FUJIFILM

Annual Report 2008

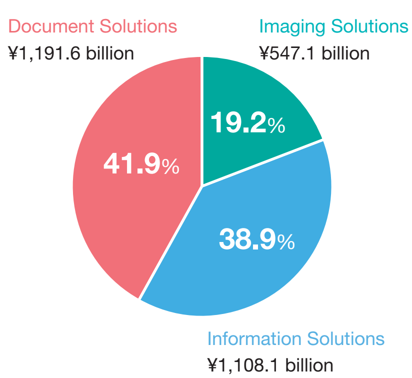
For Quality of Life

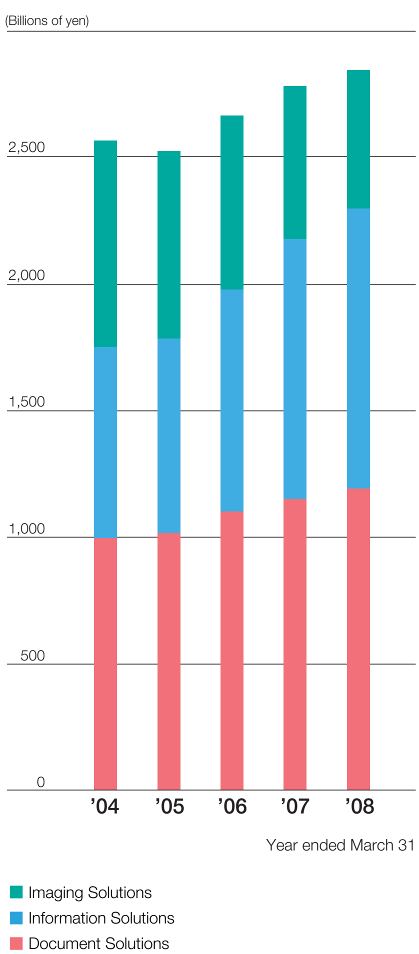
Operating Segment Information

Revenue

Breakdown of Group Business Revenue

Year Ended Mach 31, 2008

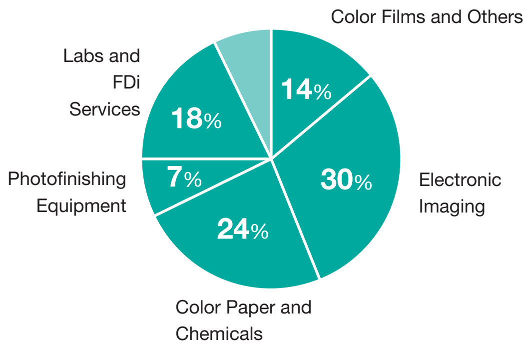


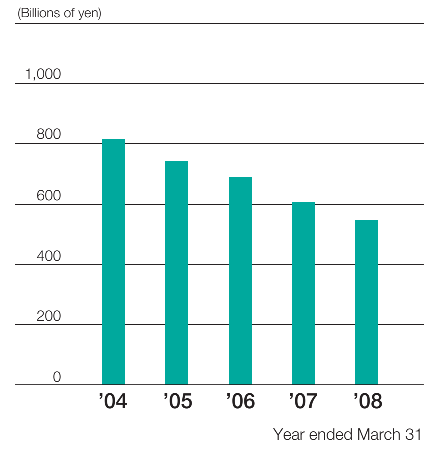


Breakdown of Segment Revenue

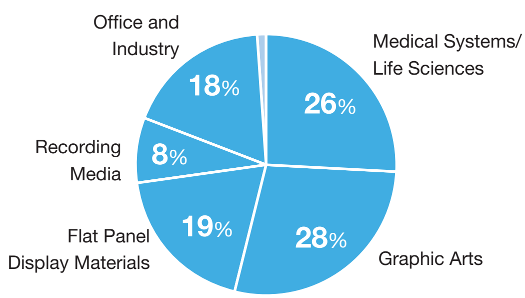
Trend in Segment Revenue

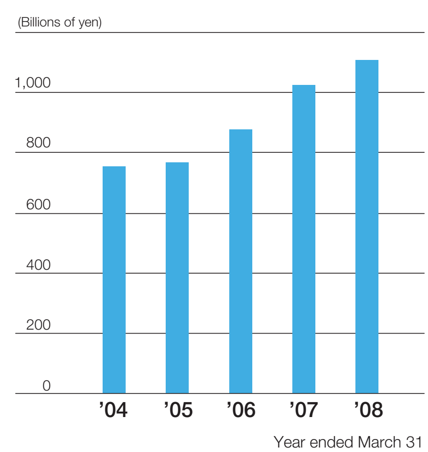
Imaging Solutions



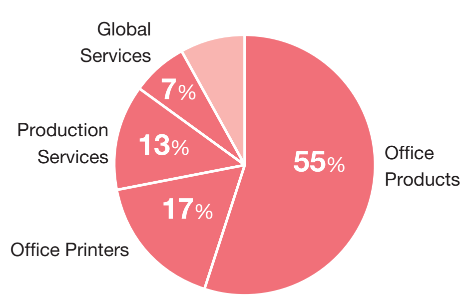


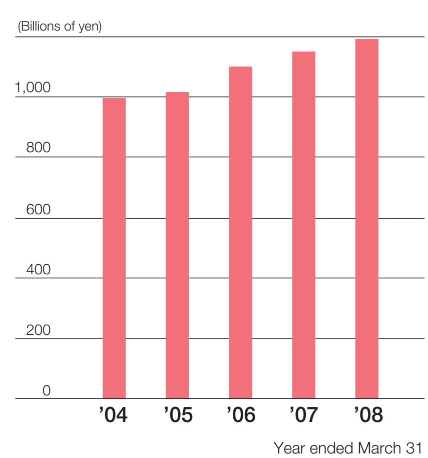
Information Solutions





Document Solutions





Line of Business and Main Products and Services

- **Color Films and Others**
  Color negative films
  "QuickSnap"
  Color reversal films
- **Electronic Imaging**
  "FinePix" digital camera
  Digital camera accessories
- **Color Paper and Chemicals**
  Photographic paper for color prints
  Photofinishing chemicals
- **Photofinishing Equipment**
  Film processors/Printing equipment
  "Frontier" Digital Minilab
  Thermal photo printers
- **Labs and FDi Services**
  Film processing services
  Photo printing services

Business Overview

World-Class Provider of Products and Services from Photo-taking to Photo-printing

Fujifilm develops products and services in fields ranging from film and photo-taking through to photo development and printing. Photo-taking products include color film, the QuickSnap disposable camera and digital cameras, while output products and services include photographic paper for color prints, photofinishing equipment and photo printing services. Applying such proprietary Fujifilm technology features as high sensitivity, high image quality and face detection technology in the development of its "FinePix" digital cameras, the Company has constantly introduced distinctive products to the global market.

Responding to an increase in digital printing needs attributable to the popularization of digital cameras and camera phones, Fujifilm has taken steps to promote and enhance its retail printing services for the production of "easy, beautiful and long-lasting" photos.

While strengthening the services it provides to address increasingly diverse user needs in line with advancing digital technologies, Fujifilm is working to expand its photo printing services by enhancing its online photo services.

- **Medical Systems/Life Sciences**
  "FCR" digital x-ray imaging and diagnostic systems
  "SYNAPSE" medical-use picture archiving and communications systems (PACS)
  Dry imaging films/Dry imagers
  X-ray films Radiopharmaceuticals
  Digital endoscopes
  Nucleic acid isolation systems
  Healthcare products
- **Graphic Arts**
  Materials and equipment for graphic arts
  CTP (Computer-to-Plate) plates
  CTP plate setters
  Inks for industrial inkjet printers
- **Flat Panel Display Materials**
  "FUJITAC" protective films for polarizers
  "WV films" for expanding viewing angles
  "Transer films" for manufacturing color filters
- **Recording Media**
  LTO Ultrium data cartridges
  Data cartridges for IBM 3592
- **Office and Industry**
  Camera phone lens units
  TV lens/CINE lens
  Electronic materials
  Inks for consumer-use inkjet printers
  Industrial inkjet printer heads

Leveraging a Top Global Market Share in FCR Systems and Top Domestic Market Share in SYNAPSE to Become a Comprehensive Healthcare Company

Fujifilm contributes to the advancement of the medical imaging and diagnostic field. In 1936, these efforts began in earnest with the release of x-ray films, and in 1983, the Company launched its FCR system, the world's first digital x-ray imaging and diagnostic system. The Company's SYNAPSE, a medical-use picture archiving and communications system (PACS), has been the main driver of our contributions to digital and IT advancement in the medical field. The SYNAPSE system has subsequently helped medical institutions to centrally manage image data in the endoscopy, ultrasonography, pathology and cardiovascular fields. Fujifilm expanded the scope of its medical business to include the preventive healthcare field with functional cosmetics and internal care products. In 2008, the Company commenced full-scale operation in the pharmaceuticals business and entered the treatment field.

Aiming for a 40% Global Share in Digital Printing CTP Plates

Fujifilm provides printing, newspaper and publishing companies around the world with the means to create printed media. Its wide range of devices and materials include graphic-arts-use scanners, editing software, proofing devices for checking edited data, output devices for plate-making films, proofing materials, plate-making films and printing plates (PS and CTP). Fujifilm is aiming to strengthen its CTP plate production structure and grow its global share to 40% on the back of expanding worldwide demand attributable to digitization. At the same time it is focusing on further expansion of its on-demand printing and inkjet businesses.

No. 1 Global Share in FPD-Use Protective Films and Optical Compensation Films

Fujifilm manufactures and sells films for polarizing plates used in LCD TVs, laptop PCs and monitors. Its FUJITAC films, which are essential for LCD panels, maintain an 80% world market share. Its WV films hold a 100% global market share. In response to growing demand for these products, Fujifilm is making active investments to fortifying its supply structure.

Top Global Share in Mid-Range Data Storage Media Market

This business develops high-capacity, high-quality data storage media products widely used by data centers operated by large-scale organizations such as finance and research firms.

Expanding the Optical Device Business and Other New Growth Businesses

Fujifilm is strengthening its market position in line with increasingly higher camera phone lens functioning and pixel counts. For example, the Company commands approximately 50% of the global market share for lens units with 2.0 mega pixel and higher pixel counts. At the same time, it is exerting efforts to expand its semiconductor materials business in addition to the consumer-use inkjet business, where demand continues to grow.

- **Office Products**
  Color/monochrome digital multifunction devices
  "DocuWorks" document handling software
- **Office Printers**
  Color/monochrome laser printers
- **Production Services**
  On-demand publishing systems
  Computer printing systems
- **Global Services**
  Business process services
  Document outsourcing and Communication services
  Office services

Targeting the No. 1 Market Share through the Supply of High-Value-Added Products

Fuji Xerox supplies office-use digital color/monochrome multifunction devices. Since Japan's first encounter with plain-paper copy machines in 1962, Fuji Xerox has constantly provided new value to the market by launching digital copy machines and multifunction devices. Boasting a top domestic market share in terms of the volume of color multifunction device shipments and copies made using its devices, Fuji Xerox is targeting the top share in the entire color/monochrome device market, while expanding operations in the rapidly growing markets of the Asia-Pacific region including China.

Pursuing Compactness, High Performance, High Quality and Bolstered Environment Consciousness

Fuji Xerox is expanding sales of products, centered on color laser printers in the markets of Asia, as well as Europe and North America, where products are supplied on an OEM basis. In addition, the A4 color laser printer DocuPrint C1100 was recognized with its ninth consecutive Energy-Saving Award, drawing attention to its features, which help to reduce environmental burden.

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

In the Production Services business, Fuji Xerox provides on-demand printing systems, printing workflow support services and continuous- and intermittent-feed printers linked with core systems. Particularly notable is our leading market share for color on-demand printing systems in Japan. Pursuing new possibilities for digital printing, we meet customer needs for high-mix, low-volume printing.

Leveraging Know-How and Experience to Provide Comprehensive Customer Support and Consultation

Fuji Xerox is providing comprehensive services centered on the acceptance of outsourced operations, covering consulting and management, to help customers solve their document-related issues.

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Main Products

FinePix Z200fd

FinePix S100FS

QuickSnap
Room & Day Super

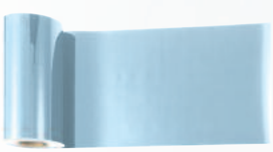
Frontier LP7700

SYNAPSE

FCR PROFECT CS

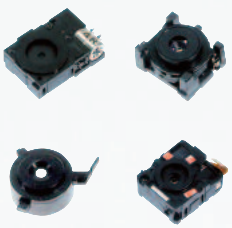
Video Endoscopy System
Justia

Luxel T-9800CTP HS



FUJITAC

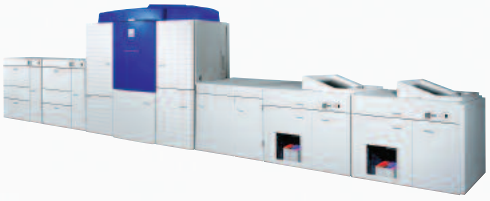
Enterprise Tape Cartridge 3592



Camera Phone Lens Units

ASTALIFT Essence

ApeosPort-Ⅲ C3300



Xerox iGen3® 110
Digital Production Press

DocuPrint C2250

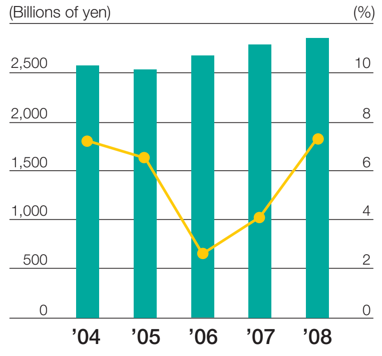
Financial Highlights

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	**2008**
Revenue	**¥2,846,828**	¥2,782,526	¥2,667,495	¥2,527,374	¥2,566,725	**$28,468,280**
Operating income (Note 2)	**207,342**	113,062	70,436	164,442	184,900	**2,073,420**
Income before income taxes	**199,342**	103,264	79,615	162,346	164,948	**1,993,420**
Net income	**104,431**	34,446	37,016	84,500	82,317	**1,044,310**
Research and development expenses	**187,589**	177,004	182,154	168,017	173,323	**1,875,890**
Capital expenditures (Note 3)	**170,179**	165,159	179,808	157,420	160,740	**1,701,790**
Depreciation and amortization (Note 3)	**226,753**	215,429	225,434	182,286	172,622	**2,267,530**
(Depreciation)	**159,572**	146,325	156,928	130,360	124,634	**1,595,720**
Total assets at year-end	**3,266,384**	3,319,102	3,027,491	2,983,457	3,023,509	**32,663,840**
Total shareholders' equity at year-end	**1,922,353**	1,976,508	1,963,497	1,849,102	1,749,882	**19,223,530**
	Yen					U.S. dollars (Note 1)
Per share of common stock						
Net income:						
Basic (Note 4)	**¥ 205.43**	¥ 67.46	¥ 72.65	¥ 164.78	¥ 160.38	**$ 2.05**
Diluted (Note 5)	**193.56**	65.04	72.65	164.78	160.38	**1.94**
Cash dividends	**35.00**	25.00	25.00	25.00	25.00	**0.35**
Ratio of operating income to revenue	**7.3%**	4.1%	2.6%	6.5%	7.2%	
ROE	**5.4%**	1.7%	1.9%	4.7%	4.8%	
Payout ratio (Consolidated base)	**17.0%**	37.1%	34.4%	15.2%	15.6%	

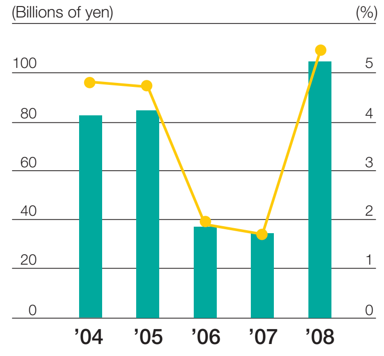
Notes :1. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥100=US$1, the exchange rate prevailing on March 31, 2008.
2. Operating income for the fiscal years ended March 31, 2006 and 2007 is affected by structural reform expenses of ¥86,043 million and ¥94,081 million, respectively.
3. Figures do not include amounts for rental equipment handled by the Document Solutions segment.
4. The amounts of basic net income per share are based on the weighted average number of share of common stock outstanding during the year.
5. Diluted net income per share reflects the potential dilution attributable to additional shares issued in connection with the exercise of stock acquisition rights allotted as stock options and has been computed on the basis that all conversion rights of the Euroyen convertible bonds were exercised and outstanding.

Revenue/Ratio of Operating Income to Revenue



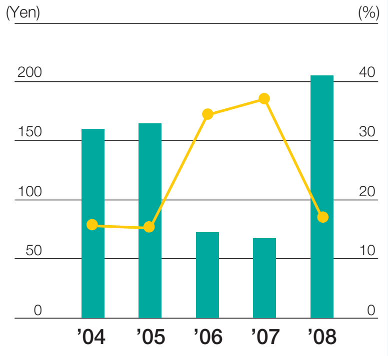
Revenue
Ratio of operating income to revenue

Net Income/ROE



Net income
ROE

Net Income per Share of Common Stock/Payout Ratio



Net income per share of common stock
Payout ratio

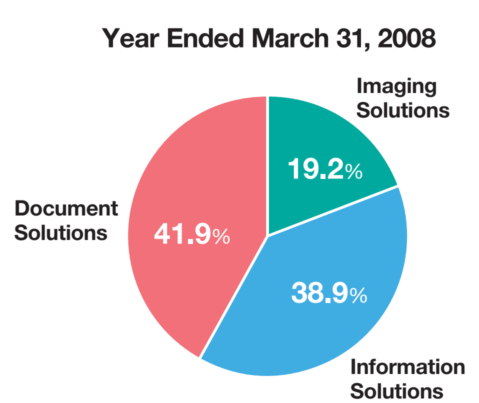
Operating Segments Revenue

	Year ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	**2008**
Imaging Solutions	**¥ 547,066**	¥ 605,383	¥ 689,458	¥ 742,993	¥ 815,527	**$ 5,470,660**
Information Solutions	**1,108,134**	1,026,085	877,366	768,680	755,159	**11,081,340**
Document Solutions	**1,191,628**	1,151,058	1,100,671	1,015,701	996,039	**11,916,280**
Consolidated total	**¥2,846,828**	¥2,782,526	¥2,667,495	¥2,527,374	¥2,566,725	**$28,468,280**

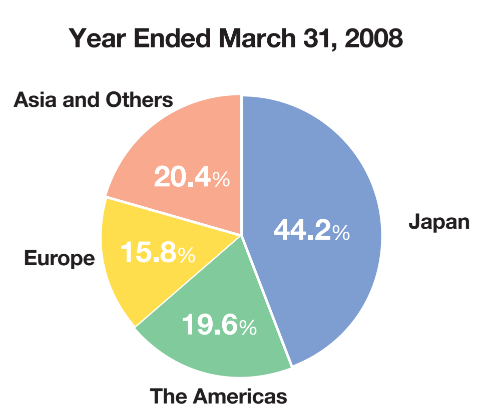
Revenue by Region (Destination Base)

	Year ended March 31					
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	**2008**
Japan	**¥1,259,506**	¥1,303,647	¥1,329,284	¥1,311,893	¥1,336,015	**$12,595,060**
The Americas	**557,203**	572,797	558,702	515,169	541,982	**5,572,030**
Europe	**449,241**	422,965	375,516	349,903	376,006	**4,492,410**
Asia and others	**580,878**	483,117	403,993	350,409	312,722	**5,808,780**
Consolidated total	**¥2,846,828**	¥2,782,526	¥2,667,495	¥2,527,374	¥2,566,725	**$28,468,280**

Proportion of Revenue from Operating Segments



Proportion of Revenue by Region (Destination Base)



More Innovation on the Way

Since inaugurating the VISION75 medium-term management plan in 2004, Fujifilm Holdings Corporation (Fujifilm) has undertaken swift business structure transformation measures aimed at overcoming a sharp decline in the market for photosensitive materials, such as color films, which had been a mainstay business until recently. Furthermore, over a two-year period beginning in 2005, we poured approximately ¥200 billion into carrying out bold, worldwide structural reforms targeting the Imaging Solutions segment. At the same time, we have conducted aggressive M&A activities, capital investments, and R&D in existing and new growth fields.

VISION75 (2007) targeted the key issues of promoting growth strategies and creating a robust corporate constitution. It provided the basis for carrying out assertive M&A activities, capital investments, and R&D in growth fields, as well as “Slim & Strong Drive” measures to reduce and streamline Group-wide costs.

As a result of these initiatives, in the fiscal year ended March 31, 2008, we achieved record-high results in both revenue and operating income. While thoroughly enjoying a sharp performance improvement with a sense of pride, we cannot at all loosen the reins on our reform and transformation efforts. Looking ahead to the fiscal year ending March 31, 2010, we are targeting ¥3,050 billion in revenue and over ¥250 billion in operating income. Furthermore, we will continue with ongoing efforts to realize our “Second Foundation” as we work toward establishing new milestones to progress.

Despite a strong performance in the year under review, the fiscal year ending March 31, 2009 is expected to present certain challenges, including a stagnant U.S. economy, continued appreciation of the yen and high raw material prices. Under a further updated VISION75 (2008), we will strive for enhanced performance in growth fields and preemptively implement business structure revisions and reforms in fields where concern over risk is apparent, while staying on track with fundamental VISION75 plans.

In conclusion, I would like to thank our stakeholders for their steadfast support and understanding as we strive to achieve our goals.

July 2008

Shigetaka Komori
President and Chief Executive Officer

VISION75 (2008)

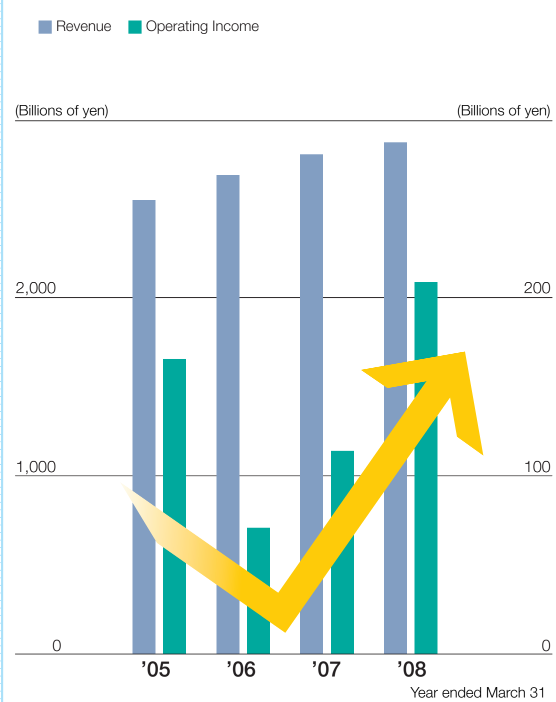
Fundamental Strategies
Further promoting strategies of VISION75 (2007)

- **Further Promoting Growth Strategies**
- **Realizing a Robust Corporate Constitution**

↓

Ensure the attainment of performance targets for the fiscal year ending March 31, 2010, despite challenges associated with surging raw materials prices and progressive yen appreciation

VISION75 (2007) Performance Review



More Innovation on the Way

FUJIFILM Holdings Corporation Growth Strategies

With the aim of paving a new road to growth, Fujifilm is developing Group strategies from the viewpoints of both business operations and functions. Having placed medical systems/life sciences, graphics arts, documents, optical devices, and highly functional materials, such as flat panel display (FPD) materials, as priority business fields, we are pushing vigorously forward with investments in M&A initiatives, capital investments, and R&D. Specifically, over the next two years leading up to the final year of the medium-term management plan, the fiscal year ending March 31, 2010, we plan to invest ¥340 billion in capital investments and ¥410 billion in R&D. Moreover, while targeting operating income ratios over 10% in the each of the Information Solutions and Document Solutions segments, we also plan to achieve ¥3,050 billion in revenues and over ¥250 billion in operating income in the fiscal year ending March 31, 2010.

Business Portfolio and Priority Business Fields

Fujifilm's priority businesses are prominently positioned as the Group's driving force in achieving a Second Foundation as well as forming the central pillars of a new business structure that will accelerate future growth.

Through expansion in the diagnostics field, where we possess such differentiated products as digital X-ray diagnostic imaging systems and endoscopes, as well as in the fields of pharmaceuticals and preventive treatment, our medical systems/life sciences business is anticipated to become a significant source of future growth. In graphic arts, we are aiming to raise our global market share for digital printing computer-to-plate (CTP) plates, currently in the lower 30% range, to 40%, while taking steps to establish and fortify a worldwide quadripolar production structure. In the Document Solutions segment, we will accelerate our market introduction of full-color, on-demand printing systems, of which the market is expected to expand in the future. At the same time, we are working to expand sales of color devices in notable growth regions, specifically Asia-Pacific region including China. In the camera phone market, our optical device business offers camera phone lens units for two-megapixel and above cameras. Holding the top market share in this product category, we will continue to work toward strengthening our production capacity and further expanding our market share. Turning to our FPD materials business, robust demand for liquid crystal displays (LCDs) has led Fujifilm to plan for a new production plant to accommodate large LCD panel production, while looking toward future business growth.

Underpinning Fujifilm's Growth: Mainstay Products Boasting Global Presence and Growth Potential

Segment	Fujifilm Product	Fujifilm Global Market Share	Estimated Market Growth Rate (2007–2009)
Information Solutions	FCR digital X-ray imaging and diagnostic systems	Approx. 40%	Approx. 5% to 10% increase in CR system shipments
	CTP plates (printing plate material)	Approx. 35%	Approx. 15% increase in CTP plate shipments
	Camera phone lens units	Approx. 50% (for models with 2.0 mega-pixels and higher pixel counts)	Approx. 30% increase in camera phone lens unit shipments
	FPD materials (FUJITAC, WV films*1)	Approx. 80%, 100%	50% increase in LCD panel shipments
Document Solutions	Color POD systems*2	Approx. 60%	Approx. 25% increase in color POD system sales

The percentage figures above are estimates made by Fujifilm.
*1: Wide-view films for twisted nematic (TN)-mode LCD panels only
*2: Print-on-demand systems. The figures for the domestic market of systems priced over $100,000 and capable of printing 41 copies per minute

M&A as a Core Growth Strategy

In order to reform its business structure, Fujifilm has fervently promoted capital investments and M&A initiatives since its VISION75 medium-term management plan launched in 2004. In the three-year period from 2006 through 2008, the Group invested approximately ¥250 billion in M&A activities alone. These funds were directed specifically at expanding priority business fields and cultivating new businesses, such as life sciences.

Fujifilm gauges the appropriateness of its M&A initiatives based on certain investment recovery standards. Accordingly, we weigh the future potential of ongoing success through synergies formed between acquired businesses, our own businesses and neighboring businesses. Taking into consideration a medium- to long-term view of business, we made the decision to acquire Toyama Chemical Co., Ltd., which we judged to present significant growth opportunities in line with our fundamental standards.

Furthermore, Fujifilm has accelerated its organic growth by taking M&A initiatives in inkjet businesses. As such, Fujifilm has executed the acquisition of ink-related materials and printer heads companies that form the core of marking technologies. Specifically, from 2005 through 2006, the Group successively acquired top U.K. industrial ink manufacturer Sericol Group Ltd. (currently, FUJIFILM Sericol UK Limited), U.K. consumer-use inkjet printer ink company Avecia Inkjet Ltd. (currently, FUJIFILM Imaging Colorants Limited), and the world's leading maker (based in the U.S.) of industrial inkjet printer heads Dimatix, Inc. (currently, FUJIFILM Dimatix, Inc.).

When we look at the future of the printing field, it is likely that inkjet and xerography technologies will replace certain graphic arts printing capabilities, and we see a significant growth potential for the industrial inkjet businesses. Bringing the foregoing companies into our Group was one particular response to this outlook. Furthermore, in order to seize essential business opportunities for the foreseeable future, Fujifilm set its Advanced Marking Research Laboratories as the focus of bringing together the technologies and know-how of these companies for the development of new technologies and products.

Demonstrating one of our latest breakthroughs, we announced the development of a next-generation inkjet digital printing technology at drupa 2008, the world's largest printing equipment trade show, held in Dusseldorf, Germany in May and June 2008. Also, through the integration of Dimatix's printer head technologies and Fujifilm's water-based inkjet technologies, a new type of printer equipped with a system developed by Fuji Xerox was realized and has become the world's first printer that uses the single-pass method to realize a speed of 180 (A4) pages per minute, resolution specifications at a high four-tone 1,200dpi and large-size paper (720mm x 520mm maximum) printing capabilities.

The "Slim & Strong Drive" to Realize a Robust Corporate Constitution

In addition to promoting growth strategies, we are also implementing measures to reduce costs throughout the Group based on more than 1,300 themes. More specifically known as the "Slim & Strong Drive," its initiatives helped reduce costs by about ¥60 billion in the fiscal year ended March 31, 2008. Also under this program, we have set a goal to reduce the Group's SG&A expenses to revenues ratio to between 20% and 25%. Furthermore, cost reduction efforts will become increasingly important in the fiscal year ending March 31, 2009, with negative impacts expected from high raw material prices and a strong yen.

Moreover, in order to achieve our VISION75 performance goals, it is essential that each and every employee maintains an open mind toward innovation and change. Also, it is important for employees to independently clarify issues, work proactively toward addressing these issues, learn, practice, and grow as a person. We are fostering a well-established corporate environment that embraces change and challenge and enables our employees' growth to lead the Company's future growth.

Sales Targets of VISION75 (2008)

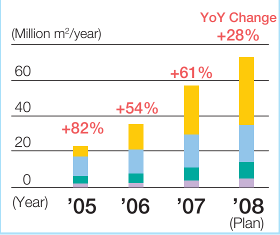
	Year Ended March 31, 2008 Revenue: ¥2,846.8 billion (Results)	Year Ended March 31, 2009 Revenue Target: ¥2,900.0 billion	Year Ended March 31, 2010 Revenue Target: ¥3,050.0 billion
Imaging Solutions	¥547.1 billion	¥490.0 billion	¥450.0 billion
Information Solutions	¥1,108.1 billion	¥1,190.0 billion	¥1,300.0 billion
Medical Systems / Life Sciences	Approx. ¥290.0 billion	Approx. ¥320.0 billion	Approx. ¥360.0 billion
FPD Materials	Approx. ¥210.0 billion	Approx. ¥240.0 billion	Approx. ¥260.0 billion
Graphic Arts	Approx. ¥310.0 billion	Approx. ¥315.0 billion	Approx. ¥325.0 billion
Document Solutions	¥1,191.6 billion	¥1,220.0 billion	¥1,300.0 billion

Flat Panel Display Materials

Question 1

What factors led to the success of the FPD materials business in establishing a dominant position in the market?

LCD Panel Applications



LCD TVs · Notebook PC monitors · PC monitors · Others

Source: DisplaySearch

FPD Market

The FPD market has grown through increased demand for laptop computers and the replacement of cathode ray tube (CRT) desktop monitors by LCDs. Also, with LCDs well on their way to replacing CRTs, not only are we likely to see growth in demand for thin-screen TVs around the world, we can also expect this growth to rapidly increase.

Answer

Our products have received favorable market recognition for pricing and performance, and we have been consistent in fulfilling our responsibilities as a supplier. Our decision to make bold investments in LCD materials, amid an ongoing battle between LCD and plasma display makers, and response to the rapid surge in demand for LCD materials at just the right time, have given us the strength in the market.

Thanks not only to the robust growth of computer LCD monitors, but also to the rapid diffusion of LCD TVs in Japan, the United States, and Europe, the current demand for LCDs is quickly expanding. Also, with an increase in demand for larger panels, we expect the annual rate of panel shipments, measured in square meters, to grow about 10%–20%. Along with supplying the industry with FUJITAC protective film indispensable for polarizers, we also offer WV (wide-view) Film. FUJITAC and WV Film possess approximately 80% and 100% shares of the worldwide market, respectively.

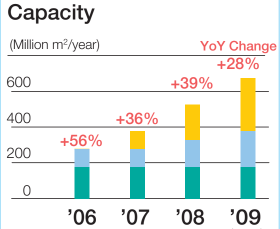
Again, I believe that our decision to invest management resources at a rapid successive pace in LCD materials, which consequently allowed us to satisfy a huge market demand, played a major role in acquiring such a large share of the market. It was this decision that captured the position we hold today.

The production of these materials is rooted in our four core technologies—1. precision thin coating; 2. organic synthesis; 3. film membrane precision production; and 4. optical simulation—that we have honed through the production of photographic films. These high technical strengths have led us to prominent market positions. Particularly in regard to our WV Film, which is the combined product of these technologies and our unique manufacturing process, I think we boast unbeatable competitiveness.

Question 2

How are your capital investments in the FPD materials business performing? Also, tell us about your plan for the future.

FUJITAC Production Capacity



Year ended March 31

FUJIFILM Kyushu Co., Ltd. · Kanagawa Factory Ashigara Site · FUJIFILM Opto Materials Co., Ltd.

Total Investment from 2000 to 2008
¥300.0 billion

Answer

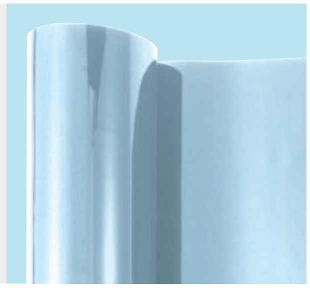
Since 2000, we have dedicated a total of ¥300 billion into the FPD business. We will aim to take the lead with more investments and new technologies and further secure our market position.

In anticipation of further growth in demand, we are working to expand our production capabilities. Following the start of FUJITAC production operations at FUJIFILM Kyushu Co., Ltd.'s plant No. 1 in October 2006, we invested another ¥70 billion into constructing plants No. 2 and No. 3, and plant No. 2 began operations in August 2007. As a result, our annual FUJITAC production capacity reached 580 million m^2 in April 2008. Also, in order to manufacture ultra-wide FUJITAC to suit production specifications of large-sized, 40-inch-class LCD TVs, we invested ¥24 billion into building Plant No. 4 on the Ashigara site of our Kanagawa Factory. Its operations began in April 2008. These efforts not only contributed to demand expansion for 40-inch-class LCD panels, but also allowed us to establish a supply structure to provide FUJITAC for LCD panels up to 100 inches wide. Turning to WV Film, we spent ¥6.5 billion on a new plant in Shizuoka Prefecture, which will start operation in April 2009 with a maximum annual production capacity of 115 million m^2.

We are confident that it will be able to sufficiently support future increases in demand. Furthermore, we believe that by working to maintain our overwhelming market share with FUJITAC supply structure this robust, our position of prominence in the market will remain firm. However, we cannot afford to be complacent and we will continue to invest in and develop new types of high-functional film as we pursue customer satisfaction in both quantity and quality. Also, we plan to further innovate WV Film to become the de facto standard for medium-sized TVs, going beyond computer LCD monitor application. At the same time, while establishing a firm position in the LCD materials field, we hope to contribute to the development of LCD businesses around the world.

Summing up Our Technologies

How FUJITAC Sustains Its Top Share



Fujifilm entered the FPD materials market by making full use of its photo film technologies. Successive technological innovations thereafter helped expand the market for these materials.

In the latter half of the 1970s, FUJITAC became used in LCDs for calculators. Entering the 1990s, in step with the development of the Thin Film Transistor, liquid crystal applications diversified, and demand for higher quality, higher function products began to expand. In 1993, Fujifilm released FUJITAC, a product of such enhanced quality that it instantly took the lead over other companies products in the market. Aiming to keep up with increasingly larger-sized and sophisticated LCD panels, the Company tackled a variety of complex issues, such as creating a flatter film surface and reducing the number of defects. While continuing to develop its technologies, the Company overcame the difficulty of maintaining flatness and zero defects as panel size increased. In this way, Fujifilm strived to maintain its top position and refused to let competitors get ahead.

Continuous and active investment into upgrading technological capabilities allowed the Company to establish a stable supply structure at an early stage. Working from this vantage point, Fujifilm's ongoing efforts to improve quality and maintain its competitive edge have come together to solidify the top market position that the Company enjoys today.

FUJITAC is made of plant-derived cellulose triacetate. As such, Fujifilm possesses plant-derived material-processing technologies, uniform membrane precision production technologies, and, above all, air controlling and drying technologies necessary to obtain film flatness. These technological assets are playing a vital role for sustaining its position ahead of the competition.

Technologies at the Core of FPD Panel Materials

1 Highly uniform coating technologies for thin layers: Enables high-function materials to be applied to the surface of a film in micron-thin coats and a variety of high-functional films production

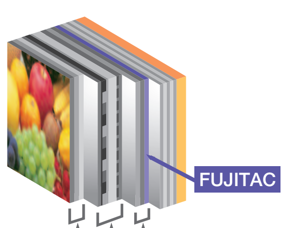
2 Organic synthesis technologies: Proprietarily developed and manufactured material that controls color and light. Attached to or coated onto film, organic synthesis is an integral part of creating high-function films.

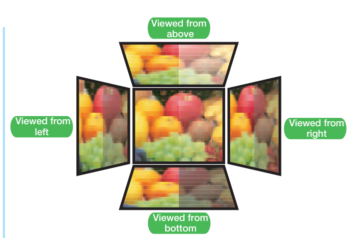
3 Film membrane precision manufacturing technologies: Enables the consistent manufacturing of film boasting excellent transparency and surface flatness, both highly sought-after characteristics in FPD materials

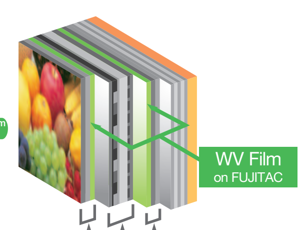
4 Optical simulation technologies: Enables rapid and accurate production designing

These core technologies, cultivated through the development of photographic film, are used in each of our high-functional films—films that are essential to the production of FPD panels.

The following mainstay Fujifilm products are used in the FPD panel.







FUJITAC

Made from TAC (cellulose triacetate) that is also used as a base for photographic film, this film boasts excellent optical properties and is essential as a protective film for LCD polarizers. Also used as a base material for CV film and other high-functional films

Characteristic features: Optical uniformity and outstanding transparency and smoothness

WV(wide-view) Film

Film that incorporates our proprietary discotic liquid crystal compound on a TAC base to widen the viewing angle of LCDs

Characteristic features: Low cost; provides a wide viewing angle of up to 160 degrees (up/down, left/right contrast)

Medical Systems/Life Sciences

Question 3 **Tell us about the current activities and the future direction of the medical systems/life sciences businesses.**

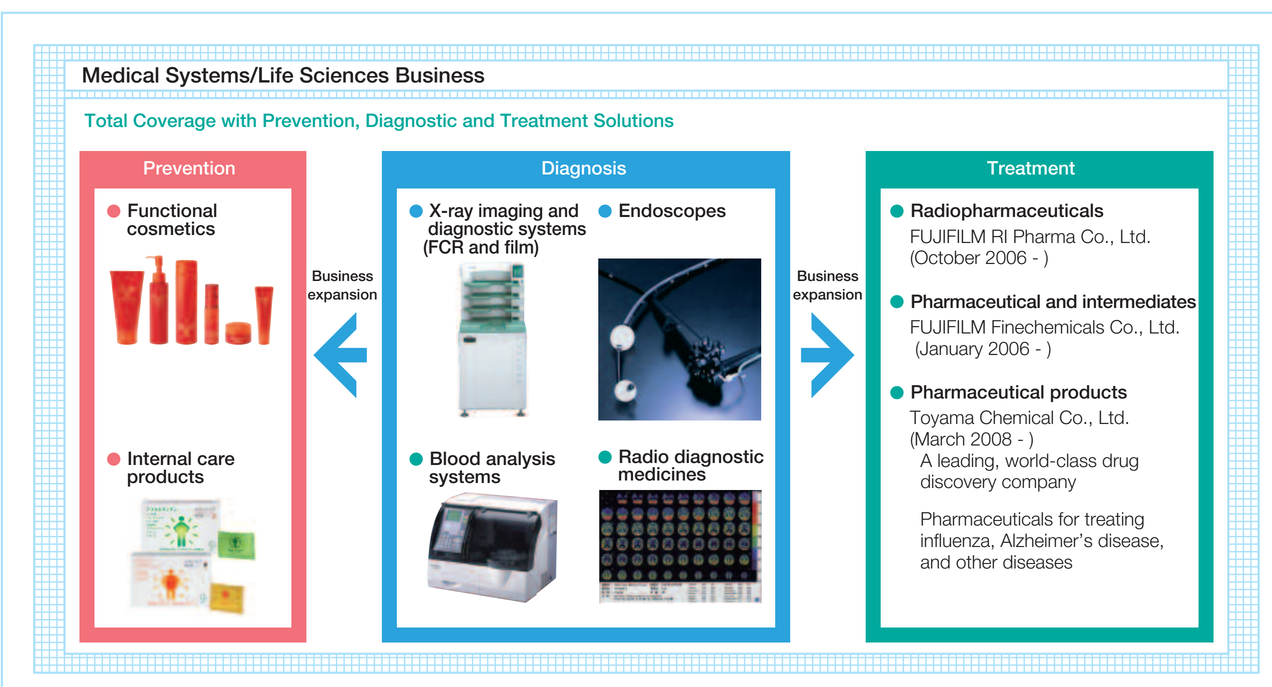
Answer

In addition to strengthening the diagnostic field, we are developing our own medical technologies and expanding our business areas by pursuing innovative value. Through these efforts, we have expanded our current business areas to include the prevention and treatment fields, and thereby develop a comprehensive healthcare business.

In the diagnostic imaging field, Fujifilm sells such mainstay products as FCR (Fuji Computed Radiography) digital X-ray imaging and diagnostic systems and SYNAPSE, a medical-use picture archiving and communications system (PACS) globally. Nonetheless, we anticipate changes in the business environment, including progress in filmless diagnostic imaging and the emergence of fully digitized radiography (DR). We are now working to accelerate the commercialization of FCR products, raise product quality and functionality, reduce product size, and expand our support base, targeting practitioners and small-to-medium-sized hospitals. The industry's digital and IT advancement provides an opportunity to grow our FCR and SYNAPSE businesses. We are changing our product portfolio and selling our leading FCR and our rapidly growing SYNAPSE to emerging countries as well as Europe and North America.

Competition remains fierce in the field of endoscopes. We are aiming to expand our market share by focusing our management resources and introducing differentiated products into this field.

In 2006, making full use of the Group's sophisticated antioxidation technologies, collagen research, and nanotechnologies, we entered into the "prevention" field by releasing functional cosmetic and internal care products. Also, with the inclusion of Toyama Chemical Co., Ltd. (Toyama Chemical) as a Group subsidiary in March 2008, we were able to make a full-scale entry into the pharmaceutical business. This move was integral to laying the foundation for the future development of our comprehensive healthcare business.



Question 4 What did you aim to accomplish with the acquisition of Toyama Chemical Co., Ltd.?

Answer

I believe that integration of our management resources, organic synthesis technologies, and Toyama Chemical's drug discovery capabilities would bring about a great synergy. The divergent backgrounds of the companies are what make us an ideal fit. We are able to approach pharmaceutical development from a new perspective and create a completely new model for drug discovery.

The pharmaceutical market is worth an estimated ¥80 trillion annually, and is expected to grow yet further on the back of emerging markets. Characterized as a highly profitable and technology-driven industry in its business success, the aims of pharmaceutical makers everywhere are consistent with our own corporate philosophy. Fine chemicals technologies, such as organic synthesis developed through photographic film technologies, can be applied widely in pharmaceutical products, therefore providing us with the confidence of becoming a true competitor in this field.

We are focusing on Toyama Chemical's superior drug development capabilities and world-leading rate of launching new drugs. Toyama Chemical faced certain issues with its financial strength supporting large R&D projects and overseas sales networking, and these forced Toyama Chemical to license out some of its promising drug candidates to other pharmaceutical companies at the early stage of the development. Going forward, we will work to increase the corporate value of both companies, leveraging our own R&D strengths, financial foundation, and overseas network to cultivate promising new drugs. I am confident in the synergy between Toyama Chemical's drug discovery capabilities and Fujifilm's fine chemicals and fine chemical processing technologies and nanotechnologies. Maximizing such synergy among companies in differing industries, we are well on our way to realizing a brand-new pharmaceutical generation model and to contributing to society through our new drug discovery.

We will also be taking steps to minimize risk through technological synergies that aim to accelerate drug discovery processes while increasing the success rate of drug discovery programs using our production quality process management know-how and fundamental R&D technologies. As we build a drug development structure that can maximize Toyama Chemical's capabilities, we will further reduce risk through an expanded pipeline and strengthened drug discovery capabilities.

Topics

Corporate Tripartite Strategic Capital and Business Alliance

With a strategic capital and business alliance formed between Taisho Pharmaceutical Co., Ltd., Toyama Chemical Co., Ltd., and FUJIFILM Holdings Corporation to bolster each of the company's pharmaceutical businesses, Taisho Pharmaceutical and FUJIFILM Holdings received a third-party allotment of shares in line with Toyama Chemical's implementation of a capital increase. FUJIFILM Holdings acquired Toyama Chemical's shares through a tender offer, which commenced February 19, 2008 and concluded on March 18, 2008.

As a result, Toyama Chemical was newly included as a consolidated subsidiary of the Group. Ultimately, Fujifilm is scheduled to hold 66% and Taisho Pharmaceutical is scheduled to hold the remaining 34% of the total number of shares of Toyama Chemical.

Toyama Chemical's Drug Discovery Capabilities

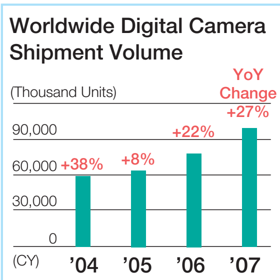
Toyama Chemical's company emblem is a *korben,* which is German for a "conical graduated cylinder" and represents the company's dedication to R&D. As such, Toyama Chemical is developing drugs centered on anti-infection drugs, central nervous and cardiovascular system treatments, and anti-inflammatory medicines. Competitive drug developments include the T-705 anti-influenza agent, the T-5224 (AP-1 inhibitor) rheumatoid arthritis treatment, and the T-817MA Alzheimer's-type therapeutic agent.

T-705, a drug that utilizes a completely new type of action mechanism, was confirmed to be exceptionally efficacious with respect to H5N1 avian influenza in studies with laboratory mice at Utah State University in the United States and has been undergoing phase II clinical trials in Japan since January 2008.

Imaging/Document Solutions

Question 5

Operating conditions remain severe in the Imaging Solutions segment. Can you elaborate on the outlook for this segment?



Source: Camera & Imaging Products Association

Answer

Having completed drastic structural reforms and fixed-cost reductions, Fujifilm has revitalized the segment to help preserve "photo culture" and secure its operating margin and profit.

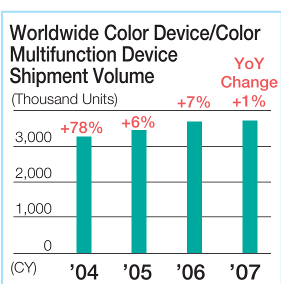
Responding to the shrinking market, Fujifilm has nearly halved its assets and humans resources in its photosensitive materials business. To protect the culture of photography, Fujifilm has continued its business and undertaken business downsizing. In its digital camera business, the Company worked to strengthen its cost competitiveness by consolidating operation bases, shifting its manufacturing base from Japan to China, and outsourcing front-end production of CCDs. These initiatives are expected to enable the Company to overcome the shrinkage of the photographic film market and harsh competition in the digital camera markets and to maintain its operating margin and profit.

The segment is forecast to face severe market conditions. However, to better contribute to photo-culture development, we aim to improve profitability through such initiatives as reducing the variety of product types and increasing selling prices.

Fujifilm sold more than 8 million digital cameras during the fiscal year under review. In the fiscal year ending March 31, 2009, the Company is bolstering marketing in rapidly growing emerging countries, aiming to break the 9-million ceiling. We are committed to winning against the competition by launching products based on our proprietary advanced technologies.

Question 6

How are efforts progressing for improving profitability and securing the growth potential of the Document Solutions segment?



Source: Japan Business Machine and Information System Industries Association

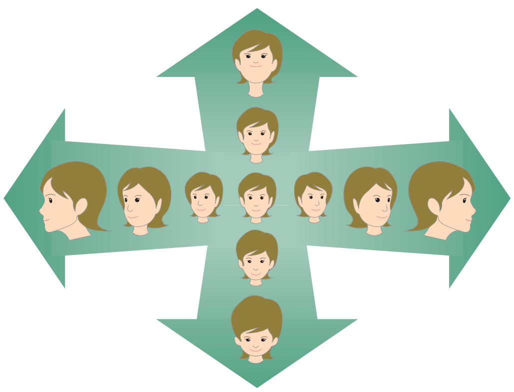
Answer

Promotion of the "Slim & Strong Drive" and our operations in the Asia-Pacific region including China, are boosting our profitability. Although this profitability has not yet attained a satisfactory level, we are determined to achieve an operating margin of 10%.

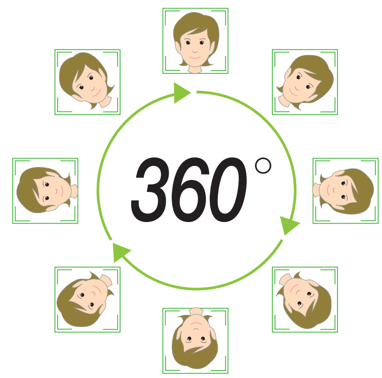
Fuji Xerox Co., Ltd. is leading the industry in terms of the number of both photo copies made using its products and color multifunction devices installed in offices in Japan. Despite declining domestic demand for monochrome multifunction devices, the digital printing market is showing increased demand for color on-demand printing systems. In such an environment, Fuji Xerox is actively marketing its ApeosPort series multifunction devices and other products, responding to such needs as networking capabilities, while offering services that contribute to more security-enhanced document management and more efficiency in operations. Fuji Xerox's consulting and document outsourcing businesses are growing both in Japan and overseas. Overseas customers are increasingly shifting from low-end, monochrome and single-function devices to high-end, color and multifunction devices. Tapping such trends, Fuji Xerox is strengthening the marketing for its color-capable models in the Asia-Pacific region including China. Moreover, export of multifunction devices to U.S.-based Xerox Corporation rose substantially, reflecting such factors as rising demand in resource-rich countries and newly industrializing countries (NICs) as well as benefits stemming from Xerox Corporation's acquisition of a marketing channels.

The positive effects of our "Slim & Strong Drive" cost-cutting efforts, including the transfer of production to China and the sharing and standardization of parts and materials, are expanding. Although achieving a 7.2% operating margin in the fiscal year ended March 31, 2008, the Document Solutions segment still has more to improve. We will undertake necessary reforms for further cost reductions and we are determined to realize our operating income margin target of 10% in the fiscal year ending March 31, 2010.

FinePix Digital Cameras: Integrated Innovations for Unsurpassed Quality



Wide horizontal range allowing detection of faces in profile



Face detection at any angle, even when faces are upside down

Wide Dynamic Range*

FinePix Wide Dynamic Range is 400% greater than conventional digital cameras, enabling the exploration of extreme scenes and capturing all the nuances of brightness and tonality. Fujifilm's proprietary technologies, such as the FUJINON LENS, the 8th-generation SUPER CCD, and the Real Photo III Processor, are incorporated to realize the wide Dynamic Range.

* Dynamic Range: Digital cameras' expression domain between the brightest and darkest areas

Advanced Face Detection

Extended 360—face detection in 0.036 second has been achieved, enabling detection of faces at any angle.

ISO12800

Boasting ultrahigh sensitivity of ISO12800, FinePix can capture beautiful photos in dark places.

DUAL Image Stabilization

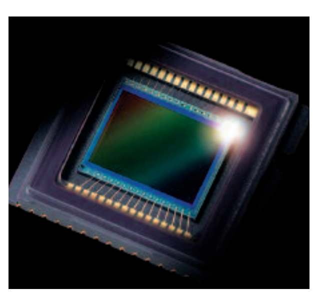
FinePix's ultrahigh sensitivity and the Image Stabilizer together help create clear and sharp images.

Film Simulation Mode

FinePix digital cameras can replicate the vibrancy of photos captured using film cameras.

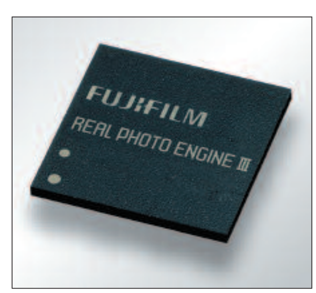
FUJINON LENS

This lens realizes clear images by leveraging high optical performance. While continuing to increase the compactness of the FinePix camera's body, Fujifilm is providing lenses able to meet needs in a broad range of situations requiring wide-angle and high-powered zoom photography.



8th-Generation SUPER CCD

This newly developed CCD boasts a high resolution of 12-megapixels and a high sensitivity of ISO3200.



Real Photo III Processor

Incorporating a newly developed image processing technology, the Real Photo III Processor accurately and thoroughly separates and eliminates noise from the image signal for clear and sharp images.

Management System

Question 7 Tell us about the Fujifilm Group's Corporate Philosophy.

Answer

As stated in the Corporate Philosophy, the Fujifilm Group's ultimate goal is to help enhance the quality of life of people worldwide.

In 2006, Fujifilm formulated its new Corporate Philosophy. I believe that a corporate philosophy represents the fundamental reason for the company to exist in society. The Group's new Corporate Philosophy challenges us to go beyond our traditional business fields of imaging and information and contribute to the advancement of culture, science, technology, and industry, as well as improved health and environmental protection in society. This philosophy and our passion for helping to enhance the quality of life of people worldwide were behind our decision to launch pharmaceutical operations and develop them into a comprehensive medical business. I strongly believe that pursuing the attainment of this philosophy over the medium-to-long term will lead to the maximization of our corporate value.

Corporate Philosophy

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

Question 8 We would like to know more about the Fujifilm Group's CSR Activities.

Answer

The Fujifilm Group's approach to CSR is to faithfully and fairly perform our role as a responsible corporate citizen and take a stance in contributing to society and make sure that we do not become self-righteous.

The objective of management is to increase corporate value. This does not simply mean increasing earnings. It includes making contributions to the advancement of society and culture and having the strength to meet societal needs and expectations that involve contributions to solving environmental and other key issues. We thus revised the Fujifilm Group Charter for Corporate Behavior and the Code of Conduct in April 2007. During these revisions, we asked ourselves about the kind of company that deserves social recognition, the direction toward which we should be heading, and the kind of action we should be taking. This self-questioning attitude has made us incorporate CSR into our management plans as part of the implementation of the Group's Second Foundation. Our approach to CSR is to faithfully and fairly perform the roles given to each individual and organization, contribute to society and ensure that we do not become self-righteous. This approach allows us to implement CSR activities, with executives and employees persistently searching for the truest sense of CSR. As a corporate group, we will proactively communicate with our stakeholders to constantly improve our CSR activities, and this will help develop a sustainable society.

Question 9 Tell us about Fujifilm's initiatives to maximize shareholder value and future policies on returns to shareholders.

Answer

I am committed to maximizing our corporate and shareholder value, optimizing the balance of our growth, profitability, efficiency, and returns to stakeholders, including shareholders.

To further bolster its corporate value, Fujifilm must optimize its balance of growth, profitability, efficiency and returns to stakeholders, including shareholders. We will aim for further growth by expanding existing businesses and accelerating the promotion of new businesses. The implementation of the VISION75 (2007) has resulted in a sharp improvement in our performance. We will implement initiatives to overcome negative operational factors and ensure our Second Foundation under the new VISION75 (2008). For the fiscal year ending March 31, 2009, we are aiming to achieve ¥2,900 billion and ¥210 billion in revenues and operating income, respectively. From the medium-term perspective, we will work to improve investment efficiency with emphasis placed on ROE and ROA. Moreover, we will pursue higher shareholder value by boosting the profitability of growth businesses while flexibly undertaking share buybacks to enhance capital efficiency.

Fujifilm has taken advantage of the opportunity provided by the sharp performance improvement achieved to more proactively return growing profits to shareholders. Thus, we have revised our basic policy on the distribution of profits to shareholders effective after the fiscal year ended March 31, 2008, setting a 25% target for our return to shareholders ratio*. For the reporting term, Fujifilm increased its annual dividend by ¥10 to ¥35 per share. This dividend increase, coupled with share buybacks totaling ¥34.1 billion, resulted in an approximate 50% return. We will strive to improve the ratio with due consideration given to our financial standing and future investment plans.

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

Shareholder Return via Cash Dividends and Company Share Buybacks

Results for Year Ended March 31, 2008			
Cash Dividends	Interim (Result)	¥17.50 per share (Up ¥ 5 YoY)	
	Full-Year (Result)	¥35.00 per share (Up ¥10 YoY)	
Company Share Buybacks	October 1–October 15		
	Number of shares purchased	2,700,000	
	Total amount	¥14.7 billion	
	November 12– November 29		
	Number of shares purchased	4,000,000	
	Total amount	¥19.4 billion	

→ **Return to Shareholders Ratio: 50%**

Research and Development

Technological Background to Support a Full-Scale Move into Pharmaceuticals Business

Our Technological Background and Reasons for a Move into Healthcare Business

The Fujifilm Group has a broad spectrum of fundamental technologies such as thin-film formation and processing, organic materials, inorganic materials, optics, analysis, imaging, and software technologies, which were cultivated in fields including photosensitive materials and xerography. Taking advantage of these fundamental technologies, the Company has accumulated diverse core technologies that cover fine chemicals, electronics, mechatronics, and software.

To pursue our corporate philosophy of using leading-edge, proprietary technologies to help enhance the quality of life of people, we placed the Medical Systems/Life Sciences business as a potential pillar for realizing growth toward our “Second Foundation.”

Fujifilm has more than 70 year’s experience in providing X-ray films and has leveraged its unique imaging technologies and M&A transactions to expand the scope of its diagnostic business into such fields as sonography, endoscopy, and nuclear medicine examination.

Fujifilm’s developments in photography have also enabled us to amass significant technological assets in the fields of fine chemical and fine chemical processing technology. For example, the dye-forming couplers used in photographic materials have a complex molecular design that incorporates a number of other characteristics besides their dye-forming functions, as well as a high level of organic synthesis technology that precisely controls their reaction. In addition, through the analytical valuation of photosensitive materials, Fujifilm has further increased the sophistication of its technologies for the analysis of reaction processes and has achieved an extremely high level of technological expertise in this area.

In 2006, making full use of the Group’s sophisticated antioxidation technologies, unique FTD (Formulation, Targeting and Delivery) technologies, and collagen research, we supplemented our existing operations related to “diagnosis” with the addition of “prevention” operations centered on newly launched functional cosmetic and internal care products. In the

Fujifilm’s Technologies Applicable to Drug Discovery

Toyama Chemical’s Technologies

Drug discovery capabilities and know-how

×

Fujifilm’s Core Technologies

1. Use of imaging and diagnostic technology
- Drug delivery detection to predict efficacy and side effects
- Application to personalized medicine (genetic diagnosis)

2. Use of FTD technology
- Breaking down ingredients to finer consistency for better penetration
- Protecting ingredients to prevent breakage
- Promoting breakdown/absorption at the optimum timing

3. Use of collagen/gelatin
- Experience of use as main ingredients for photographic film
- Preparation technology using highly safe genetic engineering

4. Use of synthesis technology
- Synthesis technology nurtured in photographic film development
- A library of 200,000 chemical compounds, different from conventional pharmaceuticals

5. Use of analytical technology/drug discovery support systems
- Analytical technology refined in the analysis/assessment of photographic film
- Use of the pharmaceutical development support system

Outcome of Partnership

Unique pharmaceutical business, generated through distinctive process
- Merger of diagnosis and treatment
- Pharmaceutical products applied with the drug delivery system
- Contribution to regenerative medicine

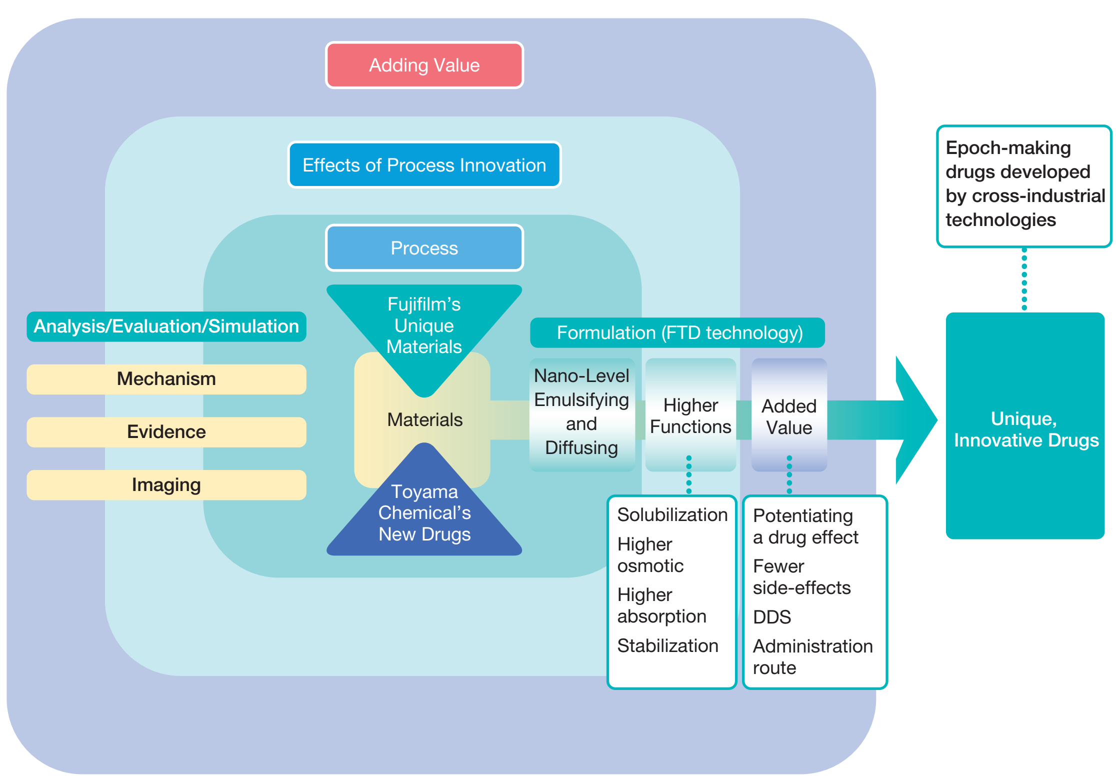
same year, Fujifilm consolidated FUJIFILM RI Pharma Co., Ltd. (previously Daiichi Radioisotope Laboratories, Ltd.), a leading manufacturer of radiopharmaceuticals. Moreover, Fujifilm has taken its first step into the "treatment" business by investing in Perseus Proteomics Inc. Perseus Proteomics is a pharmaceutical venture that has developed nuclear hormone receptors and is the only company in the world that holds licenses for all 48 types of anti-nuclear receptor antibodies.

Fujifilm also made a full-scale entry into the pharmaceutical business as a result of acquiring shares of Toyama Chemical Co., Ltd.,. By combining Fujifilm's technological expertise in organic synthesis technologies and analysis technologies with Toyama Chemical's proven drug discovery capabilities, Fujifilm is working to expand its pharmaceuticals operations by discovering new drugs through collaboration among companies in different industries.

Technological Synergy (1): Discovering new drugs through collaboration among companies in different industries

The FTD concept refers to the processes of formulating ingredients and materials to enhance their functionality, targeting the location to be addressed by formulations in fresh and stable states and delivering appropriate doses of the formulations to the targets at the appropriate times with sustained efficacy. This includes the use of nanotechnologies for dispersing materials into extremely minute size and stabilizing them and is one of the strongest components of Fujifilm's technology base. For example, Fujifilm is applying FTD technology to the development of an anticancer drug in collaboration with the U.S. bioventure Cangen Biotechnologies. Specifically, it is taking an existing anticancer treatment and coating it with a genetically engineered gelatin that is then directly administered to the site for cancer of the head and neck. In this way, the Company is working to create a revolutionary drug delivery system (DDS) that will control the release of the anticancer drug.

New Drugs Discovery Model through Synergies among Companies in Differing Industries



FTD technology enables an approach to drug discovery that has seldom been used in the pharmaceuticals industry until now. For example, FTD will enable the use of nanotechnology to develop drugs that can be efficiently and directly delivered to the affected part of the body and permit multiple types of drug delivery, not only through injection, but also orally. In addition, by reexamining active ingredients whose development was previously avoided due to insolubility or lipid solubility, Fujifilm has been able to expand its drug development opportunities and maximize the value of its drug pipeline.

In these and other ways, Fujifilm is striving to realize a drug discovery business model based on synergies among companies in differing industries giving birth to new pharmaceutical products by combining its own unique materials with Toyama Chemical's excellent drug discovery capabilities and its own innovative analysis technologies and FTD technology.

Technological Synergy (2): Revolutionizing the new drug discovery process

New drug development requires a lengthy R&D period. Pharmaceuticals companies must invest heavily in R&D over long periods of time. In addition, they must also grapple with such issues as a diminishing new drug pipeline and the low success rate of clinical trials.

Fujifilm boasts a library of some 200,000 compounds developed through its photographic materials business and has acquired superlative organic compound formulation expertise. Compounds synthesized as photographic dyes have, in some cases, become potential new drugs with anticancer effects. By undertaking a full-scale pharmacological screening of its compound library in conjunction with Toyama Chemical, Fujifilm has the potential of discovering a number of new drug compounds, which, in turn, could help bolster Toyama Chemical's drug pipeline

By building on its organic compound synthesis expertise, Fujifilm is working to control drug efficacy and toxicity by altering compound characteristics in hopes of increasing the accuracy of its drug discovery efforts.

In pharmacological screening, by taking advantage of its analysis technology and its wide range of imaging expertise, which includes radioisotopes, fluorescent reagents, and x-ray sensors, Fujifilm expects to increase the success rate of its clinical testing efforts.

In this way, Fujifilm and Toyama Chemical, which possesses superior drug discovery capabilities, are well-positioned to take advantage of major synergies in the Medical Systems/Life Sciences market targeted by Fujifilm.

Over the medium to long term, Fujifilm plans to accelerate the development of drugs through these synergies, such as its influenza treatment T705, rheumatoid arthritis treatment T-5224 (AP-1 inhibitor), and Alzheimer's disease detection agent T-817MA, enabling the Company to bring these drugs to market at an early date.

In the case of T-705, the use of proprietary technology for mass production (which has been an issue for competing drugs) should allow Fujifilm to use its leading-edge expertise to contribute to society by helping to prevent a pandemic of current worldwide concern.

Toyama Chemical's Pipelines Overseas

(As of May 2008)

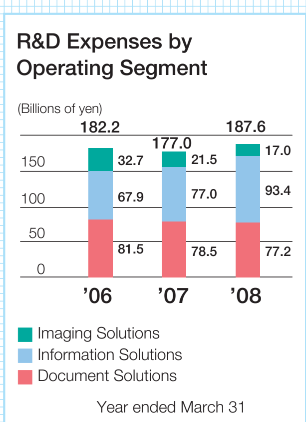
Stage	Development No.	Therapeutic Category
Preparing to refile	T-3811	New-type quinolone synthetic antibacterial agent Granted Schering-Plough (Worldwide except Japan, South Korea and China), Dong-A Pharmaceutical (South Korea)
Phase II	T-817MA	Treatment for Alzheimer's disease Preventing neurodegeneration induced by Amyloid-b protein In-house development
Phase I	T-705	Antiviral agent (Anti-influenza virus agent) In-house development
Non-clinical studies	T-5224	Antirheumatic agent (AP-1 inhibitor) Granted F. Hoffmann-La Roche

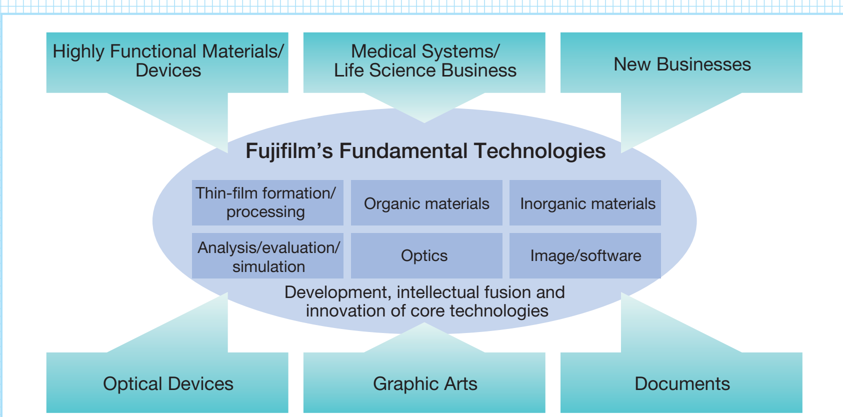
Japan

Stage	Development No.	Therapeutic Category
NDA filing	T-614	Antirheumatic agent A disease modifying anti-rheumatic drug (DMARD)
	YP-18	Penicillin formulation combining PENTCILLIN and ß-lactamase inhibitor Collaborative research and development with Taiho Pharmaceutical
Phase III	T-3262 10% fine granules	Oral quinolone synthetic antibacterial agent OZEX fine granules for children
	T-3762	Injectable quinolone synthetic antibacterial agent
Phase II	T-705	Antiviral agent (Anti-influenza virus agent) Potent in mouse infection models of H5N1 avian influenza
	T-5224	Antirheumatic agent (AP-1 inhibitor) Potential of becoming a curative treatment for rheumatoid arthritis
Phase I	T-3811	New-type injectable quinolone synthetic antibacterial agent Different from conventional quinolone antibiotics Good oral absorption and tissues distribution
Non-clinical studies	T-1106	Antiviral agent (Anti-hepatitis C agent)
	T-2307	Antifungal agent

The Fujifilm Group is striving to promote R&D activities in order to pursue growth in priority business fields and new business development.

The Fujifilm Group has a wide range of fundamental technologies such as thin-film formation and processing, organic materials, inorganic materials, optics, image and software. Today, we are promoting research and development in priority business fields—highly functional materials and devices, medical system/life science, optical devices, graphic arts, and documents—using product design technologies that combine these fundamental and core technologies. We are also pursuing the creation of new businesses that will play a leading role in the future.





Corporate Governance

The Company recognizes that a corporation's main mission is to keep improving the Company's 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 underpins our Groupwide efforts to achieve corporate governance consistent with a holding company and maximize corporate value. The Fujifilm Group aims to constantly improve the transparency and soundness of its Group management.

Corporate Organization and Others

Directors and Board of Directors

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

The Company's 111th ordinary general meeting of shareholders held in June 2007 resolved a proposition, "Granting of Remuneration to Directors under the Stock Option Plan," and accordingly, the Company introduced the plan. Through this change in its remuneration system, the Company has made its directors, excluding those externally appointed, share a mutual interest—the effect of stock price fluctuations—with its shareholders. In this way, the directors are in actual fact encouraged to have stronger drive and morale toward achieving higher corporate value.

Executive Officer System

The Company has adopted an executive officer system to facilitate speedier business implementation. Executive officers carry out business affairs in accordance with the basic policies and strategies formulated by the board of directors. The Company currently has 12 executive officers, including four concurrently serving as directors. The executive officers have a one-year term of office, the same as the Company's directors.

Management Council

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

Corporate Auditors and Board of Corporate Auditors

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

Internal Auditing

The Company has an Auditor's Office, which currently comprises 10 personnel, as an internal auditing unit that is independent from divisions responsible for the execution of business affairs. The Auditor's Office 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, this office evaluates and verifies that these processes are appropriate. In addition, personnel in specialized units at the operating companies audit operations affected by the Pharmaceutical Affairs Law of Japan, as well as those in the quality control, environmental and export control fields. Furthermore, the Company is working to establish a formidable evaluation and reporting system for the first year of Internal Control over Financial Reporting implemented in Japan in April 2008.

Independent Auditor

The Company engages Ernst & Young ShinNihon as its independent auditor. Ernst & Young ShinNihon expresses an opinion on the Company's financial statements from an independent standpoint as an auditor.

Matters Concerning the Outside Director and Outside Corporate Auditors

Major Activities

Outside director Teisuke Kitayama attended seven of the 12 board of directors meetings during the fiscal year ended

March 31, 2008. Mr. Kitayama requested explanations when necessary and offered advice where appropriate at the meetings he attended to ensure the adequacy and appropriateness of the decisions made by the board.

Outside corporate auditor Kiichiro Furusawa attended nine of the 12 board of directors meetings and 11 of the 13 board of corporate auditors meetings during the fiscal year under review. Outside corporate auditor Daisuke Ogawa attended nine board of directors meetings and 12 board of corporate auditors meetings during the same period. Both outside corporate auditors requested explanations when necessary and made comments where appropriate at the board of directors meetings they attended to ensure the adequacy and appropriateness of the decisions made by the board of directors. They also asked questions and expressed their opinions as appropriate at the board of corporate auditors meetings they attended.

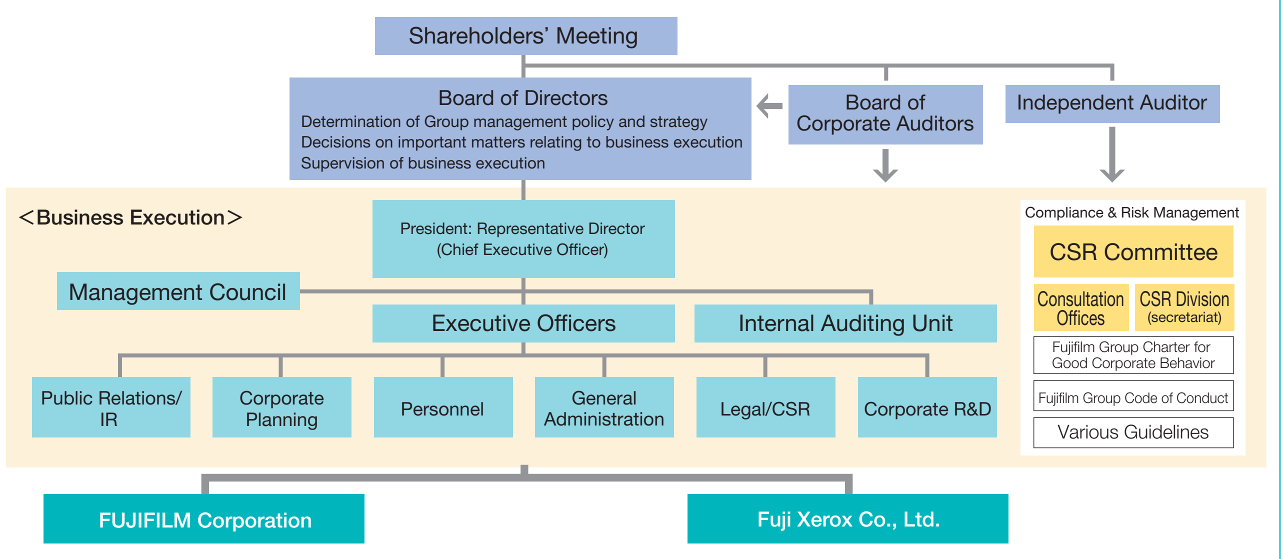
Support System for the Outside Director and Outside Corporate Auditors

The Legal Department, the secretariat for the board of directors, prepares materials and provides the outside directors and outside corporate auditors with information relating to proposals submitted to regular board of directors meetings. The department also provides them with supplementary explanations where requested. The Internal Auditing Unit, the secretariat for the board of corporate auditors, provides support to outside corporate auditors in such areas as the preparation of materials and provision of relevant information for regular meetings of the board of corporate auditors. The materials prepared are used to promote information sharing between standing statutory and outside corporate auditors.

Cooperation between Internal Auditing, Corporate Auditors and Independent Auditor

With the aim of improving corporate governance, the Fujifilm Group promotes mutual cooperation among internal auditing, corporate auditors and the independent auditor. When audits are planned, performed and reviewed every year, these three groups hold discussions and exchange information and opinions. In addition, discussions are held as needed when interim and year-end audits are carried out. In auditing Group companies, the Internal Auditing Unit and the independent auditor report the results to corporate auditors, while the three groups simultaneously conduct their individual audit operations and share information. This approach enables effective and efficient audits.

The Company's Corporate Governance Structure



Remuneration to Directors and Corporate Auditors during the Fiscal Year Ended March 31, 2008

Subject of Remuneration	Number of People	Amount Paid
Directors (outside director[s])	9 (1)	¥887 million (¥9 million), including ¥353 million indicated under Note (3)
Corporate auditors (outside corporate auditors)	4 (2)	¥56 million (¥19 million)
Total	13	¥943 million

Note: The amounts shown in the table above include the following:

(1) Bonuses paid to the directors during the fiscal year under review
- Total of ¥68 million paid to eight directors, including ¥1 million paid to the outside director
- Total of ¥5 million paid to four corporate auditors, including ¥3 million paid to the two outside corporate auditors

(2) Provision to the reserve for directors' retirement allowance during the fiscal year under review
- Total of ¥35 million for eight directors
- Total of ¥8 million for the two corporate auditors

(3) Remunerations in conjunction with the stock option plan
- Total of ¥654 million paid to seven directors

The amount of director remunerations presented in the table on the left is congruent with the total remuneration expenses recorded in conjunction with the stock options held by the Company's directors, which have been issued in compensation for their services. Since the Company commenced the allotment of stock acquisition rights as stock options from the fiscal year under review, the amount includes ¥353 million of the remuneration expenses posted in conjunction with the FUJIFILM Holdings Corporation No. 1-1 Stock Acquisition Rights. These stock acquisition rights have been issued to provide an incentive for promoting the improvement of Fujifilm's corporate value based on the fact that the Company achieved the consolidated operating income target set in the fiscal year ended March 31, 2007 and has established a foundation for future profitability.

Board of Directors, Corporate Auditors, and Executive Officers

FUJIFILM Holdings Corporation (As of June 27, 2008)

Shigetaka Komori
President and Chief Executive Officer, Representative Director

Toshio Takahashi
Chief Financial Officer, Representative Director

Tadashi Sasaki
Director

Shinpei Ikenoue
Director

Tadahito Yamamoto
Director

Nobuoki Okamura
Director

Teisuke Kitayama
Outside Director

Masahiro Miki
Corporate Auditor

Hiroshi Saigusa
Corporate Auditor

Kiichiro Furusawa
Outside Corporate Auditor

Daisuke Ogawa
Outside Corporate Auditor

Executive Officers

President and Chief Executive Officer
Shigetaka Komori

Executive Vice President
Toshio Takahashi

Senior Vice President
Shinpei Ikenoue

Corporate Vice Presidents
Nobuoki Okamura
Yoshikazu Aoki
Kouichi Tamai
Toshimitsu Kawamura
Kazuhiko Furuya
Toru Takahashi
Kouichi Suematsu
Sumito Yamada
Masahiro Asami

Internal Control

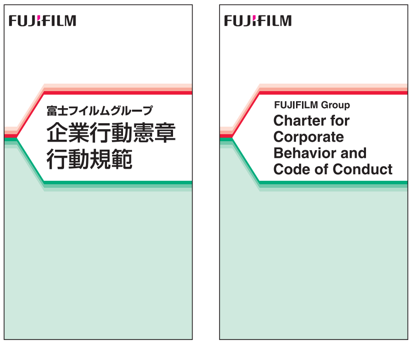
The Fujifilm Group corporate philosophy states, "We will use leading-edge, proprietary technologies to provide top-quality products and services that contribute to the advancement of culture, science, technology and industry, as well as improved health and environmental protection in society. Our overarching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

Compliance

As a set of fundamental policies regarding Fujifilm business activities, the Company has formulated the Fujifilm Group Charter for Good Corporate Behavior. Based on this charter, the Company has also established the Fujifilm Group Code of Conduct to better guide each and every 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, as the Company endeavors to instill and promote a compliance-based mindset throughout the entire Group, it has established a division within each of its operating companies that is exclusively responsible for promoting compliance. Fujifilm also maintains offices internally and externally to provide advice and consultations and receive communications and reports 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 the information are kept confidential by compliance advisors 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, which include rules for the use of circular letters, document management, timely disclosure, personal information management and other internal guidelines. While the Company demands operational adherence with these rules, its operating companies work continuously to raise awareness of compliance through regular educational and training activities.



A Handbook-sized Booklet Containing the Fujifilm Group Charter for Corporate Behavior and the Code of Conduct

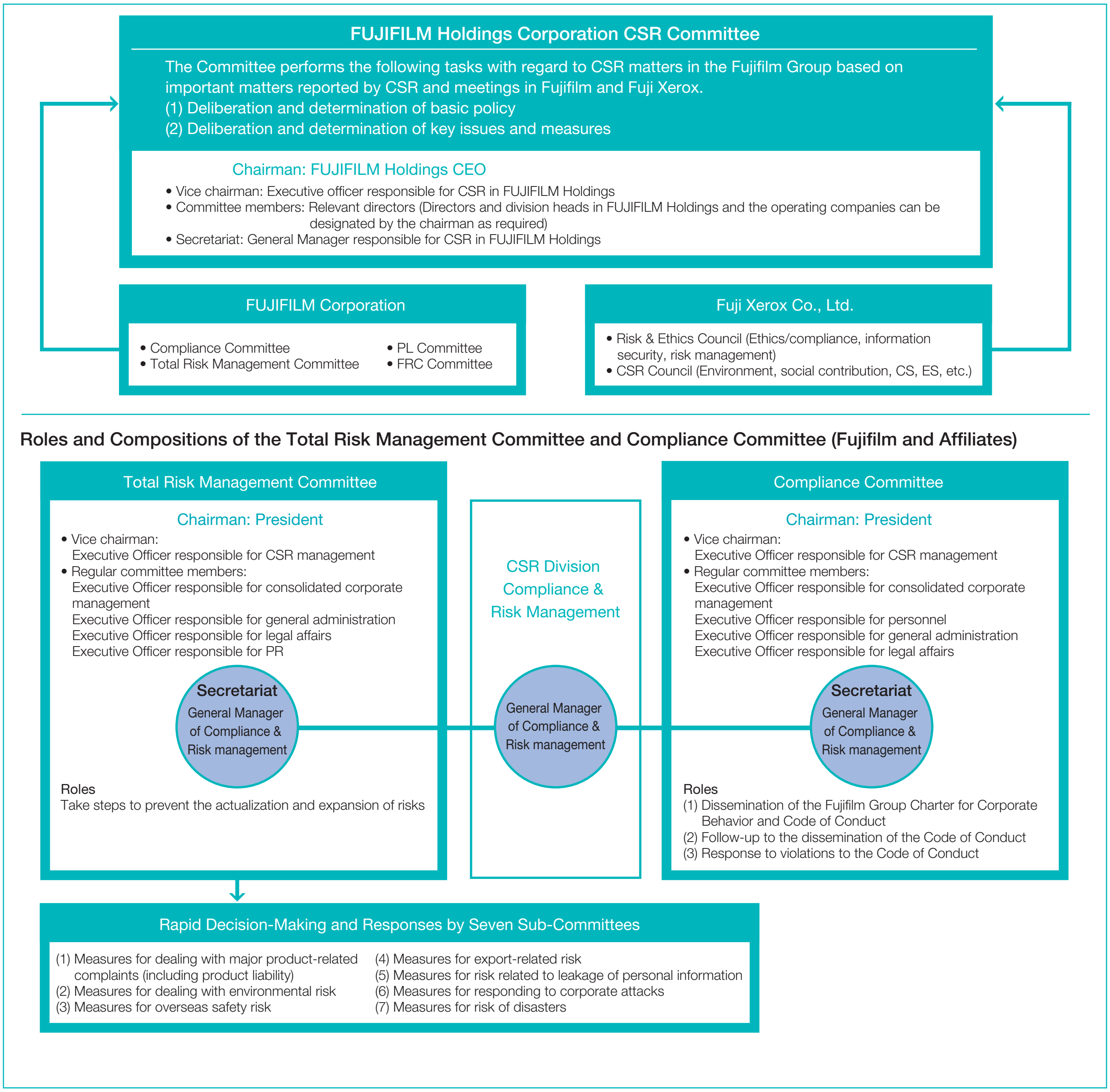
The Fujifilm Group's Compliance Statement

In all aspects of our corporate activities, we emphasize compliance and endeavor to create new value. If compliance requirements conflict with business profits or the demands of third parties, we give priority to compliance. An open, fair and clear corporate culture is the basis for all our activities.

Risk Management Systems

All Fujifilm Group companies establish and maintain their own appropriate risk management system. As such, each Group company is responsible for reporting important risk-related information to the CSR Committee secretariat in line with prescribed procedures. The CSR Committee, headed by the President, formulates basic policies and determines and promotes appropriate responses to significant risks from a Group perspective. Internal audits are the responsibility of the Internal Auditing Unit that is independent from divisions responsible for the execution of business affairs. Ongoing efforts will be made to strengthen internal auditing.

As a holding company, Fujifilm Holdings supervises the execution of business activities by subsidiaries from the standpoint of its shareholders, while also conducting operations common to the Group in a unified, efficient and appropriate manner. At the same time, the Company provides guidance, support and supervision in the establishment of systems and execution of business by its subsidiaries. In this way, the Company aims to ensure the appropriate conduct of business operations across the Group.



Adoption of Fair Rules for the Acquisition of Substantial Shareholdings ("Shareholders' Will Confirmation Type" Takeover Defense Measure)

1. Reason for Adopting the Plan

The Company believes that the ultimate decision on whether or not to accept a takeover proposal for the Company should be made by the shareholders of the Company at the time the takeover proposal is made. In this case, we believe that it is necessary to adopt fair rules so that shareholders of the Company can make a duly informed judgment. Based on this thinking, the Company's board of directors on March 30, 2007 decided to adopt "Fair Rules for the Acquisition of Substantial Shareholdings" ("Shareholders' Will Confirmation Type" Takeover Defense Measure, hereinafter "the Plan"), which sets forth clear and specific procedures that a bidder can follow to commence a takeover proposal.

The Plan is designed to enable the shareholders at the time the takeover proposal is made to make a duly informed judgment as to whether to accept the bidder's takeover proposal based on sufficient information and with a reasonable time period for the Board to consider the takeover proposal and pursue alternatives, and also to arrive at informed judgment based on a fair and highly transparent procedure.

2. Overview of the Plan

When a bidder who tries to acquire 15% or more of the Company's voting shares complies with the conditions specified in the Plan (submits the necessary information and waits through the review period), the Company will carry out procedures to ascertain the shareholders' will to request they make the ultimate decision at that time as to whether or not to issue stock acquisition rights (the "Rights") by way of a gratis allotment as a defensive measure.

If the Company's board of directors determines the takeover proposal to be in the Company's and its shareholders' best interests, there will be no need to ascertain shareholders' will. An issuance of Rights by way of gratis allotment as a countermeasure will only be made if the result of ascertaining shareholders' will is that the shareholders approve such an issuance or the bidder has not followed the procedures required by the Plan.

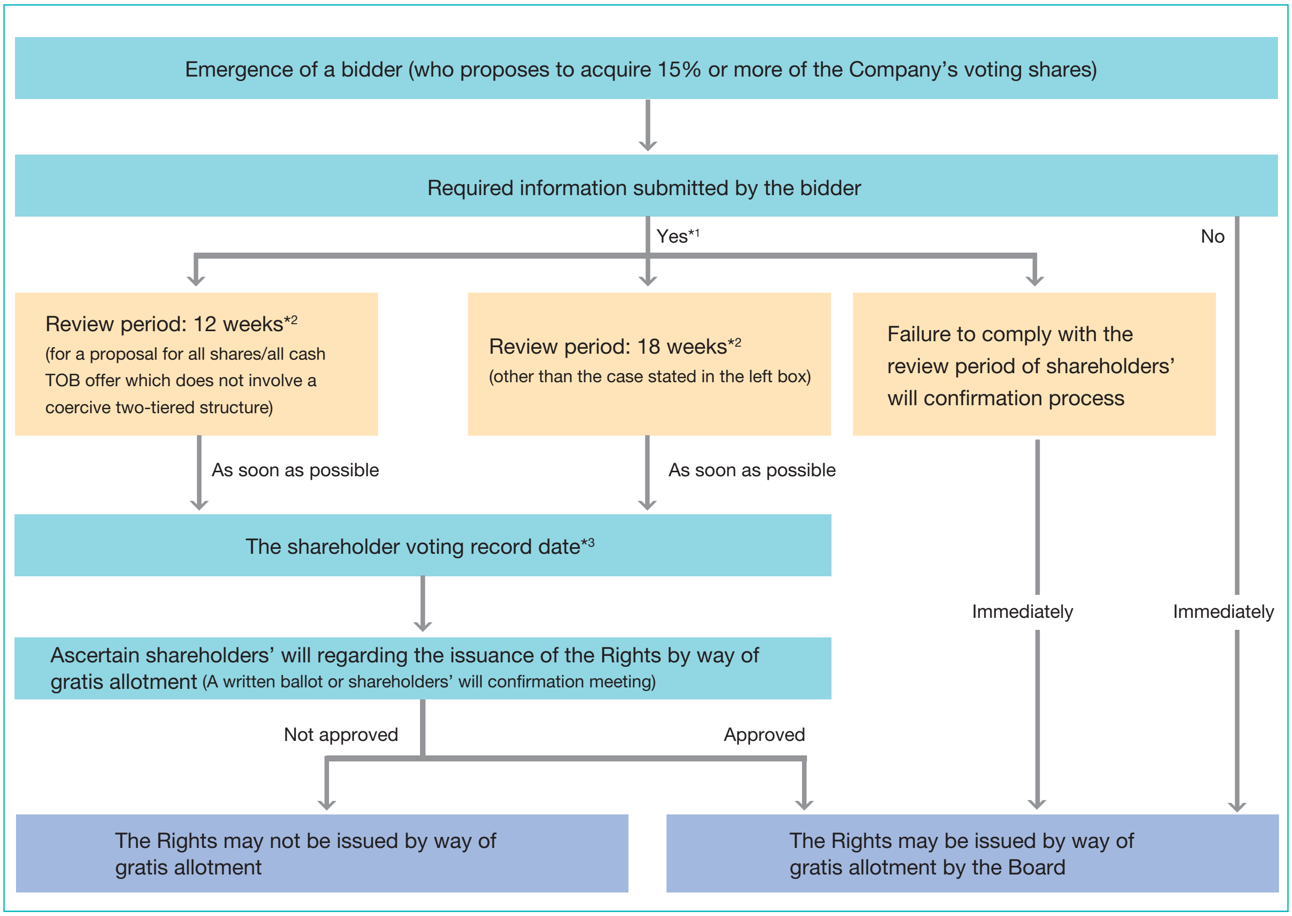
3. Effective Period for the Plan

The Plan is effective for three years from March 30, 2007 and may be renewed by a resolution of the board of directors, taking into consideration the views of the outside directors and the outside corporate auditors of the Company.

Reference

Applicable Procedures from Emergence of a Bidder to Decide to Issue the Rights by Way of a Gratis Allotment

(This chart is intended only to assist with understanding the Plan. Please refer to http://www.fujifilmholdings.com/en/investors/fairrules/index.html for more details.)



*1: If the Board, based on the required information submitted by the bidder, determines that the bidder's proposal is in the best interests of Fujifilm and its shareholders, the shareholder vote will not be held, and no Rights will be issued by way of a gratis allotment.

*2: The review period will be extended for eight weeks if the Board receives an opinion from an investment bank which states that the offer price is inadequate from a financial perspective. In addition, if the bidder has neither submitted the securities registration statement(s), the securities reports, the semi-annual securities reports and extraordinary reports (including any amendment of each of such statement(s) and reports), each prepared in Japanese, required to be submitted under the Financial Instruments and Exchange Law of Japan (including any law succeeding it) covering the past five years, nor published any documents corresponding thereto in Japanese (excluding any summary in Japanese of such documents which were available only in a foreign language; provided, however, that there is an exception for the foreign securities reports and the foreign semi-annual securities reports under the Financial Instruments and Exchange Law) covering the past five years, the review period will be extended for another four weeks.

*3: The shareholder voting record date will be publicly announced at least two weeks prior to the record date.

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

The Fujifilm Group's Approach to CSR

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

We will:

1. fulfill our economic and legal responsibilities, and respond to society's demands by contributing as a corporate citizen to the development of culture and technology 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; and
3. enhance corporate transparency by actively disclosing information to fulfill accountability for our business activities.

Tackling Climate Change Issues

Fujifilm and its affiliates account for approximately 90% of the Fujifilm Group's total CO_2 emissions. The six principal manufacturing facilities of the Fujifilm Group, including two operated by Fujifilm affiliates, have worked to reduce their unit CO_2 emissions volume* by 20% from the 1990 level by 2010. Now aiming for a higher target, Fujifilm has set a new, more challenging target of a 40% reduction for 2012. In step with the new target, Fujifilm established the Global Warming Steering Committee in August 2007. Consisting of executives in charge of manufacturing facilities and logistics operations, the mission of this committee is to promote and coordinate activities aimed at achieving the 40% reduction.

The committee is also responsible for accelerating the Group's introduction of innovative technologies for enhanced manufacturing efficiency and is implementing group-wide initiatives to cut CO_2 emissions at the Headquarters, research laboratories and logistics operations. Meanwhile, Fujifilm is constantly strengthening educational activities aimed at nurturing global warming awareness among Group employees and their family members.

Additionally, Fujifilm participates actively in the Community Development Carbon Fund (CDCF) managed by the World Bank and has contributed a total of US$9 million to the fund. Through the application of economic and other approaches, the Company is joining global efforts to fight global warming.

* CO_2 emission volume per unit production volume

Stakeholder Dialogue

The Fujifilm Group has conducted stakeholder dialogues every year since 2004. They serve as an open forum to explore CSR issues and activities and find solutions. Fujifilm is using the results of these dialogues to improve its CSR activities, as shown in the diagram below. The significance of individual issues is examined from the perspectives of both the Group and the stakeholder.

Important CSR issues identified through these dialogues include environmental conservation (CO_2 emissions reduction and other efforts), human diversity, biodiversity, CSR-oriented procurement, and social contributions. In tackling these issues, the Group has, for example, launched the F-POWER Project Promotion Team* to promote the use of diverse human resources, recognizing the importance of human diversity.

* Launched in March 2007, this special taskforce works to identify issues that should be addressed in the future from the perspective of "enabling female employees to exert their full potential and continue to work at Fujifilm." F-POWER stands for "FUJIFILM POSITIVE WOMEN ENCOURAGING RENOVATION."

Evolution of Stakeholder Dialogue

	2004 Organizing Concepts	2005 Identifying and Sharing Issues	2006 Exploring Issues	2007 Finding Solutions
Participants	• Fujifilm (12 people) • External stakeholders (4 people)	• Fujifilm (15 people) • External stakeholders (9 people)	• Fujifilm (12 people) • Fuji Xerox (2 people) • Affiliates (1 person) • External stakeholders (8 people)	• Fujifilm (26 people) • Fuji Xerox (15 people) • Affiliates (2 people) • External stakeholders (3 people)
Purpose	Organization of concepts Identification of issues	Identification of issues	Sharing of issues Exploration of issues ●	Sharing of issues Exploration of issues ● Creation of synergies through dialogue between staff ●
Theme	(1) Clarification of issues in CSR (2) Establishment of a clear vision and plan (3) Dissemination to all employees (including group companies) (4) Executive training (5) Future relations with stakeholders (6) Implementation of CSR including the supply chain	(1) Biodiversity (2) Human diversity (3) CSR-oriented procurement (4) Social contributions (5) Environmental conservation activities	(1) Operating activities (CO_2) (2) Human diversity (3) CSR-oriented procurement	(1) Products (CO_2) (2) Human diversity (3) Biodiversity

● Items with this mark are areas the Fujifilm Group is particularly focusing upon.

Looking to the Future

The Fujifilm Group remains persistent in reviewing the history of its CSR activities from the perspectives of both corporate management and stakeholders. This approach has enabled us to clarify our priorities for a number of CSR-related issues, and based on the priorities thus set, we decided in June 2007 to tackle certain issues over the medium to long term. Looking ahead, the Group will continue to expand its CSR activities in a more selective manner, with a full grasp of what is truly invaluable to it and to society at large.

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

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

FTSE4Good

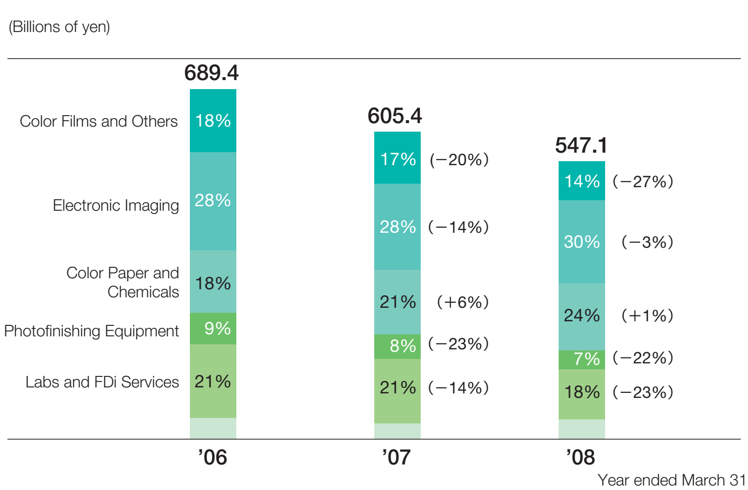
Dow Jones Sustainability Indexes
Member 2007/08

- Included in the FTSE4Good Global Index
- Included in the Dow Jones Sustainability Indexes 2008
- FUJIFILM Holdings rated in the top 50 companies worldwide by Global Reporters 2006, an international benchmark survey of corporate sustainability reporting
- Fuji Xerox A4-capable color laser printer won the "Energy Conservation Prize" at the Energy Conservation Awards for the ninth consecutive year.

Imaging Solutions

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

Breakdown of Revenue (2006–2008)

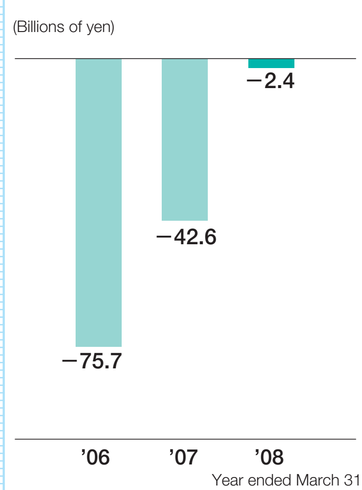


Percentages in parentheses represent year-on-year changes in revenue of each category

Reasons for YoY Changes

- (+) Higher color paper sales due to strong "Print at Retail" services and expanded market share
- (−) Lower sales of color films in a shrinking market (Fujifilm's market share increased)
- (−) Lower sales of photofinishing equipment

Operating Loss



Reasons for YoY Changes

- (+) Benefits of reduced costs achieved through structural reforms
- (−) Rise in the prices of silver and other principal raw materials
- (−) Effects of the adoption of revised depreciation methods

Results for Fiscal Year Ended March 31, 2008

Consolidated revenue in this segment declined 9.6% year on year to ¥547.1 billion. Increased sales of color paper attributable to our expanded market share were offset by the adverse effects of decreased demand for color films and digital minilabs. This segment posted an operating loss of ¥2.4 billion. The degree of deficits has been significantly reduced due to the positive effects of our cost-reduction efforts through structural reforms, which more than compensated for surging silver prices and the cost increase attributable to the adoption of revised depreciation methods.

Segment Outlook

In the Imaging field, Fujifilm has managed to improve its cost competitiveness and is working to establish a framework capable of consistently generating earnings thanks to the structural reform that the Company had promoted from the fiscal year ended March 31, 2006. A competitive environment surrounding this segment is undergoing a drastic change, fueled by withdrawals of the Company's competitors from relevant markets. In this situation, Fujifilm will step up efforts to enhance its profitability through business promotion consistent with ongoing changes in market conditions.

Color Paper, Chemicals and Photofinishing Equipment

Demand for printing photos from color films continued declining as demand weakened for color films. However, the growth in sales of digital cameras and camera phones is steadily driving up the volume of digital photo prints. Under these circumstances, Fujifilm has maintained robust sales in the color paper field, supported by an increased market share in principal countries, expanded "Print at Retail" services and sales promotion for "photo book" and other high-value-added printing services. In photofinishing equipment, however, sales have declined as large-scale retail outlets ended a cycle of new installations of digital minilabs.

Business Outlook

User needs are diversifying in step with the expanding digital photo printing market. Through solution development incorporating such needs, Fujifilm is strengthening its "Print at Retail" service lineup. Meanwhile, the online photo service market boasts significant growth potential. By bolstering our business in this market, we will keep disseminating the joy of photo printing and enhancing our services.

Electronic Imaging

The global digital camera market kept growing, recording total shipments of 106 million units, 30% higher year on year, according to statistics released by the Camera & Imaging Products Association (CIPA) for the fiscal year under review. However, price competition continued to intensify, particularly for entry-level models, as differentiation in basic specifications among camera manufacturers became difficult.

Despite decreased product prices and the U.S. economy's slowdown, Fujifilm expanded sales volume with its shipments exceeding 8 million units. This jump was achieved through our new product launches, including the FinePix F50fd, a compact digital camera with an advanced face detection technology, and the FinePix Z10fd, another popular digital camera wrapped in cool "aero" curves and rounded edges on a slim body. Moreover, Fujifilm successfully completed structural reforms to reinforce the foundation of its digital camera business.

Business Outlook

Growth of the digital camera market is expected to slow down. Nevertheless, market competition is forecast to remain fierce. In such an environment, Fujifilm will strengthen its cost-reduction efforts while launching distinctive new products.

Color Films and Others

As the market continued to shrink, sales dropped for color films and other related products. However, capitalizing on the opportunities provided by competitors' withdrawal from the market, Fujifilm succeeded in increasing its market share through effective sales promotion.

Business Outlook

In response to shrinking sales volume and surging silver prices, we will strive to maintain profitability through such initiatives as further reducing fixed costs and implementing price revisions.

Photo Book

FinePix F50fd

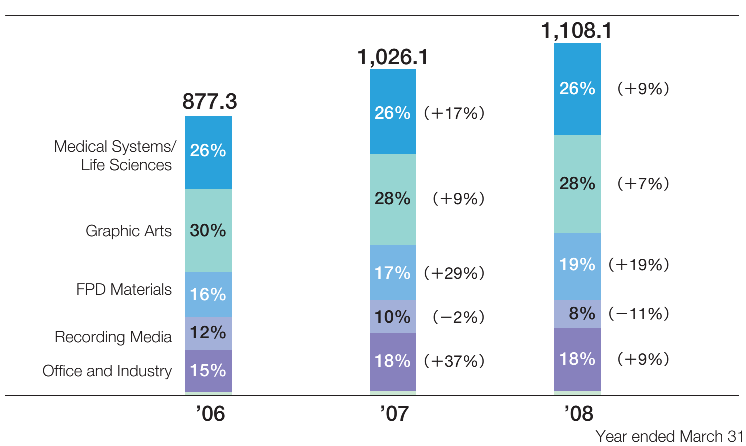
FinePix Z10fd

Information Solutions

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

Breakdown of Revenue (2006–2008)

(Billions of yen)



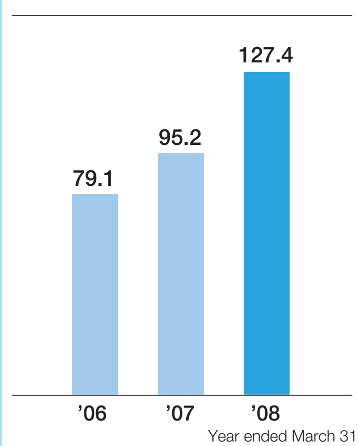
Percentages in parentheses represent year-on-year changes in revenue of each category

Reasons for YoY Changes

+ Sales growth in main business fields

Operating Income

(Billions of yen)



Reasons for YoY Changes

+ Benefits of higher sales volume for mainstay products
- Rises in the prices of silver and other principal raw materials
- Effects of the adoption of revised depreciation methods

Results for Fiscal Year Ended March 31, 2008

Consolidated revenue in this segment rose 8.0% compared with the previous fiscal year, to ¥1,108.1 billion, against the backdrop of the robust performance of medical systems and services, which are centered on Fujifilm's SYNAPSE, a medical-use picture archiving and communications system (PACS), and strong demand for FPD materials, along with steady sales of the Company's lens units for camera phones in the optical devices field. Operating income totaled ¥127.4 billion, an increase of 33.9% year on year, up 13.3% compared with pro forma operating income, which excludes structural reform charges booked in the previous fiscal year. The negative impact of surging raw material prices and the cost increase attributable to the adoption of revised depreciation methods was offset by increased sales and ongoing cost-reform program.

Segment Outlook

Even amid a headwind of surging raw material prices, the Fujifilm Group has achieved an increase in operating income, buoyed by strong sales of mainstay products and reduced costs attributable to the effective implementation of its "Slim & Strong Drive." Looking forward, the Company will aggressively invest in the Information Solutions segment and actively implement various initiatives to realize sustainable growth over the medium to long term.

Medical Systems/Life Sciences

We continued to achieve robust sales growth for Fuji Computed Radiography (FCR) digital X-ray imaging and diagnostic systems, dry films and other equipment and materials. Increased use of IT at medical institutions has led to expanded sales of SYNAPSE. Meanwhile, amid intensifying competition in the endoscope business, we have bolstered the marketing for compact, high-performance and differentiated products such as our transnasal endoscopes while strengthening our global sales network. Furthermore, Fujifilm made Toyama Chemical Co., Ltd. a consolidated subsidiary in March 2008. Toyama Chemical will lead our penetration into the medical treatment business.

Business Outlook

Closely observing the ongoing digitization and increasing use of IT in the medical field, Fujifilm is promoting the shift to a business portfolio prioritizing equipment and network systems. Also, we are bolstering the marketing of these products in emerging countries. In endoscopes, we will selectively allocate management resources and sharpen our market competitiveness. By entering the pharmaceutical business, in other words, complementing our existing portfolio of preventive treatment and diagnostic businesses with a medical treatment business, we aim to develop a comprehensive healthcare business.

Graphic Arts

Sales expanded due to demand growth in emerging countries and our improved production capacity responding to the spread of computer-to-plate (CTP) systems. In April 2007, we commenced the North American marketing of industrial-use inkjet printers that use FUJIFILM Sericol's solvent inks and UV inks, which boast outstanding weather-resistance. The Company is now expanding the marketing of these printers into Europe and Asia.

Business Outlook

To absorb price surges for aluminum—a raw material of CTP plates—Fujifilm will advance its efforts to reduce fixed costs. In addition, we will strengthen our business structure to expand our global CTP plate market share. To this end, we will bolster sales activities toward attaining a global market share target of 40% and invest approximately ¥15 billion to build a new CTP plate production line at our base in the Netherlands.

FCR CAPSULA-2

"SYNAPSE EX" a PACS for medical use

Luxel T-9800CTP HS

Flat Panel Display Materials

Sales grew for our mainstay FUJITAC protective film for polarizers and wide-view (WV) films for expanding the viewing angle due to robust demand in the liquid crystal display (LCD) market. At FUJIFILM Kyushu Co., Ltd.'s No. 2 Manufacturing Plant, the new third and fourth production lines commenced operation in August 2007 and January 2008, respectively. These new lines have enhanced capacity for producing FUJITAC and highly functional films for in-plane switching (IPS)-mode LCD TVs.

Business Outlook

Fujifilm will establish a formidable supply structure for FUJITAC and maintain its overwhelming market share. Also, we will keep upgrading WV film performance to broaden application fields, covering both the existing LCD monitor category and the new medium-sized LCD TV category. Furthermore, we aim to improve the share of our films in the VA-mode LCD TV market by launching new high-function films while maintaining the de facto standard status of our films for IPS-mode LCD TVs, which command a 90% or greater market share today.

Recording Media

In the high-end enterprise-use data storage product market, sales were strong for our data cartridge products used for the IBM TotalStorage® Enterprise Tape Drive 3592. On the other hand, our performance was stagnant in the mid-range data storage category due to severe price competition in the market.

Business Outlook

Amid the intensifying price competition, we will pursue further cost reductions through the promotion of the "Slim & Strong Drive."

Office and Industry

Amid the trend of rising pixel counts and other sophisticated needs related to camera phones, Fujifilm achieved sales growth in the optical devices field, reflecting a high market evaluation for its camera phone lens units featuring compact, light, high image quality, auto-focus and zooming functions. In particular, our advanced three-megapixel and higher lens units, which require sophisticated manufacturing know-how and apply our proprietary capabilities, command approximately 60% of the global market share.

Business Outlook

Fujifilm will continue the development of next-generation, high-value-added lenses to bolster its leading industry position. Furthermore, we will work to increase sales through the development of lenses for applications in surveillance, verification and automotive cameras, all of which have potential for accelerated expansion.

FUJINON Lenses Mounted on Lunar Orbit Explorer *SELENE*

(© JAXA/SELENE)

SELENE is the lunar orbit satellite launched by the Japan Aerospace Exploration Agency (JAXA)-the world's first of such attempts since the Apollo project. Three types of satellite optics lenses developed by FUJINON Corporation, a Fujifilm consolidated subsidiary, have been mounted on *SELENE*, which was launched on September 14, 2007. The satellite will make detailed observations of the moon for about a year to investigate the moon's origin and evolution.

For imaging under the harsh conditions of space, satellite optics lenses are required to demonstrate not only high durability, but also reliability in achieving sharp, high-resolution images. FUJINON lenses have met such requirements and are being used to capture images of landforms and mineral distribution on the moon. Also mounted on a high-definition television camera developed by NHK (the Japan Broadcasting Corporation), FUJINON lenses are being used to shoot images of the earth rising on the horizon of the moon—the world's first of such attempts.

New Production Line at Netherland Plant to Expand Production Capacity of Offset CTP Plates

Fujifilm will invest approximately ¥15 billion in its European manufacturing operation, FUJIFILM Manufacturing Europe B.V. (Netherlands), to construct a new CTP plate production line. FUJIFILM Manufacturing Europe is one of four global bases*1 for the production of offset printing plates. Construction will commence in October 2008 and operation is scheduled to start in January 2010.

In step with the spread of digitized printing processes, the demand is rapidly rising for CTP plates, which enable direct transfers of digital text and image data to printing plates, eliminating the film processing stage. Meanwhile, due to increased environmental awareness on a global scale, demand is growing sharply, particularly in Japan, the United States and Europe, for environment-friendly products such as processless CTP plates*2, which generate no waste liquid due to the elimination of the film development process, and chemical-free CTP plates, which reduce waste liquid thanks to simplified development processes. Recently, demand for CTP plates is expanding also in emerging countries.

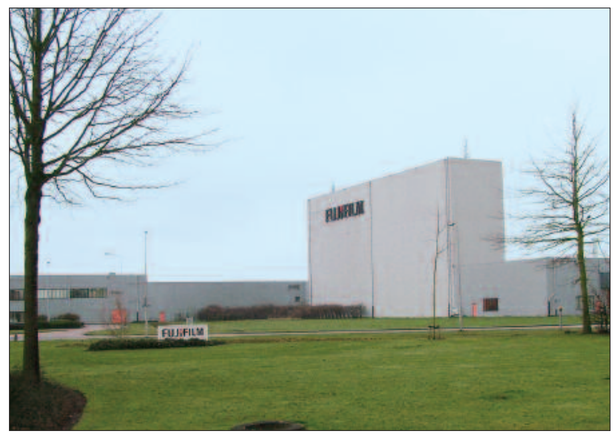
This new production line, coupled with the upgrading of Fujifilm's existing production facilities, will boost the Company's global CTP plate production capacity to 18 million square meters per month. The application of Fujifilm's unique surface treatment technology, called MultiGrain Technology*3, will enable the stable production of high-durability, high-definition CTP plates with excellent reproduction capability. Furthermore, the new line will be compatible with the manufacture of processless and chemical-free CTP plates, which require advanced production technology.

This Netherland base will be Fujifilm's third base for producing advanced plates, following those in Japan and the United States. Looking ahead, the Company will expand the supply of CTP plates in Europe, as well as in the Middle East-region boasting exceptional growth potential. In this way, we aim to further increase the market share of our CTP plates.

*1: Japan, the United States, the Netherlands and China

*2: CTP system, which generates no waste liquid due to the elimination of film development processes and has low environmental load

*3: Technology to place four layers of multiple fine-texture grains on the surface of CTP plate aluminum base



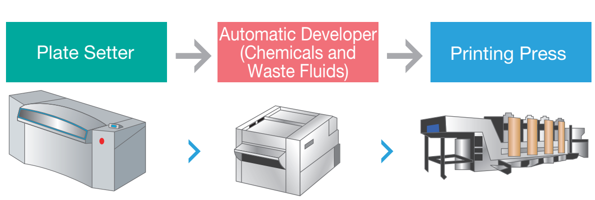
FUJIFILM Manufacturing Europe B.V. Plant

Profile of the New Production Line

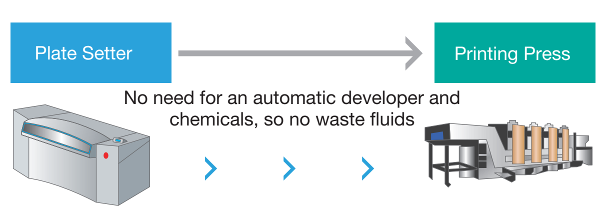
Location	FUJIFILM Manufacturing Europe B.V. Industrieterrein Vosseenberg, Oudenstaart 1, 5047 TK Tilburg, the Netherlands
Investment	96 million Euro
Product	CTP plate, an offset printing plate material
Total floor area	Approx. 19,000 m^2
Construction start	October 2008 (plan)
Operation start	January 2010 (plan)

Printing Work Flow of Processless Thermal Plates

● Current CTP Plate Workflow



● Processless CTP Plate Workflow



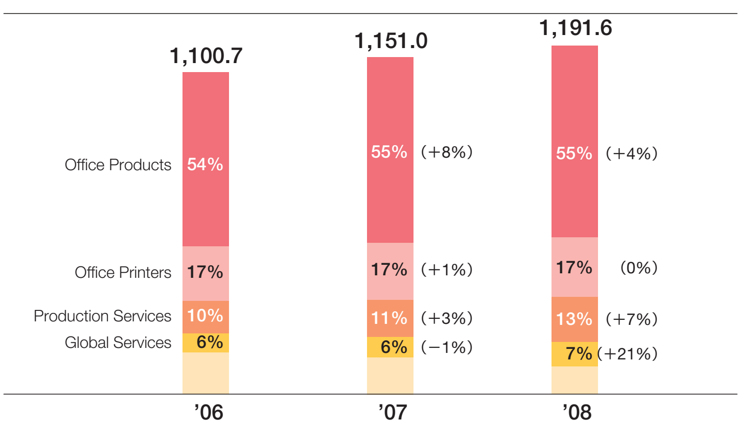
Approx. 40% reduction in CO_2 emissions substantially lightens the environmental impact.

Document Solutions

The Document Solutions segment encompasses office copy machines and multifunctional devices, printers, production services and related products, paper, consumables, and office services.

Breakdown of Revenue (2006–2008)

(Billions of yen)



Year ended March 31

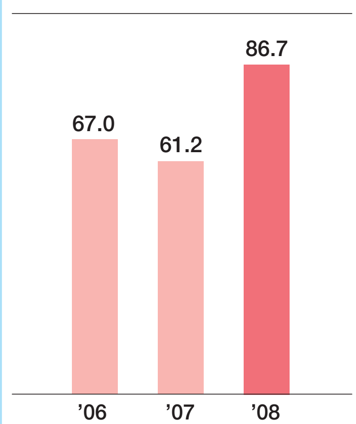
Percentages in parentheses represent year-on-year changes in revenue of each category

Reasons for YoY Changes

- (+) Benefits of increased exports to Europe and North America as well as sales growth in the Asia-Pacific region including China

Operating Income

(Billions of yen)



Year ended March 31

Reasons for YoY Changes

- (+) Higher office products business revenues in exports to the Asia-Pacific region including China, and sales in Europe and North America
- (+) Benefits of decrease in procurement costs and enhanced productivity

Results for Fiscal Year Ended March 31, 2008

Consolidated revenue in this segment rose 3.5%, year on year, to ¥1,191.6 billion, driven by strong growth in exports of color digital multifunction devices and on-demand publishing systems to Europe and North America and sales in the Asia-Pacific region including China. Operating income increased 41.6%, or 11.3% compared to pro forma operating income in the previous fiscal year, to ¥86.7 billion. Higher sales of office products in the Asia-Pacific region including China, a decrease in procurement costs and improved productivity contributed to growth in income.

Segment Outlook

In Japan, the segment will aim for a top market share by taking steps to strengthen its provision of high-value-added products in the office products field. In the Asia-Pacific region including China with high growth potential, Document Solutions will work to expand its production service business, while also promoting the popularization of color products. Furthermore, by implementing initiatives under the "Slim & Strong Drive," it will work toward improving its cost to sales and SG&A ratios.

Office Products

In Japan, this business experienced healthy sales of the newly developed LED (light-emitting diode) print head-loaded, full-color, digital multifunction devices ApeosPort-III C3300/C2200 and DocuCenter-III C3300/C2200 that were launched in November 2007. However, owing to a drop in demand, mainly for monochrome models, sales volumes waned. In the Asia-Pacific region including China, sales of color devices surged. Also, due to a rise in exports to U.S.-based Xerox Corporation, which acquired a new sales channel, shipments increased for both monochrome and color devices destined for Europe and North America significantly increased.

Business Outlook

The office products business will aim for a No. 1 market share by providing information security and enhanced network-related products, solutions and services. At the same time, it will work to bolster the competitiveness of its products targeting major enterprise customers—an area where it boasts particular strengths.

Office Printers

In Japan, the office printers business released the LED print head-loaded, color laser printer DocuPrint C2250 to augment a printer lineup that includes the mainstay color laser printer DocuPrint C3050. As a result, sales of Fuji Xerox's own brand products increased. However, OEM sales dropped owing to a decline in OEM customers' sales. In the Asia-Pacific region including China, sales of color and monochrome devices increased on the back of ongoing market growth.

Business Outlook

The office printers business will look to continuously strengthen sales of color and monochrome devices in the high-demand Asia-Pacific region including China.

ApeosPort-Ⅲ C3300/C2200

DocuPrint C2250

Production Services

Despite an increase in the sales volume of color on-demand publishing systems for Japan's digital printing market, domestic sales dropped slightly due to a decrease in prices of monochrome devices attributable to intensified market competition. In exports to Europe and North America, sales grew for the business's color publishing entry-level model, DocuColor 5000 Digital Press. In the Asia-Pacific region including China, sales volumes of monochrome devices in addition to color entry-level models increased.

Docu Color 5000 Digital Press EFI Fiery Color Server Model

Business Outlook

Mainly in the markets of the Asia-Pacific region including China, the business will expand its production services business by bolstering its product competitiveness and marketing capabilities.

Global Services

Global services, including consulting services targeting enhanced administrative processes for customers as well as the document outsourcing business that handles document management and general administrative operations, continued to grow both in Japan and overseas.

Business Outlook

Regardless of country or region, Fuji Xerox is working to expand its service lineups by collaborating with Xerox Corporation in order to accelerate the advancement of global services that contribute to the growth of customers' businesses.

Topics

Fuji Xerox's Environmental Technologies: EA*-Eco Toner

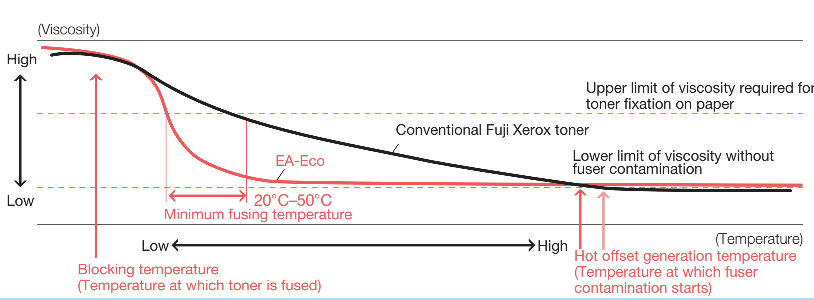
* Emulsion Aggregation

In December 2007, Fuji Xerox commenced the mass-production of the new EA-Eco Toner that realizes excellent energy-savings by cutting up to 40% of power consumption at the moment of fusing.

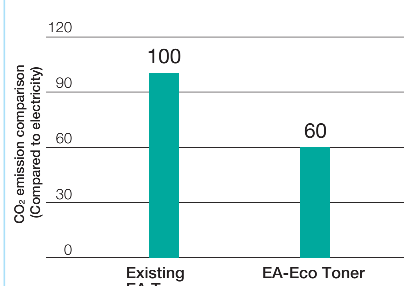
Toner fusion is the most power-intensive process on copy and multifunction devices, accounting for 50 to 80% of total power consumed. The reason for this is the large amount of energy required at the moment of fusing, which is when toner is melted at a high temperature onto paper. The EA-Eco Toner newly developed polyester that has different characteristics, including a different melting point, is mixed with other new products. Compared with Fuji Xerox's existing EA Toner, this new formula is able to lower the fusing temperature by 20°C–50°C. Owing to this development, a 20% decrease in power consumption at the moment of fusing has been achieved. Similarly, in glossy mode, the decrease is 40%.

EA-Eco Toner, like the existing EA Toner, contains wax and is completely oil free. EA-Eco Toner is also able to realize a level of glossy finish appropriate for different types of paper through its unique fusion properties. As a result, the toner controls shine on regular paper, while reproducing a high-gloss finish on glossy paper. Furthermore, EA-Eco Toner's high-gloss reproducibility and low-temperature fusing both contribute to significant reductions in CO_2 emissions.

EA-Eco Toner Viscosity Levels in Relation to Temperature



Effect of EA-Eco Toner (Glossy Mode) on the Reduction of CO_2 Emissions

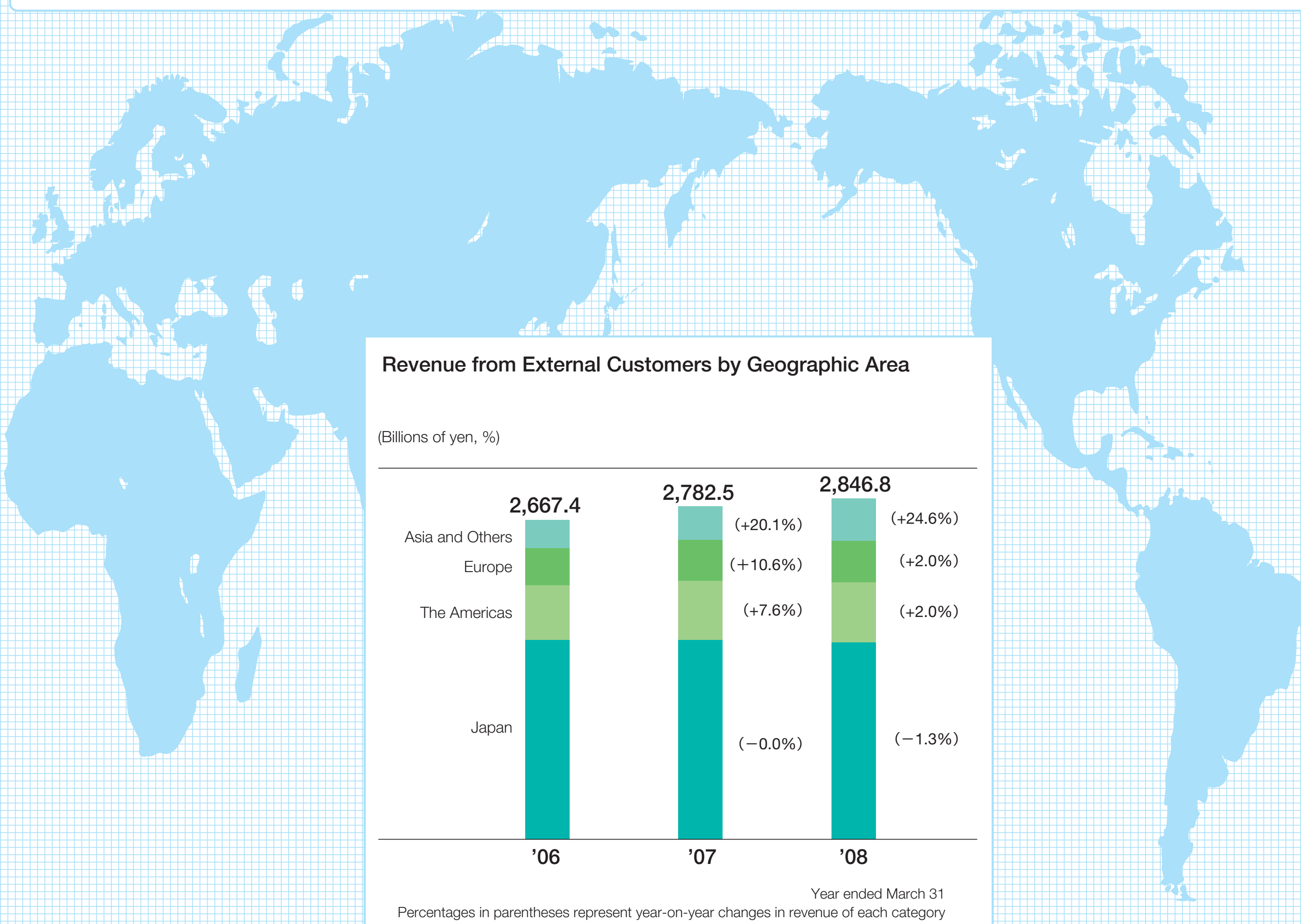


Overseas Development: Current Status and Outlook

Fujifilm's business developments have their roots in its intensive efforts to expand its exports through the establishment of overseas sales bases from the late 1960s. Later, the Company commenced local production, primarily involving the finishing and packaging process, in the mid-1970s and then established full-scale manufacturing facilities in the 1980s. Having constructed a tripolar global system with facilities in Japan, the United States and Europe through these decades, Fujifilm has gained a strong foothold in overseas operations, which now cover more than 200 countries and regions throughout the world. Meanwhile, having begun full-fledged overseas businesses in the Asia-Pacific region during the 1990s, Fuji Xerox acquired China operations from U.S.-based Xerox Corporation in 2000. At present, Fuji Xerox is selling products and providing services overseas through strategic partnerships with overseas affiliated companies located in 12 countries and regions, including Singapore, South Korea, China and Australia.

On a consolidated basis, the Company's revenue from external customers by geographical area is presented in the graph below. Revenue in Japan dipped 1.3% compared with the previous fiscal year to ¥1,643.7 billion. The decrease was attributable to weak sales of color films and digital minilabs, which more than offset the robust performance of flat panel display materials and optical devices. Revenue in the Americas rose 2.0% year on year to ¥500.9 billion, mainly due to the strong sales of color digital multifunction devices to Xerox Corporation. Revenue in Europe improved 2.0% year on year to ¥347.0 billion, buoyed by favorable results in our graphic arts and medical systems businesses and the yen's depreciation against the euro and the sterling pound. Revenue in Asia and others surged 24.6% year on year to ¥355.2 billion, supported by healthy sales of color digital multifunction devices and graphic arts products.

Continuously recognizing the importance of its overseas development, the Company will intensively undertake operations with particular focus on Asia and other regions, which are experiencing rapid growth. Furthermore, we will strengthen our focus on other European countries, Russia and Eastern European countries, which are achieving robust economic growth.



Structural Reforms of European Operations and Future Development

Fujifilm first penetrated into overseas markets primarily through its Imaging Solutions business. The Company established a German subsidiary in charge of the comprehensive management of its European operations in 1966 and a manufacturing company in the Netherlands, which was tasked with manufacturing color paper and color films, in 1982. The establishment of overseas operations, including those mentioned here, represents our proactive approach toward overseas expansion, which we continued until the 1990s.

From the late 1990s, business environments in Europe underwent changes in line with the increase in the number of the EU member states. These changes accompanied the emergence of large-scale retailers in the pan-European region, which consequently enabled Fujifilm to win customers in a region with diverse countries and growing economic importance. To effectively respond to these external changes, the Company accelerated activities to improve operational efficiency in the region, which included the establishment of its European headquarters aimed at optimizing its business portfolio and streamlining its back-office functions.

Similar to other regions in the world, Europe experienced the rapid spread of digital cameras, which consequently led to a shrinking market for color films. Under such circumstances, Fujifilm took a bold step in implementing drastic reforms in the fiscal years ended March 31, 2006 and 2007, particularly for its Imaging Solutions business. This approach has been in line with our goal of accelerating management on a consolidated basis in the pan-European region. And this goal has enabled us to adjust to macro-environmental changes and tackle European markets that keep expanding their influence in the global market. Furthermore, the consolidated management structure is helping us to view all of Europe as one huge market and thereby secure consistency and relevance in our regional management and strategy formulation.

European Reorganization Project

Fujifilm has launched a European Reorganization Project (ERP) as a means to further expand its European operations after the success of its structural reforms.

The underlying goals of the ERP are: (1) strengthening the Company's management structure that controls businesses on a consolidated basis; (2) maximizing management efficiency throughout the pan-European region; and (3) reinforcing corporate functions, which involve the central coordination of activities relating to taxation, competition laws and environmental regulations. Recognizing the ERP as a "Slim & Strong Drive" undertaken in Europe, we are promoting the implementation of a spectrum of initiatives to achieve these goals.

To better prepare ourselves for achieving these goals, we have reinforced the functions of FUJIFILM Europe GmbH—our European sales and marketing headquarters located in Dusseldorf, Germany—by giving the European base headquarters functions for formulating corporate strategies. In addition, we have established FUJIFILM Europe B.V. based on our manufacturing base for color paper and CTP plates in Tilburg, the Netherlands. This new European arm will serve as a business center that coordinates supply chain operations and in-house financing services. These companies will take the lead in standardizing the Groupwide IT infrastructure in the European region and constructing a structure to enable efficient operations through cooperation with local sales companies. This whole project is expected to reduce the Group's costs and expenses over a five-year period from 2006 to 2010 by 60 million euro.

Fujifilm's Principal European Bases

Major Activities in Europe

Imaging Business

In the Imaging Solutions business, Fujifilm has continuously implemented structural reforms and promoted the "Slim & Strong Drive" cost-reform program toward strengthening its business foundation. Meanwhile, the Company acquired IP Labs GmbH, a German photo service software provider, in January 2008. Through this acquisition, the Company aims to expand the market share of its color paper and bolster its online photo services, the market of which is rapidly growing. IP Labs' user-friendly online operation systems are driving Fujifilm's activities to enhance services worldwide in the growth fields of digital, "photo-book" and other high-value-added printing services. Moreover, the Company is reinforcing the lineup of its wide-format inkjet printers, dry minilabs, dye-sublimation printers and other products to meet ever-diversifying market needs.

In addition to economically advanced Western European markets, the Russian market, which demonstrates significant growth potential, and the Eastern European markets, which keep expanding their purchasing power after joining the EU, are presenting increased opportunities for the Company. In these markets, the Fujifilm Group will implement effective marketing initiatives in a timely manner through its local distributors to expand regional sales.

Medical Systems Business

The Fujifilm Group's medical systems business covers 34 European countries, providing medical-use films, x-ray imaging and diagnostic systems and services relating to these products. In recent years, the Company has vigorously promoted the spread of its digital mammography systems. For example, we have participated in German and Portuguese government projects to contribute to disseminating the importance of early breast cancer detection. Also, we established a new European Medical Network Center in January 2008. Through the center's software development, we aim to meet country-specific requirements and increase our capability to provide solutions to our customers. This approach will enable us to expand the sales of our network systems.

In Eastern European countries, economic growth is boosting the improvement of primary-care quality in the medical field. This situation is a key factor maintaining the annual growth rate for medical-use film demand at around 5%. Also notable in the region is the accelerated introduction of medical equipment, which has been financially supported by the EU. Seeing this trend as an opportunity for the Group's business expansion in the region, we are focusing on the marketing of the Fuji Computed Radiography (FCR) digital x-ray imaging and diagnostic systems. In order to expand our businesses in Eastern European countries, we have established distributors in Romania and Bulgaria.

Particularly in its digital endoscope business, Fujifilm has aggressively established service and training centers in the Czech Republic, Russia, Turkey and Middle Eastern countries. In these countries, we are vigorously pioneering new markets by introducing such new products as double-balloon endoscope systems and transnasal endoscope systems.

Graphic Arts Business

The Fujifilm Group is providing graphic arts equipment and materials and related services in 32 European countries and principal African countries. In particular, sales are robust for computer-to-plate (CTP) plates, which enable direct transfers of digital text and image data to printing plates without the film processing stage, and they are showing a double-digit-percentage annual growth rate. Demand for CTP plates accounts for approximately 85% of the total plate demand in Western Europe. The comparable figure for Eastern Europe remains low. With their steady economic growth, the Eastern European markets are expected to experience expanded demand for graphic arts products, and thus, for CTP plates. In response to such strong demand, Fujifilm is now constructing a new CTP plate production line at its base in the Netherlands. Increased production capacity will empower us to expand CTP plate sales in the Russian and Western European markets and pioneer new markets in Russia and Eastern Europe. In addition, we will work to bolster the manufacture and sales of eco-friendly products to better contribute to the global efforts to reduce the environmental load of human activities.

Jet Press 720 (provisional name) Draws Crowds at drupa 2008

Held in Dusseldorf, Germany once every four years, drupa is the world's largest printing equipment exhibition. Being the 14th drupa event, drupa 2008 attracted a record number of corporate exhibitors who showcased their inkjet and other digital printing systems. drupa 2008 has set a clear direction for the printing-related industries.

At the event, Fujifilm introduced the new Jet Press 720 system (provisional name) packed with its new, ground-breaking, next-generation inkjet digital printing technologies. Based on a core inkjet single-pass print-head technology, which realizes a print width of 720 mm, a four-level gray scale and a physical resolution of 1,200 dpi, Jet Press 720 is capable of high-speed printing (180 sheets [A4 size-equivalent] per minute) on large sheet sizes (maximum print size: 720 mm x 520 mm) with image quality comparable to that of offset printing. Also compatible with a variety of ordinary coated printing paper, the Jet Press 720 system attracted significant attention from visiting print industry professionals.

Jet Press 720 (provisional name)
next-generation inkjet digital printing system

Fuji Xerox's Strategy for the China Market

A high proportion of China's copy machine market is comprised of low-speed copy machines relative to those of Japan, Europe and North America. Also, copy machines are sold primarily through distributors, and price competition is growing increasingly intense.

Under such circumstances, Fuji Xerox aims at providing higher value to Chinese customers as well as bolstering business profitability in the country by shifting its marketing structure to a direct sales approach. This new strategy places a particular emphasis on the high-end, full-color device market, where high growth is expected. In addition, Fuji Xerox aims to further expand earnings by strategically implementing a business model centered on after-service contracts (full service agreements*), which are already standard in Japan, United States, and Europe.

China's office copy machine market has seen significant growth in color device sales, in line with the country's rapid economic expansion, and robust growth is expected to continue. Similarly, in the production services targeting the digital printing market, the ratio of color devices sales is increasing. Resulting from these market changes as well as its business strategies, Fuji Xerox is expanding the sales of high-end, advanced machines. Its after-service contract business is growing substantially, as its flexible, speedy services-including on-site repairs and consumables replacement-have been very well received by its customers.

Thanks to the success of those initiatives, sales and profitability of the document-related business in China has shown steady growth. Looking ahead, Fuji Xerox intends to stay in the growth path with its unique business strategy tailored for the Chinese market, maintaining its competitive advantages while aggressively expanding its business presence.

* Service contract pricing based on copy volume

Sales & Marketing Sites

China Sales & Marketing
(Shanghai, China)
This marketing base promotes
Fuji Xerox's business
expansion in China
(including Hong Kong)

AP Sales & Marketing (Singapore)
This marketing base promotes
Fuji Xerox's business expansion
in the Asia-Pacific region,
excluding China
(including Hong Kong)

Production Site

Fuji Xerox of Shanghai Limited (Shanghai, China)
Developing and manufacturing low- and medium-speed copy machines
and toner cartridges, this subsidiary is supporting
Fuji Xerox's copy machine business in China.

Timeline of Fuji Xerox's Global Business Development

1965:	Enters the Philippines market, and subsequently develops its business in various Southeast Asian countries in the form of joint ventures or via distributors
1991:	Establishes Fuji Xerox Asia Pacific Pte Ltd in Singapore to supervise operations in the Asia-Pacific region
1995:	Establishes a new research laboratory, FX Palo Alto Laboratory, Inc., in California, U.S.A. Establishes a subsidiary to produce printers in Shenzhen, Guangdong Province, China
2000:	Acquires operations in China from Xerox Corporation.
2004:	Expands manufacturing capacity of Fuji Xerox of Shanghai Limited to provide the global market with digital copy and multifunction machines

Financial Section

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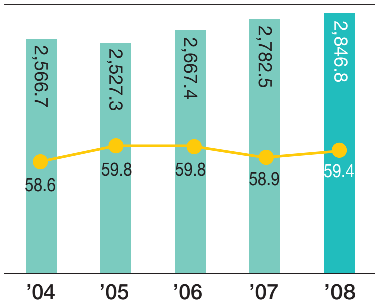
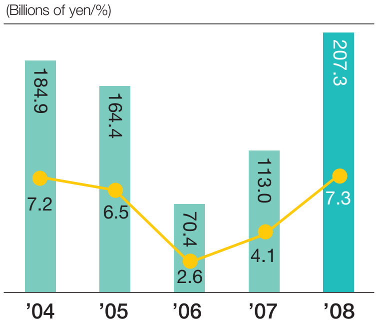
Revenue, Ratio of Cost of Sales to Revenue
(Billions of yen/%)



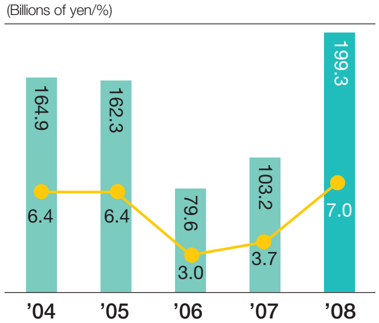
■ Revenue ● Ratio of Cost of Sales to Revenue

Operating Income, Ratio of Operating Income to Revenue
(Billions of yen/%)



■ Operating Income
● Ratio of Operating Income to Revenue

Income before Income Taxes, Ratio of Income before Income Taxes to Revenue
(Billions of yen/%)



■ Income before Income Taxes
● Ratio of Income before Income Taxes to Revenue

Year ended March 31

Results of Operations

Revenue

During the fiscal year ended March 31, 2008, despite a decrease in Imaging Solutions sales centered on color films, a large increase was recorded in Information Solutions sales centered on medical products and services, CTP (computer-to-plate) plates for graphic arts use, and flat panel display (FPD) materials. Moreover, Document Solutions sales also grew, reflecting robust sales of digital multifunction devices centered on sales in overseas markets. The overall impact of exchange-rate trends was positive, as the yen appreciated against the U.S. dollar but depreciated against the euro, and such positive factors boosted consolidated revenue, to ¥2,846.8 billion, a rise of 2.3% from the previous fiscal year. The level of consolidated revenue for the period under review was a record high level of performance. The effective currency exchange rates for the U.S. dollar and the euro against the yen during the fiscal year were ¥115=$1, a ¥2 appreciation of yen compared with the previous year, and ¥162=1 euro, a ¥13 depreciation, respectively.

Domestic and Overseas Revenue

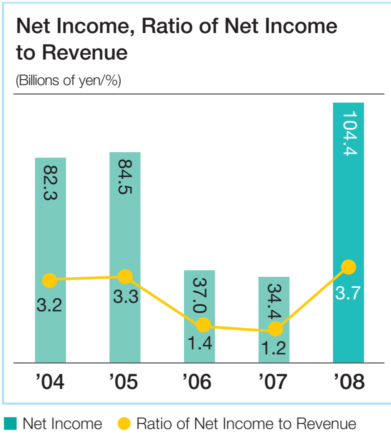
Domestic revenue amounted to ¥1,259.5 billion, down 3.4%, and overseas revenue totaled ¥1,587.3 billion, up 7.3%.

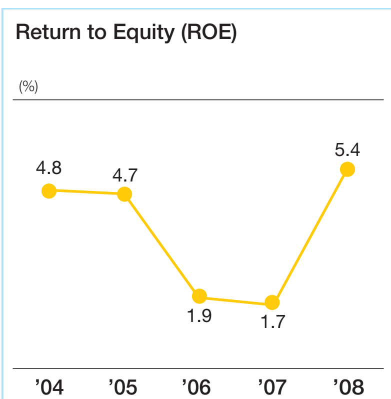
	Year ended March 31 Millions of yen, %				
	2008	2007	2006	2005	2004
Domestic revenue	**¥1,259,506**	¥1,303,647	¥1,329,284	¥1,311,893	¥1,336,015
	44.2	46.9	49.8	51.9	52.1
Overseas revenue	**1,587,322**	1,478,879	1,338,211	1,215,481	1,230,710
	55.8	53.1	50.2	48.1	47.9
The Americas	**557,203**	572,797	558,702	515,169	541,982
	19.6	20.6	20.9	20.4	21.1
Europe	**449,241**	422,965	375,516	349,903	376,006
	15.8	15.2	14.1	13.8	14.6
Asia and Others	**580,878**	483,117	403,993	350,409	312,722
	20.4	17.3	15.2	13.9	12.2
Consolidated total	**¥2,846,828**	¥2,782,526	¥2,667,495	¥2,527,374	¥2,566,725
	100.0	100.0	100.0	100.0	100.0

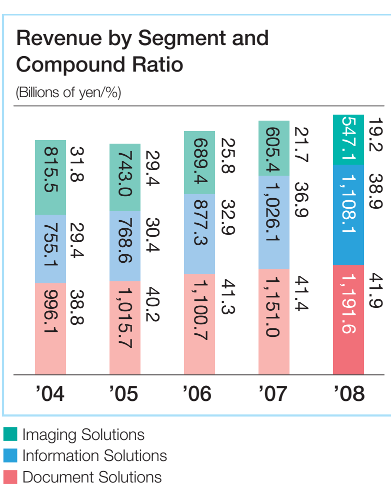
Operating Expenses, Operating Income

SG&A expenses decreased 0.1% year on year to ¥759.1 billion, with the SG&A expense ratio improving 0.6 percentage points to 26.7%. R&D expenses increased 6.0% to ¥187.6 billion.

Operating income leaped 83.4% year on year to ¥207.3 billion, a record high result in the Company’s history. Behind this leap were the increased sales volume and positive effects of structural reforms that Fujifilm had undertaken through the fiscal year ended March 31, 2007 as well as of the “Slim & Strong Drive” Groupwide cost reform program. These positive factors more than offset negative effects of increased costs attributable to the surging prices of principal raw materials, such as silver and aluminum, cost increase associated with the adoption of revised depreciation methods from the second quarter of the fiscal year under review, and the temporary expenses incurred by Groupwide implementation of the “Slim & Strong Drive” measures.







Year ended March 31

Income before Income Taxes, Net Income

Income before income taxes jumped 93.0% year on year to ¥199.3 billion. Net income also rose significantly, up 203.2%, to ¥104.4 billion.

Revenue by Segment

● Imaging Solutions

Consolidated revenue in the Imaging Solutions segment amounted to ¥547.1 billion, down 9.6% from the level in the previous fiscal year. Fujifilm's sales of color paper grew, reflecting a rise in the Company's market share and other factors. However, declining demand for color films and digital minilabs offset these positive factors. On the earnings front, the segment's operating loss narrowed substantially from ¥42.6 billion in the previous fiscal year to ¥2.4 billion. This was attributable to a variety of factors including the absence of structural reform expenses that the Company incurred in the previous fiscal year and successful efforts to reduce costs driven by structural reform measures, which more than offset the cost increase due to persistent hikes in silver prices and the adoption of revised depreciation methods.

● Information Solutions

Consolidated revenue in the Information Solutions segment grew to ¥1,108.1 billion, up 8.0% from the previous fiscal year. This growth reflected such factors as higher sales of medical systems products and services centered on SYNAPSE medical-use picture archiving and communications systems, strong demand for FPD materials, and a positive trend in sales of optical devices centered on lens units for camera phones.

Segment operating income increased 33.9% to ¥127.4 billion. Despite the negative impacts of a steep rise in the price of raw materials and the adoption of revised depreciation methods, positive contributions came from higher sales of major products and previously implemented cost structure improvement measures.

● Document Solutions

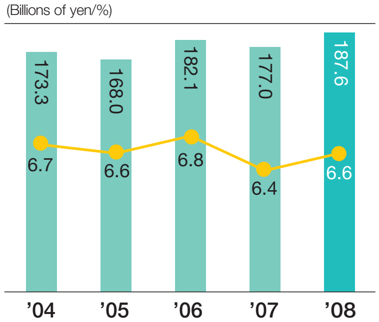
Consolidated revenue in the Document Solutions segment rose 3.5% above the level in the previous fiscal year, to ¥1,191.6 billion, due to higher sales of color digital multifunction devices and on-demand publishing systems, particularly in the Asia-Pacific region including China, as well as robust exports of such products to Europe and North America. In addition to this increase in sales, successful efforts to streamline procurement costs and to enhance productivity contributed to profit growth. In the fiscal year under review, segment operating income climbed 41.6% year on year to ¥86.7 billion.

	Year ended March 31		
	Millions of yen		
	2008	2007	2006
Imaging Solutions			
Revenue:			
External customers	**¥ 547,066**	¥ 605,383	¥ 689,458
Intersegment	**874**	899	618
Total	**547,940**	606,282	690,076
Operating loss	**(2,394)**	(42,631)	(75,713)
Operating margin	**(0.4)%**	(7.0)%	(11.0)%
Information Solutions			
Revenue:			
External customers	**¥1,108,134**	¥1,026,085	¥ 877,366
Intersegment	**2,136**	2,818	2,965
Total	**1,110,270**	1,028,903	880,331
Operating income	**127,432**	95,170	79,056
Operating margin	**11.5%**	9.2%	9.0%
Document Solutions			
Revenue:			
External customers	**¥1,191,628**	¥1,151,058	¥1,100,671
Intersegment	**9,274**	12,187	12,478
Total	**1,200,902**	1,163,245	1,113,149
Operating income	**86,664**	61,186	67,026
Operating margin	**7.2%**	5.3%	6.0%

Notes: 1. Operating income (loss) in Imaging Solutions, Information Solutions and Document Solutions for the fiscal year ended March 31, 2007 is affected by structural reform expenses of ¥60,121 million, ¥17,269 million, and ¥16,691 million, respectively.
2. Operating income (loss) in Imaging Solutions and Information Solutions for the fiscal year ended March 31, 2006 is affected by structural reform expenses of ¥77,401 million and ¥8,642 million, respectively.

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

(Billions of yen/%)



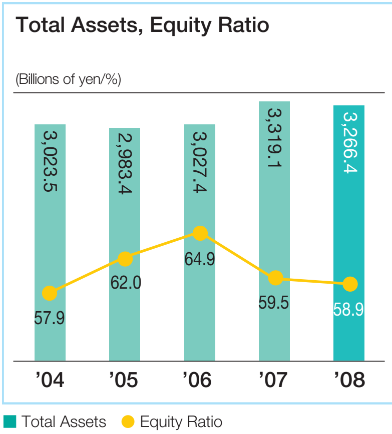
R&D Expenses

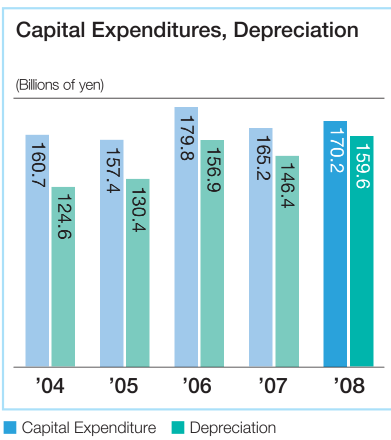
Ratio of R&D Expenses to Revenue

Year ended March 31

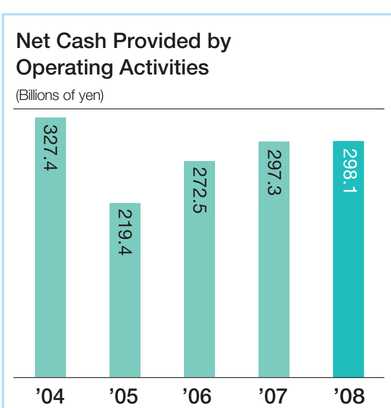
R&D Expenses

R&D expenses increased 6.0% to ¥187.6 billion and the ratio of R&D expenses to revenue was up 0.2 percentage point to 6.6%. By business segment, R&D expenses amounted to ¥17.0 billion in Imaging Solutions, down 21.4%; ¥93.4 billion in Information Solutions, up 21.4%; and ¥77.2 billion in Document Solutions, down 1.6%.





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



Year ended March 31

Financial Position Analysis

Assets, Liabilities, and Shareholders' Equity

As of the fiscal year-end, total assets amounted to ¥3,266.4 billion, down 1.6% compared with the end of the previous fiscal year, reflecting decreases in cash and cash equivalents and in investment securities. Total liabilities were ¥1,215.0 billion, down 1.3%, due to a decrease in accrued liabilities although accrued pension and severance costs increased. Shareholders' equity was down 2.7%, to ¥1,922.4 billion, due to an increase in the accumulated other comprehensive loss affected by the foreign currency translation adjustments, and a rise in treasury stock.

As a result, the current ratio decreased 2.5 percentage points, to 200.4%, the debt ratio increased 0.9 percentage point, to 63.2%, and the equity ratio decreased 0.6 percentage point, to 58.9%. The Company is confident that it is maintaining a stable level of asset liquidity and a sound capital structure.

Capital Expenditures and Depreciation

Capital expenditures increased 3.0% to ¥170.2 billion. In the fiscal year under review, the largest portions of the Company's investment were aimed at boosting production capacity of FUJITAC and augmenting emulsion aggregation (EA) toner plant facilities. By business segment, capital expenditures amounted to ¥17.9 billion in Imaging Solutions, down 9.6%; ¥101.5 billion in Information Solutions, up 5.7%; and ¥50.7 billion in Document Solutions, up 5.4%.

Total depreciation increased ¥13.1 billion to ¥159.6 billion. The impact that accompanied the adoption of revised depreciation methods from the second quarter of the fiscal year totaled ¥27.3 billion.

Cash Flows Analysis

Net cash provided by operating activities amounted to ¥298.1 billion, an increase of ¥0.8 billion compared with the previous fiscal year, reflecting an increase in net income. Net cash used in investing activities totaled ¥259.7 billion, a decrease of ¥38.3 billion, mainly reflecting the application of ¥166.1 billion for purchases of property, plant and equipment and of ¥99.0 billion to acquisitions of businesses. Net cash used in financing activities totaled ¥72.3 billion, a decrease of ¥230.6 billion, partly attributable to net purchases of stock for treasury. As a result, cash and cash equivalents at the end of the period under review amounted to ¥330.9 billion, a decrease of ¥53.8 billion.

Basic Policy Regarding Distribution of Profits

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

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

Cash dividends applicable to the fiscal year under review totaled ¥35.00 per share, up ¥10.00 per share from the previous fiscal year. During the year, we bought back 6.7 million shares at a total acquisition cost of ¥34.1 billion. As a result, the return to shareholders ratio for the year was 49.6%.

Business-Related and Other Risks

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

Impact of Economic and Exchange Rate Trends on Performance

Fujifilm provides products and services in diverse markets throughout the world, and the share of consolidated sales accounted for by overseas sales was approximately 56% in the fiscal year under review. There is a possibility that performance will be greatly affected by economic conditions throughout the world and particularly by currency exchange rates.

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

Competition in Markets

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

Patents and Other Intellectual Property

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

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

Public Regulations

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

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

Manufacturing Operations

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

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

Structural Reforms

The Fujifilm Group is currently promoting the "Slim & Strong Drive" cost-reform program, and the Group will continue implementing effective measures to constantly improve management efficiency in the future. The implementation of the program may, however, cause the Group to incur contingent expenses associated with organizational changes and business and operational reforms, and in such cases, the Group's performance may be affected.

Ten-Year Summary

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			
	2008	2007	2006	2005
Revenue:				
Domestic	**¥1,259,506**	¥1,303,647	¥1,329,284	¥1,311,893
Overseas	**1,587,322**	1,478,879	1,338,211	1,215,481
Total	**¥2,846,828**	¥2,782,526	¥2,667,495	¥2,527,374
Cost of sales	**1,692,758**	1,638,337	1,593,804	1,510,681
Operating expenses:				
Selling, general and administrative	**759,139**	760,042	735,058	767,363
Research and development	**187,589**	177,004	182,154	168,017
Restructuring and other charges	**—**	94,081	86,043	—
Subsidy related to transfer of substitutional portion of employee pension fund liabilities	**—**	—	—	(83,129)
Operating income	**207,342**	113,062	70,436	164,442
Interest and dividend income	**13,462**	11,376	8,133	6,080
Interest expense	**(7,380)**	(6,351)	(3,886)	(4,668)
Income before income taxes	**199,342**	103,264	79,615	162,346
Income before minority interests and equity in net earnings of affiliated companies	**117,199**	43,731	44,591	98,457
Net income	**104,431**	34,446	37,016	84,500
Capital expenditures (Note 1)	**¥ 170,179**	¥ 165,159	¥ 179,808	¥ 157,420
Depreciation (Note 1)	**159,572**	146,325	156,928	130,360
Net cash provided by operating activities	**298,110**	297,276	272,558	219,361
Average number of shares outstanding (in thousands)	**508,354**	510,621	509,525	512,801
Total assets	**¥3,266,384**	¥3,319,102	¥3,027,491	¥2,983,457
Long-term debt	**256,213**	267,965	74,329	96,040
Total shareholders' equity	**1,922,353**	1,976,508	1,963,497	1,849,102
Number of employees	**78,321**	76,358	75,845	75,638
Per share of common stock (Yen/U.S. dollars)				
Net income (Note 2)	**¥ 205.43**	¥ 67.46	¥ 72.65	¥ 164.78
Cash dividends (Note 3)	**35.00**	25.00	25.00	25.00
Shareholders' equity (Note 4)	**3,811.19**	3,867.04	3,848.32	3,630.67
Stock price at year-end	**3,530**	4,820	3,930	3,920
PBR (Price-to-Book Value Ratio) (Times)	**0.93**	1.25	1.02	1.08
PER (Price-to-Earnings Ratio) (Times)	**17.18**	71.45	54.09	23.79
ROE (Return on Equity) (%)	**5.4**	1.7	1.9	4.7
ROA (Return on Asset) (%)	**3.2**	1.1	1.2	2.8

Notes: 1. Figures do not include amounts for rental equipment handled by the Document Solutions segment.
2. The computation of net income per share is based on the average number of shares outstanding during each period.
3. Cash dividends per share represent the amount declared per share for the respective period.
4. The computation of shareholders' equity per share is based on the number of shares outstanding at the end of each period.
5. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥100=US$1, the exchange rate prevailing on March 31, 2008.
6. At the end of March 2001, Fujifilm acquired an additional 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. In the financial statements for the Fujifilm Group for the year ended March 31, 2001, the balance sheet of Fuji Xerox was consolidated and the consolidated statements of income were accounted for by the equity method, with an ownership interest of 50% as in prior years. From the year ended March 31, 2002, the consolidated statements of income of Fuji Xerox were consolidated in the income statements.

	Year ended March 31						
	Millions of yen						Thousands of U.S. dollars (Note 5)
	2004	2003	2002	2001	2000	1999	**2008**
	¥1,336,015	¥1,330,119	¥1,355,192	¥ 656,059	¥ 635,588	¥ 618,719	**$12,595,060**
	1,230,710	1,181,802	1,052,325	727,310	713,253	768,307	**15,873,220**
	¥2,566,725	¥2,511,921	¥2,407,517	¥1,383,369	¥1,348,841	¥1,387,026	**$28,468,280**
	1,503,843	1,474,551	1,403,571	803,460	774,757	779,985	**16,927,580**
	704,659	765,987	684,370	351,033	344,424	356,967	**7,591,390**
	173,323	159,119	146,881	79,144	81,725	84,740	**1,875,890**
	—	—	—	—	—	—	**—**
	—	(52,136)	—	—	—	—	**—**
	184,900	164,400	172,695	149,732	147,935	165,334	**2,073,420**
	4,246	3,909	5,577	8,180	6,975	11,298	**134,620**
	(5,459)	(6,674)	(9,289)	(11,093)	(9,957)	(11,994)	**(73,800)**
	164,948	120,513	159,549	199,661	137,405	138,591	**1,993,420**
	92,659	60,230	88,696	113,126	74,763	69,169	**1,171,990**
	82,317	48,579	81,331	117,900	84,895	74,709	**1,044,310**
	¥ 160,740	¥ 127,319	¥ 155,525	¥ 118,786	¥ 91,313	¥ 115,536	**$ 1,701,790**
	124,634	126,695	121,777	82,063	82,770	83,377	**1,595,720**
	327,358	303,500	248,185	140,454	212,306	157,159	**2,981,100**
	513,252	514,011	514,583	514,603	514,612	514,615	
	¥3,023,509	¥2,958,317	¥2,946,362	¥2,830,313	¥2,235,812	¥2,165,695	**$32,663,840**
	116,823	124,404	137,446	81,246	20,897	47,363	**2,562,130**
	1,749,882	1,680,611	1,698,063	1,624,856	1,575,065	1,489,194	**19,223,530**
	73,164	72,633	72,569	70,722	37,151	37,551	
	¥ 160.38	¥ 94.51	¥ 158.05	¥ 229.11	¥ 164.97	¥ 145.17	**$ 2.05**
	25.00	25.00	25.00	22.50	22.50	22.50	**0.35**
	3,409.80	3,274.17	3,300.45	3,157.55	3,060.68	2,893.82	**38.11**
	3,310	3,640	4,170	4,640	4,520	4,480	**35.30**
	0.97	1.11	1.26	1.47	1.48	1.55	
	20.64	38.51	26.38	20.25	27.40	30.86	
	4.8	2.9	4.9	7.4	5.5	5.1	
	2.8	1.6	2.8	4.7	3.9	3.4	

Consolidated Balance Sheets

FUJIFILM Holdings Corporation and Subsidiaries

	March 31		
	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents	**¥ 330,926**	¥ 384,719	**$ 3,309,260**
Marketable securities (Note 4)	**14,936**	48,536	**149,360**
Notes and accounts receivable (Note 5):			
Trade and finance	**584,349**	597,985	**5,843,490**
Affiliated companies (Note 7)	**28,461**	23,952	**284,610**
Allowance for doubtful receivables	**(15,950)**	(16,345)	**(159,500)**
Inventories (Note 6)	**416,827**	393,594	**4,168,270**
Deferred income taxes (Note 11)	**90,956**	100,440	**909,560**
Prepaid expenses and other	**61,447**	52,368	**614,470**
Total current assets	**1,511,952**	1,585,249	**15,119,520**
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 7)	**50,737**	44,782	**507,370**
Investment securities (Note 4)	**234,684**	336,886	**2,346,840**
Long-term finance and other receivables (Note 5)	**133,543**	106,979	**1,335,430**
Allowance for doubtful receivables	**(4,109)**	(3,975)	**(41,090)**
Total investments and long-term receivables	**414,855**	484,672	**4,148,550**
Property, plant and equipment:			
Land (Note 9)	**101,492**	92,400	**1,014,920**
Buildings (Note 9)	**673,175**	634,045	**6,731,750**
Machinery and equipment	**1,709,104**	1,674,487	**17,091,040**
Construction in progress	**57,139**	44,444	**571,390**
	2,540,910	2,445,376	**25,409,100**
Less accumulated depreciation	**(1,764,543)**	(1,672,344)	**(17,645,430)**
Net property, plant and equipment	**776,367**	773,032	**7,763,670**
Other assets:			
Goodwill, net (Notes 8 and 18)	**326,777**	257,866	**3,267,770**
Other intangible assets, net (Notes 8 and 18)	**91,689**	59,397	**916,890**
Deferred income taxes (Note 11)	**54,889**	53,798	**548,890**
Other (Note 10)	**89,855**	105,088	**898,550**
Total other assets	**563,210**	476,149	**5,632,100**
Total assets	**¥ 3,266,384**	¥ 3,319,102	**$ 32,663,840**

U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥100=U.S.$1.00, the exchange rate prevailing on March 31, 2008.

	March 31		
	Millions of yen		Thousands of U.S. dollars (Note 3)
Liabilities and shareholders' equity	**2008**	2007	**2008**
Current liabilities:			
Short-term debt (Note 9)	**¥ 113,797**	¥ 106,043	**$ 1,137,970**
Notes and accounts payable:			
Trade	**278,950**	279,470	**2,789,500**
Construction	**58,654**	49,548	**586,540**
Affiliated companies (Note 7)	**5,210**	4,887	**52,100**
Accrued income taxes (Note 11)	**41,636**	41,034	**416,360**
Accrued liabilities (Notes 10 and 19)	**189,741**	225,848	**1,897,410**
Other current liabilities (Note 11)	**66,643**	74,534	**666,430**
Total current liabilities	**754,631**	781,364	**7,546,310**
Long-term debt (Notes 9 and 17)	**256,213**	267,965	**2,562,130**
Accrued pension and severance costs (Note 10)	**111,942**	84,510	**1,119,420**
Deferred income taxes (Note 11)	**44,936**	54,268	**449,360**
Customers' guarantee deposits and other (Note 7)	**47,317**	42,459	**473,170**
Minority interests in subsidiaries	**128,992**	112,028	**1,289,920**
Commitments and contingent liabilities (Note 14)			
Shareholders' equity (Note 12)**:**			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	**40,363**	40,363	**403,630**
Additional paid-in capital (Note 16)	**69,329**	68,412	**693,290**
Retained earnings	**1,923,432**	1,840,168	**19,234,320**
Accumulated other comprehensive income (loss) (Notes 10 and 13)	**(63,171)**	40,950	**(631,710)**
Treasury stock, at cost (10,228,426 shares in 2008; 3,509,582 shares in 2007)	**(47,600)**	(13,385)	**(476,000)**
Total shareholders' equity	**1,922,353**	1,976,508	**19,223,530**
Total liabilities and shareholders' equity	**¥3,266,384**	¥3,319,102	**$32,663,840**

See notes to consolidated financial statements.

Consolidated Statements of Income

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars (Note 3)
	2008	2007	2006	**2008**
Revenue:				
Sales	**¥2,450,256**	¥2,399,636	¥2,300,842	**$24,502,560**
Rentals	**396,572**	382,890	366,653	**3,965,720**
	2,846,828	2,782,526	2,667,495	**28,468,280**
Cost of sales:				
Sales	**1,532,596**	1,478,828	1,435,757	**15,325,960**
Rentals	**160,162**	159,509	158,047	**1,601,620**
	1,692,758	1,638,337	1,593,804	**16,927,580**
Gross profit	**1,154,070**	1,144,189	1,073,691	**11,540,700**
Operating expenses:				
Selling, general and administrative (Notes 10 and 16)	**759,139**	760,042	735,058	**7,591,390**
Research and development	**187,589**	177,004	182,154	**1,875,890**
Restructuring and other charges (Note 19)	**—**	94,081	86,043	**—**
Operating income	**207,342**	113,062	70,436	**2,073,420**
Other income (expenses):				
Interest and dividend income	**13,462**	11,376	8,133	**134,620**
Interest expense	**(7,380)**	(6,351)	(3,886)	**(73,800)**
Foreign exchange gains (losses), net	**(14,640)**	6,746	7,526	**(146,400)**
Decline in value of investment securities	**(864)**	(23,946)	(122)	**(8,640)**
Other, net	**1,422**	2,377	(2,472)	**14,220**
	(8,000)	(9,798)	9,179	**(80,000)**
Income before income taxes	**199,342**	103,264	79,615	**1,993,420**
Income taxes (Note 11)**:**				
Current	**73,322**	62,910	52,756	**733,220**
Deferred	**8,821**	(3,377)	(17,732)	**88,210**
	82,143	59,533	35,024	**821,430**
Income before minority interests and equity in net earnings of affiliated companies	**117,199**	43,731	44,591	**1,171,990**
Minority interests	**(15,474)**	(12,643)	(12,785)	**(154,740)**
Equity in net earnings of affiliated companies	**2,706**	3,358	5,210	**27,060**
Net income	**¥ 104,431**	¥ 34,446	¥ 37,016	**$ 1,044,310**

	Yen			U.S. dollars (Note 3)
Amounts per share of common stock:				
Net income (Note 15)				
Basic	**¥ 205.43**	¥ 67.46	¥ 72.65	**$ 2.05**
Diluted	**193.56**	65.04	72.65	**1.94**
Cash dividends declared	**35.00**	25.00	25.00	**0.35**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

FUJIFILM Holdings Corporation and Subsidiaries

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity
Balance at March 31, 2005	¥ 40,363	¥ 68,135	¥ 1,794,385	¥ (33,525)	¥ (20,256)	¥ 1,849,102
Comprehensive income:						
Net income	—	—	37,016	—	—	37,016
Net increase in unrealized gains on securities (Note 13)	—	—	—	27,311	—	27,311
Foreign currency translation adjustments (Note 13)	—	—	—	37,323	—	37,323
Minimum pension liability adjustments (Note 13)	—	—	—	21,822	—	21,822
Change in net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(14)	—	(14)
Net comprehensive income						123,458
Purchases of stock for treasury	—	—	—	—	(80)	(80)
Sales of stock from treasury	—	—	(46)	—	3,531	3,485
Dividends applicable to earnings of the year	—	—	(12,745)	—	—	(12,745)
Other	—	277	—	—	—	277
Balance at March 31, 2006	40,363	68,412	1,818,610	52,917	(16,805)	1,963,497
Comprehensive income:						
Net income	—	—	34,446	—	—	34,446
Net decrease in unrealized gains on securities (Note 13)	—	—	—	(6,888)	—	(6,888)
Foreign currency translation adjustments (Note 13)	—	—	—	27,539	—	27,539
Minimum pension liability adjustments (Note 13)	—	—	—	(13,729)	—	(13,729)
Change in net unrealized gains (losses) on derivatives (Note 13)	—	—	—	(2)	—	(2)
Net comprehensive income						41,366
Adjustment to initially apply SFAS 158, net of tax (Note 10)	—	—	—	(18,887)	—	(18,887)
Purchases of stock for treasury	—	—	—	—	(711)	(711)
Sales of stock from treasury	—	—	(122)	—	4,131	4,009
Dividends applicable to earnings of the year	—	—	(12,766)	—	—	(12,766)
Balance at March 31, 2007	40,363	68,412	1,840,168	40,950	(13,385)	1,976,508
Cumulative effect adjustment to initially apply EITF No.06-2, net of tax (Note 2)	**—**	**—**	**(3,394)**	**—**	**—**	**(3,394)**
Comprehensive income:						
Net income	**—**	**—**	**104,431**	**—**	**—**	**104,431**
Net decrease in unrealized gains on securities (Note 13)	**—**	**—**	**—**	**(28,059)**	**—**	**(28,059)**
Foreign currency translation adjustments (Note 13)	**—**	**—**	**—**	**(57,003)**	**—**	**(57,003)**
Pension liability adjustments (Note 13)	**—**	**—**	**—**	**(18,944)**	**—**	**(18,944)**
Change in net unrealized gains (losses) on derivatives (Note 13)	**—**	**—**	**—**	**(115)**	**—**	**(115)**
Net comprehensive income						**310**
Purchases of stock for treasury	**—**	**—**	**—**	**—**	**(34,232)**	**(34,232)**
Sales of stock from treasury	**—**	**1**	**—**	**—**	**17**	**18**
Dividends applicable to earnings of the year	**—**	**—**	**(17,773)**	**—**	**—**	**(17,773)**
Issuance of stock acquisition rights (Note 16)	**—**	**916**	**—**	**—**	**—**	**916**
Balance at March 31, 2008	**¥ 40,363**	**¥ 69,329**	**¥ 1,923,432**	**¥ (63,171)**	**¥ (47,600)**	**¥ 1,922,353**

	Thousands of U.S. dollars (Note 3)					
Balance at March 31, 2007	**$403,630**	**$684,120**	**$18,401,680**	**$409,500**	**$(133,850)**	**$19,765,080**
Cumulative effect adjustment to initially apply EITF No.06-2, net of tax (Note 2)	**—**	**—**	**(33,940)**	**—**	**—**	**(33,940)**
Comprehensive income:						
Net income	**—**	**—**	**1,044,310**	**—**	**—**	**1,044,310**
Net decrease in unrealized gains on securities (Note 13)	**—**	**—**	**—**	**(280,590)**	**—**	**(280,590)**
Foreign currency translation adjustments (Note 13)	**—**	**—**	**—**	**(570,030)**	**—**	**(570,030)**
Pension liability adjustments (Note 13)	**—**	**—**	**—**	**(189,440)**	**—**	**(189,440)**
Change in net unrealized gains (losses) on derivatives (Note 13)	**—**	**—**	**—**	**(1,150)**	**—**	**(1,150)**
Net comprehensive income						**3,100**
Purchases of stock for treasury	**—**	**—**	**—**	**—**	**(342,320)**	**(342,320)**
Sales of stock from treasury	**—**	**10**	**—**	**—**	**170**	**180**
Dividends applicable to earnings of the year	**—**	**—**	**(177,730)**	**—**	**—**	**(177,730)**
Issuance of stock acquisition rights (Note 16)	**—**	**9,160**	**—**	**—**	**—**	**9,160**
Balance at March 31, 2008	**$403,630**	**$693,290**	**$19,234,320**	**$(631,710)**	**$(476,000)**	**$19,223,530**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FUJIFILM Holdings Corporation and Subsidiaries

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars (Note 3)
	2008	2007	2006	**2008**
Operating activities				
Net income	**¥ 104,431**	¥ 34,446	¥ 37,016	**$ 1,044,310**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**226,753**	215,429	225,434	**2,267,530**
Impairment losses for long-lived assets and goodwill (Note 19)	**6,910**	12,202	42,121	**69,100**
Decline in value of investment securities	**864**	23,946	122	**8,640**
Deferred income taxes	**8,821**	(3,377)	(17,732)	**88,210**
Minority interests	**15,474**	12,643	12,785	**154,740**
Equity in net earnings of affiliated companies, less dividends received	**95**	(1,987)	(3,899)	**950**
Changes in operating assets and liabilities:				
Notes and accounts receivable	**(12,990)**	(9,637)	(7,223)	**(129,900)**
Inventories	**(30,479)**	10,976	15,118	**(304,790)**
Notes and accounts payable–trade	**10,169**	12,700	(33,486)	**101,690**
Accrued income taxes and other liabilities	**(52,001)**	1,326	(9,909)	**(520,010)**
Other	**20,063**	(11,391)	12,211	**200,630**
Net cash provided by operating activities	**298,110**	297,276	272,558	**2,981,100**
Investing activities				
Purchases of property, plant and equipment	**(166,136)**	(172,572)	(186,980)	**(1,661,360)**
Purchases of software	**(20,714)**	(20,483)	(16,693)	**(207,140)**
Proceeds from sales and maturities of marketable and investment securities and other investments	**141,615**	109,116	83,629	**1,416,150**
Purchases of marketable and investment securities and other investments	**(47,303)**	(146,911)	(58,757)	**(473,030)**
(Increase) decrease in investments in and advances to affiliated companies and other advances, net	**(41,039)**	1,383	(19,237)	**(410,390)**
Acquisitions of businesses and minority interests, net of cash acquired	**(98,973)**	(45,741)	(40,587)	**(989,730)**
Other	**(27,165)**	(22,793)	(33,504)	**(271,650)**
Net cash used in investing activities	**(259,715)**	(298,001)	(272,129)	**(2,597,150)**
Financing activities				
Proceeds from long-term debt	**2,602**	200,568	1,728	**26,020**
Repayments of long-term debt	**(10,124)**	(29,725)	(21,452)	**(101,240)**
Increase (decrease) in short-term debt, net	**(10,579)**	6,120	(43,119)	**(105,790)**
Cash dividends paid	**(15,335)**	(12,754)	(12,734)	**(153,350)**
Subsidiaries' cash dividends paid to minority interests	**(4,658)**	(5,220)	(4,941)	**(46,580)**
Net sales (purchases) of stock for treasury	**(34,214)**	(702)	209	**(342,140)**
Net cash provided by (used in) financing activities	**(72,308)**	158,287	(80,309)	**(723,080)**
Effect of exchange rate changes on cash and cash equivalents	**(19,880)**	8,559	10,321	**(198,800)**
Net increase (decrease) in cash and cash equivalents	**(53,793)**	166,121	(69,559)	**(537,930)**
Cash and cash equivalents at beginning of year	**384,719**	218,598	288,157	**3,847,190**
Cash and cash equivalents at end of year	**¥ 330,926**	¥ 384,719	¥ 218,598	**$ 3,309,260**
Supplemental disclosures of cash flow information				
Cash paid for:				
Interest	**¥ 8,514**	¥ 6,514	¥ 5,640	**$ 85,140**
Income taxes	**70,913**	63,302	50,811	**709,130**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FUJIFILM Holdings Corporation and Subsidiaries March 31, 2008

1 Nature of Operations

FUJIFILM Holdings Corporation (the "Company") is engaged in imaging, information and document solutions. "Imaging Solutions" develops, manufactures, markets and services color films, digital cameras, photofinishing equipment, color paper, chemicals and related products. "Information Solutions" develops, manufactures, markets and services equipment and materials for medical systems and life sciences, equipment and materials for graphic arts, flat panel display materials, recording media, optical devices, electronic materials, inkjet materials and related products. "Document Solutions" develops, manufactures, markets and services office copy machines/multi-function devices, printers, production systems and services, paper, consumables, office services and other related products. The Company and its subsidiaries operate throughout the world, generating approximately 56% of its worldwide revenue outside Japan, predominantly in North America, Europe and Asia. The Company's principal manufacturing operations are located in Japan, the United States of America, Brazil, Germany, the Netherlands, Singapore and China.

2 Summary of Significant Accounting Policies

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

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

Principles of Consolidation and Accounting for Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all entities that the Company directly or indirectly controls. All significant intercompany transactions and accounts have been eliminated.

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

Use of Estimates

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

Foreign Currency Translations

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

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

Cash Equivalents

The Company considers all highly liquid investments which are readily convertible into cash and that have original maturities of three months or less to be cash equivalents.

Marketable Securities and Investment Securities

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

Allowance for Doubtful Receivables

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

Inventories

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

Property, Plant and Equipment and Depreciation

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

The change caused an increase in depreciation expense by ¥27,313million ($273,130 thousand), and a decrease in income before minority interests and equity in net earnings of affiliated companies and net income by ¥23,328 million ($233,280 thousand) and ¥12,748 million ($127,480 thousand), respectively. In addition, basic net income per share and diluted net income per share declined ¥25.08 ($0.25) and ¥23.27 ($0.23), respectively. 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 ¥101,857 million ($1,018,570 thousand) and ¥73,648 million ($736,480 thousand) as of March 31, 2008 and ¥99,256 million and ¥70,950 million as of March 31, 2007, respectively.

Goodwill and Other Intangible Assets

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

Under SFAS No.142, "*Goodwill and Other Intangible Assets,*" goodwill and other indefinite lived intangible assets are tested annually, as of January 1, for impairment. Impairment tests for goodwill are performed based on the fair value of estimated future cash flows of each reporting unit. The discount rate used is based on the reporting unit's weighted average cost of capital. In addition to the annual impairment test, an interim test for goodwill impairment would be performed if events occur or circumstances indicate that the carrying value may not be recoverable. Intangible assets other than those with an indefinite life are amortized on a straight-line basis over their estimated useful lives.

Capitalized Software Costs

The Company capitalizes certain software development costs in accordance with Statement of Position 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.*" The Company also follows accounting guidelines as specified in SFAS No.86, "*Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed.*" Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software of 3 to 5 years. Total capitalized software costs and accumulated amortization amounted to ¥178,613 million ($1,786,130 thousand) and ¥103,942 million ($1,039,420 thousand), respectively, as of March 31, 2008 and ¥170,272 million and ¥82,373 million, respectively, as of March 31, 2007. Capitalized software costs to be sold and accumulated amortization, included in the above, amounted to ¥34,259 million ($342,590 thousand) and ¥26,011 million ($260,110 thousand), respectively, as of March 31, 2008 and ¥30,695 million and ¥17,827 million, respectively, as of March 31, 2007. Capitalized software costs are included in other assets.

Impairment of Long-lived Assets

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

Long-lived assets to be disposed of by sale are evaluated at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition

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

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

For arrangements with multiple elements including products, equipment or services, the Company allocates revenue to each element based on its relative fair value if such element meets the criteria for treatment as a separate unit of accounting as prescribed in the Emerging Issues

Task Force ("EITF") Issue No.00-21, "*Revenue Arrangements with Multiple Deliverables.*" Otherwise, revenue is deferred until the undelivered elements are fulfilled.

Costs incurred by the Company in connection with sales incentives related to purchase or promotion of the Company's products are classified as reduction of revenue in accordance with EITF 01-9, "*Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products).*" Such costs include the estimated cost of promotional discount, dealer price protection, dealer volume rebates and cash discounts. These costs are mainly based on claims from customers/dealers or amount calculated in accordance with agreements.

Product Warranties

The Company provides product warranties for certain of its products. These warranties generally extend for periods of one year from the date of sale. A liability for expected warranty costs and additional service actions is accrued at the time that the related revenue is recognized. In estimating the warranty liability, historical experience is considered.

Shipping and Handling Costs

Shipping and handling costs of ¥68,496 million ($684,960 thousand), ¥75,232 million and ¥67,676 million for the years ended March 31, 2008, 2007 and 2006, respectively, are included in selling, general and administrative expenses in the consolidated statements of income.

Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥27,492 million ($274,920 thousand), ¥34,928 million and ¥39,380 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Income Taxes

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

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. A valuation allowance is recognized to reduce the deferred tax assets to the amount that is considered more likely than not to be realized.

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

Consumption Taxes

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

Derivative Financial Instruments

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

Net Income per Share

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

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

Certain stock options to purchase 170,600 shares of common stock were outstanding, as of March 31, 2008, which were not included in the computation of diluted earnings per share since the effect would be anti-dilutive.

Stock-Based Compensation

The Company measured stock-based compensation cost as fair value of the options on the grant date and recognizes stock-based compensation cost in accordance with SFAS No.123 (revised 2004), "*Share-Based Payment (as amended).*"

New Accounting Standards

In June 2006, the EITF reached a consensus on EITF 06-2, "*Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No.43" ("EITF06-2*"). EITF 06-2 provides guidance for an accrual for sabbatical leave as a compensated absence that requires a minimum service period but has no increase in the benefit even with additional years of service. Effective April 1, 2007, EITF 06-2 was adopted by the Company through a cumulative effect adjustment which increased accrued liabilities by ¥6,932 million ($69,320 thousand) and decreased retained earnings by ¥3,394 million ($33,940 thousand).

In September 2006, FASB issued SFAS No.157, "*Fair Value Measurements*" ("SFAS 157"). SFAS 157 defines fair value, establishes a market-based framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company in the year beginning April 1, 2008. The adoption of SFAS 157 is not expected to have a material impact on the results of operations and the financial condition of the Company.

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

In December 2007, FASB amended SFAS No.141, "*Business Combinations*" ("SFAS 141"). SFAS No.141 (revised), "*Business Combinations*" ("SFAS 141R") establishes principles and requirements for how an acquirer recognized and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year beginning on or after December 15, 2008 and is required to be adopted by the Company in the year beginning April 1, 2009. The Company is evaluating the impact that the adoption of SFAS 141R will have on the results of operations and the financial condition of the Company.

In December 2007, FASB issued SFAS No.160, "*Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No.51*" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interest of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by the Company in the year beginning April 1, 2009. The Company is evaluating the impact that the adoption of SFAS 160 will have on the results of operations and the financial condition of the Company.

3 U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2008 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥100 = U.S.$1.00, the exchange rate prevailing on March 31, 2008. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at this or any other rate.

4 Investments in Debt and Equity Securities

The cost, gross unrealized gains, gross unrealized losses and estimated fair value of the available-for-sale securities by major security type at March 31, 2008 and 2007 are summarized as follows:

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

	Millions of yen			
	2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Government debt securities	¥ 22,330	¥ 3	¥ 36	¥ 22,297
Corporate debt securities	26,269	1	31	26,239
	¥ 48,599	¥ 4	¥ 67	¥ 48,536
Investment securities:				
Government debt securities	¥ 50,115	¥ 118	¥ 86	¥ 50,147
Corporate debt securities	87,485	150	529	87,106
Equity securities	107,869	82,829	627	190,071
	¥245,469	¥83,097	¥1,242	¥327,324

	Thousands of U.S. dollars			
	2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable securities:				
Corporate debt securities	**$ 149,910**	**$ —**	**$ 550**	**$ 149,360**
	$ 149,910	**$ —**	**$ 550**	**$ 149,360**
Investment securities:				
Government debt securities	**$ 53,410**	**$ 920**	**$ —**	**$ 54,330**
Corporate debt securities	**880,960**	**3,030**	**6,360**	**877,630**
Equity securities	**993,970**	**389,820**	**45,520**	**1,338,270**
	$1,928,340	**$393,770**	**$51,880**	**$2,270,230**

Proceeds from sales of available-for-sale securities, gross realized gains and gross realized losses on sales of available-for-sale securities for the year ended March 31, 2008 were ¥81,792 million ($817,920 thousand), ¥1,901 million ($19,010 thousand) and ¥1,252 million ($12,520 thousand), respectively. Such proceeds, gains and losses for the years ended March 31, 2007 and 2006 were insignificant.

Net unrealized holding gains on available-for-sale securities, net of the related taxes, decreased by ¥28,059 million ($280,590 thousand) and ¥6,888 million and increased by ¥27,311 million for the years ended March 31, 2008, 2007 and 2006, respectively.

The cost and estimated fair value of debt securities at March 31, 2008, 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	**¥ 14,991**	**¥ 14,936**	**$ 149,910**	**$ 149,360**
Due after one year through five years	**82,665**	**82,335**	**826,650**	**823,350**
Due after five years through ten years	**5,552**	**5,565**	**55,520**	**55,650**
Due after ten years	**5,220**	**5,296**	**52,200**	**52,960**
	¥108,428	**¥108,132**	**$1,084,280**	**$1,081,320**

At March 31, 2008 and 2007, 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					
	2008					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Corporate debt securities	**¥25,873**	**¥ 211**	**¥57,230**	**¥ 480**	**¥ 83,103**	**¥ 691**
Equity securities	**25,762**	**3,733**	**3,207**	**819**	**28,969**	**4,552**
Total	**¥51,635**	**¥3,944**	**¥60,437**	**¥1,299**	**¥112,072**	**¥5,243**

	Millions of yen					
	2007					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Government debt securities	¥ —	¥ —	¥34,922	¥ 122	¥ 34,922	¥ 122
Corporate debt securities	39,231	79	48,077	481	87,308	560
Equity securities	12,238	439	12,786	188	25,024	627
Total	¥51,469	¥ 518	¥95,785	¥ 791	¥147,254	¥1,309

	Thousands of U.S. dollars					
	2008					
	Less than 12 months		12 months or greater		Total	
	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
Corporate debt securities	**$258,730**	**$ 2,110**	**$572,300**	**$ 4,800**	**$ 831,030**	**$ 6,910**
Equity securities	**257,620**	**37,330**	**32,070**	**8,190**	**289,690**	**45,520**
Total	**$516,350**	**$39,440**	**$604,370**	**$12,990**	**$1,120,720**	**$52,430**

At March 31, 2008, the available-for-sale securities with unrealized losses were principally domestic marketable equity securities. The number of available-for-sale securities with unrealized losses was approximately 60, and none of which was individually significant in the amount of unrealized loss. The aggregate fair value of the marketable equity securities declined below cost by approximately 14% principally due to what the Company believes is a temporary decline in the stock market. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairment. Based on that evaluation and the Company's intent and ability to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company did not consider that the decline in fair value of those available-for-sale securities with unrealized losses to be other-than-temporary.

The aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥7,661 million ($76,610 thousand) and ¥9,562 million at March 31, 2008 and 2007, respectively. Investments with an aggregate cost of ¥7,619 million ($76,190 thousand) and ¥9,546 at March 31, 2008 and 2007, respectively, were not evaluated for impairment because (a) the Company did not estimate the fair value of those investments as it was not practicable to estimate the fair value of the investment and (b) the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

5 Finance Receivables

Finance receivables are recorded on sales-type leases of the Company's printing and copying machines. The current portion of finance receivables and amounts due after one year are included in notes and accounts receivable—trade and finance and long-term finance and other receivables, respectively. These receivables generally mature over one to seven years. The components of finance receivables as of March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Gross receivables	**¥136,452**	¥128,392	**$1,364,520**
Unearned income	**(21,096)**	(20,139)	**(210,960)**
Allowance for doubtful receivables	**(3,265)**	(3,627)	**(32,650)**
Finance receivables, net	**¥112,091**	¥104,626	**$1,120,910**

The future minimum lease payments to be received under sales-type leases as of March 31, 2008 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2009	¥ 50,408	$ 504,080
2010	36,372	363,720
2011	26,950	269,500
2012	16,297	162,970
2013	5,980	59,800
2014 and thereafter	445	4,450
Total future minimum lease payments	¥136,452	$1,364,520

6 Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished goods	**¥262,477**	¥246,074	**$2,624,770**
Work in process	**70,631**	62,045	**706,310**
Raw materials and supplies	**83,719**	85,475	**837,190**
	¥416,827	¥393,594	**$4,168,270**

7 Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥43,381 million ($433,810 thousand) and ¥41,164 million at March 31, 2008 and 2007, respectively. These affiliates primarily operate in the Imaging Solutions, Information Solutions and Document Solutions businesses. The combined financial position and results of operations of the Company's affiliates accounted for by the equity method are summarized as follows:

	March 31		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Current assets	**¥127,561**	¥109,948	**$1,275,610**
Noncurrent assets	**58,317**	54,962	**583,170**
Total assets	**¥185,878**	¥164,910	**$1,858,780**
Current liabilities	**¥ 70,624**	¥ 60,344	**$ 706,240**
Long-term liabilities	**27,070**	22,084	**270,700**
Shareholders' equity	**88,184**	82,482	**881,840**
Total liabilities and shareholders' equity	**¥185,878**	¥164,910	**$1,858,780**

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenue	**¥230,791**	¥243,229	¥275,295	**$2,307,910**
Net income	**4,587**	7,496	8,020	**45,870**

Transactions with affiliated companies for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenue	**¥111,515**	¥99,668	¥105,397	**$1,115,150**
Purchases	**15,306**	16,379	40,636	**153,060**
Dividends received	**2,801**	1,371	1,311	**28,010**

Customers' guarantee deposits received from affiliated companies amounted to ¥943 million ($9,430 thousand) and ¥1,293 million at March 31, 2008 and 2007, respectively.

8 Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2008 and 2007 are as follows; there is currently no goodwill in the Imaging Solutions segment.

	Millions of Yen		
	Information Solutions	Document Solutions	Total
As of March 31, 2006	¥ 41,292	¥192,255	¥233,547
Acquired	20,852	3,278	24,130
Translation and other	189	—	189
As of March 31, 2007	62,333	195,533	257,866
Acquired	**71,329**	**439**	**71,768**
Translation and other	**(2,857)**	**—**	**(2,857)**
As of March 31, 2008	**¥130,805**	**¥195,972**	**¥326,777**

	Thousands of U.S. dollars		
	Information Solutions	Document Solutions	Total
As of March 31, 2007	$ 623,330	$1,955,330	$2,578,660
Acquired	**713,290**	**4,390**	**717,680**
Translation and other	**(28,570)**	**—**	**(28,570)**
As of March 31, 2008	**$1,308,050**	**$1,959,720**	**$3,267,770**

Intangible assets subject to amortization at March 31, 2008 and 2007 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Technology-based	**¥ 91,087**	**¥29,175**	¥49,963	¥24,546	**$ 910,870**	**$291,750**
Customer-related	**25,702**	**9,206**	28,312	6,136	**257,020**	**92,060**
Other	**13,351**	**6,376**	14,936	5,655	**133,510**	**63,760**
	¥130,140	**¥44,757**	¥93,211	¥36,337	**$1,301,400**	**$447,570**

During the year ended March 31, 2008, impairment charges of ¥2,041 million ($20,410 thousand) were recognized for technology-based intangibles and customer-related intangibles in the Information Solutions segment.

During the years ended March 31, 2007 and 2006, the Company recognized impairment charges of ¥4,664 million and ¥2,850 million, respectively in amortizable intangibles, which were included in "Restructuring and other charges" in the accompanying consolidated statements of income. See Note 19. "Restructuring and Other Charges."

The weighted-average amortization periods for technology-based intangibles and customer-related intangibles are 12 years and 8 years, respectively. The aggregate amortization expenses for intangible assets for the years ended March 31, 2008, 2007 and 2006 were ¥12,493 million ($124,930 thousand), ¥14,166 million and ¥17,244 million, respectively.

Indefinite lived intangible assets other than goodwill were insignificant as of March 31, 2008 and 2007, 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;		
2009	¥12,555	$125,550
2010	9,678	96,780
2011	8,729	87,290
2012	7,937	79,370
2013	7,017	70,170

9 Short-term and Long-term Debt

Short-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Borrowings from banks	**¥ 47,403**	¥ 48,806	**$ 474,030**
Commercial paper	**33,266**	45,670	**332,660**
Current portion of long-term debt	**33,128**	11,567	**331,280**
	¥113,797	¥106,043	**$1,137,970**

The weighted-average interest rates per annum on bank borrowings and commercial paper outstanding at March 31, 2008 and 2007 were 2.91% and 2.59%, respectively. Short-term debt is principally unsecured.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Loans, principally from banks and insurance companies, due 2008 to 2013 with interest rates ranging from 0.905% to 6.075% at March 31, 2008 and due 2007 to 2011, with interest rates ranging from 0.905% to 6.710% at March 31, 2007:			
Secured	**¥ 16,072**	¥ 3,365	**$ 160,720**
Unsecured	**36,988**	37,567	**369,880**
Unsecured Euroyen convertible bonds:			
Libor minus 0.3000% Series A Convertible Bond, due 2011	**50,580**	50,290	**505,800**
0.5000% Series B Convertible Bond, due 2011	**51,040**	50,520	**510,400**
Libor minus 0.3000% Series A Convertible Bond, due 2013	**50,529**	50,264	**505,290**
0.7500% Series B Convertible Bond, due 2013	**50,800**	50,400	**508,000**
Unsecured bonds in Japanese yen:			
1.6300% yen bonds, due 2007	**—**	5,000	**—**
1.0075% yen bonds, due 2008	**6,100**	6,100	**61,000**
1.0050% yen bonds, due 2008	**2,000**	2,000	**20,000**
1.9900% yen bonds, due 2010	**10,000**	10,000	**100,000**
1.5175% yen bonds, due 2011	**3,000**	3,000	**30,000**
Yen bonds due through 2011 with interest rates ranging from 0.98% to 1.43% at March 31, 2008 and March 31, 2007	**620**	850	**6,200**
Other	**11,612**	10,176	**116,120**
	289,341	279,532	**2,893,410**
Portion due within one year	**(33,128)**	(11,567)	**(331,280)**
	¥256,213	¥267,965	**$2,562,130**

The weighted-average interest rates of long-term loans in the above table were approximately 1.89% and 1.67% at March 31, 2008 and 2007, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2009	¥ 33,128	$ 331,280
2010	3,379	33,790
2011	121,534	1,215,340
2012	21,997	219,970
2013	104,266	1,042,660
2014 and thereafter	2,537	25,370
	¥286,841	$2,868,410

A loan from Japan Science and Technology Agency of ¥2,500 million ($25,000 thousand) at March 31, 2008 was non-interest bearing loan. The loan amount was excluded from the above schedule since the loan may be forgiven if the Company meets a certain condition.

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

At March 31, 2008, certain loans were secured by principally land and buildings with a net book value of ¥13,209 million ($132,090 thousand).

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

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

The price to be paid upon exercise of conversion rights per share ("conversion price") for 2011 Series A convertible bond and 2011 Series B convertible bond is ¥5,275.7 ($52.757). The conversion price for 2013 Series A convertible bond and 2013 Series B convertible bond is ¥4,898.8 ($48.988), respectively, both of which are subject to reset as follows:

The conversion price shall be subject to reset on each of March 31, 2009 and March 31, 2010 in case of 2011 Series A convertible bond and 2011 Series B convertible bond, or September 30, 2008, September 30, 2009, September 30, 2010, September 30, 2011 and September 30, 2012 (each a "Reset Date") in case of 2013 Series A convertible bond and 2013 Series B convertible bond to 90% of the average last reported selling price of common shares of the Company on the Tokyo Stock Exchange on a trading day ("Closing Price") for the ten consecutive trading days up to and including the relevant Reset Date. In case the calculated reset price would be below ¥3,768.3 ("Minimum Conversion Price"), the reset conversion price shall be the Minimum Conversion Price.

The Company may redeem bonds at its option earlier than the stated maturity dates if the Closing Price for each of 5 consecutive trading days, exceeds 115% of the applicable conversion price in effect on each such trading day. In order to redeem the bonds, the Company has to give not less than 30 nor more than 60 days' prior notice to the bondholders within not more than 10 business days from the last of those 5 consecutive trading days.

10 Pension and Severance Plans

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

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

During the year ended March 31, 2008, settlements and curtailments occurred related to the defined benefit pension plans of certain subsidiaries of the Company mainly in the Document Solutions segment. In connection with these settlements and curtailments, the Company recognized losses of ¥5,745 million ($57,450 thousand), which are included in net periodic benefit cost. Also, the projected benefit obligations and the fair value of the plan assets decreased by ¥28,502 million ($285,020 thousand) and ¥28,448 million ($284,480 thousand), respectively.

During the year ended March 31, 2007, as a result of implementation of restructuring activities, settlements and curtailments occurred related to the defined benefit pension plans of certain subsidiaries of the Company. In connection with these settlements and curtailments, the Company recognized losses of ¥5,146 million, which are included in restructuring and other charges. Also, the projected benefit obligations and the fair value of the plan assets decreased by ¥10,506 million and ¥10,405 million, respectively. In addition, plan amendments were made for certain other subsidiaries, mainly in the Document Solutions segment, which decreased the projected benefit obligations by ¥2,788 million.

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

The aggregate cost charged to income for the Company's domestic and foreign defined contribution plans discussed above amounted to ¥7,537 million ($75,370 thousand), ¥7,297 million, and ¥7,036 million for the years ended March 31, 2008, 2007 and 2006, respectively.

The Company uses a measurement date of March 31 for the majority of its plans.

On March 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No.158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*" ("SFAS 158"). The Company recognized the funded status (i.e., the difference between the fair value of plan assets and the benefit obligations) of its defined benefit pension plans in the March 31, 2007 consolidated balance sheet with a corresponding adjustment for actuarial loss, prior service credit and net transition obligation to accumulated other comprehensive income (loss), net of tax.

The adoption of SFAS 158 had no effect on the accompanying consolidated statement of income.

The incremental effects of adopting SFAS 158 on the accompanying consolidated balance sheet at March 31, 2007 were summarized as follows:

	Millions of yen		
	Before application of SFAS 158	Adjustments	After application of SFAS 158
Prepaid pension cost	¥ 10,974	¥ (6,199)	¥ 4,775
Accrued liabilities	—	(2,552)	(2,552)
Accrued pension and severance costs	(62,837)	(21,673)	(84,510)
Other intangible assets, net	1,638	(1,638)	—
Deferred income taxes	23,046	11,706	34,752
Minority interests in subsidiaries	6,955	628	7,583
Accumulated other comprehensive loss	25,807	18,887	44,694

Components of Net Periodic Benefit Cost

Components of net periodic benefit cost for the defined benefit plans for the years ended March 31, 2008, 2007 and 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Components of net periodic benefit cost:				
Service cost	**¥ 25,520**	¥ 25,206	¥ 25,025	**$ 255,200**
Interest cost	**14,793**	14,207	12,827	**147,930**
Expected return on plan assets	**(17,932)**	(16,741)	(13,626)	**(179,320)**
Recognized net actuarial loss	**3,997**	5,151	8,339	**39,970**
Amortization of prior service credit	**(1,847)**	(1,719)	(2,271)	**(18,470)**
Amortization of net transition obligation	**285**	172	545	**2,850**
Settlement and curtailment loss	**5,745**	5,146	—	**57,450**
Net periodic benefit cost	**¥ 30,561**	¥ 31,422	¥ 30,839	**$ 305,610**

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

	Millions of yen	Thousands of U.S. dollars
Current year actuarial loss	**¥44,548**	**$445,480**
Amortization of actuarial loss	**(3,997)**	**(39,970)**
Amortization of prior service credit	**1,847**	**18,470**
Amortization of net transition obligation	**(285)**	**(2,850)**
Settlement and curtailment loss	**(5,745)**	**(57,450)**
	¥36,368	**$363,680**

As of March 31, 2008, the estimated net actuarial loss, prior service credit and net transition obligation for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	**¥ 4,967**	**$ 49,670**
Prior service credit	**(1,865)**	**(18,650)**
Net transition obligation	**354**	**3,540**

Obligations and Fund Status

Reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan assets, the funded status and the amounts recognized in the consolidated balance sheets of the non-contributory and contributory defined benefit pension plans at March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Changes in benefit obligation:			
Benefit obligation at beginning of year	**¥ 632,462**	¥621,973	**$ 6,324,620**
Service cost	**25,520**	25,206	**255,200**
Interest cost	**14,793**	14,207	**147,930**
Plan participants' contributions	**428**	568	**4,280**
Plan amendments	**—**	(2,788)	**—**
Actuarial (gain) loss	**(7,446)**	371	**(74,460)**
Acquisitions	**7,634**	9,743	**76,340**
Benefits paid	**(20,037)**	(30,963)	**(200,370)**
Settlements and curtailments	**(28,502)**	(10,506)	**(285,020)**
Foreign currency translation	**(7,020)**	4,651	**(70,200)**
Benefit obligation at end of year	**617,832**	632,462	**6,178,320**
Changes in plan assets:			
Fair value of plan assets at beginning of year	**550,175**	505,622	**5,501,750**
Actual return on plan assets	**(34,801)**	23,540	**(348,010)**
Acquisitions	**—**	6,117	**—**
Employers' contributions	**41,567**	45,818	**415,670**
Plan participants' contributions	**428**	568	**4,280**
Benefits paid	**(14,650)**	(26,783)	**(146,500)**
Settlement and curtailments	**(28,448)**	(10,405)	**(284,480)**
Foreign currency translation	**(6,803)**	5,698	**(68,030)**
Fair value of plan assets at end of year	**507,468**	550,175	**5,074,680**
Funded status	**¥(110,364)**	¥ (82,287)	**$(1,103,640)**

Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension cost	**¥ 4,501**	¥ 4,775	**$ 45,010**
Accrued liabilities	**(2,923)**	(2,552)	**(29,230)**
Accrued pension and severance costs	**(111,942)**	(84,510)	**(1,119,420)**
Net amount recognized	**¥(110,364)**	¥ (82,287)	**$(1,103,640)**
Amounts recognized in accumulated other comprehensive loss consist of:			
Net actuarial loss	**¥ 142,584**	¥108,549	**$ 1,425,840**
Prior service credit	**(19,176)**	(21,234)	**(191,760)**
Net transition obligation	**360**	576	**3,600**
	¥ 123,768	¥ 87,891	**$ 1,237,680**

The accumulated benefit obligation for defined benefit pension plans amounted to ¥578,811 million ($5,788,110 thousand) and ¥596,010 million at March 31, 2008 and 2007, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans where projected benefit obligations exceeded plan assets, and the aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligations exceeded plan assets as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	**¥590,827**	¥611,726	**$5,908,270**
Fair value of plan assets	**475,339**	524,776	**4,753,390**
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	**525,598**	379,421	**5,255,980**
Fair value of plan assets	**444,328**	320,015	**4,443,280**

Assumptions

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

	2008	2007
Discount rate	**2.36%**	2.30%
Rate of compensation increases	**2.45%**	2.30%

The weighted-average assumptions used to determine net periodic benefit cost for the years ended March 31, 2008, 2007 and 2006 are as follows: Rate of compensation increases was calculated excluding pension plans whose compensation levels did not impact the amount of benefit obligations.

	2008	2007	2006
Discount rate	**2.30%**	2.29%	2.21%
Rate of compensation increases	**2.30%**	2.13%	2.09%
Expected long-term rate of return on plan assets	**3.30%**	3.25%	3.21%

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

Plan Assets

The Company's actual weighted-average assets allocations for defined benefit pension plans at March 31, 2008 and 2007, by asset category are as follows:

Asset category	2008	2007
Equity securities	**41%**	44%
Debt securities	**31**	36
General accounts of life insurance companies	**23**	15
Other	**5**	5
Total	**100%**	100%

Target allocations of plan assets for equity securities, debt securities and general accounts of life insurance companies are 43%, 34% and 21%, respectively.

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

Contribution

The Company expects to contribute approximately ¥40,970 million ($409,700 thousand) to the defined benefit pension plan for the year ending March 31, 2009.

Estimated Future Benefit Payments

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

	Millions of yen	Thousands of U.S. dollars
Year ending March 31;		
2009	¥ 23,445	$ 234,450
2010	22,210	222,100
2011	23,203	232,030
2012	24,929	249,290
2013	26,972	269,720
2014 through 2018	141,414	1,414,140

11 Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2008, 2007 and 2006.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 differ from the statutory tax rate due to the following reasons:

	2008	2007	2006
Statutory tax rates	**40.6%**	40.6%	40.6%
Increase (decrease) in income taxes resulting from:			
Expenses not deductible for tax purposes	**2.4**	4.6	4.3
Goodwill impairment	**—**	—	5.0
Lower effective tax rates of other countries	**(4.0)**	(4.4)	(4.1)
Deferred tax liabilities on undistributed earnings	**0.9**	2.3	(0.4)
R&D credits	**(3.7)**	(5.2)	(3.7)
Foreign tax credit	**0.0**	(0.2)	(1.7)
Net changes in valuation allowances	**2.9**	17.9	4.5
Other	**2.1**	2.1	(0.5)
Effective tax rates	**41.2%**	57.7%	44.0%

Income before income taxes for the years ended March 31, 2008, 2007 and 2006 was taxed in the following jurisdictions:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Income before income taxes:				
Domestic	**¥138,688**	¥ 92,845	¥69,821	**$1,386,880**
Foreign	**60,654**	10,419	9,794	**606,540**
	¥199,342	¥103,264	¥79,615	**$1,993,420**

The provision (benefit) for income taxes for the years ended March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Current:				
Domestic	**¥52,094**	¥42,769	¥ 42,611	**$520,940**
Foreign	**21,228**	20,141	10,145	**212,280**
Total current	**73,322**	62,910	52,756	**733,220**
Deferred:				
Domestic	**7,435**	3,922	(10,344)	**74,350**
Foreign	**1,386**	(7,299)	(7,388)	**13,860**
Total deferred	**8,821**	(3,377)	(17,732)	**88,210**
	¥82,143	¥59,533	¥ 35,024	**$821,430**

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Inventories	**¥ 42,240**	¥ 41,456	**$ 422,400**
Depreciation	**38,746**	36,943	**387,460**
Accrued expenses	**42,442**	46,444	**424,420**
Accrued pension and severance costs	**2,772**	7,295	**27,720**
Pension liability adjustments	**51,249**	34,752	**512,490**
Accrued enterprise tax	**2,097**	2,891	**20,970**
Tax loss carryforwards	**37,920**	27,367	**379,200**
Valuation of investment securities	**11,533**	13,413	**115,330**
Allowance for doubtful receivables	**4,221**	5,065	**42,210**
Other	**36,250**	38,630	**362,500**
	269,470	254,256	**2,694,700**
Less valuation allowance	**(53,200)**	(38,875)	**(532,000)**
Total deferred tax assets	**216,270**	215,381	**2,162,700**
Deferred tax liabilities:			
Depreciation	**3,863**	3,886	**38,630**
Lease accounting	**7,243**	5,641	**72,430**
Taxes on undistributed earnings	**12,862**	13,848	**128,620**
Valuation of available-for-sale securities	**14,614**	33,212	**146,140**
Goodwill	**14,277**	14,253	**142,770**
Accrued pension and severance costs	**15,024**	13,978	**150,240**
Other intangible assets	**30,322**	15,429	**303,220**
Other	**17,580**	15,282	**175,800**
Total deferred tax liabilities	**115,785**	115,529	**1,157,850**
Net deferred tax assets	**¥100,485**	¥ 99,852	**$1,004,850**

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 ¥14,325 million ($143,250 thousand), ¥15,886 million and ¥4,517 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Deferred tax assets and liabilities at March 31, 2008 and 2007 are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred income taxes (current assets)	**¥ 90,956**	¥100,440	**$ 909,560**
Deferred income taxes (other assets)	**54,889**	53,798	**548,890**
Other current liabilities	**(424)**	(118)	**(4,240)**
Deferred income taxes (noncurrent liabilities)	**(44,936)**	(54,268)	**(449,360)**
Net deferred tax assets (liabilities)	**¥100,485**	¥ 99,852	**$1,004,850**

At March 31, 2008, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥96,311 million ($963,110 thousand), of which ¥17,300 million ($173,000 thousand) will be carried forward indefinitely and ¥79,011 million ($790,110 thousand) will expire through 2028. These net operating loss carryforwards are available to offset future taxable income of the subsidiaries.

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries in the amount of ¥12,170 million ($121,700 thousand) as of March 31, 2008, because such earnings have been permanently reinvested. Deferred tax liabilities will be recognized when the Company expects that it will realize those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. Such undistributed earning of these subsidiaries were ¥80,406 million ($804,060 thousand) as of March 31, 2008.

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

The Company adopted FIN48 effective April 1, 2007. Unrecognized tax benefits amount as of April 1, 2007 and March 31, 2008, and a change of unrecognized tax benefits through the year ended March 31, 2008 were insignificant. Upon adoption of FIN 48, the Company did not require cumulative effect adjustment to retained earnings. Both interest and penalties accrued as of March 31, 2008 in the consolidated balance sheet and included in income taxes for the year ended March 31, 2008 in the consolidated statement of income were insignificant.

In the domestic tax jurisdiction, the tax examinations of the Company and major domestic subsidiaries by the tax authorities for the year ended March 31, 2006 and before had been already completed. While there is no indications that the Company would be subject to tax examination related to transfer pricing as of March 31, 2008, the tax authority still has a right to conduct a tax examination for fiscal years ended on and after March 31, 2002.

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

12 Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as a distribution of earnings be appropriated to the additional paid-in capital or legal reserve.

The Law also provides to the extent that if the sum of the additional paid-in capital account and the legal reserve account exceed 25% of the common stock account, then the amount of the excess (if any) is available for appropriations by resolution of the shareholders.

Retained earnings available for dividends under the Law are based on the amount presented in the Company's non-consolidated financial statements, which are prepared in accordance with accounting principles and practices generally accepted in Japan. Under the Law, the amount of retained earnings available for dividends as of March 31, 2008 amounted to ¥1,447,906 million ($14,479,060 thousand).

The appropriation of retained earnings for the year ended March 31, 2008 has been reflected in the consolidated financial statements, including for the amount approved at the general shareholders' meeting held on June 27, 2008.

Takeover Defense Measure

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

13 Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as reflected in the consolidated balance sheets at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Unrealized gains on securities	**¥ 18,172**	¥ 46,231	**$ 181,720**
Foreign currency translation adjustments	**(17,599)**	39,404	**(175,990)**
Pension liability adjustments	**(63,638)**	(44,694)	**(636,380)**
Unrealized gains (losses) on derivatives	**(106)**	9	**(1,060)**
	¥(63,171)	¥ 40,950	**$(631,710)**

The related tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2008, 2007 and 2006 are as follows:

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

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

2006	Millions of yen Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains on securities:			
Increase in unrealized gains on securities	¥ 46,172	¥(18,746)	¥ 27,426
Less: reclassification adjustment for gains realized in net income	(194)	79	(115)
Net increase in unrealized gains	45,978	(18,667)	27,311
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	38,637	(440)	38,197
Less: reclassification adjustment for gains realized in net income	(874)	—	(874)
Net change in foreign currency translation adjustments	37,763	(440)	37,323
Minimum pension liability adjustments	38,169	(16,347)	21,822
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	201	(96)	105
Less: reclassification adjustment for gains realized in net income	(230)	111	(119)
Change in net unrealized gains (losses)	(29)	15	(14)
	¥121,881	¥(35,439)	¥ 86,442

2008	Thousands of U.S. dollars Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Unrealized gains on securities:			
Decrease in unrealized gains on securities	**$ (469,100)**	**$190,450**	**$ (278,650)**
Less: reclassification adjustment for gains realized in net income	**(3,270)**	**1,330**	**(1,940)**
Net decrease in unrealized gains	**(472,370)**	**191,780**	**(280,590)**
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	**(566,140)**	**(460)**	**(566,600)**
Less: reclassification adjustment for gains realized in net income	**(3,430)**	**—**	**(3,430)**
Net change in foreign currency translation adjustments	**(569,570)**	**(460)**	**(570,030)**
Pension liability adjustments			
Change in pension liability adjustments	**(409,280)**	**188,570**	**(220,710)**
Less: reclassification adjustment for gains and losses realized in net income	**64,480**	**(33,210)**	**31,270**
Net change in pension liability adjustments	**(344,800)**	**155,360**	**(189,440)**
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	**(930)**	**440**	**(490)**
Less: reclassification adjustment for gains realized in net income	**(1,270)**	**610**	**(660)**
Change in net unrealized gains (losses)	**(2,200)**	**1,050**	**(1,150)**
	¥(1,388,940)	**¥347,730**	**¥(1,041,210)**

14 Commitments and Contingent Liabilities

Guarantees

The Company guarantees certain indebtedness of others and other obligations. At March 31, 2008, the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee was ¥27,842 million ($278,420 thousand), of which ¥23,721 million ($237,210 thousand) were guarantees of employee mortgage loans to financial institutions. In the event of an employee's insolvency, the Company and certain of its subsidiaries will need to pay the default mortgage on behalf of the employee. Certain guarantees are secured by the employees' property in the amount of ¥23,643 million ($236,430 thousand). The term of the mortgage loan guarantees is from 1 year to 27 years. As of March 31, 2008, the carrying amount of the liability for the Company's obligations under the guarantee was insignificant.

Lease Commitments

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

The future minimum lease payments required under operating leases which, at March 31, 2008, 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;		
2009	¥17,645	$176,450
2010	13,311	133,110
2011	9,967	99,670
2012	6,779	67,790
2013	3,109	31,090
2014 and thereafter	6,520	65,200
Total future minimum lease payments	¥57,331	$573,310

Rental expenses under operating leases for the years ended March 31, 2008, 2007 and 2006 were ¥65,470 million ($654,700 thousand), ¥65,966 million and ¥64,188 million, respectively.

Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding at March 31, 2008, principally for the construction and purchase of property, plant and equipment, amounted to ¥74,449 million ($744,490 thousand). At March 31, 2008, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥6,121 million ($61,210 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
	2008	2007	2006	**2008**
Balance, at April 1	**¥ 9,670**	¥ 8,871	¥ 7,951	**$ 96,700**
Warranties issued during the current period	**15,985**	12,972	14,692	**159,850**
Settlements made during the current period	**(16,369)**	(11,743)	(13,412)	**(163,690)**
Change in liability for pre-existing warranties during the current period, including expirations	**(876)**	(430)	(360)	**(8,760)**
Balance, at March 31	**¥ 8,410**	¥ 9,670	¥ 8,871	**$ 84,100**

15 Net Income per Share

A calculation of the basic and diluted net income per share for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net income available to common shareholders	**¥104,431**	¥34,446	¥37,016	**$1,044,310**
Dilutive effect of:				
2011 Series A Convertible Bond	**350**	200	—	**3,500**
2011 Series B Convertible Bond	**457**	455	—	**4,570**
2013 Series A Convertible Bond	**334**	184	—	**3,340**
2013 Series B Convertible Bond	**460**	456	—	**4,600**
Diluted net income available to common shareholders	**¥106,032**	¥35,741	¥37,016	**$1,060,320**

	Shares		
	2008	2007	2006
Weighted-average common shares outstanding — Basic	**508,354,176**	510,620,624	509,525,143
Dilutive effect of:			
2011 Series A Convertible Bond	**9,477,415**	9,369,468	—
2011 Series B Convertible Bond	**9,477,415**	9,369,468	—
2013 Series A Convertible Bond	**10,206,581**	10,090,196	—
2013 Series B Convertible Bond	**10,206,581**	10,090,196	—
Stock options	**64,233**	—	—
Weighted-average common shares outstanding — Diluted	**547,786,401**	549,539,952	509,525,143

	Yen			U.S. dollars
	2008	2007	2006	**2008**
Net income per share:				
Basic	**¥205.43**	¥67.46	¥72.65	**$2.05**
Diluted	**¥193.56**	¥65.04	¥72.65	**$1.94**

16 Stock-Based Compensation Plan

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

On June 28, 2007, the Ordinary General Meeting of Shareholders approved the issuance of three kinds of stock acquisition rights as stock options. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 780 stock acquisition rights to 5 Directors of the Company and FUJIFILM Corporation ("No.1-1 Stock Acquisition Rights"), an aggregate of 1,376 stock acquisition rights to the Directors and executive officers of the Company and the Directors, executive officers and Fellows of FUJIFILM Corporation in aggregate of 30 persons ("No.1-2 Stock Acquisition Rights"), and an aggregate of 1,706 stock acquisition rights to the Directors, executive officers and important employees of the Company and the Directors, executive officers, Fellows and important employees of FUJIFILM Corporation in aggregate of 60 persons ("No.1-3 Stock Acquisition Rights"). Every stock acquisition right represents an option to purchase 100 shares of common stock of the Company.

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

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

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

The Company recognized stock-based compensation cost of ¥916 million ($9,160 thousand) as selling, general and administrative expenses in the accompanying consolidated statements of income for the year ended March 31, 2008 and the cost was estimated using the Black-Scholes option pricing model as the fair value of the options. The deferred income tax benefit related to the cost was ¥315 million ($3,150 thousand). As of March 31, 2008, total unrecognized stock-based compensation cost was ¥381 million ($3,810 thousand) and is expected to be recognized over 5 months commencing April 1, 2008. There were no stock acquisition rights exercised during the year ended March 31, 2008. The weighted-average grant date fair value of stock options granted during the year ended March 31, 2008 was ¥3,358 million ($33,580 thousand).

A summary of stock option activity during the year ended March 31, 2008 is as follows:

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

		U.S. dollar	Years	Thousands of U.S. dollars
	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Average intrisic value
Granted during the year and Outstanding at March 31, 2008	386,200	$21.99	9.3	$10,620
Exercisable at March 31, 2008	181,200	0.01	10.4	8,930

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

	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
Expected dividend (U.S. dollar)	$ 0.25	$ 0.25	$ 0.25
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 options. The expected remaining life of No.1-1 Stock Acquisition Rights and No.1-2 Stock Acquisition Rights are 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 is determined as 6 years based on the midpoint of the contractual term since no options were exercised after the implementation of the plan.

17 Financial Instruments

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

Fair Value Hedging Strategy

Under certain circumstances, certain subsidiaries of the Company may enter into cross currency interest rate swaps for interest rate exposure and/or foreign currency exchange rate exposure management purposes. The cross currency interest rate swaps generally modify their exposure effectively to interest rate risk and/or foreign currency exchange rate risk associated with the underlying debt obligation by converting the underlying debt amounts in exchange for floating rate interest payments over the life of the agreements. There were no outstanding fair value hedge transactions as of March 31, 2008 and March 31, 2007.

Cash Flow Hedging Strategy

Certain subsidiaries of the Company have entered into forward currency exchange contracts to protect against the increase or decrease in value of forecasted intercompany purchases or export sales denominated in foreign currencies over the next year (maximum length of time is through September 2008). If the yen weakens significantly against foreign currencies (primarily the U.S. dollar), the increase in the value of future foreign currency cost or revenue is offset by gains or losses in the value of the forward exchange contract designated as a hedge. Conversely, if the yen strengthens, the decrease in the value of future foreign currency cash flow is offset by gains or losses in the value of the forward contracts designated as a hedge.

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

As of March 31, 2008, the Company expects to reclassify ¥182 million ($1,820 thousand) of net losses on derivatives from accumulated other comprehensive income (loss) to earnings during the next twelve months due to actual export sales and import purchases and the payment of the underlying debt.

Derivatives Not Designated as Hedges

Derivatives not designated as hedges include certain interest rate swaps, cross currency interest rate swaps, and forward currency exchange contracts which have been entered into by the Company and certain of its subsidiaries. Although these derivatives are effective as hedges from an economic perspective, the Company did not designate these contracts as hedges as required in order to apply hedge accounting. As a result, the Company reported the changes in the fair value of these derivatives in the statement of income in the line titled “Other, net” in other income (expenses).

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. These financial institutions are located throughout Japan and 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.

Concentration of credit risk associated with trade receivables is limited due to the Company’s large customer base, maintenance of customers’ guarantee deposits and the Company’s 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 estimated 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 in the consolidated balance sheets approximate fair value because of the short maturity of these instruments.

Marketable securities and Investment securities: The fair value of current and noncurrent marketable securities is estimated based on quoted market prices. The carrying amounts of nonmarketable debt securities with variable rates approximate their fair values.

Customers’ guarantee deposits: The carrying amounts approximate fair value because they are variable rate instruments.

Long-term debt: The fair value of long-term debt is estimated using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements. The fair value of long-term debt, including the current portion, as of March 31, 2008 and 2007 was ¥86,787 million ($867,870 thousand) and ¥78,772 million, respectively. The fair value as of March 31, 2008 and 2007 did not include the fair value of the unsecured Euroyen convertible bonds issued on April 5, 2006 with a carrying value of ¥202,949 million ($2,029,490 thousand) and ¥201,474 million, respectively because there was no quoted market price and it was not practicable to estimate the fair value.

Derivative financial instruments: The fair values of forward currency exchange contracts, interest rate swaps, currency swaps and cross currency interest rate swaps are estimated on the basis of the market prices of derivative financial instruments with similar contract conditions or obtained from brokers. The fair value and the carrying amounts of these derivative assets were ¥4,248 million ($42,480 thousand) and ¥531 million, and those of derivative liabilities were ¥2,068 million ($20,680 thousand) and ¥3,745 million, as of March 31, 2008 and 2007, respectively.

18 Acquisitions

In order to expand its distribution channels in Japan, the United States of America, Europe and Asia and increase in technological developments in certain products, the Company acquired two, seven and twenty-nine businesses and/or minority interests during the years ended March 31, 2008, 2007 and 2006, respectively. Considerations for all significant acquisitions were paid in cash or treasury stock of the Company and aggregate purchase prices for acquisitions amounted to ¥98,973 million ($989,730 thousand), ¥49,743 million and ¥44,053 million, net of cash acquired, for the years ended March 31, 2008, 2007 and 2006, respectively. There were no significant contingent payments, options or commitments related to those acquisitions. Each acquisition that qualified as a business combination has been accounted for under the purchase method of accounting in accordance with SFAS No.141, "*Business Combinations*" and the excess of the purchase price over the estimated fair value of net assets acquired has been recorded as goodwill, which is primarily tax non-deductible.

In March 2008, the Company acquired 66% of the common stock of Toyama Chemical Co., Ltd., which is a manufacturer and marketing company of pharmaceutical and healthcare products, for ¥97,858 million ($978,580 thousand). The Company believes that the strategic business alliance with Toyama Chemical Co., Ltd., which has shown results of new drug development in the medical pharmaceutical business, will enable the Company to expand its Medical Life Sciences Business from the current diagnostic and prevention focus to also include a treatment business. From acquisitions made, including the above, during the year ended March 31, 2008, the Company recognized ¥71,768 million ($717,680 thousand) of goodwill, ¥43,178 million ($431,780 thousand) of technology-based intangibles and ¥3,745 million ($37,450 thousand) of marketing-related and customer-related intangibles. As acquisition of Toyama Chemical Co., Ltd. was conducted near the year-end, a final allocation of the purchase for Toyama Chemical Co., Ltd. has not been completed.

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 16,145	$ 161,450
Property, plant and equipment	20,923	209,230
Goodwill and other intangibles	116,112	1,161,120
Investments and other	16,979	169,790
Current liabilities	12,866	128,660
Long-term liabilities	42,947	429,470
Minority interest	16,488	164,880
Acquisition cost, net of cash acquired	97,858	978,580

The results of operations for Toyama Chemical Co., Ltd. will be included in the Company's consolidated statements of income beginning April 1, 2008.

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

Significant acquisitions completed during the year ended March 31, 2006 included (i) 100% of the common stock of Avecia Inkjet Limited, based in the United Kingdom and (ii) 60% of the common stock of Sankio Chemical Co., Limited, which was a 40% owned affiliate and has ultimately become a wholly owned subsidiary of the Company in exchange for treasury stock of the Company. The Company recognized ¥14,664 million of goodwill, ¥4,919 million of technology-based intangibles and ¥7,788 million of customer-related intangibles on its acquisitions for the year ended March 31, 2006, including those mentioned above.

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

19 Restructuring and Other Charges

Imaging Solutions Segment

The business environment in the Imaging Solutions segment had been drastically changing more quickly than previously expected and future forecasts for improvement in results were not favorable. Management of the Company implemented radical restructuring activities in both photographic materials business and electric imaging business through the course of the two fiscal years ended March 31, 2007. Restructuring activities in photographic materials business consisted of plant integration, termination of certain manufacturing lines, streamlining in supply-chains including workforce reduction and cost reductions, research and development costs reduction and integration and termination of photo-finishing laboratories. Restructuring activities in electric imaging business involving digital cameras consisted of redevelopment of manufacturing to China and other supply chain and cost reduction measures. As a result, total restructuring costs of ¥163,433 million were incurred during the two fiscal years ended March 31, 2007. Restructuring activities had been conducted as planned and completed as of March 31, 2007 and no additional costs have been incurred during the year ended March 31, 2008. Costs that had been incurred and changes in related liabilities of the restructuring activities during the three years ended March 31, 2008 are summarized as follows:

	Millions of yen		
	Employee termination benefits	Loss on fixed assets and other associated costs	Total
Cost incurred	¥ 20,883	¥ 65,160	¥ 86,043
Non-cash charges	—	(63,664)	(63,664)
Cash payments	(3,752)	(991)	(4,743)
Liability balance at March 31, 2006	17,131	505	17,636
Cost incurred	23,073	54,317	77,390
Non-cash charges	—	(47,963)	(47,963)
Cash payments	(35,088)	(6,018)	(41,106)
Adjustment	(195)	920	725
Liability balance at March 31, 2007	4,921	1,761	6,682
Cash payments	**(4,897)**	**(885)**	**(5,782)**
Adjustment	**(24)**	**(90)**	**(114)**
Liability balance at March 31, 2008	**¥ —**	**¥ 786**	**¥ 786**

	Thousands of U.S. dollars		
	Employee termination benefits	Loss on fixed assets and other associated costs	Total
Liability balance at March 31, 2007	$ 49,210	$ 17,610	$ 66,820
Cash payments	**(48,970)**	**(8,850)**	**(57,820)**
Adjustment	**(240)**	**(900)**	**(1,140)**
Liability balance at March 31, 2008	**$ —**	**$ 7,860**	**$ 7,860**

Loss on fixed assets and other associated costs for the year ended March 31, 2006 included impairment charges in long-lived assets, which primary consisted of manufacturing facilities, of ¥32,287 million and impairment charges of goodwill of ¥9,834 million. These impairments mainly resulted from the reduced earnings forecast of future operations for the Imaging Solutions segment as mentioned above. During the year ended March 31, 2007, the business environment in the Imaging Solutions segment was worse than anticipated in the previous year. As a result, impairment charges of ¥12,202 million were recognized for certain manufacturing facilities and amortizable intangibles such as customer lists. The fair values of respective long-lived assets or asset group were determined based on estimated discounted future net cash flows using the updated earnings forecast. The remaining charges mainly related to accelerated depreciation in connection with shortened estimated remaining useful lives on certain machinery and equipment and losses on disposal of fixed assets.

Substantially, all of the restructuring and other charges were related to the Imaging Solutions segment. However, charges of ¥17,269 million and ¥8,642 million were incurred in the Information Solutions segment for the years ended March 31, 2007 and 2006, respectively, mainly related to losses on manufacturing facilities and equipment used for both of the Imaging and Information Solutions activities, and certain restructuring initiatives relating to the Information Solutions segment.

Document Solutions Segment

During the year ended March 31, 2007, the Company initiated the restructuring activities in the Document Solutions segment and recognized costs of ¥16,136 million relating to employees benefits and ¥555 million relating to fixed assets. This initiative related to relocations of domestic customer engineers to regional sales subsidiary companies in order to provide more community-based maintenance services. The restructuring activities had completed in the previous fiscal year and no additional costs have been incurred during the current fiscal year. The costs accrued for the above restructuring activities were ¥16,136 million as of March 31, 2007, which was all paid during the year ended March 31, 2008.

20 Segment Information

Operating Segments

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

Revenue

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenue:				
Imaging Solutions:				
External customers	**¥ 547,066**	¥ 605,383	¥ 689,458	**$ 5,470,660**
Intersegment	**874**	899	618	**8,740**
Total	**547,940**	606,282	690,076	**5,479,400**
Information Solutions:				
External customers	**1,108,134**	1,026,085	877,366	**11,081,340**
Intersegment	**2,136**	2,818	2,965	**21,360**
Total	**1,110,270**	1,028,903	880,331	**11,102,700**
Document Solutions:				
External customers	**1,191,628**	1,151,058	1,100,671	**11,916,280**
Intersegment	**9,274**	12,187	12,478	**92,740**
Total	**1,200,902**	1,163,245	1,113,149	**12,009,020**
Eliminations	**(12,284)**	(15,904)	(16,061)	**(122,840)**
Consolidated total	**¥2,846,828**	¥2,782,526	¥2,667,495	**$28,468,280**

Segment Profit or Loss

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Operating income (loss):				
Imaging Solutions	**¥ (2,394)**	¥ (42,631)	¥(75,713)	**$ (23,940)**
Information Solutions	**127,432**	95,170	79,056	**1,274,320**
Document Solutions	**86,664**	61,186	67,026	**866,640**
Total	**211,702**	113,725	70,369	**2,117,020**
Corporate expenses and eliminations	**(4,360)**	(663)	67	**(43,600)**
Consolidated operating income	**207,342**	113,062	70,436	**2,073,420**
Other income (expenses), net	**(8,000)**	(9,798)	9,179	**(80,000)**
Consolidated income before income taxes	**¥199,342**	¥103,264	¥ 79,615	**$1,993,420**

Assets

	March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Total assets:				
Imaging Solutions	**¥ 497,237**	¥ 542,419	¥ 610,536	**$ 4,972,370**
Information Solutions	**1,454,928**	1,242,844	1,031,933	**14,549,280**
Document Solutions	**1,054,538**	1,056,374	984,906	**10,545,380**
Total	**3,006,703**	2,841,637	2,627,375	**30,067,030**
Eliminations	**(5,196)**	(5,292)	(4,207)	**(51,960)**
Corporate assets	**264,877**	482,757	404,323	**2,648,770**
Consolidated total	**¥3,266,384**	¥3,319,102	¥3,027,491	**$32,663,840**

Other Significant Items

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Depreciation and amortization:				
Imaging Solutions	**¥ 37,773**	¥ 52,818	¥ 75,339	**$ 377,730**
Information Solutions	**107,454**	88,147	80,879	**1,074,540**
Document Solutions	**80,975**	74,333	69,216	**809,750**
Total	**226,202**	215,298	225,434	**2,262,020**
Corporate	**551**	131	—	**5,510**
Consolidated total	**¥226,753**	¥215,429	¥225,434	**$2,267,530**
Capital expenditures for segment assets:				
Imaging Solutions	**¥ 17,929**	¥ 19,827	¥ 24,901	**$ 179,290**
Information Solutions	**101,421**	95,947	114,124	**1,014,210**
Document Solutions	**50,708**	48,127	40,783	**507,080**
Total	**170,058**	163,901	179,808	**1,700,580**
Corporate	**121**	1,258	—	**1,210**
Consolidated total	**¥170,179**	¥165,159	¥179,808	**$1,701,790**

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

As described in Note 2, “Property, Plant and Equipment and Depreciation”, effective July 1, 2007, the Company and its domestic subsidiaries changed the depreciation method of machinery and equipment. This change caused an increase in depreciation expense in Imaging Solutions, Information Solutions and Document Solutions by ¥4,227 million ($42,270 thousand), ¥14,958 million ($149,580 thousand) and ¥8,128 million ($81,280 thousand), respectively.

Geographic Information

Revenues, which are attributed to geographic areas based on the country of the Company or the subsidiary that transacted the sale with the external customer, operating income for the years ended March 31, 2008, 2007 and 2006 and long-lived assets at March 31, 2008, 2007 and 2006 are as follows. Although the geographic information of operating income is not required under SFAS No.131, the Company discloses this information as supplemental information in light of the disclosure requirement of the Japanese Financial Instruments and Exchange Act.

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenue:				
Japan				
External customers	**¥1,643,710**	¥1,666,182	¥1,666,130	**$16,437,100**
Intersegment	**513,364**	459,120	385,242	**5,133,640**
Total	**2,157,074**	2,125,302	2,051,372	**21,570,740**
The Americas				
External customers	**500,910**	491,129	456,461	**5,009,100**
Intersegment	**19,847**	25,021	26,575	**198,470**
Total	**520,757**	516,150	483,036	**5,207,570**
Europe				
External customers	**347,028**	340,246	307,535	**3,470,280**
Intersegment	**16,565**	18,536	13,279	**165,650**
Total	**363,593**	358,782	320,814	**3,635,930**
Asia and others				
External customers	**355,180**	284,969	237,369	**3,551,800**
Intersegment	**368,011**	316,774	236,060	**3,680,110**
Total	**723,191**	601,743	473,429	**7,231,910**
Eliminations	**(917,787)**	(819,451)	(661,156)	**(9,177,870)**
Consolidated total	**¥2,846,828**	¥2,782,526	¥2,667,495	**$28,468,280**

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Operating income (loss):				
Japan	**¥ 146,222**	¥ 86,999	¥ 66,169	**$ 1,462,220**
The Americas	**5,133**	(12,927)	(14,434)	**51,330**
Europe	**(1,798)**	(2,356)	(12,300)	**(17,980)**
Asia and others	**55,303**	41,056	25,804	**553,030**
Eliminations	**2,482**	290	5,197	**24,820**
Consolidated total	**¥ 207,342**	¥ 113,062	¥ 70,436	**$ 2,073,420**

	March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Long-lived assets:				
Japan	**¥613,239**	¥588,054	¥562,455	**$6,132,390**
The Americas	**45,122**	58,001	80,387	**451,220**
Europe	**62,546**	71,084	70,458	**625,460**
Asia and others	**55,460**	55,893	38,085	**554,600**
Consolidated total	**¥776,367**	¥773,032	¥751,385	**$7,763,670**

Transfers between geographic areas are generally based on market pricing.

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

Revenue to external customers, which are attributed to geographic areas based on the location of the customers for the years ended March 31, 2008, 2007 and 2006, are as follows:

	Year ended March 31			
	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Revenue:				
Japan	**¥1,259,506**	¥1,303,647	¥1,329,284	**$12,595,060**
The Americas	**557,203**	572,797	558,702	**5,572,030**
Europe	**449,241**	422,965	375,516	**4,492,410**
Asia and others	**580,878**	483,117	403,993	**5,808,780**
Consolidated total	**¥2,846,828**	¥2,782,526	¥2,667,495	**$28,468,280**

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, 2008.

The Document Solutions subsidiary sold certain copy machines and other equipment to a minority shareholder and also purchased certain equipment from a minority shareholder, which amounted to ¥232,923 million ($2,329,230 thousand) and ¥21,310 million ($213,100 thousand), ¥209,111 million and ¥20,871 million, and ¥173,457 million and ¥19,266 million for the years ended March 31, 2008, 2007 and 2006, respectively.

In conjunction with a license agreement and other arrangements between the Document Solutions subsidiary and a minority shareholder, certain expenses of ¥13,200 million ($132,000 thousand), ¥14,782 million and ¥15,468 million, which primarily related to royalty and research expenses, were incurred and certain expenses of ¥3,139 million ($31,390 thousand), ¥2,529 million and ¥3,021 million, which primarily related to research expenses, were reimbursed for the years ended March 31, 2008, 2007 and 2006, respectively. Notes and accounts receivable from the minority shareholder at March 31, 2008 and 2007 were ¥46,151 million ($461,510 thousand) and ¥43,090 million, respectively. Notes and accounts payable to the minority shareholder at March 31, 2008 and 2007 were ¥5,262 million ($52,620 thousand) and ¥5,685 million, respectively.

Report of Independent Auditors

ERNST & YOUNG

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The Board of Directors and Shareholders
FUJIFILM Holdings Corporation

We have audited the accompanying consolidated balance sheets of FUJIFILM Holdings Corporation and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FUJIFILM Holdings Corporation and subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States.

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

We have also reviewed the translation of the consolidated financial statements as of and for the year ended March 31, 2008 into U.S. dollars on the basis described in Note 3. In our opinion, such U.S. dollar amounts have been translated on such basis.

June 27, 2008

Ernst & Young ShinNihon

Corporate Information

FUJIFILM Holdings Corporation

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

Date of Establishment: January 20, 1934

Capital: ¥40,363 million (as of March 31, 2008)

Fiscal Year-end: March 31

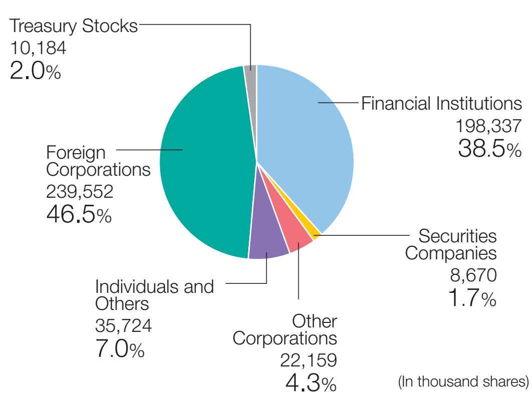
Number of employees (Persons): 78,321 (as of March 31, 2008)

Independent Auditor: Ernst & Young ShinNihon

Stock Exchange Listings: Tokyo, Osaka, Nagoya

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

Distribution of Shareholders and Shares: (As of March 31, 2008)
Number of Shareholders : 41,326
Number of Shares Outstanding (In thousands) : 514,626



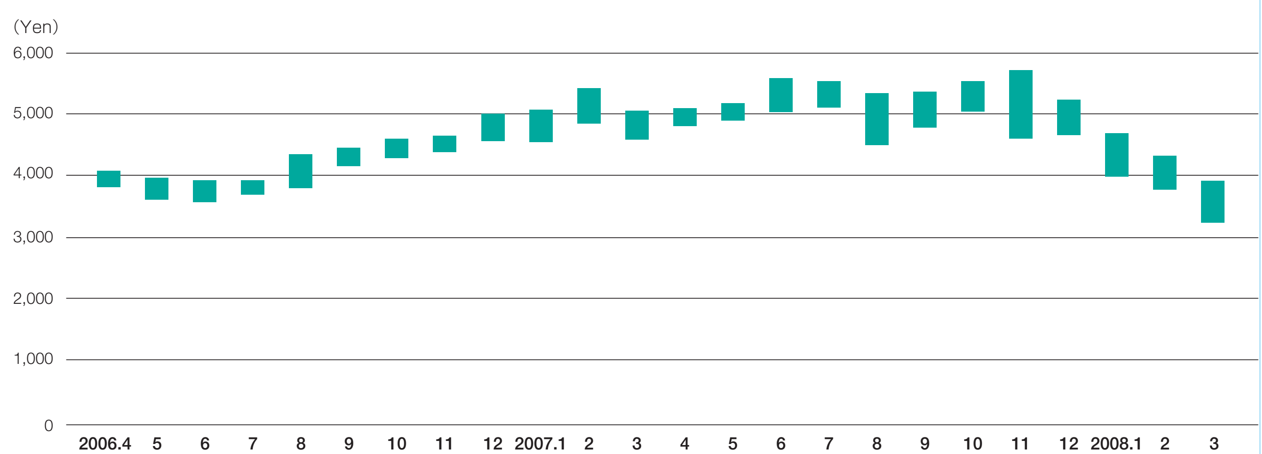
(In thousand shares)

Major Shareholders: (As of March 31, 2008)

Name	Percentage of issued shares (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6.3
Japan Trustee Services Bank, Ltd. (trust account)	5.9
Nippon Life Insurance Company	3.9
State Street Bank & Trust Company	3.8
The Chuo Mitsui Trust and Banking Company, Limited	2.2
JPMorgan Chase Bank 380055	2.1
Sumitomo Mitsui Banking Corporation	2.0
Moxley and Company	2.0
State Street Bank & Trust Company 505103	1.7
Mitsui Sumitomo Insurance Co., Ltd.	1.7

Note: In addition to the major shareholdings described above, FUJIFILM Holdings Corporation holds treasury stock accounting for 2.0% of the total issued shares outstanding.

Common Share Price: (Tokyo Stock Exchange)



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

Consolidated Subsidiaries

(As of March 31, 2008)

Japan

FUJIFILM Corporation
Fuji Xerox Co., Ltd.
Toyama Chemical Co., Ltd.
FUJIFILM Business Expert Corporation
FUJINON CORPORATION
FUJINON Mito Corporation
FUJINON Sano Corporation
Fujinon Toshiba ES Systems Co., Ltd.
FUJIFILM TECHNO PRODUCTS CO., LTD.
FUJIFILM Electronic Materials Co., Ltd.
Fuji Technics Co., Ltd.
FUJIFILM Media Manufacturing Co., Ltd.
FUJIFILM PHOTO MANUFACTURING CO., LTD.
FUJIFILM Opto Materials Co., Ltd.
FUJIFILM TPX Co., Ltd.
FUJIFILM Kyushu Co., Ltd.
FUJIFILM Finechemicals Co., Ltd.
FUJIFILM RI Pharma Co., Ltd.
FUJIFILM Digital Techno Co., Ltd.
FUJIFILM Medical Co., Ltd.
FUJIFILM BUSINESS SUPPLY CO., LTD.
FUJIFILM Graphic Systems Co., Ltd.
FFGS Techno Service Co., Ltd.
FUJIFILM Healthcare Laboratory Co., Ltd.
FUJIFILM IMAGING Co., Ltd.
FUJIFILM Imagetec Co., Ltd.
FUJIFILM Imaging Solutions Co., Ltd.
FUJIFILM LOGISTICS CO., LTD.
FUJIFILM Techno Service Co., Ltd.
FUJIFILM MEDIA CREST CO., LTD.
FUJIFILM Software Co., Ltd.
FUJIFILM PRESENTEC CO., LTD.
FUJIFILM Human Resources Development Co., Ltd.
FUJIFILM Computer System Co., Ltd.
FUJIFILM Imaging Colorants Co., Ltd.
Fuji Xerox Imaging Materials Co., Ltd.
Suzuka Fuji Xerox Co., Ltd.
Fuji Xerox Information Systems Co., Ltd.
Fuji Xerox Engineering Co., Ltd.
Fuji Xerox System Service Co., Ltd.
Xworks Co., Ltd.
CrossForce Co., Ltd.
Fuji Xerox InterField Co., Ltd.
Fuji Xerox Career Net Co., Ltd.
Fuji Xerox Learning Institute Inc.
Niigata Fuji Xerox Manufacturing Co., Ltd.
Fuji Xerox Printing Systems Sales Co., Ltd.

The Americas

FUJIFILM Holdings America Corporation
FUJIFILM U.S.A., Inc.
FUJIFILM Sericol U.S.A., Inc.
FUJIFILM Sericol Brasil Produtos para Impressão Ltda
FUJIFILM Imaging Colorants, Inc.
FUJIFILM Finance U.S.A., Inc.
FUJIFILM Manufacturing U.S.A., Inc.
FUJIFILM Recording Media U.S.A., Inc.
FUJIFILM Electronic Materials U.S.A., Inc.
FUJIFILM Dimatix, Inc.
FUJIFILM Medical Systems U.S.A., Inc.
Problem Solving Concepts, Inc.
FUJIFILM Hawaii, Inc.
FUJIFILM Graphic Systems U.S.A., Inc.
FUJIFILM Hunt Chemicals U.S.A., Inc.
FUJIFILM Hunt Smart Surface, LLC
FUJIFILM Hunt do Brasil - Producão de Quimicos Ltda
FX Global, Inc.
FX Global Supply Solutions, Inc.
FX Palo Alto Laboratory, Inc.
FUJINON INC.
FUJIFILM Canada Inc.
FUJIFILM do Brasil Ltda.
FUJIFILM da Amazonia Ltda.

Europe

FUJIFILM Europe B.V.
FUJIFILM Europe GmbH
FUJIFILM Holdings France S.A.S.
FUJIFILM Graphic Systems France SAS
FUJIFILM France SAS
LABORATOIRES FUJIFILM SA
FUJIFILM Medical Systems France SAS
FUJIFILM España S.A.
FUJIFILM Italia S.r.l.
FUJIFILM Medical Systems Italia S.p.A.
FUJIFILM Medical Systems Benelux NV
Photofinishing Holding International B.V.
Fujicolor Central Europe Photofinishing GmbH & Co. KG
FUJIFILM Europe NV
FUJIFILM Hunt Chemicals Europe NV
FUJIFILM Recording Media GmbH
FUJIFILM Electronic Imaging Europe GmbH
FUJINON (EUROPE) GmbH
FUJIFILM UK LIMITED
FUJIFILM Manufacturing Europe B.V.
FUJIFILM Sericol Overseas Holdings Limited
FUJIFILM Sericol UK Limited
Sericol Ink Limited
FUJIFILM Imaging Colorants Limited
FUJIFILM Imaging Colorants Pension Trustees Limited
FUJIFILM Electronic Materials (Europe) N.V.

Asia & Others

FUJIFILM (China) Investment Co., Ltd.
FUJIFILM Imaging Systems (Suzhou) Co., Ltd.
FUJIFILM PRINTING PLATE CO., LTD.
FUJIFILM Printing Plate (Suzhou) Co., Ltd.
FUJIFILM STARLIGHT GRAPHIC SYSTEMS (SHANGHAI) CO., LTD.
FUJIFILM Medical Systems (Shanghai) Co., Ltd.
FUJIFILM (Shanghai) Trading Co., Ltd.
FUJIFILM Hong Kong Limited
FUJINON TIANJIN OPTICAL CO., LTD.
FUJINON SHENZHEN SCIENCE AND TECHNOLOGY CO., LTD.
Fuji Xerox China Investments (Bermuda) Limited
Fuji Xerox (China) Limited
Fuji Xerox Eco-Manufacturing (Suzhou) Co., Ltd.
Fuji Xerox of Shanghai Limited
Fuji Xerox Industry Development (Shanghai) Co., Ltd.
Fuji Xerox of Shenzhen Ltd.
Fuji Xerox (Hong Kong) Limited
Fuji Xerox Far East Limited
Fuji Xerox Korea Company Limited
Fuji Xerox Chung Cheong Company Limited
Fuji Xerox Korea Information System Co., Ltd.
Seoul Fuji Xerox Service Co., Ltd.
Fuji Xerox Honam Co., Ltd.
FUJIFILM Regional Services (Singapore) Pte Ltd
FUJIFILM (Singapore) Pte. Ltd.
FUJIFILM Hunt Chemicals Singapore Pte. Ltd.
FUJI HUNT ASIAN PACIFIC HOLDING PTY LTD
DS CHEMPORT (AUSTRALIA) PTY LTD
DS CHEMPORT (MALAYSIA) SDN. BHD.
FUJIFILM Electronic Materials Taiwan Co., Ltd.
FUJIFILM (Malaysia) Sdn. Bhd.
S&M EQUIPMENT TECHNO SERVICES (MALAYSIA) SDN. BHD.
FUJIFILM (Thailand) Ltd.
FUJIFILM Holdings Australasia Pty Ltd
FUJIFILM Australia Pty Ltd
Rabbit Photo Pty Ltd
FUJIFILM Holdings NZ Limited
Camera House Limited
FUJIFILM NZ Limited
Viko New Zealand Limited
Fuji Xerox Asia Pacific Pte Ltd
Fuji Xerox Leasing (China) Limited
Fuji Xerox (Singapore) Pte Ltd
Fuji Xerox Taiwan Corporation
Taiwan Fuji Xerox System Service Corp.
Fuji Xerox Australia Pty Limited
Fuji Xerox Australia BPO Pty limited
Fuji Xerox BPO Pty Limited
Enhanced Processing Technologies Pty Ltd
Fuji Xerox Finance Limited (Australia)
Fuji Xerox (Sales) Pty Limited
Fuji Xerox New Zealand Limited
Fuji Xerox Finance Limited (New Zealand)
Thai Fuji Xerox Co., Ltd.
Fuji Xerox Leasing (Thailand) Limited
Fuji Xerox Philippines, Incorporated
Fuji Xerox Myanmar Ltd.
Fuji Xerox Asia Malaysia Sdn Bhd
Fuji Xerox Eco-Manufacturing Co., Ltd.

Others: 71 companies
Total consolidated subsidiaries: 227 companies

The following are included under "Others":

Fuji Xerox Co., Ltd. Group sales companies
(http://www.fujixerox.co.jp/eng/company/locations/)

FUJIFILM Sericol Group companies
(http://www.fujifilmsericol.com/)

Fuji Hunt Photographic Chemicals, N.V. Group companies
(http://www.fujihunt.com/)

FUJIFILM Electronic Materials (Europe) N.V. Group companies
(http://www.fujifilm-ffem.com/)

For updated mailing addresses and contact information
for major Group companies, visit the FUJIFILM Holdings website
http://www.fujifilmholdings.com/en/business/group/

FUJIFILM

FUJIFILM Holdings Corporation

For further information, please contact:

IR Office, Corporate Planning Div.
FUJIFILM Holdings Corporation
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URL: http://www.fujifilmholdings.com/

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