FUJIFILM

Annual Report 2010

For Quality of Life

Fujifilm Group Corporate Philosophy

We will use leading-edge, proprietary technologies to provide top-quality products and services that contribute to the advancement of culture, science, technology and industry, as well as improved health and environmental protection in society. Our overarching aim is to help enhance the quality of life of people worldwide.

Fuji Photo Film Co., Ltd. ("Fuji Photo")—predecessor of FUJIFILM Holdings Corporation ("Fujifilm" or "the Company")—was established in 1934 with the aim of realizing the domestic production of photographic films. Having carried out sustained efforts in this area over the ensuing 10 years, the Company finally established an integrated production structure and achieved domestic production of photographic films, motion-picture films and X-ray films, thereby solidifying its position as a comprehensive photographic materials manufacturer. In the 1940s, Fuji Photo entered the business fields of optical glasses, lenses and equipment. After the Second World War, the Company promoted diversification, penetrating the medical (X-ray diagnosis), printing, electronic imaging and magnetic materials fields. In 1962, Fuji Photo and U.K.-based Rank Xerox Limited (current Xerox Limited) launched Fuji Xerox Co., Ltd. through a joint venture.

From the mid-1950s, Fuji Photo accelerated the establishment of overseas sales bases. In the 1980s, aiming for "World-Class FUJIFILM" status, Fuji Photo expanded its production and other bases overseas, stepping up the pace of its business globalization. Meanwhile, Fuji Photo led the industry in the development of digital technologies for application in its photo-related, medical and printing businesses. These technologies allowed Fuji Photo to become a driving force in the development of such markets.

The beginning of the new millennium witnessed the rapid spread of digital technology application in cameras. Demand for photographic films showed a sudden plunge in line with the growing popularity of digital cameras. In response, Fuji Photo advanced management reforms aimed at effecting drastic transformation of its business structures. In October 2006, Fuji Photo adopted a holding-company system and established FUJIFILM Holdings Corporation, which welcomed the two operating companies—FUJIFILM Corporation and Fuji Xerox—under its wing. Under this system, the Fujifilm Group promoted structural reforms in the Imaging Solutions segment and growth strategies in its priority business fields. These initiatives enabled the Company to achieve a sharp performance improvement and post record-high revenue and operating income in the fiscal year ended March 31, 2008. In the following fiscal year, however, the Company experienced abrupt deterioration in its business performance, negatively impacted by the global recession, which had escalated until recently.

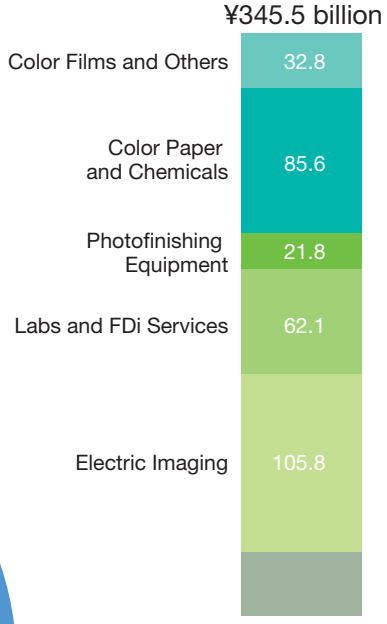
Under such adverse conditions, the Company has continued the bold implementation of additional structural reforms and reformulated its growth strategies. Today, the Fujifilm Group is at a new starting line, ready to accelerate toward renewed growth.

Contents

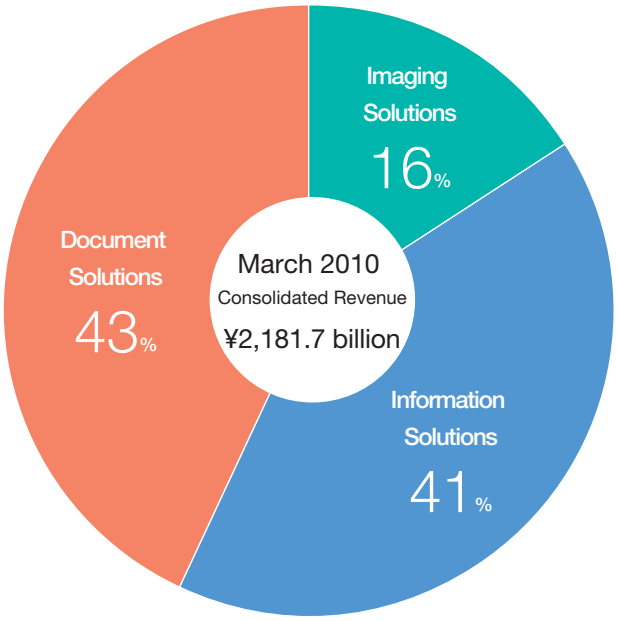
Fujifilm Group in Brief

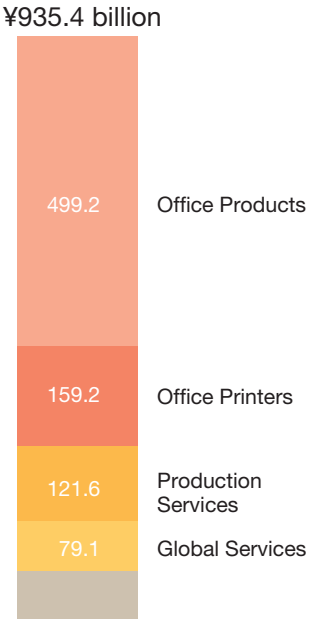
FUJIFILM Holdings Corporation is committed to contributing to the enhancement of the quality of life of people worldwide. In the pursuit of this commitment, the Company is accelerating business in the three operating segments of Imaging Solutions, Information Solutions and Document Solutions.

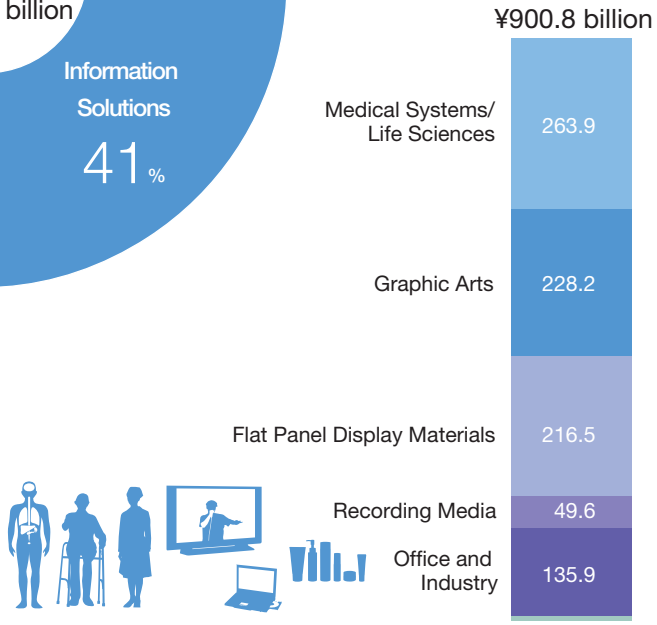
Imaging Solutions

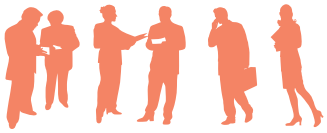


Breakdown of Consolidated Revenue by Operating Segment





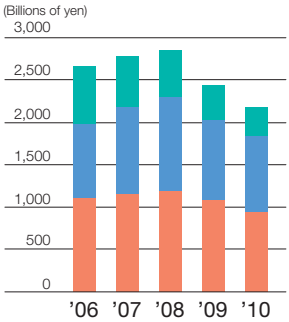




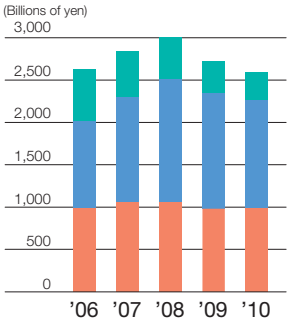
Document Solutions

Information Solutions

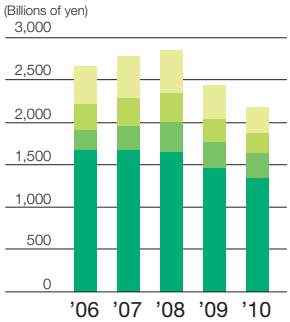
Revenue by Operating Segment



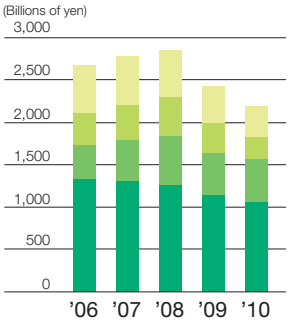
Total Assets by Operating Segment



Revenue by Region (Geographic Base)



Revenue by Region (Destination Base)



Imaging Solutions Information Solutions Document Solutions

The Americas Europe Asia and others Japan

Years ended March 31

Imaging Solutions

● Color Films and Others
Color negative films
QuickSnap single-use cameras
Color reversal films


Color negative films


QuickSnap single-use cameras

● Color Paper and Chemicals
Photographic paper for color prints
Photofinishing chemicals

Photobook

©Disney

● Photofinishing Equipment
Film processors/Printing equipment
- Digital minilabs
- Inkjet-system dry minilabs
- Thermal photo printers


Frontier LP7700

● Labs and FDi Services
Film processing services/
Photo printing services


FinePix Z700EXR

● Electric Imaging
FinePix digital cameras
Digital camera accessories


FinePix Real 3D W1

World-Class Provider of Products and Services, from Photo-Taking to Photo-Printing

Fujifilm develops products and services in fields ranging from film and photo-taking to photo development and printing. Products for photo-taking include color film, the *QuickSnap* single-use camera and a wide range of digital cameras, while output products and services include photographic paper for color prints, photofinishing equipment and photo printing services. Fujifilm's distinctive *FinePix* digital cameras apply such proprietary technologies as *FUJINON* lenses and *FinePix REAL 3D System,* which enables the naked eye to enjoy 3D displays and prints without the use of 3D glasses. In the area of digital printing, the Company is focusing on *Photobook* and other high-value-added printing services.

Information Solutions

● Medical Systems/Life Sciences
Digital X-ray diagnostic imaging system:
FCR, DR
Digital mammography systems
SYNAPSE medical-use picture archiving and communications systems (PACS)


SYNAPSE


FCR PROFECT CS

Dry imaging films/Dry imagers
X-ray films
Digital endoscopes


Transnasal Endoscope

Pharmaceutical products
Generic drugs
Radiopharmaceuticals
Nucleic acid isolation systems
Healthcare products


ASTALIFT

● Graphic Arts
Materials and equipment for graphic arts
- Computer-to-plate plates
- CTP plate setters
- Software

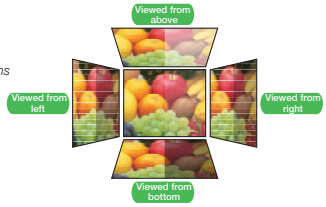
Industrial inkjet printers/Inks


Luxel T-9800CTP HS

● Flat Panel Display Materials
FUJITAC protective films for polarizers


FUJITAC

WV Films for expanding viewing angles



Left: Using WV film Right: Using conventional film

Transer Films for manufacturing color filters


Transer Films

Expanding the Scope of Its Business in the Diagnostic, Prevention and Treatment Fields, thereby Growing into a Comprehensive Healthcare Company

Fujifilm contributes to the advancement of the medical imaging and diagnostic field. In 1936, these efforts began in earnest with the release of X-ray films, and in 1983, the Company launched its *FCR* system, the world's first digital X-ray diagnostic imaging system. The Company is working to expand its medical IT system business through the promotion of IT system integration using such mainstay products as the *SYNAPSE* medical-use picture archiving and communications systems (PACS) in the endoscopy, ultrasonography, pathology, cardiovascular and other fields. More recently, Fujifilm expanded the scope of its life sciences business to include the preventive healthcare field with functional cosmetics and internal care products. In 2008, the Company commenced full-scale operation in the pharmaceuticals business and entered the treatment field, while starting the sale of generic drugs in 2010.

Aiming for the Leading Global Market Share in Digital Printing CTP Plates

Fujifilm provides printing, newspaper and publishing companies around the world with various printing materials and equipment, including plate-making films, proofing materials and pre-sensitized (PS) and computer-to-plate (CTP) plates for plate processing. Fujifilm is aiming to command the leading global market share for CTP plates, which are increasingly replacing PS plates in the entire printing sector. Amid the graphic arts industry's ongoing diversification in response to changing market needs, the Company will supply its products to on-demand printing, inkjet and other businesses, thereby making these products de-facto standards in the industry.

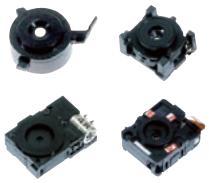
Boasting Top Global Market Shares in FPD-Use Protective Films and Optical Compensation Films

Fujifilm manufactures and sells films indispensable for finished products that use liquid crystal displays (LCDs), such as LCD

● Recording Media
LTO Ultrium data cartridges

LTO Ultrium 5 data cartridges

● Office and Industry
Camera phone lens units
TV lenses/Cine lenses



Camera phone lens units

DIGI Power 101

Ink for consumer-use inkjet printers
Industrial inkjet printer heads
Semiconductor photoresists

TVs and PC monitors. Its *FUJITAC* films maintain nearly 80% of the world market share, and its *Wide-View (WV) Films* hold a 100% global market share.

Top Global Share in Mid-Range Data Storage Media Market

This business develops data storage media products widely used by data centers operated by finance firms and other large-scale organizations.

Expanding the Optical Device Business and Other New Growth Businesses

Fujifilm is strengthening its market position in line with increasingly higher camera phone lens functionality and pixel counts. For example, the Company commands a high global market share for lens units with 8.0 megapixel and higher pixel counts. At the same time, the Company is conducting the development and sale of semiconductor materials and highly functional materials.

Document Solutions

● Office Products
Color/monochrome digital multifunction devices
DocuWorks document handling software

Fuji Xerox DocuCentre-IV C2260

Fuji Xerox ApeosPort-IV C5570

● Office Printers
Color/monochrome laser printers

Fuji Xerox DocuPrint C3350

● Production Services
On-demand publishing systems
Computer printing systems

Fuji Xerox 700 Digital Color Press

Fuji Xerox Color 1000 Press

● Global Services
Comprehensive document outsourcing services

Expanding Sales of High-Value-Added and Market-Needs-Oriented Products throughout the World

Fuji Xerox manufactures and sells office-use digital multifunction devices, printers, digital printing equipment and many other products. Since launching Japan's first plain-paper copy machines in 1962, Fuji Xerox has constantly provided new value to the market by advancing copy machines through the application of digital technologies and the incorporation of multiple functions. Fuji Xerox boasts leading domestic market shares in terms of the volume of office-use color multifunction device sales and copies made using its devices. Also, in the rapidly growing Asia-Pacific region, including China, Fuji Xerox is working to expand sales by introducing products that meet customer needs specific to the region.

Leading the Print-on-Demand Market with High-Speed, High-Quality Digital Printing Systems

In the production services business, Fuji Xerox provides on-demand printing systems and printing workflow support services as well as continuous-feed and cut-sheet printers linked with core systems. Particularly notable is our top market share for color on-demand printing systems in Japan and the Asia-Pacific region. Pursuing new possibilities for digital printing, Fuji Xerox meets customer needs for high-mix, low-volume printing through the use of variable printing systems that interface with databases.

Providing Comprehensive Customer Support and Consultation by Leveraging Know-How and Experience

Fuji Xerox is providing comprehensive outsourcing services, covering consulting and document management, to help customers solve their document-related issues.

Financial Highlights

FUJIFILM Holdings Corporation and Subsidiaries

	Years ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	**2010**
Results of Operations						
Revenue	**¥2,181,693**	¥2,434,344	¥2,846,828	¥2,782,526	¥2,667,495	**$23,459,065**
Selling, general and administrative expenses	**588,109**	694,740	759,139	760,042	735,058	**6,323,753**
Research and development expenses	**175,120**	191,076	187,589	177,004	182,154	**1,883,011**
Operating income before restructuring and other charges (Note 2)	**101,629**	70,769	207,342	207,143	156,479	**1,092,785**
Operating (loss) income after restructuring and other charges (Note 2)	**(42,112)**	37,286	207,342	113,062	70,436	**(452,817)**
(Loss) income before income taxes	**(41,999)**	9,442	199,342	103,264	79,615	**(451,602)**
Net (loss) income attributable to FUJIFILM Holdings (Note 3)	**(38,441)**	10,524	104,431	34,446	37,016	**(413,344)**
Cash Flows						
Net cash provided by operating activities	**314,826**	209,506	298,110	297,276	272,558	**3,385,226**
Net cash used in investing activities	**(131,204)**	(152,781)	(259,715)	(298,001)	(272,129)	**(1,410,796)**
Free cash flow (Note 4)	**183,622**	56,725	38,395	(725)	429	**1,974,430**
Net cash provided by (used in) financial activities	**(42,609)**	(102,139)	(72,308)	158,287	(80,309)	**(458,161)**
Financial Position						
Total Assets	**2,827,428**	2,896,637	3,266,384	3,319,102	3,027,491	**30,402,452**
Inventories	**303,120**	368,250	416,827	393,594	385,463	**3,259,355**
Interest-bearing debt (Note 5)	**295,648**	321,546	370,010	374,008	173,417	**3,179,011**
Total FUJIFILM Holdings shareholders' equity	**1,746,107**	1,756,313	1,922,353	1,976,508	1,963,497	**18,775,344**
Capital expenditures (Note 6)	**77,913**	112,402	170,179	165,159	179,808	**837,774**
Depreciation and amortization (Note 6)	**195,083**	212,565	226,753	215,429	225,434	**2,097,667**
(Depreciation)	**135,103**	149,912	159,572	146,325	156,928	**1,452,720**
	Yen					U.S. dollars (Note 1)
Per Share of Common Stock						
Net (loss) income attributable to FUJIFILM Holdings:						
Basic (Notes 3 and 7)	**¥ (78.67)**	¥ 21.10	¥ 205.43	¥ 67.46	¥ 72.65	**$ (0.85)**
Diluted (Notes 3 and 8)	**(78.67)**	21.09	193.56	65.04	72.65	**(0.85)**
Cash dividends	**25.00**	30.00	35.00	25.00	25.00	**0.27**
Financial Indicators						
Ratio of operating income before restructuring and other charges to revenue	**4.7%**	2.9%	7.3%	7.4%	5.9%	
Ratio of operating (loss) income after restructuring and other charges to revenue	**(1.9)%**	1.5%	7.3%	4.1%	2.6%	
ROE	**(2.2)%**	0.6%	5.4%	1.7%	1.9%	
ROA	**(1.3)%**	0.3%	3.2%	1.1%	1.2%	
Equity ratio	**61.8%**	60.6%	58.9%	59.5%	64.9%	
Payout ratio (Consolidated base)	**—**	142.2%	17.0%	37.1%	34.4%	

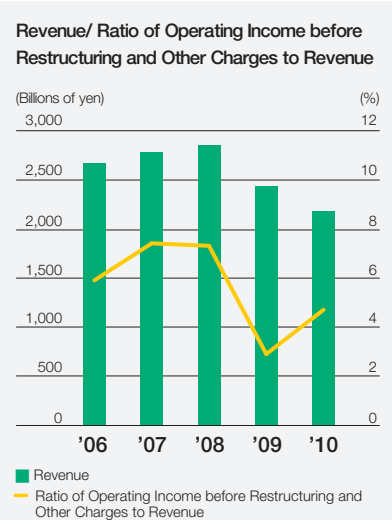
Notes
1. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥93=U.S.$1, the exchange rate prevailing on March 31, 2010.
2. Effective from the fiscal year ended March 31, 2010, restructuring and other charges are separately presented in the Company's consolidated statement of income. (See page 52.) Operating income before restructuring and other charges for the fiscal year ended March 31, 2009 presented in the table above includes ¥33,483 million, the amount calculated as the restructuring and other charges incurred during that fiscal year. Similarly, operating (loss) income on the same consolidated statement of income is disclosed as operating (loss) income after restructuring and other charges above, which represent an operating (loss) income after the recognition of restructuring and other charges.
3. Effective from the fiscal year ended March 31, 2010, net (loss) income is stated as net (loss) income attributable to FUJIFILM Holdings.
4. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
5. Interest-bearing debt=Short-term debt + Long-term debt
6. Figures do not include amounts for rental equipment handled by the Document Solution segment.
7. The computation of net (loss) income attributable to FUJIFILM Holdings per share is based on the weighted average number of shares of common stock (excluding treasury stock) outstanding the year.
8. Diluted net (loss) income attributable to FUJIFILM Holdings per share reflects the potential dilution attributable to additional shares issued in connection with the exercise of stock acquisition rights allotted as stock options and has been computed on the basis that at conversion rights of the Euroyen convertible bonds were exercised and outstanding.

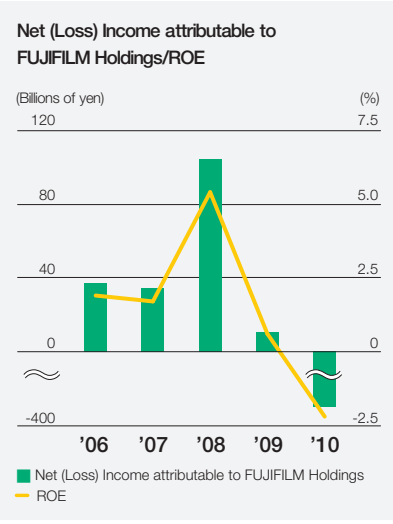
Operating Segment Revenue

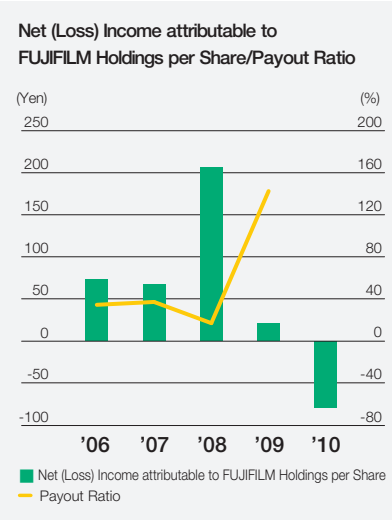
	Years ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	**2010**
Imaging Solutions	**¥ 345,489**	¥ 410,399	¥ 547,066	¥ 605,383	¥ 689,458	**$ 3,714,935**
Information Solutions	**900,844**	946,156	1,108,134	1,026,085	877,366	**9,686,495**
Document Solutions	**935,360**	1,077,789	1,191,628	1,151,058	1,100,671	**10,057,634**
Consolidated total	**¥2,181,693**	¥2,434,344	¥2,846,828	¥2,782,526	¥2,667,495	**$23,459,065**

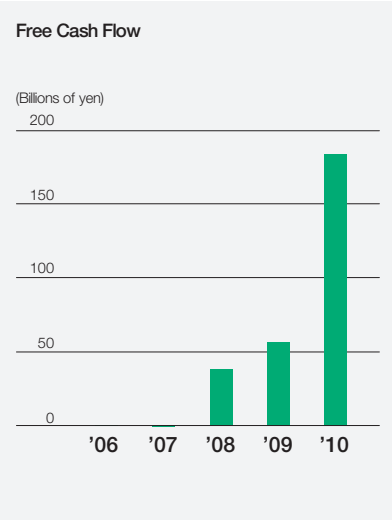
Revenue by Region (Destination Base)

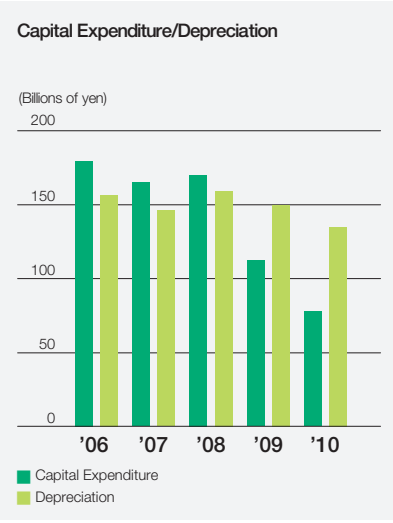
	Years ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2007	2006	**2010**
Japan	**¥1,059,395**	¥1,134,192	¥1,259,506	¥1,303,647	¥1,329,284	**$11,391,344**
The Americas	**354,142**	447,677	557,203	572,797	558,702	**3,807,978**
Europe	**268,531**	350,548	449,241	422,965	375,516	**2,887,430**
Asia and Others	**499,625**	501,927	580,878	483,117	403,993	**5,372,312**
Consolidated total	**¥2,181,693**	¥2,434,344	¥2,846,828	¥2,782,526	¥2,667,495	**$23,459,065**

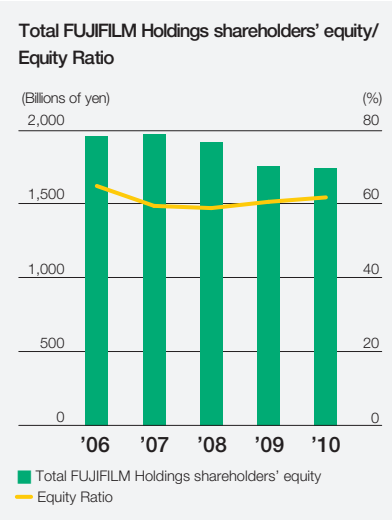












Year ended March 31

Completing Business Foundation Reinforcement Processes for a New Growth Phase

The Japanese economy, which bottomed out in the first half of 2009 and has since shown signs of a mild recovery, has yet to evidence a full-fledged resurgence. Underlying such a lagging recovery is the persistent negative impact of the ongoing global recession, which has caused overall corporate-sector performance and employment conditions to deteriorate and fueled concerns about deflationary trends and yen appreciation. More recently, the global financial market was again shaken, by the Greek financial crisis. Accordingly, the global economy is still on the watch list in terms of the direction it will take.

Reflecting these and other severe operating conditions during the fiscal year ended March 31, 2010, the consolidated revenue of FUJIFILM Holdings Corporation ("Fujifilm" or "the Company") declined 10.4% compared with the previous fiscal year to ¥2,181.7 billion. Of the total amount of revenue decline, ¥90.1 billion was attributable to the appreciation of the yen. In contrast, operating income before restructuring and other charges climbed 43.6% year on year to ¥101.6 billion, owing to the effect of the Company's structural reforms and cost-reduction efforts.

In order to constantly secure profitability and sustain growth even under severe conditions, Fujifilm has striven to build a robust corporate constitution. Specifically the Company has resolutely implemented concentrated structural reforms and thoroughly executed measures to reduce costs and expenses throughout the entire Group and in all businesses, without excluding any business fields from the scope of these measures. In fact, we have significantly improved our profitability in the electronic imaging field through these efforts. As this success denotes, we are steadily advancing structural reforms as planned.

For the fiscal year under review, the Company posted restructuring and other charges totaling ¥143.7 billion, and, consequently, operating loss after restructuring and other charges amounted to ¥42.1 billion.

At the same time, Fujifilm has been rebuilding its growth strategies by moving ahead with the intensive allocation of management resources in priority business fields. For example, the Company has strengthened and expanded its manufacturing capacity in the flat panel display (FPD) materials business, while launching products designed for the markets of emerging countries and taking other measures to promote greater sales in these countries.

As a result of these activities, Fujifilm recorded loss before income taxes totaling ¥42.0 billion for the reporting term. Net loss attributable to FUJIFILM Holdings amounted to ¥38.4 billion.

During the fiscal year under review, Fujifilm has worked as one—as a well-coordinated team—to rationalize its management processes, bolster its business foundation and enhance the on-site operational capabilities of its Group members. Now, in the current fiscal year, ending March 31, 2011, the Fujifilm Group is determined to return to the road to growth. To achieve this goal, the Company will further accelerate the selective allocation of its management resources in business fields and geographical regions—emerging markets in particular—that are showing high potential for growth. Specific initiatives are as follows.

1. We will selectively allocate our management resources in six priority business fields,* where we have technological advantages and competitive market positions and which are characterized by significant market scales and high growth potential.
2. We will continue to strengthen our lineup of high-quality products that boast superior cost performance and accommodate market needs, thereby helping to penetrate new markets.
3. We will review the map of our worldwide operations and identify and aggressively target markets where our share is low in order to expand global market share.
4. Targeting emerging countries, which are now driving the global economy's growth, we will implement bold measures—procedures that thus far have been foreign to our conventional strategies. In more specific terms, in emerging countries, we will concentrate the allocation of our personnel and other management resources while strategically launching products that exclusively meet regional needs. All business divisions and local subsidiaries will join forces to expand sales of the Company's products in these countries.

In addition, Fujifilm aims to grow faster through new businesses. To realize such growth, the Company will leverage an extensive range of leading-edge technologies—Fujifilm Group's proprietary assets—that have enabled it to win out over the competition. As such, we will work to reinforce our presence in the healthcare field, while entering the environmental and energy fields through the development of new, highly functional materials. Tackling new business is a challenge, but in facing this challenge, all Group members are committed to persevering on the issues identified and goals set forth by Fujifilm. Indeed, they will act as the central driver of the Company as it enters a new growth phase.

I would like to thank our stakeholders for their unwavering support and understanding as we take on the challenge of achieving renewed growth.

July 2010

Shigetaka Komori
President and Chief Executive Officer

* The six priority business fields consist of medical systems/life sciences, graphic arts, document solutions, highly functional materials, optical devices and digital imaging.

At the Starting Line for Renewed Growth

Fujifilm has recognized the current fiscal year, ending March 31, 2011, as an important period before the Fujifilm Group fully returns to the road to renewed growth. Over this critical period, the Company will selectively allocate its management resources in the business fields and geographical regions—particularly emerging markets—that are showing high potential for growth.

Q. How would you evaluate the Fujifilm Group's performance for the fiscal year under review?

A. We have resolutely tackled structural reforms and thereby reestablished a solid business foundation. We are now at the starting line for renewed growth.

Since the fiscal year ended March 31, 2006, Fujifilm has implemented structural reforms centered on its Imaging Solutions segment. At the same time, the Company has focused its management resources on the priority business fields that it defined. These business fields demonstrated high growth potential, and the Company boasted particular strengths in these fields. Our strategy back then has proved effective, enabling us to significantly expand our operations in those fields. However, with the onset of the Lehman shock in the autumn of 2008, and with the worldwide financial crisis triggering the ongoing global recession, our business performance has taken a sudden turn toward rapid deterioration. We estimate that the scale of the global market has contracted approximately 20% compared with that prior to the market turmoil.

In response to such an environment, Fujifilm upheld the top management priority of **quickly rebuilding a robust corporate constitution that enables it to secure profitability even under extreme adversity.** In line with this priority, the entire Fujifilm Group made the commitment and swiftly moved to **streamline and strengthen its functions through structural reforms.** In these structural reforms, all Group organizations and businesses—without exception—were subject to

reformation and streamlining. Also, by introducing a business management method based on operational ROA,*1 the Company has worked to improve asset efficiency and reduce costs and expenses, thereby raising overall profitability.

Meanwhile, we remained aggressive in **reformulating our growth strategies**. We accelerated the selective allocation of our management resources in the six priority business fields of medical systems/life sciences, graphic arts, document solutions, highly functional materials, optical devices and digital imaging. Moreover, while we have continued to accelerate growth-focused investments aimed at expanding sales in emerging countries and creating new businesses, we have not slowed down our R&D investments.

As a result of tackling structural reforms with an unwavering resolve and thereby strengthening its business foundation, Fujifilm is now at the starting point for renewed growth. In the fiscal year ending March 31, 2011, the Company is determined to help expand the market and increase its market share, thus showing healthy growth. In this way, we will work tirelessly and strategically to secure sales—a source of corporate growth.

*1 Operational ROA = Segment operating income / Segment assets

Transforming into a New Fujifilm Group

Transforming our business structure to jump-start renewed growth

Realizing a Robust Corporate Constitution

>> Complete structural reforms

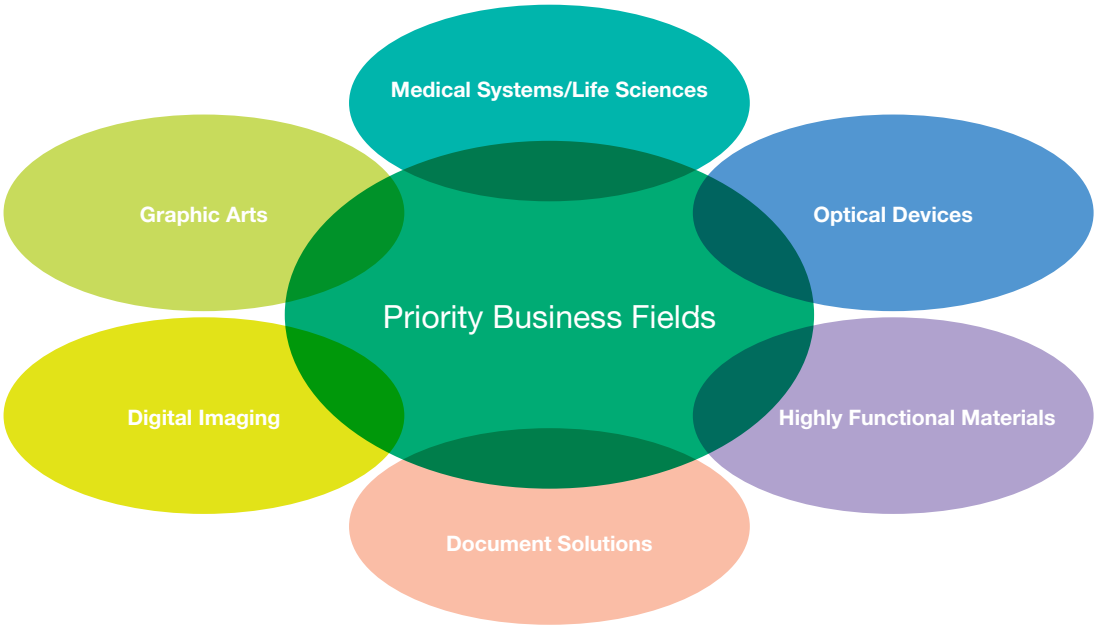
>> Improve asset and capital efficiencies

>> Achieve thorough cost and expense reductions by raising business efficiency

Accelerating Selective Investment in Growth Areas

>> Promote growth strategies in priority business fields

>> Concentrate management resources and investment in emerging countries



Q. Would you give readers specifics about the advances that Fujifilm made in structural reforms during the period under review? How do the most recent reforms differ from those implemented in the past?

A. Because we focused on such reforms, we have a better view now, and we are expecting to complete all necessary reforms by the end of the current fiscal year.

First of all, the purposes were different for the past and recent structural reforms. In the past, Fujifilm implemented structural reforms centered on the Imaging Solutions segment in response to the rapid decline in photographic film demand. On the other hand, the recent structural reforms were implemented with the aim of overhauling the Company's corporate constitution so that we would be able to constantly secure profitability even under extreme adversity. Accordingly, the recent reforms covered all Group organizations and businesses without exception as the targets of streamlining, including cost and expense reductions.

See also Page 31
Fuji Xerox Accelerating Its Management Innovation Activities

Specific initiatives we have implemented during the reporting term were as follows. For photo-related businesses in the **Imaging Solutions** segment, Fujifilm advanced the consolidation of its photo processing labs while rationalizing its product portfolio through lineup integration and elimination. Also, the Company reorganized its production network, which in some cases involved the closure and retirement of certain facilities, while compressing photo-related business assets. As a result of these activities, for which Fujifilm posted ¥54.1 billion in restructuring and other charges, the total book value of our photo-related production facilities is now at a near-zero level.

In the **Information Solutions** segment, the Company spent ¥64.3 billion to streamline human resources and reduce assets. The **Document Solutions** segment has brought about tangible results in its Management Innovation Activities. Based on the success in these activities, the Document Solutions segment has also tackled reforms of its R&D functions and production structure. The total expenses made in line with these reforms amounted to ¥25.3 billion.

Turning to the future, in the current fiscal year, Fujifilm plans to post ¥10.0 billion in expenses for reform activities in the Imaging Solutions segment. Meanwhile, as the Document Solutions segment continues to reorganize its R&D and manufacturing functions and expand its Management Innovation Activities to overseas bases, it expects to post ¥13.0 billion in expenses relating to these activities. We will **complete the entire range of necessary structural reforms** with the successful close of these activities.

The **benefits of fixed-cost reductions through structural reforms** totaled ¥38.0 billion for the fiscal year under review. For the current fiscal year, the cumulative benefits are expected to increase ¥45.0 billion to ¥83.0 billion.

Fujifilm has viewed its structural reforms as a means not only to cut costs and expenses, but also to solidify the business foundation required for underpinning the future growth of the Fujifilm Group. Strict adherence to this approach has enabled the Company to bring positive changes in employee awareness and corporate constitution. We accept the fact that our consolidated revenue declined 10.4% compared with the previous fiscal year. However, such intangible but invaluable changes have encouraged Group members and boosted their drive to overcome the current critical situation and restructure the corporate constitution. And these changes have empowered us to reduce the total of the cost of sales, SG&A expenses and other costs and expenses by 12.0% year on year.

Fujifilm's Structural Reforms at a Glance

(Billions of yen)

	Principal Initiatives	Expenses	
		Year ended March 31, 2010 (Result)	Year ending March 31, 2011 (Forecast)
Imaging Solutions	>> Reduced assets such as color paper production facilities >> Consolidated photo processing labs >> Rationalized product portfolio through lineup integration and elimination	¥ 54.1	¥10.0
Information Solutions	>> Streamlined personnel and reduced assets	64.3	2.0
Document Solutions	>> Optimized production functions and promoted thorough reduction of cost of sales >> Expanded Management Innovation Activities to overseas bases	25.3	13.0
		¥143.7	¥25.0

Cumulative Benefits		
Year ended March 31, 2010 (Result)	Year ending March 31, 2011 (Forecast)	Year ending March 31, 2012 (Forecast)
¥38.0	¥83.0	¥90.0
YoY Improvement	¥45.0	¥7.0

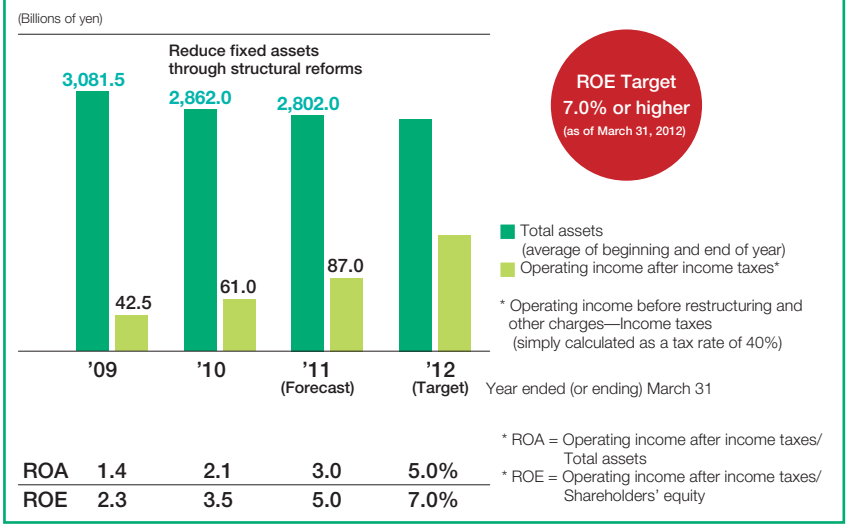
Q. Would you clarify the improvements in Fujifilm's asset and capital efficiencies?

A. We eliminated inefficient assets and compressed inventories, thereby reducing our average total assets under review by more than ¥200.0 billion. Now, we are better positioned to achieve substantial improvements in our ROA and ROE.

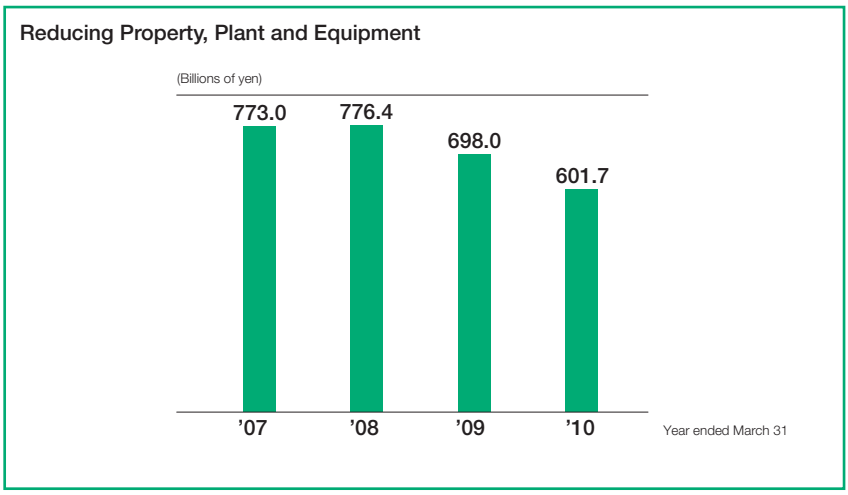
During the period under review, Fujifilm continued efforts to manage its asset and capital efficiencies more strategically by allowing individual segments to set their own operational ROA targets. Also, we eliminated inefficient assets and compressed fixed assets and inventories. Through these efforts, the Company has managed to **reduce its average total assets by more than ¥200.0 billion**.

In the current fiscal year, Fujifilm will continue to identify surplus fixed assets and compress its average total assets through the reduction of inventories held by each segment. Factoring in the potential for sales recovery and expansion as well as an improvement in earnings attributable to the benefits of structural reforms, the Company aims to achieve ROA and ROE of 5.0% and 7.0%, respectively, in the fiscal year ending March 31, 2012.

Compressing Fixed Assets and Improving ROA and ROE



	'09	'10	'11 (Forecast)	'12 (Target)
ROA	1.4	2.1	3.0	5.0%
ROE	2.3	3.5	5.0	7.0%



Q. How will Fujifilm reformulate its growth strategy and accelerate growth?

A. We will focus on our priority business fields and emerging markets, and concentrate our management resources in these fields and markets.

As discussed above, Fujifilm will most likely complete the full round of structural reforms in the current fiscal year. In this critical period, the Company aims to take off from the starting line and race down the road to renewed growth. We will work tirelessly to achieve the specific goal of meeting our consolidated revenue target. In individual business fields—**priority business fields,** in particular—we will expand sales of our high-quality products that boast superior cost performance and accommodate market needs, thereby contributing to the growth of target markets. Meanwhile, targeting **emerging markets** as well as other markets where we have a low market share, we will accelerate the selective allocation of our management resources.

Q. Would you explain how Fujifilm is tackling the priority business fields?

A. We are channeling our management resources into the markets with high growth potential where we boast technological competitiveness and superior market positions.

See also Page 24
Initiatives Aimed at Establishing a Comprehensive Healthcare Business

The six priority business fields that Fujifilm has defined—namely, medical systems/life sciences, document solutions, graphic arts, highly functional materials, optical devices and digital imaging—provide markets with high growth potential. At the same time, each of these fields serves as a stage for the Company to fully leverage its superior market position and technological and product competitiveness. Accordingly, we are continuing to allocate our management resources in these six fields.

In the **medical systems** business, hospitals are boosting their drive toward resuming facility investment. In response, Fujifilm is working to expand sales of the new *FUJIFILM DR CALNEO* digital X-ray diagnostic imaging system, which has

earned high market praise for superior image quality. In addition, for its medical-use picture archiving and communications systems (PACS) boasting the top domestic market share, the Company will enhance the functionality so that PACS can be applied in the medical-use document field, while expanding the sales of PACS in the markets where it has a low share.

In the **life sciences** business, FUJIFILM PHARMA CO., LTD. has begun operations. Through this consolidated subsidiary, the Company aims to make a full-scale entry into clinical development and pharmaceutical marketing. Through these activities and by enhancing our lineup of functional cosmetics products, we plan to expand the life science business sales significantly. Particularly noteworthy in this business is the Company's advances in R&D efforts for a new anti-influenza agent, *T-705*, with the goal of obtaining drug approval for this new agent during the current fiscal year in Japan.

In the **document solutions** business, Fuji Xerox will promote its growth strategies with the four key factors of "SOHO," "digital printing," "China" and "ecology." In terms of the first key factor, SOHO, the Company will work to further expand sales of the *DocuCentre-IV C2260* color digital multifunction device, which has already been selling robustly. For digital printing, taking advantage of having a comprehensive product lineup, Fuji Xerox will aim to take the lead in growth in the digital printing market. In China, Fuji Xerox will complement its existing direct-sales network with an expanded authorized dealer network. Through such an enhanced sales network, Fuji Xerox aims to broaden its customer base in that country, while endeavoring to expand sales of low-end products. In terms of ecology, Fuji Xerox is launching a series of eco-friendly products that help reduce power consumption and provide other environmental benefits for customers using these products.

See also Page 30
New Growth Opportunities in the Production Services Business

In the **graphic arts** business, Fujifilm will continue to focus on the digital printing field and increase sales of wide-format UV inkjet systems. As such, the Company started sales activities for the *Jet Press 720* next-generation digital inkjet printer for high-grade printing applications in April 2010.

With regard to the **highly functional materials** business, Fujifilm aims to maintain its superior competitiveness in the liquid crystal display (LCD) materials market, which supports such finished products as LCD TVs and monitors and is expected to continue growing. To this end, the Company will implement appropriate measures to keep pace with market growth, such as bolstering R&D and production capacity. Also, targeting the environmental, energy, electronics and security fields, all of which demonstrate future growth potential, we will accelerate the development of next-generation functional materials based on our proprietary technologies, while focusing on their commercialization.

Concerning the **optical devices** business, Fujifilm will strive to expand sales of camera phone lens units with high pixel counts and lenses for use in digital terrestrial broadcasting cameras, for both of which it has already attained a high market share. At the same time, the Company will advance the development of camera modules for mobile phones, automotive cameras and security authentication cameras.

In the **digital imaging** business, we will continue to expand sales of "Photobook" and other high-value-added printing services. In addition, the Company intends to bolster sales of products based on proprietary Fujifilm technologies. These products include the world's first 3D digital imaging system, which enables the naked eye, without the use of 3D glasses, to enjoy 3D displays and prints.

See also Page 32
The Fujifilm Group's Technological Assets

Underpinning these growth strategies is an extensive range of the Fujifilm Group's technologies. The Company's business has developed and expanded based on technologies relating to photographic films, and these technologies are now being applied in various other fields. Through the combination of its leading-edge proprietary technologies, the Fujifilm Group will work to achieve growth in and through its priority business fields.

Q. Would you discuss Fujifilm's growth strategies in emerging markets?

A. We will continue to allocate our management resources intensively in emerging and other markets that are showing growth potential and where we have a low market share.

See also Page 25
Diagnostic Field—Diagnostic Systems

See also Page 18
Digital Camera Business Improving Substantially in Profitability

First, through the medical systems business, Fujifilm has begun shipping from India a low-price, compact *Fuji Computed Radiography (FCR)* digital X-ray imaging and diagnosis system named *FCR PRIMA.* Sales of this new *FCR* system are growing steadily in each country of destination.

In the digital camera business, the Company has developed new entry-level models designed for emerging countries. These new digital cameras have been developed to meet user preferences—such as for functions and design—that vary in individual sales regions. These strategies have proven effective, enabling us to realize a sharp rise in sales volume.

Also, in the businesses of the *DocuCentre-IV C2260* SOHO-use multifunction device in the Document Solution segment, the low-price computer-to-plate (CTP) plates designed for the markets in emerging countries and other Fujifilm products, the Company will strategically launch and expand sales of new products that accommodate needs specific to individual emerging markets. Meanwhile, we are continuing to bolster our sales network through various initiatives. For example, the Company acquired a Brazilian independent distributor of medical equipment in March 2010.

Entry-Level Digital Cameras for Emerging Countries

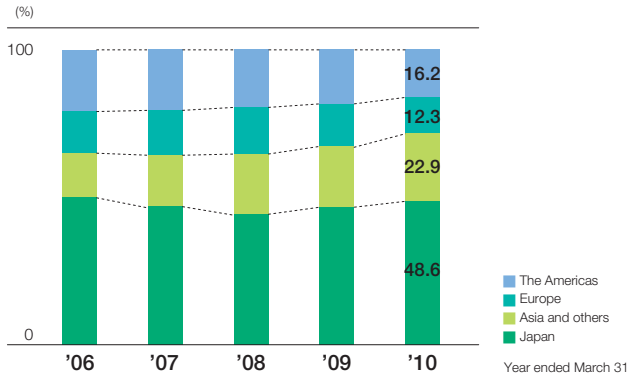
1. We have thoroughly reduced manufacturing costs to enable pricing suitable to the preferences of customers in emerging markets.
2. Our focus was not only on effective pricing: we have not compromised on basic performance and attractive design.
3. These cameras were customized for each sales region in terms of zoom capability, LCD size, chassis color and other features.

A170 *FinePix J27*

In order to realize sales expansion in emerging markets—an indispensable factor for the Company's additional growth—Fujifilm must implement bold initiatives that

are formulated outside of the realm of its conventional strategies. Through such measures as the launch of region-specific products and the selective allocation of personnel and other management resources, we are aggressively promoting business in emerging markets. As a target, we aim to increase our revenue in emerging countries by 20% in the current fiscal year, compared with the figure recorded in the fiscal year ended March 31, 2010.

Breakdown of Revenue by Region (Destination Base)



Q. Finally, would you give readers your view on returning profits to shareholders?

A. We declared an annual per-share cash dividend of ¥25.00 for the fiscal year under review, which includes an interim per-share cash dividend of ¥12.50. Fujifilm is committed to accomplishing necessary structural reforms and securing medium- and long-term growth, thereby continuing to return profits to its shareholders in a stable manner.

Fujifilm has set a 25% target for its return to shareholders ratio.*2 In an effort to maintain stable return to its shareholders, the Company has declared an annual per-share cash dividend of ¥25.00 for the period under review, despite its posting of a net loss attributable to FUJIFILM Holdings, totaling ¥38.4 billion. We recognize share buybacks as a means to complement our dividend payout. Through strategic management of its cash flows, the Company will flexibly and agilely conduct share buybacks as and when conditions permit. For the fiscal year ending March 31, 2011, we plan to pay out an annual cash dividend of ¥30.00 per share, an increase of ¥5.00 from the period under review.

The scale of the photographic film market has rapidly contracted more than 90% over the ten years after hitting a peak in 2000. While having persevered during this crisis period, Fujifilm has continued to drastically transform its business structure. Some say that it is definitely a rare case to see a corporation of this scale accomplish a business structural transformation of this scale within such a short time frame. The business environment remains harsh. However, all Group members are joining forces and working to return to the road to growth in the current fiscal year. Through such Groupwide endeavors, we are laying out solid steppingstones that will lead to renewed growth and, ultimately, maximize Fujifilm's corporate value.

*2 Total of cash dividends and share buybacks divided by net income attributable to FUJIFILM Holdings

Imaging Solutions

The Imaging Solutions segment includes color films, digital cameras, photofinishing equipment and color paper, chemicals, and services for photofinishing.

©Disney

Photobooks

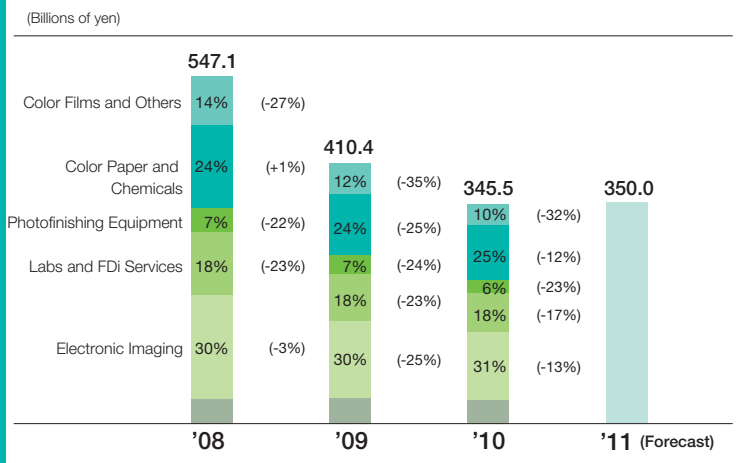
FinePix REAL 3D W1

FinePix Z700EXR

Breakdown of Revenue

Reasons for Changes from ’09 to ’10

- Lower sales due to shrinking markets for color films and the yen’s appreciation
- Negative impact of the yen’s appreciation, totaling ¥25.7 billion, or 6.3%

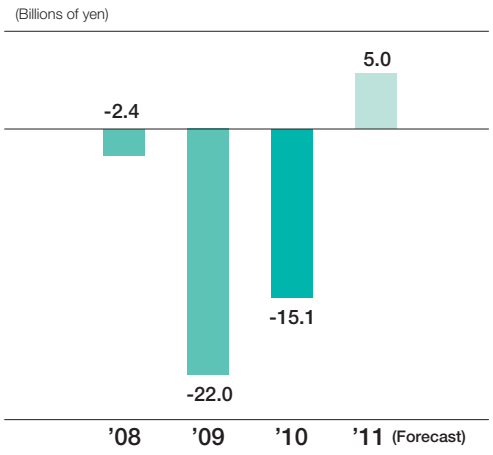


Year ended (or ending) March 31
Percentages in parentheses represent year-on-year changes in revenue of each category

Operating (Loss) Income before Restructuring and Other Charges

Reasons for Changes from ’09 to ’10

- Decline in sales of color films and other products
- Smaller degree of deficits due to improved profitability in the digital camera business



Year ended (or ending) March 31

● Results for Fiscal Year Ended March 31, 2010

Consolidated revenue declined 15.8% year on year to ¥345.5 billion due to decreased demand for color films and other products and the negative impact of the yen's appreciation. The digital camera business has improved its operating income significantly and consequently returned to profitability on an operational basis for the period under review. This turnaround has enabled the segment to reduce its operating loss before restructuring and other charges from the previous fiscal year to ¥15.1 billion. Also, the segment posted an operating loss after restructuring and other charges totaling ¥69.2 billion, mainly attributable to the recording of ¥54.1 billion in restructuring and other charges.

● Segment Outlook

In photo-related businesses, Fujifilm has almost finished the streamlining of its assets, including color paper manufacturing facilities. As a result, the total book value of photo-related production facilities now stands at around a near-zero level. Also, the Company has furthered the consolidation of its photo processing labs as well as the optimization of its product portfolio through lineup integration and elimination. For the current fiscal year ending March 31, 2011, the Company expects to post ¥10.0 billion in expenses associated with streamlining activities. The Company plans to complete all necessary structural reforms successfully in this final round of consolidation.

In the meantime, Fujifilm has recognized its digital imaging business, which covers digital cameras as well as *Photobook* and other digital printing services, as growth fields. Accordingly, the Company will work to expand its sales share in the digital imaging business, thereby enhancing revenue and brand power.

Photo Imaging (Color Films, Color Paper, Chemicals, Photofinishing Equipment, etc.)

Year in Review

Although sales of color films declined due to market contraction and the appreciation of the yen, Fujifilm's market share increased. In addition, the Company's market share for color paper expanded in principal countries, supported by various initiatives aimed at bolstering sales, such as sales promotion activities for *Photobook* and other high-value-added printing services.

Business Outlook

Having promoted streamlining, such as the global-scale reorganization of color paper production structure, the consolidation of photo processing labs and the optimization of product portfolio, Fujifilm aims to complete the final round of structural reforms in its photo-related businesses during the current fiscal year. With the completion of all necessary structural reforms, the Company will establish the business structure required to secure profitability even under such conditions as declining demand.

Meanwhile, demand for inkjet paper is expected to grow. Accordingly, the Company will work to expand its market share for this promising product. At the same time, the Company will further bolster sales expansion initiatives for *Photobook* and other high-value-added printing services.

Electronic Imaging

Year in Review

The sales volume of Fujifilm's digital cameras increased during the fiscal year under review. More specifically, the total number of the Company's digital cameras sold on a worldwide basis grew 10% year on year to approximately 9.0 million units. Behind this sales volume increase, the Company released entry-level models that effectively accommodate user needs specific to individual sales regions in BRICs and other emerging countries. Also, the Company launched and worked to expand sales of advanced products based on its proprietary technologies. These products include the *FinePix Z700EXR* digital camera, which duplicates mechanisms of the human eye for ideal photoshooting in any environment, and the *FinePix REAL 3D System,* a 3D digital imaging system that enables the naked eye, without the use of 3D glasses, to enjoy 3D displays and prints.

Business Outlook

Fujifilm's digital camera business has returned to profitability on an operational basis through significantly reduced procurement costs, shortened lead times, reinforced supply chain management (SCM) and other benefits of structural reforms. In the current fiscal year, the Company will strive to further strengthen its competitiveness in terms of product, marketing and cost. Based on its enhanced competitiveness, the Company will aim for higher global market shares, particularly in emerging markets, while reinforcing its brand power. Through these activities, Fujifilm will endeavor to push up its revenue and earnings in the digital camera business.

Digital Camera Business Improving Substantially in Profitability

Advances in Structural Reforms Enable a Substantial Profit Recovery

Fujifilm's electronic imaging business, centered on digital cameras, has promoted business structural reforms underpinned by the following four principal initiatives.

>> Increase Sales and Market Shares
Strengthened marketing capabilities particularly in emerging countries
>> Transform Product Strategies
Promoted product differentiation through lenses developed in-house and accelerated the development of low-price entry-level models
>> Achieve Comprehensive Cost Reductions
Furthered reductions in parts and fixed costs and expenses in general
>> Reduce Inventories
Shortened production and logistics lead times by effecting production and order controls in shorter intervals

Through these drastic initiatives, the **electronic imaging business has returned to profitability on an operational basis.** Also, through expanded sales of its competitive products, Fujifilm recorded the **9.0-million level of digital camera sales volume for the fiscal year ended March 31, 2010, up 10%** from the previous fiscal year. Particularly noteworthy were the **robust sales of entry-level models priced under one hundred U.S. dollars,** which the Company has been launching in succession **not only in emerging countries but also in Europe and the United States** since July 2009. Accordingly, the sales volume of these entry-level models showed a significant increase.

A170
FinePix J27

Steady Sales Growth amid Worldwide Demand Stagnation

The sales volume of digital cameras in the United States, Japan and Southern and Eastern Europe declined year on year due to an economic slowdown in these countries and regions. However, digital camera sales were strong in BRICs and other emerging countries. As a result, the global digital camera sales volume is estimated to stand at around 120 million units for the fiscal year under review, almost on par with the previous fiscal year.

In **Japan**, more than 80% of total digital camera demand is considered to be replacement demand. In such a market, the development of differentiated functions holds the key to success. Fujifilm has worked to **differentiate its digital cameras through in-house lens development**. Digital camera manufacturers had previously pursued higher pixel counts. More recently, they are competing for higher lens performance in such areas as zoom capacity and wider shooting angles. Soon, areas of competition are expected to include such basic lens specifications as brightness. All of Fujifilm's *FinePix* digital cameras use *FUJINON* lenses, which have attained high ratings and won credibility in wide-ranging applications, including for broadcast TV lenses, satellite optics lenses and mobile phone camera lenses.

Another example of digital camera differentiation is Fujifilm's **launch of the *FinePix Z700EXR*** digital camera at the beginning of 2010. The *Z700EXR*'s new "Dual Image Display" features the Multi-Frame Playback function, which allows users to touch the screen and search through saved photos easily by manipulating the screen thumbnails and view a selected photo in a larger frame at the same time. Another distinctive feature is the "Auto Dog/Cat Detection" function, which makes the camera automatically detect the face of dogs and cats. These differentiated functions have been received well, **contributing to robust sales and the expansion of Fujifilm's domestic market share**.

In **the United States**, consumers are increasingly choosing digital cameras in a lower price range. In such an environment, Fujifilm was able to **improve its digital camera business profitability there by reducing manufacturing costs and reinforcing supply chain management (SCM)**. For the fiscal year ending March 31, 2011, the Company will accelerate advertising campaigns not only for entry-level models but also for the *FinePix Z* series, which are highly recognized for their stylish designs. Through these activities, we aim to bolster our brand power, thereby expanding digital camera sales.

In **Europe**, despite stagnant digital camera demand, particularly in Southern and Eastern Europe, Fujifilm achieved an **approximate 10% year-on-year growth in sales volume**. More specifically, the Company expanded its market share in the United Kingdom, where it has already attained a 20% share, and in other principal European countries through the launch of low-price models since the second half of 2009.

Actively Penetrating Emerging Countries, toward Achieving a 10% Global Market Share

Fujifilm is facing severe competition in its digital camera business. **To remain a winner in the global digital camera market, the Company must expand its presence in emerging countries**. Looking at the current competition, two companies are far ahead of the third place and other makers at lower ranks. In order for Fujifilm to break away from the group following the two industry leaders, it must bolster its market shares in emerging countries, where digital camera markets are showing significant growth potential. The sales volume of Fujifilm digital cameras in BRICs and other emerging countries accounted for approximately 30% of total digital camera sales volume during the fiscal year under review. **In the fiscal year ending March 31, 2011, the Company aims to increase the sales volume in emerging countries by approximately 70%**.

First, in Brazil, Fujifilm has formed a business partnership with a local assembly company and begun the production of digital cameras in Manaus. By aggressively expanding sales channels and accelerating sales promotion activities, the Company will work to **increase digital camera sales in Brazil rapidly.**

In **Russia**, Fujifilm turned a local distributor into a subsidiary in January 2009 and, consequently, **launched a direct-sales structure** in the country. In February 2010, the Company established a new team within the new subsidiary dedicated to expanding digital camera sales, and this team has stepped up efforts to achieve expanded sales. Their efforts have borne fruit, increasing the number of Fujifilm digital camera models handled by major retailers.

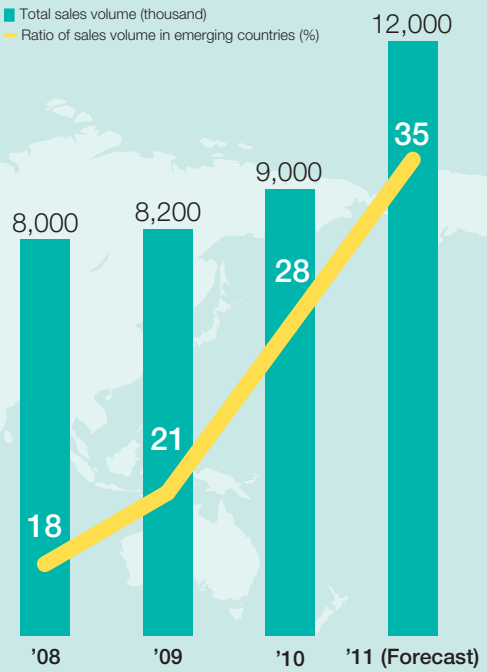
In **India**, Fujifilm turned its local office into a subsidiary in 2008 to establish a digital camera sales structure in the country. This subsidiary, FUJIFILM India Private Limited, is currently working to **broaden its sales channels through major retailers** while developing its sales support personnel to cover this vast nation. In addition, FUJIFILM India is reinforcing after-sales services with due consideration to possibly harsh conditions for digital camera use in the country.

Finally, **China** offers wide-ranging customers, from those who prefer low-price models to those who purchase high-end models. Fujifilm has established an extensive digital camera lineup and expanded its network of authorized dealers in the country. As a result, we **achieved a 60% year-on-year increase in digital camera sales volume**.

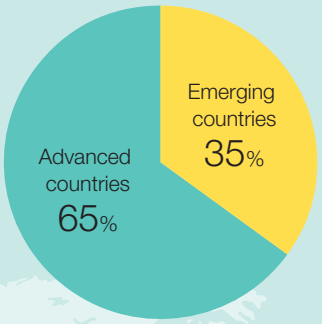
In 2007, Fujifilm consolidated all of its digital camera production functions in Japan into the Suzhou plant as part of structural reforms in the digital camera business. The Suzhou plant now has its own procurement division and is increasing the lineup of locally developed digital cameras, gradually establishing itself as a "mother plant" in China. Meanwhile, entry-level models, such as *A170,* have been procured through original design manufacturing (ODM). Looking ahead, the Company will strengthen joint parts procurement and other collaborative initiatives with local companies operating in the digital camera field.

Digital camera production facilities at FUJIFILM Imaging Systems (Suzhou) Co., Ltd. in Suzhou, China

Fujifilm's Digital Camera Sales Volume in Emerging Countries



Composition of Estimated Total Sales Volume in Fiscal Year Ending March 31, 2011 (Forecast)



Information Solutions

The Information Solutions segment includes equipment and materials for medical systems and life sciences and for graphic arts, along with flat panel display (FPD) materials, recording media, optical devices, electronic materials and inkjet materials.

Compact *FCR PRIMA*

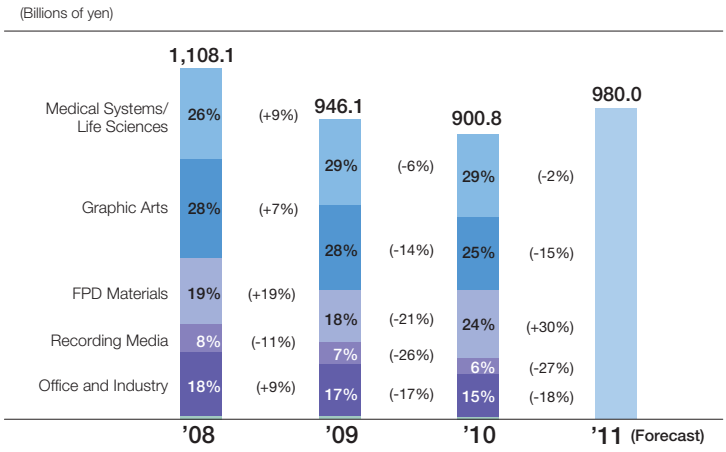
SYNAPSE EX medical-use PACS

ASTALIFT skincare series

Breakdown of Revenue

Reasons for Changes from '09 to '10

- (-) Lagging recovery in the optical devices and graphic arts markets
- (+) Record-high sales of FPD materials
- (-) Negative impact of the yen's appreciation, totaling ¥36.1 billion, or 3.8%

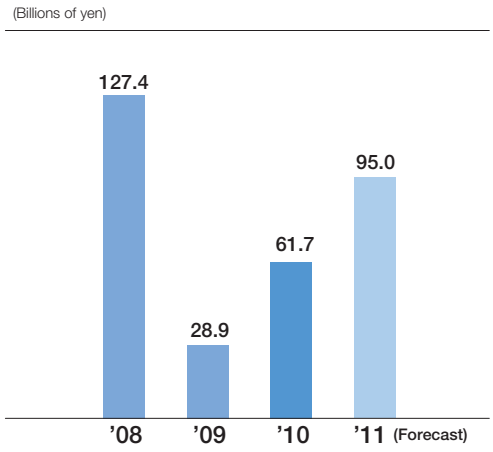


Year ended (or ending) March 31
Percentages in parentheses represent year-on-year changes in revenue of each category

Operating Income before Restructuring and Other Charges

Reasons for Changes from '09 to '10

- (+) Significant increase due to record-high sales of FPD materials



Year ended (or ending) March 31

Results for Fiscal Year Ended March 31, 2010

Consolidated revenue edged down 4.8% year on year to ¥900.8 billion. Behind this revenue decline was decreased sales in the graphic arts and optical device businesses attributable to the appreciation of the yen and the global recession. Despite the negative impact of the yen's appreciation, operating income before restructuring and other charges jumped 113.8% to ¥61.7 billion, buoyed by such positive factors as a rapid recovery of sales in the FPD materials business. However, the segment posted an operating loss after restructuring and other charges totaling ¥2.6 billion due to the recording of restructuring and other charges totaling ¥64.3 billion.

Segment Outlook

Markets for this segment's priority businesses—namely, medical systems/life sciences, graphic arts, optical devices and highly functional materials—have high growth potential, and Fujifilm boasts fundamental and unique technologies and product competitiveness in these priority businesses. With the aim of making the Company's medium- and long-term growth more certain, the Information Solutions segment will reestablish its growth strategies and thereby implement effective measures. In particular, targeting emerging countries and other regions where its market shares are low, Fujifilm will accelerate the launch of products that meet the specific needs of customers in each country and region, while selectively allocating its management resources.

Medical Systems/Life Sciences

Year in Review

Sales in this business declined year on year, negatively affected by the ongoing global recession and a decline in X-ray film demand. Under such difficult conditions, however, Fujifilm launched a low-price, compact *Fuji Computed Radiography (FCR)* digital X-ray imaging and diagnostic system named *FCR PRIMA,* which was first released in emerging countries, in Japan, the United States and Europe, while working to expand sales of this new *FCR* system. At the same time, the Company promoted sales expansion for such high-value-added products as the *AMULET* digital mammography system and the *FUJIFILM DR CALNEO* series of digital X-ray diagnostic imaging systems. Being the first device in the world to adopt the method of reading light signals from the side of X-ray irradiation, *FUJIFILM DR CALNEO* reduces the level of X-rays and provides high-quality images. In endoscopes, the Company further strengthened its domestic marketing and after-sales service structures. In addition, as part of its new lineup of transnasal endoscopes, the Company launched *EG-530NW,* which offers a wider viewing angle than existing transnasal endoscopes.

Amid the growing use of IT systems at medical institutions, Fujifilm steadily expanded sales of its *SYNAPSE* medical-use picture archiving and communications systems (PACS) both in Japan and overseas. In fact, the Company's *SYNAPSE* systems have been introduced at more than 1,300 facilities* in Japan, commanding the leading domestic market share. In the pharmaceuticals field, Toyama Chemical Co., Ltd. started the third phase of clinical trials in Japan for its new *T-705* anti-influenza agent in October 2009. Furthermore, they began the second phase of clinical trials for the same agent in the United States in February 2010.

* As of March 2010

Business Outlook

In the digital radiography (DR) field, having added the world's thinnest and lightest* cassette-sized *FUJIFILM DR CALNEO C* system to its lineup, Fujifilm will work to expand sales of its DR systems optimized for various needs in the market.

In endoscopes, recognizing the July 2010 merger with optical device manufacturing and sales subsidiary Fujinon Corporation as the prime opportunity, Fujifilm will promote the consolidation of overseas sales operations. Moreover, based on its reinforced sales functions, the Company will aggressively pursue sales expansion in emerging countries.

In the medical IT system field, Fujifilm plans to develop its proprietary clinical information system (CIS). CIS integrates the management of medical documents such as medical records with the total management of medical images, which is currently achieved through its *SYNAPSE* and other hospital-wide systems. In addition, as networking among center hospitals, hospitals and local medical practitioners grow, the Company will accelerate the provision of regional medical networking systems and remote radiogram interpretation support systems. Through these systems, Fujifilm will help improve the quality of community healthcare and solve the problem of physician shortage.

In the pharmaceuticals field, Toyama Chemical is advancing *T-705* development with an eye on the completion of new drug application (NDA) filing during the fiscal year ending March 31, 2011. They are also advancing R&D toward the early market launch of other promising drug candidates.

Meanwhile, FUJIFILM PHARMA CO., LTD. began operations in April 2010 and is now aiming to quickly establish a powerful foundation for pharmaceutical development and marketing. FUJIFILM PHARMA has started out with the sale of generic drugs and plans to expand the scope of its business to include the development and sale of new high-value-added generics and other drugs.

* As of April 2010

Graphic Arts

Year in Review

Sales decreased due to such factors as diminishing publication volume and thinning newspapers. In the digital printing field, sales were robust, particularly for high-end, wide-format UV inkjet systems.

Business Outlook

Demand for printing plate materials is gradually recovering, mainly in China, Brazil, Turkey and other emerging countries. In April 2010, *Jet Press 720* made its debut with a product announcement meeting that Fujifilm held in Japan. For this ground-breaking, next-generation inkjet digital color printing system that achieves high-speed operation, high-quality output and large-size handling, the Company has started sales activities accordingly. With *Jet Press 720* and other competitive products, Fujifilm will continue to focus on the digital printing field, which demonstrates high growth potential.

Flat Panel Display Materials

Year in Review

Fujifilm posted record-high sales in the FPD materials business, owing to a sharp recovery in sales of *Wide-View (WV) Films* for expanding viewing angles and *FUJITAC* protective films for polarizers. Behind the sharp demand recovery for these products were such factors as a rise in demand for liquid crystal display (LCD) TVs, which was primarily fueled by Chinese government policies for promoting the ownership of household electronic products. To capitalize on rising demand for LCD TVs and PC monitors centered on emerging countries, Fujifilm initiated full-scale operations at the No. 9 *WV Film* manufacturing plant of FUJIFILM Opto Materials Co., Ltd. in July 2009 as well as at the No. 2 *FUJITAC* manufacturing line of the No. 3 manufacturing plant of FUJIFILM Kyushu Co., Ltd. in December 2009.

Business Outlook

The FPD market is expected to show high-rate growth over the medium and long term, reflecting trends toward the replacement of CRT-based TVs and robustly expanding FPD demand in emerging countries. To capture opportunities provided by such favorable market conditions, Fujifilm will continue aggressive R&D and sales expansion activities, aiming to keep reinforcing its superior market competitiveness. In particular, in the market for vertical-alignment (VA) retardation films, where competition continues to intensify, the Company plans to launch powerful new products and aims to increase its share. At the same time, the Company will implement timely capacity enhancements by accurately monitoring future demand trends.

Office and Industry

Year in Review

In the optical devices field, sales of camera phone lens units declined year on year.

Business Outlook

In the optical devices field, demand is recovering for camera phone lens units. Through the launch of high-quality, high-value-added camera phone lens units and other initiatives, Fujifilm aims to expand its share in this product category. In addition, the Company intends to promote the expansion of its optical devices business to penetrate such new fields as camera modules for mobile phones and security authentication cameras.

In semiconductor materials, sales is expected to increase on the back of a major semiconductor manufacturer having adopted Fujifilm's argon fluoride (ArF) immersion photoresist compatible with a 45-nm node.

In the field of security-related products, Fujifilm released the *ForgeGuard* anti-counterfeit label in March 2010—the world's first of its kind to use a special viewer to reveal full-color images. As such, the Company will promote the development and launch of highly functional materials based on its proprietary technologies. These materials include easy-to-process optical diffusion films, which do not degrade the illuminance of LED lighting systems, and transparent super-high-barrier films, which boast superior moisture barrier properties and are intended for application in thin-film solar cells. Through these activities and products, the Company aims to bolster its presence in the electronics, security, environmental and energy fields.

Toyama Chemical's Pipeline

Japan

(As of April 2010)

Stage	Development No.	Therapeutic Category
NDA filing	T-3762	Injectable quinolone synthetic antibacterial agent Pazufloxacin (PZFX); potent in treatment of septicemia and pneumococcal disease
Preparing to file	T-614	Antirheumatic agent A disease-modifying anti-rheumatic drug (DMARD)
Phase III	T-705	Antiviral agent (Anti-influenza virus agent) Potent in mouse infection models of H5N1 avian influenza
Phase II	T-5224	Antirheumatic agent (AP-1 inhibitor) Potential of becoming a curative treatment for rheumatoid arthritis
Phase I	T-3811	New-type injectable quinolone synthetic antibacterial agent

Overseas

(As of April 2010)

Stage	Development No.	Therapeutic Category
Preparing to file	T-3811	New-type oral/injectable quinolone synthetic antibacterial agent
Phase II	T-817MA	Treatment for Alzheimer's disease Preventing neurodegeneration induced by Amyloid-b protein In-house development
Phase II	T-705	Antiviral agent (Anti-influenza virus agent) In-house development
Phase I	T-2307	Injectable antifungal agent In-house development
Phase I	T-5224	Antirheumatic agent (AP-1 inhibitor)

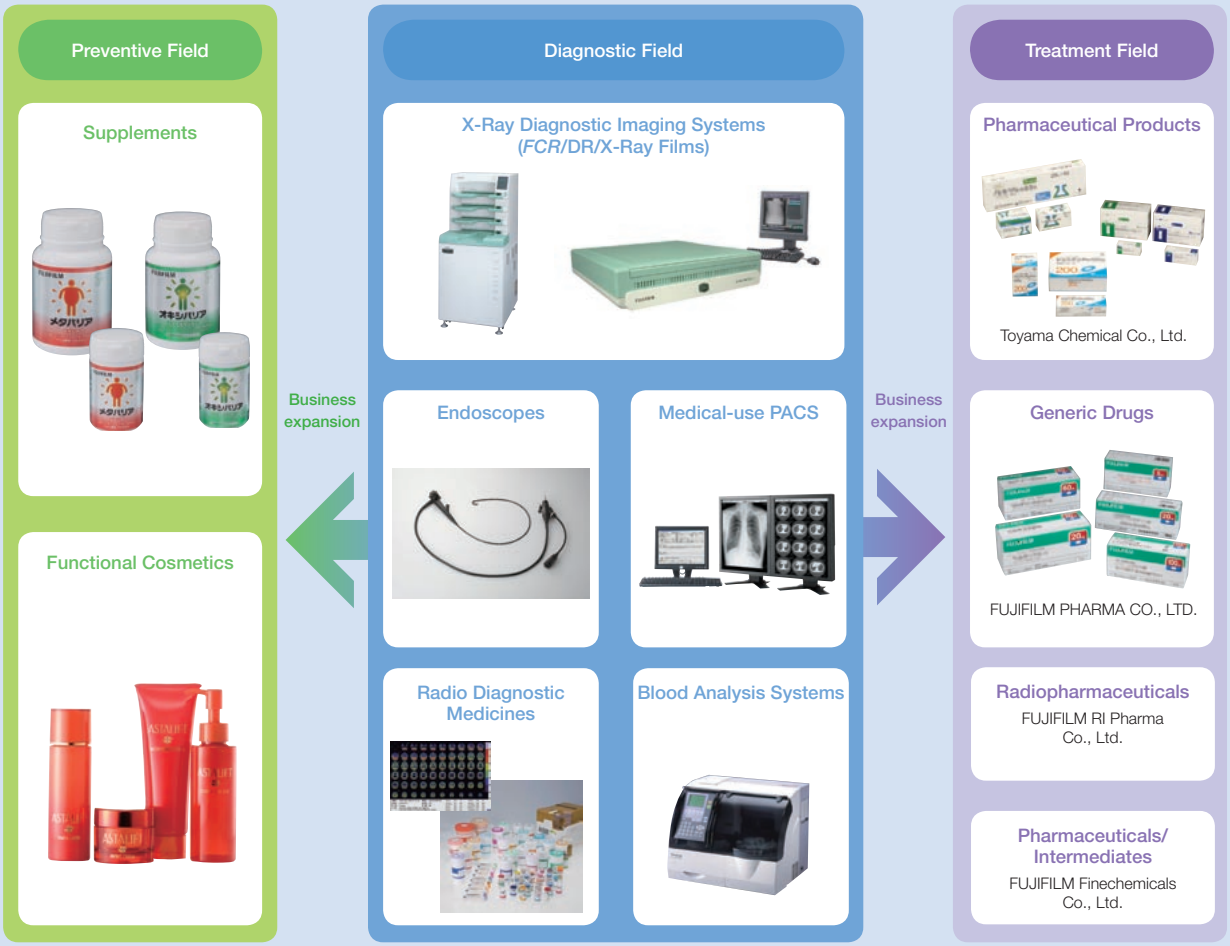
Initiatives Aimed at Establishing a Comprehensive Healthcare Business

The medical systems/life sciences business is one of the Fujifilm Group's priority business fields. Leveraging its unique technologies and the synergy of its Group companies, the Fujifilm Group is working to establish a comprehensive healthcare business, thereby providing new value for people worldwide.

The Fujifilm Group's medical systems/life sciences business is promoting operations relating to the health of people. More specifically, this business covers the **three areas of disease prevention, diagnosis** and **treatment.**

Fujifilm began selling medical-use X-ray films in 1936, shortly after its inception, gradually developing its business in the diagnostic field. Since then, building on successes in its X-ray film business, the Company has continued to expand its medical systems/life sciences business. In the course of its development, the Company has established the medical equipment business, which includes such digital X-ray diagnostic imaging systems as ***Fuji Computed Radiography (FCR)*** and ***FUJIFILM Digital Radiography* (DR),** endoscopes, blood analysis systems and ultrasonography diagnostic imaging systems. Fujifilm has also established the medical IT systems business, which is centered on the ***SYNAPSE*** medical-use picture archiving and communications systems (PACS), while entering the radio diagnostic medicines field through wholly owned subsidiary FUJIFILM RI Pharma Co., Ltd.

In 2006, Fujifilm made a full-fledged entry into the preventive healthcare field by releasing **functional cosmetics**, **supplements** and other products that contribute to a better quality of life for people. Also, by turning **Toyama Chemical Co., Ltd.** into its consolidated subsidiary in 2008, the Company has steadily accelerated operations in the **treatment field**. In this field, Fujifilm handles wide-ranging products, including: (1) pharmaceutical products through Toyama Chemical; (2) antibody-based therapeutics through Perseus Proteomics Inc.; (3) radiopharmaceuticals through FUJIFILM RI Pharma; and pharmaceuticals through FUJIFILM Finechemicals Co., Ltd. More recently, in April 2010, the Company added the generic drugs of **FUJIFILM PHARMA CO., LTD.** to its business portfolio in the treatment field.



Preventive Field—Functional Cosmetics and Supplements

Fujifilm has developed the ***ASTALIFT functional cosmetics series*** through the application of its **collagen and antioxidation technologies** as well as **nanotechnology**, all of which have been fostered through its photographic film R&D over the years. Sales of *ASTALIFT* have grown significantly. Behind this success were: (1) Fujifilm's brand power; (2) clear product concept focused on anti-aging; (3) product appeal of boasting high functionality backed by the Company's superior technologies; and (4) aggressive advertising campaigns including the airing of TV commercials. Also, Fujifilm has strengthened its sales channels for *ASTALIFT,* complementing the teleshopping scheme that it ran at the beginning with over-the-counter sales at miscellaneous retail and drugs stores. Looking ahead, we will bolster the lineup of *ASTALIFT* products, along with such dietary supplements as *Metabarrier* and *Oxibarrier,* and thereby accelerate our business expansion in the preventive field.

ASTALIFT functional cosmetics series

Diagnostic Field—Diagnostic Systems

Fujifilm has promoted operations in the diagnostic field for more than 70 years. Through such a long history of business, the Company has continuously adhered to the central goal of providing easy-to-interpret images at medical frontlines by applying the unique technologies that it has accumulated through the R&D of medical-use X-ray films.

One of Fujifilm's flagship products in the diagnostic field is the ***FCR* digital X-ray diagnostic imaging system**. Since the release of its first *FCR* in 1983, Fujifilm has **sold more than 75,000 *FCR* units worldwide**, attaining the leading adoption rate on a global scale today.

Digital X-Ray Diagnostic Imaging Systems *FCR*

For Clinics
Expand Sales of Compact *FCR*

Compact and Networkable *FCR CAPSULA*

For Emerging Countries
Develop and Launch Low-Price, Compact *FCR*

For Emerging Countries and Medium- and Small-Sized Medical Institutions
FCR PRIMA

Digital Radiography (DR) Systems

Differentiate by Enhancing Resolution, Reducing Noise and Applying Long-Nurtured Image Processing Technologies

Digital Mammography System
AMULET

Differentiate by Achieving Both Reduced X-Ray Levels and High Image Quality

Next-Generation DR System
FUJIFILM DR CALNEO

Endoscopes

Expand Market Share through Distinctive Products

Fujinon Corporation's endoscope business merged into Fujifilm

Comprehensive structure covering everything from development to sales and after-sales services established

Transnasal Endoscope

Double-Balloon Endoscope

Capsule Endoscope (Given Imaging Ltd.)

University hospitals and other large-scale hospitals are accelerating the switch of their X-ray diagnostic imaging systems from computed radiography (CR) to digital radiography (DR). In this new field of DR, Fujifilm has launched a series of products based on its proprietary technologies. ***FUJIFILM DR CALNEO,*** for example, is the world's first fully digitized DR system equipped with an indirect-conversion flat panel detector using the Irradiation Side Sampling (ISS) system. The ISS system enables the reading of light signals from the side of X-ray irradiation, which, in turn, enables the reproduction of high-quality images. *FUJIFILM DR CALNEO* is also capable of reducing the X-ray dose of patients. Having consecutively released upright and recumbent types as well as a cassette-sized version, Fujifilm is strengthening sales activities for *FUJIFILM DR CALNEO* systems.

In October 2009, Fujifilm released a **compact *FCR PRIMA* system** for emerging countries. The low price of *FCR PRIMA* has been made possible through production in China and other initiatives, and this system is intended for use by small- and medium-scale medical institutions. It was first released in India, and since its release *FCR PRIMA* sales are growing robustly. Although the Company initially targeted emerging countries with this product, it is steadily expanding *FCR PRIMA* sales also in advanced nations.

Global demand is persistently declining for medical-use X-ray films. However, certain emerging countries are showing growing demand for medical-use X-ray films. Particularly notable is China, the country exhibiting the world's largest demand for these products. In this promising country, Fujifilm is working to expand X-ray film sales. At the same time, the Company is focusing on the expansion of sales channels with an eye on China increasing the use of digital diagnostic imaging in the future. In all emerging countries, we aim to increase our market shares through the launch of products that effectively meet region- and country-specific needs.

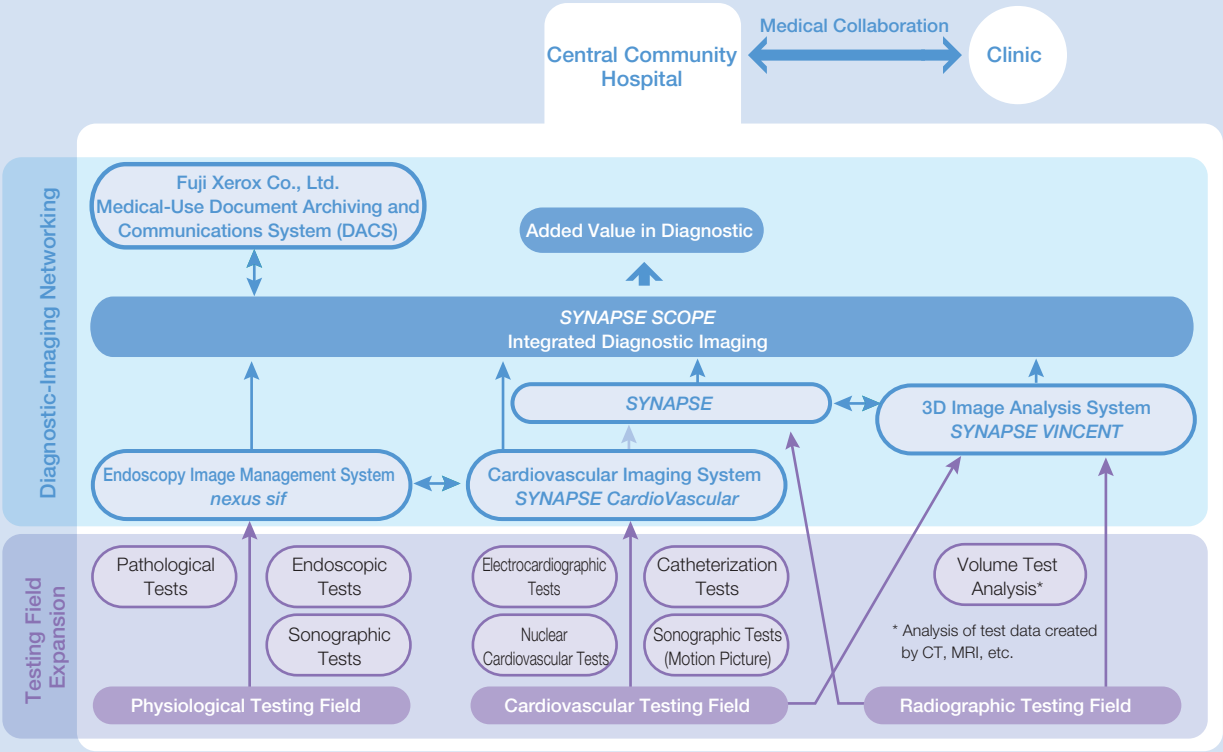
In addition to these X-ray diagnostic imaging systems, Fujifilm offers wide-ranging diagnostic systems. In the field of endoscopes, the Company provides **transnasal endoscopes,** which enable insertion through the nostril minimizing the discomfort of patients, and **double-balloon endoscopes,** which have simplified the examination and treatment of the small intestine. Also, we have started marketing the *Given Diagnostic Imaging System*—the world's first commercialized product based on capsule endoscopes developed by Israel-based Given Imaging Ltd. Through these and other diagnostic systems, Fujifilm is striving to expand its share in the global market.

Diagnostic Field—Medical IT Systems

In the diagnostic field, Fujifilm also provides medical-use PACS. PACS enables the digital management of images created by X-ray imaging, CT, MRI and other systems. For its ***SYNAPSE* systems,** which boast **excellent user-friendliness and superior stability at clinical frontlines,** the Company has **attained the top domestic market share.**

Sales of *SYNAPSE* have significantly dropped in the United States due to the negative impact of the Lehman

Fujifilm Group's Medical IT Solutions



shock in the fall of 2008. With sales growth in Japan, Europe and China offsetting stagnant U.S. sales, Fujifilm has been able to achieve a nearly **double-digit growth in total *SYNAPSE* sales for both of the fiscal years ended March 31, 2009 and 2010.** As of March 31, 2010, the Company had installed its *SYNAPSE* systems at more than 3,000 medical institutions worldwide. The spread of medical IT is accelerating throughout the world, particularly in Japan, the United States and Europe. The scale of the global medical IT systems market is estimated to total approximately ¥280.0 billion, and this figure is **expected to continue to increase at a double-digit rate** annually.*

During the fiscal year under review, Fujifilm's 3D image analysis system, **Volume Analyzer *SYNAPSE VINCENT,* enjoyed substantial growth in sales.** In just a year and half after its debut, *SYNAPSE VINCENT* now commands 15% of the domestic 3D-PACS market. We will work to expand the sales channels for this 3D-PACS product in Europe and the United States, thereby expanding its share in the global 3D-PACS market.

Fujifilm's PACS is expanding the scope of its medical image management: *SYNAPSE CardioVascular* for the cardiovascular testing field; *nexus sif* for endoscopy image management; and many others. Moreover, Fujifilm is providing systems that manage and handle medical-use documents, instead of medical images. These systems include *Yahgee DocumentView,* an integrated document management system developed by Yahgee Co., Ltd., and the medical-use document archiving and communications system (DACS) developed by Fuji Xerox. Through the integration of medical-use image and document management systems, we have realized a comprehensive **clinical information system (CIS),** which contributes to the improved efficiency in operations at clinical frontlines. Accordingly, we are stepping up efforts to increase CIS sales.

The Japanese government has pushed ahead with the realization of a self-contained regional healthcare system. Regional medical revitalization funds aimed at supporting this initiative have been established in individual prefectures. In such an environment, Fujifilm released ***C@RNA,*** an IT solution targeting private medical practitioners, in 2005. In 2008, the Company launched the ***SYNAPSE Teleradiology*** remote radiogram interpretation support system. Through such solutions and systems, hospitals and clinics are effectively linked via the Internet, and this reinforced medical network has significantly contributed to improvements in community healthcare. For example, the Company has introduced a regional medical networking system in Saitama Prefecture, Japan, which connects the National Hospital Organization Saitama National Hospital with approximately 100 regional clinics. Based on our success in this project, we will **tackle regional medical networking projects in other regions throughout Japan during the fiscal year ending March 31, 2011.**

* As of March 2010

Treatment Field—Pharmaceutical Products

In the treatment field, Fujifilm has steadily expanded its pharmaceuticals business by welcoming **FUJIFILM RI Pharma, Toyama Chemical** and **Perseus Proteomics** under its wing. FUJIFILM RI Pharma has built a solid record of accomplishment as a pioneer in the radiopharmaceuticals field. Toyama Chemical boasts superior drug discovery capabilities, and Perseus Proteomics is a biopharmaceutical venture possessing proprietary antibody production technologies. Meanwhile, Fujifilm owns an **extensive library of approximately 200,000 chemical compounds** and a wide range of technologies, including organic synthesis technologies, which it has fostered through its photographic materials business, and **FTD technologies,* which have been developed based on emulsification, dispersion and miniaturization technologies.** The Fujifilm Group will combine the four companies' technologies and take advantage of Fujifilm's capabilities in analysis, evaluation, simulation and quality assurance to develop and provide reliable pharmaceutical products that are of high quality and affordable. In other words, we will leverage the collective strengths of the entire Group and thereby create new value in the pharmaceutical industry, from an innovative perspective.

In June 2009, Fujifilm established the Fujifilm Drug Discovery Research Laboratories (current **Pharmaceutical & Healthcare Research Laboratories**) with the aim of further developing its pharmaceutical business. At this facility, the entire range of Fujifilm technologies, along with a significant number of researchers, in such areas as pharmacology, biochemistry, organic synthesis, analysis, evaluation, simulation, emulsification and dispersion has been gathered. The Pharmaceutical & Healthcare Research Laboratories is advancing projects aimed at **discovering new drug candidates, particularly in the oncology and regenerative medicine fields.**

Antibody-based therapeutics, for which Perseus Proteomics is advancing its R&D, are increasingly recognized for their safety and potentially high rate of cure capability, which is attributable to their selective targeting of specific cells and substances in lesions. The market for antibody-based therapeutics is expanding accordingly. More recently, through its joint research with FUJIFILM RI Pharma, Perseus Proteomics **discovered a new antibody that is specific to lung cancer** in April 2010. As such, we are pursuing synergy within the entire Fujifilm Group in the area of R&D for antibody-based therapeutics.

Also in April 2010, **FUJIFILM PHARMA** began sales operations and **made a full-scale entry into the generic drug business.** Based on Fujifilm's quality control systems, established through the Company's photographic film business, and FTD technologies, FUJIFILM PHARMA will work to develop high-quality, reliable generic drugs with expectations for a rise in demand for these drugs. Fujifilm plans to undertake the development of distinctive new drugs other than generics in the future through FUJIFILM PHARMA.

* FTD technologies involve formulating functional pharmacological ingredients and materials that provide delivery of appropriate doses in a timely manner, targeting specific areas of the body and maintaining a fresh and stable condition for sustained efficacy.

Document Solutions

The Document Solutions segment encompasses office copy machines and multifunction devices, printers, production services and related products, paper, consumables and back-office outsourcing services.

Fuji Xerox DocuCentre-IV C2260

Fuji Xerox Color 1000 Press / Color 800 Press

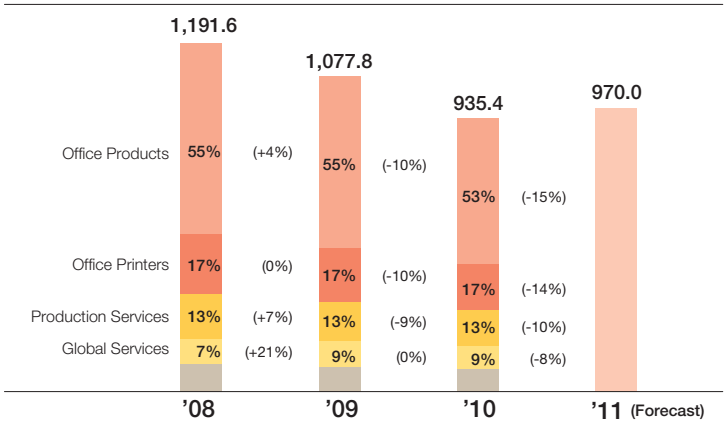
Fuji Xerox 700 Digital Color Press

Breakdown of Revenue

Reasons for Changes from '09 to '10

- (-) Lower sales due to weak demand and the appreciation of the yen
- (+) Higher sales attributable to a year-on-year increase in the fourth quarter of sales in the Asia and Oceania regions and exports to Xerox Corporation
- (-) Negative impact of the yen's appreciation, totaling ¥28.3 billion, or 2.6%

(Billions of yen)



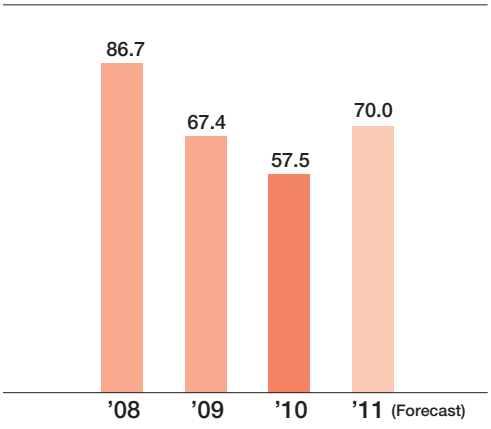
Year ended (or ending) March 31
Percentages in parentheses represent year-on-year changes in revenue of each category

Operating Income before Restructuring and Other Charges

Reasons for Changes from '09 to '10

- (-) Lower sales mainly attributable to weak demand
- (+) Year-on-year increases in third- and fourth-quarter profits due to reduced manufacturing costs and the reinforced management and thorough streamlining of SG&A expenses

(Billions of yen)



Year ended (or ending) March 31

Results for Fiscal Year Ended March 31, 2010

Consolidated revenue declined 13.2% year on year to ¥935.4 billion, due to a decrease in sales caused by weak demand, as well as other negative factors including the appreciation of the yen. Operating income before restructuring and other charges also declined 14.7% to ¥57.5 billion, mainly owing to a decrease in sales. Operating income after restructuring and other charges sank 35.1% to ¥32.2 billion, reflecting the segment's posting of restructuring and other charges totaling ¥25.3 billion.

Segment Outlook

In the previous fiscal year, Fuji Xerox promoted Management Innovation Activities aimed at improving productivity in its back-office operations and reallocating the human resources secured through improved back-office productivity to its sales frontlines to strengthen marketing capabilities. In the fiscal year under review, Fuji Xerox launched Management Innovation Activities Part II. Through these activities, for example, Fuji Xerox worked on optimizing its R&D and production structures by consolidating its R&D and production facilities into central bases. Fuji Xerox will expand the scope of its Management Innovation Activities to its overseas bases, thereby further improving the profitability of its business.

Office Products

Year in Review

In Japan, the volume of shipments increased, thanks to robust sales of new Fuji Xerox products and the execution of large-scale sales contracts, which covered the installation of rental equipment. In particular, sales volume significantly grew for such new products as the *Fuji Xerox ApeosPort-IV/DocuCentre-IV* series of full-color digital multifunction devices and *DocuCentre-IV C2260,* a multifunction device, all of which use *EA-Eco Toner.* The *ApeosPort-IV/DocuCentre-IV* series boasts industry-leading energy efficiency, while *DocuCentre-IV C2260* has been designed exclusively for use in SOHOs—Fuji Xerox's new target market. While office copy volume had continued to decline until the third quarter due to corporate cost-cutting measures, the volume of copies made showed a year-on-year increase in the fourth quarter of the fiscal year under review.

In the Asia and Oceania regions, sales volume increased, especially in China. Exports to U.S.-based Xerox Corporation showed a year-on-year increase in the fourth quarter, driven by monochrome devices.

Business Outlook

Fuji Xerox will further strengthen the lineup of its solutions for wide-ranging corporate management issues, such as the streamlining and improvement of operations and processes involving document management and printing. At the same time, Fuji Xerox will work to lead the office products market through its competitive portfolio of products, including those designed for SOHO use and those boasting superior energy-saving performance.

In Japan, and in the Asia-Pacific region including China—the region where market growth is highly expected—Fuji Xerox will accelerate activities aimed at expanding sales of not only monochrome models but also color-capable models, thereby boosting the volume of copies made using its products.

Office Printers

Year in Review

In Japan, the office printers business suffered a sales volume decline due to weak demand. In the Asia and Oceania regions, Fuji Xerox continued to enjoy robust sales in China and other Asian countries, thereby expanding sales volume substantially. Concerning exports to Xerox Corporation, despite a decrease in the volume of shipments, performance has recovered from the third quarter of the fiscal year under review.

Business Outlook

Through the launch of competitive products with high cost performance, Fuji Xerox aims to improve performance in the Asia-Pacific region, including China, which is showing high potential for market growth, and in exports to Xerox Corporation, which is witnessing a gradual recovery in regional demand.

Production Services

Year in Review

On the domestic front, sales were robust for the color light production system, *700 Digital Color Press.* Fuji Xerox further strengthened its lineup by introducing two new models—namely, the color on-demand publishing systems *Color 1000 Press* and *Color 800 Press*—from January 2010. These two models offer additional value in various applications and help to drive the growth of the production color printing market. In the Asia and Oceania regions, as well as in exports to Xerox Corporation, Fuji Xerox's products for the color light production market experienced steady sales growth.

Business Outlook

Leveraging its strengths of having a full lineup of competitive products covering everything from the light production field to the high-end production field, Fuji Xerox will continue to lead the ever-growing print-on-demand (POD) market.

Global Services

Year in Review

Sales in global services dropped year on year, adversely affected by the economic slowdown. However, sales of managed print services (MPS)* showed healthy growth on the back of customers' rising concerns about operational streamlining. MPS enables the integrated management of printing environments in offices and, consequently, supports efforts to reduce office infrastructure-related costs.

Business Outlook

In the growing global services business, Fuji Xerox will continue to provide MPS and other document outsourcing services that contribute to the enhanced management of the wide-ranging printing environments of customers. Also, in cooperation with Xerox Corporation, Fuji Xerox will work to expand the scope of its service offerings to add major companies and educational institutions in various countries to its existing customer base, which consists primarily of global companies.

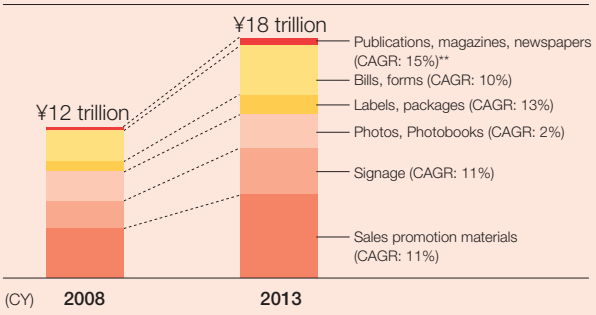
* MPS: An outsourcing service to manage the customers' printing environment with office equipment such as printers and multifunction devices, as well as with print-related work processes

New Growth Opportunities in the Production Services Business

Following its penetration into the computer printing market in 1978, Fuji Xerox has led the digital printing market for more than 30 years. In recent years, Fuji Xerox conducts product development jointly with Xerox Corporation, and the companies supply wide-ranging products to each other. Such a collaborative structure has enabled the two to promote their businesses worldwide, based on their unparalleled portfolio of high-quality products. Today, Fuji Xerox's production services business is about to tackle new growth opportunities. These opportunities are emerging in the digital printing market, our traditional area of expertise. As shown in the graph to the right, the digital printing market is expected to grow at the approximate rate of 10% annually over the period from 2008 to 2013. Increased demand for small-lot printing, coupled with the rising volume of personalized printed materials, is fueling this growth. More specifically, the growth will be centered on such fields as printed materials for sales promotion and signage (advertising displays, posters, etc.).

Fuji Xerox released color on-demand publishing systems *Color 1000 Press* and *Color 800 Press* in early 2010. These new publishing systems boast superior energy-saving performance. In addition, they have adopted the *EA-Eco Toner,* which achieves both high image quality and eco-friendliness, and the *Clear Toner,* which realizes a glossy finish on printed materials. Thanks to their superior printing performance and the high functionality of these toners, *Color 1000 Press* and *Color 800 Press* accomplish expressive reproduction, almost on par with offset printing.

Global Digital Printing Market Scale: Breakdown by Category*

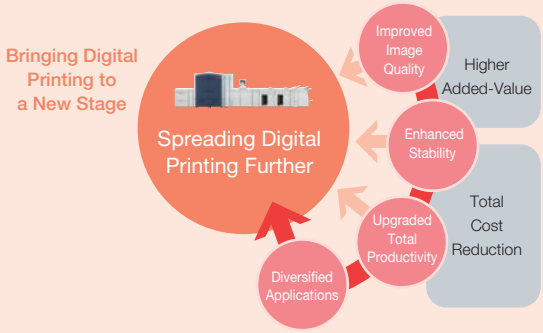


* Market scale is based on the amount of shipments of digitally printed materials (Source: Fuji Xerox; 2008)
**Compound annual growth rate

In order to further develop the digital printing market, it is indispensable for Fuji Xerox to not only sell equipment, but also provide solutions tailored to the different needs of different customers. As part of its efforts in this regard, Fuji Xerox is promoting initiatives that focus on the marketing-oriented application of digital printing. For example, A mail-order company, one of Fuji Xerox's clients, has increased the volume of orders by changing the format of its orders from general-use sales-promotion direct mail (DM) to personalized DM created using digital printing. By strengthening its customer relations and consulting services, Fuji Xerox is enhancing the value of digital printing applications. In this way, Fuji Xerox is working to propose new business models that will enable it to provide even higher added-value to its customers.

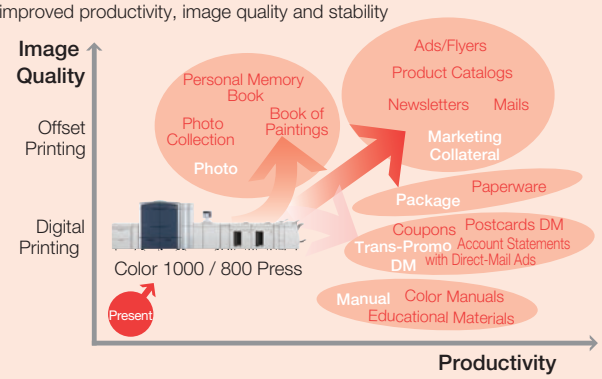
Color 1000 Press and *Color 800 Press*: Their Roles in Fuji Xerox's Business Development

Contributing to the expansion of Fuji Xerox's digital printing business through their superior, unique technological features



Broadening Digital Printing's Target Applications

Widening the scope of digital printing applications through improved productivity, image quality and stability



Fuji Xerox Accelerating Its Management Innovation Activities

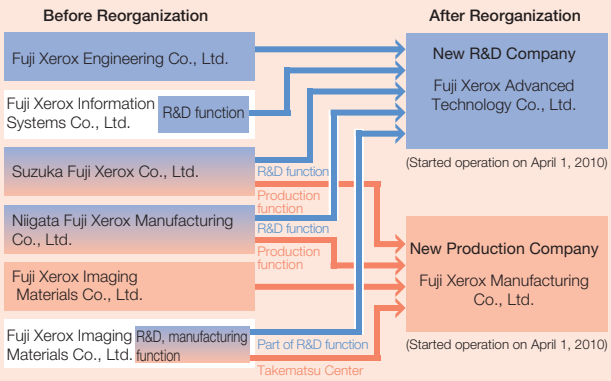
After becoming a consolidated subsidiary of Fuji Photo Film Co., Ltd. (current FUJIFILM Holdings Corporation) in March 2001, Fuji Xerox has continued to strengthen its management structure. Through the three-year V06 Management Reform Program, which was launched in the fiscal year ended March 31, 2005, Fuji Xerox undertook the streamlining of its business functions with the aim of drastically reinforcing its corporate capabilities. Specifically, Fuji Xerox transferred its production functions to China, while overhauling its domestic marketing structure by, for example, turning certain sales subsidiaries into wholly-owned subsidiaries.

The V06 Management Reform Program was taken over by Management Innovation Activities in the fiscal year ended March 31, 2009. Management Innovation Activities focused on the optimization of human resources allocation. More specifically, while establishing a slim back-office structure requiring fewer personnel, Fuji Xerox bolstered its sales force at points of customer contact.

During the fiscal year under review, Fuji Xerox launched Management Innovation Activities Part II. Through this new undertaking, it is further accelerating reforms aimed at improving the productivity of all business functions. In addition to reforms in operational frontlines and back offices, Fuji Xerox has implemented reforms for R&D and production functions. Through such new kinds of reforms, it has reorganized and consolidated its previously scattered R&D and production functions into R&D-focused Fuji Xerox Advanced Technology Co., Ltd. and production-focused Fuji Xerox Manufacturing Co., Ltd., respectively. These new companies began operations on April 1, 2010. With these companies as its core drivers, Fuji Xerox is working to create next-generation technologies and solutions that meet rapidly changing business environments. At the same time, Fuji Xerox is reinforcing its cost competitiveness and thereby advancing toward realizing sustainable corporate growth.

And in the current fiscal year, ending March 31, 2011, Fuji Xerox will expand and speed up its operations under Management Innovation Activities Part II in China and other Asian countries. Through these initiatives, Fuji Xerox aims to build a powerful corporate constitution that can fend off any deterioration in operating conditions.

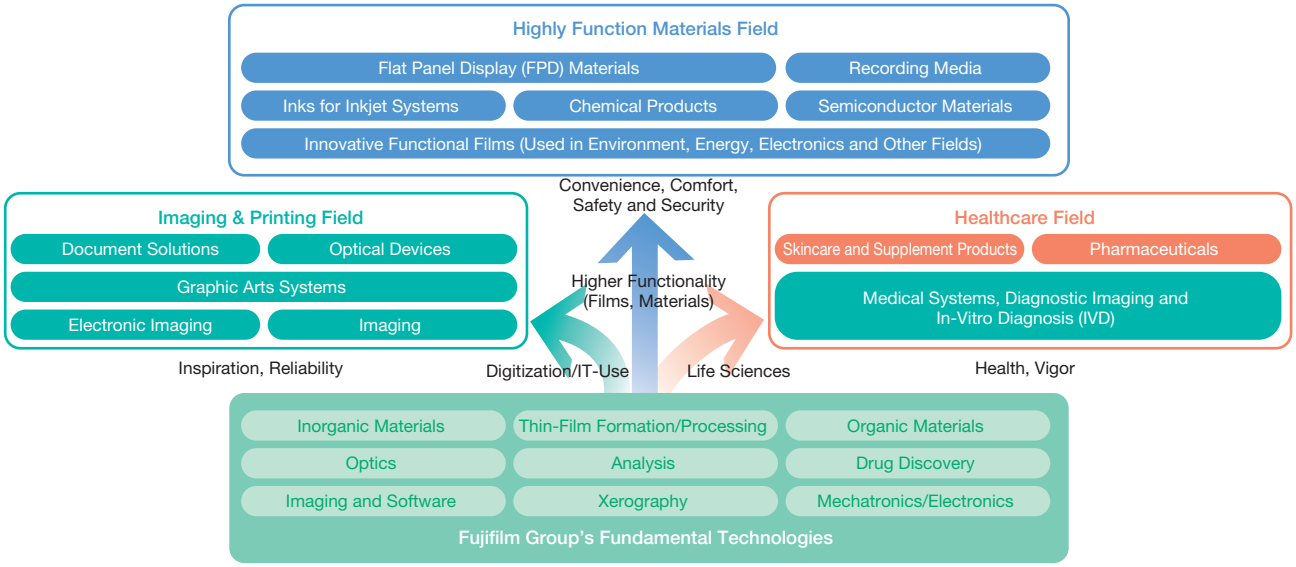
Reorganization of R&D and Production Functions



Fujifilm Group's Fundamental Technologies

The Fujifilm Group has an extensive portfolio of fundamental and core technologies. Characterized by their versatility, the fundamental technologies have been accumulated through the Group's business in the photosensitive materials and xerography fields. On the other hand, the Company's core technologies enable differentiation of product and cost performance. All of these technologies have been fused into the Company's unparalleled product development capabilities, and these product development capabilities are continuously growing through our operations in the six priority business fields of medical systems/life sciences, document solutions, graphic arts, highly functional materials, optical devices and digital imaging. Furthermore, the Fujifilm Group is leveraging such capabilities in its efforts aimed at creating new businesses and realizing renewed growth.

Sustaining Corporate Growth by Improving the Quality of Life of People Worldwide

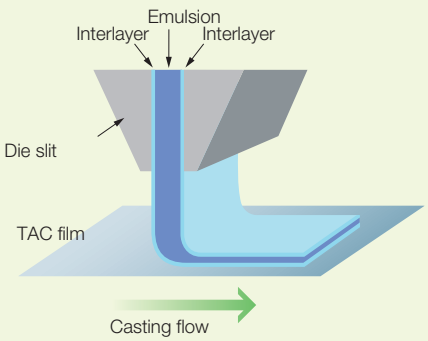


Technologies for Thin-Film Formation and Processing and High-Precision Multilayer Coating

- Thin-film formation and processing technology is used to make a warp-free thin film by expanding and uniformly flattening molten materials.
- High-precision multilayer coating technology is used to finish a film by modifying the film surface through the high-speed uniform application of multilayer liquid-based coatings, each having a different function and being micrometer-thin,* without mixing these layers with each other.
- These technologies are applied in the manufacture of various functional films, including display, recording media and graphic arts materials.
- Due to the extremely high level of technological sophistication, the world has only a few manufacturers who make photographic films and optical films for use in flat panel displays.

* One micrometer equals one-thousandth of a millimeter.

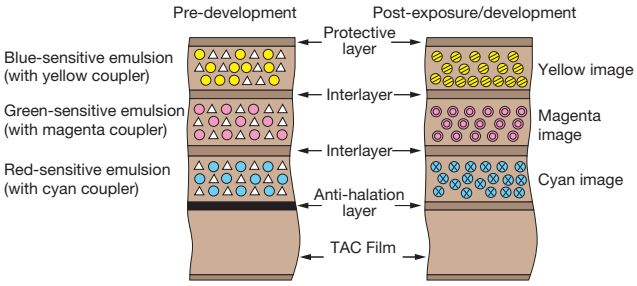
High-Precision Multilayer Coating Technology



Color Photographic Films

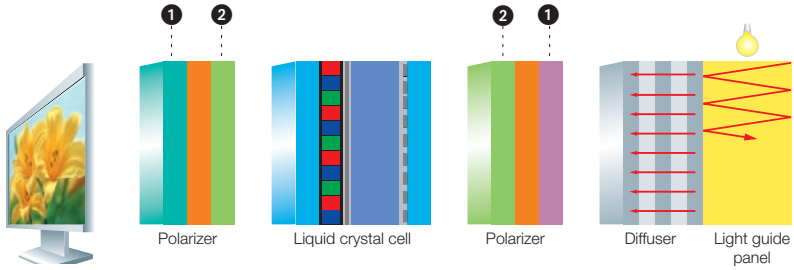
Photographic films are manufactured using very thin, transparent cellulose triacetate (TAC) films as a base material. A TAC film is uniformly coated with an ultra-thin emulsion layer of an approximate 15-micrometer thickness—roughly equivalent to one-fifth of a human hair—to make a photographic film. Actually consisting of nearly 20 layers, the emulsion layer of a color photographic film contains more than 100 types of organic chemical compounds, some for reproducing the three primary colors of yellow, magenta and cyan and others for suppressing discoloration.

Color Photographic Film Composition



TAC Films

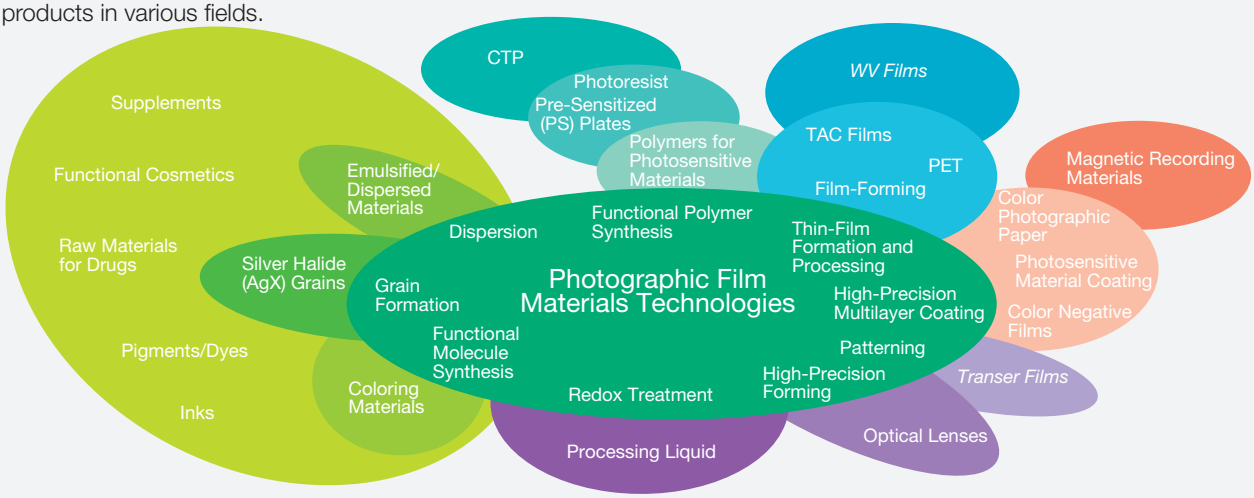
In order for a liquid crystal display (LCD) to show clear images, film components must boast superior transparency and be free of optical warping. Traditionally used as a photographic film base material, TAC films are also used as protective films for polarizers. If a film is not optically uniform, the film, which may look clear and colorless to the human eye, will present a striped pattern when looked at through or over a polarizer. TAC films, however, allow light to pass straight through them, and due to this nature they do not present striped patterns



1 *FUJITAC* protective film for polarizer 2 *WV Film* expanding view angles

Business Diversification Based on Photographic Film Materials Technologies

Technologies for thin-film formation and processing and high-precision multilayer coating constitute the Fujifilm Group's technological foundation, which Fujifilm has long nurtured through its photographic film business. Based on these photographic film materials technologies, the Fujifilm Group's business has undergone diversification, creating wide-ranging products in various fields.



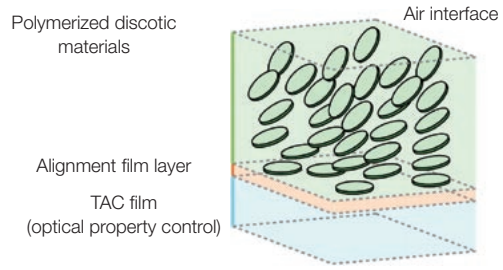
Organic Materials Technologies

- These technologies are used to design and synthesize organic and polymer materials that have the optical properties, chromatic and luminescent properties, redox properties, durability and other characteristics required for a variety of functional materials.
- They are widely used in display and semiconductor materials as well as in the field of life sciences.

WV Films

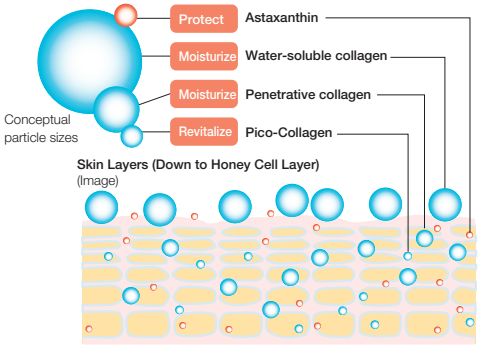
A twisted-nematic (TN)-mode LCD has a weak point: a narrow viewing angle. *Wide-View (WV) Films* are an innovative product that expands viewing angle just by sandwiching a TN-mode liquid crystal layer with them. Light that leaks from a polarizer results in significantly lower contrast depending on the viewing position. Such light leakage is compensated by a film in which polymerized discotic materials are aligned consecutively in the direction of the thickness, with gradually slanted angles. This compensation structure achieves expanded viewing angles for LCDs. Fujifilm has filed many applications for *WV Film*-related patents and commands a 100% global market share for *WV Films*.

***WV Film* Composition**
(Ideal, Simplified Model)



ASTALIFT Functional Cosmetics Series

Fujifilm applies its proprietary "FTD technologies" in its *ASTALIFT* functional cosmetics series. The acronym "FTD" stands for "Formulation, Targeting and Delivery," which involves formulating functional pharmacological ingredients and materials that provide delivery of appropriate doses in a timely manner, targeting specific areas of the body and maintaining a fresh and stable condition for sustained efficacy. In other words, the Company has applied the organic synthesis technologies that it has nurtured through the development of photographic films in the life sciences field. Astaxanthin, a main ingredient of the *ASTALIFT* series, is a highly functional antioxidant carotenoid that deactivates active oxygen—a major cause of rough, dry skin and loss of skin elasticity. Astaxanthin, however, does not easily penetrate into skin layers by itself. So, we used our nano-dispersion technology as well as emulcification technology to enable enhanced penetration of stabilized astaxanthin nanoparticles into the skin.



Pharmaceutical Products

The "FTD technologies" are also acting as one of the Fujifilm Group's unique strengths in the pharmaceuticals field. Fujifilm is working constantly to provide drugs that lighten the burden on the patient's body and are easier for medical institutions to use than existing drugs by improving solubility, stability and release control*1 and optimizing dosage forms*2.

In June 2009, Fujifilm established the Fujifilm Drug Discovery Research Laboratories (current Pharmaceutical & Healthcare Research Laboratories), which is dedicated to research on discovering new drug candidates. This new organization is currently focusing on the area of oncology, promoting projects aimed at discovering low molecular drugs as well as drug delivery system (DDS) pharmaceuticals*3 based on Fujifilm's "FTD technologies." In advancing its pharmaceutical R&D, the Pharmaceutical & Healthcare Research Laboratories is taking advantage of the Fujifilm Group's wide-ranging technological assets, including organic synthetic and analytic technologies.

*1 Release control involves designing a drug so that the drug ingredients are gradually released in the patient's body. In this way, drug efficacy lasts longer, thus enabling reduced dose frequency.
*2 Optimizing dosage forms includes, for example, changing an injectable drug to an oral drug.
*3 DDS pharmaceuticals use technologies that allow for the effective delivery of active ingredients to affected parts of the body.

Imaging and Software Technologies

- These technologies realize automatic image modifications in order to enable the reproduction of perfect images of the world as people see it or the expression of precise images of the world as people wish to express it, by sensing the user's intentions.
- Fujifilm has integrated a broad array of image processing technologies into "Image Intelligence™," which is now applied in the photo, camera, printing and medical fields.

3D Digital Cameras

Our ability to perceive three dimensions comes from viewing an object along two different lines of sight. This phenomenon is called parallax. Fujifilm's 3D digital camera, *FinePix REAL 3D W1,* takes photos by following this very mechanism. Equipped with two lenses and two CCD sensors, images captured are immediately synthesized and reproduced as photos or movies in accordance with focus, brightness, color tonality and other shooting conditions.

3D Medical Image Analysis System

The entire range of Fujifilm's image processing technologies, collectively dubbed "Image Intelligence™," has been applied in the medical systems field in recent years. The Company's *Volume Analyzer SYNAPSE VINCENT 3D* image analysis system is one such example. The *SYNAPSE VINCENT* system recognizes organs, bones and vessels based on their cross-sectional CT/MRI images, automatically processes these images and easily obtains highly accurate 3D images. This innovative system is contributing to a reduced burden on radiologists and quicker radiogram interpretation processes.

Xerography Technologies

- Xerography technologies have their roots in the 1938 discovery of the photoelectric effect of substances. The photoelectric effect was then used to establish a technology to create static electric charge images. This technology was commercialized in the world's first plain-paper copy machine in 1959. Japan saw its first plain-paper copy machine released in 1962.
- Based on an extensive portfolio of its advanced xerography technologies that enable high-speed image processing and high-quality images, Fuji Xerox continues to accelerate the development of products that utilize energy-saving, resource-recycling and other environmental technologies.

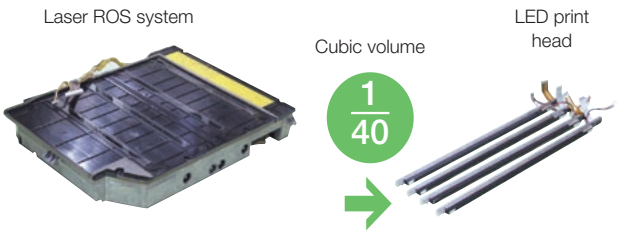
EA-Eco Toner

Fuji Xerox's multifunction devices, such as *ApeosPort* and *DocuCentre,* attach inks—often called toners—on paper using static electrical charge, and fusers then heat and melt the pigments. Molten pigments permeate into paper to reproduce colors. The *EA-Eco Toner* can be fused onto paper at a temperature 20 to 50 degrees Celsius lower than conventional toners. This means that the temperature needed for fuser operations is lower. As 50% to 80% of total power consumption of a multifunction device is attributable to the fuser, the use of the *EA-Eco Toner* can reduce the device's power consumption by approximately 40%.

LED Print Head Technologies

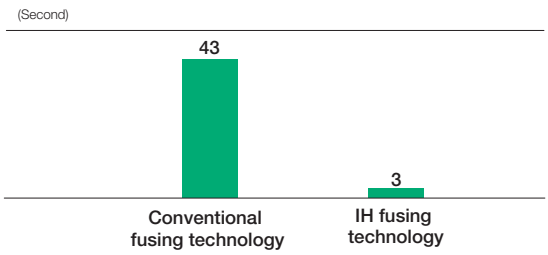
Toners are first attached onto a light-sensitive belt/drum using static electrical charge and then transferred onto paper. On the light-sensitive belt/drum, sometimes referred to as the photoreceptor, parts to which light is applied become free of static electrical charge. So an image is created by applying light to parts on which toners are not applied. As the light source, a laser is often used. However, Fuji Xerox has succeeded in the development of the light-emitting diode (LED) print head, which realizes high image quality. Due to its compact structure, the LED print head contributes to the reduction of device sizes.

Comparison of Laser Raster Output Scanner (ROS) System and LED Print Head



IH Fusing Technology

More recently, Fuji Xerox has completed the development of an induction heating (IH) fuser. IH technology is often used in household cooking devices. The fusing part of the IH fuser can be heated from a room temperature to an ideal operating temperature in just three seconds. Due to such quick warm-up performance, needs for preheating in the standby or power save mode can be eliminated, which, in turn, realizes substantial energy savings for devices equipped with the IH fuser.



What's New in the Fiscal Year Ended March 31, 2010

Transparent Super-High-Barrier Films

Transparent super-high-barrier films have opened the door for the next generation of highly functional materials. Boasting excellent moisture barrier properties and transparency, these films are indispensable for flexible electronic devices, for which R&D activities are being promoted in such areas as thin-film solar cells, organic electroluminescence (EL) lighting, organic EL displays and electronic paper. Fujifilm has recently completed the development of a film of this kind demonstrating the world's highest level of moisture barrier properties. In the development processes, the Company applied thin-film formation and processing technologies and organic materials technologies that it has nurtured through its R&D activities in the photographic film and FPD materials fields. We have started the full-scale shipment of samples of this new film recently.

Photoresist for Nanoimprint Lithography

Nanoimprint lithography (NIL) is a technology used to transfer a semiconductor circuit pattern engraved on a mold—a stamp-like device—onto a silicon wafer. The use of NIL technology eliminates the need for expensive exposure equipment and, therefore, it is drawing significant attention as a technology that realizes the cost-effective mass-production of next-generation semiconductors. Photoresists are typically based on resins and are used to form a semiconductor pattern on a silicon wafer. Fujifilm has succeeded in the development of a photoresist based on a monomer, whose particles are smaller than those of existing polymers. With this groundbreaking photoresist, Fujifilm has enabled the ultrafine wafer patterning of a circuit line width measuring 20 nanometers.* The Company is further advancing R&D efforts with an eye toward commercializing the photoresist in 2014.

* One nanometer equals one-millionth of a millimeter.

The Company recognizes that a corporation's main mission is to keep improving its corporate value. To promote the accomplishment of this mission, the Company implements measures to strengthen and expand its corporate governance systems and thereby aims to win the trust of all stakeholders. Such measures are what underpin our Groupwide efforts to achieve corporate governance consistent with a holding company and maximize corporate value. The Fujifilm Group aims to constantly improve the transparency and soundness of its Group management.

Corporate Organization and Others

Directors and Board of Directors

The Company has positioned the board of directors as the organization for determining basic Group management policies and strategies and other important matters relating to business execution, as well as for supervising the implementation of business affairs. The Company's Articles of Incorporation stipulate that the board can consist of up to 12 directors. Currently, the board has 12 directors, including one outside director. The board's regular meetings are held, in principle, once a month, with extraordinary board meetings held on an as-required basis. In addition, certain matters are deliberated and resolved flexibly at board of directors meetings convened by directors with special authority. To better clarify their missions and responsibilities, the Company's directors have a one-year term of office.

Meanwhile, the Company has adopted a remuneration system under the stock option plan to make its directors, excluding outside directors, share a mutual interest—the effect of stock price fluctuations—with its shareholders. In this way, the directors are in actual fact encouraged to have stronger drive and morale toward achieving higher corporate value.

Executive Officer System

The Company has adopted an executive officer system to facilitate speedier business execution. Executive officers carry out business affairs in accordance with the basic policies and strategies formulated by the board of directors. The Company currently has 11 executive officers, including five concurrently serving as directors. The executive officers have a one-year term of office, the same as the Company's directors.

Management Council

The management council makes decisions on the submission of matters to be exclusively deliberated by the board of directors. At the same time, the council considers the methods used by executive officers to implement particularly important initiatives in accordance with the basic policies, plans and strategies formulated by the board of directors. The management council consists of full-time members—president and executive officers responsible for corporate planning and corporate R&D—and meetings of the management council are flexibly convened, with the attendance of relevant executive officers requested, depending on the matters concerned.

Corporate Auditors and Board of Corporate Auditors

The Company has adopted a corporate auditor system with a board of corporate auditors, which currently consists of five members, including three outside corporate auditors. As an independent organization with key roles and responsibilities in the Company's corporate governance system, the auditors audit the entire range of the directors' performance of their duties following audit policies and an audit plan in conformity with corporate auditors' audit standards determined by the board of corporate auditors. At meetings of the board of corporate auditors, which are held, in principle, once a month, information is shared on the details of matters subject to auditing. In addition, all corporate auditors attend meetings of the board of directors, while the full-time corporate auditors also attend every management council meeting, regularly exchange opinions with the representative directors and audit the entire range of business execution. The Company has currently appointed two personnel to perform internal audits and to support the corporate auditors, with the aim of strengthening the audit functions of the corporate auditors.

Internal Audits

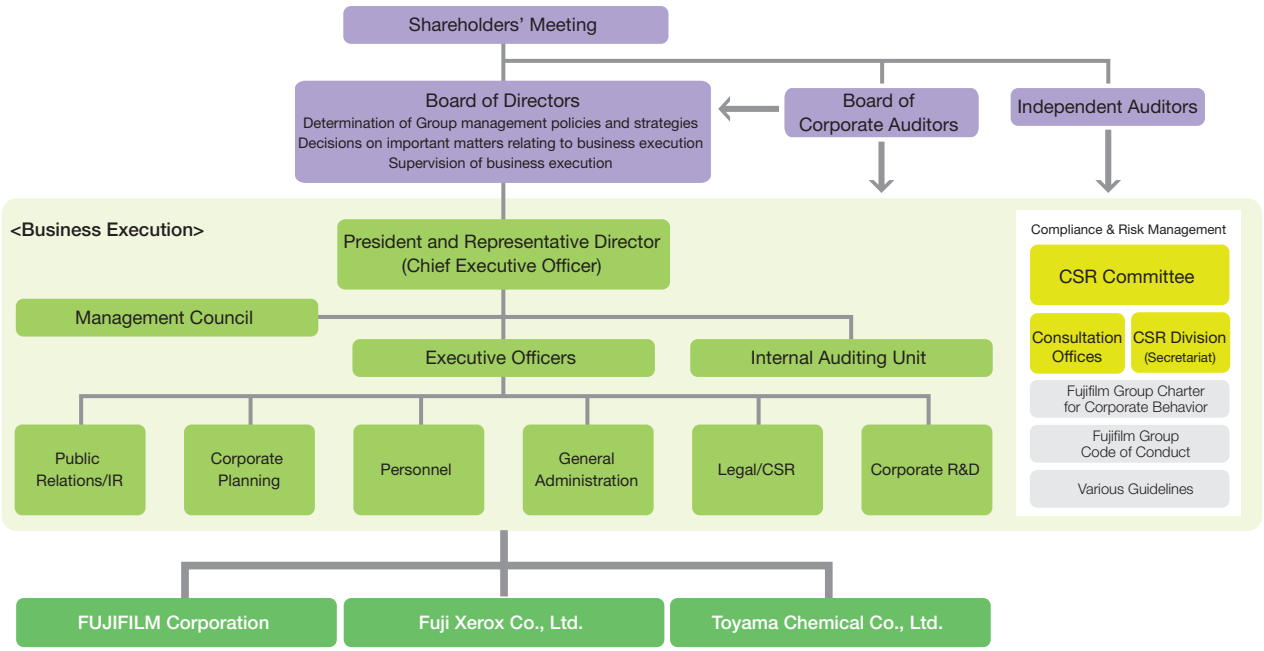
The Company has an Internal Audit Division, which currently comprises 11 personnel, as an internal auditing unit that is independent from divisions responsible for the execution of business affairs. From the standpoint of a holding company, this division audits operational processes and other relevant matters at individual divisions of the Company and its Group companies through cooperation with the internal auditing units at the operating companies. In this way, the division evaluates and verifies that these processes are appropriate.

In addition, the division is in charge of assessing internal control over financial reporting by the Company and its Group companies, in response to the April 2008 application of the internal control reporting system in Japan. The Company compiles the outcome of the assessment in a "Management's Report on Internal Control over Financial Reporting." In addition, personnel in specialized units at the operating companies audit operations regulated by the Pharmaceutical Affairs Law of Japan, as well as those in the quality control, environmental and export control fields.

Accounting Audits

The Company engages Ernst & Young ShinNihon LLC as its independent auditors. Ernst & Young ShinNihon expresses an opinion on the Company's financial statements from an independent standpoint as an auditor. In addition to accounting audits, Ernst & Young ShinNihon commenced auditing internal control of the Company's financial reporting from the fiscal year ended March 31, 2009.

FUJIFILM Holdings' Corporate Governance Structure



Remuneration to Directors and Corporate Auditors during the Fiscal Year Ended March 31, 2010

Subject of Remuneration	Number of People	Remuneration Amount
Directors (Outside director)	9 (1)	¥549 million (¥ 8 million)
Corporate auditors (Outside corporate auditors)	5 (2)	¥ 54 million (¥18 million)
Total (Outside directors and corporate auditors)	14 (3)	¥603 million (¥26 million)

Note: The amounts shown in the table to the left include the following:
(1) Bonuses paid to the directors during the fiscal year ended March 31, 2010
- Total of ¥58 million paid to eight directors, including ¥1 million paid to the outside director
- Total of ¥5 million paid to four corporate auditors, including ¥2 million paid to the two outside corporate auditors

(2) Provision to the reserve for directors' retirement gratuities during the fiscal year ended March 31, 2010
- Total of ¥295 million for eight directors

Matters Concerning the Outside Director and Outside Corporate Auditors

Outside Director

Outside director Teisuke Kitayama imparts his ample experience and wide range of knowledge as a management executive of a global financial group. He currently holds the post of representative director at both Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation. Also, the Company has notified the Japanese bourses on which its stock is listed of the designation of Mr. Teisuke Kitayama as its independent director, pursuant to the Securities Listing Regulations of Japanese stock exchanges.

Outside director Teisuke Kitayama attended nine of the 10 board of directors meetings during the fiscal year ended March 31, 2010. Mr. Kitayama requested explanations when necessary and offered advice where appropriate at the meetings he attended to ensure the adequacy and appropriateness of the decisions made by the board.

Outside Corporate Auditors

Outside corporate auditor Kiichiro Furusawa attended nine of the 10 board of directors meetings and all of the 12 board of corporate auditors meetings during the fiscal year ended March 31, 2010. Outside corporate auditor Daisuke Ogawa attended seven board of directors meetings and 10 board of corporate auditors meetings during the same period. Both outside corporate auditors requested explanations when necessary and made comments where appropriate at the board of directors meetings they attended to ensure the adequacy and appropriateness of the decisions made by the board of directors. They also asked questions and expressed their opinions, as appropriate, at the board of corporate auditors meetings they attended.

Mr. Takeo Kosugi was appointed as the Company's outside corporate auditor at the ordinary general meeting of shareholders held on June 29, 2010. Outside corporate auditor Takeo Kosugi is also a partner of Matsuo & Kosugi and accordingly has ample experience in and a wide range of knowledge on corporate legal affairs as a legal expert. His appointment as an outside corporate auditor was in line with the Company's belief that he is able to appropriately audit the execution of duties by the Company's directors from an objective viewpoint based on his experience and knowledge.

Also, the Company has notified the Japanese bourses on which its stock is listed of the designation of Messrs. Kiichiro Furusawa, Daisuke Ogawa and Takeo Kosugi as its

independent corporate auditors, pursuant to the Securities Listing Regulations of Japanese stock exchanges.

Support System for Outside Director and Outside Corporate Auditors

The Legal Division, the secretariat for the board of directors, prepares materials and provides the outside director and outside corporate auditors with information relating to proposals submitted to regular board of directors meetings. The department also provides them with supplementary explanations where requested. The internal auditing unit, the secretariat for the board of corporate auditors, provides support to outside corporate auditors in such areas as the preparation of materials and provision of relevant information for regular meetings of the board of corporate auditors. The materials prepared are used to promote information sharing between full-time and outside corporate auditors.

Cooperation between Internal Auditing Unit, Corporate Auditors and Independent Auditors

With the aim of improving its corporate governance, the Company promotes coordination between internal audits and corporate auditors' audits as well as independent auditors' audits—which include audits of internal control over financial reporting. When audits are planned, performed and reviewed every fiscal year, these three groups exchange information and opinions and hold deliberations as needed. In addition, the internal auditing unit and the independent auditors report results of audits to corporate auditors on a regular basis and results of annual audit reviews to the board of corporate auditors.

Relationship of Internal Auditing Unit, Corporate Auditors and Independent Auditors with Internal Control Unit

The internal auditing unit and corporate auditors receive information regarding their audit targets from the internal control unit and conduct their audits based on the information received. Meanwhile, the internal control unit is subject to audits by the internal auditing unit and corporate auditors. Also, results of assessment of internal control over the Company's financial reporting compiled by the internal auditing unit are used in audits of internal control over the Company's financial reporting conducted by the independent auditors.

Cooperation with Outside Director and Outside Corporate Auditors in Internal Audits, Corporate Auditors' Audits and Accounting Audits

The internal auditing unit and the independent auditors report results of their audits to the board of corporate auditors. The board of corporate auditors formulates audit plans that incorporate sufficient collaboration with the independent auditors prior to implementing actual audits. The outside director receives reports on audit results at board of directors meetings from the board of corporate auditors.

Relationship of Outside Director and Outside Corporate Auditors with Internal Auditing Unit

Based on reports received from the internal control unit, the Corporate Planning Division compiles the status of the implementation of the Basic Policies for Internal Control, which have been approved by the board of directors, and reports annual status reviews to the board of directors. With regard to activities aimed at promoting compliance and risk management, the CSR Division in charge reports details of these activities to the directors and the corporate auditors on a regular basis.

Accountability

The Fujifilm Group maintains an aggressive stance in disclosing such corporate information as management strategies and financial results, with due consideration given to disclosure timeliness, fairness, accuracy and continuity. This stance is based on a principle interwoven in the Fujifilm Group Charter for Corporate Behavior. In legal terms, the Company discloses information in strict compliance with the Financial Instruments and Exchange Act of Japan and other relevant laws and regulations as well as timely information disclosure rules of the Japanese bourses on which the Company's stock is listed. We disclose information that is not required by such laws, regulations and rules but may have material influence on investors' decision-making in a proactive manner and facilitate deeper understanding of the Company. Such information disclosure is carried out through press conferences and briefings and various IR tools, which include the Company's website.

IR Activities

Fujifilm's top management actively participates in IR activities. This is because they are fully aware that these activities are important in accelerating interactive communication between the Company and investors and, ultimately, strengthening the circle of trust and improving the quality of these activities. Also, we strive to minimize the discrepancy between the Company's true corporate value and its market evaluation by constantly disclosing management policies and other important information and incorporating feedback from capital markets into our management. More specifically, the Company holds conferences on business results quarterly with the attendance of its chief executive officer or chief financial officer. Complementing these briefings, the Company also holds conferences and small meetings frequently for both domestic and overseas investors. For individual investors, we provide information through our website, while also holding company information sessions in major cities nationwide.

Renewal of Countermeasures to Large-Scale Acquisitions of FUJIFILM Holdings Corporation Shares (Takeover Defense Measures)

At the Company's 114th ordinary general meeting of shareholders, held on June 29, 2010, the renewal of the Countermeasures to Large-Scale Acquisitions of FUJIFILM Holdings Corporation Shares has been approved. For further details, please visit the Company's website at the following URL:

http://www.fujifilmholdings.com/en/investors/fairrules/index.html

Board of Directors, Corporate Auditors, and Executive Officers

FUJIFILM Holdings Corporation

(As of June 29, 2010)

Shigetaka Komori
President and Chief Executive Officer, Representative Director

Toshio Takahashi
Chief Financial Officer, Representative Director

Tadashi Sasaki
Director

Takeshi Higuchi
Director

Hisamasa Abe
Director

Yuzo Toda
Director

Nobuaki Inoue
Director

Shigehiro Nakajima
Director

Toru Takahashi
Director

Kouichi Tamai
Director

Tadahito Yamamoto
Director

Teisuke Kitayama
Outside Director

Hiroshi Saigusa
Corporate Auditor

Toshimitsu Kawamura
Corporate Auditor

Kiichiro Furusawa
Outside Corporate Auditor

Daisuke Ogawa
Outside Corporate Auditor

Takeo Kosugi
Outside Corporate Auditor

Executive Officers

President and Chief Executive Officer
Shigetaka Komori

Executive Vice President and Chief Financial Officer
Toshio Takahashi

Corporate Vice Presidents
Haruhiko Yoshida
Nobuaki Inoue
Toru Takahashi
Kouichi Tamai
Toshiaki Suzuki
Makio Watanabe
Kazuhiko Furuya
Kouichi Suematsu
Kazuhito Yamamura

Internal Control

The Fujifilm Group Corporate Philosophy states: "We will use leading-edge, proprietary technologies to provide top-quality products and services that contribute to the advancement of culture, science, technology and industry, as well as improved health and environmental protection in society. Our overarching aim is to help enhance the quality of life of people worldwide." Given these basic goals, the Company endeavors to create a corporate culture in which all employees take a proactive approach toward compliance and risk management in line with fulfilling its corporate social responsibilities.

Compliance

As a set of fundamental policies, the Company has formulated the Fujifilm Group Charter for Corporate Behavior. The Company has also established the Fujifilm Group Code of Conduct to better guide each employee to act and behave in compliance with laws, regulations and social ethics. Furthermore, the Company has established a CSR Committee, chaired by the CEO, to manage and govern internal control measures in a comprehensive and integrated fashion.

Moreover, the Company has established a division within each of its principal operating companies—FUJIFILM Corporation and Fuji Xerox Co., Ltd.—that is exclusively responsible for promoting compliance and instilling a compliance-based mind-set throughout the Group. The Company also maintains offices to provide consultations and support communications regarding infringement issues related to the Code of Conduct and compliance. This effort is meant to facilitate the early detection of illegal or improper behavior and ensure prompt and appropriate response measures. All of the communications and information are kept confidential and reported to the CSR Committee.

The Company has also formulated guidelines and policies to ensure thorough observance of laws and regulations in its business activities. These guidelines and policies include rules for the use of circular letters, document management, timely disclosure, personal information management and other internal guidelines.

The Fujifilm Group's Compliance Statement clearly states that the Company gives priority to compliance over business profits, and the Company strives to ensure that all Group employees comply with the Code of Conduct. The Company also works to raise compliance awareness through regular educational and training activities.

Groupwide Compliance Education

The Company is promoting comprehensive compliance throughout the Group—with the operating companies overseeing their affiliates in Japan and overseas—by offering its employees various educational programs.

In Japan, all employees of the operating companies and Fujifilm affiliates participate in various compliance-related training programs. These include seminars, group training and e-learning sessions. Thus, Fujifilm employees are proactively enhancing their compliance knowledge and awareness. Meanwhile, the Company is focusing on the education of its managerial personnel, as these personnel are tasked with guiding their subordinates and acting as model employees through daily operations. For example, case method training, wherein participants are divided into small groups and have discussions based on case examples, is a compulsory course for all managerial personnel, including those newly appointed.

Fujifilm is also active in instilling a compliance mindset throughout its overseas affiliates. In November 2007, the

Case method training

Fujifilm's Compliance Education in Japan

Intended Audience	Frequency	Details
Top management (Fujifilm)	As appropriate	Overall compliance (by external instructors)
Executive officers of Fujifilm affiliates	Once a year	Overall compliance (by external instructors)
Managerial personnel (Fujifilm and its affiliates)	Once a year (compliance information meeting)	Examples of corporate misconduct, punitive actions, consulting facility, risk reporting system, etc. (by CP & RM*)
New managerial personnel (Fujifilm)	Once a year	Overall compliance (by corporate executive officers in charge of CSR)
New managerial personnel (Fujifilm and its affiliates)	Once a year (case method training)	Business ethics, customer orientation, confidential information management, etc. (by CP & RM*)
All employees (Fujifilm and its affiliates)	Once a year	Discussions based on compliance case studies (by managerial personnel)
New employees (Fujifilm)	Once a year	Basics of compliance, Code of Conduct, corporate rules, consulting facility, etc. (by CP & RM*)

* CP & RM: Compliance & Risk Management Division of FUJIFILM Corporation

Fuji Xerox's Compliance Education in Japan

Training Title	Intended Audience (Fuji Xerox and Its Affiliates)						Details
	Executive Officers	Managers	General Employees	Contract Employees	Other Employees	Personnel in Charge of Compliance Promotion	
Education on the *ALL-FX Code of Conduct*	■	■	■	■	■	■	Code of Conduct case studies (individual and group education)
New executive officer training	■						Group training on Japan's Corporation Law, corporate governance, etc.
New administrator training		■					Group training on risk management related to corporate management
General legal education	■	■	■				Training on basic legal knowledge (4 areas) using the Internet
Training for personnel in charge of compliance promotion						■	Training for key personnel to introduce new systems and training programs
WBT on information security	■	■	■	■	■	■	Basic training related to information security using the Internet

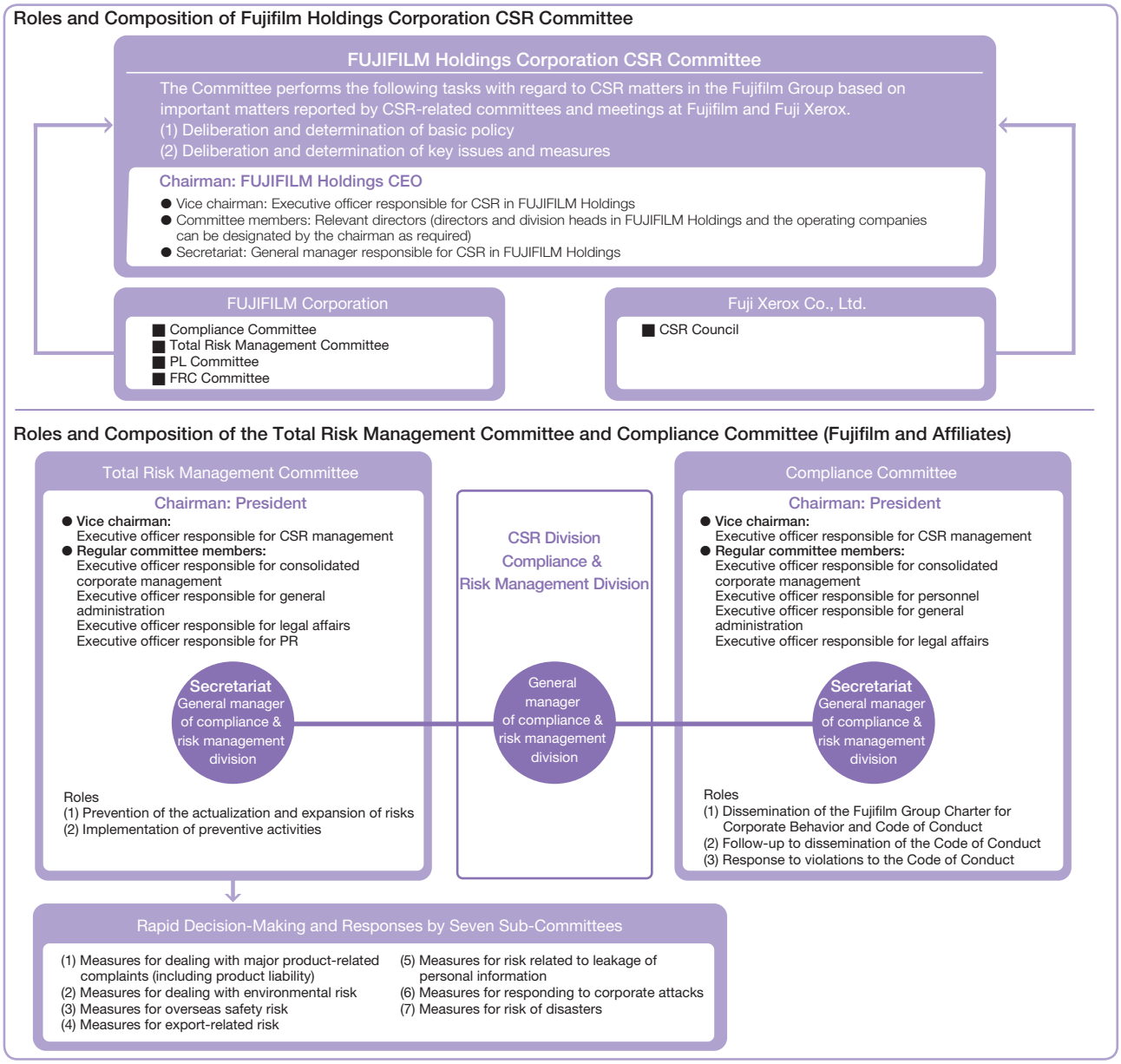
Company held a compliance information meeting for Japanese managerial staff at 27 overseas affiliates. The participants discussed measures for disseminating compliance at their offices. Consequently, Fujifilm has implemented affiliate-specific compliance promotion plans since 2008. Including Fuji Xerox's overseas affiliates in the scope of the plans, the Company has distributed the *ALL-FX Code of Conduct* booklet and the *ALL-FX Code of Conduct Guidebook* to all Fuji Xerox employees to make sure they accurately understand and follow the Code of Conduct. In addition, Fujifilm has undertaken a project to translate such materials as the *Code of Conduct Guidebook* and case studies into English. Translated materials are distributed to the affiliates to facilitate efficient understanding of these materials by their employees.

Risk Management Systems

Each operating company establishes and maintains its own appropriate risk management systems. Following prescribed procedures, the operating companies report their risk management activities—including preventive measures and countermeasures against materialized risks—to the CSR Committee secretariat. With regard to significant risks in Group operations, the CSR Committee takes a Groupwide perspective in examining potential countermeasures and effecting their implementation.

Internal audits are the responsibility of the internal auditing unit, which is independent from divisions responsible for business execution. Ongoing efforts will be made to strengthen internal auditing. As a holding company, FUJIFILM Holdings supervises business execution by subsidiaries from the standpoint of its shareholders, while also conducting operations common to the Group in a unified, efficient and appropriate manner. Meanwhile, the Company provides guidance, support and supervision in the establishment of systems by its subsidiaries. Thus, the Company aims to ensure the appropriate conduct of business operations across the Group.

In particular, the Code of Conduct clearly defines Fujifilm's stance toward antisocial forces and illegal organizations that threaten the social order and public security. The Company strictly adheres to the principle that it shall not only avoid activities which may benefit such parties but also eliminate any relationship with such parties.



The Fujifilm Group examines CSR-related issues from both the corporate and the stakeholder perspective. Through such an approach, the Company identifies its key issues and establishes specific initiatives, thereby promoting strategic CSR activities.

Since its adoption of a holding-company system in October 2006, the Company has worked diligently to maintain an effective structure to facilitate CSR activities. From the fiscal year ending March 31, 2011 onward, the Company will strengthen the link between its CSR activities and new management plans. The stronger link will enable us to implement CSR activities that support us in the accomplishment of business goals and targets.

Fujifilm Group—Bound by a Philosophy and Shared Values

The Fujifilm Group has defined the "Fujifilm Group's Approach to CSR" and its policies for various activities. Making such an approach and policies clear-cut has helped us to steer the entire Fujifilm Group in a unified direction and to reinforce our CSR governance.

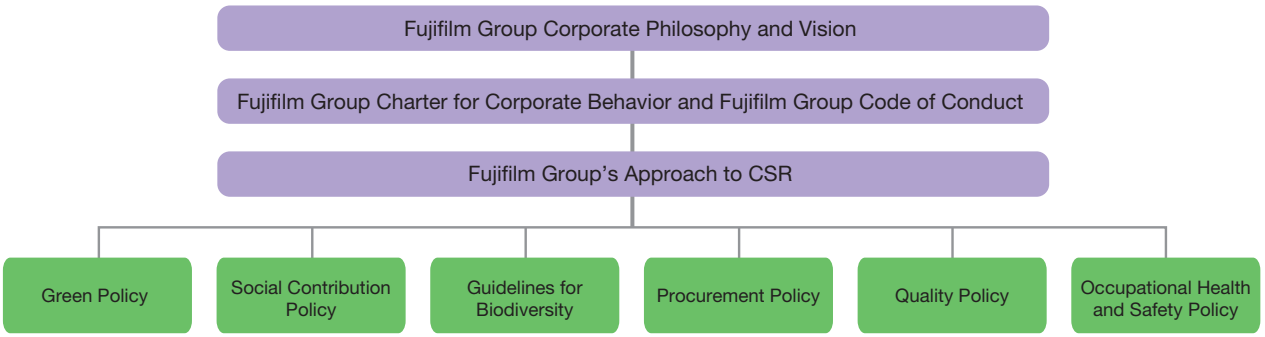
The Fujifilm Group's Approach to CSR

The Fujifilm Group's Approach to CSR is to contribute to the sustainable development of society by putting into practice the Fujifilm Group's Corporate Philosophy, and realizing its Vision through sincere and fair business activities.

We will:

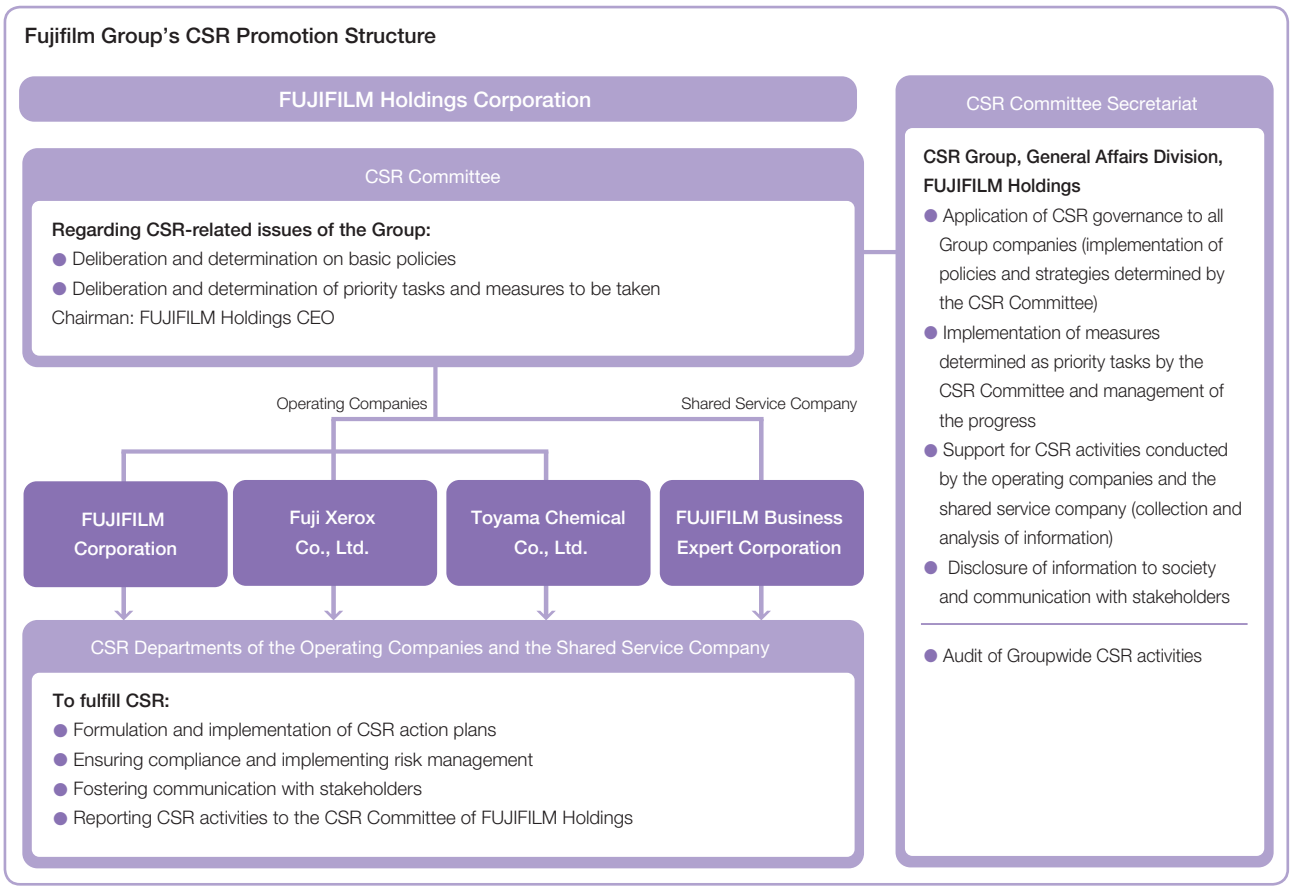
1. fulfill our economic and legal responsibilities, and respond to society's demands by contributing as a corporate citizen to the development of culture and technology in society and environmental preservation.
2. constantly reassess whether our CSR activities are responding adequately to the demands and expectations of society and whether those activities are conducted properly through dialogue with our stakeholders including customers, shareholders, investors, employees, local communities, and business partners.
3. enhance corporate transparency by actively disclosing information to fulfill accountability for our business activities.

Philosophy and Policies Unifying the Fujifilm Group



CSR Promotion Structure

The CSR Committee of FUJIFILM Holdings is serving as the central body in promoting the CSR activities of the Fujifilm Group. With the support of the CSR Committee, operating companies—namely, FUJIFILM Corporation, Fuji Xerox Co., Ltd. and Toyama Chemical Co., Ltd.—and shared service company FUJIFILM Business Expert Corporation are working to strengthen specific CSR activities through various processes. Specifically, they: (1) formulate and implement CSR action plans in line with their respective business operations; (2) ensure compliance and implement risk management; (3) Foster communication with stakeholders; and (4) collaborate with the CSR Committee in the implementation of CSR initiatives.



CSR-Related Information Disclosure

The Company's website **(URL: http://www.fujifilmholdings.com/en/sustainability/)** offers information concerning the Group's CSR activities while making available the library of FUJIFILM Holdings Corporation sustainability reports.

Comprising the three main parts listed below, *FUJIFILM Holdings Corporation Sustainability Report 2010,* to be published in October 2010, provides in-depth explanations of the Fujifilm Group's latest CSR activities. Specifically, this latest report introduces CSR approaches taken through the Company's business operations, programs aimed at developing human resources and promoting personnel exchange and activities relating to climate change issues.

- Feature: Enhancing Quality of Life
- CSR Highlights 2009
- Data and Information

Fuji Xerox's website **(URL: http://www.fujixerox.com/eng/company/)** also offers information concerning the company's CSR activities while making available the library of Fuji Xerox sustainability reports.

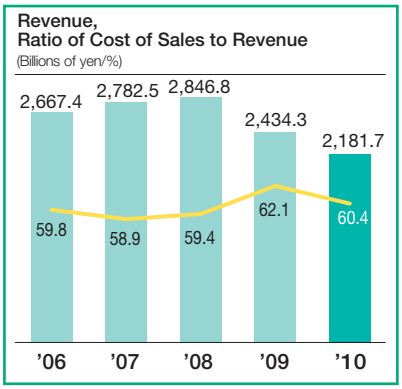
Third-Party Evaluation of the Fujifilm Group's CSR Activities

Inclusion in Socially Responsible Investment (SRI) Indexes

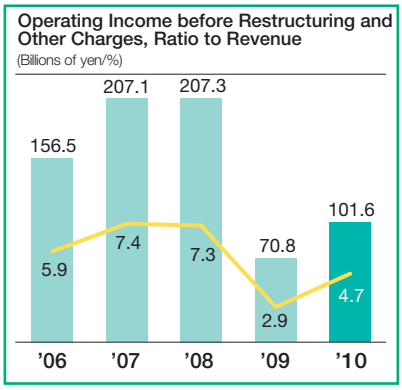
- Included in the FTSE4Good Global Index
- Included in the Dow Jones Sustainability Indexes 2010
- Included in the Morningstar Socially Responsible Investment Index

Evaluation through Major Ranking Surveys

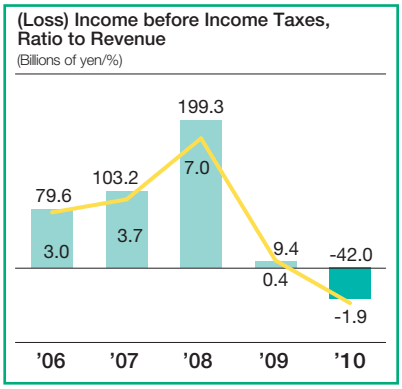
- 13th Nikkei Environmental Management Survey (sponsored by Nikkei Inc.): 9th out of 1,792 manufacturers
- 5th Company Quality Management Survey (sponsored by the Union of Japanese Scientists and Engineers): 2nd out of 225 companies
- Eco Brand Survey 2009 CSR evaluation ranking (Nikkei Business Publications, Inc.): 43rd out of 560 companies (Deviation: 63.8)
- SAM Sustainability Yearbook 2010 (Sustainable Asset Management AG): SAM Silver Class
- 4th Toyo Keizai CSR Ranking (Toyo Keizai, Inc.): 4th out of 1,104 companies (533.4 pts)



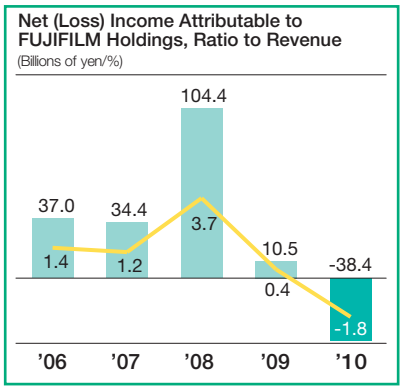
■ Revenue — Ratio of Cost of Sales to Revenue



■ Operating income before restructuring and other charges
— Ratio of operating income before restructuring and other charges to Revenue



■ (Loss) income before income taxes
— Ratio of (loss) income before income taxes to revenue



■ Net (loss) income attributable to FUJIFILM Holdings
— Ratio of net (loss) income attributable to FUJIFILM holdings to revenue
(Net income for 2009 and prior years)

Year ended March 31

Results of Operations

Revenue

During the fiscal year ended March 31, 2010, consolidated revenue amounted to ¥2,181.7 billion, down 10.4% from the previous fiscal year. Despite increased sales of flat panel display (FPD) materials caused by a rapid recovery in demand, demand for the Company's products in the graphic arts and optical devices businesses declined due to the negative impact of the global recession. In addition, among other negative factors, the significant appreciation of the yen had an adverse effect on consolidated revenue. Of the amount of revenue decline—totaling ¥252.6 billion—¥90.1 billion was attributable to the yen's appreciation.

The effective currency exchange rates for the U.S. dollar and the euro against the yen during the fiscal year under review were ¥93=$1, a ¥8 appreciation compared with the previous fiscal year, and ¥131=1 euro, a ¥14 appreciation.

	Year ended March 31				
	Millions of yen, %				
	2010	2009	2008	2007	2006
Domestic revenue	**¥1,059,395** **48.6**	¥1,134,192 46.6	¥1,259,506 44.2	¥1,303,647 46.9	¥1,329,284 49.8
Overseas revenue	**1,122,298** **51.4**	1,300,152 53.4	1,587,322 55.8	1,478,879 53.1	1,338,211 50.2
The Americas	**354,142** **16.2**	447,677 18.4	557,203 19.6	572,797 20.6	558,702 20.9
Europe	**268,531** **12.3**	350,548 14.4	449,241 15.8	422,965 15.2	375,516 14.1
Asia and Others	**499,625** **22.9**	501,927 20.6	580,878 20.4	483,117 17.3	403,993 15.2
Consolidated total	**¥2,181,693** **100.0**	¥2,434,344 100.0	¥2,846,828 100.0	¥2,782,526 100.0	¥2,667,495 100.0

Domestic and Overseas Revenue

Domestic revenue amounted to ¥1,059.4 billion, down 6.6% year on year, and overseas revenue totaled ¥1,122.3 billion, down 13.7%.

Operating Expenses, Operating (Loss) Income

The Company is resolutely implementing concentrated structural reforms and thoroughly executing measures to reduce costs and expenses throughout the entire Group and in all businesses, without excluding any business fields from the scope of these measures.

SG&A expenses decreased 15.3% year on year to ¥588.1 billion, with the SG&A expense ratio dropping 1.7 percentage points to 26.9%. R&D expenses also decreased 8.4% to ¥175.1 billion.

Operating income before restructuring and other charges amounted to ¥101.6 billion, up 43.6% year on year. Decreased sales due to weakened demand and the negative impact of yen appreciation, which totaled ¥16.3 billion, were offset by the benefits of structural reforms and cost-reduction measures.

The Company is making progress in the implementation of structural reforms as planned. Restructuring and other charges for the fiscal year under review totaled ¥143.7 billion. After accounting for this figure, the Company posted an operating loss after restructuring and other charges totaling ¥42.1 billion.

Loss before Income Taxes, Net Loss Attributable to FUJIFILM Holdings

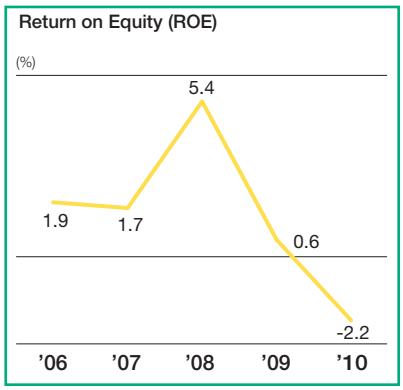
Loss before income taxes totaled ¥42.0 billion, and net loss attributable to FUJIFILM Holdings amounted to ¥38.4 billion.

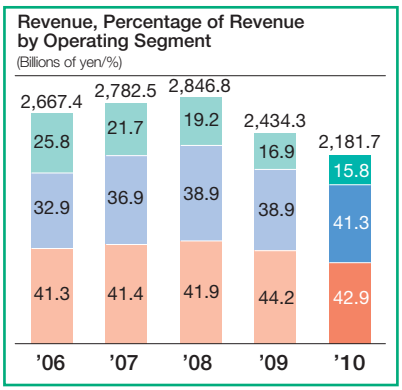
Results by Segment

● Imaging Solutions

In the Imaging Solutions segment, consolidated revenue declined 15.8% year on year to ¥345.5 billion, negatively affected by such factors as declining demand for color films and the appreciation of the yen.

Regarding the color paper business, the Company's sales decreased due to yen appreciation and other factors. However, the Company has been able to expand its market share through marketing-promotion measures such as for Photobook and other high-value-added printing services. In the electronic imaging business, the Company increased the sales volume through the launch of entry-level models in emerging countries and through the release of products and sales expansion of such products based on its unique technologies. In addition, profitability on an operational basis has become positive in the electronic imaging business, owing to the promotion of business structural reforms, including those aimed at reducing procurement costs, the shortening of lead times and the reinforcement of supply chain management (SCM).





Year ended March 31

Due to such factors as the decrease in consolidated segment revenue and the impact of yen appreciation, the Imaging Solutions segment posted an operating loss before restructuring and other charges totaling ¥15.1 billion. The segment also posted an operating loss after restructuring and other charges totaling ¥69.2 billion.

● Information Solutions

In the Information Solutions segment, consolidated revenue edged down 4.8% year on year to ¥900.8 billion, owing to a decrease in sales of the graphic arts and optical devices businesses, which was attributable to the appreciation of the yen and the global recession.

Sales of the medical systems business declined due to such factors as the impact of the global recession and the decline in demand for film products. In the life sciences business, sales of healthcare products—such as the *ASTALIFT* functional cosmetics series and the *Metabarrier* supplement products—surged considerably, reflecting the increasingly high evaluation of those products' technologies and quality as well as the effect of aggressive sales promotion measures. Regarding pharmaceuticals, Toyama Chemical has started the third phase of clinical trials for the *T-705* new anti-influenza agent in Japan. Toyama Chemical is accelerating R&D aimed at quickly launching other promising new drugs.

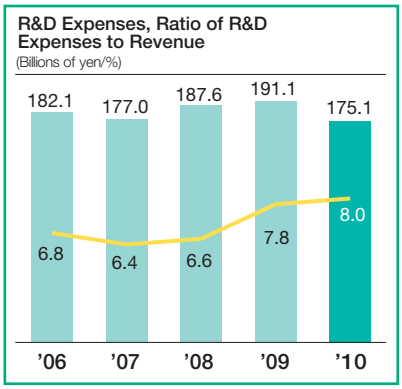
Sales in the graphic arts business declined, reflecting such factors as the reduction in publication volume and the number of newspaper pages. Still, demand is recovering, primarily in China, Brazil, Turkey and certain other emerging countries. In the digital printing business, which is showing rapid growth, the Company recorded strong sales of wide-format UV inkjet systems centered on high-end models. The Company is continuing to strengthen measures aimed at expanding sales in this promising business.

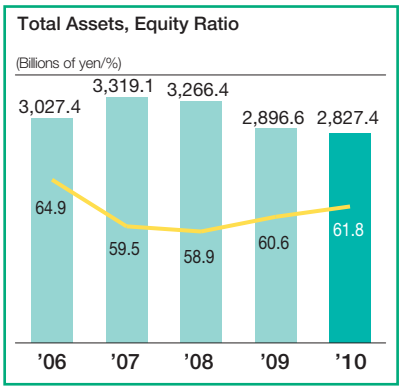
In the FPD materials business, sales of *Wide-View (WV) Films* and *FUJITAC* products have recovered sharply owing to such factors as rising demand for LCD TVs in conjunction with the Chinese government policies for promoting the ownership of household electric products. This and other favorable conditions supported an increase in FPD materials business sales.

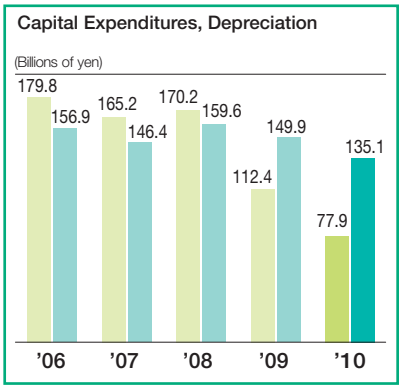
In the office and industry business, although sales of camera phone lens units declined in the optical devices field, demand is gradually recovering.

	Year ended March 31		
	Millions of yen, %		
	2010	2009	2008
Imaging Solutions			
Revenue:			
External customers	**¥345,489**	¥ 410,399	¥ 547,066
Intersegment	**465**	785	874
Total	**345,954**	411,184	547,940
Operating loss	**(69,192)**	(29,310)	(2,394)
Operating margin	**(20.0)%**	(7.1)%	(0.4)%
Information Solutions			
Revenue:			
External customers	**¥900,844**	¥ 946,156	¥1,108,134
Intersegment	**1,605**	1,683	2,136
Total	**902,449**	947,839	1,110,270
Operating (loss) income	**(2,627)**	20,351	127,432
Operating margin	**(0.3)%**	2.1%	11.5%
Document Solutions			
Revenue:			
External customers	**¥935,360**	¥1,077,789	¥1,191,628
Intersegment	**7,187**	8,982	9,274
Total	**942,547**	1,086,771	1,200,902
Operating income	**32,240**	49,677	86,664
Operating margin	**3.4%**	4.6%	7.2%

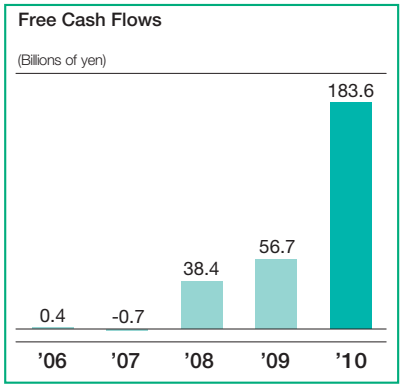
Note: Operating (loss) income in Imaging Solutions, Information Solutions and Document Solutions for the fiscal year ended March 31, 2010 is affected by restructuring and other charges of ¥54,124 million, ¥64,337 million and ¥25,280 million, respectively. The same applies to the fiscal year ended March 31, 2009: ¥7,223 million, ¥8,511 million and ¥17,749 million, respectively.







(Excluding the amount for rental equipment handled by the Document Solutions segment)



(Free cash flows = Net cash provided by operating activities + Net cash used in investing activities)

Year ended March 31

Despite the impact of the yen's appreciation and other negative factors, operating income before restructuring and other charges in the Information Solutions segment jumped 113.8% year on year to ¥61.7 billion, owing to such positive factors as the sharp sales recovery in the FPD materials business. The segment's operating loss after restructuring and other charges amounted to ¥2.6 billion.

● Document Solutions

In the Document Solutions segment, consolidated revenue sank 13.2% year on year to ¥935.4 billion, due to such factors as a decrease in sales attributable to slack demand as well as the impact of yen appreciation.

Regarding the office products business, sales of new products were robust in Japan. On the other hand, sales of consumables and maintenance services declined primarily owing to corporate cost-cutting measures. However, the fourth quarter of the fiscal year under review saw a year-on-year upturn in the number of copies made. In the Asia and Oceania regions, sales in the Chinese market were strong. Turning to exports to U.S.-based Xerox Corporation, although the total volume of shipments decreased, shipments of monochrome models were robust from the beginning of the fourth quarter.

In the office printer business, decreasing demand in Japan has caused a decline in domestic sales volume. In the Asia and Oceania regions, however, strong sales in the Chinese market and other Asian countries supported a considerable rise in sales volume. Concerning exports to Xerox Corporation, while the volume of shipments decreased, demand has been on an upward trend from the third quarter.

In the production services business, sales of color light production systems were robust in Japan. Meanwhile, Fuji Xerox strengthened its product lineup through the launch of new models that help to drive the growth of the production color printing market. Regarding sales in the Asia and Oceania regions and export sales to Xerox Corporation, sales of color light production systems were strong.

Sales of the global services business dropped year on year due to the deterioration of economic conditions and other factors. Nevertheless, sales expanded in the managed print service (MPS) business, which contributes to reductions in the office infrastructure costs of customers. Through cooperation with Xerox Corporation, Fuji Xerox is broadening the scope of service offerings.

Reflecting such factors as the decrease in consolidated revenue, the Document Solutions segment's operating income before restructuring and other charges slid 14.7% year on year to ¥57.5 billion. Operating income after restructuring and other charges totaled ¥32.2 billion, down 35.1% from the previous fiscal year.

R&D Expenses

R&D expenses fell 8.4% year on year to ¥175.1 billion. The ratio of R&D expenses to revenue, however, rose 0.2 of a percentage point to 8.0%. By business segment, R&D expenses in Imaging Solutions totaled ¥13.6 billion, down 5.0%; ¥87.7 billion in Information Solutions, down 8.9%; and ¥73.8 billion in Document Solutions, down 8.2%.

Financial Position Analysis

Assets, Liabilities, and Equity

As of March 31, 2010, total assets amounted to ¥2,827.4 billion, down 2.4% compared with March 31, 2009. While cash and cash equivalents increased as a result of a review of capital investments and other factors, inventories and property, plant and equipment decreased owing to the promotion of structural reforms and other measures aimed at improving asset efficiency. Total liabilities amounted to ¥951.6 billion, down 7.1% year on year, reflecting such factors as a decrease in accrued pension and severance costs. FUJIFILM Holdings shareholders' equity totaled ¥1,746.1 billion, down 0.6% year on year. Accounting for the aforementioned, the current ratio decreased 30.7 percentage points from March 31, 2010 to 213.4%. The debt-equity ratio dropped 3.8 percentage points to 54.5%, while the equity ratio increased 1.2 percentage points to 61.8%. The Company is confident that it is maintaining a stable level of asset liquidity and a sound capital structure.

Capital Expenditures, Depreciation

Capital expenditures significantly decreased 30.7% year on year to ¥77.9 billion as a result of the Company focusing on the very minimum of projects. The largest portions of the Company's investment were used for boosting FPD materials production capacity and for the construction of a new Fuji Xerox R&D site, Fuji Xerox R&D Square. By business segment, capital expenditures amounted to ¥9.1 billion in Imaging Solutions, down 25.9% year on year; ¥28.5 billion in Information Solutions, down 52.2%; and ¥40.3 billion in Document Solutions, down 0.3%.

Total depreciation of property, plant and equipment (excluding rental equipment) decreased ¥14.8 billion year on year to ¥135.1 billion, owing to the Company accelerating depreciation through such means as the impairment of existing facilities and the adoption of a 250% declining-balance method.

Cash Flow Analysis

During the fiscal year under review, net cash provided by operating activities totaled ¥314.8 billion, up ¥105.3 billion year on year, owing to a decrease in inventories and other factors. Net cash used in investing activities amounted to ¥131.2 billion, down ¥21.6 billion, due to a review of capital investments and other factors. Net cash used in financing activities stood at ¥42.6 billion, mainly due to a decrease in borrowings. As a result, cash and cash equivalents as of March 31, 2010 amounted to ¥406.2 billion, up ¥136.1 billion from March 31, 2009.

Basic Policy Regarding Distribution of Profits

In addition to reflecting consolidated performance trends, dividend levels are to be determined based on the consideration of such factors as the level of funds required for capital investment and R&D activities needed to support future business expansion as well as other measures aimed at increasing the Company's corporate value in the future. As a means of supplementing dividends, the Company will also flexibly move to employ surplus cash flow to buy back shares in a manner that contributes to greater capital efficiency.

The Company is currently undertaking intensive structural reforms while implementing M&A and facilities and R&D investments, particularly in the priority business fields that it has defined. In view of this situation, the Company has set the target of a return to shareholders ratio of 25%, which represents the ratio of total cash dividends and share buybacks to net income attributable to FUJIFILM Holdings.

Cash dividends applicable to the fiscal year under review totaled ¥25.00 per share.

Business-Related and Other Risks

The following types of risk have the potential for affecting the Fujifilm Group's financial condition and business performance. Text referring to the future is written from the perspective of the end of the fiscal year under review.

Impact of Economic and Exchange Rate Trends on Performance

Fujifilm provides products and services in diverse markets throughout the world, and the share of consolidated sales accounted for by overseas sales was approximately 51% in the fiscal year under review. There is a possibility that performance will be greatly affected by economic conditions throughout the world and particularly by currency exchange rates.

To reduce the impact of currency exchange rates on performance, Fujifilm undertakes hedging measures, primarily using forward exchange contracts for the U.S. dollar and the euro, but currency exchange fluctuations, depending on their degree, still could have an impact on performance.

Competition in Markets

In the business fields where the Fujifilm Group operates, the intensification of competition with other companies may lead to declines in the selling prices of products, shorter product lifecycles and the emergence of alternative products. These phenomena may negatively impact the Company's sales and, consequently, profit, forcing the Company to increase R&D expenses and revaluate goodwill and other intangible assets it holds. In the future, Fujifilm will continually work to develop products incorporating new technologies and to support the sales of such products with marketing activities, and the success or failure of these activities is expected to have an influence on performance.

Patents and Other Intellectual Property

Fujifilm has diverse patents, know-how, and other intellectual property that enable competitive benefits, but such future events as the expiration of patents and emergence of replacement technologies may make it difficult to maintain competitive superiority.

In the wide range of business fields with which Fujifilm is associated, there are numerous companies with sophisticated and complex technologies, and the landscape regarding these technologies is changing rapidly. Developing Fujifilm's business operations sometimes may require the use of other companies' patents, know-how, and other intellectual property, and when negotiations for the use of such intellectual property are not successful, there is a potential for performance to be affected. In addition, Fujifilm is developing its business while constantly taking care not to infringe on the intellectual property of other companies, but it must be recognized that in reality it is difficult to completely eliminate the risk of becoming involved in litigation. If Fujifilm becomes involved in litigation, not only litigation costs would arise, but also the potential for compensatory payment costs that could have an influence on performance.

Public Regulations

In the regions where Fujifilm is developing its business, diverse government regulations exist that apply to Fujifilm's operations, such as business and investment permits as well as limits and regulations related to imports and exports. Moreover, Fujifilm is subject to commercial, fair trade, patent, consumer protection, tax, foreign exchange administration, environmental, pharmaceutical, and other laws and regulations.

If Fujifilm were not to strictly comply with one of these laws or regulations, it could be subject to fines. Moreover, it is possible that these laws and regulations might be tightened or greatly changed, and in such cases it is impossible to deny the possibility that Fujifilm's activities could be limited or that Fujifilm might have to bear greater costs to attain compliance or respond to the changes, including abolishment. Accordingly, these laws and regulations have the potential to affect Fujifilm's performance.

Manufacturing Operations

As Fujifilm engages in manufacturing operations throughout the world, it is possible that provision of Fujifilm's products could be halted by earthquakes or other natural disasters, the discontinuation of the manufacture of raw materials and components, the bankruptcy of suppliers, terrorist activities, wars, labor strikes, major disease outbreaks, and other factors that cause disorder. It is also possible that a rapid rise in the price of raw materials could affect Fujifilm's performance.

Fujifilm manufactures its products in conformance with rigorous quality control standards, but the possibility of defective products does exist. If Fujifilm were to have to respond to such an event by undertaking product recalls or other actions, Fujifilm's performance may be affected.

Structural Reforms

The Fujifilm Group has reaccelerated its structural reforms from the fiscal year ended March 31, 2010 for more intensive implementation. Through these structural reforms, the Fujifilm Group is promoting comprehensive cost and expense reductions, while pursuing further reductions in fixed costs and assets for optimized Groupwide operations. The Group will continue implementing effective measures to constantly improve its management efficiency in the future. However, the implementation of structural reforms and related measures may cause the Group to incur contingent expenses associated with organizational changes and business and operational reforms, and in such cases, the Group's performance may be affected.

Ten-Year Summary

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			
	2010	2009	2008	2007
Revenue:				
Domestic	**¥1,059,395**	¥1,134,192	¥1,259,506	¥1,303,647
Overseas	**1,122,298**	1,300,152	1,587,322	1,478,879
Total	**¥2,181,693**	¥2,434,344	¥2,846,828	¥2,782,526
Cost of sales	**1,316,835**	1,511,242	1,692,758	1,638,337
Operating expenses:				
Selling, general and administrative	**588,109**	694,740	759,139	760,042
Research and development	**175,120**	191,076	187,589	177,004
Subsidy related to transfer of substitutional portion of employee pension fund liabilities	**—**	—	—	—
Operating income before restructuring and other charges	**101,629**	37,286	207,342	207,143
Restructuring and other charges	**143,741**	—	—	94,081
Operating (loss) income (Note 1)	**(42,112)**	37,286	207,342	113,062
Interest and dividend income	**6,138**	10,012	13,462	11,376
Interest expense	**(4,577)**	(7,037)	(7,380)	(6,351)
(Loss) income before income taxes	**(41,999)**	9,442	199,342	103,264
Net (loss) income attributable to FUJIFILM Holdings (Note 2)	**(38,441)**	10,524	104,431	34,446
Capital expenditures (Note 3)	**¥ 77,913**	¥ 112,402	¥ 170,179	¥ 165,159
Depreciation (Note 3)	**135,103**	149,912	159,572	146,325
Net cash provided by operating activities	**314,826**	209,506	298,110	297,276
Average number of shares outstanding (in thousands)	**488,608**	498,837	508,354	510,621
Total assets	**¥2,827,428**	¥2,896,637	¥3,266,384	¥3,319,102
Long-term debt	**140,269**	253,987	256,213	267,965
Total FUJIFILM Holdings shareholders' equity	**1,746,107**	1,756,313	1,922,353	1,976,508
Number of employees	**74,216**	76,252	78,321	76,358
Per share of common stock (Yen/U.S. dollars)				
Net (loss) income attributable to FUJIFILM Holdings (Note 4)	**¥ (78.67)**	¥ 21.10	¥ 205.43	¥ 67.46
Cash dividends (Note 5)	**25.00**	30.00	35.00	25.00
FUJIFILM Holdings shareholders' equity (Note 6)	**3,573.66**	3,594.52	3,811.19	3,867.04
Stock price at year-end	**3,220**	2,125	3,530	4,820
PBR (Price-to-Book Value Ratio) (Times)	**0.90**	0.59	0.93	1.25
PER (Price-to-Earnings Ratio) (Times)	**—**	100.71	17.18	71.45
ROE (Return on Equity) (%)	**(2.2)**	0.6	5.4	1.7
ROA (Return on Assets) (%)	**(1.3)**	0.3	3.2	1.1

Notes: 1. Operating (loss) income presented in the table above is a operating (loss) income after the recognition of restructuring and other charges.
2. Effective from the fiscal year ended March 31, 2010, net (loss) income is stated as net (loss) income attributable to FUJIFILM Holdings.
3. Figures do not include amounts for rental equipment handled by the Document Solutions segment.
4. The computation of net (loss) income attributable to FUJIFILM Holdings per share is based on the weighted average number of shares of common stock (excluding treasury stock) outstanding for the year.
5. Cash dividends per share represent the amount declared per share for each period.
6. The computation of FUJIFILM Holdings shareholders' equity per share is based on the number of shares (excluding treasury stock) outstanding at the end of each period.
7. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥93=US$1, the exchange rate prevailing on March 31, 2010.
8. At the end of March 2001, Fujifilm acquired an additional 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. In the financial statements for the Fujifilm Group for the year ended March 31, 2001, the balance sheet of Fuji Xerox was consolidated and the consolidated statements of income were accounted for by the equity method, with an ownership interest of 50% as in prior years. From the year ended March 31, 2002, the consolidated statements of income of Fuji Xerox were consolidated in the income statements.

Year ended March 31						
Millions of yen						Thousands of U.S. dollars (Note 7)
2006	2005	2004	2003	2002	2001	**2010**
¥1,329,284	¥1,311,893	¥1,336,015	¥1,330,119	¥1,355,192	¥ 656,059	**$11,391,344**
1,338,211	1,215,481	1,230,710	1,181,802	1,052,325	727,310	**12,067,721**
¥2,667,495	¥2,527,374	¥2,566,725	¥2,511,921	¥2,407,517	¥1,383,369	**$23,459,065**
1,593,804	1,510,681	1,503,843	1,474,551	1,403,571	803,460	**14,159,517**
735,058	767,363	704,659	765,987	684,370	351,033	**6,323,752**
182,154	168,017	173,323	159,119	146,881	79,144	**1,883,011**
—	(83,129)	—	(52,136)	—	—	**—**
156,479	164,442	184,900	164,400	172,695	149,732	**1,092,785**
86,043	—	—	—	—	—	**1,545,602**
70,436	164,442	184,900	164,400	172,695	149,732	**(452,817)**
8,133	6,080	4,246	3,909	5,577	8,180	**66,000**
(3,886)	(4,668)	(5,459)	(6,674)	(9,289)	(11,093)	**(49,215)**
79,615	162,346	164,948	120,513	159,549	199,661	**(451,602)**
37,016	84,500	82,317	48,579	81,331	117,900	**(413,344)**
¥ 179,808	¥ 157,420	¥ 160,740	¥ 127,319	¥ 155,525	¥ 118,786	**$ 837,774**
156,928	130,360	124,634	126,695	121,777	82,063	**1,452,720**
272,558	219,361	327,358	303,500	248,185	140,454	**3,385,226**
509,525	512,801	513,252	514,011	514,583	514,603	
¥3,027,491	¥2,983,457	¥3,023,509	¥2,958,317	¥2,946,362	¥2,830,313	**$30,402,452**
74,329	96,040	116,823	124,404	137,446	81,246	**1,508,269**
1,963,497	1,849,102	1,749,882	1,680,611	1,698,063	1,624,856	**18,775,344**
75,845	75,638	73,164	72,633	72,569	70,722	
¥ 72.65	¥ 164.78	¥ 160.38	¥ 94.51	¥ 158.05	¥ 229.11	**$ (0.85)**
25.00	25.00	25.00	25.00	25.00	22.50	**0.27**
3,848.32	3,630.67	3,409.80	3,274.17	3,300.45	3,157.55	**38.43**
3,930	3,920	3,310	3,640	4,170	4,640	**34.62**
1.02	1.08	0.97	1.11	1.26	1.47	
54.09	23.79	20.64	38.51	26.38	20.25	
1.9	4.7	4.8	2.9	4.9	7.4	
1.2	2.8	2.8	1.6	2.8	4.7	

Consolidated Balance Sheets

FUJIFILM Holdings Corporation and Subsidiaries

	March 31		
	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2010**	2009	**2010**
Current assets:			
Cash and cash equivalents (Note 18)	**¥ 406,177**	¥ 270,094	**$ 4,367,495**
Marketable securities (Notes 4 and 18)	**61,362**	29,224	**659,806**
Notes and accounts receivable (Note 5):			
Trade and finance	**479,972**	468,836	**5,160,989**
Affiliated companies (Note 7)	**32,668**	20,484	**351,269**
Allowance for doubtful receivables	**(17,615)**	(16,803)	**(189,408)**
Inventories (Note 6)	**303,120**	368,250	**3,259,355**
Deferred income taxes (Note 11)	**91,823**	85,677	**987,344**
Prepaid expenses and other (Notes 17 and 18)	**53,042**	76,937	**570,344**
Total current assets	**1,410,549**	1,302,699	**15,167,194**
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 7)	**42,748**	49,657	**459,656**
Investment securities (Notes 4 and 18)	**146,734**	133,208	**1,577,785**
Long-term finance and other receivables (Notes 5, 17 and 18)	**109,588**	105,514	**1,178,366**
Allowance for doubtful receivables	**(5,113)**	(4,461)	**(54,979)**
Total investments and long-term receivables	**293,957**	283,918	**3,160,828**
Property, plant and equipment (Notes 9, 18, 19 and 20)**:**			
Land	**98,788**	97,231	**1,062,237**
Buildings	**686,171**	664,991	**7,378,183**
Machinery and equipment	**1,571,790**	1,661,918	**16,900,968**
Construction in progress	**15,020**	55,354	**161,504**
	2,371,769	2,479,494	**25,502,892**
Less accumulated depreciation	**(1,770,108)**	(1,781,488)	**(19,033,419)**
Net property, plant and equipment	**601,661**	698,006	**6,469,473**
Other assets:			
Goodwill, net (Notes 8 and 19)	**325,859**	328,958	**3,503,860**
Other intangible assets, net (Notes 8, 18, 19 and 20)	**45,195**	74,286	**485,968**
Deferred income taxes (Note 11)	**88,411**	125,979	**950,656**
Other (Notes 10 and 18)	**61,796**	82,791	**664,473**
Total other assets	**521,261**	612,014	**5,604,957**
Total assets	**¥ 2,827,428**	¥ 2,896,637	**$ 30,402,452**

U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥93=U.S.$1.00, the exchange rate prevailing on March 31, 2010.

Liabilities and equity	March 31 Millions of yen 2010	2009	Thousands of U.S. dollars (Note 3) 2010
Current liabilities:			
Short-term debt (Note 9)	**¥ 155,379**	¥ 67,559	**$ 1,670,742**
Notes and accounts payable:			
Trade	**228,882**	197,029	**2,461,097**
Construction	**29,039**	21,130	**312,247**
Affiliated companies (Note 7)	**3,631**	3,385	**39,043**
Accrued income taxes (Note 11)	**9,438**	9,435	**101,484**
Accrued liabilities (Notes 10 and 20)	**174,981**	174,172	**1,881,516**
Other current liabilities (Notes 11, 17 and 18)	**59,631**	60,860	**641,194**
Total current liabilities	**660,981**	533,570	**7,107,323**
Long-term debt (Notes 9 and 17)	**140,269**	253,987	**1,508,269**
Accrued pension and severance costs (Note 10)	**78,253**	157,277	**841,430**
Deferred income taxes (Note 11)	**26,911**	32,823	**289,366**
Customers' guarantee deposits and other (Notes 7, 17 and 18)	**45,185**	46,759	**485,860**
Total liabilities	**951,599**	1,024,416	**10,232,248**
Commitments and contingent liabilities (Note 14)			
Equity:			
FUJIFILM Holdings shareholders' equity (Note 12):			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	**40,363**	40,363	**434,011**
Additional paid-in capital (Note 16)	**70,283**	69,739	**755,731**
Retained earnings	**1,868,362**	1,919,019	**20,089,914**
Accumulated other comprehensive income (loss) (Notes 10, 13 and 17)	**(150,288)**	(190,205)	**(1,616,000)**
Treasury stock, at cost (26,021,558 shares in 2010; 26,017,005 shares in 2009)	**(82,613)**	(82,603)	**(888,312)**
Total FUJIFILM Holdings shareholders' equity	**1,746,107**	1,756,313	**18,775,344**
Noncontrolling interests	**129,722**	115,908	**1,394,860**
Total equity	**1,875,829**	1,872,221	**20,170,204**
Total liabilities and equity	**¥2,827,428**	¥2,896,637	**$30,402,452**

See notes to consolidated financial statements.

Consolidated Statements of Operations

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars (Note 3)
	2010	2009	2008	**2010**
Revenue:				
Sales	**¥1,842,321**	¥2,059,385	¥2,450,256	**$19,809,903**
Rentals	**339,372**	374,959	396,572	**3,649,162**
	2,181,693	2,434,344	2,846,828	**23,459,065**
Cost of sales:				
Sales	**1,169,857**	1,356,273	1,532,596	**12,579,108**
Rentals	**146,978**	154,969	160,162	**1,580,409**
	1,316,835	1,511,242	1,692,758	**14,159,517**
Gross profit	**864,858**	923,102	1,154,070	**9,299,548**
Operating expenses:				
Selling, general and administrative (Note 16)	**588,109**	694,740	759,139	**6,323,752**
Research and development	**175,120**	191,076	187,589	**1,883,011**
	763,229	885,816	946,728	**8,206,763**
Operating income before restructuring and other charges (Note 20)	**101,629**	37,286	207,342	**1,092,785**
Restructuring and other charges (Note 20)	**143,741**	—	—	**1,545,602**
Operating (loss) income	**(42,112)**	37,286	207,342	**(452,817)**
Other income (expenses):				
Interest and dividend income	**6,138**	10,012	13,462	**66,000**
Interest expense	**(4,577)**	(7,037)	(7,380)	**(49,215)**
Foreign exchange losses, net (Note 17)	**(3,463)**	(22,516)	(14,640)	**(37,237)**
Impairment of investment securities (Note 4)	**(1,111)**	(6,878)	(864)	**(11,946)**
Other, net (Note 17)	**3,126**	(1,425)	1,422	**33,613**
	113	(27,844)	(8,000)	**1,215**
(Loss) income before income taxes	**(41,999)**	9,442	199,342	**(451,602)**
Income taxes (benefit) expense (Note 11)**:**				
Current	**16,754**	27,393	73,322	**180,151**
Deferred	**(21,800)**	(29,977)	8,821	**(234,409)**
	(5,046)	(2,584)	82,143	**(54,258)**
Equity in net earnings of affiliated companies	**542**	2,989	2,706	**5,828**
Net (loss) income	**(36,411)**	15,015	119,905	**(391,516)**
Less: Net income attributable to noncontrolling interests	**(2,030)**	(4,491)	(15,474)	**(21,828)**
Net (loss) income attributable to FUJIFILM Holdings	**¥ (38,441)**	¥ 10,524	¥ 104,431	**$ (413,344)**

	Yen			U.S. dollars (Note 3)
Amounts per share of common stock:				
Net (loss) income attributable to FUJIFILM Holdings (Note 15):				
Basic	**¥ (78.67)**	¥ 21.10	¥ 205.43	**$ (0.85)**
Diluted	**(78.67)**	21.09	193.56	**(0.85)**
Cash dividends declared	**25.00**	30.00	35.00	**0.27**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

FUJIFILM Holdings Corporation and Subsidiaries

	Millions of yen							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	FUJIFILM Holdings shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2007	¥40,363	¥68,412	¥1,840,168	¥ 40,950	¥(13,385)	¥1,976,508	¥112,028	¥2,088,536
Cumulative effect adjustment to initially apply the accounting for sabbatical leave, net of tax	—	—	(3,394)	—	—	(3,394)	(723)	(4,117)
Comprehensive income (loss):								
Net income	—	—	104,431	—	—	104,431	15,474	119,905
Net unrealized gains (losses) on securities (Note 13)	—	—	—	(28,059)	—	(28,059)	(158)	(28,217)
Foreign currency translation adjustments (Note 13)	—	—	—	(57,003)	—	(57,003)	(4,550)	(61,553)
Pension liability adjustments (Note 13)	—	—	—	(18,944)	—	(18,944)	(2,305)	(21,249)
Net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(115)	—	(115)	(39)	(154)
Net comprehensive income						310	8,422	8,732
Purchases of stock for treasury	—	—	—	—	(34,232)	(34,232)	—	(34,232)
Sales of stock from treasury	—	1	—	—	17	18	—	18
Dividends paid to FUJIFILM Holdings shareholders	—	—	(17,773)	—	—	(17,773)	—	(17,773)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(4,658)	(4,658)
Issuance of stock acquisition rights (Note 16)	—	916	—	—	—	916	—	916
Equity transactions and other	—	—	—	—	—	—	13,923	13,923
Balance at March 31, 2008	40,363	69,329	1,923,432	(63,171)	(47,600)	1,922,353	128,992	2,051,345
Comprehensive income (loss):								
Net income	—	—	10,524	—	—	10,524	4,491	15,015
Net unrealized gains (losses) on securities (Note 13)	—	—	—	(25,453)	—	(25,453)	(607)	(26,060)
Foreign currency translation adjustments (Note 13)	—	—	—	(64,913)	—	(64,913)	(5,323)	(70,236)
Pension liability adjustments (Note 13)	—	—	—	(36,791)	—	(36,791)	(5,812)	(42,603)
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	123	—	123	49	172
Net comprehensive loss						(116,510)	(7,202)	(123,712)
Purchases of stock for treasury	—	—	—	—	(35,051)	(35,051)	—	(35,051)
Sales of stock from treasury	—	—	(2)	—	48	46	—	46
Dividends paid to FUJIFILM Holdings shareholders	—	—	(14,935)	—	—	(14,935)	—	(14,935)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(6,098)	(6,098)
Issuance of stock acquisition rights (Note 16)	—	410	—	—	—	410	—	410
Equity transactions and other	—	—	—	—	—	—	216	216
Balance at March 31, 2009	40,363	69,739	1,919,019	(190,205)	(82,603)	1,756,313	115,908	1,872,221
Comprehensive income (loss):								
Net income (loss)	**—**	**—**	**(38,441)**	**—**	**—**	**(38,441)**	**2,030**	**(36,411)**
Net unrealized gains (losses) on securities (Note 13)	**—**	**—**	**—**	**17,631**	**—**	**17,631**	**164**	**17,795**
Foreign currency translation adjustments (Note 13)	**—**	**—**	**—**	**(8,339)**	**—**	**(8,339)**	**1,734**	**(6,605)**
Pension liability adjustments (Note 13)	**—**	**—**	**—**	**30,509**	**—**	**30,509**	**5,031**	**35,540**
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	**—**	**—**	**—**	**116**	**—**	**116**	**39**	**155**
Net comprehensive income						**1,476**	**8,998**	**10,474**
Purchases of stock for treasury	**—**	**—**	**—**	**—**	**(25)**	**(25)**	**—**	**(25)**
Sales of stock from treasury	**—**	**7**	**—**	**—**	**15**	**22**	**—**	**22**
Dividends paid to FUJIFILM Holdings shareholders	**—**	**—**	**(12,216)**	**—**	**—**	**(12,216)**	**—**	**(12,216)**
Dividends paid to noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(1,279)**	**(1,279)**
Issuance of stock acquisition rights (Note 16)	**—**	**537**	**—**	**—**	**—**	**537**	**—**	**537**
Equity transactions and other	**—**	**—**	**—**	**—**	**—**	**—**	**6,095**	**6,095**
Balance at March 31, 2010	**¥40,363**	**¥70,283**	**¥1,868,362**	**¥(150,288)**	**¥(82,613)**	**¥1,746,107**	**¥129,722**	**¥1,875,829**

	Thousands of U.S. dollars (Note 3)							
Balance at March 31, 2009	$434,011	$749,882	$20,634,613	$(2,045,215)	$(888,204)	$18,885,087	$1,246,323	$20,131,410
Comprehensive income (loss):								
Net income (loss)	**—**	**—**	**(413,344)**	**—**	**—**	**(413,344)**	**21,828**	**(391,516)**
Net unrealized gains (losses) on securities (Note 13)	**—**	**—**	**—**	**189,581**	**—**	**189,581**	**1,763**	**191,344**
Foreign currency translation adjustments (Note 13)	**—**	**—**	**—**	**(89,667)**	**—**	**(89,667)**	**18,645**	**(71,022)**
Pension liability adjustments (Note 13)	**—**	**—**	**—**	**328,054**	**—**	**328,054**	**54,097**	**382,151**
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	**—**	**—**	**—**	**1,247**	**—**	**1,247**	**419**	**1,666**
Net comprehensive income						**15,871**	**96,752**	**112,623**
Purchases of stock for treasury	**—**	**—**	**—**	**—**	**(269)**	**(269)**	**—**	**(269)**
Sales of stock from treasury	**—**	**75**	**—**	**—**	**161**	**236**	**—**	**236**
Dividends paid to FUJIFILM Holdings shareholders	**—**	**—**	**(131,355)**	**—**	**—**	**(131,355)**	**—**	**(131,355)**
Dividends paid to noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(13,753)**	**(13,753)**
Issuance of stock acquisition rights (Note 16)	**—**	**5,774**	**—**	**—**	**—**	**5,774**	**—**	**5,774**
Equity transactions and other	**—**	**—**	**—**	**—**	**—**	**—**	**65,538**	**65,538**
Balance at March 31, 2010	**$434,011**	**$755,731**	**$20,089,914**	**$(1,616,000)**	**$(888,312)**	**$18,775,344**	**$1,394,860**	**$20,170,204**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars (Note 3)
	2010	2009	2008	**2010**
Operating activities				
Net (loss) income	**¥ (36,411)**	¥ 15,015	¥ 119,905	**$ (391,516)**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**195,083**	212,565	226,753	**2,097,667**
Impairment losses for long-lived assets (Notes 18 and 20)	**66,249**	6,916	6,910	**712,355**
Impairment of investment securities	**1,111**	6,878	864	**11,946**
Deferred income taxes	**(21,800)**	(29,977)	8,821	**(234,409)**
Equity in net earnings of affiliated companies, less dividends received	**833**	(694)	95	**8,957**
Changes in operating assets and liabilities:				
Notes and accounts receivable	**(22,299)**	91,928	(12,990)	**(239,774)**
Inventories	**68,771**	32,335	(30,479)	**739,473**
Other current assets	**18,338**	(7,573)	3,980	**197,183**
Notes and accounts payable – trade	**31,836**	(77,089)	10,169	**342,323**
Accrued income taxes and other liabilities	**(17,995)**	(59,136)	(52,001)	**(193,495)**
Other	**31,110**	18,338	16,083	**334,516**
Net cash provided by operating activities	**314,826**	209,506	298,110	**3,385,226**
Investing activities				
Purchases of property, plant and equipment	**(76,848)**	(155,866)	(166,136)	**(826,323)**
Purchases of software	**(16,185)**	(21,615)	(20,714)	**(174,032)**
Proceeds from sales and maturities of marketable and investment securities and other investments	**41,639**	52,752	141,615	**447,731**
Purchases of marketable and investment securities and other investments	**(58,250)**	(17,639)	(47,303)	**(626,344)**
Decrease (increase) in investments in and advances to affiliated companies and other advances, net	**8,067**	9,889	(41,039)	**86,742**
Acquisitions of businesses and noncontrolling interests, net of cash acquired (Note 19)	**(358)**	(6,635)	(98,973)	**(3,849)**
Other	**(29,269)**	(13,667)	(27,165)	**(314,721)**
Net cash used in investing activities	**(131,204)**	(152,781)	(259,715)	**(1,410,796)**
Financing activities				
Proceeds from long-term debt	**769**	7,237	2,602	**8,269**
Repayments of long-term debt	**(3,375)**	(39,773)	(10,124)	**(36,290)**
Decrease in short-term debt, net	**(26,485)**	(10,845)	(10,579)	**(284,785)**
Cash dividends paid	**(12,216)**	(17,655)	(15,335)	**(131,355)**
Subsidiaries' cash dividends paid to noncontrolling interests	**(1,279)**	(6,098)	(4,658)	**(13,753)**
Net purchases of stock for treasury	**(23)**	(35,005)	(34,214)	**(247)**
Net cash used in financing activities	**(42,609)**	(102,139)	(72,308)	**(458,161)**
Effect of exchange rate changes on cash and cash equivalents	**(4,930)**	(15,418)	(19,880)	**(53,011)**
Net increase (decrease) in cash and cash equivalents	**136,083**	(60,832)	(53,793)	**1,463,258**
Cash and cash equivalents at beginning of year	**270,094**	330,926	384,719	**2,904,237**
Cash and cash equivalents at end of year	**¥ 406,177**	¥ 270,094	¥ 330,926	**$ 4,367,495**
Supplemental disclosures of cash flow information				
Cash paid for interest	**¥ 4,822**	¥ 8,011	¥ 8,514	**$ 51,849**
Cash (recovered) paid for income taxes	**(2,329)**	70,264	70,913	**(25,043)**

See notes to consolidated financial statements.

1 Nature of Operations

FUJIFILM Holdings Corporation (the "Company") is engaged in imaging, information and document solutions. "Imaging Solutions" develops, manufactures, markets and services color films, digital cameras, photofinishing equipment, color paper, chemicals and related products. "Information Solutions" develops, manufactures, markets and services equipment and materials for medical systems and life sciences, equipment and materials for graphic arts, flat panel display materials, recording media, optical devices, electronic materials, inkjet materials and related products. "Document Solutions" develops, manufactures, markets and services office copy machines/multifunction devices, printers, production systems and services, paper, consumables, office services and other related products. The Company and its subsidiaries operate throughout the world, generating approximately 51% of its worldwide revenue outside Japan, predominantly in North America, Europe and Asia. The Company's principal manufacturing operations are located in Japan, the United States of America, Brazil, the Netherlands, Singapore and China.

2 Summary of Significant Accounting Policies

The Company and its domestic subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The Company's foreign subsidiaries maintain their records and prepare their financial statements in conformity with the conventions of their countries of domicile. Certain reclassifications and adjustments have been incorporated in the accompanying consolidated financial statements to conform them to accounting principles generally accepted in the United States of America. These adjustments have not been recorded in the Company's or subsidiaries' statutory books of account.

Significant accounting policies, after reflecting the adjustments referred to above, are summarized as follows:

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

The Company recognized a gain of ¥1,271 million ($13,667 thousand) for the year ended March 31, 2010 due to the changes in the Company's ownership interests in a certain subsidiary in the former subsidiary that resulted in a loss of control. Such gain is included in "Other, net" in the accompanying consolidated statements of operations. The gain resulting from the remeasurement of retained equity investment to its fair value was insignificant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the valuation of trade receivables, inventories, marketable and investment securities and deferred income tax assets; the valuation (including impairment) and determination of useful lives and depreciation or amortization method for property, plant and equipment and intangible assets; and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

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 in effect at the balance sheet date and income and expenses are translated using average exchange rates prevailing during the year. Adjustments resulting from this translation process are accumulated in other comprehensive income (loss), a separate component of equity.

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 operations.

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 classified as available-for-sale securities are included in cash and cash equivalents in the consolidated balance sheets. Aggregate fair values of these securities were ¥148,423 million ($1,595,946 thousand) and ¥49,462 million at March 31, 2010 and 2009, respectively.

Marketable Securities and Investment Securities

The Company has designated its marketable securities and investment securities as available-for-sale, which are carried at their fair value with changes in unrealized gains or losses reported in other comprehensive income (loss), net of applicable taxes.

The Company records an impairment charge in earnings when a decline in the value of a marketable equity security is deemed to be other-than-temporary. The Company separates an impairment charge 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 recognized in other comprehensive income (loss). In determining whether such a decline of equity securities is other-than-temporary, the Company evaluates various factors including the length of time, the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the investee as well as the Company's intent and ability to retain the investment for a period of time sufficient to allow any expected recovery in fair value. In determining whether such a 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 securities sold is based on the moving-average-cost method. Dividends on available-for-sale securities are included in "Interest and dividend income" in the accompanying consolidated statements of operations.

Allowance for Doubtful Receivables

Allowances for doubtful trade, finance and other receivables are determined based on a combination of historical experience, aging analysis and any specific factors affecting customer accounts.

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 is carried at cost. Depreciation is computed primarily using the declining-balance method and, for certain foreign subsidiaries, using the straight-line method.

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

Machinery and equipment includes machines rented to customers under operating leases with a cost and accumulated depreciation of ¥92,628 million ($996,000 thousand) and ¥56,438 million ($606,860 thousand) as of March 31, 2010 and ¥94,585 million and ¥68,568 million as of March 31, 2009, respectively.

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 Accounting Standards Codification™ Topic No. 350 ("ASC 350"), goodwill and other indefinite lived intangible assets are tested annually, as of January 1, 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, an interim test for goodwill impairment would be performed if events occur or circumstances indicate that the carrying value 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 capitalized 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 the third party 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. Total capitalized software costs and accumulated amortization amounted to ¥168,935 million ($1,816,505 thousand) and ¥116,041 million ($1,247,753 thousand), respectively, as of March 31, 2010 and ¥177,365 million and ¥105,204 million, respectively, as of March 31, 2009. Capitalized software costs to be sold and accumulated amortization, included in the above, amounted to ¥31,486 million ($338,559 thousand) and ¥23,802 million ($255,935 thousand), respectively, as of March 31, 2010 and ¥31,172 million and ¥22,679 million, respectively, as of March 31, 2009. Capitalized software costs are included in other assets.

Impairment of Long-lived Assets

The Company reviews long-lived assets, excluding goodwill and other indefinite lived intangible asset, for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets would be compared to the assets' carrying amount to determine if a writedown is required. If this evaluation indicates that the assets will not be recoverable, the carrying value 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 evaluated at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the products or services have been provided to customers, the sales price is fixed or determinable, and collectibility is reasonably assured. The above conditions are generally met when the title and risk of loss transfer from the Company to customers.

Revenue from consumer products and industrial products such as medical and graphic products is recognized when goods are delivered or shipped to customers, depending on the timing of title and risk transfer. Revenue from certain equipment which requires customer acceptance such as certain type of medical, graphic, office and other equipment is recognized when equipment is installed and customer acceptance is obtained. Service revenue is derived mainly from maintenance on equipment sold to customers and is recognized as services are performed. Revenue from sales-type leases is derived mainly from office copy machines and office printers and is recognized at the inception of leases. Interest income on sales-type leases is recognized using the effective interest method with the allocation based on the net investment in outstanding leases and is included in revenue. Revenue from operating leases is recognized as earned over the respective lease terms.

For arrangements with multiple elements including products, equipment or services, the Company allocates revenue to each element based on its relative fair value if such element meets the criteria for treatment as a separate unit of accounting as prescribed in ASC 605-25. Otherwise, revenue is deferred until the undelivered elements are fulfilled.

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 in accordance with ASC 605-50. Such costs include the estimated cost of promotional discount, dealer price protection, dealer volume rebates and cash discounts. These costs are mainly based on claims from customers/dealers or amount calculated in accordance with agreements.

Product Warranties

The Company provides product warranties for certain of its products. These warranties generally extend for periods of one year from the date of sale. A liability for expected warranty costs and additional service actions 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 of ¥47,488 million ($510,624 thousand), ¥57,208 million and ¥68,496 million for the years ended March 31, 2010, 2009 and 2008, respectively, are included in selling, general and administrative expenses in the consolidated statements of operations.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥19,560 million ($210,323 thousand), ¥24,096 million and ¥27,492 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Income Taxes

Income taxes have been provided using the 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.

Consumption Taxes

Revenues, costs and expenses on the consolidated statements of operations 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 income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income (loss), net of deferred taxes. Changes in fair values of derivatives, which are not designated or qualified as hedges, are reported in earnings, immediately.

Net (Loss) income attributable to FUJIFILM Holdings per Share

The amounts of basic net (loss) income attributable to FUJIFILM Holdings per share are based on the weighted average number of shares of common stock outstanding during the year.

Diluted net (loss) income attributable to FUJIFILM Holdings per share reflects the potential dilution and has been computed on the basis that all conversion rights of the Euroyen convertible bonds and stock options which have a dilutive effect were exercised and outstanding.

Conversion rights of the Euroyen convertible bonds for 53,118,028 shares and 45,506,558 shares of common stock were outstanding as of March 31, 2010 and 2009, respectively, and certain stock options to purchase 996,700 and 353,200 shares of common stock were outstanding, as of March 31, 2010 and 2009, respectively, all of which were not included in the computation of diluted earnings per share since the effect would be anti-dilutive.

Stock-Based Compensation

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

Subsequent Event

The company evaluated all subsequent events through June 29, 2010, the date on which the financial statements are available to be issued in accordance with ASC 855.

Reclassifications

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

New Accounting Standards

In June 2009, FASB issued SFAS No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 establishes the FASB Accounting Standards Codification, or "the Codification," as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities. The Codification reorganizes existing U.S. accounting standards, and supersedes all existing U.S. accounting standards. SFAS 168 was codified in ASC 105, which was effective for interim and fiscal years ending after September 15, 2009 and was adopted by the Company in the second quarter of the fiscal year beginning April 1, 2009. The adoption of ASC 105 did not have a material impact on the results of operations and the financial condition of the Company.

In December 2007, FASB amended SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS No. 141 (revised) was codified in ASC 805, which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and goodwill acquired. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. ASC 805 was effective prospectively to business combinations for which the acquisition date was on or after the beginning of the first fiscal year beginning on or after December 15, 2008 and was adopted by the Company in the year beginning April 1, 2009. The adoption of ASC 805 did not have a material impact on the results of operations and the financial condition of the Company.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 was codified in ASC 810, which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to noncontrolling interests, changes in the parent's ownership interests, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. ASC 810 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the noncontrolling interests. ASC 810 was effective for fiscal years beginning after December 15, 2008 and was adopted by the Company in the year beginning April 1, 2009. As a result of the adoption of ASC 810, noncontrolling interests, which were previously referred to as minority interests in subsidiaries and classified between liabilities and shareholders' equity on the consolidated balance sheets, are now presented as a separate component of equity. In addition, ASC 810 changes the definition of net income (loss) to include net income (loss) attributable to noncontrolling interests and changes the presentation of the consolidated statements of operations and the consolidated statements of cash flows. Further, the consolidated financial statements of the prior years have also been reclassified. The adoption of ASC 810 did not have a material impact on the results of operations and the financial condition of the Company.

In April 2009, FASB issued FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4"). FSP FAS 157-4 was codified in ASC 820, which affirms that even when the volume and level of activity for the asset or liability have significantly decreased, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, discusses valuation techniques used in such situation and clarifies additional factors to identify transactions that are not orderly. ASC 820 also requires additional disclosures about fair value measurements for annual and interim financial statements. ASC 820 was effective for interim and fiscal years ending after June 15, 2009 and was adopted by the Company in the year beginning April 1, 2009. The adoption of ASC 820 did not have a material impact on the results of operations and the financial condition of the Company.

In April 2009, FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP FAS 115-2 and FAS 124-2"). FSP FAS 115-2 and FAS 124-2 were codified in ASC 320, which amends the requirements for the recognition and measurement of other-than-temporary impairments for debt securities. ASC 320 also amends presentation of financial statements and requires additional disclosures, which include disclosures in interim financial statements. ASC 320 was effective for interim and fiscal years ending after

June 15, 2009 and was adopted by the Company in the year beginning April 1, 2009. The adoption of ASC 320 did not have a material impact on the results of operations and the financial condition of the Company.

In May 2009, FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"). SFAS 165 was codified in ASC 855 and amended by Accounting Standards Update ("ASU") No. 2010-09, ("ASU 2010-09") on February 24, 2010. Amended ASC 855 provides general accounting and disclosure standards for events and transactions that occur after the balance sheet date but before financial statements are available to be issued. Amended ASC 855 was effective immediately after the issuance date of ASU 2010-09, and was adopted by the Company in the year beginning April 1, 2009. The Company discloses the date through which subsequent events and transactions were evaluated. The adoption of amended ASC 855 did not have a material impact on the results of operations and the financial condition of the Company.

In August 2009, FASB issued ASU No. 2009-05, "Measuring Liabilities at Fair Value" ("ASU 2009-05"). ASU 2009-05 provides amendments to ASC 820 and provides types of techniques used in circumstances in which a quoted price in an active market for the identical liability is not available. ASU 2009-05 clarifies that when estimating the fair value of a liability, a reporting entity is not required to include an adjustment to separate inputs or other inputs relating to the existence of restriction that prevents the transfer of the liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. ASU 2009-05 was effective for the first reporting period (including interim periods) beginning after the issuance date of ASU 2009-05 and was adopted by the Company in the third quarter of the fiscal year beginning April 1, 2009. The adoption of ASU 2009-05 did not have a material impact on the results of operations and the financial condition of the Company.

In October 2009, FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements" ("ASU 2009-13"). ASU 2009-13 provides amendments to ASC 605-25 and eliminates the existing requirement that a vendor should use vendor-specific objective evidence or third-party evidence of selling price to separate deliverables in a multiple-deliverable arrangement. ASU 2009-13 modifies the method to allocate revenue to delivered elements and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The selling price used for each deliverable will be based on the estimated selling price alternatively if neither vendor-specific objective evidence nor third-party evidence is available. Additionally, ASU 2009-13 expands the disclosure requirements related to a vendor's multiple-deliverable revenue arrangements. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Company in the year beginning April 1, 2011. Early adoption is permitted. The Company is evaluating the impact that the adoption of ASU 2009-13 will have on the results of operations and the financial condition of the Company.

In October 2009, FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements" ("ASU 2009-14"). ASU 2009-14 provides amendments to ASC 985-605 and changes the accounting model for revenue arrangements that include both tangible products and software elements. Tangible products containing software components and nonsoftware components that function together to deliver the tangible product's essential functionality are no longer within the scope of the software revenue guidance in ASC 985-605. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Company in the year beginning April 1, 2011. Early adoption is permitted. The Company is evaluating the impact that the adoption of ASU 2009-14 will have on the results of operations and the financial condition of the Company.

3 U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2010 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥93 = U.S.$1.00, the exchange rate prevailing on March 31, 2010. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at this or any other rate.

4 Investments in Debt and Equity Securities

The cost, gross unrealized gains, gross unrealized losses and estimated fair value of the available-for-sale securities by major security type at March 31, 2010 and 2009 are summarized as follows; Certain debt securities with original maturities of three months or less classified as available-for-sale securities are included in cash and cash equivalents in the consolidated balance sheets and gross unrealized gains and gross unrealized losses for those securities were insignificant as of March 31, 2010 and 2009.

	Millions of yen			
	2010			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Government debt securities	**¥ 45,125**	**¥ 20**	**¥ 3**	**¥ 45,142**
Corporate debt securities	**16,199**	**24**	**3**	**16,220**
	¥ 61,324	**¥ 44**	**¥ 6**	**¥ 61,362**
Investment securities:				
Government debt securities	**¥ 11,410**	**¥ 213**	**¥ —**	**¥ 11,623**
Corporate debt securities	**10,813**	**244**	**51**	**11,006**
Stocks	**66,822**	**28,399**	**2,726**	**92,495**
Public traded funds	**21,489**	**—**	**3,558**	**17,931**
	¥110,534	**¥28,856**	**¥ 6,335**	**¥133,055**

	Millions of yen			
	2009			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	¥ 29,610	¥ —	¥ 386	¥ 29,224
	¥ 29,610	¥ —	¥ 386	¥ 29,224
Investment securities:				
Government debt securities	¥ 6,852	¥ 186	¥ —	¥ 7,038
Corporate debt securities	32,670	52	1,004	31,718
Stocks	68,332	15,464	15,242	68,554
Public traded funds	18,134	—	6,278	11,856
	¥125,988	¥15,702	¥22,524	¥119,166

	Thousands of U.S. dollars			
	2010			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Government debt securities	**$ 485,215**	**$ 215**	**$ 33**	**$ 485,397**
Corporate debt securities	**174,183**	**258**	**32**	**174,409**
	$ 659,398	**$ 473**	**$ 65**	**$ 659,806**
Investment securities:				
Government debt securities	**$ 122,688**	**$ 2,290**	**$ —**	**$ 124,978**
Corporate debt securities	**116,269**	**2,624**	**548**	**118,345**
Stocks	**718,516**	**305,366**	**29,312**	**994,570**
Public traded funds	**231,065**	**—**	**38,258**	**192,807**
	$1,188,538	**$310,280**	**$68,118**	**$1,430,700**

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses on sales of available-for-sale securities for the year ended March 31, 2010 were ¥1,661 million ($17,860 thousand), ¥1,146 million ($12,323 thousand) and ¥75 million ($806 thousand), respectively. Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses on sales of available-for-sale securities for the year ended March 31, 2009 were ¥16,671 million, ¥869 million and ¥1,539 million, respectively. Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses on sales of available-for-sale securities for the year ended March 31, 2008 were ¥81,792 million, ¥1,901 million and ¥1,252 million, respectively.

The cost and estimated fair value of debt securities at March 31, 2010, by contractual maturity, are shown below. The actual maturities may differ from the contractual maturities because the issuers of the debt securities may have the right to prepay the obligations without penalties.

	Millions of yen		Thousands of U.S. dollars	
	Cost	Estimated fair value	Cost	Estimated fair value
Due in one year or less	**¥61,324**	**¥61,362**	**$659,397**	**$659,806**
Due after one year through five years	**19,920**	**20,254**	**214,194**	**217,785**
Due after five years through ten years	**1,602**	**1,699**	**17,226**	**18,269**
Due after ten years	**701**	**676**	**7,538**	**7,269**
	¥83,547	**¥83,991**	**$898,355**	**$903,129**

At March 31, 2010 and 2009, estimated fair value and gross unrealized losses of the available-for-sale securities with unrealized losses, aggregated by the period of time for which individual investment securities have been in a continuous unrealized loss position are summarized as follows:

	Millions of yen					
	2010					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Government debt securities	**¥10,127**	**¥ 3**	**¥ —**	**¥ —**	**¥10,127**	**¥ 3**
Corporate debt securities	**—**	**—**	**4,745**	**54**	**4,745**	**54**
Stocks	**4,329**	**853**	**3,757**	**1,873**	**8,086**	**2,726**
Public traded funds	**1,987**	**13**	**15,944**	**3,545**	**17,931**	**3,558**
Total	**¥16,443**	**¥869**	**¥24,446**	**¥5,472**	**¥40,889**	**¥6,341**

	Millions of yen					
	2009					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Corporate debt securities	¥ 2,986	¥ 35	¥49,439	¥1,355	¥52,425	¥ 1,390
Stocks	33,834	14,981	944	261	34,778	15,242
Public traded funds	11,016	6,063	840	215	11,856	6,278
Total	¥47,836	¥21,079	¥51,223	¥1,831	¥99,059	¥22,910

	Thousands of U.S. dollars					
	2010					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Government debt securities	**$108,892**	**$ 33**	**$ —**	**$ —**	**$108,892**	**$ 33**
Corporate debt securities	**—**	**—**	**51,022**	**580**	**51,022**	**580**
Stocks	**46,548**	**9,172**	**40,398**	**20,140**	**86,946**	**29,312**
Public traded funds	**21,366**	**140**	**171,441**	**38,118**	**192,807**	**38,258**
Total	**$176,806**	**$9,345**	**$262,861**	**$58,838**	**$439,667**	**$68,183**

At March 31, 2010, the available-for-sale securities with unrealized losses were principally domestic marketable equity securities such as listed stocks and public traded funds. The number of available-for-sale securities with unrealized losses was approximately 70. The aggregate fair

value of the marketable securities declined below cost due to what the Company believes is a temporary decline in the stock market caused by the credit crunch triggered by the bankruptcy of a major financial institution in the United States in September 2008. The Company evaluated the financial conditions and near-term prospects of the issuers, considered the severity and duration of the decline, and concluded that it is premature to determine that the net unrealized losses are other-than-temporary since the stock market has started recovering and the Company has no plan to sell those available-for-sale securities with unrealized losses in the near future. Based on the evaluation and the Company's intent and ability to hold those securities for a reasonable period of time sufficient for a forecasted recovery of the fair value, the Company did not consider that the decline in fair value of those available-for-sale securities with unrealized losses to be other-than-temporary.

The aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥13,679 million ($147,086 thousand) and ¥14,042 million at March 31, 2010 and 2009, respectively. Investments with an aggregate cost of ¥6,884 million ($74,022 thousand) and ¥7,617 at March 31, 2010 and 2009, respectively, were not evaluated for impairment because (a) the Company did not estimate the fair value of those investments as it was not practicable to estimate the fair value of the investment and (b) the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

5 Finance Receivables

Finance receivables are recorded on sales-type leases of the Company's printing and copying machines. The current portion of finance receivables and amounts due after one year are included in notes and accounts receivable—trade and finance and long-term finance and other receivables, respectively. These receivables generally mature over one to six years. The components of finance receivables as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Gross receivables	**¥131,491**	¥115,230	**$1,413,882**
Unearned income	**(19,217)**	(17,678)	**(206,634)**
Allowance for doubtful receivables	**(3,819)**	(4,283)	**(41,065)**
Finance receivables, net	**¥108,455**	¥ 93,269	**$1,166,183**

The future minimum lease payments to be received under sales-type leases as of March 31, 2010 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2011	¥ 48,375	$ 520,161
2012	35,075	377,151
2013	25,765	277,043
2014	15,939	171,387
2015	5,898	63,419
2016 and thereafter	439	4,721
Total future minimum lease payments	¥131,491	$1,413,882

6 Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Finished goods	**¥178,147**	¥222,613	**$1,915,559**
Work in process	**55,579**	66,569	**597,624**
Raw materials and supplies	**69,394**	79,068	**746,172**
	¥303,120	¥368,250	**$3,259,355**

7 Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥35,325 million ($379,839 thousand) and ¥42,194 million at March 31, 2010 and 2009, respectively. These affiliates primarily operate in the Imaging Solutions, Information Solutions and Document Solutions businesses. The combined financial position and results of operations of the Company's affiliates accounted for by the equity method are summarized as follows:

	March 31		
	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Current assets	**¥144,305**	¥156,026	**$1,551,667**
Noncurrent assets	**62,615**	62,845	**673,279**
Total assets	**¥206,920**	¥218,871	**$2,224,946**
Current liabilities	**¥ 92,278**	¥ 94,621	**$ 992,236**
Long-term liabilities	**35,122**	38,239	**377,656**
Equity	**79,520**	86,011	**855,054**
Total liabilities and equity	**¥206,920**	¥218,871	**$2,224,946**

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Revenue	**¥244,499**	¥291,401	¥230,791	**$2,629,022**
Net income	**5,339**	7,780	4,587	**57,409**

Transactions with affiliated companies for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Revenue	**¥ 83,084**	¥100,267	¥111,515	**$ 893,376**
Purchases	**12,554**	15,361	15,306	**134,989**
Dividends received	**1,375**	2,295	2,801	**14,785**

Customers' guarantee deposits received from affiliated companies amounted to ¥399 million ($4,290 thousand) and ¥764 million at March 31, 2010 and 2009, respectively.

8 Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2010 and 2009 are as follows; there is currently no goodwill in the Imaging Solutions segment.

	Millions of Yen		
	Information Solutions	Document Solutions	Total
As of March 31, 2008	¥130,805	¥195,972	¥326,777
Acquired	3,465	—	3,465
Translation and other	(1,284)	—	(1,284)
As of March 31, 2009	132,986	195,972	328,958
Acquired	**146**	**—**	**146**
Translation and other	**(3,245)**	**—**	**(3,245)**
As of March 31, 2010	**¥129,887**	**¥195,972**	**¥325,859**

	Thousands of U.S. dollars		
	Information Solutions	Document Solutions	Total
As of March 31, 2009	$1,429,957	$2,107,226	$3,537,183
Acquired	**1,570**	**—**	**1,570**
Translation and other	**(34,893)**	**—**	**(34,893)**
As of March 31, 2010	**$1,396,634**	**$2,107,226**	**$3,503,860**

Intangible assets subject to amortization at March 31, 2010 and 2009 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		**2010**	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Technology-based	**¥51,202**	**¥21,408**	¥ 69,972	¥17,060	**$550,559**	**$230,194**
Customer-related	**18,373**	**11,447**	23,184	11,482	**197,559**	**123,086**
Other	**8,481**	**4,820**	10,897	6,084	**91,194**	**51,828**
	¥78,056	**¥37,675**	¥104,053	¥34,626	**$839,312**	**$405,108**

In the Information Solution segment, for the years ended March 31, 2010, 2009 and 2008, impairment charges of ¥20,834 million ($224,022 thousand) were recognized for technology-based intangibles and customer-related intangibles, ¥863 million were recognized for technology-based intangibles, and ¥2,041 million were recognized for technology-based intangibles and customer-related intangibles. For the year ended March 31, 2010, impairment charges are included in "Restructuring and other charges" in the accompanying consolidated statements of operations. See Note 20, "Restructuring and Other Charges."

The weighted-average amortization periods for technology-based intangibles and customer-related intangibles are 15 years and 8 years, respectively. The aggregate amortization expenses for intangible assets for the years ended March 31, 2010, 2009 and 2008 were ¥8,593 million ($92,398 thousand), ¥13,167 million and ¥12,493 million, respectively.

Indefinite lived intangible assets other than goodwill were insignificant as of March 31, 2010 and 2009, respectively.

The estimated aggregate amortization expense for intangible assets subject to amortization for the next five years is as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2011	¥5,927	$63,731
2012	5,617	60,398
2013	4,822	51,849
2014	4,259	45,796
2015	3,425	36,828

9 Short-term and Long-term Debt

Short-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Borrowings from banks	**¥ 32,806**	¥44,369	**$ 352,753**
Commercial paper	**7,000**	20,298	**75,269**
Current portion of long-term debt	**115,573**	2,892	**1,242,720**
	¥155,379	¥67,559	**$1,670,742**

The weighted-average interest rates per annum on bank borrowings and commercial paper outstanding at March 31, 2010 and 2009 were 1.55% and 2.20%, respectively. Short-term debt is principally unsecured.

The Company entered into a short-term financing arrangement for committed lines of credit amounting to ¥100,000 million ($1,075,269 thousand) with certain financial institutions in March 2010. No borrowings were outstanding as of March 31, 2010. Under the agreement, the Company is required to pay commitment fees on the unused portion of the lines of credit. The agreement contains certain restrictive covenants such as requiring a minimum level of net assets and credit rating.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loans, principally from banks and insurance companies, due through 2015 with interest rates ranging from 0.8110% to 6.0750% at March 31, 2010, and due through 2015, with interest rates ranging from 1.2825% to 6.0750% at March 31, 2009:			
Secured	**¥ 3,233**	¥ 3,358	**$ 34,763**
Unsecured	**21,241**	21,557	**228,398**
Unsecured Euroyen convertible bonds:			
Libor minus 0.3000% Series A Convertible Bond, due 2011	**51,160**	50,870	**550,108**
0.5000% Series B Convertible Bond, due 2011	**52,080**	51,560	**560,000**
Libor minus 0.3000% Series A Convertible Bond, due 2013	**51,057**	50,793	**549,000**
0.7500% Series B Convertible Bond, due 2013	**51,600**	51,200	**554,839**
Unsecured bonds in Japanese yen:			
1.9900% yen bonds, due 2010	**10,000**	10,000	**107,527**
1.5175% yen bonds, due 2011	**3,000**	3,000	**32,258**
1.4600% yen bonds, due 2013	**5,000**	5,000	**53,763**
Yen bonds due through 2011 with interest rates ranging from 0.9800% to 1.4300% at March 31, 2010 and March 31, 2009	**160**	390	**1,720**
Other	**7,311**	9,151	**78,613**
	255,842	256,879	**2,750,989**
Portion due within one year	**(115,573)**	(2,892)	**(1,242,720)**
	¥ 140,269	¥253,987	**$ 1,508,269**

The weighted-average interest rates of long-term loans in the above table were approximately 2.02% and 2.14% at March 31, 2010 and 2009, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2011	¥115,573	$1,242,720
2012	21,838	234,817
2013	106,130	1,141,183
2014	5,465	58,764
2015	1,219	13,108
2016 and thereafter	3,117	33,516
	¥253,342	$2,724,108

A loan from Japan Science and Technology Agency of ¥2,500 million ($26,881 thousand) at March 31, 2010 and 2009 was non-interest bearing. The loan amount was excluded from the above schedule since the loan may be forgiven if the Company meets certain conditions.

Certain bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness need to 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 of the long-term debt agreements with lenders other than banks also stipulate that the Company must provide additional security upon request of the lender.

At March 31, 2010, certain loans were principally secured by land and buildings with a net book value of ¥4,598 million ($49,441 thousand).

On April 5, 2006, the Company issued unsecured Euroyen convertible bonds totaling ¥200,000 million in a private placement. The bonds consist of ¥50,000 million of series A Euroyen convertible bonds due March 31, 2011 with variable interest rates ("2011 Series A convertible bond"), ¥50,000 million of series B Euroyen convertible bonds due March 31, 2011 with fixed interest rates ("2011 Series B convertible bond"), ¥50,000 million of series A Euroyen convertible bonds due March 31, 2013 with variable interest rates ("2013 Series A convertible bond") and ¥50,000 million of series B Euroyen convertible bonds due March 31, 2013 with fixed interest rates ("2013 Series B convertible bond").

The period, during which the conversion rights are exercisable, is from April 5, 2006 to March 28, 2011 for 2011 Series A convertible bond and 2011 Series B convertible bond. The period, during which the conversion rights are exercisable, is from April 5, 2006 to March 28, 2013 for 2013 Series A convertible bond and 2013 Series B convertible bond.

The conversion price upon exercise of conversion rights per share ("conversion price") for 2011 Series A convertible bond, 2011 Series B convertible bond, 2013 Series A convertible bond and 2013 Series B convertible bond as of March 31, 2010 is ¥3,765.2 ($40.49), which is subject to reset as follows:

The conversion price shall be subject to reset on each of March 31, 2009 and March 31, 2010 in case of 2011 Series A convertible bond and 2011 Series B convertible bond, or September 30, 2009, September 30, 2010, September 30, 2011 and September 30, 2012 (each a "Reset Date") in case of 2013 Series A convertible bond and 2013 Series B convertible bond to 90% of the average last reported selling price of common shares of the Company on the Tokyo Stock Exchange on a trading day ("Closing Price") for the ten consecutive trading days up to and including the relevant Reset Date. In case the calculated reset price would be below ¥3,765.2 ("Minimum Conversion Price"), the reset conversion price shall be the Minimum Conversion Price. Also the conversion price shall be adjusted properly, in case of a stock split or a reverse stock split of common shares of the Company, issuance of common shares of the Company at a price that is less than the market price, issuance of stock acquisition rights (including convertible bond) and occurring certain events. Accordingly, as Board of Directors adopted a resolution to issue stock-based compensation on July 31, 2009, the conversion price of 2011 Series A convertible bond, 2011 Series B convertible bond, 2013 Series A convertible bond and 2013 Series B convertible bond was adjusted to ¥3,765.2 ($40.49) on September 1, 2009.

The Company may redeem bonds at its option earlier than the stated maturity dates if the Closing Price for each of five consecutive trading days exceeds 115% of the applicable conversion price in effect on each such trading day. In order to redeem the bonds, the Company has to give not less than 30 nor more than 60 days' prior notice to the bondholders within not more than ten business days from the last of those five consecutive trading days.

10 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 by those employees.

Certain domestic subsidiaries have funded non-contributory defined benefit pension plans whose assets are maintained at trust banks and insurance companies and also have defined contribution pension plans. 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.

During the year ended March 31, 2010, settlements and curtailments occurred related to the defined benefit pension plans of certain subsidiaries of the Company. In connection with these settlements and curtailments, the Company recognized losses of ¥918 million ($9,871 thousand), which were included in net periodic benefit cost. Also, the projected benefit obligation and the fair value of the plan assets decreased by ¥3,818 million ($41,054 thousand) and ¥2,086 million ($22,430 thousand), respectively.

In addition, effective September 1, 2009, FUJIFILM Corporation amended its pension plans and introduced a plan, under which employees receive retirement benefits calculated by reference to points earned by those employees. As a result, the projected benefit obligation was decreased by ¥10,416 million ($112,000 thousand). Also, plan amendments were made for certain other domestic subsidiaries, which resulted in a decrease in the projected benefit obligation by ¥2,273 million ($24,441 thousand) in the aggregate.

During the year ended March 31, 2009, settlements and curtailments occurred related to the defined benefit pension plans of certain subsidiaries of the Company. In connection with these settlements and curtailments, the Company recognized losses of ¥1,275 million, which were included in net periodic benefit cost. Also, the projected benefit obligation and the fair value of the plan assets decreased by ¥2,368 million.

During the year ended March 31, 2008, settlements and curtailments occurred related to the defined benefit pension plans of certain subsidiaries of the Company mainly in the Document Solutions segment. In connection with these settlements and curtailments, the Company recognized losses of ¥5,745 million, which were included in net periodic benefit cost. Also, the projected benefit obligation and the fair value of the plan assets decreased by ¥28,502 million and ¥28,448 million, respectively.

The cost of providing special termination benefits recognized during the year ended March 31, 2009 was ¥20,572 million, which related to early retirement plans and reorganizations at certain subsidiaries of the Company and was included in "Cost of sales" and "Selling, general and administrative" in the accompanying consolidated statements of operations. For the year ended March 31, 2010, special termination benefits are included in "Restructuring and Other Charges" in the accompanying consolidated statements of operations. See Note 20, "Restructuring and Other Charges."

Certain foreign subsidiaries have various retirement plans, primarily defined contribution pension plans, covering substantially all of their employees. The funding policy for such plans is to contribute annually an amount equal to a certain percentage of the participant's annual salary.

The aggregate cost charged to income for the Company's domestic and foreign defined contribution pension plans discussed above amounted to ¥6,431 million ($69,151 thousand), ¥7,235 million, and ¥7,537 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Components of Net Periodic Benefit Cost

Components of net periodic benefit cost for the defined benefit plans for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Components of net periodic benefit cost:				
Service cost	**¥ 21,770**	¥ 22,178	¥ 25,520	**$ 234,086**
Interest cost	**14,053**	14,326	14,793	**151,108**
Expected return on plan assets	**(14,187)**	(16,554)	(17,932)	**(152,549)**
Recognized net actuarial loss	**7,481**	4,418	3,997	**80,441**
Amortization of prior service credit	**(2,378)**	(1,868)	(1,847)	**(25,570)**
Amortization of net transition obligation	**4**	475	285	**43**
Settlement and curtailment loss	**918**	1,275	5,745	**9,871**
Net periodic benefit cost	**¥ 27,661**	¥ 24,250	¥ 30,561	**$ 297,430**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Current year actuarial (gain) loss	**¥(43,782)**	¥75,035	**$(470,774)**
Amortization of actuarial loss	**(7,481)**	(4,418)	**(80,441)**
Prior service credit due to amendments	**(12,689)**	—	**(136,441)**
Amortization of prior service credit	**2,378**	1,868	**25,570**
Amortization of net transition obligation	**(4)**	(475)	**(43)**
Settlement and curtailment loss	**(918)**	(1,275)	**(9,871)**
	¥(62,496)	¥70,735	**$(672,000)**

As of March 31, 2010, the estimated net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	**¥ 5,196**	**$ 55,871**
Prior service credit	**(2,663)**	**(28,634)**

Obligations and Fund Status

Reconciliation of the beginning and ending balances of the 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, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Changes in benefit obligation:			
Benefit obligation at beginning of year	**¥601,729**	¥ 617,832	**$6,470,205**
Service cost	**21,770**	22,178	**234,086**
Interest cost	**14,053**	14,326	**151,108**
Plan participants' contributions	**411**	423	**4,419**
Plan amendments	**(12,689)**	—	**(136,441)**
Actuarial loss (gain)	**127**	(10,065)	**1,365**
Benefits paid	**(34,130)**	(25,268)	**(366,989)**
Transfer to defined contribution pension plan	**(5,576)**	—	**(59,957)**
Settlements and curtailments	**(3,818)**	(2,368)	**(41,054)**
Foreign currency translation	**1,557**	(15,329)	**16,742**
Benefit obligation at end of year	**583,434**	601,729	**6,273,484**
Changes in plan assets:			
Fair value of plan assets at beginning of year	**442,129**	507,468	**4,754,075**
Actual return on plan assets	**58,096**	(68,546)	**624,688**
Employers' contributions	**40,060**	39,064	**430,753**
Plan participants' contributions	**411**	423	**4,419**
Benefits paid	**(29,412)**	(20,221)	**(316,258)**
Transfer to defined contribution pension plan	**(5,160)**	—	**(55,484)**
Settlements and curtailments	**(2,086)**	(2,368)	**(22,430)**
Foreign currency translation	**1,427**	(13,691)	**15,345**
Fair value of plan assets at end of year	**505,465**	442,129	**5,435,108**
Funded status	**¥ (77,969)**	¥(159,600)	**$ (838,376)**

Amounts recognized in the consolidated balance sheets of the defined benefit pension plans as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Prepaid pension cost	**¥ 1,538**	¥ 856	**$ 16,538**
Accrued liabilities	**(1,254)**	(3,179)	**(13,484)**
Accrued pension and severance costs	**(78,253)**	(157,277)	**(841,430)**
Net amount recognized	**¥(77,969)**	¥(159,600)	**$(838,376)**

Amounts recognized in accumulated other comprehensive income (loss) of the defined benefit pension plans as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Net actuarial loss	**¥158,794**	¥210,531	**$1,707,462**
Prior service credit	**(27,150)**	(17,364)	**(291,935)**
Net transition obligation	**—**	4	**—**
	¥131,644	¥193,171	**$1,415,527**

The accumulated benefit obligation for defined benefit pension plans amounted to ¥569,902 million ($6,127,978 thousand) and ¥564,529 million at March 31, 2010 and 2009, 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 the accumulated benefit obligation exceeded plan assets as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	**¥565,010**	¥599,618	**$6,075,376**
Fair value of plan assets	**485,881**	439,695	**5,224,527**
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	**548,694**	557,035	**5,899,935**
Fair value of plan assets	**482,073**	434,161	**5,183,581**

Assumptions

The weighted-average assumptions used to determine the benefit obligation at March 31, 2010 and 2009 are as follows: Rate of compensation increases at March 31, 2010 was not presented because most of the defined benefit pension plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not impact the calculation of the benefit obligation.

	2010	2009
Discount rate	**2.39%**	2.28%
Rate of compensation increases	**—**	2.42%

The weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2010, 2009 and 2008 are as follows: Rate of compensation increases for the year ended March 31, 2010 was not presented because most of the defined benefit pension plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not impact the calculation of the net periodic benefit cost.

	2010	2009	2008
Discount rate	**2.28%**	2.36%	2.30%
Rate of compensation increases	**—**	2.45%	2.30%
Expected long-term rate of return on plan assets	**3.22%**	3.32%	3.30%

The expected long-term rate of return on plan assets is based on the long-term expected return of the plans' asset allocations and an evaluation of the historical behavior of the Company's portfolio.

Plan Assets

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

The Company has designed a basic asset allocation model which ensures acceptable mid- and long-term returns, appropriate diversification of risks and matches the asset characteristics with those of the Company's pension liabilities. The Company reviews asset allocations periodically for effectiveness and when conditions have changed, reconsiders the basic asset allocation, if necessary. The Company makes individual investment decisions after ensuring that risks fall within a predefined acceptable range considering short term market conditions.

Targeted allocation ratios for equity securities, debt securities, general accounts of life insurance companies and alternative investments are 27% (15% domestic and 12% foreign), 33% (26% domestic and 7% foreign), 22% and 18%, respectively. The 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 as to 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 has been selected based on thorough analysis as to issuers and the terms and conditions of those securities including investment grades, interest rates, maturity dates, financial condition 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 as to issues' 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 as to 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 consists principally of hedge funds and real estate, which were intended to hedge the risk of traditional assets and to establish ongoing returns that would not be easily affected by market trends. The Company has selected alternative investments based on thorough analysis as to 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.

The fair value hierarchy that prioritizes the use of inputs used in valuation techniques is described in Note 18, "Fair Value Measurement." The fair value hierarchy of plan assets as of March 31, 2010 is as follows:

	Millions of yen			
	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	**¥ 6,220**	**¥ 8,073**	**¥ —**	**¥ 14,293**
Equity securities				
Japanese companies securities	**27,401**	**—**	**—**	**27,401**
Foreign companies securities	**9,836**	**—**	**—**	**9,836**
Pooled funds (b)	**—**	**105,723**	**—**	**105,723**
Debt securities				
Government debt securities (c)	**20,666**	**533**	**—**	**21,199**
Corporate debt securities (d)	**—**	**5,791**	**—**	**5,791**
Pooled funds (e)	**—**	**124,630**	**—**	**124,630**
General accounts of life insurance companies	**—**	**112,115**	**—**	**112,115**
Alternative investments				
Equity securities funds (f)	**—**	**11,483**	**—**	**11,483**
Debt securities funds (g)	**—**	**6,291**	**—**	**6,291**
Other funds (h)	**—**	**25,107**	**28,135**	**53,242**
Real estate (i)	**—**	**—**	**12,433**	**12,433**
Other	**370**	**658**	**—**	**1,028**
	¥64,493	**¥400,404**	**¥40,568**	**¥505,465**

	Thousands of U.S. dollars			
	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	$ 66,882	$ 86,806	$ —	$ 153,688
Equity securities				
Japanese companies securities	294,634	—	—	294,634
Foreign companies securities	105,764	—	—	105,764
Pooled funds (b)	—	1,136,806	—	1,136,806
Debt securities				
Government debt securities (c)	222,215	5,731	—	227,946
Corporate debt securities (d)	—	62,269	—	62,269
Pooled funds (e)	—	1,340,108	—	1,340,108
General accounts of life insurance companies	—	1,205,538	—	1,205,538
Alternative investments				
Equity securities funds (f)	—	123,473	—	123,473
Debt securities funds (g)	—	67,645	—	67,645
Other funds (h)	—	269,968	302,527	572,495
Real estate (i)	—	—	133,688	133,688
Other	3,979	7,075	—	11,054
	$693,474	$4,305,419	$436,215	$5,435,108

(a) Short-term receivables include cash at bank, negotiable certificates of deposit and call loans held in the form of pooled funds, which were classified as Level 2.
(b) Pooled funds of equity securities consist of 35% Japanese companies and 65% foreign companies.
(c) This category consists of 77% Japanese government debt securities and 23% foreign government debt securities.
(d) This category consists of 63% Japanese corporate debt securities and 37% foreign corporate debt securities.
(e) Pooled funds of debt securities consist of 63% Japanese government debt securities, government agency and municipal securities, 26% foreign government debt securities and 11% Japanese corporate debt securities.
(f) Equity securities funds invest principally in Japanese companies securities and foreign companies securities.
(g) Debt securities funds invest principally in Japanese government and foreign government debt securities and foreign currencies.
(h) Other funds include global tactical asset allocation (GTAA) which invests in stocks and bonds around the world and managed futures which principally invests in listed futures, both of which are classified as level 2 and hedge fund of funds classified as level 3 whose investments are diversified with a combination of various products and investment techniques.
(i) Real estate includes principally Japanese real estate funds whose investment policy is to generate stable rental income and capital gains from sales on real estate.

Plan assets classified as Level 1 include principally cash and cash equivalents, government debt securities 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 debt securities, corporate debt securities, pooled funds of equity and debt securities, general accounts of life insurance companies and certain alternative investments. Government agency securities, municipal debt securities and corporate debt securities 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 alternative investments, primarily consisting of hedge funds and real estate, which were valued using unobservable inputs that were significant to the measurement of fair value.

Reconciliation of the beginning and ending balances for assets classified as Level 3 for the year ended March 31, 2010 is as follows:

	Millions of yen					
	2010					
	Balance at beginning of year	Actual gain relating to assets held at the reporting date	Actual gain relating to assets sold during the period	Purchase, sales	Currency translation	Balance at end of year
Alternative investments						
Other funds	¥25,196	¥3,296	¥(275)	¥(72)	¥ (10)	¥28,135
Real estate	12,181	49	—	50	153	12,433
	¥37,377	¥3,345	¥(275)	¥(22)	¥143	¥40,568

	Thousands of U.S. dollars					
	2010					
	Balance at beginning of year	Actual gain relating to assets held at the reporting date	Actual gain relating to assets sold during the period	Purchase, sales	Currency translation	Balance at end of year
Alternative investments						
Other funds	**$ 270,924**	**$35,441**	**$(2,956)**	**$(775)**	**$ (107)**	**$302,527**
Real estate	**130,978**	**527**	**—**	**538**	**1,645**	**133,688**
	$ 401,902	**$35,968**	**$(2,956)**	**$(237)**	**$1,538**	**$436,215**

Contribution

The Company expects to contribute approximately ¥40,591 million ($436,462 thousand) to the defined benefit pension plan for the year ending March 31, 2011.

Estimated Future Benefit Payments

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

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2011	¥ 22,208	$ 238,796
2012	23,267	250,183
2013	23,888	256,860
2014	24,204	260,258
2015	25,626	275,548
2016 through 2020	144,607	1,554,914

11 Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2010, 2009 and 2008. The revised Japanese corporate tax law and its enforcement order were enacted in March 2009, and made effective from April 1, 2009. Part of this new legislation changed the Japan tax treatment of dividends received from overseas subsidiaries by providing that a portion of such dividends would be excluded from taxable income. Accordingly, the Company accounted for the effect of this change and decreased its deferred tax liabilities by ¥4,951 million as of March 31, 2009.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008 differ from the statutory tax rate due to the following reasons:

	2010	2009	2008
Statutory tax rates	**40.6%**	40.6%	40.6%
Increase (decrease) in income taxes resulting from:			
Expenses not deductible for tax purposes	**(10.5)**	29.1	2.4
Lower effective tax rates of other countries	**(0.5)**	(33.1)	(4.0)
Deferred tax liabilities on undistributed earnings	**(0.1)**	(37.7)	0.9
R&D credits	**0.2**	(28.8)	(3.7)
Net changes in valuation allowances	**(14.3)**	(0.2)	2.9
Other	**(3.4)**	2.7	2.1
Effective tax rates	**12.0%**	(27.4)%	41.2%

(Loss) income before income taxes for the years ended March 31, 2010, 2009 and 2008 was taxed in the following jurisdictions:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
(Loss) income before income taxes:				
Domestic	**¥(27,458)**	¥5,321	¥138,688	**$(295,247)**
Foreign	**(14,541)**	4,121	60,654	**(156,355)**
	¥(41,999)	¥9,442	¥199,342	**$(451,602)**

The (benefit) provision for income taxes for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Current:				
Domestic	**¥ 9,227**	¥ 18,269	¥52,094	**$ 99,215**
Foreign	**7,527**	9,124	21,228	**80,936**
Total current	**16,754**	27,393	73,322	**180,151**
Deferred:				
Domestic	**(24,904)**	(26,361)	7,435	**(267,785)**
Foreign	**3,104**	(3,616)	1,386	**33,376**
Total deferred	**(21,800)**	(29,977)	8,821	**(234,409)**
	¥ (5,046)	¥ (2,584)	¥82,143	**$ (54,258)**

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Inventories	**¥ 35,281**	¥ 42,459	**$ 379,366**
Depreciation	**42,757**	33,385	**459,753**
Accrued expenses	**45,038**	44,595	**484,280**
Accrued pension and severance costs	**1,316**	1,369	**14,151**
Pension liability adjustments	**50,527**	77,275	**543,301**
Accrued enterprise tax	**1,287**	295	**13,839**
Tax loss carryforwards	**83,355**	65,666	**896,290**
Valuation of investment securities	**10,993**	12,733	**118,204**
Allowance for doubtful receivables	**5,469**	5,316	**58,806**
Other	**30,583**	38,051	**328,849**
	306,606	321,144	**3,296,839**
Less valuation allowance	**(54,809)**	(49,197)	**(589,344)**
Total deferred tax assets	**251,797**	271,947	**2,707,495**
Deferred tax liabilities:			
Depreciation	**2,691**	4,078	**28,936**
Lease accounting	**7,590**	6,457	**81,613**
Taxes on undistributed earnings	**10,846**	9,398	**116,624**
Valuation of available-for-sale securities	**10,179**	1,075	**109,452**
Goodwill	**14,406**	14,361	**154,903**
Accrued pension and severance costs	**30,389**	22,018	**326,763**
Other intangible assets	**13,451**	23,835	**144,634**
Other	**10,231**	11,982	**110,011**
Total deferred tax liabilities	**99,783**	93,204	**1,072,936**
Net deferred tax assets	**¥152,014**	¥178,743	**$1,634,559**

The valuation allowance relates primarily to the deferred tax assets of certain subsidiaries which have net operating loss carryforwards for tax purposes. The valuation allowances increased by ¥5,612 million ($60,344 thousand) for the year ended March 31, 2010, decreased by ¥4,003 million for the year ended March 31, 2009 and increased ¥14,325 million for the year ended March 31, 2008.

Deferred tax assets and liabilities at March 31, 2010 and 2009 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred income taxes (current assets)	**¥ 91,823**	¥ 85,677	**$ 987,344**
Deferred income taxes (other assets)	**88,411**	125,979	**950,656**
Other current liabilities	**(1,309)**	(90)	**(14,075)**
Deferred income taxes (noncurrent liabilities)	**(26,911)**	(32,823)	**(289,366)**
Net deferred tax assets	**¥152,014**	¥178,743	**$1,634,559**

At March 31, 2010, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥209,491 million ($2,252,591 thousand), of which ¥22,022 million ($236,796 thousand) will be carried forward indefinitely and a significant portion of ¥187,469 million ($2,015,795 thousand) will expire through 2017 and the remainder will expire through 2030. These net operating loss carryforwards are available to offset future taxable income of the subsidiaries.

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries in the amount of ¥4,220 million ($45,376 thousand) as of March 31, 2010, because such earnings have been permanently reinvested. Deferred tax liabilities will be recognized when the Company expects that it will realize those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. Such undistributed earnings of these subsidiaries were ¥76,101 million ($818,290 thousand) as of March 31, 2010.

Deferred tax liabilities have also not been provided 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. Unrecognized tax benefits and changes of unrecognized tax benefits through the years ended March 31, 2010 and 2009 were insignificant. Both interest and penalties accrued as of March 31, 2010 and 2009 in the consolidated balance sheets and included in income taxes for the year ended March 31, 2010 and 2009 in the consolidated statements of operations were insignificant.

In the domestic tax jurisdiction, the tax examinations of the Company and major domestic subsidiaries by the tax authorities for the year ended March 31, 2006 and before have been completed. While there is no indications that the Company would be subject to tax examination related to transfer pricing as of March 31, 2010, the tax authority still has a right to conduct a tax examination for fiscal years ended on and after March 31, 2004.

In foreign tax jurisdictions, the tax examinations of major foreign subsidiaries for the year ended March 31, 2004 and before have been completed.

12 Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as a distribution of earnings be appropriated to the additional paid-in capital or legal reserve. The Law also provides to the extent that if 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 Law 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 Law, the amount of retained earnings available for dividends as of March 31, 2010 amounted to ¥1,425,819 million ($15,331,387 thousand).

The appropriation of retained earnings for the year ended March 31, 2010 has been reflected in the consolidated financial statements, including for the amount approved at the General Shareholders' Meeting held on June 29, 2010.

Takeover Defense Measure

The Company determined at its Board of Directors meeting held on March 26, 2010 to revise and renew, as of March 30, 2010, a plan for countermeasures to large-scale acquisitions of shares in the Company (takeover defense measure) (the Company has further amended the plan based on a resolution of Board of Directors meeting held on May 11, 2010. The amended plan shall be referred to as the "Plan"). The Plan is effective until the conclusion of the Ordinary General Meeting of Shareholders for the final fiscal year ending within three years of the conclusion of the 114th Shareholders Meeting held on June 29, 2010. In addition, the Fair Rules for the Acquisition of Substantial Shareholdings adopted by the Company based on the resolution of the Board of Directors meeting held on March 30, 2007 became invalid upon expiration of the term after March 30, 2010.

The Plan sets out procedures necessary to deter large-scale acquisitions that are detrimental to the corporate value of the Company/the common interests of its shareholders, including requirements for an acquirer (the "Acquirer") to provide information in advance in the case that the Acquirer intends to make an acquisition of 20% or more of the Company's share certificates or other equity securities. The Acquirer must not affect any large-scale acquisition of share certificates and other equity securities in the Company until and unless the Board of Directors or a meeting, at which the Company will confirm the shareholders' intent (the "Confirmation Meeting"), determines not to trigger the Plan in accordance with the procedures stipulated in the Plan.

In the event that the Acquirer does not follow the procedures set out in the Plan or a large-scale acquisition of shares certificates and other equity securities in the Company could harm the corporate value of the Company or the common interests of its shareholders, and if the acquisition satisfies the triggering requirements set out in the Plan, the Company will allot stock acquisition rights by means of a gratis allotment to all shareholders, except the Company, at that time. The stock acquisition rights will have an exercise condition that does not allow the Acquirer to exercise the rights as a general rule and an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from holders of the stock acquisition rights other than the Acquirer.

In order to eliminate arbitrary decisions by directors, the Company will establish an independent committee solely composed of outside directors, outside corporate auditors or experts who are independent of the management of the Company (the "Independent Committee") to make objective decisions with respect to matters such as the implementations or non-implementation of the gratis allotment of stock acquisition rights or the acquisition of stock acquisition rights under the Plan. In addition, if the Independent Committee recommends implementation of the gratis allotment of stock acquisition rights subject to confirmation of the intent of the shareholders in advance, or an acquisition threatens to cause obvious harm to the corporate value of the Company or the common interests of its shareholders and the Board of Directors determines it appropriate to confirm the shareholders' intent for the acquisition taking into consideration the time required to convene the Confirmation Meeting or other matters pursuant to the duty of care of a good manager, the Board of Directors may hold the Confirmation Meeting and confirm the intent of the Company's shareholders regarding the implementation of the gratis allotment of the stock acquisition rights.

Transparency with respect to the course of those procedures will be ensured by timely disclosure to all of the Company's shareholders.

If the Company allots stock acquisition rights and the Company's shareholders do not exercise their stock acquisition rights or pay the amount equivalent to the exercise price, shares they hold in the Company will be diluted by the exercise of stock acquisition rights by other shareholders. However, in the event that the Company acquires stock acquisition rights of all shareholders other than Non-Qualified Parties and, in exchange, delivers shares in the Company in accordance with procedures in the Plan, there will be no subsequent dilution of shares they hold in the Company. Further, there were no stock acquisition rights which the Company has issued as of March 31, 2010.

13 Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as reflected in the consolidated balance sheets at March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Unrealized gains (losses) on securities	**¥ 10,350**	¥ (7,281)	**$ 111,290**
Foreign currency translation adjustments	**(90,851)**	(82,512)	**(976,892)**
Pension liability adjustments	**(69,920)**	(100,429)	**(751,828)**
Unrealized gains (losses) on derivatives	**133**	17	**1,430**
	¥(150,288)	¥(190,205)	**$(1,616,000)**

The related tax effects allocated to each component of other comprehensive income (loss), including amounts attributable to noncontrolling interests, for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen		
2010	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	**¥29,953**	**¥(12,094)**	**¥17,859**
Less: reclassification adjustment for gains realized in net income	**(107)**	**43**	**(64)**
Net change in unrealized gains (losses)	**29,846**	**(12,051)**	**17,795**
Foreign currency translation adjustments:	**(6,475)**	**(130)**	**(6,605)**
Pension liability adjustments:			
Change in pension liability adjustments	**55,506**	**(23,545)**	**31,961**
Less: reclassification adjustment for gains and losses realized in net income	**6,025**	**(2,446)**	**3,579**
Net change in pension liability adjustments	**61,531**	**(25,991)**	**35,540**
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	**(1,274)**	**516**	**(758)**
Less: reclassification adjustment for losses realized in net income	**1,534**	**(621)**	**913**
Net change in unrealized gains (losses)	**260**	**(105)**	**155**
	¥85,162	**¥(38,277)**	**¥46,885**

2009	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ (48,607)	¥19,488	¥ (29,119)
Less: reclassification adjustment for losses realized in net income	5,150	(2,091)	3,059
Net change in unrealized gains (losses)	(43,457)	17,397	(26,060)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(72,341)	2,116	(70,225)
Less: reclassification adjustment for gains realized in net income	(11)	—	(11)
Net change in foreign currency translation adjustments	(72,352)	2,116	(70,236)
Pension liability adjustments:			
Change in pension liability adjustments	(73,639)	28,482	(45,157)
Less: reclassification adjustment for gains and losses realized in net income	4,300	(1,746)	2,554
Net change in pension liability adjustments	(69,339)	26,736	(42,603)
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(2,119)	858	(1,261)
Less: reclassification adjustment for losses realized in net income	2,367	(934)	1,433
Net change in unrealized gains (losses)	248	(76)	172
	¥(184,900)	¥46,173	¥(138,727)

2008	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ (47,068)	¥19,045	¥ (28,023)
Less: reclassification adjustment for gains realized in net income	(327)	133	(194)
Net change in unrealized gains (losses)	(47,395)	19,178	(28,217)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(61,164)	(46)	(61,210)
Less: reclassification adjustment for gains realized in net income	(343)	—	(343)
Net change in foreign currency translation adjustments	(61,507)	(46)	(61,553)
Pension liability adjustments:			
Change in pension liability adjustments	(44,965)	18,857	(26,108)
Less: reclassification adjustment for gains and losses realized in net income	8,180	(3,321)	4,859
Net change in pension liability adjustments	(36,785)	15,536	(21,249)
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(108)	44	(64)
Less: reclassification adjustment for gains realized in net income	(151)	61	(90)
Net change in unrealized gains (losses)	(259)	105	(154)
	¥(145,946)	¥34,773	¥(111,173)

2010	Thousands of U.S. dollars		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	**$322,075**	**$(130,043)**	**$192,032**
Less: reclassification adjustment for gains realized in net income	**(1,150)**	**462**	**(688)**
Net change in unrealized gains (losses)	**320,925**	**(129,581)**	**191,344**
Foreign currency translation adjustments:	**(69,624)**	**(1,398)**	**(71,022)**
Pension liability adjustments:			
Change in pension liability adjustments	**596,839**	**(253,172)**	**343,667**
Less: reclassification adjustment for gains and losses realized in net income	**64,785**	**(26,301)**	**38,484**
Net change in pension liability adjustments	**661,624**	**(279,473)**	**382,151**
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	**(13,699)**	**5,548**	**(8,151)**
Less: reclassification adjustment for losses realized in net income	**16,494**	**(6,677)**	**9,817**
Net change in unrealized gains (losses)	**2,795**	**(1,129)**	**1,666**
	$915,720	**$(411,581)**	**$504,139**

14 Commitments and Contingent Liabilities

Guarantees

The Company guarantees certain indebtedness of others and other obligations. At March 31, 2010, the maximum potential amount of future payments (undiscounted) the Company could be required to make under the guarantees was ¥21,140 million ($227,312 thousand), of which ¥17,335 million ($186,398 thousand) were guarantees of employee mortgage loans to financial institutions. In the event of an employee's insolvency, the Company and certain of its subsidiaries will need to pay the default mortgage on behalf of the employee. Certain guarantees are secured by the employees' property in the amount of ¥17,276 million ($185,763 thousand). The terms of the mortgage loan guarantees are from 1 to 26 years. The Company has not made any significant payments under such guarantees in the past and as of March 31, 2010, the carrying amount of the liability for the Company's obligations under the guarantees was insignificant.

Lease Commitments

The Company and its subsidiaries lease office and retail space, warehouses, offices and laboratory equipment as well as certain residential facilities for employees.

The future minimum lease payments required under operating leases which, at March 31, 2010, had initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2011	¥12,972	$139,484
2012	9,218	99,118
2013	4,301	46,247
2014	2,551	27,430
2015	1,798	19,334
2016 and thereafter	2,700	29,032
Total future minimum lease payments	¥33,540	$360,645

Rental expenses under operating leases for the years ended March 31, 2010, 2009 and 2008 were ¥58,647 million ($630,613 thousand), ¥63,748 million and ¥65,470 million, respectively.

Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding at March 31, 2010, principally for the construction and purchase of property, plant and equipment, amounted to ¥15,591 million ($167,645 thousand). At March 31, 2010, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥5,314 million ($57,140 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 and operating results 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 following table sets forth the changes in the Company's warranty liability balance:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Balance, at April 1	**¥ 6,802**	¥ 8,410	¥ 9,670	**$ 73,140**
Warranties issued during the current period	**10,282**	10,590	15,985	**110,559**
Settlements made during the current period	**(10,568)**	(11,820)	(16,369)	**(113,634)**
Change in liability for pre-existing warranties during the current period, including expirations	**(245)**	(378)	(876)	**(2,634)**
Balance, at March 31	**¥ 6,271**	¥ 6,802	¥ 8,410	**$ 67,431**

15 Net (Loss) Income Attributable to FUJIFILM Holdings per Share

A calculation of the basic and diluted net (loss) income attributable to FUJIFILM Holdings per share for the years ended March 31, 2010, 2009 and 2008 is as follows:

Outstanding conversion rights of the Euroyen convertible bonds and stock options were not included in the calculation of diluted net loss attributable to FUJIFILM Holdings per share for the year ended March 31, 2010 because it had an anti-dilutive effect due to net loss attributable to FUJIFILM Holdings for the period.

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Net (loss) income attributable to FUJIFILM Holdings	**¥(38,441)**	¥10,524	¥104,431	**$(413,344)**
Dilutive effect of:				
2011 Series A Convertible Bond	**—**	—	350	**—**
2011 Series B Convertible Bond	**—**	—	457	**—**
2013 Series A Convertible Bond	**—**	—	334	**—**
2013 Series B Convertible Bond	**—**	—	460	**—**
Diluted net (loss) income attributable to FUJIFILM Holdings	**¥(38,441)**	¥10,524	¥106,032	**$(413,344)**

	Shares		
	2010	2009	2008
Weighted-average common shares outstanding — Basic	**488,607,598**	498,836,888	508,354,176
Dilutive effect of:			
2011 Series A Convertible Bond	**—**	—	9,477,415
2011 Series B Convertible Bond	**—**	—	9,477,415
2013 Series A Convertible Bond	**—**	—	10,206,581
2013 Series B Convertible Bond	**—**	—	10,206,581
Stock options	**—**	165,316	64,233
Weighted-average common shares outstanding — Diluted	**488,607,598**	499,002,204	547,786,401

	Yen			U.S. dollars
	2010	2009	2008	**2010**
Net (loss) income attributable to FUJIFILM Holdings per share:				
Basic	**¥(78.67)**	¥21.10	¥205.43	**$(0.85)**
Diluted	**¥(78.67)**	¥21.09	¥193.56	**$(0.85)**

16 Stock-Based Compensation Plan

The Company has stock-based compensation plans for Directors, executive officers, and important employees of the Company as well as Directors, executive officers, Fellows, and important employees of FUJIFILM Corporation.

On June 28, 2007, the Ordinary General Meeting of Shareholders approved the issuance of stock acquisition rights as stock options. Upon approval, on July 27, 2007, the Board of Directors adopted resolutions to issue an aggregate of 780 stock acquisition rights to 5 Directors of the Company and FUJIFILM Corporation ("No. 1-1 Stock Acquisition Rights"), an aggregate of 1,376 stock acquisition rights to the Directors and executive officers of the Company and the Directors, executive officers and Fellows of FUJIFILM Corporation in aggregate of 30 persons ("No. 1-2 Stock Acquisition Rights"), and an aggregate of 1,706 stock acquisition rights to the Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation in aggregate of 60 persons ("No. 1-3 Stock Acquisition Rights").

Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

No. 1-1 Stock Acquisition Rights were granted on September 3, 2007, and were fully vested on the grant date. The stock-based compensation cost for No. 1-1 Stock Acquisition Rights was recognized at the grant date. No. 1-1 Stock Acquisition Rights have an 11-year contractual term, and the exercise of the option is restricted over a period of three years commencing from the following date of the grant date. The exercise price was set at ¥1 per share pursuant to the approval of the Ordinary General Meeting of Shareholders.

No. 1-2 Stock Acquisition Rights were granted on September 3, 2007, and were fully vested because the consolidated operating income of ¥200 billion or more for the year ended March 31, 2008 was attained. No. 1-2 Stock Acquisition Rights have an 11-year contractual term, and the exercise of the option is restricted over a period of three years commencing from the following date of the grant date. The exercise price was set at ¥1 per share pursuant to the approval of the Ordinary General Meeting of Shareholders. The stock-based compensation cost for No. 1-2 Stock Acquisition Rights was being amortized over 1 year from the grant date.

No. 1-3 Stock Acquisition Rights were granted on September 3, 2007, and are exercisable during the period from July 28, 2009 to July 27, 2017. The exercise price was set at ¥4,976 per share which was calculated by a formula approved by the Ordinary General Meeting of Shareholders. The exercise price is calculated as either average value of the closing price of shares of common stock of the Company in regular trading at the Tokyo Stock Exchange ("Closing Price") for each day of the month preceding the month that includes the grant date or Closing Price on the grant date, whichever is higher. The stock-based compensation cost for No. 1-3 Stock Acquisition Rights was being amortized over 1 year from the grant date.

On August 28, 2008, the Board of Directors adopted resolutions to issue an aggregate of 1,466 stock acquisition rights to the Directors and executive officers of the Company and the Directors, executive officers and Fellows of FUJIFILM Corporation in aggregate of 34 persons ("No. 2-1 Stock Acquisition Rights"), and an aggregate of 1,826 stock acquisition rights to the Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation in aggregate of 66 persons ("No. 2-2 Stock Acquisition Rights"). Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

No. 2-1 Stock Acquisition Rights were granted on October 1, 2008, and were forfeited because the performance condition of consolidated operating income of ¥160 billion or more, or consolidated net income of ¥80 billion or more for the year ended March 31, 2009 was not attained.

No. 2-2 Stock Acquisition Rights were granted on October 1, 2008, and are exercisable during the period from August 29, 2010 to August 28, 2018. The exercise price was set at ¥2,981 per share which was calculated by a formula approved by the Ordinary General Meeting of Shareholders. The exercise price is calculated as either average value of Closing Price for each day of the month preceding the month that includes the grant date or Closing Price on the grant date, whichever is higher. The stock-based compensation cost for No. 2-2 Stock Acquisition Rights was being amortized over 1 year from the grant date.

On June 26, 2009, the Ordinary General Meeting of Shareholders approved the issuance of stock acquisition rights as stock options. Upon approval, on July 31, 2009, the Board of Directors adopted resolutions to issue an aggregate of 2,553 stock acquisition rights to the Directors and executive officers of the Company and the Directors, executive officers and Fellows of FUJIFILM Corporation in aggregate of 33 persons ("No. 3-1 Stock Acquisition Rights"), and an aggregate of 1,816 stock acquisition rights to the Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation in aggregate of 65 persons ("No. 3-2 Stock Acquisition Rights"). Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

No. 3-1 Stock Acquisition Rights were granted on September 1, 2009, and are vested over 1 year. No. 3-1 Stock Acquisition Rights have a 30-year contractual term commencing from the following date of the grant date and are exercisable for 7 years commencing from the following date of the retirement date for each position. The exercise price was set at ¥1 per share pursuant to the approval of the Ordinary General Meeting of Shareholders. The stock-based compensation cost for No. 3-1 Stock Acquisition Rights is being amortized over 1 year from the grant date.

No. 3-2 Stock Acquisition Rights were granted on September 1, 2009, and are exercisable during the period from August 1, 2011 to July 31, 2019. The exercise price was set at ¥2,828 per share which was calculated by a formula approved by the Ordinary General Meeting of Shareholders. The exercise price is calculated as either average value of Closing Price for each day of the month preceding the month that includes the grant date or Closing Price on the grant date, whichever is higher. The stock-based compensation cost for No. 3-2 Stock Acquisition Rights is being amortized over 1 year from the grant date.

The Company recognized stock-based compensation cost of ¥557 million ($5,989 thousand), ¥436 million and ¥916 million as selling, general and administrative expenses in the accompanying consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008, respectively, and the cost was estimated using the Black-Scholes option pricing model as the fair value of the options. The deferred income tax benefit related to the cost was ¥168 million ($1,806 thousand), ¥114 million and ¥315 million for the years ended March 31, 2010, 2009 and 2008, respectively. As of March 31, 2010, total unrecognized stock-based compensation cost was ¥358 million ($3,849 thousand) and is expected to be recognized over 5 months commencing April 1, 2010. There were 40 stock acquisition rights exercised during the year ended March 31, 2010. The weighted-average grant date fair value of stock acquisition rights granted during the years ended March 31, 2010, 2009 and 2008 was ¥1,969 ($21.17), ¥1,529 and ¥3,358, respectively. The total fair value of shares vested during the years ended March 31, 2010, 2009 and 2008 was ¥771 million ($8,290 thousand), ¥169 million and ¥889 million, respectively.

A summary of stock acquisition rights activity during the years ended March 31, 2010, 2009 and 2008 is as follows:

		Yen	Years	Millions of yen
2010	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at March 31, 2009	**563,800**	**¥2,472**	**—**	**—**
Granted during the year	**436,900**	**1,176**	**—**	**—**
Exercised	**(4,000)**	**1**	**—**	**¥ (20)**
Outstanding at March 31, 2010	**996,700**	**1,914**	**13.4**	**1,734**
Exercisable at March 31, 2010	**568,675**	**1,493**	**15.1**	**1,555**

2009	Number of shares	Yen Weighted average exercise price	Years Weighted average remaining contractual term	Millions of yen Aggregate intrinsic value
Outstanding at March 31, 2008	386,200	¥2,199	—	—
Granted during the year	329,200	1,654	—	—
Exercised	(5,000)	1	—	¥ (25)
Forfeited or expired	(146,600)	1	—	—
Outstanding at March 31, 2009	563,800	2,472	8.5	1,038
Exercisable at March 31, 2009	210,600	1	9.4	1,038

2008	Number of shares	Yen Weighted average exercise price	Years Weighted average remaining contractual term	Millions of yen Aggregate intrinsic value
Granted during the year and outstanding at March 31, 2008	386,200	¥2,199	9.3	¥1,062
Exercisable at March 31, 2008	181,200	1	10.4	893

2010	U.S. dollar Weighted average exercise price	Years Weighted average remaining contractual term	Thousands of U.S. dollars Aggregate intrinsic value
Outstanding at March 31, 2009	**$26.58**	**—**	**—**
Granted during the year	**12.65**	**—**	**—**
Exercised	**0.01**	**—**	**$ (215)**
Outstanding at March 31, 2010	**20.58**	**13.4**	**18,645**
Exercisable at March 31, 2010	**16.05**	**15.1**	**16,720**

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

2010	No. 3-1 Stock Acquisition Rights	No. 3-2 Stock Acquisition Rights
Expected volatility	**58.623%**	**34.575%**
Expected remaining life	**1 year**	**6 years**
Expected dividend (Yen)	**¥30**	**¥30**
Expected dividend (U.S. dollars)	**$0.32**	**$0.32**
Risk-free interest rate	**0.170%**	**0.738%**

2009	No. 2-2 Stock Acquisition Rights
Expected volatility	28.979%
Expected remaining life	6 years
Expected dividend (Yen)	¥35
Risk-free interest rate	1.129%

2008	No. 1-1 Stock Acquisition Rights	No. 1-2 Stock Acquisition Rights	No. 1-3 Stock Acquisition Rights
Expected volatility	25.980%	25.980%	29.273%
Expected remaining life	1 year	1 years	6 years
Expected dividend (Yen)	¥25	¥25	¥25
Risk-free interest rate	0.735%	0.735%	1.285%

The expected volatility is determined based on the historical volatility of the Company's common stock 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. 1-1 Stock Acquisition Rights, No. 1-2 Stock Acquisition Rights and No. 3-1 Stock Acquisition Rights was determined based on the minimum term of Directors and executive officers of the Company and FUJIFILM Corporation. The expected remaining life of No. 1-3 Stock Acquisition Rights, No. 2-2 Stock Acquisition Rights and No. 3-2 Stock Acquisition Rights was determined as 6 years based on the midpoint of the contractual term since no stock acquisition rights were exercised after the implementation of the plan.

17 Financial Instruments

The Company operates internationally, and is exposed to market risks arising from fluctuations in foreign currencies, interest rates and certain commodity prices. The Company and certain of its subsidiaries utilize derivative financial instruments solely to reduce these risks. The Company has policies and procedures for risk management and the approval, reporting and monitoring of derivative financial instruments. The Company's policies prohibit holding or issuing derivative financial instruments for trading purposes. The following is a summary of the Company's risk management strategies and the effect of these strategies on the Company's consolidated financial statements.

Cash Flow Hedging Strategy

Certain subsidiaries of the Company have entered into forward currency exchange contracts to manage exposures related to the risks of forecasted import purchases and export sales from/to customers and intercompanies and related receivables and payables denominated in foreign currencies (maximum length of time is through July 2010). If the yen weakens significantly against foreign currencies (primarily the U.S. dollar), the increase in the value of future foreign currency cost or revenue is offset by gains or losses in the value of the forward exchange contract designated as a hedge. Conversely, if the yen strengthens, the decrease in the value of future foreign currency cash flow is offset by gains or losses in the value of the forward contracts designated as a hedge.

Changes in the fair value of those derivative instruments designated and qualifying as cash flow hedges of variability of cash flows are reported in other comprehensive income (loss), net of applicable taxes. These amounts are reclassified into earnings in the same period and same line item as the hedged items that affect earnings. The amount of gains or losses on derivatives or portions thereof that were either ineffective as hedges or excluded from the assessment of hedge effectiveness were not significant to the results of operations and the financial condition of the Company.

As of March 31, 2010, the Company expects to reclassify ¥205 million ($2,204 thousand) (before tax effect) of net profits on derivatives from accumulated other comprehensive income (loss) to earnings during the next twelve months due to actual export sales and import purchases.

Derivatives Not Designated as Hedges

Certain subsidiaries of the Company have entered into forward currency exchange contracts or currency swap contracts to manage exposures related to the risks of foreign currency exchange fluctuations resulting from forecasted transactions and related receivables or payables denominated in foreign currencies. Also, certain subsidiaries of the Company have entered into interest rate swap contracts to manage exposures related to the risks of fluctuations in interest rate of variable interest rate liabilities and cross currency interest rate swap contracts to manage exposures related to 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 did not designate these contracts as hedges as required in order to apply hedge accounting. As a result, the Company recorded the changes in the fair value of these derivatives in earnings immediately.

Volume of Derivative Activities

Notional amounts of forward currency exchange, currency swaps, cross currency interest rate swaps and interest rate swaps at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Forward currency exchange (Short)	**¥51,696**	¥27,085	**$555,871**
Forward currency exchange (Long)	**32,350**	27,829	**347,849**
Currency swaps	**10,614**	8,467	**114,129**
Cross currency interest rate swaps	**8,905**	18,791	**95,753**
Interest rate swaps	**23,683**	21,190	**254,656**

Impacts on the Consolidated Financial Statements

The fair values of derivatives in the consolidated balance sheets at March 31, 2010 and 2009 are summarized as follows:

		Derivative assets		
		Millions of yen		Thousands of U.S. dollars
		2010	2009	**2010**
	Balance sheet location	Fair value		
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	**¥ 730**	¥ 400	**$ 7,849**
Total derivatives designated as hedging instruments		**730**	400	**7,849**
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	**309**	194	**3,323**
Forward currency exchange contracts	Long-term finance and other receivables	**—**	103	**—**
Currency swaps	Prepaid expenses and other	**—**	1,763	**—**
Cross currency interest rate swaps	Prepaid expenses and other	**—**	5,859	**—**
Other	Prepaid expenses and other	**185**	—	**1,989**
Total derivatives not designated as hedging instruments		**494**	7,919	**5,312**
Total		**¥1,224**	¥8,319	**$13,161**

	Derivative liabilities			
		Millions of yen		Thousands of U.S. dollars
		2010	2009	**2010**
	Balance sheet location	Fair value		
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	**¥ 602**	¥ 939	**$ 6,473**
Total derivatives designated as hedging instruments		**602**	939	**6,473**
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	**978**	387	**10,515**
Forward currency exchange contracts	Customers' guarantee deposits and other	**103**	—	**1,108**
Currency swaps	Other current liabilities	**1,606**	—	**17,269**
Currency swaps	Customers' guarantee deposits and other	**601**	144	**6,462**
Cross currency interest rate swaps	Other current liabilities	**—**	43	**—**
Cross currency interest rate swaps	Customers' guarantee deposits and other	**1,006**	—	**10,817**
Interest rate swaps	Other current liabilities	**119**	101	**1,280**
Interest rate swaps	Customers' guarantee deposits and other	**329**	619	**3,538**
Other	Other current liabilities	**—**	354	**—**
Total derivatives not designated as hedging instruments		**4,742**	1,648	**50,989**
Total		**¥5,344**	¥2,587	**$57,462**

Gains and losses related to derivatives recorded in the consolidated statements of operations for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		
	2010		
	Gains (losses) recognized in OCI on derivative (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)	
Cash Flow Hedges	Amount	Statements of operations location	Amount
Forward currency exchange contracts	**¥(1,274)**	Revenue	**¥ (36)**
		Cost of sales	**(73)**
		Foreign exchange losses, net	**(1,425)**
Total	**¥(1,274)**		**¥(1,534)**

	Millions of yen		
	2009		
	Gains (losses) recognized in OCI on derivative (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)	
Cash Flow Hedges	Amount	Statements of operations location	Amount
Forward currency exchange contracts	¥(2,118)	Revenue	¥ (329)
		Cost of sales	(234)
		Foreign exchange losses, net	(1,744)
Total	¥(2,118)		¥(2,307)

	Thousands of U.S. dollars		
	2010		
	Gains (losses) recognized in OCI on derivative (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)	
Cash Flow Hedges	Amount	Statements of operations location	Amount
Forward currency exchange contracts	**$ (13,699)**	Revenue	**$ (387)**
		Cost of sales	**(785)**
		Foreign exchange losses, net	**(15,323)**
Total	**$ (13,699)**		**$ (16,495)**

		Millions of yen		Thousands of U.S. dollars
		2010	2009	2010
Derivatives Not Designated as Hedges	Statements of operations location	Amount		
Forward currency exchange contracts	Foreign exchange (losses) gains, net	**¥ (803)**	¥ 353	**$ (8,634)**
Currency swaps	Foreign exchange (losses) gains, net	**(2,061)**	2,387	**(22,162)**
Cross currency interest rate swaps	Foreign exchange (losses) gains, net	**(1,078)**	4,239	**(11,592)**
Interest rate swaps	Other, net	**223**	(477)	**2,398**
Other	Other, net	**402**	(676)	**4,323**
Total		**¥(3,317)**	¥5,826	**$(35,667)**

Concentration of Credit Risk

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

The Company maintains cash and cash equivalents and short-term investments with various financial institutions. The Company's policy is designed to limit exposure to any one institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy.

The Company is exposed to credit risk related to trade receivables, due to the amounts of receivable from certain major customers. The Company manages this risk by maintenance of customer's guarantee deposits and the performance of ongoing credit evaluations. An allowance for doubtful accounts is maintained at a level which management believes is sufficient to cover potential losses.

The Company is exposed to credit risk in the event of nonperformance by counterparties to derivative instruments. The Company limits this exposure by acquiring such derivative instruments from counterparties with high credit ratings.

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 estimates 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 were used by the Company 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.

Marketable securities and Investment securities: The fair values of government debt securities, stocks and public traded funds 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.

Customers' guarantee deposits: The carrying amounts approximate the fair values because they are variable rate instruments.

Long-term debt: The fair value of long-term debt is estimated 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 ¥50,184 million ($539,613 thousand) and ¥49,945 million ($537,042 thousand), respectively as of March 31, 2010 and ¥52,780 million and ¥52,456 million, respectively as of March 31, 2009. The fair values as of March 31, 2010 and 2009 did not include the fair values of the unsecured Euroyen convertible bonds issued on April 5, 2006 with a carrying value of ¥205,897 million ($2,213,947 thousand) and ¥204,423 million, respectively because there was no quoted market price and it was not practicable to estimate the fair value.

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 ¥1,224 million ($13,161 thousand) and ¥8,319 million, and those of derivative liabilities were ¥5,344 million ($57,462 thousand) and ¥2,587 million, as of March 31, 2010 and 2009, respectively.

18 Fair Value Measurement

ASC 820, which 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 use of 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 (less active 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 cash equivalents, marketable and investment securities, and derivative assets and liabilities. The fair value hierarchy as of March 31, 2010 and 2009 is as follows:

	Millions of yen			
	2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Negotiable certificates of deposit	¥ —	¥145,000	¥ —	¥145,000
Government debt securities	2,575	848	—	3,423
Marketable securities				
Government debt securities	41,426	3,716	—	45,142
Corporate debt securities	—	16,220	—	16,220
Investment securities				
Government debt securities	11,406	217	—	11,623
Corporate debt securities	—	11,006	—	11,006
Stocks	92,495	—	—	92,495
Public traded funds	17,931	—	—	17,931
Short-term derivative assets				
Forward currency exchange contracts	—	1,039	—	1,039
Other	—	185	—	185
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	1,580	—	1,580
Currency swaps	—	1,606	—	1,606
Interest rate swaps	—	119	—	119
Long-term derivative liabilities				
Forward currency exchange contracts	—	103	—	103
Currency swaps	—	601	—	601
Cross currency interest rate swaps	—	1,006	—	1,006
Interest rate swaps	—	329	—	329

	Millions of yen			
	2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Negotiable certificates of deposit	¥ —	¥43,000	¥ —	¥43,000
Government debt securities	5,499	963	—	6,462
Marketable securities				
Corporate debt securities	—	29,224	—	29,224
Investment securities				
Government debt securities	6,822	216	—	7,038
Corporate debt securities	—	31,718	—	31,718
Stocks	68,544	10	—	68,554
Public traded funds	11,856	—	—	11,856
Short-term derivative assets				
Forward currency exchange contracts	—	594	—	594
Currency swaps	—	1,763	—	1,763
Cross currency interest rate swaps	—	5,859	—	5,859
Long-term derivative assets				
Forward currency exchange contracts	—	103	—	103
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	1,326	—	1,326
Cross currency interest rate swaps	—	43	—	43
Interest rate swaps	—	101	—	101
Other	—	354	—	354
Long-term derivative liabilities				
Currency swaps	—	144	—	144
Interest rate swaps	—	619	—	619

	Thousands of U.S. dollars			
	2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Negotiable certificates of deposit	**$ —**	**$1,559,140**	**$ —**	**$1,559,140**
Government debt securities	**27,688**	**9,118**	**—**	**36,806**
Marketable securities				
Government debt securities	**445,440**	**39,957**	**—**	**485,397**
Corporate debt securities	**—**	**174,409**	**—**	**174,409**
Investment securities				
Government debt securities	**122,645**	**2,333**	**—**	**124,978**
Corporate debt securities	**—**	**118,345**	**—**	**118,345**
Stocks	**994,570**	**—**	**—**	**994,570**
Public traded funds	**192,807**	**—**	**—**	**192,807**
Short-term derivative assets				
Forward currency exchange contracts	**—**	**11,172**	**—**	**11,172**
Other	**—**	**1,989**	**—**	**1,989**
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	**—**	**16,988**	**—**	**16,988**
Currency swaps	**—**	**17,269**	**—**	**17,269**
Interest rate swaps	**—**	**1,280**	**—**	**1,280**
Long-term derivative liabilities				
Forward currency exchange contracts	**—**	**1,108**	**—**	**1,108**
Currency swaps	**—**	**6,462**	**—**	**6,462**
Cross currency interest rate swaps	**—**	**10,817**	**—**	**10,817**
Interest rate swaps	**—**	**3,538**	**—**	**3,538**

Assets classified as Level 1 consist principally of Japanese government debt securities and certain foreign government debt securities, listed stocks and public traded funds, which were valued using unadjusted quoted prices in active markets for identical assets. Assets other than derivative assets classified as Level 2 consist principally of negotiable certificates of deposit and corporate debt securities. Negotiable certificates of deposit and corporate debt securities were valued using directly or indirectly observable inputs in non-active markets. Derivative assets and liabilities were classified as Level 2 because of using inputs that were corroborated by observable market data obtained from financial institutions or third parties.

There were no assets and liabilities classified as Level 3 for the year ended March 31, 2010. Reconciliation of the beginning and ending balances for asset classified as Level 3 for the year ended March 31, 2009 is as follows:

	Millions of yen				
	2009				
	Balance at beginning of year	Gains		Sales	Balance at end of year
		Realized	Unrealized		
Investment securities	¥2,548	¥803	¥(538)	¥(2,813)	¥ —

Gross realized gains on sales of Investment securities included in Level 3 were reported in the line titled “Other, net” in the consolidated statements of operations.

For the year ended March 31, 2010, assets measured at fair value on a nonrecurring basis were property, plant and equipment, intangible assets and software for which the impairment charges were recognized.

As the result of measurement of the fair values using the estimated discounted future cash flow method for the property, plant and equipment and software, and the relief from royalty method or the excess earnings method for the intangible assets, the Company concluded that the carrying value of these assets would not be recoverable and, thus, recorded impairment charges of ¥42,038 million ($452,022 thousand), ¥20,834 million ($224,022 thousand) and ¥3,377 million ($36,312 thousand) for the property, plant and equipment, intangible assets and software, respectively for the year ended March 31, 2010. Impaired property, plant and equipment and intangible assets were written down to their fair value of ¥553 million ($5,946 thousand) and ¥10,217 million ($109,860 thousand), respectively. The software was fully written down. These assets were classified as Level 3 because of using unobservable inputs.

For the year ended March 31, 2009, financial assets that the Company measured at fair value on a nonrecurring basis were non-marketable equity securities which the Company considered as other-than-temporary impairment. During the year ended March 31, 2009, the Company recognized impairment charges of ¥2,394 million for such equity securities. Impaired non-marketable equity securities were written down to their fair value of ¥445 million at March 31, 2009 and were classified as Level 3 because of using unobservable inputs.

19 Acquisitions

In order to expand its distribution channels in Japan, the United States of America, Europe and Asia and increase technological developments of certain products, the Company acquired one, seven and two businesses and/or noncontrolling interests during the years ended March 31, 2010, 2009 and 2008, respectively. Considerations for all significant acquisitions were paid in cash and aggregate purchase prices for acquisitions amounted to ¥358 million ($3,849 thousand), ¥6,635 million and ¥98,973 million, net of cash acquired, for the years ended March 31, 2010, 2009 and 2008, respectively. There were no significant contingent payments, options or commitments related to those acquisitions. Each acquisition that qualified as a business combination has been accounted for under the acquisition method of accounting in accordance with ASC 805 and the excess of the purchase price over the estimated fair value of net assets acquired has been recorded as goodwill, which is primarily non tax-deductible.

There was no significant acquisition during the year ended March 31, 2010.

Acquisitions completed during the year ended March 31, 2009 included (i) additional purchase of 39.3% of the common stock of Tianjian Medi Tech Co., Ltd based in China, which is developing, marketing and providing services for medical IT products, (ii) 100% of the common stock of Empiric Systems, LLC based in the United States of America, which is developing, marketing and providing maintenance services for radiology information systems and (iii) additional purchase of 54.7% of the common stock of Perseus Proteomics, Inc., which is developing and marketing antibody-based therapeutics, in-vitro diagnostics, research reagents and nuclear hormone receptor antibody, through the partial acquisition of Perseus's issued shares and response to the third-party allocation of new shares. The Company recognized ¥3,465 million of goodwill, ¥290 million of technology-based intangibles and ¥312 million of customer-related intangibles on its acquisitions for the year ended March 31, 2009, including those mentioned above.

Significant acquisitions completed during the year ended March 31, 2008 included acquiring 66% of the common stock of Toyama Chemical Co., Ltd. which is a manufacturer and marketing company of pharmaceutical and healthcare products. The strategic business alliance with Toyama Chemical Co., Ltd., which has shown results of new drug development in the medical pharmaceutical business, expanded the Company's Medical Life Sciences Business from the current diagnostic and prevention focus to also include a treatment business. From acquisitions made, including Toyama Chemical Co., Ltd., during the year ended March 31, 2008, the Company recognized ¥71,768 million of goodwill, ¥43,178 million of technology-based intangibles and ¥3,745 million of marketing-related and customer-related intangibles.

The preliminary purchase price allocation of Toyama Chemical Co., Ltd. as of acquisition date was summarized as follows:

	Millions of yen
Current assets	¥ 16,145
Property, plant and equipment	20,923
Goodwill and other intangibles	116,112
Investments and other	16,979
Current liabilities	12,866
Long-term liabilities	42,947
Noncontrolling interest	16,488
Acquisition cost, net of cash acquired	97,858

In October 2008, the purchase price allocation of Toyama Chemical Co., Ltd. was completed. The final purchase price allocation of Toyama Chemical Co., Ltd. was not materially different from the preliminary purchase price allocation.

The results of operations for the acquired entities since the date of the acquisitions have been included in the Company's consolidated statements of operations. Pro forma results of operations have not been presented for any of the acquisitions because the results of operations related to the entities acquired were not significant to the operating results of the Company on either an individual or an aggregate annual basis.

20 Restructuring and Other Charges

During the year ended March 31, 2009, the performance of the Company was adversely affected by the worldwide economic recessions stemming from the financial crisis which started in the third quarter of 2008 and resulted in decreased demand for its products and the appreciation of yen. To ensure profitability and continued growth in difficult economic conditions, the Company has been implementing a comprehensive restructuring program to thoroughly and drastically reduce costs in all group companies and business domains, without exceptions. In this connection, "Operating income before restructuring and other charges" was separately presented in the consolidated statements of operations.

Restructuring costs of ¥143,741 million ($1,545,602 thousand) were incurred in the year ended March 31, 2010 and were reported in the line titled "Restructuring and other charges". Liability balances relating to the restructuring activities amounted to ¥19,044 million ($204,774 thousand) as of March 31, 2010.

The Company currently expects to incur additional restructuring charges of approximately ¥25,000 million ($268,817 thousand) and that these restructuring activities will be completed during the year ending March 31, 2011.

Description of costs that have been incurred in each operating segment for the year ended March 31, 2010 and liability balances of each operating segment at March 31, 2010 are summarized as follows.

Imaging Solutions Segment

Because of market shrinks which was accelerated by the worldwide economic recessions, the Company implemented the integration and closure of photo-finishing laboratories and terminated redundant manufacturing lines to further streamline marketing, development and manufacturing functions. The Company has also implemented workforce reduction programs, disposals of inventories by means of integration and discontinuation of product lines, and other restructuring activities in domestic and foreign subsidiaries to reduce fixed costs. As a result of above activities, the earnings forecast for future periods was revised and impairment charges of ¥30,298 million ($325,785 thousand) were recognized on property, plant and equipment such as manufacturing facilities, amortizable intangible assets and other assets in domestic and foreign subsidiaries.

Description of costs that have been incurred for the year ended March 31, 2010 and liability balances at March 31, 2010 are summarized as follows:

	Millions of yen			
	Employee costs	Fixed assets costs	Other costs	Total
Costs incurred	**¥10,614**	**¥ 35,808**	**¥ 7,701**	**¥54,123**
Non-cash charges	**100**	**(35,808)**	**(5,021)**	**(40,729)**
Cash payments	**(7,363)**	**—**	**(1,501)**	**(8,864)**
Adjustment	**(214)**	**—**	**(3)**	**(217)**
Liability balances at March 31, 2010	**¥ 3,137**	**—**	**¥ 1,176**	**¥ 4,313**

	Thousands of U.S dollars			
	Employee costs	Fixed assets costs	Other costs	Total
Costs incurred	**$114,129**	**$ 385,032**	**$ 82,807**	**$ 581,968**
Non-cash charges	**1,075**	**(385,032)**	**(53,989)**	**(437,946)**
Cash payments	**(79,172)**	**—**	**(16,140)**	**(95,312)**
Adjustment	**(2,301)**	**—**	**(33)**	**(2,334)**
Liability balances at March 31, 2010	**$ 33,731**	**—**	**$ 12,645**	**$ 46,376**

Information Solutions Segment

The Company has implemented workforce reduction programs mainly in indirect departments and research departments, integration of sales offices, downsizing of certain manufacturing facilities, disposal of inventories by means of integrations and discontinuations of product lines, and other restructuring activities in domestic and foreign subsidiaries to reduce fixed costs. As a result of above activities, the earnings forecast for future periods was revised and impairment charges of ¥35,951 million ($386,570 thousand) were recognized on property, plant and equipment such as manufacturing facilities, amortizable intangible assets and other assets in domestic and foreign subsidiaries.

Description of costs that have been incurred for the year ended March 31, 2010 and liability balances at March 31, 2010 are summarized as follows:

	Millions of yen			
	Employee costs	Fixed assets costs	Other costs	Total
Costs incurred	**¥ 15,054**	**¥ 38,940**	**¥10,344**	**¥ 64,338**
Non-cash charges	**(573)**	**(38,940)**	**(5,191)**	**(44,704)**
Cash payments	**(11,787)**	**—**	**(1,963)**	**(13,750)**
Adjustment	**(61)**	**—**	**(10)**	**(71)**
Liability balances at March 31, 2010	**¥ 2,633**	**—**	**¥ 3,180**	**¥ 5,813**

	Thousands of U.S dollars			
	Employee costs	Fixed assets costs	Other costs	Total
Costs incurred	$ 161,871	$ 418,710	$111,225	$ 691,806
Non-cash charges	(6,161)	(418,710)	(55,817)	(480,688)
Cash payments	(126,742)	—	(21,107)	(147,849)
Adjustment	(656)	—	(108)	(764)
Liability balances at March 31, 2010	$ 28,312	—	$ 34,193	$ 62,505

Document Solutions Segment

The Company has initiated special retirement programs, on which the Company pays special allowances to employees who choose to change their career and move outside the Company. As a result, the Company recognized costs relating to special termination benefits. In addition, the Company recorded costs relating to fixed assets primarily consisting of accelerated depreciation on the existing facilities caused by the integration of research and development facilities to streamline its research and development functions.

Description of costs that have been incurred for the year ended March 31, 2010 and liability balances at March 31, 2010 are summarized as follows:

	Millions of yen			
	Employee costs	Fixed assets costs	Other costs	Total
Costs incurred	¥ 12,495	¥ 4,539	¥ 8,246	¥ 25,280
Non-cash charges	(445)	(4,539)	(43)	(5,027)
Cash payments	(10,088)	—	(1,247)	(11,335)
Adjustment	—	—	—	—
Liability balances at March 31, 2010	¥ 1,962	—	¥ 6,956	¥ 8,918

	Thousands of U.S dollars			
	Employee costs	Fixed assets costs	Other costs	Total
Costs incurred	$ 134,355	$ 48,806	$ 88,667	$ 271,828
Non-cash charges	(4,785)	(48,806)	(462)	(54,053)
Cash payments	(108,473)	—	(13,409)	(121,882)
Adjustment	—	—	—	—
Liability balances at March 31, 2010	$ 21,097	—	$ 74,796	$ 95,893

21 Segment Information

Operating Segments

The Company has three operating segments. The Company's operating segments were determined based upon common technology, manufacturing processes as well as distribution processes and type of customers, and they reflect how management reviews the businesses and operating results and makes decisions about strategic investments and the allocation of resources. "Imaging Solutions" manufactures, develops, markets and services color films, digital cameras, photofinishing equipment, color paper, chemicals and related products, primarily for the individual consumer. "Information Solutions" manufactures, develops, markets and services equipment and materials for medical systems and life sciences, equipment and materials for graphic arts, flat panel display materials, recording media, optical devices, electronic materials, inkjet materials and related products, primarily for commercial enterprises. "Document Solutions" manufactures, develops, markets and services office copy machines/multifunction devices, printers, production systems and services, paper, consumables, office services and other related products, primarily for commercial enterprises.

Revenue

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Revenue:				
Imaging Solutions:				
External customers	**¥ 345,489**	¥ 410,399	¥ 547,066	**$ 3,714,936**
Intersegment	**465**	785	874	**5,000**
Total	**345,954**	411,184	547,940	**3,719,936**
Information Solutions:				
External customers	**900,844**	946,156	1,108,134	**9,686,495**
Intersegment	**1,605**	1,683	2,136	**17,258**
Total	**902,449**	947,839	1,110,270	**9,703,753**
Document Solutions:				
External customers	**935,360**	1,077,789	1,191,628	**10,057,634**
Intersegment	**7,187**	8,982	9,274	**77,280**
Total	**942,547**	1,086,771	1,200,902	**10,134,914**
Eliminations	**(9,257)**	(11,450)	(12,284)	**(99,538)**
Consolidated total	**¥2,181,693**	¥2,434,344	¥2,846,828	**$23,459,065**

Segment Profit or Loss

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Operating (loss) income:				
Imaging Solutions	**¥(69,192)**	¥ (29,310)	¥ (2,394)	**$(744,000)**
Information Solutions	**(2,627)**	20,351	127,432	**(28,247)**
Document Solutions	**32,240**	49,677	86,664	**346,666**
Total	**(39,579)**	40,718	211,702	**(425,581)**
Corporate expenses and eliminations	**(2,533)**	(3,432)	(4,360)	**(27,236)**
Consolidated operating (loss) income	**(42,112)**	37,286	207,342	**(452,817)**
Other income (expenses), net	**113**	(27,844)	(8,000)	**1,215**
Consolidated (loss) income before income taxes	**¥(41,999)**	¥ 9,442	¥199,342	**$(451,602)**

Assets

	March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Total assets:				
Imaging Solutions	**¥ 332,342**	¥ 375,076	¥ 497,237	**$ 3,573,570**
Information Solutions	**1,279,734**	1,366,901	1,454,928	**13,760,581**
Document Solutions	**980,998**	981,056	1,054,538	**10,548,365**
Total	**2,593,074**	2,723,033	3,006,703	**27,882,516**
Eliminations	**(4,574)**	(6,200)	(5,196)	**(49,183)**
Corporate assets	**238,928**	179,804	264,877	**2,569,119**
Consolidated total	**¥2,827,428**	¥2,896,637	¥3,266,384	**$30,402,452**

Other Significant Items

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Depreciation and amortization:				
Imaging Solutions	**¥ 21,871**	¥ 22,652	¥ 37,773	**$ 235,172**
Information Solutions	**99,135**	111,832	107,454	**1,065,968**
Document Solutions	**73,603**	77,586	80,975	**791,430**
Total	**194,609**	212,070	226,202	**2,092,570**
Corporate	**474**	495	551	**5,097**
Consolidated total	**¥195,083**	¥212,565	¥226,753	**$2,097,667**
Capital expenditures for segment assets:				
Imaging Solutions	**¥ 9,080**	¥ 12,253	¥ 17,929	**$ 97,635**
Information Solutions	**28,505**	59,612	101,421	**306,505**
Document Solutions	**40,309**	40,430	50,708	**433,430**
Total	**77,894**	112,295	170,058	**837,570**
Corporate	**19**	107	121	**204**
Consolidated total	**¥77,913**	¥112,402	¥170,179	**$837,774**

Transfers between operating segments are generally based on negotiated pricing. Corporate expenses are the expenses related to the Corporate Division of the Company. Corporate assets consist primarily of cash and cash equivalents as well as marketable and investment securities maintained for general corporate purposes. Corporate, in the "Other significant items" in the above table, is the depreciation and amortization or capital expenditures related to facilities and equipment which the Company holds for Company-wide use. The capital expenditures in the above table represent the purchase of fixed assets of each segment.

Geographic Information

Revenues, which are attributed to geographic areas based on the country of the Company or the subsidiary that transacted the sale with the external customer, operating (loss) income for the years ended March 31, 2010, 2009 and 2008 and long-lived assets at March 31, 2010, 2009 and 2008 are as follows. Although the geographic information of operating (loss) income is not required under ASC 280, the Company discloses this information as supplemental information in light of the disclosure requirement of the Japanese Financial Instruments and Exchange Act.

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Revenue:				
Japan				
External customers	**¥1,344,359**	¥1,460,568	¥1,643,710	**$14,455,473**
Intersegment	**341,178**	424,314	513,364	**3,668,581**
Total	**1,685,537**	1,884,882	2,157,074	**18,124,054**
The Americas				
External customers	**311,107**	392,876	500,910	**3,345,237**
Intersegment	**20,689**	20,084	19,847	**222,462**
Total	**331,796**	412,960	520,757	**3,567,699**
Europe				
External customers	**231,554**	280,560	347,028	**2,489,828**
Intersegment	**17,125**	12,934	16,565	**184,140**
Total	**248,679**	293,494	363,593	**2,673,968**
Asia and others				
External customers	**294,673**	300,340	355,180	**3,168,527**
Intersegment	**235,801**	307,656	368,011	**2,535,495**
Total	**530,474**	607,996	723,191	**5,704,022**
Eliminations	**(614,793)**	(764,988)	(917,787)	**(6,610,678)**
Consolidated total	**¥2,181,693**	¥2,434,344	¥2,846,828	**$23,459,065**

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Operating (loss) income:				
Japan	**¥(34,290)**	¥ 16,635	¥146,222	**$(368,710)**
The Americas	**(18,489)**	(4,015)	5,133	**(198,806)**
Europe	**(21,752)**	2,315	(1,798)	**(233,892)**
Asia and others	**24,795**	19,845	55,303	**266,613**
Eliminations	**7,624**	2,506	2,482	**81,978**
Consolidated total	**¥(42,112)**	¥ 37,286	¥207,342	**$(452,817)**

	March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Long-lived assets:				
Japan	**¥490,729**	¥556,476	¥613,239	**$5,276,656**
The Americas	**25,825**	37,733	45,122	**277,688**
Europe	**37,444**	54,569	62,546	**402,624**
Asia and others	**47,663**	49,228	55,460	**512,505**
Consolidated total	**¥601,661**	¥698,006	¥776,367	**$6,469,473**

Transfers between geographic areas are generally based on negotiated pricing.

Primarily all of the revenue and long-lived assets of The Americas are related to operations in the United States of America.

Revenue to external customers, which are attributed to geographic areas based on the location of the customers for the years ended March 31, 2010, 2009 and 2008, are as follows:

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Revenue:				
Japan	**¥1,059,395**	¥1,134,192	¥1,259,506	**$11,391,344**
The Americas	**354,142**	447,677	557,203	**3,807,979**
Europe	**268,531**	350,548	449,241	**2,887,430**
Asia and others	**499,625**	501,927	580,878	**5,372,312**
Consolidated total	**¥2,181,693**	¥2,434,344	¥2,846,828	**$23,459,065**

Major Customers and Other

No single customer of the Company accounted for more than 10% of consolidated revenue for each of the three years in the period ended March 31, 2010.

The Document Solutions subsidiary sold certain copy machines and other equipment to a noncontrolling interest and also purchased certain equipment from the noncontrolling interest, which amounted to ¥151,852 million ($1,632,817 thousand) and ¥12,662 million ($136,151 thousand), ¥212,265 million and ¥12,321 million, and ¥232,923 million and ¥21,310 million for the years ended March 31, 2010, 2009 and 2008, respectively.

In conjunction with a license agreement and other arrangements between the Document Solutions subsidiary and a noncontrolling interest, certain expenses of ¥11,792 million ($126,796 thousand), ¥13,040 million and ¥13,200 million, which primarily related to royalty and research expenses, were incurred and certain expenses of ¥2,597 million ($27,925 thousand), ¥2,865 million and ¥3,139 million, which primarily related to research expenses, were reimbursed for the years ended March 31, 2010, 2009 and 2008, respectively. Notes and accounts receivable from the noncontrolling interest at March 31, 2010 and 2009 were ¥38,739 million ($416,548 thousand) and ¥36,872 million, respectively. Notes and accounts payable to the noncontrolling interest at March 31, 2010 and 2009 were ¥4,574 million ($49,183 thousand) and ¥4,995 million, respectively.

ERNST & YOUNG

ERNST & YOUNG SHINNIHON LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1191
Fax: +81 3 3503 1277

The Board of Directors and Shareholders
FUJIFILM Holdings Corporation

We have audited the accompanying consolidated balance sheets of FUJIFILM Holdings Corporation and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FUJIFILM Holdings Corporation and subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for noncontrolling interests with the adoption of the guidance originally issued in SFAS 160 "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" (codified in ASC 810) effective April 1, 2009.

We also have reviewed the translation of the consolidated financial statements mentioned above into United States dollars on the basis described in Note 3. In our opinion, such statements have been translated on such basis.

We also have audited, in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of March 31, 2010 of FUJIFILM Holdings Corporation and subsidiaries, and our report dated June 29, 2010 expressed an unqualified opinion thereon.

June 29, 2010

Ernst & Young ShinNihon LLC

Basic Framework of Internal Control Over Financial Reporting

FUJIFILM Holdings Corporation's Representative Director and President, Shigetaka Komori, and Representative Director, Executive Vice President and Chief Financial Officer, Toshio Takahashi, fully understand that they are responsible for the design and operation of internal control over financial reporting for the consolidated financial statements of FUJIFILM Holdings Corporation and subsidiaries (the "Company"). The Company has designed and operates internal control over financial reporting in accordance with the basic framework prescribed in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" released by the Business Accounting Council. Internal control over financial reporting is a process to provide reasonable assurance of achieving its objectives as defined in the Council Opinions through the design and implementation of all basic components of internal control and confirming all components are operating effectively as a whole.

However, as internal control has certain inherent limitations, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Scope of Assessment, Assessment Date, and Assessment Procedures

The Company evaluated its internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2010, the assessment date and the fiscal year end of the Company, in accordance with generally accepted assessment standards for internal control in Japan.

Based on the results of the assessment of internal controls that could materially affect the consolidated financial reporting process (company-level controls), the Company selected business processes to be evaluated. After the analysis of these selected business processes, the Company identified key controls that could have a material impact on the reliability of financial reporting, and evaluated the effectiveness of internal control by assessing the design and operation of the key controls.

The scope of assessment of internal control over financial reporting was determined by selecting the Company itself, its consolidated subsidiaries and companies accounted for by the equity-method in consideration of their quantitative and qualitative impacts on financial reporting. The scope of assessment of internal control over business processes was reasonably determined based on the assessment of company-level controls of the Company and its consolidated subsidiaries. Certain consolidated subsidiaries and companies accounted for by the equity-method were excluded from the scope of assessment of the company-level controls since their quantitative and qualitative impacts were judged to be insignificant.

With regard to the scope of assessment of internal control over business processes, 46 locations or business units were determined to be "significant business locations," which consist of the locations or business units in descending order based on sales (after elimination of intercompany sales transactions) for the fiscal year ended March 31, 2009, whose combined sales account for approximately two-thirds of total sales on a consolidated basis for the fiscal year ended March 31, 2009, and certain other locations or business units considering their qualitative materiality and regional characteristics. For the selected significant business locations, business processes related to sales, accounts receivable, and inventory were included in the scope of assessment as the aforementioned accounts are closely associated with the Company's business objectives. In addition, for the significant business locations and other group locations or business units, business processes that could result in a misstatement in significant components of the financial statements, business processes relating to significant accounts involving estimates and management's judgment, and business processes relating to businesses or operations dealing with high-risk transactions were added to the scope of assessment as business processes with a significant effect on financial reporting. The Company also ensured that the scope of assessment was adequate based on financial results and business operations for the fiscal year ended March 31, 2010.

Result of Assessment

As the result of the above assessment, the Company has concluded that its internal control over financial reporting for the accompanying consolidated financial statements is effective as of March 31, 2010, the fiscal year end.

ERNST & YOUNG

ERNST & YOUNG SHINNIHON LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1191
Fax: +81 3 3503 1277

The Board of Directors and Shareholders
FUJIFILM Holdings Corporation

We have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of March 31, 2010 of FUJIFILM Holdings Corporation and subsidiaries (the "Company") ("Management's Report"). The Company's management is responsible for designing and operating internal control over financial reporting and preparing Management's Report. Our responsibility is to express an opinion on Management's Report based on our audit. Internal control over financial reporting may not prevent or detect misstatements.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Management's Report is free of material misstatement. An internal control audit includes examining, on a test basis, the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, Management's Report referred to above, which represents that internal control over financial reporting for the consolidated financial statements as of March 31, 2010 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

We also have audited, in accordance with auditing standards generally accepted in the United States and auditing standards generally accepted in Japan, the accompanying consolidated balance sheets of FUJIFILM Holdings Corporation and subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen, and our report dated June 29, 2010 expressed an unqualified opinion thereon.

June 29, 2010

Ernst & Young ShinNihon LLC

Corporate Information

FUJIFILM Holdings Corporation
7-3, Akasaka 9-chome,
Minato-ku, Tokyo 107-0052, Japan
Tel: 81-3-6271-1111
URL: http://www.fujifilmholdings.com/

Date of Establishment: January 20, 1934

Capital: ¥40,363 million (as of March 31, 2010)

Fiscal Year-end: March 31

Number of employees (Persons): 74,216 (as of March 31, 2010)

Independent Auditors: Ernst & Young ShinNihon LLC

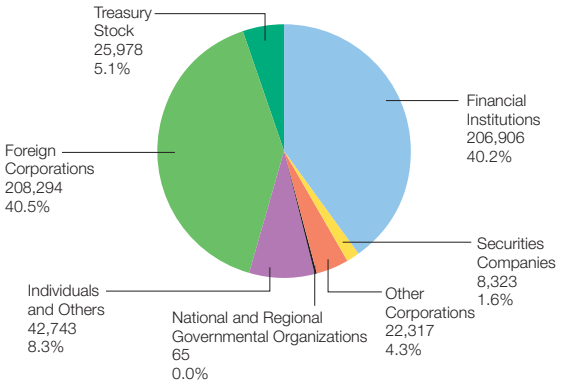
Stock Exchange Listings: Tokyo, Osaka, Nagoya

Share Registrar
The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Distribution of Shareholders and Shares

(As of March 31, 2010)

Number of Shareholders: 52,054
Number of Shares Outstanding (In thousands): 514,626



Major Shareholders

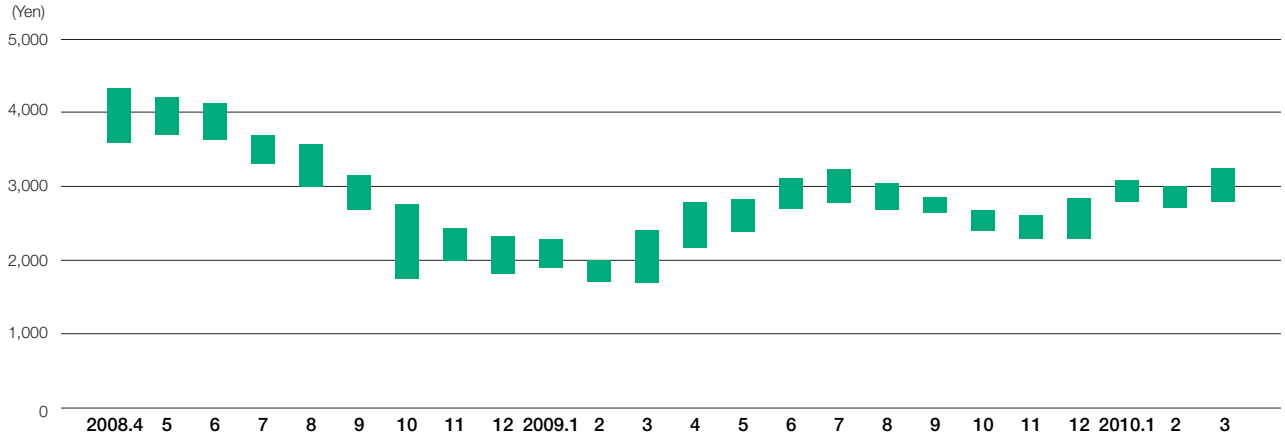
(As of March 31, 2010)

Name	Percentage of issued shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	6.9
The Master Trust Bank of Japan, Ltd. (trust account)	6.5
Nippon Life Insurance Company	3.9
Japan Trustee Services Bank, Ltd. (trust account 9)	2.6
The Chuo Mitsui Trust and Banking Company, Limited	2.2
Sumitomo Mitsui Banking Corporation	2.0
Moxley and Company	2.0
State Street Bank of Trust Company	2.0
State Street Bank of Trust Company 505225	1.7
Mitsui Sumitomo Insurance Co., Ltd.	1.7

Note: In addition to the major shareholders described above, FUJIFILM Holdings Corporation holds treasury stock accounting for 5.1% of the total issued shares outstanding.

Common Share Price

(Tokyo Stock Exchange)



Public notices of the Company shall be made available electronically (in Japanese) via its corporate website **(http://www. fujifilmholdings.com/)**. However, in the event that electronic public notices cannot be made due to accident or other unavoidable circumstances, public notices shall be made in the *Nihon Keizai Shinbun*.

FUJIFILM

FUJIFILM Holdings Corporation

For further information, please contact:

IR Office, Corporate Planning Div.
FUJIFILM Holdings Corporation
7-3, Akasaka 9-Chome,
Minato-ku, Tokyo 107-0052, Japan
Tel: 81-3-6271-1111
URL: http://www.fujifilmholdings.com/

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SA-COC-001196
© 1996 Forest Stewardship Council

PRINTED WITH SOY INK

GPN Green Purchasing Network
印刷サービス
印刷サービスのグリーン購入に取り組んでいます

The body of this report is printed on FSC-certified paper.

Printed in Japan