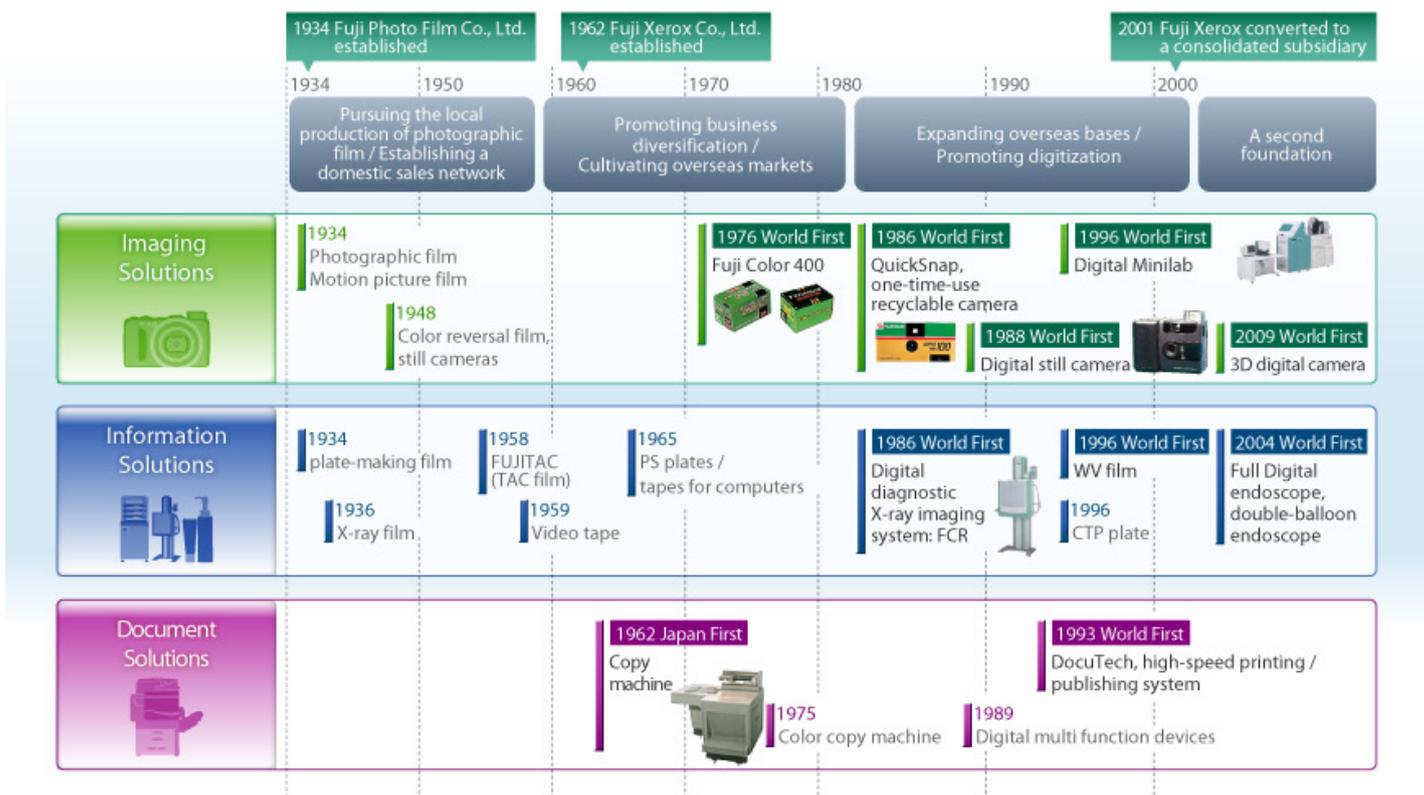




## Annual Report 2013

# 1 History

## Applying the Strengths of Our Technological Expertise to Lead the Next Generation



Fujifilm Group's history dates back nearly 80 years to 1934. While the company was first established with the aim of domestically producing photographic films, it soon began entering new domains including the medical and printing fields by building on its accumulated technologies. On a Group basis, Fujifilm has worked to diversify its business and has successfully forged a robust position in the copy machine business through the establishment of Fuji Xerox. Since the beginning of the 1980s, the Group was quick to take up the digital challenge in each of its photography, medical, and printing businesses and today leads each field on the back of innovative technologies. To this day, the Fujifilm Group will continue to release a steady stream of new products that take into the needs of the next generation.

## 2 Principal Products

Providing a broad range of products across three core businesses that extend beyond “imaging and information”



The Fujifilm Group holds a corporate philosophy that places the utmost importance on efforts that help enhance the quality of life of people worldwide. Guided by this philosophy, the Group is evolving beyond its traditional role as a provider of imaging and information products and services. Wide-ranging contributions are made that extend to the development of industrial society, people's health and global environment protection. Today, the Group conducts its business across the three broad fields of imaging solutions, which handles the products at the Group's origin, including cameras and photographic film, information solutions, which provides equipment and materials to advanced medical, printing, liquid crystal display and related fields, and document solutions, led by Fuji Xerox, which is responsible for copy machine- and digital printing-related products and services.

Note: We integrated the Electronic Imaging Division and the Optical Devices Division in June 2013 to provide imaging solutions as the Optical Device & Electronic Imaging Products Division.

## 3 Business Structure Transformation

### Meeting Changing the Market Needs, Diversifying Business, and Transforming Our Business Structure



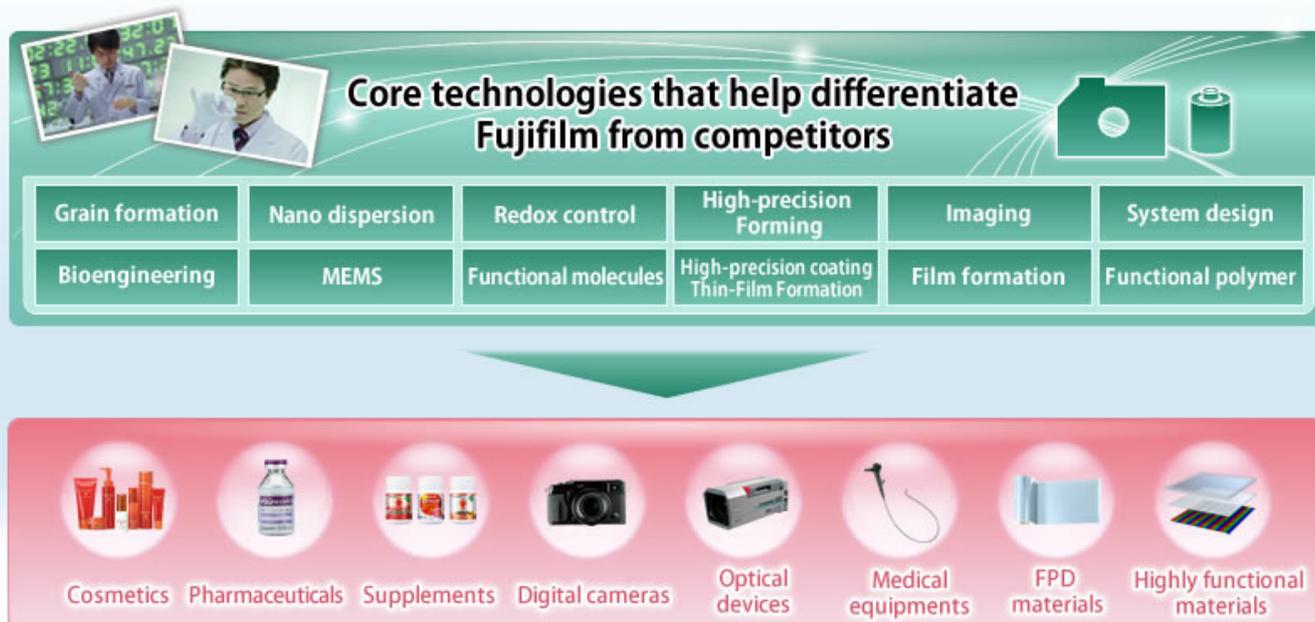
Years ended March 31

Demand for color films, which peaked in 2000, witnessed a dramatic decline due to rapid expansion of digitization. The Fujifilm Group has worked diligently to respond to these abrupt changes in its operating environment, to diversify its business, and transform its business structure at a rapid pace. In the process of transforming its business structure, the Group has uncovered opportunities in such new business fields as pharmaceuticals and cosmetics while laying a foundation for future growth.

In addition, we undertook structural reforms, building a corporate constitution capable of generating profits even in a harsh business environment. The Fujifilm Group will continue to focus one step ahead, channel resources into growth fields, and secure ongoing growth.

## 4 Technology and Business Development

Developing New Businesses by Adding Value to the Fundamental Technologies Nurtured through the Photographic Business with Technologies that Help Distinguish the Group's Products and Synergy Benefits through M&As



The Fujifilm Group possesses a wealth of fundamental technologies in such wide-ranging fields as organic chemistry, inorganic chemistry, mechanical design, analysis, and imaging nurtured through a broad spectrum of photosensitive materials, xerography, and other fields. Recognizing the critical need to continuously create new business in order to secure sustainable growth, the Group promotes diversification of its businesses through these fundamental technologies, as well as core technologies that differentiate the Group from competitors and generate high added value. In areas where the Group still doesn't have, energies are being directed toward developing core technologies by expanding synergies through M&As and collaboration with other companies. Through these means, the Fujifilm Group is taking up the challenge of creating new businesses.

## 5 Financial Stability

The average of shareholders' equity ratio to total assets is above 60% over the past five years

FUJIFILM Holdings is working to enhance its capital and asset efficiency while maintaining stability.



Years ended March 31

The ratio of shareholders' equity to total assets is widely regarded as one indicator of a company's financial strength. This benchmark measures the ratio of shareholders' equity to total assets, or the sum of shareholders' equity and total liabilities. The higher the ratio, the better its financial position. Brightened up by the structural reforms implemented over the years, the Fujifilm Group has continuously reduced its liabilities ratio. Over the past five years, the average of shareholders' equity ratio to total assets is above 60%. An equity ratio of 50% or more is generally regarded as affording considerable comfort. With a shareholders' equity ratio to total assets that exceeds this widely recognized level, the Fujifilm Group boasts outstanding financial stability.

# To Our Shareholders and Investors

## Entering a Full-Fledged Growth Phase by Promoting Our Medium-Term Management Plan VISION80

Shigehiro Nakajima  
President and Chief  
Operating Officer



Shigetaka Komori  
Chairman and Chief  
Executive Officer



### Overcoming a Difficult Business Environment while Putting in Place a Platform for Growth

In the fiscal year ended March 31, 2013, the prolonged debt crisis in Europe caused continued economic deterioration. In emerging countries and regions including Asia, the pace of economic growth also slowed. This was particularly evident in China, which experienced a slowdown in its growth rate. The Fujifilm Group (hereafter referred to as "the Group") is now confronted with rapid market changes including a reduction in sales of flat panel display materials as a result of the downturn in demand for IT devices, and a reduction in the demand for compact digital cameras brought about by the widespread popularity of smartphones.

In order to overcome this difficult business environment, the Group introduced new products, strengthened measures aimed at boosting sales and comprehensively reduced costs. As a result, FUJIFILM Holdings Corporation (hereafter referred to as "Fujifilm" or "the Company") recorded an increase in revenues and earnings. Consolidated revenue for the fiscal year ended March 31, 2013 amounted to ¥2,214.7 billion. This represented a 0.9% increase compared with the previous fiscal year. From a profit perspective, consolidated operating income improved 1.0% year on year to ¥114.1 billion. Net income attributable to the Company was ¥54.3 billion, an increase of 24% year on year.

In addition, sales in the healthcare field, comprising medical systems, pharmaceuticals, and life sciences, which is expected to form a mainstay business of the Group going forward, grew substantially. Of particular note was the major improvement in earnings in the pharmaceutical product business. Looking ahead, there are clear indications that the foundation is being laid for new growth. The future is therefore filled with promise.

#### Trends in Revenue, Operating Income and Ratio of Operating Income



## Entering a Full-Fledged Growth Phase by Accelerating the Pace of Growth in Three Priority Business Fields and Global Business Development

Under its medium-term management plan VISION80, which will complete its final year on March 31, 2014, the Group is selectively channeling management resources and engaging in speedy and dynamic activities in the three priority business fields of healthcare, highly functional materials, and document solutions, and also to increase sales worldwide, especially in emerging countries. The three priority business fields are exhibiting high growth potential and also allow the Group to fully harness its technological capabilities. In the healthcare field especially, medical systems continue to enjoy sales growth. At the same time, prior investments in the pharmaceutical product business are finally bearing fruit. With profits on the rise, this business is entering a full-fledged growth phase.

### Healthcare

In medical systems, the Group is targeting an annual sales growth rate of at least 10% in the medical IT, endoscope, and ultrasound diagnostic equipment businesses. From a medical IT perspective, we will work diligently to grasp the needs of the medical frontline in an accurate manner and provide onsite services that are both convenient and easy to use. Through success in each of these endeavors, we are aiming to capture the leading share of the global medical-use picture archiving and communications systems (PACS) market during the fiscal year ending March 31, 2016 (current ranking: 2nd—Company estimate).

Turning to activities in our endoscope business, we released the new and distinctive laser endoscope **LASEREO** to complement existing robust sales of our high-quality image transnasal endoscope. Through these means, we are confident in our ability to significantly enhance our presence in the endoscope market. In ultrasound diagnostic equipment, we are focusing on portable needs where market growth is expected. Cultivating synergies between Fujifilm's technologies and its U.S.-based subsidiary SonoSite, we will increase sales by introducing new groundbreaking products that help develop fresh applications.

In the pharmaceutical product business, sales grew by approximately 20% year on year in the fiscal year ended March 31, 2013. This result was supported by sales growth at each business subsidiary. Thanks largely to the business platform established by this sales growth and increased efficiency in our research and development activities, we anticipate that the pharmaceutical product business will finally turn a profit in the fiscal year ending March 31, 2014. Looking ahead, we will strive to further boost sales of Toyama Chemical Co., Ltd. products such as **Zosyn**, which remains strong. At the same time, we will work to expand activities in bio-related businesses including the contract manufacturing of biopharmaceuticals, where market growth is projected at an annual rate of 10% or more. In addition, we will pursue research and development in distinctive new drugs in the cancer field. These activities are expected to contribute to future sales growth. In its efforts to develop new drugs, Fujifilm's first offering as a treatment for cancer has entered the clinical trial phase.

In the life sciences business, our functional cosmetics that take full advantage of our collagen, nano, and other technologies are attracting wide acclaim. By increasing our product lineups and sales channels, we will accelerate the pace of growth.

## Highly Functional Materials

We will increase sales of new competitive products in the small and medium-sized display and touch panel markets including smartphones and tablet PCs, which are witnessing dramatic growth. In this context, we have already put in place a mass production structure for small and medium-sized display application flat panel display materials and touch panel-use sensor films.

## Document Solutions

We will strengthen activities in the global service, production service, and solution service businesses with the aim of capturing broad-based document demand including digital data. To this end, we will work to provide optimal document management environments that reflect customer needs. In addition, we will work to increase sales in the Asia and Oceania regions where growth is anticipated.

## Accelerating the Pace of Global Business Development

The Group has placed considerable emphasis on building a network of local overseas subsidiaries in order to bolster its direct sales structure focusing mainly on emerging countries. We will continue to leverage this network to actively introduce products that match the needs of each market. Among a host of initiatives, we will also pursue marketing that is deeply rooted in the culture of each country. Through these means, we will accelerate the pace of growth.

## Focusing on the Payment of Dividends in Returning Profits to Shareholders

We continue to place the utmost emphasis on the payment of dividends as a part of efforts to return profits to shareholders. Against the return to shareholders ratio target of over 25%, we achieved a ratio of 35.5% in the fiscal year under review. In addition to reflecting consolidated performance trends, dividend levels will be determined after taking into consideration such factors as the amount of cash required for M&A, capital, and R&D investment to support measures aimed

at increasing the Company's corporate value in the future. Moreover, buybacks of shares will be undertaken after flexibly considering the situation of cash flows and stock prices.

In the future, we will continue to evolve into a company that boldly pursues innovation and delivers new values to society. As we move forward, we ask that all stakeholders look to the promise that we offer.



Shigetaka Komori  
Chairman and Chief Executive Officer



Shigehiro Nakajima  
President and Chief Operating Officer

July 2013

Trends in Cash Dividends and Share Buybacks



Years ended March 31

## CEO Interview

# Medium to Long-Term Growth Strategy



## Shigetaka Komori

Chairman, Representative Director and CEO

### Profile

Joined Fuji Photo Film Co., Ltd. in 1963 and was appointed a director in 1995. Took up the position of Director and Managing Director of Fuji Photo Film (Europe) GmbH in 1996 and was later elevated to President & Representative Director of Fuji Photo Film Co., Ltd. in 2000. Has been serving as President, Representative Director & CEO of Fuji Photo Film Co., Ltd. and President, Representative Director & CEO of FUJIFILM Holdings Corporation since 2003 and 2006, respectively. Appointed to the position of Chairman, Representative Director and CEO of FUJIFILM Holdings Corporation and FUJIFILM Corporation in 2012.

### Q1 Please tell us about progress under the VISION80 medium-term management plan?

#### A1 We have put in place a growth platform for each of our priority business fields and will enter a full-fledged growth phase in the fiscal year ending March 31, 2014, the final year of the plan.

Confronted by a variety of changes in our business environment, I regret to advise that we will have difficulty in achieving the targets identified when first putting in place our medium-term management plan. Despite these circumstances, we are witnessing definitive improvements in our performance. Our overarching policy to pursue diversification in a quick and decisive manner remains unchanged. Accordingly, we will promote growth in the three fields of healthcare, highly functional materials, and document solutions, which form the basis of our VISION80 growth strategy, in order to secure growth as a company that is capable of overcoming major changes in its business environment.

Healthcare in particular, which is earmarked as a business of the future, is projected to record an increase in both revenues and earnings in the fiscal year ending March 31, 2014, continuing from the previous fiscal year. This forecast is a clear indication that we have been implementing the right measures and taking the right path. In our highly functional materials activities, we have taken positive steps to develop and release new products that match market needs. These include sensor films for touch panel use and FPD materials for small and medium-sized displays. We have also put in place a mass production structure in order to expand sales. Looking at activities in the document business, we recognize that such solution service businesses as global services will hold the key to the future. Against this backdrop, in Australia, we acquired a business process outsourcing company that deals with internal operations focusing mainly on documents. This has provided the impetus for business growth.

Through each of these initiatives, we have steadily established a platform that will enable us to embark on a new phase of growth.

**Q2 An area of particular focus in the healthcare business is pharmaceutical products. How will this business grow in the future?**

**A2 We expect to achieve profits in the fiscal year ending March 31, 2014, and finally enter a phase during which this business will contribute to earnings. First, we will continue to put in place a platform that is capable of generating profits. Moving forward, we will promote research and development of new drugs and from a medium to long-term perspective, we will promote a wide range of initiatives including bringing to market new and distinctive drugs and expanding activities in bio-related fields in order to foster this business into a mainstay pillar of the Group.**

To date, activities in this business have largely comprised of prior investments. As a result, we have received numerous inquiries from investors asking when the pharmaceutical product business will generate a profit. Over this period, we have acquired companies that are showing steady increase in earnings, and we have worked to lay a solid foundation for the future. As these endeavors bear fruit, we anticipate the pharmaceutical product business will become profitable during the fiscal year ending March 31, 2014. FUJIFILM Diosynth Biotechnologies U.S.A. Inc. and FUJIFILM Diosynth Biotechnologies UK Ltd - companies that engage in the contract manufacture of biopharmaceuticals - and Toyama Chemicals have fully leveraged Fujifilm's photographic film technologies to produce a synergistic effect that has resulted in remarkable improvements to the management of manufacturing processes and quality control, and by increasing production efficiency and reducing losses, these companies have achieved major improvements in profitability and fulfilled our original expectations of them. In the medium to long term, we will focus on the development and market introduction of new drugs for cancers and other fields in which effective medical treatments are not yet available, as well as expansion of biopharmaceutical-related businesses. Looking ahead, we aim to expand the scale of this business to ¥200 billion by the fiscal year ending March 31, 2019.

**Q3 The Group is promoting business diversification. What vision of the future do you have for businesses other than pharmaceutical products?**

**A3 We will improve the operating margins of businesses that boast substantial sales scale to enhance stability.**

We intend to improve the operating margins of those businesses that exhibit substantial scale including medical systems, document solutions, flat panel display materials, graphic systems, and photo imaging. The goal is to secure a stable stream of profits. In addition to maintaining and increasing topline (net sales) results as a matter of course, we recognize the critical need to improve profit margins by bolstering cost competitiveness. Under the stewardship of our president and chief operating officer, Shigehiro Nakajima, who is well versed in production technologies and the production frontline, we are undertaking thoroughgoing steps to reduce costs. At the same time, our ideal scenario entails nurturing multiple highly profitable businesses including pharmaceutical products and highly functional materials. The ultimate goal is to put in place a structure that balances the need for stability and profitability. By overlaying the stable platform of our existing large-scale businesses with new businesses that boast high profit margins, we are significantly improving the Company's earnings structure.

**Q4 The Group continues to confront an intensely competitive and harsh business environment. How can you be so confident that the Group will continue to grow?**

**A4 Our confidence is underpinned by our ability to consistently develop new and distinctive products as well as our high technological capabilities.**

The Group has continued to develop a steady stream of unique products by utilizing our proprietary and market-leading technologies, which I like to call "only one" and "number one" technologies. These include materials, analytic, thin-film formation and processing as well as other technologies that have been cultivated in the photography and related businesses over many years, and which competitors find difficult to imitate. In our **ASTALIFT** series of functional cosmetics, we have employed our organic materials, nano, dispersion, and other technologies to make full use of **ASTALIFT's** high aging care function and further enhance the level to which ingredients penetrate the skin. As a part of the Group's highly functional materials activities, we have developed the transparent conductive film **EXCLEAR** incorporating silver halide photographic technologies for touch panel use. As these select examples indicate, Fujifilm's strength lies in its ability to create high value-added, distinctive, new products that harness the Group's technology assets. In those areas where the Group's technologies and functions are lacking, we will of course pursue proprietary development while considering collaborative ties with other companies. This enables us to pursue and develop a host of business opportunities in an efficient and timely manner.

**Q5 On this point of forming collaborative ties with other companies in the pursuit of business expansion, please tell us about the Group's stance toward M&As going forward.**

**A5 The basis for entering into M&As rests mainly on the potential to generate earnings in the short term and realize synergy benefits.**

For the most part we have identified M&As as a means to promote medium to long-term growth mainly among the healthcare business. Until now, our principal considerations have revolved around "buying time" and "putting in place a new business platform." Looking ahead, we will place greater emphasis on opportunities that offer the potential for generating profits in the short term and realizing increased synergies with existing businesses. In entering into an M&A, we will therefore base our decision on criteria that examines the ability to secure more than the sum of the component parts and the degree to which synergies can be expanded. Moving beyond the M&A realm, we will work to further develop our business by also considering collaboration with business partners including alliances.

## COO Interview

## Specific Measures and Frontline Reform

**Shigehiro Nakajima**

President, Representative Director and COO

**Profile**

Joined Fuji Photo Film Co., Ltd. in 1973. Appointed General Manager of the Ashigara Factory No.3 Division in 2000 and General Manager of Fuji Photo Film B.V. in 2004. Appointed Corporate Vice President and Managing Director of Fuji Photo Film B.V. in 2005. After serving as Managing Director of FUJIFILM Europe GmbH (in Germany) from 2007, took up the position of Director of FUJIFILM Holdings Corporation, and Director, Senior Vice President and General Manager of the Emerging Countries Business Development Office of FUJIFILM Corporation in 2010. Has been serving as Representative Director, Executive Vice President of FUJIFILM Holdings Corporation and FUJIFILM Corporation since 2011. Appointed to the position of President, Representative Director and COO of FUJIFILM Holdings Corporation and FUJIFILM Corporation in 2012.

**Q1 The Group is confronting a wide range of changes that were unexpected at the time the medium-term management plan was announced in October 2011. What specifically does the Group plan to do in order to secure definitive growth amid these substantial changes in its business environment?**

**A1 We will get an insight into the true nature of these changes in the business environment, make the necessary judgments in a timely manner, and carry out the appropriate measures.**

In the electronic imaging (digital camera-related) business, the Fujifilm Group faced major changes in its operating environment. Due mainly to the widespread use of smartphones, demand for compact digital cameras fell dramatically. Despite these conditions, the Group's mission to generate a steady stream of earnings remains unchanged. Accordingly, we will conduct a thoroughgoing review of our business. In specific terms, we will reduce by half the number of compact digital camera models and significantly reduce development and fixed expenses by between 20 and 30%. Moreover, we will channel management resources into such high-end models as the **X Series** and models that offer interchangeable lenses to increase their sales. From an organizational perspective, we have reviewed the structure of our business. This includes integration with the Optical Devices Division, which mainly handles lenses, in June 2013 as a part of efforts to boost synergies from development to sales. In our other businesses, we will also place considerable weight on increasing efficiency. This will entail clarifying conditions in markets where products are underperforming with an eye toward consolidation and elimination. In this manner, the allocation of management resources will be directed toward fields that exhibit increasingly robust growth potential.

Sales of mainstay products in FPD materials have declined in line with the drop in personal computer demand. In response, we are ramping up the pace of new product development focusing on the market for small and medium-sized displays for smartphones and tablet PCs, which are enjoying growth. Mass production commenced in January 2013. In this regard, we are employing existing facilities and putting in place a structure and systems that are capable of flexibly addressing changes in the market.

**Q2 The Group is promoting global business development as a core growth strategy. What specific measures does this entail?**

**A2 We are strengthening marketing activities that are deeply rooted in local markets focusing on such areas of growth as Southeast Asia as well as Central and South America.**

Over the past several years, we have established local bases mainly in emerging countries including Vietnam, Indonesia, the Philippines, South Korea, Colombia, South Africa, Turkey, and the Ukraine. These initiatives form part of our efforts to engage in marketing activities that are deeply rooted in each local market. Moving forward, we will employ each of these bases to develop and boost sales of products that accurately match the needs of each market. The health-care fields in Southeast Asia as well as Central and South

America in particular are expecting growth. We recognize that our ability to address customer needs is the key to success. From a manufacturing perspective, we are pushing forward such measures as the establishment of a lens facility in the Philippines and multifunction device and printer plant in Vietnam. In this fashion, we are advancing global business development.

In another critical area of importance, we are building the necessary mechanisms to foster human resources who are capable of excelling in important positions on the world stage. Among a host of initiatives, we are conducting seminars to train candidates for executive positions in each country. Particular emphasis is being placed on sharing the Company's philosophy and strategies to compete within the global market as a single unified Fujifilm Group. We therefore recognize the importance of also promoting globalization from a human resource perspective.



Global Leadership Seminar held to cultivate executive candidates in various

**Q3 One year has now passed since you were appointed president. What are your thoughts on the current issues facing the company?**

**A3 It is vital that each and every employee takes ownership of the need to implement reform in order to achieve our objectives. At the same time, we must address changes in our operating environment in a timely manner.**

In order to sustain growth amid an operating environment that continues to change at a dizzying pace, it is vital that we anticipate change and deliver products that match customer needs in a timely manner. To this end, it is imperative that we "strengthen our marketing capabilities", "enhance the cost competitiveness of our products", "accelerate the pace and increase the efficiency of our R&D activities", and "lift the value productivity and efficiency of administrative divisions".

For this to happen, each of the employees must take responsibility for their own development and growth, and to take all necessary steps to achieve established objectives by extending beyond the boundaries of their allotted tasks and duties. The Group has worked under the theme of enhancing frontline capabilities since the fiscal year ended March 31, 2013. Guided by this overarching theme, each workplace is endeavoring to address each of the aforementioned issues.

As a part of efforts to strengthen marketing capabilities, it is vital that technology and marketing divisions work closely together. For example, we are considering the possibility of introducing new products and services that utilize our proprietary technologies by breaking down barriers and enabling marketing divisions to collaborate with R&D divisions, and staff from technology divisions to experience frontline sales activities to learn firsthand of customer requirements. In the field of highly functional materials, which is undergoing particular growth, I believe the invigoration of new ideas will be particularly effective, and steps are already underway to encourage such workplace collaborations. In this regard, we are combining existing technologies and applications with the aim of creating an increasingly large number of high value-added products and services that match customer needs without incurring substantial costs. We believe this is the first step toward establishing a new earnings pillar.

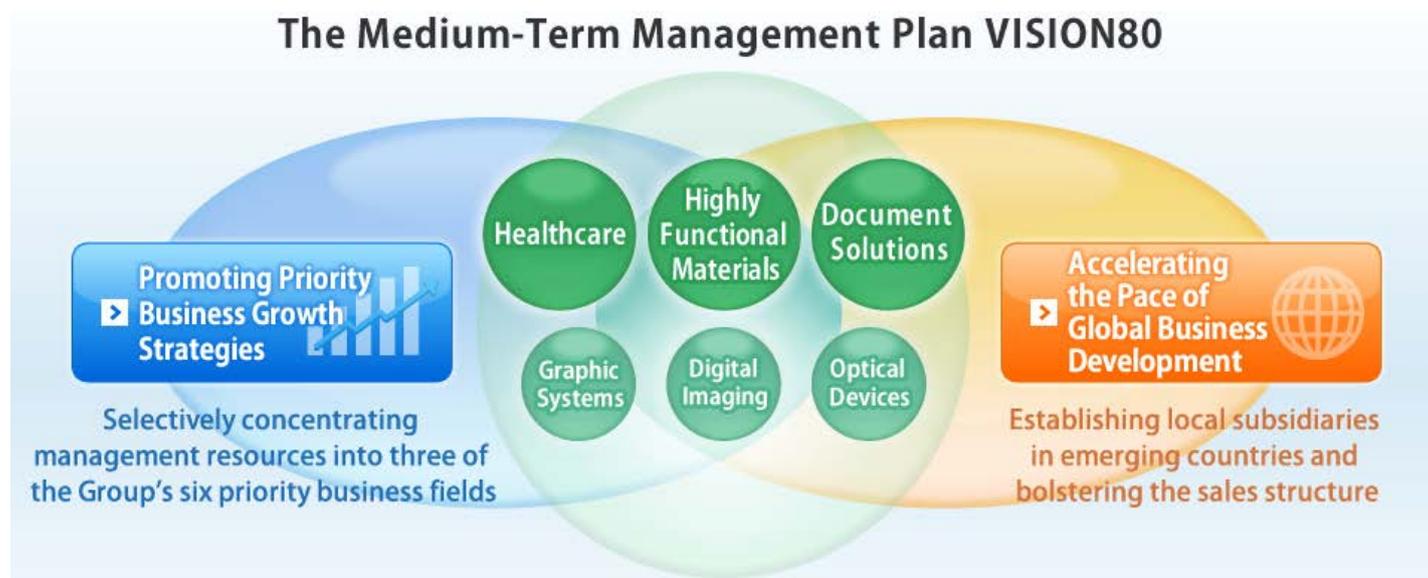


COO sharing issues at each worksite

## Management Strategy

## Progress under the Medium-Term Management Plan VISION80

Moving steadfastly toward the final fiscal year to celebrate its 80th anniversary and its next major leap forward, the Fujifilm Group will promote growth strategies for priority businesses and speed up global expansion.



In October 2011, the Fujifilm Group formulated VISION80, the medium-term plan leading up to its 80th anniversary of establishment and with the fiscal year ending March 31, 2014, as its final year. Ensuring the success of the VISION80 initiatives of promoting growth strategies in priority business fields and speeding up global expansion, sales were robust, particularly in the growth domain of healthcare (medical systems, life sciences and pharmaceuticals). Accordingly, we built the foundations for entering a full-fledged growth phase.

In the final year of the plan, to promote growth strategies for priority businesses we will strategically concentrate management resources on three fields of business —healthcare, functional materials and document solutions— that we are positioning as pillars of ongoing growth. To speed up global expansion, we will proactively introduce products tailored to meet the needs of emerging markets and step up our marketing activities as we work to make the next leap forward.

## Management Strategy

## Promoting Priority Business Growth Strategies

**Selectively Concentrating Management Resources into Three of Six Priority Business Fields**

In order to overcome a business environment that is undergoing dramatic change and to realize sustainable growth, the Fujifilm Group is selectively concentrating management resources into its Healthcare, Highly Functional Materials, and Document solutions businesses, which form the principal growth strategy pillars of its VISION80 medium-term management plan. At the same time, the Group is using growth in each of these business fields as the lever for further diversification. Moving forward, we are steadfastly promoting the development of new products and provision of services, through which we can harness the Group's competitive advantage in such areas as technology development and market position. Through these means, we are taking positive steps toward putting in place a platform for growth.

## Theme Healthcare (Medical IT Systems)

### To Support Frontline Emergency Medical Services

#### Toward Building a Sound Medical Environment — Enabling Timely and Right Treatment during Emergency Situations

Patients in a critical condition, who suffered a stroke or heart disease and are being transported for emergency treatment, require timely and right treatment.

It is difficult, however, to ensure that physicians of various specialties remain on site 24-hour at receiving hospital. The need to build a sound medical environment addressing emergency situations is therefore a social issue of the utmost importance.



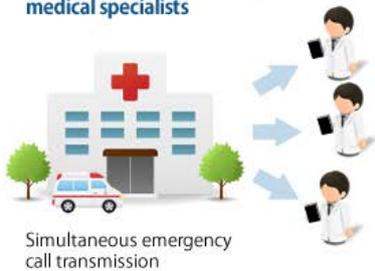
## Solution Healthcare (Medical IT Systems)

### Supporting Remote Diagnosis by Specialist Physicians Using Smartphones

#### The SYNAPSE ERm, a Remote Imaging Support System for Diagnostics and Treatment

Fujifilm has developed a system that can send a patient's examination image and medical information from hospitals that have accepted an emergency patient to the smartphones of medical specialists, who can then make right comments from outside the hospital. This system has been designed to support diagnosis and treatment.

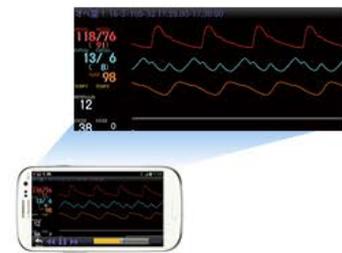
The simultaneous transmission of an emergency call to multiple medical specialists



A timeline display of medical information of a patient



The high-quality resolution display of biomonitor information



## Outlook Healthcare (Medical IT Systems)

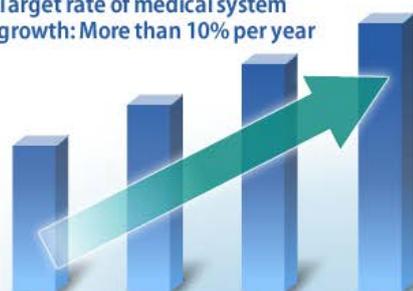
### Targeting Sales Growth of more than 10% per year in the Medical IT Systems Field

#### Supporting Timely and Accurate Diagnosis by Providing Services that Address Frontline Medical Needs

More and more physicians at the frontline of healthcare delivery require integrated availability of clinical information from various sources, such as X-ray, endoscopy and ultrasound along with other medical records. Fujifilm promotes the medical IT systems at the core of its needs at a hospital, and also as a core system for regional healthcare delivery.



Target rate of medical system growth: More than 10% per year



# Theme Healthcare (Pharmaceuticals)

## Promising Growth in the Antibody Drugs Market

### Unique Approach to Armed Antibody Drugs

Antibody drugs are used by the immune system to identify and neutralize foreign objects such as bacteria and viruses. In particular, Armed Antibodies, which are combined with radioisotopes or toxins and attack cancer cells directly, are attracting considerable attention as next-generation Antibody drugs. A major advantage of these drugs is that because they are so specific, they may have fewer side effects than other cancer treatments.



# Solution Healthcare (Pharmaceuticals)

## Drawing on Group Synergy to Develop Armed Antibodies

### Planning to Conduct Clinical Trial in the United States in Fiscal 2014/3

The ability to develop Armed Antibodies within the Group has become a reality by combining the technologies and business domains of each Group company. Our first Armed Antibody, FF-21101, is scheduled to undergo clinical trials in the United States in late fiscal 2014/3.

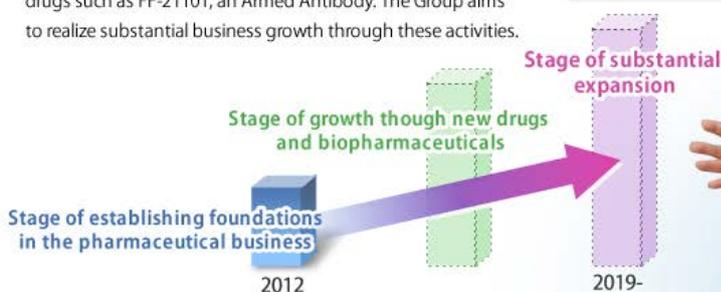


# Outlook Healthcare (Pharmaceuticals)

## Toward Substantial Expansion of Pharmaceutical Business

Currently, the pharmaceutical Group companies of Fujifilm, including Toyama Chemical, FUJIFILM Pharma, FUJIFILM RI Pharma, and Fujifilm Diosynth Biotechnologies, are steadily expanding sales while building a robust business platform. Looking ahead, our resources will be focused on the oncology domain, developing and striving to launch distinctive new drugs such as FF-21101, an Armed Antibody. The Group aims to realize substantial business growth through these activities.

Taking full advantage of the synthesis and analysis technologies that we have nurtured in our photographic business, we will quickly promote research and development. Moreover, we will increase production efficiency and further strengthen Group synergy by introducing Fujifilm's production technologies to each Group company, which is an inherent strength of the Company.



# Theme Highly Functional Materials (Functional Films)

## Growing Expectations for New Materials as an Alternative to Indium Tin Oxide (ITO)

### Developing the Sensor Film Needed for Touch Panels, and Entering the Touch Panel Market

At present, touch panel sensors used for various information terminals are made of transparent conductive film, i.e. film or glass coated with a rare metal called ITO (indium tin oxide). However, expectations are high for the development of touch panel sensor film that has lower resistance, higher transparency, and flexibility.



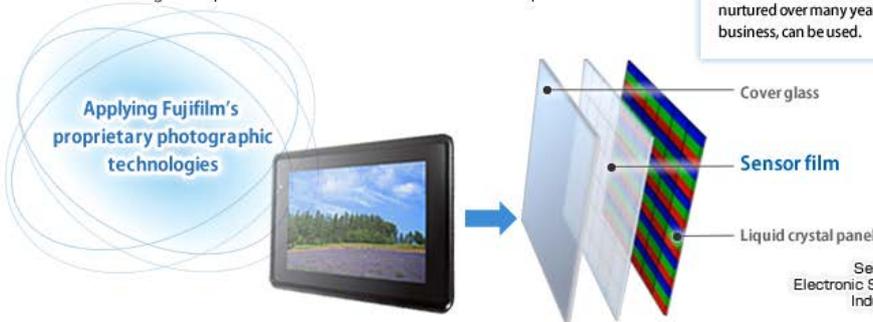
# Solution Highly Functional Materials (Functional Films)

## EXCLEAR, A New Product that Resolves Existing Issues

### Realizing High Performance by Utilizing Photographic Technologies

Incorporating photographic technologies, Fujifilm has developed the touch panel sensor film EXCLEAR which offers low resistance together with high transparency and flexibility. EXCLEAR gives outstanding responsiveness not only to small-size touch panels for smartphones and tablets, but also to medium to large-size panels for notebook and all-in-one computers.

EXCLEAR is a product where fine-pitch silver patterns are formed on transparent PET film. Photographic technologies are necessary to stably control silver as well as coating them onto the film, so we think that EXCLEAR is a prime example of how the Company's strengths, nurtured over many years in the photographic business, can be used.



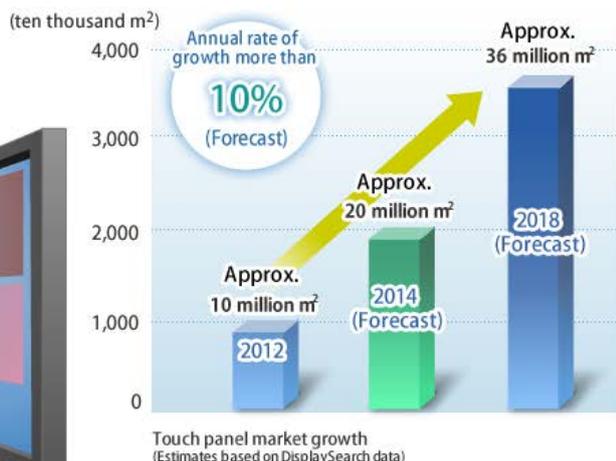
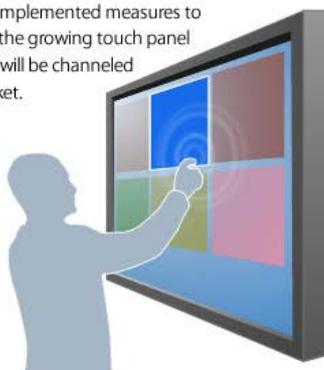
# Outlook Highly Functional Materials (Functional Films)

## Reinforcing Production Facilities to Meet the Demand for Touch Panels

### Doubling Current EXCLEAR Production Capacity

The touch panel market is rapidly expanding at an annual rate exceeding 10%.

Fujifilm started the full-scale shipment of EXCLEAR from November 2012. Now the Company implemented measures to expand production facilities to meet the growing touch panel demand. At the same time, energies will be channeled toward expanding the EXCLEAR market.



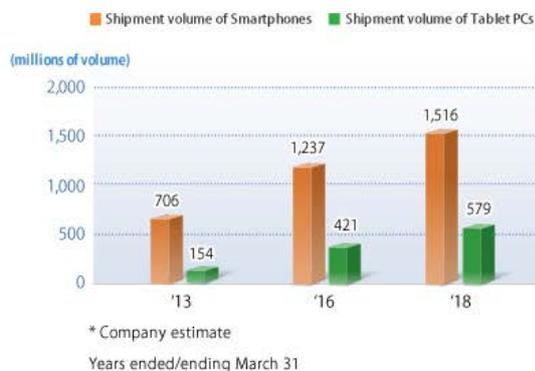
## Theme Highly Functional Materials (FPD Materials)

### Meet the increasing demand due to the rapid spread of mobile devices

#### Shipment Volumes of Smartphones and Tablet PCs are expected to be increased by two times and about four times in five years, respectively

In line with the spread of smartphones and tablet PCs, the demand for the films used in LCD is expanding rapidly. Recognizing these shifts in the market, Fujifilm is working to expand its business opportunities focusing mainly on *FUJITAC*, a protective film for polarizing plates, and *retardation films for In-Plane Switching (IPS) mode*.

Trends and Forecasts in Smartphone and Tablet PC Shipments



## Solution Highly Functional Materials (FPD Materials)

### Putting in Place a Production Structure for Small and Medium-Sized Displays at two Plants in Japan

#### Started Commercial Production for Small and Medium-Sized Displays Where Demand is Increasing

Fujifilm commenced volume production of *FUJITAC* for small and medium-sized displays at a designated line at its Kanagawa Factory in January 2013. In addition, a full-fledged production lines are built at a Group company in order to respond to the volume production of such products as *FUJITAC* and *films for IPS mode* for small and medium-sized displays.



## Outlook Highly Functional Materials (FPD Materials)

### Toward Growing Markets through the Introduction of Thinner Films

#### Responding to High Demand for Thinner Films for Use in Note PCs, Tablet PCs and Smartphones

Focusing on *FUJITAC* as well as *retardation film for IPS mode* where the Group has a high market share, Fujifilm will work to further expand their applications by developing and bringing to market products that address the demand for thin films of between 25 to 40  $\mu\text{m}$  for use in small and medium-sized displays and enhanced performance.

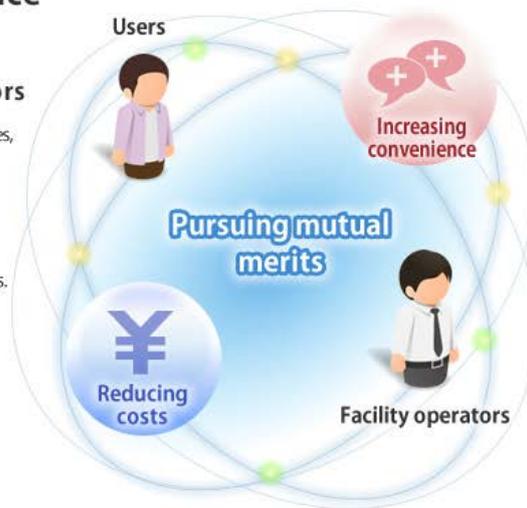
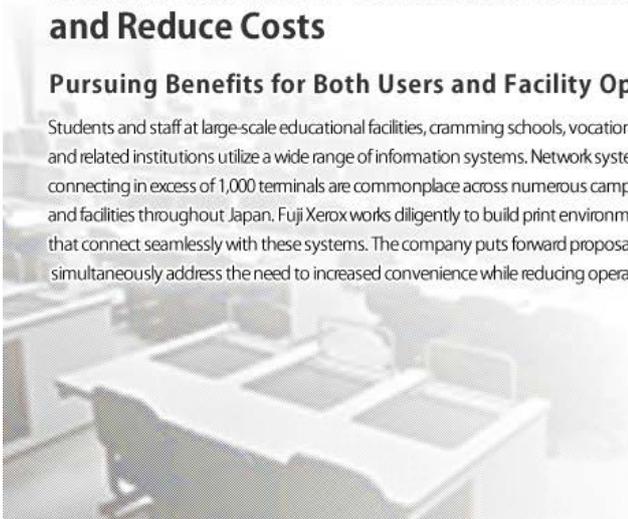


# Theme Document (Solutions & Services)

## Balance the Needs to Enhance Convenience and Reduce Costs

### Pursuing Benefits for Both Users and Facility Operators

Students and staff at large-scale educational facilities, cramming schools, vocational colleges, and related institutions utilize a wide range of information systems. Network systems connecting in excess of 1,000 terminals are commonplace across numerous campuses and facilities throughout Japan. Fuji Xerox works diligently to build print environments that connect seamlessly with these systems. The company puts forward proposals that simultaneously address the need to increased convenience while reducing operating costs.



# Solution Document (Solutions & Services)

## Realizing On-Demand Output Environments

### Building an Online Printing System that is not Limited by Location or Time

Encompassing campus personal computers as a matter of course, Fuji Xerox provides a print environment in which output commands can also be transmitted from mobile personal computers as well as personal computers in the home for printing output not only from school printers, but also the nationwide network of Seven-Eleven Japan convenience stores equipped with multi-use copiers.



### Introducing Settlement Methods for Transit-based Prepaid e-Money Cards

In addition to conventional settlement methods using prepaid cards sold on campus, the introduction of settlement methods using IC rail pass cards, which are enjoying widespread general use has significantly enhanced both management and convenience.



### Optimizing Output Environments while Reducing the Number of Printers

In taking steps to visualize the overall status of multiple output device use at bases across each region commonly uncovers substantial discrepancies in operation rates. Scientifically analyzing these environments, consolidating printers into digital multifunction devices that offer high-speed, advanced functions, and repositioning devices in optimal locations that properly reflect use is working to both increase efficiency and reduce costs.

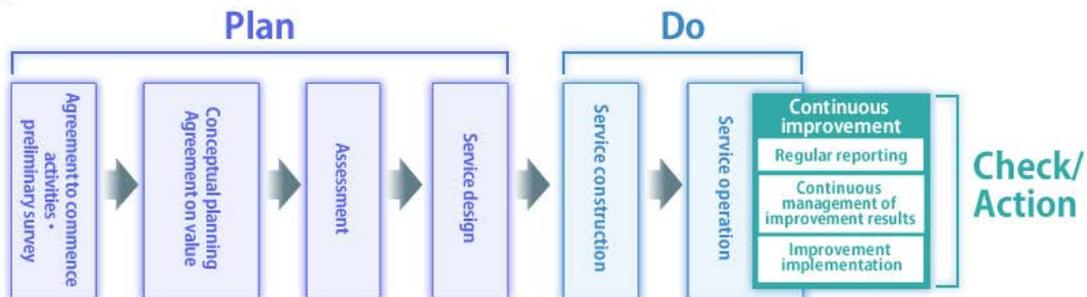


# Outlook Document (Solutions & Services)

## Solutions and Services through Continuous Relations with Customers

### Pursuing a PDCA Cycle to Resolve Office Operating Issues

Fuji Xerox works diligently to build ongoing ties with its customers. Every effort is made to help solve customers' issues through the use of a PDCA (Plan-Do-Check-Action) cycle that encompasses identifying the current status and conditions, analyzing issues, putting forward countermeasures and building, operating, and renewing the appropriate systems. More than just providing such products as printers, the company will continue to propose solutions and services that address a variety of needs. This includes increasing office operating efficiency and enhancing convenience.



## Management Strategy

## Accelerating the Pace of Global Business Development

## Establishing Local Subsidiaries in Emerging Countries and Strengthening the Group's Sales Structure

Taking into consideration the mature nature of the market in Japan, accelerating the pace of global business development focusing on emerging countries, which continue to expand at a notable rate is vital in realizing sustainable growth. The Fujifilm Group has maintained an ongoing commitment to developing each of its businesses globally. Under VISION80, the Group has identified such emerging countries and regions as the BRICs, Turkey, the Middle East, and Southeast Asia as markets of particular priority. With this in mind, steps are being taken to selectively allocate management resources including human resources and financing.

By actively establishing local subsidiaries in each of these priority markets, the Group is clarifying issues specific to each region and identifying appropriate response measures. At the same time, the Group will strengthen its development and production structure with the aim of better reflecting local needs. In addition to lifting the competitiveness of the products, the Group will also increase the presence in each market. Meanwhile, every effort will be placed on optimally allocating human resources worldwide. While promoting the education and training of local employees, we will reinforce endeavors aimed at nurturing and utilizing global human resources Group-wide.

Note: Please select a location to access case studies of each business base.



## China

### Establishing an China Office in order to Enhance the Product Development Capabilities targeting Chinese Market

At the office of Fuji Xerox Co., Ltd. in Shanghai, which is mainly engaged in the production of compact multifunction devices for sale in emerging countries, steps are being taken to strengthen product development capabilities. This encompasses the planning and development of products by local development staff as a part of efforts to better grasp the needs of customers in China.

In April 2012, we established an office in China to support development activities. We are increasing the number of Chinese developers and cultivating them as development leaders. By implementing measures aimed at strengthening development, the Fuji Xerox is working toward a structure that is capable of simultaneously developing a variation of products that extends across three core grades. These grades comprise standard products for the Chinese market, robust products that are oriented toward costs, and high functional products that can be shared across developed markets.



The DocuCentre S2010/S1810 monochrome multifunction device developed for the Chinese market

## Taiwan

### Commencing the Local Production of CMP (Chemical-mechanical Planarization) Slurry in Taiwan

FUJIFILM Electronics Materials Co., Ltd. commenced the production of CMP slurry, a polishing agent for use with semiconductor wafers, in August 2012 at its semiconductor materials manufacturing and sales subsidiary in Taiwan. CMP slurry is used in the pre-process manufacture of semiconductor circuits, where the market scale in FY2013/3 grew 5% year on year.

In addition to the manufacturing base in the U.S., which is currently in operation, the Fujifilm Group is putting in place a new production line in Taiwan, which is a major semiconductor manufacturing base in Asia. In this manner, the Group is strengthening its ability to address local customer needs while diversifying manufacturing risk. The Group will ensure the stable supply of CMP slurry through this twin manufacturing structure.



The FUJIFILM Electronics Materials Taiwan Co., Ltd.

## Vietnam [1]

### Establishing a New Factory in Vietnam

Targeting the Asia Pacific, Europe and the U.S., as well as newly emerging country markets that are forecast to experience continued growth, Fuji Xerox will expand production capacity while avoiding the overconcentration of production bases. To this end, Fuji Xerox established the local subsidiary Fuji Xerox Hai Phong Co., Ltd. in Hai Phong in the northern part of Vietnam. Work is also underway on the construction of a new factory, which will boast an annual production capacity of approximately two million units of various products including digital color multifunction devices and compact desktop printers. With a total investment of around ¥9 billion, the construction was commenced in December 2012. The new factory is scheduled to come online in November 2013.

Vietnam has been making steady progress toward industrialization. The country is advantageous as it has industries such as information equipment manufacturers in a concentrated manner, as well as an extensive land transportation networks connecting with China, Thailand, and other Association of Southeast Asian Nations (ASEAN), which will facilitate Fuji Xerox in establishing supply chains.



The ground-breaking ceremony

## Vietnam [2]

### Holding Product Launch Events to Showcase the Appeal of the Group's New Products and Strong Brand in Vietnam

The Fujifilm Group established a local subsidiary in September 2011 in order to further expand its medical systems business in Vietnam, which continues to exhibit robust economic growth. In addition, steps were also taken to build a direct sales structure for digital cameras in April 2012. Coinciding with these endeavors, the name of the local subsidiary was changed to FUJIFILM VIETNAM Co., Ltd.

In November 2012, a new product launch event was held. In addition to unveiling the *X-series* of digital cameras, efforts were made to showcase the appeal of the Fujifilm Group's strong brand backed with its history and technologies as well as the Group's intent in entering the Vietnamese market in earnest. Building on this product launch event, the Group is working to increase the number of stores handling the Group's products and upgrading and expanding its technical support capabilities.



The new product launch

## The Philippines

### Establishing a New Factory for Processing and Assembling Optical Lenses

The Fujifilm Group established a new factory that engages in a full range of optical lens production activities from processing to assembly in the Philippines. Construction commenced in June 2012 with the plant coming online in June 2013.

As optical lenses are used in a wide range of products from consumer to commercial use, worldwide growth is expected in this area. The demand for lenses with excellent optical performance is currently growing and is expected to keep up this trend, due to the development of digital cameras, surveillance cameras and projectors with high performance, and to the increase in its diffusion rate in emerging countries with significant economic growth.

Under these circumstances, the decision was made to establish a new factory in the Philippines, which offers stable infrastructure including electric power and an abundant pool of young human resources.



The new factory in the Philippines

## Malaysia

### Expanding Sales of *instax* in Malaysia

Drawing on the growing popularity of the instant camera *instax* in Southeast Asia, FUJIFILM (Malaysia) Sdn. Bhd. placed considerable weight on expanding sales in Malaysia. In addition to magazine and street advertising, the company established a designated Facebook page and began promotional activities including hands-on events targeting the young women's demographic in July 2012. Moreover, a new store showcasing the immediate enjoyment derived from photos was opened in the capital of Kuala Lumpur. By providing such services as immediate printing to complement sales of *instax*, the number of visitors to the store has exceeded expectations.

Thanks largely to the success of these initiatives, sales of instant camera-related products doubled year on year in September 2012.



Street advertising in Kuala Lumpur

## Indonesia

### Commencing Activities Aimed at Conveying the Enjoyment of Photographs to Students in Indonesia

PT FUJIFILM INDONESIA launched its Fujifilm Goes to School initiative as a part of efforts to convey to the younger generation the appeal of digital cameras and enjoyment of photography. Inaugurated in October 2012, approximately 40 students between the ages of 12 and 18 participated in the event. In addition to lectures on the features and use of digital cameras as well as the underlying techniques that help deliver picture clarity, a photo context was held to choose the most outstanding print. This initiative went a long way to conveying to students the convenience of the Company's digital cameras as well as the quality of its technologies that support outstanding performance. In addition, students came away with a better understanding of how photographs can enrich people's lives.

This event was one of the initiatives aimed at increasing awareness of the Fujifilm brand among the young generation in Indonesia, a country where brand awareness plays an important role in influencing purchasing behavior.



The Fujifilm Goes to School lecture

## Bangladesh

### Holding a Seminar in Bangladesh and Securing Orders for 56 Units of FCR

Bangladesh has enjoyed an annual rate of economic growth at around 6% since 2004. In the medical market, small and medium-sized medical facilities have increased in line with the upswing in middle income earners. At the same time, the government's policies have helped promote the widespread use of IT systems within the medical facility field. Taking each of the aforementioned factors into consideration, demand for digital medical diagnostic equipment is steadily expanding.

FUJIFILM ASIA PACIFIC PTE. LTD. held a joint FUJIFILM MEDICAL Seminar in cooperation with GME, a sales distributor, in June 2012 with the aim of expanding the sales and marketing area of its digital medical diagnostic equipment. Attended by approximately 500 people, the seminar was an opportunity to provide an overview of the Group's Fuji Computed Radiography (FCR) digital X-ray diagnostic imaging equipment and other products as well as evaluations by academic physicians specializing in radiography. An exhibition and sales event was also held attracting orders for 56 units of FCR.



The FUJIFILM MEDICAL seminar

## India

### Expanding the Inkjet Business in India

India has a market that boasts 1.2 billion people and is projected to have the largest population in the world within the next decade. Reflecting growth in the number of middle income earners, the package printing market is steadily expanding. In this context, wide-format inkjet (WFIJ) printers are attracting considerable attention for their ability to deliver high-speed, high-quality printing across a variety of materials.

FUJIFILM India Private Limited has entered the WFIJ market in earnest and participated in the PRINT PACK 2013 Exhibition, the largest such exhibition in India, held in February 2013. In promoting the appeal of the Group's high-quality digital printing and other technologies that rival offset printing, many visitors to the company's booth expressed their amazement and surprise. The company's efforts were rewarded by printing industry media of Print Week, which recognized the company's contribution to an outstanding exhibition by awarding its booth as the "stall of the day."



The PRINT PACK 2013

# United Arab Emirates (UAE)

## Participating in the Arab Health 2013 Exhibition

FUJIFILM MIDDLE EAST FZE (FFME) took part in the Arab Health 2013 Exhibition held in Dubai in January 2013. The largest of its kind in the medical and healthcare fields of the Middle East and Africa, this exhibition was an opportunity for the Fujifilm Group to showcase the appeal of its medical device products including *FDR Smart*, an X-ray system that the Group plans to newly introduce to the market, and *AMULET Bellus*, an innovative 2D and 3D mammography work station.

During the opening ceremony, FFME introduced these products to UAE Sheikh family members. Through the Exhibition, FFME obtained product orders valued at about US\$8 million, including sales of 40 units of *FDR Smart* and 35 DR products.



The Arab Health 2013 Exhibition

# The Middle East • Africa

## Promoting an Imaging Business Growth Strategy in the Middle East and Africa

In addition to its existing silver halide printing using color paper for high-end albums, the Fujifilm Group is introducing new *Photobook* products that employ xerography printers. This initiative is designed to expand opportunities for creating albums as well as the user base in the Middle East and Africa, where such special events as weddings continue to fuel robust demand. Moreover, energies are being channeled toward lifting overall print demand by bolstering sales of the Group's only one product of the instant camera *instax*. After pointing out to sales distributors the Group's expectations toward the Middle East and Africa as areas that are exhibiting an increased presence during the sales distributors meeting held in December 2012, the three key issues of increasing the market share for color paper, bolstering efforts to introduce value-added printing, and expanding sales of instant cameras were positioned as area of important focus. Lively discussions were undertaken with sales distributors to lay a foundation for realizing each of these three objectives. In addition to strengthening the appeal of the Group's competitive advantage through its high-quality products, specific measures including application proposals deeply rooted in the cultures of each region were linked directly to sales and marketing activities.



The Middle East and Africa sales distributors meeting

# Turkey

## Held a Medical Device Sales Distributors Meeting in Turkey

FUJIFILM Dis Ticaret A.S. held a meeting for sales distributors in Turkey and neighboring countries in January 2013. Attended by approximately 50 people from 14 sales distributors, this meeting was a forum to share details of Fujifilm's competitive advantages in Turkey's medical device market and strategies going forward.

In addition to explaining the basic policies and strategies of business activities throughout the region, the meeting provided the opportunity to again emphasize the importance of paying careful attention to medical device market trends in Turkey, which is exhibiting marked growth. Several sales distributors also presented details of successful business activities. In working toward further expanding the Group's presence, the meeting provided the forum for the lively exchange of opinions.



A session during the sales distributors meeting

# Review of Operations and Results for the Fiscal Year 2013\*

\* Year ended March 31



## Imaging Solutions

### Breakdown of Revenue



### Operating Loss



### Reasons for Changes from '12/3 to '13/3



- Robust sales of color paper, owing to a switchover from other companies
- Strong sales of instant cameras, mainly in Asia



- Decreased demand for compact digital cameras

### Reasons for Changes from '12/3 to '13/3



- Effect of rise in prices on color paper
- Introduction of segment-wide cost reductions

In the Imaging Solutions segment, consolidated revenue amounted to ¥294.8 billion, down 8.6% from the previous fiscal year. Although the sales of the color paper were strong, sales of the electronic imaging business decreased, reflecting the impact of a decrease in overall demand for compact digital cameras and other factors caused Fujifilm's sales to decline.

Operating loss decreased to ¥2.2 billion, due to the positive effect of raising prices on color paper in the photo imaging business, cost-cutting initiatives throughout the segment and other factors.

## Photo Imaging (Color films / Color papers / Photofinishing chemicals / Film processors / Printing equipment and others)

### Operating Segments

#### Providing Every Products and Services for Taking Photos and Making Prints

Since establishing to domestically manufacture photographic films in 1934, we have developed every products and services, spanning color films, instant cameras and other photographic media; color paper for photos; printing equipment; and photo books and other value-added print services for taking photos and making prints.

- Color negative films
- *QuickSnap* single-use cameras
- Color reversal films
- Instant films
- Instant cameras
- Photographic paper for color prints
- Inkjet papers
- Thermal photo paper
- Photofinishing chemicals
- Film processors / Printing equipment
  - Digital minilabs
  - Inkjet-system
  - dry minilabs
- Film processing services/Photo printing services
- Films for digital archives
- Color management systems for digital movie productions



Color negative films



Year Album



Frontier DL600

#### Performance during the Year Under Review

In the photo imaging business, sales of color paper and instant cameras, such as, *instax mini 8*, a instant photo system, which was launched in November 2012, were strong, while the impact of a manufacturing termination of motion picture film and the continuous demand decreases in the color films. As a result, sales slightly increased to ¥202.8 billion.



*instax mini 8*

## Future Initiatives

- **Expand sales channels in Asia and other world regions for newly launched instant cameras**
- **Bolster sales of high-value-added printing services including *Photobook*, which is forecast to experience growth in both developed and emerging countries**

### <TOPICS> Instant Cameras Enjoying Growing Popularity in East Asia

Some 15 years have passed since the introduction of instant cameras such as *instax mini 8*, which allow photographers to enjoy viewing their prints right after taking a photo, but recently these products have enjoyed a rebirth mainly in East Asia, with sales up 2.3 times from their level three years ago.

The ability to hold physical prints soon after taking photos and write messages on them to recall outings with friends—capturing the vividness of the moment—is proving increasingly popular among women in their late teens to 20s in Japan, China, South Korea and other East Asian countries.

Going forward, Fujifilm plans to intensify our marketing efforts to expand sales in Europe, the United States, the Middle East and other parts of the world.



### <TOPICS> Expanding Sales of Photo Books through the New Year Album Service



In March 2013, Fujifilm launched the *Year Album* service that enables anyone to create photo books easily. This service employs our proprietary leading-edge image analysis technology to sort through numerous images resulting from an increased number of photo opportunities and offers the "automatic selection of recommended images (smart select function)" and the "automatic lively album editing (smart layout function)."

In addition to maintaining the traditional value of photographs to "shoot, retain, adorn and present," in the future we plan to offer new products and services that take advantage of technological advances to meet evolving customer needs, boosting sales by relaying the message of "photo life enrich your life with photos."

## Electronic Imaging

### Operating Segments

#### Delivering High-Sensitivity, High-Quality Digital Cameras

Centering on its *X-Series* of premium cameras, Fujifilm is delivering a wide range of products that harness its unique technologies, including lenses, image sensors and image processors.

- *X-Series* digital cameras
- *FinePix Series* digital cameras
- *XF Lens Series* interchangeable lens systems



*FUJIFILM X20*



*FinePix HS50EXR*

#### Performance during the Year Under Review

While sales were favorable for products such as the *FUJIFILM X-E1*, the premium interchangeable lens camera that went on sale in November 2012, and the *FUJIFILM X100S*, a premium compact digital camera the Company launched in February 2013, a surge in popularity of smartphones has been causing demand for compact digital cameras to decline. Accordingly, sales in the whole segment were down, at ¥92.0 billion



*FUJIFILM X-E1*



*FUJIFILM X100S*

## Future Initiatives

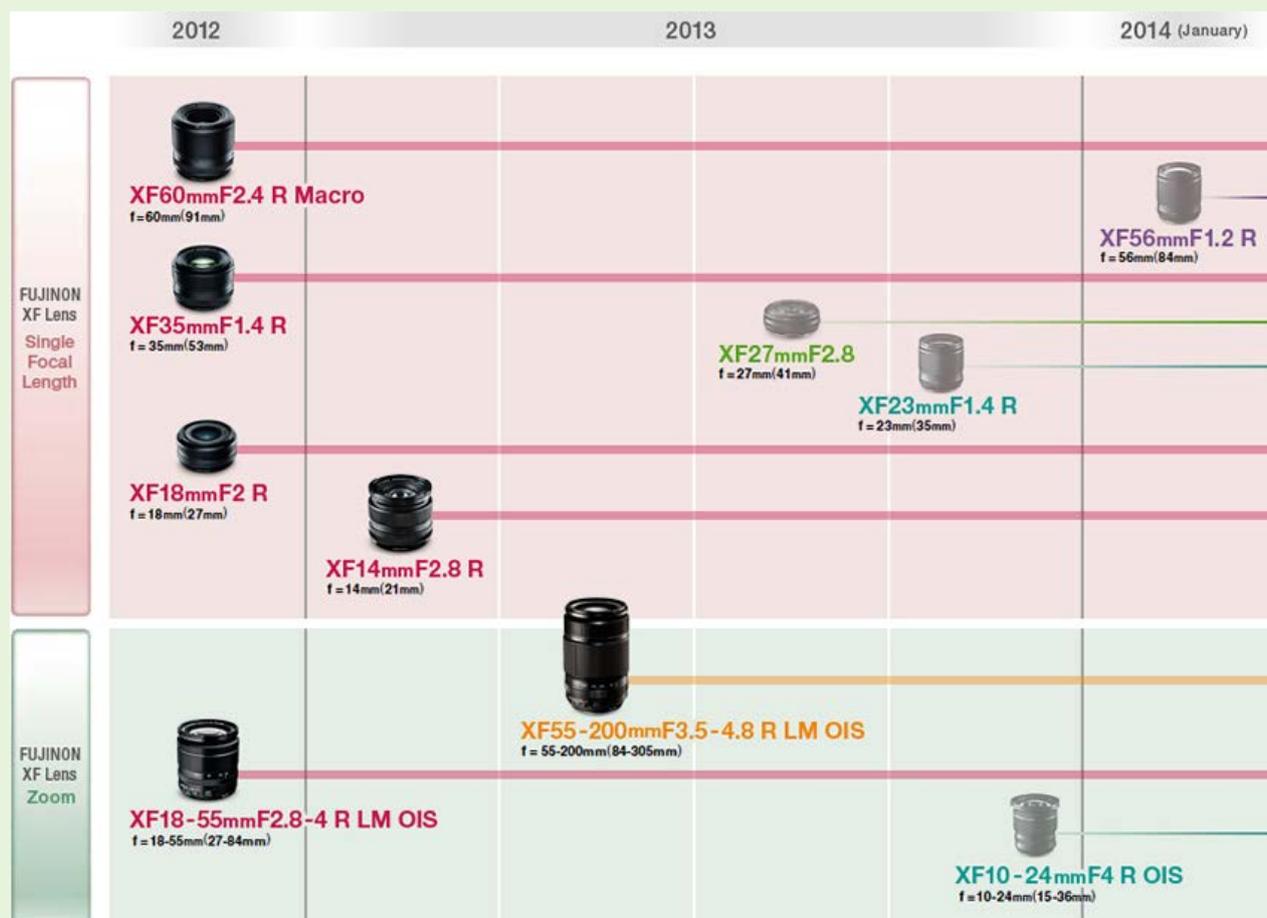
- Expand sales of high-end models and interchangeable lens systems
- Reduce the number of compact models and substantially revise the model mix, concentrating on differentiated products
- Merge with the optical device business, enhancing synergies from development and production through to sales

### <TOPICS> Augmenting Fujifilm's Lineup of Interchangeable Lens Systems

Although the market for compact digital cameras is shrinking, demand for high-quality photographs is growing. Our *X-Series* of high-end digital cameras that concentrates on image quality, operational sense and texture is particularly beloved of photography aficionados.

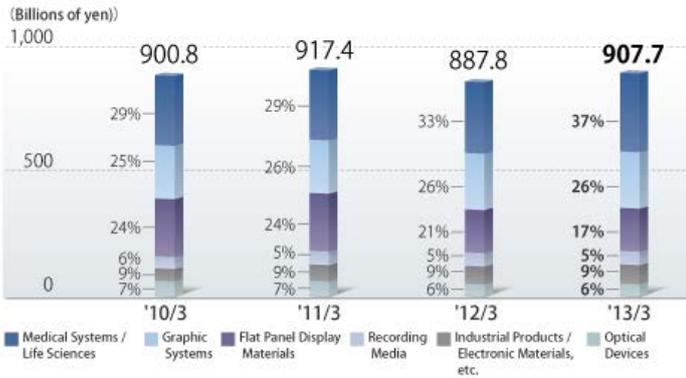
As we expect the market for digital cameras with interchangeable lenses to grow, we plan to increase our lineup of interchangeable lenses for the *X-Series* from the current 6 to 10 by January 2014.

Furthermore, in June 2013 we integrated the optical device business, which provides a variety of lenses, with the electronic imaging business, which handles digital cameras. The resulting structure should be capable of quickly developing high-quality products that deliver high image quality, responding to the demands of customers who value authenticity.





## Breakdown of Revenue



## Operating Income



### Reasons for Changes from '12/3 to '13/3

- Favorable sales of medical IT systems and endoscopes
- Conversion to a consolidated subsidiary of a manufacturer of ultrasound diagnostic equipment
- Increased sales of pharmaceuticals



- Decrease owing to inventory adjustments stemming from sluggish sales of flat panel display materials and lackluster demand for IT equipment

### Reasons for Changes from '12/3 to '13/3



- Increased sales of pharmaceuticals

In the Information Solutions segment, consolidated revenue amounted to ¥907.7 billion, up 2.2%, from the previous fiscal year. Sales in growth businesses such as medical systems and pharmaceutical products caused consolidated revenue to rise, despite a decrease in sales from the flat panel display (FPD) materials business and other factors. Operating income amounted to ¥74.3 billion, up 10.2% from the previous fiscal year, reflecting such factors as an increase in sales in the pharmaceutical product business.

## Medical Systems / Life Sciences

## Medical Systems

## Operating Segments

## Total Prevention, Diagnosis, and Treatment Support

Beginning with the launch of X-ray films in 1936, Fujifilm has continued to provide the necessary instruments and IT systems that support the medical frontline across such diverse fields as X-ray diagnostic imaging, endoscopy and ultrasound diagnosis. In this manner, every effort is being made to ensure the ongoing development of diagnosis area. Moreover, Fujifilm is expanding its business scope by entering the fields of prevention that encompasses functional cosmetics and supplements as well as treatment, which is grounded in pharmaceuticals.

- Digital X-ray diagnostic imaging system: *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



FCR PRIMA T



SYNAPSE



Transnasal endoscopes

ASTALIFT  
functional cosmetics  
series

Pharmaceuticals

## Performance during the Year Under Review

Sales increased significantly in the medical systems business. In addition to favorable sales of X-ray diagnostic imaging equipment, sales were strong for endoscopes and medical-use picture archiving and communications systems. Also contributing to performance was U.S.-based SonoSite, Inc., a manufacturer of bedside and point-of-care ultrasound diagnostic equipment that the Company acquired and converted to a consolidated subsidiary.

In the area of diagnostic equipment, sales of the *FCR PRIMA* series of inexpensive and compact digital X-ray diagnostic imaging equipment were strong, particularly overseas.

Strong sales of transnasal endoscopes with high image quality led to higher sales in the field of endoscope products. Furthermore, in September 2012 the Company launched a new generation of endoscope systems under the brand name of *LASEREO* that incorporated laser light sources and improved the visibility of early stage cancerous and other lesions.



FCR PRIMA T

LASEREO  
system

In the field of medical IT systems, Fujifilm has been working to expand its business in the diagnostic information field centered on medical-use picture archiving and communications systems (PACS), and these efforts led to a substantial increase in sales.

## Future Initiatives

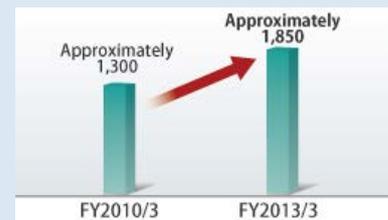
- **Increase sales in medical IT systems, endoscope products and ultrasound diagnostic equipment by more than 10% per year.**
- **Develop medical IT systems that allow the integrated management of medical information within hospitals and through regional medical partnering**
- **Strengthen sales of transnasal endoscopes with image sensors and lenses that achieve increased image quality, as well as of distinctive laser endoscopes**
- **Augment sales of ultrasound diagnostic equipment, particularly in the rapidly growing market for bedside and point-of-care equipment**

### <TOPICS> Aiming for the Top Share of the Global Market for Medical-Use Picture Archiving and Communications Systems by FY2016/3

Fujifilm boasts the leading share of this market with *SYNAPSE*, the number of institutions where this system is installed is growing, and we currently have the second-largest share of the global market\*.

As the fields and scope of use for *SYNAPSE* increase, we aim for it to become a fundamental system in hospitals. By continuing to provide new services that meet the needs of the medical frontline, such as reinforcing functions that support doctors' diagnoses, we intend to garner the leading share of the global market by FY2016/3.

\* According to the Company's estimates



Increase in adoption of *SYNAPSE* by medical facilities in Japan

### <TOPICS> Increasing Our Market Share for Ultrasound Diagnostic Equipment by Maximizing Group Synergies

In addition to emergency use, demand for bedside and point-of-care ultrasound diagnostic equipment is increasing for in-home medical care and other applications, and is expected to grow at around 10% per year. U.S.-based SonoSite, which we acquired and converted to a consolidated subsidiary, is highly competitive and holds the second-largest share of the global market for bedside and point-of-care ultrasound diagnostic equipment.

Going forward, we aim to acquire the leading share of the global market by developing revolutionary new products through synergy with Fujifilm's image processing technologies.



Sonosite *Edge Series*

## Pharmaceuticals

### Performance during the Year Under Review

In the pharmaceutical product business, sales increased for Toyama Chemical's ZOSYN, as in addition to being recommended for use by pneumonia treatment guidelines, indications have been expanded to the surgical field. Sales were also favorable for OZEX fine granules, an oral new-type quinolone pediatric antibacterial agent. By taking advantage of Fujifilm's production technologies, Toyama Chemical has succeeded in improving its profitability through substantial cost reductions. As a result, the company posted an operating margin of more than 20% in FY2013/3. FUJIFILM Pharma, which handles the sale of pharmaceuticals, commenced sales of three products based on exclusive sales rights obtained from Bayer Yakuhin Ltd. on the domestic market in September 2012, boosting the company's sales significantly.



ZOSYN



OZEX fine granules

### Future Initiatives

- Increase sales of existing drugs of Toyama Chemical and FUJIFILM Pharma
- Raise sales and improve profitability through Fujifilm Diosynth Biotechnologies' contract manufacturing of biopharmaceuticals
- Conduct R&D on new drugs with unique features focused on the oncology domain

### <TOPICS> Business Development at Fujifilm Diosynth Biotechnologies

Fujifilm Diosynth Biotechnologies is involved in the contract manufacturing of biopharmaceuticals.

The market for the contract manufacturing of biopharmaceuticals is expected to enjoy high annual growth of more than 10%, and this company expects to expand its business even more quickly.

By making use of the technologies that Fujifilm has cultivated in its production processes for photographic films, which require extremely precise management of conditions, the company plans to stabilize its processes and pursue higher levels of profitability, aiming for more than 25% at FY2015/3.



Fujifilm Diosynth Biotechnologies USA



Fujifilm Diosynth Biotechnologies UK

## <TOPICS> R&D on New Drugs Focused on the Oncology Domain

We are concentrating on R&D on new drugs that focus on such as the oncology domain, where effective treatments are yet to be found. By taking advantage of some of Fujifilm's core technologies, such as analysis technologies and synthesis technologies, we are pursuing new approaches to drug development that analyze the action mechanism and seek to develop practical applications for difficult compounding.

Development No.	Therapeutic Category	Region	Development stage					Formulation
			Pre-clinical-trial	P I	P II	P III	Filed	
T-705	Antiviral Agent	Japan	██████████	██████████	██████████	██████████	██████████	Oral
		United States	██████████	██████████	██████████	██████████	██████████	
T-3811	New type injectable quinolone synthetic antibacterial agent	China	██████████	██████████	██████████	██████████	██████████	Oral
T-2307	Antifungal agent	United States	██████████	██████████	██████████	██████████	██████████	Injection
T-817MA	Alzheimer's disease drug	United States	██████████	██████████	██████████	██████████	██████████	Oral
		Japan	██████████	██████████	██████████	██████████	██████████	
T-4288	Macrolide antibacterial agent	Japan	██████████	██████████	██████████	██████████	██████████	Oral
ITK-1	Anticancer drug (prostate cancer)	Japan	██████████	██████████	██████████	██████████	██████████	Injection
FF-10501	Anticancer drug (myelodysplastic syndrome)	Japan/United States/Europe	██████████	██████████	██████████	██████████	██████████	Oral
FF-21101	Anticancer drug (intractable solid cancer) (armed antibody)	United States/Europe/Japan	██████████	██████████	██████████	██████████	██████████	Injection
FF-10502	Anticancer drug (intractable solid cancer)	United States/Europe/Japan	██████████	██████████	██████████	██████████	██████████	Injection

## Life Sciences

### Performance during the Year Under Review

Sales in the life sciences business increased, reflecting strong sales of new cosmetics in Japan, including *ASTALIFT* functional cosmetics, which were revamped in September 2012; and *ASTALIFT WHITE*, a new whitening skincare series, which were launched in March 2013.



ASTALIFT

## Future Initiatives

- **Boost sales and income by expanding the lineup of cosmetics products and increasing sales of new products**

### <TOPICS> New Products: *ASTALIFT WHITE* and *Lunamer*

In addition to *ASTALIFT*, a skincare series targeting aging care, we have worked to expand our lineup of functional cosmetics by introducing *ASTALIFT WHITE*, a beautiful white skincare series for women across a broad range of ages who have concerns about wrinkles, moles, dullness or other skin problems; and the *Lunamer* skincare series targeting women in their 20s and 30s with such skin worries as pores, dryness and dullness. *ASTALIFT WHITE* contains the nanometer-scale beauty constituent *AMA\**, which had previously been difficult to combine effectively with cosmetics. The *Lunamer* series has such powerful beauty agents as *Clear Nano Vitamin E* and *Clear Nano Vitamin A*, combined using the nanometer-scale technologies that Fujifilm has cultivated over long years in the photographic business field.

Going forward, we will work to expand sales of the three skincare brands, *ASTALIFT*, *ASTALIFT WHITE* and *Lunamer*, through on-line sales as well as retail store sales.

\* Centella Asiatica Extract



*ASTALIFT WHITE*



*Lunamer*

## Graphic Systems

### Operating Segments

#### Providing Printing Materials and Equipment to Printing Companies and Newspaper Companies around the World

Fujifilm provides graphic arts films, computer-to-plate (CTP) plates for printing, and printing chemicals. The Fujifilm Group is also developing a host of products in growth fields, including digital printing related products and products used in the inkjet business.

- Printing materials
  - CTP plates
  - Graphic arts films
- Digital printing equipment
- Ink for inkjet printers
- Heads for industrial inkjet printers



Wide-format UV inkjet systems

## Performance during the Year Under Review

Sales of graphic arts films decreased reflecting the falling demand, but sales of CTP plates and digital printing equipment sustained firm growth. As a result, sales increased to ¥235.7 billion.

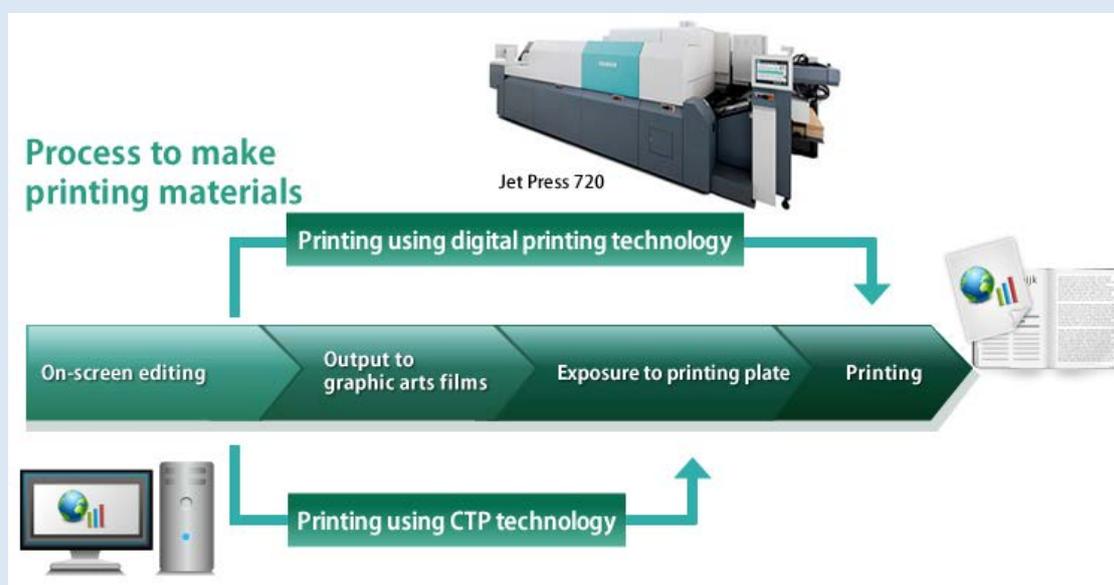


CTP plates

## Future Initiatives

- Concentrate on expanding sales of CTP plates, while increasing sales in the growth field of digital printing by reinforcing product lineup

### <TOPICS> Reinforcing Sales in the Digital Printing Field, where growth is expected



Digital printing is a system that can send data directly from a personal computer to the printer, skipping both the graphic arts film and plate stage. This type of printing is expected to grow, as it is suitable for small print runs of a wide array of contents.

In December 2011, the Company launched Jet Press 720. This epoch-making system has gained attention from many customers, for it can greatly increase printing efficiency and make an innovation in the printing industry. As continuous growth is expected in this field, the Company seeks to reinforce sales through measures such as increasing its product lineup.

## Flat Panel Display Materials

### Operating Segments

#### Providing Films Essential for Liquid Crystal Displays

Fujifilm manufactures and markets the films used in polarizers for such electronic devices as LCD televisions, notebook personal computers and monitors. Among its diverse lineup of products, *FUJITAC* maintains an approximate 70% plus share of the global market while *WV film* maintains an absolute market monopoly.



*FUJITAC*

- *FUJITAC* protective films for polarizers
- *WV Films* for expanding viewing angles
- *Transfer Films* for manufacturing color filters

#### Performance during the Year Under Review

Sales of *FUJITAC* for the television market were steady, and sales of *retardation film for VA mode* and *IPS mode film* were favorable. However, sales of *WV film* declined due to a slump in IT equipment demand and inventory adjustments within the supply chain. Overall sales in this category therefore fell, to ¥153.5 billion.

#### Future Initiatives

- **Expand sales of ultrathin 25 $\mu$ m TAC films for small and medium-sized displays**
- **Cultivate new demand for *WV film***
- **Respond to growing demand for ultrawide film for large LCD televisions with new manufacturing lines that began operation in 2013**

#### <TOPICS> Stable Growth in the LCD Film Market

As LCD televisions grow larger, their screen surface area is expanding by double digits each year, and this trend is forecast to continue. Demand is also increasing for the small and medium-sized LCD panels used in tablet PCs and smartphones.

These trends point to stable growth in demand for *FUJITAC*, *retardation film for VA mode* and *IPS mode film*, which are used in LCD panels.

## Industrial Products and Others (Highly Functional Materials, etc.)

### Operating Segments

#### <Industrial Products/Electronic Materials and Others>

##### Providing a Variety of Industrial Equipment and Materials

Fujifilm provides various industrial-use materials and equipment, including non-destructive testing equipment and materials, highly functional films and semiconductor processing materials. Taking full advantage of its technological capabilities nurtured over many years, the Company is also actively developing new materials.

- Semiconductor processing materials
- Non-destructive testing equipment and materials
- Touch panel materials
- Solar cell materials

#### <Recording Media>

##### Providing Magnetic Recording Tape to Meet Demands in the Growing Market for Data Archiving

Fujifilm provides large-capacity, high-integrity cartridges to accommodate the data backup needs of data centers, as well as professional-use videotape products and other recording media.

- LTO data cartridges
- Data cartridges for IBM 3592
- Professional-use videotape products

#### <Optical Devices>

##### Delivering Lenses for Various Uses

To meet demands for high-quality images, Fujifilm uses its advanced optical technology and stable quality to deliver a wide range of lenses, including lenses for mobile phones with camera functions. In the market for television camera lenses, which require high quality, Fujifilm maintains an approximate 50% global share.

- Smartphone lenses/camera modules
- TV camera lenses, cine lenses
- Security lenses
- Projector lenses



Digital X-ray imaging system for non-destructive testing equipment and materials  
**DYNAMIX SYSTEM**



LTO Ultrium 6 data cartridges



TV camera lens, **DIGI POWER 101**

## Performance during the Year Under Review

In the industrial products business, sales of industrial-use X-ray films proceeding smoothly, but sales of information-recording paper products centered on pressure-sensitive paper offerings decreased, reflecting falling demand. As a result, overall sales declined. The Company began the shipment of backsheet for solar cells in July 2012 and touch panel sensor film *EXCLEAR* in November 2012.

Sales in the electronic materials business increased, reflecting strong sales of such advanced products as ArF immersion resist products, CMP slurries and image sensor-use *COLOR MOSAIC* products.

As a result, sales of industrial products/electronic materials and others amounted to ¥87.5 billion.

In the optical device business, Fujifilm achieved an upturn in sales of smartphone lenses/camera modules, but a second-half decrease in sales of projector lenses and other factors caused overall sales to decline to ¥51.2 billion.

In the recording media business, sales fell to ¥42.5 billion. Although sales of magnetic data storage tapes incorporating barium ferrite (BaFe) particles were strong, sales of professional-use videotape products dropped on the back of falling demand.

## Future Initiatives

- **In the industrial products/electronic materials business, expand sales of highly functional materials in such growth fields as environmental and energy field and touch panel field, including tablet PCs and note PCs**
- **Boost development, production and sales synergies through the integration of the optical device and electronic imaging businesses, and promote business expansion in new domains, centering on thin-lens camera modules for use in smartphones**
- **In the recording media business, Fujifilm is seeking to expand its sales of products created based on the Company's unique technologies related to magnetic data storage tapes incorporating barium ferrite (BaFe) particles.**

### <TOPICS> Reinforcing Facilities for the Production of touch panel sensor film *EXCLEAR*

Fujifilm has invested approximately ¥1.0 billion to expand production capacity at the Kanagawa Factory Ashigara Site for the *EXCLEAR* sensor film for touch panel, which are used in smartphones, tablets, laptops and other devices. The investment is to install cutting-edge facilities including inspection devices and patterning machines for placing conductive patterns, which will more than double the current production capacity. This equipment became operational in June 2013.

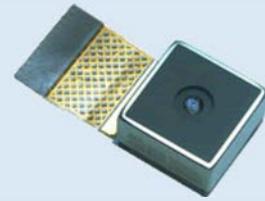


*EXCLEAR*

## <TOPICS> Camera Modules Frequently Employed in Smartphones with High Image Quality

The leading global brand in camera phone lens units with high pixel counts is our trustworthy *FUJINON lens*. As smartphone functionality increases and pixel counts go higher, image sensors, substrates and optical image stabilizer technologies are being incorporated into lens units. These trends are driving the shift to higher-value-added camera modules and augmenting sales.

To meet industry needs accompanying the rapid increase in pixel counts, Fujifilm has taken the lead in developing smartphone camera modules. By handling everything from design to production and quality control within the Group, Fujifilm is maintaining stable production capabilities and high quality levels, earning a high degree of trust.



Thin camera module for smartphones

## <TOPICS> Using Proprietary Technologies to Realize Magnetic Tapes with Long-Term Storage Reliability, Recording Stability and Higher Areal Density

In November 2012, Fujifilm began offering *FUJIFILM LTO Ultrium 6 data cartridges*, the first in the LTO industry to employ magnetic barium ferrite (BaFe). Magnetic tapes using BaFe magnetic material, which has superior magnetic characteristics, have a smaller error generation ratio during data recording than products using metallic magnetic particles. In addition, BaFe magnetic material is chemically stable and therefore impervious to external environmental influences. Having a natural life of more than 30 years, this material allows for long-term data storage. The material has been demonstrated to allow stable reading and writing of data even after that time.

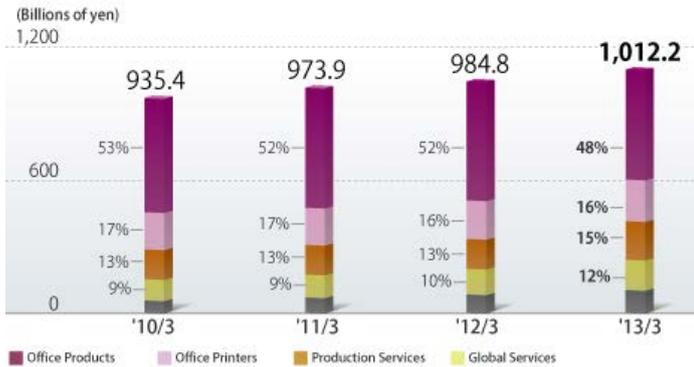
Going forward, BaFe magnetic material tops the list of the proprietary technologies Fujifilm plans to promote as Fujifilm strive to develop and provide media that meets customers' needs and is highly reliable.



Barium Ferrite



## Breakdown of Revenue



## Operating Income



### Reasons for Changes from '12/3 to '13/3



- In Japan, higher unit sales and higher number of units in operation in the market of full-color and monochrome products and an increase in the number of copies being made
- Increased sales of global services in the Asia-Oceania region, owing to business acquisition



- Lower exports to Xerox Corporation, owing to the impact of such factors as the sluggish European economy

### Reasons for Changes from '12/3 to '13/3



- Decrease in the number of units exported to Xerox Corporation
- Changes in the product mix
- Lower unit sales prices

In the Document Solutions segment, such factors as the sluggish European economy caused export sales to Xerox Corporation to decrease, while sales in the Asia-Oceania region rose, due in part to the acquisition of the business process outsourcing vendor in Australia. Consequently, consolidated revenue amounted to ¥1,012.2 billion, up 2.8% year on year.

Segment operating income decreased 7.2% year on year, to ¥75.9 billion, as a decline in gross profit stemming from changes in the product mix and the fall in unit sales prices outpaced efforts to improve the efficiency of spending of R&D and selling, general and administrative expenses.

## Office Products

### Operating Segments

#### Supplying Digital Multifunction and Other Devices to Offices

Fuji Xerox manufactures and markets office-use color and monochrome digital multifunction devices. Fuji Xerox strives to offer various solutions in document management and core work processes.

- Office-use color / monochrome digital multifunction devices
- *Fuji Xerox DocuWorks* document handling software



*Fuji Xerox  
ApeosPort-IV  
C5575*



*Fuji Xerox  
DocuWorks*

### Performance during the Year Under Review

In Japan, sales of full-color digital multifunction models in the *Fuji Xerox ApeosPort-IV/DocuCentre-IV* series remained robust, and we concluded large-scale sales contracts, leading to higher unit sales of both full-color and monochrome products. Sales of consumables and maintenance services decreased, owing to a lower per-copy price, although the number of units in operation in the market increased and the number of copies being made per unit rose.

In the Asia-Oceania region, the *Fuji Xerox DocuCentre S2010/S1810*, a monochrome digital multifunction device that we launched in June 2012, enjoyed solid sales. Unit sales of monochrome products were up sharply, and unit sales of full-color products increased. Significantly higher shipments of monochrome models for export to Xerox Corporation prompted an increase in shipment volume.

Sales of office products amounted to ¥489.0 billion.



*Fuji Xerox  
DocuCentre-C7780*



*Fuji Xerox  
DocuCentre  
S2010/S1810*

## Office Printers

### Operating Segments

#### Pursuing Compact Printers that Deliver High Performance and Quality Images

Fuji Xerox sells color and monochrome office printers in Japan, the Asia-Oceania region as well as the European and U.S. markets through OEM supply.

- Color / monochrome office printers



*Fuji Xerox  
DocuPrint C3350*



*Fuji Xerox  
DocuPrint P450 d*

## Performance during the Year Under Review

In the Asia-Oceania region, unit sales of full-color and monochrome products increased. Regarding exports to Xerox Corporation, shipment volume grew substantially, owing to higher shipments of low-speed models. However, in Japan, unit sales declined for both full-color and monochrome products.

Sales of office printers were ¥158.5 billion.



*Fuji Xerox  
DocuPrint CP200  
w*



*Fuji Xerox  
DocuPrint CP105  
b*

## Production Services

### Operating Segments

#### Providing Systems for the Digital Printing Market and Continuous Feed Printers for Mission-Critical Operations

Fuji Xerox is leading the digital-print market through its high-speed, high-quality image digital printing system products.

- On-demand publishing systems
- Computer printing systems



*Fuji Xerox Color 1000 Press*

## Performance during the Year Under Review

In Japan, sales were strong for the *Fuji Xerox D125 Printer/D110 Printer* series of monochrome production printers for core operations that went on sale in April 2012. However, unit sales were down year on year, reflecting the absence of large-scale orders for small and medium-sized printers received in the preceding fiscal year. In exports to Xerox Corporation, shipment volumes declined, affected by the lackluster European business climate, offsetting the effects of our newly introduced color on-demand publishing system.

Meanwhile, unit sales in the Asia-Oceania region increased, owing to favorable sales of the *Fuji Xerox D125 Printer/D110 Printer* series and the *Fuji Xerox Color J75 Press* color on-demand publishing system.

Sales of production services came to ¥148.4 billion.



*Fuji Xerox Color J75 Press*



*Fuji Xerox D125 Printer/D110 Printer series*

## Global Services

### Operating Segments

#### Helping Customers Resolve Management Issues by Improving Document and Business Processes

Fuji Xerox is supporting customers mainly through its document-related outsourcing services. Through these means, Fuji Xerox is assisting companies seeking to develop their business overseas to increase productivity, reduce output costs, curtail environmental burden, and enhance security.

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#### Performance during the Year Under Review

In Japan, revenues increased thanks to a substantial increase in the managed print services business, which involves the management and operation of output equipment to optimize document output environments. We also posted a major increase in revenues in the Asia-Oceania region. Leading to this increase were higher sales from a business process outsourcing company we acquired from Salmat Limited of Australia in October 2012 that is entrusted with the outsourcing of specific corporate activities, including planning and administration, focusing mainly on documents.

Sales of global services amounted to ¥122.3 billion.

## Future Initiatives in Document Solutions

- Further strengthen global services, production services and solution services
- Accelerate growth in the Asia-Oceania region

### <TOPICS> Expanding Fuji Xerox's Service Business Globally

In October 2012, we acquired stocks of a Business Process Outsourcing (BPO) subsidiary of the Australia's leading business service provider, Salmat Limited and converted this company to a consolidated subsidiary. After the acquisition, this company started business anew as Fuji Xerox Document Management Solutions Pty. Limited (FXDMS) and relaunched the business. Fuji Xerox is accelerating its transition from a business focused on sales of multifunction devices and other equipment to a solution services business, and this acquisition will expand this business in the Asia-Oceania region.



## Performance Highlights

### Revenue / Operating Income / Ratio of Operating Income



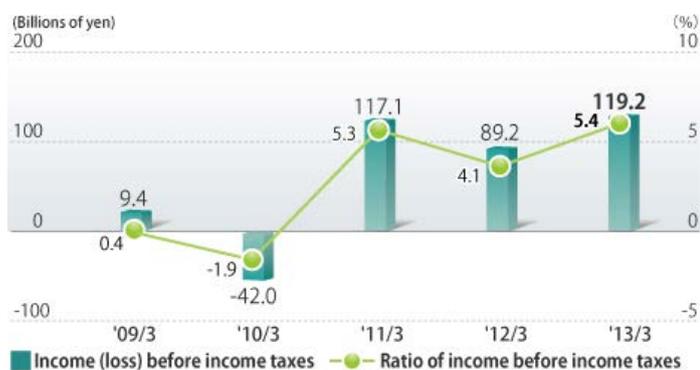
During the fiscal year ended March 31, 2013, consolidated revenue amounted to ¥2,214.7 billion, up 0.9% from the previous fiscal year. Despite the negative impact of such factors as the demand decreases owing to the deterioration of economic conditions in Europe and other factors, this year-on-year increase of ¥19.4 billion was largely attributable to the launch of new products and successful efforts to bolster sales promotion measures in response to growth in emerging countries' markets.

Operating income increased 1.0% year on year, to ¥114.1 billion. This rise was the result of lower selling, general and administrative (SG&A) and R&D expenses, as well as profit improvements in the photo imaging, pharmaceutical products and other businesses. SG&A expenses were down 2.3% from the previous year, to ¥568.2 billion, and the SG&A expense ratio decreased 0.9 percentage point, to 25.6%. Also, R&D expenses decreased 3.0%, to ¥168.2 billion.

The effective currency exchange rates for the U.S. dollar and the euro against the yen during the fiscal year ended March 31, 2013 were ¥83=\$1 and ¥107=1 euro.

Income before income taxes amounted to ¥119.2 billion, up 33.6% compared with the previous fiscal year. This increase reflected such factors as the upturn of depreciation of Japanese yen from the second half of the fiscal year and decreases in impairment losses of investment securities, and other factors. Net income attributable to FUJIFILM Holdings totaled ¥54.3 billion, an increase of 24.0% year on year.

### Income (Loss) before Income Taxes, Ratio to Revenue



### Net Income (Loss) Attributable to FUJIFILM Holdings / ROE



## R&D Expenses

### R&D Expenses, Ratio of R&D Expenses to Revenue



R&D expenses fell 3.0% year on year to ¥168.2 billion. The ratio of R&D expenses to revenue decreased 0.3 percentage point to 7.6%.

## Financial Condition and Capital Expenditures, Depreciation

### Assets, Liabilities, and Equity

#### Total Assets, Equity Ratio



Total assets increased 11.7% compared with the end of the previous fiscal year, to ¥3,059.6 billion, owing to an increase in cash and cash equivalents as well as goodwill and other intangible assets in connection with corporate acquisition, and other factors. Total liabilities increased 17.2% compared with the end of the previous fiscal year, to ¥1,034.8 billion, owing mainly to an increase in long-term debt and other factors. FUJIFILM Holdings shareholders' equity increased 8.5% compared with the end of the previous fiscal year, to ¥1,868.9 billion. As a result, the current ratio increased by 94.9 percentage points, to 285.8%, the debt-equity ratio increased by 4.1 percentage points, to 55.4%, and the equity ratio decreased by 1.7 percentage points, to 61.1%, 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, Depreciation

#### Capital Expenditures, Depreciation



(Excluding intangible assets and rental equipment in the Document Solutions segment)

Capital expenditures decreased 15.7% year on year to ¥76.7 billion. The Company's investment was largely directed toward boosting FPD materials production capacity.

By business segment, capital expenditures amounted to ¥5.8 billion in the Imaging Solutions segment, down 37.3% year on year; ¥44.0 billion in the Information Solutions segment, down 26.6%; and ¥24.8 billion in the Document Solutions segment, up 28.3%.

Total depreciation of property, plant and equipment (excluding rental equipment) decreased ¥3.2 billion year on year to ¥93.4 billion.

## Cash Flow Analysis

### Net cash provided by operating activities / Net cash used in investing activities / Free Cash Flows



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

Net cash provided by operating activities totaled ¥199.4 billion due primarily to the increase in net income and decrease in inventories. Net cash used in investing activities amounted to ¥140.9 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 ¥58.5 billion, up ¥109.2 billion from the previous fiscal year. Net cash provided by financing activities amounted to ¥128.3 billion, due primarily to financing through long-term debt and other factors.

As a result, cash and cash equivalents at the end of the fiscal year under review amounted to ¥445.4 billion, up ¥210.3 billion compared with the end of the previous fiscal year.

## Basic Policy Regarding Distribution of Profits

### Cash Dividend / Payout Ratio



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

In addition to reflecting consolidated performance trends, dividend levels are to be determined based on the consideration of such factors as the level of funds required for 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 considering and implementing 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.

The annual cash dividend applicable to the fiscal year under review was ¥40 per share.

## Business-Related and Other Risks

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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 sales accounted for by overseas operations was 55% in the fiscal year ended March 31, 2013. 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 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 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 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.

# Ten-Year Summary

FUJIFILM Holdings Corporation and Subsidiaries

	Millions of yen			
	2013/3	2012/3	2011/3	2010/3
Revenue:				
Domestic	¥1,002,385	¥1,012,685	¥1,034,806	¥1,059,395
Overseas	1,212,311	1,182,608	1,182,278	1,122,298
Total	2,214,696	2,195,293	2,217,084	2,181,693
Cost of sales	1,364,196	1,327,567	1,313,103	1,316,835
Operating expenses:				
Selling, general and administrative	568,233	581,405	570,608	588,109
Research and development	168,151	173,373	165,302	175,120
Subsidy related to transfer of substitutional portion of employee pension fund liabilities	—	—	—	—
Operating income before restructuring and other charges	—	—	168,071	101,629
Restructuring and other charges	—	—	31,715	143,741
Operating income (loss) (Note 1)	114,116	112,948	136,356	(42,112)
Interest and dividend income	4,764	5,042	5,148	6,138
Interest expense	(4,363)	(3,420)	(4,071)	(4,577)
Income (loss) before income taxes	119,186	89,187	117,105	(41,999)
Net income (loss) attributable to FUJIFILM Holdings (Note 2)	54,266	43,758	63,852	(38,441)
Capital expenditures (Note 3)	¥ 76,660	¥ 90,946	¥ 89,932	¥ 77,913
Depreciation (Note 3)	93,407	96,555	106,622	135,103
Net cash provided by operating activities	199,451	135,133	199,354	314,826
Average number of shares outstanding (in thousands)	481,715	481,699	486,297	488,608
Total assets	¥3,059,596	¥2,739,665	¥2,708,841	¥2,827,428
Long-term debt	317,592	20,334	119,314	140,269
Total FUJIFILM Holdings shareholders' equity	1,868,870	1,721,769	1,722,526	1,746,107
Number of employees	80,322	81,691	78,862	74,216
Per share of common stock (Yen / U.S. dollars)				
Net income (loss) attributable to FUJIFILM Holdings (Note 4)	¥ 112.65	¥ 90.84	¥ 131.30	¥ (78.67)
Cash dividends (Note 5)	40.00	35.00	30.00	25.00
FUJIFILM Holdings shareholders' equity (Note 6)	3,878.46	3,574.32	3,576.03	3,573.66
Stock price at year-end	1,836	1,941	2,576	3,220
PBR (Price-to-Book Value Ratio) (Times) (Note 7)	0.47	0.54	0.72	0.90
PER (Price-to-Earnings Ratio) (Times) (Note 7)	16.30	21.37	19.62	—
ROE (Return on Equity) (%)	3.0	2.5	3.7	(2.2)
ROA (Return on Assets) (%)	1.9	1.6	2.3	(1.3)

- Notes: 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 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 ¥94=U.S.\$1.00, the exchange rate prevailing on March 31, 2013.

Millions of yen						Thousands of U.S. dollars (Note 8)
2009/3	2008/3	2007/3	2006/3	2005/3	2004/3	2013/3
¥1,134,192	¥1,259,506	¥1,303,647	¥1,329,284	¥1,311,893	¥1,336,015	<b>\$10,663,670</b>
1,300,152	1,587,322	1,478,879	1,338,211	1,215,481	1,230,710	<b>12,896,926</b>
2,434,344	2,846,828	2,782,526	2,667,495	2,527,374	2,566,725	<b>23,560,596</b>
1,511,242	1,692,758	1,638,337	1,593,804	1,510,681	1,503,843	<b>14,512,724</b>
694,740	759,139	760,042	735,058	767,363	704,659	<b>6,045,032</b>
191,076	187,589	177,004	182,154	168,017	173,323	<b>1,788,840</b>
—	—	—	—	(83,129)	—	<b>—</b>
—	—	207,143	156,479	—	—	<b>—</b>
—	—	94,081	86,043	—	—	<b>—</b>
37,286	207,342	113,062	70,436	164,442	184,900	<b>1,214,000</b>
10,012	13,462	11,376	8,133	6,080	4,246	<b>50,681</b>
(7,037)	(7,380)	(6,351)	(3,886)	(4,668)	(5,459)	<b>(46,415)</b>
9,442	199,342	103,264	79,615	162,346	164,948	<b>1,267,936</b>
10,524	104,431	34,446	37,016	84,500	82,317	<b>577,298</b>
¥ 112,402	¥ 170,179	¥ 165,159	¥ 179,808	¥ 157,420	¥ 160,740	<b>\$ 815,532</b>
149,912	159,572	146,325	156,928	130,360	124,634	<b>993,691</b>
209,506	298,110	297,276	272,558	219,361	327,358	<b>2,121,819</b>
498,837	508,354	510,621	509,525	512,801	513,252	
¥2,896,637	¥3,266,384	¥3,319,102	¥3,027,491	¥2,983,457	¥3,023,509	<b>\$32,548,894</b>
253,987	256,213	267,965	74,329	96,040	116,823	<b>3,378,638</b>
1,756,313	1,922,353	1,976,508	1,963,497	1,849,102	1,749,882	<b>19,881,596</b>
76,252	78,321	76,358	75,845	75,638	73,164	
¥ 21.10	¥ 205.43	¥ 67.46	¥ 72.65	¥ 164.78	¥ 160.38	<b>\$ 1.20</b>
30.00	35.00	25.00	25.00	25.00	25.00	<b>0.43</b>
3,594.52	3,811.19	3,867.04	3,848.32	3,630.67	3,409.80	<b>41.26</b>
2,125	3,530	4,820	3,930	3,920	3,310	<b>19.53</b>
0.59	0.93	1.25	1.02	1.08	0.97	
100.71	17.18	71.45	54.09	23.79	20.64	
0.6	5.4	1.7	1.9	4.7	4.8	
0.3	3.2	1.1	1.2	2.8	2.8	

## Consolidated Balance Sheets

FUJIFILM Holdings Corporation and Subsidiaries

	March 31		
	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 18)	¥ 445,394	¥ 235,104	\$ 4,738,234
Marketable securities (Notes 4 and 18)	3,653	12,364	38,862
Notes and accounts receivable:			
Trade and finance (Notes 5 and 19)	576,109	541,988	6,128,819
Affiliated companies (Note 7)	33,709	32,102	358,606
Allowance for doubtful receivables (Notes 5 and 19)	(20,943)	(17,607)	(222,798)
Inventories (Note 6)	399,929	377,952	4,254,564
Deferred income taxes (Note 11)	85,519	92,493	909,777
Prepaid expenses and other (Notes 17 and 18)	37,917	47,595	403,372
<b>Total current assets</b>	<b>1,561,287</b>	<b>1,321,991</b>	<b>16,609,436</b>
<b>Investments and long-term receivables:</b>			
Investments in and advances to affiliated companies (Note 7)	40,866	35,614	434,745
Investment securities (Notes 4 and 18)	134,620	118,954	1,432,128
Long-term finance and other receivables (Notes 5, 17 and 19)	156,165	128,493	1,661,330
Allowance for doubtful receivables (Notes 5 and 19)	(9,588)	(3,221)	(102,000)
<b>Total investments and long-term receivables</b>	<b>322,063</b>	<b>279,840</b>	<b>3,426,203</b>
<b>Property, plant and equipment:</b>			
Land	92,539	94,730	984,457
Buildings	684,417	666,724	7,281,032
Machinery and equipment	1,638,122	1,557,424	17,426,830
Construction in progress	27,887	41,030	296,670
	<b>2,442,965</b>	<b>2,359,908</b>	<b>25,988,989</b>
Less accumulated depreciation	(1,896,833)	(1,805,992)	(20,179,074)
<b>Net property, plant and equipment</b>	<b>546,132</b>	<b>553,916</b>	<b>5,809,915</b>
<b>Other assets:</b>			
Goodwill, net (Notes 8 and 20)	412,247	393,541	4,385,606
Other intangible assets, net (Notes 8 and 20)	90,239	43,900	959,989
Deferred income taxes (Note 11)	46,509	74,425	494,777
Other (Note 10)	81,119	72,052	862,968
<b>Total other assets</b>	<b>630,114</b>	<b>583,918</b>	<b>6,703,340</b>
<b>Total assets</b>	<b>¥3,059,596</b>	<b>¥2,739,665</b>	<b>\$32,548,894</b>

See notes to consolidated financial statements.

	March 31		
	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Short-term debt (Note 9)	¥ 40,680	¥ 178,536	\$ 432,766
Notes and accounts payable:			
Trade	227,048	228,383	2,415,404
Construction	20,760	26,729	220,851
Affiliated companies (Note 7)	3,235	3,292	34,415
Accrued income taxes (Note 11)	12,850	12,864	136,702
Accrued liabilities (Notes 10 and 21)	175,708	178,618	1,869,234
Other current liabilities (Notes 11, 17 and 18)	66,083	63,945	703,011
<b>Total current liabilities</b>	<b>546,364</b>	<b>692,367</b>	<b>5,812,383</b>
Long-term debt (Notes 9 and 17)	317,592	20,334	3,378,638
Accrued pension and severance costs (Note 10)	80,997	85,116	861,670
Deferred income taxes (Note 11)	36,781	35,874	391,287
Customers' guarantee deposits and other (Notes 7, 17 and 18)	53,076	49,490	564,639
<b>Total liabilities</b>	<b>1,034,810</b>	<b>883,181</b>	<b>11,008,617</b>
Commitments and contingent liabilities (Note 14)			
<b>Equity:</b>			
FUJIFILM Holdings Shareholders' equity (Note 12):			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	40,363	40,363	429,394
Additional paid-in capital	75,226	74,780	800,277
Retained earnings	1,979,552	1,944,557	21,059,064
Accumulated other comprehensive income (loss) (Notes 10, 13 and 17)	(124,225)	(235,400)	(1,321,543)
Treasury stock, at cost (32,766,340 shares in 2013; 32,920,287 shares in 2012)	(102,046)	(102,531)	(1,085,596)
Total FUJIFILM Holdings shareholders' equity	1,868,870	1,721,769	19,881,596
Noncontrolling interests	155,916	134,715	1,658,681
Total equity	2,024,786	1,856,484	21,540,277
<b>Total liabilities and equity</b>	<b>¥3,059,596</b>	<b>¥2,739,665</b>	<b>\$32,548,894</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income

FUJIFILM Holdings Corporation and Subsidiaries

	Years ended March 31			Thousands of U.S. dollars (Note 3)
	Millions of yen		2011	
	2013	2012		
<b>Revenue:</b>				<b>2013</b>
Sales	<b>¥1,878,018</b>	¥1,860,907	¥1,879,759	<b>\$19,978,915</b>
Rentals	<b>336,678</b>	334,386	337,325	<b>3,581,681</b>
	<b>2,214,696</b>	2,195,293	2,217,084	<b>23,560,596</b>
<b>Cost of sales:</b>				
Sales	<b>1,217,045</b>	1,176,697	1,162,923	<b>12,947,288</b>
Rentals	<b>147,151</b>	150,870	150,180	<b>1,565,436</b>
	<b>1,364,196</b>	1,327,567	1,313,103	<b>14,512,724</b>
Gross profit	<b>850,500</b>	867,726	903,981	<b>9,047,872</b>
<b>Operating expenses:</b>				
Selling, general and administrative (Note 16)	<b>568,233</b>	581,405	570,608	<b>6,045,032</b>
Research and development	<b>168,151</b>	173,373	165,302	<b>1,788,840</b>
	<b>736,384</b>	754,778	735,910	<b>7,833,872</b>
Operating income before restructuring and other charges (Note 21)	—	—	168,071	—
Restructuring and other charges (Note 21)	—	—	31,715	—
Operating income	<b>114,116</b>	112,948	136,356	<b>1,214,000</b>
<b>Other income (expenses):</b>				
Interest and dividend income	<b>4,764</b>	5,042	5,148	<b>50,681</b>
Interest expense	<b>(4,363)</b>	(3,420)	(4,071)	<b>(46,415)</b>
Foreign exchange gains (losses), net (Note 17)	<b>8,520</b>	(5,616)	(10,654)	<b>90,638</b>
Impairment of investment securities (Note 4)	<b>(5,461)</b>	(19,398)	(5,619)	<b>(58,096)</b>
Other, net (Note 17)	<b>1,610</b>	(369)	(4,055)	<b>17,128</b>
	<b>5,070</b>	(23,761)	(19,251)	<b>53,936</b>
Income before income taxes	<b>119,186</b>	89,187	117,105	<b>1,267,936</b>
<b>Income taxes (Note 11):</b>				
Current	<b>26,379</b>	22,854	23,760	<b>280,628</b>
Deferred	<b>18,357</b>	7,177	24,263	<b>195,287</b>
	<b>44,736</b>	30,031	48,023	<b>475,915</b>
Equity in net earnings (losses) of affiliated companies	<b>(3,281)</b>	(2,171)	3,741	<b>(34,904)</b>
Net income	<b>71,169</b>	56,985	72,823	<b>757,117</b>
Less: Net income attributable to noncontrolling interests	<b>(16,903)</b>	(13,227)	(8,971)	<b>(179,819)</b>
Net income attributable to FUJIFILM Holdings	<b>¥ 54,266</b>	¥ 43,758	¥ 63,852	<b>\$ 577,298</b>
		yen		U.S. dollars (Note 3)
<b>Amounts per share of common stock:</b>				
Net income attributable to FUJIFILM Holdings (Note 15):				
Basic	<b>¥112.65</b>	¥90.84	¥131.30	<b>\$1.20</b>
Diluted	<b>107.86</b>	87.23	120.73	<b>1.15</b>
Cash dividends declared	<b>40.00</b>	35.00	30.00	<b>0.43</b>

See notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

FUJIFILM Holdings Corporation and Subsidiaries

	Years ended March 31			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	2013	2012	2011	2013
<b>Net income:</b>	<b>¥ 71,169</b>	¥56,985	¥72,823	<b>\$ 757,117</b>
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities	<b>18,009</b>	7,659	(8,222)	<b>191,585</b>
Foreign currency translation adjustments	<b>102,690</b>	(16,800)	(40,214)	<b>1,092,447</b>
Pension liability adjustments	<b>(246)</b>	(22,632)	(12,000)	<b>(2,617)</b>
Net unrealized gains (losses) on derivatives	<b>(286)</b>	(60)	(56)	<b>(3,043)</b>
Other comprehensive income (loss) (Note 13)	<b>120,167</b>	(31,833)	(60,492)	<b>1,278,372</b>
<b>Comprehensive income:</b>	<b>191,336</b>	25,152	12,331	<b>2,035,489</b>
Less: Comprehensive income attributable to noncontrolling interests	<b>(25,895)</b>	(9,936)	(5,049)	<b>(275,479)</b>
Comprehensive income attributable to FUJIFILM Holdings	<b>¥165,441</b>	¥15,216	¥ 7,282	<b>\$1,760,010</b>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

FUJIFILM Holdings Corporation and Subsidiaries

	Millions of yen							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
<b>Balance as of March 31, 2010</b>	¥40,363	¥70,283	¥1,868,362	¥(150,288)	¥ (82,613)	¥1,746,107	¥129,722	¥1,875,829
Comprehensive income (loss):								
Net income	—	—	63,852	—	—	63,852	8,971	72,823
Net unrealized gains (losses) on securities (Note 13)	—	—	—	(8,087)	—	(8,087)	(135)	(8,222)
Foreign currency translation adjustments (Note 13)	—	—	—	(38,092)	—	(38,092)	(2,122)	(40,214)
Pension liability adjustments (Note 13)	—	—	—	(10,349)	—	(10,349)	(1,651)	(12,000)
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	(42)	—	(42)	(14)	(56)
Comprehensive income						7,282	5,049	12,331
Purchases of stock for treasury	—	—	—	—	(20,026)	(20,026)	—	(20,026)
Sales of stock from treasury	—	70	—	—	45	115	—	115
Dividends paid to FUJIFILM Holdings shareholders	—	—	(14,555)	—	—	(14,555)	—	(14,555)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(3,181)	(3,181)
Issuance of stock acquisition rights	—	577	—	—	—	577	—	577
Equity transactions and other	—	3,026	—	—	—	3,026	(3,245)	(219)
<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

See notes to consolidated financial statements.

	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, 2012</b>	\$429,394	\$795,532	\$20,686,776	\$(2,504,255)	\$(1,090,755)	\$18,316,692	\$1,433,138	\$19,749,830
Comprehensive income (loss):								
Net income	—	—	577,298	—	—	577,298	179,819	757,117
Net unrealized gains (losses) on securities (Note 13)	—	—	—	182,872	—	182,872	8,713	191,585
Foreign currency translation adjustments (Note 13)	—	—	—	991,755	—	991,755	100,692	1,092,447
Pension liability adjustments (Note 13)	—	—	—	10,755	—	10,755	(13,372)	(2,617)
Net unrealized gains (losses) on derivatives (Notes 13 and 17)	—	—	—	(2,670)	—	(2,670)	(373)	(3,043)
Comprehensive income						1,760,010	275,479	2,035,489
Purchases of stock for treasury	—	—	—	—	(64)	(64)	—	(64)
Sales of stock from treasury	—	(1,628)	—	—	5,223	3,595	—	3,595
Dividends paid to FUJIFILM Holdings shareholders	—	—	(205,010)	—	—	(205,010)	—	(205,010)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(47,319)	(47,319)
Issuance of stock acquisition rights	—	7,043	—	—	—	7,043	—	7,043
Equity transactions and other	—	(670)	—	—	—	(670)	(2,617)	(3,287)
<b>Balance as of March 31, 2013</b>	<b>\$429,394</b>	<b>\$800,277</b>	<b>\$21,059,064</b>	<b>\$(1,321,543)</b>	<b>\$(1,085,596)</b>	<b>\$19,881,596</b>	<b>\$1,658,681</b>	<b>\$21,540,277</b>

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

FUJIFILM Holdings Corporation and Subsidiaries

	Years ended March 31			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	2013	2012	2011	
<b>Operating activities</b>				<b>2013</b>
Net income	¥ 71,169	¥ 56,985	¥ 72,823	\$ 757,117
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	141,548	147,775	157,094	1,505,830
Impairment of investment securities	5,461	19,398	5,619	58,096
Deferred income taxes	18,357	7,177	24,263	195,287
Equity in net (earnings) losses of affiliated companies, net of dividends received	4,345	7,416	(1,831)	46,223
(Gain) loss on retirements and sales of long-lived assets, net	(13,566)	835	5,996	(144,319)
Changes in operating assets and liabilities:				
Notes and accounts receivable	8,965	(50,329)	(14,145)	95,372
Inventories	11,809	(24,511)	(38,207)	125,628
Notes and accounts payable – trade	(24,078)	(5,388)	1,216	(256,149)
Accrued income taxes and other liabilities	(31,862)	(22,263)	(15,405)	(338,957)
Other	7,303	(1,962)	1,931	77,691
<b>Net cash provided by operating activities</b>	<b>199,451</b>	<b>135,133</b>	<b>199,354</b>	<b>2,121,819</b>
<b>Investing activities</b>				
Purchases of property, plant and equipment	(89,873)	(100,768)	(96,149)	(956,096)
Purchases of software	(20,157)	(21,004)	(18,055)	(214,436)
Proceeds from sales of property, plant and equipment	21,477	5,945	4,193	228,479
Proceeds from sales and maturities of marketable and investment securities and other investments	16,954	38,981	71,782	180,362
Purchases of marketable and investment securities and other investments	(3,606)	(13,558)	(42,472)	(38,362)
(Increase) decrease in investments in and advances to affiliated companies and other advances, net	(6,414)	361	(4,553)	(68,234)
Acquisitions of businesses, net of cash acquired (Note 20)	(31,215)	(61,013)	(32,497)	(332,075)
Other	(28,100)	(34,819)	(13,009)	(298,936)
<b>Net cash used in investing activities</b>	<b>(140,934)</b>	<b>(185,875)</b>	<b>(130,760)</b>	<b>(1,499,298)</b>
<b>Financing activities</b>				
Proceeds from long-term debt	302,150	6,860	55	3,214,362
Repayments of long-term debt	(123,303)	(19,732)	(118,832)	(1,311,734)
(Decrease) increase in short-term debt, net	(27,994)	7,297	9,027	(297,809)
Cash dividends paid to shareholders	(18,064)	(15,655)	(13,438)	(192,170)
Subsidiaries' cash dividends paid to noncontrolling interests	(4,448)	(4,620)	(3,181)	(47,319)
Net purchases of stock for treasury	(6)	(6)	(20,013)	(64)
Other	(48)	1,452	—	(511)
<b>Net cash provided by (used in) financing activities</b>	<b>128,287</b>	<b>(24,404)</b>	<b>(146,382)</b>	<b>1,364,755</b>
Effect of exchange rate changes on cash and cash equivalents	23,486	(2,820)	(15,319)	249,852
Net increase (decrease) in cash and cash equivalents	210,290	(77,966)	(93,107)	2,237,128
Cash and cash equivalents at beginning of year	235,104	313,070	406,177	2,501,106
<b>Cash and cash equivalents at end of year</b>	<b>¥445,394</b>	<b>¥235,104</b>	<b>¥313,070</b>	<b>\$4,738,234</b>
<b>Supplemental disclosures of cash flow information</b>				
Cash paid for interest	¥ 4,960	¥ 3,542	¥ 3,478	\$ 52,766
Cash paid for income taxes	16,075	20,650	20,834	171,011

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

FUJIFILM Holdings Corporation and Subsidiaries March 31, 2013

## 1. Nature of Operations

FUJIFILM Holdings Corporation (the "Company") is engaged in imaging, information and document solutions. "Imaging Solutions" develops, manufactures, markets and services color films, digital cameras, photofinishing equipment, color paper, chemicals and related products. "Information Solutions" develops, manufactures, markets and services equipment and materials for medical systems, life sciences products, pharmaceuticals, equipment and materials for graphic arts, flat panel display materials, recording media, optical devices, 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 55% 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; 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 consolidated balance sheets. Aggregate fair values of these securities were ¥229,336 million (\$2,439,745 thousand) and ¥48,707 million as of March 31, 2013 and 2012, 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 a decline of debt securities is other-than-temporary, the Company also evaluates various factors including the Company's intent to sell the securities, the available evidence to assess whether it is more likely than not that the Company will be required to sell the security as well as the available evidence to assess whether the entire amortized cost basis of the security will be recovered. The cost of securities sold is based on the moving-average-cost method. Dividends on available-for-sale securities are included in "Interest and dividend income" in the accompanying consolidated statements of 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 ¥94,418 million (\$1,004,447 thousand) and ¥68,922 million (\$733,213 thousand) as of March 31, 2013 and ¥89,743 million and ¥65,661 million as of March 31, 2012, 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 ¥140,411 million (\$1,493,734 thousand) and ¥80,944 million (\$861,106 thousand), respectively, as of March 31, 2013 and ¥136,243 million and ¥81,535 million, respectively, as of March 31, 2012. Capitalized software to be sold costs and accumulated amortization, included in the above, amounted to ¥38,120 million (\$405,532 thousand) and ¥27,870 million (\$296,489 thousand), respectively, as of March 31, 2013 and ¥38,346 million and ¥28,537 million, respectively, as of March 31, 2012. Capitalized software costs are included in other assets.

### ***Impairment of Long-lived Assets***

The Company reviews long-lived assets, excluding goodwill and other indefinite lived intangible asset, for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets would be compared to the assets' carrying amount to determine if a 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 ¥53,307 million (\$567,096 thousand), ¥58,177 million and ¥51,479 million for the years ended March 31, 2013, 2012 and 2011, respectively, are included in selling, general and administrative expenses in the consolidated statements of income.

### ***Advertising Costs***

Advertising costs are expensed as incurred and included in selling, general and administrative expenses in the consolidated statements of income. Advertising costs amounted to ¥22,031 million (\$234,372 thousand), ¥23,697 million and ¥24,300 million for the years ended March 31, 2013, 2012 and 2011, 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, 2013, 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 June 2011, FASB issued ASU No.2011-05, "Presentation of Comprehensive Income" ("ASU2011-05"). ASU2011-05 provides amendments to ASC220 and requires presenting the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU2011-05 eliminated the option to present the components of other comprehensive income as part of the consolidated statement of changes in equity. In December 2011, FASB issued ASU No.2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No.2011-05" ("ASU2011-12") to defer the requirement in ASU2011-05 to present on the face of the financial statements, items that are reclassified from accumulated other comprehensive income to net income separately with their respective components of net income and other comprehensive income. ASU2011-05 and ASU2011-12 were effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and was adopted retrospectively by the Company in the year beginning April 1, 2012. The Company elected to present comprehensive income in two separate but consecutive statements. The adoption of ASU2011-05 and ASU2011-12 did not have an impact on the results of operations and financial condition of the Company.

### 3. U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2013 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥94 = U.S.\$1.00, the exchange rate prevailing on March 31, 2013. 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, 2013 and 2012 are summarized as follows. Certain debt securities with original maturities of three months or less classified as available-for-sale securities are included in cash and cash equivalents in the consolidated balance sheets and gross unrealized gains and gross unrealized losses for those securities were insignificant as of March 31, 2013 and 2012.

	Millions of yen			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<b>Marketable securities:</b>				
Corporate debt securities	¥ 3,634	¥ 16	¥ —	¥ 3,650
Total	¥ 3,634	¥ 16	¥ —	¥ 3,650
<b>Investment securities:</b>				
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

	Millions of yen			
	2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<b>Marketable securities:</b>				
Government debt securities	¥ 5,004	¥ 10	¥ —	¥ 5,014
Corporate debt securities	6,203	193	11	6,385
Total	¥11,207	¥ 203	¥ 11	¥ 11,399
<b>Investment securities:</b>				
Government debt securities	¥ 1,772	¥ 137	¥ —	¥ 1,909
Corporate debt securities	9,828	184	27	9,985
Stocks	49,857	22,956	1,877	70,936
Investment trusts	24,359	171	669	23,861
Total	¥85,816	¥23,448	¥2,573	¥106,691

	Thousands of U.S. dollars			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<b>Marketable securities:</b>				
Corporate debt securities	\$ 38,660	\$ 170	\$ —	\$ 38,830
Total	\$ 38,660	\$ 170	\$ —	\$ 38,830
<b>Investment securities:</b>				
Government debt securities	\$ 2,670	\$ 277	\$ —	\$ 2,947
Corporate debt securities	62,798	2,085	—	64,883
Stocks	486,787	475,777	9,106	953,458
Investment trusts	258,755	27,500	10,351	275,904
Total	\$811,010	\$505,639	\$19,457	\$1,297,192

Proceeds from sales of available-for-sale securities for the year ended March 31, 2013 were ¥2,204 million (\$23,447 thousand). 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. Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses on sales of available-for-sale securities for the year ended March 31, 2011 were immaterial.

The cost and estimated fair value of debt securities as of March 31, 2013, 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	¥3,634	¥ 3,650	\$ 38,660	\$ 38,830
Due after one year through five years	6,154	6,376	65,468	67,830
Total	¥9,788	¥10,026	\$104,128	\$106,660

As of March 31, 2013 and 2012, 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					
	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

	Millions of yen					
	2012					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Corporate debt securities	¥5,975	¥ 25	¥ 2,487	¥ 13	¥ 8,462	¥ 38
Stocks	1,375	285	4,300	1,592	5,675	1,877
Investment trusts	—	—	8,333	669	8,333	669
Total	¥7,350	¥310	¥15,120	¥2,274	¥22,470	¥2,584

	Thousands of U.S. dollars					
	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	\$22,723	\$3,564	\$ 18,947	\$ 5,542	\$ 41,670	\$ 9,106
Investment trusts	—	—	85,383	10,351	85,383	10,351
Total	\$22,723	\$3,564	\$104,330	\$15,893	\$127,053	\$19,457

As of March 31, 2013, 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 40. 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 ¥12,687 million (\$134,968 thousand) and ¥13,228 million as of March 31, 2013 and 2012, respectively. Investments with an aggregate cost of ¥6,509 million (\$69,245 thousand) and ¥6,060 million as of March 31, 2013 and 2012, 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," respectively. These receivables generally mature over one to seven years. The components of finance receivables as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gross receivables	<b>¥213,239</b>	¥172,511	<b>\$2,268,500</b>
Unearned income	<b>(28,110)</b>	(24,096)	<b>(299,042)</b>
Allowance for doubtful receivables	<b>(3,893)</b>	(3,268)	<b>(41,415)</b>
Finance receivables, net	<b>¥181,236</b>	¥145,147	<b>\$1,928,043</b>

The future minimum lease payments to be received under sales-type leases as of March 31, 2013 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	¥ 78,572	\$ 835,872
2015	54,804	583,021
2016	41,334	439,723
2017	25,403	270,245
2018	11,389	121,160
2019 and thereafter	1,737	18,479
Total future minimum lease payments	¥213,239	\$2,268,500

## 6. Inventories

Inventories as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished goods	<b>¥238,001</b>	¥218,527	<b>\$2,531,926</b>
Work in process	<b>67,273</b>	69,957	<b>715,670</b>
Raw materials and supplies	<b>94,655</b>	89,468	<b>1,006,968</b>
Total	<b>¥399,929</b>	¥377,952	<b>\$4,254,564</b>

## 7. Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥36,296 million (\$386,128 thousand) and ¥31,838 million as of March 31, 2013 and 2012, respectively. These affiliates primarily operate in the Imaging Solutions, Information Solutions and Document Solutions businesses. These investments include investments for which a quoted market price is available, with a book value and a quoted market value of ¥3,206 million (\$34,106 thousand) and ¥31,417 million (\$334,223 thousand) as of March 31, 2013 and ¥3,683 million and ¥5,490 million as of March 31, 2012, respectively.

The combined financial position and results of operations of the Company's affiliates accounted for by the equity method are summarized as follows:

	March 31		Thousands of U.S. dollars
	Millions of yen		
	2013	2012	2013
Current assets	<b>¥157,345</b>	¥147,898	<b>\$1,673,883</b>
Noncurrent assets	<b>56,087</b>	58,806	<b>596,670</b>
Total assets	<b>¥213,432</b>	¥206,704	<b>\$2,270,553</b>
Current liabilities	<b>¥ 95,759</b>	¥ 98,930	<b>\$1,018,713</b>
Long-term liabilities	<b>53,142</b>	37,080	<b>565,340</b>
Equity	<b>64,531</b>	70,694	<b>686,500</b>
Total liabilities and equity	<b>¥213,432</b>	¥206,704	<b>\$2,270,553</b>

	Years ended March 31			Thousands of U.S. dollars
	Millions of yen			
	2013	2012	2011	2013
Revenue	¥265,503	¥243,835	¥263,557	\$2,824,500
Net income (loss)	(6,389)	(7,704)	8,945	(67,968)

Transactions with affiliated companies for the years ended March 31, 2013, 2012 and 2011 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2013			
	2013	2012	2011	2013
Revenue	¥88,583	¥83,526	¥91,083	\$942,372
Purchases	9,371	11,466	19,132	99,691
Dividends received	1,064	5,245	1,910	11,319

## 8. Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen		
	Information Solutions	Document Solutions	Total
As of March 31, 2011	¥144,731	¥199,713	¥344,444
Acquired	66,517	184	66,701
Other	(17,575)	(29)	(17,604)
As of March 31, 2012	193,673	199,868	393,541
Acquired	681	17,220	17,901
Other	(3,619)	4,424	805
<b>As of March 31, 2013</b>	<b>¥190,735</b>	<b>¥221,512</b>	<b>¥412,247</b>

	Thousands of U.S. dollars		
	Information Solutions	Document Solutions	Total
As of March 31, 2012	\$2,060,351	\$2,126,255	\$4,186,606
Acquired	7,245	183,191	190,436
Other	(38,500)	47,064	8,564
<b>As of March 31, 2013</b>	<b>\$2,029,096</b>	<b>\$2,356,510</b>	<b>\$4,385,606</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, 2013 and 2012.

Intangible assets subject to amortization as of March 31, 2013 and 2012 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Technology-based	¥ 75,912	¥24,958	¥47,856	¥22,250	\$ 807,574	\$265,510
Customer-related	37,255	13,547	19,485	10,253	396,330	144,117
Other	15,895	4,795	7,928	4,023	169,096	51,011
<b>Total</b>	<b>¥129,062</b>	<b>¥43,300</b>	<b>¥75,269</b>	<b>¥36,526</b>	<b>\$1,373,000</b>	<b>\$460,638</b>

The aggregate amortization expenses for intangible assets for the years ended March 31, 2013, 2012 and 2011 were ¥8,401 million (\$89,372 thousand), ¥6,745 million and ¥5,330 million, respectively.

Indefinite lived intangible assets other than goodwill were insignificant as of March 31, 2013 and 2012, respectively.

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

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	¥9,976	\$106,128
2015	9,003	95,777
2016	7,892	83,957
2017	7,232	76,936
2018	6,613	70,351

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

Short-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Borrowings from banks	¥20,566	¥ 24,920	\$218,787
Commercial paper	14,000	33,000	148,936
Current portion of long-term debt	6,114	120,616	65,043
	¥40,680	¥178,536	\$432,766

The weighted-average interest rates per annum on bank borrowings and commercial paper outstanding as of March 31, 2013 and 2012 were 1.27% and 0.93%, respectively. Short-term debt is unsecured.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
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, 2013			
Due through the year ended March 31, 2017 with interest rates ranging from 0.5100% to 8.3400% as of March 31, 2012	¥141,570	¥ 24,929	\$1,506,064
Unsecured Euroyen convertible bonds:			
Libor minus 0.3000% Series A Convertible Bond, due the year ended March 31, 2013	—	51,586	—
0.7500% Series B Convertible Bond, due the year ended March 31, 2013	—	52,400	—
Unsecured Japanese yen bonds:			
1.4600% yen bonds, due the year ended March 31, 2014	5,000	5,000	53,191
3.7500% yen bonds, due the year ended March 31, 2015	22	833	234
0.3280% yen bonds, due the year ended March 31, 2018	40,000	—	425,532
0.3300% yen bonds, due the year ended March 31, 2018	60,000	—	638,298
0.5150% yen bonds, due the year ended March 31, 2020	30,000	—	319,149
0.8820% yen bonds, due the year ended March 31, 2023	40,000	—	425,532
Other	7,114	6,202	75,681
	323,706	140,950	3,443,681
Portion due within one year	(6,114)	(120,616)	(65,043)
	¥317,592	¥ 20,334	\$3,378,638

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

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	¥ 6,114	\$ 65,043
2015	5,103	54,287
2016	2,599	27,649
2017	5,828	62,000
2018	100,166	1,065,596

A loan from the Japan Science and Technology Agency of ¥2,500 million (\$26,596 thousand) as of March 31, 2013 and 2012 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.

On April 5, 2006, the Company issued unsecured Euroyen convertible bonds consisting of ¥50,000 million of series A Euroyen convertible bonds due March 31, 2013 with variable interest rates ("2013 Series A convertible bond") and ¥50,000 million of series B Euroyen convertible bonds due March 31, 2013 with fixed interest rates ("2013 Series B convertible bond").

The conversion rights of both 2013 Series A convertible bond and 2013 Series B convertible bond were exercisable from April 5, 2006 to March 28, 2013. The exercise period for the conversion rights of both 2013 Series A convertible bond and 2013 Series B convertible bond expired, and the Company redeemed them at maturity.

## 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, 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 (\$670 thousand), 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 (\$27,000 thousand) and ¥1,454 million (\$15,468 thousand), 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 amounting to ¥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 domestic subsidiaries, which resulted in decreases in projected benefit obligations of ¥1,261 million in the aggregate.

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 the Company's domestic and foreign defined contribution pension plans discussed above amounted to ¥7,698 million (\$81,894 thousand), ¥7,035 million, and ¥6,828 million for the years ended March 31, 2013, 2012 and 2011, 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, 2013, 2012 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
<b>Components of net periodic benefit cost:</b>				
Service cost	¥20,822	¥19,954	¥20,459	\$221,511
Interest cost	13,847	14,591	14,114	147,309
Expected return on plan assets	(17,470)	(18,292)	(16,809)	(185,851)
Recognized net actuarial loss	8,680	6,441	5,555	92,340
Amortization of prior service credit	(2,402)	(2,716)	(2,622)	(25,553)
Settlement and curtailment loss	63	2,239	—	670
Net periodic benefit cost	¥23,540	¥22,217	¥20,697	\$250,426

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current year actuarial (gain) loss	¥13,570	¥36,268	\$144,361
Amortization of actuarial loss	(8,680)	(6,441)	(92,340)
Prior service credit due to amendments	—	(1,261)	—
Amortization of prior service credit	2,402	2,716	25,553
Settlement and curtailment loss	(63)	(2,240)	(670)
Total	¥ 7,229	¥29,042	\$ 76,904

As of March 31, 2013, 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	¥9,659	\$102,755
Prior service credit	(2,409)	(25,628)

### 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, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Changes in benefit obligation:</b>			
Benefit obligation at beginning of year	¥651,181	¥621,266	\$6,927,457
Service cost	20,822	19,954	221,511
Interest cost	13,847	14,591	147,309
Plan participants' contributions	364	483	3,872
Plan amendments	—	(1,261)	—
Actuarial loss	44,613	28,873	474,606
Acquisitions of businesses	454	—	4,830
Benefits paid	(25,600)	(25,828)	(272,340)
Transfer to defined contribution pension plan	—	(2,436)	—
Settlements and curtailments	(2,538)	(3,135)	(27,000)
Foreign currency translation	11,116	(1,326)	118,255
Benefit obligation at end of year	714,259	651,181	7,598,500
<b>Changes in plan assets:</b>			
Fair value of plan assets at beginning of year	571,193	546,789	6,076,521
Actual return on plan assets	48,513	10,897	516,096
Acquisitions of businesses	284	—	3,021
Employers' contributions	35,789	42,170	380,734
Plan participants' contributions	365	483	3,883
Benefits paid	(24,360)	(24,400)	(259,149)
Transfer to defined contribution pension plan	—	(2,435)	—
Settlements and curtailments	(1,454)	(923)	(15,468)
Foreign currency translation	10,915	(1,388)	116,117
Fair value of plan assets at end of year	641,245	571,193	6,821,755
Funded status	¥ (73,014)	¥ (79,988)	\$ (776,745)

Amounts recognized in the consolidated balance sheets related to the defined benefit pension plans as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Prepaid pension cost	¥ 9,266	¥ 6,252	\$ 98,574
Accrued liabilities	(1,283)	(1,124)	(13,649)
Accrued pension and severance costs	(80,997)	(85,116)	(861,670)
Net amount recognized	¥(73,014)	¥(79,988)	\$(776,745)

Amounts recognized in accumulated other comprehensive income (loss) related to the defined benefit pension plans as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net actuarial loss	¥210,374	¥205,161	\$2,238,021
Prior service credit	(20,720)	(22,830)	(220,425)
Total	¥189,654	¥182,331	\$2,017,596

The accumulated benefit obligation for the defined benefit pension plans amounted to ¥704,612 million (\$7,495,872 thousand) and ¥641,146 million as of March 31, 2013 and 2012, 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, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	¥643,852	¥609,236	\$6,849,489
Fair value of plan assets	562,655	522,986	5,985,691
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	638,866	584,262	6,796,447
Fair value of plan assets	562,627	503,790	5,985,394

### Assumptions

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

	2013	2012
Discount rate	1.67%	2.11%

The weighted-average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2013, 2012 and 2011 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.

	2013	2012	2011
Discount rate	2.11%	2.36%	2.39%
Expected long-term rate of return on plan assets	2.93%	3.28%	3.26%

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 20% (9% domestic and 11% foreign), 42% (32% domestic and 10% foreign), 20% and 18%, 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 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, 2013 and 2012 is as follows:

	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				
Japanese 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>

	Millions of yen			
	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	¥ 5,306	¥ 4,222	¥ —	¥ 9,528
Equity securities				
Japanese companies securities	28,223	—	—	28,223
Foreign companies securities	11,826	—	—	11,826
Pooled funds (b)	—	112,074	—	112,074
Debt securities				
Government debt securities (c)	19,657	1,066	—	20,723
Corporate debt securities (d)	—	10,870	—	10,870
Pooled funds (e)	—	166,920	—	166,920
General accounts of life insurance companies	—	127,160	—	127,160
Alternative investments				
Equity securities funds (f)	—	1,685	—	1,685
Debt securities funds (g)	—	3,281	—	3,281
Other funds (h)	—	22,433	45,174	67,607
Real estate (i)	—	239	11,057	11,296
<b>Total</b>	<b>¥65,012</b>	<b>¥449,950</b>	<b>¥56,231</b>	<b>¥571,193</b>

	Thousands of U.S. dollars			
	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, and Short-term receivables (a)	\$114,309	\$ 39,234	\$ —	\$ 153,543
Equity securities				
Japanese companies securities	300,298	—	—	300,298
Foreign companies securities	154,106	2,074	—	156,180
Pooled funds (b)	—	1,326,830	—	1,326,830
Debt securities				
Government debt securities (c)	197,191	13,213	—	210,404
Corporate debt securities (d)	—	105,181	—	105,181
Pooled funds (e)	—	2,105,117	—	2,105,117
General accounts of life insurance companies	—	1,424,904	—	1,424,904
Alternative investments				
Equity securities funds (f)	—	18,776	—	18,776
Debt securities funds (g)	—	34,915	—	34,915
Other funds (h)	—	235,000	625,809	860,809
Real estate (i)	—	3,181	121,617	124,798
<b>Total</b>	<b>\$765,904</b>	<b>\$5,308,425</b>	<b>\$747,426</b>	<b>\$6,821,755</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 32% and 35% Japanese companies and 68% and 65% foreign companies as of March 31, 2013 and 2012, respectively.
- (c) This category consists of 74% and 79% Japanese government debt securities and 26% and 21% foreign government debt securities as of March 31, 2013 and 2012, respectively.
- (d) This category consists of 10% and 24% Japanese corporate debt securities and 90% and 76% foreign corporate debt securities as of March 31, 2013 and 2012, respectively.
- (e) Pooled funds of debt securities consist of 60% and 65% Japanese government debt securities, government agency and municipal securities, 27% and 25% foreign government debt securities, 8% and 9% Japanese corporate debt securities and 5% and 1% foreign corporate debt securities as of March 31, 2013 and 2012, respectively.
- (f) Equity securities funds invest principally in Japanese companies securities and foreign companies securities.
- (g) Debt securities funds invest principally in Japanese government and foreign government debt securities and foreign currencies.
- (h) Other funds include global tactical asset allocation (GTAA) which invests in stocks and bonds around the world and managed futures which principally invest in listed futures, both of 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 Japanese real estate funds whose investment policy is to generate stable rental income and capital gains from sales on real estate.

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

Reconciliation of the beginning and ending balances for assets classified as Level 3 for the years ended March 31, 2013 and 2012 is as follows:

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

	Millions of yen				
	2012				
	Balance at beginning of year	Actual gain (loss) relating to assets held at the reporting date	Purchase, sales	Currency translation	Balance at end of year
Alternative investments					
Other funds	¥32,177	¥(611)	¥13,635	¥(27)	¥45,174
Real estate	11,761	46	(753)	3	11,057
<b>Total</b>	<b>¥43,938</b>	<b>¥(565)</b>	<b>¥12,882</b>	<b>¥(24)</b>	<b>¥56,231</b>

	Thousands of U.S. dollars				
	2013				
	Balance at beginning of year	Actual gain (loss) relating to assets held at the reporting date	Purchase, sales	Currency translation	Balance at end of year
Alternative investments					
Other funds	\$480,574	\$34,564	\$100,362	\$10,309	\$625,809
Real estate	117,628	(8,255)	10,213	2,031	121,617
<b>Total</b>	<b>\$598,202</b>	<b>\$26,309</b>	<b>\$110,575</b>	<b>\$12,340</b>	<b>\$747,426</b>

### Contribution

The Company expects to contribute approximately ¥34,129 million (\$363,074 thousand) to the defined benefit pension plans for the year ending March 31, 2014.

### 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
	2014	¥ 30,071
2015	27,167	289,011
2016	28,628	304,553
2017	28,259	300,628
2018	30,232	321,617
2019 through 2023	164,527	1,750,287

## 11. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 38.0% for the year ended March 31, 2013 and 40.6% for the years ended March 31, 2012 and 2011. The revised Japanese corporate tax law and its enforcement order were enacted on November 30, 2011 and made effective from December 2, 2011. As a result of these amendments, the statutory income tax rate was reduced from approximately 40.6% to 38.0% effective from the year beginning April 1, 2012 and will be reduced to approximately 35.6% effective from the year beginning April 1, 2015 thereafter. Consequently, the statutory income tax rate utilized for deferred tax assets and liabilities expected to be settled or realized in the period from April 1, 2012 to March 31, 2015 is approximately 38.0% and for periods subsequent to March 31, 2015 the rate is approximately 35.6%. The adjustments of deferred tax assets and liabilities for this change in the tax rate amounted to ¥5,793 million and were included in "Income taxes, Deferred" in the accompanying consolidated statements of income for the year ended March 31, 2012.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 differ from the statutory tax rate due to the following reasons:

	2013	2012	2011
Statutory tax rates	38.0%	40.6%	40.6%
Increase (decrease) in income taxes resulting from:			
Expenses not deductible for tax purposes	1.7	0.7	3.1
Lower effective tax rates of other countries	(4.3)	(4.9)	(4.2)
Deferred tax liabilities on undistributed earnings	1.4	(1.8)	3.4
R&D credits	(0.7)	(3.4)	(1.4)
Net changes in valuation allowances	2.4	(5.6)	(1.8)
Effect of advance pricing agreement for transfer price taxation	(3.3)	—	—
Effect of enacted changes in tax laws and rates on Japanese tax	—	6.6	—
Other	2.3	1.5	1.3
Effective tax rates	37.5%	33.7%	41.0%

Income before income taxes for the years ended March 31, 2013, 2012 and 2011 was taxed in the following jurisdictions:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
<b>Income before income taxes:</b>				
Domestic	¥ 79,183	¥54,345	¥ 79,804	\$ 842,372
Foreign	40,003	34,842	37,301	425,564
Total	¥119,186	¥89,187	¥117,105	\$1,267,936

The provision (benefit) for income taxes for the years ended March 31, 2013, 2012 and 2011 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
<b>Current:</b>				
Domestic	¥ 9,837	¥12,416	¥10,132	\$104,649
Foreign	16,542	10,438	13,628	175,979
Total current	26,379	22,854	23,760	280,628
<b>Deferred:</b>				
Domestic	18,280	8,791	26,537	194,468
Foreign	77	(1,614)	(2,274)	819
Total deferred	18,357	7,177	24,263	195,287
Total	¥44,736	¥30,031	¥48,023	\$475,915

The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
<b>Deferred tax assets:</b>			
Inventories	¥ 37,518	¥ 37,610	\$ 399,128
Depreciation	31,154	30,103	331,426
Accrued expenses	35,307	36,525	375,606
Accrued pension and severance costs	1,341	1,044	14,266
Pension liability adjustments	67,149	60,031	714,351
Accrued enterprise tax	1,384	601	14,724
Tax loss carryforwards	48,654	61,126	517,596
Valuation of investment securities	15,689	14,006	166,904
Allowance for doubtful receivables	7,851	4,518	83,521
Other	33,933	29,497	360,989
	279,980	275,061	2,978,511
Less valuation allowance	(53,954)	(47,732)	(573,979)
Total deferred tax assets	226,026	227,329	2,404,532
<b>Deferred tax liabilities:</b>			
Depreciation	2,369	2,345	25,202
Lease accounting	10,597	9,112	112,734
Taxes on undistributed earnings	13,650	11,306	145,213
Valuation of available-for-sale securities	12,025	6,126	127,925
Goodwill	12,536	12,571	133,362
Accrued pension and severance costs	43,618	37,484	464,021
Other intangible assets	24,930	10,336	265,213
Other	11,339	7,138	120,628
Total deferred tax liabilities	131,064	96,418	1,394,298
Net deferred tax assets	¥ 94,962	¥130,911	\$1,010,234

The valuation allowance relates primarily to the deferred tax assets of certain subsidiaries which have net operating loss carryforwards for tax purposes. The valuation allowances increased by ¥6,222 million (\$66,191 thousand) for the year ended March 31, 2013, decreased by ¥1,578 million for the year ended March 31, 2012 and decreased by ¥5,499 million for the year ended March 31, 2011.

Deferred tax assets and liabilities as of March 31, 2013 and 2012 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred income taxes (current assets)	¥85,519	¥ 92,493	\$ 909,777
Deferred income taxes (other assets)	46,509	74,425	494,777
Other current liabilities	(285)	(133)	(3,033)
Deferred income taxes (noncurrent liabilities)	(36,781)	(35,874)	(391,287)
Net deferred tax assets	¥94,962	¥130,911	\$1,010,234

As of March 31, 2013, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥133,967 million (\$1,425,181 thousand), of which ¥43,016 million (\$457,617 thousand) will be carried forward indefinitely, ¥83,180 million (\$884,894 thousand) will expire through the year ended March 31, 2022 and the remainder will expire through the year ended March 31, 2033. 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, 2013 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. Unrecognized tax benefits and changes of unrecognized tax benefits through the years ended March 31, 2013 and 2012 were insignificant. Both interest and penalties accrued as of March 31, 2013 and 2012 in the consolidated balance sheets and included in income taxes for the year ended March 31, 2013 and 2012 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, 2013, the tax authority still has a right to conduct a tax examination for fiscal years ended on and after March 31, 2007. 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, 2013 amounted to ¥1,409,390 million (\$14,993,511 thousand).

The appropriation of retained earnings for the year ended March 31, 2013 has been reflected in the consolidated financial statements, including for the amount approved at the 117th Ordinary General Meeting of Shareholders held on June 27, 2013.

### *Takeover Defense Measure*

The Company implemented in the past a plan for countermeasures to large-scale acquisitions of shares in the Company (takeover defense measure), hereinafter referred to as the "Plan," effective until the conclusion of the 117th Ordinary General Meeting of Shareholders. The Plan expired at the conclusion of the 117th Ordinary General Meeting of Shareholders held on June 27, 2013.

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

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

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

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

If the Company allots stock acquisition rights and the Company's shareholders do not exercise their stock acquisition rights or pay the amount equivalent to the exercise price, shares they hold in the Company will be diluted by the exercise of stock acquisition rights by other shareholders. However, in the event that the Company acquires stock acquisition rights of all shareholders other than Non-Qualified Parties and, in exchange, delivers shares in the Company in accordance with procedures in the Plan, there will be no subsequent dilution of shares they hold in the Company. Further, no stock acquisition right has been issued by the Company related to the Takeover Defense Measure as of March 31, 2013.

### 13. Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as reflected in the consolidated balance sheets as of March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gains (losses) on securities	¥ 27,059	¥ 9,869	\$ 287,861
Foreign currency translation adjustments	(52,620)	(145,845)	(559,787)
Pension liability adjustments	(98,459)	(99,470)	(1,047,436)
Unrealized gains (losses) on derivatives	(205)	46	(2,181)
Total	¥(124,225)	¥(235,400)	\$(-1,321,543)

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, 2013, 2012 and 2011 are as follows:

	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2013</b>			
<b>Unrealized gains (losses) on securities:</b>			
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
<b>Foreign currency translation adjustments</b>	103,416	(726)	102,690
<b>Pension liability adjustments:</b>			
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)
<b>Unrealized gains (losses) on derivatives:</b>			
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		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2012</b>			
<b>Unrealized gains (losses) on securities:</b>			
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
<b>Foreign currency translation adjustments</b>	(16,650)	(150)	(16,800)
<b>Pension liability adjustments:</b>			
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)
<b>Unrealized gains (losses) on derivatives:</b>			
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>

	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2011</b>			
<b>Unrealized gains (losses) on securities:</b>			
Change in unrealized gains (losses) on securities	¥(18,574)	¥ 7,486	¥(11,088)
Less: reclassification adjustment for gains and losses realized in net income	4,825	(1,959)	2,866
Net change in unrealized gains (losses)	(13,749)	5,527	(8,222)
<b>Foreign currency translation adjustments</b>	(40,388)	174	(40,214)
<b>Pension liability adjustments:</b>			
Change in pension liability adjustments	(23,743)	10,001	(13,742)
Less: reclassification adjustment for gains and losses realized in net income	2,933	(1,191)	1,742
Net change in pension liability adjustments	(20,810)	8,810	(12,000)
<b>Unrealized gains (losses) on derivatives:</b>			
Change in unrealized gains (losses) on derivatives	(2,349)	954	(1,395)
Less: reclassification adjustment for gains and losses realized in net income	2,255	(916)	1,339
Net change in unrealized gains (losses)	(94)	38	(56)
<b>Total</b>	<b>¥(75,041)</b>	<b>¥14,549</b>	<b>¥(60,492)</b>

	Thousands of U.S. dollars		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2013</b>			
<b>Unrealized gains (losses) on securities:</b>			
Change in unrealized gains (losses) on securities	\$ 208,670	\$(50,298)	\$ 158,372
Less: reclassification adjustment for gains and losses realized in net income	53,575	(20,362)	33,213
Net change in unrealized gains (losses)	262,245	(70,660)	191,585
<b>Foreign currency translation adjustments</b>	1,100,170	(7,723)	1,092,447
<b>Pension liability adjustments:</b>			
Change in pension liability adjustments	(141,510)	96,255	(45,255)
Less: reclassification adjustment for gains and losses realized in net income	67,457	(24,819)	42,638
Net change in pension liability adjustments	(74,053)	71,436	(2,617)
<b>Unrealized gains (losses) on derivatives:</b>			
Change in unrealized gains (losses) on derivatives	(21,159)	7,723	(13,436)
Less: reclassification adjustment for gains and losses realized in net income	16,755	(6,362)	10,393
Net change in unrealized gains (losses)	(4,404)	1,361	(3,043)
<b>Total</b>	<b>¥1,283,958</b>	<b>\$ (5,586)</b>	<b>\$1,278,372</b>

## 14. Commitments and Contingent Liabilities

### Guarantees

The Company guarantees certain indebtedness of others and other obligations. As of March 31, 2013, the maximum potential amount of future payments (undiscounted) the Company could be required to make under such guarantees was ¥13,787 million (\$146,670 thousand), of which ¥10,597 million (\$112,734 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 ¥10,567 million (\$112,415 thousand). The terms of the mortgage loan guarantees are from 1 to 23 years. The Company has not made any significant payments under such guarantees in the past and as of March 31, 2013, 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, 2013, had initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2014	¥14,212	\$151,192
2015	11,514	122,489
2016	9,855	104,841
2017	6,604	70,255
2018	2,128	22,638
2019 and thereafter	3,581	38,096
Total future minimum lease payments	¥47,894	\$509,511

Rental expenses under operating leases for the years ended March 31, 2013, 2012 and 2011 were ¥52,234 million (\$555,681 thousand), ¥51,961 million and ¥54,953 million, respectively.

### Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding as of March 31, 2013, principally for the construction and purchase of property, plant and equipment, amounted to ¥7,650 million (\$81,383 thousand). As of March 31, 2013, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥4,378 million (\$46,574 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
	2013	2012	2013
Balance, as of April 1	¥ 7,160	¥6,525	\$ 76,170
Warranties issued during the current period	10,148	9,735	107,957
Settlements made during the current period	(9,833)	(9,846)	(104,606)
Other, including changes in liability for pre-existing warranties during the current period	333	746	3,543
Balance, as of March 31	¥ 7,808	¥7,160	\$ 83,064

## 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, 2013, 2012 and 2011 is as follows:

	Millions of Yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Net income attributable to FUJIFILM Holdings	<b>¥54,266</b>	¥43,758	¥63,852	<b>\$577,298</b>
Dilutive effect of:				
2011 Series A Convertible Bond	—	—	213	—
2011 Series B Convertible Bond	—	—	457	—
2013 Series A Convertible Bond	<b>172</b>	168	197	<b>1,830</b>
2013 Series B Convertible Bond	<b>481</b>	460	460	<b>5,117</b>
Diluted net income attributable to FUJIFILM Holdings	<b>¥54,919</b>	¥44,386	¥65,179	<b>\$584,245</b>

	Shares		
	2013	2012	2011
Weighted-average common shares outstanding-Basic	<b>481,715,309</b>	481,698,604	486,296,917
Dilutive effect of:			
2011 Series A Convertible Bond	—	—	13,286,564
2011 Series B Convertible Bond	—	—	13,286,564
2013 Series A Convertible Bond	<b>13,296,457</b>	13,286,564	13,286,564
2013 Series B Convertible Bond	<b>13,296,457</b>	13,286,564	13,286,564
Stock options	<b>856,834</b>	572,725	411,324
Weighted-average common shares outstanding-Diluted	<b>509,165,057</b>	508,844,457	539,854,497

	Yen			U.S. dollars
	2013	2012	2011	2013
Net income attributable to FUJIFILM Holdings per share:				
Basic	<b>¥112.65</b>	¥90.84	¥131.30	<b>\$1.20</b>
Diluted	<b>¥107.86</b>	¥87.23	¥120.73	<b>\$1.15</b>

Certain stock options to purchase, 754,100, 731,000 and 731,000 shares of common stock were outstanding, as of March 31, 2013, 2012 and 2011, 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"). 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.

On March 2, 2012, the Board of Directors adopted resolutions to issue an aggregate of 3,860 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.5-1 Stock Acquisition Rights"), and an aggregate of 231 stock acquisition rights to a total of 71 Directors, executive officers and important employees of the Company and 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.5-1 Stock Acquisition Rights were granted on April 2, 2012, and are vested over 1 year. 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 granted on April 2, 2012, and are exercisable during the period from March 3, 2014 to March 2, 2022. The exercise price was set at ¥2,012 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.

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, and are vested over 1 year. 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.

The Company recognized stock-based compensation cost of ¥739 million (\$7,862 thousand), ¥743 million and ¥606 million as selling, general and administrative expenses in the accompanying consolidated

statements of income for the years ended March 31, 2013, 2012 and 2011, 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 ¥276 million (\$2,936 thousand), ¥248 million and ¥203 million for the years ended March 31, 2013, 2012 and 2011, respectively. As of March 31, 2013, there was no unrecognized stock-based compensation cost. There were 201 stock acquisition rights exercised during the year ended March 31, 2013. The weighted-average grant date fair values of stock acquisition rights granted during the years ended March 31, 2013 and 2012 were ¥1,806 (\$19.21) and ¥2,090, respectively. The total fair values of shares vested during the years ended March 31, 2013, 2012 and 2011 were ¥902 million (\$9,596 thousand), ¥356 million and ¥900 million, respectively.

A summary of stock acquisition rights activity during the years ended March 31, 2013, 2012 and 2011 is as follows:

	Number of shares	Yen	Years	Millions of yen
		Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
<b>2013</b>				
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

	Number of shares	Yen	Years	Millions of yen
		Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
<b>2012</b>				
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

	Number of shares	Yen	Years	Millions of yen
		Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
<b>2011</b>				
Outstanding as of March 31, 2010	996,700	¥1,914		
Granted during the year	474,000	1,228		
Exercised	(6,000)	1	—	¥ (30)
Outstanding as of March 31, 2011	1,464,700	1,700	15.3	2,528
Exercisable as of March 31, 2011	1,017,450	1,370	17.1	2,322

	U.S. dollar	Years	Thousands of U.S. dollars
		Weighted average remaining contractual term	Aggregate intrinsic value
<b>2013</b>			
Outstanding as of March 31, 2012	\$18.35		
Granted during the year	1.23		
Exercised	0.01	—	\$ (819)
Outstanding as of March 31, 2013	14.73	16.8	32,936
Exercisable as of March 31, 2013	14.65	16.9	32,936

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>2013</b>	No.5-1 Stock Acquisition Rights	No.5-2 Stock Acquisition Rights
Expected volatility	<b>28.548%</b>	<b>38.826%</b>
Expected remaining life	<b>1 year</b>	<b>6 years</b>
Expected dividend (Yen)	<b>¥32.5</b>	<b>¥32.5</b>
Expected dividend (U.S. dollars)	<b>\$0.35</b>	<b>\$0.35</b>
Risk-free interest rate	<b>0.105%</b>	<b>0.459%</b>

<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 and No.5-1 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 and No.5-2 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. 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, 2013, the Company expects to reclassify ¥79 million (\$840 thousand) (before tax effect) of net losses 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, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Forward currency exchange (Short)	¥ 76,033	¥63,878	\$ 808,862
Forward currency exchange (Long)	55,727	44,261	592,840
Currency swaps	37,965	27,561	403,883
Cross currency interest rate swaps	20,166	18,861	214,532
Interest rate swaps	138,750	15,459	1,476,064

**Impacts on the Consolidated Financial Statements**

The fair values of derivatives in the consolidated balance sheets as of March 31, 2013 and 2012 are summarized as follows:

		Derivative assets		
		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Balance sheet location		Fair value		
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	¥330	¥ 906	\$3,511
Interest rate swaps	Long-term finance and other receivables	80	—	851
<b>Total</b>		<b>410</b>	906	<b>4,362</b>
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	280	92	2,979
Currency swaps	Prepaid expenses and other	104	227	1,106
Interest rate swaps	Prepaid expenses and other	—	5	—
<b>Total</b>		<b>384</b>	324	<b>4,085</b>
<b>Total derivative assets</b>		<b>¥794</b>	¥1,230	<b>\$8,447</b>
		Derivative liabilities		
		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Balance sheet location		Fair value		
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	¥ 1,539	¥1,930	\$ 16,372
Forward currency exchange contracts	Customers' guarantee deposits and other	475	—	5,053
Interest rate swaps	Customers' guarantee deposits and other	344	—	3,660
<b>Total</b>		<b>2,358</b>	1,930	<b>25,085</b>
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	21	305	223
Forward currency exchange contracts	Customers' guarantee deposits and other	209	80	2,223
Currency swaps	Other current liabilities	621	786	6,606
Currency swaps	Customers' guarantee deposits and other	6,272	78	66,723
Cross currency interest rate swaps	Other current liabilities	2,580	258	27,447
Cross currency interest rate swaps	Customers' guarantee deposits and other	916	621	9,745
Interest rate swaps	Other current liabilities	7	30	75
Interest rate swaps	Customers' guarantee deposits and other	299	284	3,181
<b>Total</b>		<b>10,925</b>	2,442	<b>116,223</b>
<b>Total derivative liabilities</b>		<b>¥13,283</b>	¥4,372	<b>\$141,308</b>

Gains and losses related to derivatives recorded in the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 are summarized as follows:

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

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

	Millions of yen		
	2011		
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Statements of income location	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)
<b>Cash Flow Hedges</b>	Amount	Amount	Amount
Forward currency exchange contracts	¥(2,349)	Foreign exchange gains (losses), net	¥(2,255)
<b>Total</b>	<b>¥(2,349)</b>		<b>¥(2,255)</b>

	Thousands of U.S. dollars		
	2013		
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Statements of income location	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)
<b>Cash Flow Hedges</b>	Amount	Amount	Amount
Forward currency exchange contracts	\$ (17,702)	Foreign exchange gains (losses), net	\$ (16,755)
Interest rate swaps	(2,808)	—	—
Other	(649)	—	—
<b>Total</b>	<b>\$ (21,159)</b>		<b>\$ (16,755)</b>

<b>Derivatives Not Designated as Hedges</b>	Statements of income location	Millions of yen			Thousands of U.S. dollars
		2013	2012	2011	2013
		Amount			
Forward currency exchange contracts	Foreign exchange gains (losses), net	¥ (805)	¥ 39	¥815	\$ (8,564)
Currency swaps	Foreign exchange gains (losses), net	(5,687)	(364)	(292)	(60,500)
Cross currency interest rate swaps	Foreign exchange gains (losses), net	(2,086)	(706)	389	(22,191)
Interest rate swaps	Other, net	39	(6)	(109)	415
Other	Other, net	—	(208)	—	—
<b>Total</b>		<b>¥(8,539)</b>	<b>¥(1,245)</b>	<b>¥803</b>	<b>\$ (90,840)</b>

### Concentration of Credit Risk

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

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

The Company is exposed to credit risk related to trade receivables, due to the 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 ¥325,186 million (\$3,459,426 thousand) and ¥323,706 million (\$3,443,681 thousand), respectively as of March 31, 2013 and ¥37,048 million and ¥36,964 million, respectively as of March 31, 2012. The fair value hierarchy of Long-term debt as of March 31, 2012 is as follows:

	Millions of yen			
	2012			
	Level 1	Level 2	Level 3	Total
Long-term debt	¥13,883	¥23,165	¥—	¥37,048

The fair value of Long-term debt as of March 31, 2013 is 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 ¥794 million (\$8,447 thousand) and ¥1,230 million, and those of derivative liabilities were ¥13,283 million (\$141,308 thousand) and ¥4,372 million, as of March 31, 2013 and 2012, 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, 2013 and 2012 is as follows:

	Millions of yen			
	2013			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
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
<b>Liabilities:</b>				
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

	Millions of yen			
	2012			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents	¥ —	¥48,707	¥ —	¥48,707
Marketable securities				
Government debt securities	5,014	—	—	5,014
Corporate debt securities	—	6,385	—	6,385
Investment securities				
Government debt securities	1,685	224	—	1,909
Corporate debt securities	—	9,985	—	9,985
Stocks	70,936	—	—	70,936
Investment trusts	15,495	8,366	—	23,861
Short-term derivative assets				
Forward currency exchange contracts	—	998	—	998
Currency swaps	—	227	—	227
Interest rate swaps	—	5	—	5
<b>Liabilities:</b>				
Short-term derivative liabilities				
Forward currency exchange contracts	—	2,235	—	2,235
Currency swaps	—	786	—	786
Cross currency interest rate swaps	—	258	—	258
Interest rate swaps	—	30	—	30
Long-term derivative liabilities				
Forward currency exchange contracts	—	80	—	80
Currency swaps	—	78	—	78
Cross currency interest rate swaps	—	621	—	621
Interest rate swaps	—	284	—	284

	Thousands of U.S. dollars			
	2013			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents	\$ —	\$2,439,745	\$ —	\$2,439,745
Marketable securities				
Corporate debt securities	—	38,830	—	38,830
Investment securities				
Government debt securities	245	2,702	—	2,947
Corporate debt securities	—	64,883	—	64,883
Stocks	953,458	—	—	953,458
Investments trusts	190,521	85,383	—	275,904
Short-term derivative assets				
Forward currency exchange contracts	—	6,490	—	6,490
Currency swaps	—	1,106	—	1,106
Long-term derivative assets				
Interest rate swaps	—	851	—	851
<b>Liabilities:</b>				
Short-term derivative liabilities				
Forward currency exchange contracts	—	16,595	—	16,595
Currency swaps	—	6,606	—	6,606
Cross currency interest rate swaps	—	27,447	—	27,447
Interest rate swaps	—	75	—	75
Long-term derivative liabilities				
Forward currency exchange contracts	—	7,276	—	7,276
Currency swaps	—	66,723	—	66,723
Cross currency interest rate swaps	—	9,745	—	9,745
Interest rate swaps	—	6,841	—	6,841

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, 2013 and 2012.

For the year ended March 31, 2013 and 2012, 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, 2013 and 2012, and the activity for the year ended March 31, 2013 and 2012, 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
	2013	2012	2013
<b>Allowance for doubtful financing receivables:</b>			
Balance, as of April 1	¥(3,268)	¥(3,149)	\$ (34,766)
Charge-offs	1,134	995	12,064
(Provision) Benefit	(7,110)	(1,073)	(75,638)
Other	(524)	(41)	(5,575)
Balance, as of March 31	¥(9,768)	¥(3,268)	\$(103,915)
Ending balance: individually evaluated for impairment	(8,154)	(1,905)	(86,745)
Ending balance: collectively evaluated for impairment	(1,614)	(1,363)	(17,170)

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
	2013	2012	2013
<b>Financing receivables:</b>			
Balance, as of March 31	¥191,713	¥148,415	\$2,039,500
Ending balance: individually evaluated for impairment	8,863	1,906	94,287
Ending balance: collectively evaluated for impairment	182,850	146,509	1,945,213

Between April 1, 2012 and March 31, 2013, 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, 2013.

	Millions of yen		
	31-90 Days Past Due	Greater Than 90 Days	Total Past Due
<b>Financing Receivables</b>	¥1,447	¥2,818	¥4,265

	Thousands of U.S. dollars		
	31-90 Days Past Due	Greater Than 90 Days	Total Past Due
<b>Financing Receivables</b>	\$15,393	\$29,979	\$45,372

## 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, 2012 and 2011. Considerations for all significant acquisitions were paid in cash and aggregate purchase prices for acquisitions amounted to ¥31,215 million (\$332,075 thousand), ¥61,013 million and ¥32,497 million, net of cash acquired, for the years ended March 31, 2013, 2012 and 2011, 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.

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 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	Thousands of U.S. dollars
Current assets	¥ 4,012	\$ 42,681
Intangible assets	11,687	124,330
Goodwill	17,220	183,191
Investments and other	5,462	58,106
Current liabilities	4,586	48,787
Long-term Liabilities	5,470	58,191
Net assets acquired	¥28,325	\$301,330

The adjustments for intangible assets and goodwill from the tentative allocation of purchase price in response to the completion final purchase price allocation are immaterial. Intangible assets recognized consisted of customer-related intangibles amounting to ¥11,687 million (\$124,330 thousand), 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	Thousands of U.S. dollars
Current assets	¥20,353	\$216,521
Intangible assets	28,944	307,915
Goodwill	45,428	483,277
Investments and other	1,819	19,351
Current liabilities	19,015	202,287
Long-term Liabilities	11,842	125,979
Net assets acquired	¥65,687	\$698,798

As a result of the final purchase price allocation, the amount of goodwill decreased by ¥19,524 million (\$207,702 thousand) from the tentative allocation of purchase price primarily due to the recognition of intangible assets and deferred tax liabilities amounting to ¥28,928 million (\$307,745 thousand) and ¥11,103 million (\$118,117 thousand), respectively. 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 (\$249,255 thousand) and ¥5,498 million (\$58,489 thousand), 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.

The Company acquired for ¥26,959 million, 100% of the equity interests of MSD Biologics (UK) Limited and Diosynth RTP LLC., providers of contract manufacturing and development services for the biopharmaceutical industry in the United Kingdom and the United States during the year ended March 31, 2011. The purchase price allocation of MSD Biologics (UK) Limited and Diosynth RTP LLC. was completed during the year ended March 31, 2012 and the company allocated ¥9,891 million of goodwill provisionally recognized as of March 31, 2011 primarily to intangible assets for ¥5,991 million and tangible assets for ¥5,829 million. Intangibles assets recognized primarily consisted of technology-based intangibles and customer-related intangibles amounting to ¥1,608 million and ¥3,876 million, respectively. The recognized goodwill is attributable primarily to expected synergies with existing businesses. Of the recognized goodwill, ¥2,711 million is expected to be deductible for income tax purposes.

For the acquisitions completed during the year ended March 31, 2011 including the acquisition of MSD Biologics (UK) Limited and Diosynth RTP LLC, the Company provisionally recognized ¥24,270 million of goodwill, ¥423 million of technology-based intangibles and ¥4,324 million of customer-related intangibles.

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

## 21. Restructuring and Other Charges

The performance of the Company was adversely affected by the worldwide economic recessions following the financial crisis which started in the third quarter of 2008 and resulted in decreased demand for its products and in the appreciation of the yen. To ensure profitability and continued growth in difficult economic conditions, the Company implemented a comprehensive restructuring program to thoroughly and drastically reduce costs in all group companies and business domains, without exceptions. As a result, for the two years ended March 31, 2011, a total amount of restructuring costs of ¥175,456 million was recognized.

The restructuring activities had been conducted as planned and completed through March 31, 2011. No costs were incurred during the year ended March 31, 2013 and 2012.

### *Imaging Solutions Segment*

Because of market shrinkage which was accelerated by the worldwide economic recessions, through the two years ended March 31, 2011, the Company implemented the consolidation and shut down of photo-finishing laboratories and R&D facilities, and terminated redundant manufacturing lines to further streamline marketing, development and manufacturing functions. The Company also implemented workforce reduction programs, disposals of inventories by means of consolidations and discontinuations of product lines, and other restructuring activities in domestic and foreign subsidiaries to reduce fixed costs. As a result of the above activities, the earnings forecast for future periods were revised and impairment charges were recognized on property, plant and equipment, amortizable intangible assets and other assets in domestic and foreign subsidiaries.

Following these activities, employee costs, fixed assets costs and other costs in total amounts of ¥14,165 million, ¥42,215 million and ¥10,443 million were recognized, respectively for the two years ended March 31, 2011.

Liability balances for restructuring activities related to employee costs and other costs were ¥450 million and ¥649 million as of March 31, 2012 and ¥2,991 million and ¥1,317 million as of March 31, 2011.

There were no significant balances as of March 31, 2013.

### *Information Solutions Segment*

Through the two years ended March 31, 2011, the Company implemented workforce reduction programs mainly in staff departments and research departments, integration of sales offices, downsizing of certain manufacturing facilities, disposal of inventories by means of consolidations and discontinuations of product lines, and other restructuring activities in domestic and foreign subsidiaries to reduce fixed costs. As a result of the above activities, the earnings forecast was revised and impairment charges were recognized on property, plant and equipment such as manufacturing facilities, amortizable intangible assets and other assets in domestic and foreign subsidiaries.

Following these activities, employee costs, fixed assets costs and other costs in total amounts of ¥16,237 million, ¥41,097 million and ¥11,485 million were recognized, respectively, for the two years ended March 31, 2011.

Liability balances for restructuring activities related to employee costs and other costs were ¥485 million and ¥1,634 million as of March 31, 2012 and ¥1,285 million and ¥2,274 million as of March 31, 2011.

There were no significant balances as of March 31, 2013.

### *Document Solutions Segment*

Through the two years ended March 31, 2011, the Company implemented special retirement programs, on which the Company paid special allowances to employees who chose to change their career and moved outside the Company. As a result, the Company recognized costs related to special termination benefits. In addition, the Company recorded costs related to fixed assets primarily consisting of accelerated depreciation on existing facilities caused by the consolidation of research and development facilities to streamline its research and development functions.

Following these activities, employee costs, fixed assets costs and other costs in total amounts of ¥20,783 million, ¥6,598 million and ¥12,433 million were recognized, respectively, for the two years ended March 31, 2011.

Liability balances for restructuring activities related to employee costs and other costs were ¥21 million and ¥639 million as of March 31, 2012 and ¥2,851 million and ¥4,656 million as of March 31, 2011.

There were no significant balances as of March 31, 2013.

## 22. 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, 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, optical devices, 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.

### Revenue

	Years ended March 31			Thousands of U.S. dollars
	Millions of yen		2011	
	2013	2012		2013
Imaging Solutions:				
External customers	¥ 294,817	¥ 322,706	¥ 325,804	\$ 3,136,351
Intersegment	698	750	799	7,426
Total	295,515	323,456	326,603	3,143,777
Information Solutions:				
External customers	907,713	887,758	917,391	9,656,521
Intersegment	1,780	1,884	1,950	18,936
Total	909,493	889,642	919,341	9,675,457
Document Solutions:				
External customers	1,012,166	984,829	973,889	10,767,724
Intersegment	11,152	10,244	8,115	118,638
Total	1,023,318	995,073	982,004	10,886,362
Eliminations	(13,630)	(12,878)	(10,864)	(145,000)
Consolidated total	¥2,214,696	¥2,195,293	¥2,217,084	\$23,560,596

### Segment Profit or Loss

	Years ended March 31			Thousands of U.S. dollars
	Millions of yen		2011	
	2013	2012		2013
<b>Operating income (loss):</b>				
Imaging Solutions	¥ (2,212)	¥ (3,981)	¥ (12,693)	\$ (23,532)
Information Solutions	74,343	67,446	103,512	790,883
Document Solutions	75,884	81,814	74,213	807,277
Total	148,015	145,279	165,032	1,574,628
Corporate expenses and eliminations	(33,899)	(32,331)	(28,676)	(360,628)
Consolidated operating income	114,116	112,948	136,356	1,214,000
Other income (expenses), net	5,070	(23,761)	(19,251)	53,936
Consolidated income before income taxes	¥119,186	¥ 89,187	¥117,105	\$1,267,936

**Total Assets**

	March 31			Thousands of U.S. dollars
	Millions of yen			
	2013	2012	2011	
<b>Total assets:</b>				
Imaging Solutions	¥ 265,230	¥ 271,159	¥ 291,035	\$ 2,821,596
Information Solutions	1,394,850	1,324,718	1,259,912	14,838,830
Document Solutions	1,091,015	988,424	967,040	11,606,542
Total	2,751,095	2,584,301	2,517,987	29,266,968
Eliminations	(5,905)	(6,783)	(5,346)	(62,819)
Corporate assets	314,406	162,147	196,200	3,344,745
Consolidated total	¥3,059,596	¥2,739,665	¥2,708,841	\$32,548,894

**Other Significant Items**

	Years ended March 31			Thousands of U.S. dollars
	Millions of yen			
	2013	2012	2011	
<b>Depreciation and amortization:</b>				
Imaging Solutions	¥ 10,110	¥ 10,825	¥ 10,104	\$ 107,553
Information Solutions	74,976	76,230	77,367	797,617
Document Solutions	53,099	57,505	65,790	564,883
Total	138,185	144,560	153,261	1,470,053
Corporate	3,363	3,215	3,833	35,777
Consolidated total	¥141,548	¥147,775	¥157,094	\$1,505,830
<b>Capital expenditures:</b>				
Imaging Solutions	¥ 5,754	¥ 9,184	¥ 8,108	\$ 61,213
Information Solutions	43,972	59,869	61,821	467,787
Document Solutions	24,778	19,306	19,540	263,596
Total	74,504	88,359	89,469	792,596
Corporate	2,156	2,587	463	22,936
Consolidated total	¥ 76,660	¥ 90,946	¥ 89,932	\$ 815,532

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.

**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, 2013, 2012 and 2011, are as follows:

	Years ended March 31			Thousands of U.S. dollars
	Millions of yen			
	2013	2012	2011	
Japan	¥1,002,385	¥1,012,685	¥1,034,806	\$10,663,670
The Americas	393,304	367,652	368,213	4,184,085
Europe	250,391	262,694	260,543	2,663,734
Asia and others	568,616	552,262	553,522	6,049,107
Consolidated total	¥2,214,696	¥2,195,293	¥2,217,084	\$23,560,596

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

Long-lived assets as of March 31, 2013, 2012 and 2011 are as follows:

	March 31			Thousands of U.S. dollars
	Millions of yen			
	2013	2012	2011	2013
Japan	<b>¥408,834</b>	¥432,655	¥451,158	<b>\$4,349,298</b>
The Americas	<b>34,634</b>	31,638	27,313	<b>368,447</b>
Europe	<b>43,979</b>	42,565	40,331	<b>467,862</b>
Asia and others	<b>58,685</b>	47,058	45,263	<b>624,308</b>
Consolidated total	<b>¥546,132</b>	¥553,916	¥564,065	<b>\$5,809,915</b>

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, 2013.

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 ¥167,515 million (\$1,782,074 thousand) and ¥11,798 million (\$125,511 thousand), ¥171,790 million and ¥11,405 million, and ¥180,006 million and ¥12,072 million for the years ended March 31, 2013, 2012 and 2011, 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 ¥12,888 million (\$137,106 thousand), ¥12,347 million and ¥11,792 million, which primarily relate to royalty and research expenses, were incurred for the years ended March 31, 2013, 2012 and 2011, respectively. Notes and accounts receivable from the noncontrolling interest as of March 31, 2013 and 2012 were ¥43,230 million (\$459,894 thousand) and ¥39,699 million, respectively. Notes and accounts payable to the noncontrolling interest as of March 31, 2013 and 2012 were ¥6,137 million (\$65,287 thousand) and ¥4,374 million, respectively.

## 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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2013, 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, 2013, into U.S. dollars on the basis described in Note 3. In our opinion, such statements have been translated on such basis.

June 27, 2013

## Independent Auditor's Report

The Board of Directors  
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 sheet as of March 31, 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2013, and its consolidated financial performance and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

#### *Convenience Translation*

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

## **Report on the Management's Report**

We have also audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as of March 31, 2013 of the Company (the "Management's Report").

### *Management's Responsibility for the Management's Report*

The Company's management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not prevent or detect misstatements.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Management's Report based on our audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about management's assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including materiality of effect on the reliability of financial reporting. An internal control audit includes examining the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

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

### *Opinion*

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as of March 31, 2013 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

June 27, 2013

# Management's Report on Internal Control Over Financial Reporting

FUJIFILM Holdings Corporation and Subsidiaries

## Basic Framework of Internal Control Over Financial Reporting

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

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

## Scope of Assessment, Assessment Date, and Assessment Procedures

The Company evaluated its internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2013, the assessment date and the fiscal year end of the Company, in accordance with generally accepted assessment standards for internal control in Japan.

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

The scope of assessment of internal control over financial reporting was determined by selecting the Company itself, its consolidated subsidiaries and companies accounted for by the equity-method in consideration of their quantitative and qualitative impacts on financial reporting. The scope of assessment of internal control over business processes was reasonably determined based on the assessment of company-level controls of the Company and its consolidated subsidiaries. Certain consolidated subsidiaries and companies accounted for by the equity-method were excluded from the scope of assessment of the company-level controls since their quantitative and qualitative impacts were judged to be insignificant. With regard to the scope of assessment of internal control over business processes, 47 locations or business units were determined to be "significant business locations," which consist of the locations or business units in descending order based on sales (after elimination of intercompany sales transactions) for the fiscal year ended March 31, 2012, whose combined sales account for approximately two-thirds of total sales on a consolidated basis for the fiscal year ended March 31, 2012, and certain other locations or business units considering their qualitative significance and regional characteristics. For the selected significant business locations, business processes related to sales, accounts receivable, and inventory were included in the scope of assessment as the aforementioned accounts are closely associated with the Company's business objectives. In addition, for the significant business locations and other group locations or business units, business processes that could result in a misstatement in significant components of the financial statements, business processes relating to significant accounts involving estimates and management's judgment, and business processes relating to businesses or operations dealing with high-risk transactions were added to the scope of assessment as business processes with a significant effect on financial reporting. The Company also ensured that the scope of assessment was adequate based on financial results and business operations for the fiscal year ended March 31, 2013.

## Result of Assessment

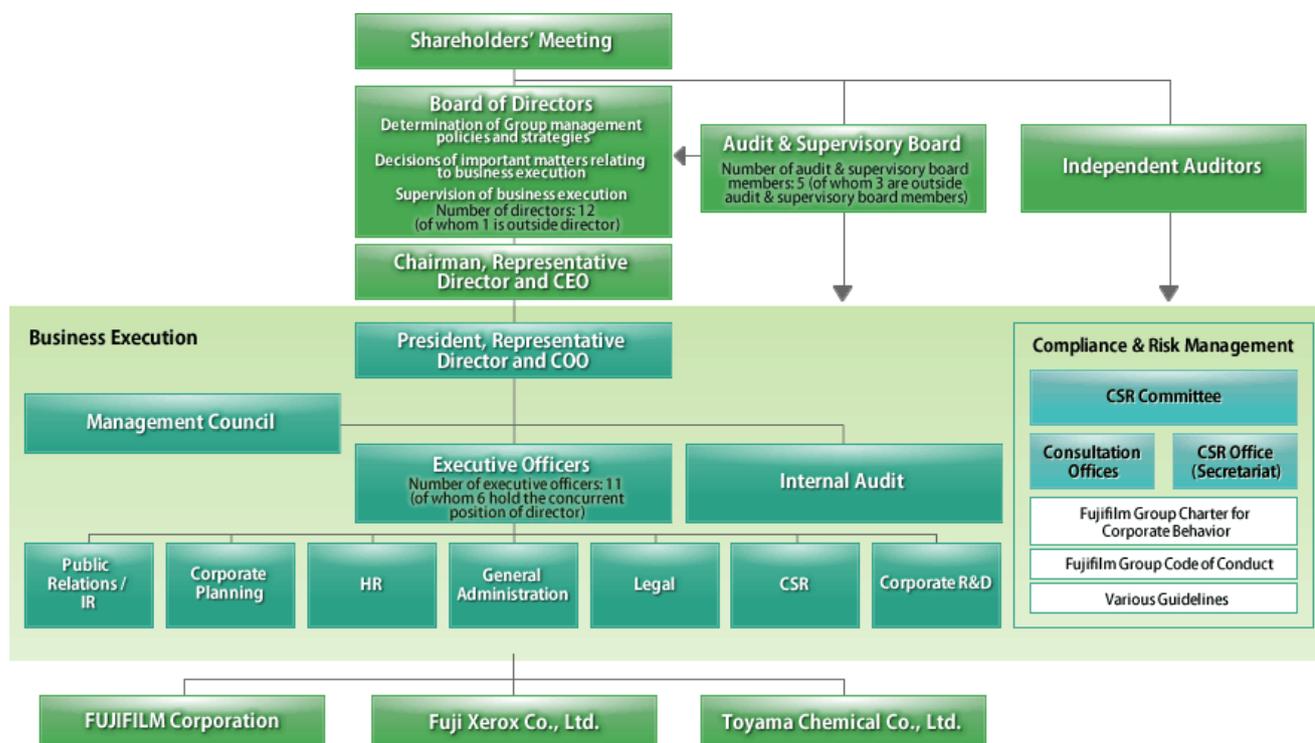
As the result of the above assessment, the Company has concluded that its internal control over financial reporting for the accompanying consolidated financial statements is effective as of March 31, 2013, the fiscal year end.

## Corporate Governance

### The Company is Strengthening and Enhancing Corporate Governance in an Effort to Raise Corporate Value

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

### The Corporate Governance Structure of FUJIFILM Holdings Corporation



#### Management Structure

### Directors and Board of Directors

#### Adopting an Appropriate Decision-Making Process Based on Clearly Defined Missions and Responsibilities

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 1 outside director. The board's regular meetings are held, in principle, once a month, with extraordinary board meetings held on an as-required basis. In addition, certain matters are deliberated and resolved flexibly at the board of directors meetings convened by directors with special

authority. To better clarify their missions and responsibilities, the Company's directors have a one-year term of office.

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

### **Matters Relating to Directors and the Board of Directors** (as of June 27, 2013)

The number of directors as stipulated under the Company's Articles of Incorporation	12
The term of office for directors as stipulated under the Company's Articles of Incorporation	1 year
The chairperson of the board of directors	Chairman
The number of directors	12
The number of outside directors	1
The number of outside directors designated as independent directors	1
The number of board of directors' meetings held (during the fiscal year ended March 31, 2013)	12

## **Executive Officer System**

### **Executive Officers Taking the Lead in Ensuring Swift Business Execution**

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 11 executive officers, including 6 concurrently serving as the board members. The executive officers have a one-year term of office, the same as the Company's directors.

## **Management Council**

### **Engaging in the Flexible Deliberation and Determination of Important Measures**

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 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. The management council consists of full-time members—the chairman, president, and executive officers responsible for corporate planning and corporate R&D—and meetings of the management council are flexibly convened, with the attendance of relevant executive officers requested, depending on the matters concerned.

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

### Auditing the Entire Scopes of Management and Business Execution

The Company has adopted an audit & supervisory board system with the audit & supervisory board members, which currently consists of 5 members, including 3 outside audit & supervisory board members. As an independent organization with key roles and responsibilities in the Company's corporate governance system, the audit & supervisory board members audit the entire scopes of the 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 the 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 2 personnel to perform internal audits and to support the audit & supervisory board members, with the aim of strengthening the audit functions of the audit & supervisory board members.

### Matters relating to Audit & Supervisory Board Members and the Audit & Supervisory Board (as of June 27, 2013)

The number of audit & supervisory board members stipulated under the Company's Articles of Incorporation	5
The number of audit & supervisory board members	5
The number of outside audit & supervisory board members	3
The number of outside audit & supervisory board members designated as independent audit & supervisory board members	3
The number of audit & supervisory board held (during the fiscal year ended March 31, 2013)	13

## Internal Audits

### Internal Audit Divisions of Group Companies Collaborate closely to Ensure the Appropriateness of Operations

The Company has an Internal Audit Division, which currently comprises 9 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 through cooperation with the internal auditing units at the operating companies. In this way, the division evaluates and verifies that these processes are appropriate.

In addition, the division is in charge of assessing internal control over financial reporting by the Company and its Group companies, in response to the April 2008 application of the internal control reporting system in Japan. The Company compiles the outcome of the assessment in a "Management's Report on Internal Control over Financial Reporting." In

addition, personnel in specialized units at the operating companies audit operations regulated by the Pharmaceutical Affairs Law of Japan, as well as those in the quality control, environmental and export control fields.

## Accounting Audits

### Accounting Audits and Internal Control Audits Undertaken by Independent Auditors

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 internal control of the Company's financial reporting from the fiscal year ended March 31, 2009.

## Cooperation between Internal Auditing Unit, Audit & Supervisory Board Members, and Independent Auditors

### Ensuring the Exchange of Information and Opinions by Each Organization and Division with respect to Audits

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

## Relationship of Internal Auditing Unit, Audit & Supervisory Board Members, and Independent Auditors with Internal Control Unit

### Sharing Information on Auditees and Ensuring that the Internal Control Unit is also Subject to Audit

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

## Cooperation with Outside Director and Outside Audit & Supervisory Board Members in Internal Audits, Audit & Supervisory Board Members' Audits, and Accounting Audits

### Sharing the Results of Various Audits with the Board of Directors and Audit & Supervisory Board.

The internal auditing unit and the independent auditors report results of their audits to the audit & supervisory board.

The audit & supervisory board formulates audit plans that incorporate sufficient collaboration with the independent auditors prior to implementing actual audits. The outside director receives reports on audit results at board of directors meetings from the audit & supervisory board.

## Relationship of Outside Director and Outside Audit & Supervisory Board Members with Internal Auditing Unit

### Reporting the Annual Status Reviews of Internal Control to the Board of Directors

The status of execution of the Basic Policies for Internal Control, which has been approved by the Board of Directors, is compiled by the Internal Control unit and reported to the board.

With regard to activities aimed at promoting compliance and risk management, the CSR Division in charge reports details of these activities to the directors and the audit & supervisory board members on a regular basis.

## Outside Director and Audit & Supervisory Board Members

### Matters Concerning the Outside Director and Outside Audit & Supervisory Board Members

#### Taking Steps to Solicit Outside Opinions and Enhance the Transparency of Management

##### Outside Director

Outside director Teisuke Kitayama imparts his ample experience and wide range of knowledge as a director of a financial institution, employing this experience and expertise from an objective viewpoint to provide appropriate counsel to the board of directors. Also, by requesting explanations as necessary he ensures appropriate decision-making by the board of directors and provides appropriate management supervision. The Company has notified each stock exchange in Japan of the designation of Mr. Teisuke Kitayama as its independent director, pursuant to the Securities Listing Regulations of Japanese stock exchanges.

##### Outside Audit & Supervisory Board Members

Audit & supervisory board members Kiichiro Furusawa and Daisuke Ogawa impart their ample experience and wide range of knowledge as directors of a financial institution and company, respectively. Through their appointments as audit & supervisory board members, they appropriately audit the execution of duties by the Company's directors from an objective viewpoint based on their experience and knowledge. Mr. Takeo Kosugi is a partner of Matsuo & Kosugi and accordingly has ample experience and a wide range of knowledge on corporate legal affairs as a legal expert. In line with his appointment as an outside audit & supervisory board member he appropriately audits the execution of duties by the Company's directors from an objective viewpoint based on his experience and knowledge. Also, the Company has notified the each stock exchange in Japan of the designation of Messrs. Kiichiro Furusawa, Daisuke Ogawa, and Takeo Kosugi as its independent audit & supervisory board members, pursuant to the Securities Listing Regulations of Japanese stock exchanges.

Each of the outside audit & supervisory board members requested explanations when necessary and made comments where appropriate at the board of directors meetings they attended. They also asked questions and expressed their

opinions, as appropriate, at the audit & supervisory board they attended.

The attendance record of the outside director and outside audit & supervisory board members at meetings of the board of directors and the audit & supervisory board during the fiscal year ended March 31, 2013 is presented as follows.

**The attendance record of the outside director and outside audit & supervisory board members at meetings of the board of directors and the audit & supervisory board the fiscal year ended March 31, 2013**

	Meetings of the Board of Directors (Times)	Audit & Supervisory Board (Times)
Total number of meetings held	12	13
Outside director		
Teisuke Kitayama	11	-
Outside Audit & Supervisory Board Members		
Kiichiro Furusawa	10	11
Daisuke Ogawa	11	12
Takeo Kosugi	11	12

**Support System for Outside Director and Outside Audit & Supervisory Board Members**

The Legal Division, as the office for the board of directors, prepares materials and provides the outside director 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 provision of relevant information for regular meetings of the audit & supervisory board members. The materials prepared are used to promote information sharing between full-time and outside audit & supervisory board members.

**Accountability**

**Accountability**

**Actively Engaging in the Timely and Appropriate Disclosure of Information**

The Fujifilm Group maintains a proactive stance in disclosing such corporate information as management strategies and financial results, with due consideration given to disclosure timeliness, fairness, accuracy, and continuity. This stance is based on a principle interwoven in the Fujifilm Group Charter for Corporate Behavior. In legal terms, the Company discloses information in strict compliance with the Financial Instruments and Exchange Act of Japan and other relevant laws and regulations as well as timely information disclosure rules of the Japanese stock exchange market on which the Company's stock is listed. The Company discloses information that is not required by such laws,

regulations, and rules but may have material influence on investors' decision-making in a proactive manner and facilitate deeper understanding of the Company. Such information disclosure is carried out through press conferences and briefings and various IR tools, which include the Company's website.

## IR Activities

### Deepening Communication with Investors

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

Every effort has been made to disclose detailed information through the Group's IR website. In addition to trends in the Company's stock price, the Company has posted such information as past performance in connection with the issuance of corporate bonds and analysts' coverage. The company has also provided a financial data graph function that allows users to freely compile graphs that combine indicators drawn from major financial data provided on a discretionary basis. Making the most of the features available under the Internet, the Company is working to increase the convenience of investors.

**Major IR Activities during the Fiscal Year Ended March 31, 2013**

Event Name	Target and Details	Number of times conducted
Meeting to explain operating results	Hold quarterly meetings to explain operating results (including Medium-term Management Plan presentation meetings); explanations provided by top management or executive officers (responsible for IR)	4 times
IR Conferences	Hold conferences and individual meetings for domestic and overseas institutional investors	Number of times
IR Events and Business Briefing Sessions	Hold business presentations, group meetings and factory tours for domestic and overseas institutional investors to deepen their understanding of the business.	10 times
Presentations to individual investors	Hold seminars for individual investors at the branches of securities companies mainly in major metropolitan cities; attend exhibitions organized by newspaper companies and provide explanations	15 times

## Remuneration to Directors, Audit & Supervisory Board Members

### Remuneration to Directors, Audit & Supervisory Board Members Linked to the Nature of Individual Duties, Performance, and the Company's Business Results

The Company discloses the number of individuals to whom remuneration is paid and the total amount of remuneration by director, audit & supervisory board member. Remuneration and other important matters relating to directors, 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, 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, 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 director). 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.

### Remuneration to Directors, Audit & Supervisory Board Members during the Fiscal Year Ended March 31, 2013

Subject of Remuneration	Number of People	Remuneration Amount
Directors (Outside director)	15 (1)	¥633 million (¥9 million)
Audit & supervisory board members (Outside audit & supervisory board members)	6 (3)	¥71 million (¥28 million)
Total (Outside director, audit & supervisory board members)	21 (4)	¥705 million (¥38 million)

The amounts shown in the table to the left include the following:

1. Bonuses paid to the directors during the fiscal year ended March 31, 2013  
Total of ¥69 million paid to 12 directors, including ¥1 million paid to the outside director  
Total of ¥6 million paid to 5 audit & supervisory board members, including ¥4 million paid to the three outside audit & supervisory board members
2. Remuneration in conjunction with the stock option plan  
Total of ¥296 million for 11 directors

## Internal Control

### Led by the CSR Committee, the Fujifilm Group is Strengthening Its Internal Control Function Encompassing Compliance and Risk Management

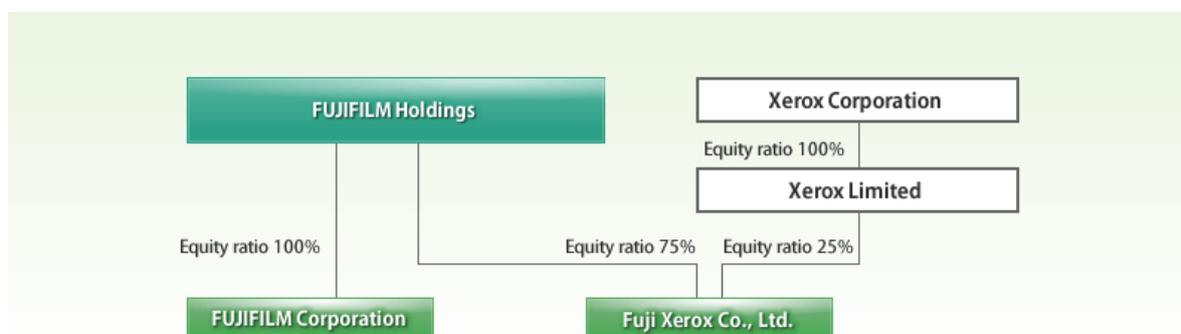
The Fujifilm Group Corporate Philosophy states: "We will use leading-edge, proprietary technologies to provide top-quality products and services that contribute to the advancement of culture, science, technology, and industry, as well as improved health and environmental protection in society. Our overarching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

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 the laws. Lack of awareness of compliance often leads to increased risk. Consequently, compliance and risk 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.

### Roles and Composition of FUJIFILM Holdings Corporation CSR Committee



### Capital Relationship with FUJIFILM Holdings



## **Placing a Designated Division within Each Principal Operating Company and Engaging in Business Activities that Conform Strictly with Laws, Regulations, and Social Ethics**

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

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

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

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

## Each Operating Company and the Group as a Whole are Practicing Appropriate Risk Management

Each operating company establishes and maintains its own appropriate risk management systems. Following predetermined procedures, the operating companies report their risk management activities—including preventive measures and countermeasures against materialized risks—to the CSR Committee secretariat. With regard to significant risks in Group operations, the CSR Committee, chaired by the president, reviews and implements appropriate countermeasures from a Group-wide perspective.

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

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 which may benefit such parties. Since FY2014/3, we have been well prepared to eliminate any tie with antisocial forces in a stricter way.

FUJIFILM Corporation and Fuji Xerox Co., Ltd., have been identifying their company-wide issues after evaluating each division's business risks, and developing proper countermeasures. In FY2013/3, we reviewed our company-wide risks and reinforced countermeasures in response to the Great East Japan Earthquake. We also reviewed disaster guidelines covering possible quakes in Nankai Trough and ones that might directly hit the Tokyo metropolitan area, as well as an eruption of Mt. Fuji.

## Board of Directors, Audit & Supervisory Board Members, and Executive Officers

FUJIFILM Holdings Corporation (As of June 27, 2013)

### Board of Directors



#### **Shigetaka Komori**

Chairman, Representative Director and CEO

Joined Fuji Photo Film Co., Ltd. in 1963 and was appointed a director in 1995.

Took up the position of Director and Managing Director of Fuji Photo Film (Europe) GmbH in 1996 and was later elevated to President & Representative Director of Fuji Photo Film Co., Ltd. in 2000. Has been serving as President, Representative Director and CEO of Fuji Photo Film Co., Ltd. and President, Representative Director and CEO of FUJIFILM Holdings Corporation since 2003 and 2006, respectively. Appointed to the position of Chairman, Representative Director and CEO of FUJIFILM Holdings Corporation and FUJIFILM Corporation in 2012.



#### **Shigehiro Nakajima**

President, Representative Director and COO

Joined Fuji Photo Film Co., Ltd. in 1973 and was appointed Corporate Vice President & Managing Director of Fuji Photo Film B.V. in 2005. Took up the position of Director, Senior Vice President & General Manager of the Emerging Countries Business Development Office of FUJIFILM Corporation and a director of FUJIFILM Holdings Corporation in 2010. Has been serving as Representative Director, Executive Vice President of FUJIFILM Holdings Corporation since 2011. Appointed to the position of President, Representative Director and COO of FUJIFILM Holdings Corporation and FUJIFILM Corporation in 2012.



#### **Kouichi Tamai**

Director

Joined Fuji Photo Film Co., Ltd. in 2003 and was appointed Fellow in 2005.

Took up the position of Corporate Vice President & Deputy General Manager of the Corporate Planning Headquarters in 2006, and later became Director, Corporate Vice President & Deputy General Manager of the Production Engineering & Development Center of FUJIFILM Corporation in 2008. Has been serving as a director of FUJIFILM Holdings Corporation since 2010.



#### **Yuzo Toda**

Director

Joined Fuji Photo Film Co., Ltd. in 1973 and was appointed Corporate Vice President & General Manager of the Life Science Research Laboratories in 2004. Took up the position of Director, Corporate Vice President & General Manager of the Life Science Products Division in 2006. Has been serving as a director of FUJIFILM Holdings Corporation since 2009.



### **Katsumi Makino**

Director

Joined Fuji Photo Film Co., Ltd. in 1979 and was appointed Corporate Vice President & General Manager of the Flat Panel Display Materials Division of FUJIFILM Corporation in 2007. Took up the position of Director, Corporate Vice President & General Manager of the Flat Panel Display Materials Division in 2012. Has been serving as a director of FUJIFILM Holdings Corporation since 2012.



### **Yoshihisa Goto**

Director

Joined Fuji Photo Film Co., Ltd. in 1974 and was appointed Corporate Vice President & Deputy General Manager of the Industrial Products Division of FUJIFILM Corporation in 2009. Took up the position of Director, Corporate Vice President & General Manager of the Industrial Products Division in 2012. Has been serving as a director of FUJIFILM Holdings Corporation since 2012.



### **Takatoshi Ishikawa**

Director

Joined Fuji Photo Film Co., Ltd. in 1978 and was appointed Corporate Vice President & General Manager of the Electronic Materials Business Division of FUJIFILM Corporation in 2011. Took up the position of Director, Corporate Vice President & General Manager of the Pharmaceutical Products Division in 2012. Has been serving as a director of FUJIFILM Holdings Corporation since 2012.



### **Kenji Sukeno**

Director

Joined Fuji Photo Film Co., Ltd. in 1977 and was appointed Deputy General Manager of the Optical Device Business Division of FUJIFILM Corporation in 2010. Took up the position of Director, Corporate Vice President & General Manager of the Corporate Planning Headquarters in 2012. Has been serving as a director of FUJIFILM Holdings Corporation since 2013.



### **Kazuhiko Furuya**

Director

Joined Fuji Photo Film Co., Ltd. in 1977 and was appointed General Manager of the Analysis Technology Center, the Frontier core-technology Laboratories in 2004. Took up the position of Corporate Vice President & General Manager of the Analysis Technology Center, Research & Development Management Headquarters, of FUJIFILM Corporation in 2007. Has been serving as a director of FUJIFILM Holdings Corporation since 2013.



### **Masahiro Asami**

Director

Joined Fuji Photo Film Co., Ltd. in 1980, and in 2008 was appointed Corporate Vice President & General Manager of the Intellectual Property Division and the Intellectual Property Legal Division, Research & Development Management Headquarters, of FUJIFILM Corporation. Became Corporate Vice President & General Manager of the Frontier core-technology Laboratories, Research & Development Management Headquarters, in 2009. Has been serving as a director of FUJIFILM Holdings Corporation since 2013.



### **Tadahito Yamamoto**

Director

Joined Fuji Xerox Co., Ltd. in 1968. Assumed the position of director in 1994. Later appointed Senior Vice President & Director in 1996, heading up development. Named as Executive Vice President & Representative Director in 2002, and was elevated to President & Representative Director in 2007. Has been serving as a director of FUJIFILM Holdings Corporation since 2007.



### **Teisuke Kitayama**

Outside Director

Joined the Mitsui Bank, Ltd. in 1969, and was appointed President & Representative Director of Sumitomo Mitsui Financial Group, Inc. and Chairman of the Board & Representative Director of Sumitomo Mitsui Banking Corporation in 2005. Currently serving as Chairman of the Board of Sumitomo Mitsui Banking Corporation. Has been serving as an outside director of FUJIFILM Holdings Corporation since 2006.

## Audit & Supervisory Board Members



**Kouichi Suematsu**

Audit & Supervisory  
Board Member



**Kazuhito Yamamura**

Audit & Supervisory  
Board Member



**Kiichiro Furusawa**

Outside Audit &  
Supervisory Board  
Member



**Daisuke Ogawa**

Outside Audit &  
Supervisory Board  
Member



**Takeo Kosugi**

Outside Audit &  
Supervisory Board  
Member

## Executive Officers

### Chairman and CEO

Shigetaka Komori

### President and COO

Shigehiro Nakajima

### Corporate Vice Presidents

Kouichi Tamai

Kenji Sukeno

Kazuhiko Furuya

Koji Yokota

Masahiro Asami

Haruhiko Yoshida

Ryutaro Hosoda

Kazuya Mishima

Toru Yamada

**Note:** 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.

## The Fujifilm Group's CSR

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

Following the shift to a holding company structure in 2006, the Fujifilm Group formulated its Corporate Philosophy and Vision under the theme, "Second Foundation." Incorporating these ideas, we have also set forth the Fujifilm Group Charter for Corporate Behavior and the Fujifilm Group Code of Conduct, both of which apply to all Fujifilm Group companies. In the 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 the 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, and realizing its Vision through sincere and fair business activities. In order to conduct specific activities by taking this approach, we announced the following six policy statements over the period from 2008 to 2010: Green Policy, Social Contribution Policy, Guidelines for Biodiversity, Procurement Policy, Quality Policy, and Occupational Health and Safety Policy.

All Fujifilm Group companies in and outside Japan will continue to adopt this CSR approach together, aiming to make contributions to the sustainable development of society.

### The Fujifilm Group's Approach to CSR

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

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

We will:

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

## The Philosophy and Policies Unifying the Fujifilm Group



## Medium-term CSR Plan

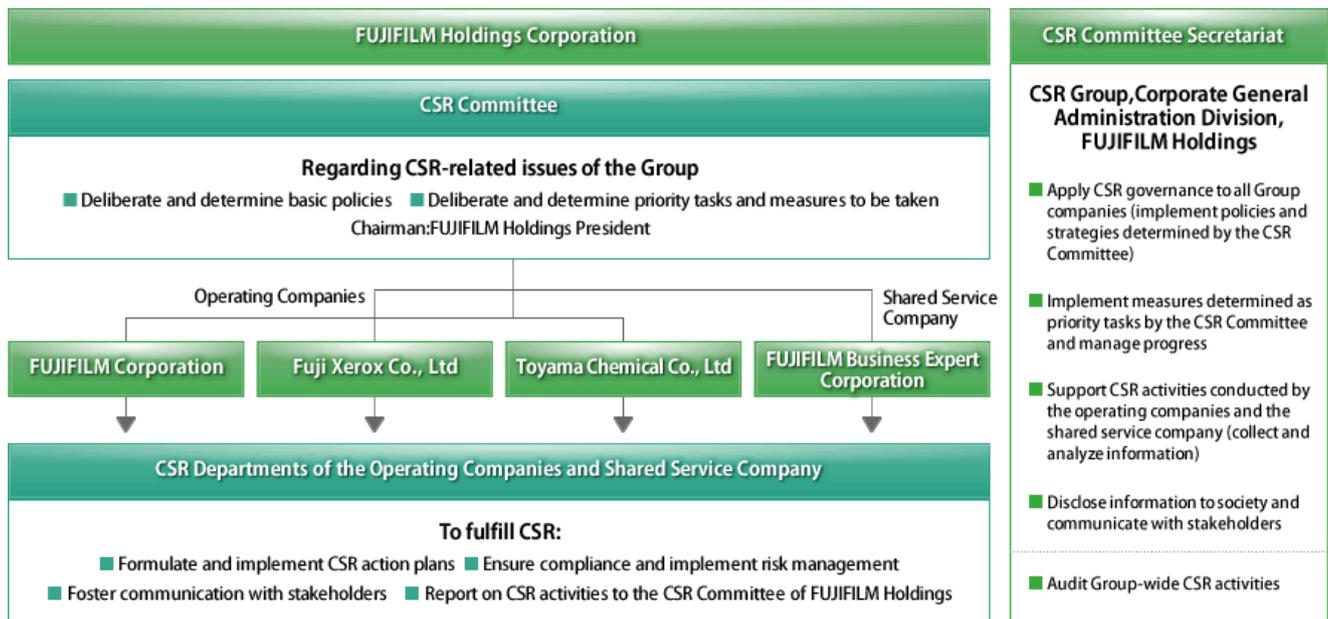
FUJIFILM Holdings implementing its medium-term CSR plan (fiscal years ended March 31, 2011 to 2013) of promotional policies and priorities in efforts to achieve the objectives set out in our Management Plan by promoting CSR initiatives. The Group will continue to address our priority issues in the fiscal year ending March 31, 2014, aiming at achieving both business growth and environmental impact reduction as well as enhancing the brand value of the Group through CSR, based on increased cooperation between the Group companies.

Promotional Policy	Priority Issue	Medium-Term Target
Ensuring the soundness of corporate culture to support structural reforms	Improvement of the quality of compliance/risk management across Group companies	(1) Make all employees aware of the Charter for Corporate Behavior and the Code of Conduct (2) Improve the risk issue management system
	Enhancement of communications with stakeholders	(1) Improve the Sustainability Report (2) Make effective use of stakeholder dialogue
Utilization and development of human resources to increase the Group's comprehensive strength	Use and development of diversified human resources	(1) Develop reform leaders (2) Develop core managers (3) Focus on the allocation and accelerate the development of global human resources
	Promotion of anti-global warming measures across the Group	(1) Fujifilm: Improve CO <sub>2</sub> emissions per unit of production by 40% at six major factories in Japan relative to FY1991/3 (2) Fuji Xerox: Improve CO <sub>2</sub> emissions per unit of actual output by 35% at five major factories in Japan relative to FY1991/3 (3) Encourage employees and their families to reduce their CO <sub>2</sub> emissions

Differentiation through environmental protection	Development and dissemination of environmentally conscious products and services	<p>(1) Develop and offer products and services with higher environmental performance than that of present ones for the main products</p> <p>(2) Continue design for environment (DfE) for all products</p>
	Biodiversity conservation	<p>(1) Add "biodiversity conservation" to product development criteria</p> <p>(2) Steadily conduct local environmental protection activities</p> <p>(3) Formulate guidelines on the land usage around each site</p>
	Effective use of resources	<p>Enhance 3Rs, including reducing the use of resources, in line with CO<sub>2</sub> emission reduction activities</p> <p>Target: Decrease the use of energy per unit of production quantity by 18% across the company (relative to FY2010/3)</p>
	Improvement of chemical substance management	<p>(1) Enhance the management of chemical substance safety across the supply chain</p> <p>(2) Adopt a new risk assessment method for chemical substances</p> <p>(3) Enhance global governance to ensure compliance with laws and regulations</p>
Social contribution to add more value to business	Promotion of social contribution activities linked with core business	Continue activities based on the social contribution policy

## The Fujifilm Group's CSR Promotion System

For the smooth operation of the entire Group's CSR activities, the Fujifilm Group established the CSR Committee chaired by the President of FUJIFILM Holdings. The Committee takes decisions to promote the CSR activities of the entire Group. The CSR Department of FUJIFILM Holdings, which is the Secretariat of the CSR Committee, is responsible ensuring rigorous CSR management by the Fujifilm Group. The CSR Department prepares the ground for various activities, discloses information outside, communicates with stakeholders, supports the CSR activities of Group companies, and audits the CSR activities of the entire Group. The CSR department in each Group company prepares and implements plans for CSR activities according to the entire group policy, implements exhaustive compliance, implements management of risks, communicates with stakeholders, and reports on activities to the FUJIFILM Holdings CSR Committee. The Group as a whole engages in CSR activities, following the PDCA cycle.



## The Status of Inclusion in SRI Indexes

As a corporate group that proactively promotes CSR activities toward sustainable development, FUJIFILM Holdings is included in the Socially Responsible Investment (SRI) indexes.



Inclusion in the Dow Jones Sustainability Indexes 2012/13



FTSE4Good

Inclusion in the FTSE4Good Global Index



Inclusion in the Morningstar Socially Responsible Investment Index (As of 20 June 2013)

### Third-Party Evaluation of the Company's CSR Activities (The Fiscal Year Ended March 31, 2013)

Fujifilm Group has been recognized for its CSR activities by a variety of third-party organizations.

Assessment Name	Assessment of the Fujifilm Group
7th CSR Corporate Ranking 2013 (Toyo Keizai, Inc.)	2nd out of 1,128 companies (550.0 points)
16th Nikkei Environmental Management Survey (Nikkei Inc.)	5th out of 438 manufacturers; 1st in the petrochemical field for the sixth consecutive year
7th JUSE Quality Management Level Research (Union of Japanese Scientists and Engineers)	2nd out of 217 companies, excellent company award
SAM Sustainability Yearbook 2012 (Sustainable Asset Management AG)	SAM Bronze Class
Carbon Disclosure Project (CDP)	Score of 85, rank of C

## Environmental Aspects

The Fujifilm Group strives for the higher environmental quality based on the environmental policy, the Fujifilm Group Green Policy.

### Green Policy

#### Basic Policy

"Sustainable development" is the most important issue for our planet, the human race, and all business entities in the 21st century. The Fujifilm Group companies around the world aim to stay at the forefront of efforts to attain this goal in terms of environmental, economic, and social terms. We will strive for customer satisfaction as well as our contribution to "sustainable development" by achieving high "environmental quality" in products, services, and corporate activities.

#### Action Guidelines

1. We will promote environmental burden reduction and product safety assurance with the following four items in mind:
  - (1) Our efforts are pursued throughout all corporate activities.
  - (2) Our efforts are pursued throughout the entire product life cycle.
  - (3) We give overall consideration to economic and social implications.
  - (4) Biodiversity conservation
2. We will improve our management of chemical substances and the chemical content of products to reduce environmental risks.
3. We will comply with legal regulations as well as Fujifilm Group regulations, standards, and requirements that are individually agreed on.
4. We will strengthen partnerships with our business partners, collaborate in government and industrial activities, and actively participate in community activities.
5. We will actively give full disclosure of the information regarding our involvement in and accomplishment of various environmental activities to all associated individuals, including local communities, governments, and Fujifilm Group company employees, to facilitate open communication.
6. We will heighten the environmental awareness of every Fujifilm Group employee through employee education, so that we can fortify our infrastructure to face the challenges posed by environmental issues in the future.

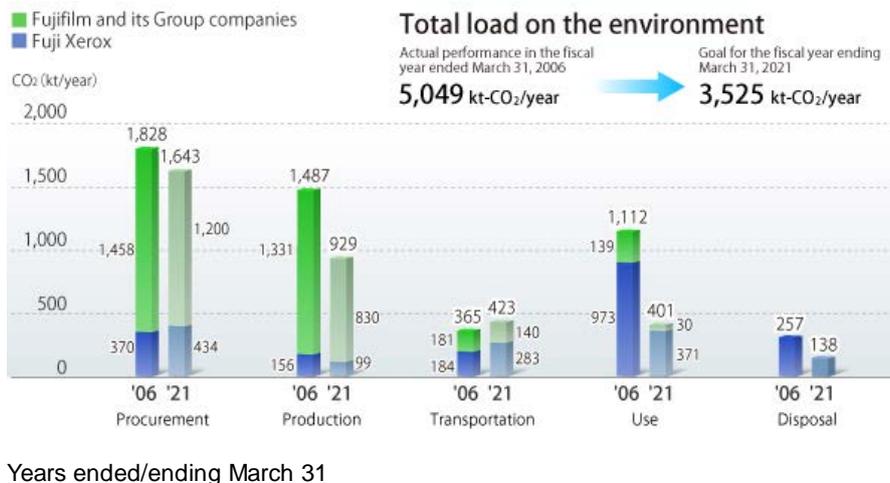


### Promotion of Measures to Cope with Global Warming

#### Basic Approach

In April 2010, the Fujifilm Group sets its long-term goal to reduce CO<sub>2</sub> emissions by 30% by the fiscal year ending March 31, 2021 (relative to the fiscal year ended March 31, 2006 level) for the entire life cycle of its products and services. In addition to corporate activities in domains directly related to CO<sub>2</sub> reductions, the Group has extended efforts to the entire life cycle of products and services (from the procurement of raw materials to the production, transportation, use and disposal of products). The Group is pursuing activities to reduce absolute CO<sub>2</sub> emissions by 1,524 kilotons per year, from 5,049 kilotons per year in the fiscal year ended March 31, 2006 to 3,525 kilotons per year by the fiscal year ending March 31, 2021.

## Actual Performance of the Fujifilm Group in the Fiscal Year Ended March 31, 2006 (Base Year) and Goal of the Fujifilm Group for the Fiscal Year Ending March 31, 2021 (Target Year)



### Development and Dissemination of Environmentally Conscious Products and Services

#### Basic Approach

The Fujifilm Group carries out development of environmentally conscious products based on “Rule for Design for Environment (DfE)”, in the design stage. The Group sets targets from the perspective of safety & compliance, the 3Rs (Reduce, Reuse and Recycle), chemical substances contained, energy saving, conservation of biodiversity, etc., considering the entire product life cycle from procurement through manufacture, transportation, use by customer, to disposal and reviews the degree of achievement of these targets after development. The Group’s approach is not limited to materials or equipment, but extends to software and solution by the products and services too. The Group makes efforts to contribute to reducing the environmental burden across the whole of society.

Furthermore, the Group conducts quantitative and objective assessment of environmental impact based on LCA\*, while utilizing environmental labels to actively disseminate information related to the environment.

\* LCA: Life cycle assessment



CO<sub>2</sub> emissions reduced substantially by using refillable containers for ASTALIFT

## Effective Use of Resources

### Basic Approach

The Fujifilm Group recognizes the importance of limited resources. Since the time of the establishment, the Group has been recycling and reusing silver, which is used in manufacturing photosensitive materials. The Group is also proactively undertaking other initiatives to reduce resource inputs, such as by establishing a resource recycling system for MFPs and copy machines. The Group's activities span the entire product life cycle: the Group takes the 3Rs (Reduce, Reuse and Recycle) into consideration during product design; reduces losses at the manufacturing stage; recover, reuse and recycle end-of-life products; converts waste products; and conducts recycling activities. In these ways, the Group is working to make effective use of materials and reduce waste.



Fuji Xerox Eco-Manufacturing Suzhou Co, Ltd., a recycling base in Suzhou, China

## Biodiversity Conservation

### Basic Approach

The Fujifilm Group has engaged in a wide range of environmental protection activities for the conservation and protection of biodiversity, based upon its philosophy of "environmental consciousness and environmental protection are at the core of the corporate activities." In June 2009, the Group clarified the guideline for cross-group efforts to biodiversity conservation and introduced the Fujifilm Group Basic Concepts and Action Guidelines for the Biodiversity Conservation". Activities both inside and outside the company are being advanced to preserve the ecosystem services that benefit mankind for the future.



Fujifilm Kyushu has been participating in the "Rice Paddy Assistance Team," since FY2011/3.

## Improving Chemical Substance Management

### Basic Approach

Because the Fujifilm Group manufactures a wide range of products such as chemical products, functional materials, optical devices, office equipment and medical equipment, etc., the Group formulates and operates management regulations in response to the respective structure and manufacturing processes of its products, from the perspective of management of the handling of chemical substance and management of information on chemical substances.

Since 2010, in the Medium-Term CSR Plan, the Group has been making efforts for the priority issues of establishing and spreading mechanisms to grasp, communicate, and manage information on the chemical substances included in products all along the supply chain and enhancing its system to ensure it can respond reliably and effectively, to accurately grasp information on laws and regulations in each country around the world.

## Social Aspects

### Effective Utilization and Training of Diversified Human Resources

#### Basic Approach

Fujifilm recognizes that cultivating diverse human resources and maximizing their potential is critical to create and nurture growth businesses and accelerate their global expansion. The Group places top priority on cultivating global and core human resources that can be accountable for innovation and growth in the next generation's business and also think and act on their own in globally diversified environments.

Accordingly, the Group is creating systems and conducting training to cultivate, train and promote human resources from worldwide perspectives throughout the entire organization.



Participants selected from various countries gather at Fuji Xerox for a Change Leader Training Course

### Occupational Health and Safety

Founded on the conviction that occupational safety is the fountainhead of business activity, the Group is working to ensure employee protection by placing top priority on safety, and implementing exhaustive compliance with laws and regulations related to occupational health and safety.

#### Fujifilm Group Occupational Health and Safety Policy

The Fujifilm Group operates its businesses based on this policy, considering that the securing of employees' occupational health and safety is the most important basic element in its corporate activities.

1. We will consider the employees' occupational health and safety as top priority.
2. We will proactively support the maintenance and promotion of employees' health.
3. We will realize the highest standard quality of employees' occupational health and safety in response to the demands of society.
4. We will establish smooth communications between all Fujifilm-related companies and their employees the regarding occupational health and safety.
5. We will actively provide employee education and training on occupational health and safety.

## Promoting CSR Among Our Suppliers

### **Basic Approach**

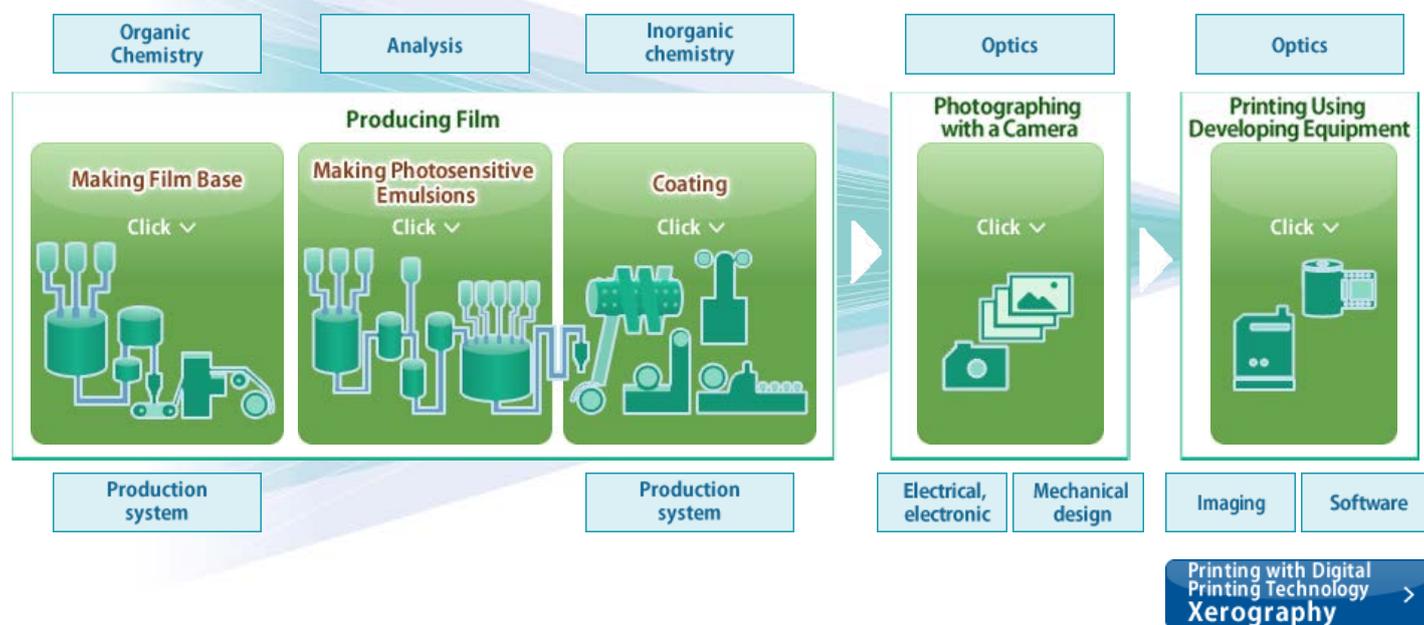
The Fujifilm Group not only conducts business activities with an awareness emphasizing the importance of corporate ethics and social responsibility within our own company, but also obtains the understanding of our suppliers. With the goal of conducting such activities in coordination with them, the Group is enhancing partnerships with its suppliers that put in practice the principles of fair and impartial trade. In 2009, the Group formulated the Fujifilm Group Procurement Policy, which shows its approach regarding procurement that takes into consideration the concerns of CSR, and the Group is continuing to make efforts to improve our CSR activities in coordination with the suppliers.

Technological Assets

# Fundamental Technologies Cultivated through Photographic Business

Technologies essential to produce photographs are utilized in a variety of businesses.

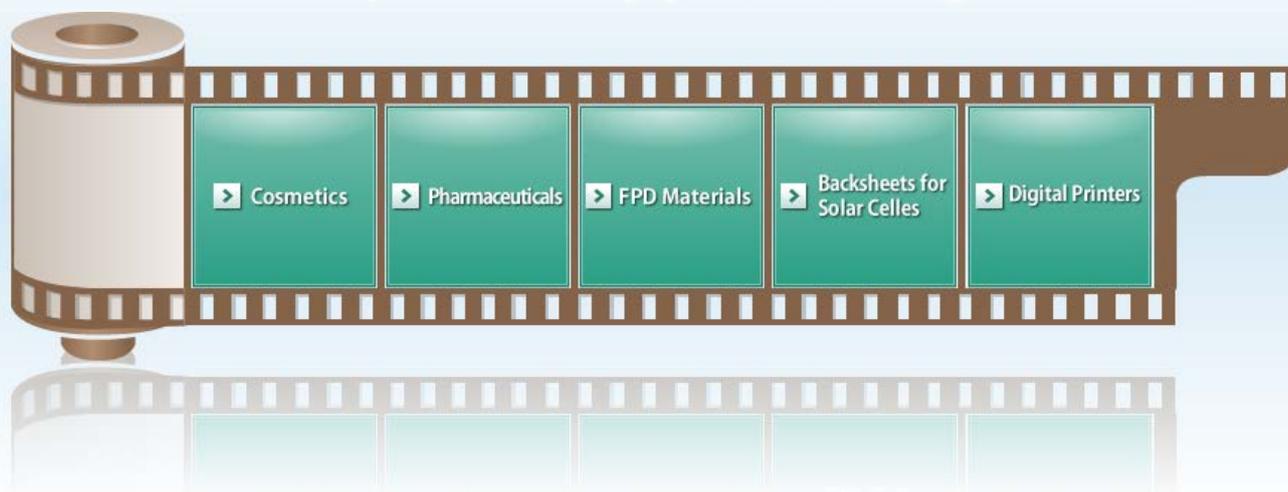
Clicking on each process highlights closely related technologies. Clicking on each technology provides an overview of the technology and sample applications.



Technological Assets

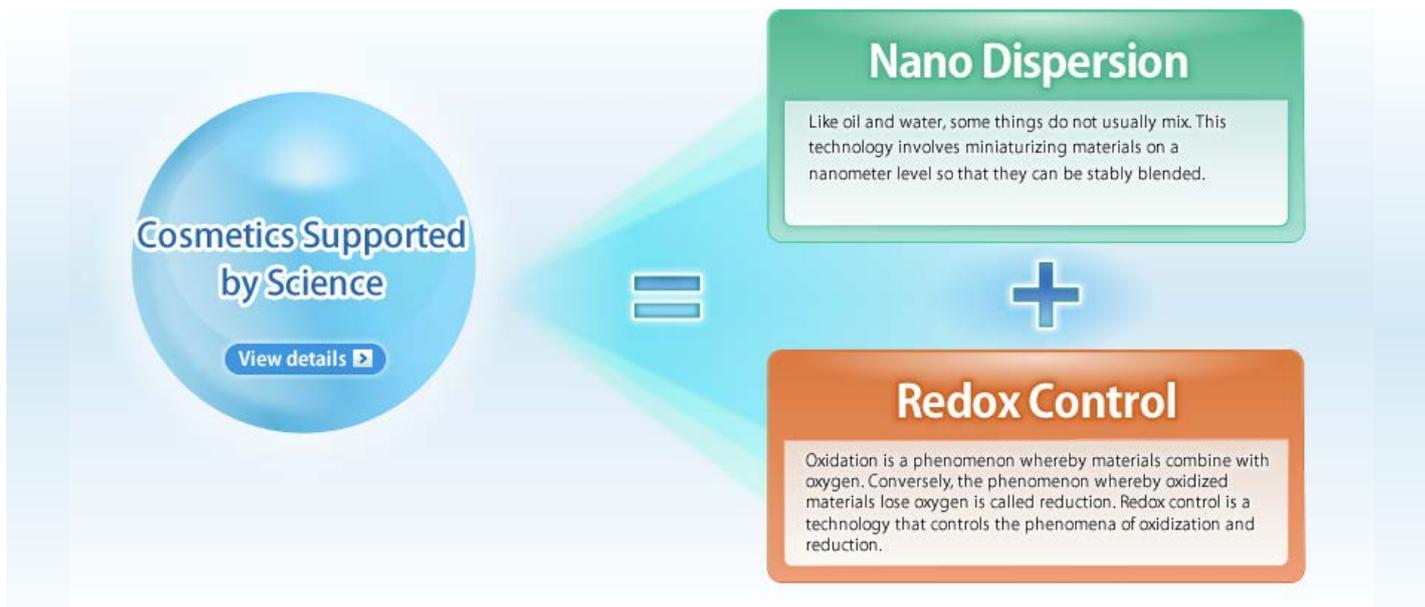
## Converting evolving technologies into products

Core technologies that support each product were created by applying fundamental technologies. These core technologies enable product differentiation and cost performance. Below are five products that exemplify how these technologies are combined.



Technological Assets: Converting evolving technologies into products

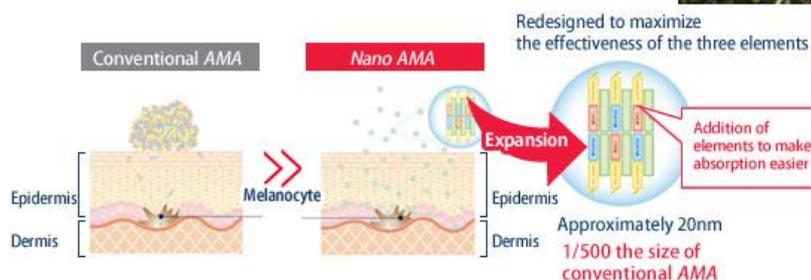
# Cosmetics



## ASTALIFT WHITE, Supported by Science

Fujifilm launched the *ASTALIFT* functional cosmetic series targeting anti-aging in 2007. The Company entered the realm of cosmetics for three reasons: (1) the base material of photographic film is collagen, which is also the base of our skin; (2) oxidization that causes wrinkles and aging is the main reason that colors in photographs fade; (3) nano dispersion technology, which is used to photosensitize and produce color in photographs, can be used to promote the absorption of helpful substances into the skin. In March 2013, Fujifilm introduced *ASTALIFT WHITE*, which adds a whitening agent to *ASTALIFT*.

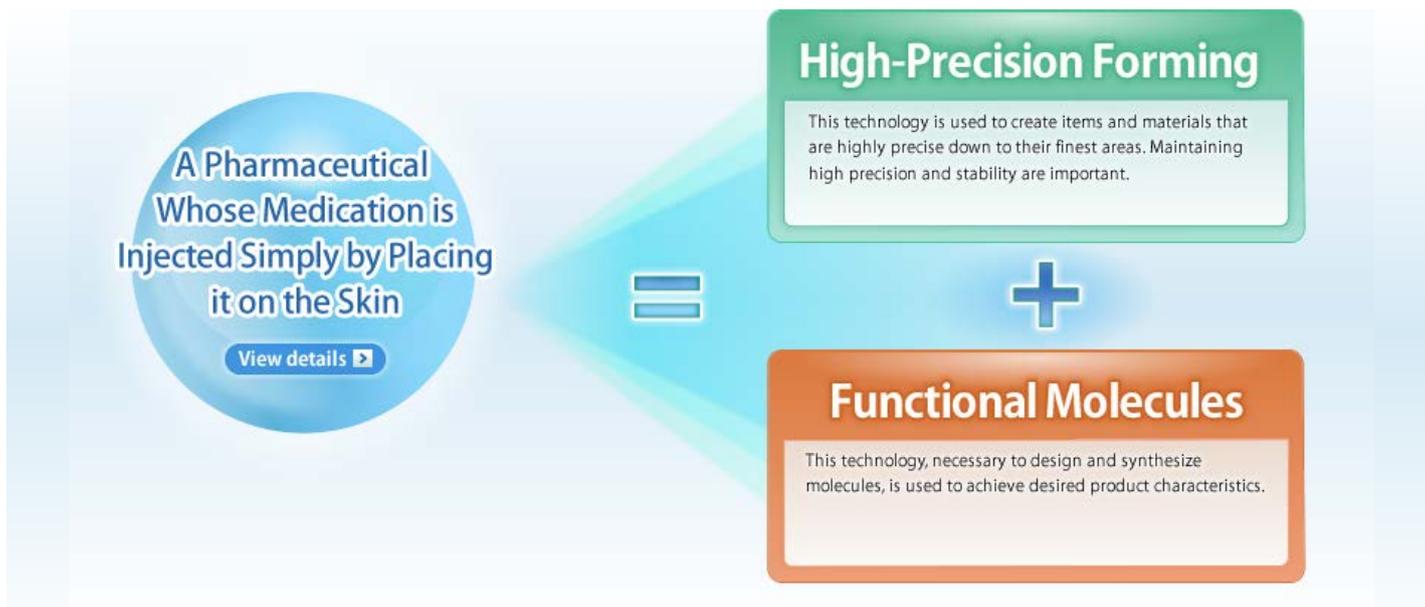
When developing *ASTALIFT WHITE*, the Company found that combining three elements—"A," "M" and "A"—found in the apiaceous herb *Centella Asiatica* has a strong whitening effect (controlling the generation of melanin).



However, as the characteristics of *AMA* were such that absorption into the skin was difficult, combining this substance into whitening cosmetics was problematic. By employing functional molecular technology, the Company was able to alter the structure of these elements to maximize the original effectiveness of *AMA* while at the same time using nano dispersion technology to redesign them for easy absorption into the skin. The result of this development was *ASTALIFT WHITE*, which has whitening as well as anti-aging effects.

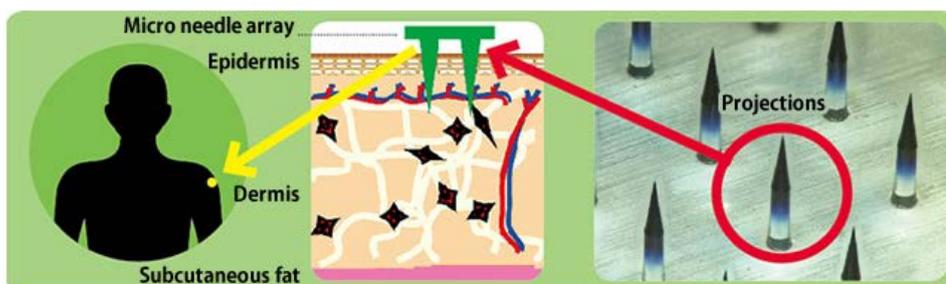
## Technological Assets: Converting evolving technologies into products

# Pharmaceuticals



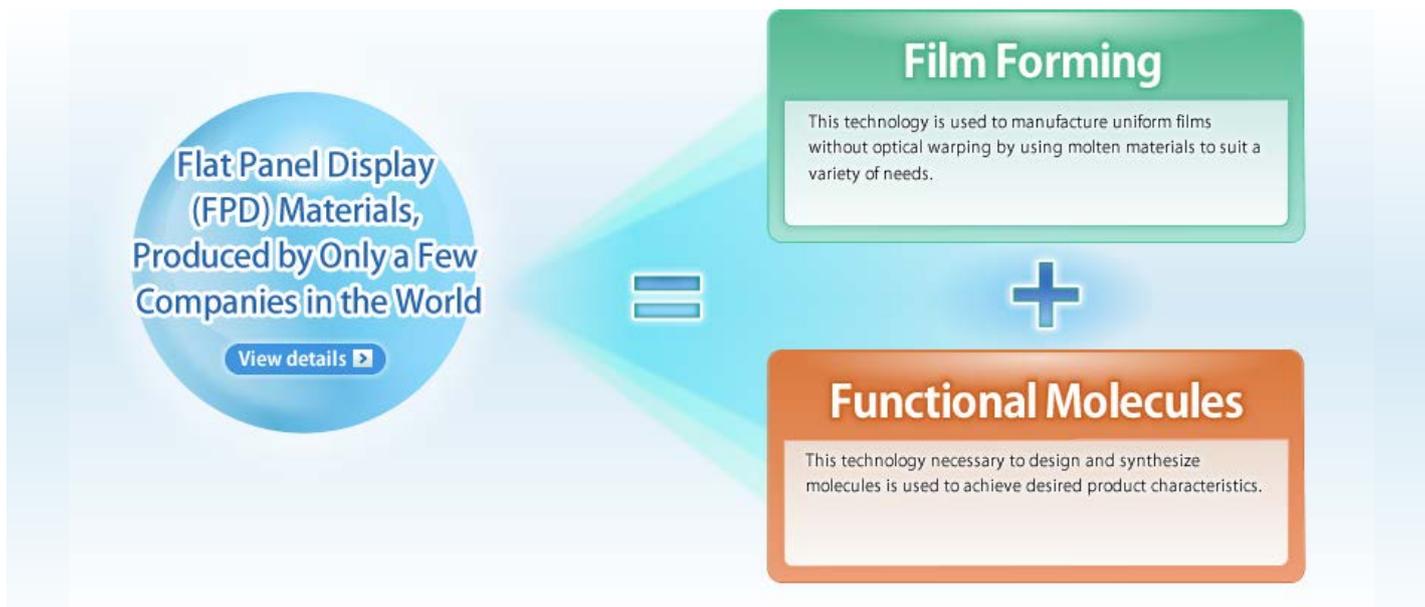
## Micro Needle Array, Which Injects Medications into the Body Simply by Placing it on the Skin

Micro needle arrays are drawing attention as a new drug delivery method for injecting medications into the body simply by placing the arrays on the skin. Fujifilm uses its functional molecular technology to formulate drugs and its high-precision forming technology to create refined needles to lengths of from 100 to 2,000 micrometers and to stably mass produce them. The micro needle array projections themselves dissolve beneath the skin, and as they do so the medications that are packed inside pass into the body. As a result, simply placing these arrays onto the skin delivers drugs effectively to patients while avoiding the pain of an injection. The Company is preparing to conduct clinical research in this area going forward.



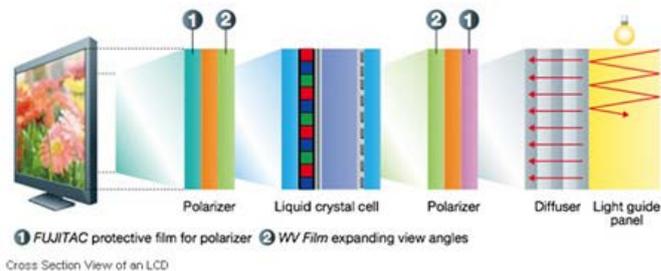
Technological Assets: Converting evolving technologies into products

# FPD Materials



## Flat Panel Display (FPD) Materials, Produced by Only a Few Companies in the World

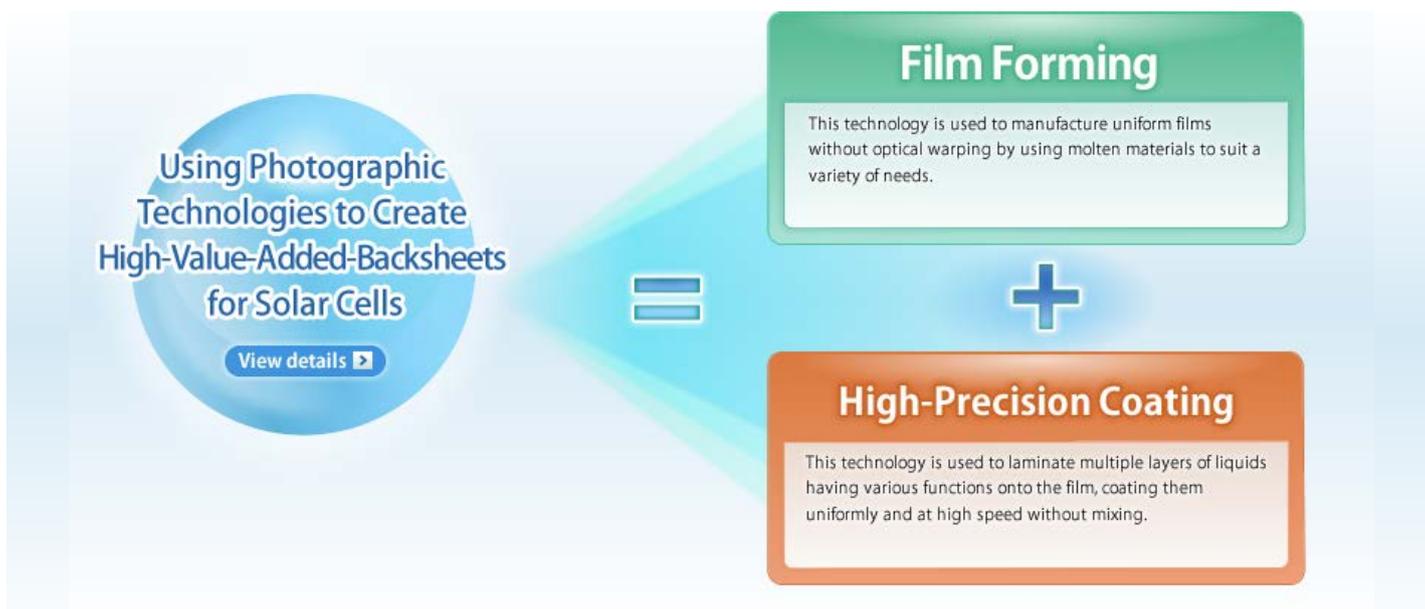
Triacetylcellulose (TAC) film, used as the base for photographic film, is a special type of film with a thickness of several dozen micrometers.



Fujifilm's film forming technology is used to produce thin TAC films and provide them as an LCD protective film for polarizers. Only a few companies in the world are capable of manufacturing this TAC film, as producing clear images requires films that have no optical warping. Fujifilm also coats functional materials on TAC film to provide films with characteristics such as an expanded viewing angle. Fujifilm is the world's only manufacturer of *WV film*, which expands viewing angles.

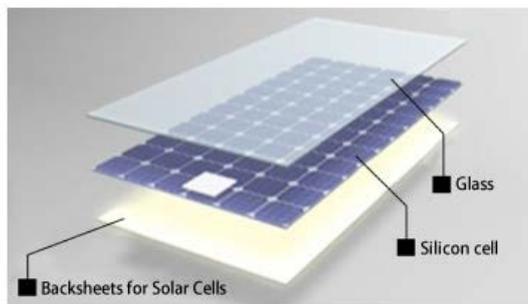
## Technological Assets: Converting evolving technologies into products

# Backsheets for Solar Cells



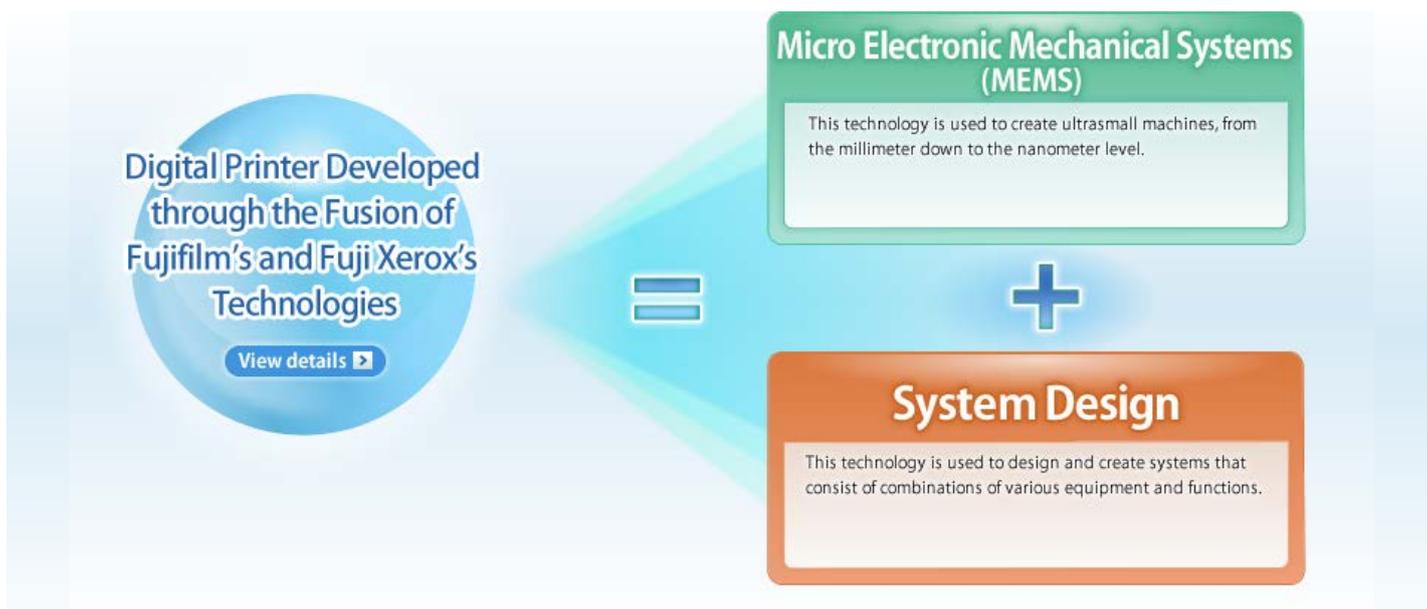
## Using Photographic Technologies to Create High-Value-Added Backsheets for Solar Cells

Backsheets for solar cells are used on the back sides of solar cells to protect solar panels installed outdoors from wind, rain, ultraviolet light and heat. These characteristics require backsheets to be highly durable so that they do not degrade over long periods of time. Fujifilm employs its film forming technology to create thick and highly durable polyethylene terephthalate (PET) film and its high-precision coating technology to coat these films with functional materials. As a result, the Company has developed a product that provides three times the durability of conventional materials. The Company began shipping these backsheets for solar cells in July 2012.



## Technological Assets: Converting evolving technologies into products

## Digital Printers



### Jet Press 720, Developed by Fusing Fujifilm's and Fuji Xerox's Technologies

Individualized direct mailings are one example of the recent trend toward small print runs of a wide array of contents, which also requires printed materials to be produced in a timely manner over a short period of time. *Jet Press 720* was developed to meet these needs by realizing digital prints quickly, with high image quality and in large sizes.



The print head of *Jet Press 720* was developed using the MEMS technology of FUJIFILM Dimatix, a Fujifilm subsidiary. The print head contributes to high output speed, image quality and stability by precisely controlling minute dots of ink. The ink itself is a result of organic materials technology cultivated over many years. This ink is environmentally friendly and offers sharp images.

Furthermore, the system design technology that the printer employs was created through synergy with Fuji Xerox—a leading company in the field of on-demand printing. This advanced system design technology realizes a highly productive printing system while including the technology to sense and correct image defects to ensure high image quality using an in-line sensor and motion quality technology to minimize paper feed errors.

## Corporate Data

### Corporate Information

Company Name	FUJIFILM Holdings Corporation
Representative	Shigetaka Komori
Head Office Address	7-3, Akasaka 9-chome, Minato-ku, Tokyo 107-0052, Japan
Date of Establishment	January 20, 1934
Capital	40,363 million yen
Number of Employees	149

Number of Employees (Consolidated)	80,322
Number of Consolidated Subsidiaries	282 companies
Independent Auditors	Ernst & Young ShinNihon LLC
Stock Exchange Listings	Tokyo, Nagoya
Share Registrar	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

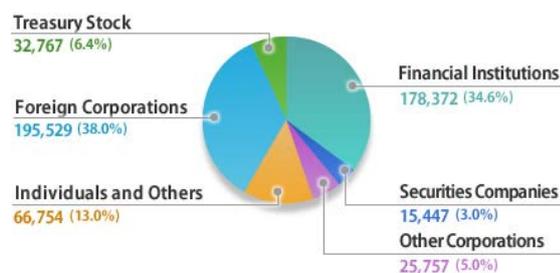
Note: As of March 31, 2013

### Stock Information

#### Distribution of Shareholders and Shares (As of March 31, 2013)

Number of Shareholders: 89,244

Number of Shares Outstanding: 514,625,728



Number of shares (in thousands)

#### Major Shareholders (As of March 31, 2013)

Name	Percentage of issued shares (%)
Japan Trustee Services Bank, Ltd. (trust account)	5.6
The Master Trust Bank of Japan, Ltd. (trust account)	5.2
Nippon Life Insurance Company	3.9
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	2.1
Sumitomo Mitsui Banking Corporation	2.0
Japan Trustee Services Bank, Ltd. (trust account 9)	1.9
Mitsui Sumitomo Insurance Company, Limited	1.7
MOXLEY AND CO LLC	1.5
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1.4
State Street Bank and Trust Company	1.4

Note: FUJIFILM Holdings Corporation holds treasury stock accounting for 6.4% of the total issued shares outstanding.

# FUJIFILM

**FUJIFILM Holdings Corporation**

For further information, please contact:  
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URL: <http://www.fujifilmholdings.com/>