FUJIFILM

Annual Report 2009

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.

The entire Fujifilm Group is determined to overcome the current unprecedented crisis through the accomplishment of structural reforms. This report explains the Company's plans and strategies, with particular focus placed on the sources of competitiveness that enable us to achieve this goal.

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The Fujifilm Group—A Brief History

Tokyo Midtown Head Office

FUJIFILM Advanced Research Laboratories

2004

VISION75 Plan—Toward a "Second Foundation"

Fujifilm's performance in the imaging business deteriorated amid violent fluctuations in business environments attributable to advances in digital technologies. Aiming to effectively adjust to the changing times, Fujifilm formulated the VISION75 medium-term management plan in 2004. By focusing on the three fundamental strategies of "enhancing consolidated management," "implementing comprehensive structural reforms at all management levels" and "building new growth strategies," the Company is approaching the realization of its "Second Foundation."

"FCR 101" medical X-ray digital imaging and diagnostic system

Netherlands plant completed in 1982

1980

Overseas Expansion and Digital Advances

Aiming for "World-Class FUJIFILM" status, Fujifilm accelerated business globalization through the establishment of production and other bases overseas. In its photo-related, medical and printing businesses, the Company led the industry in the development of digital technologies. The ongoing releases of such products as the Fuji Computed Radiography (FCR) digital X-ray imaging and diagnostic systems, digital cameras, computer-to-plate (CTP) digital printing plates and digital minilabs allowed the Company to drive the development of markets.

"Xerox 914" plain paper photocopier

Pre-sensitized (PS) plates

Fuji medical X-ray film PX

1950

New Business Fields and Overseas Markets

After gaining a strong foothold in the domestic photographic film market, Fujifilm shifted to a business diversification strategy, developing innovative products that applied photographic film-related technologies in the medical (X-ray diagnosis), printing, electronic imaging and magnetic material fields. Meanwhile, the Company penetrated overseas markets by establishing sales bases in the United States, Europe and Asia.

Fuji Chrome Film

Fuji Positive Film

1934

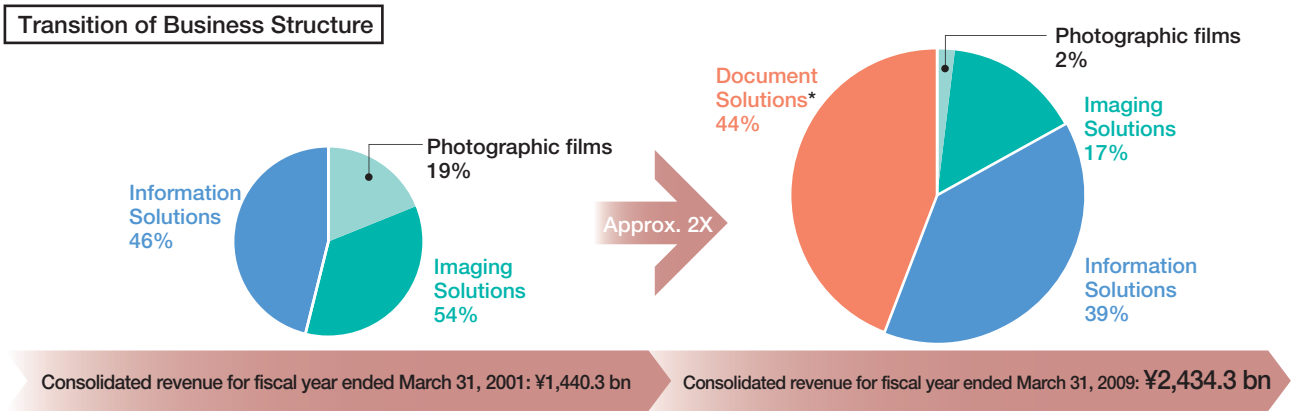
Successes on the Domestic Front

Fuji Photo Film Co., Ltd. was established in 1934 with the aim of realizing domestic production of motion-picture films. Successes in domestic production of motion-picture, photographic and X-ray films enabled the Company to gradually solidify its business foundation as a comprehensive photosensitive material manufacturer. At the same time, the Company steadily developed its domestic sales network.

Recent Structural Reforms

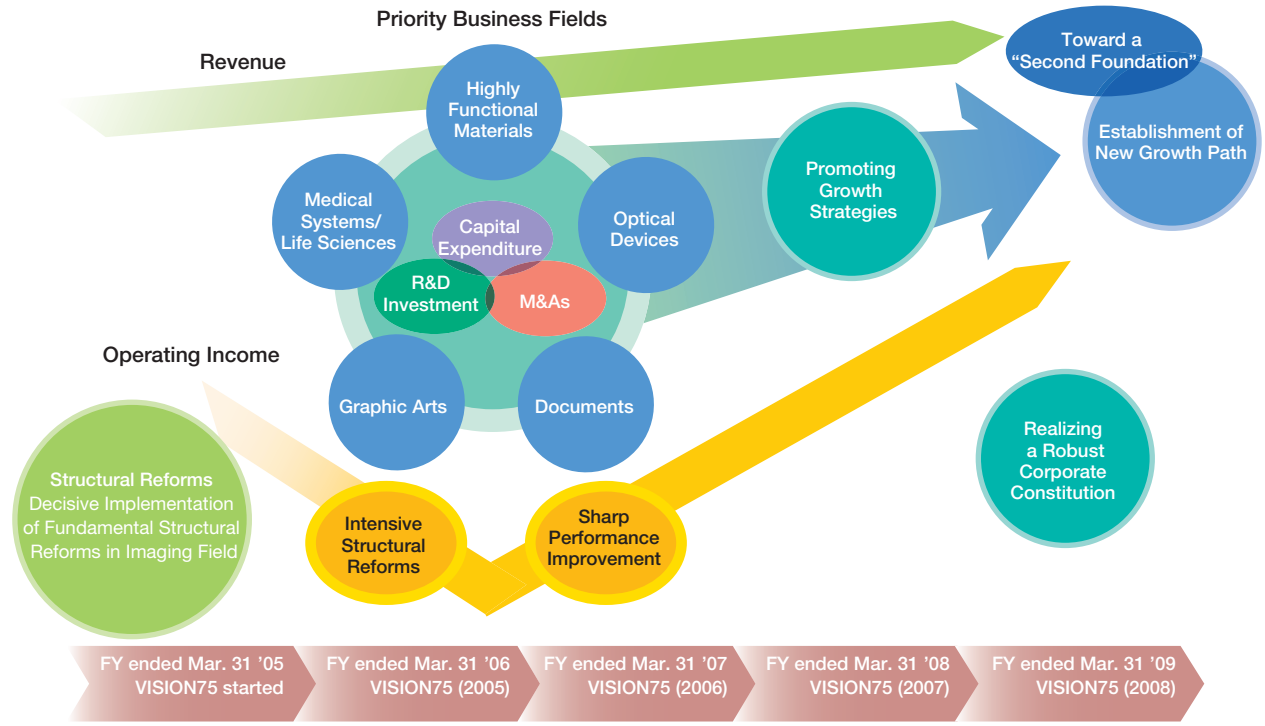
As it entered the new millennium, the world was suddenly inundated with digital technologies. This trend of digitization caused the demand for photographic films to diminish rapidly. In response to such change in its operating environment, Fujifilm formulated the VISION75 medium-term management plan in 2004. This plan was aimed at drastically reforming Fujifilm's business structures and thereby reverting to a renewed growth road in anticipation of the Company's 75th anniversary, to be marked in the fiscal year ending March 31, 2010. In line with the plan, Fujifilm carried out bold structural reforms centered on the Imaging Solutions segment in 2005 and 2006. At the same time, the Company accelerated the implementation of growth strategies in five priority business fields. These ongoing efforts resulted in a sharp performance improvement, enabling us to post record-high revenue and operating income in the fiscal year ended March 31, 2008. During the fiscal year under review, the entire Fujifilm Group implemented strategic initiatives under VISION75 (2008) to realize its Second Foundation.

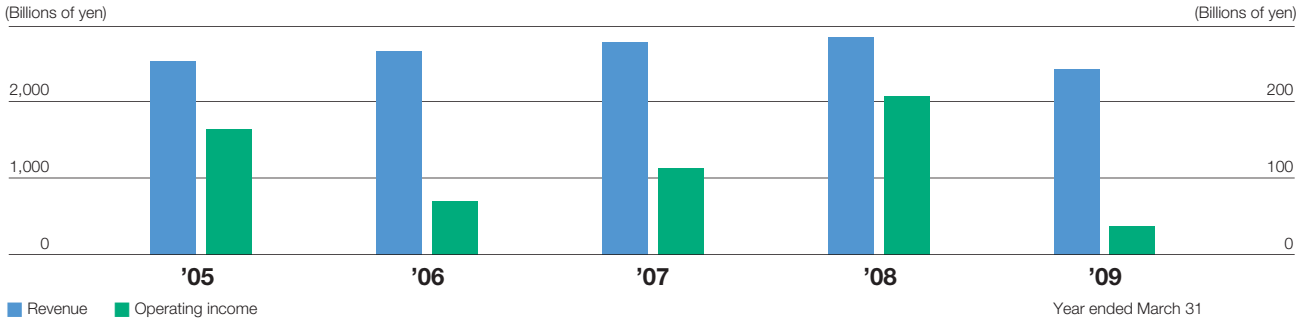
Transition of Business Structure



* From the fiscal year ended March 31, 2002, the accounts of Fuji Xerox Co., Ltd. have been consolidated into those of the Fujifilm Group.

VISION75 Medium-Term Management Plan

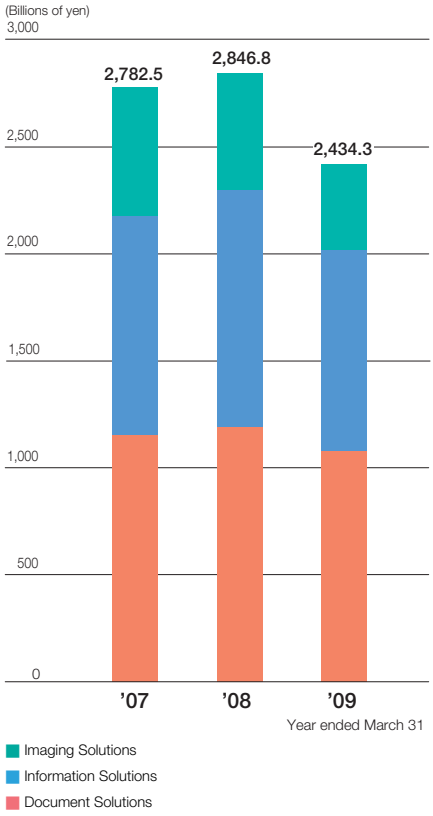




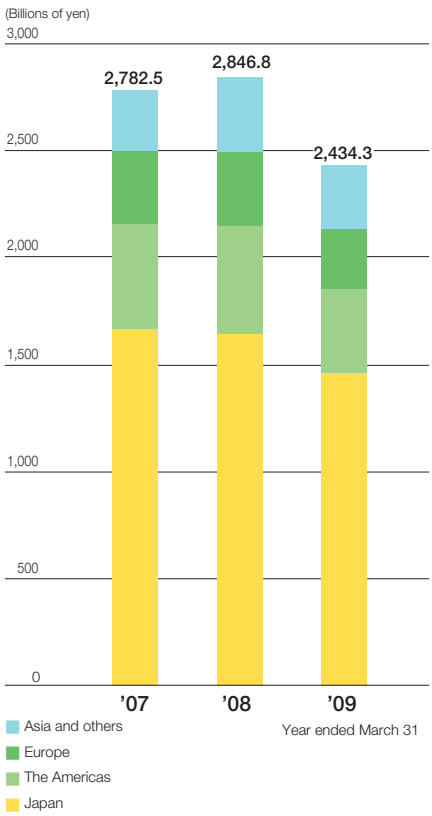
Operating Segment Information

Revenue

Breakdown by Business Segment

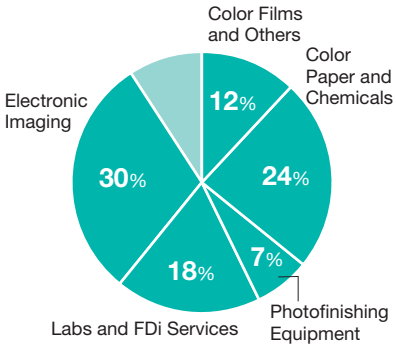


Breakdown by Geographic Segment

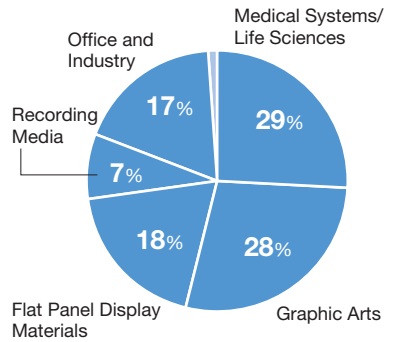


Segment Revenue Breakdown

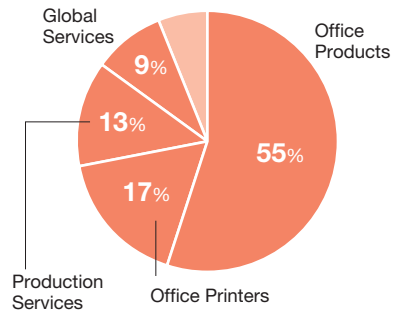
Imaging Solutions



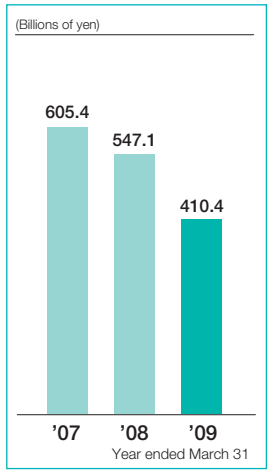
Information Solutions

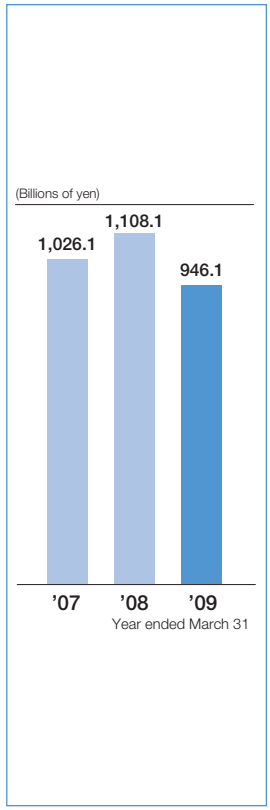


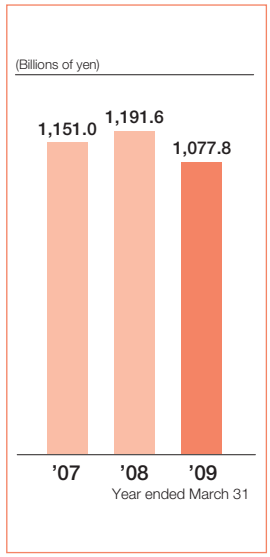
Document Solutions



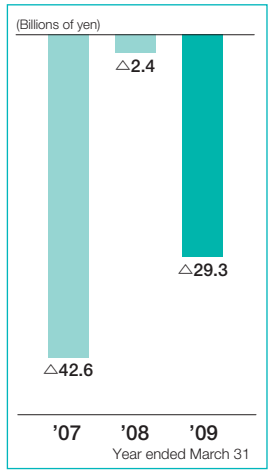
Segment Revenue

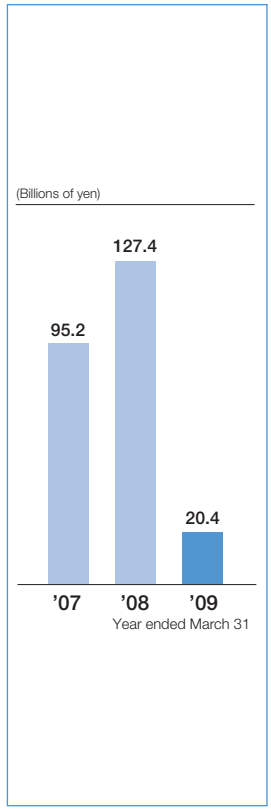


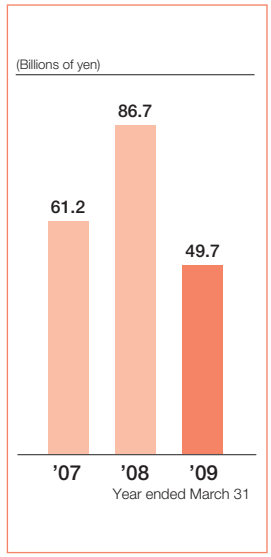




Segment Operating Income (Loss)





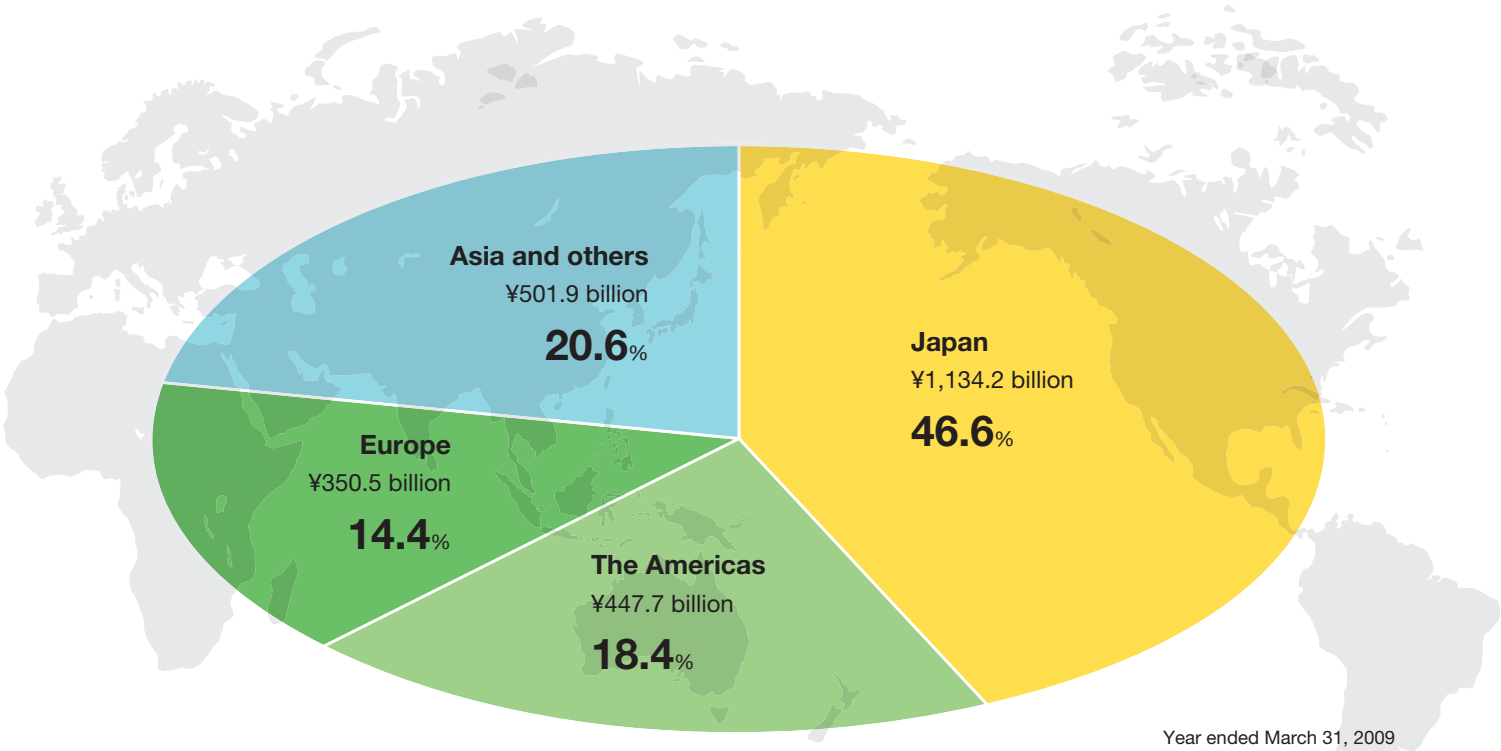


Line of Business and Main Products and Services	Business Overview	
● Color Films and Others Color negative films "QuickSnap" single-use cameras Color reversal films ● Color Paper and Chemicals Photographic paper for color prints Photofinishing chemicals ● Photofinishing Equipment Film processors/Printing equipment Digital minilabs/Inkjet-system dry minilabs Thermal photo printers ● Labs and FDi Services Film processing services Photo printing services ● Electronic Imaging "FinePix" digital cameras Digital camera accessories	**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 through 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. Applying such proprietary Fujifilm technologies as the Super CCD EXR sensor and advanced face detection, the Company has constantly introduced to the global market distinctive "FinePix" digital cameras capable of optimally balancing sensitivity and high-image-quality photo-taking. Fujifilm is pursuing further differentiation through the development of new products based on its unique technologies. Responding to an increase in digital printing needs attributable to the popularization of digital cameras and camera phones, Fujifilm has taken steps to promote and enhance its retail printing services for the production of "easy, beautiful and long-lasting" photos. While strengthening the services it provides to address increasingly diverse user needs in line with advancing digital technologies, the Company is accelerating the implementation of initiatives to expand sales of "Photobook" and other high-value-added printing services.	page 36
● Medical Systems/Life Sciences "FCR"/"DR BENEO" digital X-ray imaging and diagnostic systems; Digital mammography systems "SYNAPSE" medical-use picture archiving and communications systems (PACS) Dry imaging films/Dry imagers X-ray films; Digital endoscopes; Radiopharmaceuticals Nucleic acid isolation systems Healthcare products	**Leveraging a Top Global Market Share in CR Systems and Top Domestic Market Share in PACS to Become 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 imaging and diagnostic 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.	page 38
● Graphic Arts Materials and equipment for graphic arts • Computer-to-plate (CTP) plates • CTP plate setters • Software Industrial inkjet printers/Inks	**Aiming for the Leading Global 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 showing steady growth in demand worldwide. 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.	
● Flat Panel Display Materials "FUJITAC" protective films for polarizers "WV films" for expanding viewing angles "Transer films" for manufacturing color filters	**No. 1 Global Share in FPD-Use Protective Films and Optical Compensation Films** Fujifilm manufactures and sells films for polarizing plates used in LCD TVs, laptop PCs and monitors. Its FUJITAC films, which are essential for LCD panels, maintain approximately 80% of the world market share. Its WV films hold a 100% global market share. These products' unparalleled quality and the Company's aggressive investments in this business are contributing to steady market development.	
● Recording Media LTO Ultrium data cartridges Data cartridges for IBM 3592	**Top Global Share in Mid-Range Data Storage Media Market** This business develops high-capacity, high-quality data storage media products widely used by data centers operated by large-scale organizations such as finance and research firms.	
● Office and Industry Camera phone lens units TV lens/CINE lens Electronic materials Inks for consumer-use inkjet printers Industrial inkjet printer heads	**Expanding the Optical Device Business and Other New Growth Businesses** Fujifilm is strengthening its market position in line with increasingly higher camera phone lens functioning and pixel counts. For example, the Company commands more than 60% of the global market share for lens units with 3.0 megapixel and higher pixel counts. At the same time, it is exerting efforts to expand its semiconductor materials business in addition to the consumer-use inkjet business, where demand continues to grow.	
● Office Products Color/monochrome digital multifunction devices "DocuWorks" document handling software	**Targeting the No. 1 Market Share through the Supply of High-Value-Added Products** Fuji Xerox supplies office-use digital color/monochrome multifunction devices. Since its launch of 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. Boasting the top domestic market share in terms of the volume of color multifunction device shipments and copies made using its color devices, Fuji Xerox is targeting the top share in the entire color/monochrome device market. We are also expanding operations in the rapidly growing markets of the Asia-Pacific region, including China.	page 42
● Office Printers Color/monochrome laser printers	**Pursuing Compactness, High Performance, High Quality and Eco-Conscious Features** Fuji Xerox is expanding sales of products, centered on color laser printers in the markets of Asia, as well as Europe and North America, where these products are supplied on an OEM basis. In addition, Fuji Xerox has won its tenth consecutive Energy Conservation Prize, being highly recognized for its efforts to reduce the environmental burden of its color multifunction devices in the office products business and color printers.	
● Production Services On-demand publishing systems Computer printing systems	**Leading the Print-on-Demand Market with Our 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, we meet customer needs for high-mix, low-volume printing through the use of variable printing systems that interface with databases.	
● Global Services Comprehensive document outsourcing services	**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.	

Breakdown of Consolidated Revenue by Operating Segment and Product Destination

In the fiscal year ended March 31, 2009, the percentage of revenue in the Imaging Solutions segment to consolidated revenue continued to decline year on year, while, in turn, the combined percentage for the Information Solutions and Document Solutions segments increased. By region on a destination basis, the percentages of revenue in both the Americas and Europe fell slightly, pushing up the percentage in Japan.

Year ended March 31, 2009



Year ended March 31, 2009

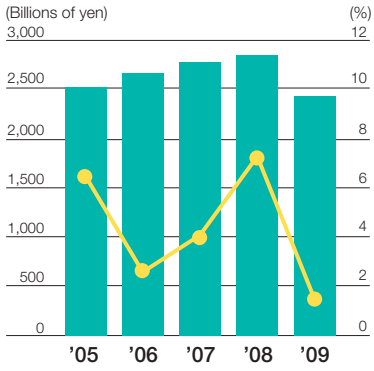
Financial Highlights

FUJIFILM Holdings Corporation and Subsidiaries

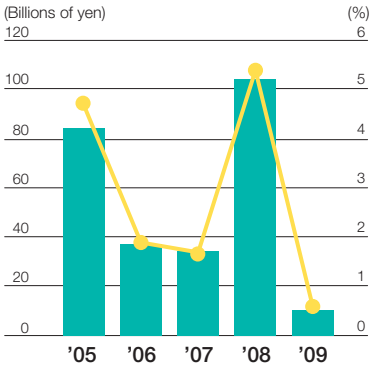
	Year ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2006	2005	**2009**
Results of Operations						
Revenue	**¥2,434,344**	¥2,846,828	¥2,782,526	¥2,667,495	¥2,527,374	**$24,840,245**
Operating income	**37,286**	207,342	113,062	70,436	164,442	**380,469**
Income before income taxes	**9,442**	199,342	103,264	79,615	162,346	**96,347**
Net income	**10,524**	104,431	34,446	37,016	84,500	**107,388**
Research and development expenses	**191,076**	187,589	177,004	182,154	168,017	**1,949,755**
Cash Flows						
Net cash provided by operating activities	**209,506**	298,110	297,276	272,558	219,361	**2,137,816**
Net cash used in investing activities	**(152,781)**	(259,715)	(298,001)	(272,129)	(312,401)	**(1,558,990)**
Free cash flow (Note 2)	**56,725**	38,395	(725)	429	(93,040)	**578,826**
Net cash provided by (used in) financing activities	**(102,139)**	(72,308)	158,287	(80,309)	(83,406)	**(1,042,235)**
Financial Position						
Total assets at year-end	**2,896,637**	3,266,384	3,319,102	3,027,491	2,983,457	**29,557,520**
Total shareholders' equity at year-end	**1,756,313**	1,922,353	1,976,508	1,963,497	1,849,102	**17,921,561**
Capital expenditures (Note 3)	**112,402**	170,179	165,159	179,808	157,420	**1,146,959**
Depreciation and amortization (Note 3)	**212,565**	226,753	215,429	225,434	182,286	**2,169,031**
(Depreciation)	**149,912**	159,572	146,325	156,928	130,360	**1,529,714**
	Yen					U.S. dollars (Note 1)
Per Share of Common Stock						
Net income:						
Basic (Note 4)	**¥ 21.10**	¥ 205.43	¥ 67.46	¥ 72.65	¥ 164.78	**$ 0.22**
Diluted (Note 5)	**21.09**	193.56	65.04	72.65	164.78	**0.22**
Cash dividends	**30.00**	35.00	25.00	25.00	25.00	**0.31**
Financial Indicators						
Ratio of operating income to revenue	**1.5%**	7.3%	4.1%	2.6%	6.5%	
ROE	**0.6%**	5.4%	1.7%	1.9%	4.7%	
Equity ratio	**60.6%**	58.9%	59.5%	64.9%	62.0%	
Payout ratio (Consolidated base)	**142.2%**	17.0%	37.1%	34.4%	15.2%	

Notes :1. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥98=US$1, the exchange rate prevailing on March 31, 2009.
2. Free cash flow = Net cash provided by operating activities + Net cash used in investing activities
3. Figures do not include amounts for rental equipment handled by the Document Solutions segment.
4. The amounts of basic net income per share are based on the weighted average number of share of common stock (excluding treasury stock) outstanding during the year.
5. Diluted net income 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 all conversion rights of the Euroyen convertible bonds were exercised and outstanding.

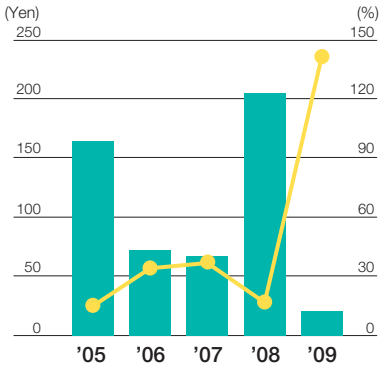
Revenue/Ratio of Operating Income to Revenue



Net Income/ROE



Net Income per Share of Common Stock/Payout Ratio



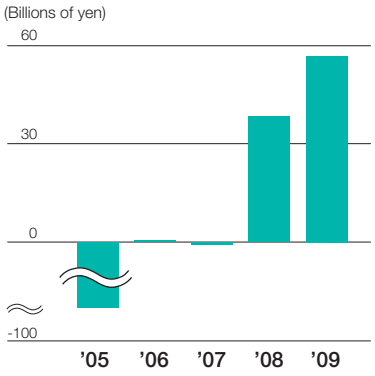
Operating Segment Revenue

	Year ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2006	2005	**2009**
Imaging Solutions	**¥ 410,399**	¥ 547,066	¥ 605,383	¥ 689,458	¥ 742,993	**$ 4,187,745**
Information Solutions	**946,156**	1,108,134	1,026,085	877,366	768,680	**9,654,653**
Document Solutions	**1,077,789**	1,191,628	1,151,058	1,100,671	1,015,701	**10,997,847**
Consolidated total	**¥2,434,344**	¥2,846,828	¥2,782,526	¥2,667,495	¥2,527,374	**$24,840,245**

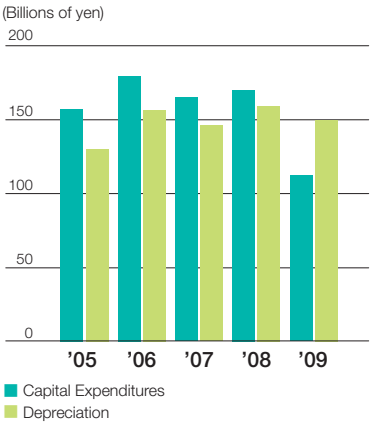
Revenue by Region (Destination Base)

	Year ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2006	2005	**2009**
Japan	**¥1,134,192**	¥1,259,506	¥1,303,647	¥1,329,284	¥1,311,893	**$11,573,388**
The Americas	**447,677**	557,203	572,797	558,702	515,169	**4,568,133**
Europe	**350,548**	449,241	422,965	375,516	349,903	**3,577,020**
Asia and others	**501,927**	580,878	483,117	403,993	350,409	**5,121,704**
Consolidated total	**¥2,434,344**	¥2,846,828	¥2,782,526	¥2,667,495	¥2,527,374	**$24,840,245**

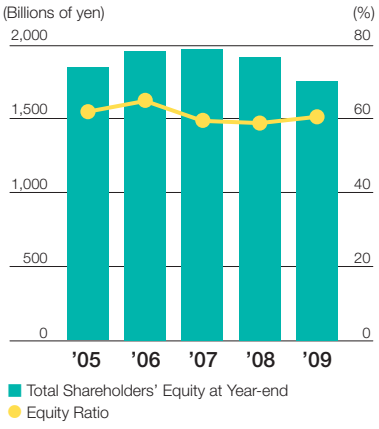
Free Cash Flow



Capital Expenditures/Depreciation



Total Shareholders' Equity at Year-end/Equity Ratio



A Message from the CEO

During the fiscal year ended March 31, 2009—particularly from the fall of 2008—the global real economy deteriorated at a worse-than-expected pace and scale. Behind this deterioration was financial credit insecurity caused by the bankruptcy of major financial institutions in the United States, which consequently led to the negative spiral of demand contraction, inventory and production adjustments and weakened consumer sentiment. In addition to these harsh operating environments, FUJIFILM Holdings Corporation ("Fujifilm" or "the Company") has faced other severe conditions, including the yen's sharp appreciation and the slowdown in the economies of newly industrialized countries (NICs). As a result, on a consolidated basis, Fujifilm posted ¥2,434.3 billion in revenue, down 14.5% from the previous fiscal year, while recording ¥37.3 billion in operating income, down 82.0% year on year. Income before income taxes amounted to ¥9.4 billion, down 95.3%, and net income totaled ¥10.5 billion, down 89.9%. The decrease in consolidated revenue was attributable to such factors as a sharp appreciation of the yen and a persistent downward trend in the Imaging Solution's sales. Having also caused the revenue decline were the Information Solutions segment, which is centered on the flat panel display (FPD) materials business that had shown steady growth, and the Document Solutions segment, both of which experienced a substantial decline in revenue due to stagnant demand on a worldwide scale. The Company's earnings similarly suffered significant falls, adversely affected by decreased revenue, the yen's appreciation and the posting of structural reform expenses totaling ¥33.5 billion.

In accordance with the fundamental strategies under its VISION75 medium-term management plan, Fujifilm implemented structural reforms, mainly in the Imaging Solutions segment. More specifically, the Company defined priority business fields with high growth potential and selectively allocated its management resources in these fields, thereby considerably expanding related businesses. These measures enabled us to post record-high revenue and operating income in the fiscal year ended March 31, 2008. However, sudden changes in operating conditions attributable to the current global financial crisis have negatively affected the Company's entire operation, and our performance abruptly deteriorated.

Although harsh economic environments are slated to persist for the time being, Fujifilm is committed to quickly reestablishing a slim, efficient and robust corporate constitution that is capable of securing profitability and realizing sustainable growth even under the severe economic conditions that we are now facing. As the first and foremost step toward creating a robust corporate constitution, the Company will pursue more aggressive cost and expense reductions by intensively and decisively implementing structural reforms from the current fiscal year, ending March 31, 2010. Such cost reduction efforts will allow no sanctuary—it will cover all Group operations and organizations. Also, the Company will earnestly reformulate its growth strategies. Based on such strategies, the Company will continue to concentrate its management resources in the five priority business fields of "medical systems/life sciences," "graphic arts," "document solutions," "optical devices" and "highly functional materials," while promoting the expansion of sales and market share in NICs.

In the past, Fujifilm has faced a number of crises, including the so-called "silver shock" in 1980 and the rapid advance in digital technologies in and after 2000. The Company has overcome these crises through the combined wisdom of the entire Fujifilm Group. All Fujifilm Group employees are more determined than ever to decisively implement structural reforms and promote growth strategies. Working as a single, well-coordinated entity, the Company will overcome the current economic crisis that plagues the world.

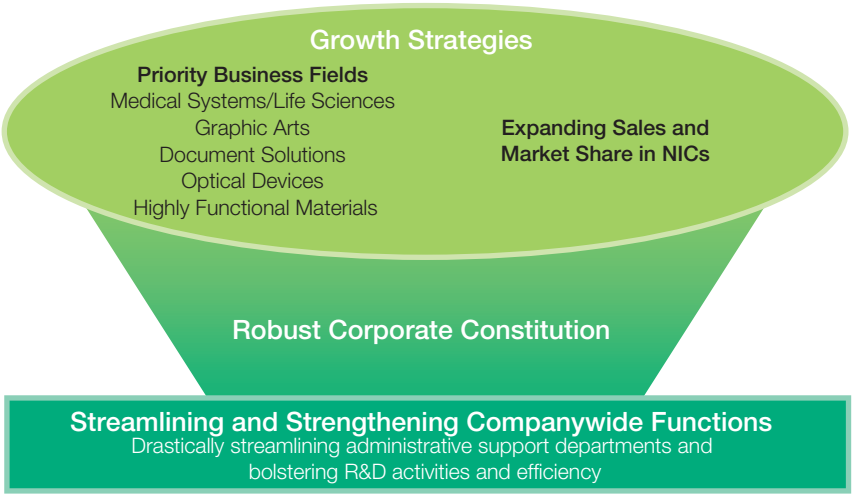
I would like to thank our stakeholders for their unwavering support and understanding as we accelerate toward realizing Fujifilm's sustainable growth.

July 2009

Shigetaka Komori
President and Chief Executive Officer

Strengthening Its Corporate Constitution to Transform Fujifilm

Aiming to reestablish a management foundation capable of achieving the 10% level in the ratio of operating income to revenue, with a revenue level of ¥2,300 billion



● Growth Strategies by Priority Business Field

Medical Systems/Life Sciences

Accelerate the establishment of a new type of comprehensive healthcare business by leveraging fundamental technologies in such areas as diagnostic imaging, analysis, FTD*1, synthesis, drug discovery and RI*2

*1 Formulation Targeting Delivery
*2 Radioisotopes

Graphic Arts

- Strengthen as a core business by employing Fujifilm and Fuji Xerox's inkjet and xerography technologies and effectively coordinating such management resources as marketing channels and brand values in the digital printing market
- Aim for the top global market share for CTP plates

Document Solutions

- Bolster operations in such growth areas as production services, solution business and global services
- Strengthen Fuji Xerox's business base by continuously expanding color device sales and reinforcing applications to increase the volume of color printing

Optical Devices

- Further expand the market share of camera phone lens units by launching ultra-compact, high-image-quality products
- Expand such new fields as security camera lenses and automotive camera lenses

Highly Functional Materials

- Boost sales of highly functional films in the FPD materials business
- Create new businesses in highly value-added functional materials, including solar cell materials, by applying leading-edge core technologies
- Focus on product development relating to environmental protection and energy fields

● Streamlining and Strengthening Companywide Functions

- **Drastically streamlining administrative support departments**
  Lower fixed costs by ¥10.0 billion*3 through the reduction of personnel by over 20% in applicable departments
- **Increasing R&D efficiency/focusing on priority fields**
  Reduce R&D fixed costs by ¥13.0 billion*3 through "selection & concentration" strategy for R&D projects and expenses
- **Thoroughly streamlining photo-related businesses**
  Reduce fixed costs by ¥30.0 billion*3 through further streamlining
- **Fundamentally reforming the digital camera business**
  Complete a critical business profitability reform program to secure profitability on an operational basis in the fiscal year ending March 31, 2010
- **Continuously Expanding Document Solutions' Management Innovation Activities Groupwide**
  Accelerate activities, which began from the fiscal year ended March 31, 2009, and expand their scope to build a growth foundation and attain a 10% operating margin

● Reducing costs and expenses thoroughly on a Companywide basis and improving the marginal profit rate

- **Aggressively promote "Slim & Strong Drive" program, which started from the second half of the fiscal year ended March 31, 2007 and other measures to reduce costs and expenses and improve productivity**

"Slim & Strong Drive"

- Reduction of SG&A ratio
- Optimize R&D spending
- Reduction of manufacturing costs

"Transform Fujifilm corporate culture" and "Increase the dynamism of each work site" by raising employee awareness

*3 Projected amount of benefits from cost reduction for the fiscal year ending March 31, 2011 from the March 31, 2009 level

Building a Robust Corporate Constitution toward the Next Leap

Review of Performance and Major Initiatives

Can you give readers some thoughts based on a review of Fujifilm's activities under the VISION75 medium-term management plan and the Company's performance for the fiscal year ended March 31, 2009? Can you also give us an overview of initiatives undertaken by the Company during that period amid the rapid deterioration in operating environments?

At the beginning of the new millennium, Fujifilm faced a crisis, with demand for photographic materials suddenly and significantly decreasing due to the rapid advance in digital technologies. In response to the crisis, the Company formulated the VISION75 plan in 2004. In line with fundamental strategies under this plan, the Company has promoted structural reforms in the Imaging Solutions segment, while aggressively carrying out M&A activities and capital and R&D investments in growth areas.

Having succeeded in the transformation of its business structure through these activities, Fujifilm achieved record-high results in both revenue and operating income in the previous fiscal year ended March 31, 2008. Honestly, I myself believed that we had certainly turned on to a road toward medium-term growth. It was just around that time that the current recession, triggered by global financial crises, began spreading throughout the world. **This sudden turn of economic conditions has dramatically changed preconditions underlying the Company's VISION75 plan.**

I have to say that economic conditions during the fiscal year under review have been unprecedentedly severe, looking back over the 75 years of Fujifilm's history. To deal with the rapid worsening of economic environments, the Company has intensively implemented emergency initiatives to improve profitability for all Group organizations and operations from the third quarter. Actual activities included the reduction of manufacturing and other costs and expenses and the compression of capital investments and inventories. However, the economic deterioration progressed at a pace and scale that almost completely canceled out our management endeavors.

In order to overcome the current crisis and achieve sustainable growth for the Fujifilm Group, the Company must quickly rebuild a robust corporate constitution that enables it to secure profitability under such unprecedented adversities by streamlining and strengthening Companywide functions. At the same time, Fujifilm must flexibly reformulate its growth strategies in the five priority business fields of medical systems/life sciences, graphic arts, document solutions, optical devices and highly functional materials, all of which have considerable growth potential. To sum up my point: we are committed to accomplishing various initiatives aimed at streamlining and strengthening Companywide functions as well as reformulating our growth strategies.

Structural Reforms: Direction and Expected Benefits

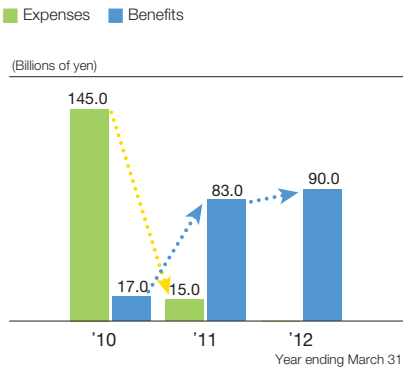
Please explain the underlying ideas and principal strategies regarding the streamlining and strengthening Companywide functions. What benefits are you expecting from these strategies?

What Fujifilm has to tackle now is to streamline and strengthen its Companywide functions through structural reforms and reestablish a foundation that supports its new growth strategies. In structural reforms, all Group organizations and businesses, without exception, will be subject to possible reformation. This is what differentiates structural reforms this time from those previously implemented, mainly for the Imaging Solutions segment. From the current fiscal year, ending March 31, 2010, we will step up efforts to complete structural reforms, thereby substantially reducing fixed costs and assets for optimized operations.

New structural reforms will be underpinned by five principal strategies. Specifically, they are: (1) drastically streamlining administrative support departments;

Overview of Structural Reforms

Structural Reform Expenses and Benefits of Fixed-Cost Reductions



(2) increasing R&D efficiency and focusing on priority fields; (3) thoroughly streamlining photo-related businesses; (4) fundamentally reforming the digital camera business; and (5) continuously expanding Document Solutions' Management Innovation Activities.

Fujifilm has defined the current fiscal year as a critical point for its transformation. Accordingly, the entire Fujifilm Group is facing the challenge with an indomitable resolve. In maintaining such an attitude, the Company is working to rebuild a management foundation on which it will be able to realize a 10% operating margin with a ¥2,300.0 billion revenue level, as was forecast for the current fiscal year. As a supplementary note, the Company expects structural reform expenses to total ¥145.0 billion and ¥15.0 billion for the fiscal years ending March 31, 2010 and 2011, respectively, for a two-year total of ¥160.0 billion. Structural reforms implemented during the fiscal year under review are forecast to produce benefits from fixed-cost reductions amounting to ¥17.0 billion in the current fiscal year and cumulative benefits amounting to ¥83.0 billion for the two fiscal years. From the fiscal year ending March 31, 2012 onward, the Company estimates that it will enjoy benefits totaling ¥90.0 billion each year.

Structural Reforms: Five Principal Strategies

Can you elaborate on the aforementioned five strategies for structural reforms?

In **drastically streamlining administrative support departments**, Fujifilm will reduce worldwide administrative personnel by over 20% to cut fixed costs by at least ¥10.0 billion. More specifically, the Company will consolidate administrative support functions of local subsidiaries in Europe, the Americas and the Asia-Pacific region, including China and Oceania, into individual regional headquarters to promote centralized administration. Similarly, in Japan, we will consolidate administrative support functions of the operating companies and their subsidiaries while expanding the scope of operations that use shared services.

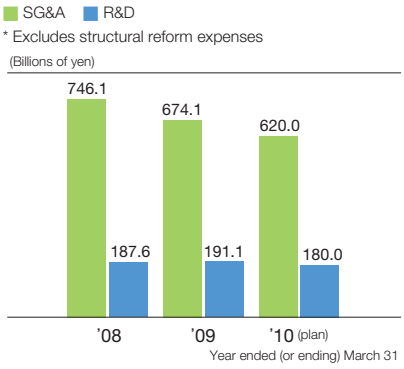
In **increasing R&D efficiency and focusing on priority fields**, the Company will more carefully select R&D projects on which to concentrate. We plan to cut R&D fixed costs by over ¥13.0 billion annually.

Through the previous structural reforms, Fujifilm has successfully slashed fixed costs in the Imaging Solutions segment by a total of more than ¥120.0 billion. By **thoroughly streamlining photo-related businesses under the current reforms**, Fujifilm plans to reduce an additional ¥30.0 billion in the segment's fixed costs, in response to the market contraction accelerated by the current worldwide recession. Specific measures to this end include: (1) integrating local sales subsidiaries; (2) reorganizing the worldwide color paper production structure; (3) suspending the operation of idle facilities; (4) optimizing personnel allocation; (5) stringently selecting products to be manufactured; and (6) further consolidating photo processing labs.

In **fundamentally reforming the digital camera business**, Fujifilm will accelerate reforms, focusing on the strengthening of product and cost competitiveness and supply chain management. In enhancing product competitiveness, the Company will differentiate its products from competitors' through the constant launch of innovative models that apply its proprietary technological offerings, including the new Super CCD EXR sensor (see pages 17 and 18 for details) and the 3D digital imaging system. In newly industrialized countries (NICs), where the penetration rate for digital cameras is still low, we will move ahead with efforts to promote product sales by launching affordable models priced at US$100 or lower.

Through the success of a comprehensive reduction in production, procurement and logistics costs—an important issue for the Company—we are aiming to cut costs by 20% or greater compared with the previous fiscal year. Also, we have significantly reduced inventories by swiftly reflecting marketing data in our manufacturing activities. Looking forward, Fujifilm will expand its digital camera business to cover such product categories as camera modules for mobile phones, security-authentication cameras and automotive cameras. Through these measures, the Company will work to secure profitability in the digital camera business on an operational basis in the current fiscal year, ending March 31, 2010.

"Slim & Strong Drive" Program for Cost Reductions*



With regard to **continuously expanding Document Solutions' Management Innovation Activities**, we are moving further ahead with process reforms centered in domestic administrative support operations. This initiative will sustain improvements in the segment's per-capita productivity, thereby enabling elimination of the workload shouldered by 10%, or 2,500, of the segment's domestic employees. The Company is reallocating 50% of the human resources generated through this initiative mainly to sales operations, thereby bolstering the segment's domestic marketing capabilities.

Meanwhile, we are accelerating productivity enhancement toward consolidating the segment's R&D functions into a new base to be opened in 2010. In addition, we will further reduce costs in the Document Solutions segment through the development and increased use of automation and other advanced manufacturing technologies, while optimizing its manufacturing functions. Furthermore, we will expand Management Innovation Activities in the Document Solutions segment to overseas bases to streamline administrative support operations, thereby lowering fixed costs.

Along with these five principal strategies, Fujifilm will more aggressively advance the **"Slim & Strong Drive" program**, which has been implemented since 2006, and other activities aimed at reducing costs and increasing productivity.

Growth-Focused Strategies

Please tell us about specific initiatives aimed at Fujifilm's future growth in each of the five priority business fields.

As mentioned before, we have identified "medical systems/life sciences," "graphic arts," "document solutions," "optical devices" and "highly functional materials" as our priority business fields and, accordingly, strengthened activities in these fields. Not only do they boast promising markets with high growth potential, but they also constitute areas where the Company has advantage in terms of technological superiority, product competitiveness and market position.

In **medical systems/life sciences**, Fujifilm will leverage its fundamental technologies to create new values in the prevention, diagnostic and treatment fields. Over the next ten years, the Company will aim to expand revenue in the medical systems/life sciences business to the ¥1 trillion level. More specifically, in the diagnostic field, we will work aggressively to augment business in the medical IT system market with particular emphasis on diagnostic imaging. In the prevention and treatment fields, Fujifilm will expand its pharmaceuticals business with Toyama Chemical Co., Ltd. functioning as the core business driver. (See pages 19 to 21 for details.)

In **graphic arts**, the Company will aim to grow into the global No.1 digital printing solutions company. By effectively combining the resources of Fujifilm Corporation and Fuji Xerox Co., Ltd., the Company will sharpen its competitive edge in the digital printing market with high growth potential. In the inkjet systems market, we will accelerate toward the market launch of the Jet Press 720 (provisional name) unique inkjet digital printer, and enhance effective marketing initiatives. In the existing materials business, we will bolster activities to expand sales of computer-to-plate (CTP) products in NICs, while launching such differentiated products as next-generation, environment-friendly, easy-to-process, violet photopolymer CTP products. In this way, we will strengthen our competitiveness, thereby capturing the top global share in the CTP products market.

Concerning **document solutions**, the Company will gear itself toward expanding the production services business, the solutions business and global services business, all of which hold high growth potential. In production services, we will reinforce product lineups while widening the customer base for our printing services in markets in Asia, including China. In the solutions business, we will enhance our industry- and function-specific solutions menu, thereby not only boosting machine sales, but also strengthening comprehensive solutions offerings. Meanwhile, we will strive to expand sales of color devices and continue to promote, through diversified applications, an increase in the volume of color printing by customers. Through these efforts, we will further solidify the business foundation for our Document Solutions segment.

In **optical devices**, Fujifilm has attained a global market share of over 60% for camera phone lens units with three megapixel or higher pixel counts. We aim to

bolster our market share by launching new, ultra-compact, high-image-quality products. In TV camera lenses, which require sophisticated technologies in design, grinding and assembly, the Company commands over 50% of the global market share. For a greater presence, we will work to increase shares in markets worldwide through such means as expanding sales in NICs. In lenses for security monitoring cameras and other security applications, which are expected to show future demand growth, we will boost sales by launching new lenses for use with megapixel products. Furthermore, the Company will expand into such new fields as automotive camera lenses and optical disc lenses.

As for **highly functional materials**, despite a temporary deterioration, market conditions for flat panel display (FPD) materials are expected to regain momentum, reflecting the global diffusion rate for thin-screen TVs, which currently stands at around 20%, and an anticipated rise in demand attributable to the replacement of CRT-based TVs. In such an environment, Fujifilm will strive to increase sales of highly functional films, including wide-view (WV) films. Also, boasting incredibly strong moisture barrier properties (10^{-6}g/m^{-2} per day)*1 superior to those of competitors' products in the roll film category, Fujifilm's new transparent, super-high-barrier film is increasingly being considered for use as a key component in such next-generation products as organic electroluminescence (EL) displays, electronic paper and thin-film solar cells. Applying a wealth of unique technologies, the Company will step up product development in such fields as environmental protection and energy conservation.

In step with the promotion of growth strategies in these priority fields, Fujifilm will facilitate its global expansion at a faster pace. With the aim of **expanding sales and market share in NICs**, the Company will strengthen marketing activities centering on the medical systems and graphic arts businesses, particularly in such strategic regions as BRICs, Turkey and the Middle East. Through these activities, we aim to double sales in BRICs over the next five years through business expansion driven by the launching of high-quality, low-price products.

*1 Unit of moisture permeability per square meter per day

Return to Shareholders

Finally, can you tell readers your view on improving corporate value and return to shareholders?

Fujifilm started out with extreme difficulties, from its inception to the establishment of proprietary technologies. With the 1980 silver shock, the price of silver—a main raw material for Fujifilm's products—jumped tenfold in just a year. The rapid advance in digital technologies in and after 2000 has caused the photographic materials market to contract fast. Including these periods, the Company has experienced a number of crises that could have terminated its very existence. Every time the Company faced such a situation, however, it worked as one, overcoming hardships. Undoubtedly, the current economic crisis is of an impact and scale as yet not experienced. Nevertheless, I still believe that the Fujifilm Group will be able to beat the present crisis in making the next leap. We will beat it by completing the aforementioned structural reforms and growth strategies more decisively than ever before and thereby secure the Group's medium- and long-term growth. Maintaining such a positive stance, we aim to boost our operating income for the fiscal year ending March 31, 2012 higher than the operating income record we posted in the previous fiscal year, ended March 31, 2008, which was the highest ever. Toward achieving this mark, we will implement initiatives aimed at further upgrading Fujifilm's corporate value.

The Company has set a 25% target for its return to shareholders ratio*2. During the fiscal year under review, the Company repurchased 15,780 thousand shares totaling ¥35.0 billion. With due consideration given to an 89.9% year-on-year decline in net income and other severe conditions, the Company paid an annual per-share cash dividend of ¥30. Because the Company regrettably expects to post operating loss again due to the promotion of further structural reforms, we forecast the payment of a per-share cash dividend of ¥25 for the current fiscal year ending March 31, 2010. Taking into account our cash position and future investment plans, we will continue returning profits to our shareholders adequately.

*2 Total of cash dividends and share buybacks divided by consolidated net income

Cash Dividends and Company Share Buyback

Results for Year Ended March 31, 2009

Cash Dividends

Interim (Result)

¥17.50 per share (No YoY change)

Full-Year (Result)

¥30.00 per share (Down ¥5 YoY)

Company Share Buyback

November 5–December 17, 2008

Number of shares purchased	**15,780,000**
Total amount	**¥35.0** billion

Sources of Fujifilm's Competitiveness in Overcoming Extreme Adversity

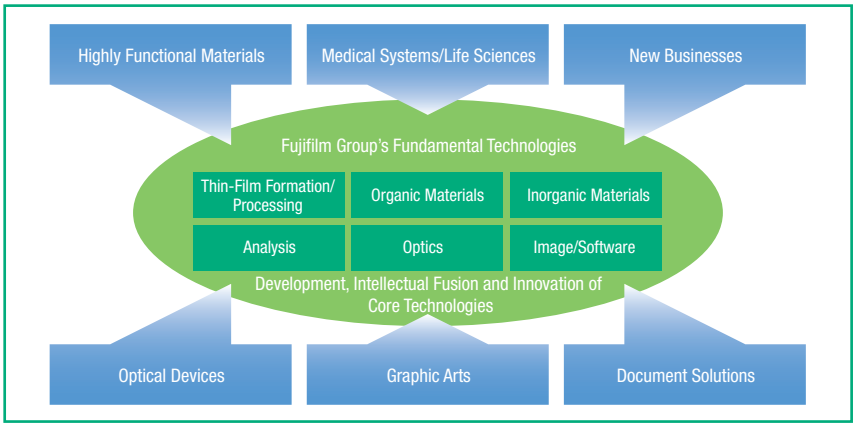
For the fiscal year ending March 31, 2010, the Fujifilm Group estimates that consolidated revenue will total ¥2,300.0 billion and that operating loss will amount to ¥90.0 billion after accounting for the structural reform expenses of ¥145.0 billion. Facing severe operating conditions, the Group is determined to overcome the current unprecedented crisis through the accomplishment of structural reforms, which focus on reinforcing its corporate constitution, and through the reestablishment of its growth strategies. The sources of competitiveness that underpin our endeavors to this end include our long-nurtured proprietary technologies, various other technologies in such fields as fine chemicals and electronics, and our global network and financial soundness.

The development of the Company's proprietary technologies started during the period soon after its inception, when the Company tackled the challenge of realizing the domestic production of photographic films. Instead of merely purchasing materials from overseas, processing them and commercializing finished products in Japan, the Company aimed to become an integrated photographic film manufacturer capable of undertaking the entire process, from the manufacture of film bases and photosensitizing agents through to coating and other processing. A decade of struggles led to a positive result, enabling the Company to establish unique technologies to manufacture photosensitive materials. Then during the period of the so-called "silver shock," the price of silver—a principal raw material of our products—surged tenfold in one year from mid-1979. In response, the Company strengthened its R&D capabilities, focusing particularly on reducing the use of silver and worked to establish its own new technologies.

Overcoming such technical challenges eventually allowed Fujifilm to expand its medical equipment businesses, which are now a core field of its medical systems business. Fujifilm's penetration into the medical equipment field started with the successful development of the Fuji Computed Radiography (FCR) digital X-ray imaging and diagnostic systems—the world's first of its kind—in 1981. Indeed, Fujifilm pioneered the development of digital technologies for medical systems to meet the wave of digitization. Later, Fujifilm faced the crisis of a plunging photographic film demand attributable to the spread of digital cameras from 2000. In such a situation, the Company advanced R&D activities in five priority business fields through the application of product design technologies that integrated its fundamental and core technologies, thereby boosting the growth of its businesses in these fields. By mastering technologies as described above and drastically transforming its business structure, Fujifilm has continued to build a new path to growth.

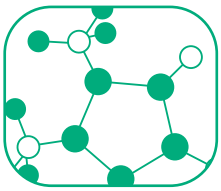
The Fujifilm Group boasts fundamental technologies that it has fostered through operations in such fields as photosensitive materials and xerography, and these technologies are supported by the Company's core technologies. We have nurtured both core and fundamental technologies to establish applied technologies in diverse fields, including fine chemicals, electronics, mechatronics, optics and software. All of these technologies have enabled us to expand our growth businesses and create new businesses.

Fujifilm Group's Fundamental Technologies and Priority Business Fields



Material Technologies: the Core of Technological Assets Supporting Business Diversification

Fujifilm's world-class material technologies, which the Company has nurtured over 70 years of advances in photographic film expertise, include functional compound molecular design, chemical reaction control and organic synthesis technologies. These unique technologies have been utilized for flat panel display (FPD) materials, graphic arts materials, semiconductor materials and the life sciences field, all of which have growth potential.



Color Films: Chemical Art Works

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 approximately 15-micrometer*1 thickness—roughly equivalent to one-fifth of a human hair—to make a photographic film. The emulsion layer actually consists of a dozen layers containing about 10 types of silver-halide grains and more than 100 types of organic compounds. The shape and size of silver-halide grains determine the sensitivity of films (ability to respond to light radiation in different capacities) and color reproducibility (property to record in accordance with different light qualities). Also, in these layers, exceptionally sophisticated material technologies are applied to enable specified nanoscale layers to reproduce colors. **Due to such high technological hurdles, in the past only a few photographic film manufacturers existed throughout the world.**

In addition, photographic films, which employ light and developer to reproduce beautiful color images, are a treasury of chemical reaction control technology. For example, a restrainer, which is adsorbed into grains of the emulsion layer uniformly in advance, is released from silver-halide grains when exposed to light. In this and other phenomena, through precise control of chemical reactions, ultra-fine grains realize vivid color reproduction and high-sensitivity, thereby creating richly gradating, quasi-three-dimensional images. At present, Fujifilm applies chemical reaction control technology in the development of advanced photopolymer and photoresist materials.

Moreover, Fujifilm excels in organic synthesis technology, which is applied in the industrial production of designed molecules, and thin-layer coating and high-speed simultaneous multilayer coating technology, which it has accumulated through the development of photosensitive materials. **These production technologies underpin the Company's high-quality products and cost competitiveness.**

*1 One-thousandth of a millimeter

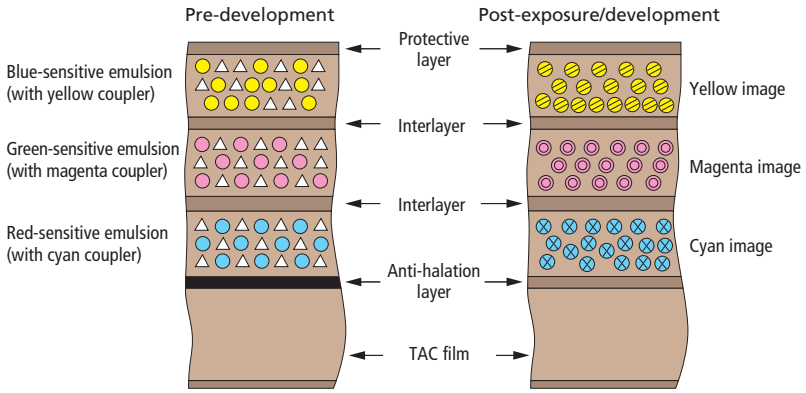
Refining Unique Technologies for Technological Superiority

Since the release of wide-view (WV) films in 1995, Fujifilm has applied film formation and coating technologies, which it has fostered through the development of photographic films, to bolster the technological superiority of these products as a key component of twisted-nematic (TN)-mode liquid crystal displays (LCDs). WV films have, in turn, significantly contributed to the Company's profitability. With their innovative concept of expanding viewing angle just by sandwiching a liquid crystal layer with them, WV films solved the TN-mode LCD's weak point, which continued for over two decades—namely, "narrow viewing angles."

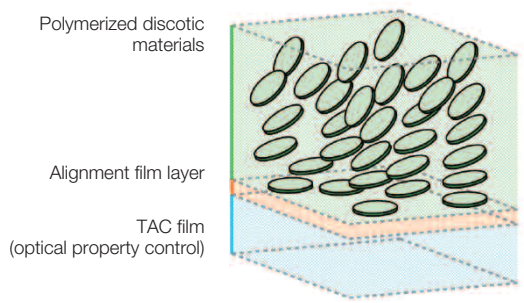
To render images on a TN-mode LCD, a voltage is applied to a liquid crystal layer, which is sandwiched by polarizers, and the direction of light penetration is altered. However, because certain liquid crystal molecules are slanted, when a voltage is applied, some light leaks from the polarizers, and this results in lower contrast and clarity of images on the display. WV films, which sandwich a liquid crystal layer, compensate slanted light leakage with their discotic compounds, thereby expanding the viewing angle.

Prior to successfully commercializing its WV films, Fujifilm made a number of improvements. Specifically, the Company achieved a reflective symmetry alignment of polymerized discotic materials by controlling the hydrophobic/hydrophilic balance of the compound alignment structure.

Photographic Film Composition



WV Film Composition
(Ideal, Simplified Model)



Awards Received for WV Films

- "Advanced Display of the Year 1996" at FINETECH JAPAN
- "JCIA Technology Award" (1998) by Japan Chemical Industry Association (JCIA)
- "The Photopolymer Science and Technology Award" (2002) by the Society of Polymer Science, Japan (SPSJ)
- "Advanced Display of the Year 2008, Grand Prix in the Components and Materials Category" at FINETECH JAPAN
- "Display Component of the Year Silver Award" (2008) by the Society of Information Display (SID)

Then, we finally attained a film of just 2-micrometers in which polymerized discotic materials are aligned consecutively in the direction of the thickness, with gradually slanted angles.

Moreover, to address the need for clearer imaging, we completely eliminated factors that caused disturbed alignments of polymerized discotic materials in production processes. Also, we achieved nanometer*2 coating thickness control to prevent the slightest irregularity in film thickness. Thanks to technological accumulation through these activities, **we have filed many applications for WV film-related patents. Fujifilm's 100% global market share for WV films** today is simply attributable to the Company's endeavors to keep refining its technological portfolio and persistently pursue higher product quality.

*2 One-millionth of a millimeter

New Departure toward Improved "Quality of Life"

Fujifilm applies its proprietary FTD technologies—the integration of its material technologies—in the life sciences field. The acronym "FTD" stands for "**F**ormulation, **T**argeting and **D**elivery," 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.

Fujifilm's ASTALIFT functional cosmetics series use astaxanthin, which the Company selected based on knowledge of material chemistry that it has long accumulated through photographic material advances. Astaxanthin is a highly functional antioxidant carotenoid that deactivates active oxygen—a major cause of rough, dry skin and loss of skin elasticity. However, we had an issue to solve: it is difficult for astaxanthin by itself to penetrate into skin layers. To solve this issue, we microparticulated astaxanthin to reduce the diameter down to 30 nanometers, in addition to raising the stability of astaxanthin nanoparticles through the application of our unique emulsification and micro-dispersion technologies. Then, we encapsulated an astaxanthin particle with an ultrathin membrane to prevent its aggregation. These steps proved effective, enabling us to enhance astaxanthin penetration into the skin. In addition, by using the antioxidation technology, we improved the shelf life of the ASTALIFT series.

Fujifilm believes that its FTD technologies, along with a library of some 200,000 compounds, will create other new possibilities and value. Specifically, in pharmaceutical fields, the Company will be able to develop drugs whose active ingredients are effectively delivered to the affected part of the patient's body, as well as to develop more patient-friendly drug delivery methods. When this is accomplished, it will expand the possibilities for us in new drug development, thereby maximizing the value of our drug pipeline. Also, we expect that the integration of our world-class organic synthesis technology will allow us to better control drug efficacy and toxicity.

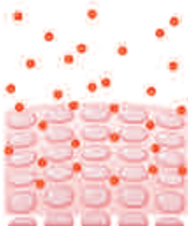
ASTALIFT Series

Fujifilm's Nanotechnology "FTD Technology"

Conventional Astaxanthin Solution

Combined astaxanthin particles are hard to penetrate into the skin.

Fujifilm's Nano-Particulated Astaxanthin Solution



Microparticulated astaxanthin is easily absorbed into the skin.

Software Technologies: Fujifilm's Unique Technological Assets

Reproducing perfect images of worlds as people see or perceive them in place of their vision and brain, or expressing precise images of worlds as people want to express them by sensing their intentions—that is what Fujifilm has always helped accomplish by utilizing image analysis and evaluation technologies, which it has nurtured in the development of silver halide photographic systems over 70 years, and digital imaging technologies, which it developed ahead of its competitors in the 1970s. Such Fujifilm technological assets, collectively dubbed "Image Intelligence™," are widely applied in the fields of photography, printing and medical imaging.

Fujifilm's Image Processing Technologies

Image Intelligence™ is a set of systematized technologies to fill the gap between human vision and input/output devices. More specifically, using these technologies, Fujifilm analyzes the gap from all possible perspectives including the action of light, human vision and cerebral functions, as well as the interaction with devices. The outcome of these analyses is used to understand how people see or perceive things and thereby establish relevant technologies.

	Photography/Printing	Medical
Dynamic Range Compression Technology	Realized a technique known as "dodging" with digital processing. Accurately reproduces all ranges—from highlight to shadow—through the automatic optimization of images with high light-to-dark contrast into those that resemble what the human eye perceives	Realizes the natural expression of both high- and low-density areas, which are difficult to reproduce in ordinary imaging, through the application of the Dynamic Range Compression Technology that utilizes multi-frequency processing (MFP)
Tone Correction Technology	Realizes an optimal gradation for each object through subject-specific analysis. Reproduces natural and smooth skin tones for portraits, while automatically finishing a gradation with emphasized light-to-dark contrast in landscape photography	Reproduces image density and contrast adequate for diagnostic purposes by optimizing the gradation of each body part image
Hyper-Sharpness Technology	Reproduces sharp images by precisely separating noise from the valid portions of images, thereby optimizing the balance of noise reduction and sharpness enhancement	Offers sharp images suitable for individual diagnostic purposes by controlling image sharpness through Fujifilm's proprietary frequency processing. Pattern Enhancement Processing for Mammography (PEM) emphasizes dot patterns of calcification based on the structure of objects
Object Recognition Technology	The automatic face detection technology optimizes both the exposure in photo-shooting and the high-quality finishing in printing. This technology is also applied in automatic red-eye correction and trimming.	Realizes analytical imaging for high-value-added diagnosis through the automatic, high-speed, high-precision extraction of organ, bone and vessel images from 3D images captured by CT and MRI systems

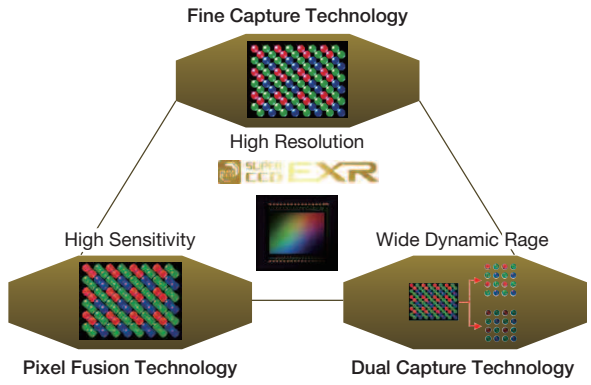
Harnessing Fujifilm's Unique Technological Advantages in the Ever-Competitive Digital Camera Market

As a digital camera packed with technologies that have been developed in step with the evolution of the FinePix series over the past 10 years, Fujifilm released the FinePix F200EXR digital camera during the fiscal year under review. This new product is packed with Fujifilm's advanced digital image processing technologies, including the newly developed Super CCD EXR sensor. Maintaining the FinePix concept of "Just as Your Eyes See," the Company has developed the new sensor to realize unprecedented picture quality, aiming to make it function just like the human eye.

People unconsciously try to see details in well-lit places. The resultant detailed sight makes them think that the image quality is high. In contrast, in dark places, they try to see objects as clearly as possible by enhancing visual sensitivity, unconsciously ceasing to see, for instance, each strand of hair. In other words, the human eye unconsciously adjusts its resolution and sensitivity so that people are not blinded by strong sunlight or by darkness.

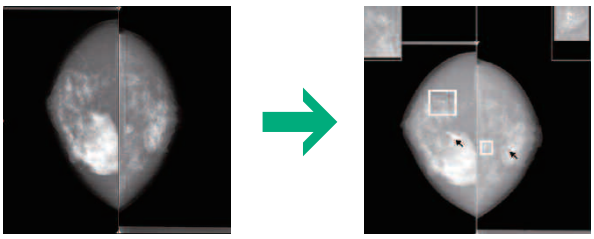
Fujifilm has developed the new Super CCD EXR sensor capable of automatically recognizing the scene and selecting the ideal shooting modes for "High Resolution," "Wide

Super CCD EXR Sensor's Three Capture Technologies



FinePix F200EXR

FCR Digital Mammography Computer-Aided Detection (CAD)



Before CAD After CAD

CAD operation

Dynamic Range" and "High Sensitivity and Low Noise." This sensor enables 3-way capture technologies—namely, "Fine Capture Technology (High Resolution)," "Pixel Fusion Technology (High Sensitivity and Low Noise)" and "Dual Capture Technology (Wide Dynamic Range)" in one device, based on an innovative color filter array and three capture modes. The sensor's Wide Dynamic Range feature, for example, enables the creation of double image data with both high- and low-sensitivity in one shooting. The double image data is instantly synthesized to produce a natural-toned image. **Our unique breakthroughs in the development of the Super CCD EXR sensor allowed us to solve the increasingly difficult problem—attributable to a competitive trend of miniaturizing image sensors—of optimally balancing all the three image-quality elements.**

The Technical Image Press Association (TIPA)—the world's most famous and influential organization of specialist camera publications—voted the Super CCD EXR sensor and the FinePix F200EXR digital camera the "TIPA Best Imaging Innovation" and the "TIPA Best Compact D-Camera," respectively, at the TIPA Awards 2009. Fujifilm's double award-winning was highly praised, on a global scale. Accumulating another medal for the Company, the FinePix F200EXR received the "DIMA2009 Innovative Digital Product Award" from the Digital Imaging Marketing Association (DIMA) in recognition of its potential for contributing to the photo industry's future. DIMA presented the award to commemorate the holding of the Photo Marketing Association (PMA) trade show, the industry's largest event in the United States.

Contributing to the Realization of Visualized and Networked Medical Services

In 1983, Fujifilm released the Fuji Computed Radiography (FCR) digital X-ray imaging and diagnostic system. The FCR system was a leap in technological innovation, not only achieving the digitization of X-ray imaging information ahead of the entire world, but also enabling the production of more diagnosis-friendly images with optimized density, contrast and granularity through the built-in processing of original image signals. The FCR system offered many other marked advances, including improved in-hospital workflow, reduced physical burden on patients and lower environmental impact.

The digitization of medical images has brought about two new trends on the medical frontlines. The first trend was to establish computer-aided detection (CAD) systems to support radiogram interpretation, and the second involved the pioneering of a new medical networking field, where the communication and storage of medical exam information is dramatically improved.

The CAD systems are making significant contributions in the mammography field. **The difficulty of breast cancer diagnosis using X-ray images is often compared with finding a white rabbit on a snowy mountain.** Fujifilm's CAD systems apply superior image processing technologies. Using detection algorithm based on breast cancer cases gathered in Japan, these technologies allow for the exceptionally accurate detection of areas possibly having microcalcification, tumors and breast cancers.

Meanwhile, the SYNAPSE medical-use picture archiving and communications system (PACS), which Fujifilm launched in 1999, is increasingly promoting medical networking. On the first-generation SYNAPSE medical-use PACS system, Fujifilm integrated its image processing technologies fostered in the FCR system business with leading-edge IT technologies. The development was based on then futuristic concepts, including the use of Web technology-based interfaces and user-friendly operations, on the assumption that the SYNAPSE systems would be increasingly used throughout hospitals and between hospitals.

The SYNAPSE system boasts various excellent features. These include: the on-demand image display function, which enables quick access to necessary information buried in a massive volume of image data accumulated on a daily basis; Windows®-based user-friendliness; and a superior uptime stability of 99.99%, which is particularly important for medical institutions that allow no leeway for suspended operations under any circumstances. Such **effective and reliable features have empowered Fujifilm to deliver the systems to a total of over 1,100 institutions to date and, accordingly, attain the leading market position in Japan.**

Fujifilm has also introduced the SYNAPSE systems to over 2,500 medical institutions worldwide, with the system's source code (a computer program written in computer languages) being universal. While our Japanese, U.S. and European R&D bases undertake region-specific customization, we have established a collaborative structure to develop and maintain the core code.

Volume Analyzer SYNAPSE VINCENT

As described above, **Fujifilm has constantly endeavored to create innovative medical IT systems based on its long-nurtured image processing technologies, thereby contributing to the improved value of medical diagnosis.** Sustaining our momentum, we are tackling advanced challenges through the development and acquisition of new technologies.

Recently, the SYNAPSE systems are evolving from the current 2D-optimized imaging system to a new 3D-centric imaging system. In 2008, Fujifilm launched the Volume Analyzer SYNAPSE VINCENT 3D image analysis system. Based on Fujifilm's Image Intelligence™ technologies, the SYNAPSE VINCENT system enables quick and easy access to high-definition 3D images of organs and vessels captured using computer tomography (CT) and magnetic resonance imaging (MRI), while also providing highly practical analysis functions. By combining the conventional SYNAPSE systems and 3D-capable SYNAPSE VINCENT, we aim to bring about another new trend for "3D-PACS" in the medical sphere.

As explained above, Fujifilm is shifting its technological development focus, from higher value in diagnostic imaging-centered diagnosis to comprehensive diagnosis support.

Medical Systems/Life Sciences Business—Integrating Group Strengths Centered on Proprietary Technologies

Fujifilm began selling X-ray films in 1936, shortly after the Company's inception. Since then, Fujifilm has expanded its medical systems business by constantly releasing such products as digital X-ray imaging and diagnostic systems, particularly in the diagnosis field. From 2006, the Company has expanded the scope of its medical systems business, complementing the diagnostic field—the previous focus field—with the prevention field, which includes functional cosmetics and internal care products, and the treatment field, which involves pharmaceutical products. We are working to establish a comprehensive healthcare business in which we will create new value through the application of our proprietary technologies.

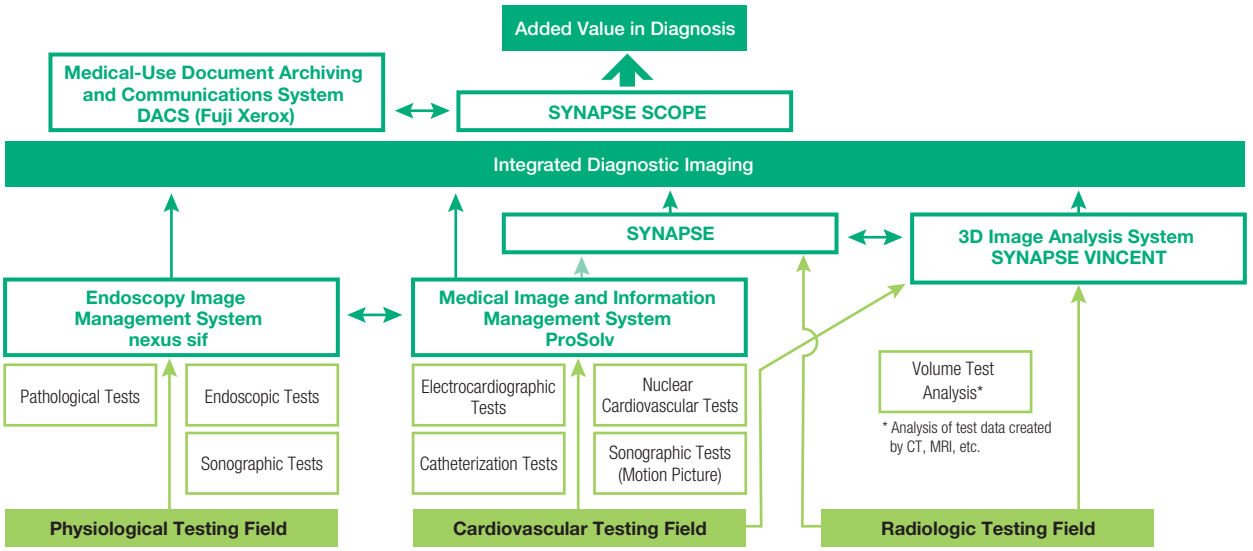
Operations in the Diagnostic Field Driving Current Growth

The current growth of Fujifilm is driven by digital X-ray imaging and diagnostic systems, endoscopes and other medical IT systems. Since its successful development and release of the Fuji Computed Radiography (FCR) digital X-ray imaging and diagnostic system in 1983—the first of its kind—Fujifilm has retained its top global market share in the computed radiography (CR) field. The acronym "CR" has been disseminated throughout the diagnostic imaging field worldwide to become a generic term. We are expanding the range of our FCR systems: we are improving imaging quality and functionality and reducing their size to accelerate marketing to private practitioners and small- to medium-sized hospitals. Also, we will further reinforce our sales activities in such strategic regions as newly industrialized countries (NICs).

Meanwhile, Fujifilm has enhanced its product lineup by launching fully digitized diagnostic systems for the digital radiography (DR) field. In the mammography field, where the Company has top-selling products that collectively sold over 6,000 units globally, Fujifilm released the new AMULET digital mammography system that realizes low-noise, high-definition images thanks to a new direct conversion flat panel detector boasting the world's smallest pixel size of 50 micrometers. Looking ahead, we aim to lead in market development by launching new differentiated products based on our unique technologies.

Fujifilm is strengthening its endoscope business through the selective allocation of its management resources, which includes the establishment of an integrated business structure for development, manufacturing, sales, and after-sales service. The Company completed the development of a

Fujifilm Group's Medical IT Solutions



world-first digital endoscope in 1984. We then succeeded in the development of many differentiated products, including transnasal endoscopes, which enable insertion through the nostril for minimum discomfort, and double-balloon endoscopes, which have simplified the examination and treatment of the small intestine. To further strengthen our product lineup in the small intestine field, where it has been difficult to perform minimally invasive examination and treatment, we have entered into an alliance with Israel-based Given Imaging Ltd.—the world-leading capsule endoscope manufacturer—and started marketing capsule endoscopes in Japan and China. In addition, through the joint development of software that links Fujifilm's "nexus sif" endoscopy image management system and Given Imaging's RAPID™ Workstation application software, the Company has enabled the simultaneous display of two images captured separately by a double-balloon endoscope and capsule endoscope, on the same monitor. Through this and other innovations, we are contributing to the early detection of small intestinal lesions and improved diagnostic accuracy.

The use of IT in the Japanese medical industry has been accelerated by revisions to the national healthcare reimbursement system in Japan. Accordingly, hospitals are rushing to digitalize and integrate image data and other diagnostic information for centralized maintenance and management. In response, Fujifilm has aggressively marketed its SYNAPSE medical-use PACS for the radiology field and eventually attained the top domestic market share. Expanding overseas, we have delivered the SYNAPSE systems to over 2,500 medical institutions worldwide.

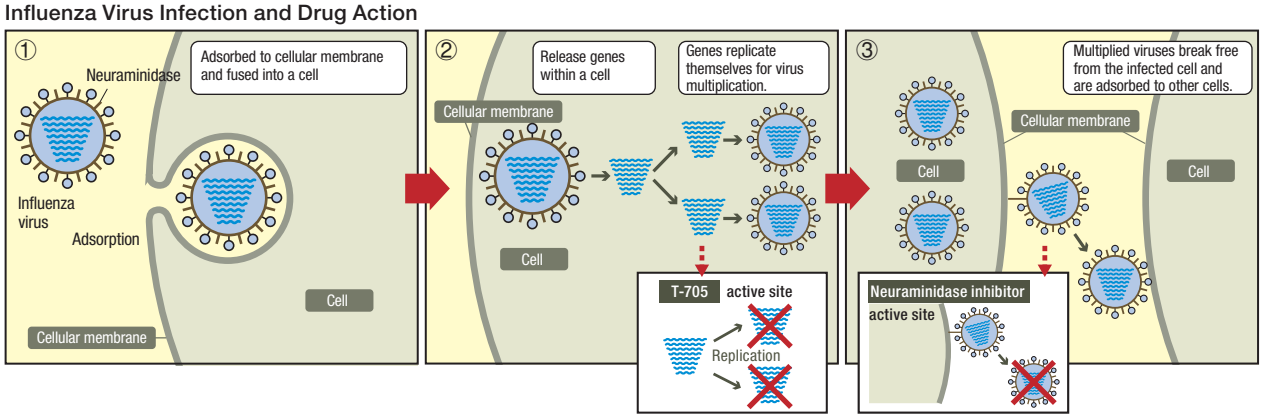
Currently, Fujifilm is working to upgrade the functionality of the SYNAPSE systems to redefine them as an integrated hospital-wide diagnostic imaging management system. With upgraded functionality, we aim to expand the scope of SYNAPSE applications, from the current radiology field to the cardiovascular, endoscopy, ultrasonography, pathology and other fields. For example, the Company started the provision of the SYNAPSE SCOPE integrated interface system in 2008. In addition, it is becoming more likely that Fujifilm will realize the practical application of inter-hospital networking and remote diagnostic functions—a major advantage of the SYNAPSE systems. In particular, we are accelerating efforts to spread our IT solution, C@Rna, targeting private medical practitioners. Furthermore, Fujifilm will realize its proprietary clinical information system (CIS) including Fuji Xerox's medical-use document archiving and

AMULET Digital Mammography System

Double-Balloon Endoscope

At the 19th Nikkei BP Technology Awards, Fujifilm has received a Nikkei BP Technology Award in the medical and bio division for its double-balloon endoscope, which simplified the examination and treatment of the small intestine.

Influenza Virus Infection and Drug Action



The influenza virus is adsorbed to and fused into a healthy cell, spreading infection.

The influenza virus fused into the cell multiplies by replicating its genes. T-705 has efficacy in stopping replication, which directly leads to the prevention of virus multiplication.

Multiplied viruses break free from the infected cell and are adsorbed to other healthy cells. Neuraminidase inhibitors (Tamiflu, Relenza, etc.) prevent multiplied viruses in an infected cell from breaking free.

communications system (DACS). The CIS systems will allow us to construct a comprehensive diagnosis support platform that covers the entire medical process, from examination to diagnosis reporting. By providing strong support in the diagnostic imaging and treatment fields, Fujifilm is expanding its medical systems business.

Inter-hospital networking and remote diagnosis are expected to grow as new medical fields. In these fields, we will use over 1,100 SYNAPSE systems already delivered domestically as our business infrastructure to develop a SYNAPSE network. This network will involve local medical practitioners and possibly improve the quality of community healthcare while providing solutions for the problem of physician shortage through such services as remote radiogram interpretation. These activities will surely offer us opportunities for business expansion.

The PACS markets are showing steady growth in the United States, Europe, China and other regions worldwide. In robustly growing overseas markets, Fujifilm has undertaken M&A initiatives. In 2007, the Company acquired U.S.-based Problem Solving Concepts, Inc., a provider of medical imaging information systems for cardiology. In 2008, we acquired U.S.-based Empiric Systems LLC—a radiology information system (RIS) manufacturer—while turning China's medical IT system leader in the electronic medical record (EMR) and RIS fields, Tianjian Medi Tech Co., Ltd., into our consolidated subsidiary. Through these initiatives, we are expanding our medical IT system business worldwide.

Full-Fledged Expansion of the Life Sciences Business

In the prevention and treatment fields, Fujifilm is pursuing the expansion of its pharmaceuticals business with Toyama Chemical as the core driver. Particularly noteworthy, during the second phase of clinical trials for the T-705 anti-influenza agent in the fiscal year under review, Toyama Chemical confirmed that T-705 has effective anti-influenza attributes that differ from those of Tamiflu and other existing anti-influenza drugs. The third phase is scheduled to start this autumn. With an eye on new drug application (NDA) filing in the fiscal year ending March 31, 2011, Toyama Chemical is accelerating the development of the drug.

In December 2008, Fujifilm turned Perseus Proteomics, Inc.—a Tokyo-based biopharmaceutical venture boasting proprietary antibody production technologies—into a consolidated subsidiary. Antibody-based therapeutics is increasingly recognized for its potentially high rate of cure capability attributable to its selective targeting of specific cells and substances in lesions. Armed antibodies, which conjugate antibodies with radioisotopes (RIs) and anti-cancer drugs, are drawing attention especially in the cancer treatment field. Fujifilm will bring together its FTD technologies and synthesis technology, which it has fostered through the compilation of a library of 200,000 chemical compounds, as well as Perseus' technologies in antigen discovery and antibody creation and evaluation, in order to develop antibody-based therapeutics with higher efficacy than existing drugs. In this way, we will aggressively promote an antibody-based pharmaceuticals business, ultimately aiming to make a full-scale entry into such new fields as anti-cancer drugs and anti-inflammatory agents.

Also under the Fujifilm Group, FUJIFILM RI Pharma Co., Ltd. operates as a leading radiopharmaceuticals manufacturer. FUJIFILM RI Pharma applies RIs in diagnostic agents for cerebral infarction, thrombosis, Alzheimer's disease, as well as in anti-cancer drugs. The RI technologies that FUJIFILM RI Pharma boasts are expected to serve an important role in the development and market introduction of armed antibodies.

In November 2008, Fujifilm reorganized related Companywide functions and established a Healthcare Business Headquarters, with the aim of accelerating operations in all of the prevention, diagnosis and treatment fields. In line with its strategies for the entire healthcare business, the Company will pursue business growth on a global scale while realizing the maximized synergy of all Group company operations. At the same time, we will endeavor to offer solutions that leverage our technologies in these three fields, thereby helping people enhance the quality of their lives.

Xerography Technologies: the Core of Fuji Xerox

Fuji Xerox boasts leading-edge xerography technologies that realize high-speed, high-image-quality printing. Based on such fundamental capabilities, and assigning maximum value to harmony with the environment, we have developed products through the utilization of energy-saving and resource-recycling technologies.

Unparalleled, Unique Xerography Technologies

In 1962, Fuji Xerox became the first company in Japan to release a copy machine for use with plain paper. Since then, we have developed unique document processing technologies. These technological developments included the application of digital technologies to copy machines, which has, in turn, enabled us to create multifunction and color devices. Through these developments, Fuji Xerox has steadily accumulated advanced xerography technologies that realize high-speed, high-quality printing.

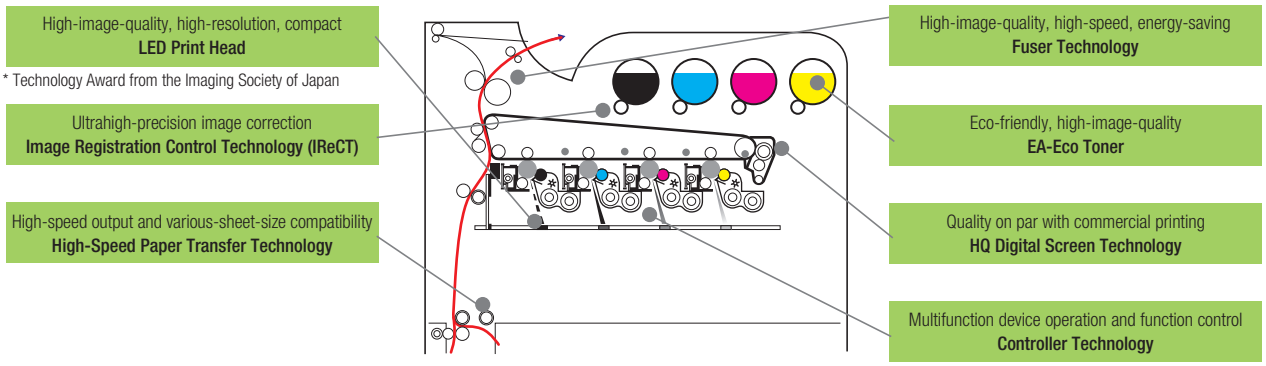
One of the core technologies that Fuji Xerox has is digital imaging technology. By pursuing the mastery of this technology, we have achieved high-image-quality and high-resolution printing capability, regardless of whether it is monochrome or color. Also, the most recent example of our unique technologies is exposure control technology. This technology applies a light-emitting diode (LED) print head that uses a Fuji Xerox's proprietary, self-scanning, light-emitting device (SLED). In addition, we have the EA-Eco Toner as an example of recent products based on our unique technologies. This toner features both lower fusing temperatures than conventional toners, which enables up to a 40% reduction in power consumption at the moment of fusing, and high-gloss reproducibility. In addition to these hardware technologies, Fuji Xerox has a range of sophisticated software technologies that control various operations of multifunction devices. The combination of the hardware and software technologies has been made possible through extensive research over many years and long-nurtured knowledge, underpinning the superior competitiveness of Fuji Xerox products.

Meanwhile, Fuji Xerox has formulated an "Ecology & Safety Vision." Aiming to accomplish this vision, we are leveraging our unparalleled technologies to promote the development of high-performance products that can be used safely and contribute to a reduction of their environmental impact.

Keeping a Comprehensive Perspective in Refining Environmental Technologies

Aiming to contribute to global warming prevention, Fuji Xerox established a long-range power-saving plan in 1997, which called for cutting the electric power consumption of its devices in half by 2005. Since then, Fuji Xerox has accelerated its R&D efforts on energy-saving technologies to develop products that demonstrate unrivalled energy-saving performance. Accordingly, Fuji Xerox has endeavored to achieve a significant reduction in the total power consump-

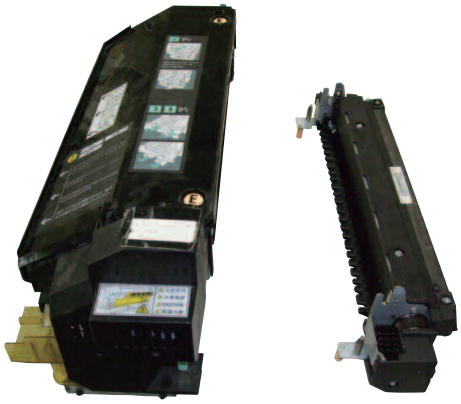
Leading-Edge Xerography Technologies that Realize High-Speed, High-Image-Quality Printing



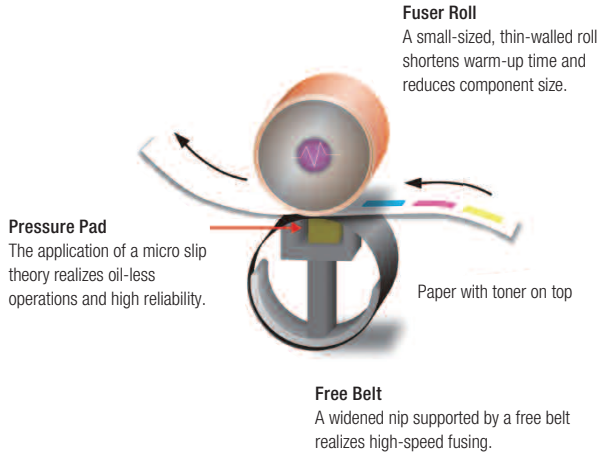
Fuji Xerox's Other Major Environmental Technologies

Compact Design Technology	Realizes color devices as compact as monochrome devices, with a smaller chassis, featuring a high-image-quality, energy-saving LED print head and short paper-path technology
Material Design Technology	Applied biomass plastic materials—ahead of competitors—certified by the Biomass Plastics Mark, while constantly advancing other industry-first initiatives, including the use of halogen-free plastic materials

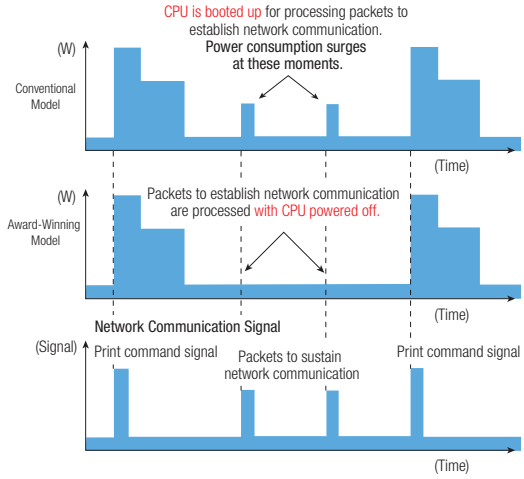
Free Belt Nip Fuser (right) and Conventional Roller Fuser



Cross-Section Structure of Free Belt Nip Fuser



Comparison of Power Consumption in the Sleep Mode



tion of the products used by its customers by halving per-device power consumption.

This effort began with thoroughly understanding our own products. Specifically, we analyzed the power consumption of our products' individual functions and components while identifying the peak power consumption of these functions and components in each operating mode. Then, once we produced material results by leveling power consumption, cutting unnecessary power supply and improving components in line with the outcome of the analyses, we moved to the next step: developing brand-new technologies and introducing newly designed circuits. Through these activities, Fuji Xerox has gradually reinforced and expanded the portfolio of its energy-saving technologies.

To further reduce the power consumption of Fuji Xerox products, we have introduced an energy-saving method to more closely link hardware and software, while developing an eco-friendly chemical toner, EA-Eco Toner, which boasts lower fusing temperatures. Also, in toner production, we have adopted a new energy-saving chemical synthesis method, adding to our comprehensive efforts to reduce the Company's environmental burden.

A major example of energy-saving technologies that have been applied in our products is the **Free Belt Nip Fuser (FBNF) technology.** The fusing process that melts toner using heat and fixes melted toner onto paper with pressure is the most power-intensive of all copying and printing processes due to the need to keep the fusing component at a high temperature. We took two specific approaches to reduce power consumption during the fusing process. First, we made the fusing roller thinner to cut power consumption in the warm-up stage, and secondly, we expanded the contact area between the roller and paper to improve heat conduction and thereby enable fusing at a lower temperature. Moreover, we improved the energy efficiency of our products in the sleep mode. Specifically, a new function was introduced to automatically respond to print and other commands sent via network even when the CPU of the printer is powered off. This function allows the CPU to save unnecessary communications but enables the printer to sustain network communications, thereby significantly cutting the power consumption of the printer in the sleep mode.

As these and other activities have been highly acknowledged, Fuji Xerox has become the first company in the industry to win prizes for 10 consecutive years, from 1999 on, at the Energy Conservation Prize hosted by the Ministry of Economy, Trade and Industry (METI). Also, ahead of its rivals in the multifunction-device and printer industry, Fuji Xerox has received a prize at the Eco Products Awards sponsored by the Eco Products Awards Promotion Council.

Fuji Xerox is committed to meeting the needs of customers who are seeking to be more environment-friendly in their operations. More specifically, Fuji Xerox is determined to accelerate solutions that enable an optimal balance between efficiency and environmental impact reduction in all business processes in all customers' offices.

Document Solutions/Services—Broadening the Scope of Business through the Provision of Solutions

In 1962, Fuji Xerox became the first company in the industry to release a xerographic copy machine for use with plain paper. The copying of documents has promoted information sharing in offices and other settings. Having always pursued the development of added value for its copy machines since the release of its industry-first product, Fuji Xerox has led the industry with its document services as the core business driver. In recent years, the role of multifunction devices has significantly expanded in line with advances in digital and network technologies. In response, we at Fuji Xerox are broadening the scope of business to include not only document management services, but also provision of solutions to help customers improve operational workflow and efficiency.

Providing Diverse Solutions through the Optimal Mix of Paper-Based and Digital Information

The advent of copy machines made information sharing easier and facilitated faster dissemination of information. Advances in digital technologies have eventually made multifunction devices, which increasingly offer facsimile, printing and scanning functions, a de-facto requirement in offices today.

At present, most corporations use IT systems in various operations. Their daily operations often involve the communication of digital information using these IT systems. On the other hand, the exchange and processing of paper-based information inevitably exists in office operations. This means that both paper-based and digital information are flooding today's offices. If business processes that are complicated by the use of mixed-format information can be simplified for smoother communication, operational efficiency will be dramatically improved. Recognizing opportunities in such business environments, Fuji Xerox makes proposals for facilitating more efficient business processes through the provision of wide-ranging solutions based on its multifunction devices and application software.

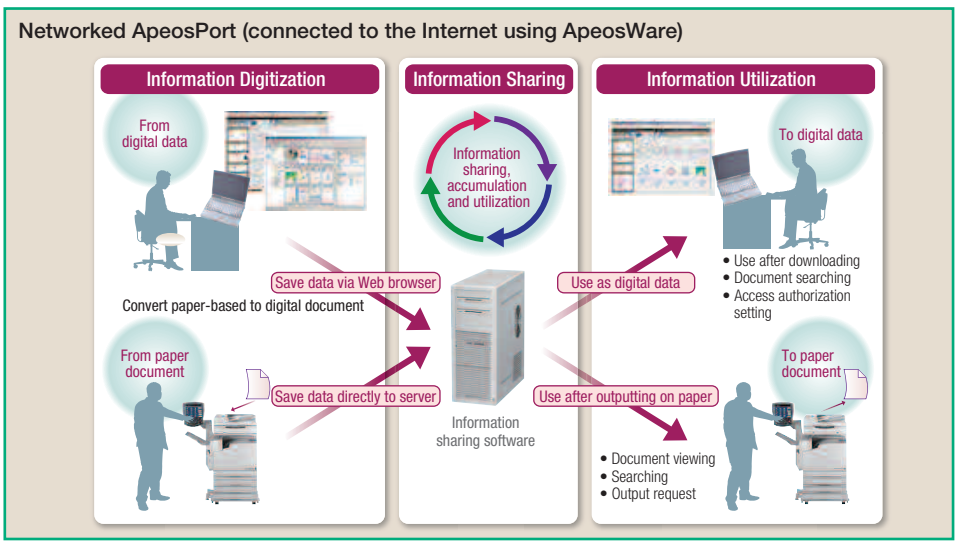
In more specific terms, Fuji Xerox combines its leading-edge ApeosPort digital multifunction devices—gateways for paper documents to the physical world—with application software to establish a network that links with core systems used by customers. Based on this network, we construct an environment in which the communication of mixed-format information can be conducted in an efficient and flexible manner.

Furthermore, Fuji Xerox is capable of constructing an open network that makes full use of customers' existing computer systems and remote systems through its Apeos iiX*3 Framework Web services, which are based on Internet communication standards. By integrating its own products with products and services provided by more specialized IT system companies, Fuji Xerox can offer an extensive lineup of solutions for various business processes of customers.

Meanwhile, as the variety of contents circulated in operational processes has grown, many businesses are increasingly facing the new issues regarding the need to enhance their information security, including the prevention of information leakage. Specifically, going far beyond ID and password control, ensuring information security—including the protection of documents when and after printing and scanning—is becoming more important than ever in offices. In response, solutions that enable more comprehensive information security management are increasingly required.

Accurately identifying customer needs and issues, integrating and streamlining complicated business processes in individual operations and creating an office environment that facilitates efficient and swift operations through simplified procedures—Fuji Xerox can satisfy all of these and other customer demands by making a variety of proposals through its solutions services.

*3 Internet Integration framework based on XML



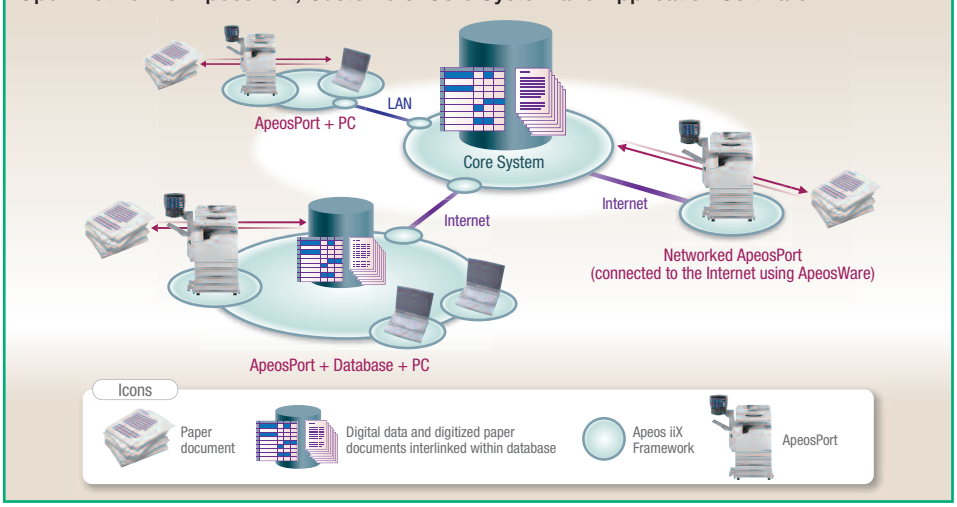
Outsourcing: The Way to Go in Large-Scale Document Management

Proposals for improved efficiency in document management are applicable to many businesses, regardless of their industry and scale. However, the larger the scale of business and the amount of documents to be managed is, the higher the requirements in terms of efficiency, swiftness and cost performance. This means that the field of document management is exactly where Fuji Xerox—the professional document manager—can exert its strengths. This applies all the more for major enterprises, which operate extensive value chains and which cover everything from procurement, R&D, production and logistics to sales, marketing and headquarters operations. In each of these stages, large corporations handle wide-ranging core operations and corporate contents.

Through its document outsourcing services, Fuji Xerox provides comprehensive support for the entire range of documentation processes. These services include not only such basic large-scale document processing as copying, on-demand printing, book-binding, delivery and scanning, but also the preparation, mailing, collection and tabulation of questionnaires and the creation of documents that are more easy-to-understand.

Also providing services incidental to these operations, Fuji Xerox analyzes the status of customers' current document management processes to understand where exactly it can help them enhance efficiency. More specifically, we identify issues, design management systems, calculate related costs and assist in daily management aiming for the total optimization of customers' business processes. Fuji Xerox leverages its extensive knowledge base, capability to propose best-possible solutions and diverse solutions menu through these activities, thereby maintaining its competitiveness.

Open Network of ApeosPort, Customers' Core System and Application Software

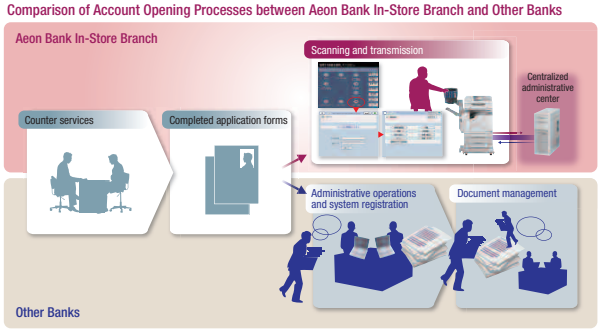


● Supporting Bank Counter Services through Integrated Management of Documents and Digital Data

Aeon Bank, Ltd. has set up in-store branches in shopping centers operated by AEON Co., Ltd. Despite their limited space and human resources, these Aeon Bank branches are attracting attention as they provide services equivalent to those offered at counters of other banks.

What makes Aeon Bank able to realize such services is Fuji Xerox's bank service system based on the ApeosPort digital multifunction devices. For example, when a customer wants to open a new account, the staff prints out necessary application forms by operating the monitor through menu displays. The application forms filled out by the customer are then scanned and sent to the centralized administrative center for necessary processing. At this point, the customer's personal information is not held by the branch but is instead registered on the database at the centralized administrative center, resulting in highly secure management. Thanks to this innovative method, under which in-store branches focus on counter operations, consultation and sales services while the centralized administrative center handles the rest, Fuji Xerox is contributing significantly to efficient Aeon Bank branch operations.

Comparison of Account Opening Processes between Aeon Bank In-Store Branch and Other Banks



Topics

Corporate Governance

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 eight 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 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 13 executive officers, including four 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 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 four members, including two 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

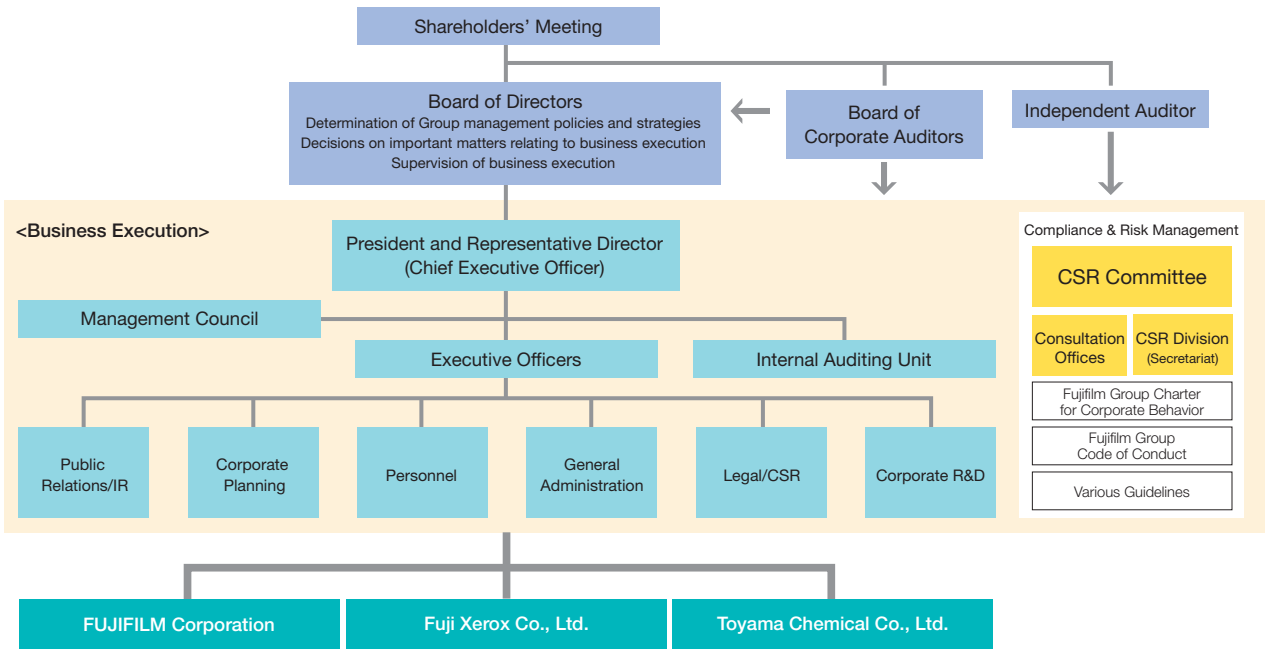
The Company has an Internal Audit Division, which currently comprises 10 personnel, as an internal auditing unit that is independent from divisions responsible for the execution of business affairs. From the standpoint of a holding company, this division audits operational processes and other relevant 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. The Company submits this report, together with its annual securities report, to the Kanto Local Finance Bureau. 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 auditor. 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, 2009

Subject of Remuneration	Number of People	Remuneration Amount
Directors (Outside director)	8 (1)	¥464 million (¥ 9 million)
Corporate auditors (Outside corporate auditors)	5 (2)	¥ 57 million (¥19 million)
Total (Outside directors and corporate auditors)	13 (3)	¥521 million (¥28 million)

Note 1: 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, 2009
- Total of ¥61 million paid to seven 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, 2009
- Total of ¥31 million for six directors
- Total of ¥9 million for the two corporate auditors

(3) Remuneration in conjunction with the stock option plan
- Total of ¥238 million remuneration to seven directors

Note 2: In accordance with the resolution for the abolishment of the directors' and corporate auditors' retirement gratuity system at the 113th ordinary general meeting of shareholders held on June 26, 2009, the Company shall pay a maximum of ¥567 million, to be divided among five directors, and a maximum of ¥15 million to a corporate auditor upon their respective retirement.

Matters Concerning the Outside Director and Outside Corporate Auditors

Outside Director

The Company has appointed Mr. Teisuke Kitayama as its outside director to enable him to impart 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.

Outside director Kitayama attended seven of the 10 board of directors meetings during the fiscal year ended March 31, 2009. 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 12 of the 13 board of corporate auditors meetings during the fiscal year ended March 31, 2009. Outside corporate auditor Daisuke Ogawa attended eight board of directors meetings and 11 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.

Support System for Outside Director and Outside Corporate Auditors

The Legal Department, the secretariat for the board of directors, prepares materials and provides the outside directors 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 Auditor

With the aim of improving its corporate governance, the Fujifilm Group promotes mutual cooperation among the internal auditing unit, corporate auditors and the independent auditor. When audits are planned, performed and reviewed every fiscal year, these three groups exchange information and opinions. In addition, deliberations are held as needed when interim and year-end audits are carried out. In auditing Group companies, the internal auditing unit and the independent auditor report the results to corporate auditors, while the three groups share information by simultaneously conducting their individual audit operations. These efforts enable effective and efficient audits.

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 bourses on which the Company's stock is listed. We disclose information that is not required by said laws, regulations and guidelines 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 through 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 for both domestic and overseas investors frequently. For individual investors, we provide information through our website, while also holding company information sessions in major cities nationwide.

Board of Directors, Corporate Auditors, and Executive Officers

FUJIFILM Holdings Corporation (As of June 26, 2009)

Shigetaka Komori
President and Chief Executive Officer,
Representative Director

Toshio Takahashi
Chief Financial Officer,
Representative Director

Tadashi Sasaki
Director

Yuzo Toda
Director

Nobuaki Inoue
Director

Tadahito Yamamoto
Director

Nobuoki Okamura
Director

Teisuke Kitayama
Outside Director

Hiroshi Saigusa
Corporate Auditor

Toshimitsu Kawamura
Corporate Auditor

Kiichiro Furusawa
Outside Corporate Auditor

Daisuke Ogawa
Outside Corporate Auditor

Executive Officers

President and Chief Executive Officer
Shigetaka Komori

Executive Vice President
Toshio Takahashi

Corporate Vice Presidents
Nobuoki Okamura
Haruhiko Yoshida
Nobuaki Inoue
Kouichi Tamai
Toru Takahashi
Toshiaki Suzuki
Makio Watanabe
Kazuhiko Furuya
Kouichi Suematsu
Hiroyuki Sakai
Sumito Yamada

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 mindset 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. In December 2008, the Company invited Professor Nobuo Gohara of the Toin University of Yokohama Law School (now a Meijo University professor) as a guest lecturer. Professor Gohara gave a seminar to the operating companies' executive officers on the theme of "True Compliance for Corporations of the Future."

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

Seminar on compliance

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 every two years (case method training) Once a year (compliance information meeting)	Business ethics, customer-orientation, confidential information management, etc. (by external instructors and CP & RM*) 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)
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
Basic WBT on laws	■	■	■				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
WBT on personal information protection	■	■	■	■	■	■	Training using the Internet on the Personal Information Protection Law

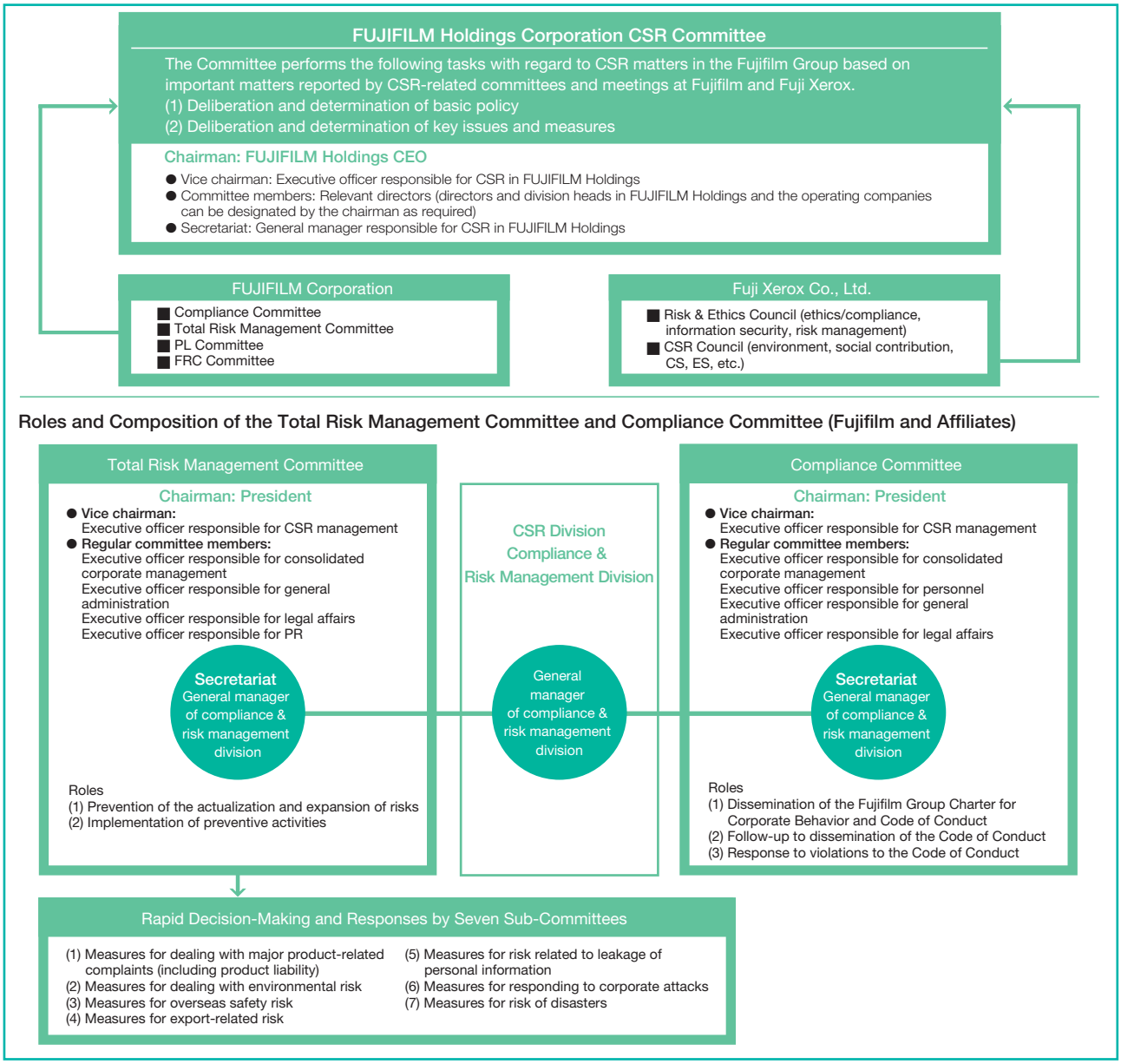
Company held a compliance information meeting for Japanese managerial staff at 27 overseas affiliates. The participants discussed measures for disseminating compliance at their offices. Consequently, Fujifilm has implemented affiliate-specific compliance promotion plans since 2008. Including Fuji Xerox's 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,* notifications of punitive actions 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 that 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.



Toward its Second Foundation, the Fujifilm Group has incorporated CSR initiatives into its medium- and long-term business plans. The Company's CSR activities cover such areas as global warming prevention, environmental impact reduction, environmental efficiency improvement through management of chemical substance content, eco-solution provision and social contribution. As a good corporate citizen, we are working hard to serve society better and win a greater level of stakeholders' trust through these activities. Specifically, we faithfully implement the "Fujifilm Group's Approach to CSR" to fulfill our social responsibility with due consideration given to coming generations.

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.

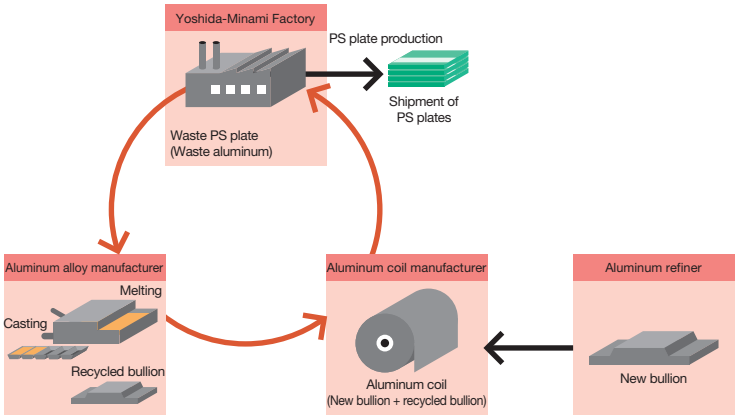
The Fujifilm Group believes that all corporate entities assume the social responsibility of always endeavoring to create new value while adjusting to the changing times and responding to the needs and expectations of society. This section introduces the Fujifilm Group's CSR activities. For more information, please visit our website at: http://www.fujifilmholdings.com/en/sustainability/index.html.

Closed-Loop Recycling System for Waste Aluminum Established

To achieve sophisticated printability in substrates of PS plates including CTP plates*1, used for offset printing*2, the manufacture of these substrates requires high-purity aluminum. Although the recycling rate for aluminum is high, it has been considered impossible to maintain a high level of aluminum purity through product recycling. Therefore, the Fujifilm Yoshida-Minami Factory had promoted "cascade recycling." In this recycling method, the factory used several hundred tons of waste aluminum generated every month for applications that do not require high purity aluminum. This also means that the factory always used new, high-purity aluminum bullion for the manufacture of PS plates.

Closed-Loop Aluminum Recycling System

- The use of recycled aluminum reduces CO_2 emissions by 73% throughout the entire production process, from aluminum refining to the production of PS plates.
- Fujifilm expects an annual CO_2 emissions reduction of up to 65,000 tons from introducing closed-loop recycling for all waste aluminum generated from used PS plates at the Yoshida-Minami Factory. CO_2 emissions reduction in connection with closed-loop recycling totaled approximately 38,000 tons, or 66% of total CO_2 emissions output by the factory in 2008.



Refining new aluminum bullion, however, requires a massive amount of electricity, which consequently leads to a great amount of CO_2 emissions. This fact gave Fujifilm a clue as to reducing CO_2 emissions by realizing the recycling of high-purity aluminum—a task long considered impossible—and reducing new aluminum bullion use accordingly. We then identified a closed-loop recycling technology as our solution. After years of research on this technology, which enables the recycling of waste aluminum into high-purity aluminum to be used for high-quality PS plates, the Company finally put the technology into practical use in October 2007.

Once mixed with trace metals into low-purity alloy, aluminum cannot be restored to high purity by removing the trace metals. Thus, the repeated cascade recycling of aluminum results in a mountainous reserve of low-purity aluminum resources. Amid rapidly growing demand for aluminum bullion in newly industrialized countries (NICs), preserving the limited resources of high-purity aluminum has a significant meaning for society at large. At the same time, it will help Fujifilm boost the sustainable development of its graphic arts business.

*1 Fujifilm's mainstay products in the graphic arts business
*2 Coated with a photosensitive layer in advance, pre-sensitized (PS) plates are used in offset printing. Computer-to-plate (CTP) plates are used with filmless digital (computer-to-plate) printing systems.

10 Consecutive Years of Winning Energy Conservation Prizes

Fuji Xerox's digital color multifunction device lineup—ApeosPort-III and the DocuCentre-III C2200/C3300/C2205/C3305 series, as well as the DocuPrint C2250/C3360 color printers—won the Agency for Natural Resources and Energy (ANRE) Director-General's Award at the 19th Energy Conservation Prize for 2008 (energy-saving machines and systems category) hosted by the Ministry of Economy, Trade and Industry of Japan. Since having first won the prize in 1999, Fuji Xerox has become the first company in the industry to receive prizes for 10 consecutive years. Moreover, in the past 10 years, Fuji Xerox has won prizes in all the product areas of multifunction devices and printers, from low-speed to high-speed, as well as monochrome and color. These achievements represent Fuji Xerox's continued efforts in developing wide-ranging lineups of energy-saving products.

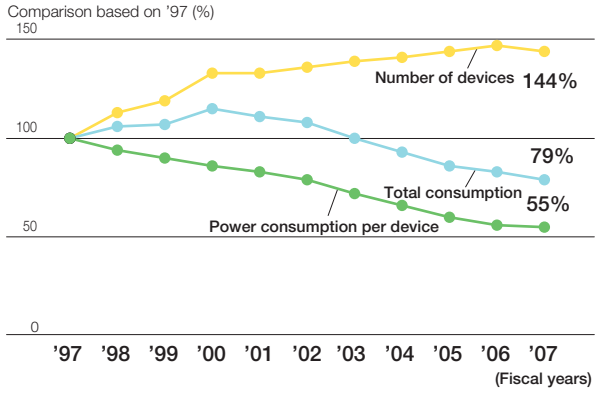
This year's award-winning products incorporate the latest energy-saving technologies. Equipped with the newly developed Power Supply Control ASIC, this energy-saving controller requires less than two watts*1 of power when in sleep mode, reducing energy consumption by 80% compared with a previous model*2. Also achieving a 73% reduction in Typical Electric Consumption (TEC)*3, these products' energy-saving performance leads the industry. In addition, by employing light-emitting diode (LED) print heads, which use LEDs as the light source, power consumption of the exposure device has been reduced by 45%.

Furthermore, Fuji Xerox gives serious consideration to energy saving in manufacturing processes. Specifically, Fuji Xerox used biomass plastics*4 that are comprised of more than 30% of plant (corn)-derived constituents by weight as a raw material for the integral covers for drum cartridges. Compared with products manufactured using conventional plastics (ABS resin), these new products enable CO_2 emissions reduction during the manufacturing process by at least 16%*5.

Although the number of Fuji Xerox copy and multifunction devices operating in Japan increased by approximately 44% from 1997 to 2007, total power consumption of these products decreased by 21%. This was attributable to Fuji Xerox's improved energy-saving technologies that reduced power consumption per device by 45%. In terms of CO_2 emissions, the 21% reduction is equivalent to a total of 470,000 tons of CO_2 reduction over the 10-year period.

Contributing to Customers' Efforts to Reduce Power Consumption

Power Consumption by Fuji Xerox Copy Machines and Multifunction Devices Running in Japan



*1 DocuCentre-III C3305 PFS
*2 DocuCentre-II C3300 PFS
*3 Power consumption measurement standard in compliance with the International Energy Star Program promoted by the Energy Conservation Center, Japan (ECCJ). Indicates the amount of power consumed over a conceptual week (five days of operation and sleep/off repeated + two days of sleep/off).
*4 Contain a specified minimum quantity of materials derived from plants and other organic substances.
*5 Based on life cycle assessments (LCAs) conducted by Fuji Xerox.

Fujifilm Named Top Company in Nikkei Quality Management Level Research Initiative

Fujifilm captured first place in the 2008 4th Nikkei Quality Management Level Research initiative hosted by the Union of Japanese Scientists and Engineers (JUSE) and sponsored by Nikkei Inc. Spotlighting "quality" and "management," this initiative quantitatively evaluates corporations' quality management levels based on their in-house systems and practices. Overall ranking is compiled after analyzing six factors, including "employee education and training" and "across-the-board participation and standardization."

Fujifilm has participated in this initiative from its inception and has improved its position gradually. For this fourth event, 227 out of 530 corporations responded to the questionnaire used for evaluation. We were ranked top tier in terms of the aforementioned two factors. The winning of first place is testimony to our superior product quality and environmental contributions, as well as our effective employee education and training.

Fujifilm's Roots: Quality Enhancement and Environmental Protection

Quality has been an exceptional focus of Fujifilm since its founding in 1934. This focus on quality is due primarily to the Company having started its business by realizing the domestic production of photographic film. At that time, the global photo industry was completely dominated by European and U.S. manufacturers. Their overwhelming presence made it difficult to import equipment from those regions and to adopt technologies developed overseas. Consequently, Fujifilm had to develop everything from scratch. Therefore, at the very beginning, the Company could not manufacture products of a quality on par with those manufactured overseas and accordingly, it continued to face severe operating conditions. The greatest challenge was to improve product quality.

Also, the manufacture of films—sensitive products—requires clean air and water. In view of environmental concerns, Fujifilm has always adhered to its founding philosophy of returning clean air and water to the environment by purifying the air and water used in manufacturing.

Through its business reconstruction in the post-WWII period, Fujifilm, ahead of other Japanese companies, introduced in its corporate management the "statistical quality control" concept that originated in the United States. Activities based on this concept led the Company to win the Deming Application Prize in 1956. In 1992, Fujifilm's production division acquired the ISO9001 certification—first within the Fujifilm Group. In 2003, all Group organizations, which include the Company's sales and corporate divisions and affiliates, completed ISO14001 certification acquisitions.

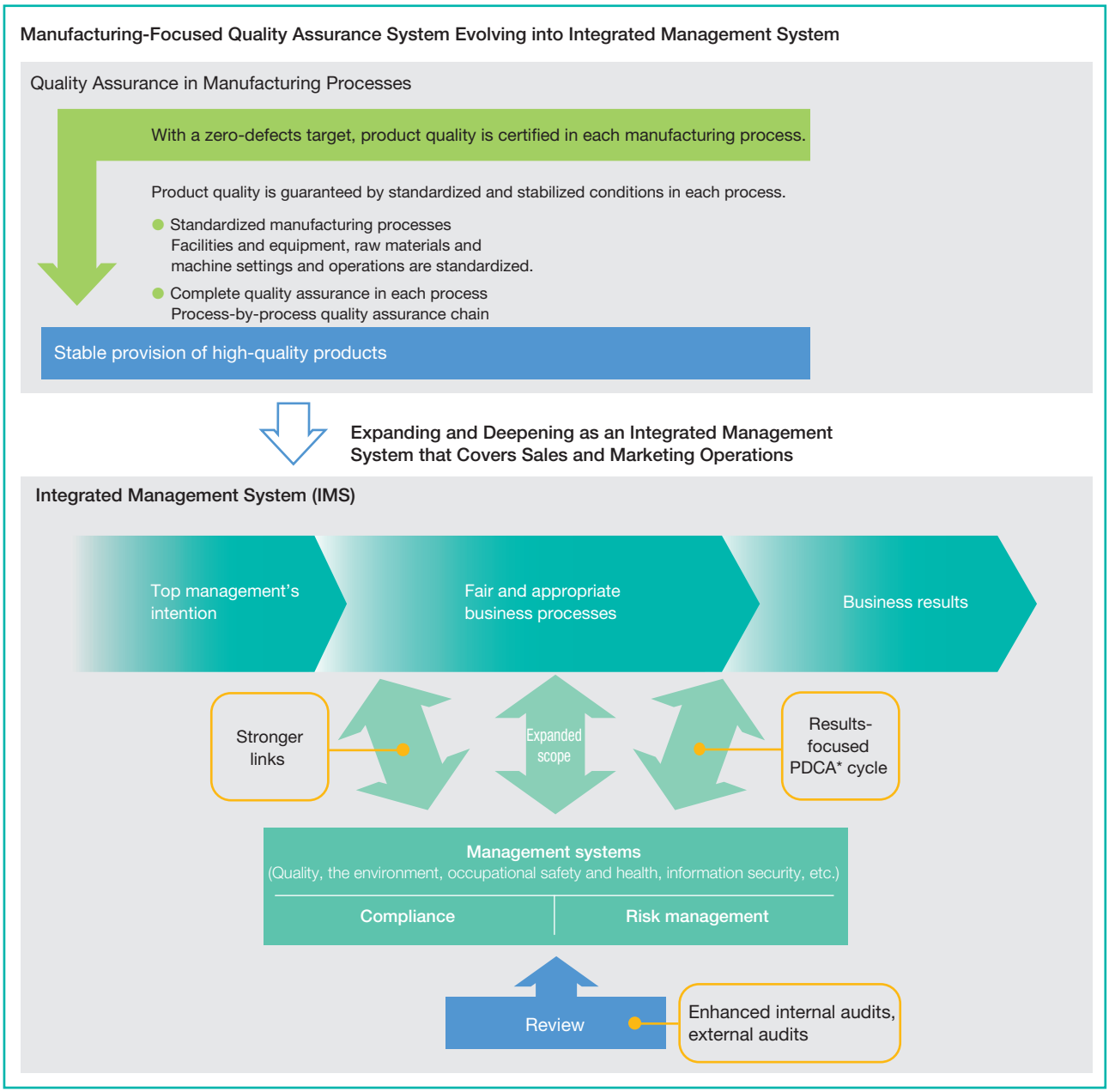
Deming Application Prize Medal

Upgrading Quality Management toward a Second Foundation

With the aim of adjusting to dynamic changes in its business environment attributable to advances in digital technologies since 2000, Fujifilm formulated and began implementing the VISION75 medium-term management plan in 2004. The Company has since promoted the establishment of an integrated management system (IMS) that focuses on both quality enhancement and environmental protection. In order to accomplish growth strategies in VISION75's five priority business fields, Fujifilm had to shift from the previous production-centric management system while implementing a Companywide management system that comprehensively covers development, production, quality assurance and sales at individual divisions. These efforts bore fruit, enabling our corporate and sales divisions and affiliates to acquire IMS certifications relating to quality and the environment in 2006. From 2007 to 2009, we have steadily expanded the scope of IMS certifications to cover all sales divisions, including sales subsidiaries, production divisions and R&D divisions. Fujifilm believes that winning the leading position at the Nikkei Quality Management Level Research initiative also represents solid recognition of the Company's measures aimed at building an IMS.

Concerning the education and training of human resources that will drive it toward its Second Foundation through the promotion of growth strategies, Fujifilm introduced a training program entitled "Change Management Program" (CMP) in 2007 for managerial personnel on the frontline of operations. In addition, we launched the F-POWER Project in 2006, under which we have effectively supported female employees' active contribution to our business.

Amid drastic changes in its business environment due to the worldwide recession, the entire Fujifilm Group will continue to promote improvements in the awareness of innovation and change and develop human resources, while further enhancing the capabilities that underpin the constant creation of new products and values. These activities will enable us to reinforce our quality management.



* Plan-do-check-act

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

The Fujifilm Group has received the following evaluations by external organizations as a corporate group that proactively promotes sustainable-development-oriented CSR activities.

FTSE4Good

Dow Jones Sustainability Indexes
Member 2008/09

- Included in the FTSE4Good Global Index
- Included in the Dow Jones Sustainability Indexes 2009
- Ranked in the "SAM Gold Class" in the SAM Sustainability Yearbook 2009, compiled by Sustainable Asset Management AG
- Fuji Xerox color multifunction devices and color printers won the ANRE Director-General's Award at the 19th Energy Conservation Prize for the tenth consecutive year

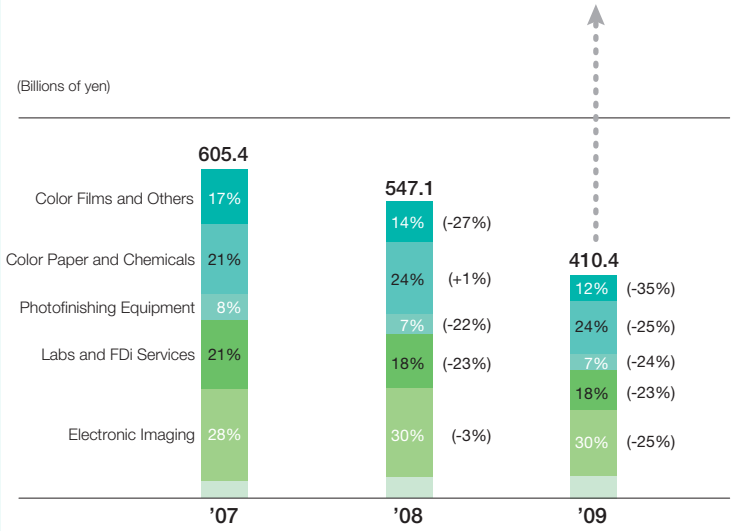
Imaging Solutions

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

Breakdown of Revenue

Reasons for YoY Changes

- Lower sales of all products due to shrinking markets for color films and color paper and intensifying competition in digital cameras
- Effects of the yen's appreciation, totaling ¥46.4 billion

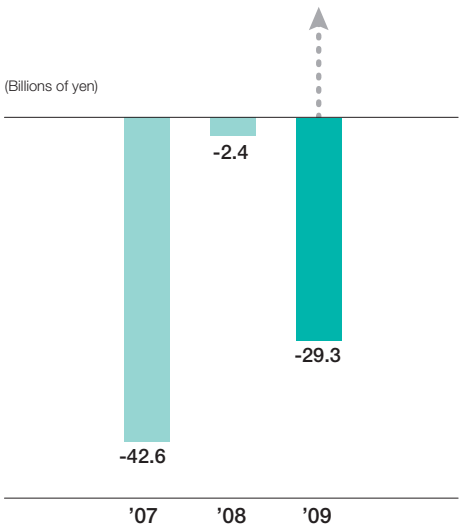


Year ended March 31
Percentages in parentheses represent year-on-year changes in revenue of each category

Operating Loss

Reasons for YoY Changes

- The yen's appreciation and lower digital camera prices



Year ended March 31

Results for Fiscal Year Ended March 31, 2009

Consolidated revenue declined 25.0% year on year to ¥410.4 billion due to decreased demand for color films and color paper, ever-more-severe competition in the digital camera market and the yen's appreciation. This segment posted an operating loss of ¥29.3 billion, negatively affected by harsh business conditions, including decreased demand, rising prices of silver and other principal raw materials, the yen's appreciation and a fall in digital camera prices.

Segment Outlook

The Imaging Solutions segment has continued to reduce fixed costs through structural reforms over the two fiscal years ended March 31, 2006 and 2007. Fujifilm will accelerate its pursuit of more streamlined photo-related business operations such as color films, color paper and other products amid market contraction spurred by the current worldwide recession. In the digital camera business, the Company will step up reform efforts, focusing on the reinforcement of product and cost competitiveness and supply chain management. Through these initiatives, the Imaging Solutions segment is working to return to profitability in the digital camera business.

Color Films, Color Paper, Chemicals and Photofinishing Equipment

Year in Review

Sales of color films declined year on year due to a persistent fall in demand. Despite activities to expand sales of "Photobook" and other value-added printing services, sales of color paper also declined, negatively affected by intensifying price competition and the yen's appreciation. On the other hand, sales of inkjet-system dry minilabs in the photofinishing equipment category showed steady growth on a worldwide basis.

Business Outlook

Toward reestablishing a more robust approach to photo-related business, Fujifilm will work to significantly compress fixed costs. To this end, the Company will streamline its local sales subsidiaries and global color paper production structure, while suspending the operation of idle facilities and optimizing the network of photo processing labs. Meanwhile, the Company will continue its sales promotion initiatives for value-added printing services, which include "Photobook" printing and online photo services, while bolstering activities to expand sales of inkjet-system dry minilabs.

Electronic Imaging

Year in Review

Sales of digital cameras decreased, primarily owing to the yen's rapid appreciation, the global economic slowdown and lower product prices, which were the result of intensifying competition. However, the total number of the Company's digital cameras sold grew year on year to reach 8.2 million units, attributable to the launch of new products based on Fujifilm's proprietary technologies. These new products included FinePix F200EXR—a digital camera packed with technologies that have been developed in step with the evolution of the FinePix series over the past 10 years. The FinePix F200EXR features a newly developed, built-in Super CCD EXR sensor, which duplicates mechanisms of the human eye for ideal photo-shooting in any environment.

Business Outlook

Fujifilm will pursue further differentiation through the launch of new products that apply its proprietary technological offerings, such as the Super CCD EXR sensor 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. Also, through such initiatives as comprehensively reviewing materials and components procurement, the Company is more aggressively reducing overall costs in procurement, production and logistics. Moreover, we will work to shorten lead times and, through other measures, improve our supply chain management. Ultimately, by accomplishing a business profitability reform program focusing on these initiatives, the Company aims to secure profitability on an operational basis.

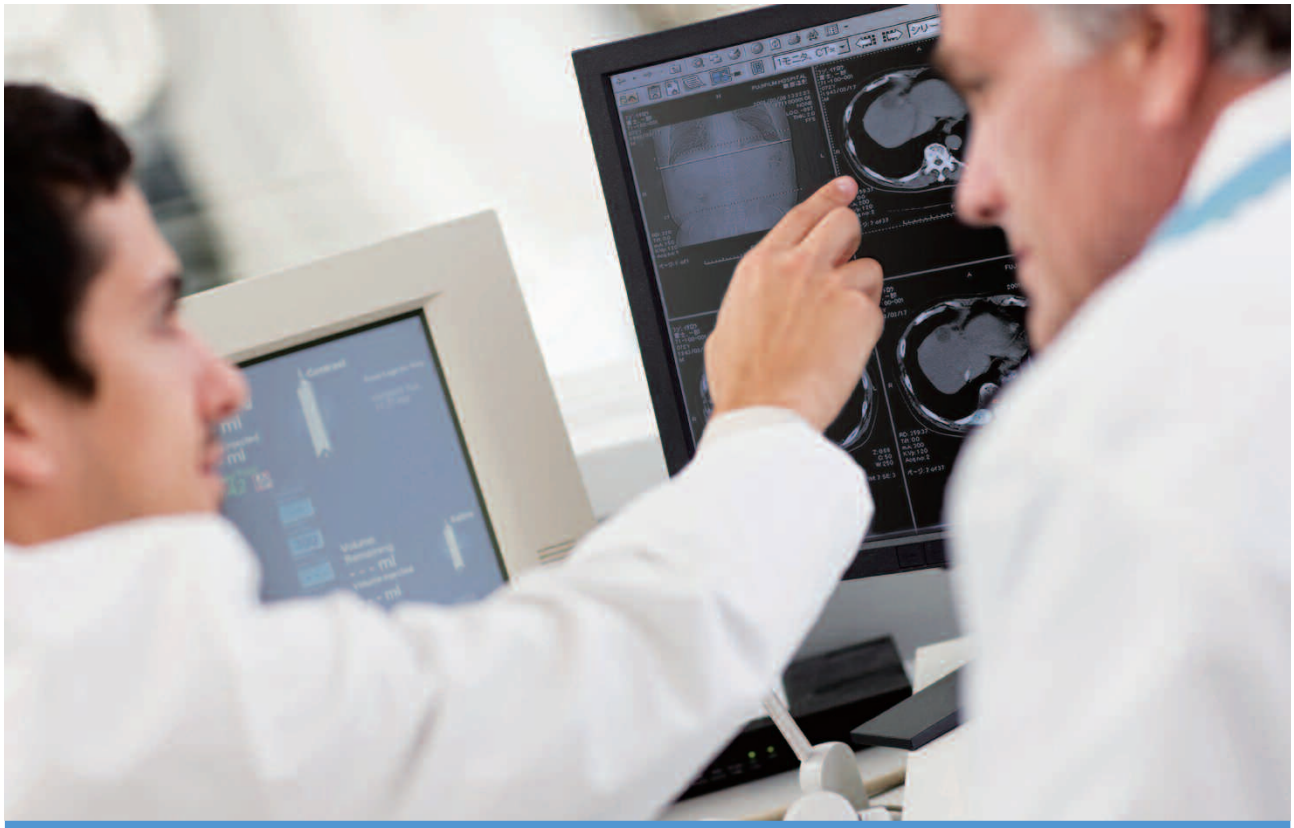
Photobooks


Frontier Dry Minilab DL410


FinePix F200EXR

Information Solutions

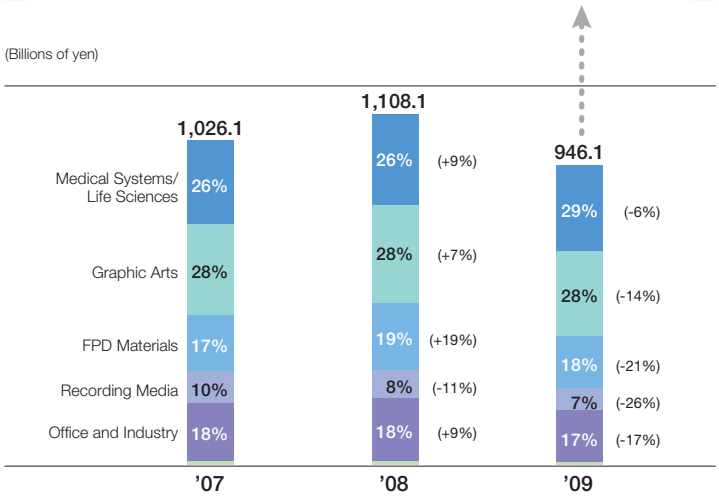
The Information Solutions segment includes equipment and materials for medical systems and life sciences and for graphic arts, along with flat panel display (FPD) materials, recording media, optical devices, electronic materials and inkjet materials.



Breakdown of Revenue

Reasons for YoY Changes

- Lower sales of principal products, particularly FPD materials, due to rapid inventory adjustments in the liquid crystal display (LCD) panel industry
- Effects of the yen's appreciation, totaling ¥62.8 billion

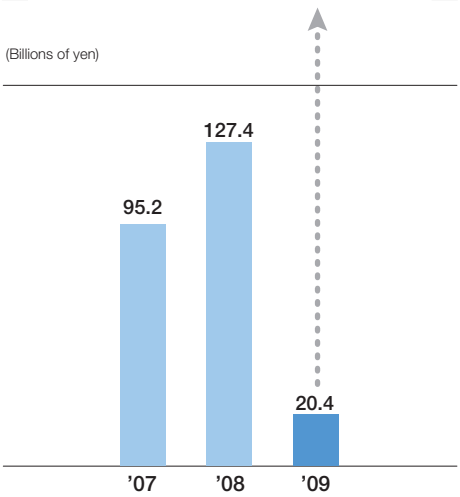


Year ended March 31
Percentages in parentheses represent year-on-year changes in revenue of each category

Operating Income

Reasons for YoY Changes

- Decline in sales volume of principal products due to global demand contraction



Year ended March 31

Results for Fiscal Year Ended March 31, 2009

Consolidated revenue fell 14.6% year on year to ¥946.1 billion. The reasons for this drop included shrinking demand and the yen's appreciation, as well as a decline in the sales of FPD materials resulting from a rapid deterioration in the LCD-related market conditions. Operating income fell 84.0% to ¥20.4 billion, affected by such negative factors as the appreciation of the yen and a decrease in sales volume caused by the global economic slowdown.

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.

Medical Systems/Life Sciences

Year in Review

X-ray film demand declined, adversely affected by a revision to the national healthcare reimbursement system in Japan. Fujifilm faced other severe conditions attributable to the worldwide recession. Against such headwind, we steadily expanded sales of the SYNAPSE medical-use picture archiving and communications system (PACS) and other network-related systems, supported by a stable increase in IT use at medical institutions. Through M&A measures, the Company has reinforced its medical systems/life sciences business by making China's medical IT system leader, Tianjian Medi Tech Co., Ltd., and U.S.-based radiology information system (RIS) manufacturer, Empiric Systems, LLC, consolidated subsidiaries. As for endoscopes, we suffered a sales decrease mainly due to intensifying price competition, so to strengthen our operation base, wholly owned subsidiary FUJINON Corporation's endoscope business was integrated into our medical systems business. We also reorganized related domestic sales subsidiaries and established a comprehensive structure that covers everything from product development and manufacture to marketing and after-sales. In healthcare products—centered on the ASTALIFT skincare series—sales grew significantly. This success was due to its improved market recognition, expanded sales channels and effective advertising activities.

Business Outlook

Fujifilm will work to raise image quality and functionality of the Fuji Computed Radiography (FCR) digital X-ray imaging and diagnostic system, while reducing the system size to promote sales to private practitioners and small- to medium-sized hospitals. Also, by accelerating the marketing of digital X-ray equipment using thin imaging sensors for general radiography and mammography to medical institutions, the Company will enhance its contributions to this field through more efficient, high-quality examination and diagnosis. In the medical IT system market, the Company will upgrade the functionality of the SYNAPSE medical-use PACS, which is widely used in the radiology field, refining it as a hospital-wide system for total management of medical images used in the cardiovascular, endoscopy, ultrasonography, pathology and other fields. Furthermore, the Company will develop its proprietary clinical information system (CIS), which incorporates Fuji Xerox's medical document management systems, with the aim of bolstering operations in the diagnostic imaging and treatment fields. In the pharmaceuticals business, Toyama Chemical is accelerating toward its early market launch of its new T-705 anti-influenza agent in cooperation with Fujifilm.

Advancia digital endoscope

SYNAPSE EX medical-use PACS

ASTALIFT skincare series

Graphic Arts

Year in Review

Sales decreased due to the worldwide recession, diminishing publication volume and thinning newspapers, as well as to the yen's appreciation. The Company accelerated efforts to expand sales in the digital printing field, including the November 2008 release of the Acuity Advance wide-format inkjet printer in Europe and the United States. Meanwhile, in the existing materials field, Fujifilm began marketing next-generation, environment-friendly, easy-to-process, violet photopolymer computer-to-plate (CTP) products in Europe in October 2008. Through value-adding initiatives, the Company enhanced its competitiveness in this field.

Business Outlook

In the high-growth digital printing field, Fujifilm and Fuji Xerox are working together to strengthen the graphic arts business by coordinating the management of their resources, including technologies, sales channels and brand values. Moreover, the Company will introduce and aggressively expand the sales of the Jet Press 720 (provisional name) system based on its proprietary inkjet digital printing technologies. Through these activities, the Company aims to grow into the global leader in digital printing solutions. In the field of existing materials, Fujifilm will enhance its competitiveness through various initiatives, such as strengthening sales promotion in newly industrializing countries (NICs) and launching violet photopolymer CTP and other differentiated products. In this way, the Company will target the top global market share for CTP plates.

Flat Panel Display Materials

Year in Review

Despite steady performance during the first half, sales of FUJITAC protective films for polarizers and wide-view (WV) films for expanding viewing angles started decreasing in September 2008, due to rapid production adjustments by LCD panel manufacturers. Orders for these products, however, returned to a recovery course in the fourth quarter.

Business Outlook

Temporarily weakened FPD market conditions are rapidly picking up again. Accordingly, the market is likely to grow in the future, reflecting the global penetration of thin-screen TVs, which stands at the 20% level, and expected demand growth attributable to the replacement of CRT-based TVs. Fujifilm will endeavor to expand sales by launching new high-value-added films, including WV films, vertical-alignment (VA) retardation films and antireflective CV films.

Office and Industry

Year in Review

Amid the ongoing trend of rising pixel counts and the pursuit of higher added value in camera phones, Fujifilm achieved sales growth during the first half. This sales growth represented the high market evaluation of the Company's compact, lightweight camera phone lens units, which realize high image quality and provide both autofocus and zooming functions. Nevertheless, sales decreased in the second half due to declining orders.

Business Outlook

In camera phone lens units, Fujifilm will further expand its market share by launching an array of ultra-compact, high-image-quality products that meet the requirement of increasingly higher pixel counts. Similarly, in the field of high-definition TV camera lenses, which require sophisticated design, grinding and assembly technologies, we will work to increase our market share in NICs and other nations worldwide, tapping the robust demand attributable to the global transition to digital terrestrial broadcasting. Going beyond these existing fields, Fujifilm is penetrating new fields with potential for expanded demand, such as surveillance camera lenses and other security applications, automotive lenses and Blu-ray and other optical disc lenses.

Toyama Chemical's Pipeline

Japan

(As of April 2009)

Stage	Development No.	Therapeutic Category
NDA filing	T-3262 Fine granules	Oral quinolone synthetic antibacterial agent OZEX fine granules for children
Preparing to file	T-614	Antirheumatic agent A disease modifying anti-rheumatic drug (DMARD)
Phase III	T-3762	Injectable quinolone synthetic antibacterial agent
Phase II	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

Overseas

(As of April 2009)

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

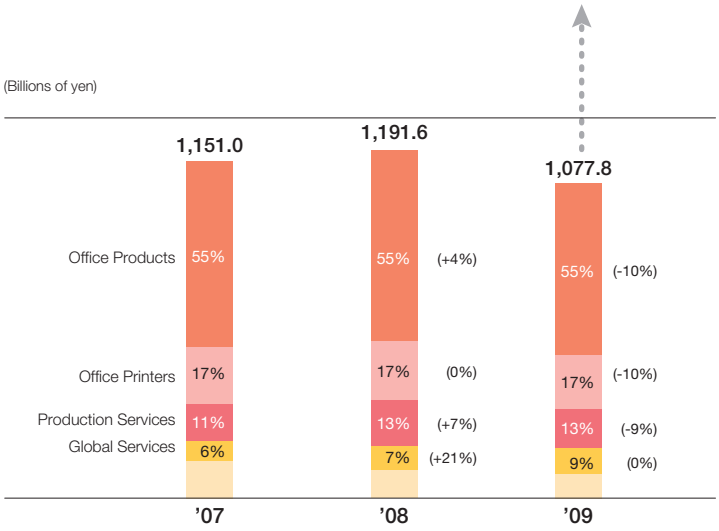
Document Solutions

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

Breakdown of Revenue

Reasons for YoY Changes

- Lower sales due to global demand contraction, as well as to radical fluctuations in foreign exchange rates
- Effects of the yen's appreciation, totaling ¥46.6 billion



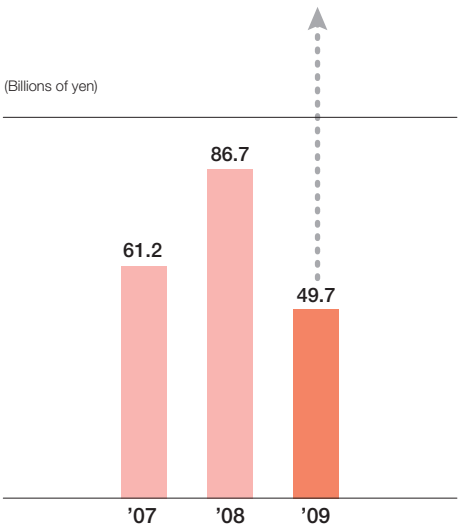
Year ended March 31

Percentages in parentheses represent year-on-year changes in revenue of each category

Operating Income

Reasons for YoY Changes

- Lower sales more than offsetting effects of reduced manufacturing costs and SG&A expenses



Year ended March 31

Results for Fiscal Year Ended March 31, 2009

Consolidated revenue in this segment fell 9.6% year on year to ¥1,077.8 billion, due to a decline in sales volume attributable to the rapid deterioration of economic conditions in the second half as well as unfavorable movements in the exchange rates of the U.S. dollar and Asian and Oceanian currencies against the yen. Operating income also fell 42.7% year on year to ¥49.7 billion, owing to such factors as the economic slowdown and the yen's appreciation.

Segment Outlook

Fuji Xerox started the V06 Management Reform Program and entered a new stage of reform with the Management Innovation Activities in the fiscal years ended March 31, 2005 and 2009, respectively. Going forward, Fuji Xerox is expanding these activities. Specifically, we will improve productivity in our back-office operations and reallocate the human resources generated through this initiative to our sales frontlines to strengthen marketing activities. Also, we will improve our R&D efficiency by consolidating R&D facilities into a new base. In order to cut total manufacturing costs, we will keep enhancing our production technologies to achieve further cost reductions, while optimizing our production functions.

Office Products

Year in Review

In Japan, the office products business experienced a sales volume decrease, significantly impacted by decreased demand and a rapid downturn in the second half. Also, the cost reduction efforts of the entire corporate sector have led to a decline in the sales of consumables and maintenance services. Sales in the Asia and Oceania regions dropped substantially, adversely affected by the yen's appreciation against the region's currencies and the rapid economic slowdown. Regarding exports to U.S.-based Xerox Corporation, overall shipment volume grew thanks to the expansion of U.S. sales channels through an acquisition made by Xerox Corporation in the previous fiscal year and increased demand in newly industrializing countries (NICs) and other regions in the first half.

Business Outlook

Fuji Xerox will strengthen products and services that enable enhanced information security and networking environments in response to the strong market demand for them. At the same time, it will bolster proposal capabilities to improve operational flows and efficiency, focusing on such fields as document management and printing services. Through these activities, Fuji Xerox will reinforce its wide-ranging solutions for various corporate issues, including the establishment of an internal control system, the reduction of the environmental impact of office operations and general cost cutting. In this way, we will promote the growth of the office products business.

Office Printers

Year in Review

In Japan, the office printers business suffered sales volume decline due to weak demand. Concerning performance in the Asia and Oceania regions and exports to Xerox Corporation, sales deteriorated due to negative factors including the rapid appreciation of the yen, despite a substantial growth in color device sales volume.

Business Outlook

In Japan, and in the high-demand Asia-Pacific region, including China, the office printers business will continue to expand color device sales and boost the volume of color printing through the reinforcement of our devices' compatibility with advanced security and other applications.

ApeosPort-III C7600

DocuPrint C3360

700 Digital Color Press

Production Services

Year in Review

Sales volume increased significantly in Japan, thanks to the successful launch of a new product for the color light production market. Similarly, the volume of export sales to Xerox Corporation grew substantially, reflecting robust sales of such products as the 700 Digital Color Press color on-demand publishing system. However, overall sales in the production services business declined, primarily attributable to weakening demand in the Asia and Oceania regions and the yen's appreciation.

Business Outlook

Mainly in Japan and the markets of the Asia-Pacific region, including China, Fuji Xerox will further expand its production services business by launching competitive products and bolstering specialized expertise in its marketing operations.

Global Services

Year in Review

Global services continued to show steady performance both in Japan and overseas. These services include consulting services targeting enhanced business processes for customers, as well as document outsourcing services, in which Fuji Xerox comprehensively manages document-related operations outsourced from customers.

Business Outlook

By strengthening collaboration with Xerox Corporation, Fuji Xerox is working to expand its service lineups to accelerate the growth of the global services business, thereby supporting the development of multinational enterprise customers.

Topics

● Fuji Xerox's "beat" Secure Network Outsourcing Service Wins the Trust of the G8

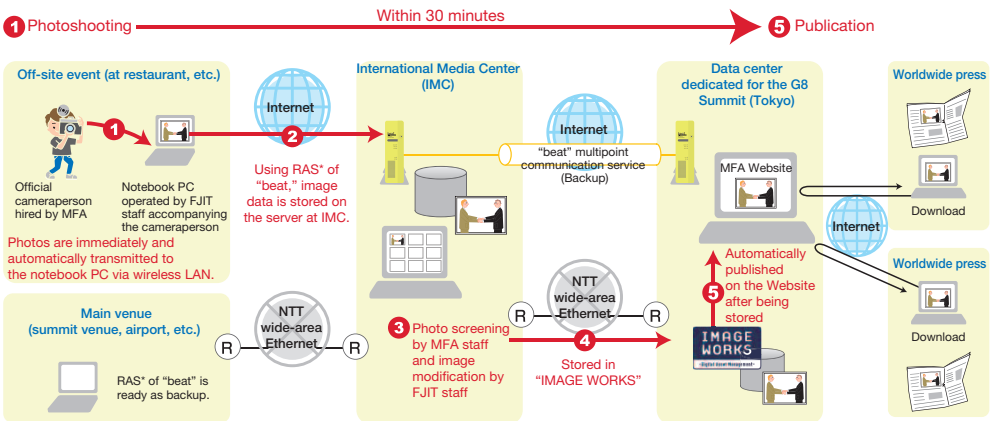
At the 2008 G8 Kyoto Foreign Ministers' Meeting (June 26 to 27, 2008) and the G8 Hokkaido Toyako Summit (July 7 to 9, 2008), Fuji Xerox and FUJIFILM Imagetec Co., Ltd. (FJIT), which provides professional-use imaging and information services, joined forces to support the Japanese government's service to distribute official photos of these events. As official photos of these events are used by various media and press organizations worldwide, it is definitely an important issue for host countries to enable their smooth distribution. This matter was solved for the G8 events through the integration of Fuji Xerox's "beat"* and FJIT's "IMAGE WORKS."

FJIT's "IMAGE WORKS" is an application service provider (ASP) facility that stores, shares and distributes large-capacity data in a secure environment via a server on the Internet. "IMAGE WORKS" provided the central functions in the official photo distribution service. The service for these G8 events involved: the transmission of digital image data from mobile computers used at the venues of those events to the International Media Center (IMC); the selection and processing of digital images; and the uploading of the digital images to the Website of the Ministry of Foreign Affairs (MFA) of Japan. (See the diagram below for details.) However, there was a concern that the "IMAGE WORKS" operations alone could not ensure the information immediacy and security required in cases where digital image data must be transmitted via non-dedicated lines installed at, for example, a restaurant in the reception area of these events. Fuji Xerox's "beat" service solved this issue.

The "beat" service uses advanced encryption of data transmission, which enables image and other data to be safely and rapidly transmitted via the Internet to remote locations, protecting against interception and unauthorized alteration. The combination of "beat" and "IMAGE WORKS" supported the efficient and reliable distribution of official live photos of various activities that took place during the G8 events. These services provided by Fuji Xerox and FJIT contributed significantly to the success of these important events.

* "beat" is an all-in-one secure network outsourcing service that provides IT infrastructure with enhanced network security functions. Being an affordable service, "beat" offers: (1) Fuji Xerox's proprietary firewall function to prevent unauthorized access; (2) an intrusion prevention system (IPS); (3) anti-virus and anti-spyware services; and (4) other functions and services indispensable to business operations, such as simplified groupware and shared folders.

Official Photo Distribution Service



Fujifilm Group's Global Network

The Fujifilm Group has many overseas subsidiaries in various regions including the Americas, Europe and Asia-Oceania. These subsidiaries support the Fujifilm Group's R&D, manufacturing, sales and servicing activities on a global scale. The Group's global network is making significant contributions to improve the quality of life of people worldwide.

Fujifilm Group's Consolidated Subsidiaries in Each Region

The Americas

FUJIFILM U.S.A., Inc.
Fujifilm Corporation's imaging business controller in the United States

FUJIFILM Manufacturing U.S.A., Inc.
Fujifilm Corporation's flagship manufacturing base in the Americas

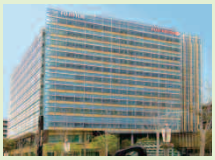
FUJIFILM do Brasil Ltda.
Fujifilm Corporation's business controller in South America

Europe

FUJIFILM Europe GmbH
Fujifilm Corporation's sales and marketing strategy controller in Europe

FUJIFILM Manufacturing Europe B.V.
Fujifilm Corporation's flagship manufacturing base in Europe

Japan



Tokyo Midtown Head Office

Toyama Chemical Co., Ltd. Toyama Works

Total of **234** consolidated subsidiaries worldwide

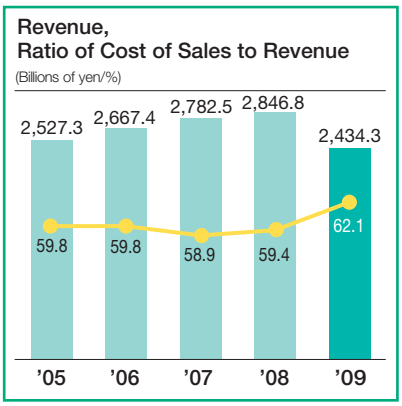
Asia and Others

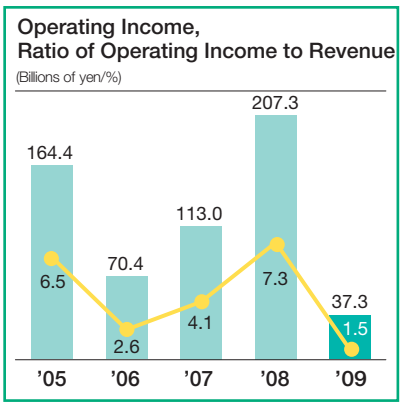
FUJIFILM (CHINA) INVESTMENT CO., LTD.
Fujifilm Corporation's business controller in China

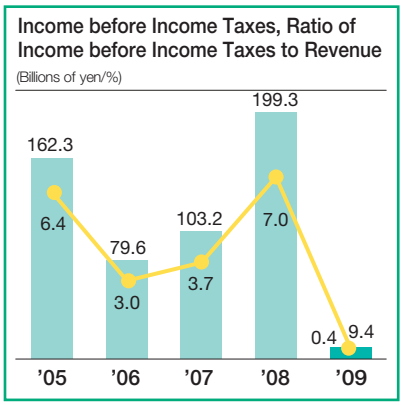
Fuji Xerox (China) Limited
Fuji Xerox Co., Ltd.'s sales headquarters in China*

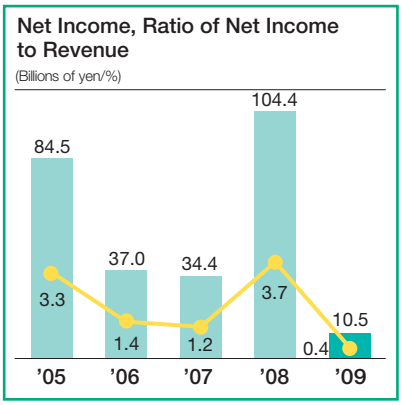
Fuji Xerox of Shenzhen Ltd.
Fuji Xerox Co., Ltd.'s flagship manufacturing base in China

* Excluding Hong Kong, Macao and Taiwan









Year ended March 31

Results of Operations

Revenue

During the fiscal year ended March 31, 2009, consolidated revenue amounted to ¥2,434.3 billion, down 14.5% from the previous fiscal year. Sales of the Information Solutions and Document Solutions segments, which had been steady during the first two quarters, deteriorated rapidly from the third quarter due to the strong impact of a drop in demand attributable to the worldwide recession and the yen's appreciation. The Imaging Solutions segment also continued to suffer declines in demand and selling prices, which resulted in a drop in the segment's revenue. The effective currency exchange rates for the U.S. dollar and the euro against the yen during the fiscal year under review were ¥101=$1, a ¥14 appreciation compared with the previous fiscal year, and ¥145=1 euro, a ¥17 appreciation.

Domestic and Overseas Revenue

Domestic revenue amounted to ¥1,134.2 billion, down 9.9% year on year, and overseas revenue totaled ¥1,300.1 billion, down 18.1%.

	Year ended March 31				
	Millions of yen, %				
	2009	2008	2007	2006	2005
Domestic revenue	**¥1,134,192**	¥1,259,506	¥1,303,647	¥1,329,284	¥1,311,893
	46.6	44.2	46.9	49.8	51.9
Overseas revenue	**1,300,152**	1,587,322	1,478,879	1,338,211	1,215,481
	53.4	55.8	53.1	50.2	48.1
The Americas	**447,677**	557,203	572,797	558,702	515,169
	18.4	19.6	20.6	20.9	20.4
Europe	**350,548**	449,241	422,965	375,516	349,903
	14.4	15.8	15.2	14.1	13.8
Asia and Others	**501,927**	580,878	483,117	403,993	350,409
	20.6	20.4	17.3	15.2	13.9
Consolidated total	**¥2,434,344**	¥2,846,828	¥2,782,526	¥2,667,495	¥2,527,374
	100.0	100.0	100.0	100.0	100.0

Operating Expenses, Operating Income

SG&A expenses decreased 8.5% year on year to ¥694.7 billion, with the SG&A expense ratio rising 1.9 percentage points to 28.6% due to decreased sales. R&D expenses increased 1.9% to ¥191.1 billion.

Operating income fell 82.0% year on year to ¥37.3 billion, attributable to decreased sales, the yen's appreciation and the posting of ¥33.5 billion in structural reform expenses.

Income before Income Taxes, Net Income

Income before income taxes fell 95.3% year on year to ¥9.4 billion. Net income also fell 89.9% to ¥10.5 billion.

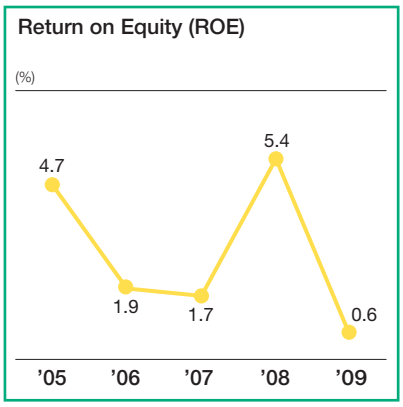
Results by Segment

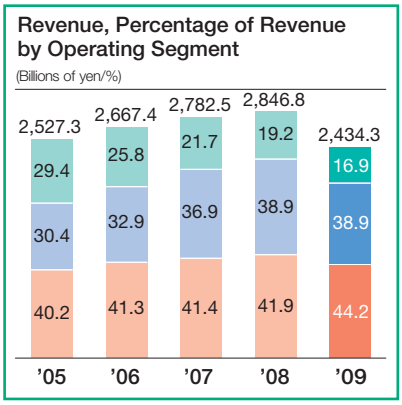
● Imaging Solutions

Consolidated revenue in the Imaging Solutions segment dropped 25.0% year on year to ¥410.4 billion. This drop is mainly due to shrinking demand for color films and color paper, intensified competition in the digital camera market and the yen's appreciation. The segment recorded an operating loss of ¥29.3 billion attributable to severe operating conditions, which included weakening demand, surging prices of silver and other principal raw materials, the yen's appreciation and a decline in digital camera prices.

● Information Solutions

Consolidated revenue in the Information Solutions segment decreased 14.6% year on year to ¥946.1 billion. This decrease reflected factors including: weakened demand; the yen's appreciation; and a rapid deterioration in LCD-related market conditions resulting in decreased sales of FPD materials, which had shown robust performance in the first two quarters. In the medical systems/life sciences business, the increased use of IT at medical institutions pushed up the





Year ended March 31

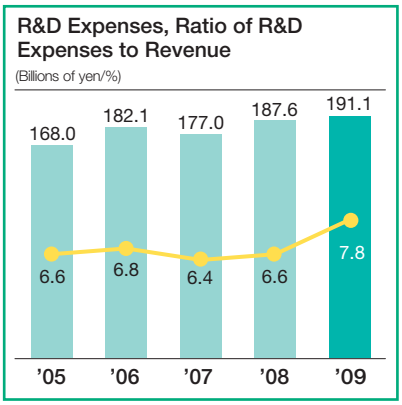
sales of medical-use picture archiving and communications systems (PACS) and related products. In the healthcare business, centered on the ASTALIFT skincare series and other functional cosmetics, sales expanded significantly, and this was attributable to reinforced sales channels and advertising activities. However, overall sales in the medical systems/life sciences business declined, negatively impacted by revisions to the national healthcare reimbursement system in Japan and the worldwide recession. Sales in the graphic arts business and the optical devices field also declined owing to the worldwide recession. Segment operating income decreased 84.0% year on year to ¥20.4 billion, attributable to the yen's appreciation and surging prices of silver and other principal raw materials, as well as to a fall in sales volume owing to the worldwide recession.

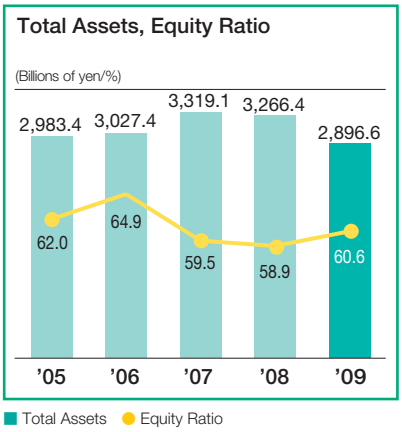
● Document Solutions

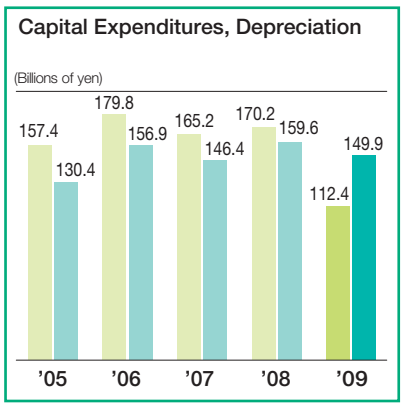
Consolidated revenue in the Document Solutions segment declined 9.6% year on year to ¥1,077.8 billion, adversely affected by decreased sales volume in line with a rapid deterioration in economic conditions from the third quarter as well as by rapid fluctuations in the exchange rates of the U.S. dollar and Asian and Oceanian currencies against the yen. In the office products business, domestic sales decreased, significantly impacted by such negative factors as a decline in demand and slower capital investments in the corporate sector. Despite robust demand in newly industrialized countries (NICs) and increased sales volume in exports, attributable to the benefits stemming from the acquisition of a marketing distributor by U.S.-based Xerox Corporation during the previous fiscal year, sales in the office products business decreased due to the yen's appreciation and a rapid economic slowdown. Sales in the production services business fell, with weakened demand in the Asia-Oceania region and the yen's appreciation more than offsetting strong sales and a resultant substantial increase in sales volume in the color light production market. Segment operating income dropped 42.7% year on year to ¥49.7 billion, primarily owing to the worldwide recession and the yen's appreciation.

	Year ended March 31		
	Millions of yen		
	2009	2008	2007
Imaging Solutions			
Revenue:			
External customers	**¥ 410,399**	¥ 547,066	¥ 605,383
Intersegment	**785**	874	899
Total	**411,184**	547,940	606,282
Operating loss	**(29,310)**	(2,394)	(42,631)
Operating margin	**(7.1)%**	(0.4)%	(7.0)%
Information Solutions			
Revenue:			
External customers	**¥ 946,156**	¥1,108,134	¥1,026,085
Intersegment	**1,683**	2,136	2,818
Total	**947,839**	1,110,270	1,028,903
Operating income	**20,351**	127,432	95,170
Operating margin	**2.1%**	11.5%	9.2%
Document Solutions			
Revenue:			
External customers	**¥1,077,789**	¥1,191,628	¥1,151,058
Intersegment	**8,982**	9,274	12,187
Total	**1,086,771**	1,200,902	1,163,245
Operating income	**49,677**	86,664	61,186
Operating margin	**4.6%**	7.2%	5.3%

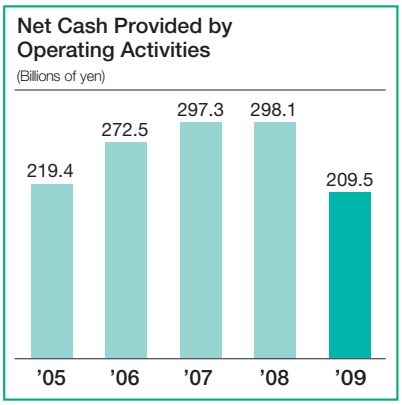
Note: Operating income (loss) in Imaging Solutions, Information Solutions and Document Solutions for the fiscal year ended March 31, 2007 is affected by structural reform expenses of ¥60,121 million, ¥17,269 million, and ¥16,691 million, respectively.







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



Year ended March 31

R&D Expenses

R&D expenses increased 1.9% year on year to ¥191.1 billion. The ratio of R&D expenses to revenue rose 1.2 percentage points to 7.8%. By business segment, R&D expenses in Imaging Solutions totaled ¥14.3 billion, down 15.5%; ¥96.4 billion in Information Solutions, up 3.1%; and ¥80.4 billion in Document Solutions, up 4.1%.

Financial Position Analysis

Assets, Liabilities, and Shareholders' Equity

As of March 31, 2009, total assets amounted to ¥2,896.6 billion, down 11.3% compared with the end of the previous fiscal year. This decline reflects such factors as a decrease in the yen-equivalent value of foreign-currency assets attributable to the persistent appreciation of the yen. Total liabilities amounted to ¥1,024.4 billion, down 15.7%. Shareholders' equity totaled ¥1,756.3 billion, down 8.6%. As a result, the current ratio rose 43.7 percentage points, to 244.1%, the debt ratio dropped 4.9 percentage points, to 58.3%, and the equity ratio increased 1.7 percentage points, to 60.6%. The Company is confident that it is maintaining a stable level of asset liquidity and a sound capital structure.

Capital Expenditures, Depreciation

Capital expenditures decreased 34.0% year on year to ¥112.4 billion. 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 in the "Minato Mirai 21" district of Yokohama City, Kanagawa Prefecture. By business segment, capital expenditures amounted to ¥12.3 billion in Imaging Solutions, down 31.7% year on year; ¥59.6 billion in Information Solutions, down 41.2%; and ¥40.4 billion in Document Solutions, down 20.3%. Total depreciation decreased ¥9.7 billion to ¥149.9 billion.

Cash Flow Analysis

Net cash provided by operating activities amounted to ¥209.5 billion, down ¥88.6 billion compared with the previous fiscal year. Net cash used in investing activities was ¥152.8 billion, mainly reflecting ¥155.9 billion in purchases of property, plant and equipment. Net cash used in financing activities totaled ¥102.1 billion, primarily attributable to net purchases of stock for treasury and repayments of debt. As a result, cash and cash equivalents as of March 31, 2009 amounted to ¥270.1 billion.

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.

Considering the current time period to be a "Second Foundation" period, the Company is intensively implementing capital investment, M&A and R&D investment in its priority business fields. In view of this situation, the Company has targeted a return to shareholders ratio of 25%, which represents the ratio of total cash dividends and share buybacks to consolidated net income.

Cash dividends applicable to the fiscal year under review totaled ¥30.00 per share. During the fiscal year, the Company bought back 15,780 thousand shares at a total acquisition cost of ¥35.0 billion.

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 53% 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 number of these technologies is rising 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 operations, 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 current fiscal year, ending 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			
	2009	2008	2007	2006
Revenue:				
Domestic	**¥1,134,192**	¥1,259,506	¥1,303,647	¥1,329,284
Overseas	**1,300,152**	1,587,322	1,478,879	1,338,211
Total	**¥2,434,344**	¥2,846,828	¥2,782,526	¥2,667,495
Cost of sales	**1,511,242**	1,692,758	1,638,337	1,593,804
Operating expenses:				
Selling, general and administrative	**694,740**	759,139	760,042	735,058
Research and development	**191,076**	187,589	177,004	182,154
Restructuring and other charges	**—**	—	94,081	86,043
Subsidy related to transfer of substitutional portion of employee pension fund liabilities	**—**	—	—	—
Operating income	**37,286**	207,342	113,062	70,436
Interest and dividend income	**10,012**	13,462	11,376	8,133
Interest expense	**(7,037)**	(7,380)	(6,351)	(3,886)
Income before income taxes	**9,442**	199,342	103,264	79,615
Income before minority interests and equity in net earnings of affiliated companies	**12,026**	117,199	43,731	44,591
Net income	**10,524**	104,431	34,446	37,016
Capital expenditures (Note 1)	**¥ 112,402**	¥ 170,179	¥ 165,159	¥ 179,808
Depreciation (Note 1)	**149,912**	159,572	146,325	156,928
Net cash provided by operating activities	**209,506**	298,110	297,276	272,558
Average number of shares outstanding (in thousands)	**498,837**	508,354	510,621	509,525
Total assets	**¥2,896,637**	¥3,266,384	¥3,319,102	¥3,027,491
Long-term debt	**253,987**	256,213	267,965	74,329
Total shareholders' equity	**1,756,313**	1,922,353	1,976,508	1,963,497
Number of employees	**76,252**	78,321	76,358	75,845
Per share of common stock (Yen/U.S. dollars)				
Net income (Note 2)	**¥ 21.10**	¥ 205.43	¥ 67.46	¥ 72.65
Cash dividends (Note 3)	**30.00**	35.00	25.00	25.00
Shareholders' equity (Note 4)	**3,594.52**	3,811.19	3,867.04	3,848.32
Stock price at year-end	**2,125**	3,530	4,820	3,930
PBR (Price-to-Book Value Ratio) (Times)	**0.59**	0.93	1.25	1.02
PER (Price-to-Earnings Ratio) (Times)	**100.71**	17.18	71.45	54.09
ROE (Return on Equity) (%)	**0.6**	5.4	1.7	1.9
ROA (Return on Assets) (%)	**0.3**	3.2	1.1	1.2

Notes: 1. Figures do not include amounts for rental equipment handled by the Document Solutions segment.
2. The computation of net income per share is based on the average number of shares (excluding treasury stock) outstanding during each period.
3. Cash dividends per share represent the amount declared per share for each period.
4. The computation of shareholders' equity per share is based on the number of shares (excluding treasury stock) outstanding at the end of each period.
5. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥98=US$1, the exchange rate prevailing on March 31, 2009.
6. 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 5)
2005	2004	2003	2002	2001	2000	**2009**
¥1,311,893	¥1,336,015	¥1,330,119	¥1,355,192	¥ 656,059	¥ 635,588	**$11,573,388**
1,215,481	1,230,710	1,181,802	1,052,325	727,310	713,253	**13,266,857**
¥2,527,374	¥2,566,725	¥2,511,921	¥2,407,517	¥1,383,369	¥1,348,841	**$24,840,245**
1,510,681	1,503,843	1,474,551	1,403,571	803,460	774,757	**15,420,837**
767,363	704,659	765,987	684,370	351,033	344,424	**7,089,184**
168,017	173,323	159,119	146,881	79,144	81,725	**1,949,755**
—	—	—	—	—	—	**—**
(83,129)	—	(52,136)	—	—	—	**—**
164,442	184,900	164,400	172,695	149,732	147,935	**380,469**
6,080	4,246	3,909	5,577	8,180	6,975	**102,163**
(4,668)	(5,459)	(6,674)	(9,289)	(11,093)	(9,957)	**(71,806)**
162,346	164,948	120,513	159,549	199,661	137,405	**96,347**
98,457	92,659	60,230	88,696	113,126	74,763	**122,714**
84,500	82,317	48,579	81,331	117,900	84,895	**107,388**
¥ 157,420	¥ 160,740	¥ 127,319	¥ 155,525	¥ 118,786	¥ 91,313	**$ 1,146,959**
130,360	124,634	126,695	121,777	82,063	82,770	**1,529,714**
219,361	327,358	303,500	248,185	140,454	212,306	**2,137,816**
512,801	513,252	514,011	514,583	514,603	514,612	
¥2,983,457	¥3,023,509	¥2,958,317	¥2,946,362	¥2,830,313	¥2,235,812	**$29,557,520**
96,040	116,823	124,404	137,446	81,246	20,897	**2,591,704**
1,849,102	1,749,882	1,680,611	1,698,063	1,624,856	1,575,065	**17,921,561**
75,638	73,164	72,633	72,569	70,722	37,151	
¥ 164.78	¥ 160.38	¥ 94.51	¥ 158.05	¥ 229.11	¥ 164.97	**$ 0.22**
25.00	25.00	25.00	25.00	22.50	22.50	**0.31**
3,630.67	3,409.80	3,274.17	3,300.45	3,157.55	3,060.68	**36.68**
3,920	3,310	3,640	4,170	4,640	4,520	**21.68**
1.08	0.97	1.11	1.26	1.47	1.48	
23.79	20.64	38.51	26.38	20.25	27.40	
4.7	4.8	2.9	4.9	7.4	5.5	
2.8	2.8	1.6	2.8	4.7	3.9	

Consolidated Balance Sheets

FUJIFILM Holdings Corporation and Subsidiaries

	March 31		
	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2009**	2008	**2009**
Current assets:			
Cash and cash equivalents (Note 18)	**¥ 270,094**	¥ 330,926	**$ 2,756,061**
Marketable securities (Notes 4 and 18)	**29,224**	14,936	**298,204**
Notes and accounts receivable (Note 5):			
Trade and finance	**468,836**	584,349	**4,784,041**
Affiliated companies (Note 7)	**20,484**	28,461	**209,020**
Allowance for doubtful receivables	**(16,803)**	(15,950)	**(171,459)**
Inventories (Note 6)	**368,250**	416,827	**3,757,653**
Deferred income taxes (Note 11)	**85,677**	90,956	**874,255**
Prepaid expenses and other (Notes 17 and 18)	**76,937**	61,447	**785,072**
Total current assets	**1,302,699**	1,511,952	**13,292,847**
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 7)	**49,657**	50,737	**506,704**
Investment securities (Notes 4 and 18)	**133,208**	234,684	**1,359,265**
Long-term finance and other receivables (Notes 5, 17 and 18)	**105,514**	133,543	**1,076,673**
Allowance for doubtful receivables	**(4,461)**	(4,109)	**(45,520)**
Total investments and long-term receivables	**283,918**	414,855	**2,897,122**
Property, plant and equipment:			
Land (Note 9)	**97,231**	101,492	**992,153**
Buildings (Note 9)	**664,991**	673,175	**6,785,622**
Machinery and equipment	**1,661,918**	1,709,104	**16,958,347**
Construction in progress	**55,354**	57,139	**564,837**
	2,479,494	2,540,910	**25,300,959**
Less accumulated depreciation	**(1,781,488)**	(1,764,543)	**(18,178,449)**
Net property, plant and equipment	**698,006**	776,367	**7,122,510**
Other assets:			
Goodwill, net (Notes 8 and 19)	**328,958**	326,777	**3,356,714**
Other intangible assets, net (Notes 8 and 19)	**74,286**	91,689	**758,020**
Deferred income taxes (Note 11)	**125,979**	54,889	**1,285,500**
Other (Note 10)	**82,791**	89,855	**844,807**
Total other assets	**612,014**	563,210	**6,245,041**
Total assets	**¥ 2,896,637**	¥ 3,266,384	**$ 29,557,520**

U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥98=U.S.$1.00, the exchange rate prevailing on March 31, 2009.

Liabilities and shareholders' equity	March 31 Millions of yen 2009	2008	Thousands of U.S. dollars (Note 3) 2009
Current liabilities:			
Short-term debt (Note 9)	**¥ 67,559**	¥ 113,797	**$ 689,378**
Notes and accounts payable:			
Trade	**197,029**	278,950	**2,010,500**
Construction	**21,130**	58,654	**215,612**
Affiliated companies (Note 7)	**3,385**	5,210	**34,541**
Accrued income taxes (Note 11)	**9,435**	41,636	**96,276**
Accrued liabilities (Notes 10 and 20)	**174,172**	189,741	**1,777,265**
Other current liabilities (Notes 11, 17 and 18)	**60,860**	66,643	**621,020**
Total current liabilities	**533,570**	754,631	**5,444,592**
Long-term debt (Notes 9 and 17)	**253,987**	256,213	**2,591,704**
Accrued pension and severance costs (Note 10)	**157,277**	111,942	**1,604,867**
Deferred income taxes (Note 11)	**32,823**	44,936	**334,929**
Customers' guarantee deposits and other (Notes 7, 17 and 18)	**46,759**	47,317	**477,132**
Minority interests in subsidiaries	**115,908**	128,992	**1,182,735**
Commitments and contingent liabilities (Note 14)			
Shareholders' equity (Note 12)**:**			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	**40,363**	40,363	**411,867**
Additional paid-in capital (Note 16)	**69,739**	69,329	**711,622**
Retained earnings	**1,919,019**	1,923,432	**19,581,827**
Accumulated other comprehensive income (loss) (Notes 10, 13 and 17)	**(190,205)**	(63,171)	**(1,940,867)**
Treasury stock, at cost (26,017,005 shares in 2009; 10,228,426 shares in 2008)	**(82,603)**	(47,600)	**(842,888)**
Total shareholders' equity	**1,756,313**	1,922,353	**17,921,561**
Total liabilities and shareholders' equity	**¥2,896,637**	¥3,266,384	**$29,557,520**

See notes to consolidated financial statements.

Consolidated Statements of Income

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	**2009**
Revenue:				
Sales	**¥2,059,385**	¥2,450,256	¥2,399,636	**$21,014,133**
Rentals	**374,959**	396,572	382,890	**3,826,112**
	2,434,344	2,846,828	2,782,526	**24,840,245**
Cost of sales:				
Sales	**1,356,273**	1,532,596	1,478,828	**13,839,520**
Rentals	**154,969**	160,162	159,509	**1,581,317**
	1,511,242	1,692,758	1,638,337	**15,420,837**
Gross profit	**923,102**	1,154,070	1,144,189	**9,419,408**
Operating expenses:				
Selling, general and administrative (Note 16)	**694,740**	759,139	760,042	**7,089,184**
Research and development	**191,076**	187,589	177,004	**1,949,755**
Restructuring and other charges (Note 20)	**—**	—	94,081	**—**
Operating income	**37,286**	207,342	113,062	**380,469**
Other income (expenses):				
Interest and dividend income	**10,012**	13,462	11,376	**102,163**
Interest expense	**(7,037)**	(7,380)	(6,351)	**(71,806)**
Foreign exchange gains (losses), net (Note 17)	**(22,516)**	(14,640)	6,746	**(229,755)**
Impairment of investment securities (Note 4)	**(6,878)**	(864)	(23,946)	**(70,184)**
Other, net (Note 17)	**(1,425)**	1,422	2,377	**(14,540)**
	(27,844)	(8,000)	(9,798)	**(284,122)**
Income before income taxes	**9,442**	199,342	103,264	**96,347**
Income taxes expense (benefit) (Note 11):				
Current	**27,393**	73,322	62,910	**279,520**
Deferred	**(29,977)**	8,821	(3,377)	**(305,887)**
	(2,584)	82,143	59,533	**(26,367)**
Income before minority interests and equity in net earnings of affiliated companies	**12,026**	117,199	43,731	**122,714**
Minority interests	**(4,491)**	(15,474)	(12,643)	**(45,826)**
Equity in net earnings of affiliated companies	**2,989**	2,706	3,358	**30,500**
Net income	**¥ 10,524**	¥ 104,431	¥ 34,446	**$ 107,388**

	Yen			U.S. dollars (Note 3)
Amounts per share of common stock:				
Net income (Note 15)				
Basic	**¥ 21.10**	¥ 205.43	¥ 67.46	**$ 0.22**
Diluted	**21.09**	193.56	65.04	**0.22**
Cash dividends declared	**30.00**	35.00	25.00	**0.31**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

FUJIFILM Holdings Corporation and Subsidiaries

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥ 40,363	¥ 68,412	¥ 1,818,610	¥ 52,917	¥ (16,805)	¥ 1,963,497
Comprehensive income (loss):						
Net income	—	—	34,446	—	—	34,446
Net unrealized gains (losses) on securities (Note 13)	—	—	—	(6,888)	—	(6,888)
Foreign currency translation adjustments (Note 13)	—	—	—	27,539	—	27,539
Minimum pension liability adjustments (Note 13)	—	—	—	(13,729)	—	(13,729)
Net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(2)	—	(2)
Net comprehensive income						41,366
Adjustment to initially apply SFAS 158, net of tax	—	—	—	(18,887)	—	(18,887)
Purchases of stock for treasury	—	—	—	—	(711)	(711)
Sales of stock from treasury	—	—	(122)	—	4,131	4,009
Dividends applicable to earnings of the year	—	—	(12,766)	—	—	(12,766)
Balance at March 31, 2007	40,363	68,412	1,840,168	40,950	(13,385)	1,976,508
Cumulative effect adjustment to initially apply EITF No. 06-2, net of tax	—	—	(3,394)	—	—	(3,394)
Comprehensive income (loss):						
Net income	—	—	104,431	—	—	104,431
Net unrealized gains (losses) on securities (Note 13)	—	—	—	(28,059)	—	(28,059)
Foreign currency translation adjustments (Note 13)	—	—	—	(57,003)	—	(57,003)
Pension liability adjustments (Note 13)	—	—	—	(18,944)	—	(18,944)
Net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(115)	—	(115)
Net comprehensive income						310
Purchases of stock for treasury	—	—	—	—	(34,232)	(34,232)
Sales of stock from treasury	—	1	—	—	17	18
Dividends applicable to earnings of the year	—	—	(17,773)	—	—	(17,773)
Issuance of stock acquisition rights (Note 16)	—	916	—	—	—	916
Balance at March 31, 2008	40,363	69,329	1,923,432	(63,171)	(47,600)	1,922,353
Comprehensive income (loss):						
Net income	**—**	**—**	**10,524**	**—**	**—**	**10,524**
Net unrealized gains (losses) on securities (Note 13)	**—**	**—**	**—**	**(25,453)**	**—**	**(25,453)**
Foreign currency translation adjustments (Note 13)	**—**	**—**	**—**	**(64,913)**	**—**	**(64,913)**
Pension liability adjustments (Note 13)	**—**	**—**	**—**	**(36,791)**	**—**	**(36,791)**
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	**—**	**—**	**—**	**123**	**—**	**123**
Net comprehensive loss						**(116,510)**
Purchases of stock for treasury	**—**	**—**	**—**	**—**	**(35,051)**	**(35,051)**
Sales of stock from treasury	**—**	**—**	**(2)**	**—**	**48**	**46**
Dividends applicable to earnings of the year	**—**	**—**	**(14,935)**	**—**	**—**	**(14,935)**
Issuance of stock acquisition rights (Note 16)	**—**	**410**	**—**	**—**	**—**	**410**
Balance at March 31, 2009	**¥ 40,363**	**¥ 69,739**	**¥ 1,919,019**	**¥ (190,205)**	**¥ (82,603)**	**¥ 1,756,313**

	Thousands of U.S. dollars (Note 3)					
Balance at March 31, 2008	$411,867	$707,439	$19,626,857	$ (644,602)	$ (485,714)	$ 19,615,847
Comprehensive income (loss):						
Net income	**—**	**—**	**107,388**	**—**	**—**	**107,388**
Net unrealized gains (losses) on securities (Note 13)	**—**	**—**	**—**	**(259,724)**	**—**	**(259,724)**
Foreign currency translation adjustments (Note 13)	**—**	**—**	**—**	**(662,378)**	**—**	**(662,378)**
Pension liability adjustments (Note 13)	**—**	**—**	**—**	**(375,418)**	**—**	**(375,418)**
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	**—**	**—**	**—**	**1,255**	**—**	**1,255**
Net comprehensive loss						**(1,188,877)**
Purchases of stock for treasury	**—**	**—**	**—**	**—**	**(357,663)**	**(357,663)**
Sales of stock from treasury	**—**	**—**	**(20)**	**—**	**489**	**469**
Dividends applicable to earnings of the year	**—**	**—**	**(152,398)**	**—**	**—**	**(152,398)**
Issuance of stock acquisition rights (Note 16)	**—**	**4,183**	**—**	**—**	**—**	**4,183**
Balance at March 31, 2009	**$411,867**	**$711,622**	**$19,581,827**	**$ (1,940,867)**	**$ (842,888)**	**$ 17,921,561**

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)
	2009	2008	2007	**2009**
Operating activities				
Net income	**¥ 10,524**	¥ 104,431	¥ 34,446	**$ 107,388**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**212,565**	226,753	215,429	**2,169,031**
Impairment losses for long-lived assets (Note 20)	**6,916**	6,910	12,202	**70,571**
Impairment of investment securities	**6,878**	864	23,946	**70,184**
Deferred income taxes	**(29,977)**	8,821	(3,377)	**(305,887)**
Minority interests	**4,491**	15,474	12,643	**45,826**
Equity in net earnings of affiliated companies, less dividends received	**(694)**	95	(1,987)	**(7,082)**
Changes in operating assets and liabilities:				
Notes and accounts receivable	**91,928**	(12,990)	(9,637)	**938,041**
Inventories	**32,335**	(30,479)	10,976	**329,949**
Notes and accounts payable – trade	**(77,089)**	10,169	12,700	**(786,622)**
Accrued income taxes and other liabilities	**(59,136)**	(52,001)	1,326	**(603,429)**
Other	**10,765**	20,063	(11,391)	**109,846**
Net cash provided by operating activities	**209,506**	298,110	297,276	**2,137,816**
Investing activities				
Purchases of property, plant and equipment	**(155,866)**	(166,136)	(172,572)	**(1,590,469)**
Purchases of software	**(21,615)**	(20,714)	(20,483)	**(220,561)**
Proceeds from sales and maturities of marketable and investment securities and other investments	**52,752**	141,615	109,116	**538,286**
Purchases of marketable and investment securities and other investments	**(17,639)**	(47,303)	(146,911)	**(179,990)**
(Increase) decrease in investments in and advances to affiliated companies and other advances, net	**9,889**	(41,039)	1,383	**100,908**
Acquisitions of businesses and minority interests, net of cash acquired	**(6,635)**	(98,973)	(45,741)	**(67,704)**
Other	**(13,667)**	(27,165)	(22,793)	**(139,460)**
Net cash used in investing activities	**(152,781)**	(259,715)	(298,001)	**(1,558,990)**
Financing activities				
Proceeds from long-term debt	**7,237**	2,602	200,568	**73,847**
Repayments of long-term debt	**(39,773)**	(10,124)	(29,725)	**(405,847)**
Increase (decrease) in short-term debt, net	**(10,845)**	(10,579)	6,120	**(110,664)**
Cash dividends paid	**(17,655)**	(15,335)	(12,754)	**(180,153)**
Subsidiaries' cash dividends paid to minority interests	**(6,098)**	(4,658)	(5,220)	**(62,224)**
Net purchases of stock for treasury	**(35,005)**	(34,214)	(702)	**(357,194)**
Net cash provided by (used in) financing activities	**(102,139)**	(72,308)	158,287	**(1,042,235)**
Effect of exchange rate changes on cash and cash equivalents	**(15,418)**	(19,880)	8,559	**(157,326)**
Net increase (decrease) in cash and cash equivalents	**(60,832)**	(53,793)	166,121	**(620,735)**
Cash and cash equivalents at beginning of year	**330,926**	384,719	218,598	**3,376,796**
Cash and cash equivalents at end of year	**¥ 270,094**	¥ 330,926	¥ 384,719	**$ 2,756,061**
Supplemental disclosures of cash flow information				
Cash paid for:				
Interest	**¥ 8,011**	¥ 8,514	¥ 6,514	**$ 81,745**
Income taxes	**70,264**	70,913	63,302	**716,980**

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/multi-function 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 53% 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 income includes the Company's equity in the current net earnings or losses of such companies after the elimination of unrealized intercompany profits.

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 shareholders' 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 ¥49,462 million ($504,714 thousand) and ¥66,469 million at March 31, 2009 and 2008, 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 to earnings when a decline in value of the marketable security is deemed to be other-than-temporary. In determining whether such a decline 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. 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 income.

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. Periodically, 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 by the declining-balance method and, for certain foreign subsidiaries, by the straight-line method. The Company analyzed the actual status of use of machinery and equipment and estimated residual value for its operations in Japan. As a result, effective July 1, 2007, the Company and its domestic subsidiaries elected to change the depreciation method of machinery and equipment from specific fixed-percentage-on-declining-balance method to 250% declining-balance method. Estimated residual values were reduced to a nominal value in conjunction with this change. The Company believes that the 250% declining-balance method is preferable to reflect the allocation of cost of machinery and equipment with associated revenue. In accordance with Statement of Financial Accounting Standards Board ("SFAS") No. 154, "Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS154"), this change in depreciation method represents a change in accounting estimate effected by a change in accounting principle and affects the period of change and future periods. Therefore, depreciation expenses in prior periods have not been restated.

The change caused an increase in depreciation expense by ¥27,313 million, and a decrease in income before minority interests and equity in net earnings of affiliated companies and net income by ¥23,328 million and ¥12,748 million, respectively, for the year ended March 31, 2008. In addition, basic net income per share and diluted net income per share declined ¥25.08 and ¥23.27, respectively, for the year ended March 31, 2008. 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 ¥94,585 million ($965,153 thousand) and ¥68,568 million ($699,673 thousand) as of March 31, 2009 and ¥101,857 million and ¥73,648 million as of March 31, 2008, 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 SFAS No. 142, "Goodwill and Other Intangible Assets," 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 capitalizes certain software development costs in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The Company also follows accounting guidelines as specified in SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." 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 ¥177,365 million ($1,809,847 thousand) and ¥105,204 million ($1,073,510 thousand), respectively, as of March 31, 2009 and ¥178,613 million and ¥103,943 million, respectively, as of March 31, 2008. Capitalized software costs to be sold and accumulated amortization, included in the above, amounted to ¥31,172 million ($318,082 thousand) and ¥22,679 million ($231,418 thousand), respectively, as of March 31, 2009 and ¥34,259 million and ¥26,011 million, respectively, as of March 31, 2008. Capitalized software costs are included in other assets.

Impairment of Long-lived Assets

The Company reviews long-lived assets, excluding goodwill and other intangible assets not being amortized, 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, primarily based on the estimated discounted future cash flows expected to result from the use of the assets and their eventual disposition.

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 the Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." 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 EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." 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 ¥57,208 million ($583,755 thousand), ¥68,496 million and ¥75,232 million for the years ended March 31, 2009, 2008 and 2007, respectively, are included in selling, general and administrative expenses in the consolidated statements of income.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥24,096 million ($245,878 thousand), ¥27,492 million and ¥34,928 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Income Taxes

Income taxes have been provided using the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes."

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 FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" ("FIN 48").

Consumption Taxes

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

Derivative Financial Instruments

The Company recognizes all derivative financial instruments, such as forward foreign exchange contracts, currency swaps, cross currency interest rate swaps and interest rate swaps in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in 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 Income per Share

The amounts of basic net income per share are based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income 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 45,506,558 shares of common stock were outstanding as of March 31, 2009 and certain stock options to purchase 353,200 and 170,600 shares of common stock were outstanding, as of March 31, 2009 and 2008, 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 SFAS No. 123 (revised 2004), "Share-Based Payment (as amended)."

New Accounting Standards

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a market-based framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS157-2"). FSP FAS157-2 delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis. The company adopted SFAS 157 for financial assets and financial liabilities in the year beginning April 1, 2008. The adoption of SFAS 157 did not have a material impact on the results of operations and the financial condition of the Company.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company in the year beginning April 1, 2008. The company has not elected the fair value option for the year ended March 31, 2009. Therefore the adoption of SFAS 159 did not have a material impact on the results of operations and the financial condition of the Company.

In June 2007, EITF reached a consensus on EITF 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities" ("EITF 07-3"). EITF 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred and capitalized and that such amounts be recognized as an expense as the related goods are delivered or the related services are performed. EITF 07-3 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007 and was adopted by the Company in the year beginning April 1, 2008. The adoption of EITF 07-3 did not have a material impact on the results of operations and the financial condition of the Company.

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 amends and expands the current disclosures required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires entities to provide greater transparency about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. SFAS 161 is effective for interim periods beginning after November 15, 2008 and fiscal years which include such interim periods and is required to be adopted by the Company in the year beginning April 1, 2008. The adoption of FAS 161 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), "Business Combinations" ("SFAS 141R") 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 the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning on or after December 15, 2008 and is required to be adopted by the Company in the year beginning April 1, 2009. The impact of the adoption of SFAS 141R on the results of operations and the financial condition of the Company will depend on the nature of the business combination completed after the date of adoption.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 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 the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interest of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by the Company in the year beginning April 1, 2009. The adoption of SFAS 160 will impact the presentation of the Company's consolidated balance sheets and consolidated statements of income; however, it will not have a material impact on the Company's results of operations.

In December 2008, FASB issued FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132R-1"). FSP FAS 132R-1 requires additional disclosures about plan assets including policies and strategies for investment allocation, fair value of major categories of plan assets, the inputs and valuation techniques of fair value measurements, and concentrations of risk. FSP FAS 132R-1 is effective for fiscal years ending after December 15, 2009 and is required to be adopted by the Company in the year ending March 31, 2010. The Company is currently evaluating the requirements of these additional disclosures, however, the adoption of FSP FAS 132R-1 is not expected to 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 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. FSP FAS 157-4 also requires additional disclosures about fair value measurements for annual and interim financial statements. FSP FAS 157-4 is effective for interim and fiscal years ending after June 15, 2009 and is required to be adopted by the Company in the first quarter of the fiscal year beginning April 1, 2009. The Company is evaluating the impact that the adoption of FSP FAS 157-4 will have 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 amend the requirements for the recognition and measurement of other-than-temporary impairments for debt securities. FSP FAS 115-2 and FAS 124-2 also amend presentation of financial statements and require additional disclosures, which include disclosures in interim financial statements. FSP FAS 115-2 and FAS 124-2 are effective for interim and fiscal years ending after June 15, 2009 and are required to be adopted by the Company in the first quarter of the fiscal year beginning April 1, 2009. The Company is evaluating the impact that the adoption of FSP FAS 115-2 and FAS 124-2 will have on the results of operations and the financial condition of the Company.

In April 2009, FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1 requires to disclose the fair value of financial instruments in the interim financial reporting. FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009 and is required to be adopted by the Company in the first quarter of the year beginning April 1, 2009. The adoption of FSP FAS 107-1 and APB 28-1 is not expected to have a material impact 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 2009 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥98 = U.S.$1.00, the exchange rate prevailing on March 31, 2009. 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, 2009 and 2008 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, 2009 and 2008.

	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**
Equity securities	**86,466**	**15,464**	**21,520**	**80,410**
	¥125,988	**¥15,702**	**¥22,524**	**¥119,166**

	Millions of yen			
	2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	¥ 14,991	¥ —	¥ 55	¥ 14,936
	¥ 14,991	¥ —	¥ 55	¥ 14,936
Investment securities:				
Government debt securities	¥ 5,341	¥ 92	¥ —	¥ 5,433
Corporate debt securities	88,096	303	636	87,763
Equity securities	99,397	38,982	4,552	133,827
	¥192,834	¥39,377	¥5,188	¥227,023

	Thousands of U.S. dollars			
	2009			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	**$ 302,143**	**$ —**	**$ 3,939**	**$ 298,204**
	$ 302,143	**$ —**	**$ 3,939**	**$ 298,204**
Investment securities:				
Government debt securities	**$ 69,918**	**$ 1,898**	**$ —**	**$ 71,816**
Corporate debt securities	**333,367**	**531**	**10,245**	**323,653**
Equity securities	**882,307**	**157,795**	**219,592**	**820,510**
	$1,285,592	**$160,224**	**$229,837**	**$1,215,979**

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 ($170,112 thousand), ¥869 million ($8,867 thousand) and ¥1,539 million ($15,704 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, 2008 were ¥81,792 million, ¥1,901 million and ¥1,252 million, respectively. Such proceeds, gains and losses for the year ended March 31, 2007 were insignificant.

The cost and estimated fair value of debt securities at March 31, 2009, 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	**¥29,610**	**¥29,224**	**$302,143**	**$298,204**
Due after one year through five years	**36,774**	**35,962**	**375,245**	**366,959**
Due after five years through ten years	**2,052**	**2,153**	**20,938**	**21,969**
Due after ten years	**696**	**641**	**7,102**	**6,541**
	¥69,132	**¥67,980**	**$705,428**	**$693,673**

At March 31, 2009 and 2008, 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					
	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**
Equity securities	**44,850**	**21,044**	**1,784**	**476**	**46,634**	**21,520**
Total	**¥47,836**	**¥21,079**	**¥51,223**	**¥1,831**	**¥99,059**	**¥22,910**

	Millions of yen					
	2008					
	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	¥25,873	¥ 211	¥57,230	¥ 480	¥ 83,103	¥ 691
Equity securities	25,762	3,733	3,207	819	28,969	4,552
Total	¥51,635	¥3,944	¥60,437	¥1,299	¥112,072	¥5,243

	Thousands of U.S. dollars					
	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	**$ 30,469**	**$ 357**	**$504,480**	**$13,827**	**$ 534,949**	**$ 14,184**
Equity securities	**457,653**	**214,735**	**18,204**	**4,857**	**475,857**	**219,592**
Total	**$488,122**	**$215,092**	**$522,684**	**$18,684**	**$1,010,806**	**$233,776**

At March 31, 2009, the available-for-sale securities with unrealized losses were principally domestic marketable equity securities. The number of available-for-sale securities with unrealized losses was approximately 100. 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. The Company evaluated the financial conditions and near-term prospects of the issuers, considered the severity and duration of the decline (a large part of the decline in the fair value occurred in the past six months), and concluded that since the Company has no plan to sell those available-for-sale securities with unrealized losses in the near future and it is premature to determine that the net unrealized losses are other-than-temporary. 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 ¥14,042 million ($143,286 thousand) and ¥7,661 million at March 31, 2009 and 2008, respectively. Investments with an aggregate cost of ¥7,617 million ($77,724 thousand) and ¥7,619 at March 31, 2009 and 2008, 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 seven years. The components of finance receivables as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Gross receivables	**¥115,230**	¥136,452	**$1,175,816**
Unearned income	**(17,678)**	(21,096)	**(180,388)**
Allowance for doubtful receivables	**(4,283)**	(3,265)	**(43,704)**
Finance receivables, net	**¥ 93,269**	¥112,091	**$ 951,724**

The future minimum lease payments to be received under sales-type leases as of March 31, 2009 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2010	¥ 43,158	$ 440,388
2011	30,801	314,296
2012	22,164	226,163
2013	13,716	139,959
2014	4,964	50,653
2015 and thereafter	427	4,357
Total future minimum lease payments	¥115,230	$1,175,816

6 Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished goods	**¥222,613**	¥262,477	**$2,271,561**
Work in process	**66,569**	70,631	**679,276**
Raw materials and supplies	**79,068**	83,719	**806,816**
	¥368,250	¥416,827	**$3,757,653**

7 Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥42,194 million ($430,551 thousand) and ¥43,381 million at March 31, 2009 and 2008, 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
	2009	2008	**2009**
Current assets	**¥156,026**	¥127,561	**$1,592,102**
Noncurrent assets	**62,845**	58,317	**641,276**
Total assets	**¥218,871**	¥185,878	**$2,233,378**
Current liabilities	**¥ 94,621**	¥ 70,624	**$ 965,521**
Long-term liabilities	**38,239**	27,070	**390,194**
Shareholders' equity	**86,011**	88,184	**877,663**
Total liabilities and shareholders' equity	**¥218,871**	¥185,878	**$2,233,378**

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Revenue	**¥291,401**	¥230,791	¥243,229	**$2,973,480**
Net income	**7,780**	4,587	7,496	**79,388**

Transactions with affiliated companies for the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Revenue	**¥100,267**	¥111,515	¥ 99,668	**$1,023,133**
Purchases	**15,361**	15,306	16,379	**156,745**
Dividends received	**2,295**	2,801	1,371	**23,418**

Customers' guarantee deposits received from affiliated companies amounted to ¥764 million ($7,796 thousand) and ¥943 million at March 31, 2009 and 2008, respectively.

8 Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2009 and 2008 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, 2007	¥ 62,333	¥195,533	¥257,866
Acquired	71,329	439	71,768
Translation and other	(2,857)	—	(2,857)
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**

	Thousands of U.S. dollars		
	Information Solutions	Document Solutions	Total
As of March 31, 2008	$1,334,745	$1,999,714	$3,334,459
Acquired	**35,357**	**—**	**35,357**
Translation and other	**(13,102)**	**—**	**(13,102)**
As of March 31, 2009	**$1,357,000**	**$1,999,714**	**$3,356,714**

Intangible assets subject to amortization at March 31, 2009 and 2008 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		**2009**	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Technology-based	**¥ 69,972**	**¥17,060**	¥ 91,087	¥29,175	**$ 714,000**	**$174,082**
Customer-related	**23,184**	**11,482**	25,702	9,206	**236,571**	**117,163**
Other	**10,897**	**6,084**	13,351	6,376	**111,194**	**62,082**
	¥104,053	**¥34,626**	¥130,140	¥44,757	**$1,061,765**	**$353,327**

During the year ended March 31, 2009, impairment charges of ¥863 million ($8,806 thousand) were recognized mainly for technology-based intangibles in the Information Solutions segment.

During the year ended March 31, 2008, impairment charges of ¥2,041 million were recognized for technology-based intangibles and customer-related intangibles in the Information Solutions segment.

During the year ended March 31, 2007, the Company recognized impairment charges of ¥4,664 million in amortizable intangibles, which were included in "Restructuring and other charges" in the accompanying consolidated statements of income. 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, 2009, 2008 and 2007 were ¥13,167 million ($134,357 thousand), ¥12,493 million and ¥14,166 million, respectively.

Indefinite lived intangible assets other than goodwill were insignificant as of March 31, 2009 and 2008, 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;		
2010	¥9,023	$92,071
2011	8,089	82,541
2012	7,507	76,602
2013	6,399	65,296
2014	5,792	59,102

9 Short-term and Long-term Debt

Short-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Borrowings from banks	**¥44,369**	¥ 47,403	**$ 452,745**
Commercial paper	**20,298**	33,266	**207,123**
Current portion of long-term debt	**2,892**	33,128	**29,510**
	¥67,559	¥113,797	**$ 689,378**

The weighted-average interest rates per annum on bank borrowings and commercial paper outstanding at March 31, 2009 and 2008 were 2.20% and 2.91%, respectively. Short-term debt is principally unsecured.

The Company entered into a short-term financing arrangement for committed lines of credit amounting to ¥210,000 million ($2,142,857 thousand) with certain financial institutions in March 2009. No borrowings were outstanding as of March 31, 2009. 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, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans, principally from banks and insurance companies, due through 2015 with interest rates ranging from 1.2825% to 6.0750% at March 31, 2009, and due through 2013, with interest rates ranging from 0.9050% to 6.0750% at March 31, 2008:			
Secured	**¥ 3,358**	¥ 16,072	**$ 34,265**
Unsecured	**21,557**	36,988	**219,969**
Unsecured Euroyen convertible bonds:			
Libor minus 0.3000% Series A Convertible Bond, due 2011	**50,870**	50,580	**519,082**
0.5000% Series B Convertible Bond, due 2011	**51,560**	51,040	**526,122**
Libor minus 0.3000% Series A Convertible Bond, due 2013	**50,793**	50,529	**518,296**
0.7500% Series B Convertible Bond, due 2013	**51,200**	50,800	**522,449**
Unsecured bonds in Japanese yen:			
1.0075% yen bonds, due 2008	**—**	6,100	**—**
1.0050% yen bonds, due 2008	**—**	2,000	**—**
1.9900% yen bonds, due 2010	**10,000**	10,000	**102,041**
1.5175% yen bonds, due 2011	**3,000**	3,000	**30,612**
1.4600% yen bonds, due 2013	**5,000**	—	**51,020**
Yen bonds due through 2011 with interest rates ranging from 0.9800% to 1.4300% at March 31, 2009 and March 31, 2008	**390**	620	**3,980**
Other	**9,151**	11,612	**93,378**
	256,879	289,341	**2,621,214**
Portion due within one year	**(2,892)**	(33,128)	**(29,510)**
	¥253,987	¥256,213	**$2,591,704**

The weighted-average interest rates of long-term loans in the above table were approximately 2.14% and 1.89% at March 31, 2009 and 2008, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2010	¥ 2,892	$ 29,510
2011	115,548	1,179,061
2012	21,898	223,449
2013	104,838	1,069,776
2014	5,453	55,643
2015 and thereafter	3,750	38,265
	¥254,379	$2,595,704

A loan from Japan Science and Technology Agency of ¥2,500 million ($25,510 thousand) at March 31, 2009 and 2008 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 may 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, 2009, certain loans were secured by principally land and buildings with a net book value of ¥4,775 million ($48,724 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 price to be paid upon exercise of conversion rights per share ("conversion price") for 2011 Series A convertible bond and 2011 Series B convertible bond as of March 31, 2009 is ¥5,274.0 ($53.82). The conversion price for 2013 Series A convertible bond and 2013 Series B convertible bond as of March 31, 2009 is ¥3,767.1 ($38.44), respectively, both of which are 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 ¥3,767.1 ("Minimum Conversion Price"), the reset conversion price shall be the Minimum Conversion Price. Accordingly, the conversion price of 2011 Series A convertible bond and 2011 Series B convertible bond was changed to ¥3,767.1 ($38.44) on April 1, 2009.

The Company may redeem bonds at its option earlier than the stated maturity dates if the Closing Price for each of 5 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 10 business days from the last of those 5 consecutive trading days.

10 Pension and Severance Plans

Employees of domestic subsidiaries of the Company who terminate their employment are entitled, under most circumstances, to lump-sum payments and/or pension payments as described below, determined by reference to their current basic rate of pay, length of service and the conditions under which termination occurs.

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 plans. The funding policy for defined benefit 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, 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 ($13,010 thousand), which were included in net periodic benefit cost. Also, the projected benefit obligations and the fair value of the plan assets decreased by ¥2,368 million ($24,163 thousand).

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 obligations and the fair value of the plan assets decreased by ¥28,502 million and ¥28,448 million, respectively.

During the year ended March 31, 2007, as a result of implementation of restructuring activities, 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 ¥5,146 million, which were included in restructuring and other charges. Also, the projected benefit obligations and the fair value of the plan assets decreased by ¥10,506 million and ¥10,405 million, respectively. In addition, plan amendments were made for certain other subsidiaries, mainly in the Document Solutions segment, which decreased the projected benefit obligations by ¥2,788 million.

The cost of providing special termination benefits recognized during the year ended March 31, 2009 was ¥20,572 million ($209,918 thousand), which related to early retirement plans and reorganizations at certain subsidiaries of the Company.

Most foreign subsidiaries have various retirement plans, primarily defined contribution plans, covering substantially all of their employees. The funding policy for such defined contribution 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 plans discussed above amounted to ¥7,235 million ($73,827 thousand), ¥7,537 million, and ¥7,297 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Components of Net Periodic Benefit Cost

Components of net periodic benefit cost for the defined benefit plans for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Components of net periodic benefit cost:				
Service cost	**¥ 22,178**	¥ 25,520	¥ 25,206	**$ 226,306**
Interest cost	**14,326**	14,793	14,207	**146,183**
Expected return on plan assets	**(16,554)**	(17,932)	(16,741)	**(168,918)**
Recognized net actuarial loss	**4,418**	3,997	5,151	**45,082**
Amortization of prior service credit	**(1,868)**	(1,847)	(1,719)	**(19,061)**
Amortization of net transition obligation	**475**	285	172	**4,847**
Settlement and curtailment loss	**1,275**	5,745	5,146	**13,010**
Net periodic benefit cost	**¥ 24,250**	¥ 30,561	¥ 31,422	**$ 247,449**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current year actuarial loss	**¥75,035**	¥44,548	**$ 765,663**
Amortization of actuarial loss	**(4,418)**	(3,997)	**(45,082)**
Amortization of prior service credit	**1,868**	1,847	**19,061**
Amortization of net transition obligation	**(475)**	(285)	**(4,847)**
Settlement and curtailment loss	**(1,275)**	(5,745)	**(13,010)**
	¥70,735	¥36,368	**$ 721,785**

As of March 31, 2009, the estimated net actuarial loss, prior service credit and net transition obligation for the defined benefit pension plans that will be amortized from accumulated other comprehensive 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	**¥ 7,853**	**$ 80,133**
Prior service credit	**(1,883)**	**(19,214)**
Net transition obligation	**4**	**41**

Obligations and Fund Status

Reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan assets, the funded status and the amounts recognized in the consolidated balance sheets of the non-contributory and contributory defined benefit pension plans at March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Changes in benefit obligation:			
Benefit obligation at beginning of year	**¥ 617,832**	¥ 632,462	**$ 6,304,408**
Service cost	**22,178**	25,520	**226,306**
Interest cost	**14,326**	14,793	**146,183**
Plan participants' contributions	**423**	428	**4,316**
Actuarial gain	**(10,065)**	(7,446)	**(102,704)**
Acquisitions	**—**	7,634	**—**
Benefits paid	**(25,268)**	(20,037)	**(257,836)**
Settlements and curtailments	**(2,368)**	(28,502)	**(24,163)**
Foreign currency translation	**(15,329)**	(7,020)	**(156,418)**
Benefit obligation at end of year	**601,729**	617,832	**6,140,092**
Changes in plan assets:			
Fair value of plan assets at beginning of year	**507,468**	550,175	**5,178,245**
Actual return on plan assets	**(68,546)**	(34,801)	**(699,449)**
Employers' contributions	**39,064**	41,567	**398,612**
Plan participants' contributions	**423**	428	**4,316**
Benefits paid	**(20,221)**	(14,650)	**(206,336)**
Settlements and curtailments	**(2,368)**	(28,448)	**(24,163)**
Foreign currency translation	**(13,691)**	(6,803)	**(139,704)**
Fair value of plan assets at end of year	**442,129**	507,468	**4,511,521**
Funded status	**¥(159,600)**	¥(110,364)	**$(1,628,571)**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension cost	**¥ 856**	¥ 4,501	**$ 8,735**
Accrued liabilities	**(3,179)**	(2,923)	**(32,439)**
Accrued pension and severance costs	**(157,277)**	(111,942)	**(1,604,867)**
Net amount recognized	**¥(159,600)**	¥(110,364)	**$(1,628,571)**
Amounts recognized in accumulated other comprehensive loss consist of:			
Net actuarial loss	**¥ 210,531**	¥ 142,584	**$ 2,148,276**
Prior service credit	**(17,364)**	(19,176)	**(177,184)**
Net transition obligation	**4**	360	**41**
	¥ 193,171	¥ 123,768	**$ 1,971,133**

The accumulated benefit obligation for defined benefit pension plans amounted to ¥564,529 million ($5,760,500 thousand) and ¥578,811 million at March 31, 2009 and 2008, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans where projected benefit obligations exceeded plan assets, and the aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligations exceeded plan assets as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	**¥599,618**	¥590,827	**$6,118,551**
Fair value of plan assets	**439,695**	475,339	**4,486,684**
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	**557,035**	525,598	**5,684,031**
Fair value of plan assets	**434,161**	444,328	**4,430,214**

Assumptions

The weighted-average assumptions used to determine benefit obligations at March 31, 2009 and 2008 are as follows: Rate of compensation increases was calculated excluding pension plans whose compensation levels did not impact the amount of benefit obligations.

	2009	2008
Discount rate	**2.28%**	2.36%
Rate of compensation increases	**2.42%**	2.45%

The weighted-average assumptions used to determine net periodic benefit cost for the years ended March 31, 2009, 2008 and 2007 are as follows: Rate of compensation increases was calculated excluding pension plans whose compensation levels did not impact the amount of benefit obligations.

	2009	2008	2007
Discount rate	**2.36%**	2.30%	2.29%
Rate of compensation increases	**2.45%**	2.30%	2.13%
Expected long-term rate of return on plan assets	**3.32%**	3.30%	3.25%

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 actual weighted-average assets allocations for defined benefit pension plans at March 31, 2009 and 2008, by asset category are as follows:

Asset category	**2009**	2008
Equity securities	**37%**	41%
Debt securities	**30**	31
General accounts of life insurance companies	**26**	23
Other	**7**	5
Total	**100%**	100%

Target allocations of plan assets for equity securities, debt securities and general accounts of life insurance companies are 43%, 31% and 24%, respectively.

The Company's investment policy for defined benefit plans is designated to provide the plans with sufficient assets to meet future benefit payment requirements. The Company monitors asset allocation periodically and adjusts asset allocation, if necessary, in order to meet the target asset allocation. The Company's investment policy pursues diversified investments and prohibits speculative investments.

Contribution

The Company expects to contribute approximately ¥40,249 million ($410,704 thousand) to the defined benefit pension plan for the year ending March 31, 2010.

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;		
2010	¥ 23,589	$ 240,704
2011	23,580	240,612
2012	25,780	263,061
2013	27,140	276,939
2014	26,233	267,684
2015 through 2019	146,686	1,496,796

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, 2009, 2008 and 2007. 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 ($50,520 thousand) as of March 31, 2009.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 differ from the statutory tax rate due to the following reasons:

	2009	2008	2007
Statutory tax rates	**40.6%**	40.6%	40.6%
Increase (decrease) in income taxes resulting from:			
Expenses not deductible for tax purposes	**29.1**	2.4	4.6
Lower effective tax rates of other countries	**(33.1)**	(4.0)	(4.4)
Deferred tax liabilities on undistributed earnings	**(37.7)**	0.9	2.3
R&D credits	**(28.8)**	(3.7)	(5.2)
Foreign tax credit	**—**	0.0	(0.2)
Net changes in valuation allowances	**(0.2)**	2.9	17.9
Other	**2.7**	2.1	2.1
Effective tax rates	**(27.4)%**	41.2%	57.7%

Income before income taxes for the years ended March 31, 2009, 2008 and 2007 was taxed in the following jurisdictions:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Income before income taxes:				
Domestic	**¥5,321**	¥138,688	¥ 92,845	**$54,296**
Foreign	**4,121**	60,654	10,419	**42,051**
	¥9,442	¥199,342	¥103,264	**$96,347**

The provision (benefit) for income taxes for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Current:				
Domestic	**¥ 18,269**	¥52,094	¥42,769	**$ 186,418**
Foreign	**9,124**	21,228	20,141	**93,102**
Total current	**27,393**	73,322	62,910	**279,520**
Deferred:				
Domestic	**(26,361)**	7,435	3,922	**(268,989)**
Foreign	**(3,616)**	1,386	(7,299)	**(36,898)**
Total deferred	**(29,977)**	8,821	(3,377)	**(305,887)**
	¥ (2,584)	¥82,143	¥59,533	**$ (26,367)**

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Inventories	**¥ 42,459**	¥ 42,240	**$ 433,255**
Depreciation	**33,385**	38,746	**340,663**
Accrued expenses	**44,595**	42,442	**455,051**
Accrued pension and severance costs	**1,369**	2,772	**13,969**
Pension liability adjustments	**77,275**	51,249	**788,520**
Accrued enterprise tax	**295**	2,097	**3,010**
Tax loss carryforwards	**65,666**	37,920	**670,061**
Valuation of investment securities	**12,733**	11,533	**129,929**
Allowance for doubtful receivables	**5,316**	4,221	**54,245**
Other	**38,051**	36,250	**388,275**
	321,144	269,470	**3,276,978**
Less valuation allowance	**(49,197)**	(53,200)	**(502,010)**
Total deferred tax assets	**271,947**	216,270	**2,774,968**
Deferred tax liabilities:			
Depreciation	**4,078**	3,863	**41,612**
Lease accounting	**6,457**	7,243	**65,888**
Taxes on undistributed earnings	**9,398**	12,862	**95,898**
Valuation of available-for-sale securities	**1,075**	14,614	**10,969**
Goodwill	**14,361**	14,277	**146,541**
Accrued pension and severance costs	**22,018**	15,024	**224,673**
Other intangible assets	**23,835**	30,322	**243,214**
Other	**11,982**	17,580	**122,265**
Total deferred tax liabilities	**93,204**	115,785	**951,060**
Net deferred tax assets	**¥178,743**	¥100,485	**$1,823,908**

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 decreased by ¥4,003 million ($40,847 thousand) for the year ended March 31, 2009, increased by ¥14,325 million and ¥15,886 million for the years ended March 31, 2008 and 2007, respectively.

Deferred tax assets and liabilities at March 31, 2009 and 2008 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred income taxes (current assets)	**¥ 85,677**	¥ 90,956	**$ 874,255**
Deferred income taxes (other assets)	**125,979**	54,889	**1,285,500**
Other current liabilities	**(90)**	(424)	**(918)**
Deferred income taxes (noncurrent liabilities)	**(32,823)**	(44,936)	**(334,929)**
Net deferred tax assets (liabilities)	**¥178,743**	¥100,485	**$1,823,908**

At March 31, 2009, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥166,843 million ($1,702,479 thousand), of which ¥17,701 million ($180,622 thousand) will be carried forward indefinitely and ¥149,142 million ($1,521,857 thousand) will expire through 2029. 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 ¥4,397 million ($44,867 thousand) as of March 31, 2009, 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 ¥78,151 million ($797,459 thousand) as of March 31, 2009.

Deferred taxes 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 adopted FIN48 effective April 1, 2007. Upon adoption, the Company did not require cumulative effect adjustment to retained earnings. Unrecognized tax benefits and changes of unrecognized tax benefits through the years ended March 31, 2009 and 2008 were insignificant. Both interest and penalties accrued as of March 31, 2009 in the consolidated balance sheets and included in income taxes for the year ended March 31, 2009 in the consolidated statements of income 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 had been already completed. While there is no indications that the Company would be subject to tax examination related to transfer pricing as of March 31, 2009, the tax authority still has a right to conduct a tax examination for fiscal years ended on and after March 31, 2003.

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

12 Shareholders' 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, 2009 amounted to ¥1,427,885 million ($14,570,255 thousand).

The appropriation of retained earnings for the year ended March 31, 2009 has been reflected in the consolidated financial statements, including for the amount approved at the general shareholders' meeting held on June 26, 2009.

Takeover Defense Measure

The Company has announced on March 30, 2007 that its Board of Directors (the "Board") has adopted Fair Rules for Acquisition of Substantial Shareholdings ("Shareholders' Will Confirmation Type" Takeover Defense Measure) (the "Plan"). Under the plan, a bidder who proposes to acquire 15% or more of the Company's voting shares is required to provide the Company with certain required information, and a time period that enables the Board to review will be determined. If the Board determines that the takeover proposal would not preserve and enhance corporate value and the common interests of shareholders of the Company, the Company will take procedures to ascertain the shareholders' view. The stock acquisition rights will be issued by the way of a gratis allotment in either of the following circumstances: (i) the shareholders have approved the issuance of the stock acquisition rights or (ii) the bidder has not followed the procedures required by the Plan. Unless the Company issues stock acquisition rights, this Plan will have no particular direct impact on the rights and interests of the shareholders. If a shareholder holding the stock acquisition rights does not exercise such rights, such shareholder's ownership will be diluted due to the exercise of the stock acquisition rights by other shareholders. The stock acquisition rights held by the bidder will not be exercisable. The term of the Plan shall be three years from March 30, 2007, the Plan implementation date, and the renewal of the term of the Plan shall be made by a resolution of the Board. Since the time of adoption of this Plan, the Company has not issued stock acquisition rights.

13 Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as reflected in the consolidated balance sheets at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Unrealized gains (losses) on securities	**¥ (7,281)**	¥ 18,172	**$ (74,296)**
Foreign currency translation adjustments	**(82,512)**	(17,599)	**(841,959)**
Pension liability adjustments	**(100,429)**	(63,638)	**(1,024,786)**
Unrealized gains (losses) on derivatives	**17**	(106)	**174**
	¥(190,205)	¥(63,171)	**$(1,940,867)**

The related tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen		
2009	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	**¥ (48,000)**	**¥19,488**	**¥ (28,512)**
Less: reclassification adjustment for losses realized in net income	**5,150**	**(2,091)**	**3,059**
Net change in unrealized gains (losses)	**(42,850)**	**17,397**	**(25,453)**
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	**(67,018)**	**2,116**	**(64,902)**
Less: reclassification adjustment for gains realized in net income	**(11)**	**—**	**(11)**
Net change in foreign currency translation adjustments	**(67,029)**	**2,116**	**(64,913)**
Pension liability adjustments:			
Change in pension liability adjustments	**(67,513)**	**28,482**	**(39,031)**
Less: reclassification adjustment for gains and losses realized in net income	**3,986**	**(1,746)**	**2,240**
Net change in pension liability adjustments	**(63,527)**	**26,736**	**(36,791)**
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	**(1,804)**	**858**	**(946)**
Less: reclassification adjustment for losses realized in net income	**2,003**	**(934)**	**1,069**
Net change in unrealized gains (losses)	**199**	**(76)**	**123**
	¥(173,207)	**¥46,173**	**¥(127,034)**

	Millions of yen		
2008	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ (46,910)	¥19,045	¥ (27,865)
Less: reclassification adjustment for gains realized in net income	(327)	133	(194)
Net change in unrealized gains (losses)	(47,237)	19,178	(28,059)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(56,614)	(46)	(56,660)
Less: reclassification adjustment for gains realized in net income	(343)	—	(343)
Net change in foreign currency translation adjustments	(56,957)	(46)	(57,003)
Pension liability adjustments:			
Change in pension liability adjustments	(40,928)	18,857	(22,071)
Less: reclassification adjustment for gains and losses realized in net income	6,448	(3,321)	3,127
Net change in pension liability adjustments	(34,480)	15,536	(18,944)
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(93)	44	(49)
Less: reclassification adjustment for gains realized in net income	(127)	61	(66)
Net change in unrealized gains (losses)	(220)	105	(115)
	¥(138,894)	¥34,773	¥(104,121)

2007	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	¥(12,159)	¥ 4,937	¥ (7,222)
Less: reclassification adjustment for losses realized in net income	563	(229)	334
Net change in unrealized gains (losses)	(11,596)	4,708	(6,888)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	30,625	(1,151)	29,474
Less: reclassification adjustment for gains realized in net income	(1,935)	—	(1,935)
Net change in foreign currency translation adjustments	28,690	(1,151)	27,539
Minimum pension liability adjustments	(26,077)	12,348	(13,729)
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	52	(25)	27
Less: reclassification adjustment for gains realized in net income	(56)	27	(29)
Net change in unrealized gains (losses)	(4)	2	(2)
	¥ (8,987)	¥15,907	¥ 6,920

2009	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	**$ (489,795)**	**$198,857**	**$ (290,938)**
Less: reclassification adjustment for losses realized in net income	**52,551**	**(21,337)**	**31,214**
Net change in unrealized gains (losses)	**(437,244)**	**177,520**	**(259,724)**
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	**(683,858)**	**21,592**	**(662,266)**
Less: reclassification adjustment for gains realized in net income	**(112)**	**—**	**(112)**
Net change in foreign currency translation adjustments	**(683,970)**	**21,592**	**(662,378)**
Pension liability adjustments:			
Change in pension liability adjustments	**(688,908)**	**290,633**	**(398,275)**
Less: reclassification adjustment for gains and losses realized in net income	**40,674**	**(17,817)**	**22,857**
Net change in pension liability adjustments	**(648,234)**	**272,816**	**(375,418)**
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	**(18,408)**	**8,755**	**(9,653)**
Less: reclassification adjustment for losses realized in net income	**20,438**	**(9,530)**	**10,908**
Net change in unrealized gains (losses)	**2,030**	**(775)**	**1,255**
	$(1,767,418)	**$471,153**	**$(1,296,265)**

14 Commitments and Contingent Liabilities

Guarantees

The Company guarantees certain indebtedness of others and other obligations. At March 31, 2009, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee was ¥28,744 million ($293,306 thousand), of which ¥20,612 million ($210,327 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 ¥20,549 million ($209,684 thousand). The term of the mortgage loan guarantees is from 1 year to 26 years. The Company has not made any significant payments under such guarantees in the past and as of March 31, 2009, the carrying amount of the liability for the Company's obligations under the guarantee 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, 2009, 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;		
2010	¥14,322	$146,143
2011	10,858	110,796
2012	7,559	77,133
2013	3,044	31,061
2014	1,821	18,581
2015 and thereafter	3,865	39,439
Total future minimum lease payments	¥41,469	$423,153

Rental expenses under operating leases for the years ended March 31, 2009, 2008 and 2007 were ¥63,748 million ($650,490 thousand), ¥65,470 million and ¥65,966 million, respectively.

Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding at March 31, 2009, principally for the construction and purchase of property, plant and equipment, amounted to ¥52,246 million ($533,122 thousand). At March 31, 2009, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥3,856 million ($39,347 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
	2009	2008	2007	**2009**
Balance, at April 1	**¥ 8,410**	¥ 9,670	¥ 8,871	**$ 85,816**
Warranties issued during the current period	**10,590**	15,985	12,972	**108,061**
Settlements made during the current period	**(11,820)**	(16,369)	(11,743)	**(120,612)**
Change in liability for pre-existing warranties during the current period, including expirations	**(378)**	(876)	(430)	**(3,857)**
Balance, at March 31	**¥ 6,802**	¥ 8,410	¥ 9,670	**$ 69,408**

15 Net Income per Share

A calculation of the basic and diluted net income per share for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net income available to common shareholders	**¥10,524**	¥104,431	¥34,446	**$107,388**
Dilutive effect of:				
2011 Series A Convertible Bond	**—**	350	200	**—**
2011 Series B Convertible Bond	**—**	457	455	**—**
2013 Series A Convertible Bond	**—**	334	184	**—**
2013 Series B Convertible Bond	**—**	460	456	**—**
Diluted net income available to common shareholders	**¥10,524**	¥106,032	¥35,741	**$107,388**

	Shares		
	2009	2008	2007
Weighted-average common shares outstanding — Basic	**498,836,888**	508,354,176	510,620,624
Dilutive effect of:			
2011 Series A Convertible Bond	**—**	9,477,415	9,369,468
2011 Series B Convertible Bond	**—**	9,477,415	9,369,468
2013 Series A Convertible Bond	**—**	10,206,581	10,090,196
2013 Series B Convertible Bond	**—**	10,206,581	10,090,196
Stock options	**165,316**	64,233	—
Weighted-average common shares outstanding — Diluted	**499,002,204**	547,786,401	549,539,952

	Yen			U.S. dollars
	2009	2008	2007	**2009**
Net income per share:				
Basic	**¥21.10**	¥205.43	¥67.46	**$0.22**
Diluted	**¥21.09**	¥193.56	¥65.04	**$0.22**

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"). Then, 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.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.

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 is being amortized over 1 year from the grant date.

The Company recognized stock-based compensation cost of ¥436 million ($4,449 thousand) and ¥916 million as selling, general and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 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 ¥114 million ($1,163 thousand) and ¥315 million at March 31, 2009 and 2008, respectively. As of March 31, 2009, total unrecognized stock-based compensation cost was ¥55 million ($561 thousand) and is expected to be recognized over 6 months commencing April 1, 2009. There were 50 stock acquisition rights exercised during the year ended March 31, 2009. The weighted-average grant date fair value of stock acquisition rights granted during the years ended March 31, 2009 and 2008 was ¥1,529 ($15.60) and ¥3,358, respectively. The total fair value of shares vested during the years ended March 31, 2009 and 2008 was ¥169 million ($1,724 thousand) and ¥889 million, respectively.

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

		Yen	Years	Millions of yen
2009	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	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**

		Yen	Years	Millions of yen
2008	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	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

2009	Number of shares	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, 2008	**386,200**	**$22.44**	**—**	**—**
Granted during the year	**329,200**	**16.88**	**—**	**—**
Exercised	**(5,000)**	**0.01**	**—**	**$ (255)**
Forfeited or expired	**(146,600)**	**0.01**	**—**	**—**
Outstanding at March 31, 2009	**563,800**	**25.22**	**8.5**	**10,592**
Exercisable at March 31, 2009	**210,600**	**0.01**	**9.4**	**10,592**

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:

2009	No.2-1 Stock Acquisition Rights	No.2-2 Stock Acquisition Rights
Expected volatility	**38.579%**	**28.979%**
Expected remaining life	**1 year**	**6 years**
Expected dividend (Yen)	**¥35**	**¥35**
Expected dividend (U.S. dollars)	**$0.36**	**$0.36**
Risk-free interest rate	**0.672%**	**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 year	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.2-1 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 and No.2-2 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 2009). 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, 2009, the Company expects to reclassify ¥55 million ($561 thousand) (before tax effect) of net losses 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 rate and foreign currency exchange 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

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

	Millions of yen	Thousands of U.S. dollars
Forward currency exchange (Short)	**¥27,085**	**$276,378**
Forward currency exchange (Long)	**27,829**	**283,969**
Currency swaps	**8,467**	**86,398**
Cross currency interest rate swaps	**18,791**	**191,745**
Interest rate swaps	**21,190**	**216,224**

Impacts on the Consolidated Financial Statements

The location and fair value amounts of derivatives in the consolidated Balance Sheet at March 31, 2009 are summarized as follows:

	Derivative assets		
		Millions of yen	Thousands of U.S. dollars
	Balance sheet location	Fair value	
Derivatives designated as hedging instruments under SFAS 133			
Forward currency exchange contracts	Prepaid expenses and other	**¥ 400**	**$ 4,082**
Total derivatives designated as hedging instruments under SFAS 133		**400**	**4,082**
Derivatives not designated as hedging instruments under SFAS 133			
Forward currency exchange contracts	Prepaid expenses and other	**194**	**1,979**
Forward currency exchange contracts	Long-term finance and other receivables	**103**	**1,051**
Currency swaps	Prepaid expenses and other	**1,763**	**17,990**
Cross currency interest rate swaps	Prepaid expenses and other	**5,859**	**59,786**
Total derivatives not designated as hedging instruments under SFAS 133		**7,919**	**80,806**
Total		**¥8,319**	**$84,888**

	Derivative liabilities		
		Millions of yen	Thousands of U.S. dollars
	Balance sheet location	Fair value	
Derivatives designated as hedging instruments under SFAS 133			
Forward currency exchange contracts	Other current liabilities	¥ 939	$ 9,582
Total derivatives designated as hedging instruments under SFAS 133		939	9,582
Derivatives not designated as hedging instruments under SFAS 133			
Forward currency exchange contracts	Other current liabilities	387	3,949
Currency swaps	Customers' guarantee deposits and other	144	1,469
Cross currency interest rate swaps	Other current liabilities	43	439
Interest rate swaps	Other current liabilities	101	1,031
Interest rate swaps	Customers' guarantee deposits and other	619	6,316
Other	Other current liabilities	354	3,612
Total derivatives not designated as hedging instruments under SFAS 133		1,648	16,816
Total		¥2,587	$26,398

The location and amounts of gains and losses related to derivatives in the consolidated Statements of Income for the year ended March 31, 2009 are summarized as follows:

	Millions of yen		
	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 income location	Amount
Forward currency exchange contracts	¥(2,118)	Revenue	¥ (329)
		Cost of sales	(234)
		Foreign exchange gains (losses), net	(1,744)
Total	¥(2,118)		¥(2,307)

	Thousands of U.S. dollars		
	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 income location	Amount
Forward currency exchange contracts	$(21,612)	Revenue	$ (3,357)
		Cost of sales	(2,388)
		Foreign exchange gains (losses), net	(17,796)
Total	$(21,612)		$(23,541)

		Millions of yen	Thousands of U.S. dollars
Derivatives Not Designated as Hedges	Statements of income location	Amount	
Forward currency exchange contracts	Foreign exchange gains (losses), net	¥ 353	$ 3,602
Currency swaps	Foreign exchange gains (losses), net	2,387	24,357
Cross currency interest rate swaps	Foreign exchange gains (losses), net	4,239	43,255
Interest rate swaps	Other, net	(477)	(4,867)
Other	Other, net	(676)	(6,898)
Total		¥5,826	$59,449

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 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 fact that the Company's trade receivables include some portions to major customers. The Company manages this risk by maintenance of customers' 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 mutual 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 value of long-term debt, including the current portion, as of March 31, 2009 and 2008 was ¥52,780 million ($538,571 thousand) and ¥86,787 million, respectively. The fair value as of March 31, 2009 and 2008 did not include the fair value of the unsecured Euroyen convertible bonds issued on April 5, 2006 with a carrying value of ¥204,423 million ($2,085,949 thousand) and ¥202,949 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 value and the carrying amounts of these derivative assets were ¥8,319 million ($84,888 thousand) and ¥4,248 million, and those of derivative liabilities were ¥2,587 million ($26,398 thousand) and ¥2,068 million, as of March 31, 2009 and 2008, respectively.

18 Fair Value Measurement

SFAS 157, 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.

Financial assets and liabilities that the Company measures at fair value on a recurring basis include cash equivalents (such as negotiable certificates of deposit and government debt securities), marketable securities (corporate debt securities), investment securities (such as government debt securities, corporate debt securities, listed stocks and mutual funds) and derivative assets and liabilities. The fair value hierarchy as of March 31, 2009 is as follows:

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**¥ 5,499**	**¥43,963**	**¥ —**	**¥ 49,462**
Marketable securities	**—**	**29,224**	**—**	**29,224**
Investment securities	**87,222**	**31,944**	**—**	**119,166**
Derivative assets	**—**	**8,319**	**—**	**8,319**
Liabilities:				
Derivative liabilities	**—**	**2,587**	**—**	**2,587**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**$ 56,112**	**$448,602**	**$ —**	**$ 504,714**
Marketable securities	**—**	**298,204**	**—**	**298,204**
Investment securities	**890,020**	**325,959**	**—**	**1,215,979**
Derivative assets	**—**	**84,888**	**—**	**84,888**
Liabilities:				
Derivative liabilities	**—**	**26,398**	**—**	**26,398**

For investment securities, Level 1 includes principally government debt securities, listed stocks and mutual funds, which were valued using unadjusted quoted prices in active markets for identical assets and Level 2 includes principally corporate debt securities, which were valued using directly or indirectly observable inputs in non-active markets.

Derivative assets and liabilities include forward currency exchange contracts, currency swaps, cross currency interest rate swaps and interest rate swaps, which were classified as Level 2 because of using inputs that were corroborated by observable market data obtained from brokers or third parties.

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

	Thousands of U.S. dollars				
	Balance at beginning of year	Gains		Sales	Balance at end of year
		Realized	Unrealized		
Investment securities	**$26,000**	**$8,194**	**$(5,490)**	**$(28,704)**	**$ —**

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 income.

Financial assets and liabilities that the Company measures at fair value on a nonrecurring basis were non-marketable equity securities which the Company considered as other-than-temporary impairment at March 31, 2009. During the year ended March 31, 2009, the Company recognized impairment charge of ¥2,394 million ($24,429 thousand) for such equity securities. Impaired non-marketable equity securities were written down to their fair value of ¥445 million ($4,541 thousand) 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 seven, two and seven businesses and/or minority interests during the years ended March 31, 2009, 2008 and 2007, respectively. Considerations for all significant acquisitions were paid in cash or treasury stock of the Company and aggregate purchase prices for acquisitions amounted to ¥6,635 million ($67,704 thousand), ¥98,973 million and ¥49,743 million, net of cash acquired, for the years ended March 31, 2009, 2008 and 2007, 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 purchase method of accounting in accordance with SFAS No.141, "Business Combinations" 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.

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 ($35,357 thousand) of goodwill, ¥290 million ($2,959 thousand) of technology-based intangibles and ¥312 million ($3,184 thousand) 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
Minority 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.

Significant acquisitions completed during the year ended March 31, 2007 included (i) 100% of the common stock of Dimatix, Inc. based in the United States of America, which is a manufacturer of inkjet printer heads for industrial use, (ii) 100% of the common stock of Daiichi Radioisotope Laboratories, Ltd., which is a domestic manufacturer of radiopharmaceuticals and (iii) additional purchase of 46.6% of the common stock of Fuji Xerox Taiwan Corporation, which is a marketing company of office equipment. In addition, the Company acquired 11.9% of the common stock of FUJINON Corporation which was an 88.1% owned subsidiary and has ultimately become a wholly owned subsidiary of the Company in exchange for treasury stock of the Company. The Company recognized ¥24,130 million of goodwill, ¥7,572 million of technology-based intangibles and ¥7,603 million of customer-related intangibles on its acquisitions for the year ended March 31, 2007, including those mentioned above.

The results of operations for the acquired entities since the date of the acquisitions have been included in the Company's consolidated statements of income. 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

Imaging Solutions Segment

Due to the significant deterioration of the business environment in the Imaging Solutions segment, management of the Company implemented restructuring activities in both photographic materials business and electric imaging business through the course of the two fiscal years ended March 31, 2007. Restructuring activities in photographic materials business consisted of plant integration, termination of certain manufacturing lines, streamlining in supply-chains including workforce reduction and cost reductions, research and development costs reduction and integration and termination of photo-finishing laboratories. Restructuring activities in electric imaging business involving digital cameras consisted of redevelopment of manufacturing to China and other supply chain and cost reduction measures. As a result, total restructuring costs of ¥163,433 million were incurred during the two fiscal years ended March 31, 2007. Restructuring costs, included in the above, amounted to ¥77,390 million, which consisted of ¥23,073 million relating to employees benefits and ¥54,317 million relating to fixed assets and other associated costs for the year ended March 31, 2007. In this regard, impairment charges of ¥12,202 million were recognized for certain manufacturing facilities and amortizable intangibles such as customer lists.

Restructuring activities had been conducted as planned and completed as of March 31, 2007 and no additional costs have been incurred during the years ended March 31, 2009, and 2008. Liability balances of the restructuring activities were ¥786 million and ¥6,682 million as of March 31, 2008 and 2007, respectively, and there were no significant balances as of March 31, 2009.

Substantially, all of the restructuring and other charges were related to the Imaging Solutions segment. However, a charge of ¥17,269 million was incurred in the Information Solutions segment for the year ended March 31, 2007, mainly related to losses on manufacturing facilities and equipment used for both of the Imaging and Information Solutions activities and certain restructuring initiatives relating to the Information Solutions segment.

Document Solutions Segment

During the year ended March 31, 2007, the Company initiated the restructuring activities in the Document Solutions segment and recognized costs of ¥16,136 million relating to employees benefits and ¥555 million relating to fixed assets. The restructuring activities were completed during the year ended March 31, 2007 and no additional costs have been incurred during the years ended March 31, 2009, and 2008. The costs accrued for the above restructuring activities were ¥16,136 million as of March 31, 2007, which were all paid during the year ended March 31, 2008.

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
	2009	2008	2007	**2009**
Revenue:				
Imaging Solutions:				
External customers	**¥ 410,399**	¥ 547,066	¥ 605,383	**$ 4,187,745**
Intersegment	**785**	874	899	**8,010**
Total	**411,184**	547,940	606,282	**4,195,755**
Information Solutions:				
External customers	**946,156**	1,108,134	1,026,085	**9,654,653**
Intersegment	**1,683**	2,136	2,818	**17,174**
Total	**947,839**	1,110,270	1,028,903	**9,671,827**
Document Solutions:				
External customers	**1,077,789**	1,191,628	1,151,058	**10,997,847**
Intersegment	**8,982**	9,274	12,187	**91,653**
Total	**1,086,771**	1,200,902	1,163,245	**11,089,500**
Eliminations	**(11,450)**	(12,284)	(15,904)	**(116,837)**
Consolidated total	**¥2,434,344**	¥2,846,828	¥2,782,526	**$24,840,245**

Segment Profit or Loss

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Operating income (loss):				
Imaging Solutions	**¥(29,310)**	¥ (2,394)	¥ (42,631)	**$ (299,082)**
Information Solutions	**20,351**	127,432	95,170	**207,663**
Document Solutions	**49,677**	86,664	61,186	**506,909**
Total	**40,718**	211,702	113,725	**415,490**
Corporate expenses and eliminations	**(3,432)**	(4,360)	(663)	**(35,021)**
Consolidated operating income	**37,286**	207,342	113,062	**380,469**
Other income (expenses), net	**(27,844)**	(8,000)	(9,798)	**(284,122)**
Consolidated income before income taxes	**¥ 9,442**	¥199,342	¥103,264	**$ 96,347**

Assets

	March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Total assets:				
Imaging Solutions	**¥ 375,076**	¥ 497,237	¥ 542,419	**$ 3,827,306**
Information Solutions	**1,366,901**	1,454,928	1,242,844	**13,947,969**
Document Solutions	**981,056**	1,054,538	1,056,374	**10,010,776**
Total	**2,723,033**	3,006,703	2,841,637	**27,786,051**
Eliminations	**(6,200)**	(5,196)	(5,292)	**(63,265)**
Corporate assets	**179,804**	264,877	482,757	**1,834,734**
Consolidated total	**¥2,896,637**	¥3,266,384	¥3,319,102	**$29,557,520**

Other Significant Items

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Depreciation and amortization:				
Imaging Solutions	**¥ 22,652**	¥ 37,773	¥ 52,818	**$ 231,143**
Information Solutions	**111,832**	107,454	88,147	**1,141,143**
Document Solutions	**77,586**	80,975	74,333	**791,694**
Total	**212,070**	226,202	215,298	**2,163,980**
Corporate	**495**	551	131	**5,051**
Consolidated total	**¥212,565**	¥226,753	¥215,429	**$2,169,031**
Capital expenditures for segment assets:				
Imaging Solutions	**¥ 12,253**	¥ 17,929	¥ 19,827	**$ 125,031**
Information Solutions	**59,612**	101,421	95,947	**608,285**
Document Solutions	**40,430**	50,708	48,127	**412,551**
Total	**112,295**	170,058	163,901	**1,145,867**
Corporate	**107**	121	1,258	**1,092**
Consolidated total	**¥112,402**	¥170,179	¥165,159	**$1,146,959**

Transfers between operating segments are generally based on market 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.

As described in Note 2, “Property, Plant and Equipment and Depreciation”, effective July 1, 2007, the Company and its domestic subsidiaries changed the depreciation method of machinery and equipment. This change caused an increase in depreciation expense in Imaging Solutions, Information Solutions and Document Solutions by ¥4,227 million, ¥14,958 million and ¥8,128 million, respectively for the year ended March 31, 2008.

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 income for the years ended March 31, 2009, 2008 and 2007 and long-lived assets at March 31, 2009, 2008 and 2007 are as follows. Although the geographic information of operating income is not required under SFAS No.131, 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
	2009	2008	2007	**2009**
Revenue:				
Japan				
External customers	**¥1,460,568**	¥1,643,710	¥1,666,182	**$14,903,755**
Intersegment	**424,314**	513,364	459,120	**4,329,735**
Total	**1,884,882**	2,157,074	2,125,302	**19,233,490**
The Americas				
External customers	**392,876**	500,910	491,129	**4,008,939**
Intersegment	**20,084**	19,847	25,021	**204,939**
Total	**412,960**	520,757	516,150	**4,213,878**
Europe				
External customers	**280,560**	347,028	340,246	**2,862,857**
Intersegment	**12,934**	16,565	18,536	**131,980**
Total	**293,494**	363,593	358,782	**2,994,837**
Asia and others				
External customers	**300,340**	355,180	284,969	**3,064,694**
Intersegment	**307,656**	368,011	316,774	**3,139,347**
Total	**607,996**	723,191	601,743	**6,204,041**
Eliminations	**(764,988)**	(917,787)	(819,451)	**(7,806,001)**
Consolidated total	**¥2,434,344**	¥2,846,828	¥2,782,526	**$24,840,245**

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Operating income (loss):				
Japan	**¥16,635**	¥146,222	¥ 86,999	**$169,745**
The Americas	**(4,015)**	5,133	(12,927)	**(40,969)**
Europe	**2,315**	(1,798)	(2,356)	**23,622**
Asia and others	**19,845**	55,303	41,056	**202,500**
Eliminations	**2,506**	2,482	290	**25,571**
Consolidated total	**¥37,286**	¥207,342	¥113,062	**$380,469**

	March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Long-lived assets:				
Japan	**¥556,476**	¥613,239	¥588,054	**$5,678,326**
The Americas	**37,733**	45,122	58,001	**385,031**
Europe	**54,569**	62,546	71,084	**556,827**
Asia and others	**49,228**	55,460	55,893	**502,326**
Consolidated total	**¥698,006**	¥776,367	¥773,032	**$7,122,510**

Transfers between geographic areas are generally based on market 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, 2009, 2008 and 2007, are as follows:

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Revenue:				
Japan	**¥1,134,192**	¥1,259,506	¥1,303,647	**$11,573,388**
The Americas	**447,677**	557,203	572,797	**4,568,133**
Europe	**350,548**	449,241	422,965	**3,577,020**
Asia and others	**501,927**	580,878	483,117	**5,121,704**
Consolidated total	**¥2,434,344**	¥2,846,828	¥2,782,526	**$24,840,245**

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, 2009.

The Document Solutions subsidiary sold certain copy machines and other equipment to a minority shareholder and also purchased certain equipment from a minority shareholder, which amounted to ¥212,265 million ($2,165,969 thousand) and ¥12,321 million ($125,724 thousand), ¥232,923 million and ¥21,310 million, and ¥209,111 million and ¥20,871 million for the years ended March 31, 2009, 2008 and 2007, respectively.

In conjunction with a license agreement and other arrangements between the Document Solutions subsidiary and a minority shareholder, certain expenses of ¥13,040 million ($133,061 thousand), ¥13,200 million and ¥14,782 million, which primarily related to royalty and research expenses, were incurred and certain expenses of ¥2,865 million ($29,235 thousand), ¥3,139 million and ¥2,529 million, which primarily related to research expenses, were reimbursed for the years ended March 31, 2009, 2008 and 2007, respectively. Notes and accounts receivable from the minority shareholder at March 31, 2009 and 2008 were ¥36,872 million ($376,245 thousand) and ¥46,151 million, respectively. Notes and accounts payable to the minority shareholder at March 31, 2009 and 2008 were ¥4,995 million ($50,969 thousand) and ¥5,262 million, respectively.

22 Subsequent Event

The Company's Board of Directors approved a program to implement structural reforms throughout the entire Group and all of its businesses on April 30, 2009. The Company anticipates that restructuring costs of approximately ¥145.0 billion ($1,479,592 thousand) will be incurred for the year ending March 31, 2010 under this program.

Report of Independent Auditors

ERNST & YOUNG

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Hibiya Kokusai Bldg.
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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, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, during the year ended March 31, 2008, the Company changed its method of accounting for depreciation.

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, 2009 of FUJIFILM Holdings Corporation and subsidiaries, and our report dated June 26, 2009 expressed an unqualified opinion thereon.

June 26, 2009

Ernst & Young ShinNihon LLC

Management's Report on Internal Control Over Financial Reporting

FUJIFILM Holdings Corporation and Subsidiaries

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 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, 2009, 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 assessment results of the 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 equity-method affiliates 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, its consolidated subsidiaries and equity-method affiliates. Certain consolidated subsidiaries and equity-method affiliates 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, 50 locations or business units were determined as "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, 2008, whose combined sales account for up to approximately two-thirds of the total sales on a consolidated basis of the fiscal year ended March 31, 2008, and also 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 primarily included in the scope of assessment as the aforementioned accounts are closely associated with the Company's business objectives. In addition, with regard to the scope including not only the significant business locations but also 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, 2009.

Result of Assessment

As the result of the assessment above, the Company has concluded that its internal control over financial reporting for the accompanying consolidated financial statements is effective as of March 31, 2009, the fiscal year end.

Report of Independent Auditors

ERNST & YOUNG

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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, 2009 of FUJIFILM Holdings Corporation and subsidiaries (the "Company") (the "Management's Report"). The Company's management is responsible for designing and operating internal control over financial reporting and preparing the Management's Report. Our responsibility is to express an opinion on the 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 the 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, the Management's Report referred to above, which represents that internal control over financial reporting for the consolidated financial statements as of March 31, 2009 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, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen, and our report dated June 26, 2009 expressed an unqualified opinion thereon.

June 26, 2009

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, 2009)

Fiscal Year-end: March 31

Number of employees (Persons): 76,252 (as of March 31, 2009)

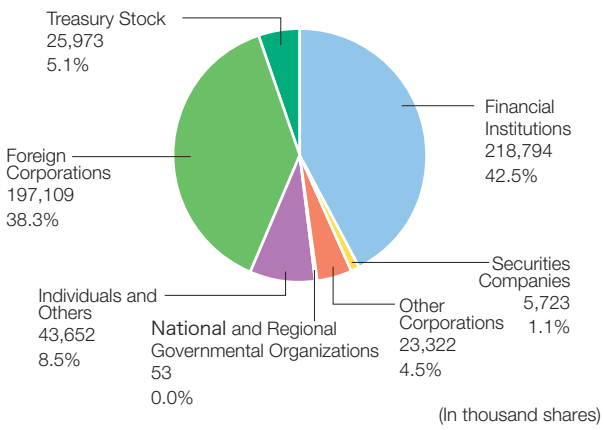
Independent Auditor: Ernst & Young ShinNihon LLC

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, 2009)

Number of Shareholders: 52,805
Number of Shares Outstanding (In thousands): 514,626

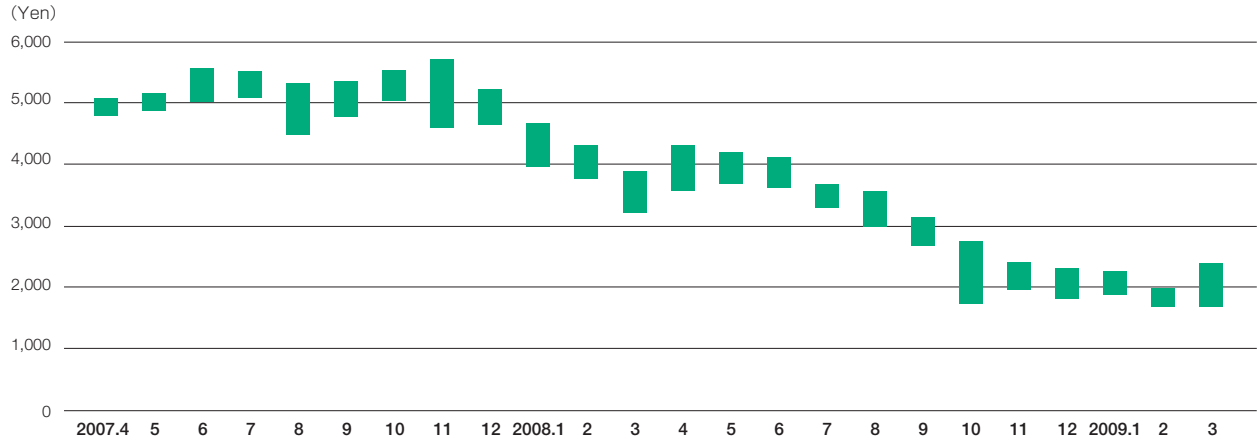


Major Shareholders (As of March 31, 2009)

Name	Percentage of issued shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	7.3
Japan Trustee Services Bank, Ltd. (trust account 4G)	6.4
The Master Trust Bank of Japan, Ltd. (trust account)	6.4
State Street Bank & Trust Company	4.8
Nippon Life Insurance Company	3.9
The Chuo Mitsui Trust and Banking Company, Limited	2.2
Sumitomo Mitsui Banking Corporation	2.0
Moxley and Company	2.0
Mitsui Sumitomo Insurance Co., Ltd.	1.7
National Mutual Insurance Federation of Agricultural Cooperatives	1.3

Note: In addition to the major shareholdings 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 Shimbun*.

FUJIFILM

FUJIFILM Holdings Corporation

For further information, please contact:

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