

Fujifilm finds new niches, record profits amid pandemic

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Takatoshi Ishikawa, executive vice president of FUJIFILM Holdings Corp., poses for a photo after an interview with The Associated Press at the company's office in Tokyo on June 11, 2021. Fujifilm outlived the decline of traditional photography and has logged record profits after diversifying into a wide range of businesses, from drugs and cosmetics to advanced materials, cameras and other types of imaging machines. Credit: AP Photo/Hiro Komae

Scores of Japanese manufacturers less well known than Toyota and Sony are linchpins in world supply chains and innovation.

One such company is Fujifilm. It outlived the decline of traditional photography and has logged record profits after diversifying into a wide range of businesses, from drugs and cosmetics to [advanced materials](#), cameras and other types of imaging machines.

Leading those efforts was Shigetaka Komori, who stepped aside last month after 20 years to become an executive adviser to Fujifilm. He focused the 87-year-old company on leveraging its film making technology, boosted by strategic acquisitions, to become a leader in biopharmaceuticals.

That paid off when the pandemic struck.

"People on the outside may even wonder what Fujifilm is doing with all these businesses, but from the inside view, they are actually connected in many ways in basic technology," Takatoshi Ishikawa, a senior executive vice president at Fujifilm, told The Associated Press in a recent interview.

Fujifilm has made the most of its "analog strengths," such as expertise in materials, he said.

Komori left on a high note. Despite a dent in sales due to the pandemic, the company reported a record 181.2 billion yen (\$1.6 billion) in [net profit](#) in the [fiscal year](#) that ended in March, up 45% from a year earlier.

Fujifilm's technology is used to make the antigen for the COVID-19 Novavax vaccine, though it has yet to be approved in Japan. It also specializes in a nanotechnology used in mRNA vaccines, such as those from Pfizer and Moderna.



In this May 14, 2018, file photo, a man walks in front of Nishiazabu headquarters of Fujifilm Holdings Corporation in Tokyo. Scores of Japanese manufacturers less well known than companies like Toyota and Sony are linchpins in world supply chains and innovation. Fujifilm is one. It outlived the decline of traditional photography and has logged record profits after diversifying into a wide range of businesses, from drugs and cosmetics to advanced materials, cameras and other types of imaging machines. Credit: AP Photo/Koji Sasahara

The Tokyo-based company developed a PCR test for the coronavirus that delivers results in 75 minutes. Older methods require several hours. In March, it developed a detection kit for several variants of COVID-19. Meanwhile, its influenza drug Avigan is in clinical tests for treating the

coronavirus.

Kenshu Kikuzawa, a professor of business administration at Tokyo's Keio University, says the company has "dynamic capability," a capacity to go beyond cost-cutting and other conventional methods to recreate itself. It's something Japanese companies should stick to: doing what they're good at, such as fine-tuned manufacturing and materials.

"Dynamic capability isn't about building out of zero. It's the ability to build on the assets, resources, knowledge and technology that already exist in a company, to reorganize, reuse and reposition them," Kikuzawa said.

Many experts attribute Kodak's struggles after film photography was supplanted by [digital image](#) making to a failure to be nimble enough to shift gears and diversify effectively. Kodak did make a tentative move into pharmaceuticals, acquiring Sterling Drug in 1988, but it sold it in 1994. The company reported a net loss of \$541 million in 2020.

Fujifilm got a leg up in its rivalry with Kodak when it won a sponsorship for the 1984 Los Angeles Olympics. Times have changed: neither company has a sponsorship at the upcoming Tokyo Games, which were postponed due to the pandemic and are slated to open on July 23.

While American businesses often excel in innovation and entrepreneurship, corporate strategies focused on the short term can mean they are relatively short-lived, with an [average lifespan](#) of less than 20 years for publicly listed companies. Japanese companies still tend to set long-term horizons. The average age of turnover on the Tokyo Stock Exchange, according to Tokyo Shoko Research, is nearly 90 years.

In reinventing itself, FUJIFILM Holdings Corp. applied micron-level skills used to make color film in pharmaceuticals and cosmetics,

gradually expanding into advanced medical technology, which it made its strategic focus.

It was building on expertise developed over decades.



Takatoshi Ishikawa, executive vice president of FUJIFILM Holdings Corp., speaks during an interview with The Associated Press at the company's office in Tokyo on June 11, 2021. Fujifilm outlived the decline of traditional photography and has logged record profits after diversifying into a wide range of businesses, from drugs and cosmetics to advanced materials, cameras and other types of imaging machines. Credit: AP Photo/Hiro Komae

The chief ingredient in film, gelatin that is derived from collagen, is

what helps give human skin its sheen and elasticity. The oxidation that ages skin also is what makes photos fade, a process long researched by Fujifilm. The technologies used in processing film also are useful for enhancing absorption of cosmetics by the skin.

Komori became Fujifilm's president in 2000, just as global demand for photographic film peaked and then went into a freefall. He slashed costs and then guided an acquisition drive that helped the company build up its technological prowess and manufacturing capacity.

Fujifilm bought U.S. ultrasound device maker SonoSite, health care technology companies Irvine Scientific and Cellular Dynamics, a leader in the research and manufacturing of iPSC, key in cell therapies. In 2011, it acquired two leading contract manufacturers of biopharmaceuticals from Merck & Co. It's now the No. 2 manufacturer in that field, after Lonza of Switzerland.

In Japan, Fujifilm acquired Toyama Chemical Co. in 2008. Earlier this year, it purchased Hitachi's Diagnostic Imaging-related business, a medical systems unit.

Komori's 2015 book, "Innovating Out of a Crisis," reads a bit like master swordsman Musashi Miyamoto's "The Book of Five Rings," in doling out zen-like advice: Life means battling rivals, time, destiny, hardship, tradition and personal weakness, he says.

"While problems remain, I am firm in my belief that Japanese companies have great potential. The ultimate strength of corporate Japan is technology," he wrote. "This technology is sustained by hardworking, loyal employees, who are always striving to make something better, something new."

More recently, in making way for a new generation of leadership,

Komori said he was departing with confidence about where the [company](#) was headed, especially given its performance amid the pandemic.

"We will be OK. My job is done," he said.

"Thank you. And sayonara."

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