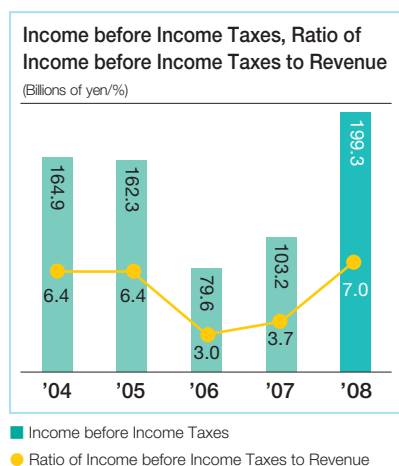
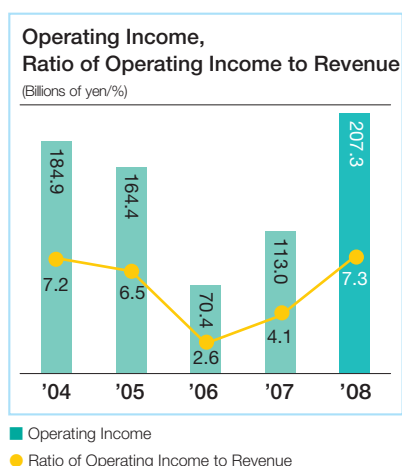
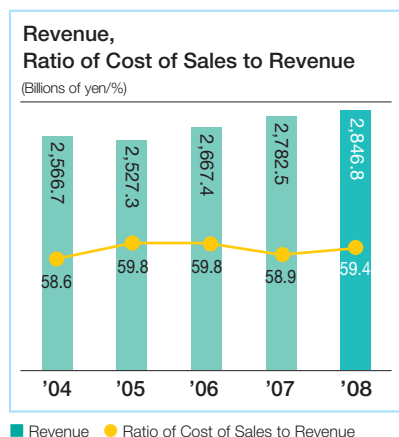


Contents

<i>P a g e</i>	42	Financial Review
<i>P a g e</i>	48	Ten-Year Summary
<i>P a g e</i>	50	Consolidated Balance Sheets
<i>P a g e</i>	52	Consolidated Statements of Income
<i>P a g e</i>	53	Consolidated Statements of Change in Shareholders' Equity
<i>P a g e</i>	54	Consolidated Statements of Cash Flow
<i>P a g e</i>	55	Notes to Consolidated Financial Statements
<i>P a g e</i>	88	Report of Independent Auditors

Financial Review



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

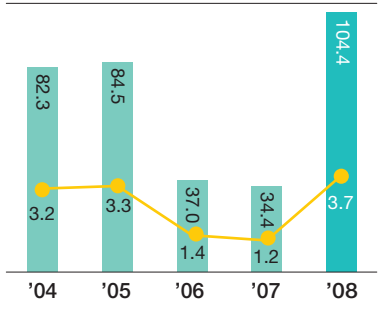
Operating Expenses, Operating Income

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.

Net Income, Ratio of Net Income to Revenue

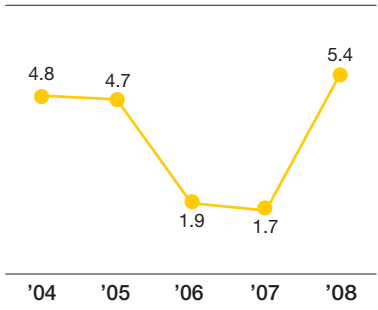
(Billions of yen/%)



■ Net Income ● Ratio of Net Income to Revenue

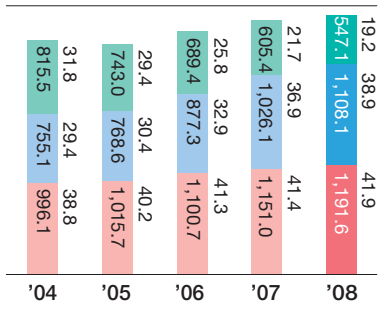
Return to Equity (ROE)

(%)



Revenue by Segment and Compound Ratio

(Billions of yen/%)



■ Imaging Solutions
■ Information Solutions
■ Document Solutions

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.

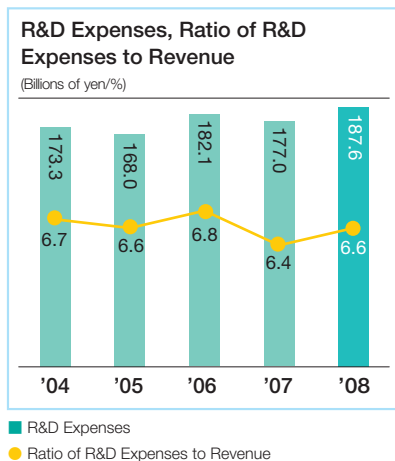
● Document Solutions

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.



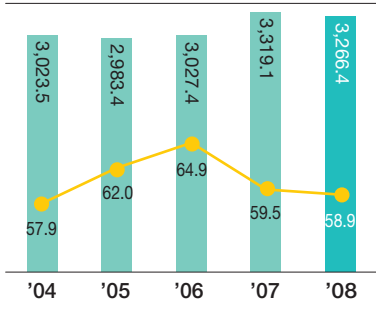
R&D Expenses

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%.

Year ended March 31

Total Assets, Equity Ratio

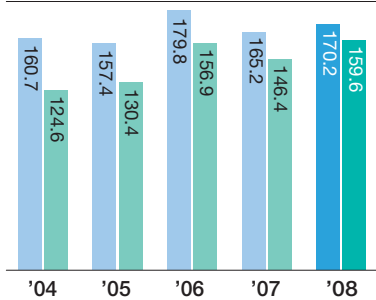
(Billions of yen/%)



■ Total Assets ● Equity Ratio

Capital Expenditures, Depreciation

(Billions of yen)

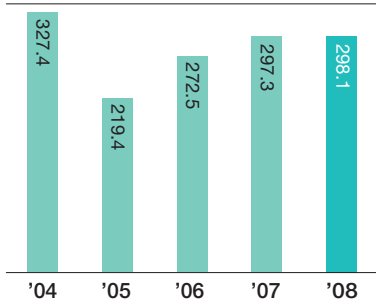


■ Capital Expenditure ■ Depreciation

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

Net Cash Provided by Operating Activities

(Billions of yen)



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.

Year ended March 31

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 reevaluate 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)
	2008	2007	2008
Assets			
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)
	2008	2007	2008
Liabilities and shareholders' equity			
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			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	2008	2007	2006	
Revenue:				2008
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			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	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

	Millions of yen			
	2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
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

	Millions of yen			
	2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
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

	Thousands of U.S. dollars			
	2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
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			Thousands of U.S. dollars 2008
	Millions of yen			
	2008	2007		
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			Thousands of U.S. dollars 2008
	Millions of yen			
	2008	2007		
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
	2008	2007	2006	
	Revenue	¥111,515	¥99,668	
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 earnings 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		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2008			
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)
2007			
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 intrinsic 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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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			Thousands of U.S. dollars
	Millions of yen			
	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



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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

A handwritten signature in black ink that reads 'Ernst & Young ShinNihon' in a cursive script.