

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, 2023

with Report of Independent Auditors

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Financial Statements

March 31, 2023

Contents

Independent Auditor's Report on the Consolidated Financial Statements.....	1
Consolidated Balance Sheets.....	7
Consolidated Statements of Income	9
Consolidated Statements of Comprehensive Income	10
Consolidated Statements of Changes in Equity	11
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	14

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

Independent Auditor's Report on the Consolidated Financial Statements

June 30, 2023

The Board of Directors of FUJIFILM Holdings Corporation

KPMG AZSA LLC
Tokyo Office, Japan

Takuji Kanai
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoyasu Sugisaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto
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, 2023 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, 2023, 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.

Emphasis of Matter

As stated in Subsequent Events of Notes to Consolidated Financial Statements, the Company entered into a share purchase agreement on May 10, 2023 to acquire all shares of CMC Materials KMG Corporation. Our opinion is not qualified in respect of this matter.

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.

The Company's judgment as to whether an impairment loss should be recognized on the goodwill	
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, 2023, FUJIFILM Holdings Corporation recognized goodwill of ¥858,311 million, which represented approximately 20.8% of total assets in the consolidated financial statements. As described Note 9, "Goodwill and Other Intangible Assets" to the consolidated financial statements, this amount is broken down into ¥338,387 million in the healthcare field, ¥273,805 million in the materials field, and ¥246,119 million in the business innovation field.</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.</p> <p>There are the following expectations under the medium-term management plan. In the healthcare field, business expansion is expected by continuing capital investments in the bio CDMO business and the life sciences business, which are expected to grow significantly in the medium- to long- term, while the medical systems business is also expected to drive sales growth.</p> <p>In the materials field, business growth is expected to accelerate through new business development with a medium- to long-term focus on highly functional materials.</p> <p>In the business innovation field, continual growth is expected to be realized through expanding new FUJIFILM brand products and their global sales, and developing the solutions and services strategies.</p> <p>The future sales forecasts for each field in the</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 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 in impairment test of goodwill, especially focusing on controls related to estimate of future cash flows formulated by the medium-term management plan.</p> <p>(2) Assessment of the reasonableness of the estimated fair value</p> <p>To evaluate major assumptions in the formulation of the medium-term management plan 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 major assumptions used in the formulation of the medium-term management plan 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, we carefully examined the management's assumptions for each of the healthcare, materials and business innovation segments by checking consistency with data on forecasts of market growth released by external organizations. • Based on the results of our assessment of the appropriateness 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 management plan and compared them with those estimated by management. • We compared the total fair value of each reporting unit with the market capitalization of the Company.

The Company's judgment as to whether an impairment loss should be recognized on the goodwill	
The key audit matter	How the matter was addressed in our audit
<p>medium-term management plan involve high uncertainties in market growth in the healthcare field, soaring raw material costs and intensifying competition with competing companies in the materials field and decreasing demand for printing as remote work normalizes at client companies and the digitalization of work processes progress, 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 recognized on goodwill was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<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 used to calculate the discount rate, we assessed the appropriateness by checking the input data against the data for each field that valuation specialists independently obtained.

Other Information

The other information comprises the information included in the Annual Report but does not include the consolidated financial statements, the non-consolidated financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 judgment, 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.

FUJIFILM Holdings Corporation states that internal control over financial reporting was effective as at March 31, 2023 in the Internal Control Report.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

	March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 268,608	¥ 486,328	\$ 2,004,537
Notes and accounts receivable:			
Trade (Note 22)	608,645	570,851	4,542,127
Lease receivables (Notes 5 and 21)	40,038	45,573	298,791
Affiliated companies	2,561	2,354	19,112
Allowance for doubtful receivables (Notes 5 and 21)	(18,193)	(20,144)	(135,769)
Inventories (Note 7)	567,302	504,467	4,233,597
Prepaid expenses and other (Notes 18, 19, 20, 22 and 23)	162,146	135,300	1,210,045
Total current assets	1,631,107	1,724,729	12,172,440
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 8)	42,921	43,467	320,306
Investment securities (Notes 4 and 20)	70,745	105,329	527,948
Long-term lease receivables (Notes 5 and 21)	55,487	60,298	414,082
Other long-term receivables (Notes 18, 19, 20 and 21)	22,103	24,963	164,948
Allowance for doubtful receivables (Notes 5 and 21)	(2,351)	(3,010)	(17,545)
Total investments and long-term receivables	188,905	231,047	1,409,739
Property, plant and equipment (Notes 2 and 6):			
Land	105,923	104,718	790,470
Buildings and structures	770,926	739,525	5,753,179
Machinery, equipment and other	1,505,008	1,497,457	11,231,403
Construction in progress	345,253	145,084	2,576,515
Subtotal	2,727,110	2,486,784	20,351,567
Less accumulated depreciation	(1,750,999)	(1,749,945)	(13,067,157)
Total property, plant and equipment	976,111	736,839	7,284,410
Other assets:			
Operating lease right-of-use assets (Note 6)	82,276	83,389	614,000
Goodwill, net (Note 9)	858,311	824,003	6,405,306
Other intangible assets, net (Note 9)	144,258	152,691	1,076,552
Deferred income taxes (Note 12)	30,125	24,210	224,813
Other (Notes 2, 9, 11 and 22)	223,218	178,372	1,665,807
Total other assets	1,338,188	1,262,665	9,986,478
Total assets	¥4,134,311	¥3,955,280	\$30,853,067

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Balance Sheets (continued)

	March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities and equity			
Current liabilities:			
Short-term debt (Notes 6, 10 and 19)	¥ 106,093	¥ 200,095	\$ 791,739
Notes and accounts payable:			
Trade	246,093	249,919	1,836,515
Construction	72,713	51,868	542,634
Affiliated companies	1,603	1,396	11,963
Accrued income taxes (Note 12)	39,214	21,453	292,642
Accrued liabilities (Note 11)	234,809	226,830	1,752,306
Short-term operating lease liabilities (Note 6)	31,031	31,494	231,574
Other current liabilities (Notes 18, 19, 20, 22 and 23)	158,766	196,520	1,184,821
Total current liabilities	890,322	979,575	6,644,194
Non-current liabilities:			
Long-term debt (Notes 6, 10 and 19)	270,060	247,101	2,015,373
Accrued pension and severance costs (Note 11)	21,909	27,927	163,500
Long-term operating lease liabilities (Note 6)	55,400	56,866	413,433
Deferred income taxes (Note 12)	49,150	54,035	366,791
Other non-current liabilities (Notes 12, 18, 19 and 20)	59,610	64,836	444,851
Total non-current liabilities	456,129	450,765	3,403,948
Total liabilities	1,346,451	1,430,340	10,048,142
Commitments and contingent liabilities (Note 15)			
Equity (Note 13):			
FUJIFILM Holdings shareholders' equity:			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 414,625,728 shares	40,363	40,363	301,216
Retained earnings	2,616,191	2,867,848	19,523,814
Accumulated other comprehensive income (Notes 2, 11, 14 and 18)	163,820	75,993	1,222,537
Treasury stock, at cost (13,528,181 shares in 2023; 113,834,546 shares in 2022)	(57,229)	(481,547)	(427,082)
Total FUJIFILM Holdings shareholders' equity	2,763,145	2,502,657	20,620,485
Noncontrolling interests	24,715	22,283	184,440
Total equity	2,787,860	2,524,940	20,804,925
Total liabilities and equity	¥4,134,311	¥3,955,280	\$30,853,067

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Income

	Year ended March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Revenue (Notes 2, 5, 22 and 24)	¥2,859,041	¥2,525,773	\$21,336,127
Cost of sales (Notes 6)	1,721,113	1,492,549	12,844,127
Gross profit	1,137,928	1,033,224	8,492,000
Operating expenses:			
Selling, general and administrative (Notes 2, 6, 9, 17 and 20)	710,702	652,995	5,303,746
Research and development	154,147	150,527	1,150,351
	864,849	803,522	6,454,097
Operating income (Note 24)	273,079	229,702	2,037,903
Other income (expenses):			
Interest and dividend income	7,670	4,646	57,239
Interest expense (Notes 14 and 18)	(5,006)	(2,316)	(37,358)
Foreign exchange gains (losses), net (Notes 14 and 18)	(3,563)	4,437	(26,590)
Gains (losses) on equity securities, net (Notes 4 and 14)	(662)	4,453	(4,940)
Other, net (Notes 14, 18 and 20)	10,706	19,524	79,895
	9,145	30,744	68,246
Income before income taxes	282,224	260,446	2,106,149
Income taxes (Note 12):			
Current	79,168	48,615	590,806
Deferred	(13,962)	8,514	(104,194)
	65,206	57,129	486,612
Equity in net income (loss) of affiliated companies	4,656	13,128	34,747
Net income	221,674	216,445	1,654,284
Less: Net income attributable to noncontrolling interests	(2,252)	(5,265)	(16,806)
Net income attributable to FUJIFILM Holdings	¥ 219,422	¥ 211,180	\$ 1,637,478
	(Yen)		(U.S. dollars) (Note 3)
Amounts per share of common stock:			
Net income attributable to FUJIFILM Holdings (Note 16):			
Basic	¥547.21	¥527.33	\$4.08
Diluted	546.41	526.11	4.08
Cash dividends declared	130.00	110.00	0.97

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31		
	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net income	¥221,674	¥216,445	\$1,654,284
Other comprehensive income (loss), net of tax <i>(Note 14)</i> :			
Net unrealized gains (losses) on securities	(27)	26	(202)
Foreign currency translation adjustments	85,528	117,466	638,269
Pension liability adjustments	2,801	13,381	20,903
Net unrealized gains (losses) on derivatives	74	(182)	552
Total	88,376	130,691	659,522
Comprehensive income	310,050	347,136	2,313,806
Less: Comprehensive income attributable to noncontrolling interests	(2,801)	(7,127)	(20,903)
Comprehensive income attributable to FUJIFILM Holdings	¥307,249	¥340,009	\$2,292,903

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, 2021	¥40,363	¥ –	¥2,702,760	¥ (52,836)	¥(485,721)	¥2,204,566	¥ 17,591	¥2,222,157
Comprehensive income (loss):								
Net income	–	–	211,180	–	–	211,180	5,265	216,445
Net unrealized gains (losses) on securities <i>(Note 14)</i>	–	–	–	26	–	26	–	26
Foreign currency translation adjustments <i>(Note 14)</i>	–	–	–	115,727	–	115,727	1,739	117,466
Pension liability adjustments <i>(Note 14)</i>	–	–	–	13,258	–	13,258	123	13,381
Net unrealized gains (losses) on derivatives <i>(Notes 14 and 18)</i>	–	–	–	(182)	–	(182)	–	(182)
Comprehensive income	–	–	–	–	–	340,009	7,127	347,136
Purchases of treasury stock	–	–	–	–	(32)	(32)	–	(32)
Sales of treasury stock	–	–	(42)	–	4,206	4,164	–	4,164
Dividends paid to FUJIFILM Holdings shareholders	–	–	(44,086)	–	–	(44,086)	–	(44,086)
Dividends paid to noncontrolling interests	–	–	–	–	–	–	(783)	(783)
Share-based payment transactions	–	(1,922)	–	–	–	(1,922)	–	(1,922)
Transfer from retained earnings to additional paid-in capital	–	1,964	(1,964)	–	–	–	–	–
Equity transactions with noncontrolling interests and other	–	(42)	–	–	–	(42)	(1,652)	(1,694)
Balance as of March 31, 2022	¥40,363	¥ –	¥2,867,848	¥ 75,993	¥(481,547)	¥2,502,657	¥ 22,283	¥2,524,940
Comprehensive income (loss):								
Net income	–	–	219,422	–	–	219,422	2,252	221,674
Net unrealized gains (losses) on securities <i>(Note 14)</i>	–	–	–	(27)	–	(27)	–	(27)
Foreign currency translation adjustments <i>(Note 14)</i>	–	–	–	84,193	–	84,193	1,335	85,528
Pension liability adjustments <i>(Note 14)</i>	–	–	–	3,587	–	3,587	(786)	2,801
Net unrealized gains (losses) on derivatives <i>(Notes 14 and 18)</i>	–	–	–	74	–	74	–	74
Comprehensive income	–	–	–	–	–	307,249	2,801	310,050
Purchases of treasury stock	–	–	–	–	(20)	(20)	–	(20)
Sales of treasury stock	–	317	–	–	1,308	1,625	–	1,625
Retirement of treasury stock	–	(423,030)	–	–	423,030	–	–	–
Dividends paid to FUJIFILM Holdings shareholders	–	–	(48,131)	–	–	(48,131)	–	(48,131)
Dividends paid to noncontrolling interests	–	–	–	–	–	–	(382)	(382)
Share-based payment transactions	–	(235)	–	–	–	(235)	–	(235)
Transfer from retained earnings to additional paid-in capital	–	422,948	(422,948)	–	–	–	–	–
Equity transactions with noncontrolling interests and other	–	–	–	–	–	–	13	13
Balance as of March 31, 2023	¥40,363	¥ –	¥2,616,191	¥ 163,820	¥(57,229)	¥2,763,145	¥ 24,715	¥2,787,860

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, 2022	\$301,216	\$ —	\$21,401,851	\$567,112	\$(3,593,634)	\$18,676,545	\$166,291	\$18,842,836
Comprehensive income (loss):								
Net income	—	—	1,637,478	—	—	1,637,478	16,806	1,654,284
Net unrealized gains (losses) on securities <i>(Note 14)</i>	—	—	—	(202)	—	(202)	—	(202)
Foreign currency translation adjustments <i>(Note 14)</i>	—	—	—	628,306	—	628,306	9,963	638,269
Pension liability adjustments <i>(Note 14)</i>	—	—	—	26,769	—	26,769	(5,866)	20,903
Net unrealized gains (losses) on derivatives <i>(Notes 14 and 18)</i>	—	—	—	552	—	552	—	552
Comprehensive income						2,292,903	20,903	2,313,806
Purchases of treasury stock	—	—	—	—	(149)	(149)	—	(149)
Sales of treasury stock	—	2,366	—	—	9,761	12,127	—	12,127
Retirement of treasury stock	—	(3,156,940)	—	—	3,156,940	—	—	—
Dividends paid to FUJIFILM Holdings shareholders	—	—	(359,187)	—	—	(359,187)	—	(359,187)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(2,851)	(2,851)
Share-based payment transactions	—	(1,754)	—	—	—	(1,754)	—	(1,754)
Transfer from retained earnings to additional paid-in capital	—	3,156,328	(3,156,328)	—	—	—	—	—
Equity transactions with noncontrolling interests and other	—	—	—	—	—	—	97	97
Balance as of March 31, 2023	\$301,216	\$ —	\$19,523,814	\$ 1,222,537	\$(427,082)	\$20,620,485	\$184,440	\$20,804,925

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Net income	¥ 221,674	¥ 216,445	\$ 1,654,284
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	142,215	132,999	1,061,306
(Gains) losses on equity securities, net	662	(4,453)	4,940
Deferred income taxes	(13,962)	8,514	(104,194)
Equity in net (gains) losses of affiliated companies, net of dividends received	(3,994)	(12,194)	(29,806)
Changes in operating assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(17,052)	34,741	(127,254)
Increase in inventories	(51,545)	(68,273)	(384,664)
Increase (decrease) in notes and accounts payable – trade	(9,221)	21,007	(68,813)
Increase in prepaid expenses and other current assets	(14,349)	(30,766)	(107,082)
Increase (decrease) in accrued income taxes and other liabilities	(51,712)	28,794	(385,911)
Other	7,736	(2,880)	57,731
Net cash provided by operating activities	210,452	323,934	1,570,537
Investing activities			
Purchases of property, plant and equipment	(269,844)	(126,054)	(2,013,761)
Purchases of software	(53,628)	(39,853)	(400,209)
Proceeds from sales and maturities of investment securities	38,890	15,119	290,224
Purchases of investment securities	(3,880)	(2,860)	(28,955)
(Increase) decrease in time deposits, net	2,711	(4,959)	20,231
Increase in investments in and advances to affiliated companies	(853)	(459)	(6,366)
Acquisitions of businesses, net of cash and cash equivalents acquired	(28,653)	(10,714)	(213,828)
Proceeds from sale of businesses, net of cash and cash equivalents disposed of	–	24,480	–
Other	(7,968)	(8,242)	(59,463)
Net cash used in investing activities	(323,225)	(153,542)	(2,412,127)
Financing activities			
Proceeds from long-term debt	120,000	2,079	895,522
Repayments of long-term debt	(192,360)	(61,929)	(1,435,522)
Increase (decrease) in short-term debt with maturities of three months or less, net	(1,538)	2,364	(11,478)
Cash dividends paid to shareholders	(46,109)	(43,032)	(344,097)
Cash dividends paid to noncontrolling interests	(382)	(783)	(2,851)
Net purchases and sales of stock for treasury	(20)	(31)	(149)
Equity transactions with noncontrolling interests and other	(3,286)	(3,852)	(24,522)
Net cash used in financing activities	(123,695)	(105,184)	(923,097)
Effect of exchange rate changes on cash and cash equivalents	18,748	26,325	139,911
Net increase (decrease) in cash and cash equivalents	(217,720)	91,533	(1,624,776)
Cash and cash equivalents at beginning of year	486,328	394,795	3,629,313
Cash and cash equivalents at end of year	¥ 268,608	¥ 486,328	\$ 2,004,537
Supplemental disclosures			
Cash paid for interest	¥ 5,093	¥ 2,519	\$ 38,007
Cash paid for income taxes	¥75,205	¥61,780	\$561,231

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2023

1. Nature of Operations

FUJIFILM Holdings Corporation (the “Company”) is engaged in healthcare, materials, business innovation, and imaging businesses. The Healthcare segment develops, manufactures, sells and provides services of equipment and materials for medical systems, contract development and manufacturing organization of biopharmaceuticals, iPS cells (regenerative medicine), drug discovery support such as cell culture media and reagents, pharmaceuticals, cosmetics and supplements, and other related products. The Materials segment develops, manufactures, sells and provides services of electronic materials, display materials, industrial equipment, fine chemicals, recording media, equipment and materials for graphic communication, inks and industrial inkjet printheads, and other related products. The Business Innovation segment develops, manufactures, sells and provides services of digital MFPs, solutions and services, and other related products. The Imaging segment develops, manufactures, sells and provides services of instant photo systems, color films, services and equipment for photofinishing, digital cameras, optical devices, and other related products. The Company operates throughout the world, and the overseas revenue consists of approximately 64% of the 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) for property, plant and equipment, goodwill and intangible assets; asset retirement obligations; determination of useful lives and depreciation or amortization method; 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. The Company does not record asset retirement obligations, in cases when assets are not expected to be dismantled, and it is not possible to reasonably estimate expenses borne by the Company.

The Company performs accounting estimates based on the assumption that the future impact of COVID-19 on the Company's results of operations is limited. Any changes in the above assumptions may 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", 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 and presented in “Cash and cash equivalents” in the consolidated balance sheets and the consolidated statements of cash flows.

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 ¥146,344 million (\$1,092,119 thousand) and ¥91,374 million (\$681,896 thousand) as of March 31, 2023 and ¥115,618 million and ¥70,810 million as of March 31, 2022, respectively.

Net gains on sales of property, plant and equipment were ¥8,653 million (\$64,575 thousand) and ¥2,241 million for the years ended March 31, 2023 and 2022, 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 included and presented 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 primarily 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 ¥219,099 million (\$1,635,067 thousand) and ¥104,355 million (\$778,769 thousand), respectively, as of March 31, 2023 and ¥180,202 million and ¥96,438 million, respectively, as of March 31, 2022. Costs and accumulated amortization of capitalized software to be sold, included in the above, amounted to ¥38,745 million (\$289,142 thousand) and ¥24,997 million (\$186,545 thousand), respectively, as of March 31, 2023 and ¥37,248 million and ¥23,636 million, respectively, as of March 31, 2022. 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 ¥86,132 million (\$642,776 thousand) and ¥77,208 million for the years ended March 31, 2023 and 2022, 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 ¥24,678 million (\$184,164 thousand) and ¥22,241 million for the years ended March 31, 2023 and 2022, 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 accumulated other comprehensive income, 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.

Share-Based Remuneration

The Company measures and recognizes share-based compensation cost based on fair value on the grant date and monetary-based compensation cost based on fair value at the end of year, in accordance with ASC 718.

Subsequent Events

The Company evaluated all subsequent events through June 30, 2023, the date on which the consolidated financial statements are available to be issued in accordance with ASC 855.

Reclassifications

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

Accounting Standards Adopted in the Year Ended March 31, 2023

In November 2021, FASB issued ASU No. 2021-10, "Disclosures by Business Entities about Government Assistance" ("ASU 2021-10"). Since guidance on government assistance received by business entities is not included in US GAAP, ASU 2021-10 requires business entities to disclose nature of the transactions, accounting policies used to account for the transactions, line items on the balance sheet and income statement affected by the transactions and the amounts applicable to each financial statement line item, significant terms and conditions of transactions with a government in the annual financial statements when they use a grant or contribution accounting model by analogy to other accounting guidance (e.g., IAS 20). ASU 2021-10 is effective for annual reporting periods beginning after December 15, 2021, and earlier adoption is permitted. The Company has adopted ASU 2021-10 from the year beginning April 1, 2022. There is no material impact that the adoption of ASU 2021-10 has on the Company's disclosure.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 will adopt ASU 2016-13 by using the method of adjusting the cumulative effect at the beginning of the initial year of adoption. There will be no material impact that the adoption of ASU 2016-13 has on the Company’s financial position and results of operations.

3. U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2023 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥134 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2023. 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.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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, 2023 and 2022 are summarized as follows. Certain debt securities with original maturities of three months or less are included and presented in “Cash and cash equivalents” in the consolidated balance sheets. There are no such securities as of March 31, 2023 and 2022.

2023			
Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<i>(Millions of yen)</i>			
Investment securities:			
Corporate bonds	¥—	¥—	¥—
Total	¥—	¥—	¥—
2022			
Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<i>(Millions of yen)</i>			
Investment securities:			
Corporate bonds	¥460	¥39	¥499
Total	¥460	¥39	¥499

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments in Debt and Equity Securities (continued)

	2023		
	Cost	Gross unrealized gains	Gross unrealized losses
		Estimated fair value	
		<i>(Thousands of U.S. dollars)</i>	
		<i>(Note 3)</i>	
Investment securities:			
Corporate bonds	\$—	\$—	\$—
Total	\$—	\$—	\$—

Realized and unrealized gains or losses of equity securities included in “Investment securities” on the consolidated balance sheets as of March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Total gains (losses) of equity securities	¥ (662)	¥4,453	\$ (4,940)
Less: Realized gains (losses) on equity securities sold during the period	(6,709)	3,839	(50,067)
Unrealized gains (losses) on equity securities held at end of year	¥(7,371)	¥8,292	\$(55,007)

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 ¥10,546 million (\$78,701 thousand) and ¥10,690 million as of March 31, 2023 and 2022, respectively. The Company did not record significant impairment or other adjustments for the years ended March 31, 2023 and 2022.

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, 2023 and 2022 is as follows. Lease income is included and presented in “Revenue” in the consolidated statements of income.

	2023	2022	2023
	<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	¥14,894	¥13,733	\$111,149
Interest income from lease receivables	7,766	8,050	57,955
Total	22,660	21,783	169,104
Operating lease income	18,660	21,375	139,254
Variable lease income	47,209	31,849	352,306

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, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Lease receivables, gross	¥105,403	¥118,643	\$786,590
Unearned income	(9,878)	(12,772)	(73,717)
Allowance for doubtful receivables	(4,965)	(7,240)	(37,052)
Lease receivables, net	¥ 90,560	¥ 98,631	\$675,821

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, 2023 are summarized as follows:

	Sales-type leases	Operating leases
	<i>(Millions of yen)</i>	
Year ending March 31		
2024	¥ 44,214	¥13,471
2025	28,651	9,581
2026	18,975	5,104
2027	9,614	3,278
2028	3,547	2,444
2029 and thereafter	402	8,457
Total minimum lease payments receivable	<u>¥105,403</u>	<u>¥42,335</u>

	Sales-type leases	Operating leases
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>	
Year ending March 31		
2024	\$329,955	\$100,530
2025	213,814	71,500
2026	141,605	38,089
2027	71,746	24,463
2028	26,470	18,239
2029 and thereafter	3,000	63,112
Total minimum lease payments receivable	<u>\$786,590</u>	<u>\$315,933</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 primarily included in “Cost of sales” and “Selling, general and administrative” in the consolidated statements of income.

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Operating lease cost	¥ 35,809	¥ 34,598	\$ 267,231
Short-term lease cost	3,376	3,628	25,194

Supplemental balance sheet information related to leases is as follows.

	2023	2022	2023
	<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)	¥ 9,239	¥ 9,545	\$ 68,948
Accumulated depreciation	(4,505)	(4,467)	(33,620)
Property, plant and equipment (carrying amount)	4,734	5,078	35,328
Finance lease liabilities			
Short-term debt	2,023	2,112	15,097
Long-term debt	6,551	6,516	48,888
Total finance lease liabilities	8,574	8,628	63,985

Operating cash flows from operating leases for the years ended March 31, 2023 and 2022 amounted to ¥36,578 million (\$272,970 thousand) and ¥35,114 million, respectively. Operating lease right-of-use assets acquired in exchange for lease liabilities amounted to ¥31,811 million (\$237,396 thousand) and ¥36,778 million for the years ended March 31, 2023 and 2022, 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.

	2023	2022
Weighted average remaining lease term		
Finance leases	7 years	7 years
Operating leases	5 years	4 years
Weighted average discount rate		
Finance leases	2.20%	2.15%
Operating leases	0.81%	0.46%

Future minimum lease payments payable under finance leases and operating leases by year as of March 31, 2023 are summarized as follows:

	Finance leases	Operating leases
	<i>(Millions of yen)</i>	
Year ending March 31		
2024	¥ 2,188	¥ 31,027
2025	1,840	21,993
2026	1,432	11,153
2027	1,033	7,404
2028	692	3,886
2029 and thereafter	2,841	11,265
Total lease payments	10,026	86,728
Less: Imputed interest	(1,452)	(297)
Total	¥ 8,574	¥ 86,431

	Finance leases	Operating leases
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>	
Year ending March 31		
2024	\$ 16,328	\$ 231,545
2025	13,731	164,127
2026	10,687	83,231
2027	7,709	55,254
2028	5,164	29,000
2029 and thereafter	21,202	84,067
Total lease payments	74,821	647,224
Less: Imputed interest	(10,836)	(2,217)
Total	\$ 63,985	\$ 645,007

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Inventories

Inventories as of March 31, 2023 and 2022 consisted of the following:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Finished goods	¥285,253	¥255,392	\$2,128,754
Work in process	66,806	58,036	498,552
Raw materials and supplies	215,243	191,039	1,606,291
Total	¥567,302	¥504,467	\$4,233,597

8. Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥21,202 million (\$158,224 thousand) and ¥23,460 million as of March 31, 2023 and 2022, 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 businesses in the Healthcare, Materials, Business Innovation, and Imaging segments.

Some affiliated companies are listed on the stock market. The carrying amounts and market values of these affiliated companies as of March 31, 2023 were ¥7,310 million (\$54,552 thousand) and ¥7,383 million (\$55,097 thousand), respectively. As of March 31, 2022, they amounted to ¥8,174 million and ¥8,782 million, respectively.

The combined financial position of the Company's affiliated companies accounted for by the equity method as of March 31, 2023 and 2022 are summarized as follows. There were no individually material affiliated companies for the years ended March 31, 2023 and 2022.

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current assets	¥ 89,415	¥ 95,942	\$ 667,276
Non-current assets	69,831	64,100	521,127
Total assets	¥159,246	¥160,042	\$1,188,403
Current liabilities	¥ 36,414	¥ 34,163	\$ 271,746
Non-current liabilities	67,118	75,090	500,881
Equity	55,714	50,789	415,776
Total liabilities and equity	¥159,246	¥160,042	\$1,188,403

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, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Revenue	¥132,470	¥129,593	\$988,582
Net income	10,721	19,241	80,007

Transactions with affiliated companies for the years ended March 31, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Revenue	¥21,097	¥13,644	\$157,440
Purchases	5,809	6,078	43,351
Dividends received	662	934	4,940

9. Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2023 and 2022 are as follows.

	Healthcare	Materials	Business Innovation	Total
		<i>(Millions of yen)</i>		
As of April 1, 2021	¥332,521	¥250,831	¥220,847	¥804,199
Acquired	10,670	—	2,064	12,734
Other	(13,813)	11,390	9,493	7,070
As of March 31, 2022	¥329,378	¥262,221	¥232,404	¥824,003
Acquired	5,107	—	11,834	16,941
Other	3,902	11,584	1,881	17,367
As of March 31, 2023	¥338,387	¥273,805	¥246,119	¥858,311

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Goodwill and Other Intangible Assets (continued)

	Healthcare	Materials	Business Innovation	Total
		<i>(Thousands of U.S. dollars)</i>		
		<i>(Note 3)</i>		
As of March 31, 2022	\$2,458,045	\$1,956,873	\$1,734,358	\$6,149,276
Acquired	38,112	–	88,314	126,426
Other	29,119	86,448	14,037	129,604
As of March 31, 2023	<u>\$2,525,276</u>	<u>\$2,043,321</u>	<u>\$1,836,709</u>	<u>\$6,405,306</u>

Other includes a decrease resulting from sales, foreign currency translation adjustments, a reclassification to assets held for sale, and adjustments for allocation of purchase price related to acquisitions.

Information for the year ended March 31, 2022 was prepared using the classification method after changes to the operating segments. The summary of the changes is described in Note 24 “Segment Information”.

There was no goodwill recognized in the Imaging segment for the years ended March 31, 2023 and 2022.

Other intangible assets subject to amortization as of March 31, 2023 and 2022 are as follows:

	2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Millions of yen)</i>		
Technology-based	¥ 60,288	¥35,434	¥ 24,854
Customer-related	147,808	46,260	101,548
Other	30,182	16,736	13,446
Total	<u>¥238,278</u>	<u>¥98,430</u>	<u>¥139,848</u>
	2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Millions of yen)</i>		
Technology-based	¥ 76,770	¥49,530	¥ 27,240
Customer-related	142,044	35,244	106,800
Other	27,833	13,518	14,315
Total	<u>¥246,647</u>	<u>¥98,292</u>	<u>¥148,355</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Goodwill and Other Intangible Assets (continued)

	2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
Technology-based	\$ 449,910	\$264,432	\$ 185,478
Customer-related	1,103,045	345,224	757,821
Other	225,239	124,896	100,343
Total	<u>\$1,778,194</u>	<u>\$734,552</u>	<u>\$1,043,642</u>

The aggregate amortization expenses for other intangible assets for the years ended March 31, 2023 and 2022 were ¥15,940 million (\$118,955 thousand) and ¥15,132 million, respectively.

Other intangible assets not subjected to amortization were not material as of March 31, 2023 and 2022.

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>
Year ending March 31		<i>(Note 3)</i>
2024	¥15,404	\$114,955
2025	15,345	114,515
2026	13,662	101,955
2027	12,664	94,507
2028	10,693	79,799

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, 2023 and 2022 were ¥5,927 million (\$44,231 thousand) and ¥7,883 million, respectively, and the weighted average interest rates per annum on short-term debt outstanding as of March 31, 2023 and 2022 were 2.89% and 7.46%, respectively. Short-term debt is unsecured.

Short-term debt as of March 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Short-term debt	¥ 5,927	¥ 7,883	\$ 44,231
Current portion of long-term debt	<u>100,166</u>	<u>192,212</u>	<u>747,508</u>
Total	<u>¥106,093</u>	<u>¥200,095</u>	<u>\$791,739</u>

Long-term debt

Long-term debt as of March 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2023</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, 2024 to the year ending March 31, 2028 with interest rates ranging from (0.591)% to 4.000% as of March 31, 2023	¥81,652	¥110,685	\$609,343
Due from the year ended March 31, 2023 to the year ending March 31, 2028 with interest rates ranging from (0.591)% to 4.000% as of March 31, 2022			

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Unsecured Japanese yen bonds:			
0.020% yen bonds, due the year ended March 31, 2023	¥ —	¥ 20,000	\$ —
0.882% yen bonds, due the year ended March 31, 2023	—	40,000	—
0.060% yen bonds, due the year ended March 31, 2023	—	100,000	—
0.110% yen bonds, due the year ending March 31, 2024	35,000	35,000	261,195
0.180% yen bonds, due the year ending March 31, 2024	10,000	10,000	74,627
0.080% yen bonds, due the year ending March 31, 2025	30,000	30,000	223,881
0.120% yen bonds, due the year ending March 31, 2025	50,000	50,000	373,134
0.100% yen bonds, due the year ending March 31, 2026	40,000	—	298,507
0.240% yen bonds, due the year ending March 31, 2026	25,000	25,000	186,567
0.250% yen bonds, due the year ending March 31, 2027	10,000	10,000	74,627
0.195% yen bonds, due the year ending March 31, 2028	40,000	—	298,507
0.304% yen bonds, due the year ending March 31, 2030	20,000	—	149,254
0.374% yen bonds, due the year ending March 31, 2033	20,000	—	149,254
Other	8,574	8,628	63,985
	370,226	439,313	2,762,881
Less: Portion due within one year	(100,166)	(192,212)	(747,508)
Balance	¥270,060	¥247,101	\$2,015,373

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		
2024	¥ 100,166	\$ 747,508
2025	81,716	609,821
2026	66,293	494,724
2027	35,921	268,067
2028	40,579	302,828

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 ¥17,961 million (\$134,037 thousand) and ¥15,414 million for the years ended March 31, 2023 and 2022, 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, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Components of net periodic benefit cost:			
Service cost	¥ 16,927	¥ 18,057	\$ 126,321
Interest cost	8,517	6,990	63,560
Expected return on plan assets	(22,530)	(21,836)	(168,134)
Amortization of net actuarial loss	3,995	6,632	29,813
Amortization of prior service credit	(2,239)	(2,341)	(16,709)
Gain (loss) arising from curtailments	(187)	—	(1,396)
Net periodic benefit cost	<u>¥ 4,483</u>	<u>¥ 7,502</u>	<u>\$ 33,455</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, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current year actuarial (gain) loss	¥ (710)	¥(17,612)	\$ (5,299)
Amortization of actuarial loss	(3,995)	(6,632)	(29,813)
Prior service credit due to revision	(2,278)	375	(17,000)
Amortization of prior service credit	2,239	2,341	16,709
Sale of businesses	—	631	—
Total	<u>¥(4,744)</u>	<u>¥(20,897)</u>	<u>\$(35,403)</u>

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, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	<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	¥847,311	¥864,071	\$6,323,217
Service cost	16,927	18,057	126,321
Interest cost	8,517	6,990	63,560
Plan participants' contributions	603	473	4,500
Actuarial (gain) loss	(67,229)	(16,644)	(501,709)
Benefits paid	(38,797)	(37,051)	(289,530)
Plan revision	(2,278)	375	(17,000)
Decrease due to sale of businesses	—	(2,765)	—
Decrease due to curtailments	(187)	—	(1,396)
Foreign currency translation	5,736	13,805	42,806
Projected benefit obligation at end of year	770,603	847,311	5,750,769
Changes in plan assets:			
Fair value of plan assets at beginning of year	902,471	891,799	6,734,858
Actual return on plan assets	(43,989)	22,804	(328,276)
Employers' contributions	15,841	15,876	118,216
Plan participants' contributions	603	473	4,500
Benefits paid	(35,599)	(35,060)	(265,664)
Decrease due to sale of businesses	—	(4,674)	—
Foreign currency translation	6,278	11,253	46,851
Fair value of plan assets at end of year	845,605	902,471	6,310,485
Funded status	¥ 75,002	¥ 55,160	\$ 559,716

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 the consolidated balance sheets related to the defined benefit pension plans as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Other assets	¥ 99,094	¥ 85,271	\$739,507
Accrued liabilities	(2,183)	(2,184)	(16,291)
Accrued pension and severance costs	(21,909)	(27,927)	(163,500)
Net amount recognized	¥ 75,002	¥ 55,160	\$559,716

Amounts recognized in accumulated other comprehensive income (loss) related to the defined benefit pension plans as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net actuarial loss	¥133,079	¥137,784	\$993,127
Prior service credit	(12,248)	(12,209)	(91,403)
Total	¥120,831	¥125,575	\$901,724

The accumulated benefit obligation for the defined benefit pension plans amounted to ¥767,521 million (\$5,727,769 thousand) and ¥844,373 million as of March 31, 2023 and 2022, 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, 2023 and 2022 are as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Obligations and Funded Status (continued)

	2023	2022	2023
	<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	¥86,713	¥117,113	\$647,112
Fair value of plan assets	58,377	83,348	435,649
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	76,024	115,201	567,343
Fair value of plan assets	48,734	83,286	363,687

Assumptions

The weighted average assumptions used to determine the benefit obligation as of March 31, 2023 and 2022 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.

	2023	2022
Discount rate	1.27%	0.90%
Interest crediting rate for cash balance plans and other plans	2.21%	2.21%

The weighted average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2023 and 2022 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.

	2023	2022
Discount rate	0.90%	0.85%
Expected long-term rate of return on plan assets	2.69%	2.47%
Interest crediting rate for cash balance plans and other plans	2.21%	2.20%

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.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

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.

Targeted allocation ratios for equity securities, debt securities, general accounts of life insurance companies and alternative investments are 18%, 35% (5% domestic and 30% foreign), 22% and 25%, 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, 2023 and 2022 are as follows:

	2023				
	Level 1	Level 2	Level 3	NAV (Note 1)	Total
	<i>(Millions of yen)</i>				
Cash and cash equivalents, and Short-term receivables (Note 2)	¥ 8,338	¥ 11,636	¥ –	¥ –	¥ 19,974
Equity securities					
Domestic companies securities	10,834	1,071	–	–	11,905
Foreign companies securities	14,267	12,072	–	–	26,339
Securities investment trust	1,039	–	–	–	1,039
Pooled funds (Note 3)	–	85	–	127,286	127,371
Debt securities					
Government bonds (Note 4)	8,471	4,736	–	–	13,207
Corporate bonds (Note 5)	–	15,347	–	–	15,347
Public and corporate bonds investment trust (Note 6)	–	–	–	–	–
Pooled funds (Note 7)	–	21,817	–	208,793	230,610
General accounts of life insurance companies	–	218,391	–	–	218,391
Alternative investments					
Equity securities funds (Note 8)	–	–	–	197	197
Debt securities funds (Note 9)	3,008	–	–	3,574	6,582
Other funds (Note 10)	3,522	8,348	7,928	92,313	112,111
Real estate (Note 11)	–	241	2,037	60,254	62,532
Total	¥49,479	¥293,744	¥9,965	¥492,417	¥845,605

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

	2022				
	Level 1	Level 2	Level 3	NAV (Note 1)	Total
	<i>(Millions of yen)</i>				
Cash and cash equivalents, and Short-term receivables (Note 2)	¥ 5,636	¥ 6,269	¥ –	¥ –	¥ 11,905
Equity securities					
Domestic companies securities	14,900	752	–	–	15,652
Foreign companies securities	23,964	19,556	–	–	43,520
Securities investment trust	882	2,980	–	–	3,862
Pooled funds (Note 3)	–	883	–	171,122	172,005
Debt securities					
Government bonds (Note 4)	10,320	5,531	–	–	15,851
Corporate bonds (Note 5)	–	12,866	–	–	12,866
Public and corporate bonds investment trust (Note 6)	–	5,827	–	–	5,827
Pooled funds (Note 7)	–	3,269	–	212,131	215,400
General accounts of life insurance companies	–	211,996	–	–	211,996
Alternative investments					
Equity securities funds (Note 8)	–	–	18	189	207
Debt securities funds (Note 9)	3,744	30,323	–	6,997	41,064
Other funds (Note 10)	6,789	7,538	8,825	83,093	106,245
Real estate (Note 11)	–	326	2,285	43,460	46,071
Total	¥66,235	¥308,116	¥11,128	¥516,992	¥902,471

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

	2023				
	Level 1	Level 2	Level 3	NAV (Note 1)	Total
		<i>(Thousands of U.S. dollars)</i>			
		<i>(Note 3)</i>			
Cash and cash equivalents, and Short-term receivables (Note 2)	\$ 62,224	\$ 86,836	\$ —	\$ —	\$ 149,060
Equity securities					
Domestic companies securities	80,850	7,993	—	—	88,843
Foreign companies securities	106,470	90,090	—	—	196,560
Securities investment trust	7,754	—	—	—	7,754
Pooled funds (Note 3)	—	634	—	949,896	950,530
Debt securities					
Government bonds (Note 4)	63,217	35,343	—	—	98,560
Corporate bonds (Note 5)	—	114,530	—	—	114,530
Public and corporate bonds investment trust (Note 6)	—	—	—	—	—
Pooled funds (Note 7)	—	162,813	—	1,558,157	1,720,970
General accounts of life insurance companies	—	1,629,783	—	—	1,629,783
Alternative investments					
Equity securities funds (Note 8)	—	—	—	1,470	1,470
Debt securities funds (Note 9)	22,448	—	—	26,671	49,119
Other funds (Note 10)	26,283	62,299	59,164	688,903	836,649
Real estate (Note 11)	—	1,798	15,202	449,657	466,657
Total	<u>\$369,246</u>	<u>\$2,192,119</u>	<u>\$74,366</u>	<u>\$3,674,754</u>	<u>\$6,310,485</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 16% and 21% domestic companies and 84% and 79% foreign companies as of March 31, 2023 and 2022, respectively.

(Note 4) This category consists of 67% and 72% Japanese government bonds and 33% and 28% foreign government bonds as of March 31, 2023 and 2022, 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 5% and 8% domestic corporate bonds and 95% and 92% foreign corporate bonds as of March 31, 2023 and 2022, respectively.
- (Note 6) The public and corporate bonds investment trusts invest principally in foreign government bonds.
- (Note 7) Pooled funds of debt securities consist of 10% and 10% Japanese government bonds, government agency and municipal securities, 64% and 62% foreign government bonds, 1% and 1% domestic corporate bonds and 25% and 27% foreign corporate bonds as of March 31, 2023 and 2022, 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, 2023 and 2022 is as follows:

2023						
	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	¥ 18	¥ –	¥ (18)	¥ –	¥–	¥ –
Other funds	8,825	482	(1,410)	31	–	7,928
Real estate	2,285	38	(493)	207	–	2,037
Total	¥11,128	¥520	¥(1,921)	¥238	¥–	¥9,965
2022						
	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	¥ –	¥ 10	¥ –	¥–	¥ 18
Other funds	8,848	416	(494)	55	–	8,825
Real estate	1,610	471	28	176	–	2,285
Total	¥10,466	¥887	¥(456)	¥231	¥–	¥11,128

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Pension and Severance Plans (continued)

Plan Assets (continued)

	2023				
	Balance at beginning of year	Actual returns on assets held at end of year	Purchase/sales	Currency translation	Business combination
			(Thousands of U.S. dollars)		Balance at end of year
			(Note 3)		
Alternative investments					
Equity securities funds	\$ 135	\$ –	\$ (135)	\$ –	\$ –
Other funds	65,858	3,597	(10,522)	231	59,164
Real estate	17,052	284	(3,679)	1,545	15,202
Total	<u>\$83,045</u>	<u>\$3,881</u>	<u>\$(14,336)</u>	<u>\$1,776</u>	<u>\$74,366</u>

Contribution

The Company expects to contribute approximately ¥12,406 million (\$92,582 thousand) to the defined benefit pension plans for the year ending March 31, 2024.

Estimated Future Benefit Payments

The expected benefit payments, which reflect estimated future service, are summarized as follows:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
		(Note 3)
2024	¥ 38,991	\$ 290,978
2025	38,662	288,522
2026	38,717	288,933
2027	38,301	285,828
2028	39,915	297,873
2029 through 2033	191,508	1,429,164

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, 2023 and 2022.

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, 2023 and 2022 is as follows:

	<u>2023</u> (%)	<u>2022</u> (%)
Statutory tax rates	30.6	30.6
Increase (decrease) in income taxes resulting from:		
Differences other than temporary differences, etc.	(0.2)	(0.8)
Difference in statutory tax rates of other countries	(4.7)	(3.5)
Deferred tax liabilities on undistributed earnings	1.0	1.6
Research and development credits	(3.8)	(3.1)
Net change in valuation allowances	0.3	(3.2)
Adjustment for unrecognized tax benefits	(0.7)	(0.1)
Other	0.6	0.4
Effective tax rates	<u>23.1</u>	<u>21.9</u>

Income before income taxes by tax jurisdictions for the years ended March 31, 2023 and 2022 is as follows:

	<u>2023</u> <i>(Millions of yen)</i>	<u>2022</u>	<u>2023</u> <i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Income before income taxes:			
Domestic	¥159,688	¥139,418	\$1,191,701
Foreign	122,536	121,028	914,448
Total	<u>¥282,224</u>	<u>¥260,446</u>	<u>\$2,106,149</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, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current:			
Domestic	¥45,532	¥27,993	\$339,791
Foreign	33,636	20,622	251,015
Total current	79,168	48,615	590,806
Deferred:			
Domestic	(1,579)	3,659	(11,784)
Foreign	(12,383)	4,855	(92,410)
Total deferred	(13,962)	8,514	(104,194)
Total	¥65,206	¥57,129	\$486,612

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Income Taxes (continued)

The major components of deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Deferred tax assets:			
Inventories	¥ 21,939	¥ 20,272	\$ 163,724
Depreciation	36,555	35,450	272,798
Accrued expenses	37,593	40,615	280,545
Accrued pension and severance costs	6,118	3,947	45,657
Accrued enterprise taxes	2,492	2,200	18,597
Tax loss carryforwards	37,222	43,811	277,776
Losses on investment securities	2,436	3,162	18,179
Allowance for doubtful receivables	3,673	4,253	27,410
Operating lease liabilities	19,927	20,841	148,709
Unrealized gains on non-current assets	7,343	5,603	54,799
Research and development (Costs capitalized for tax purposes)	8,859	—	66,112
Other	32,838	15,194	245,060
	216,995	195,348	1,619,366
Less: Valuation allowances	(39,273)	(32,959)	(293,082)
Total deferred tax assets	177,722	162,389	1,326,284
Deferred tax liabilities:			
Depreciation	27,302	24,158	203,746
Lease receivables	11,384	12,312	84,955
Taxes on undistributed earnings	29,495	33,177	220,112
Unrealized gains on available-for-sale securities	4,209	7,135	31,411
Goodwill	24,587	20,035	183,485
Accrued pension and severance costs	25,129	15,565	187,530
Other intangible assets	40,783	42,626	304,351
Operating lease right-of-use assets	19,099	19,541	142,530
Other	14,759	17,665	110,142
Total deferred tax liabilities	196,747	192,214	1,468,262
Net deferred tax assets (liabilities)	¥ (19,025)	¥ (29,825)	\$ (141,978)

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 ¥6,314 million (\$47,119 thousand) and decreased by ¥4,390 million for the years ended March 31, 2023 and 2022, respectively.

Deferred tax assets and liabilities as of March 31, 2023 and 2022 are included in the consolidated balance sheets as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Deferred income taxes (other assets)	¥ 30,125	¥ 24,210	\$ 224,813
Deferred income taxes (non-current liabilities)	(49,150)	(54,035)	(366,791)
Net deferred tax assets (liabilities)	<u>¥(19,025)</u>	<u>¥(29,825)</u>	<u>\$(141,978)</u>

As of March 31, 2023, certain subsidiaries have net operating loss carryforwards for income tax purposes of ¥140,251 million (\$1,046,649 thousand), of which ¥100,707 million (\$751,545 thousand) will be carried forward indefinitely, and the remainder of ¥39,544 million (\$295,104 thousand) will, at the latest, expire through the year ending March 31, 2038. 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. The balance of and changes to unrecognized tax benefits were not material in the years ended March 31, 2023 and 2022.

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, 2023, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

Both interest and penalties accrued as of March 31, 2023 and 2022 in the consolidated balance sheets and included in income taxes for the years ended March 31, 2023 and 2022 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, 2020 and before have been completed. Tax examinations related to transfer pricing by the tax authorities for the year ended March 31,

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2020 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, 2023 amounted to ¥1,080,073 million (\$8,060,246 thousand).

The appropriation of retained earnings for the year ended March 31, 2023 has been reflected in the consolidated financial statements, including the amount approved at the 127th Ordinary General Meeting of Shareholders held on June 29, 2023.

The Company decided to retire treasury stock through a resolution of the Board of Directors on February 8, 2023, and retired 100,000,000 shares of treasury stock on February 28, 2023. Due to this retirement of treasury stock, the total number of issued shares as of March 31, 2023 is 414,625,728.

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 for the years ended March 31, 2023 and 2022 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, 2021	¥ 1	¥ 32,973	¥ (86,038)	¥ 228	¥ (52,836)
Change in accumulated other comprehensive income	26	115,754	11,122	38	126,940
Reclassification to net income	—	(27)	2,136	(220)	1,889
Net change	26	115,727	13,258	(182)	128,829
As of March 31, 2022	¥ 27	¥148,700	¥ (72,780)	¥ 46	¥ 75,993
Change in accumulated other comprehensive income	—	84,432	2,518	(235)	86,715
Reclassification to net income	(27)	(239)	1,069	309	1,112
Net change	(27)	84,193	3,587	74	87,827
As of March 31, 2023	¥ —	¥232,893	¥ (69,193)	¥ 120	¥ 163,820

	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, 2022	\$ 202	\$ 1,109,701	\$ (543,135)	\$ 344	\$ 567,112
Change in accumulated other comprehensive income	—	630,090	18,791	(1,754)	647,127
Reclassification to net income	(202)	(1,784)	7,978	2,306	8,298
Net change	(202)	628,306	26,769	552	655,425
As of March 31, 2023	\$ —	\$ 1,738,007	\$ (516,366)	\$ 896	\$ 1,222,537

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 to net income for the years ended March 31, 2023 and 2022 are as follows:

Affected line item in the consolidated statements of income	2023 <i>(Millions of yen)</i>	2022 <i>(Millions of yen)</i>	2023 <i>(Thousands of U.S. dollars) (Note 3)</i>
Unrealized gains (losses) on securities			
Other, net	¥ 39	¥ –	\$ 291
Income taxes	(12)	–	(89)
Net income attributable to FUJIFILM Holdings	27	–	202
Foreign currency translation adjustments			
Other, net	239	27	1,784
Net income attributable to FUJIFILM Holdings	239	27	1,784
Pension liability adjustments			
Other, net	(1,756)	(3,660)	(13,104)
Income taxes	740	1,577	5,522
Net income attributable to noncontrolling interests	(53)	(53)	(396)
Net income attributable to FUJIFILM Holdings	(1,069)	(2,136)	(7,978)
Unrealized gains (losses) on derivatives			
Foreign exchange gains (losses), net	(412)	331	(3,074)
Interest expense	(34)	(94)	(254)
Income taxes	137	(17)	1,022
Net income attributable to FUJIFILM Holdings	(309)	220	(2,306)
Total	¥(1,112)	¥(1,889)	\$ (8,298)

The related tax effects allocated to each component of other comprehensive income, including amounts attributable to noncontrolling interests, for the years ended March 31, 2023 and 2022 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>		
2023			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ –	¥ –	¥ –
Reclassification to net income	(39)	12	(27)
Net change in unrealized gains (losses)	(39)	12	(27)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	85,767	–	85,767
Reclassification to net income	(239)	–	(239)
Net change in foreign currency translation adjustments	85,528	–	85,528
Pension liability adjustments:			
Change in pension liability adjustments	2,988	(1,203)	1,785
Reclassification to net income	1,756	(740)	1,016
Net change in pension liability adjustments	4,744	(1,943)	2,801
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(339)	104	(235)
Reclassification to net income	446	(137)	309
Net change in unrealized gains (losses)	107	(33)	74
Total	¥90,340	¥(1,964)	¥88,376
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	<i>(Millions of yen)</i>		
2022			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ 38	¥ (12)	¥ 26
Reclassification to net income	–	–	–
Net change in unrealized gains (losses)	38	(12)	26
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	117,493	–	117,493
Reclassification to net income	(27)	–	(27)
Net change in foreign currency translation adjustments	117,466	–	117,466
Pension liability adjustments:			
Change in pension liability adjustments	17,237	(5,939)	11,298
Reclassification to net income	3,660	(1,577)	2,083
Net change in pension liability adjustments	20,897	(7,516)	13,381
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	54	(16)	38
Reclassification to net income	(237)	17	(220)
Net change in unrealized gains (losses)	(183)	1	(182)
Total	¥138,218	¥(7,527)	¥130,691

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>		
2023			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	\$ –	\$ –	\$ –
Reclassification to net income	(291)	89	(202)
Net change in unrealized gains (losses)	(291)	89	(202)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	640,053	–	640,053
Reclassification to net income	(1,784)	–	(1,784)
Net change in foreign currency translation adjustments	638,269	–	638,269
Pension liability adjustments:			
Change in pension liability adjustments	22,299	(8,978)	13,321
Reclassification to net income	13,104	(5,522)	7,582
Net change in pension liability adjustments	35,403	(14,500)	20,903
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(2,530)	776	(1,754)
Reclassification to net income	3,328	(1,022)	2,306
Net change in unrealized gains (losses)	798	(246)	552
Total	<u>\$674,179</u>	<u>\$ (14,657)</u>	<u>\$659,522</u>

15. Commitments and Contingent Liabilities

Guarantees

The Company guarantees certain indebtedness of others and other obligations. As of March 31, 2023, the maximum potential amount of future payments (undiscounted) the Company could be required to make under such guarantees was ¥1,419 million (\$10,590 thousand), of which ¥723 million (\$5,396 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. The terms of the mortgage loan guarantees are from 1 to 14 years. The Company has not made any significant payments under such guarantees in the past, and as of March 31, 2023, 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, 2023, principally for the construction and purchase of property, plant and equipment, amounted to ¥98,155 million (\$732,500 thousand). As of March 31, 2023, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥1,951 million (\$14,560 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:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Balance, as of April 1	¥ 11,330	¥ 9,938	\$ 84,552
Warranties issued during the current period	7,004	8,215	52,269
Settlements made during the current period	(6,887)	(7,118)	(51,396)
Other, including changes in liability for pre-existing warranties during the current period	(128)	295	(955)
Balance, as of March 31	<u>¥ 11,319</u>	<u>¥11,330</u>	<u>\$ 84,470</u>

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, 2023 and 2022 is as follows. The Company has introduced a restricted share-based remuneration plan for Directors (excluding Outside Directors), Executive Officers, and important employees of the Company as well as Directors, Executive Officers, Fellows, and important employees of its major subsidiaries. Among the shares issued under this plan, those which have not vested are distinguished as participating securities from common shares. Both common shares and participating securities have the same rights to net income attributable to FUJIFILM Holdings.

	2023	2022	2023
	<i>(Millions of Yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net income attributable to FUJIFILM Holdings	¥ 219,422	¥ 211,180	\$1,637,478
Net income attributable to participating securities	115	45	859
Net income attributable to common shareholders	¥219,307	¥211,135	\$1,636,619

	2023	2022
	<i>(Shares)</i>	
Weighted average shares outstanding	400,980,723	400,472,570
Weighted average participating securities	209,302	85,306
Weighted average common shares outstanding- Basic	400,771,421	400,387,264
Stock options	590,883	926,434
Weighted average common shares outstanding- Diluted	401,362,304	401,313,698

	2023	2022	2023
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
			<i>(Note 3)</i>
Net income attributable to FUJIFILM Holdings per share:			
Basic	¥547.21	¥527.33	\$4.08
Diluted	546.41	526.11	4.08

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 28,500 and 28,600 shares as of March 31, 2023 and 2022, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan

Stock-Based Compensation Plan

The Company previously had a stock-based compensation plan for Directors (excluding Outside Directors), Executive Officers, and important employees of the Company as well as Directors (excluding Outside Directors), Executive Officers, Fellows, and important employees of its certain consolidated subsidiaries. Due to the introduction of a performance share unit plan and a restricted share-based remuneration plan by a resolution of the 125th Ordinary General Meeting of Shareholders held on June 29, 2021, the stock-based compensation plan was abolished except for those already granted. Under the stock-based compensation plan, 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. 5-1	386,000	1	April 2, 2012	April 3, 2012 ~ April 2, 2042 (Note 2)
No. 6-1	370,400	1	April 1, 2013	April 2, 2013 ~ April 1, 2043 (Note 2)
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
No. 14-1	131,100	1	June 1, 2021	June 2, 2021 ~ June 1, 2051 (Note 3)
No. 14-2	28,900	7,556	June 1, 2021	May 13, 2023 ~ May 12, 2031

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

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 (excluding Outside 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 (excluding Outside 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 (excluding Outside 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 ¥1,001 million as "Selling, general and administrative" in the consolidated statements of income for the year ended March 31, 2022, 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 ¥107 million for the year ended March 31, 2022. The weighted average grant date fair value of stock acquisition rights granted during the year ended March 31, 2022 was ¥6,258. The total fair values of shares vested during the years ended March 31, 2023 and 2022 were ¥26 million (\$194 thousand) and ¥954 million, respectively. There were 1,733 stock acquisition rights exercised during the year ended March 31, 2023, and cash received from the exercise for the year ended March 31, 2023, was ¥80 million (\$597 thousand).

No stock acquisition right was granted during the year ended March 31, 2023 due to the abolishment of the stock-based compensation plan. As of March 31, 2023, there was no unrecognized stock-based compensation cost.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

Stock-Based Compensation Plan (continued)

A summary of the status of stock acquisition rights during the years ended March 31, 2023 and 2022 is as follows:

2023	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, 2022	795,200	¥ 784		
Exercised	(173,300)	461		
Forfeited or expired	(1,200)	1,858		
Outstanding as of March 31, 2023	620,700	872	22.1	¥3,641
Exercisable as of March 31, 2023	592,200	550	22.8	3,641

2022	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, 2021	1,502,400	¥ 327		
Granted	160,000	1,366		
Exercised	(845,600)	94		
Forfeited or expired	(21,600)	317		
Outstanding as of March 31, 2022	795,200	784	22.6	¥5,344
Exercisable as of March 31, 2022	740,100	370	23.7	5,279

2023	Weighted average exercise price	Aggregate intrinsic value
	<i>(U.S. dollar)</i>	<i>(Thousands of</i>
	<i>(Note 3)</i>	<i>U.S. dollars)</i>
		<i>(Note 3)</i>
Outstanding as of April 1, 2022	\$ 5.85	
Exercised	3.44	
Forfeited or expired	13.87	
Outstanding as of March 31, 2023	6.51	\$27,172
Exercisable as of March 31, 2023	4.10	27,172

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

Stock-Based Compensation Plan (continued)

The aggregate intrinsic value of shares exercised under the stock acquisition rights plan was ¥1,081 million (\$8,067 thousand) and ¥6,264 million for the years ended March 31, 2023 and 2022, 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. 5-1	28.548%	1 year	32.5	0.105%
No. 6-1	28.682%	1 year	37.5	0.055%
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)%
No. 14-1	27.551%	3 years	95.0	(0.153)%
No. 14-2	27.505%	6 years	95.0	(0.078)%

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

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, No. 13-1 Stock Acquisition Rights and No. 14-1 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. 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, No. 13-2 Stock Acquisition Rights and No. 14-2 Stock Acquisition Rights was determined as 6 years based on the midpoint of the period for exercising the stock acquisition rights.

Medium-Term Performance-Linked Share-Based Remuneration Plan (Performance Share Unit Plan)

As one way to grant remuneration, the Company has introduced a performance share unit plan in which the period of the medium-term management plan is used as a performance evaluation period, and remuneration changes according to the level of achievement of performance targets. This plan covers Directors (excluding Outside Directors), Executive Officers, and important employees of the Company as well as Directors, Executive Officers, Fellows, and important employees of its subsidiaries ("Eligible Allottees"). Units are allotted to the Eligible Allottees at the beginning of the performance evaluation period and, after the performance evaluation period ends, the number of units are finalized by multiplying the percentage of achievement of numerical targets such as performance, if the delivery requirements are satisfied. Units held by each Eligible Allottees are equivalent to one share per unit. Shares are provided for the half of the number of units through the issuance of common stock or disposal of treasury shares, and the remainder is paid in cash to the Eligible Allottees. The initial eligible period is from April 1, 2021 to March 31, 2024, and thereafter, the Performance Share Unit Plan may be implemented for the three consecutive years starting from the year that follows the final year of the preceding eligible period as a new eligible period.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

Medium-Term Performance-Linked Share-Based Remuneration Plan (Performance Share Unit Plan) (continued)

Details of the performance share units during the years ended March 31, 2023 and 2022 are as follows.

	Number of units	2023	
		Weighted average fair value	
		(Yen)	(U.S. dollar) (Note 3)
Balance, as of April 1, 2022	130,100	¥ 7,997	\$ 59.68
Granted	24,800	7,058	52.67
Vested	(2,300)	8,768	65.43
Forfeited	(18,500)	8,768	65.43
Balance, as of March 31, 2023	134,100	8,452	63.07

	Number of units	2022	
		Weighted average fair value	
		(Yen)	
Balance, as of April 1, 2021	—	¥ —	—
Granted	131,000	8,768	—
Vested	—	—	—
Forfeited	(900)	9,053	—
Balance, as of March 31, 2022	130,100	7,997	—

The fair value of the performance share units for which the shares of the Company's common stock are granted as of the grant date is as follows. The fair value is calculated based on the market value of shares of the Company's common stock on the grant date of the units, adjusted to take into account expected dividends and a weighted average discount rate.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

Performance share units for which the shares of the Company's common stock are provided

	2023	2022
Fair value at grant date	¥7,058 (\$52.67)	¥8,768
Expected period	2.0 years	3.0 years
Estimated deductible dividends	¥220 (\$1.64)	¥300
Weighted average discount rate	(0.064)%	(0.082)%
Stock price at grant date	¥7,278 (\$54.31)	¥9,068

Medium-Term Performance-Linked Share-Based Remuneration Plan (Performance Share Unit Plan) (continued)

The fair value of the performance share units for which payment is made in cash at the end of year is as follows. The fair value is calculated based on the market value of shares of the Company's common stock at the end of year, adjusted to take into account expected dividends and a weight average discount rate.

Performance share units for which payment is made in cash

	2023	2022
Fair value at end of year	¥6,518 (\$48.64)	¥7,227
Expected period	1.3 years	2.3 years
Estimated deductible dividends	¥180 (\$1.34)	¥275
Weighted average discount rate	(0.038)%	(0.032)%
Stock price at end of year	¥6,698 (\$49.99)	¥7,502

The Company recognized share-based compensation cost of ¥475 million (\$3,545 thousand) and ¥296 million as "Selling, general and administrative" in the consolidated statements of income for the years ended March 31, 2023 and 2022, respectively, and the cost was measured as the fair value of the performance share units as of the grant date and at the end of year. The deferred income tax benefit related to the cost was ¥142 million (\$1,060 thousand) and ¥46 million for the years ended March 31, 2023 and 2022, respectively. Unrecognized share-based compensation cost amounted to ¥525 million (\$3,918 thousand) and ¥889 million as of March 31, 2023 and 2022, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

Restricted Share-Based Remuneration Plan

The Company has introduced the Restricted Share-Based Remuneration Plan for Eligible Allottees. Under the plan, the Company shall grant monetary remuneration receivables for allocating restricted shares to the Eligible Allottees every year and the full amount of such monetary remuneration receivables is used as contribution in kind with the issuance or disposal of restricted shares the Eligible Allottees hold. The aforementioned monetary remuneration receivables are paid subject to the Eligible Allottees agreeing to said contributions in kind and executing the allotment agreement for restricted shares between the Company and the Eligible Allottees. Eligible Allottees shall not transfer, create a security interest on, or otherwise dispose of restricted shares received as an allotment under the allotment agreement for restricted shares during the period from the day the allotment was received in accordance with the allotment agreement for restricted shares until the day on which the Eligible Allottee loses the position of Director, Executive Officer, Fellow, etc. or employee of the Company or its consolidated subsidiary (the “Restriction Period”). The restrictions described in the preceding sentence will hereinafter be collectively referred to as the “Transfer Restrictions”. The Company shall lift the Transfer Restrictions when the Restriction Period has expired subject to the Eligible Allottees continuing to hold their position from the day on which the Restriction Period commenced until the day on which the Company’s Ordinary General Meeting of Shareholders first arrives thereafter. When the Eligible Allottee resigns or retires from the position of Director, Executive Officer, Fellow, etc. or employee of the Company or its consolidated subsidiary for personal reasons following the day on which the Restriction Period commenced, the Company shall automatically acquire all or part of the allotted shares without contribution.

Details of the restricted shares allotted during the years ended March 31, 2023 and 2022 are as follows. The stock price on the grant date is used as the fair value of the restricted shares.

	Number of units	2023	
		Weighted average fair value (Yen)	Weighted average fair value (U.S. dollar) (Note 3)
Outstanding as of April 1, 2022	146,800	¥ 9,068	\$ 67.67
Granted	136,000	7,341	54.78
Transfer Restrictions lifted	(14,900)	9,068	67.67
Outstanding as of March 31, 2023	267,900	8,191	61.13

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Share-Based Remuneration Plan (continued)

Restricted Share-Based Remuneration Plan (continued)

	2022	
	Number of units	Weighted average fair value
		<i>(Yen)</i>
Outstanding as of April 1, 2021	—	¥ —
Granted	148,600	9,068
Forfeited	(1,800)	9,068
Outstanding as of March 31, 2022	146,800	9,068

The Company recognized share-based compensation cost of ¥1,081 million (\$8,067 thousand) and ¥998 million as “Selling, general and administrative” in the consolidated statements of income for the years ended March 31, 2023 and 2022, respectively, and the cost was measured as the fair value of the restricted shares as of the grant date. The deferred income tax benefit related to the cost was ¥331 million (\$2,470 thousand) and ¥305 million for the years ended March 31, 2023 and 2022, respectively. Unrecognized share-based compensation cost amounted to ¥249 million (\$1,858 thousand) and ¥332 million as of March 31, 2023 and 2022, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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 summary of the Company's risk management policies and impact of these strategies on the Company's consolidated financial statements are as follows.

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.

Changes in the fair value of those derivative instruments designated or qualified as cash flow hedges are reported in "Accumulated other comprehensive income", 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, 2023, the Company expects to reclassify ¥173 million (\$1,291 thousand) of unrealized losses on derivatives (before tax effect) from accumulated other comprehensive income to earnings during the next twelve months.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

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, 2023 and 2022 are summarized as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Forward currency exchange contracts (short)	¥32,794	¥47,243	\$244,731
Forward currency exchange contracts (long)	8,836	16,167	65,940
Currency swaps	28,478	30,913	212,522
Cross currency interest rate swaps	16,344	14,981	121,970
Interest rate swaps	–	30,000	–
Other	6,558	15,016	48,940

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, 2023 and 2022 are summarized as follows:

		Derivative assets		
		Balance sheet location	Fair value	
			2023	2022
			(Millions of yen)	(Thousands of U.S. dollars)
				(Note 3)
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	¥	–	¥ 2
Cross currency interest rate swaps	Prepaid expenses and other		3,474	–
Cross currency interest rate swaps	Other long-term receivables		–	2,044
Total			3,474	2,046
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other		156	1,165
Currency swaps	Prepaid expenses and other		28	–
Other	Prepaid expenses and other		2,325	6,425
Other	Other long-term receivables		–	2,103
Total			2,509	9,693
Total derivative assets			¥ 5,983	¥ 11,739

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

		Derivative liabilities		
		Balance sheet location	Fair value	
			2023	2022
			(Millions of yen)	(Thousands of U.S. dollars)
				(Note 3)
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	¥ 25	¥ 13	\$ 187
Interest rate swaps	Other current liabilities	–	105	–
Total		25	118	187
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	230	1,125	1,716
Forward currency exchange contracts	Other non-current liabilities	–	2	–
Currency swaps	Other current liabilities	1,106	3,056	8,254
Currency swaps	Other non-current liabilities	114	1,308	851
Total		1,450	5,491	10,821
Total derivative liabilities		¥1,475	¥5,609	\$11,008

The location and amounts of gains and losses related to derivatives recorded in the consolidated statements of income for the years ended March 31, 2023 and 2022 are summarized as follows:

Cash Flow Hedges	2023		
	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
	(Millions of yen)		
Forward currency exchange contracts	¥(406)	Foreign exchange gains (losses), net	¥(412)
Cross currency interest rate swaps	67	–	–
Interest rate swaps	–	Interest expense	(34)
Total	¥(339)		¥(446)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

Cash Flow Hedges	2022		
	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
	(Millions of yen)		
Forward currency exchange contracts	¥114	Foreign exchange gains (losses), net	¥331
Cross currency interest rate swaps	(60)	—	—
Interest rate swaps	—	Interest expense	(94)
Total	¥ 54		¥237

Cash Flow Hedges	2023		
	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
	(Thousands of U.S. dollars) (Note 3)		
Forward currency exchange contracts	\$(3,030)	Foreign exchange gains (losses), net	\$(3,074)
Cross currency interest rate swaps	500	—	—
Interest rate swaps	—	Interest expense	(254)
Total	\$(2,530)		\$(3,328)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

Derivatives Not Designated as Hedges	Statements of income location	Amount		
		2023	2022	2023
		(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Forward currency exchange contracts	Foreign exchange gains (losses), net	¥ (211)	¥ (69)	\$ (1,575)
Currency swaps	Foreign exchange gains (losses), net	(413)	(2,662)	(3,082)
Interest rate swaps	Other, net	—	11	—
Other	Other, net	(1,217)	8,383	(9,082)
Total		¥(1,841)	¥5,663	\$(13,739)

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 ¥368,455 million (\$2,749,664 thousand) and ¥370,226 million (\$2,762,881 thousand), respectively, as of March 31, 2023 and ¥439,508 million and ¥439,313 million, respectively, as of March 31, 2022.

The fair values of long-term debt as of March 31, 2023 and 2022 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 ¥5,983 million (\$44,649 thousand) and ¥11,739 million, and those of derivative liabilities were ¥1,475 million (\$11,007 thousand) and ¥5,609 million, as of March 31, 2023 and 2022, 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 investment securities, trade accounts receivable and lease receivables, and derivatives.

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

Trade accounts receivable and lease receivables are exposed to credit risks because they include the trade accounts receivable 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, 2023 and 2022 is as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

	2023			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Assets:				
Investment securities				
Stocks	¥ 56,565	¥ –	¥ –	¥ 56,565
Investment trusts, etc.	–	–	3,634	3,634
Short-term derivative assets				
Forward currency exchange contracts	–	156	–	156
Currency swaps	–	28	–	28
Cross currency interest rate swaps	–	3,474	–	3,474
Other	–	2,325	–	2,325
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	–	255	–	255
Currency swaps	–	1,106	–	1,106
Long-term derivative liabilities				
Currency swaps	–	114	–	114
Other non-current liabilities				
Contingent consideration	–	–	323	323

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

	2022			
	Level 1	Level 2	Level 3	Total
	<i>(Millions of yen)</i>			
Assets:				
Investment securities				
Corporate bonds	¥ —	¥ 499	¥ —	¥ 499
Stocks	90,659	—	—	90,659
Investment trusts, etc.	—	—	3,481	3,481
Short-term derivative assets				
Forward currency exchange contracts	—	1,167	—	1,167
Other	—	6,425	—	6,425
Long-term derivative assets				
Cross currency interest rate swaps	—	2,044	—	2,044
Other	—	2,103	—	2,103
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	1,138	—	1,138
Currency swaps	—	3,056	—	3,056
Interest rate swaps	—	105	—	105
Long-term derivative liabilities				
Forward currency exchange contracts	—	2	—	2
Currency swaps	—	1,308	—	1,308
Other non-current liabilities				
Contingent consideration	—	—	323	323

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Fair Value Measurement (continued)

	2023			Total
	Level 1	Level 2	Level 3	
	<i>(Thousands of U.S. dollars)</i>			
	<i>(Note 3)</i>			
Assets:				
Investment securities				
Stocks	\$ 422,127	\$ —	\$ —	\$ 422,127
Investment trusts, etc.	—	—	27,119	27,119
Short-term derivative assets				
Forward currency exchange contracts	—	1,164	—	1,164
Currency swaps	—	209	—	209
Cross currency interest rate swaps	—	25,925	—	25,925
Other	—	17,351	—	17,351
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	1,903	—	1,903
Currency swaps	—	8,254	—	8,254
Long-term derivative liabilities				
Currency swaps	—	851	—	851
Other non-current liabilities				
Contingent consideration	—	—	2,410	2,410

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, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Assets			
Balance, as of April 1	¥3,481	¥2,432	\$25,977
Gains or losses			
Net income (Note 1)	51	1,676	381
Purchases	105	505	783
Disposal and settlements	(3)	(80)	(22)
Other (Note 2)	–	(1,052)	–
Balance, as of March 31	¥3,634	¥3,481	\$27,119
Liabilities			
Balance, as of April 1	¥ 323	¥ –	\$ 2,410
Gains or losses			
Net income (Note 1)	–	323	–
Balance, as of March 31	¥ 323	¥ 323	\$ 2,410

(Note 1) Gains or losses recognized in net income are mainly presented in “Selling, general and administrative” and “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 ¥51 million (\$381 thousand) and ¥1,353 million for the years ended March 31, 2023 and 2022, respectively.

(Note 2) Other mainly includes transfer to investments accounted for by the equity method.

For the years ended March 31, 2023 and 2022, assets and liabilities measured at fair value on a nonrecurring basis were not material.

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 receivables (excluding trade accounts receivable due within one year) for the years ended March 31, 2023 and 2022, and the breakdown of balances as of March 31, 2023 and 2022.

	2023	2022	2023
	<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	¥(7,240)	¥(8,423)	\$ (54,030)
Charge-offs	1,284	1,479	9,582
(Provisions)/Reversal	1,235	348	9,217
Other	(244)	(644)	(1,821)
Balance, as of March 31	¥(4,965)	¥(7,240)	\$ (37,052)
Ending balance: individually evaluated for impairment	(2,832)	(4,123)	(21,134)
Ending balance: collectively evaluated for impairment	(2,133)	(3,117)	(15,918)

Information about finance receivables, excluding trade accounts receivable due within one year, as of March 31, 2023 and 2022 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)

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Finance receivables:			
Balance, as of March 31	¥95,525	¥105,871	\$712,873
Ending balance: individually evaluated for impairment	2,853	4,296	21,291
Ending balance: collectively evaluated for impairment	92,672	101,575	691,582

There were no significant purchases or sales in finance receivables occurred during the year ended March 31, 2023.

Past Due Finance Receivables

Past due finance receivables, excluding trade accounts receivable due within one year, as of March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
31-90 days	¥ 610	¥ 795	\$ 4,552
Greater than 90 days	3,207	4,305	23,933
Total	¥3,817	¥5,100	\$28,485

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 and dealer volume rebates. 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>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Revenue recognized from contracts with customers	¥2,758,664	¥2,439,664	\$20,587,045
Revenue recognized from other sources	100,377	86,109	749,082
Total	<u>¥2,859,041</u>	<u>¥2,525,773</u>	<u>\$21,336,127</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:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Japan	¥1,026,295	¥ 991,885	\$ 7,658,918
The Americas	656,909	522,362	4,902,306
Europe	430,350	337,408	3,211,567
Asia and others	745,487	674,118	5,563,336
Revenue total	<u>¥2,859,041</u>	<u>¥2,525,773</u>	<u>\$21,336,127</u>

Of revenue for the year ended March 31, 2023, amounts classified as revenue recognized from other sources were ¥39,285 million (\$293,172 thousand) for Japan, ¥3,846 million (\$28,701 thousand) for the Americas, ¥753 million (\$5,619 thousand) for Europe, and ¥56,493 million (\$421,590 thousand) for Asia and others. Of revenue for the year ended March 31, 2022, amounts classified as revenue recognized from other sources were ¥24,045 million for Japan, ¥8,937 million for the Americas, ¥955 million for Europe, and ¥52,172 million for Asia and others.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue (continued)

The disaggregated revenue by operating segment is as follows.

Part of the solutions business related to MFPs was transferred from office solutions to business solutions and graphic communication and accordingly, information for the year ended March 31, 2022 was prepared using the classification method after the changes to the operating segments. The summary of the changes is described in Note 24 “Segment Information”.

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Healthcare:			
Medical systems	¥ 611,169	¥ 533,819	\$ 4,560,963
Bio CDMO	194,165	150,307	1,448,992
LS solutions	112,611	117,617	840,381
Total	917,945	801,743	6,850,336
Materials:			
Electronic materials	180,616	146,692	1,347,881
Display materials	70,136	94,692	523,403
Other highly functional materials	100,036	96,358	746,537
Graphic communication	341,935	292,976	2,551,754
Total	692,723	630,718	5,169,575
Business Innovation:			
Office solutions	555,455	499,507	4,145,186
Business solutions	282,625	260,442	2,109,142
Total	838,080	759,949	6,254,328
Imaging:			
Consumer imaging	266,866	218,967	1,991,537
Professional imaging	143,427	114,396	1,070,351
Total	410,293	333,363	3,061,888
Revenue total	¥2,859,041	¥2,525,773	\$21,336,127

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Revenue (continued)

Of revenue for the year ended March 31, 2023, amounts classified as revenue recognized from other sources were ¥3,097 million (\$23,112 thousand) for medical systems, ¥1,843 million (\$13,754 thousand) for bio CDMO, ¥9,150 million (\$68,284 thousand) for graphic communication, ¥61,948 million (\$462,299 thousand) for office solutions, ¥22,313 million (\$166,515 thousand) for business solutions, and ¥2,026 million (\$15,119 thousand) for consumer imaging. Of revenue for the year ended March 31, 2022, amounts classified as revenue recognized from other sources were ¥3,224 million for medical systems, ¥7,165 million for bio CDMO, ¥8,471 million for graphic communication, ¥44,908 million for office solutions, ¥20,569 million for business solutions, and ¥1,772 million for consumer imaging.

(1) Healthcare

In the Healthcare segment, primarily for sale of materials for medical systems such as X-ray films, revenue is recognized when goods are delivered or shipped to customers, depending on the timing of title and risk transfer from the Company to customers. For certain equipment which requires customer acceptance such as digital endoscopes and ultrasound imaging and diagnostic systems, revenue is recognized when equipment is installed and customer acceptance is obtained. In addition, revenue from provision of maintenance services for medical systems, etc. is recognized when the services are provided to customers. In the bio CDMO business, for certain contracts for which there is no potential for transfer and which have an enforceable right to receive payment from the customer for completed performance, revenue is recognized for the performance in the current year according to the progress based on costs.

(2) Materials

In the Materials segment, for sale of electronic materials such as semiconductor processing materials, display materials such as protective films for polarizers, reagents, highly functional materials such as magnetic tapes for computers, and materials for graphic systems such as CTP plates, revenue is recognized when goods are delivered or shipped to customers, depending on the timing of title and risk transfer from the Company to customers. For certain equipment which requires customer acceptance, including inkjet equipment such as Inkjet Digital Presses, revenue is recognized when equipment is installed and customer acceptance is obtained.

(3) Business Innovation

In the Business Innovation segment, primarily for certain equipment which requires customer acceptance, including equipment such as digital MFPs, revenue is recognized when equipment is installed and customer acceptance is obtained. In addition, mainly managed print services and business process outsourcing services are provided as services. Revenue from these services is recognized when the services are provided to customers.

(4) Imaging

In the Imaging segment, primarily for sale of instant photo systems, color films, color paper for photo printing, and digital cameras, revenue is recognized when goods are delivered or shipped to customers, depending on the timing of title and risk transfer from the Company to customers. In addition, primarily for provision of services for photo printing, revenue 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, 2023 and 2022 is as follows.

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Receivables from contracts with customers	¥578,744	¥535,179	\$4,318,985
Contract liabilities	98,355	138,968	733,993
Contract assets	36,006	21,666	268,701

Revenue recognized from the satisfaction (or partial satisfaction) of performance obligations in past periods was not material for the years ended March 31, 2023 and 2022.

Primary changes in contract liabilities for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022	2023
	<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	¥ 112,941	¥ 75,401	\$842,843
Increase due to receipt of cash, excluding revenue recognized during year	76,350	104,876	569,776

Transaction Price Allocated to Remaining Performance Obligations

As of March 31, 2023, the transaction price allocated to unsatisfied performance obligations for contracts with an individual estimated contract period exceeding one year is ¥239,298 million (\$1,785,806 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 Business Innovation segment. These assets are amortized equally over a period of approximately 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>2023</u>	<u>2022</u>	<u>2023</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	¥ 2	¥ 4	\$ 15
Assets recognized from the costs to fulfill contracts	<u>1,668</u>	<u>2,035</u>	<u>12,448</u>
Total	<u>¥1,670</u>	<u>¥2,039</u>	<u>\$12,463</u>

Aggregate amortization expenses for identifiable assets acquired from the cost of contract for the years ended March 31, 2023 and 2022 were ¥1,003 million (\$7,485 thousand) and ¥1,368 million, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Sale of Business

Sale of Electronic Medical Record and Medical-Receipt Systems Related Business

On March 31, 2023, FUJIFILM Healthcare Corporation, a consolidated subsidiary of the Company, entered into a share transfer agreement with Wemex Corporation to sell all outstanding shares of a new company, a wholly owned subsidiary to be established by FUJIFILM Healthcare Corporation, to which the electronic medical record and medical-receipt systems related business of FUJIFILM Healthcare Systems Corporation, is succeeded. The transfer is scheduled for October 2023.

As of March 31, 2023, the Company reclassified assets and liabilities to be transferred to Wemex Corporation to assets and liabilities held for sale. Assets of ¥9,462 million (\$70,612 thousand), primarily comprised of goodwill and trade accounts receivable, are included in “Prepaid expenses and other” under current assets, and liabilities of ¥3,339 million (\$24,918 thousand), primarily comprised of notes and accounts payable – trade, are included in “Other current liabilities” under current liabilities, in the consolidated balance sheets.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information

Operating Segments

The Company's following four 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.

The Healthcare segment develops, manufactures, sells and provides services of equipment and materials for medical systems, contract development and manufacturing organization of biopharmaceuticals, iPS cells (regenerative medicine), drug discovery support such as cell culture media and reagents, pharmaceuticals, cosmetics and supplements, and other related products. The Materials segment develops, manufactures, sells and provides services of electronic materials, display materials, industrial equipment, fine chemicals, recording media, equipment and materials for graphic communication, inks and industrial inkjet printheads, and other related products. The Business Innovation segment develops, manufactures, sells and provides services of digital MFPs, solutions and services, and other related products. The Imaging segment develops, manufactures, sells and provides services of instant photo systems, color films, services and equipment for photofinishing, digital cameras, optical devices, and other related products.

On July 1, 2022, FUJIFILM Business Innovation Corp. made an organizational change and established a new organization in charge of business strategy and promotional function for each of MFP/printer business (office solutions) and solutions and services business (business solutions). Accordingly, the professional-use multifunction device business was transferred from the Business Innovation segment to the Materials segment. Segment information for the year ended March 31, 2022 was prepared using the classification method after the changes to the operating segments.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Operating Segments (continued)

a. Revenue

	Year ended March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Healthcare:			
External customers	¥ 917,945	¥ 801,743	\$ 6,850,336
Intersegment	93	94	694
Total	918,038	801,837	6,851,030
Materials:			
External customers	692,723	630,718	5,169,575
Intersegment	1,241	1,373	9,261
Total	693,964	632,091	5,178,836
Business Innovation:			
External customers	838,080	759,949	6,254,328
Intersegment	9,002	3,846	67,179
Total	847,082	763,795	6,321,507
Imaging			
External customers	410,293	333,363	3,061,888
Intersegment	2,290	2,425	17,090
Total	412,583	335,788	3,078,978
Eliminations	(12,626)	(7,738)	(94,224)
Consolidated total	¥2,859,041	¥2,525,773	\$21,336,127

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Operating Segments (continued)

b. Segment profit or loss

	Year ended March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating income:			
Healthcare	¥ 100,507	¥ 100,536	\$ 750,052
Materials	67,729	68,380	505,440
Business Innovation	69,491	57,920	518,590
Imaging	72,876	36,977	543,851
Total	310,603	263,813	2,317,933
Corporate expenses and eliminations	(37,524)	(34,111)	(280,030)
Consolidated operating income	273,079	229,702	2,037,903
Other income (expenses)	9,145	30,744	68,246
Consolidated income before income taxes	¥282,224	¥260,446	\$2,106,149

c. Total assets

	March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Total assets:			
Healthcare	¥1,739,911	¥1,439,651	\$12,984,410
Materials	1,083,811	1,073,758	8,088,142
Business Innovation	946,508	915,893	7,063,493
Imaging	293,891	287,269	2,193,216
Total	4,064,121	3,716,571	30,329,261
Eliminations	(16,508)	(9,842)	(123,194)
Corporate assets	86,698	248,551	647,000
Consolidated total	¥4,134,311	¥3,955,280	\$30,853,067

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Operating Segments (continued)

d. Other significant items

	Year ended March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Depreciation and amortization:			
Healthcare	¥ 50,236	¥ 44,541	\$ 374,896
Materials	33,036	32,364	246,537
Business Innovation	42,248	38,997	315,284
Imaging	14,079	14,121	105,067
Total	139,599	130,023	1,041,784
Corporate expenses	2,616	2,976	19,522
Consolidated total	¥142,215	¥132,999	\$1,061,306
Capital expenditures:			
Healthcare	¥219,655	¥103,896	\$1,639,216
Materials	44,817	31,694	334,455
Business Innovation	12,646	12,124	94,373
Imaging	9,569	5,534	71,411
Total	286,687	153,248	2,139,455
Corporate expenses	1,619	1,982	12,082
Consolidated total	¥288,306	¥155,230	\$2,151,537

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)

24. 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, 2023 and 2022 are as follows:

	Year ended March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Japan	¥1,026,295	¥ 991,885	\$ 7,658,918
The Americas	656,909	522,362	4,902,306
Europe	430,350	337,408	3,211,567
Asia and others	745,487	674,118	5,563,336
Consolidated total	¥2,859,041	¥2,525,773	\$21,336,127

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

b. Long-lived assets

Long-lived assets as of March 31, 2023 and 2022 are as follows:

	March 31		
	2023	2022	2023
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Japan	¥369,407	¥358,398	\$2,756,769
The Americas	244,704	137,069	1,826,149
Europe	293,885	180,298	2,193,171
Asia and others	68,115	61,074	508,321
Consolidated total	¥976,111	¥736,839	\$7,284,410

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)

24. 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, 2023 and 2022.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Subsequent Events

Issuance of Commercial Paper

The Company issued commercial paper to secure working capital.

- (1) Issue date: April 14, 2023
- (2) Total amount of issue: ¥125,000 million (\$932,836 thousand)
- (3) Interest rate: 0% per annum
- (4) Redemption date: June 28, 2023
- (5) Secured or not: Unsecured and unguaranteed

Acquisition of CMC Materials KMG Corporation

The Company entered into a share purchase agreement on May 10, 2023 to acquire all shares of CMC Materials KMG Corporation, that operates semiconductor process chemical business globally and a group company of Entegris, Inc., a U.S. semiconductor materials manufacturer, for US\$0.7 billion in order to accelerate the growth of the electronic materials business. The accounting treatment related to this acquisition has not been completed at this time.