

This document is a translation of the Consolidated Financial Statements in the “YUKASHOKEN HOKOKUSHO” originally issued in Japanese.

Consolidated Financial Statements

FUJIFILM Holdings Corporation and Subsidiaries

March 31, 2021

with Report of Independent Auditors

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Financial Statements

March 31, 2021

Contents

Independent Auditor's Report on the Consolidated Financial Statements.....	1
Consolidated Balance Sheets.....	9
Consolidated Statements of Income	11
Consolidated Statements of Comprehensive Income	12
Consolidated Statements of Changes in Equity	13
Consolidated Statements of Cash Flows	15
Notes to Consolidated Financial Statements	16

[English Translation of the Independent Auditor's Report Originally Issued in Japanese Language]

Independent Auditor's Report on the Consolidated Financial Statements

June 30, 2021

The Board of Directors of FUJIFILM Holdings Corporation

KPMG AZSA LLC
Tokyo Office, Japan

Hiroto Kaneko(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoyasu Sugisaki(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of FUJIFILM Holdings Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated balance sheet as at March 31, 2021 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, and supplementary schedules, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America pursuant to Paragraph 3 of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Cabinet Office Ordinance No.11 of 2002).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in

accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on the goodwill allocated to the Healthcare & Material Solutions business	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet for the fiscal year ended March 31, 2021, FUJIFILM Holdings Corporation recognized goodwill of ¥568,094 million related to the Healthcare & Material Solutions business, which represented approximately 16.0% of total assets in the consolidated financial statements.</p> <p>As described in Note 2(10), "Goodwill and Other Intangible Assets" to the consolidated financial statements, for goodwill, the Company assesses whether it is impaired (impairment test) as of January 1 each year, in addition to when objective facts or changes in circumstances indicate that its fair value may fall below the carrying amount. The fair value is measured based on discounted present value of future cash flows.</p> <p>Future cash flows are estimated based on the medium-term management plan approved by the Board of Directors. The medium-term management plan has been formulated to reflect not only the sales plan, which has been based on information by external research organizations on market growth rates, and the market environment by product category, but also the changes in manufacturing cost and selling, general and administrative on the basis of that plan. In the medium-term management plan, the medical systems related business and the bio CDMO related business are expected to lead the growth of sales in the healthcare field and develop this field. In addition, the materials field is expected to further expand sales by maintaining the competitive advantage of existing businesses, and moreover harnessing unique technological prowess and releasing highly profitable products that meet market needs in a timely manner. Future sales forecasts in the plan involve high uncertainties in market growth in the healthcare field, intensifying competition with competing companies in the materials field and others, and require significant judgments by management.</p> <p>In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the fair value requires a high degree of expertise in valuation.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be</p>	<p>The primary audit procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on goodwill allocated to the Healthcare & Material Solutions business was appropriate included the following:</p> <p>(1) Internal control testing</p> <p>We evaluated the effectiveness of design and operation of key internal controls related to estimate of fair value for the Healthcare & Material Solutions business in impairment test of goodwill, especially focusing on controls related to estimate of future cash flows of the Healthcare & Material Solutions business (including formulation of the medium-term management underlying the estimate).</p> <p>(2) Assessment of the reasonableness of the estimated fair value</p> <p>To evaluate significant assumptions in the formulation of the medium-term management plan for the Healthcare & Material Solutions business underlying the estimate of future cash flows, we mainly performed the following audit procedures:</p> <ul style="list-style-type: none"> • We made inquiries to management as to grounds for significant assumptions used in the formulation of the medium-term management plan for the Healthcare & Material Solutions business and how risks were reflected in the medium-term management plan based on the market environment by product category, and inspected relevant documents. • As for market growth rates used for future sales forecasts in the medium-term management plan for the Healthcare & Material Solutions business, we carefully examined the management's assumptions for each of the healthcare and material segments by checking consistency with data on forecasts of market growth released by external organizations. • Based on the results of our assessment of the reasonableness of major assumptions and the causes of the differences between the actual

Appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on the goodwill allocated to the Healthcare & Material Solutions business	
The key audit matter	How the matter was addressed in our audit
<p>recognized on goodwill allocated to the Healthcare & Material Solutions business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>achievements and planned figures in the past business plans, we independently estimated future cash flows by incorporating certain uncertainties into the medium-term management plan and compared them with those estimated by management.</p> <ul style="list-style-type: none"> • We compared the total fair value of each reporting unit with the market capitalization of the Company. <p>Furthermore, we performed the following procedures by engaging valuation specialists within our domestic network firms to assist our evaluation of the discount rate:</p> <ul style="list-style-type: none"> • As for the calculation method for the discount rate, we assessed its appropriateness based on the inputs and requirements of the applicable accounting standards and others. • As for input data associated with the Healthcare & Material Solutions business used to calculate the discount rate, we assessed the reasonableness by checking the input data against valuation reports that the Company obtained from external organizations and the data that valuation specialists independently obtained.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on the goodwill allocated to the Document Solutions business	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet for the fiscal year ended March 31, 2021, FUJIFILM Holdings Corporation recognized goodwill of ¥236,105 million related to the Document Solutions business, which represented approximately 6.7% of total assets in the consolidated financial statements.</p> <p>As described in Note 2(10) "Goodwill and Other Intangible Assets" to the consolidated financial statements, for goodwill, the Company assesses whether it is impaired (impairment test) as of January 1 each year, in addition to when objective facts or changes in circumstances indicate that its fair value may fall below the carrying amount. The fair value is measured based on discounted present value of future cash flows.</p> <p>Future cash flows are estimated based on the medium-term management plan approved by the Board of Directors. The medium-term management plan has been formulated to reflect not only the sales plan, which has been based on information by external research organizations on market growth rates, and the market environment by product category, but also the changes in manufacturing cost and selling, general and administrative, on the basis of that plan. In the medium-term management plan, the Company aims for sales growth by maintaining its competitive advantage through enhancing the product lineup providing solutions for challenges at office, promoting research and development of unique technologies in the document field that supports it, developing collaboration with IT service companies, and other means. Future sales forecasts in the plan involve high uncertainties in major changes in the market environment due to a decline in demand for office printing resulting from digitalization of customer companies' operation processes and spread of remote work to prevent infection of COVID-19, and fiercer competition in the office equipment market, and require significant judgments by management.</p> <p>In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the fair value requires a high degree of expertise in valuation.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be</p>	<p>The primary audit procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on goodwill allocated to the Document Solutions business was appropriate included the following:</p> <p>(1) Internal control testing</p> <p>We evaluated the effectiveness of design and operation of key internal controls related to estimate of fair value for the Document Solutions business in impairment test of goodwill, especially focusing on controls related to estimate of future cash flows of the Document Solutions business (including formulation of the medium-term management plan underlying the estimate).</p> <p>(2) Assessment of the reasonableness of the estimated fair value</p> <p>To evaluate significant assumptions in the formulation of the medium-term management plan for the Document Solutions business underlying the estimate of future cash flows, we mainly performed the following audit procedures:</p> <ul style="list-style-type: none"> • We made inquiries to management as to grounds for significant assumptions used in the formulation of the medium-term management plan for the Document Solutions business and how risks were reflected in the medium-term management plan based on the market environment by product category, and inspected relevant documents. • As for demand for printing, growth rates of the office equipment market and other factors used for future sales forecasts in the medium-term management plan for the Document Solutions business, we carefully examined the management's assumptions by checking consistency with data on forecasts of market growth released by external organizations. • Based on the results of our assessment of the reasonableness of major assumptions and the causes of the differences between the actual achievements and planned figures in the past business plans, we independently estimated future cash flows by incorporating certain uncertainties into the medium-term

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on the goodwill allocated to the Document Solutions business	
The key audit matter	How the matter was addressed in our audit
<p>recognized on goodwill allocated to the Document Solutions business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>management plan, and compared them with those estimated by management.</p> <ul style="list-style-type: none"> · We compared the total fair value of each reporting unit with the market capitalization of the Company. <p>Furthermore, we performed the following procedures by engaging valuation specialists within our domestic network firms to assist our evaluation of the discount rate:</p> <ul style="list-style-type: none"> · As for the calculation method for the discount rate, we assessed its appropriateness based on the inputs and requirements of the applicable accounting standards and others. · As for input data associated with the Document Solutions business used to calculate the discount rate, we assessed the reasonableness by checking the input data against valuation reports that the Company obtained from external organizations and the data that valuation specialists independently obtained.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in the United States of America.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on our judgement, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest in the company

Our firm and its designated engagement partners do not have any interest in the Group which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the reader of audit report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the Consolidated Financial Statements as required by the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan ("the FIEAJ") and does not include the English translation of the Independent Auditor's Report on the internal control audits as required by the Article 193-2, Paragraph 2 of the FIEAJ.

FUJI FUJIFILM Holdings Corporation states that internal control over financial reporting was effective as at March 31, 2021 in the Internal Control Report

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

	March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Current assets:			
Cash and cash equivalents	¥ 394,795	¥ 396,091	\$ 3,556,712
Notes and accounts receivable:			
Trade (Note 22)	574,319	524,120	5,174,045
Lease receivables (Notes 5 and 21)	51,644	55,419	465,261
Affiliated companies	2,462	2,640	22,180
Allowance for doubtful receivables (Notes 5 and 21)	(22,707)	(23,761)	(204,568)
Inventories (Note 7)	417,662	380,911	3,762,721
Prepaid expenses and other (Notes 18, 19 20 and 22)	89,201	153,783	803,613
Total current assets	1,507,376	1,489,203	13,579,964
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 8)	31,849	27,770	286,928
Investment securities (Notes 4 and 20)	111,650	87,209	1,005,856
Long-term lease receivables (Notes 5 and 21)	62,068	61,724	559,171
Other long-term receivables (Notes 18, 19 and 20)	25,426	30,497	229,063
Allowance for doubtful receivables (Notes 5 and 21)	(3,167)	(4,067)	(28,532)
Total investments and long-term receivables	227,826	203,133	2,052,486
Property, plant and equipment (Notes 2, 6 and 20):			
Land	105,764	96,776	952,829
Buildings and structures	718,513	732,716	6,473,090
Machinery, equipment and other	1,474,840	1,478,270	13,286,847
Construction in progress	63,913	47,481	575,793
Subtotal	2,363,030	2,355,243	21,288,559
Less accumulated depreciation	(1,727,779)	(1,754,696)	(15,565,577)
Total property, plant and equipment	635,251	600,547	5,722,982
Other assets:			
Operating lease right-of-use assets (Note 6)	78,203	75,261	704,532
Goodwill, net (Notes 9 and 23)	804,199	687,155	7,245,036
Other intangible assets, net (Notes 9 and 20)	128,496	142,071	1,157,622
Deferred income taxes (Note 12)	33,179	37,811	298,910
Other (Notes 2, 9, 11 and 22)	134,673	86,511	1,213,270
Total other assets	1,178,750	1,028,809	10,619,370
Total assets	¥3,549,203	¥3,321,692	\$31,974,802

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Balance Sheets (continued)

	March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Liabilities and equity			
Current liabilities:			
Short-term debt <i>(Notes 6, 10 and 19)</i>	¥ 63,729	¥ 120,998	\$ 574,135
Notes and accounts payable:			
Trade	217,308	195,214	1,957,730
Construction	21,157	25,360	190,604
Affiliated companies	1,455	1,724	13,108
Accrued income taxes <i>(Note 12)</i>	24,527	24,893	220,964
Accrued liabilities <i>(Notes 11 and 24)</i>	197,519	171,989	1,779,450
Short-term operating lease liabilities <i>(Note 6)</i>	28,938	25,696	260,703
Other current liabilities <i>(Notes 15, 18, 19, 20 and 22)</i>	161,651	94,133	1,456,315
Total current liabilities	716,284	660,007	6,453,009
Non-current liabilities:			
Long-term debt <i>(Notes 6, 10 and 19)</i>	439,351	503,171	3,958,117
Accrued pension and severance costs <i>(Note 11)</i>	30,090	33,818	271,081
Long-term operating lease liabilities <i>(Note 6)</i>	54,946	52,652	495,009
Deferred income taxes <i>(Note 12)</i>	32,240	21,558	290,450
Other non-current liabilities <i>(Notes 12, 18, 19, 20 and 22)</i>	54,135	56,729	487,703
Total non-current liabilities	610,762	667,928	5,502,360
Total liabilities	1,327,046	1,327,935	11,955,369
Commitments and contingent liabilities <i>(Note 15)</i>			
Equity <i>(Note 13)</i> :			
FUJIFILM Holdings shareholders' equity:			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	40,363	40,363	363,631
Retained earnings	2,702,760	2,563,091	24,349,189
Accumulated other comprehensive income (loss) <i>(Notes 2, 11, 14 and 18)</i>	(52,836)	(164,100)	(476,000)
Treasury stock, at cost (114,823,247 shares in 2021; 114,914,288 shares in 2020)	(485,721)	(486,102)	(4,375,865)
Total FUJIFILM Holdings shareholders' equity	2,204,566	1,953,252	19,860,955
Noncontrolling interests	17,591	40,505	158,478
Total equity	2,222,157	1,993,757	20,019,433
Total liabilities and equity	¥3,549,203	¥3,321,692	\$31,974,802

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Income

	Year ended March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Revenue <i>(Notes 2, 5 and 22)</i>	¥2,192,519	¥2,315,141	\$19,752,423
Cost of sales <i>(Notes 6, 20 and 24)</i>	1,322,828	1,360,648	11,917,369
Gross profit	869,691	954,493	7,835,054
Operating expenses:			
Selling, general and administrative <i>(Notes 2, 6, 9, 17, 20, 23 and 24)</i>	552,068	610,043	4,973,585
Research and development	152,150	157,880	1,370,721
	704,218	767,923	6,344,306
Operating income	165,473	186,570	1,490,748
Other income (expenses):			
Interest and dividend income	3,884	5,183	34,991
Interest expense <i>(Notes 14 and 18)</i>	(2,578)	(2,316)	(23,225)
Foreign exchange gains (losses), net <i>(Notes 14 and 18)</i>	(2,593)	(2,133)	(23,360)
Gains (losses) on equity securities, net <i>(Notes 4 and 14)</i>	48,778	(22,084)	439,441
Other, net <i>(Notes 14 and 18)</i>	22,906	7,851	206,360
	70,397	(13,499)	634,207
Income before income taxes	235,870	173,071	2,124,955
Income taxes <i>(Note 12)</i> :			
Current	47,973	42,822	432,189
Deferred	7,638	(6,708)	68,811
	55,611	36,114	501,000
Equity in net income (loss) of affiliated companies	3,198	1,341	28,811
Net income	183,457	138,298	1,652,766
Less: Net income attributable to noncontrolling interests	(2,252)	(13,311)	(20,288)
Net income attributable to FUJIFILM Holdings	¥ 181,205	¥ 124,987	\$ 1,632,478
	<i>(Yen)</i>		<i>(U.S. dollars)</i> <i>(Note 3)</i>
Amounts per share of common stock:			
Net income attributable to FUJIFILM Holdings <i>(Note 16)</i> :			
Basic	¥453.28	¥306.18	\$4.08
Diluted	451.75	305.22	4.07
Cash dividends declared	100.00	95.00	0.90

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net income	¥183,457	¥138,298	\$1,652,766
Other comprehensive income (loss), net of tax <i>(Note 14)</i> :			
Net unrealized gains (losses) on securities	12	(9)	108
Foreign currency translation adjustments	80,635	(50,279)	726,442
Pension liability adjustments	31,786	142	286,360
Net unrealized gains (losses) on derivatives	336	137	3,027
Total	112,769	(50,009)	1,015,937
Comprehensive income	296,226	88,289	2,668,703
Less: Comprehensive income attributable to noncontrolling interests	(3,757)	(8,800)	(33,847)
Comprehensive income attributable to FUJIFILM Holdings	¥292,469	¥ 79,489	\$2,634,856

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
	<i>(Millions of yen)</i>							
Balance as of April 1, 2019	¥40,363	¥24,494	¥2,507,719	¥(100,593)	¥(435,020)	¥2,036,963	¥207,878	¥2,244,841
Comprehensive income (loss):								
Net income	–	–	124,987	–	–	124,987	13,311	138,298
Net unrealized gains (losses) on securities <i>(Note 14)</i>	–	–	–	(9)	–	(9)	–	(9)
Foreign currency translation adjustments <i>(Note 14)</i>	–	–	–	(45,489)	–	(45,489)	(4,790)	(50,279)
Pension liability adjustments <i>(Note 14)</i>	–	–	–	(122)	–	(122)	264	142
Net unrealized gains (losses) on derivatives <i>(Notes 14 and 18)</i>	–	–	–	122	–	122	15	137
Comprehensive income						79,489	8,800	88,289
Purchases of treasury stock	–	–	–	–	(51,624)	(51,624)	–	(51,624)
Sales of treasury stock	–	–	(113)	–	542	429	–	429
Dividends paid to FUJIFILM Holdings shareholders	–	–	(38,432)	–	–	(38,432)	–	(38,432)
Dividends paid to noncontrolling interests	–	–	–	–	–	–	(9,813)	(9,813)
Stock acquisition rights	–	452	–	–	–	452	–	452
Transfer from retained earnings to additional paid-in capital	–	31,070	(31,070)	–	–	–	–	–
Equity transactions with noncontrolling interests and other	–	(56,016)	–	(18,009)	–	(74,025)	(166,360)	(240,385)
Balance as of March 31, 2020	¥40,363	¥ –	¥2,563,091	¥(164,100)	¥(486,102)	¥1,953,252	¥ 40,505	¥1,993,757
Comprehensive income (loss):								
Net income	–	–	181,205	–	–	181,205	2,252	183,457
Net unrealized gains (losses) on securities <i>(Note 14)</i>	–	–	–	12	–	12	–	12
Foreign currency translation adjustments <i>(Note 14)</i>	–	–	–	79,174	–	79,174	1,461	80,635
Pension liability adjustments <i>(Note 14)</i>	–	–	–	31,742	–	31,742	44	31,786
Net unrealized gains (losses) on derivatives <i>(Notes 14 and 18)</i>	–	–	–	336	–	336	–	336
Comprehensive income						292,469	3,757	296,226
Purchases of treasury stock	–	–	–	–	(20)	(20)	–	(20)
Sales of treasury stock	–	–	(32)	–	401	369	–	369
Dividends paid to FUJIFILM Holdings shareholders	–	–	(39,979)	–	–	(39,979)	–	(39,979)
Dividends paid to noncontrolling interests	–	–	–	–	–	–	(1,314)	(1,314)
Stock acquisition rights	–	485	–	–	–	485	–	485
Transfer from retained earnings to additional paid-in capital	–	1,525	(1,525)	–	–	–	–	–
Equity transactions with noncontrolling interests and other	–	(2,010)	–	–	–	(2,010)	(25,357)	(27,367)
Balance as of March 31, 2021	¥40,363	¥ –	¥2,702,760	¥ (52,836)	¥(485,721)	¥2,204,566	¥ 17,591	¥2,222,157

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity (continued)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>							
Balance as of March 31, 2020	\$363,631	\$ –	\$23,090,910	\$(1,478,378)	\$(4,379,298)	\$17,596,865	\$364,910	\$17,961,775
Comprehensive income (loss):								
Net income	–	–	1,632,478	–	–	1,632,478	20,288	1,652,766
Net unrealized gains (losses) on securities (Note 14)	–	–	–	108	–	108	–	108
Foreign currency translation adjustments (Note 14)	–	–	–	713,279	–	713,279	13,163	726,442
Pension liability adjustments (Note 14)	–	–	–	285,964	–	285,964	396	286,360
Net unrealized gains (losses) on derivatives (Notes 14 and 18)	–	–	–	3,027	–	3,027	–	3,027
Comprehensive income						2,634,856	33,847	2,668,703
Purchases of treasury stock	–	–	–	–	(180)	(180)	–	(180)
Sales of treasury stock	–	–	(289)	–	3,613	3,324	–	3,324
Dividends paid to FUJIFILM Holdings shareholders	–	–	(360,171)	–	–	(360,171)	–	(360,171)
Dividends paid to noncontrolling interests	–	–	–	–	–	–	(11,838)	(11,838)
Stock acquisition rights	–	4,369	–	–	–	4,369	–	4,369
Transfer from retained earnings to additional paid-in capital	–	13,739	(13,739)	–	–	–	–	–
Equity transactions with noncontrolling interests and other	–	(18,108)	–	–	–	(18,108)	(228,441)	(246,549)
Balance as of March 31, 2021	\$363,631	\$ –	\$24,349,189	\$(476,000)	\$(4,375,865)	\$19,860,955	\$158,478	\$20,019,433

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31		
	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Net income	¥ 183,457	¥ 138,298	\$ 1,652,766
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	123,423	122,653	1,111,919
(Gains) losses on equity securities, net	(48,778)	22,085	(439,441)
Deferred income taxes	7,638	(6,708)	68,811
Equity in net (gains) losses of affiliated companies, net of dividends received	(2,571)	(13)	(23,162)
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable	20,576	53,277	185,369
(Increase) decrease in inventories	9,215	(11,505)	83,018
Decrease in notes and accounts payable – trade	(9,713)	(10,558)	(87,504)
(Increase) decrease in prepaid expenses and other current assets	64,071	(66,944)	577,216
Increase (decrease) in accrued income taxes and other liabilities	46,099	(10,572)	415,306
Other	27,444	25,654	247,243
Net cash provided by operating activities	420,861	255,667	3,791,541
Investing activities			
Purchases of property, plant and equipment	(100,063)	(84,677)	(901,468)
Purchases of software	(25,544)	(25,047)	(230,126)
Proceeds from sales and maturities of investment securities	26,239	151	236,387
Purchases of investment securities	(1,685)	(3,230)	(15,180)
Increase in time deposits, net	(3,090)	(10)	(27,838)
Increase in investments in and advances to affiliated companies and other advances	(2,945)	(1,501)	(26,532)
Acquisitions of businesses, net of cash and cash equivalents acquired (Note 23)	(173,515)	(121,789)	(1,563,198)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of (Note 23)	14,707	–	132,495
Other	(13,485)	(8,747)	(121,486)
Net cash used in investing activities	(279,381)	(244,850)	(2,516,946)
Financing activities			
Proceeds from long-term debt	4,073	200,669	36,694
Repayments of long-term debt	(78,650)	(163,541)	(708,559)
Increase (decrease) in short-term debt with maturities of three months or less, net	(625)	390	(5,631)
Proceeds from short-term debt with maturities longer than three months	–	150,000	–
Repayments of short-term debt with maturities longer than three months	(50,000)	(100,000)	(450,450)
Cash dividends paid to shareholders	(37,975)	(35,817)	(342,117)
Cash dividends paid to noncontrolling interests	(1,314)	(9,813)	(11,838)
Net purchases of treasury stock	(20)	(51,624)	(180)
Equity transactions with noncontrolling interests and other	1,418	(241,207)	12,775
Net cash used in financing activities	(163,093)	(250,943)	(1,469,306)
Effect of exchange rate changes on cash and cash equivalents	20,317	(18,530)	183,035
Net decrease in cash and cash equivalents	(1,296)	(258,656)	(11,676)
Cash and cash equivalents at beginning of year	396,091	654,747	3,568,388
Cash and cash equivalents at end of year	¥ 394,795	¥ 396,091	\$ 3,556,712
Supplemental disclosures			
Cash paid for interest	¥ 3,112	¥ 2,893	\$ 28,036
Cash paid for income taxes	¥51,841	¥106,929	\$467,036

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2021

1. Nature of Operations

FUJIFILM Holdings Corporation (the “Company”) is engaged in imaging, healthcare & material, and document solutions businesses. “Imaging Solutions” develops, manufactures, markets and provides services of color films, digital cameras, color paper, services and equipment for photofinishing, instant photo systems, optical devices, and other related products. “Healthcare & Material Solutions” develops, manufactures, markets and provides services of equipment and materials for medical systems, cosmetics and supplements, pharmaceuticals, contract development and manufacturing organization of biopharmaceuticals, regenerative medicine, fine chemicals, equipment and materials for graphic arts, inks and industrial inkjet printheads, display materials, recording media, electronic materials, and other related products. “Document Solutions” develops, manufactures, markets and provides services of digital MFPs, publishing systems, document management software and related solution services, and other related products. The Company operates throughout the world, and the overseas revenue consists of approximately 58% of its Company’s total revenue, predominantly in North America, Europe and Asia. The Company’s principal manufacturing operations are located in Japan, the United States, China, the Netherlands and Vietnam.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) (the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”)).

The Company has prepared its consolidated financial statements in pursuant to US GAAP according to the agreement concerning the issuance of Euro-dollar denominated bonds in 1970. The Company’s listing of American Depositary Receipts listed on the NASDAQ since 1971 were abolished on July 31, 2009. Nevertheless, the Company continues to prepare and disclose its consolidated financial statements in accordance with US GAAP.

The main differences between the principles and procedures of the presentation methodology between the generally accepted accounting principles in Japan and US GAAP are summarized as follows:

- (1) In accordance with ASC 715, net periodic benefit costs are recorded based on actuarial calculations. Using the corridor approach, actuarial gains and losses are amortized over the average remaining years of service of the employee.
- (2) In accordance with ASC 350, goodwill and other indefinite lived intangible assets are not amortized. Instead, they are tested annually for impairment and impaired if necessary.
- (3) In accordance with ASC 842, operating lease right-of-use assets and liabilities are recorded using the present value of the lease payments over the lease term. A lease cost is recognized on a straight-line basis over the lease term.

Principles of Consolidation and Accounting for Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and entities that the Company directly or indirectly controls. All significant intercompany transactions and accounts have been eliminated.

The Company’s investments in affiliated companies (generally 20% to 50% owned companies), in which the ability to exercise significant influence exists, are accounted for by the equity method. Consolidated net income includes the Company’s equity in the current net earnings or losses of such companies after the elimination of unrealized intercompany profits.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes.

Significant items subject to such assumptions and estimates include the valuation of notes and accounts receivable, inventories, investment securities and deferred income tax assets; the valuation (including impairment) and determination of useful lives and depreciation or amortization method for property, plant and equipment and intangible assets; uncertain tax positions; assumptions related to the estimation of actuarially determined employee benefit obligations and accruals; or contingent liabilities for environmental remediation, litigation and regulatory investigations. Actual results could differ from those estimates.

As the timing of the end of COVID-19 is still unknown, it is extremely difficult to predict the future impact of the pandemic on the Company's results of operations. The Company assumes that although economic recovery is expected to occur in the next fiscal year with the support of expansionary fiscal policies and accommodative monetary policies that are being actively implemented in various countries, considering the risk that demand will not fully recover to pre-COVID-19 levels in the businesses that have been significantly affected in the fiscal year under review, and the risk of prolongation of the spread of infection due to new COVID-19 variants, the Company believes that the effects of COVID-19 may continue for a certain period of time for some businesses. The Company has used these assumptions to perform its best accounting estimates.

The impact of COVID-19 on the economic activity is highly uncertain. Any changes in the above assumptions may, in no small degree, have an impact on the Company's financial position and results of operations.

Foreign Currency Translations

The Company's foreign subsidiaries generally use the local currency as their functional currency. Accordingly, assets and liabilities are translated into the reporting currency using exchange rates prevailing at the balance sheet date and income and expenses are translated using average exchange rates prevailing during the year. Gains and losses resulting from translation are included and presented in "Accumulated other comprehensive income (loss)", a separate component of equity, as foreign currency translation adjustments.

Assets and liabilities denominated in currencies other than the functional currency are remeasured into the functional currency using exchange rates in effect at the respective balance sheet dates with the resulting gains or losses included in earnings.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

The Company considers all highly liquid investments which are readily convertible into cash and that have original maturities of three months or less to be cash equivalents.

Certain debt securities with original maturities of three months or less are included in “Cash and cash equivalents” in the consolidated balance sheets and the consolidated statements of cash flows. There are no such securities as of March 31, 2021 and 2020.

Investment Securities

Of investment securities, equity securities are measured at fair value and unrealized gains or losses before tax effect are included and presented in “Gains (losses) on equity securities, net” in consolidated statements of income. Certain non-marketable equity securities without readily determinable fair value are measured at cost, minus impairment, if any, in principle. If any observable price changes in orderly transactions for the identical or similar investment of the same issuer are identified, the equity security is measured at fair value as of the date that the observable transaction occurred. Regarding debt securities in investment securities, the Company separates an impairment loss for debt securities into the amount related to credit loss, which is recognized in earnings, and the amount related to all other factors, which is included and presented in “Accumulated other comprehensive income (loss)” when a decline in the value is deemed to be other-than-temporary. In determining whether such decline of debt securities is other-than-temporary, the Company also evaluates various factors including the Company’s intent to sell the securities, the available evidence to assess whether it is more likely than not that the Company will be required to sell the security as well as the available evidence to assess whether the entire amortized cost basis of the security will be recovered. The cost of investment securities sold is based on the moving-average-cost method. Dividends are included in “Interest and dividend income” in the consolidated statements of income.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Receivables

Allowances for doubtful trade, lease and other receivables are determined based on a combination of historical experience, aging analysis and any specific factors affecting customer accounts. Uncollectible receivables are charged-off when legal actions have been taken to collect the receivable, and it becomes clear that the receivables will be uncollectable according to a decision of court.

Inventories

Inventories are valued at the lower of cost or market with cost being determined principally by the moving-average method. The Company reviews inventories for obsolete, slow-moving or excess amounts and if required, provides an allowance to recognize their estimated net realizable values.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are carried at cost. Depreciation is computed primarily using the straight-line method.

Estimated useful lives for buildings and structures are primarily 15 to 50 years and for machinery, equipment and other are 2 to 15 years.

Machinery, equipment and other includes machines rented to customers under operating leases with a cost and accumulated depreciation of ¥92,875 million (\$836,712 thousand) and ¥53,023 million (\$477,685 thousand) as of March 31, 2021 and ¥56,065 million and ¥32,356 million as of March 31, 2020, respectively.

Net gains on sales of property, plant and equipment were ¥3,425 million (\$30,856 thousand) and ¥323 million for the years ended March 31, 2021 and 2020, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Leases

As for lessor accounting, the Company provides leasing arrangements primarily for the sales of printing and copying machines and other office equipment. At the inception date of each contract, the Company determines whether a contract is, or contains, a lease. Sales-type lease and operating lease income is recorded, and presented and included in "Revenue" in the consolidated statements of income. Revenue from the sales of equipment under sales-type leases is recognized at the commencement of leases. Interest income equivalent on the sales-type leases is recognized using the effective interest method with the allocation based on the net investment in outstanding leases. Leases not qualifying as sales-type leases are accounted for as operating leases and related revenue is recognized ratably over the respective lease term. For contracts bundling equipment leases with maintenance and other services, the Company has applied the practical expedients permitted under ASC 842 and these contracts are all accounted for as lease components in accordance with ASC 842. Normally, these contracts combine the minimum usage fees and variable charges according to print runs. Some of the contracts include options to terminate the lease before the end of the lease term by giving notice to the lessor before a certain period.

As for lessee accounting, the Company has finance and operating leases for assets including office buildings and vehicles. At the inception date of each contract, the Company determines whether a contract is, or contains, a lease, and recognizes right-of-use assets and lease liabilities on the commencement date of the lease. Some of the lease contracts include options to extend the lease term or terminate the lease. The Company takes into accounts the respective period of such options to determine the lease term when it is reasonably certain that it will exercise these options. The Company has lease contracts with lease and non-lease components, which are normally accounted for separately. Since most of the Company's leases do not provide a rate implicit, the Company normally uses incremental borrowing rate based on the information available at the lease commencement to determine the present value of total lease payments. For short-term leases with a lease term of 12 months or less, the Company elects not to recognize right-of-use assets and lease liabilities. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Other intangible assets principally consist of costs allocated to technology-based intangibles and customer-related intangibles.

Under ASC 350, goodwill and other indefinite lived intangible assets are tested annually for impairment. Impairment tests for goodwill are performed based on the fair value of estimated future cash flows of each reporting unit. The discount rate used is based on the reporting unit's weighted average cost of capital. In addition to the annual impairment test, which the Company performs as of January 1, an interim test for goodwill impairment would be performed if events occur or circumstances indicate that the carrying amounts may not be recoverable.

Intangible assets other than those with an indefinite life are amortized on a straight-line basis over their estimated useful lives.

Capitalized Software Costs

The Company capitalizes certain costs incurred in connection with developing and obtaining internal use software in accordance with ASC 350-40. These costs consist primarily of payments made to third parties and salaries of employees working on such software development. In connection with developing internal use software, costs incurred at the application development stage or later are capitalized. In addition, the Company develops or obtains certain software to be sold, leased, or otherwise marketed where related costs incurred after establishment of technological feasibility are capitalized in accordance with ASC 985. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software of 3 to 5 years. Costs and accumulated amortization of total capitalized software amounted to ¥160,445 million (\$1,445,450 thousand) and ¥94,568 million (\$851,964 thousand), respectively, as of March 31, 2021 and ¥153,515 million and ¥95,400 million, respectively, as of March 31, 2020. Costs and accumulated amortization of capitalized software to be sold, included in the above, amounted to ¥33,789 million (\$304,405 thousand) and ¥20,835 million (\$187,703 thousand), respectively, as of March 31, 2021 and ¥31,860 million and ¥20,696 million, respectively, as of March 31, 2020. Capitalized software costs are included in "Other" of "Other assets" in the consolidated balance sheets.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-lived Assets

The Company reviews long-lived assets, excluding goodwill and other indefinite lived intangible assets, for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. If there is any indication of impairment, the estimated undiscounted future cash flows associated with the assets would be compared to the assets' carrying amount to determine if a write-down is required. If this evaluation indicates that the carrying amounts of the asset exceeds the sum of the undiscounted future cash flows, the carrying amounts of the assets would be reduced to their estimated fair value. In determining the fair value, the Company uses quoted market prices in active markets or other valuation methods. If quoted market prices are unavailable, the Company primarily uses the discounted cash flow method based on the estimated discounted future cash flows expected to result from the use of the assets and their eventual disposition, the relief from royalty method or the excess earnings method.

Long-lived assets to be disposed of by sale are recorded at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition

In accordance with ASC 606, the Company recognizes revenue in the amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred using the five step approach as follows.

Step 1: Identify the contract

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognize revenue when (or as) performance obligations are satisfied

Product Warranties

The Company provides product warranties for certain of its products. These warranties generally extend for a period of one year from the date of sale. A liability for expected warranty costs is accrued at the time that the related revenue is recognized. In estimating the warranty liability, historical experience is considered.

Shipping and Handling Costs

Shipping and handling costs are included in "Selling, general and administrative" in the consolidated statements of income. Shipping and handling costs amounted to ¥54,370 million (\$489,820 thousand) and ¥56,433 million for the years ended March 31, 2021 and 2020, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred and included in “Selling, general and administrative” in the consolidated statements of income. Advertising costs amounted to ¥13,705 million (\$123,468 thousand) and ¥23,121 million for the years ended March 31, 2021 and 2020, respectively.

Income Taxes

Income taxes have been provided using the asset and liability method in accordance with ASC 740.

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. A valuation allowance is recognized to reduce the deferred tax assets to the amount that is considered more likely than not to be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities in accordance with ASC 740. Recognized tax positions are measured at the largest amount of benefit which is more likely than not to be realized upon ultimate settlement with the taxing authority.

Consumption Taxes

Revenues, costs and expenses in the consolidated statements of income do not include consumption taxes.

Derivative Financial Instruments

The Company recognizes all derivative financial instruments, such as forward foreign exchange contracts, currency swaps, cross currency interest rate swaps and interest rate swaps in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in earnings along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income (loss), net of deferred taxes and reclassified to earnings in the period when the gain or loss associated with the hedged item was recorded. Changes in fair values of derivatives, which are not designated or qualified as hedges, are reported in earnings, immediately.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Income Attributable to FUJIFILM Holdings per Share

Basic net income attributable to FUJIFILM Holdings per share is calculated based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income attributable to FUJIFILM Holdings per share is adjusted for the effect of dilutive common stocks to be additionally issued when stock options are exercised.

Stock-Based Compensation

The Company measures stock-based compensation cost based on fair value of the options on the grant date and recognizes stock-based compensation cost in accordance with ASC 718.

Subsequent Events

The Company evaluated all subsequent events through June 30, 2021, the date on which the financial statements are available to be issued in accordance with ASC 855.

Reclassifications

Certain reclassifications to the prior year's consolidated financial statements and related footnote amounts have been made to conform with current year presentation.

New Accounting Standards to be Adopted

In June 2016, FASB issued Accounting Standard Update ("ASU") No. 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 requires the use of the expected credit loss model instead of the incurred loss impairment model when assessing the impairment of financial instruments. In the expected credit loss model, an estimate of uncollectible contractual cash flow is recorded as an allowance. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period, and earlier adoption is permitted. The Company will adopt ASU 2016-13 in the year beginning April 1, 2023. The Company is evaluating the impact that the adoption of ASU 2016-13 will have on its financial position and results of operations.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2021 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥111 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2021. The amounts shown in U.S. dollars are not intended to be computed in accordance with US GAAP for the translation of foreign currency amounts. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at this or any other rate.

4. Investments in Debt and Equity Securities

The cost, gross unrealized gains, gross unrealized losses and estimated fair value of the debt securities categorized as available-for-sale by security type as of March 31, 2021 and 2020 are summarized as follows. Certain debt securities with original maturities of three months or less are included in “Cash and cash equivalents” in the consolidated balance sheets. There are no such securities as of March 31, 2021 and 2020.

	2021			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	<i>(Millions of yen)</i>			
Investment securities:				
Corporate bonds	¥585	¥2	¥-	¥587
Total	<u>¥585</u>	<u>¥2</u>	<u>¥-</u>	<u>¥587</u>
	2020			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	<i>(Millions of yen)</i>			
Investment securities:				
Corporate bonds	¥517	¥-	¥(16)	¥501
Total	<u>¥517</u>	<u>¥-</u>	<u>¥(16)</u>	<u>¥501</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments in Debt and Equity Securities (continued)

	2021			Estimated fair value
	Cost	Gross unrealized gains	Gross unrealized losses	
	<i>(Thousands of U.S. dollars)</i>			
	<i>(Note 3)</i>			
Investment securities:				
Corporate bonds	\$5,270	\$18	\$-	\$5,288
Total	\$5,270	\$18	\$-	\$5,288

The cost and estimated fair value of the debt securities categorized by maturity as of March 31, 2021 are summarized as follows:

	Cost	Estimated fair value	Cost	Estimated fair value
		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>	
After one year through five years	¥585	¥587	\$5,270	\$5,288
Total	¥585	¥587	\$5,270	\$5,288

Realized and unrealized gains or losses of equity securities included in investment securities on the consolidated balance sheets as of March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
		<i>(Millions of yen)</i>	
			<i>(Note 3)</i>
Total gains (losses) of equity securities	¥48,778	¥(22,084)	\$439,442
Less: Realized gains (losses) on equity securities sold during the period	(23,081)	194	(207,937)
Unrealized gains (losses) on equity securities held at end of year	¥25,697	¥(21,890)	\$231,505

Certain non-marketable equity securities without readily determinable fair value are measured at cost, minus impairment, if any, in principle. If an entity identifies observable price changes in orderly transactions for the identical or similar investment of the same issuer, it shall measure the equity security at fair value as of the date that the observable transaction occurred. The carrying amounts of these investments were ¥7,623 million (\$68,676 thousand) and ¥8,688 million as of March 31, 2021 and 2020, respectively. The Company did not record significant impairment or other adjustments for the years ended March 31, 2021 and 2020.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Lease Accounting for Lessor

Lease income information as lessor for the years ended March 31, 2021 and 2020 is as follows. Lease income is included and presented in “Revenue” in the consolidated statements of income.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Sales-type lease income			
Income (loss) recognized on the commencement date	¥13,710	¥14,192	\$123,514
Interest income from lease receivables	8,897	9,127	80,153
Total	<u>22,607</u>	<u>23,319</u>	<u>203,667</u>
Operating lease income	18,616	9,962	167,712
Variable lease income	23,471	18,465	211,450

Lease receivables mainly consist of the sales-type lease receivables on the Company’s printing and copying machines and other office equipment. The current portion of lease receivables and the portion due after one year are recorded in “Lease receivables” and “Long-term lease receivables” in the consolidated balance sheets, respectively. The components of lease receivables as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Lease receivables, gross	¥127,546	¥131,490	\$1,149,063
Unearned income	(13,834)	(14,347)	(124,630)
Allowance for doubtful receivables	(8,423)	(10,007)	(75,883)
Lease receivables, net	<u>¥105,289</u>	<u>¥107,136</u>	<u>\$ 948,550</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Lease Accounting for Lessor (continued)

The minimum lease payments receivable under the sales-type leases and operating leases for the next five years and thereafter as of March 31, 2021 are summarized as follows:

	Sales-type leases	Operating leases
	<i>(Millions of yen)</i>	
Year ending March 31		
2022	¥ 57,778	¥14,750
2023	33,166	6,488
2024	21,533	4,395
2025	11,372	2,690
2026	3,584	954
2027 and thereafter	113	14
Total minimum lease payments receivable	<u>¥127,546</u>	<u>¥29,291</u>
	Sales-type leases	Operating leases
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>	
Year ending March 31		
2022	\$ 520,523	\$132,883
2023	298,793	58,450
2024	193,991	39,595
2025	102,450	24,234
2026	32,288	8,595
2027 and thereafter	1,018	126
Total minimum lease payments receivable	<u>\$1,149,063</u>	<u>\$263,883</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Lease Accounting for Lessee

Consolidated statements of income information related to leases is as follows. Lease cost is included in “Cost of sales” and “Selling, general and administrative” in the consolidated statements of income.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Operating lease cost	¥ 33,156	¥ 32,928	\$ 298,703
Short-term lease cost	3,616	3,636	32,577

Supplemental balance sheet information related to leases is as follows.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Finance lease right-of-use assets			
Property, plant and equipment (cost)	¥ 11,868	¥ 10,834	\$ 106,919
Accumulated depreciation	(5,623)	(4,318)	(50,658)
Property, plant and equipment (carrying amount)	6,245	6,516	56,261
Finance lease liabilities			
Short-term debt	2,619	2,190	23,595
Long-term debt	6,721	7,057	60,549
Total finance lease liabilities	9,340	9,247	84,144

Operating cash flows from operating leases for the years ended March 31, 2021 and 2020 amounted to ¥32,083 million (\$289,036 thousand) and ¥32,235 million, respectively. Operating lease right-of-use assets acquired in exchange for lease liabilities amounted to ¥33,067 million (\$297,901 thousand) and ¥25,611 million for the years ended March 31, 2021 and 2020, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Lease Accounting for Lessee (continued)

Other information related to leases is as follows.

	<u>2021</u>	<u>2020</u>
Weighted average remaining lease term		
Finance leases	7 years	8 years
Operating leases	4 years	4 years
Weighted average discount rate		
Finance leases	1.84%	2.06%
Operating leases	0.41%	0.48%

Future minimum lease payments payable under finance leases and operating leases by fiscal year as of March 31, 2021 are summarized as follows:

	Finance leases	Operating leases
	<i>(Millions of yen)</i>	
Year ending March 31		
2022	¥ 2,765	¥ 29,024
2023	2,117	20,729
2024	1,330	14,245
2025	985	10,251
2026	612	3,971
2027 and thereafter	2,920	5,927
Total lease payments	10,729	84,147
Less: Imputed interest	(1,389)	(263)
Total	¥ 9,340	¥ 83,884

	Finance leases	Operating leases
	<i>(Thousands of U.S. dollars)</i>	
	<i>(Note 3)</i>	
Year ending March 31		
2022	\$ 24,910	\$ 261,478
2023	19,072	186,748
2024	11,982	128,333
2025	8,874	92,351
2026	5,514	35,775
2027 and thereafter	26,306	53,396
Total lease payments	96,658	758,081
Less: Imputed interest	(12,514)	(2,369)
Total	\$ 84,144	\$ 755,712

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Inventories

Inventories as of March 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Finished goods	¥219,118	¥221,607	\$1,974,036
Work in process	62,668	48,188	564,577
Raw materials and supplies	135,876	111,116	1,224,108
Total	¥417,662	¥380,911	\$3,762,721

8. Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥23,443 million (\$211,198 thousand) and ¥23,938 million as of March 31, 2021 and 2020, respectively. The difference between the carrying amounts of the investments in affiliated companies and the Company's equity in the underlying net assets of such affiliated companies was not material. These affiliated companies primarily operate in the Imaging Solutions, Healthcare & Material Solutions and Document Solutions businesses.

Some affiliated companies are listed on the stock market. The carrying amounts and market values of these affiliated companies as of March 31, 2021 were ¥6,514 million (\$58,685 thousand) and ¥7,214 million (\$64,991 thousand), respectively. As of March 31, 2020, they amounted to ¥8,232 million and ¥5,085 million, respectively.

The combined financial position of the Company's affiliated companies accounted for by the equity method as of March 31, 2021 and 2020 are summarized as follows. There were no individually material affiliated companies for the years ended March 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current assets	¥ 87,578	¥ 75,813	\$ 788,991
Non-current assets	55,185	63,349	497,162
Total assets	¥142,763	¥139,162	\$1,286,153
Current liabilities	¥ 33,105	¥ 31,248	\$ 298,243
Non-current liabilities	82,847	81,183	746,369
Equity	26,811	26,731	241,541
Total liabilities and equity	¥142,763	¥139,162	\$1,286,153

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Investments in Affiliated Companies (continued)

The combined results of operations of the Company's affiliated companies accounted for by the equity method for the years ended March 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Revenue	¥117,876	¥145,504	\$1,061,946
Net income	9,143	1,646	82,369

Transactions with affiliated companies for the years ended March 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Revenue	¥12,108	¥16,273	\$109,081
Purchases	7,708	8,966	69,441
Dividends received	627	1,328	5,649

9. Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2021 and 2020 are as follows.

	Healthcare & Material Solutions	Document Solutions	Total
	<i>(Millions of yen)</i>		
As of March 31, 2019	¥433,447	¥222,061	¥655,508
Acquired	31,864	12,002	43,866
Other	(6,107)	(6,112)	(12,219)
As of March 31, 2020	459,204	227,951	687,155
Acquired	107,090	-	107,090
Other	1,800	8,154	9,954
As of March 31, 2021	¥568,094	¥236,105	¥804,199

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Goodwill and Other Intangible Assets (continued)

	Healthcare & Material Solutions	Document Solutions	Total
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
As of March 31, 2020	\$4,136,973	\$2,053,613	\$6,190,586
Acquired	964,775	–	964,775
Other	16,216	73,459	89,675
As of March 31, 2021	\$5,117,964	\$2,127,072	\$7,245,036

Other includes a decrease resulting from sales and foreign currency translation adjustments. There was no goodwill recognized in the Imaging Solutions segment for the years ended March 31, 2021 and 2020.

Other intangible assets subject to amortization as of March 31, 2021 and 2020 are as follows:

	2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Millions of yen)</i>		
Technology-based	¥ 67,875	¥40,004	¥ 27,871
Customer-related	107,840	25,598	82,242
Other	25,689	11,441	14,248
Total	¥201,404	¥77,043	¥124,361

	2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Millions of yen)</i>		
Technology-based	¥ 86,435	¥45,282	¥ 41,153
Customer-related	96,948	23,153	73,795
Other	30,934	10,050	20,884
Total	¥214,317	¥78,485	¥135,832

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Goodwill and Other Intangible Assets (continued)

	2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>		
Technology-based	\$ 611,486	\$360,396	\$ 251,090
Customer-related	971,532	230,613	740,919
Other	231,432	103,072	128,360
Total	\$1,814,450	\$694,081	\$1,120,369

For the fiscal year ended March 31, 2021, the Company measured the fair value of intangible assets mainly held by the Healthcare & Material Solutions segment by using the discounted cash flow method based on the estimated future cash flows and other unobservable inputs. As a result, the Company recognized an impairment loss of ¥12,689 million (\$114,315 thousand) as the carrying amount was not deemed recoverable. The impairment loss is mainly included in “Selling, general and administrative” in the consolidated statements of income.

The aggregate amortization expenses for other intangible assets for the years ended March 31, 2021 and 2020 were ¥14,554 million (\$131,117 thousand) and ¥13,659 million, respectively.

Other intangible assets not subjected to amortization were not material as of March 31, 2021 and 2020, respectively.

The estimated aggregate amortization expenses for other intangible assets subject to amortization for the next five years are as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Year ending March 31		
2022	¥13,346	\$120,234
2023	13,140	118,378
2024	11,025	99,324
2025	10,787	97,180
2026	9,873	88,946

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Short-term and Long-term Debt

Short-term debt

Short-term debt as of March 31, 2021 and 2020 were ¥5,826 million (\$52,486 thousand) and ¥56,134 million, respectively, and the weighted average interest rates per annum on short-term debt outstanding as of March 31, 2021 and 2020 were 4.39% and 0.18%, respectively. Short-term debt is unsecured.

Short-term debt as of March 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Short-term debt	¥ 5,826	¥ 56,134	\$ 52,486
Current portion of long-term debt	57,903	64,864	521,649
Total	<u>¥63,729</u>	<u>¥120,998</u>	<u>\$574,135</u>

Long-term debt

Long-term debt as of March 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Unsecured loans, principally from banks and insurance companies:			
Due from the year ending March 31, 2023 to the year ending March 31, 2034 with interest rates ranging from (0.591)% to 4.000% as of March 31, 2021	¥109,969	¥165,701	\$990,712
Due from the year ended March 31, 2021 to the year ending March 31, 2034 with interest rates ranging from (0.591)% to 6.000% as of March 31, 2020			

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Short-term and Long-term Debt (continued)

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Unsecured Japanese yen bonds:			
0.030% yen bonds, due the year ended March 31, 2021	¥ –	¥ 15,000	\$ –
0.050% yen bonds, due the year ending March 31, 2022	25,000	25,000	225,225
0.080% yen bonds, due the year ending March 31, 2022	30,000	30,000	270,270
0.020% yen bonds, due the year ending March 31, 2023	20,000	20,000	180,180
0.882% yen bonds, due the year ending March 31, 2023	40,000	40,000	360,361
0.060% yen bonds, due the year ending March 31, 2023	100,000	100,000	900,901
0.110% yen bonds, due the year ending March 31, 2024	35,000	35,000	315,315
0.180% yen bonds, due the year ending March 31, 2024	10,000	10,000	90,090
0.080% yen bonds, due the year ending March 31, 2025	30,000	30,000	270,270
0.120% yen bonds, due the year ending March 31, 2025	50,000	50,000	450,451
0.240% yen bonds, due the year ending March 31, 2026	25,000	25,000	225,225
0.250% yen bonds, due the year ending March 31, 2027	10,000	10,000	90,090
Other	12,285	12,334	110,676
	497,254	568,035	4,479,766
Less: Portion due within one year	(57,903)	(64,864)	(521,649)
Balance	¥439,351	¥503,171	\$3,958,117

The aggregate annual maturities of long-term debt for the next five years are as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
		<i>(Note 3)</i>
Year ending March 31		
2022	¥ 57,903	\$ 521,649
2023	192,474	1,734,000
2024	96,881	872,802
2025	81,119	730,802
2026	25,745	231,937

Certain bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be provided upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Certain long-term debt agreements with lenders other than banks also stipulate that the Company shall provide additional security upon request of the lender.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans

Most employees of domestic subsidiaries of the Company who terminate their employment are entitled, under most circumstances, to lump-sum payments and/or pension payments calculated by reference to points earned during their service period.

Certain subsidiaries have funded non-contributory defined benefit pension plans whose assets are maintained at trust banks and insurance companies. The funding policy for defined benefit pension plans is to make actuarially determined contributions to provide the plans with sufficient assets to meet future benefit payment requirements. Also, certain subsidiaries have defined contribution pension plans. The funding policy for such plans is to contribute annually an amount equal to a certain percentage of the participants' annual salary.

The amounts of net periodic benefit cost for the defined contribution pension plans were ¥14,371 million (\$129,468 thousand) and ¥13,433 million for the years ended March 31, 2021 and 2020, respectively.

Components of Net Periodic Benefit Cost

Components of net periodic benefit cost for the defined benefit pension plans for the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Components of net periodic benefit cost:			
Service cost	¥ 17,546	¥ 18,771	\$ 158,072
Interest cost	6,809	6,412	61,342
Expected return on plan assets	(19,654)	(20,852)	(177,063)
Amortization of net actuarial loss	9,428	10,158	84,937
Amortization of prior service credit	(2,342)	(3,042)	(21,099)
Settlement (gain) loss	-	(138)	-
Net periodic benefit cost	<u>¥ 11,787</u>	<u>¥ 11,309</u>	<u>\$ 106,189</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Components of Net Periodic Benefit Cost (continued)

Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current year actuarial (gain) loss	¥(39,676)	¥ 7,552	\$(357,441)
Amortization of actuarial loss	(9,428)	(10,158)	(84,937)
Prior service credit due to amendments	42	149	378
Amortization of prior service credit	2,342	3,042	21,099
Total	¥(46,720)	¥ 585	\$(420,901)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Obligations and Funded Status

Reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of the plan assets and the funded status of the defined benefit pension plans for the years ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Changes in projected benefit obligation:			
Projected benefit obligation at beginning of year	¥811,590	¥846,072	\$7,311,622
Service cost	17,546	18,771	158,072
Interest cost	6,809	6,412	61,342
Plan participants' contributions	365	317	3,288
Actuarial (gain) loss	16,938	(12,363)	152,595
Benefits paid	(34,352)	(37,872)	(309,478)
Plan amendments	42	149	378
Increase due to acquisitions	26,964	–	242,919
Settlement paid	–	(138)	–
Foreign currency translation	18,169	(9,758)	163,685
Projected benefit obligation at end of year	864,071	811,590	7,784,423
Changes in plan assets:			
Fair value of plan assets at beginning of year	793,891	822,083	7,152,171
Actual return on plan assets	76,268	937	687,099
Employers' contributions	15,817	17,655	142,495
Plan participants' contributions	365	317	3,288
Benefits paid	(33,044)	(36,285)	(297,694)
Increase due to acquisitions	19,684	–	177,334
Foreign currency translation	18,818	(10,816)	169,532
Fair value of plan assets at end of year	891,799	793,891	8,034,225
Funded status	¥ 27,728	¥ (17,699)	\$ 249,802

Amounts recognized in the consolidated balance sheets related to the defined benefit pension plans as of March 31, 2021 and 2020 are as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Other assets	¥ 59,115	¥ 17,240	\$532,568
Accrued liabilities	(1,297)	(1,121)	(11,685)
Accrued pension and severance costs	(30,090)	(33,818)	(271,081)
Net amount recognized	¥ 27,728	¥ (17,699)	\$249,802

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Obligations and Funded Status (continued)

Amounts recognized in accumulated other comprehensive income (loss) related to the defined benefit pension plans as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net actuarial loss	¥161,763	¥210,867	\$1,457,325
Prior service credit	(15,291)	(17,675)	(137,757)
Total	¥146,472	¥193,192	\$1,319,568

The accumulated benefit obligation for the defined benefit pension plans amounted to ¥858,372 million (\$7,733,081 thousand) and ¥804,538 million as of March 31, 2021 and 2020, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans where the projected benefit obligation exceeded the plan assets, and the aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligation exceeded plan assets as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	¥130,324	¥729,756	\$1,174,090
Fair value of plan assets	94,782	696,924	853,892
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	108,892	722,609	981,009
Fair value of plan assets	76,397	694,785	688,261

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Assumptions

The weighted average assumptions used to determine the benefit obligation as of March 31, 2021 and 2020 are as follows: Rate of compensation increase is not presented because most of the retirement benefit plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not materially impact the calculation of the benefit obligation.

	2021	2020
Discount rate	0.85%	0.74%
Interest crediting rate for cash balance plans and other plans	2.20%	2.21%

The weighted average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2021 and 2020 are as follows: Rate of compensation increase is not presented because most of the retirement benefit plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not materially impact the calculation of the net periodic benefit cost.

	2021	2020
Discount rate	0.74%	0.74%
Expected long-term rate of return on plan assets	2.46%	2.48%
Interest crediting rate for cash balance plans and other plans	2.21%	2.21%

The expected long-term rate of return on plan assets is based on the expected long-term return by asset category and historical performance by portfolio.

Plan Assets

The Company's investment objectives are to earn sufficient long-term returns with an acceptable level of risk, while maintaining adequate funding levels for pension payments and/or lump sum payments.

The fundamental principle of the Company's investment policy is to pursue efficient returns while minimizing risks through diversified investment. The Company designs a basic asset allocation model to provide a mix of assets best suited for mid and long-term returns and verifies that model periodically for effectiveness. When conditions have changed from when the model was initially designed, the Company reconsiders the basic asset allocation, if necessary. On the operational side, the Company conducts discretionary investment within the scope of the predetermined range of tolerance, considering short-term market conditions.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

Targeted allocation ratios for equity securities, debt securities, general accounts of life insurance companies and alternative investments are 21% (5% domestic and 16% foreign), 31% (5% domestic and 26% foreign), 24% and 24%, respectively. Alternative investments primarily consist of hedge funds and real estate.

Equity securities consist principally of stocks that are listed on securities exchanges and have been selected based on thorough analysis of investees' businesses, their potential for future growth and other appropriate factors while ensuring that industries in which the investees operate are appropriately diversified. Debt securities consist principally of government and other public debt, and corporate debt which have been selected based on thorough analysis of issuers and the terms and conditions of those securities including investment grades, interest rates, maturity dates, financial position of issuers and other factors so that maturity dates and issuers are appropriately diversified. Pooled funds have been selected for investment using the same strategies as those for equity and debt securities described above. The Company has selected general accounts of life insurance companies, for which life insurance companies have guaranteed anticipated interest rates and return of capital, based on thorough analysis of issuers' investment grades and other factors so that the investments are appropriately diversified. Regarding foreign investments, the Company has selected the countries and currencies in which the Company invests in based on thorough analysis of the political and economic stability in those countries, the market characteristics, such as settlement systems and taxation systems, and other factors so that the investments are appropriately diversified. Alternative investments consist principally of hedge funds and real estate, which were intended to hedge the risk of traditional assets and establish ongoing returns that are less sensitive to market trends. The Company has selected alternative investments based on thorough analysis of the nature of risks and returns which are completely different from those of traditional assets so that the investment techniques and asset management companies are appropriately diversified.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

The fair value hierarchy that prioritizes the inputs used in valuation techniques is described in Note 20 “Fair Value Measurement”. The fair value hierarchy of plan assets as of March 31, 2021 and 2020 are as follows:

	2021				Total
	Level 1	Level 2	Level 3	NAV (Note 1)	
	<i>(Millions of yen)</i>				
Cash and cash equivalents, and Short-term receivables (Note 2)	¥ 3,873	¥ 5,579	¥ –	¥ –	¥ 9,452
Equity securities					
Domestic companies securities	12,245	571	–	–	12,816
Foreign companies securities	17,933	21,258	–	–	39,191
Securities investment trust	416	3,282	–	–	3,698
Pooled funds (Note 3)	–	351	–	184,202	184,553
Debt securities					
Government bonds (Note 4)	9,655	6,884	–	–	16,539
Corporate bonds (Note 5)	–	42,583	–	–	42,583
Public and corporate bonds investment trust (Note 6)	–	5,601	–	–	5,601
Pooled funds (Note 7)	–	11,653	–	218,133	229,786
General accounts of life insurance companies	–	200,027	–	–	200,027
Alternative investments					
Equity securities funds (Note 8)	–	–	8	3,001	3,009
Debt securities funds (Note 9)	3,755	–	–	7,205	10,960
Other funds (Note 10)	6,182	3,498	8,848	75,132	93,660
Real estate (Note 11)	–	–	1,610	38,314	39,924
Total	¥54,059	¥301,287	¥10,466	¥525,987	¥891,799

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

	2020				Total
	Level 1	Level 2	Level 3	NAV (Note 1)	
	<i>(Millions of yen)</i>				
Cash and cash equivalents, and Short-term receivables (Note 2)	¥ 3,934	¥ 4,609	¥ –	¥ –	¥ 8,543
Equity securities					
Domestic companies securities	8,906	424	–	–	9,330
Foreign companies securities	13,860	19,536	–	–	33,396
Securities investment trust	239	–	–	–	239
Pooled funds (Note 3)	–	637	–	136,734	137,371
Debt securities					
Government bonds (Note 4)	12,844	5,358	–	–	18,202
Corporate bonds (Note 5)	–	40,987	–	–	40,987
Pooled funds (Note 7)	–	6,926	–	198,281	205,207
General accounts of life insurance companies	–	190,577	–	–	190,577
Alternative investments					
Equity securities funds (Note 8)	–	–	–	2,976	2,976
Debt securities funds (Note 9)	3,850	–	–	6,592	10,442
Other funds (Note 10)	4,080	3,067	2,121	95,519	104,787
Real estate (Note 11)	–	–	330	31,504	31,834
Total	¥47,713	¥272,121	¥2,451	¥471,606	¥793,891

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

	2021				Total
	Level 1	Level 2	Level 3	NAV (Note 1)	
	<i>(Thousands of U.S. dollars)</i>				
	<i>(Note 3)</i>				
Cash and cash equivalents, and Short-term receivables (Note 2)	\$ 34,892	\$ 50,261	\$ –	\$ –	\$ 85,153
Equity securities					
Domestic companies securities	110,315	5,144	–	–	115,459
Foreign companies securities	161,559	191,513	–	–	353,072
Securities investment trust	3,747	29,568	–	–	33,315
Pooled funds (Note 3)	–	3,162	–	1,659,478	1,662,640
Debt securities					
Government bonds (Note 4)	86,982	62,018	–	–	149,000
Corporate bonds (Note 5)	–	383,631	–	–	383,631
Public and corporate bonds investment trust (Note 6)	–	50,459	–	–	50,459
Pooled funds (Note 7)	–	104,982	–	1,965,162	2,070,144
General accounts of life insurance companies	–	1,802,045	–	–	1,802,045
Alternative investments					
Equity securities funds (Note 8)	–	–	72	27,036	27,108
Debt securities funds (Note 9)	33,829	–	–	64,910	98,739
Other funds (Note 10)	55,694	31,514	79,711	676,865	843,784
Real estate (Note 11)	–	–	14,505	345,171	359,676
Total	<u>\$487,018</u>	<u>\$2,714,297</u>	<u>\$94,288</u>	<u>\$4,738,622</u>	<u>\$8,034,225</u>

(Note 1) Certain assets that are measured at fair value using net asset value (“NAV”) per share applied by practical expedient, have not been classified in the fair value hierarchy.

(Note 2) Short-term receivables include cash at bank held in the loan account of pooled funds, negotiable certificates of deposit and call loans, which are classified as Level 2.

(Note 3) Pooled funds of equity securities consist of 19% and 27% domestic companies and 81% and 73% foreign companies as of March 31, 2021 and 2020, respectively.

(Note 4) This category consists of 68% and 80% Japanese government bonds and 32% and 20% foreign government bonds as of March 31, 2021 and 2020, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

- (Note 5) This category consists of 2% and 14% domestic corporate bonds and 98% and 86% foreign corporate bonds as of March 31, 2021 and 2020, respectively.
- (Note 6) The public and corporate bonds investment trusts invest principally in foreign government bonds.
- (Note 7) Pooled funds of bonds consist of 9% and 10% Japanese government bonds, government agency and municipal securities, 62% and 62% foreign government bonds, 1% and 0% domestic corporate bonds and 28% and 28% foreign corporate bonds as of March 31, 2021 and 2020, respectively.
- (Note 8) Equity securities funds invest principally in domestic companies securities.
- (Note 9) Debt securities funds invest principally in foreign government bonds and foreign currencies.
- (Note 10) Other funds include managed futures which principally invest in listed futures and fund of hedge funds whose investments are diversified with a combination of various products and investment techniques.
- (Note 11) Real estate includes principally domestic real estate funds whose investment policy is to generate stable rental income and capital gains from sales on real estate.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

Plan assets classified as Level 1 include principally cash and cash equivalents, government bonds and listed stocks, which were valued using unadjusted quoted prices in active markets for identical assets. Plan assets classified as Level 2 include principally government agency securities, municipal bonds, corporate bonds, pooled funds of equity and debt securities, general accounts of life insurance companies and certain alternative investments. Government agency securities, municipal bonds and corporate bonds were valued using directly or indirectly observable inputs in non-active markets. Pooled funds and certain alternative investments were valued using inputs that were corroborated by observable market data obtained from financial institutions or third parties. General accounts of life insurance companies were valued at conversion value. Plan assets classified as Level 3 include principally alternative investments, consisting of hedge funds and real estate, which were valued using unobservable inputs that were significant to the measurement of their value.

Reconciliation of the beginning and ending balances for assets classified as Level 3 for the years ended March 31, 2021 and 2020 is as follows:

2021						
	Balance at beginning of year	Actual returns on assets held at end of year	Purchase/ sales	Currency translation	Business combination	Balance at end of year
<i>(Millions of yen)</i>						
Alternative investments						
Equity securities funds	¥ -	¥ -	¥ -	¥ -	¥ 8	¥ 8
Other funds	2,121	306	5,339	207	875	8,848
Real estate	330	45	1,160	52	23	1,610
Total	¥2,451	¥351	¥6,499	¥259	¥906	¥10,466
2020						
	Balance at beginning of year	Actual returns on assets held at end of year	Purchase/ sales	Currency translation	Business combination	Balance at end of year
<i>(Millions of yen)</i>						
Alternative investments						
Other funds	¥2,241	¥(20)	¥83	¥(183)	¥-	¥2,121
Real estate	393	(60)	-	(3)	-	330
Total	¥2,634	¥(80)	¥83	¥(186)	¥-	¥2,451

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, inhabitant and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 30.6% for the years ended March 31, 2021 and 2020.

Reconciliation of the differences between the statutory tax rates and the effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
	(%)	(%)
Statutory tax rates	30.6	30.6
Increase (decrease) in income taxes resulting from:		
Differences other than temporary differences, etc.	(2.3)	(7.6)
Difference in statutory tax rates of other countries	(3.2)	(4.5)
Deferred tax liabilities on undistributed earnings	(0.6)	0.4
Research and development credits	(3.3)	(1.9)
Net change in valuation allowances	1.5	2.9
Adjustment for unrecognized tax benefits	(0.1)	(0.1)
Difference in effective tax rates of domestic subsidiaries	0.3	0.5
Investor taxes on equity income from foreign subsidiaries	0.6	0.1
Other	0.1	0.5
Effective tax rates	<u>23.6</u>	<u>20.9</u>

Income before income taxes by tax jurisdictions for the years ended March 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Income before income taxes:			
Domestic	¥174,983	¥104,796	\$1,576,423
Foreign	60,887	68,275	548,532
Total	<u>¥235,870</u>	<u>¥173,071</u>	<u>\$2,124,955</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

The components of income taxes for the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current:			
Domestic	¥35,044	¥23,625	\$315,712
Foreign	12,929	19,197	116,477
Total current	47,973	42,822	432,189
Deferred:			
Domestic	8,873	(6,447)	79,937
Foreign	(1,235)	(261)	(11,126)
Total deferred	7,638	(6,708)	68,811
Total	¥55,611	¥36,114	\$501,000

The major components of deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Deferred tax assets:			
Inventories	¥ 18,488	¥ 14,669	\$ 166,559
Depreciation	36,229	23,691	326,387
Accrued expenses	35,892	31,473	323,351
Accrued pension and severance costs	3,210	12,123	28,919
Accrued enterprise taxes	2,131	2,368	19,198
Tax loss carryforwards	33,480	37,323	301,622
Losses on investment securities	1,646	2,892	14,829
Allowance for doubtful receivables	4,982	6,446	44,883
Operating lease liabilities	23,448	21,007	211,243
Other	34,569	35,083	311,432
	194,075	187,075	1,748,423
Less: Valuation allowances	(37,349)	(30,456)	(336,477)
Total deferred tax assets	156,726	156,619	1,411,946
Deferred tax liabilities:			
Depreciation	17,264	15,037	155,532
Lease receivables	11,854	9,187	106,793
Taxes on undistributed earnings	26,800	27,092	241,441
Unrealized gains on available-for-sale securities	7,507	2,364	67,631
Goodwill	15,372	14,048	138,486
Accrued pension and severance costs	9,248	3,790	83,315
Other intangible assets	33,166	35,884	298,793
Operating lease right-of-use assets	22,238	20,531	200,342
Other	12,338	12,433	111,153
	155,787	140,366	1,403,486
Total deferred tax liabilities	155,787	140,366	1,403,486
Net deferred tax assets	¥ 939	¥ 16,253	\$ 8,460

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

The valuation allowances relate primarily to the deferred tax assets of certain subsidiaries which have net operating loss carryforwards for tax purposes. The valuation allowances increased by ¥6,893 million (\$62,099 thousand) and ¥4,318 million for the years ended March 31, 2021 and 2020, respectively.

Deferred tax assets and liabilities as of March 31, 2021 and 2020 are included in the consolidated balance sheets as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Deferred income taxes (other assets)	¥ 33,179	¥ 37,811	\$298,910
Deferred income taxes (non-current liabilities)	(32,240)	(21,558)	(290,450)
Net deferred tax assets	<u>¥ 939</u>	<u>¥ 16,253</u>	<u>\$ 8,460</u>

As of March 31, 2021, certain subsidiaries have net operating loss carryforwards for income tax purposes of ¥116,738 million (\$1,051,694 thousand), of which ¥85,991 million (\$774,694 thousand) will be carried forward indefinitely, and the remainder of ¥30,747 million (\$277,000 thousand) will, at the latest, expire through the year ending March 31, 2036. These net operating loss carryforwards are available to offset future taxable income of the subsidiaries.

Deferred tax liabilities have not been recognized on undistributed earnings of its domestic subsidiaries as such earnings, if distributed in the form of dividends, are not taxable under present tax laws.

The Company recognizes tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities.

Reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Balance, as of April 1	¥ 1,338	¥1,536	\$ 12,054
Additions for tax positions of the current year	–	77	–
Additions for tax positions of prior years	49	–	441
Reductions for tax positions of prior years	–	(195)	–
Settlements with tax authorities	(258)	(80)	(2,324)
Balance, as of March 31	<u>¥1,129</u>	<u>¥1,338</u>	<u>\$ 10,171</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥1,129 million (\$10,171 thousand) and ¥1,338 million for the years ended March 31, 2021 and 2020, respectively.

Although the Company believes its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements could affect the effective tax rate in the future period. Based on each of the items of which the Company is aware as of March 31, 2021, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

Both interest and penalties accrued as of March 31, 2021 and 2020 in the consolidated balance sheets and included in income taxes for the years ended March 31, 2021 and 2020 in the consolidated statements of income were not material.

In Japan, tax examinations of the Company and major domestic subsidiaries by the tax authorities for the year ended March 31, 2017 and before have been completed. Tax examinations related to transfer pricing by the tax authorities for the year ended March 31, 2017 and before have been completed.

In foreign tax jurisdictions, tax examinations of major foreign subsidiaries for the year ended March 31, 2012 and before have been completed.

13. Equity

The Companies Act of Japan (the “Act”) provides that an amount equal to 10% of a distribution of earnings be appropriated to the additional paid-in capital or legal reserve. The Act also provides to the extent that the sum of the additional paid-in capital account and the legal reserve account exceed 25% of the common stock account, then the amount of the excess (if any) is available for appropriations by resolution of the shareholders.

Retained earnings available for dividends under the Act are based on the amount presented in the Company’s non-consolidated financial statements, which are prepared in accordance with accounting principles and practices generally accepted in Japan. Under the Act, retained earnings available for dividends as of March 31, 2021 amounted to ¥1,117,515 million (\$10,067,703 thousand).

The appropriation of retained earnings for the year ended March 31, 2021 has been reflected in the consolidated financial statements, including the amount approved at the 125th Ordinary General Meeting of Shareholders held on June 29, 2021.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Other Comprehensive Income (Loss)

The changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2021 and 2020 are as follows:

	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on derivatives	Total
	<i>(Millions of yen)</i>				
As of April 1, 2019	¥ (2)	¥ 2,112	¥(102,463)	¥ (240)	¥(100,593)
Change in accumulated other comprehensive income (loss)	(9)	(45,489)	(4,036)	665	(48,869)
Reclassification to net income	–	–	3,914	(543)	3,371
Other comprehensive income (loss)	(9)	(45,489)	(122)	122	(45,498)
Equity transactions with noncontrolling interests and other	–	(2,824)	(15,195)	10	(18,009)
As of March 31, 2020	¥(11)	¥(46,201)	¥(117,780)	¥ (108)	¥(164,100)
Change in accumulated other comprehensive income (loss)	12	79,114	27,376	(1,146)	105,356
Reclassification to net income	–	60	4,366	1,482	5,908
Other comprehensive income (loss)	12	79,174	31,742	336	111,264
Equity transactions with noncontrolling interests and other	–	–	–	–	–
As of March 31, 2021	¥ 1	¥ 32,973	¥ (86,038)	¥ 228	¥ (52,836)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Other Comprehensive Income (Loss) (continued)

	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on derivatives	Total
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>				
As of March 31, 2020	\$(99)	\$(416,225)	\$(1,061,081)	\$ (973)	\$(1,478,378)
Change in accumulated other comprehensive income (loss)	108	712,738	246,631	(10,324)	949,153
Reclassification to net income	—	541	39,333	13,351	53,225
Other comprehensive income (loss)	108	713,279	285,964	3,027	1,002,378
Equity transactions with noncontrolling interests and other	—	—	—	—	—
As of March 31, 2021	\$ 9	\$ 297,054	\$ (775,117)	\$ 2,054	\$ (476,000)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Other Comprehensive Income (Loss) (continued)

The amounts reclassified out of each component of accumulated other comprehensive income (loss) to net income for the years ended March 31, 2021 and 2020 are as follows:

Affected line item in the consolidated statements of income	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Foreign currency translation adjustments			
Other, net	¥ (60)	¥ –	\$ (541)
Net income attributable to FUJIFILM Holdings	(60)	–	(541)
Pension liability adjustments			
Other, net	(7,086)	(7,116)	(63,838)
Income taxes	2,764	2,757	24,901
Net income attributable to noncontrolling interests	(44)	445	(396)
Net income attributable to FUJIFILM Holdings	(4,366)	(3,914)	(39,333)
Unrealized gains (losses) on derivatives			
Foreign exchange gains (losses), net	(1,917)	1,412	(17,270)
Interest expense	(225)	–	(2,027)
Other, net	–	(356)	–
Income taxes	660	(316)	5,946
Net income attributable to noncontrolling interests	–	(197)	–
Net income attributable to FUJIFILM Holdings	(1,482)	543	(13,351)
Total	¥(5,908)	¥(3,371)	\$(53,225)

The related tax effects allocated to each component of other comprehensive income (loss), including amounts attributable to noncontrolling interests, for the years ended March 31, 2021 and 2020 are as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Other Comprehensive Income (Loss) (continued)

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	<i>(Millions of yen)</i>		
2021			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ 17	¥ (5)	¥ 12
Reclassification to net income	—	—	—
Net change in unrealized gains (losses)	<u>17</u>	<u>(5)</u>	<u>12</u>
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	80,575	—	80,575
Reclassification to net income	60	—	60
Net change in foreign currency translation adjustments	<u>80,635</u>	<u>—</u>	<u>80,635</u>
Pension liability adjustments:			
Change in pension liability adjustments	39,634	(12,170)	27,464
Reclassification to net income	7,086	(2,764)	4,322
Net change in pension liability adjustments	<u>46,720</u>	<u>(14,934)</u>	<u>31,786</u>
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(1,654)	508	(1,146)
Reclassification to net income	2,142	(660)	1,482
Net change in unrealized gains (losses)	<u>488</u>	<u>(152)</u>	<u>336</u>
Total	<u>¥127,860</u>	<u>¥(15,091)</u>	<u>¥112,769</u>
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	<i>(Millions of yen)</i>		
2020			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ (12)	¥ 3	¥ (9)
Reclassification to net income	—	—	—
Net change in unrealized gains (losses)	<u>(12)</u>	<u>3</u>	<u>(9)</u>
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(50,279)	—	(50,279)
Reclassification to net income	—	—	—
Net change in foreign currency translation adjustments	<u>(50,279)</u>	<u>—</u>	<u>(50,279)</u>
Pension liability adjustments:			
Change in pension liability adjustments	(7,701)	3,484	(4,217)
Reclassification to net income	7,116	(2,757)	4,359
Net change in pension liability adjustments	<u>(585)</u>	<u>727</u>	<u>142</u>
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	1,263	(386)	877
Reclassification to net income	(1,056)	316	(740)
Net change in unrealized gains (losses)	<u>207</u>	<u>(70)</u>	<u>137</u>
Total	<u>¥(50,669)</u>	<u>¥ 660</u>	<u>¥(50,009)</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Other Comprehensive Income (Loss) (continued)

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
2021			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	\$ 153	\$ (45)	\$ 108
Reclassification to net income	-	-	-
Net change in unrealized gains (losses)	<u>153</u>	<u>(45)</u>	<u>108</u>
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	725,901	-	725,901
Reclassification to net income	541	-	541
Net change in foreign currency translation adjustments	<u>726,442</u>	<u>-</u>	<u>726,442</u>
Pension liability adjustments:			
Change in pension liability adjustments	357,063	(109,640)	247,423
Reclassification to net income	63,838	(24,901)	38,937
Net change in pension liability adjustments	<u>420,901</u>	<u>(134,541)</u>	<u>286,360</u>
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(14,901)	4,577	(10,324)
Reclassification to net income	19,297	(5,946)	13,351
Net change in unrealized gains (losses)	<u>4,396</u>	<u>(1,369)</u>	<u>3,027</u>
Total	<u>\$1,151,892</u>	<u>\$(135,955)</u>	<u>\$1,015,937</u>

15. Commitments and Contingent Liabilities

Guarantees

The Company guarantees certain indebtedness of others and other obligations. As of March 31, 2021, the maximum potential amount of future payments (undiscounted) the Company could be required to make under such guarantees was ¥2,886 million (\$26,000 thousand), of which ¥1,450 million (\$13,063 thousand) were guarantees of employee mortgage loans to financial institutions. In the event of an employee's insolvency, certain subsidiaries of the Company will need to pay the default mortgage on behalf of the employee. The guarantees are partly secured by the employees' property in the amount of ¥1,450 million (\$13,063 thousand). The terms of the mortgage loan guarantees are from 1 to 16 years. The Company has not made any significant payments under such guarantees in the past, and as of March 31, 2021, the carrying amount of the liability for the Company's obligations under such guarantees was not material.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingent Liabilities (continued)

Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding as of March 31, 2021, principally for the construction and purchase of property, plant and equipment, amounted to ¥43,159 million (\$388,820 thousand). As of March 31, 2021, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥1,512 million (\$13,622 thousand).

Due to the nature of its business, the Company is subject to various threatened or filed legal actions and regulatory investigations. The Company has provided the necessary accruals, if any, for environmental remediation, litigation and regulatory investigations, for which occurrence of the future events is probable and the amount of loss can be reasonably estimated. Although the amount of the ultimate exposure, if any, cannot be determined at this time, the Company does not expect the final outcome of those matters to have a material adverse effect on the financial position, operating results and cash flows of the Company.

Product Warranties

The Company provides a warranty for certain of its products. These warranties generally extend for a period of one year from the date of sale. The changes in the Company's warranty liability balance are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Balance, as of April 1	¥ 8,593	¥ 9,447	\$ 77,414
Warranties issued during the current period	6,813	6,570	61,379
Settlements made during the current period	(6,500)	(7,034)	(58,559)
Other, including changes in liability for pre-existing warranties during the current period	1,032	(390)	9,298
Balance, as of March 31	¥ 9,938	¥ 8,593	\$ 89,532

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Net Income Attributable to FUJIFILM Holdings per Share

A calculation of the basic and diluted net income attributable to FUJIFILM Holdings per share for the years ended March 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of Yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net income attributable to FUJIFILM Holdings	<u>¥181,205</u>	<u>¥124,987</u>	<u>\$1,632,478</u>
	<u>2021</u>	<u>2020</u>	
	<i>(Shares)</i>		
Weighted average common shares outstanding-Basic	399,762,945	408,215,110	
Effect of dilutive securities:			
Stock options	<u>1,357,797</u>	<u>1,289,413</u>	
Weighted average common shares outstanding-Diluted	<u>401,120,742</u>	<u>409,504,523</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
			<i>(Note 3)</i>
Net income attributable to FUJIFILM Holdings per share:			
Basic	¥453.28	¥306.18	\$4.08
Diluted	451.75	305.22	4.07

The number of common stocks to be issued when stock options are exercised in the future, which had no dilutive effect and were excluded from the calculation of diluted net income attributable to FUJIFILM Holdings per share, were 26,900 and 23,500 shares as of March 31, 2021 and 2020, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Stock-Based Compensation Plan

The Company has stock-based compensation plans for Directors, Executive Officers, and important employees of the Company as well as Directors, Executive Officers, Fellows, and important employees of its certain consolidated subsidiaries. Under the stock-based compensation plans, one stock acquisition right represents one option to purchase 100 shares of the Company's common stock.

General terms of contracts are as follows. It is presented in numbers of shares on grant dates.

Stock acquisition rights	Number of shares	Exercise price (Yen)	Grant date	Period for exercising stock acquisition rights
No. 3-1	255,300	1	September 1, 2009	September 2, 2009 ~ September 1, 2039 (Note 1)
No. 4-1	277,800	1	January 31, 2011	February 1, 2011 ~ January 31, 2041 (Note 1)
No. 4-2	196,200	2,965	January 31, 2011	December 25, 2012 ~ December 24, 2020
No. 5-1	386,000	1	April 2, 2012	April 3, 2012~ April 2, 2042 (Note 2)
No. 5-2	23,100	2,012	April 2, 2012	March 3, 2014 ~ March 2, 2022
No. 6-1	370,400	1	April 1, 2013	April 2, 2013 ~ April 1, 2043 (Note 2)
No. 6-2	23,500	1,842	April 1, 2013	February 27, 2015 ~ February 26, 2023
No. 7-1	227,100	1	April 1, 2014	April 2, 2014 ~ April 1, 2044 (Note 2)
No. 7-2	23,200	2,803	April 1, 2014	February 28, 2016 ~ February 27, 2024
No. 8-1	182,100	1	April 1, 2015	April 2, 2015 ~ April 1, 2045 (Note 2)
No. 8-2	22,500	4,205	April 1, 2015	February 27, 2017 ~ February 26, 2025
No. 9-1	174,800	1	June 1, 2016	June 2, 2016 ~ June 1, 2046 (Note 2)
No. 9-2	25,100	4,495	June 1, 2016	April 28, 2018 ~ April 27, 2026
No. 10-1	163,300	1	June 1, 2017	June 2, 2017 ~ June 1, 2047 (Note 3)
No. 10-2	23,500	4,146	June 1, 2017	April 28, 2019 ~ April 27, 2027
No. 11-1	174,000	1	June 1, 2018	June 2, 2018 ~ June 1, 2048 (Note 3)
No. 11-2	24,100	4,241	June 1, 2018	May 11, 2020 ~ May 10, 2028
No. 12-1	136,300	1	June 1, 2019	June 2, 2019 ~ June 1, 2049 (Note 3)
No. 12-2	23,500	5,238	June 1, 2019	May 9, 2021 ~ May 8, 2029
No. 13-1	151,600	1	June 1, 2020	June 2, 2020 ~ June 1, 2050 (Note 3)
No. 13-2	26,900	5,043	June 1, 2020	May 14, 2022 ~ May 13, 2030

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Stock-Based Compensation Plan (continued)

(Note 1) In the case that stock acquisition right holders cease to hold any positions as the Company's or its certain subsidiaries' Directors, Corporate Auditors, Executive Officers, Fellows, or other positions appointed by the Board of Directors, during the period for exercising the stock acquisition rights, they shall exercise the stock acquisition rights during a limited period of 7 years beginning from the day following the date of loss of position.

(Note 2) In the case that stock acquisition right holders cease to hold any positions as the Company's or its certain subsidiaries' Directors, Corporate Auditors, Executive Officers, Fellows, employees, or other positions appointed by the Board of Directors, during the period for exercising the stock acquisition rights, they shall exercise the stock acquisition rights during a limited period of 7 years beginning from the day following the date of loss of position.

(Note 3) In the case that stock acquisition right holders cease to hold any positions as the Company's or its certain subsidiaries' Directors, Corporate Auditors, Executive Officers, Fellows, employees, or other positions appointed by the Board of Directors, during the period for exercising the stock acquisition rights, they shall exercise the stock acquisition rights all at once during a limited period of 10 calendar days beginning from the day following the date of loss of position.

The Company recognized stock-based compensation cost of ¥738 million (\$6,649 thousand) and ¥694 million as "Selling, general and administrative" in the consolidated statements of income for the years ended March 31, 2021 and 2020, respectively, and the cost was measured as the fair value of the options estimated using the Black-Scholes pricing model. The deferred income tax benefit related to the cost was ¥100 million (\$901 thousand) and ¥205 million for the years ended March 31, 2021 and 2020, respectively. As of March 31, 2021, there was no unrecognized stock-based compensation cost. There were 946 stock acquisition rights exercised during the year ended March 31, 2021. The weighted average grant date fair values of stock acquisition rights granted during the years ended March 31, 2021 and 2020 were ¥4,135 (\$37.25) and ¥4,346, respectively. The total fair values of shares vested during the years ended March 31, 2021 and 2020 were ¥736 million (\$6,631 thousand) and ¥692 million, respectively. Cash received from the exercise of stock options for the year ended March 31, 2021, was ¥116 million (\$1,045 thousand).

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Stock-Based Compensation Plan (continued)

A summary of the status of stock acquisition rights during the years ended March 31, 2021 and 2020 is as follows:

2021	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		<i>(Yen)</i>	<i>(Years)</i>	<i>(Millions of yen)</i>
Outstanding as of April 1, 2020	1,427,100	¥ 349		
Granted	178,500	761		
Exercised	(94,600)	1,230		
Forfeited or expired	(8,600)	2,965		
Outstanding as of March 31, 2021	1,502,400	327	22.9	¥9,381
Exercisable as of March 31, 2021	1,475,500	241	23.2	9,340

2020	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		<i>(Yen)</i>	<i>(Years)</i>	<i>(Millions of yen)</i>
Outstanding as of April 1, 2019	1,407,800	¥ 418		
Granted	159,800	771		
Exercised	(130,900)	1,424		
Forfeited or expired	(9,600)	2,828		
Outstanding as of March 31, 2020	1,427,100	349	23.0	¥7,264
Exercisable as of March 31, 2020	1,403,600	267	23.2	7,260

2021	Weighted average exercise price	Aggregate intrinsic value
	<i>(U.S. dollar)</i>	<i>(Thousands of U.S. dollars)</i>
Outstanding as of April 1, 2020	\$ 3.14	
Granted	6.86	
Exercised	11.08	
Forfeited or expired	26.71	
Outstanding as of March 31, 2021	2.95	\$84,514
Exercisable as of March 31, 2021	2.17	84,144

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Stock-Based Compensation Plan (continued)

The aggregate intrinsic value of shares exercised under the stock acquisition rights plan was ¥505 million (\$4,550 thousand) and ¥526 million for the years ended March 31, 2021 and 2020, respectively.

The fair value of the stock acquisition rights as of the grant date was estimated using the Black-Scholes pricing model with the following assumptions:

Stock acquisition rights	Expected volatility	Expected remaining life	Expected dividend (Yen)	Risk-free interest rate
No. 3-1	58.623%	1 year	30	0.170%
No. 4-1	23.274%	1 year	27.5	0.145%
No. 4-2	34.205%	6 years	27.5	0.584%
No. 5-1	28.548%	1 year	32.5	0.105%
No. 5-2	38.826%	6 years	32.5	0.459%
No. 6-1	28.682%	1 year	37.5	0.055%
No. 6-2	36.549%	6 years	37.5	0.180%
No. 7-1	36.312%	1 year	40	0.070%
No. 7-2	37.091%	6 years	40	0.252%
No. 8-1	24.178%	1 year	55	0.020%
No. 8-2	29.772%	6 years	55	0.123%
No. 9-1	32.900%	1 year	67.5	(0.265%)
No. 9-2	29.840%	6 years	67.5	(0.256%)
No. 10-1	28.736%	2 years	67.5	(0.165%)
No. 10-2	29.426%	6 years	67.5	(0.092%)
No. 11-1	27.457%	3 years	72.5	(0.131%)
No. 11-2	28.715%	6 years	72.5	(0.071%)
No. 12-1	23.632%	3 years	77.5	(0.197%)
No. 12-2	26.672%	6 years	77.5	(0.203%)
No. 13-1	28.112%	3 years	87.5	(0.195%)
No. 13-2	27.601%	6 years	87.5	(0.134%)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Stock-Based Compensation Plan (continued)

The expected volatility is determined based on the historical volatility of the Company's common stock price over the most recent period corresponding with the estimated expected remaining life of the Company's stock acquisition rights. The expected remaining life of No. 3-1 Stock Acquisition Rights, No. 4-1 Stock Acquisition Rights, No. 5-1 Stock Acquisition Rights, No. 6-1 Stock Acquisition Rights, No. 7-1 Stock Acquisition Rights, No. 8-1 Stock Acquisition Rights and No. 9-1 Stock Acquisition Rights was determined as one year based on the minimum term of Directors and Executive Officers of the Company and FUJIFILM Corporation. The expected remaining life of No. 10-1 Stock Acquisition Rights, No. 11-1 Stock Acquisition Rights, No. 12-1 Stock Acquisition Rights and No. 13-1 Stock Acquisition Rights was determined as the years reflecting the actual term of the year before the grant date. The expected remaining life of No. 4-2 Stock Acquisition Rights, No. 5-2 Stock Acquisition Rights, No. 6-2 Stock Acquisition Rights, No. 7-2 Stock Acquisition Rights, No. 8-2 Stock Acquisition Rights, No. 9-2 Stock Acquisition Rights, No. 10-2 Stock Acquisition Rights, No. 11-2 Stock Acquisition Rights, No. 12-2 Stock Acquisition Rights and No. 13-2 Stock Acquisition Rights was determined as 6 years based on the midpoint of the period for exercising the stock acquisition rights.

18. Derivatives

The Company operates internationally, and is exposed to market risks arising from fluctuations in foreign currencies, interest rates and certain commodity prices. The Company utilizes derivative financial instruments solely to reduce these risks.

The Company has established risk management policies for approval, reporting and monitoring of derivative financial instruments. The risk management policies prohibit the Company from holding or issuing derivative financial instruments for trading purposes. The following is a summary of the Company's risk management policies and impact on these strategies on the Company's consolidated financial statements.

Cash Flow Hedges

The Company has entered into interest rate swap contracts to reduce the risks of fluctuations in interest rates pertaining to variable interest rate loans, and cross currency interest rate swap contracts to reduce the risks of fluctuations in interest rates and foreign currency exchange rates pertaining to loans denominated in foreign currencies. In addition, certain subsidiaries of the Company have entered into forward currency exchange contracts to reduce the risks of fluctuations in foreign currencies pertaining to forecasted import purchases and export sales from/to third parties and group companies, and related receivables and payables denominated in foreign currencies. If the Japanese yen weakens significantly against foreign currencies (primarily the U.S. dollar), the increase in the cash flows caused by increases of value in future foreign currency is offset by gains or losses in the value of the forward exchange contracts designated as hedges. Conversely, if the Japanese yen strengthens, the decrease in the cash flows caused by decreases of value in future foreign currency is offset by gains or losses in the value of the forward contracts designated as hedges.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Cash Flow Hedges (continued)

Changes in the fair value of those derivative instruments designated or qualified as cash flow hedges are reported in “Accumulated other comprehensive income (loss)”, net of applicable taxes, in the consolidated balance sheets. These amounts are reclassified into earnings in the same period during which the hedged items affect earnings.

As of March 31, 2021, the Company expects to reclassify ¥301 million (\$2,712 thousand) of unrealized losses on derivatives (before tax effect) from accumulated other comprehensive income (loss) to earnings during the next twelve months.

Derivatives Not Designated as Hedges

Certain subsidiaries of the Company have entered into forward currency exchange contracts or currency swap contracts to reduce the risks of fluctuations in foreign currency exchange pertaining to forecasted transactions, and related receivables and payables denominated in foreign currencies. In addition, certain subsidiaries of the Company have entered into interest rate swap contracts to reduce the risks of fluctuations in interest rate of variable interest rate liabilities, and cross currency interest rate swap contracts to reduce the risks of fluctuations in interest and foreign currency exchange rates pertaining to loans denominated in foreign currencies. Although these derivatives are effective as hedges from an economic perspective, certain subsidiaries of the Company do not designate these contracts as hedges as required in order to apply hedge accounting. As a result, changes in the fair value of these derivatives are recorded in earnings immediately.

Volume of Derivative Activities

Notional amounts of forward currency exchange contracts, currency swaps, cross currency interest rate swaps, interest rate swaps and other contracts as of March 31, 2021 and 2020 are summarized as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Forward currency exchange contracts (short)	¥19,634	¥75,797	\$176,883
Forward currency exchange contracts (long)	21,580	42,319	194,414
Currency swaps	33,338	29,870	300,342
Cross currency interest rate swaps	13,551	13,321	122,081
Interest rate swaps	31,548	88,550	284,216
Other	26,538	30,903	239,081

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Impacts on the Consolidated Financial Statements

The locations and amounts of fair values of derivatives in the consolidated balance sheets as of March 31, 2021 and 2020 are summarized as follows:

		Derivative assets		
Balance sheet location		Fair value		
		2021	2020	2021
		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
				<i>(Note 3)</i>
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	¥ 720	¥ 1,235	\$ 6,487
Cross currency interest rate swaps	Other long-term receivables	672	446	6,054
Total		1,392	1,681	12,541
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	26	544	233
Currency swaps	Prepaid expenses and other	–	4,344	–
Other	Prepaid expenses and other	4,718	1	42,505
Other	Other long-term receivables	2,019	–	18,189
Total		6,763	4,889	60,927
Total derivative assets		¥ 8,155	¥ 6,570	\$ 73,468

		Derivative liabilities		
Balance sheet location		Fair value		
		2021	2020	2021
		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
				<i>(Note 3)</i>
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	¥ 381	¥ 254	\$ 3,433
Interest rate swaps	Other current liabilities	–	254	–
Interest rate swaps	Other non-current liabilities	347	582	3,126
Total		728	1,090	6,559
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	90	43	810
Forward currency exchange contracts	Other non-current liabilities	–	75	–
Currency swaps	Other current liabilities	2,772	24	24,973
Currency swaps	Other non-current liabilities	1,332	54	12,000
Interest rate swaps	Other current liabilities	11	26	99
Interest rate swaps	Other non-current liabilities	–	331	–
Other	Other current liabilities	–	1,679	–
Other	Other non-current liabilities	–	1,903	–
Total		4,205	4,135	37,882
Total derivative liabilities		¥4,933	¥5,225	\$44,441

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

The location and amounts of gains and losses related to derivatives recorded in the consolidated statements of income for the years ended March 31, 2021 and 2020 are summarized as follows:

Cash Flow Hedges	2021		
	Gains (losses) recognized in accumulated OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)	Amount
	Amount	Statements of income location	Amount
	<i>(Millions of yen)</i>		
Forward currency exchange contracts	¥(1,647)	Foreign exchange gains (losses), net	¥(1,917)
Cross currency interest rate swaps	(7)	–	–
Interest rate swaps	–	Interest expense	(225)
Total	¥(1,654)		¥(2,142)

Cash Flow Hedges	2020		
	Gains (losses) recognized in accumulated OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)	Amount
	Amount	Statements of income location	Amount
	<i>(Millions of yen)</i>		
Forward currency exchange contracts	¥1,370	Foreign exchange gains (losses), net	¥1,412
Cross currency interest rate swaps	(107)	–	–
Interest rate swaps	–	Other, net	(356)
Total	¥1,263		¥1,056

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

Cash Flow Hedges	2021		
	Gains (losses) recognized in accumulated OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)	
	Amount	Statements of income location	Amount
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
Forward currency exchange contracts	\$ (14,838)	Foreign exchange gains (losses), net	\$ (17,270)
Cross currency interest rate swaps	(63)	–	–
Interest rate swaps	–	Interest expense	(2,027)
Total	<u><u>\$(14,901)</u></u>		<u><u>\$(19,297)</u></u>

Derivatives Not Designated as Hedges	Statements of income location	Amount		
		2021	2020	2021
		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
				<i>(Note 3)</i>
Forward currency exchange contracts	Foreign exchange gains (losses), net	¥ 194	¥ (240)	\$ 1,748
Currency swaps	Foreign exchange gains (losses), net	(7,082)	8,026	(63,802)
Interest rate swaps	Other, net	64	84	576
Other	Other, net	13,304	(4,059)	119,856
Total		<u><u>¥6,480</u></u>	<u><u>¥3,811</u></u>	<u><u>\$58,378</u></u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value of Financial Instruments and Concentration of Credit Risk

Fair Value of Financial Instruments

The fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. Although management uses its best judgment in estimating the fair value of such instruments, the methodologies and assumptions for the estimate of fair value are inherently subjective. Consequently, the estimated amounts are not necessarily indicative of the amounts which could be realized or would be paid in a current market exchange. The following methodologies and assumptions are used in estimating the fair value of its financial instruments:

Cash and cash equivalents, Notes and accounts receivable, Short-term debt, Notes and accounts payable: The carrying amounts approximate the fair values because of the short maturity of these instruments.

Investment securities: The fair values of stocks with active markets are estimated based on quoted market prices. Debt securities with inactive markets are measured by using observable inputs, either directly or indirectly.

Long-term debt: The fair value of long-term debt is estimated based on quoted market prices or using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements. The fair values and the corresponding carrying amounts of long-term debt, including the current portion, were ¥498,543 million (\$4,491,378 thousand) and ¥497,254 million (\$4,479,766 thousand), respectively, as of March 31, 2021 and ¥568,821 million and ¥568,035 million, respectively, as of March 31, 2020.

The fair values of long-term debt as of March 31, 2021 and 2020 were classified as Level 2. The fair value hierarchy that prioritizes the inputs used in valuation techniques is described in Note 20 “Fair Value Measurement”.

Derivative financial instruments: The fair values of forward currency exchange contracts, currency swaps, cross currency interest rate swaps and interest rate swaps are estimated based on the market prices obtained from financial institutions or third parties, which are measured by observable inputs. The fair values and the carrying amounts of these derivative assets were ¥8,155 million (\$73,468 thousand) and ¥6,570 million, and those of derivative liabilities were ¥4,933 million (\$44,441 thousand) and ¥5,225 million, as of March 31, 2021 and 2020, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value of Financial Instruments and Concentration of Credit Risk (continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, investment securities, trade accounts receivable and lease receivables, and derivatives.

The Company maintains cash and cash equivalents with various financial institutions. The Company's policy is to not concentrate risks with any one financial institution. The Company periodically performs credit evaluations of those financial institutions.

Investment securities are exposed to risks such as fluctuations in market prices, but the Company periodically reviews market values and the financial positions of the issuers and performs ongoing evaluations of holdings.

Trade receivables and lease receivables are exposed to credit risks because they include the trade receivables and lease receivables from certain major customers. However, the Company manages this risk by maintenance of customer's guarantee deposits and ongoing performance of credit evaluations. An allowance for doubtful accounts is maintained at a level which the Company believes is sufficient to cover potential losses.

Regarding derivatives, the Company assumes the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Company conducts such derivative transactions with high credit quality financial institutions to reduce risks.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement

ASC 820 “Fair value measurement” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques into the following three levels, depending on the observability of those inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those classified as Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (inactive markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs to the valuation techniques which are significant to the measurement of fair value of assets or liabilities.

Assets and liabilities that the Company measures at fair value on a recurring basis include investment securities, derivative assets and liabilities, and contingent consideration. The fair value hierarchy as of March 31, 2021 and 2020 is as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

	2021			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Assets:				
Investment securities				
Corporate bonds	¥ –	¥ 587	¥ –	¥ 587
Stocks	97,680	–	–	97,680
Investment trusts, etc.	–	–	5,760	5,760
Short-term derivative assets				
Forward currency exchange contracts	–	746	–	746
Other	–	4,718	–	4,718
Long-term derivative assets				
Cross currency interest rate swaps	–	672	–	672
Other	–	2,019	–	2,019
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	–	471	–	471
Currency swaps	–	2,772	–	2,772
Interest rate swaps	–	11	–	11
Long-term derivative liabilities				
Currency swaps	–	1,332	–	1,332
Interest rate swaps	–	347	–	347

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

	2020			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Assets:				
Investment securities				
Corporate bonds	¥ –	¥501	¥ –	¥501
Stocks	74,069	–	–	74,069
Investment trusts, etc.	–	–	3,951	3,951
Short-term derivative assets				
Forward currency exchange contracts	–	1,779	–	1,779
Currency swaps	–	4,344	–	4,344
Other	–	1	–	1
Long-term derivative assets				
Cross currency interest rate swaps	–	446	–	446
Other long-term receivables				
Contingent consideration	–	–	2,982	2,982
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	–	297	–	297
Currency swaps	–	24	–	24
Interest rate swaps	–	280	–	280
Other	–	1,679	–	1,679
Long-term derivative liabilities				
Forward currency exchange contracts	–	75	–	75
Currency swaps	–	54	–	54
Interest rate swaps	–	913	–	913
Other	–	1,903	–	1,903
Other non-current liabilities				
Contingent consideration	–	–	3,223	3,223

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

	2021			Total
	Level 1	Level 2	Level 3	
	<i>(Thousands of U.S. dollars)</i>			
	<i>(Note 3)</i>			
Assets:				
Investment securities				
Corporate bonds	\$ —	\$ 5,288	\$ —	\$ 5,288
Stocks	880,000	—	—	880,000
Investment trusts, etc.	—	—	51,892	51,892
Short-term derivative assets				
Forward currency exchange contracts	—	6,721	—	6,721
Other	—	42,505	—	42,505
Long-term derivative assets				
Cross currency interest rate swaps	—	6,054	—	6,054
Other	—	18,189	—	18,189
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	4,243	—	4,243
Currency swaps	—	24,973	—	24,973
Interest rate swaps	—	99	—	99
Long-term derivative liabilities				
Currency swaps	—	12,000	—	12,000
Interest rate swaps	—	3,126	—	3,126

Assets classified as Level 1 include principally listed stocks, which were valued using unadjusted quoted prices in active markets for identical assets. Assets and liabilities classified as Level 2 include principally derivatives. Derivative assets and liabilities were classified as Level 2 because they were valued based on market approach using inputs that were corroborated by observable market data obtained from financial institutions or third parties. Assets and liabilities classified as Level 3 include principally investment funds and assets and liabilities for contingent consideration, which were valued using unobservable inputs that were significant to the measurement of their value.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

Changes in assets and liabilities classified as the fair value hierarchy Level 3 for the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Assets			
Balance, as of April 1	¥6,933	¥3,274	\$62,459
Gains or losses			
Net income (Note 1)	(1,460)	(614)	(13,153)
Purchases	1,072	594	9,658
Disposal and settlements	(785)	(462)	(7,072)
Business combinations (Note 2)	–	4,141	–
Balance, as of March 31	¥5,760	¥6,933	\$51,892
Liabilities			
Balance, as of April 1	¥3,223	¥ –	\$29,036
Gains or losses			
Net income (Note 1)	(3,223)	(809)	(29,036)
Business combinations (Note 2)	–	4,032	–
Balance, as of March 31	¥ –	¥3,223	\$ –

(Note 1) Gains or losses recognized in net income are mainly presented in “Selling, general and administrative” or “Other, net” in the consolidated statements of income. Those gains or losses related to assets and liabilities held by the Company at the end of year were ¥1,763 million (\$15,883 thousand) and ¥195 million for the years ended March 31, 2021 and 2020, respectively.

(Note 2) The figures are assets and liabilities recognized by setting contingent consideration as part of the consideration for a business combination.

For the year ended March 31, 2021, assets measured at fair value on a nonrecurring basis consisted of property, plant and equipment and intangible assets for which impairment losses were recognized. The Company measured the fair values of property, plant and equipment and intangible assets mainly held by the Healthcare & Material Solutions segment by using the discounted cash flow method based on the estimated future cash flows and other unobservable inputs. As a result, the Company recognized impairment losses of ¥28,448 million (\$256,288 thousand) on the property, plant and equipment and of ¥12,689 million (\$114,315 thousand) on the intangible assets as their carrying amounts were not deemed recoverable. The impairment losses are mainly included in “Cost of sales” and “Selling, general and administrative” in the consolidated statements of income. Those property, plant and equipment and intangible assets were classified as Level 3 because they were valued using unobservable inputs, and their balances as of March 31, 2021 were ¥10,808 million (\$97,369 thousand) and ¥1,356 million (\$12,216 thousand), respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Finance Receivables

Finance Receivables and Allowance for Doubtful Finance Receivables

Finance receivables are evaluated individually or collectively, based on the financial positions of its customers and delays in payment. For collectively evaluated financing receivables, the allowance is determined by using percentages based on historical losses, whereas for individually evaluated financing receivables, the allowance is determined by using percentages based on the financial positions of individual customer. The credit quality of finance receivables is reviewed every quarter based on the financial positions of customers and delays in payment. Where the Company estimates that the credit quality of a particular receivable has decreased significantly, an allowance is individually recorded. Finance receivables are charged-off when it becomes clear that the finance receivables will be uncollectable according to a decision of court.

The following table provides the roll-forward of allowance for doubtful finance receivable (excluding trade accounts receivable due within one year) for the years ended March 31, 2021 and 2020, and the breakdown of balances as of March 31, 2021 and 2020.

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Allowance for doubtful finance receivables:			
Balance, as of April 1	¥(10,007)	¥(10,735)	\$(90,153)
Charge-offs	3,059	2,036	27,559
Provisions	(1,069)	(1,807)	(9,631)
Other	(406)	499	(3,658)
Balance, as of March 31	¥(8,423)	¥(10,007)	\$(75,883)
Ending balance: individually evaluated for impairment	(4,722)	(7,562)	(42,541)
Ending balance: collectively evaluated for impairment	(3,701)	(2,445)	(33,342)

Information about finance receivables, excluding trade accounts receivable due within one year, as of March 31, 2021 and 2020 is as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Finance Receivables (continued)

Finance Receivables and Allowance for Doubtful Finance Receivables (continued)

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Finance receivables:			
Balance, as of March 31	¥113,712	¥117,143	\$1,024,432
Ending balance: individually evaluated for impairment	4,789	7,562	43,144
Ending balance: collectively evaluated for impairment	108,923	109,581	981,288

There were no significant purchases or sales in finance receivables occurred during the year ended March 31, 2021.

Past Due Finance Receivables

Past due finance receivables, excluding trade accounts receivable due within one year, as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
31-90 days	¥ 993	¥1,173	\$ 8,946
Greater than 90 days	5,097	6,176	45,919
Total	¥6,090	¥7,349	\$54,865

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue

If a contract with a customer includes multiple performance obligations, the transaction price of multiple contracts will be allocated based on the standalone selling price of each individually sold product (if the standalone selling price is not directly observable, then it will be based on an assumed selling price when sold individually).

Costs incurred by the Company in connection with sales incentives related to purchase or promotion of the Company's products are classified as reduction of revenue. Such costs include the estimated cost of promotional discounts, dealer volume rebates and discounts for certain cash transactions. These costs are mainly based on claims from customers / dealers or amount calculated in accordance with agreements to the extent that there is likely to be no significant reversal of cumulative revenue recognized.

Contracts that are expected, at the start of contracts, to be fulfilled within one year from when the Company transfers the promised goods or services to the customer to the time at which the customer issues payment for these goods or services do not include the effect of the time value of money in the promised compensation.

Revenue Recognized from Contracts with Customers and Other Sources

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Revenue recognized from contracts with customers	¥2,116,173	¥2,252,614	\$19,064,621
Revenue recognized from other sources	76,346	62,527	687,802
Total	<u>¥2,192,519</u>	<u>¥2,315,141</u>	<u>\$19,752,423</u>

Revenue recognized from other sources is revenue recognized from lease commitments.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue (continued)

Association between disaggregated revenue, segment revenue and timing of satisfaction of performance obligations

The disaggregated revenue by geographic segment, attributed to the locations of the external customers, is as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Japan	¥ 927,910	¥1,004,076	\$ 8,359,550
The Americas	416,341	424,257	3,750,820
Europe	267,902	296,623	2,413,531
Asia and others	580,366	590,185	5,228,522
Revenue total	<u>¥2,192,519</u>	<u>¥2,315,141</u>	<u>\$19,752,423</u>

The disaggregated revenue by business segment is as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Imaging Solutions:			
Photo Imaging	¥ 195,789	¥ 228,903	\$ 1,763,864
Electronic Imaging	68,180	72,005	614,234
Optical Devices	21,267	31,695	191,595
Healthcare & Material Solutions:			
Healthcare	567,752	504,134	5,114,883
Display Materials	94,884	85,500	854,811
Industrial Products/Electronic Materials/Fine Chemicals	191,333	177,888	1,723,721
Recording Media	26,249	41,865	236,477
Graphic Systems/Inkjet	171,145	213,569	1,541,847
Other	1,230	1,253	11,081
Document Solutions:			
Office Products & Printers	474,477	532,124	4,274,568
Production Services	96,948	116,045	873,405
Solution & Services	249,566	273,527	2,248,342
Other	33,699	36,633	303,595
Revenue total	<u>¥2,192,519</u>	<u>¥2,315,141</u>	<u>\$19,752,423</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue (continued)

Association between disaggregated revenue, segment revenue and timing of satisfaction of performance obligations (continued)

The performance obligations of the Company are divided into three major categories: consumer products and industrial products, equipment requiring installation, and services.

The Company's association with each segment is as follows:

The Company sells color films, digital cameras, color paper for photo printing, and instant photo systems in "Imaging Solutions" and materials for medical systems such as X-ray films, pharmaceuticals, materials for graphic systems such as CTP plates, display materials such as protective films for polarizers, recording media such as magnetic tapes for computers, and electronic materials such as semiconductor processing materials in "Healthcare & Material Solutions". The Company sells these products as consumer products and industrial products. Revenue from these products is recognized when goods are delivered or shipped to customers, depending on the timing of title and risk transfer.

The Company mainly sells certain equipment which requires customer acceptance including materials and equipment for medical systems such as digital endoscopes and ultrasound imaging and diagnostic system, and inkjet equipment such as Inkjet Digital Presses in "Healthcare & Material Solutions", digital multifunction devices, on-demand publishing systems, and computer printing systems in "Document Solutions". Revenue from these products is recognized when equipment is installed and customer acceptance is obtained.

The Company mainly provides services for photo printing in "Imaging Solutions", maintenance services for materials and equipment for medical systems in "Healthcare & Material Solutions", and managed print services and business process outsourcing in "Document Solutions". The Company provides these offerings as services. Revenue from these services is recognized when the services are provided to customers.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue (continued)

Contract Balance

The breakdown of contract balances as of March 31, 2021 and 2020 is as follows.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Receivables from contracts with customers	¥522,990	¥463,747	\$4,711,622
Contract liabilities	97,245	48,393	876,081
Contract assets	10,941	7,920	98,568

Revenue recognized from the satisfaction (or partial satisfaction) of performance obligations in past periods was not material for the years ended March 31, 2021 and 2020.

Primary changes in contract liabilities for the years ended March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Revenue recognized that was included in contract liability balance at beginning of year	¥23,377	¥30,523	\$210,604
Increase due to receipt of cash, excluding revenue recognized during year	63,703	37,506	573,901

Transaction price allocated to remaining performance obligations

As of March 31, 2021, the transaction price allocated to unsatisfied performance obligations for contracts with an individual estimated contract period exceeding one year is ¥178,750 million (\$1,610,360 thousand). This transaction price primarily relates to maintenance service contracts for equipment sold to customers. This transaction price is expected to be recognized as revenue over a period of approximately one to five years. In addition, the relevant disclosure is omitted for contracts with an individual estimated contract period of less than one year.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue (continued)

Assets recognized from the costs to obtain or fulfill a contract with a customer

The Company identifies the portion which is expected to be recoverable of the incremental cost to obtain a contract with a customer and fulfillment cost directly related to the contract as an acquired asset and recognizes it in “Prepaid expenses and other” of “Current assets” and “Other” of “Other assets” in the consolidated balance sheets.

The costs to fulfill contracts capitalized by the Company include expenses for surveys performed to optimize overall print environments of printer devices for offices which are conducted before providing outsourcing services, including maintenance, for printing devices within offices in the Document Solutions business. These assets are amortized equally over a period of one to ten years based on the estimated contract period. In addition, when the amortization period of the asset to be identified is within one year, practical expedients are applied and the incremental cost of the contract is expensed as incurred.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Assets recognized from the costs to obtain contracts	¥ 7	¥ 11	\$ 63
Assets recognized from the costs to fulfill contracts	<u>2,511</u>	<u>2,925</u>	<u>22,622</u>
Total	<u>¥2,518</u>	<u>¥2,936</u>	<u>\$22,685</u>

Aggregate amortization expenses for identifiable assets acquired from the cost of contract for the years ended March 31, 2021 and 2020 were ¥1,428 million (\$12,865 thousand) and ¥1,471 million, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Acquisitions and Sale of Subsidiary Shares

Acquisition of diagnostic imaging-related business of Hitachi, Ltd.

FUJIFILM Corporation, a wholly owned subsidiary of the Company, acquired diagnostic imaging-related business (the “Business”) from Hitachi, Ltd. in order to further expand its healthcare business. For this acquisition, all the shares of FUJIFILM Healthcare Corporation, which was established by Hitachi, Ltd. to succeed the Business, were acquired with cash to make this company a wholly owned subsidiary. The Business was succeeded to FUJIFILM Corporation on March 31, 2021.

The purchase price amounted to ¥185,349 million (\$1,669,811 thousand). As the allocation of purchase price was not completed as of the filing date of the annual securities report, the acquisition was accounted for provisionally. Assets acquired and liabilities assumed are summarized as follows:

	FUJIFILM Healthcare Corporation (Millions of yen)	(Thousands of U.S. dollars) (Note 3)
Current assets	¥ 91,444	\$ 823,820
Property, plant and equipment	18,763	169,036
Goodwill and other intangible assets	112,466	1,013,207
Investments and other assets	14,615	131,667
Current liabilities	41,634	375,081
Non-current liabilities	10,194	91,838
Noncontrolling interests	111	1,000
Net assets acquired	¥185,349	\$1,669,811

Technology-based intangible assets and other intangible assets were recognized at ¥231 million (\$2,081 thousand) and ¥5,145 million (\$46,351 thousand), and will be amortized over 4 to 8 years and 2 to 19 years, respectively. The goodwill allocated to the Healthcare & Material Solutions segment is attributable primarily to expected future growth and synergies with existing businesses, of which ¥66,688 million (\$600,793 thousand) are deductible for tax purposes.

The acquisition related costs are recorded in “Selling, general and administrative” in the consolidated statements of income. The amounts are not significant.

Assuming that the Business was included in the Company’s consolidated financial statements as of April 1, 2019, pro forma revenue (unaudited) for the years ended March 31, 2021 and 2020 would be ¥2,321,708 million (\$20,916,288 thousand) and ¥2,450,820 million, respectively. Pro forma information regarding net income attributable to FUJIFILM Holdings is omitted because the effect on the Company’s consolidated financial statements would be insignificant.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Acquisitions and Sale of Subsidiary Shares (continued)

Sale of shares of Japan Tissue Engineering Co., Ltd.

FUJIFILM Corporation, a wholly owned subsidiary of the Company, entered into an agreement with TEIJIN LIMITED (“TEIJIN”) on January 29, 2021, under which FUJIFILM Corporation agreed to tender its entire holding of common shares in Japan Tissue Engineering Co., Ltd. (“J-TEC”), a consolidated subsidiary of the Company, for a tender offer (the “Tender Offer”) carried out by TEIJIN for the common shares of J-TEC. On completion of the Tender Offer, J-TEC was excluded from the scope of consolidation of the Group on March 9, 2021.

Due to a loss of control of J-TEC, a gain on sale of shares of a subsidiary of ¥29,334 million (\$264,270 thousand) was recognized in “Selling, general and administrative” in the consolidated statements of income.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Structural Reform Expenses

As the market environment surrounding Fuji Xerox Co., Ltd., the Company's subsidiary, has grown increasingly severe, the Group has implemented a structural reform in order to win out through the competition going forward and realize further business growth.

In the Document Solutions business, a special outside career change support program was implemented to pay allowances for supporting the employees who applied for outside career change, arising from the change in the working environment due to the organization restructuring. As a result, early retirement incentive allowance expenses are recorded. Also, expenses from the accelerated depreciation of plant, property and equipment, etc., for existing locations are recorded.

The structural reform expenses incurred in the year ended March 31, 2021 amounting to ¥6,027 million (\$54,297 thousand) are recorded in "Cost of sales", "Selling, general and administrative" and "Research and development" in the consolidated statements of income.

The structural reform expenses incurred in the years ended March 31, 2018, 2019 and 2020 consist of personnel related expenses of ¥46,241 million and non-current assets related expenses of ¥1,841 million. They are recorded in "Cost of sales", "Selling, general and administrative" and "Research and development" in the consolidated statements of income.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Structural Reform Expenses (continued)

Expenses and liabilities for the years ended March 31, 2021 and 2020 are as follows:

	2021 and 2020		
	Personnel related expenses	Non-current assets related expenses	Total
	<i>(Millions of yen)</i>		
Liabilities as of April 1, 2019	¥ 3,890	¥ –	¥ 3,890
Total expenses	3,575	163	3,738
Non-cash expenses	–	(163)	(163)
Payments	(7,449)	–	(7,449)
Liabilities as of March 31, 2020	¥ 16	¥ –	¥ 16
Total expenses	5,781	246	6,027
Non-cash expenses	–	(246)	(246)
Payments	(3,559)	–	(3,559)
Foreign currency translation adjustments	10	–	10
Liabilities as of March 31, 2021	¥ 2,248	¥ –	¥ 2,248
	2021		
	Personnel related expenses	Non-current assets related expenses	Total
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
Liabilities as of March 31, 2020	\$ 144	\$ –	\$ 144
Total expenses	52,081	2,216	54,297
Non-cash expenses	–	(2,216)	(2,216)
Payments	(32,063)	–	(32,063)
Foreign currency translation adjustments	90	–	90
Liabilities as of March 31, 2021	\$ 20,252	\$ –	\$ 20,252

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information

Operating Segments

The Company has three operating segments. The Company's operating segments reflect how management reviews operating results and makes decisions about allocation of resources, and are determined based upon similarity in manufacturing technology, manufacturing processes, distribution methods and markets. "Imaging Solutions" develops, manufactures, sells and provides services of color films, digital cameras, color paper, services and equipment for photofinishing, instant photo systems, optical devices, and other related products, primarily for individual consumers. "Healthcare & Material Solutions" develops, manufactures, sells and provides services of materials and equipment for medical systems, cosmetics and supplement products, pharmaceuticals, entrusted biopharmaceutical manufacturing and development services, regenerative medicines, chemical products, materials and equipment for graphic systems, inject materials and equipment, display materials, recording media, electronic materials, and other related products, primarily for commercial enterprises. "Document Solutions" develops, manufactures, sells and provides services of digital multifunction devices, publishing systems, document management software and related solution services, and other related products, primarily for commercial enterprises.

a. Revenue

	Year ended March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Imaging Solutions:			
External customers	¥ 285,236	¥ 332,603	\$ 2,569,693
Intersegment	1,878	2,202	16,919
Total	287,114	334,805	2,586,612
Healthcare & Material Solutions:			
External customers	1,052,593	1,024,209	9,482,820
Intersegment	1,428	1,891	12,865
Total	1,054,021	1,026,100	9,495,685
Document Solutions:			
External customers	854,690	958,329	7,699,910
Intersegment	6,405	11,679	57,703
Total	861,095	970,008	7,757,613
Eliminations	(9,711)	(15,772)	(87,487)
Consolidated total	¥2,192,519	¥2,315,141	\$19,752,423

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

Operating Segments (continued)

b. Segment profit or loss

	Year ended March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Operating income:			
Imaging Solutions	¥ 15,591	¥ 25,076	\$ 140,459
Healthcare & Material Solutions	107,507	92,402	968,532
Document Solutions	73,284	105,045	660,216
Total	196,382	222,523	1,769,207
Corporate expenses and eliminations	(30,909)	(35,953)	(278,459)
Consolidated operating income	165,473	186,570	1,490,748
Other income (expenses)	70,397	(13,499)	634,207
Consolidated income before income taxes	¥235,870	¥173,071	\$2,124,955

c. Total assets

	March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Total assets:			
Imaging Solutions	¥ 278,232	¥ 294,243	\$ 2,506,595
Healthcare & Material Solutions	2,123,041	1,775,913	19,126,495
Document Solutions	990,487	991,861	8,923,306
Total	3,391,760	3,062,017	30,556,396
Eliminations	(3,530)	(4,090)	(31,802)
Corporate assets	160,973	263,765	1,450,208
Consolidated total	¥3,549,203	¥3,321,692	\$31,974,802

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

Operating Segments (continued)

d. Other significant items

	Year ended March 31		
	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Depreciation and amortization:			
Imaging Solutions	¥ 14,946	¥ 14,592	\$ 134,649
Healthcare & Material Solutions	66,183	63,881	596,243
Document Solutions	39,578	41,750	356,558
Total	120,707	120,223	1,087,450
Corporate expenses	2,716	2,430	24,469
Consolidated total	¥123,423	¥122,653	\$1,111,919
Capital expenditures:			
Imaging Solutions	¥ 7,213	¥12,496	\$ 64,982
Healthcare & Material Solutions	74,109	58,223	667,649
Document Solutions	18,330	13,406	165,135
Total	99,652	84,125	897,766
Corporate expenses	1,231	1,567	11,090
Consolidated total	¥100,883	¥85,692	\$ 908,856

Transfers between operating segments are generally based on market price. Corporate expenses in “b. Segment profit or loss”, are those expenses related to the Corporate Division of the Company. Corporate assets in “c. Total assets”, consist primarily of cash and cash equivalents as well as investment securities held for general corporate-wide purposes. Corporate expenses, in the “d. Other significant items”, relate to facilities and equipment held by the Company for company-wide purposes. Capital expenditures in the above table represent the purchase amount of property, plant and equipment (on goods-receipt basis) by each segment.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

Operating Segments (continued)

In formulating a medium-term management plan VISION 2023 starting from the year ending March 31, 2022, the Company decided to change its operating segments as follows:

- “Healthcare & Material Solutions” is divided into “Healthcare” and “Materials” in order to clearly present the operating results of the healthcare business, which will be a medium to long-term growth driver of the Company.
- “Document Solutions” is renamed “Business Innovation” in order to indicate that this segment will expand into a wide range of business fields beyond office printing and provide solution services that spur business innovation.
- Production services previously included in “Document Solutions” and graphic systems previously included in “Healthcare & Material Solutions” are merged into graphic communications in “Materials” in order to accelerate the creation of synergies inside the Group and provide even more value to the printing industry on a global scale.

The information on amounts of sales, segment profit or loss, total assets, and other major items by the operating segment for the current fiscal year in the case of application of the new segment categories are currently in the process of being calculated.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

Geographic Segments Information

a. Revenue

Revenue from external customers, which are attributed to the location of the customers, for the years ended March 31, 2021 and 2020 are as follows:

	Year ended March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Japan	¥ 927,910	¥1,004,076	\$ 8,359,550
The Americas	416,341	424,257	3,750,820
Europe	267,902	296,623	2,413,531
Asia and others	580,366	590,185	5,228,522
Consolidated total	<u>¥2,192,519</u>	<u>¥2,315,141</u>	<u>\$19,752,423</u>

Revenue of The Americas is primarily related to operations in the United States.

b. Long-lived assets

Long-lived assets as of March 31, 2021 and 2020 are as follows:

	March 31		
	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Japan	¥367,660	¥375,783	\$3,312,252
The Americas	90,885	73,922	818,784
Europe	122,356	103,964	1,102,306
Asia and others	54,350	46,878	489,640
Consolidated total	<u>¥635,251</u>	<u>¥600,547</u>	<u>\$5,722,982</u>

Long-lived assets of The Americas are primarily related to operations in the United States.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

Major Customers and Other Information

No single customer of the Company accounted for more than 10% of consolidated revenue for each of the years ended March 31, 2021 and 2020.

The Company through its Document Solutions segment acquired all shares of Fuji Xerox Co., Ltd. owned by Xerox Corporation and its subsidiary with the purchase price of ¥239,633 million and made it a wholly owned subsidiary as of November 8, 2019. Consequently, this company is no longer a noncontrolling interest as of such date.

For transactions performed during the period in which this company was a noncontrolling interest in the year ended March 31, 2020, the sales amount of copying machines for offices, other equipment and consumable supplies was ¥81,467 million and the purchase amount of inventories was ¥2,056 million. In addition, certain expenses which primarily relate to royalty and research expenses, amounting to ¥7,182 million were recorded for the year ended March 31, 2020 in conjunction with a license agreement and other arrangements.

26. Subsequent Event

The Company resolved, at its meeting of the Board of Directors held on June 29, 2021, to conduct large-scale capital investment at the Europe and North American bases of FUJIFILM Diosynth Biotechnologies, a core company of the biopharmaceutical CDMO, in order to further expand development and manufacturing contracts for biopharmaceuticals. The purpose of this investment is to vastly expand the production capability for drug substances for various biopharmaceuticals, including vaccines for COVID-19, which is continuing to spread, and genetic therapeutics and monoclonal antibodies, for which demand is expanding, and the Company plans to allocate a total amount of approximately ¥90 billion for this investment.