

Annual Report 2014



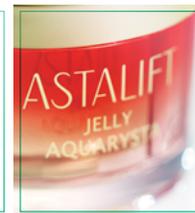
# Value from Innovation

At Fujifilm, we are continuously innovating — creating new technologies, products and services that inspire and excite people everywhere. Our goal is to empower the potential and expand the horizons of tomorrow's businesses and lifestyles.

We take an open and flexible attitude to innovation, combining our own original technology with human resources, expertise and technology from around the world. Through this powerful synergy, we rapidly and nimbly develop new solutions that address the true needs of our global customers.

*80th*  
Anniversary

To celebrate the 80th anniversary of the founding of the Company, and to demonstrate the new direction it is taking, FUJIFILM Holdings Corporation created a new corporate slogan. This slogan expresses our commitment to deepening communications with customers and all other stakeholders and to further enhancing the value of the Fujifilm corporate brand.



# The Ability to Create New Value

Boldly taking the initiative to bring about change in an effort to secure further growth

FUJIFILM Holdings Corporation commemorated its 80th anniversary on January 20, 2014. Since our founding, we have faced a wide range of challenges, such as the oil crisis, inflated prices for silver, a rapid fall in demand in our core business of photographic film due to the progress of digitization, and a worldwide recession. Nonetheless, everyone at the Company has worked together to overcome these challenges, and as a result the Fujifilm Group has been able to survive through difficult periods marked by turbulent change.

Since our founding, we have been able to secure market share by providing high-quality products that draw on our advanced technologies, not only in photographic film but also in other fields, such as X-ray film and plate-making film. On the other hand, we have been carefully monitoring the transition toward digitization since the beginning of the 1980s, and, anticipating the emerging trend, we have led the way in the development of digital technologies. As a result, we have been able to provide innovative digital products in markets around the world. The Company has repeatedly added new chapters to its history with a series of innovative products, such as the *FCR* line of digital X-ray diagnostic imaging systems and the *DS-1P*, the world's first digital still camera. Another example of how we have changed our history is our restructuring. In response to the decline in demand for photographic film, we implemented a large-scale reform of our business structure over the period from 2004 to the present, which could be called the second foundation of the Company.



In conjunction with our 80th anniversary, we formulated a new corporate slogan: "Value from Innovation." In accordance with the innovator's DNA of the Fujifilm Group, this slogan expresses our commitment to continuously creating innovative technologies, products, and services that empower the potential and expand the horizons of tomorrow's businesses and lifestyles. Furthermore, we have set as our management objective the resolution of a range of social tasks that are directly linked to the environment as well as health, daily life, and working styles. To that end, in addition to our in-house technologies, we will gather and integrate knowledge and technologies from inside and outside the Company to generate new value through the Open Innovation Hub\* and other measures.

In the future, guided by the "Value from Innovation" slogan, we will embrace change, reform the Company, and continue working to provide new solutions that address unmet market needs.

The Fujifilm Group expects to record ongoing growth over the medium-to-long term, and we would like to ask our stakeholders for their continued understanding and support in the years ahead.

July 2014

**Shigetaka Komori**  
Chairman and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'S. Komori'.

**Shigehiro Nakajima**  
President and Chief Operating Officer

A handwritten signature in black ink, appearing to read 'S. Nakajima'.

\* Open Innovation Hub: This facility was established on January 20, 2014, in commemoration of the Company's 80th anniversary. It showcases the core technologies that we have cultivated since our founding and examples of their application. In this way, the Open Innovation Hub will facilitate the "co-creation" of solutions to specific problems and the realization of ideas while simultaneously enhancing communication with customers.

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Details on the journey of the Group over the past eight decades, changes in its business portfolio, stable financial condition, inherent technological strengths, and global business development activities.

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Reflecting on the performance of the Company throughout the fiscal year ended March 31, 2014, as well as its progress under the medium-term management plan VISION80, Shigetaka Komori, Chairman and CEO, together with Shigehiro Nakajima, President and COO, provide their thoughts on the next set of goals.

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An outline of the initiatives of the Company as well as its growth strategies going forward in each of its three priority business fields, which have been positioned as growth domains.

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An overview of each business field, results in the fiscal year ended March 31, 2014, and outlook.

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Details on the technological capabilities and R&D structure as well as an outline of the Group's basic corporate governance policies and structure and a list of directors and audit & supervisory board members that collectively underpin growth; a summary of the basic CSR policy and structure of the Group as well as its newly formulated medium-term CSR plan.

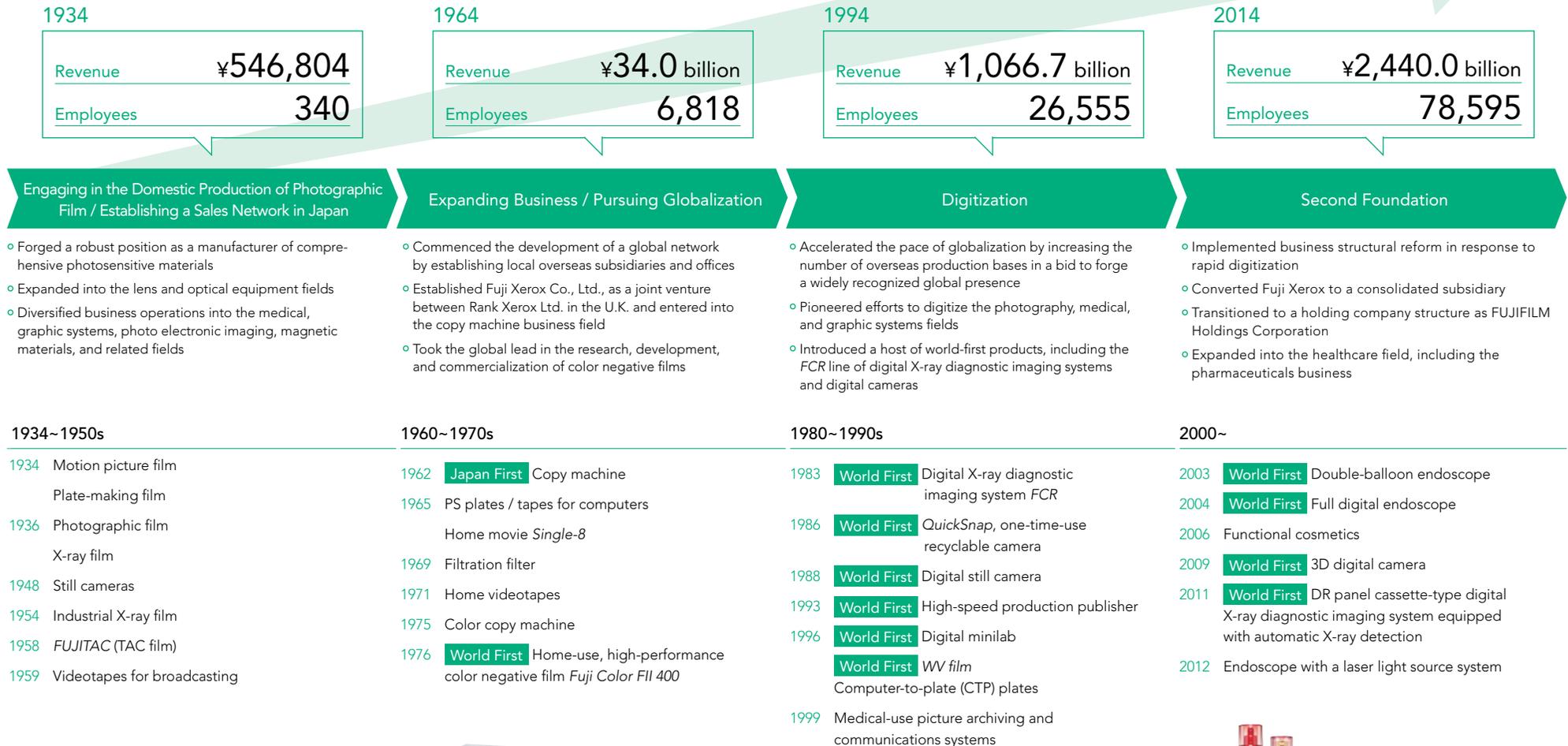
#### General Disclaimer

The information contained in this annual report concerning business performance and results forecasts, excluding statements of objective fact, are based on management's views that have been made in accordance with information available at the time of issue. These forward-looking statements involve risks and uncertainties. Actual results may materially differ from those discussed in the forward-looking statements due to a variety of factors, including trends in economic conditions and markets in which the Company operates as well as fluctuations in foreign currency exchange rates.

Unless otherwise specified in this annual report, the information herein is as of March 31, 2014.

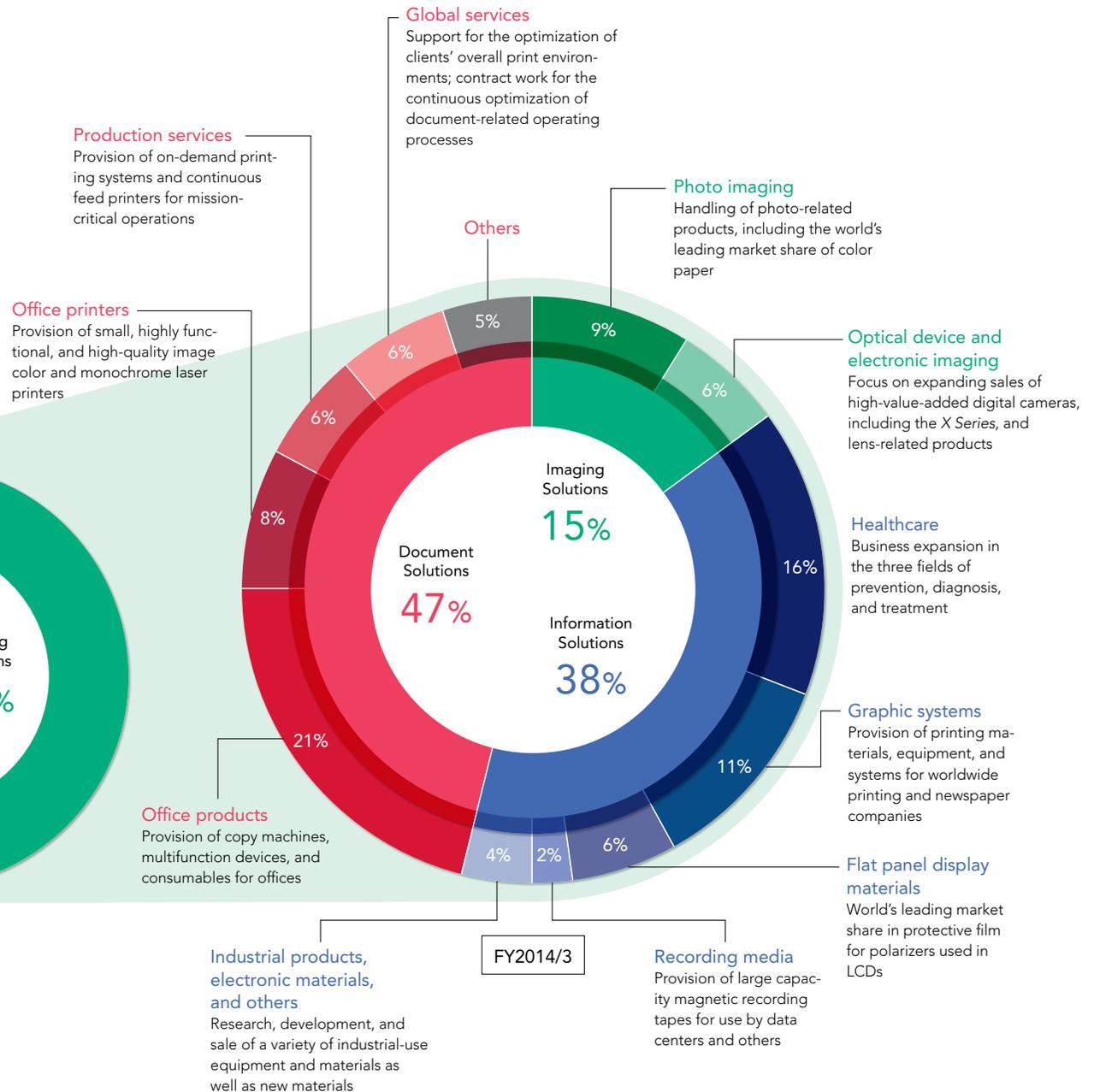
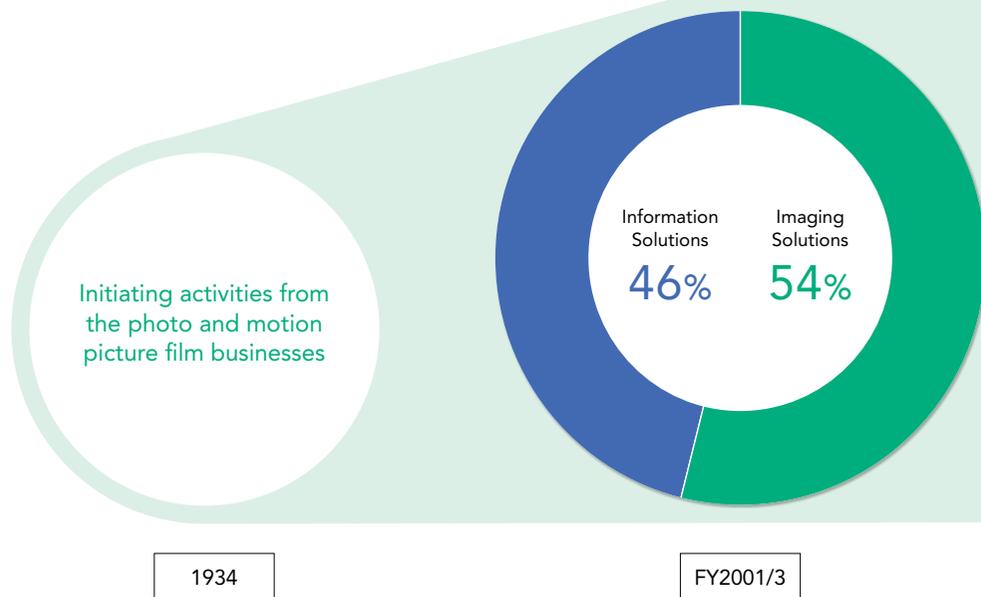
# The Fujifilm Group's Accumulated Innovation and Creation

Fujifilm was founded in 1934 with the aim of promoting the domestic production of photographic film. Since its founding, the Company has continued to adopt a forward-looking stance toward change and by accumulating a wealth of technologies across wide-ranging fields initiated innovation through the release of successive groundbreaking products and services. Moving forward, the Fujifilm Group will continue to develop and grow while delivering new value to society.

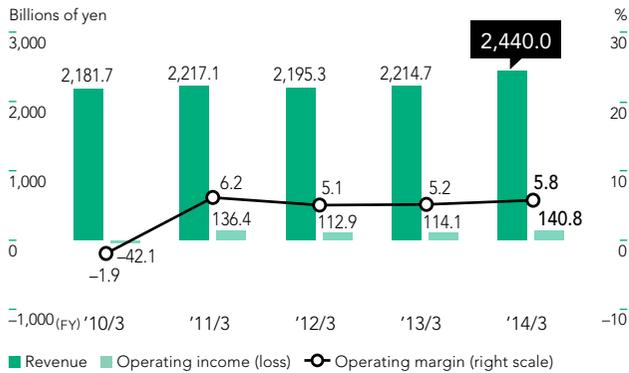


# Responding to Changes in the Business Environment while Implementing a Transition and Reform of the Group's Business Structure

After peaking in 2000, demand for photographic films experienced a sharp and rapid decline due mainly to the development of digital technologies. Against this backdrop, the Fujifilm Group reinvented itself by boldly diversifying its business utilizing its technological capabilities in a bid to address this dramatic change in its business environment.

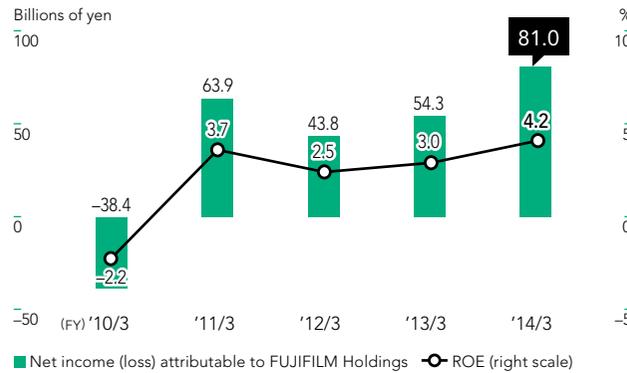


## Revenue / Operating income (loss) / Operating margin



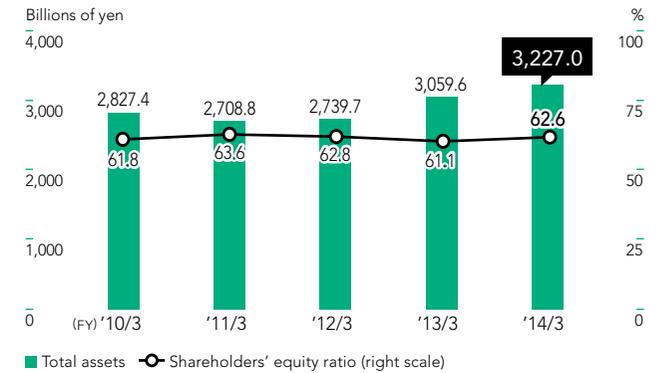
In the fiscal year ended March 31, 2014, consolidated revenue amounted to ¥2,440.0 billion, up 10.2% compared with the previous fiscal year. Operating income came to ¥140.8 billion, up 23.4% year on year.

## Net income (loss) attributable to FUJIFILM Holdings / ROE



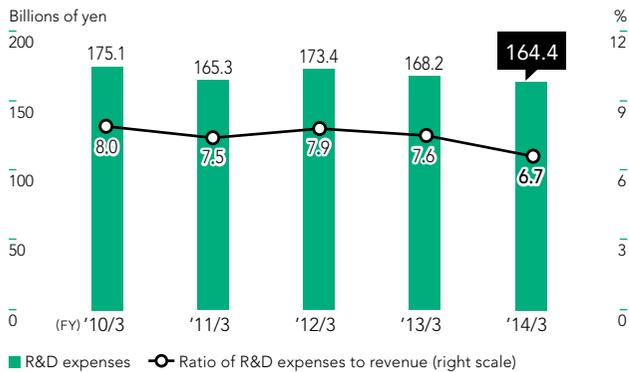
Net income attributable to FUJIFILM Holdings totaled ¥81.0 billion, an increase of 49.3% compared with the previous fiscal year. ROE rose from 3.0% to 4.2%

## Total assets / Shareholders' equity ratio



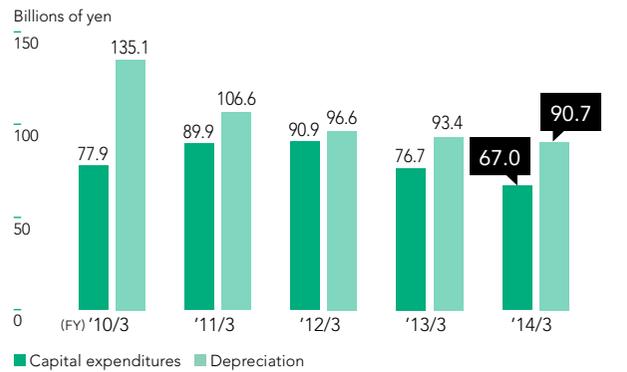
Total assets as of March 31, 2014, stood at ¥3,227.0 billion, up ¥167.4 billion compared with the end of the previous fiscal year. This was mainly due to the increase in cash and cash equivalents. The ratio of shareholders' equity to total assets for FUJIFILM Holdings climbed 1.5 percentage points.

## R&D expenses / Ratio of R&D expenses to revenue



R&D expenses fell 2.3% compared with the previous fiscal year, to ¥164.4 billion. The ratio of R&D expenses to revenue decreased 0.9 percentage point, to 6.7%. In addition to increasing the efficiency of its R&D activities, the Fujifilm Group channeled expenditure mainly into growth fields, including healthcare.

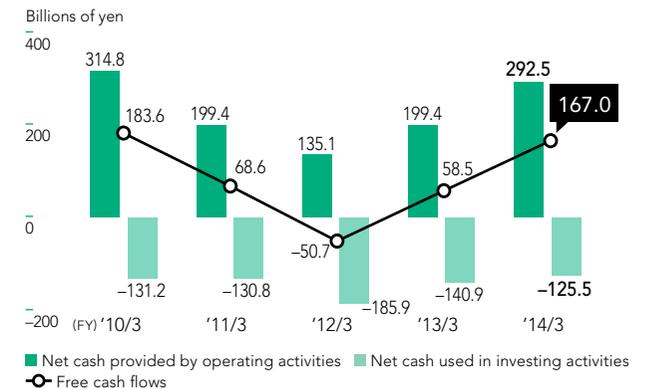
## Capital expenditures / Depreciation



Capital expenditures decreased 12.6% from the previous year, to ¥67.0 billion. Expenditure was mainly directed toward increasing the production capacity of high-growth products, streamlining production facilities, and working to promote laborsaving as well as environmental protection measures. Total depreciation declined 2.9% year on year, to ¥90.7 billion.

\* These figures exclude intangible fixed assets as well as rental equipment in the Document Solutions segment.

## Cash flows



Net cash provided by operating activities totaled ¥292.5 billion, due primarily to the increase in net income and a decrease in inventories. Net cash used in investing activities amounted to ¥125.5 billion as a result of purchases of property, plant and equipment in line with capital expenditures.

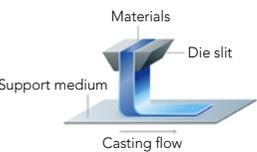
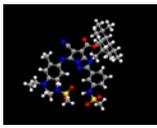
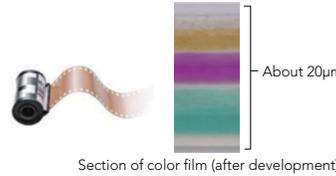
\* Free cash flows: Net cash provided by operating activities + Net cash used in investing activities

# Technologies That Underpin the Fujifilm Group's Businesses and Value-Creation Activities

From the time of its founding, the Fujifilm Group has engaged in research and development activities mainly in the photographic field. Moving forward, the Group has expanded its endeavors and accumulated a wealth of fundamental technologies in organic / inorganic materials chemistry, optics, analysis, and related fields. These technologies form the foundation of the Group's businesses. Building on its fundamental technologies, the Group has developed proprietary core technologies in a wide variety of areas, including grain formation, nano dispersion, and high-precision coating. This expertise has been providing a wellspring for the Group in successfully differentiating its products and is a key to sustaining its competitive advantage in the future.

By harnessing its fundamental technologies and core technologies, the Group is working to develop high-value-added products and services and to create new value.

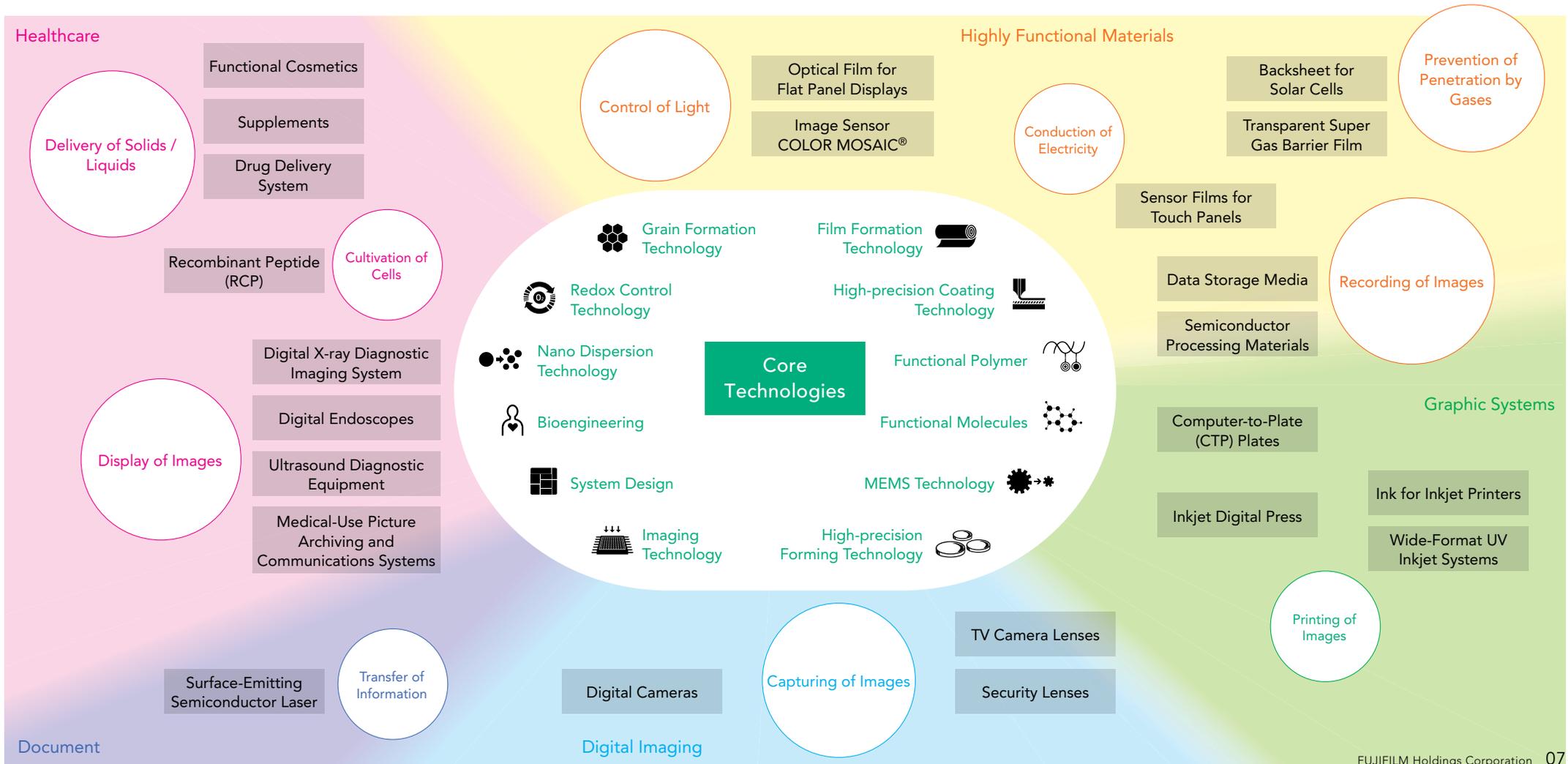
## Core technologies created from the Group's photographic business

Producing Film	Photographing	Development / Printing		
<p><b>Making Film Bases</b></p> <p><b>Making Films in Units of Micrometers</b> In making films in units of micrometers, the Group's film formation technology is applied to photographic films that employ TAC film as a base material. This film is then coated with multiple layers of materials that boast a variety of functions. Accordingly, the Fujifilm Group possesses the technology to make an optically warp-free, thin film by expanding and uniformly flattening molten materials in units of micrometers.</p>  <p><b>Technology in use</b></p> <ul style="list-style-type: none"> <li>Film Formation Technology</li> </ul>	<p><b>Making Photosensitive Emulsions</b></p> <p><b>Technologies used to design essential materials at the nanometer level</b> The Fujifilm Group has developed a technology that makes and controls functional substances that address the complex chemical reactions that occur during such processes as photo-taking and developing. The design of functional substances can be undertaken at the nanometer level by using a highly sophisticated technology to align and maintain minute homogeneous particles.</p>  <p><b>Technologies in use</b></p> <ul style="list-style-type: none"> <li>Functional Polymer</li> <li>Functional Molecules</li> <li>Nano Dispersion Technology</li> <li>Grain Formation Technology</li> </ul>	<p><b>Coating Functional Materials on Base Films</b></p> <p><b>Uniformly coating multiple layers at the same time</b> This technology, which enables the coating of functional and other materials on base films, allows the high-speed simultaneous coating of multiple uniform layers while ensuring the immiscibility of materials that exhibit a variety of functions. In addition, this technology can control the thickness of each layer in units of micrometers.</p>  <p><b>Technology in use</b></p> <ul style="list-style-type: none"> <li>High-precision Coating Technology</li> </ul>	<p><b>Photographing with a Camera</b></p> <p><b>Ensuring the high-quality design and manufacture of lenses, hardware, and systems</b> Shortly after its founding, the Company began research and development into lenses. Products were marketed under the FUJINON brand and attracted wide acclaim. In addition, the Group boasts proprietary strengths in the hardware and system design of cameras.</p>  <p><b>Technologies in use</b></p> <ul style="list-style-type: none"> <li>Imaging Technology</li> <li>System Design</li> <li>High-precision Forming Technology</li> </ul>	<p><b>Developing and Printing Photographs</b></p> <p><b>Controlling chemical reactions to ensure proper images and building appropriate systems</b> The Fujifilm Group has developed a technology that precisely controls the chemical reactions of a variety of functional substances during the developing and printing of photographs. Moreover, the Group boasts high-quality design technologies that help build systems for printing equipment.</p>  <p><b>Technologies in use</b></p> <ul style="list-style-type: none"> <li>Redox Control Technology</li> <li>System Design</li> </ul>

# Utilizing the Fujifilm Group's Core Technologies to Launch a Wide Range of Products and Services

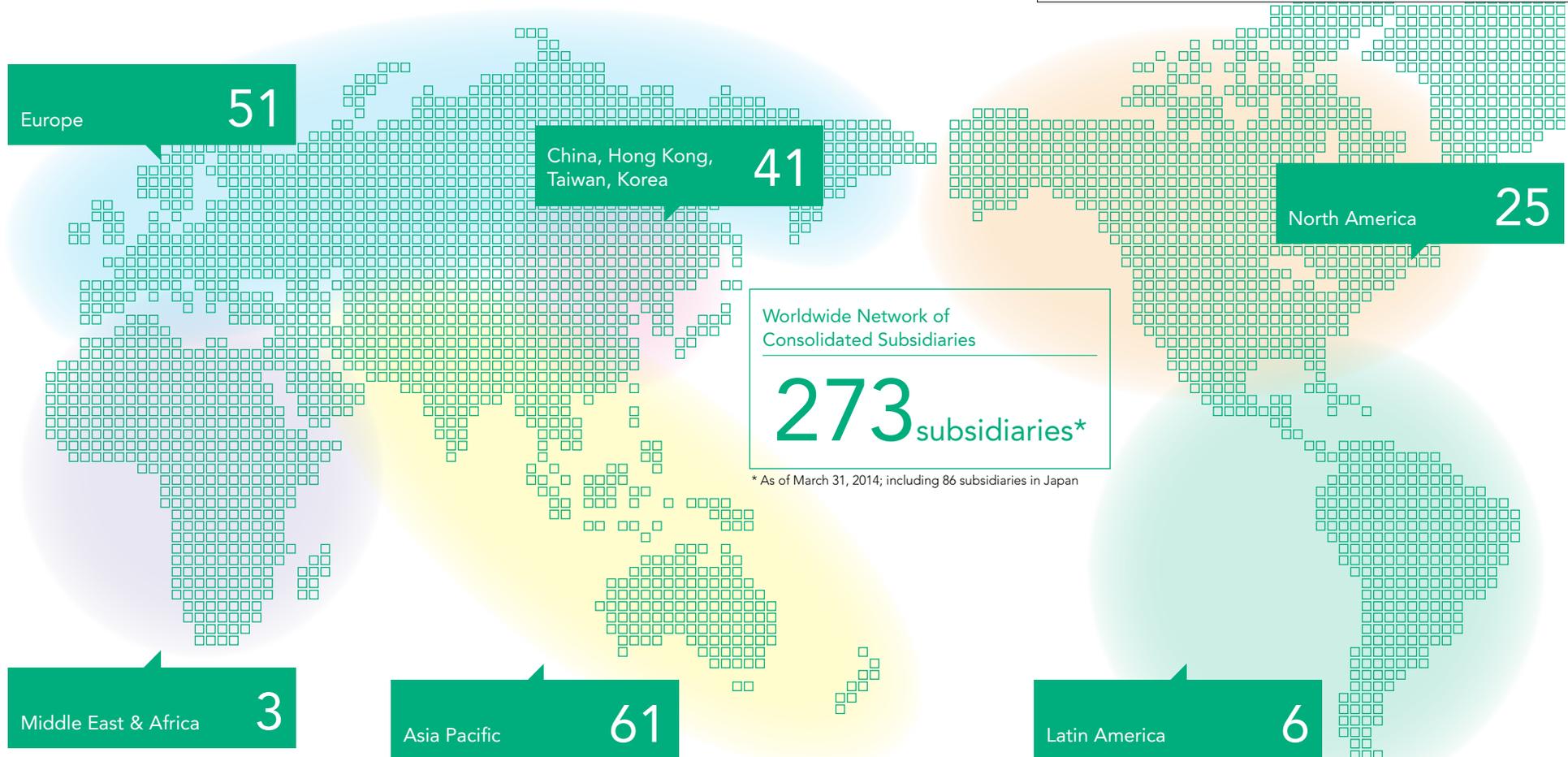
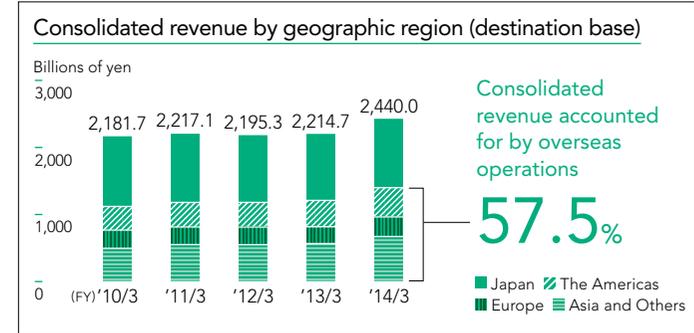
The Fujifilm Group continues to hone its numerous core technologies to differentiate itself in terms of quality and cost performance. By combining these technologies, the Group is delivering a host of products and services.

Moreover, the Group is promoting the development of products and materials based on its core technologies. Moving forward, energies are being channeled toward creating new businesses for the next generation.



## Expanding Worldwide

Shortly after it was founded, Fujifilm took proactive steps to cultivate overseas markets, focusing mainly on exports to Asia from 1937. In 1956, the Company set up an Export Division and accelerated the pace of its overseas business development. By 1980, export revenue had reached 31.7% of total revenue. Currently, consolidated overseas revenue accounts for 57.5%, or ¥1,403.1 billion, of total revenue. As a global entity that maintains 273 consolidated subsidiaries worldwide, the Fujifilm Group is actively engaged in business activities across a large number of countries and regions.



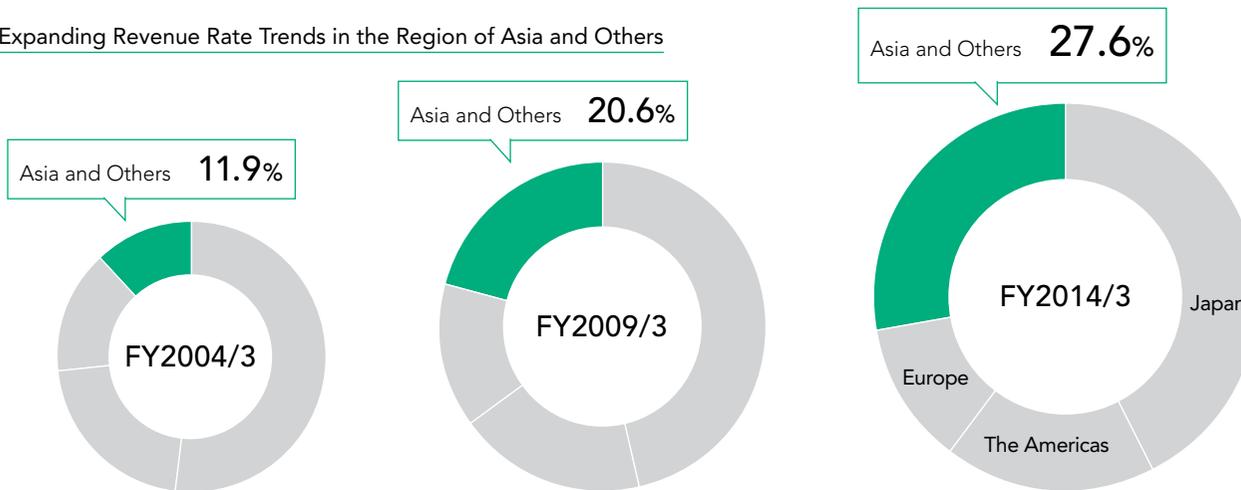
# Engaging in Activities at an Accelerated Pace in Emerging Countries and Fostering Human Resources

The Fujifilm Group has positioned such emerging countries as Brazil, Russia, India, and China (BRICs), which continue to exhibit robust growth, as well as Turkey, the Middle East, and Southeast Asia as priority markets. In addition to aggressively establishing local subsidiaries in each market, the Fujifilm Group is strengthening its sales structure. Moreover, considerable emphasis is being placed on ensuring the optimal assignment of personnel and local employee training. Moving forward, the Fujifilm Group will foster and utilize global human resources on a Groupwide basis.

## Bolstering Sales Expansion in Emerging Markets

The Fujifilm Group is channeling management assets, including personnel and resources, into emerging markets. In addition to accurately grasping the needs of each market, the Group is making every effort to develop products that match local requirements while bolstering its production structure. Through these initiatives, the Group will substantially increase revenue in such emerging markets as Asia.

### Expanding Revenue Rate Trends in the Region of Asia and Others



## Fostering Global Human Resources

In the fiscal year ended March 31, 2012 (FY2012/3), the Fujifilm Group accelerated the pace of its global human resource development endeavors in earnest. In launching these full-fledged efforts, the Group drew heavily on the basic policy of developing and utilizing human resources irrespective of nationality, gender, and other personal attributes.



### Global Leadership Seminar

A program held at the Company's headquarters each year from FY2011/3 to foster senior management candidates for global business.

### Regional Leadership Seminar

A program first held during FY2014/3 at the Group's regional head offices in Europe and the United States to train senior management candidates charged with the responsibility of overseeing the Group's regional business activities.

### FUJIFILM WAY Training

The FUJIFILM WAY training program was launched for the benefit of employees working for such subsidiaries as those in the United States, Europe, and China. The aim of the program is to promote a shared FUJIFILM mind-set and approach toward business.

In addition, proactive steps are taken to dispatch mainly young employees from the Company's headquarters to overseas offices through a variety of short-term and other training programs.



### Proactive Business Development in Emerging Markets

The Company's endoscope systems were installed at the Endoscope Training Center of Hue University of Medicine and Pharmacy, in Vietnam. In addition to training programs, this initiative is serving to promote the appeal of the Company's products.



## Adopting an Unwavering Approach toward Taking Up New Challenges in an Effort to Promote Further Growth

### The Fujifilm Group's Initiatives and Results in Priority Business Fields

**Shigetaka Komori**

Chairman and Chief Executive Officer

In the fiscal year ended March 31, 2014 (FY 2014/3), consumer spending in the United States maintained a recovery trend, and the U.S. economy continued to record gradual expansion. In Europe, political instability and other factors caused concern, but business conditions underwent a moderate recovery, centered on consumer spending. In Asia, solid overall growth was recorded by ASEAN countries and other markets. In Japan, under the Abe administration the strong yen underwent a correction and stock prices rallied due to the Bank of Japan's aggressive monetary-easing initiatives and other factors. However, in the new fiscal year, which started in April 2014, there is a general recognition that Japanese companies have reached a stage where their true growth potential will be tested.

#### Review of the Previous Fiscal Year

In FY2014/3, the Fujifilm Group recorded an increase in revenue and profits. Consolidated revenue was up 10.2% year on year, to ¥2,440.0 billion, and operating income rose

23.4%, to ¥140.8 billion.

In our healthcare business, strong growth was recorded by the medical systems business, which handles medical instruments. This expansion was led by the fields of medical IT, endoscopes, and ultrasound diagnostic equipment, each of which registered double-digit growth in revenue. In addition, we achieved substantial cost reductions through extensive reviews ranging from equipment design to parts procurement, resulting in significant gains in profitability. In the pharmaceuticals business, the revenues of Toyama Chemical Co., Ltd., and other operating companies were solid, and we made progress in new drug development. The Group bolstered initiatives to speed up the contributions of new drugs to profits. For example, working together with the U.S.-based MD Anderson Cancer Center, one of the world's leading cancer research and treatment facilities, we will conduct clinical trials for three anticancer drug candidates (FF-10501, FF-10502, and FF-21101). Moreover, we will work with the largest

Alzheimer's disease therapeutic research consortium in the United States to implement joint development of T-817MA, an Alzheimer's disease drug.

In the highly functional materials business, the flat panel display (FPD) materials business registered lower sales of *WV film*, but sales of film for VA and IPS mode, which are used in TVs, remained steady. To address the use of thin films in small and medium-sized displays for smartphones, tablet PCs, and other products, we bolstered our thin-film production system and took steps to increase sales. Our new *EXCLEAR*, a sensor film for touch panels was developed through the application of technologies that we originally cultivated in the photography business. Although demand for PCs with touch panels was weaker than expected in the year under review, we did record an increase in the number of customers that have decided to use *EXCLEAR*.

In the document solutions business, higher sales were recorded in Japan, in the Asia-Oceania region, and in export shipments to Xerox Corporation. Our results were generally favorable in Asia, with an especially strong performance in China. We have a local development unit in China, where we took steps to sell strategic products that meet local market needs. As a result, the Group's sales in China recorded strong growth. We are also implementing focused initiatives in Japan and Oceania, and we recorded gains in profitability in service businesses, such as production services and global services.

The electronic imaging business, on the other hand, faced a challenging business environment, with continued large declines in demand for compact digital cameras. In response to this, we reorganized our electronic imaging

business by integrating it with our optical device business, which works with lenses. Through this reorganization, we will leverage our image processing technologies and lens technologies and strengthen our operations in fields with growth potential, such as security lenses and automotive camera lenses. We are also working to secure stable profits in digital cameras by focusing our strengths on high-end models with high image quality.

**Forecasts for the Fiscal Year Ending March 31, 2015\***

In FY2015/3, the Company is forecasting consolidated revenue of ¥2,460.0 billion. We anticipate higher revenues in our growth fields, such as healthcare and document solutions, but lower revenues in digital cameras due to our focus on sales of high-end models, such as the X Series. Consequently, we expect a small overall increase of ¥20.0 billion. In operating income, we are forecasting growth of 13.6%, to ¥160.0 billion, due principally to expansion in healthcare and document solutions and to improved profitability in digital camera related business.

\* As of April 30, 2014

**Forecasts by Business**

**Healthcare**

In the medical systems business, sales of medical IT systems, endoscopes, and ultrasound diagnostic equipment will continue to record double-digit growth. In medical IT systems, we will provide high-value-added services that meet needs on the medical front lines.

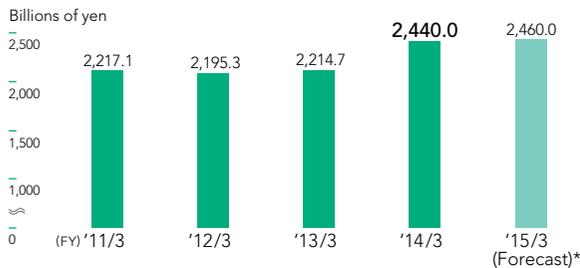
In endoscopes, in the previous year we launched new transnasal endoscopes and double-balloon endoscopes, areas in which we have distinctive strengths. Those products have received high evaluations from the medical profession, as have the endoscope with a laser light source and other products. With these original products, we will raise Fujifilm's presence in the flexible endoscope market and work to expand sales, especially in emerging market economies, where markets are recording stronger growth.

In ultrasound diagnostic equipment, the Group will focus on portable models, where solid market growth is expected. In FY2012/3, we acquired the U.S. company SonoSite, Inc. SonoSite is opening up new markets by demonstrating new ways of using ultrasound diagnostic

equipment to relevant medical practitioners. SonoSite has an especially high share of the market for portable devices. In the past year, SonoSite launched a new product that features ease-of-use for doctors, and the company is now implementing sales activities that draw on its strong market-development capabilities. In April 2014, we launched an innovative product, developed jointly by Fujifilm and SonoSite, that offers substantial gains in image quality while maintaining portability and superior operability. Moving forward, we will maximize synergies by using the sales channels of both SonoSite, which has a strong presence in North America, and Fujifilm, which has local subsidiaries in markets around the world.

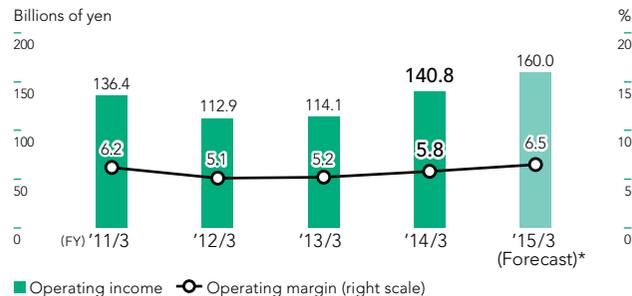
In the pharmaceuticals business, we will aim for double-digit growth in revenue, centered on existing businesses conducted by our operating companies, such as Toyama Chemical and FUJIFILM Diosynth Biotechnologies, a biopharmaceutical contract manufacturing organization. In addition, to accelerate the contribution to earnings from new pharmaceuticals we will aggressively invest in new drug R&D.

**Revenue**



\* Forecasts for the fiscal year ending March 31, 2015 (As of April 30, 2014)

**Operating income / Operating margin**



Our pipeline includes three anticancer drugs (FF-10501, FF-10502, and FF-21101) that will enter phase I clinical trials in the United States, and we will also proceed with the development of T-817MA, an Alzheimer's disease drug. We will strive to advance T-817MA to phase II clinical trials in the United States. In addition, in Japan we will conduct joint research with Kyoto University's Center for iPS Cell Research and Application (CiRA). This research will include the analysis of drug efficacy and the discovery and identification of biomarkers that can be used to predict patient groups for which this treatment will be effective. Using the identified biomarkers, we will strive to effectively advance clinical trials and accelerate development.

**Highly Functional Materials**

In flat panel display (FPD) materials, the Group will take steps to further boost sales of 40µm WV film as well as super-thin 25µm film, which was developed for small and medium-sized displays, and for which demand is expected to grow. Further, we will endeavor to secure steady sales even in TV applications, where gradual growth in screen areas is expected due to the trend toward larger screen sizes. In new materials, we will continue working to expand sales of EXCLEAR, a sensor film for touch panels. We will also move ahead with research and development initiatives for other new touch-panel materials.

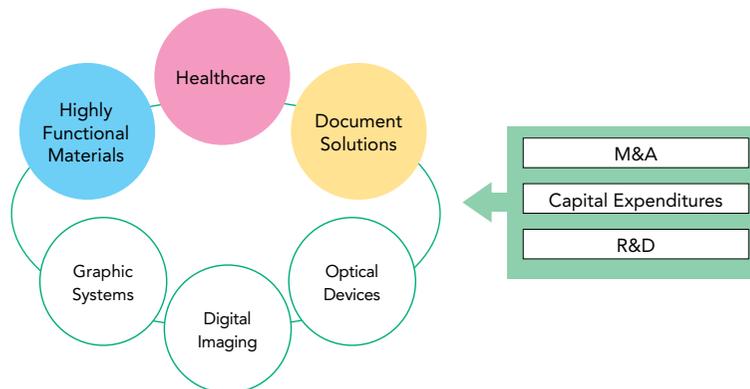
**Document Solutions**

In document solutions, the Group will take steps to expand sales of strategic products that meet market needs, centered on China and other Asian markets. At the same time, we will strengthen global services, production services, and solutions services for offices. We acquired an Australia-based service provider in 2012, and moving forward we will accelerate the expansion of service business operations in the Asia-Oceania region under an integrated management organization.

In addition, by implementing further cost reductions, we will work toward increasing our operating profit margin to 10% as rapidly as possible.

In other businesses, under the guidance of President Nakajima we are now advancing "G-up" activities to realize improved *genba* (onsite) capabilities. As part of these activities, we will take steps to improve our sales capabilities, enhance our cost-competitiveness, and raise our profitability.

**The Fujifilm Group's Priority Business Fields**



### Improving Capital Efficiency, Providing Returns to Shareholders

Going forward, we will aim to maximize profit by implementing our growth strategy while taking steps to increase ROE through improvements in capital efficiency. The business domains that we are currently developing are all fields in which we can leverage the Group's proprietary technologies and successfully differentiate our business. We will take steps to increase efficiency further, and the management resources that are generated through those initiatives will be reallocated to help us maximize our return in growth fields.

In FY2014/3, we worked to reduce inventories throughout the Group, and due in part to those efforts we registered a substantial increase in free cash flows. In the future, we will continue taking steps to generate cash flows and consider M&A and capital investment projects as needed, centered on the three growth fields, to accelerate our growth. In addition, we will strive to bolster our return to shareholders.

For FY2014/3, dividends were set at ¥50 per share, including an ordinary dividend of ¥40 per share and a commemorative dividend of ¥10 per share to mark the 80th anniversary of the Company's founding.

Our policy for shareholder returns emphasizes cash dividends and targets a dividend payout ratio of more than 25%. The Company will also take a flexible approach to own-stock purchases, with consideration for the balance between cash flows and future investment.

### Targeting Growth over the Medium-to-Long Term

On January 20, 2014, the Company's 80th anniversary, we announced a new corporate slogan: "Value from Innovation." As technology advances, society is undergoing dramatic change and customer needs are diversifying. Through the provision of innovative technologies, products, and services, we will continue to grow as we contribute to the health and lifestyles of people around the world. Our new slogan incorporates these commitments. We will approach the resolution of diverse social issues as new growth opportunities, and we will flexibly combine the proprietary technologies that the Group has cultivated with other technologies and knowledge from inside and outside the Group. In this way, the Company will strive to raise its competitiveness worldwide.

One example of those initiatives is in the field of healthcare. Leveraging our strong position in the market for medical-use picture archiving and communications systems, we are combining a variety of diagnostic equipment and working to provide diagnostic support and contribute to the early discovery of diseases. Furthermore, the Group will work to expand the introduction of the integrated systems that link departments within hospitals and medical facilities in geographic regions and will take steps to support increased efficiency on the medical front lines. We will also strategically accelerate pharmaceutical development to help resolve unmet needs, such as in the field of cancer treatment. In development, by working together with highly experienced research institutions and other partners, the Group will actively conduct efficient

clinical trials so that it can launch products rapidly while controlling costs.

To continue to register growth, the Fujifilm Group must be able to achieve steady gains in profits even in challenging operating environments. Accordingly, the Group will work to improve its profitability by boosting its cost-competitiveness in businesses with large-scale revenues. On that basis, we will strive to secure steady profits. In businesses with high profit potential, such as pharmaceuticals and highly functional materials, we will endeavor to record growth over the medium-to-long term.

I would like to ask for your continued support and understanding in the years ahead.

## Achieving Solid Growth with a Focus on Changing Markets

Enhancing the *genba* (onsite) capabilities that drive growth

### Shigehiro Nakajima

President and Chief Operating Officer



and we have concentrated our allocation of management resources accordingly. We are steadily seeing the results of initiatives that we moved quickly to implement, and I believe that we have established a strong foundation for further growth in the years ahead.

Q2

Would you discuss the current status of “speeding up globalization,” which was a key issue in VISION80?

A2

We are aggressively advancing global development from a variety of perspectives, including sales, development, production, and human resources development.

Over the past few years, we have bolstered our sales system through the establishment of local subsidiaries overseas, centered on emerging market economies. In addition, we have done our utmost to strengthen our local organizational capabilities, track market needs more accurately, and launch products in a timely manner. Further, we are moving forward with development in local markets of strategic products that meet customer needs. In production, we have successfully started up a lens plant in the Philippines and an MFP / printer plant in Vietnam, both of which commenced operations in 2013. We are also actively implementing initiatives in global human resources development, such as aggressively dispatching young employees from headquarters to overseas offices and conducting training for senior management candidates from countries around the world.

Considering Japan’s share of global GDP, which is less than 10%, the share of our sales contributed by the

Q1

The year under review was the final year of VISION80, the medium-term management plan launched in October 2011. Would you give us an overview of the plan?

A1

Unfortunately, we did not reach our results targets, but I believe that we were able to build a foundation for further growth by selectively allocating management resources to growth fields and rapidly advancing business operations.

Regrettably, we did not achieve the targets for consolidated revenue and operating income in the medium-term management plan VISION80. The reasons include a difficult economic environment, such as the sluggish conditions that started in Europe and the extremely strong yen. In addition, our operating environment underwent rapid change, as weak demand for IT equipment led to lower sales of flat panel display materials and the rapid uptake of smartphones resulted in a decline in demand for compact digital cameras. However, we made focused

efforts in growth fields, and we achieved the VISION80 revenue targets in both healthcare and document solutions. In healthcare, in the year under review we recorded double-digit year-on-year growth in each product field in the medical systems business. In the pharmaceuticals business, Toyama Chemical and other operating companies registered strong sales, and we made solid progress in new drug development. In document solutions, revenue rose around the world, centered on the Asia-Oceania region, and we also recorded favorable results in our service businesses. We did not meet our revenue targets in highly functional materials, as the uptake of tablet PCs altered the office environment and weak demand for desktop PC monitors adversely affected sales of *WV film*, one of our main products. Nonetheless, we did respond promptly to the trend toward rapidly growing use of small and medium-sized displays. Overall, we have worked to increase worldwide sales in our priority business fields, with a special emphasis on emerging market economies,

domestic market—42.5%—is still too high, and moving forward we will work to further increase our overseas sales ratio. To that end, we will strive to expand sales by stepping up our initiatives in emerging market economies where growth can be expected and raise the presence of Fujifilm in global markets.

**Q3** To achieve strong growth, the Company has advanced “G-up” activities to boost *genba* (onsite) capabilities. Would you discuss the results that the Company has had with these activities and any issues that have been identified through their implementation?

**A3** We are beginning to see results from inventory reductions and other “G-up” activities, and moving forward we will further bolster these initiatives.

To continue to succeed in a challenging market environment, we must build *genba* (onsite) capabilities and increase profitability. To that end, we are taking steps to enhance our product cost-competitiveness, our value-added productivity in administrative departments, our sales and marketing capabilities, and our speed and efficiency in R&D. We have been advancing these initiatives on a Groupwide basis since FY2013/3 as a part of our “G-up” activities targeting gains in *genba* (onsite) capabilities. I have visited work sites in Japan and overseas, meeting face-to-face with about 5,000 employees and communicating the importance of increasing *genba* (onsite) capabilities.

The large-scale reductions in inventories that we achieved during the year under review were one of the

successful results of the “G-up” activities. Specifically, people on the front lines worked together to implement Groupwide initiatives in a range of areas, such as accurate demand projections, timely product development, and agile production structures, as well as the optimized procurement and logistics systems that support activities in those areas. By fostering communications among different organizational units through these initiatives, we are increasing the sense of speed in our operations.

In this way, we are starting to see the effects of “G-up” activities, but until now these activities have not been implemented throughout the entire Company, nor have they led to sufficient increases in the Company’s revenue and profits. Accordingly, we will continue to aggressively advance these activities in the future.

**Q4** Fujifilm Holdings has recently commemorated its 80th anniversary. Looking ahead, what will be needed for the Group to continue to grow toward its 90th and centennial anniversaries?

**A4** We will need to accurately monitor market changes and continue to generate new value.

Our markets are characterized by diversifying needs and rapid change. For the Group to record ongoing growth, we must continually create products and services that offer new value, and to that end we need to link the challenges and needs of our customers with the Group’s technologies and other capabilities. Accordingly, the first step is to accurately grasp latent market needs. That’s why we established the Open Innovation Hub on January 20, 2014, to coincide with the Company’s 80th anniversary.

This facility showcases the core technologies that we have cultivated since our founding and examples of their application. In this way, the Open Innovation Hub will facilitate the “co-creation” of solutions to specific problems and the realization of ideas while simultaneously enhancing communication with customers. In photosensitive materials, which was our core business, we developed products based on in-house technologies. However, if we do everything ourselves in today’s rapidly changing markets, it will be difficult to address the challenges that we face. Consequently, collaborating with external partners is essential. Moving forward, we will advance the utilization of the Open Innovation Hub and work to create new businesses.

#### Open Innovation Hub: “Co-Creation” of New Value with Outside Business Partners

At the Open Innovation Hub, we can propose solutions to business partners who have firsthand access to our technologies, materials, and products. These include not only the fundamental and core technologies that have facilitated our development of superior materials and products but also new technologies, materials, and products that are still under development. By bringing together our proprietary technologies with the challenges, ideas, and potential needs of our business partners, we will create innovative new products, technologies, and services and foster innovation.



The Open Innovation Hub is expected to encourage collaboration with a variety of business partners.

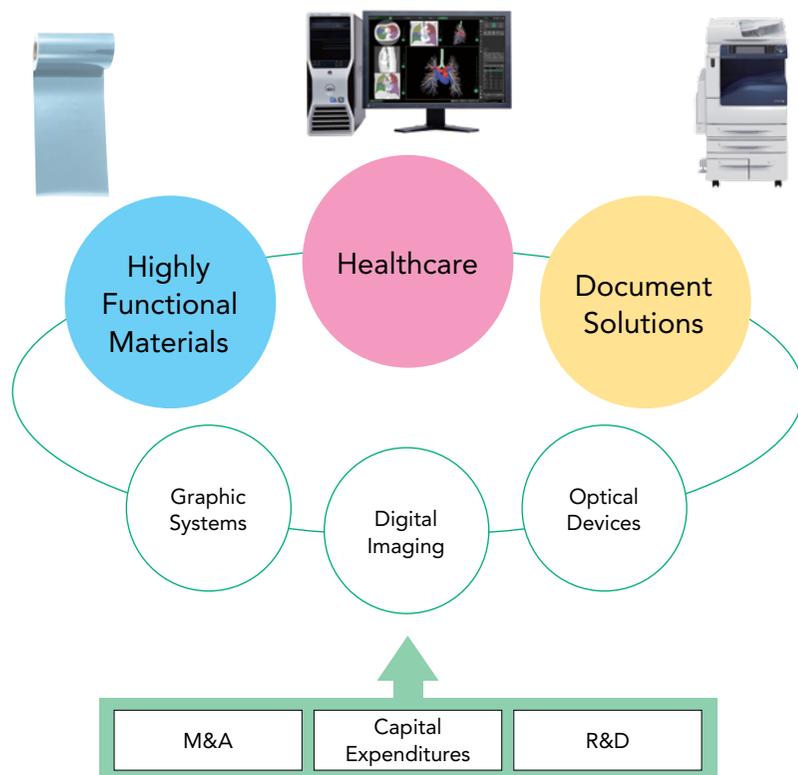
# Introduction of Priority Business Fields

The Fujifilm Group has identified healthcare, highly functional materials, and document solutions as three priority business fields through which it will pursue growth. Having selectively concentrated management resources in each field, the Group has taken the necessary steps to ensure expansion.

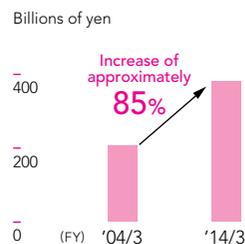
In this special feature, we introduce specific initiatives undertaken in each business field and the Group's unwavering efforts to pursue innovation and secure the next leap forward.

## Selectively Concentrating Management Resources in Priority Business Fields

The Fujifilm Group is taking concrete steps to develop new products and deliver new services that allow it to make the most of its competitive advantage. Based on a spirit of "innovation" and "originality," we are working to solidify our technological strengths and market position in each priority field.



## Trends in revenue

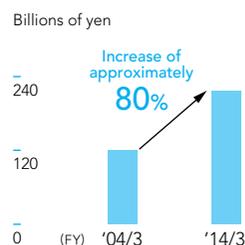


## Healthcare

[Details of initiatives → P. 17](#)

The Group is successfully expanding its revenue in the healthcare field. In addition to medical systems, which have continued to drive growth in the diagnosis field over many years, this success is being built on the Group's treatment endeavors through the delivery of effective pharmaceuticals as well as expansion into the area of prevention, which encompasses life sciences including cosmetics.

## Trends in revenue

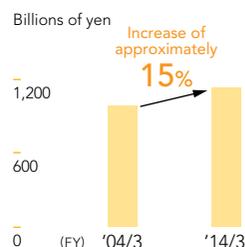


## Highly Functional Materials

[Details of initiatives → P. 18](#)

The highly functional materials field mainly comprises flat panel display materials as well as industrial products, electronic materials, and others. Foreseeing the rapid growth of the LCD TV market, the Group has secured an overwhelming share in the market for protective film for polarizers by selectively concentrating capital investments. Revenue in this field has registered outstanding growth, expanding around 80% from a decade ago.

## Trends in revenue

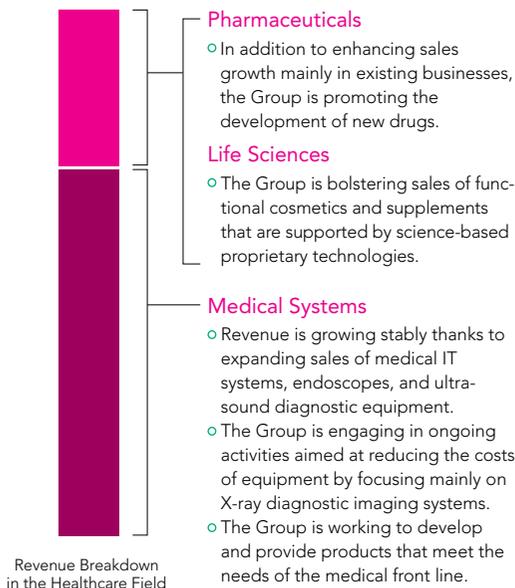


## Document Solutions

[Details of initiatives → P. 19](#)

The Group's activities in the document solutions field are essentially undertaken by Fuji Xerox Co., Ltd. In addition to providing highly competitive copy machines and multifunction devices, Fuji Xerox is supporting the communication efforts of customers in their bid to effectively and efficiently create value while providing solutions and services that help resolve management issues. Every effort is being made to aggressively expand this business and to increase the Group's market share in Asia and Oceania, which continue to enjoy economic growth.

# Healthcare



## Ensuring Steady Medical Systems Growth while Promoting the Pharmaceuticals Business as a Mainstay of the Future

Drawing on the strength of its long-standing medical frontline experience and expertise in the healthcare field, energies are being channeled toward expanding the diagnostic imaging systems business and ensuring stable growth. Looking ahead, efforts will be directed mainly to the pharmaceuticals field in a bid to secure further growth.

In the pharmaceuticals field, the Fujifilm Group will focus on expanding the revenue of each operating company's existing business. At the same time, the Group will effectively invest in the research and development of distinctive new drugs as a part of efforts to quickly generate earnings.

Particular attention will be paid to diseases such as cancer for which an effective treatment has yet to be found. The Fujifilm Group is endeavoring to develop pharmaceuticals that make the most of its unique qualities in a bid to resolve social issues.

## Developing Pharmaceuticals through the Use of Proprietary Technologies

A particular advantage of the pharmaceuticals business of Fujifilm is its use of a wide range of chemical synthesis and related technologies. Buoyed by its industry-leading in-house personnel, Fujifilm's technological expertise attracts a keen eye and requests for cooperation from other pharmaceutical manufacturers. Another distinctive advantage is the high level of analytical expertise, particularly in the fields of micro and mechatronics analysis.

Fujifilm is working diligently to develop new drugs that will help address unmet medical needs in areas in which an effective treatment has yet to be found. Among these areas, Fujifilm is placing considerable emphasis on the oncology field. By drawing on the strengths of its analytical technologies to uncover innovative mechanisms for the delivery of new drugs, Fujifilm is making every effort to develop "only one"

and "number one"\* pharmaceuticals for patients who are waiting desperately for a groundbreaking therapeutic drug.

\* "Only one" and "number one" products refer to market-leading products that only Fujifilm has the technological prowess to develop.



**Takatoshi Ishikawa**  
Director, Senior Vice President,  
General Manager of the  
Pharmaceuticals Division,  
FUJIFILM Corporation

## Striving to Quickly Generate Earnings through the Development of New Drugs Strengthening Collaboration with External Parties and Accelerating the Pace of Pharmaceutical Development

Harnessing its proprietary strengths, including its analysis and synthesis technologies developed through its long-standing operations in photographic films, the Fujifilm Group is effectively promoting the development of new drugs by carefully identifying new drug candidates that offer outstanding potential. Moreover, we are conducting clinical trials in conjunction with medical institutions that boast a wealth of experience. In this manner, we are working to minimize the time required for development and to reduce development costs.

The Fujifilm Group is pursuing partnerships on a global scale. This pursuit includes the clinical development of anticancer drugs with a leading research and treatment facility in the field of oncology and clinical trials of therapeutic drugs with the largest Alzheimer's research institution in the United States.

Pipeline	Collaboration with external institutions
FF-10501, FF-10502, FF-21101 (Anticancer drugs)	Promoting clinical development with the University of Texas MD Anderson Cancer Center (U.S.)
T-817MA (Alzheimer's disease drug)	Undertaking phase II clinical trials with the Alzheimer's Disease Cooperative Study (U.S.) Engaging in the search and identification of biomarkers with the Center for iPS Cell Research and Application of Kyoto University
T-705 (Anti-influenza drug)	Conducting a phase III study with a grant from the U.S. Department of Defense

\* As of June 2014

# Highly Functional Materials



Revenue Breakdown in the Highly Functional Materials Field

## Industrial Products, Electronic Materials, and Others

Fujifilm is working to expand sales of industrial products, including non-destructive testing equipment and materials as well as semiconductor processing materials, while developing and boosting sales of high-value-added new materials.

## FPD Materials

Fujifilm is strengthening sales of its products in response to the projected increase in the size of TV screens as well as growing demand for small and medium-sized displays. Fujifilm is also promoting research and development into new materials.

## Expanding Business through New Highly Functional Materials while Securing Stable Earnings through FPD Materials

In the flat panel display (FPD) materials field, Fujifilm aims to secure stable earnings on the back of a modest upswing in the size of TV screens as well as an expected increase in demand for small and medium-sized displays.

Meanwhile, in new business fields, Fujifilm will not only focus on touch panel peripheral materials typified by *EXCLEAR* but also look to enter the environmental and energy fields, which encompass such product lines as backsheets for solar cells as well as CO<sub>2</sub> separation and ion exchange membranes. In addition to further expanding its business by developing and providing high-value-added functional materials that take into account market needs, Fujifilm will endeavor to develop products that deliver solutions to a variety of social issues, including the need to reduce CO<sub>2</sub> emissions, while tackling problems relating to energy.

## Establishing the Highly Functional Materials Business Development Headquarters to Promote the Creation of New Businesses

In an effort to accelerate the pace of new product and business creation in the highly functional materials field, Fujifilm established the Highly Functional Materials Business Development Headquarters in June 2013. This headquarters mobilizes human resources, technologies, funds, and other critical requirements from both inside and outside the Group to small project teams to focus on the commercialization of new businesses. Under the rallying call of “small, speedy, less investment, and many,” Fujifilm is endeavoring to continuously create highly profitable products and businesses against the backdrop of a modern society with dramatic changes and intense competition.

Looking ahead, Fujifilm will engage in the cross-organizational use of its wide-ranging technologies and know-how of the Group. At the same time, the Group will promote the creation of new businesses

through such structures as its Open Innovation Hub\* to facilitate the “co-creation” of new value that matches the latent needs of customers.



**Takashi Iwasaki**  
Corporate Vice President,  
General Manager of Highly  
Functional Materials Business  
Development Headquarters,  
FUJIFILM Corporation

\* Open Innovation Hub: This facility was established on January 20, 2014, in commemoration of the Company's 80th anniversary. It showcases the core technologies that we have cultivated since our founding and examples of their application. In this way, the Open Innovation Hub will facilitate the “co-creation” of solutions and specific problems and the realization of ideas while simultaneously enhancing communication with customers.

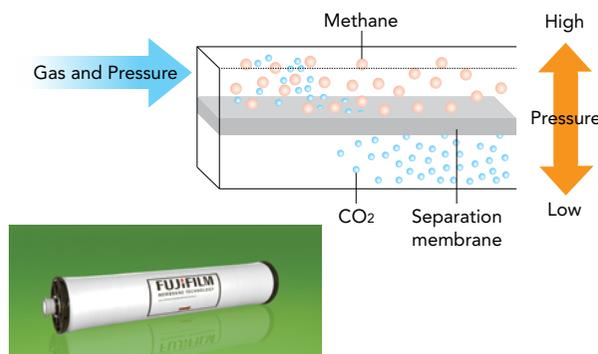
## Striving to Create New Businesses with Unique Technologies

### Promoting the Development of New Highly Functional Materials

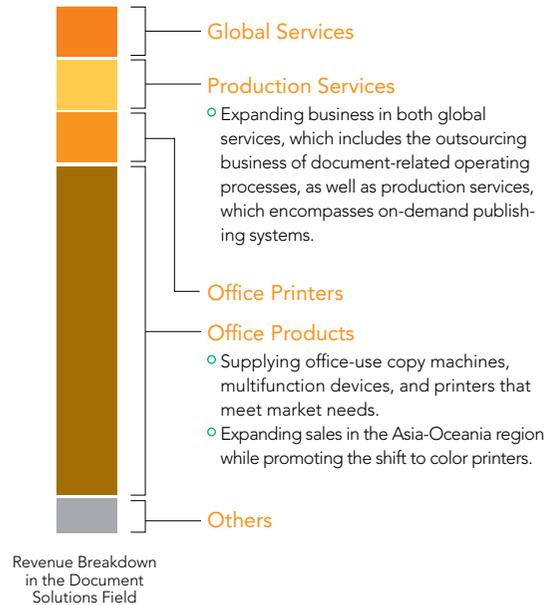
Fujifilm is currently developing a CO<sub>2</sub> separation membrane for use in the purification of natural gas. This membrane is defined by its ability to exploit differences in partial pressure to promote and limit transmission solely to the targeted gas. As a method that makes full use of Fujifilm's core technologies in such wide-ranging areas as film formation and high-precision forming nurtured through its photographic film business, this technology is expected to support a significant leap forward as a next-generation filtering technology.

Fujifilm is supporting efforts to produce environment-friendly natural gas in a more efficient and cost-effective manner. Fujifilm is taking up the challenge of producing next-generation energy.

### Natural Gas Purification Using a CO<sub>2</sub> Separation Membrane



# Document Solutions



## Realizing Growth by Providing Products That Meet the Needs of the Market and Further Expanding the Services Business

The activities of Fuji Xerox, which takes a leading role in this field, create stable earnings grounded in the office domain that includes the supply of copy machines, multifunction devices, and office printers.

In addition to this robust business base, Fuji Xerox continues its efforts to further develop the services business platform. The production services business entails delivering new services that, for example, support the enhancement of marketing performance in the digital printing market.

The global services business includes outsourcing services that undertake the printing operations of large-scale offices as well as document-related operating processes. Through these services, Fuji Xerox is aiming to secure further growth.

In the Asia-Oceania region, Fuji Xerox is accelerating its pace in strengthening its sales network. Efforts are being made to aggressively enhance sales in markets that are experiencing notable growth.

## Expanding Business in the Booming Chinese Market

Fuji Xerox is expanding its business in China. We are continuously strengthening our direct sales structure in order to provide services and solutions that help customers solve the issues in their management and business operations. These efforts have enabled us to win large-scale contracts from major enterprises and governments. At the same time, Fuji Xerox is focusing on rapidly expanding small and medium-sized businesses. In addition to building a framework to reflect further local requirements for price-competitive low-end products, we have created a comprehensive regional value chain that encompasses manufacturing to sales. This enhanced structure has enabled us to launch new products with outstanding cost performance in a timely manner, as well as allowed us to increase our market share. In FY2015/3, Fuji Xerox aims to realize further growth through the success of its new color products.

## Better Support the Growth of Customers' Businesses Expanding the Production Services Lineup

In the printing market, demand for personal printing, which accommodates the preferences of each and every individual, as well as on-demand printing, which facilitates small-lot printing that matches a diversity of needs, is steadily increasing. To meet this demand, Fuji Xerox is promoting a wide range of models that cover requirements varying from in-house applications to large-scale, high-end commercial printing field use. In May 2014, Fuji Xerox launched *Versant™ 2100 Press*. To enhance standard features with improved cost performance, applications for this product have been expanded to package use through higher quality output and the ability to print on thicker paper. Through the proposal of this new product, Fuji Xerox will continuously develop the printing market to increase its sales and market share.



Versant™ 2100 Press



**Masataka Jo**  
Director, Senior Vice President,  
Fuji Xerox Co., Ltd.  
Chief Representative of Fuji Xerox in China

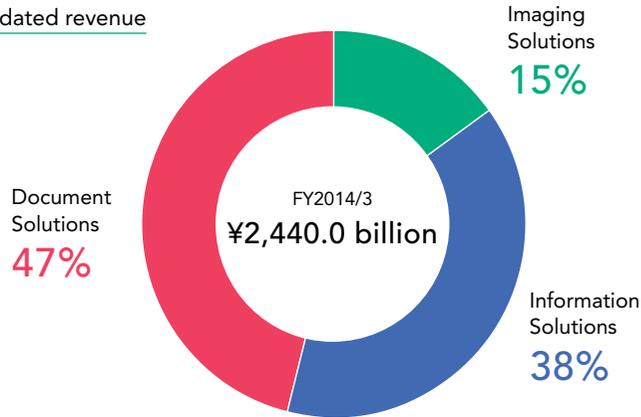
Review of Fiscal Year 2014/3

During the fiscal year ended March 31, 2014, the Fujifilm Group recorded ¥2,440.0 billion in consolidated revenue (up 10.2% from the previous fiscal year), reflecting such factors as strong sales in the medical systems business, the graphic systems business, and the documents business, as well as the positive effects of yen depreciation.

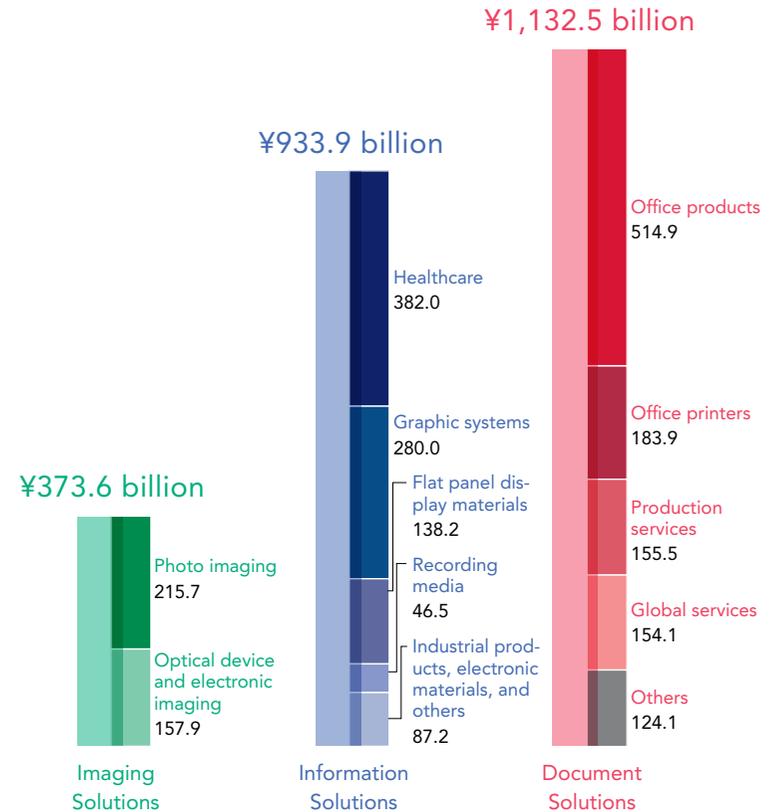
Operating income totaled ¥140.8 billion (up

23.4% from the previous fiscal year), a result of such factors as the increases in sales and the positive effects of yen depreciation. Income before income taxes amounted to ¥157.2 billion (up 31.9% from the previous fiscal year), stemming from such factors as foreign exchange gain, and net income attributable to FUJIFILM Holdings totaled ¥81.0 billion (up 49.3% from the previous fiscal year).

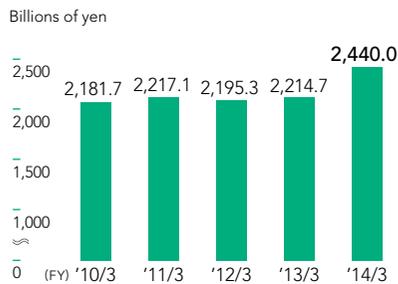
Consolidated revenue



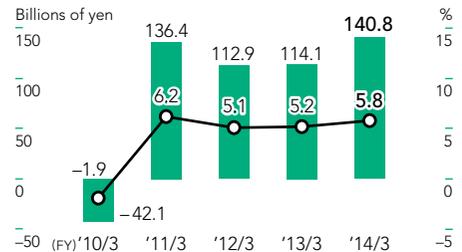
Revenue by operating segment



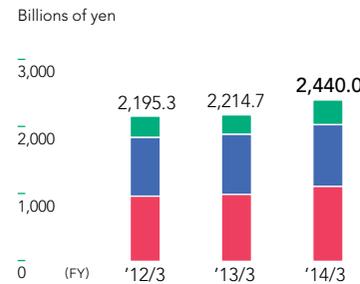
Trends in revenue



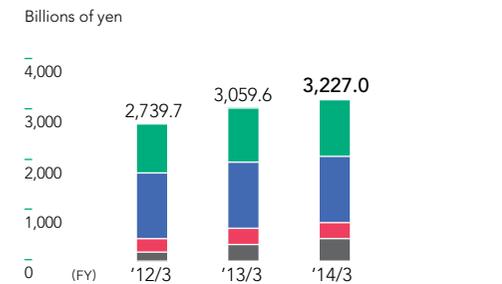
Trends in operating income (loss) and operating margin



Trends in revenue by operating segment



Total assets by operating segment



\* Following organizational changes carried out in the first quarter of FY2014/3, the optical device business was moved from Information Solutions to Imaging Solutions. In accordance with this change, the numerical values for FY2012/3 and FY2013/3 have been restated.

## Imaging Solutions

### Overview

The Fujifilm Group provides color films, photographic paper for color prints, photofinishing chemicals, lab / print services, digital cameras, and optical devices, including TV camera lenses, and others.

### Principal products and services by operating segment

#### Photo imaging

##### Color films

- Color negative films
- Color reversal films

##### Color paper and chemicals

- Photographic paper for color prints
- Photofinishing chemicals

##### Photofinishing equipment

- Digital minilabs
- Inkjet minilabs
- Thermal photo printers

##### Labs and photo printing services

- Film processing services / photo printing services

##### Instant cameras, films

#### Optical device and electronic imaging

##### X Series digital cameras

##### Interchangeable lenses for digital cameras

##### Camera modules for smartphones

##### TV camera lenses, cine lenses

##### Security lenses

##### Projector lenses



## Information Solutions

### Overview

The Fujifilm Group operates businesses in the fields of medical systems, life sciences, pharmaceuticals, graphic systems, flat panel display materials, industrial products, electronic materials, recording media, and others.

### Principal products and services by operating segment

#### Healthcare

##### Digital X-ray diagnostic imaging systems: FCR, DR

##### SYNAPSE medical-use picture archiving and communications systems (PACS)

##### Digital endoscopes

##### Ultrasound diagnostic equipment

##### X-ray films

##### Dry imaging films / Dry imagers

##### Pharmaceuticals

##### Functional cosmetics

##### Nutritional supplement products

#### Graphic systems

##### Printing materials

- CTP plates
- Graphic arts films

##### Digital printing equipment

##### Ink for inkjet printers

##### Heads for industrial inkjet printers

#### Flat panel display materials

##### FUJITAC protective films for polarizers

##### WV film for expanding viewing angles

##### Transfer film for manufacturing color filters

#### Industrial products, electronic materials, and others

##### Non-destructive testing equipment and materials

##### Touch panel materials

##### Solar cell materials

##### Semiconductor processing materials

#### Recording media

##### LTO data cartridges

##### Data cartridges for IBM 3592

##### Professional-use videotape products



## Document Solutions

### Overview

The Fujifilm Group provides office copy machines / multifunction devices, printers, production systems and services, office services, paper, consumables, and others.

### Principal products and services by operating segment

#### Office products

##### Office-use color / monochrome digital multifunction devices

#### Office printers

##### Color / monochrome office printers

#### Production services

##### On-demand publishing systems

##### Computer printing systems

#### Global services

##### Managed print services

##### Business process outsourcing



# Imaging Solutions

## Business Fields

- Photo imaging
- Optical device and electronic imaging

## Overview of the Year under Review

In the Imaging Solutions segment, consolidated revenue amounted to ¥373.6 billion, up 8.0% from the previous fiscal year. Such factors as the expanded sales of instant cameras and camera modules for use in smartphones led to the increase in consolidated revenue. Operating income amounted to ¥3.6 billion, due to strong sales in the photo imaging business, cost reductions, and other factors.



## Revenue

**¥373.6 billion**

(Compared with previous fiscal year: +8.0%)

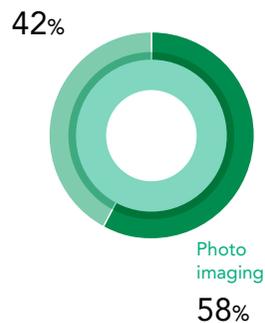
## Operating income

**¥3.6 billion**

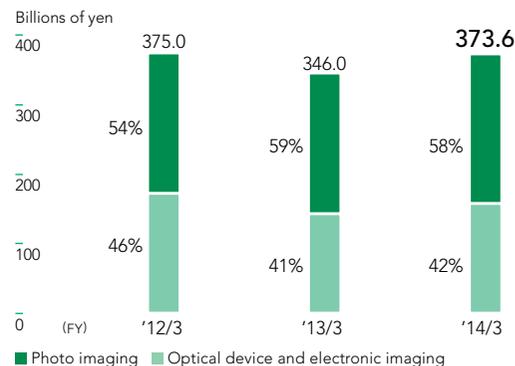
(Compared with previous fiscal year: achieved profitability)

## Percentage of revenue

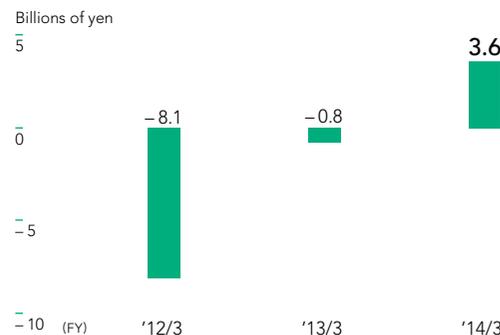
Optical device and electronic imaging



## Revenue trends



## Trends in operating income (loss)



## Reasons for changes from FY2013/3 to FY2014/3

### Increases ↑

- Strong performance of *instax* instant camera
- Increased sales of such products as camera modules for smartphones and TV camera lenses

### Decrease ↓

- Decreased worldwide demand for compact digital cameras

## Reasons for changes from FY2013/3 to FY2014/3

### Increases ↑

- Strong performance in photo imaging, including instant cameras
- Thoroughgoing reduction in fixed costs and shift to high-end models in the electronic imaging field

Billions of yen	FY2012/3	FY2013/3	FY2014/3
Revenue	¥375.0	¥346.0	¥373.6
Operating income (loss)	(8.1)	(0.8)	3.6
Total assets	327.4	327.3	322.1
Depreciation and amortization	14.6	13.3	13.5
Capital expenditures	12.9	9.8	9.3

\* Following organizational changes carried out in the first quarter of FY2014/3, the optical device business was moved from Information Solutions to Imaging Solutions. In accordance with this change, the numerical values for FY2012/3 and FY2013/3 have been restated.

## Photo imaging

## Business overview

Providing Every Product and Service Related to Taking Photos and Making Prints

Since achieving the domestic production of photographic film, Fujifilm has developed a comprehensive array of photography-related products and services. These have ranged from photographic media, such as color film and the *instax* instant camera, to such output media as photographic paper for color prints, printing equipment, and high-value-added printing services, including *Photobook*.

Performance during the Year under Review and Future Initiatives

In the photo imaging business, sales of instant cameras and instant films increased substantially due to such factors as the launch of the *instax mini 90 Neo Classic* in September 2013 and the February 2014 release of the *instax SHARE Smartphone Printer SP-1*, with which images taken with smartphones can be printed on instant films. The sales expansion of the high-value-added print business, such as for *Year Album*, and the depreciation of the yen led to an increase in overall sales.

Going forward, the photo imaging business will extend its sales of instant cameras beyond its strong center in Asia to encompass a wider area, such as the United States and Europe, and continue to raise the market share of its color paper business in, for example, high-value-added printing services.

## Optical device and electronic imaging\*

## Business overview

Providing Digital Cameras and Lenses for Wide-Ranging Applications

Fujifilm provides a wide range of lens-related products. These products include the *X Series* of premium digital cameras—which leverage Fujifilm’s exclusive technological capabilities in such areas as lenses, image sensors, and image processors—TV camera lenses, and camera modules for smartphones.

\* In June 2013, Fujifilm integrated its optical device business with its electronic imaging business and reorganized these divisions as a new business.

Performance during the Year under Review and Future Initiatives

In the electronic imaging field, sales of compact digital cameras decreased, reflecting overall worldwide decline in demand due to the spread of smartphones, but sales of the high-end *X Series* model were strong. Furthermore, the business comprehensively reduced fixed costs.

In the years ahead, Fujifilm will make efforts to expand its lineups of both the *X Series*, which leverages its exclusive technologies, and interchangeable lenses, while it works to expand sales centering on interchangeable lens-type cameras.

In the optical device field, overall sales greatly increased due to the significant rise in sales of camera modules for smartphones and the strong sales performance of such products as TV camera lenses.

Going forward under its newly reorganized structure, the optical device and electronic imaging field will be aiming to develop businesses that are capable of maximizing Fujifilm’s advanced technological capabilities relevant to lenses and images.

## T O P I C S

*instax* World Further Expanded by Smartphone Compatibility  
*instax SHARE Smartphone Printer SP-1*

The spread of smartphones with built-in cameras and growing opportunities for photography are increasing the desire among customers to print out photographed images.

Using the dedicated Fujifilm *instax SHARE* app installed on a smartphone enables the wireless transmission of image data to an *instax SHARE Smartphone Printer SP-1*, which speedily prints out the image on *instax* film. In addition to offering a connection with social networking services, this dedicated app has functions that enable the date and time, weather, and location to be printed on the photo, adding to the enjoyment of the print.



*instax SHARE Smartphone Printer SP-1*

*X Series* Premium Digital Camera Lineup Expanded  
**FUJIFILM X-T1**

In recent years, mirrorless cameras have been taking an increasing share of the interchangeable lens-type camera market. Launched in February 2014, the **FUJIFILM X-T1** premium interchangeable lens camera is receiving wide acclaim from the ranks of both professional and semipro photographers alike, who had previously and fondly used single-lens reflex cameras. Thanks to its combination of Fujifilm’s proprietary sensors, image processing engine, and high-precision **FUJIFILM X-T1** lenses, the **X-T1** realizes outstanding resolution and produces unsurpassed photo quality by drawing on the color reproduction technologies that Fujifilm has accumulated over many years.



**FUJIFILM X-T1**

# Information Solutions

## Business Fields

- Healthcare (medical systems, pharmaceuticals, life sciences)
- Graphic systems
- Flat panel display (FPD) materials
- Recording media
- Industrial products, electronic materials, and others

## Overview of the Year under Review

In the Information Solutions segment, consolidated revenue amounted to ¥933.9 billion, up 9.0% from the previous fiscal year. Strong sales in the medical systems business and the graphic systems business led to the increase in consolidated revenue. Operating income amounted to ¥72.9 billion, on par with the previous fiscal year. This result reflects such factors as strong sales in the overall medical systems business, which mainly compensated for the shortfall due to income from asset sales such as patents in the previous fiscal year.



## Revenue

**¥933.9 billion**

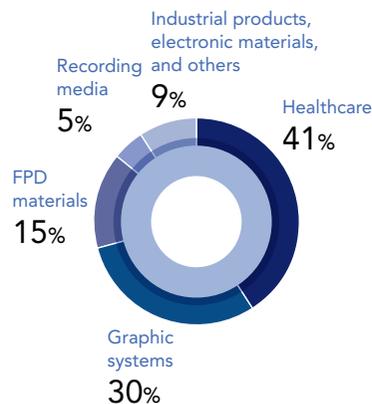
(Compared with previous fiscal year: +9.0%)

## Operating income

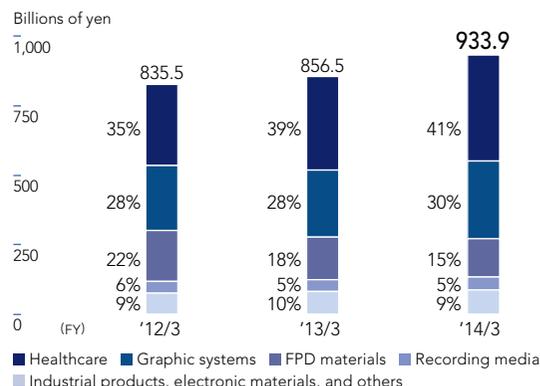
**¥72.9 billion**

(Compared with previous fiscal year: On par)

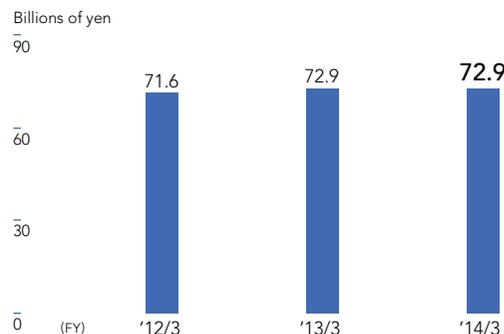
## Percentage of revenue



## Revenue trends



## Trends in operating income



## Reasons for changes from FY2013/3 to FY2014/3

### Increase ↑

- Overall, the medical systems business was strong
- In the graphic systems business, sales increased due to an expansion in the market share of computer-to-plate (CTP) plates, the depreciation of the yen, and others

### Decrease ↓

- Due to the impact of weak demand for desktop PC monitors, sales of the FPD material *WV film* decreased

## Reasons for changes from FY2013/3 to FY2014/3

### Increase ↑

- Businesses such as medical systems and graphic systems recorded an increase in marginal profits

### Decrease ↓

- In the previous fiscal year, a temporary profit was caused by factors such as patent sales

Billions of yen	FY2012/3	FY2013/3	FY2014/3
Revenue	¥835.5	¥856.5	¥933.9
Operating income	71.6	72.9	72.9
Total assets	1,268.4	1,332.8	1,336.1
Depreciation and amortization	72.4	71.8	68.6
Capital expenditures	56.2	39.9	32.4

\* Following organizational changes carried out in the first quarter of FY2014/3, the optical device business was moved from Information Solutions to Imaging Solutions. In accordance with this change, the numerical values for FY2012/3 and FY2013/3 have been restated.

**Medical systems (Healthcare)**Business overview**Providing a Wide Range of Diagnosis-Related Medical Equipment and Systems**

Beginning with the sale of X-ray films in 1936, Fujifilm has continued to provide the necessary equipment and IT systems that support the medical front line across such diverse fields as X-ray diagnostic imaging systems, endoscopes, and ultrasound diagnostic equipment. For many years, Fujifilm has been drawing on its strengths of know-how and technologies built up at the medical front line to expand its business domain. Linking these strengths in hospitals and within regions in a total system with medical IT at its core, Fujifilm will contribute to further advances in medical treatment.

Performance during the Year under Review and Future Initiatives

In the medical equipment field, Fujifilm recorded strong sales of compact and low-priced digital X-ray diagnostic imaging systems, centering on such overseas markets as emerging countries, and of DR cassette-type digital X-ray diagnostic imaging systems in Japan. Fujifilm increased its sales in the field of endoscopes by expanding sales in Japan and overseas. Sales were strong of the new-generation endoscope system, which is marketed under the *LASEREO* brand name. In the field of ultrasound diagnostic equipment, Fujifilm launched the high-end *X-Porte* model, which realizes clear, high-resolution image quality. In the medical IT field, Fujifilm significantly increased sales in Japan and overseas of such products as *SYNAPSE* picture archiving and communications systems, thereby continuing to maintain its leading share of the Japanese market.

Looking ahead, Fujifilm will make progress in business expansion in the field of diagnostics with a view to supporting diagnosis by integrated medical information.

**Pharmaceuticals (Healthcare)**Business overview**Developing the Distinctive Pharmaceuticals Business through Unique Technologies**

In the area of treatment, Fujifilm is developing business centered on three fields: low molecular drugs, biopharmaceuticals, and regenerative medicine. In addition to expanding its existing business through business corporations, including Toyama Chemical Co., Ltd., research into and the development of distinctive new drugs is being advanced at facilities that include Fujifilm's Pharmaceutical & Healthcare Research Laboratories.

Performance during the Year under Review and Future Initiatives

Sales in the pharmaceuticals business increased, reflecting among other factors strong sales of Toyama Chemical's *ZOSYN*, an antibiotic combination product incorporating a  $\beta$ -lactamase inhibitor, and in sales by FUJIFILM Pharma Co., Ltd., of Bayer Yakuin, Ltd.'s brand-name drugs. In addition, steady advances were made in the development of the drug pipeline. In March 2014, Toyama Chemical received new drug application approval in Japan for *AVIGAN® Tablet 200mg (T-705)*, a new, tablet-form anti-influenza drug. In addition, Fujifilm plans to sequentially start clinical trials of its three anticancer drugs in the United States in cooperation with the University of Texas MD Anderson Cancer Center, one of the world's most distinguished facilities for cancer research and treatment.

Looking ahead, while bringing about sales growth centered on its existing businesses, Fujifilm is aiming for an early contribution to earnings from the new drugs and will give added impetus to their development.

**Life sciences (Healthcare)**Business overview**Providing Products That Offer Improvements in the Quality of People's Health and Lives**

Having launched functional cosmetics and supplements in 2006, Fujifilm moved into the field of prevention. Leveraging the collagen-related know-how accumulated in its photography business and the strengths in its antioxidant technologies and nanotechnologies, Fujifilm is providing distinctive products.

Performance during the Year under Review and Future Initiatives

In the life sciences business, sales of the *ASTALIFT WHITE* skincare series were strong. In September 2013, Fujifilm launched the *Lunamer Acne Care (AC)* series of skincare products for adult acne and strengthened its lineup of the *Lunamer* brand of skincare products targeting women in their 20s and 30s.

Fujifilm will provide functional cosmetics and supplements as science-backed functional products that leverage its unique technologies and are thus differentiated from other companies' products.

T O P I C S

Expanding Portable Equipment Market  
Efforts in Ultrasound Diagnostic Equipment

The scale of the global market for ultrasound diagnostic equipment is more than ¥500 billion, of which the largest component is the market for medical diagnostic imaging equipment. Although stationary equipment is currently mainstream, portable equipment is forecast to experience high growth in the years to come.

To respond to this expected expansion in the portable equipment market, the Company acquired SonoSite, Inc. (currently FUJIFILM SonoSite, Inc.), of the United States, in FY2012/3. As of June 2014, SonoSite boasted the second-largest share of the market for portable ultrasound diagnostic equipment. By accurately examining the needs on the medical front line in the point-of-care market and creating products to fulfill those needs, this company has cultivated new application fields. SonoSite possesses advanced technologies to reduce the size and weight of its equipment and maintain the robustness of its probes.\* In providing groundbreaking products that combine those technologies with Fujifilm's strengths in imaging technologies, the Group will have an even greater competitive edge in the market. This will also allow the synergies of the two companies' sales networks to be maximized.

The Fujifilm Group is working to increase sales of ultrasound diagnostic equipment by more than 10% per year and aiming to acquire the leading share of the global market for portable ultrasound diagnostic equipment.

First Product Jointly Developed by Fujifilm and SonoSite  
FUJIFILM FC1 Next-Generation Portable Ultrasound Diagnostic Equipment

Fujifilm launched FUJIFILM FC1, the portable ultrasound diagnostic equipment jointly developed with FUJIFILM SonoSite. Battery-powered, easily portable, and capable of being used for diagnostic visits, this piece of equipment exhibits the special feature of being able to clearly examine an area for diagnosis without complex controls. In addition, the equipment's probe\* features improved durability against being dropped or shaken.



FUJIFILM FC1

Sharp contrast and high-resolution, easy operation with a full-screen touch panel  
X-Porte High-End Ultrasound Diagnostic Imaging Equipment

Realizing clear, high-resolution picture quality by means of Fujifilm's original image processing technologies, X-Porte high-end ultrasound diagnostic imaging equipment enables simple, rapid operation by the adoption of a full-screen touch panel in the control unit. X-Porte is also fitted with a function that explains operations and image interpretation methods.

Aiming to further strengthen its presence in the point-of-care market, the Group is focusing on the stationary equipment market centered on X-Porte and will widely deploy the equipment around the world.



X-Porte

\* Probe: The part of a sensor that comes into contact with a patient's body at the time of diagnosis.

T O P I C S

An Emphasis on the Oncology Domain  
Progress Report on Development of New Drugs

The Fujifilm Group is working on new drug R&D with an emphasis on areas of medicine, primarily cancer, for which there is currently no effective method of treatment. By leveraging its fundamental technologies in analysis and synthesis, Fujifilm is making progress in new drug R&D using new approaches, such as interaction analysis and promoting the application of challenging compounds.

Development No.	Therapeutic category	Formulation	Region	Development stage
T-705	Anti-influenza drug	Oral	United States	Phase III
T-3811	Quinolone synthetic antibacterial drug	Oral	China	Submitted an application for permission
T-2307	Antifungal drug	Injection	United States	Phase I
T-817MA	Alzheimer's disease drug	Oral	United States	Phase II
			Japan	Phase II
T-4288	Macrolide antibacterial drug	Oral	Japan	Phase I
ITK-1	Anticancer drug (prostate cancer)	Injection	Japan	Phase III
FF-10501	Anticancer drug (myelodysplastic syndrome)	Oral	Japan / United States	Phase I / Preparing for Phase I
FF-21101	Anticancer drug (intractable solid cancer) (armed antibody)	Injection	United States / Europe / Japan	Under nonclinical trial
FF-10502	Anticancer drug (intractable solid cancer)	Injection	United States / Europe / Japan	Under nonclinical trial
F-1311	Radiopharmaceuticals (diagnosis drug for prostate cancer)		Japan	Phase I

\* As of June 2014

## Graphic systems

Business overviewProviding Printing and Newspaper Companies throughout the World with Printing Materials and Equipment

In addition to graphic arts films and computer-to-plate (CTP) plates for printing, Fujifilm's graphic systems business provides products such as printing chemicals. Fujifilm also develops a wide range of products in the growth field of digital printing and in the inkjet business field.

Performance during the Year under Review and Future Initiatives

Sales increased substantially in the period under review due to the expansion of the market share of CTP plates and the depreciation of the yen. Moreover, in November 2013, Fujifilm and the German company Heidelberger Druckmaschinen AG signed a basic agreement covering a strategic partnership in the area of inkjet printing in the digital printing market.

Going forward, Fujifilm will work to expand sales overall by increasing its market share of CTP plates, which is one of its main products, and focusing on growing sales of digital printing devices.

## Flat panel display materials

Business overviewProviding Indispensable Film for LCDs

Fujifilm manufactures and markets the film used for the polarizers found in liquid crystal displays (LCDs) in TVs, notebook PCs, and monitors. In addition to *FUJITAC* protective film for polarizers, Fujifilm provides such products as *WV film* that expands viewing angles and for which Fujifilm enjoys a 100% market share.

Performance during the Year under Review and Future Initiatives

While sales of *WV film* decreased due to weak demand for desktop PC monitors, sales of VA mode and IPS mode film remained steady as TV screens continued to grow in size.

Fujifilm is planning to expand and strengthen its product lineup and will increase sales of its thinner film products for small and medium-sized displays to meet the expanding demand for smartphones and tablet PCs.

## Industrial products, electronic materials, and others

Business overviewOffering a Wide Range of Industrial-Use Equipment and Materials

Fujifilm provides a wide range of industrial-use equipment and materials, such as non-destructive testing equipment and materials, various types of highly functional films, and semiconductor processing materials. Fujifilm is moving ahead with the development of new materials by leveraging technologies it has accumulated over many years.

Performance during the Year under Review and Future Initiatives

Overall sales in this business increased substantially as a result of steady sales of such products as industrial-use X-ray films and *Prescale*, a pressure measurement film. Also making significant contributions to increased sales were new highly functional materials, such as *EXCLEAR*, a sensor film for touch panels fitted in smartphones, tablet PCs, and notebook PCs, and backsheets for solar cells.

Fujifilm is working to expand its sales in the environmental and energy fields as well as in the touch panel field, where further growth is expected.

A substantial increase in sales was recorded in Fujifilm's electronic materials business, reflecting strong sales of CMP slurries for Taiwan and treatment agents for Europe and the United States.

Going forward, Fujifilm will provide an extensive lineup of products, including photo resist and CMP slurries.

Recording media

Business overview

Providing Magnetic Recording Tape to Meet Needs in the Expanding Data Archive Field

Fujifilm provides large-capacity, highly reliable computer tape used by data storage centers and professional-use videotape products.

Performance during the Year under Review and Future Initiatives

Overall sales in this business increased on the back of robust sales of the magnetic tapes for data storage that incorporate barium ferrite (BaFe) particles, the depreciation of the yen, and other factors.

Going forward, Fujifilm is seeking to provide more high-value-added products and services in this field. For example, in conjunction with expanding sales in the field of archived data by its ongoing promotion of magnetic tapes with larger storage capacity using the Group's unique technologies, Fujifilm is promoting the *d:ternity* data archive service being introduced in Europe, the United States, and Japan.

T O P I C S

Increasing Capacity Dramatically by Adoption of BaFe Particles  
Magnetic Tapes for Data Storage Being Reviewed in Markets

Due to the growing storage capacity of digital devices and increasingly high image definition, there has been an overwhelming rise in storage capacity around the world. Among the technologies to help address this situation, magnetic tape is being reviewed as a recording media that offers advantages in terms of the length of archival life, reliability, and cost when compared with the currently mainstream hard disk drive (HDD). The global production of magnetic tape, for which Fujifilm boasts the top share,\*1 has increased in recent years.

Fujifilm was the first to adopt barium ferrite (BaFe) particles as a raw material for magnetic tape. Compared with products in which conventional metal particles have been used, BaFe particles provide a dramatic increase in magnetic tape storage capacity. In operating tests conducted jointly with IBM Corporation, magnetic tape containing BaFe particles demonstrated data recording and playback at 85.9Gbps,\*2 the world's best areal data density for a coating-type magnetic tape.\*3 This breakthrough in data density will lead to the development of a data cartridge capable of storing up to 154TB (terabytes\*4) per roll. The possibilities of volume production of the magnetic tapes is being considered.

\*1. In terms of producer share (Fujifilm data, as of May 2014)  
\*2. Abbreviation for gigabits per square inch, the unit that indicates areal density  
\*3. As of May 2014. Based on a demonstration experiment conducted at IBM Research-Zurich  
\*4. 1TB (1 terabyte = 1,000GB) is 10<sup>12</sup> bytes, which is the equivalent capacity of approximately 200 DVDs.



Safe, Low-Priced, Long-Term Archiving of Large Amounts of Digital Data Using Magnetic Tape

*d:ternity* Data Archive Service

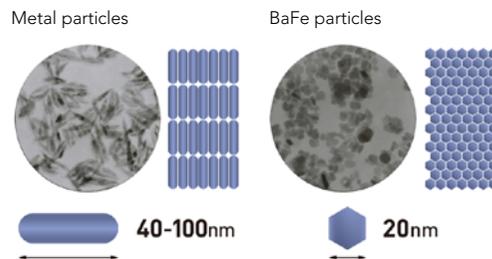
Fujifilm started to provide the *d:ternity* data archive service to corporate customers in Japan using magnetic tapes in April 2014. This service saves on magnetic tape for various types of digital data—including content from video production, corporate research data, and medical data—and keeps that data in long-term storage at data centers, which offer safety and low cost.

Considering all the data in the world to be an important asset for humankind, Fujifilm will provide optimal services and solutions to respond to the wide-ranging needs of its customers for data storage.



*d:ternity* Data Center

Superior Features of BaFe Particles



Larger Capacity	Miniaturizing the magnetic particles permits greater particle coverage and realizes larger capacity.
Long Archival Life	Since BaFe particles are already oxidized, deterioration through oxidation does not occur. Thus long-term storage equivalent to 30 years is possible.
Recording Stability	Featuring superior frequency characteristics, BaFe particles permit highly precise recording / playback and the stable writing of data.

## Document Solutions

### Business Fields

- Office products
- Office printers
- Production services
- Global services

### Overview of the Year under Review

In the Document Solutions segment, consolidated revenue increased to ¥1,132.5 billion, up 11.9% from the previous fiscal year, reflecting such factors as the growth of sales in all sales areas, Japan, the Asia-Oceania region, and export shipments to Xerox Corporation as well as the positive effects of yen depreciation. Operating income amounted to ¥96.0 billion, up 26.5% from the previous fiscal year, reflecting increases in gross profit due to revenue growth, the reduction in manufacturing costs, and further cost efficiency.



### Revenue

**¥1,132.5 billion**

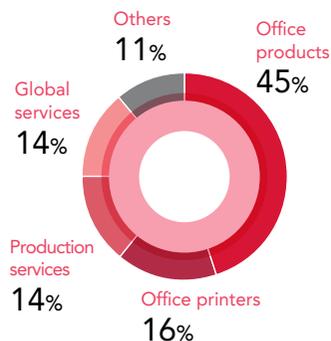
(Compared with previous fiscal year: +11.9%)

### Operating income

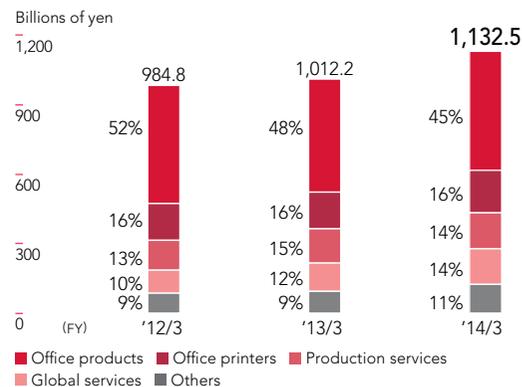
**¥96.0 billion**

(Compared with previous fiscal year: +26.5%)

### Percentage of revenue



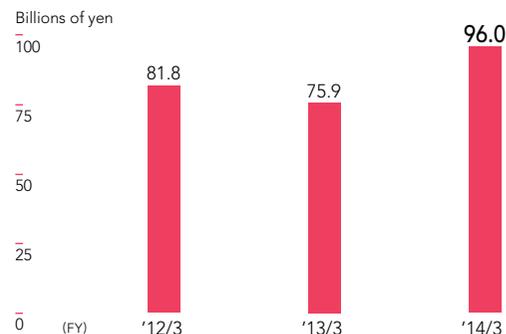
### Revenue trends



### Reasons for changes from FY2013/3 to FY2014/3

- Increase ↑**
- Growth in sales was recorded in all sales areas, Japan, the Asia-Oceania region, and export shipments to Xerox Corporation

### Trends in operating income



### Reasons for changes from FY2013/3 to FY2014/3

- Increases ↑**
- Gross profit increased, reflecting revenue growth
  - Manufacturing cost improvements and higher cost efficiency

Billions of yen	FY2012/3	FY2013/3	FY2014/3
Revenue	¥984.8	¥1,012.2	¥1,132.5
Operating income	81.8	75.9	96.0
Total assets	988.4	1,091.0	1,141.2
Depreciation and amortization*	57.5	53.1	56.1
Capital expenditures*	19.3	24.8	23.9

\* Excluding rental equipment

### Office products

#### Business overview

#### Providing Offices with Digital Multifunction Devices, Etc.

Regarding its office products business, Fuji Xerox manufactures and markets full-color and monochrome digital multifunction devices for office use. Providing software that links a range of office systems, applications, and multifunction devices, Fuji Xerox is rolling out a variety of solutions services in document management and mission-critical operations.

#### Performance during the Year under Review and Future Initiatives

In Japan, sales volumes of full-color products increased as a result of strong sales of the *ApeosPort-V/DocuCentre-V* series of full-color digital multifunction devices that was launched in November 2013. In the Asia-Oceania region, sales volumes of both full-color and monochrome models rose. In shipments to Xerox Corporation, sales volumes of full-color models expanded.

Going forward, Fuji Xerox will aim to become a trusted partner with its customers by providing solutions and services that link multifunction devices.

### Office printers

#### Business overview

#### Pursuit of Compact, High-Performance, and High-Quality Images

By providing color and monochrome office printers, Fuji Xerox is developing markets in Japan and the Asia-Oceania region as well as those in Europe and the United States by OEM supply.

#### Performance during the Year under Review and Future Initiatives

In Japan, sales volumes of monochrome models rose compared with the previous fiscal year. Regarding the Asia-Oceania region, sales volumes increased, reflecting strong sales of full-color and monochrome models. Regarding exports to Xerox Corporation, while sales volumes of monochrome models decreased, sales volumes of full-color models increased.

Going forward, Fuji Xerox will continue to expand its market share by focusing on the Asia-Oceania region, which is showing remarkable market growth.

### Production services

#### Business overview

#### Leading the Digital Printing Market with High-Speed / High-Quality Digital Printing System Products

In addition to providing systems for the digital printing market and continuous-feed printers for mission-critical operations, Fuji Xerox's production services business provides services for business workflow and marketing communications.

#### Performance during the Year under Review and Future Initiatives

In Japan, while the production services business suffered a decrease in sales volumes of small and medium-sized printers for mission-critical operations, sales volumes of color on-demand publishing systems and monochrome production printers increased. In the Asia-Oceania region and in shipments to Xerox Corporation, sales volumes increased mainly due to higher sales of color on-demand publishing systems.

In the years to come, Fuji Xerox aims to expand the business by strengthening its product lineup.

Global services

Business overview

Helping Customers Overcome Management

Challenges through Improvements in Document and

Business Processes

Fuji Xerox's global services business supports improvements in productivity, printing cost reductions, the reduction of environmental impact, and security improvements at companies undertaking global business development. These are achieved by services centered on the outsourcing of document-related operations.

Performance during the Year under Review and Future Initiatives

Revenue increased in Japan and the Asia-Oceania region due to continued growth of managed print service (MPS) that realizes the optimization of office document output environments by undertaking the management and operation of printing devices. In the years ahead, Fuji Xerox plans to expand its service business in the Asia-Oceania region by maximizing synergies with an Australian service provider acquired in FY2013/3.

T O P I C S

Efforts to Strengthen Production Capabilities in Targeting Top Position in Global Market

Fuji Xerox Hai Phong Co., Ltd., Established in Vietnam

Fuji Xerox established a new manufacturing base, its first in 18 years, in Vietnam. Up until that time, Fuji Xerox had produced approximately 90% of the Document Solutions segment's products—such as digital color multi-function devices and compact LED printers—at two bases (Shenzhen and Shanghai) in China. While avoiding the over-concentration of manufacturing bases, establishing the new base in Vietnam enables a corresponding increase in production for Fuji Xerox in the Asia-Oceania region, where market growth is expected, as well as in Europe, the United States, and emerging markets. In addition, Vietnam is part of Southeast Asia, which has been making steady progress toward industrialization. Consolidating the production of office and other equipment offers added benefits, including the extensive land transport networks connecting the country with China, Thailand, and other ASEAN countries, which facilitates Fuji Xerox in the establishment of smooth supply chains.

In addition to digital color multifunction devices and compact LED printers, Fuji Xerox Hai Phong is planning to manufacture components, such as the printed circuit boards and drum cartridges used in these devices. Also, Fuji Xerox is planning to spread parts procurement throughout Asia to reduce costs. To establish a Companywide decentralized system, Fuji Xerox will further accelerate the standardization of manufacturing lines and tools, promote "production platforms" that enable the production of multiple models on a same manufacturing line, and continue working to curtail total costs.



Fuji Xerox Hai Phong Co., Ltd.

Overview of Fuji Xerox Hai Phong

Company name	Fuji Xerox Hai Phong Co., Ltd.
Location	Hai Phong, Vietnam (inside Vietnam Singapore Industrial Park)
Land area	176,700m <sup>2</sup>
Establishment	August 2012 (in operation November 2013)
Capital	US\$36 million (Fuji Xerox Asia Pacific Pte Ltd. investment 100%)
Representative	Masaaki Nabeta
Number of employees	Approximately 500 (at its establishment)
Business lines	Manufacture and export of copy machines / multifunction devices / printers Manufacture and export of components related to copy machines / multifunction devices / printers
Manufacturing capacity	Copy machines / multifunction devices / printers: 2 million units/year
Investment amount	Approximately ¥9.0 billion (plant, office building, and equipment)

Promoting the Creation of New Business through a Groupwide and Cross-Sectional R&D Structure

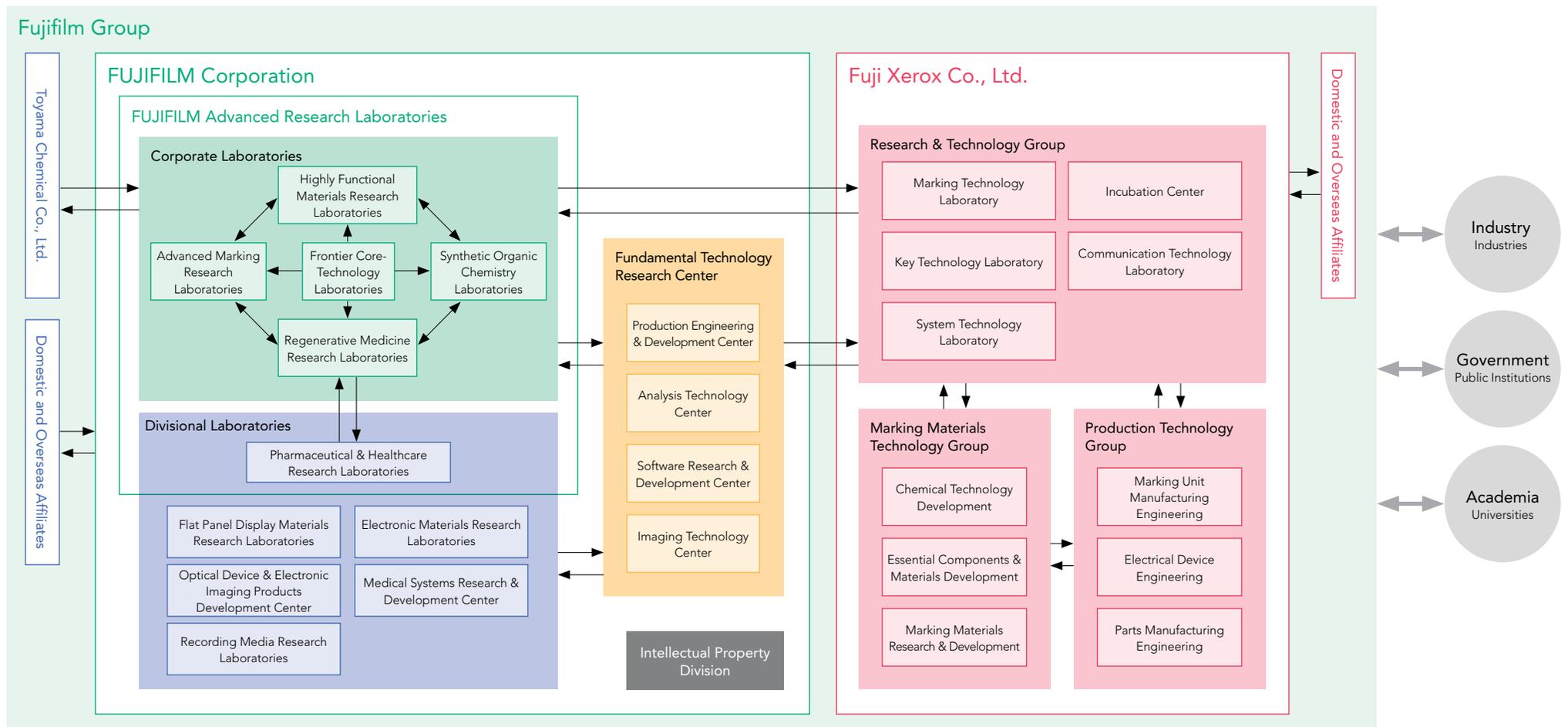
The Fujifilm Group recognizes the accelerated pace of major shifts within each era as well as intensifying competition as opportunities to expand its business. From 2006, the Group has taken steps to comprehensively review its R&D structure to capitalize on these opportunities.

The Company consolidated its network of R&D

bases, which operated on a regional and individual basis, into the FUJIFILM Advanced Research Laboratories. Meanwhile, Fuji Xerox restructured its R&D systems around the hub of two bases in Yokohama and Ebina. Through these measures, the Group is working to integrate its wide range of technologies into a cross-sectional structure.

Fujifilm Named a 2013 Top 100 Global Innovator by Thomson Reuters Corporation

Drawing on its intellectual property and intelligence collaboration platform, Thomson Reuters undertakes an evaluation of leading global innovators based on four principal criteria: overall patent volume, patent grant success rate, global reach of the portfolio, and patent influence as evidenced by citations. FUJIFILM Corporation was selected as one of the top 100 companies for its particularly high overall patent volume. The Company also received high scores for its patent grant success rate as well as the global reach of its portfolio and patent influence as evidenced by citations.

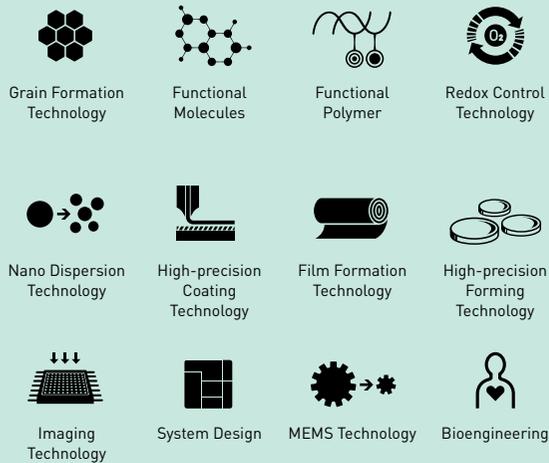


Refining Unique Technologies and Creating New Value

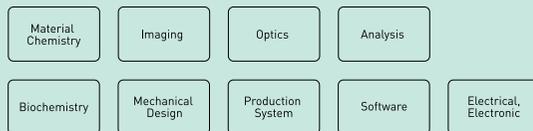
Based on the fundamental technologies that underpin its businesses, the Fujifilm Group has been refining its core technologies that differentiate itself to create new products and value and that are the driving force behind its business diversification.

Here we present some examples of products that have been created by combining these technologies.

Core Technologies



Fundamental Technologies



SYNAPSE 3D

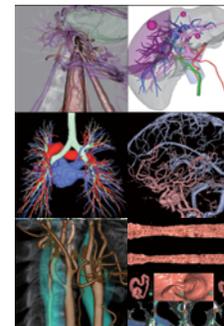
3D Image Analysis System for Medical Purposes

Three-dimensional (3D) image analysis systems enable two-dimensional (2D) images of organs and blood vessels, captured using CT and MRI, to be viewed in three dimensions. Many of these systems are in use at hospitals for pre-surgery simulation or informed consent procedures. Fujifilm's SYNAPSE 3D system allows high-definition 3D image analysis in a variety of medical disciplines, including the radiology, cardiovascular, digestive, and respiratory fields. The SYNAPSE 3D system leverages image recognition technologies that had allowed the further evolution of the proprietary *Image Intelligence*<sup>TM</sup> image processing technologies. The latter had been accumulated through R&D conducted into digital imaging technologies in silver halide photo system image analysis and evaluation technologies in the fields of photography, medical imaging, and printing. These technologies enable the automatic extraction, in high definition, of images ranging from an extremely thin bronchus of not more than 1mm to details of the pulmonary artery and pulmonary vein.

Core Technology



Fundamental Technology



Recombinant Peptide

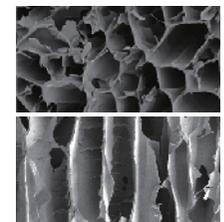
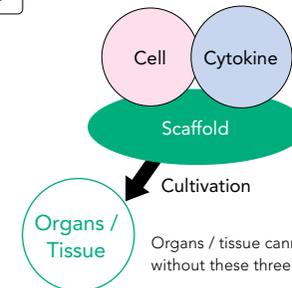
Biomaterial for Regenerative Medicine

In the course of its research into collagen, the main raw material in photographic film, Fujifilm had been working on the development of a recombinant peptide (RCP), which is designed based on human-type collagen. There are three main components in regenerative medicine: "cells" that differentiate and proliferate to form human tissue; "cytokine," which induces cell differentiation and proliferation; and the "scaffold" needed for cells to grow and proliferate normally. Fujifilm developed an RCP with excellent biocompatibility to act as this scaffold. Produced by genetic engineering, this RCP is safe, effective, easy to process, and of high quality. Fujifilm is moving ahead with strengthening its regenerative medicine business and R&D systems and accelerating the efforts being made toward practical applications for regenerative medicine.

Core Technologies



Fundamental Technology



Possessing high processability properties, our RCP can be offered in various forms, such as sponges, films, and granules, to suit the application.

Organs / tissue cannot be made without these three elements.

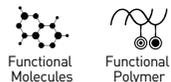
## ASTALIFT Jelly Aquarysta

### Functional Cosmetics

For many years, Fujifilm has been furthering its research into collagen, which is the main component of photographic film and the chief constituent of human skin, and into the oxidation that causes photos to fade in the same way as age spots and aging of the skin occur. The finishing of a stunning photograph requires technologies that steadily deliver micro particles to designated locations, and advanced nano dispersion technologies have been accumulated.

In its jelly-like serum *ASTALIFT Jelly Aquarysta*, Fujifilm utilized its technologies to develop the nano dispersion of human-type ceramides, which have the same structure as the skin's own ceramides that act as a barrier and retain moisture. Fujifilm has realized a stable, high-density formula through which nano ingredients penetrate and bring lasting moisture to the corneal layer.

#### Core Technologies



Functional Molecules

Functional Polymer



Redox Control Technology

Nano Dispersion Technology

With easily crystalized ceramides produced at a minute size (approx. 20nm) about one-tenth that of conventional ceramide molecules, dispersion is possible without using oils or emulsifiers.

Fujifilm's human-type nano ceramides (Micronization using just ceramides) About 20nm

#### Fundamental Technology

Material Chemistry



Conventional human-type ceramides (Capsule containing ceramides) 100nm-300nm

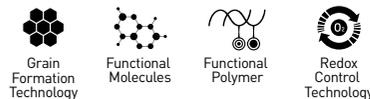
## EXCLEAR

### Sensor Film for Touch Panels

Through its production of photographic film, Fujifilm has been refining its technologies in organic synthesis and high-precision, multilayer coatings and has realized the even and separate coating of nearly 20 layers onto a base film of an emulsion, itself containing more than 100 types of organic chemical compounds, to a thickness that is one-fifth that of a single human hair.

Drawing on the same principles used in the manufacturing of monochrome photographic film, *EXCLEAR* applies high-sensitivity silver halide, through which an electric current is passing, onto transparent film to act as a base. Using precision digital exposure technology, the conductive material—in the form of a mesh pattern of varying thicknesses and densities on both sides of the film—is used as a sensor film for touch panels on smartphones and tablet PCs as well as standard PCs. Demonstrating low resistance and realizing high transparency and flexibility, *EXCLEAR* enables fast response speeds, even as screens have grown in size, as well as three-dimensional processing.

#### Core Technologies



Grain Formation Technology

Functional Molecules

Functional Polymer

Redox Control Technology



Nano Dispersion Technology

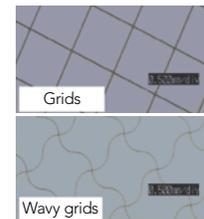
High-precision Coating Technology

Film Formation Technology

#### Fundamental Technologies

Material Chemistry

Imaging



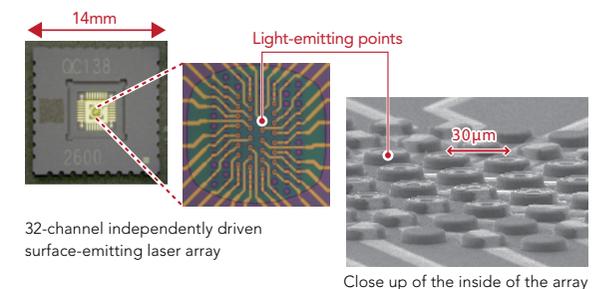
The precise digital exposure technology that coats the high-sensitivity silver halide onto the film enables free patterning at various thicknesses, either on one side or both sides.

## VCSEL

### Vertical Cavity Surface Emitting Laser

Having developed the product in house, Fuji Xerox is handling the production of the vertical cavity surface emitting laser (VCSEL), which forms a key component in efforts to raise the operating speeds and image quality of copy machines and multifunction devices.

Used as the light source in scanning-type light exposure equipment, VCSEL realizes high-quality, 2,400dpi resolution images by simultaneously controlling 32 laser beams and should thus be called the heart of a copy machine. To achieve this high-image-quality printing requires the light intensity of each beam to be equalized at the 32 light-emitting points. In conjunction with the uniformity in light-intensity with variations falling within 1% due to light intensity characteristics, Fuji Xerox's VCSEL maintains a uniform light emission area diameter.



#### Core Technology



#### Fundamental Technology

Optics

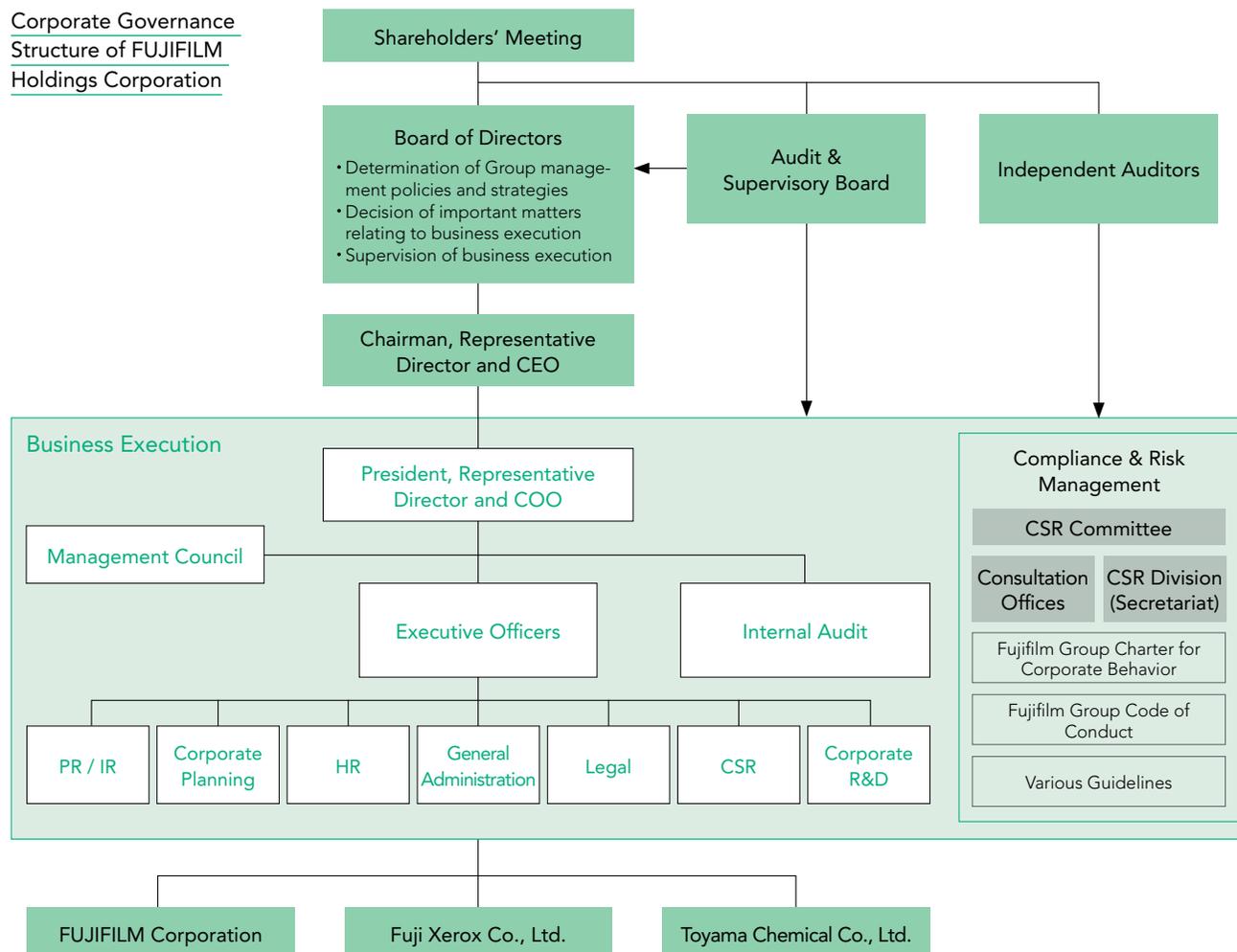
Basic Policy

The Company recognizes that the main mission of a corporation 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 Groupwide efforts to

achieve corporate governance consistent with a holding company and to maximize corporate value.

The Fujifilm Group aims to constantly improve the transparency and soundness of its Group management.

Corporate Governance Structure of FUJIFILM Holdings Corporation



Corporate Governance Structure (As of June 27, 2014)

Organizational format	Company with an Audit & Supervisory Board system
Number of Directors (number of outside Directors)	12 (2)
Number of outside Directors designated as independent Directors	2
Chairperson of the Board of Directors	Chairman
Number of Board of Directors meetings held (during the fiscal year ended March 31, 2014)	11
Directors' term of office	One year (the same term of office applies to outside Directors)
Incentive compensation to Directors	Introduction of a stock option system
Number of Audit & Supervisory Board members (number of outside Audit & Supervisory Board members)	4 (2)
Number of Audit & Supervisory Board meetings held (during the fiscal year ended March 31, 2014)	10
Number of independent officers	4
Adoption of an executive officer system	Yes
Independent auditors	Ernst & Young ShinNihon LLC

### Directors and the 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 supervising the implementation of business affairs. The Company's Articles of Incorporation stipulate that the Board can consist of up to 12 Directors. Currently, the Board has 12 Directors, including two outside Directors. The Board's regular meetings are held in principle once a month, with extraordinary Board meetings held on an as-required basis. In addition, certain matters are deliberated and resolved flexibly at Board of Directors' meetings convened by Directors with special authority. To better clarify their missions and responsibilities, the Company's Directors have a one-year term of office.

Meanwhile, the Company has adopted a remuneration system incorporating a stock option plan to make its Directors, excluding outside Directors, share a mutual interest—fluctuations in stock prices—with its shareholders. In this way, Directors are in fact encouraged to act with a stronger drive and motivation to achieve higher corporate value.

### Executive Officer System

The Company has adopted an executive officer system to facilitate agile 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 12 executive officers, including 6 concurrently serving as Board members. 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 deliberates on the measures adopted by executive officers to implement particularly important initiatives in accordance with the

basic policies, plans, and strategies formulated by the Board of Directors.

### Audit & Supervisory Board and Audit & Supervisory Board Members

The Company has adopted an audit and supervisory board system with an audit and supervisory board, which currently consists of four members, including two outside Audit & Supervisory Board members. As an independent organization with key roles and responsibilities in the Company's corporate governance system, Audit & Supervisory Board members audit the entire scope of Directors' performance of their duties following audit policies and an audit plan in conformity with the Audit & Supervisory Board members' audit standards determined by the Audit & Supervisory Board. At meetings of the Audit & Supervisory Board, which are held in principle once a month, information on audit results is shared among Board members. In addition, all Audit & Supervisory Board members attend meetings of the Board of Directors, while the full-time Audit & Supervisory Board members 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 Audit & Supervisory Board members with the aim of strengthening the audit functions of the Audit & Supervisory Board.

### Internal Audits

The Company has an Internal Audit Division, which currently comprises nine personnel, as an internal auditing unit that is independent from business operations. 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 in 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." Moreover, designated staff are appointed to operating companies and audits are conducted across a wide range of areas, including the environment, quality control, security, labor, export control, and issues relating to the Pharmaceutical Affairs Law of Japan.

### Accounting Audits

The Company engages Ernst & Young ShinNihon LLC as its independent auditors. Ernst & Young ShinNihon expresses an audit opinion on the Company's financial statements from an independent standpoint. In addition to accounting audits, Ernst & Young ShinNihon commenced auditing of the Company's internal control of its financial reporting from the fiscal year ended March 31, 2009 (FY2009/3).

### Outside Directors and Audit & Supervisory Board Members

Two of the Company's 12-member Board of Directors are outside Directors. Outside directors request explanations as necessary to ensure appropriate decision making by the Board of Directors while also providing appropriate management supervision.

Two of the Company's Audit & Supervisory Board members are appointed from outside the Company. These outside Audit & Supervisory Board members request explanations when necessary and make comments where appropriate at the Board of Directors' meetings that they attend. During the fiscal year under review, outside Audit & Supervisory Board members asked questions and expressed their opinions at the meetings of the Audit & Supervisory Board that they attended.

The Company has notified each stock exchange in

Japan of the designation of two outside Directors and two outside Audit & Supervisory Board members as its independent officers pursuant to the Securities Listing Regulations of Japanese stock exchanges.

### Support System for Outside Directors and Outside Audit & Supervisory Board Members

The Legal Division, as the office for the Board of Directors, prepares materials and provides outside Directors and outside Audit & Supervisory Board members with information relating to proposals submitted to regular Board of Directors' meetings. The office also provides them with supplementary explanations where requested. The internal auditing unit, as the office for the Audit & Supervisory Board, provides support to outside Audit & Supervisory Board members in such areas as the preparation of materials and the provision of relevant information for regular meetings of Audit & Supervisory Board members. The materials prepared are

used to promote information sharing between full-time and outside Audit & Supervisory Board members.

### Remuneration to Directors and Audit & Supervisory Board Members

The Company discloses the number of individuals to whom remuneration is paid and the total amount of remuneration by Directors as well as Audit & Supervisory Board members. Remuneration and other important matters relating to Directors as well as Audit & Supervisory Board members are determined by way of resolution at the Company's annual general meeting of shareholders. In this manner, steps are taken to determine the total maximum amounts of compensation payable to Directors as well as Audit & Supervisory Board members. Remuneration (including bonuses) paid to each Director is determined by a resolution of the Board of Directors. Remuneration (including bonuses) paid to each Audit & Supervisory Board member is determined based on

deliberations between Audit & Supervisory Board members. The basic remuneration of Directors as well as Audit & Supervisory Board members is paid as a fixed remuneration amount in accordance with individual duties and status, whether full or part time. Directors' bonuses are determined in accordance with the Company's business results and individual Director's responsibilities and performance.

The Company has introduced a stock option system in connection with the payment of remuneration to Directors (excluding outside Directors). The stock option system was introduced as an incentive to further motivate Directors to enhance corporate value. The number of stock options allocated adopts a different balance from the process used to pay basic compensation and bonuses. In determining the number of stock options allocated, consideration is given to each Director's position, responsibilities, authority, and contribution to business results and determined by the Board of Directors in accordance with established rule.

### Reasons for Selecting Outside Directors and Outside Audit & Supervisory Board Members and the Status of Attendance at Meetings of the Board of Directors and Audit & Supervisory Board during FY2014/3

	Reasons for Selection	Meetings of Board of Directors	Meetings of Audit & Supervisory Board
<b>• Outside Directors</b>			
Teisuke Kitayama	The appointment reflected the determination that Mr. Kitayama could provide proper advice and opinions to the Company's Board of Directors from an objective standpoint and ensure the validity and relevance of decisions made by the Board by drawing on a wealth of experience and wide range of knowledge gained through high-level management positions at financial institutions.	10 / 11	—
Hiroshi Inoue	The appointment reflected the determination that Mr. Inoue could provide proper advice and opinions to the Company's Board of Directors from an objective standpoint and ensure the validity and relevance of decisions made by the Board by drawing on a wealth of experience and wide range of knowledge gained through high-level management positions at broadcasting companies.	—*	—
<b>• Outside Audit &amp; Supervisory Board Members</b>			
Kiichiro Furusawa	The appointment reflected the determination that Mr. Furusawa could appropriately implement audits of the execution of Directors' duties by making proper statements to the Company's Board of Directors from an objective standpoint and putting forward proper questions and opinions to the Audit & Supervisory Board by drawing on a wealth of experience and wide range of knowledge gained through high-level management positions at financial institutions.	9 / 11	9 / 10
Takeo Kosugi	The appointment reflected the determination that Mr. Kosugi could appropriately implement audits of the execution of Directors' duties by making proper statements to the Company's Board of Directors from an objective standpoint and putting forward proper questions and opinions to the Audit & Supervisory Board by drawing on a wealth of experience and wide range of knowledge in corporate legal affairs as a legal expert and as an attorney-at-law at Matsuo & Kosugi Law Offices.	11 / 11	10 / 10

\* Newly appointed on June 27, 2014 (current position)

For a brief history of each outside Director and outside Audit & Supervisory Board member, please see page 43 (Management Structure).

### Amount of Remuneration Paid to Directors and Audit & Supervisory Board Members (For FY 2014/3)

Subject of Remuneration	Number of People	Remuneration Amount
Directors (Outside Directors)	15 (1)	¥640 million (¥ 9 million)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	6 (3)	¥ 68 million (¥27 million)
Total (Outside Director, Audit & Supervisory Board members)	21 (4)	¥709 million (¥36 million)

\* The following items are also included in the aforementioned amounts of remuneration.  
 1. Bonuses paid to Directors for FY2014/3  
 Directors: ¥77 million paid to 12 Directors (¥1 million paid to one outside Director)  
 Audit & Supervisory Board members: ¥7 million paid to five Audit & Supervisory Board members (¥4 million paid to three outside Audit & Supervisory Board members)  
 2. Amount of remuneration paid by way of stock options  
 Directors: ¥302 million paid to 11 Directors

### Internal Control

The Company has adopted a Corporate Philosophy that 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." To fulfill its corporate social responsibility (CSR), which forms the basis of its Corporate Philosophy, every effort is being made to increase awareness toward the importance of compliance and to establish a risk management structure and systems.

The Fujifilm Group interprets compliance as the appropriate action of individuals and companies in accordance with ethical principles and common sense, in addition to observing laws. Lack of awareness of compliance often leads to increased risk. Consequently, compliance and risk management represent two sides of the same coin. Guided by this fundamental stance, the Fujifilm Group has established the CSR Committee to engage in comprehensive and integrated internal control management encompassing compliance and risk management.

### Compliance

The Fujifilm Group has formulated the Fujifilm Group Charter for Corporate Behavior and established the Fujifilm Group Code of Conduct. Through its Compliance Statement, the Group has clarified its commitment to prioritizing compliance in the conduct of its business activities. Moving forward, the Group will ensure that its activities and behavior adheres strictly to all statutory and regulatory requirements as well as the highest ethical standards.

In addition to the CSR Committee, the Company has established a designated division that is exclusively responsible for promoting compliance and instilling a compliance-based mind-set throughout the Group, including domestic and overseas affiliates. Moreover, the Company has set up points of contact both within and outside the Group to

provide consultations and support communication. This effort is meant to facilitate the early detection of illegal or improper behavior and ensure prompt and appropriate response measures. All communications and information are kept confidential and reported to the CSR Committee.

While complying with all statutory and regulatory requirements as a matter of course, the Company has put in place a set of internal rules to ensure that business activities are conducted in an open and fair manner. Group companies are further required to carry out their duties in accordance with these rules. In recent years, anti-corruption legislation has attracted growing attention. Given this trend, anti-corruption rules have been progressively adopted at affiliated companies both in Japan and overseas where the Fujifilm Group has particularly close contact with public and other officials since April 2012. At the same time, periodic checks are made to assess the status of compliance.

Complementing these measures, the Group conducts regular education and training across such wide-ranging fields as information security, export management, and harassment. Through these means, the Group is committed to thoroughgoing measures aimed at continuously enhancing compliance awareness.

### Risk Management Systems

In addition to building a sound risk management structure and system at each Group company, the CSR Committee puts in place a basic risk management policy from a Group-wide perspective while considering and promoting appropriate countermeasures for important risk items. Moreover, steps are taken to issue rules and guidelines and to prepare appropriate manuals with respect to the variety of business-related risks associated with information management, health and safety, and the environment as well as disaster prevention as a part of comprehensive risk management endeavors. Important risk-related information is reported to the CSR Committee Secretariat in accordance with predetermined procedures. As a unit that is independent from

business operations, the Internal Audit Division is responsible for the internal audit function. Looking ahead, the Company will augment its internal audit capabilities.

As a holding company, the Company supervises business execution by subsidiaries from the standpoint of its shareholders while conducting operations common to the Group in a unified, efficient, and appropriate manner. Meanwhile, the Company provides guidance, support, and supervision for the establishment of systems by its subsidiaries as well as a subsidiary reporting structure. In this manner, the Company aims to ensure sound business operations across the Group as a whole.

In particular, the Code of Conduct clearly defines the Group'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 eliminate any relationship with such parties but also avoid activities that may benefit such parties. From FY2014/3, every effort has been made to fortify the Group's structure. Moreover, the Group adopted a uniform set of global rules regarding information security in the fiscal year under review and is working to bolster these endeavors.

FUJIFILM Corporation and Fuji Xerox Co., Ltd., have identified risks that are common throughout each company based on the conventional risks of each business division. After identifying these risks, steps were taken to put in place countermeasures. Drawing on the lesson learned following the Great East Japan Earthquake, from FY2013/3, we reviewed risks and reinforced countermeasures in response to possible earthquakes in the Nankai Trough, in the area directly beneath the Tokyo metropolitan area, as well as an eruption of Mt. Fuji.

**Basic Policy**

The Fujifilm Group's business originated with photographic film, a product for which plenty of clean water and fresh air are essential in the manufacturing process. It is also a product that requires customers to "buy on trust," since they cannot try it out beforehand. Thus, for the Fujifilm Group, an approach that emphasizes environmental conservation and maintaining the trust of stakeholders has been a major premise at the very foundation of its business activities. This approach is the starting point for the corporate social responsibility (CSR) activities of the Fujifilm Group and continues to be passed down within the Group as its "DNA."

Following the shift to a holding company structure in 2006, the Fujifilm Group formulated its Corporate Philosophy and Vision. Incorporating the ideas in our Corporate Philosophy and Vision, we have also set forth the Fujifilm Group Charter for Corporate Behavior and Code of Conduct, both of which apply to all Fujifilm Group companies. In our Charter for Corporate Behavior, we uphold five principles, including "respect for human rights," while in the Code of Conduct we define compliance as "more than simply not breaking the law and acting correctly in light of common sense and ethics" and declare that all Group employees, including senior executives, will conduct themselves in line with these action guidelines.

Moreover, the Company has made the following statement to encourage all Fujifilm Group employees to commit themselves to the fulfillment of CSR in their daily business operations: "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 through sincere and fair business activities."

Marking its 80th anniversary, the Company adopted "Value from Innovation" as its new corporate slogan. Rallying behind this slogan, and with a better understanding of issues that confront society, we revised a portion of our approach to CSR in the fiscal year ended March 31, 2014 (FY2014/3) in an effort to more actively provide solutions to society's problems. Guided by this revised approach, we are engaging in a wide variety of activities.

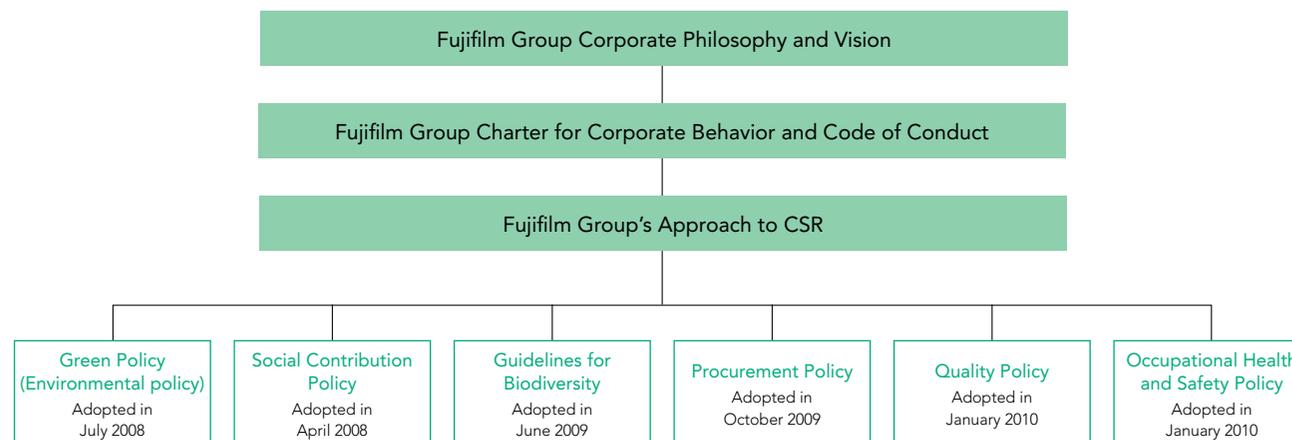
**The Fujifilm Group's Approach to CSR**

The Fujifilm Group's approach to corporate social responsibility is to contribute to the sustainable development of society by putting our Corporate Philosophy into practice through sincere and fair business activities.

We will not only fulfill our economic and legal responsibilities, but also:

1. endeavor to understand global as well as local environmental and social issues and create value to address these issues through our business activities.
2. continue to evaluate the environmental and social impact of our business activities and strive to improve the performance while increasing our positive impact on society.
3. constantly reassess whether our activities are responding adequately to the demands and expectations of society through proactive stakeholder engagement with our stakeholders.
4. enhance corporate transparency by actively disclosing information.

**Philosophy and Policies Unifying the Fujifilm Group**

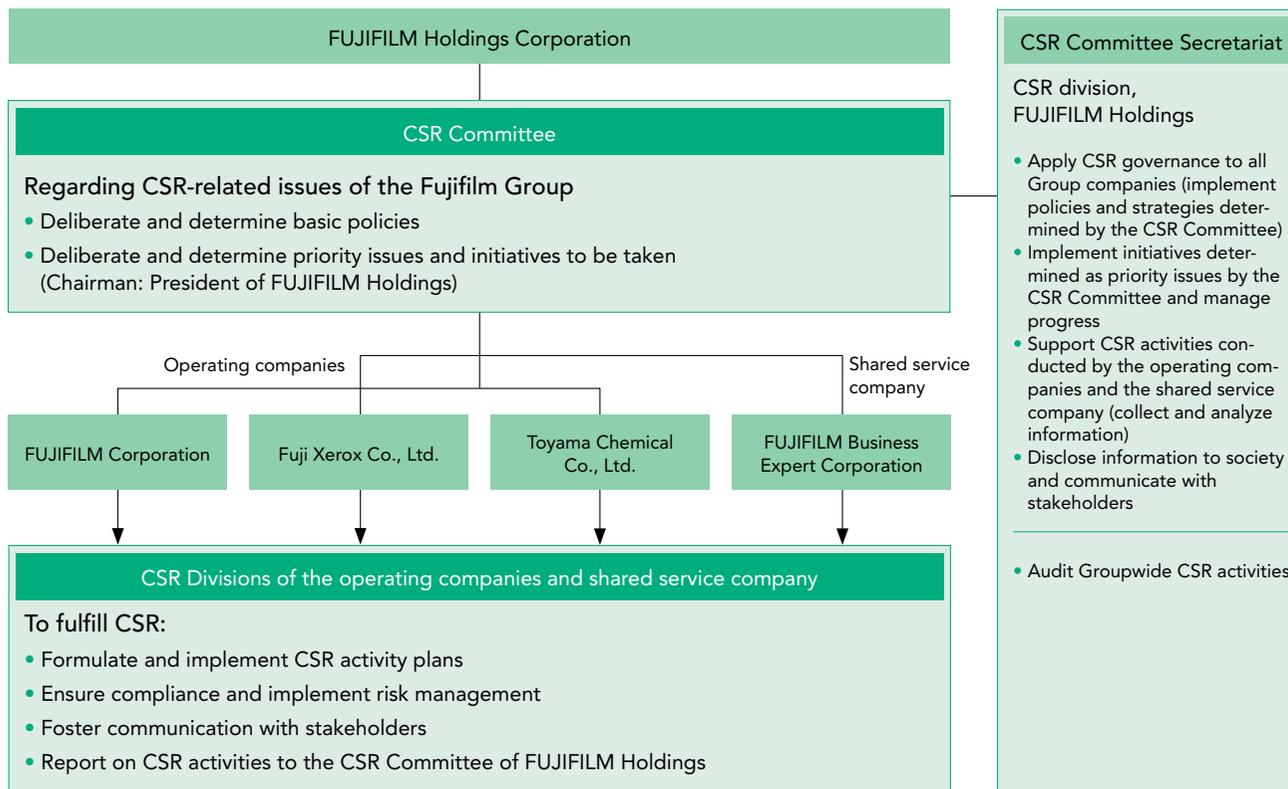


### The Fujifilm Group's CSR Promotion System

To smoothly carry out the entire Group's CSR activities, the Fujifilm Group established the CSR Committee chaired by the president of the Company. The committee makes decisions to promote the CSR activities of the entire Group. The CSR division of the Company, which is the secretariat of the CSR Committee, is responsible for ensuring rigorous CSR management by the Fujifilm Group. The CSR division prepares the ground for various activities, ensures the proper disclosure of information to parties outside the Company, communicates with

stakeholders, supports the CSR activities of Group companies, and monitors the progress of CSR activities across the entire Group.

The CSR division in each Group company prepares and implements plans for CSR activities according to Fujifilm's Groupwide policy, implements exhaustive compliance as well as risk management, promotes communication with stakeholders, and reports on activities to the Group's CSR Committee. The Group as a whole engages in CSR activities, following a PDCA cycle.



### Inclusion in SRI Indices and External Evaluations

The Company has been included in certain Socially Responsible Investment (SRI) indices as the holding company of a corporate group that proactively promotes CSR initiatives aimed at sustainable development. The Company has also received evaluations based on external ranking surveys.

- Inclusion in the Dow Jones Sustainability Indices 2013/14
- Inclusion in the FTSE4Good Global Index
- Inclusion in the Morningstar Socially Responsible Investment Index (as of May 2014)



Assessment Name	Assessment of the Fujifilm Group
8th CSR Corporate Ranking 2014 (Toyo Keizai, Inc.)	2nd out of 1,210 companies (570.5 points)
17th Nikkei Environmental Management Survey (Nikkei Inc.)	9th out of 429 manufacturers; 1st in the petrochemical field for the 7th consecutive year
7th JUSE Quality Management Level Research (Union of Japanese Scientists and Engineers)	2nd out of 217 companies; Excellent Company award
Survey of companies and their efforts to maximize the strengths of human resources (Nikkei Inc.) in 2013	1st out of 436 companies
Carbon Disclosure Project (CDP)	Score of 88, rank of B

**FUJIFILM Holdings Compiles New Mid-Term CSR Plan: "Sustainable Value Plan 2016"**

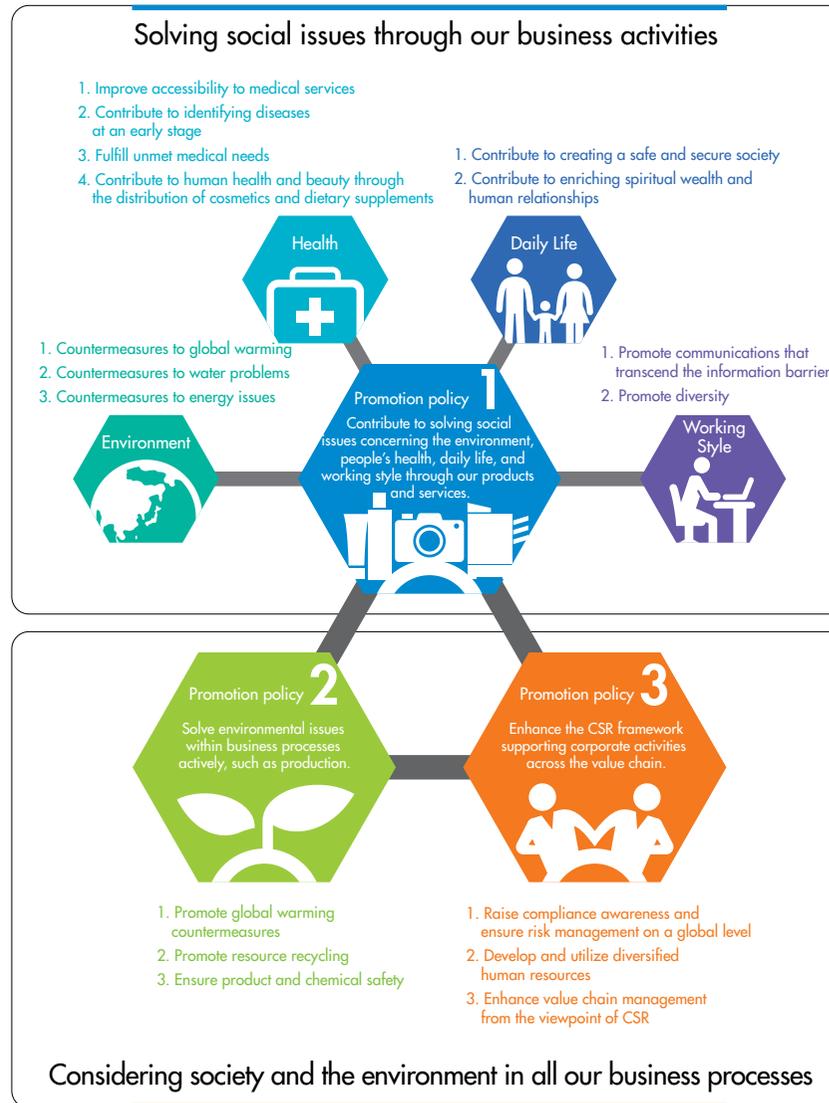
Marking its 80th anniversary, the Company adopted "Value from Innovation" as its new corporate slogan. Complementing this slogan, the Sustainable Value Plan 2016 (SVP2016), which covers the three-year period from FY2015/3 to FY2017/3, was drawn up as a set of goals that provide a fresh foundation for the Group's business management, with activities that commenced accordingly.

SVP2016 defines the environment, health, daily life, and working style as the four key areas where the Fujifilm Group can contribute to as it addresses 11 related social issues by tapping into the strengths of its innovative technologies as well as products and services.

The Company will continue to actively address environmental issues that arise as a result of its business processes; these issues have attracted the Group's attention for many years. Efforts will also be directed toward strengthening the global CSR foundation of the Company across the entire value chain in support of its ongoing corporate activities.

The Fujifilm Group will look vigorously toward creating new value to help resolve social issues. In this manner, the Group will endeavor to contribute to the development of a sustainable society.

**FUJIFILM Sustainable Value Plan 2016**



Board of Directors (As of June 27, 2014)



**Chairman, Representative Director & CEO**  
**Shigetaka Komori**

1963 Joined the Company  
 1995 Director of the Company  
 1996 Managing Director, Fuji Photo Film (Europe) GmbH  
 2000 President, Representative Director of the Company  
 2003 President, Representative Director & CEO of the Company  
 2012 Chairman, Representative Director & CEO of the Company (to present)  
 Chairman, Representative Director & CEO, FUJIFILM Corporation (to present)



**Director**  
**Yuzo Toda**

1973 Joined the Company  
 2004 Corporate Vice President of the Company  
 2008 Director, FUJIFILM Corporation (to present)  
 2009 Director of the Company (to present)  
 2012 Senior Vice President, Special Assignment for the Medical and Pharmaceutical Business, FUJIFILM Corporation (to present)



**Director**  
**Kenji Sukeno**

1977 Joined the Company  
 2012 Corporate Vice President, General Manager of the Corporate Planning Division of the Company (to present)  
 Director, Corporate Vice President, FUJIFILM Corporation (to present)  
 2013 Director of the Company (to present)



**President, Representative Director & COO**  
**Shigehiro Nakajima**

1973 Joined the Company  
 2005 Corporate Vice President of the Company  
 Managing Director, Fuji Photo Film B.V.  
 2010 Director of the Company  
 Director, FUJIFILM Corporation  
 2011 Representative Director,  
 Executive Vice President of the Company  
 Representative Director,  
 Executive Vice President, FUJIFILM Corporation  
 2012 President, Representative Director & COO of the Company (to present)  
 President, Representative Director & COO, FUJIFILM Corporation (to present)



**Director**  
**Toru Takahashi**

1975 Joined the Company  
 2008 Corporate Vice President of the Company  
 Director, FUJIFILM Corporation (to present)  
 2010 Director of the Company  
 2011 Senior Vice President, FUJIFILM Corporation (to present)  
 2012 President, FUJIFILM Europe GmbH (to present)  
 2014 Director of the Company (to present)



**Director**  
**Kazuhiko Furuya**

1977 Joined the Company  
 2007 Corporate Vice President, FUJIFILM Corporation (to present)  
 2008 Corporate Vice President of the Company (to present)  
 2013 Director of the Company (to present)  
 Director, FUJIFILM Corporation (to present)  
 2014 General Manager of Intellectual Property Strategy Division of the Company (to present)



**Director**  
**Kouichi Tamai**

2003 Joined the Company  
 2006 Corporate Vice President of the Company  
 2008 Director, FUJIFILM Corporation (to present)  
 2010 Director of the Company (to present)  
 2011 General Manager of Medical Systems  
 Research & Development Center of Research & Development Management Headquarters, FUJIFILM Corporation  
 2013 Executive Vice President, FUJIFILM Corporation (to present)



**Director**  
**Takatoshi Ishikawa**

1978 Joined the Company  
 2011 Corporate Vice President, FUJIFILM Corporation  
 2012 Director of the Company (to present)  
 Director, FUJIFILM Corporation (to present)  
 2014 Senior Vice President, General Manager of the Pharmaceutical Products Division, FUJIFILM Corporation (to present)



**Director**  
**Masahiro Asami**

1980 Joined the Company  
 2008 Corporate Vice President of the Company (to present)  
 Corporate Vice President, FUJIFILM Corporation (to present)  
 2013 Director of the Company (to present)  
 General Manager of Corporate R&D Division of the Company (to present)  
 Director, FUJIFILM Corporation (to present)  
 General Manager of Research & Development Management Headquarters, FUJIFILM Corporation (to present)

\* Fuji Photo Film Co., Ltd., was renamed FUJIFILM Holdings Corporation in October 2006. The operating company FUJIFILM Corporation took over the businesses of Fuji Photo Film Co., Ltd.

Board of Directors (As of June 27, 2014)



**Director**  
**Tadahito Yamamoto**  
 1968 Joined Fuji Xerox Co., Ltd.  
 1994 Director, Fuji Xerox Co., Ltd.  
 2002 Executive Vice President, Representative Director, Fuji Xerox Co., Ltd.  
 2007 President, Representative Director, Fuji Xerox Co., Ltd. (to present)  
 Director of the Company (to present)



**Director (Outside)**  
**Teisuke Kitayama**  
 2005 Representative Director, President, Sumitomo Mitsui Financial Group, Inc. Representative Director, Chairman of the Board of Sumitomo Mitsui Banking Corporation  
 2006 Director of the Company (to present)  
 2011 Director, Chairman of the Board of Sumitomo Mitsui Banking Corporation (to present)



**Director (Outside)**  
**Hiroshi Inoue**  
 2002 President & Executive Board Member, Tokyo Broadcasting System, Inc. (currently Tokyo Broadcasting System Holdings, Inc.)  
 2009 Chairman of Tokyo Broadcasting System Holdings, Inc. (to present)  
 2014 Director of the Company (to present)

Audit & Supervisory Board Members (As of June 27, 2014)



**Audit & Supervisory Board Member**  
**Kouichi Suematsu**  
 1975 Joined the Company  
 2008 Corporate Vice President of the Company  
 Corporate Vice President, FUJIFILM Corporation  
 2010 General Manager of Human Resources Division of the Company  
 2012 Audit & Supervisory Board Member (to present)  
 Audit & Supervisory Board Member, FUJIFILM Corporation (to present)



**Audit & Supervisory Board Member**  
**Kazuhito Yamamura**  
 1976 Joined the Company  
 2009 General Manager of Accounting and Finance Group of Corporate Planning Division of the Company  
 2010 Corporate Vice President and Deputy General Manager of Corporate Planning Division of the Company  
 Corporate Vice President, FUJIFILM Corporation  
 2012 Director, FUJIFILM Corporation  
 2013 Audit & Supervisory Board Member of the Company (to present)  
 Audit & Supervisory Board Member, FUJIFILM Corporation (to present)



**Audit & Supervisory Board Member (Outside)**  
**Kiichiro Furusawa**  
 2003 Representative Director, Chairman and President of Mitsui Trust Holdings, Inc. Audit & Supervisory Board Member of the Company (to present)  
 2006 Representative Director, Chairman of Mitsui Trust Holdings, Inc.  
 2007 Representative Director, Chairman of the Chuo Mitsui Trust Holdings, Inc.  
 2010 Senior Advisor of the Chuo Mitsui Trust and Banking Company, Limited  
 2012 Senior Advisor of Sumitomo Mitsui Trust Bank, Limited (to present)



**Audit & Supervisory Board Member (Outside)**  
**Takeo Kosugi**  
 1968 Osaka District Court, Assistant Judge  
 1974 Registered as Attorney at Law (to present)  
 Joined Matsuo Law Offices (currently Matsuo & Kosugi) (to present)  
 2010 Audit & Supervisory Board Member of the Company (to present)

Executive Officers (As of June 27, 2014)

Chairman and CEO	Shigetaka Komori
President and COO	Shigehiro Nakajima
Corporate Vice President	Kouichi Tamai
Corporate Vice President	Kenji Sukeno
Corporate Vice President	Kazuhiko Furuya
Corporate Vice President	Masahiro Asami
Corporate Vice President	Hiroshi Tanaka
Corporate Vice President	Haruhiko Yoshida
Corporate Vice President	Ryutaro Hosoda
Corporate Vice President	Toru Yamada
Corporate Vice President	Masaru Yoshizawa
Corporate Vice President	Shigenobu Inenaga

\* Fuji Photo Film Co., Ltd., was renamed FUJIFILM Holdings Corporation in October 2006. The operating company FUJIFILM Corporation took over the businesses of Fuji Photo Film Co., Ltd.

# Financial Section

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	Millions of yen										Thousands of U.S. dollars*8
	2014/3	2013/3	2012/3	2011/3	2010/3	2009/3	2008/3	2007/3	2006/3	2005/3	2014/3
<b>Revenue:</b>											
Domestic	¥1,036,856	¥1,002,385	¥1,012,685	¥1,034,806	¥1,059,395	¥1,134,192	¥1,259,506	¥1,303,647	¥1,329,284	¥1,311,893	\$10,165,255
Overseas	1,403,097	1,212,311	1,182,608	1,182,278	1,122,298	1,300,152	1,587,322	1,478,879	1,338,211	1,215,481	13,755,853
Total	2,439,953	2,214,696	2,195,293	2,217,084	2,181,693	2,434,344	2,846,828	2,782,526	2,667,495	2,527,374	23,921,108
Cost of sales	1,518,911	1,364,196	1,327,567	1,313,103	1,316,835	1,511,242	1,692,758	1,638,337	1,593,804	1,510,681	14,891,284
<b>Operating expenses:</b>											
Selling, general and administrative	615,883	568,233	581,405	570,608	588,109	694,740	759,139	760,042	735,058	767,363	6,038,069
Research and development	164,351	168,151	173,373	165,302	175,120	191,076	187,589	177,004	182,154	168,017	1,611,284
Subsidy related to transfer of substitutional portion of employee pension fund liabilities	—	—	—	—	—	—	—	—	—	(83,129)	—
Operating income before restructuring and other charges	—	—	—	168,071	101,629	—	—	207,143	156,479	—	—
Restructuring and other charges	—	—	—	31,715	143,741	—	—	94,081	86,043	—	—
Operating income (loss)*1	140,808	114,116	112,948	136,356	(42,112)	37,286	207,342	113,062	70,436	164,442	1,380,471
Interest and dividend income	6,219	4,764	5,042	5,148	6,138	10,012	13,462	11,376	8,133	6,080	60,970
Interest expense	(4,181)	(4,363)	(3,420)	(4,071)	(4,577)	(7,037)	(7,380)	(6,351)	(3,886)	(4,668)	(40,990)
Income (loss) before income taxes	157,154	119,186	89,187	117,105	(41,999)	9,442	199,342	103,264	79,615	162,346	1,540,725
Net income (loss) attributable to FUJIFILM Holdings*2	80,996	54,266	43,758	63,852	(38,441)	10,524	104,431	34,446	37,016	84,500	794,078
Capital expenditures*3	¥ 67,004	¥ 76,660	¥ 90,946	¥ 89,932	¥ 77,913	¥112,402	¥170,179	¥165,159	¥179,808	¥157,420	\$ 656,902
Depreciation*3	90,711	93,407	96,555	106,622	135,103	149,912	159,572	146,325	156,928	130,360	889,324
Net cash provided by operating activities	292,532	199,451	135,133	199,354	314,826	209,506	298,110	297,276	272,558	219,361	2,867,961
Average number of shares outstanding (in thousands)	481,915	481,715	481,699	486,297	488,608	498,837	508,354	510,621	509,525	512,801	
Total assets	¥3,226,969	¥3,059,596	¥2,739,665	¥2,708,841	¥2,827,428	¥2,896,637	¥3,266,384	¥3,319,102	¥3,027,491	¥2,983,457	\$31,636,951
Long-term debt	314,968	317,592	20,334	119,314	140,269	253,987	256,213	267,965	74,329	96,040	3,087,921
Total FUJIFILM Holdings shareholders' equity	2,020,639	1,868,870	1,721,769	1,722,526	1,746,107	1,756,313	1,922,353	1,976,508	1,963,497	1,849,102	19,810,187
Number of employees	78,595	80,322	81,691	78,862	74,216	76,252	78,321	76,358	75,845	75,638	
<b>Per share of common stock (Yen / U.S. dollars)</b>											
Net income (loss) attributable to FUJIFILM Holdings*4	¥ 168.07	¥ 112.65	¥ 90.84	¥ 131.30	¥ (78.67)	¥ 21.10	¥ 205.43	¥ 67.46	¥ 72.65	¥ 164.78	\$ 1.65
Cash dividends*5	50.00	40.00	35.00	30.00	25.00	30.00	35.00	25.00	25.00	25.00	0.49
FUJIFILM Holdings shareholders' equity*6	4,192.43	3,878.46	3,574.32	3,576.03	3,573.66	3,594.52	3,811.19	3,867.04	3,848.32	3,630.67	41.10
Stock price at year-end	2,771	1,836	1,941	2,576	3,220	2,125	3,530	4,820	3,930	3,920	27.17
PBR (Price-to-Book Value Ratio) (Times)*7	0.66	0.47	0.54	0.72	0.90	0.59	0.93	1.25	1.02	1.08	
PER (Price-to-Earnings Ratio) (Times)*7	16.49	16.30	21.37	19.62	—	100.71	17.18	71.45	54.09	23.79	
ROE (Return on Equity) (%)	4.2	3.0	2.5	3.7	(2.2)	0.6	5.4	1.7	1.9	4.7	
ROA (Return on Assets) (%)	2.6	1.9	1.6	2.3	(1.3)	0.3	3.2	1.1	1.2	2.8	

\*1 Operating income (loss) for the fiscal years ended March 31, 2006, 2007, 2010 and 2011 presented in the table above are operating income (loss) after the recognition of restructuring and other charges.

\*2 Effective from the fiscal year ended March 31, 2010, net income (loss) is stated as net income (loss) attributable to FUJIFILM Holdings.

\*3 Figures do not include amounts for rental equipment handled by the Document Solutions segment.

\*4 The net income (loss) attributable to FUJIFILM Holdings per share is calculated based on the weighted average number of shares of common stock (excluding treasury stock) outstanding for the year.

\*5 Cash dividends per share represent the amount declared per share for each period.

\*6 The FUJIFILM Holdings shareholders' equity per share is calculated based on the number of shares (excluding treasury stock) outstanding at the end of each period.

\*7 The Price-to-Book Value Ratio (PBR) and Price-to-Earnings Ratio (PER) are calculated based on the stock price as of the end of each fiscal year.

\*8 U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥102=U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2014.

## Operating Results for the Fiscal Year Ended March 31, 2014

### Economic Environment

In an overview of the global economy during the fiscal year ended March 31, 2014 (FY2014/3), the general trend of gradual economic recovery persisted. In the United States, the recovery trend in personal consumption continued, and, along with the firm trend in domestic demand, the movement toward recovery in the corporate sector strengthened and the economy kept expanding gradually. In Europe, though unemployment rates remained high, the economy showed a trend toward gradual recovery centering on personal consumption. Regarding Asia, while the pace of Chinese economic expansion was still slow, the ASEAN countries generally sustained firm economic growth. In Japan, the trends of yen depreciation and stock price rises supported by the preparation of a large-scale supplementary budget and the bold monetary relaxation measures by the Bank of Japan contributed to economic expansion.

The currency exchange rates for the U.S. dollar and the euro against the yen during FY2014/3 were ¥100=\$1 and ¥134=€1.

### Overview of Operating Results

#### Consolidated Operating Results

Under these circumstances, the Fujifilm Group continued to carry out its medium-term management plan VISION80, which culminated on March 31, 2014. By concentrating the investment of management resources in such priority business fields as healthcare, highly functional materials, and document solutions—high-growth areas in which the Group has technological advantages—as well as in globalization mainly in emerging countries, the Group moved ahead with increasing sales and expanding its market share.

During FY2014/3, consolidated revenue amounted to ¥2,440.0 billion, up 10.2% from the previous fiscal year. This result was largely attributable to such factors as strong sales in the medical systems business, the graphic systems business, and the documents business as well as the positive effects of yen depreciation.

Operating income increased 23.4% year on year, to ¥140.8 billion. This rise was the result of the growth in sales, the positive effects of yen depreciation, and other factors.

#### Operating Results by Segment

##### Imaging Solutions

Revenue increased and the segment become profitable, mainly due to robust sales in the photo imaging business, the positive effects of yen depreciation, and successful efforts to reduce fixed costs.

- Sales of instant cameras as well as such high-value-added print services as *Year Album* expanded.
- Sales increases were recorded for camera modules for use in smartphones, TV camera lenses, and related products.
- Emphasis was placed on expanding sales of premium-model digital cameras.

##### Information Solutions

Revenue increased thanks to strong sales in such areas as healthcare. Operating income levels remained flat owing mainly to the absence of income from assets sales such as patents that was recorded in the previous fiscal year.

- Overall healthcare sales increased substantially primarily in the medical systems and pharmaceuticals businesses.
- In the flat panel display materials business, results were negatively affected by weak demand for monitors. Sales of films for LCD televisions, on the other hand, were firm.
- Sales increased in all other businesses.

##### Document Solutions

Revenue and earnings increased in the Document Solutions segment. In addition to firm sales across all sales fields, these positive results reflected successful efforts to reduce manufacturing costs and further raise cost efficiency.

### Imaging Solutions

Millions of yen	FY2014/3	FY2013/3	FY2012/3
Revenue			
External customers	¥373,624	¥346,009	¥375,022
Intersegment	2,371	1,241	1,357
Total	375,995	347,250	376,379
Operating income (loss)	3,590	(773)	(8,125)
Operating margin (%)	1.0	-0.2	-2.2

### Information Solutions

Millions of yen	FY2014/3	FY2013/3	FY2012/3
Revenue			
External customers	¥933,844	¥856,521	¥835,442
Intersegment	1,442	1,237	1,277
Total	935,286	857,758	836,719
Operating income	72,916	72,904	71,590
Operating margin (%)	7.8	8.5	8.6

### Document Solutions

Millions of yen	FY2014/3	FY2013/3	FY2012/3
Revenue			
External customers	¥1,132,485	¥1,012,166	¥984,829
Intersegment	9,525	11,152	10,244
Total	1,142,010	1,023,318	995,073
Operating income	95,995	75,884	81,814
Operating margin (%)	8.4	7.4	8.2

\* Following organizational changes carried out in the first quarter of FY2014/3, the optical device business was moved from Information Solutions to Imaging Solutions. In accordance with this change, the numerical values for FY2012/3 and FY 2013/3 have been restated.

- Sales volumes of monochrome and full-color models in the office products and office printer businesses increased mainly in the Asia-Oceania region.
- Robust trends in sales volumes of high-speed color on-demand publishing systems helped boost sales in the production services business.
- In the global services business, revenue increased in Japan and the Asia-Oceania region.

**Net Income**

Income before income taxes amounted to ¥157.2 billion, up 31.9% compared with the previous fiscal year. Together with higher operating income, this increase largely reflected such factors as foreign exchange gains. Net income attributable to FUJIFILM Holdings totaled ¥81.0 billion, an increase of 49.3% year on year.

**Basic Policy Regarding the Distribution of Profits**

In addition to reflecting consolidated performance trends, dividend levels are to be determined based on a consideration of such factors as the level of funds required for M&A transactions, capital investment, and R&D investments needed to support priority business expansion as well as other measures aimed at increasing the Company's corporate value in the future. Adequate buybacks will be considered and implemented depending on the situation of cash flows and stock prices. In the context of its basic policy regarding the distribution of profits, the Company will focus on the payment of cash dividends with an eye to achieving a dividend payout ratio of 25% or more.

Annual cash dividends applicable to the fiscal year under review were ¥50 per share. This comprised a commemorative dividend of ¥10 per share to celebrate the Company's 80th anniversary and a normal dividend of ¥40 per share.

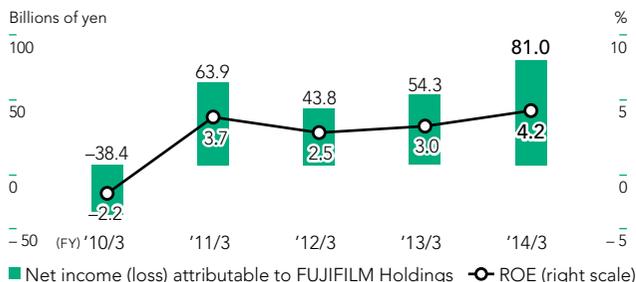
**Outlook for the Fiscal Year Ending March 31, 2015\***

The Fujifilm Group will strategically channel management resources into priority business fields that offer high ongoing growth potential and enable the Group to fully harness its technological capabilities. In particular, the Group will expand sales mainly in the priority healthcare and document solutions businesses. Moreover, every effort will be made to increase operating income by continuing to streamline operations through a variety of measures, including steps to reduce costs and expenses in general.

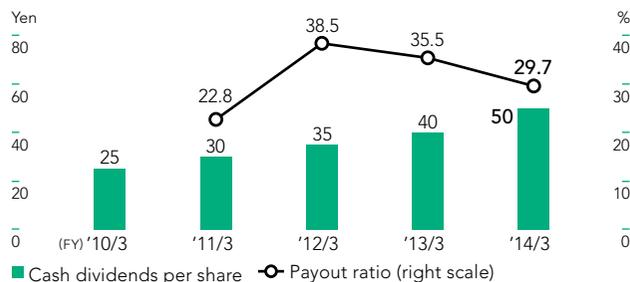
Taking these factors into consideration, on a consolidated basis for FY2015/3, the Company is projecting a year-on-year increase in revenue to ¥2,460.0 billion, up 0.8%; operating income of ¥160.0 billion, up 13.6%; income before income taxes of ¥160.0 billion, up 1.8%; and net income attributable to FUJIFILM Holdings of ¥85.0 billion, up 4.9%.

\* As of April 30, 2014

**Net income (loss) attributable to FUJIFILM Holdings / ROE**



**Cash dividends per share / Payout ratio**



\* The dividend payout ratio for the fiscal year ended March 31, 2010, is not indicated, as it is negative.

**Outlook for the Fiscal Year Ending March 31, 2015\***

Billions of yen	FY2015/3 (Forecast)	FY2014/3 (Actual)	Change (%)
Revenue	¥2,460.0	¥2,440.0	0.8
Operating income	160.0	140.8	13.6
Income before income taxes	160.0	157.2	1.8
Net income attributable to FUJIFILM Holdings	85.0	81.0	4.9
Currency exchange rates (U.S. dollar) (yen)	100	100	—
Currency exchange rates (Euro) (yen)	135	134	-1

\* As of April 30, 2014

Financial Condition

Assets, Liabilities, and Net Assets

Total assets increased 5.5% compared with the end of the previous fiscal year, to ¥3,227.0 billion, owing mainly to an increase in cash and cash equivalents. Total liabilities, on the other hand, edged down 0.6% compared with the end of the previous fiscal year, to ¥1,028.8 billion, due largely to a decrease in accrued pension and severance costs. Shareholders' equity for FUJIFILM Holdings increased 8.1% compared with the end of the previous fiscal year, to ¥2,020.6 billion.

As a result, the current ratio increased 9.6 percentage points, to 295.4%, the debt-equity ratio decreased 4.5 percentage points, to 50.9%, and the equity ratio improved 1.5 percentage points, to 62.6%, compared with the end of the previous fiscal year. The Company is confident that it is maintaining a stable level of asset liquidity and a sound capital structure.

Capital Expenditures and Depreciation

Capital expenditures amounted to ¥67.0 billion for FY2014/3. The Company's investment was largely directed toward boosting production capacity, streamlining and increasing efficiency of production facilities, and eco-friendly measures aimed at protecting the environment.

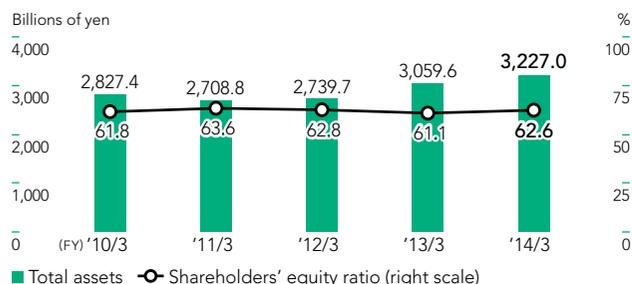
By business segment, capital expenditures amounted to ¥9.3 billion in the Imaging Solutions segment, ¥32.4 billion in the Information Solutions segment, and ¥23.9 billion in the Document Solutions segment. Total depreciation of property, plant and equipment (excluding rental equipment in the Document Solutions segment) decreased ¥2.7 billion year on year, to ¥90.7 billion.

Cash Flow Analysis

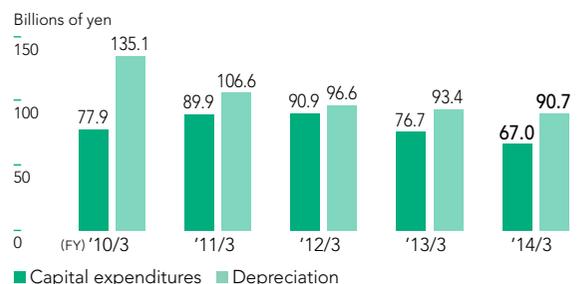
Net cash provided by operating activities totaled ¥292.5 billion, due primarily to the increase in net income and decrease in inventories. Net cash used in investing activities amounted to ¥125.5 billion as a result of purchases of property, plant and equipment in line with capital expenditure. Thus, free cash flows, or the sum of cash flows from operating and investing activities, resulted in cash inflows of ¥167.0 billion, up ¥108.5 billion from the previous fiscal year. Net cash used in financing activities came to ¥25.1 billion, due mainly to repayments of long-term debt and cash dividends paid to shareholders.

As a result, cash and cash equivalents at the end of the fiscal year under review amounted to ¥604.6 billion, up ¥159.2 billion compared with the end of the previous fiscal year.

Total assets / Shareholders' equity ratio

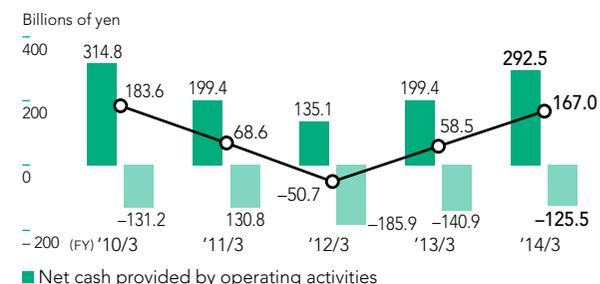


Capital expenditures / Depreciation



\* These figures exclude intangible assets and rental equipment in the Document Solutions segment

Cash flows



\* Free cash flows: Net cash provided by operating activities + Net cash used in investing activities

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 as of the end of the fiscal year under review.

#### Impact of Economic and Exchange Rate Trends on Performance:

The Fujifilm Group provides products and services in diverse markets throughout the world, and the share of consolidated revenue accounted for by overseas operations was 58% in the fiscal year ended March 31, 2014 (FY2014/3). 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 impair the 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. The success or failure of these activities is expected to have an influence on performance.

#### Patents and Other Intellectual Property:

The Fujifilm Group 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 a competitive edge.

In the wide range of business fields with which Fujifilm is associated, there are numerous companies with sophisticated and complex technologies, and the landscape regarding these technologies is changing rapidly. Developing Fujifilm's business operations sometimes may require the use of other companies' patents, know-how, and other intellectual property, and when negotiations for the use of such intellectual property are not successful, there is a potential risk 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 but also possible compensatory payment costs could have an influence on Fujifilm's performance.

#### Public Regulations:

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

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

#### Manufacturing Operations:

In connection with the Fujifilm Group's manufacturing activities, natural or human-made disasters, discontinuation by vendors of the manufacture of raw materials and components,

and confusion caused by other factors may prevent the Group from delivering its products as well as cause major facility and equipment failure. It is also possible that a rapid rise in the price of raw materials and parts, etc., could affect Fujifilm's performance.

The Fujifilm Group 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 might be affected.

#### Information Systems:

The Fujifilm Group operates a variety of information systems in the ongoing execution of its operations and business. In this context, steps are taken to put in place an appropriate information system management framework as well as all relevant security countermeasures. Despite these initiatives, a wide range of factors including interruptions in electric power, disasters, and unauthorized access may impair the Group's information systems or lead to the leakage, modification, or falsification of personal data. In each of these events, Fujifilm's performance may be affected.

#### Large-Scale Disasters:

The Fujifilm Group engages in production, sales, and related business activities worldwide. In the event of a large-scale natural disaster including earthquakes, typhoons, or floods as well as a fire, terrorist attack, war, or spread of infection such as a new influenza virus, Fujifilm's business activities may be affected as well as its operating performance.

#### Structural Reforms:

The Fujifilm Group will continue implementing effective measures such as reductions in cost and expense as well as asset compression to improve its management efficiency in the future. However, the implementation of structural reforms and related measures may cause the Group to incur major contingent expenses associated with organizational and operational changes, and in such cases, Fujifilm's performance may be affected.

	Millions of yen		Thousands of U.S. dollars
	March 31		
	2014	2013	2014
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 18)	¥ 604,571	¥ 445,394	\$ 5,927,167
Marketable securities (Notes 4 and 18)	16,635	3,653	163,088
Notes and accounts receivable:			
Trade and finance (Notes 5 and 19)	631,258	576,109	6,188,804
Affiliated companies (Note 7)	28,969	33,709	284,010
Allowance for doubtful receivables (Notes 5 and 19)	(23,414)	(20,943)	(229,549)
Inventories (Note 6)	363,743	399,929	3,566,108
Deferred income taxes (Note 11)	88,469	85,519	867,343
Prepaid expenses and other (Notes 17 and 18)	51,466	37,917	504,568
Total current assets	1,761,697	1,561,287	17,271,539
<b>Investments and long-term receivables:</b>			
Investments in and advances to affiliated companies (Note 7)	40,972	40,866	401,686
Investment securities (Notes 4 and 18)	138,118	134,620	1,354,098
Long-term finance and other receivables (Notes 5, 17, 18 and 19)	156,767	156,165	1,536,932
Allowance for doubtful receivables (Notes 5 and 19)	(3,396)	(9,588)	(33,294)
Total investments and long-term receivables	332,461	322,063	3,259,422
<b>Property, plant and equipment:</b>			
Land	92,609	92,539	907,931
Buildings	708,096	684,417	6,942,118
Machinery and equipment	1,708,746	1,638,122	16,752,412
Construction in progress	21,518	27,887	210,961
	2,530,969	2,442,965	24,813,422
Less accumulated depreciation	(2,000,732)	(1,896,833)	(19,615,020)
Net property, plant and equipment	530,237	546,132	5,198,402
<b>Other assets:</b>			
Goodwill, net (Notes 8 and 20)	423,088	412,247	4,147,922
Other intangible assets, net (Notes 8, 18 and 20)	82,398	90,239	807,823
Deferred income taxes (Note 11)	14,773	46,509	144,833
Other (Note 10)	82,315	81,119	807,010
Total other assets	602,574	630,114	5,907,588
Total assets	¥ 3,226,969	¥ 3,059,596	\$ 31,636,951

\* See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	March 31		
	2014	2013	2014
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 9)	¥ 44,731	¥ 40,680	\$ 438,539
Notes and accounts payable:			
Trade	244,883	227,048	2,400,814
Construction	17,464	20,760	171,216
Affiliated companies (Note 7)	3,556	3,235	34,863
Accrued income taxes (Note 11)	21,986	12,850	215,549
Accrued liabilities (Note 10)	183,423	175,708	1,798,265
Other current liabilities (Notes 11, 17 and 18)	80,379	66,083	788,029
Total current liabilities	596,422	546,364	5,847,275
Long-term debt (Notes 9 and 17)	314,968	317,592	3,087,921
Accrued pension and severance costs (Note 10)	32,466	80,997	318,294
Deferred income taxes (Note 11)	34,604	36,781	339,255
Customers' guarantee deposits and other (Notes 7, 17 and 18)	50,286	53,076	493,000
Total liabilities	1,028,746	1,034,810	10,085,745
Commitments and contingent liabilities (Note 14)			
<b>Equity:</b>			
<b>FUJIFILM Holdings Shareholders' equity</b> (Note 12):			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	40,363	40,363	395,716
Additional paid-in capital	75,507	75,226	740,265
Retained earnings	2,036,451	1,979,552	19,965,206
Accumulated other comprehensive income (loss) (Notes 10, 13 and 17)	(29,995)	(124,225)	(294,069)
Treasury stock, at cost (32,652,712 shares in 2014; 32,766,340 shares in 2013)	(101,687)	(102,046)	(996,931)
Total FUJIFILM Holdings shareholders' equity	2,020,639	1,868,870	19,810,187
Noncontrolling interests	177,584	155,916	1,741,019
Total equity	2,198,223	2,024,786	21,551,206
Total liabilities and equity	¥3,226,969	¥3,059,596	\$31,636,951

\* See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars
	(Note 3)			
	Year ended March 31			
	2014	2013	2012	2014
<b>Revenue:</b>				
Sales	¥2,094,291	¥1,878,018	¥1,860,907	\$20,532,265
Rentals	345,662	336,678	334,386	3,388,843
	2,439,953	2,214,696	2,195,293	23,921,108
<b>Cost of sales:</b>				
Sales	1,379,343	1,217,045	1,176,697	13,522,970
Rentals	139,568	147,151	150,870	1,368,314
	1,518,911	1,364,196	1,327,567	14,891,284
Gross profit	921,042	850,500	867,726	9,029,824
<b>Operating expenses:</b>				
Selling, general and administrative (Notes 13 and 16)	615,883	568,233	581,405	6,038,069
Research and development	164,351	168,151	173,373	1,611,284
	780,234	736,384	754,778	7,649,353
Operating income	140,808	114,116	112,948	1,380,471
<b>Other income (expenses):</b>				
Interest and dividend income	6,219	4,764	5,042	60,970
Interest expense	(4,181)	(4,363)	(3,420)	(40,990)
Foreign exchange gains (losses), net (Notes 13 and 17)	7,135	8,520	(5,616)	69,951
Gains (losses) on sales of investment securities, net (Notes 4 and 13)	5,489	493	(70)	53,813
Impairment of investment securities (Notes 4 and 13)	(167)	(5,461)	(19,398)	(1,637)
Other, net (Notes 13 and 17)	1,851	1,117	(299)	18,147
	16,346	5,070	(23,761)	160,254
<b>Income before income taxes</b>	<b>157,154</b>	<b>119,186</b>	<b>89,187</b>	<b>1,540,725</b>
<b>Income taxes (Note 11):</b>				
Current	36,971	26,379	22,854	362,461
Deferred	17,726	18,357	7,177	173,784
	54,697	44,736	30,031	536,245
Equity in net earnings (losses) of affiliated companies	(333)	(3,281)	(2,171)	(3,265)
Net income	102,124	71,169	56,985	1,001,215
Less: Net income attributable to noncontrolling interests	(21,128)	(16,903)	(13,227)	(207,137)
Net income attributable to FUJIFILM Holdings	¥ 80,996	¥ 54,266	¥ 43,758	\$ 794,078
			Yen	U.S. dollars (Note 3)
<b>Amounts per share of common stock:</b>				
Net income attributable to FUJIFILM Holdings (Note 15):				
Basic	¥168.07	¥112.65	¥90.84	\$1.65
Diluted	167.63	107.86	87.23	1.64
Cash dividends declared	50.00	40.00	35.00	0.49

\* See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			(Note 3)
	2014	2013	2012	2014
Net income	¥102,124	¥ 71,169	¥ 56,985	\$1,001,215
Other comprehensive income (loss), net of tax (Note 13):				
Net unrealized gains (losses) on securities	9,348	18,009	7,659	91,647
Foreign currency translation adjustments	71,554	102,690	(16,800)	701,510
Pension liability adjustments	19,881	(246)	(22,632)	194,912
Net unrealized gains (losses) on derivatives	179	(286)	(60)	1,755
Other comprehensive income (loss)	100,962	120,167	(31,833)	989,824
Comprehensive income	¥203,086	¥191,336	¥ 25,152	\$1,991,039
Less: Comprehensive income attributable to noncontrolling interests	(27,860)	(25,895)	(9,936)	(273,137)
Comprehensive income attributable to FUJIFILM Holdings	¥175,226	¥165,441	¥ 15,216	\$1,717,902

\* See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Millions of yen

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
<b>Balance as of March 31, 2011</b>	¥40,363	¥73,956	¥1,917,659	¥(206,858)	¥(102,594)	¥1,722,526	¥128,345	¥1,850,871
Comprehensive income (loss):								
Net income	—	—	43,758	—	—	43,758	13,227	56,985
Net unrealized gains (losses) on securities (Note 13)	—	—	—	7,606	—	7,606	53	7,659
Foreign currency translation adjustments (Note 13)	—	—	—	(16,902)	—	(16,902)	102	(16,800)
Pension liability adjustments (Note 13)	—	—	—	(19,201)	—	(19,201)	(3,431)	(22,632)
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	(45)	—	(45)	(15)	(60)
Comprehensive income	—	—	—	—	—	15,216	9,936	25,152
Purchases of stock for treasury	—	—	—	—	(7)	(7)	—	(7)
Sales of stock from treasury	—	24	—	—	70	94	—	94
Dividends paid to FUJIFILM Holdings shareholders	—	—	(16,860)	—	—	(16,860)	—	(16,860)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(4,620)	(4,620)
Issuance of stock acquisition rights	—	650	—	—	—	650	—	650
Equity transactions and other	—	150	—	—	—	150	1,054	1,204
<b>Balance as of March 31, 2012</b>	¥40,363	¥74,780	¥1,944,557	¥(235,400)	¥(102,531)	¥1,721,769	¥134,715	¥1,856,484
Comprehensive income (loss):								
Net income	—	—	54,266	—	—	54,266	16,903	71,169
Net unrealized gains (losses) on securities (Note 13)	—	—	—	17,190	—	17,190	819	18,009
Foreign currency translation adjustments (Note 13)	—	—	—	93,225	—	93,225	9,465	102,690
Pension liability adjustments (Note 13)	—	—	—	1,011	—	1,011	(1,257)	(246)
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	(251)	—	(251)	(35)	(286)
Comprehensive income	—	—	—	—	—	165,441	25,895	191,336
Purchases of stock for treasury	—	—	—	—	(6)	(6)	—	(6)
Sales of stock from treasury	—	(153)	—	—	491	338	—	338
Dividends paid to FUJIFILM Holdings shareholders	—	—	(19,271)	—	—	(19,271)	—	(19,271)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(4,448)	(4,448)
Issuance of stock acquisition rights	—	662	—	—	—	662	—	662
Equity transactions and other	—	(63)	—	—	—	(63)	(246)	(309)
<b>Balance as of March 31, 2013</b>	¥40,363	¥75,226	¥1,979,552	¥(124,225)	¥(102,046)	¥1,868,870	¥155,916	¥2,024,786
Comprehensive income (loss):								
Net income	—	—	80,996	—	—	80,996	21,128	102,124
Net unrealized gains (losses) on securities (Note 13)	—	—	—	9,819	—	9,819	(471)	9,348
Foreign currency translation adjustments (Note 13)	—	—	—	67,691	—	67,691	3,863	71,554
Pension liability adjustments (Note 13)	—	—	—	16,577	—	16,577	3,304	19,881
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	143	—	143	36	179
Comprehensive income	—	—	—	—	—	175,226	27,860	203,086
Purchases of stock for treasury	—	—	—	—	(23)	(23)	—	(23)
Sales of stock from treasury	—	(1)	—	—	382	381	—	381
Dividends paid to FUJIFILM Holdings shareholders	—	—	(24,097)	—	—	(24,097)	—	(24,097)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(6,264)	(6,264)
Issuance of stock acquisition rights	—	281	—	—	—	281	—	281
Equity transactions and other	—	1	—	—	—	1	72	73
<b>Balance as of March 31, 2014</b>	¥40,363	¥75,507	¥2,036,451	¥(29,995)	¥(101,687)	¥2,020,639	¥177,584	¥2,198,223

# Consolidated Statements of Changes in Equity (Continued)

Thousands of U.S. dollars (Note 3)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
<b>Balance as of March 31, 2013</b>	\$395,716	\$737,510	\$19,407,373	\$(1,217,893)	\$(1,000,451)	\$18,322,255	\$1,528,588	\$19,850,843
Comprehensive income (loss):								
Net income	—	—	794,078	—	—	794,078	207,137	1,001,215
Net unrealized gains (losses) on securities (Note 13)	—	—	—	96,265	—	96,265	(4,618)	91,647
Foreign currency translation adjustments (Note 13)	—	—	—	663,637	—	663,637	37,873	701,510
Pension liability adjustments (Note 13)	—	—	—	162,520	—	162,520	32,392	194,912
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	1,402	—	1,402	353	1,755
Comprehensive income	—	—	—	—	—	1,717,902	273,137	1,991,039
Purchases of stock for treasury	—	—	—	—	(225)	(225)	—	(225)
Sales of stock from treasury	—	(10)	—	—	3,745	3,735	—	3,735
Dividends paid to FUJIFILM Holdings shareholders	—	—	(236,245)	—	—	(236,245)	—	(236,245)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(61,412)	(61,412)
Issuance of stock acquisition rights	—	2,755	—	—	—	2,755	—	2,755
Equity transactions and other	—	10	—	—	—	10	706	716
<b>Balance as of March 31, 2014</b>	\$395,716	\$740,265	\$19,965,206	\$ (294,069)	\$ (996,931)	\$19,810,187	\$1,741,019	\$21,551,206

\* See notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Year ended March 31			
	2014	2013	2012	2014
<b>Operating activities</b>				
Net income	¥102,124	¥ 71,169	¥ 56,985	\$ 1,001,215
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	141,440	141,548	147,775	1,386,667
(Gains) losses on sales of investment securities, net	(5,489)	(493)	70	(53,813)
Impairment of investment securities	167	5,461	19,398	1,637
Deferred income taxes	17,726	18,357	7,177	173,784
Equity in net (earnings) losses of affiliated companies, net of dividends received	7,015	4,345	7,416	68,775
(Gains) losses on retirements and sales of long-lived assets, net	(1,041)	(13,566)	835	(10,206)
Changes in operating assets and liabilities:				
Notes and accounts receivable	(24,325)	8,965	(50,329)	(238,480)
Inventories	57,973	11,809	(24,511)	568,363
Notes and accounts payable – trade	7,244	(24,078)	(5,388)	71,019
Accrued income taxes and other liabilities	(2,933)	(31,862)	(22,263)	(28,755)
Other	(7,369)	7,796	(2,032)	(72,245)
Net cash provided by operating activities	292,532	199,451	135,133	2,867,961
<b>Investing activities</b>				
Purchases of property, plant and equipment	(70,285)	(89,873)	(100,768)	(689,068)
Purchases of software	(24,589)	(20,157)	(21,004)	(241,069)
Proceeds from sales of property, plant and equipment	5,944	21,477	5,945	58,275
Proceeds from sales and maturities of marketable and investment securities	18,635	15,335	36,090	182,696
Purchases of marketable and investment securities	(20,023)	(2,538)	(11,347)	(196,304)
(Increase) decrease in time deposits, net	(4,182)	551	680	(41,000)
(Increase) decrease in investments in and advances to affiliated companies and other advances, net	(4,344)	(6,414)	361	(42,588)
Acquisitions of businesses, net of cash acquired (Note 20)	—	(31,215)	(61,013)	—
Other	(26,634)	(28,100)	(34,819)	(261,118)
Net cash used in investing activities	(125,478)	(140,934)	(185,875)	(1,230,176)
<b>Financing activities</b>				
Proceeds from long-term debt	1,752	302,150	6,860	17,177
Repayments of long-term debt	(6,630)	(123,303)	(19,732)	(65,000)
Increase (decrease) in short-term debt, net	5,358	(27,994)	7,297	52,529
Cash dividends paid to shareholders	(19,275)	(18,064)	(15,655)	(188,971)
Subsidiaries' cash dividends paid to noncontrolling interests	(6,264)	(4,448)	(4,620)	(61,412)
Net purchases of stock for treasury	(22)	(6)	(6)	(216)
Other	(13)	(48)	1,452	(127)
Net cash used in (provided by) financing activities	(25,094)	128,287	(24,404)	(246,020)
Effect of exchange rate changes on cash and cash equivalents	17,217	23,486	(2,820)	168,794
Net increase (decrease) in cash and cash equivalents	159,177	210,290	(77,966)	1,560,559
Cash and cash equivalents at beginning of year	445,394	235,104	313,070	4,366,608
Cash and cash equivalents at end of year	¥604,571	¥445,394	¥235,104	\$ 5,927,167
<b>Supplemental disclosures of cash flow information</b>				
Cash paid for interest	¥ 5,830	¥ 4,960	¥ 3,542	\$ 57,157
Cash paid for income taxes	34,274	16,075	20,650	336,020

\* 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, optical devices, photofinishing equipment, color paper, chemicals and related products. "Information Solutions" develops, manufactures, markets and services equipment and materials for medical systems, life sciences products, pharmaceuticals, equipment and materials for graphic arts, flat panel display materials, recording media, electronic materials and related products. "Document Solutions" develops, manufactures, markets and services office copy machines / multifunction devices, printers, production systems and services, office services, paper, consumables and other related products. The Company operates throughout the world, generating approximately 58% 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, China, the Netherlands, Brazil and Singapore.

## 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles 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, uncertain tax positions and assumptions related to the estimation of actuarially determined employee benefit obligations. Actual results could differ from those estimates.

### Foreign Currency Translations

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

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

### 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

accompanying consolidated balance sheets. Aggregate fair values of these securities were ¥299,245 million (\$2,933,775 thousand) and ¥229,336 million as of March 31, 2014 and 2013, respectively.

### Marketable Securities and Investment Securities

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

The Company records an impairment charge in earnings when a decline in the value of a marketable equity security is deemed to be other-than-temporary. The Company separates an impairment charge for debt securities into the amount related to credit loss, which is recognized in earnings and the amount related to all other factors, which is recognized in other comprehensive income (loss). In determining whether such a decline of equity securities is other-than-temporary, the Company evaluates various factors including the time length, the extent to which the fair value has been lower cost, the financial condition and near-term prospects of the investee as well as the Company's intent and ability to retain the investment for a period of time sufficient to allow any expected recovery in fair value. In determining whether such decline of debt securities is other-than-temporary, the Company also evaluates various factors including the Company's intent to sell the securities, the available evidence to assess whether it is more likely than not that the Company will be required to sell the security as well as the available evidence to assess whether the entire amortized cost basis of the security will be recovered. The cost of securities sold is based on the moving-average-cost method. Dividends on available-for-sale securities are included in "Interest and dividend income" in the accompanying consolidated statements of 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. Uncollectible trade accounts receivable are charged-off when legal actions have been taken to collect the receivable, and it becomes clear that an amount smaller than the original receivable will be recovered.

### Inventories

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

### Property, Plant and Equipment and Depreciation

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

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

Machinery and equipment includes machines rented to customers under operating leases with a cost and accumulated depreciation of ¥100,025 million (\$980,637 thousand) and ¥74,727 million (\$732,618 thousand) as of March 31, 2014 and ¥94,418 million and ¥68,922 million as of March 31, 2013, respectively.

### Goodwill and Other Intangible Assets

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

Under Accounting Standards Codification Topic No.350 ("ASC350"), goodwill and other indefinite lived intangible assets are tested annually for impairment. Impairment tests for goodwill are performed based on the fair value of estimated future cash flows of each reporting unit. The discount rate used is based on the reporting unit's weighted average cost of capital. In addition to the annual impairment test, which the Company performs as of January 1, an interim test for goodwill impairment would be performed if events occur or circumstances indicate that the carrying value may not be recoverable. Intangible assets other than those with an indefinite life are amortized on a straight-line basis over their estimated useful lives.

### Capitalized Software Costs

The Company capitalized certain costs incurred in connection with developing and obtaining internal use software in accordance with ASC350-40. These costs consist primarily of payments made to third parties and salaries of employees working on such software development. In connection with developing internal use software, costs incurred at the application development stage or later are capitalized. In addition, the Company develops or obtains certain software to be sold, leased, or otherwise marketed where related costs incurred after establishment of technological feasibility are capitalized in accordance with ASC985. 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 ¥149,629 million (\$1,466,951 thousand) and ¥87,992 million (\$862,667 thousand), respectively, as of March 31, 2014 and ¥140,411 million and ¥80,944 million, respectively, as of March 31, 2013. Capitalized software to be sold costs and accumulated amortization, included in the above, amounted to ¥39,362 million (\$385,902 thousand) and ¥27,576 million (\$270,353 thousand), respectively, as of March 31, 2014 and ¥38,120 million and ¥27,870 million, respectively, as of March 31, 2013. Capitalized software costs are included in "Other" of other assets in the accompanying consolidated balance sheets.

### Impairment of Long-lived Assets

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

Long-lived assets to be disposed of by sale are recorded 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 collectability 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 selling price if such element meets the criteria for treatment as a separate unit of accounting as prescribed in ASC605-25. Otherwise, revenue is deferred until the undelivered elements are fulfilled.

Costs incurred by the Company in connection with sales incentives related to purchase or promotion of the Company's products are classified as reduction of revenue in accordance with ASC605-50. Such costs include the estimated cost of promotional discount, 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 ¥56,463 million (\$553,559 thousand), ¥53,307 million and ¥58,177 million for the years ended March 31, 2014, 2013 and 2012, respectively, are included in "Selling, general and administrative" in the accompanying consolidated statements of income.

### Advertising Costs

Advertising costs are expensed as incurred and included in "Selling, general and administrative" in the accompanying consolidated statements of income. Advertising costs amounted to ¥20,930 million (\$205,196 thousand), ¥22,031 million and ¥23,697 million for the years ended March 31, 2014, 2013 and 2012, respectively.

### Income Taxes

Income taxes have been provided using the liability method in accordance with ASC740.

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 ASC740.

### Consumption Taxes

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

### Derivative Financial Instruments

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

### Net Income Attributable to FUJIFILM Holdings per Share

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

Diluted net income attributable to FUJIFILM Holdings per share 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.

### Stock-Based Compensation

The Company measured stock-based compensation cost based on fair value of the options on the grant date and recognizes stock-based compensation cost in accordance with ASC718.

### Subsequent Event

The Company evaluated all subsequent events through June 27, 2014, the date on which the financial statements are available to be issued in accordance with ASC855.

### Reclassifications

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

### New Accounting Standards

In February 2013, the FASB issued ASU No.2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU2013-02"). ASU2013-02 provides amendments to ASC220 and requires to present the amounts reclassified out of accumulated other comprehensive income by component and to present significant amounts reclassified out of accumulated other comprehensive income either on the face of the financial statements where net income is presented or in the notes by the respective line items of net income. ASU2013-02 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2012 and was adopted by the Company in the year beginning April 1, 2013. The adoption of ASU2013-02 did not have an impact on the results of operations and financial condition of the Company.

In May 2014, FASB issued ASU No.2014-09, "Revenue from Contracts with Customers" ("ASU2014-09"). ASU2014-09 creates ASC606 and supersedes ASC605. ASU2014-09 provides a five-step model and application guidance to recognize revenue from contracts with customers, unless those contracts are within the scope of other standards. ASU2014-09 also requires disclosing qualitative and quantitative information mainly about contracts with customers and significant judgments and changes in judgments made when recognizing revenue. ASU2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and will be adopted by the Company in the year beginning April 1, 2017. Earlier application is not permitted. ASU2014-09 should be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU2014-09 recognized at the date of the initial application. The Company is evaluating the impact that the adoption of ASU2014-09 will have on its results of operations and the financial condition.

### 3. U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2014 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥102 = U.S.\$1.00, the exchange rate prevailing on March 31, 2014. 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 as of March 31, 2014 and 2013 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 accompanying consolidated balance sheets and gross unrealized gains and gross unrealized losses for those securities were insignificant as of March 31, 2014 and 2013.

	Millions of yen			
	2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	¥16,626	¥ 9	¥ —	¥ 16,635
Total	¥16,626	¥ 9	¥ —	¥ 16,635
Investment securities:				
Government debt securities	¥ 270	¥ 18	¥ —	¥ 288
Corporate debt securities	6,000	77	—	6,077
Stocks	47,470	51,593	363	98,700
Investment trusts	21,305	4,843	771	25,377
Total	¥75,045	¥56,531	¥1,134	¥130,442

## Financial Statements (March 31, 2014)

	Millions of yen			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	¥ 3,634	¥ 16	¥ —	¥ 3,650
Total	¥ 3,634	¥ 16	¥ —	¥ 3,650
Investment securities:				
Government debt securities	¥ 251	¥ 26	¥ —	¥ 277
Corporate debt securities	5,903	196	—	6,099
Stocks	45,758	44,723	856	89,625
Investment trusts	24,323	2,585	973	25,935
Total	¥76,235	¥47,530	¥1,829	¥121,936

	Thousands of U.S. dollars			
	2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	\$163,000	\$ 88	\$ —	\$ 163,088
Total	\$163,000	\$ 88	\$ —	\$ 163,088
Investment securities:				
Government debt securities	\$ 2,647	\$ 177	\$ —	\$ 2,824
Corporate debt securities	58,823	755	—	59,578
Stocks	465,392	505,814	3,559	967,647
Investment trusts	208,873	47,480	7,559	248,794
Total	\$735,735	\$554,226	\$11,118	\$1,278,843

Proceeds from sales of available-for-sale securities and gross realized gains on sales of available-for-sale securities for the year ended March 31, 2014 were ¥9,403 million (\$92,186 thousand) and ¥5,459 million (\$53,520 thousand), respectively. Gross realized losses on sales of available-for-sale securities for the year ended March 31, 2014 were immaterial. Proceeds from sales of available-for-sale securities for the year ended March 31, 2013 were ¥2,204 million. Gross realized gains and gross realized losses on sales of available-for-sale

securities for the year ended March 31, 2013 were immaterial. Proceeds from sales of available-for-sale securities for the year ended March 31, 2012 were ¥1,768 million. Gross realized gains and gross realized losses on sales of available-for-sale securities for the year ended March 31, 2012 were immaterial.

The cost and estimated fair value of debt securities as of March 31, 2014, 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	¥16,626	¥16,635	\$163,000	\$163,088
Due after one year through five years	6,270	6,365	61,471	62,402
Total	¥22,896	¥23,000	\$224,471	\$225,490

As of March 31, 2014 and 2013, 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					
	2014					
	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
Stocks	¥ 746	¥33	¥1,714	¥ 330	¥ 2,460	¥ 363
Investment trusts	2,872	26	5,255	745	8,127	771
Total	¥3,618	¥59	¥6,969	¥1,075	¥10,587	¥1,134

## Financial Statements (March 31, 2014)

Millions of yen

	2013					
	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
Stocks	¥2,136	¥335	¥1,781	¥ 521	¥ 3,917	¥ 856
Investment trusts	—	—	8,026	973	8,026	973
Total	¥2,136	¥335	¥9,807	¥1,494	¥11,943	¥1,829

Thousands of U.S. dollars

	2014					
	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
Stocks	\$ 7,314	\$324	\$16,804	\$ 3,235	\$ 24,118	\$ 3,559
Investment trusts	\$28,157	255	51,519	7,304	79,676	7,559
Total	\$35,471	\$579	\$68,323	\$10,539	\$103,794	\$11,118

As of March 31, 2014, available-for-sale securities with unrealized losses were principally domestic marketable securities such as listed stocks and investment trusts. The number of available-for-sale securities with unrealized losses was approximately 30. The Company evaluated the financial conditions and near-term prospects of the issuers, considered the severity and duration of the decline, and concluded that it is premature to determine that the unrealized losses are other-than-temporary. Moreover the Company has no plan to sell those available-for-sale securities with unrealized losses in the near future. Based on the evaluation and the Company's intent and ability to hold those securities for a reasonable period of time sufficient for a forecasted recovery of the fair value, the Company did not consider that the decline in fair value of those available-for-sale securities with unrealized losses to be other-than-temporary.

The aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥7,676 million (\$75,255 thousand) and ¥12,687 million as of March 31, 2014 and 2013, respectively. Investments with an aggregate cost of ¥5,742 million

(\$56,294 thousand) and ¥6,509 million as of March 31, 2014 and 2013, 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 consist of sales-type leases on 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 "Investments and long-term receivables: Long-term finance and other receivables" in the accompanying consolidated balance sheets, respectively. These receivables generally mature over one to seven years.

The components of finance receivables as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gross receivables	¥233,007	¥213,239	\$2,284,382
Unearned income	(28,242)	(28,110)	(276,882)
Allowance for doubtful receivables	(3,727)	(3,893)	(36,539)
Finance receivables, net	¥201,038	¥181,236	\$1,970,961

The future minimum lease payments to be received under sales-type leases as of March 31, 2014 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ 91,747	\$ 899,480
2016	60,892	596,980
2017	43,246	423,980
2018	25,260	247,647
2019	10,850	106,373
2020 and thereafter	1,012	9,922
Total future minimum lease payments	¥233,007	\$2,284,382

## Financial Statements (March 31, 2014)

## 6. Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished goods	¥220,648	¥238,001	\$2,163,216
Work in process	49,334	67,273	483,667
Raw materials and supplies	93,761	94,655	919,225
Total	¥363,743	¥399,929	\$3,566,108

## 7. Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥35,214 million (\$345,235 thousand) and ¥36,296 million as of March 31, 2014 and 2013, respectively. These affiliates primarily operate in the Imaging Solutions, Information Solutions and Document Solutions businesses. These investments for which a quoted market price is available have a book value and a quoted market value of ¥2,795 million (\$27,402 thousand) and ¥24,940 million (\$244,510 thousand) as of March 31, 2014 and ¥3,206 million and ¥31,417 million as of March 31, 2013, respectively.

The combined financial position of the Company's affiliates accounted for by the equity method as of March 31 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets	¥147,125	¥157,345	\$1,442,402
Noncurrent assets	41,300	56,087	404,902
Total assets	¥188,425	¥213,432	\$1,847,304
Current liabilities	¥ 80,486	¥ 95,759	\$ 789,078
Long-term liabilities	48,447	53,142	474,971
Equity	59,492	64,531	583,255
Total liabilities and equity	¥188,425	¥213,432	\$1,847,304

The combined results of operations of the Company's affiliates accounted for by the equity method for the years ended March 31, 2014, 2013 and 2012 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Revenue	¥266,298	¥265,503	¥243,835	\$2,610,765
Net income (loss)	2,298	(6,389)	(7,704)	22,529

Transactions with affiliated companies for the years ended March 31, 2014, 2013 and 2012 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Revenue	¥94,041	¥88,583	¥83,526	\$921,971
Purchases	9,575	9,371	11,466	93,873
Dividends received	6,682	1,064	5,245	65,510

## 8. Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		
	Information Solutions	Document Solutions	Total
As of March 31, 2012	¥193,673	¥199,868	¥393,541
Acquired	681	17,220	17,901
Other	(3,619)	4,424	805
As of March 31, 2013	190,735	221,512	412,247
Acquired	—	—	—
Other	11,877	(1,036)	10,841
As of March 31, 2014	¥202,612	¥220,476	¥423,088

	Thousands of U.S. dollars		
	Information Solutions	Document Solutions	Total
<b>As of March 31, 2013</b>	\$1,869,951	\$2,171,686	\$4,041,637
Acquired	—	—	—
Other	116,441	(10,156)	106,285
<b>As of March 31, 2014</b>	<b>\$1,986,392</b>	<b>\$2,161,530</b>	<b>\$4,147,922</b>

Other includes adjustments for foreign currency translation and allocation of purchase price. There is no goodwill in the Imaging Solutions segment for the years ended March 31, 2014 and 2013.

Intangible assets subject to amortization as of March 31, 2014 and 2013 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Technology-based	¥ 71,970	¥26,284	¥ 75,912	¥24,958	\$ 705,588	\$257,687
Customer-related	35,150	14,962	37,255	13,547	344,608	146,686
Other	18,572	6,389	15,895	4,795	182,079	62,637
<b>Total</b>	<b>¥125,692</b>	<b>¥47,635</b>	<b>¥129,062</b>	<b>¥43,300</b>	<b>\$1,232,275</b>	<b>\$467,010</b>

The Company recorded impairment loss of ¥4,003 million (\$39,245 thousand) for the year ended March 31, 2014 for technology-based and customer-related intangible assets which are categorized in the Information Solutions segment. The carrying amounts of intangible assets were determined unrecoverable mainly due to the decrease in future cash flows. The impairment loss is included in "Selling, general and administrative" in the accompanying consolidated statements of income.

The aggregate amortization expenses for intangible assets for the years ended March 31, 2014, 2013 and 2012 were ¥10,336 million (\$101,333 thousand), ¥8,401 million and ¥6,745 million, respectively.

Indefinite lived intangible assets other than goodwill were insignificant as of March 31, 2014 and 2013, 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
<b>Year ending March 31</b>		
2015	¥9,053	\$88,755
2016	8,457	82,912
2017	7,617	74,676
2018	6,906	67,706
2019	6,743	66,108

## 9. Short-term and Long-term Debt

Short-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Borrowings from banks	¥21,139	¥20,566	\$207,245
Commercial paper	18,000	14,000	176,471
Current portion of long-term debt	5,592	6,114	54,823
	<b>¥44,731</b>	<b>¥40,680</b>	<b>\$438,539</b>

The weighted-average interest rates per annum on bank borrowings and commercial paper outstanding as of March 31, 2014 and 2013 were 1.58% and 1.27%, respectively. Short-term debt is unsecured.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured loans, principally from banks and insurance companies:			
Due through the year ended March 31, 2023 with interest rates ranging from 0.3300% to 8.3400% as of March 31, 2014			
Due through the year ended March 31, 2023 with interest rates ranging from 0.3300% to 8.3400% as of March 31, 2013	¥143,261	¥141,570	\$1,404,520
Unsecured Japanese yen bonds:			
1.4600% yen bonds, due the year ended March 31, 2014	—	5,000	—
3.7500% yen bonds, due the year ended March 31, 2015	24	22	235
0.3280% yen bonds, due the year ended March 31, 2018	40,000	40,000	392,157
0.3300% yen bonds, due the year ended March 31, 2018	60,000	60,000	588,235
0.5150% yen bonds, due the year ended March 31, 2020	30,000	30,000	294,118
0.8820% yen bonds, due the year ended March 31, 2023	40,000	40,000	392,157
Other	7,275	7,114	71,323
	320,560	323,706	3,142,745
Portion due within one year	(5,592)	(6,114)	(54,824)
	¥314,968	¥317,592	\$3,087,921

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	2015	¥ 5,592
2016	4,347	42,618
2017	6,293	61,696
2018	100,390	984,216
2019	25,049	245,578

A loan from the Japan Science and Technology Agency of ¥2,500 million (\$24,510 thousand) as of March 31, 2014 and 2013 was non-interest bearing. The loan amount was excluded from the above schedule since the loan may be forgiven if the Company meets certain conditions.

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

## 10. Pension and Severance Plans

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

Most of the domestic subsidiaries have funded non-contributory defined benefit pension plans whose assets are maintained at trust banks and insurance companies and also have defined contribution pension plans. The funding policy for defined benefit pension plans is to make actuarially determined contributions to provide the plans with sufficient assets to meet future benefit payment requirements.

During the year ended March 31, 2014, 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 amounting to ¥104 million (\$1,019 thousand), which were included in net periodic benefit cost. Also, the projected benefit obligation and the fair value of the plan assets decreased by ¥364 million (\$3,569 thousand) and ¥364 million (\$3,569 thousand), respectively.

During the year ended March 31, 2013, 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 amounting to ¥63 million, which were included in net periodic benefit cost. Also, the projected benefit obligation and the fair value of the plan assets decreased by ¥2,538 million and ¥1,454 million, respectively.

During the year ended March 31, 2012, 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 ¥2,239 million, which were included in net periodic benefit cost. Also, the projected benefit obligation and the fair value of the plan assets decreased by ¥3,135 million and ¥923 million, respectively. Moreover, plan amendments were made by certain other domestic subsidiaries, which resulted in decreases in projected benefit obligations of ¥1,261 million in the aggregate.

During the year ended March 31, 2014, certain subsidiaries of the Company provided special termination benefits to employees amounting to ¥7,169 million (\$70,284 thousand). Benefits were paid due to early retirements and reorganizations, and the Company included these costs in "Cost of sales," "Selling, general and administrative" and "Research and development" in the accompanying consolidated statements of income.

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

The aggregate cost charged to income for defined contribution pension plans amounted to ¥8,161 million (\$80,010 thousand), ¥7,698 million, and ¥7,035 million for the years ended March 31, 2014, 2013 and 2012, respectively.

### Components of Net Periodic Benefit Cost

Components of net periodic benefit cost for the defined benefit pension plans for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Components of net periodic benefit cost:				
Service cost	¥ 22,252	¥ 20,822	¥ 19,954	\$ 218,157
Interest cost	13,036	13,847	14,591	127,804
Expected return on plan assets	(20,069)	(17,470)	(18,292)	(196,755)
Recognized net actuarial loss	9,722	8,680	6,441	95,314
Amortization of prior service credit	(2,381)	(2,402)	(2,716)	(23,343)
Settlement and curtailment loss	104	63	2,239	1,019
Net periodic benefit cost	¥ 22,664	¥ 23,540	¥ 22,217	\$ 222,196

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current year actuarial (gain) loss	¥(25,355)	¥13,570	\$(248,579)
Amortization of actuarial loss	(9,722)	(8,680)	(95,314)
Prior service credit due to amendments	(31)	—	(304)
Amortization of prior service credit	2,381	2,402	23,343
Settlement and curtailment loss	(104)	(63)	(1,019)
Total	¥(32,831)	¥ 7,229	\$(321,873)

As of March 31, 2014, the estimated net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	¥ 7,133	\$ 69,931
Prior service credit	(2,946)	(28,882)

## Financial Statements (March 31, 2014)

## Obligations and Fund Status

Reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan assets and the funded status of the defined benefit pension plans for the years ended March 31, 2014 and 2013 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Changes in benefit obligation:			
Benefit obligation at beginning of year	¥714,259	¥651,181	\$7,002,539
Service cost	22,252	20,822	218,157
Interest cost	13,036	13,847	127,804
Plan participants' contributions	620	364	6,078
Plan amendments	(31)	—	(304)
Actuarial (gain) loss	(446)	44,613	(4,373)
Acquisitions of businesses	—	454	—
Benefits paid	(29,600)	(25,600)	(290,196)
Settlements and curtailments	(364)	(2,538)	(3,569)
Foreign currency translation	18,316	11,116	179,569
Benefit obligation at end of year	738,042	714,259	7,235,705
Changes in plan assets:			
Fair value of plan assets at beginning of year	641,245	571,193	6,286,716
Actual return on plan assets	44,978	48,513	440,961
Acquisitions of businesses	—	284	—
Employers' contributions	34,830	35,789	341,471
Plan participants' contributions	620	365	6,078
Benefits paid	(28,006)	(24,360)	(274,569)
Settlements and curtailments	(364)	(1,454)	(3,569)
Foreign currency translation	19,073	10,915	186,990
Fair value of plan assets at end of year	712,376	641,245	6,984,078
Funded status	¥ (25,666)	¥ (73,014)	\$ (251,627)

Amounts recognized in the consolidated balance sheets related to the defined benefit pension plans as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Prepaid pension cost	¥ 7,923	¥ 9,266	\$ 77,677
Accrued liabilities	(1,123)	(1,283)	(11,010)
Accrued pension and severance costs	(32,466)	(80,997)	(318,294)
Net amount recognized	¥(25,666)	¥(73,014)	\$(251,627)

Amounts recognized in accumulated other comprehensive income (loss) related to the defined benefit pension plans as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net actuarial loss	¥174,801	¥210,374	\$1,713,735
Prior service credit	(17,849)	(20,720)	(174,990)
Total	¥156,952	¥189,654	\$1,538,745

The accumulated benefit obligation for the defined benefit pension plans amounted to ¥727,261 million (\$7,130,010 thousand) and ¥704,612 million as of March 31, 2014 and 2013, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans where the projected benefit obligation exceeded the plan assets, and the aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligation exceeded plan assets as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	¥662,439	¥643,852	\$6,494,500
Fair value of plan assets	629,134	562,655	6,167,980
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	624,255	638,866	6,120,147
Fair value of plan assets	596,085	562,627	5,843,971

### Assumptions

The weighted-average assumptions used to determine the benefit obligation as of March 31, 2014 and 2013 are as follows: Rate of compensation increase is not presented because most of the defined benefit pension plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not impact the calculation of the benefit obligation.

	2014	2013
Discount rate	1.74%	1.67%

The weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2014, 2013 and 2012 are as follows: Rate of compensation increase is not presented because most of the defined benefit pension plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not impact the calculation of the net periodic benefit cost.

	2014	2013	2012
Discount rate	1.67%	2.11%	2.36%
Expected long-term rate of return on plan assets	2.99%	2.93%	3.28%

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

### Plan Assets

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

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

Targeted allocation ratios for equity securities, debt securities, general accounts of life insurance companies and alternative investments are 21% (9% domestic and 12% foreign), 41% (26% domestic and 15% foreign), 22% and 16%, respectively. Alternative investments primarily consist of hedge funds and real estate.

Equity securities consist principally of stocks that are listed on securities exchanges and have been selected based on thorough analysis of investees' businesses, their potential for future growth and other appropriate factors while ensuring that industries in which the investees' operate are appropriately diversified. Debt securities consist principally of government and other public debt, and corporate debt which has been selected based on thorough analysis of issuers and the terms and conditions of those securities including investment grades, interest rates, maturity dates, financial condition of issuers and other factors so that maturity dates and issuers are appropriately diversified. Pooled funds have been selected for investment using the same strategies as those for equity and debt securities described above. The Company has selected general accounts of life insurance companies, for which life insurance companies have guaranteed anticipated interest rates and return of capital, based on thorough analysis of issuers' investment grades and other factors so that the investments are appropriately diversified. Regarding foreign

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investments, the Company has selected the countries and currencies in which the Company invests in based on thorough analysis of the political and economic stability in those countries, the market characteristics, such as settlement systems and taxation systems, and other factors so that the investments are appropriately diversified. Alternative investments consists principally of hedge funds and real estate, which were intended to hedge the risk of traditional assets and establish ongoing returns that are less sensitive to market trends. The Company has selected alternative investments based on thorough analysis of the nature of risks and returns which are completely different from those of traditional assets so that the investment techniques and asset management companies are appropriately diversified.

The fair value hierarchy that prioritizes the use of inputs used in valuation techniques is described in Note 18, "Fair Value Measurement." The fair value hierarchy of plan assets as of March 31, 2014 and 2013 is as follows:

	Millions of yen			
	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	¥13,302	¥ 3,118	¥ —	¥ 16,420
Equity securities				
Domestic companies securities	22,916	—	—	22,916
Foreign companies securities	10,398	227	—	10,625
Pooled funds (b)	—	134,172	—	134,172
Debt securities				
Government debt securities (c)	9,643	1,199	—	10,842
Corporate debt securities (d)	—	11,218	—	11,218
Pooled funds (e)	—	257,091	—	257,091
General accounts of life insurance companies	—	140,989	—	140,989
Alternative investments				
Equity securities funds (f)	—	1,855	—	1,855
Debt securities funds (g)	—	1,746	—	1,746
Other funds (h)	—	18,891	74,603	93,494
Real estate (i)	—	445	10,563	11,008
<b>Total</b>	<b>¥56,259</b>	<b>¥570,951</b>	<b>¥85,166</b>	<b>¥712,376</b>

	Millions of yen			
	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	¥10,745	¥ 3,688	¥ —	¥ 14,433
Equity securities				
Domestic companies securities	28,228	—	—	28,228
Foreign companies securities	14,486	195	—	14,681
Pooled funds (b)	—	124,722	—	124,722
Debt securities				
Government debt securities (c)	18,536	1,242	—	19,778
Corporate debt securities (d)	—	9,887	—	9,887
Pooled funds (e)	—	197,881	—	197,881
General accounts of life insurance companies	—	133,941	—	133,941
Alternative investments				
Equity securities funds (f)	—	1,765	—	1,765
Debt securities funds (g)	—	3,282	—	3,282
Other funds (h)	—	22,090	58,826	80,916
Real estate (i)	—	299	11,432	11,731
<b>Total</b>	<b>¥71,995</b>	<b>¥498,992</b>	<b>¥70,258</b>	<b>¥641,245</b>

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	Thousands of U.S. dollars			
	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	\$130,411	\$ 30,569	\$ —	\$ 160,980
Equity securities				
Domestic companies securities	224,667	—	—	224,667
Foreign companies securities	101,941	2,225	—	104,166
Pooled funds (b)	—	1,315,412	—	1,315,412
Debt securities				
Government debt securities (c)	94,539	11,755	—	106,294
Corporate debt securities (d)	—	109,980	—	109,980
Pooled funds (e)	—	2,520,500	—	2,520,500
General accounts of life insurance companies	—	1,382,245	—	1,382,245
Alternative investments				
Equity securities funds (f)	—	18,186	—	18,186
Debt securities funds (g)	—	17,118	—	17,118
Other funds (h)	—	185,206	731,402	916,608
Real estate (i)	—	4,363	103,559	107,922
<b>Total</b>	<b>\$551,558</b>	<b>\$5,597,559</b>	<b>\$834,961</b>	<b>\$6,984,078</b>

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

(b) Pooled funds of equity securities consist of 27% and 32% domestic companies and 73% and 68% foreign companies as of March 31, 2014 and 2013, respectively.

(c) This category consists of 85% and 74% Japanese government debt securities and 15% and 26% foreign government debt securities as of March 31, 2014 and 2013, respectively.

(d) This category consists of 100% domestic corporate debt securities as of March 31, 2014 and 10% domestic corporate debt securities and 90% foreign corporate debt securities as of March 31, 2013.

(e) Pooled funds of debt securities consist of 54% and 60% Japanese government debt securities, government agency and municipal securities, 34% and 27% foreign government debt securities, 6% and 8% domestic corporate debt securities and 6% and 5% foreign corporate debt securities as of March 31, 2014 and 2013, respectively.

(f) Equity securities funds invest principally in domestic companies securities.

(g) Debt securities funds invest principally in Japanese government and foreign government debt securities and foreign currencies.

(h) Other funds include managed futures which principally invest in listed futures, which are classified as Level 2 and fund of hedge funds classified as Level 3 whose investments are diversified with a combination of various products and investment techniques.

(i) Real estate includes principally domestic real estate funds whose investment policy is to generate stable rental income and capital gains from sales on real estate.

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

Reconciliation of the beginning and ending balances for assets classified as Level 3 for the years ended March 31, 2014 and 2013 is as follows:

	Millions of yen					
	2014					
	Balance at beginning of year	Actual gain (loss) relating to assets held at the reporting date	Actual gain (loss) relating to assets sold during the period	Purchase, sales	Currency translation	Balance at end of year
Alternative investments						
Other funds	¥58,826	¥5,927	¥(25)	¥ 8,175	¥1,700	¥74,603
Real estate	11,432	1,586	1	(2,492)	36	10,563
<b>Total</b>	<b>¥70,258</b>	<b>¥7,513</b>	<b>¥(24)</b>	<b>¥ 5,683</b>	<b>¥1,736</b>	<b>¥85,166</b>

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Millions of yen

	2013					Balance at end of year
	Balance at beginning of year	Actual gain (loss) relating to assets held at the reporting date	Actual gain (loss) relating to assets sold during the period	Purchase, sales	Currency translation	
Alternative investments						
Other funds	¥45,174	¥3,249	—	¥ 9,434	¥ 969	¥58,826
Real estate	11,057	(776)	—	960	191	11,432
Total	¥56,231	¥2,473	—	¥10,394	¥1,160	¥70,258

Thousands of U.S. dollars

	2014					Balance at end of year
	Balance at beginning of year	Actual gain (loss) relating to assets held at the reporting date	Actual gain (loss) relating to assets sold during the period	Purchase, sales	Currency translation	
Alternative investments						
Other funds	\$576,725	\$58,108	\$(245)	\$ 80,147	\$16,667	\$731,402
Real estate	112,078	15,549	10	(24,431)	353	103,559
Total	\$688,803	\$73,657	\$(235)	\$ 55,716	\$17,020	\$834,961

**Contribution**

The Company expects to contribute approximately ¥31,807 million (\$311,833 thousand) to the defined benefit pension plans for the year ending March 31, 2015.

**Estimated Future Benefit Payments**

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	2015	¥ 27,873
2016	28,879	283,127
2017	28,243	276,892
2018	30,598	299,980
2019	31,369	307,539
2020 through 2024	173,855	1,704,461

**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 38.0% for the years ended March 31, 2014 and 2013 and 40.6% for the year ended March 31, 2012. The Japanese corporate tax law was revised and its enforcement orders were enacted on March 20, 2014 and November 30, 2011. As a result of the amendment of November 30, 2011 the statutory tax rate was reduced from 40.6% to 38.0% effective from the year beginning April 1, 2012 and reduced to 35.6% effective from the year beginning April 1, 2015. As a result of the amendment of March 20, 2014, the statutory tax rate was reduced from 38.0% to 35.6% from the year beginning April 1, 2014. Consequently, the statutory tax rate utilized for deferred tax assets and liabilities expected to be settled or realized in the period from April 1, 2014 to March 31, 2015 is 35.6%. The adjustments of deferred tax assets and liabilities for the March 20, 2014 and November 30, 2011 changes in the statutory tax rate amounted to ¥4,125 million (\$40,441 thousand) and ¥5,793 million for the year ended March 31, 2014 and 2012, respectively, and were included in "Income taxes, Deferred" in the accompanying consolidated statements of income.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2014, 2013 and 2012 differ from the statutory tax rate due to the following reasons:

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	2014	2013	2012
Statutory tax rates	38.0%	38.0%	40.6%
Increase (decrease) in income taxes resulting from:			
Expenses not deductible for tax purposes	0.7	1.7	0.7
Lower effective tax rates of other countries	(4.9)	(4.3)	(4.9)
Deferred tax liabilities on undistributed earnings	0.8	1.4	(1.8)
R&D credits	(3.2)	(0.7)	(3.4)
Net changes in valuation allowances	(4.1)	2.4	(5.6)
Effect of advance pricing agreement for transfer price taxation	—	(3.3)	—
Effect of enacted changes in tax laws and rates on Japanese tax	2.6	—	6.6
Adjustment for unrecognized tax benefits	2.5	—	—
Other	2.4	2.3	1.5
Effective tax rates	34.8%	37.5%	33.7%

Income before income taxes for the years ended March 31, 2014, 2013 and 2012 was taxed in the following jurisdictions:

	2014	2013	2012	2014
			Millions of yen	Thousands of U.S. dollars
Income before income taxes:				
Domestic	¥ 97,998	¥ 79,183	¥54,345	\$ 960,764
Foreign	59,156	40,003	34,842	579,961
Total	¥157,154	¥119,186	¥89,187	\$1,540,725

The provision (benefit) for income taxes for the years ended March 31, 2014, 2013 and 2012 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Current:				
Domestic	¥17,869	¥ 9,837	¥12,416	\$175,186
Foreign	19,102	16,542	10,438	187,275
Total current	36,971	26,379	22,854	362,461
Deferred:				
Domestic	17,209	18,280	8,791	168,716
Foreign	517	77	(1,614)	5,068
Total deferred	17,726	18,357	7,177	173,784
Total	¥54,697	¥44,736	¥30,031	\$536,245

## Financial Statements (March 31, 2014)

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Inventories	¥ 38,126	¥ 37,518	\$ 373,784
Depreciation	29,835	31,154	292,500
Accrued expenses	35,725	35,307	350,245
Accrued pension and severance costs	1,648	1,341	16,157
Pension liability adjustments	54,274	67,149	532,098
Accrued enterprise tax	1,496	1,384	14,667
Tax loss carryforwards	43,948	48,654	430,863
Valuation of investment securities	14,053	15,689	137,775
Allowance for doubtful receivables	6,021	7,851	59,029
Other	33,477	33,933	328,206
	258,603	279,980	2,535,324
Less valuation allowance	(51,935)	(53,954)	(509,167)
Total deferred tax assets	206,668	226,026	2,026,157
Deferred tax liabilities:			
Depreciation	1,836	2,369	18,000
Lease accounting	12,404	10,597	121,608
Taxes on undistributed earnings	15,121	13,650	148,245
Valuation of available-for-sale securities	13,062	12,025	128,059
Goodwill	12,795	12,536	125,441
Accrued pension and severance costs	48,549	43,618	475,971
Other intangible assets	22,524	24,930	220,823
Other	11,895	11,339	116,618
Total deferred tax liabilities	138,186	131,064	1,354,765
Net deferred tax assets	¥ 68,482	¥ 94,962	\$ 671,392

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 ¥2,019 million (\$19,794 thousand) for the year ended March 31, 2014, increased by ¥6,222 million for the year ended March 31, 2013 and decreased by ¥1,578 million for the year ended March 31, 2012.

Deferred tax assets and liabilities as of March 31, 2014 and 2013 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred income taxes (current assets)	¥ 88,469	¥ 85,519	\$ 867,343
Deferred income taxes (other assets)	14,773	46,509	144,833
Other current liabilities	(156)	(285)	(1,529)
Deferred income taxes (noncurrent liabilities)	(34,604)	(36,781)	(339,255)
Net deferred tax assets	¥ 68,482	¥ 94,962	\$ 671,392

As of March 31, 2014, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥131,187 million (\$1,286,147 thousand), of which ¥58,079 million (\$569,402 thousand) will be carried forward indefinitely, ¥65,098 million (\$638,216 thousand) will expire through the year ended March 31, 2023 and the remainder will expire through the year ended March 31, 2034. 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 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. The amount of unrecognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries as of March 31, 2014 was insignificant.

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

The Company recognizes tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance, as of April 1	¥ 602	¥ 611	\$ 5,902
Additions for tax positions of the current year	732	120	7,177
Additions for tax positions of prior years	2,646	33	25,941
Settlements with tax authorities	—	(162)	—
Balance, as of March 31	¥3,980	¥ 602	\$39,020

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥3,980 million (\$39,020 thousand) and ¥602 million for the years ended March 31, 2014 and 2013, respectively.

Although the Company believes its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements could affect the effective tax rate in the future period. Based on each of the items of which the Company is aware as of March 31, 2014, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

Both interest and penalties accrued as of March 31, 2014 and 2013 in the consolidated balance sheets and included in income taxes for the year ended March 31, 2014 and 2013 in the consolidated statements of income were insignificant.

In Japan, tax examinations of the Company and major domestic subsidiaries by the tax authorities for the year ended March 31, 2012 and before have been completed. While there is no indications that the Company would be subject to tax examination related to transfer pricing as of March 31, 2014, the tax authority still has a right to conduct a tax examination for fiscal years ended on and after March 31, 2008. In foreign tax jurisdictions, tax examinations of major foreign subsidiaries for the year ended March 31, 2010 and before have been completed.

## 12. Equity

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

Retained earnings available for dividends under the 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, 2014 amounted to ¥1,416,122 million (\$13,883,549 thousand).

The appropriation of retained earnings for the year ended March 31, 2014 has been reflected in the consolidated financial statements, including for the amount approved at the 118th Ordinary General Meeting of Shareholders held on June 27, 2014.

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## 13. Other Comprehensive Income (Loss)

The changes in each component of Accumulated other comprehensive income (loss) for the year ended March 31, 2014 are as follows:

	Millions of yen				
	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on derivatives	Total
<b>As of April 1, 2013</b>	¥27,059	¥(52,620)	¥(98,459)	¥(205)	¥(124,225)
Change in Accumulated other comprehensive income (loss)	12,348	67,250	12,725	424	92,747
Reclassification adjustment for gains and losses realized in net income	(2,529)	441	3,852	(281)	1,483
Net change	9,819	67,691	16,577	143	94,230
<b>As of March 31, 2014</b>	<b>¥36,878</b>	<b>¥ 15,071</b>	<b>¥(81,882)</b>	<b>¥ (62)</b>	<b>¥(29,995)</b>

	Thousands of U.S. dollars				
	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on derivatives	Total
<b>As of April 1, 2013</b>	\$265,284	\$(515,883)	\$(965,284)	\$(2,010)	\$(1,217,893)
Change in Accumulated other comprehensive income (loss)	121,059	659,314	124,755	4,157	909,285
Reclassification adjustment for gains and losses realized in net income	(24,794)	4,324	37,764	(2,755)	14,539
Net change	96,265	663,638	162,519	1,402	923,824
<b>As of March 31, 2014</b>	<b>\$361,549</b>	<b>\$ 147,755</b>	<b>\$(802,765)</b>	<b>\$ (608)</b>	<b>\$ (294,069)</b>

The amounts reclassified out of each component of Accumulated other comprehensive income (loss) for gains and losses realized in net income for the year ended March 31, 2014 are as follows:

Affected line item in the Consolidated Statements of Income	Millions of yen	Thousands of U.S. dollars
<b>Unrealized gains (losses) on securities</b>		
Gains (losses) on sales of investment securities, net	¥ 5,288	\$ 51,843
Impairment of investment securities	(9)	(88)
Income taxes	(2,751)	(26,971)
Net income attributable to noncontrolling interests	1	10
Net income attributable to FUJIFILM Holdings	2,529	24,794
<b>Foreign currency translation adjustments</b>		
Selling, general and administrative	(104)	(1,020)
Other, net	(337)	(3,304)
Net income attributable to FUJIFILM Holdings	(441)	(4,324)
<b>Pension liability adjustments</b>		
(See Note 10, "Pension and Severance Plans")	(7,445)	(72,990)
Income taxes	2,904	28,471
Net income attributable to noncontrolling interests	689	6,755
Net income attributable to FUJIFILM Holdings	(3,852)	(37,764)
<b>Unrealized gains (losses) on derivatives</b>		
Foreign exchange gains (losses), net	605	5,931
Income taxes	(230)	(2,255)
Net income attributable to noncontrolling interests	(94)	(921)
Net income attributable to FUJIFILM Holdings	281	2,755
<b>Total</b>	<b>¥(1,483)</b>	<b>\$ (14,539)</b>

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The related tax effects allocated to each component of other comprehensive income (loss), including amounts attributable to noncontrolling interests, for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Millions of yen		
	2014		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ 14,986	¥ (3,110)	¥ 11,876
Less: reclassification adjustment for gains and losses realized in net income	(5,279)	2,751	(2,528)
Net change in unrealized gains (losses)	9,707	(359)	9,348
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	71,648	(535)	71,113
Less: reclassification adjustment for gains and losses realized in net income	441	—	441
Net change in foreign currency translation adjustments	72,089	(535)	71,554
Pension liability adjustments:			
Change in pension liability adjustments	24,733	(9,393)	15,340
Less: reclassification adjustment for gains and losses realized in net income	7,445	(2,904)	4,541
Net change in pension liability adjustments	32,178	(12,297)	19,881
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	892	(338)	554
Less: reclassification adjustment for gains and losses realized in net income	(605)	230	(375)
Net change in unrealized gains (losses)	287	(108)	179
Total	¥114,261	¥(13,299)	¥100,962

	Millions of yen		
	2013		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ 19,615	¥(4,728)	¥ 14,887
Less: reclassification adjustment for gains and losses realized in net income	5,036	(1,914)	3,122
Net change in unrealized gains (losses)	24,651	(6,642)	18,009
Foreign currency translation adjustments	103,416	(726)	102,690
Pension liability adjustments:			
Change in pension liability adjustments	(13,302)	9,048	(4,254)
Less: reclassification adjustment for gains and losses realized in net income	6,341	(2,333)	4,008
Net change in pension liability adjustments	(6,961)	6,715	(246)
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(1,989)	726	(1,263)
Less: reclassification adjustment for gains and losses realized in net income	1,575	(598)	977
Net change in unrealized gains (losses)	(414)	128	(286)
Total	¥120,692	¥ (525)	¥120,167

	Millions of yen		
	2012		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ (7,491)	¥ 3,563	¥ (3,928)
Less: reclassification adjustment for gains and losses realized in net income	19,506	(7,919)	11,587
Net change in unrealized gains (losses)	12,015	(4,356)	7,659
Foreign currency translation adjustments	(16,650)	(150)	(16,800)
Pension liability adjustments:			
Change in pension liability adjustments	(35,853)	9,600	(26,253)
Less: reclassification adjustment for gains and losses realized in net income	5,965	(2,344)	3,621
Net change in pension liability adjustments	(29,888)	7,256	(22,632)
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	(871)	354	(517)
Less: reclassification adjustment for gains and losses realized in net income	770	(313)	457
Net change in unrealized gains (losses)	(101)	41	(60)
<b>Total</b>	<b>¥(34,624)</b>	<b>¥ 2,791</b>	<b>¥(31,833)</b>

	Thousands of U.S. dollars		
	2014		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	\$ 146,922	\$ (30,491)	\$116,431
Less: reclassification adjustment for gains and losses realized in net income	(51,755)	26,971	(24,784)
Net change in unrealized gains (losses)	95,167	(3,520)	91,647
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	702,431	(5,245)	697,186
Less: reclassification adjustment for gains and losses realized in net income	4,324	-	4,324
Net change in foreign currency translation adjustments	706,755	(5,245)	701,510
Pension liability adjustments:			
Change in pension liability adjustments	242,480	(92,088)	150,392
Less: reclassification adjustment for gains and losses realized in net income	72,990	(28,470)	44,520
Net change in pension liability adjustments	315,470	(120,558)	194,912
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	8,745	(3,314)	5,431
Less: reclassification adjustment for gains and losses realized in net income	(5,931)	2,255	(3,676)
Net change in unrealized gains (losses)	2,814	(1,059)	1,755
<b>Total</b>	<b>\$1,120,206</b>	<b>\$(130,382)</b>	<b>\$989,824</b>

## 14. Commitments and Contingent Liabilities

### Guarantees

The Company guarantees certain indebtedness of others and other obligations. As of March 31, 2014, the maximum potential amount of future payments (undiscounted) the Company could be required to make under such guarantees was ¥11,927 million (\$116,931 thousand), of which ¥8,724 million (\$85,529 thousand) were guarantees of employee mortgage loans to financial institutions. In the event of an employee's insolvency, certain subsidiaries of the Company will need to pay the default mortgage on behalf of the employee. The guarantees are partly secured by the employees' property in the amount of ¥8,701 million (\$85,304 thousand). The terms of the mortgage loan guarantees are from 1 to 22 years. The Company has not made any significant payments under such guarantees in the past and as of March 31, 2014, the carrying amount of the liability for the Company's obligations under such guarantees was insignificant.

### Lease Commitments

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

The future minimum lease payments required under operating leases which, as of March 31, 2014, had initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥15,110	\$148,137
2016	12,308	120,667
2017	8,823	86,500
2018	3,382	33,157
2019	2,003	19,637
2020 and thereafter	3,802	37,275
Total future minimum lease payments	¥45,428	\$445,373

Rental expenses under operating leases for the years ended March 31, 2014, 2013 and 2012 were ¥54,746 million (\$536,725 thousand), ¥52,234 million and ¥51,961 million, respectively.

### Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding as of March 31, 2014, principally for the construction and purchase of property, plant and equipment, amounted to ¥6,251 million (\$61,284 thousand). As of March 31, 2014, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥4,760 million (\$46,667 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
	2014	2013	2014
Balance, as of April 1	¥ 7,808	¥ 7,160	\$ 76,549
Warranties issued during the current period	11,469	10,148	112,441
Settlements made during the current period	(10,655)	(9,833)	(104,460)
Other, including changes in liability for pre-existing warranties during the current period	606	333	5,941
Balance, as of March 31	¥ 9,228	¥ 7,808	\$ 90,471

## 15. Net Income Attributable to FUJIFILM Holdings per Share

A calculation of the basic and diluted net income attributable to FUJIFILM Holdings per share for the years ended March 31, 2014, 2013 and 2012 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Net income attributable to FUJIFILM Holdings	¥80,996	¥54,266	¥43,758	\$794,078
Dilutive effect of:				
2013 Series A Convertible Bond	—	172	168	—
2013 Series B Convertible Bond	—	481	460	—
Diluted net income attributable to FUJIFILM Holdings	¥80,996	¥54,919	¥44,386	\$794,078

	Shares		
	2014	2013	2012
Weighted-average common shares outstanding-Basic	481,915,066	481,715,309	481,698,604
Dilutive effect of:			
2013 Series A Convertible Bond	—	13,296,457	13,286,564
2013 Series B Convertible Bond	—	13,296,457	13,286,564
Stock options	1,266,220	856,834	572,725
Weighted-average common shares outstanding-Diluted	483,181,286	509,165,057	508,844,457

	Yen			U.S. dollars
	2014	2013	2012	2014
Net income attributable to FUJIFILM Holdings per share:				
Basic	¥168.07	¥112.65	¥90.84	\$1.65
Diluted	¥167.63	¥107.86	¥87.23	\$1.64

Certain stock options to purchase, 731,000, 754,100 and 731,000 shares of common stock were outstanding, as of March 31, 2014, 2013 and 2012, respectively, all of which were not included in the computation of diluted earnings per share since the effect would be anti-dilutive.

## 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 September 3, 2007, 780 stock acquisition rights were granted to 5 Directors of the Company and of FUJIFILM Corporation ("No. 1-1 Stock Acquisition Rights"), 1,376 stock acquisition rights were granted to a total of 30 Directors and executive officers of the Company and the Directors, executive officers and Fellows of FUJIFILM Corporation ("No. 1-2 Stock Acquisition Rights"), and 1,706 stock acquisition rights were granted to a total of 60 Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 1-3 Stock Acquisition Rights"). On October 1, 2008, 1,826 stock acquisition rights were granted to a total of 66 Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("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 and No. 1-2 Stock Acquisition Rights were fully vested, and have an 11-year contractual term commencing on the day following the grant date. The exercise price was set at ¥1 per share.

No. 1-3 Stock Acquisition Rights were fully vested, 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 as the higher of the average value of the closing price of shares of common stock of the Company in regular trading at the Tokyo Stock Exchange for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

No. 2-2 Stock Acquisition Rights were fully vested, 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 as the higher of the average value of the closing price for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

On September 1, 2009, 2,553 stock acquisition rights were granted to a total of 33 Directors and executive officers of the Company and the Directors, executive officers and

Fellows of FUJIFILM Corporation ("No. 3-1 Stock Acquisition Rights"), and 1,816 stock acquisition rights were granted to a total of 65 Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 3-2 Stock Acquisition Rights"). On January 31, 2011, 2,778 stock acquisition rights were granted to a total of 36 Directors and executive officers of the Company and the Directors, executive officers and Fellows of FUJIFILM Corporation ("No. 4-1 Stock Acquisition Rights"), and 1,962 stock acquisition rights were granted to a total of 69 Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 4-2 Stock Acquisition Rights"). On April 2, 2012, 3,860 stock acquisition rights were granted to a total of 67 Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 5-1 Stock Acquisition Rights"), and 231 stock acquisition rights were granted to a total of 71 Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 5-2 Stock Acquisition Rights"). Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

No. 3-1 Stock Acquisition Rights were fully vested. No. 3-1 Stock Acquisition Rights have a 30-year contractual term commencing on the day following the grant date and are exercisable during a period of 7 years commencing on the day following the retirement date for each position. The exercise price was set at ¥1 per share.

No. 3-2 Stock Acquisition Rights were fully vested, and are exercisable during the period from August 1, 2011 to July 31, 2019. The exercise price was set at ¥2,828 per share which was calculated as the higher of the average value of the closing price of shares of common stock of the Company in regular trading at the Tokyo Stock Exchange for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

No. 4-1 Stock Acquisition Rights were fully vested. No. 4-1 Stock Acquisition Rights have a 30-year contractual term commencing on the day following the grant date and are exercisable during a period of 7 years commencing on the day following the retirement date for each position. The exercise price was set at ¥1 per share.

No. 4-2 Stock Acquisition Rights were fully vested, and are exercisable during the period from December 25, 2012 to December 24, 2020. The exercise price was set at ¥2,965 per share which was calculated as the higher of the average value of the closing price of shares of common stock of the Company in regular trading at the Tokyo Stock Exchange for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

No. 5-1 Stock Acquisition Rights were fully vested. No. 5-1 Stock Acquisition Rights have a 30-year contractual term commencing on the day following the grant date and are exercisable during a period of 7 years commencing on the day following the retirement date for each position. The exercise price was set at ¥1 per share.

No. 5-2 Stock Acquisition Rights were fully vested, and are exercisable during the period from March 3, 2014 to March 2, 2022. The exercise price was set at ¥2,012 per share which was calculated as the higher of the average value of the closing price of shares of common stock of the Company in regular trading at the Tokyo Stock Exchange for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

On February 26, 2013, the Board of Directors adopted resolutions to issue an aggregate of 3,704 stock acquisition rights to a total of 67 Directors, executive officers and important employees of the Company and Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 6-1 Stock Acquisition Rights"), and an aggregate of 235 stock acquisition rights to a total of 72 Directors, executive officers and important employees of the Company and Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 6-2 Stock Acquisition Rights"). Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

No. 6-1 Stock Acquisition Rights were granted on April 1, 2013. No. 6-1 Stock Acquisition Rights have a 30-year contractual term commencing on the day following the grant date and are exercisable during a period of 7 years commencing on the day following the retirement date for each position. The exercise price was set at ¥1 per share.

No. 6-2 Stock Acquisition Rights were granted on April 1, 2013, and are exercisable during the period from February 27, 2015 to February 26, 2023. The exercise price was set at ¥1,842 per share. The exercise price was calculated as the higher of the average value of closing price for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

## Financial Statements (March 31, 2014)

On February 27, 2014, the Board of Directors adopted resolutions to issue an aggregate of 2,271 stock acquisition rights to a total of 61 Directors, executive officers and important employees of the Company and Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 7-1 Stock Acquisition Rights"), and an aggregate of 232 stock acquisition rights to a total of 67 Directors, executive officers and important employees of the Company and Directors, executive officers, Fellows and important employees of FUJIFILM Corporation ("No. 7-2 Stock Acquisition Rights"). Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

No. 7-1 Stock Acquisition Rights were granted on April 1, 2014. No. 7-1 Stock Acquisition Rights have a 30-year contractual term commencing on the day following the grant date and are exercisable during a period of 7 years commencing on the day following the retirement date for each position. The exercise price was set at ¥1 per share.

No. 7-2 Stock Acquisition Rights were granted on April 1, 2014, and are exercisable during the period from February 28, 2016 to February 27, 2024. The exercise price was set at ¥2,803 per share. The exercise price was calculated as the higher of the average value of closing price for each day of the month preceding the month that includes the grant date or of the closing price on the grant date.

The Company recognized stock-based compensation cost of ¥662 million (\$6,490 thousand), ¥739 million and ¥743 million as "Selling, general and administrative" in the accompanying consolidated statements of income for the years ended March 31, 2014, 2013 and 2012, respectively, and the cost was measured as the fair value of the options estimated using the Black-Scholes option pricing model. The deferred income tax benefit related to the cost was ¥232 million (\$2,275 thousand), ¥276 million and ¥248 million for the years ended March 31, 2014, 2013 and 2012, respectively. As of March 31, 2014, there was no unrecognized stock-based compensation cost. There were 1,225 stock acquisition rights exercised during the year ended March 31, 2014. The weighted-average grant date fair values of stock acquisition rights granted during the years ended March 31, 2014 and 2013 were ¥1,680 (\$16.47) and ¥1,806, respectively. The total fair values of shares vested during the years ended March 31, 2014, 2013 and 2012 were ¥663 million (\$6,500 thousand), ¥902 million and ¥356 million, respectively.

A summary of stock acquisition rights activity during the years ended March 31, 2014, 2013 and 2012 is as follows:

	Yen	Years	Millions of yen	
<b>2014</b>				
	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding as of March 31, 2013	1,831,700	¥1,385		
Granted during the year	393,900	112		
Exercised	(122,500)	1	—	¥ (384)
Outstanding as of March 31, 2014	2,103,100	1,227	17.7	3,376
Exercisable as of March 31, 2014	2,079,600	1,220	17.8	3,376

	Yen	Years	Millions of yen	
<b>2013</b>				
	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding as of March 31, 2012	1,442,700	¥1,725		
Granted during the year	409,100	116		
Exercised	(20,100)	1	—	¥ (77)
Outstanding as of March 31, 2013	1,831,700	1,385	16.8	3,096
Exercisable as of March 31, 2013	1,808,600	1,377	16.9	3,096

	Yen	Years	Millions of yen	
<b>2012</b>				
	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding as of March 31, 2011	1,464,700	¥1,700		
Exercised	(22,000)	1	—	¥ (94)
Outstanding as of March 31, 2012	1,442,700	1,725	14.5	2,434
Exercisable as of March 31, 2012	1,246,500	1,530	15.6	2,434

	U.S. dollar	Years	Thousands of U.S. dollars
<b>2014</b>			
	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding as of March 31, 2013	\$13.58		
Granted during the year	1.10		
Exercised	0.01	—	\$ (3,765)
Outstanding as of March 31, 2014	12.03	17.7	33,098
Exercisable as of March 31, 2014	11.96	17.8	33,098

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:

	<b>2014</b>	
	No. 6-1 Stock Acquisition Rights	No. 6-2 Stock Acquisition Rights
Expected volatility	28.682%	36.549%
Expected remaining life	1 year	6 years
Expected dividend (Yen)	¥37.5	¥37.5
Expected dividend (U.S. dollars)	\$0.37	\$0.37
Risk-free interest rate	0.055%	0.180%

	<b>2013</b>	
	No. 5-1 Stock Acquisition Rights	No. 5-2 Stock Acquisition Rights
Expected volatility	28.548%	38.826%
Expected remaining life	1 year	6 years
Expected dividend (Yen)	¥32.5	¥32.5
Risk-free interest rate	0.105%	0.459%

	<b>2011</b>	
	No. 4-1 Stock Acquisition Rights	No. 4-2 Stock Acquisition Rights
Expected volatility	23.274%	34.205%
Expected remaining life	1 year	6 years
Expected dividend (Yen)	¥27.5	¥27.5
Risk-free interest rate	0.145%	0.584%

	<b>2010</b>	
	No. 3-1 Stock Acquisition Rights	No. 3-2 Stock Acquisition Rights
Expected volatility	58.623%	34.575%
Expected remaining life	1 year	6 years
Expected dividend (Yen)	¥30	¥30
Risk-free interest rate	0.170%	0.738%

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

	<b>2008</b>		
	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, No.

3-1 Stock Acquisition Rights, No. 4-1 Stock Acquisition Rights, No. 5-1 Stock Acquisition Rights and No. 6-1 Stock Acquisition Rights was determined based on the minimum term of Directors and executive officers of the Company and FUJIFILM Corporation. The expected remaining life of No. 1-3 Stock Acquisition Rights, No. 2-2 Stock Acquisition Rights, No. 3-2 Stock Acquisition Rights, No. 4-2 Stock Acquisition Rights, No. 5-2 Stock Acquisition Rights and No. 6-2 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 utilizes 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 third parties and group companies and related receivables and payables denominated in foreign currencies. If the yen weakens significantly against foreign currencies (primarily the U.S. dollar), the increase in the cash flows caused by increases of value in future foreign currency is offset by gains or losses in the value of the forward exchange contracts designated as hedges. Conversely, if the yen strengthens, the decrease in the cash flows caused by decreases of value in future foreign currency is offset by gains or losses in the value of the forward contracts designated as hedges.

The Company has entered into interest rate swap contracts to manage exposures related to the risks of fluctuations in interest rate of variable interest rate liabilities.

Changes in the fair value of those derivative instruments designated and qualifying as cash flow hedges are reported in "Other comprehensive income (loss)", net of applicable taxes, in the accompanying consolidated balance sheets. 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, 2014, the Company expects to reclassify ¥158 million (\$1,549 thousand) (before tax effect) of net gains on derivatives from accumulated other comprehensive income (loss) to earnings during the next twelve months.

### Derivatives Not Designated as Hedges

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

### Volume of Derivative Activities

Notional amounts of forward currency exchange, currency swaps, cross currency interest rate swaps and interest rate swaps as of March 31, 2014 and 2013 are summarized as follows:

## Financial Statements (March 31, 2014)

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Forward currency exchange (Short)	¥ 81,912	¥ 76,033	\$ 803,059
Forward currency exchange (Long)	55,285	55,727	542,010
Currency swaps	36,988	37,965	362,627
Cross currency interest rate swaps	25,016	20,166	245,255
Interest rate swaps	148,736	138,750	1,458,196

## Impacts on the Consolidated Financial Statements

The fair values of derivatives in the consolidated balance sheets as of March 31, 2014 and 2013 are summarized as follows:

	Balance sheet location	Millions of yen		Thousands of U.S. dollars
		2014	2013	2014
Derivative assets				
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	¥561	¥330	\$5,500
Forward currency exchange contracts	Long-term finance and other receivables	19	—	186
Interest rate swaps	Long-term finance and other receivables	54	80	530
<b>Total</b>		<b>634</b>	<b>410</b>	<b>6,216</b>
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	117	280	1,147
Currency swaps	Prepaid expenses and other	29	104	284
Interest rate swaps	Prepaid expenses and other	2	—	20
Interest rate swaps	Long-term finance and other receivables	79	—	774
<b>Total</b>		<b>227</b>	<b>384</b>	<b>2,225</b>
<b>Total derivative assets</b>		<b>¥861</b>	<b>¥794</b>	<b>\$8,441</b>

	Balance sheet location	Millions of yen		Thousands of U.S. dollars
		2014	2013	2014
Derivative liabilities				
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	¥ 1,655	¥ 1,539	\$ 16,226
Forward currency exchange contracts	Customers' guarantee deposits and other	44	475	431
Interest rate swaps	Customers' guarantee deposits and other	268	344	2,627
<b>Total</b>		<b>1,967</b>	<b>2,358</b>	<b>19,284</b>
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	409	21	4,010
Forward currency exchange contracts	Customers' guarantee deposits and other	—	209	—
Currency swaps	Other current liabilities	4,878	621	47,824
Currency swaps	Customers' guarantee deposits and other	615	6,272	6,029
Cross currency interest rate swaps	Other current liabilities	1,610	2,580	15,784
Cross currency interest rate swaps	Customers' guarantee deposits and other	1,571	916	15,402
Interest rate swaps	Other current liabilities	35	7	343
Interest rate swaps	Customers' guarantee deposits and other	64	299	628
<b>Total</b>		<b>9,182</b>	<b>10,925</b>	<b>90,020</b>
<b>Total derivative liabilities</b>		<b>¥11,149</b>	<b>¥13,283</b>	<b>\$109,304</b>

## Financial Statements (March 31, 2014)

Gains and losses related to derivatives recorded in the consolidated statements of income for the years ended March 31, 2014, 2013 and 2012 are summarized as follows:

Cash Flow Hedges				Millions of yen
				2014
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		
	Amount	Statements of income location	Amount	
Forward currency exchange contracts	¥842	Foreign exchange gains (losses), net	¥605	
Interest rate swaps	50	—	—	
Total	¥892		¥605	

Cash Flow Hedges				Millions of yen
				2013
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		
	Amount	Statements of income location	Amount	
Forward currency exchange contracts	¥(1,664)	Foreign exchange gains (losses), net	¥(1,575)	
Interest rate swaps	(264)	—	—	
Other	(61)	—	—	
Total	¥(1,989)		¥(1,575)	

Cash Flow Hedges				Millions of yen
				2012
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		
	Amount	Statements of income location	Amount	
Forward currency exchange contracts	¥(871)	Foreign exchange gains (losses), net	¥(770)	
Total	¥(871)		¥(770)	

Cash Flow Hedges				Thousands of U.S. dollars
				2014
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		
	Amount	Statements of income location	Amount	
Forward currency exchange contracts	\$8,255	Foreign exchange gains (losses), net	\$5,931	
Interest rate swaps	490	—	—	
Total	\$8,745		\$5,931	

Derivatives Not Designated as Hedges					Thousands of U.S. dollars
					2014
	Statements of income location	Amount			
		2014	2013	2012	2014
Forward currency exchange contracts	Foreign exchange gains (losses), net	¥ (619)	¥ (805)	¥ 39	\$ (6,069)
Currency swaps	Foreign exchange gains (losses), net	812	(5,687)	(364)	7,961
Cross currency interest rate swaps	Foreign exchange gains (losses), net	(2,782)	(2,086)	(706)	(27,274)
Interest rate swaps	Other, net	286	39	(6)	2,804
Other	Other, net	—	—	(208)	—
Total		¥(2,303)	¥(8,539)	¥(1,245)	\$(22,578)

## Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and investment securities, 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 amounts of receivable from certain major customers. The Company manages this risk by maintenance of customer's guarantee deposits and the performance of ongoing credit evaluations. An allowance for doubtful accounts is maintained at a level which management believes is sufficient to cover potential losses.

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

#### Fair Value of Financial Instruments

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

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

**Marketable securities and Investment securities:** The fair values of government debt securities, stocks and public investment trusts with active markets are estimated based on quoted market prices. Debt securities and private investment trusts 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 based on quoted market prices or using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements. The fair values and the corresponding carrying amounts of long-term debt, including the current portion, were ¥321,975 million (\$3,156,618 thousand) and ¥320,560 million (\$3,142,745 thousand), respectively as of March 31, 2014 and ¥325,186 million and ¥323,706 million, respectively as of March 31, 2013.

The fair values of Long-term debt as of March 31, 2014 and 2013 were classified as Level 2.

The fair value hierarchy that prioritizes the use of inputs used in valuation techniques is described in Note 18, "Fair Value Measurement."

**Derivative financial instruments:** The fair values of forward currency exchange contracts, currency swaps, cross currency interest rate swaps and interest rate swaps are estimated based on the market prices obtained from financial institutions or third parties, which are measured by observable inputs. The fair values and the carrying amounts of these derivative assets were ¥861 million (\$8,441 thousand) and ¥794 million, and those of derivative liabilities were ¥11,149 million (\$109,304 thousand) and ¥13,283 million, as of March 31, 2014 and 2013, respectively.

## 18. Fair Value Measurement

ASC820, 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 (inactive markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Assets and liabilities that the Company measures at fair value on a recurring basis include cash equivalents, marketable and investment securities, and derivative assets and liabilities. The fair value hierarchy as of March 31, 2014 and 2013 is as follows:

	Millions of yen			
	2014			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents	¥ —	¥299,245	¥—	¥299,245
Marketable securities				
Corporate debt securities	—	16,635	—	16,635
Investment securities				
Government debt securities	23	265	—	288
Corporate debt securities	—	6,077	—	6,077
Stocks	98,700	—	—	98,700
Investment trusts	20,122	5,255	—	25,377
Short-term derivative assets				
Forward currency exchange contracts	—	678	—	678
Currency swaps	—	29	—	29
Interest rate swaps	—	2	—	2
Long-term derivative assets				
Forward currency exchange contracts	—	19	—	19
Interest rate swaps	—	133	—	133
<b>Liabilities:</b>				
Short-term derivative liabilities				
Forward currency exchange contracts	—	2,064	—	2,064
Currency swaps	—	4,878	—	4,878
Cross currency interest rate swaps	—	1,610	—	1,610
Interest rate swaps	—	35	—	35
Long-term derivative liabilities				
Forward currency exchange contracts	—	44	—	44
Currency swaps	—	615	—	615
Cross currency interest rate swaps	—	1,571	—	1,571
Interest rate swaps	—	332	—	332

	Millions of yen			
	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥229,336	¥—	¥229,336
Marketable securities				
Corporate debt securities	—	3,650	—	3,650
Investment securities				
Government debt securities	23	254	—	277
Corporate debt securities	—	6,099	—	6,099
Stocks	89,625	—	—	89,625
Investment trusts	17,909	8,026	—	25,935
Short-term derivative assets				
Forward currency exchange contracts	—	610	—	610
Currency swaps	—	104	—	104
Long-term derivative assets				
Interest rate swaps	—	80	—	80
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	1,560	—	1,560
Currency swaps	—	621	—	621
Cross currency interest rate swaps	—	2,580	—	2,580
Interest rate swaps	—	7	—	7
Long-term derivative liabilities				
Forward currency exchange contracts	—	684	—	684
Currency swaps	—	6,272	—	6,272
Cross currency interest rate swaps	—	916	—	916
Interest rate swaps	—	643	—	643

	Thousands of U.S. dollars			
	2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$ —	\$2,933,775	\$—	\$2,933,775
Marketable securities				
Corporate debt securities	—	163,088	—	163,088
Investment securities				
Government debt securities	226	2,598	—	2,824
Corporate debt securities	—	59,578	—	59,578
Stocks	967,647	—	—	967,647
Investment trusts	197,274	51,520	—	248,794
Short-term derivative assets				
Forward currency exchange contracts	—	6,647	—	6,647
Currency swaps	—	284	—	284
Interest rate swaps	—	20	—	20
Long-term derivative assets				
Forward currency exchange contracts	—	186	—	186
Interest rate swaps	—	1,304	—	1,304
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	—	20,236	—	20,236
Currency swaps	—	47,824	—	47,824
Cross currency interest rate swaps	—	15,784	—	15,784
Interest rate swaps	—	343	—	343
Long-term derivative liabilities				
Forward currency exchange contracts	—	431	—	431
Currency swaps	—	6,029	—	6,029
Cross currency interest rate swaps	—	15,402	—	15,402
Interest rate swaps	—	3,255	—	3,255

Assets classified as Level 1 consist principally of Japanese government debt securities, listed stocks and public investment trusts, which were valued using unadjusted quoted prices in active markets for identical assets. Assets other than derivative assets classified as Level 2 consist principally of negotiable certificates of deposit, corporate debt securities and private investment trusts. Negotiable certificates of deposit, corporate debt securities and private investment trusts were valued based on market approach using directly or indirectly observable inputs in inactive markets. Derivative assets and liabilities were classified as Level 2 because they were valued based on market approach using inputs that were corroborated by observable market data obtained from financial institutions or third parties. There were no assets and liabilities classified as Level 3 for the years ended March 31, 2014 and 2013.

For the year ended March 31, 2014, assets measured at fair value on a nonrecurring basis were the intangible assets for which impairment charges were recognized.

The fair value of intangible assets was measured using unobservable inputs such as estimated discounted future cash flows. As a result, the Company concluded that the carrying value of intangible assets would not be recoverable and recorded impairment loss of ¥4,003 million (\$39,245 thousand) for the year ended March 31, 2014. Impaired intangible assets were written down to their fair value of ¥1,688 million (\$16,549 thousand) and were classified as Level 3 because of the use of unobservable inputs.

For the year ended March 31, 2013, assets and liabilities measured at fair value on a nonrecurring basis were insignificant.

## 19. Financing Receivables and Allowance for Doubtful Financing Receivables

### Allowance for Doubtful Financing Receivables

The Company determines whether financing receivables are impaired, based on the financial health of its customers and delays in payment. Financing receivables are evaluated individually or collectively. For collectively evaluated financing receivables, the allowance is based on historical losses, whereas for individually evaluated financing receivables, the allowance is directly estimated according to the financial health of the debtor.

The credit quality of financing receivables is reviewed every quarter based on the financial health of customers and delays in payment. Where the Company estimates that the credit quality of a particular receivable has decreased significantly, an allowance is individually recorded.

Uncollectible financing receivables are charged-off when legal actions have been taken to collect the receivable, and it becomes clear that an amount smaller than the recorded receivable will be recovered.

The following table provides both the balances as of March 31, 2014 and 2013, and the activity for the year ended March 31, 2014 and 2013, in the allowance for doubtful financing receivables, excluding trade accounts receivable that have a contractual maturity of one year or less.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Allowance for doubtful financing receivables:			
Balance, as of April 1	¥(9,768)	¥(3,268)	\$(95,765)
Charge-offs	7,072	1,134	69,333
(Provision) Benefit	(3,288)	(7,110)	(32,235)
Other	(126)	(524)	(1,235)
Balance, as of March 31	¥(6,110)	¥(9,768)	\$(59,902)
Ending balance: individually evaluated for impairment	(4,075)	(8,154)	(39,951)
Ending balance: collectively evaluated for impairment	(2,035)	(1,614)	(19,951)

## Financial Statements (March 31, 2014)

The following table provides information about financing receivables, excluding trade accounts receivable that have a contractual maturity of one year or less.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Financing receivables:			
Balance, as of March 31	¥207,148	¥191,713	\$2,030,863
Ending balance: individually evaluated for impairment	4,075	8,863	39,951
Ending balance: collectively evaluated for impairment	203,073	182,850	1,990,912

Between April 1, 2013 and March 31, 2014, no significant purchases or sales in financing receivables occurred.

Past Due Financing Receivables

The following are past due financing receivables, excluding trade accounts receivable that have a contractual maturity of one year or less, as of March 31, 2014.

	Millions of yen		
	31-90 days past due	Greater than 90 days	Total past due
Financing Receivables	¥2,186	¥4,371	¥6,557

	Thousands of U.S. dollars		
	31-90 days past due	Greater than 90 days	Total past due
Financing Receivables	\$21,431	\$42,853	\$64,284

## 20. Acquisitions

In order to expand its distribution channels and business in the United States, Europe and Asia and improve technological developments of certain products, the Company acquired certain businesses for the years ended March 31, 2013 and 2012. Considerations for all significant acquisitions were paid in cash and aggregate purchase prices for acquisitions amounted to ¥31,215 million and ¥61,013 million, net of cash acquired, for the years ended March 31, 2013 and 2012, respectively. There were no significant contingent payments, options or commitments related to those acquisitions. Each acquisition that qualified as a business combination has been accounted for under the acquisition method of accounting in accordance with ASC805 and the excess of the purchase price over the estimated fair value of net assets acquired has been recorded as goodwill.

There was no acquisition during the year ended March 31, 2014.

In order to expand its Document Solutions business, the Company acquired on October 10, 2012, from Salmat Limited, an Australian company, its Business Process Outsourcing division, comprising all the shares of Salmat Document Management Solutions Pty. Limited, its 11 subsidiaries and Salmat Asia Limited for AU\$354 million paid in cash.

The purchase price allocation was completed during the year ended March 31, 2013 and the following table summarizes the allocation of the purchase price to identifiable assets acquired and liabilities assumed as of the acquisition date.

	Millions of yen
Current assets	¥ 4,012
Intangible assets	11,687
Goodwill	17,220
Investments and other	5,462
Current liabilities	4,586
Long-term liabilities	5,470
Net assets acquired	¥28,325

Intangible assets recognized consisted of customer-related intangibles amounting to ¥11,687 million, amortized over approximately 17 years. The recognized goodwill allocated to the Document Solutions segment is attributable primarily to expected future growth and synergies with existing businesses and is not deductible for tax purposes.

The results of operations for the acquired entities have been included in the Company's consolidated statements of income since the acquisition date. Pro forma information related to the acquisition was not presented because the impact on the Company's results of operations was not significant on an individual or an aggregate basis.

On December 15, 2011, the Company entered into an agreement to acquire SonoSite, Inc. ("SonoSite"), a pioneer and leader in bedside and point-of-care ultrasound technology.

Following the agreement, the Company made a public tender offer, successfully completed on February 15, 2012, U.S. Time, for \$54 per share, net to the seller in cash. On March 29, 2012, U.S. Time, the Company acquired the remaining noncontrolling interest in SonoSite for the same amount per outstanding share as the tender offer.

The purchase price allocation was completed during the year ended March 31, 2013 and the following table summarizes the allocation of the purchase price to identifiable assets acquired and liabilities assumed as of the acquisition date.

	Millions of yen
Current assets	¥20,353
Intangible assets	28,944
Goodwill	45,428
Investments and other	1,819
Current liabilities	19,015
Long-term liabilities	11,842
Net assets acquired	¥65,687

Intangible assets recognized primarily consisted of technology-based intangibles, amortized over approximately 11 years and customer-related intangibles, amortized over approximately 24 years, amounting to ¥23,430 million and ¥5,498 million, respectively. The recognized goodwill allocated to the Information Solutions segment is attributable primarily to expected future growth and synergies with existing businesses and is not deductible for tax purposes.

The results of operations for the acquired entities have been included in the Company's consolidated statements of income since the acquisition date. Pro forma information related to the acquisition was not presented because the impact on the Company's results of operations was not significant on an individual or an aggregate basis.

## 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" develops, manufactures, markets and services color films, digital cameras, optical devices, photofinishing equipment, color paper, chemicals and related products, primarily for individual consumers. "Information Solutions" develops, manufactures, markets and services equipment and materials for medical systems, life sciences products, pharmaceuticals, equipment and materials for graphic arts, flat panel display materials, recording media, electronic materials, and related products, primarily for commercial enterprises. "Document Solutions" develops, manufactures, markets and services office copy machines / multifunction devices, printers, production systems and services, office services, paper, consumables and other related products, primarily for commercial enterprises.

Year ended March 31	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
<b>Revenue</b>				
<b>Imaging Solutions:</b>				
External customers	¥ 373,624	¥ 346,009	¥ 375,022	\$ 3,662,981
Intersegment	2,371	1,241	1,357	23,245
Total	375,995	347,250	376,379	3,686,226
<b>Information Solutions:</b>				
External customers	933,844	856,521	835,442	9,155,334
Intersegment	1,442	1,237	1,277	14,137
Total	935,286	857,758	836,719	9,169,471
<b>Document Solutions:</b>				
External customers	1,132,485	1,012,166	984,829	11,102,794
Intersegment	9,525	11,152	10,244	93,382
Total	1,142,010	1,023,318	995,073	11,196,176
Eliminations	(13,338)	(13,630)	(12,878)	(130,765)
Consolidated total	¥2,439,953	¥2,214,696	¥2,195,293	\$23,921,108

## Financial Statements (March 31, 2014)

Segment profit or loss	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Year ended March 31				
Operating income (loss):				
Imaging Solutions	¥ 3,590	¥ (773)	¥ (8,125)	\$ 35,196
Information Solutions	72,916	72,904	71,590	714,863
Document Solutions	95,995	75,884	81,814	941,127
Total	172,501	148,015	145,279	1,691,186
Corporate expenses and eliminations	(31,693)	(33,899)	(32,331)	(310,715)
Consolidated operating income	140,808	114,116	112,948	1,380,471
Other income (expenses), net	16,346	5,070	(23,761)	160,254
Consolidated income before income taxes	¥157,154	¥119,186	¥ 89,187	\$1,540,725
<b>Total assets</b>				
March 31				
Total assets:				
Imaging Solutions	¥ 322,099	¥ 327,259	¥ 327,428	\$ 3,157,833
Information Solutions	1,336,082	1,332,821	1,268,449	13,098,843
Document Solutions	1,141,214	1,091,015	988,424	11,188,373
Total	2,799,395	2,751,095	2,584,301	27,445,049
Eliminations	(4,118)	(5,905)	(6,783)	(40,373)
Corporate assets	431,692	314,406	162,147	4,232,275
Consolidated total	¥3,226,969	¥3,059,596	¥2,739,665	\$31,636,951

Other significant items	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Year ended March 31				
Depreciation and amortization:				
Imaging Solutions	¥ 13,488	¥ 13,329	¥ 14,607	\$ 132,235
Information Solutions	68,587	71,757	72,448	672,422
Document Solutions	56,122	53,099	57,505	550,216
Total	138,197	138,185	144,560	1,354,873
Corporate	3,243	3,363	3,215	31,794
Consolidated total	¥141,440	¥141,548	¥147,775	\$1,386,667
Capital expenditures:				
Imaging Solutions	¥ 9,260	¥ 9,838	¥ 12,853	\$ 90,784
Information Solutions	32,424	39,888	56,200	317,882
Document Solutions	23,926	24,778	19,306	234,569
Total	65,610	74,504	88,359	643,235
Corporate	1,394	2,156	2,587	13,667
Consolidated total	¥ 67,004	¥ 76,660	¥ 90,946	\$ 656,902

Transfers between operating segments are generally based on negotiated pricing. Corporate expenses are those 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, relates 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.

During the year ended March 31, 2014, the Company reorganized internal management reporting and reclassified optical devices from Information Solutions to Imaging Solutions. Accordingly, the Company restated prior year's segment disclosures to conform to current year presentation.

### Geographic Information

Revenue to external customers, which are attributed to geographic areas based on the location of the customers for the years ended March 31, 2014, 2013 and 2012, are as follows:

Year ended March 31	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Japan	¥1,036,856	¥1,002,385	¥1,012,685	\$10,165,255
The Americas	436,684	393,304	367,652	4,281,216
Europe	292,762	250,391	262,694	2,870,216
Asia and others	673,651	568,616	552,262	6,604,421
Consolidated total	¥2,439,953	¥2,214,696	¥2,195,293	\$23,921,108

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

Long-lived assets as of March 31, 2014, 2013 and 2012 are as follows:

March 31	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	2014
Japan	¥378,597	¥408,834	¥432,655	\$3,711,735
The Americas	38,924	34,634	31,638	381,608
Europe	49,728	43,979	42,565	487,529
Asia and others	62,988	58,685	47,058	617,530
Consolidated total	¥530,237	¥546,132	¥553,916	\$5,198,402

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

### 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, 2014.

The Company through its Document Solutions segment sold certain copy machines and other equipment to a noncontrolling interest and also purchased certain equipment from the noncontrolling interest, which amounted to ¥191,312 million (\$1,875,608 thousand) and ¥13,774 million (\$135,039 thousand), ¥167,515 million and ¥11,798 million, and ¥171,790 million and ¥11,405 million for the years ended March 31, 2014, 2013 and 2012, respectively.

In conjunction with a license agreement and other arrangements between the Company through its Document Solutions segment and a noncontrolling interest, certain expenses of ¥14,043 million (\$137,676 thousand), ¥12,888 million and ¥12,347 million, which primarily relate to royalty and research expenses, were incurred for the years ended March 31, 2014, 2013 and 2012, respectively. Notes and accounts receivable from the noncontrolling interest as of March 31, 2014 and 2013 were ¥49,004 million (\$480,431 thousand) and ¥43,230 million, respectively. Notes and accounts payable to the noncontrolling interest as of March 31, 2014 and 2013 were ¥6,238 million (\$61,157 thousand) and ¥6,137 million, respectively.



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 www.shinnihon.or.jp

## Report of Independent Auditors

The Board of Directors and Shareholders

FUJIFILM Holdings Corporation

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of FUJIFILM Holdings Corporation and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2014, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles.

#### Convenience Translation

We also have reviewed the translation of the consolidated financial statements mentioned above as of, and for the year ended March 31, 2014, into U.S. dollars on the basis described in Note 3. In our opinion, such statements have been translated on such basis.

June 27, 2014

### Corporate Information (As of March 31, 2014)

#### Company name

FUJIFILM Holdings Corporation

#### Head office

7-3, Akasaka 9-chome, Minato-ku,

Tokyo 107-0052, Japan

<http://www.fujifilmholdings.com/en/>

#### Date of establishment

January 20, 1934

#### Capital

¥40,363 million

#### Number of employees (Consolidated)

78,595

#### Number of employees

125

#### Number of consolidated subsidiaries

273

### Stock Information (As of March 31, 2014)

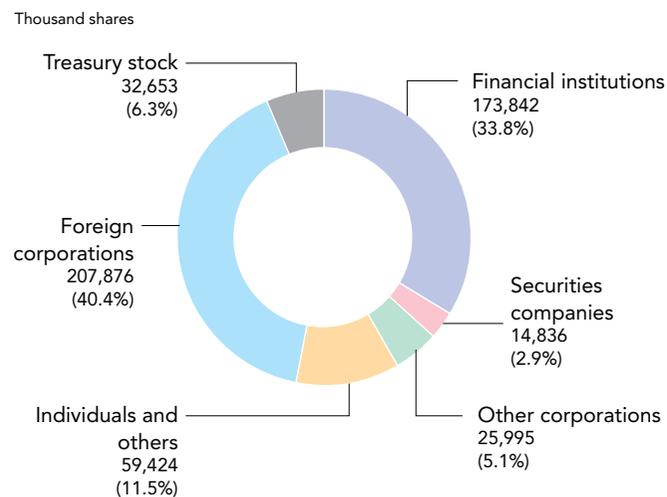
#### Stock exchange listings

Tokyo, Nagoya

#### Distribution of shareholders and shares

Number of shareholders: 87,263

Number of shares outstanding: 514,625,728



#### Common share price (Tokyo Stock Exchange)

Stock price (Yen)

4,000

3,000

2,000

1,000

0

Trading volume (Thousand shares)

200,000

150,000

100,000

50,000

0

'12/4 '12/5 '12/6 '12/7 '12/8 '12/9 '12/10 '12/11 '12/12 '13/1 '13/2 '13/3 '13/4 '13/5 '13/6 '13/7 '13/8 '13/9 '13/10 '13/11 '13/12 '14/1 '14/2 '14/3

#### Share registrar

Sumitomo Mitsui Trust Bank, Limited  
4-1, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-8233, Japan

#### Major shareholders

Name	Percentage of issued shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	6.0
The Master Trust Bank of Japan, Ltd. (trust account)	5.3
Nippon Life Insurance Company	3.7
THE BANK OF NEW YORK MELLON SA/NV 10	2.7
Sumitomo Mitsui Banking Corporation	2.0
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	1.4
Mitsui Sumitomo Insurance Company, Limited	1.4
STATE STREET BANK AND TRUST COMPANY 505225	1.1
STATE STREET BANK WEST CLIENT-TREATY	1.1
Sumitomo Mitsui Trust Bank, Limited	1.1

\* FUJIFILM Holdings Corporation holds treasury stock accounting for 6.3% of the total issued shares outstanding.