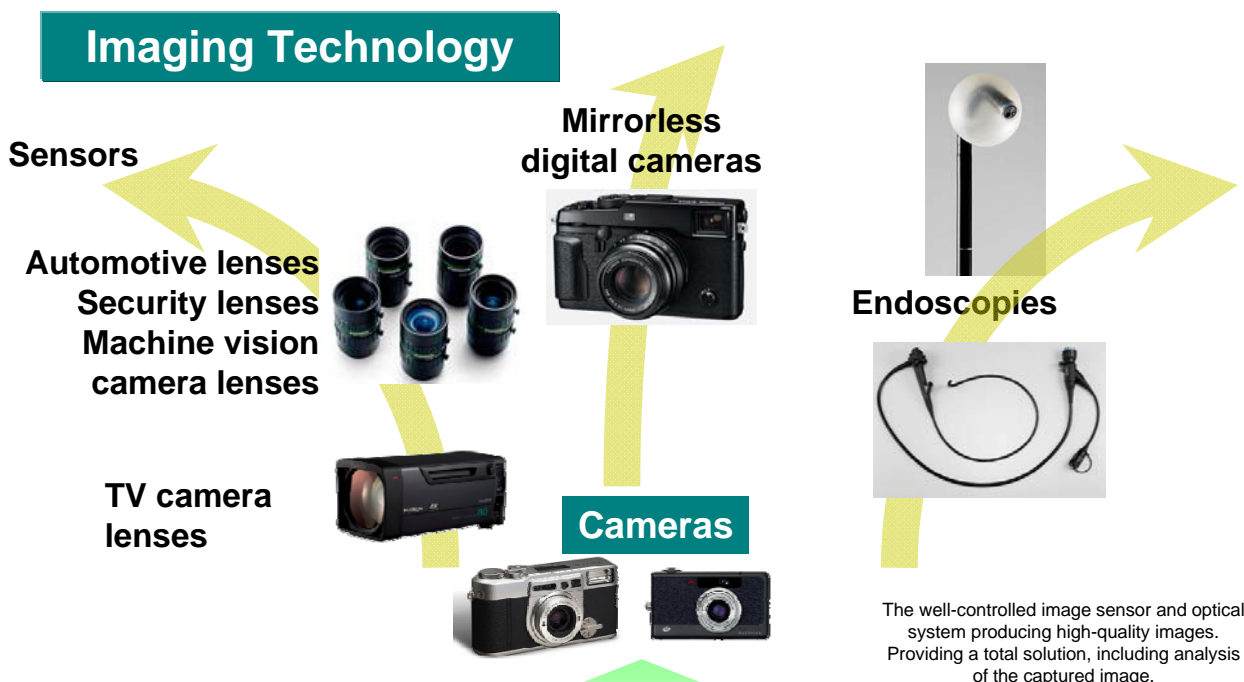
2. Technological Advantages of Fujifilm



Silver halide photographs is an accumulation of various technologies

2. Technological Advantages of Fujifilm

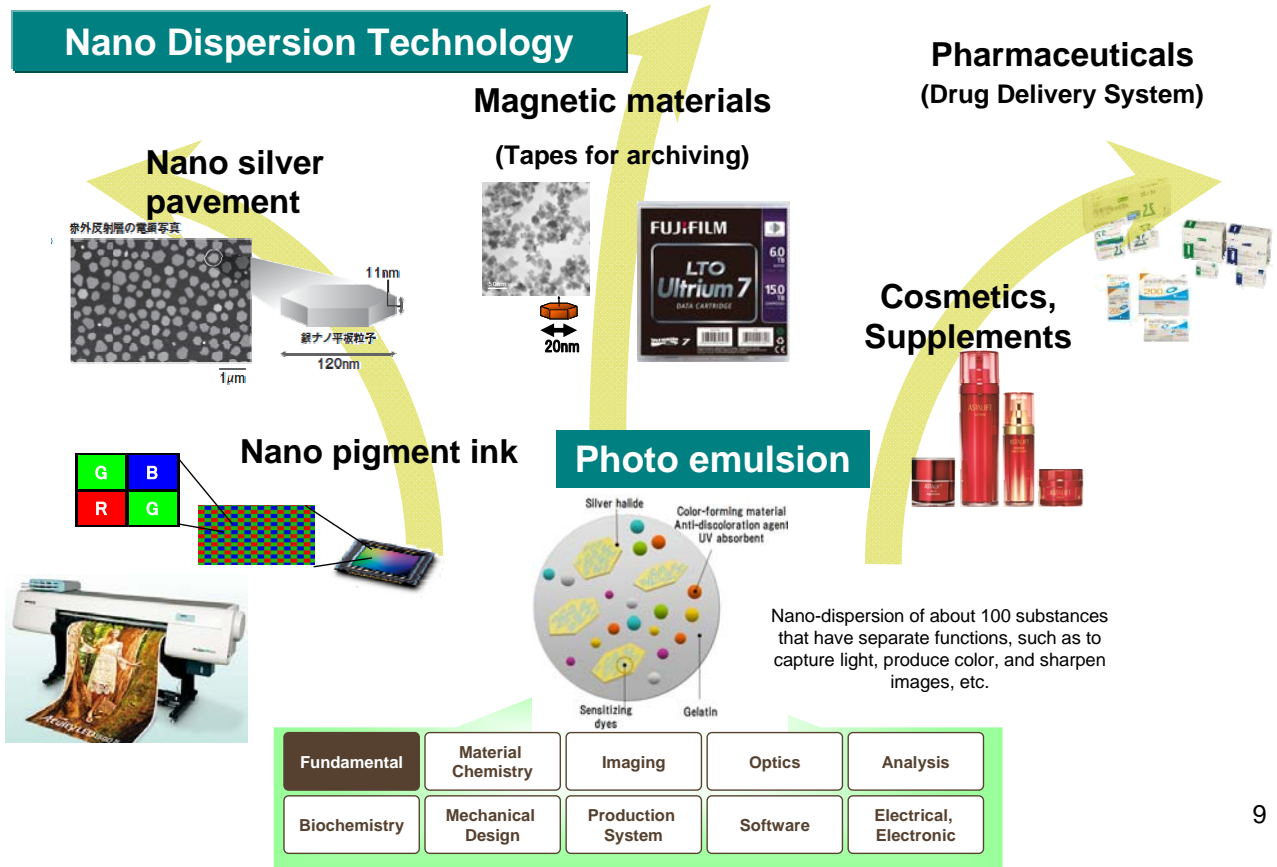
Examples of expansion of core technology (1)



| | | | | |
|--------------|--------------------|-------------------|----------|------------------------|
| Fundamental | Material Chemistry | Imaging | Optics | Analysis |
| Biochemistry | Mechanical Design | Production System | Software | Electrical, Electronic |

2. Technological Advantages of Fujifilm

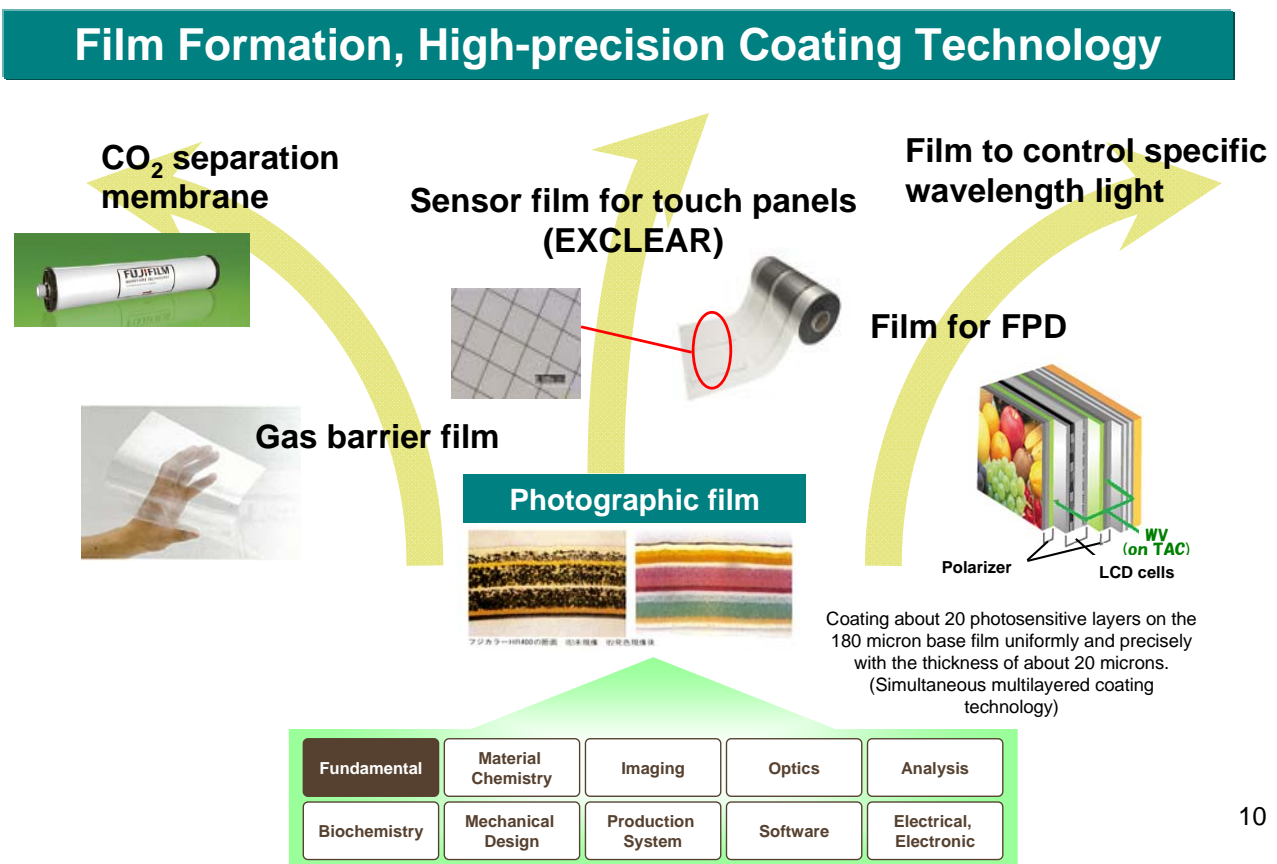
Examples of expansion of core technology (2)



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2. Technological Advantages of Fujifilm

Examples of expansion of core technology (3)

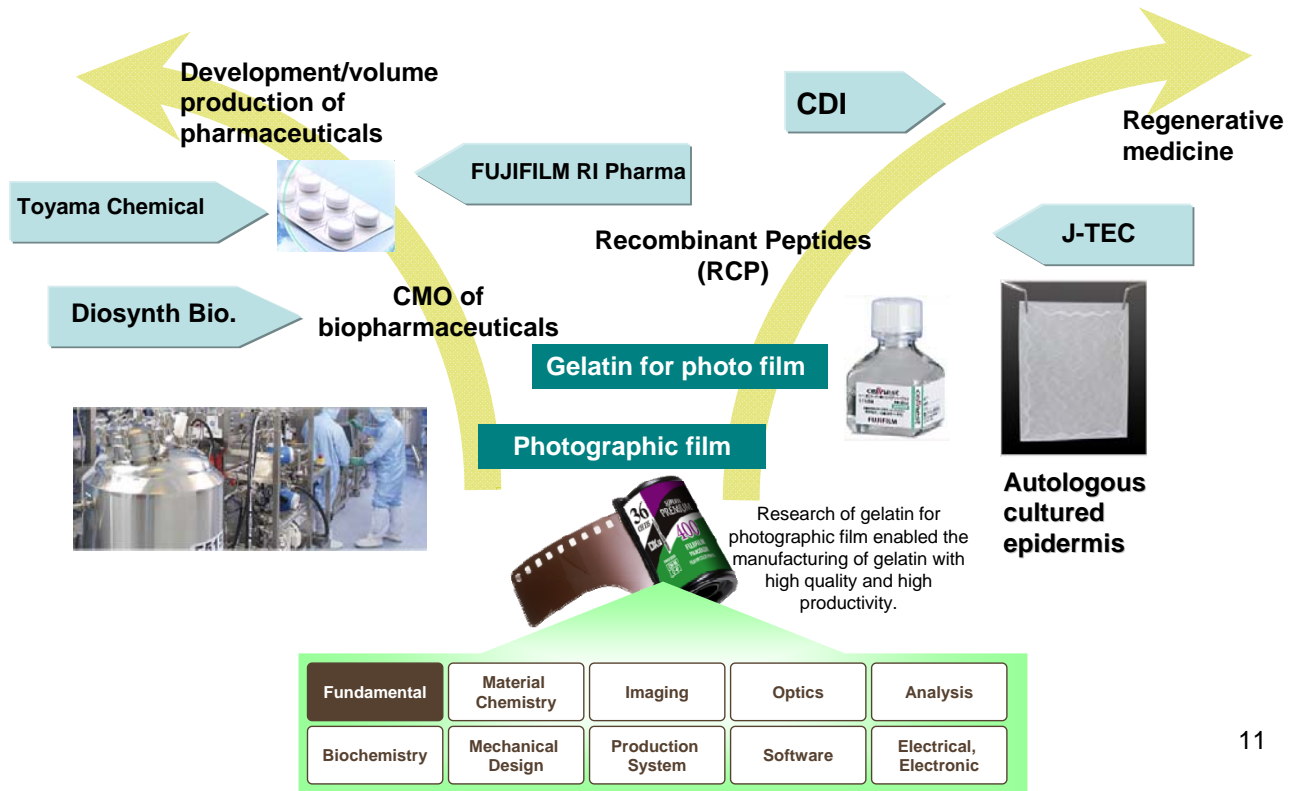


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2. Technological Advantages of Fujifilm

Examples of expansion of core technology (4)

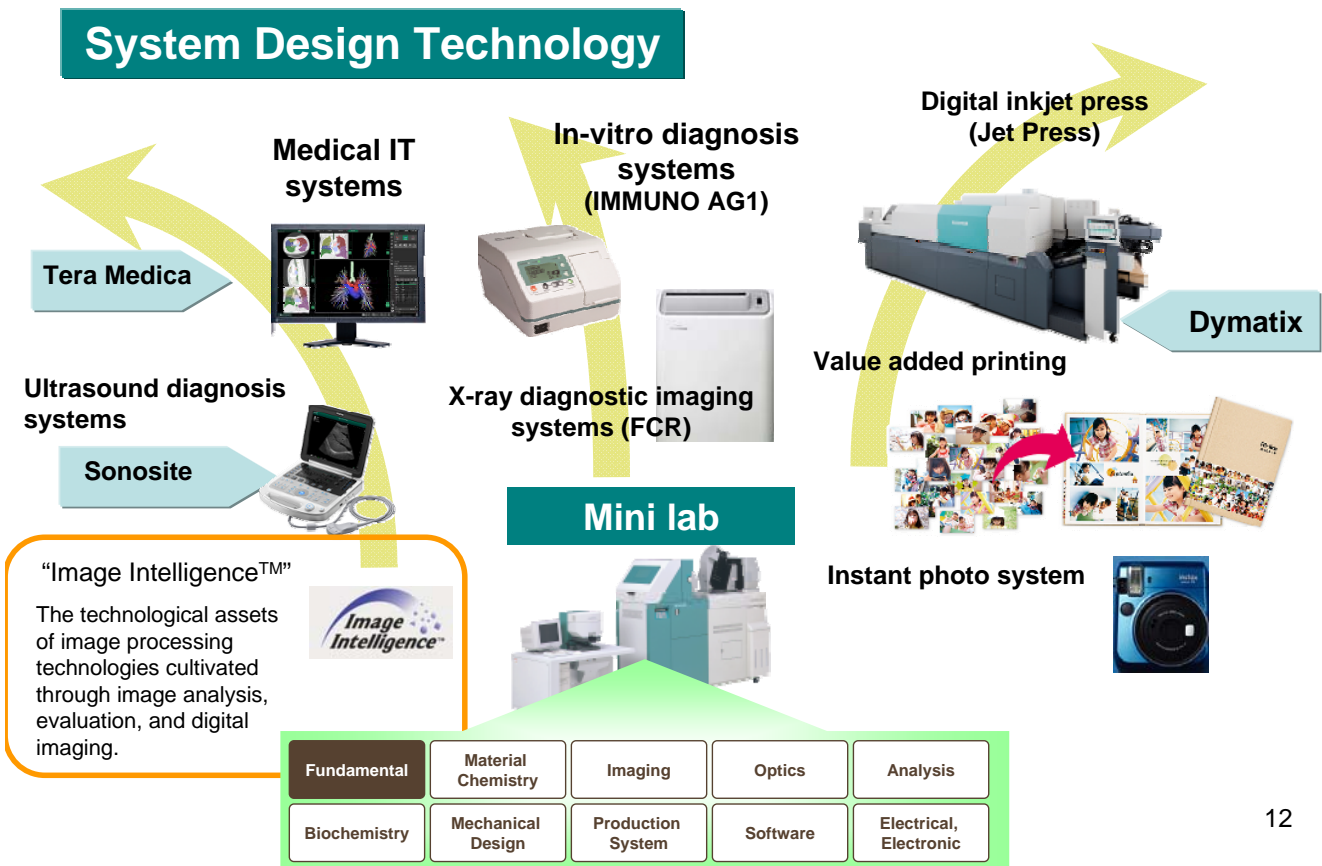
Bioengineering

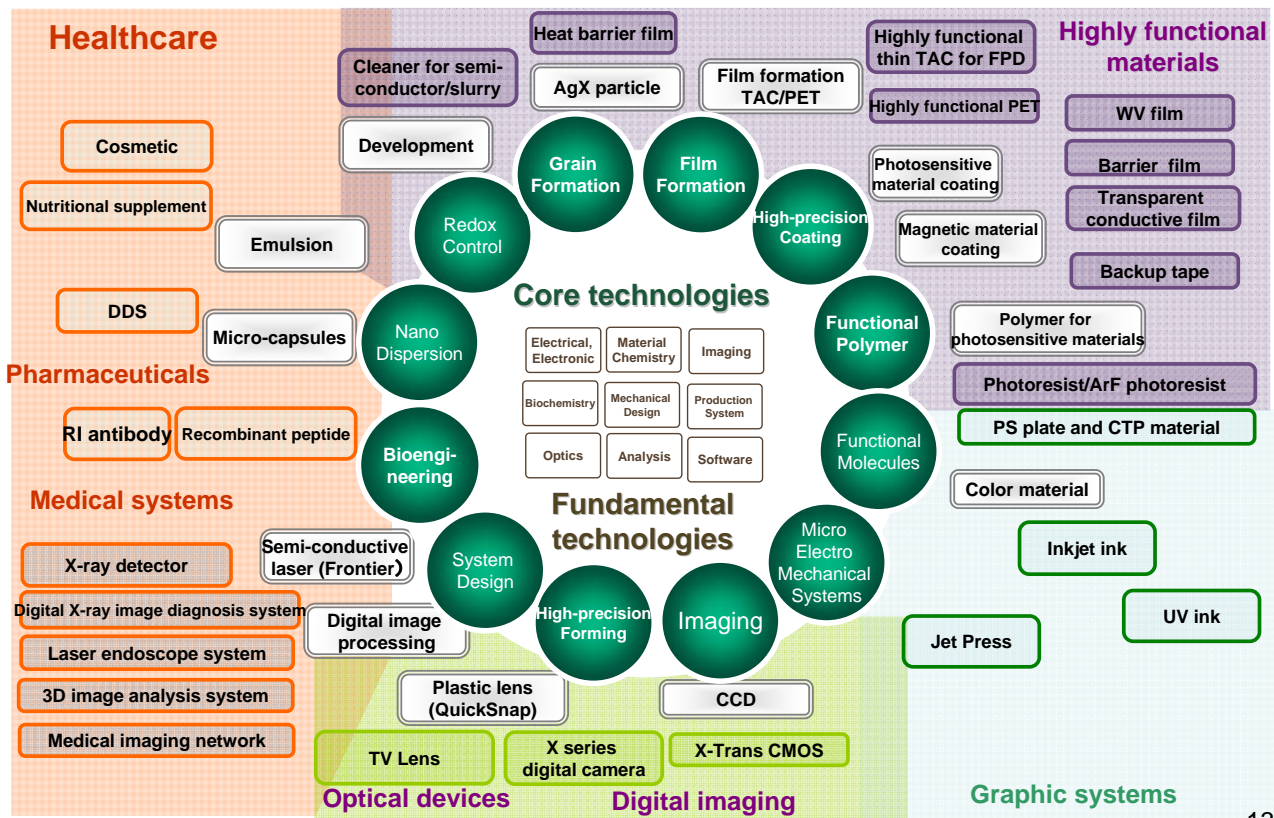


2. Technological Advantages of Fujifilm

Examples of expansion of core technology (5)

System Design Technology





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3. Selecting R&D Themes and Creating New Businesses

KFS for R&D in the 2nd Foundation

→ “Selection and concentration”,
“Appropriate usage of people, things, money”

“Selection and concentration”

Creating a system for selecting themes

(“Stock-taking” of technologies and four-quadrant matrix, two-way theme settings, discussion of research plans)



Linkage by corporate function
(Innovation & Strategy Planning Div.)

“Appropriate usage of people, things, money”

Efficient resource allocation

(Control by ratio of R&D expenses to revenue, relocation of researchers)

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System for selecting themes

“Stock-taking” of technologies – four quadrant -



Keys to Determine Priority Businesses

Is it a growing market?

Do we have the technology to be applied in this area?

Can we stay competitive in this area?

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Establishment of Innovation & Strategy Planning Div.

<Before>

R&D Management Headquarters

Strategic Corporate Planning Div.

Positioning the function of strategy development in R&D Div.

<Actual from August 2015 >

Corporate Planning Headquarters

Strategy group

Innovation & Strategy Planning Div.

R&D Management Headquarters

Ex. Strategic Corporate Planning Div.

Deciding resource allocation from management perspective.
Subcontracting R&D depending on themes

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Highly Functional Materials Business Development Headquarters

- Accelerating creation of new products and businesses in highly functional materials field
- Established in June 2013
- Small project teams mobilizing necessary resources
- Key words: “Small, speedy, less investment, and numerous”
- Continuously creating highly profitable products and businesses



Takashi Iwasaki
Corporate Vice President,
General Manager of Highly Functional Materials Business Development Headquarters

Innovation & Strategy Planning Div.

- Accelerating development of new businesses in medium-to-long term
- Established in August 2015
- Gathered function of business strategy and technology strategy in the Corporate Planning Headquarters
- Key word: “Open Innovation”
- Global activities



Naoto Yanagihara
Corporate Vice President,
General Manager of Innovation & Strategy Planning Division

Open Innovation Hub: Providing places by five concepts

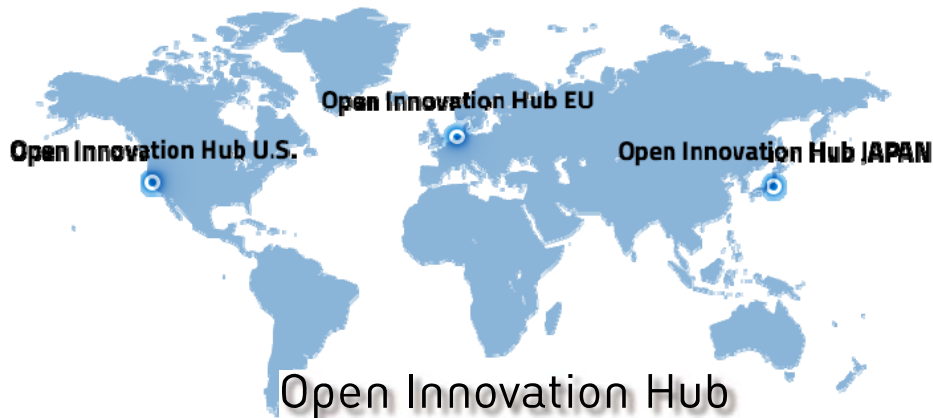
- Co-creation with business partners
- Introducing our fundamental/core technologies and products and technologies under development
- Combining potential needs and our technologies
- Proposing innovative technologies, products, and services
- Fostering innovation



Open Innovation Hub

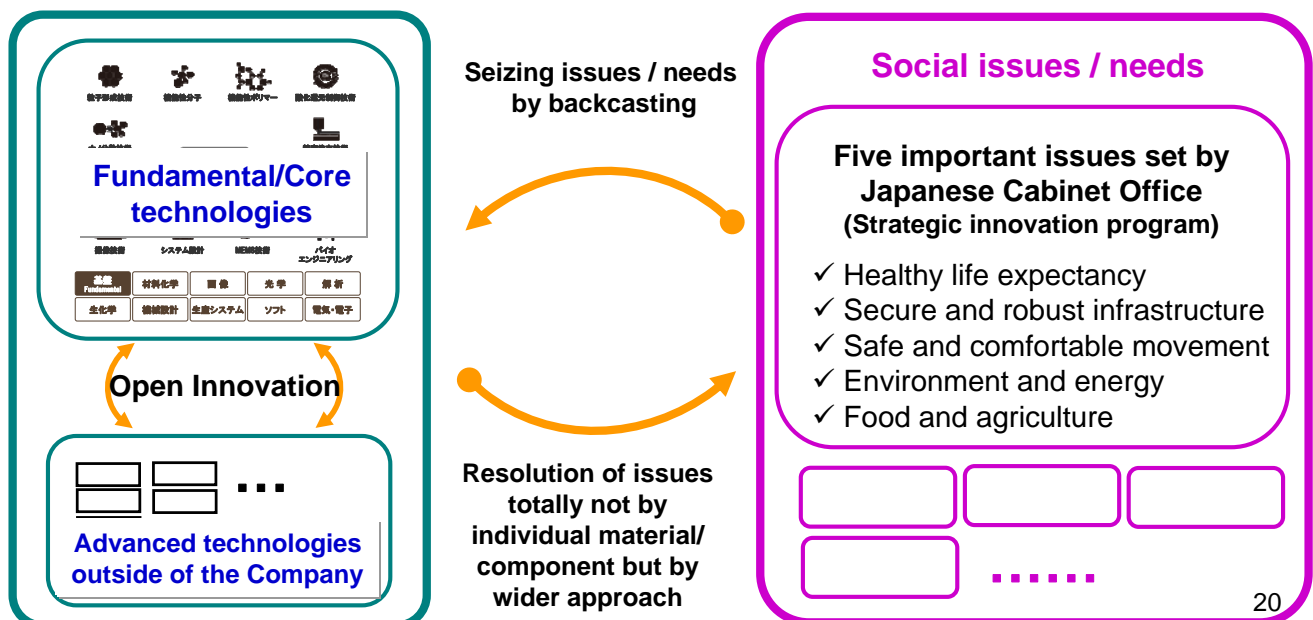
Achievements of Open Innovation Hub (Jan. 2014~)

- Over 650 companies visited in two years since its opening
- 10% of them connected to collaboration (sample works, NDA, sales, etc)
- Effective for presence improvement (mass media, governments, universities, public institutions, VIPs from overseas, etc)
- Useful for employee education (about 2,000 employees visited)
- Global expansion (June 2015: U.S., Jan. 2016: Europe)



Initiatives for medium to long-term R&D themes

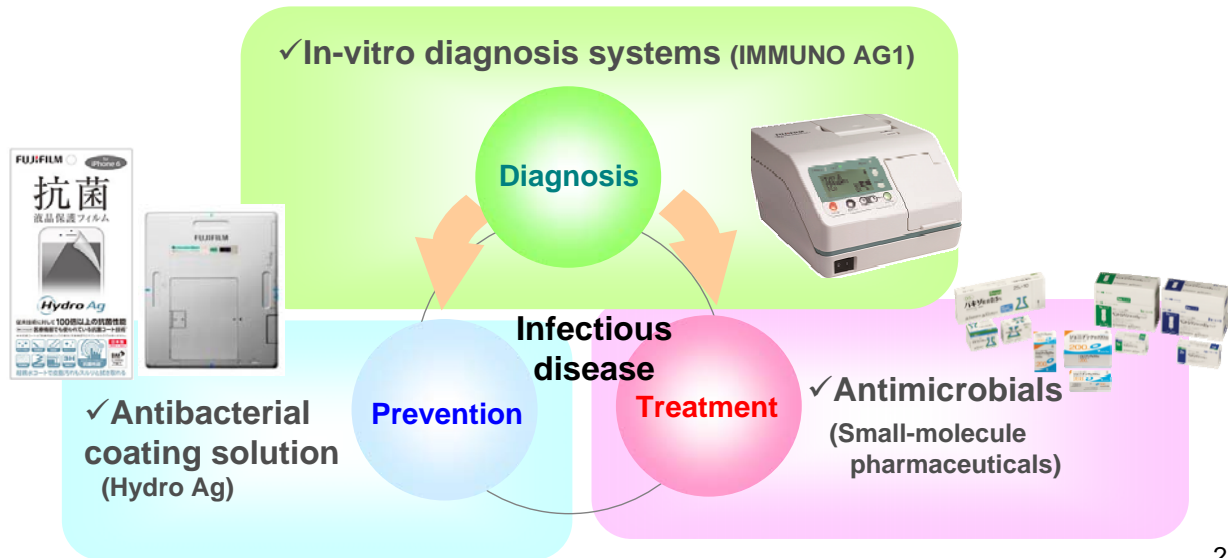
Creating total solutions business by Fujifilm’s unique value creation through combining wide range of technologies



Examples of medium to long-term R&D themes

Fujifilm’s unique total solutions in healthcare business field

Ex., Field of infectious diseases



4. Controlling Efficiencies in R&D

KFS for R&D in the 2nd Foundation

→ “Selection and concentration”,
“Appropriate usage of people, things, money”

“Selection and concentration”
 Creating a system for selecting themes
 (“Stock-taking” of technologies and four-quadrant matrix, two-way theme settings, discussion of research plans)



Linkage by corporate function
(Innovation & Strategy Planning Div.)

“Appropriate usage of people, things, money”
 Efficient resource allocation
 (Control by ratio of R&D expenses to revenue , relocation of researchers)

R&D activities focus on efficiencies

“Implementing selected R&D themes based on management perspective speedily, utilizing recourses properly”

- Effective resource allocation
 - ⇒ Concentrate resources of people, things, money into growth fields
- Open Innovation
 - ⇒ Introducing most-advanced technologies from outside globally while utilizing in-house technologies
 - ⇒ Implementing open innovation which matches regional characteristics
 - ⇒ Implementing the open/close strategies of technologies



**Strengthening management perspective through
Innovation & Strategy Planning Division**