

This document is translation of the Consolidated Financial Statements in the "YUKASHOKEN HOKOKUSHO" originally issued in Japanese.

Consolidated Financial Statements

FUJIFILM Holdings Corporation and Subsidiaries

March 31, 2018

with Report of Independent Auditors

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Financial Statements

March 31, 2018

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[English Translation of the Independent Auditor's Report Originally Issued in Japanese Language]

Independent Auditor's Report on the Consolidated Financial Statements

June 29, 2018

To the Board of Directors of FUJIFILM Holdings Corporation

KPMG AZSA LLC
Hiroto Kaneko(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoyasu Sugizaki(Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Akira Nishino (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

We have audited the accompanying consolidated financial statements of FUJIFILM Holdings Corporation and its consolidated subsidiaries provided in the "Financial Information" section in the entity's Annual Report, which comprise the consolidated balance sheet as at March 31, 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, and supplementary schedules, in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to Paragraph (3) of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (the Cabinet Office Ordinance No.11 of 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FUJIFILM Holdings Corporation and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

- 1.As discussed in "Subsequent Events", FUJIFILM Holdings Corporation acquired all the remaining shares of TOYAMA CHEMICAL CO., LTD. a subsidiary, to make it a wholly owned subsidiary on July 31, 2018 and to merge it with FUJIFILM RI Pharma Co., Ltd. on October 1, 2018.
- 2.As discussed in "Subsequent Events", FUJIFILM Holdings Corporation acquired all the outstanding shares of Irvine Scientific Sales Company, Inc. and IS JAPAN CO.,LTD., and consolidated them on June 1, 2018.

Our opinion is not affected by these matters.

Interest in the Company

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the Consolidated Financial Statements as required by the Article 193-2(1) of the Financial Instruments and Exchange Act of Japan ("the FIEAJ") and does not include the English translation of the Independent Auditor's Report on the internal control audits as required by the Article 193-2(2) of the FIEAJ.

FUJI FUJIFILM Holdings Corporation states that internal control over financial reporting was effective as at March 31, 2018 in the Internal Control Report.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Balance Sheets

	March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Current assets:			
Cash and cash equivalents <i>(Note 19)</i>	¥ 768,246	¥ 875,958	\$ 7,247,604
Marketable securities <i>(Notes 4 and 19)</i>	35	6,044	330
Notes and accounts receivable:			
Trade and finance <i>(Notes 5 and 20)</i>	634,851	640,279	5,989,160
Affiliated companies <i>(Note 7)</i>	15,010	19,708	141,604
Allowance for doubtful receivables <i>(Notes 5 and 20)</i>	(30,811)	(24,207)	(290,670)
Inventories <i>(Note 6)</i>	361,321	339,242	3,408,689
Deferred income taxes <i>(Notes 2 and 11)</i>	—	61,423	—
Prepaid expenses and other <i>(Notes 17, 18 and 19)</i>	112,150	116,353	1,058,019
Total current assets	1,860,802	2,034,800	17,554,736
Investments and long-term receivables:			
Investments in and advances to affiliated companies <i>(Note 7)</i>	33,269	28,962	313,859
Investment securities <i>(Notes 4 and 19)</i>	87,180	134,032	822,453
Long-term finance and other receivables <i>(Notes 5, 17, 18, 19 and 20)</i>	122,219	139,124	1,153,009
Allowance for doubtful receivables <i>(Notes 5 and 20)</i>	(3,512)	(2,579)	(33,132)
Total investments and long-term receivables	239,156	299,539	2,256,189
Property, plant and equipment:			
Land	99,108	90,772	934,981
Buildings and structures <i>(Note 19)</i>	720,853	697,327	6,800,500
Machinery, equipment and other <i>(Note 19)</i>	1,644,568	1,619,959	15,514,793
Construction in progress	28,863	31,259	272,292
	2,493,392	2,439,317	23,522,566
Less accumulated depreciation	(1,955,847)	(1,918,703)	(18,451,387)
Net property, plant and equipment	537,545	520,614	5,071,179
Other assets:			
Goodwill, net <i>(Notes 8 and 21)</i>	591,568	499,833	5,580,830
Other intangible assets, net <i>(Notes 8, 19 and 21)</i>	127,137	76,448	1,199,406
Deferred income taxes <i>(Notes 2 and 11)</i>	48,647	12,005	458,934
Other <i>(Note 10)</i>	88,085	89,950	830,990
Total other assets	855,437	678,236	8,070,160
Total assets	¥3,492,940	¥3,533,189	\$32,952,264

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Balance Sheets (continued)

	March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Liabilities and equity			
Current liabilities:			
Short-term debt <i>(Notes 9 and 18)</i>	¥ 41,676	¥ 123,999	\$ 393,170
Notes and accounts payable:			
Trade	224,012	234,217	2,113,321
Construction	21,169	19,913	199,708
Affiliated companies <i>(Note 7)</i>	3,367	3,733	31,764
Accrued income taxes <i>(Note 11)</i>	28,226	32,005	266,283
Accrued liabilities <i>(Notes 10 and 22)</i>	219,723	179,055	2,072,858
Other current liabilities <i>(Notes 2, 11, 17, 18 and 19)</i>	126,044	87,256	1,189,094
Total current liabilities	<u>664,217</u>	<u>680,178</u>	<u>6,266,198</u>
Non-current liabilities:			
Long-term debt <i>(Notes 9 and 18)</i>	412,502	434,843	3,891,528
Accrued pension and severance costs <i>(Note 10)</i>	45,193	39,444	426,349
Deferred income taxes <i>(Notes 2 and 11)</i>	17,298	50,736	163,189
Other non-current liabilities <i>(Notes 7, 11, 17, 18 and 19)</i>	55,024	59,930	519,094
Total non-current liabilities	<u>530,017</u>	<u>584,953</u>	<u>5,000,160</u>
Total liabilities	<u>1,194,234</u>	<u>1,265,131</u>	<u>11,266,358</u>
Commitments and contingent liabilities <i>(Note 14)</i>			
Equity <i>(Note 12)</i> :			
FUJIFILM Holdings shareholders' equity:			
Common stock, without par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares	40,363	40,363	380,783
Additional paid-in capital	79,153	81,761	746,726
Retained earnings	2,383,793	2,275,626	22,488,613
Accumulated other comprehensive (loss) income <i>(Notes 10, 13 and 17)</i>	(87,783)	(54,720)	(828,141)
Treasury stock, at cost (84,396,402 shares in 2018; 76,869,546 shares in 2017)	(336,392)	(299,471)	(3,173,509)
Total FUJIFILM Holdings shareholders' equity	<u>2,079,134</u>	<u>2,043,559</u>	<u>19,614,472</u>
Noncontrolling interests <i>(Note 21)</i>	219,572	224,499	2,071,434
Total equity	<u>2,298,706</u>	<u>2,268,058</u>	<u>21,685,906</u>
Total liabilities and equity	<u>¥3,492,940</u>	<u>¥3,533,189</u>	<u>\$32,952,264</u>

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Income

	Year ended March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Revenue:			
Sales	¥2,103,200	¥1,992,022	\$19,841,510
Rentals	330,165	330,141	3,114,764
	2,433,365	2,322,163	22,956,274
Cost of sales:			
Sales <i>(Note 22)</i>	1,319,866	1,249,237	12,451,566
Rentals	143,488	142,282	1,353,661
	1,463,354	1,391,519	13,805,227
Gross profit	970,011	930,644	9,151,047
Operating expenses:			
Selling, general and administrative <i>(Notes 16 and 22)</i>	673,001	598,131	6,349,066
Research and development <i>(Note 22)</i>	166,331	160,232	1,569,160
	839,332	758,363	7,918,226
Operating income	130,679	172,281	1,232,821
Other income (expenses):			
Interest and dividend income	6,262	5,404	59,076
Interest expense	(4,570)	(4,795)	(43,113)
Foreign exchange (losses) gains, net <i>(Notes 13 and 17)</i>	(6,936)	(1,280)	(65,434)
Gains (losses) on sales of investment securities, net <i>(Notes 4 and 13)</i>	51,222	22,513	483,226
Other, net <i>(Notes 13 and 17)</i>	21,150	652	199,528
	67,128	22,494	633,283
Income before income taxes	197,807	194,775	1,866,104
Income taxes <i>(Note 11)</i> :			
Current	65,565	47,056	618,538
Deferred	(11,130)	(2,934)	(105,000)
	54,435	44,122	513,538
Equity in net income (loss) of affiliated companies	872	(3,463)	8,226
Net income	144,244	147,190	1,360,792
Less: Net income attributable to noncontrolling interests	(3,550)	(15,684)	(33,490)
Net income attributable to FUJIFILM Holdings	¥ 140,694	¥ 131,506	\$ 1,327,302
	<i>(Yen)</i>		<i>(U.S. dollars)</i> <i>(Note 3)</i>
Amounts per share of common stock:			
Net income attributable to FUJIFILM Holdings <i>(Note 15)</i> :			
Basic	¥322.62	¥296.27	\$3.04
Diluted	321.55	295.22	3.03
Cash dividends declared	75.00	70.00	0.71

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Net income	¥144,244	¥147,190	\$1,360,792
Other comprehensive (loss) income, net of tax <i>(Note 13)</i> :			
Net unrealized (losses) gains on securities	(23,723)	(8,199)	(223,802)
Foreign currency translation adjustments	(8,031)	(28,241)	(75,764)
Pension liability adjustments	(3,526)	11,935	(33,264)
Net unrealized gains (losses) on derivatives	569	559	5,368
Other comprehensive (loss) income	(34,711)	(23,946)	(327,462)
Comprehensive income	109,533	123,244	1,033,330
Less: Comprehensive income attributable to noncontrolling interests	(1,902)	(15,678)	(17,943)
Comprehensive income attributable to FUJIFILM Holdings	¥107,631	¥107,566	\$1,015,387

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
	<i>(Millions of yen)</i>							
Balance as of March 31, 2016	¥40,363	¥80,507	¥2,174,965	¥(30,780)	¥(250,229)	¥2,014,826	¥217,171	¥2,231,997
Comprehensive income (loss):								
Net income	—	—	131,506	—	—	131,506	15,684	147,190
Net unrealized (losses) gains on securities <i>(Note 13)</i>	—	—	—	(8,171)	—	(8,171)	(28)	(8,199)
Foreign currency translation adjustments <i>(Note 13)</i>	—	—	—	(25,598)	—	(25,598)	(2,643)	(28,241)
Pension liability adjustments <i>(Note 13)</i>	—	—	—	9,261	—	9,261	2,674	11,935
Net unrealized gains (losses) on derivatives <i>(Notes 13 and 17)</i>	—	—	—	568	—	568	(9)	559
Comprehensive income						107,566	15,678	123,244
Purchases of treasury stock	—	—	—	—	(50,022)	(50,022)	—	(50,022)
Sales of treasury stock	—	(146)	—	—	780	634	—	634
Dividends paid to FUJIFILM Holdings shareholders	—	—	(30,845)	—	—	(30,845)	—	(30,845)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(6,371)	(6,371)
Issuance of stock acquisition rights	—	534	—	—	—	534	—	534
Equity transactions with noncontrolling interests and other	—	866	—	—	—	866	(1,979)	(1,113)
Balance as of March 31, 2017	<u>40,363</u>	<u>81,761</u>	<u>2,275,626</u>	<u>(54,720)</u>	<u>(299,471)</u>	<u>2,043,559</u>	<u>224,499</u>	<u>2,268,058</u>
Comprehensive income (loss):								
Net income	—	—	140,694	—	—	140,694	3,550	144,244
Net unrealized (losses) gains on securities <i>(Note 13)</i>	—	—	—	(23,717)	—	(23,717)	(6)	(23,723)
Foreign currency translation adjustments <i>(Note 13)</i>	—	—	—	(7,843)	—	(7,843)	(188)	(8,031)
Pension liability adjustments <i>(Note 13)</i>	—	—	—	(2,038)	—	(2,038)	(1,488)	(3,526)
Net unrealized gains (losses) on derivatives <i>(Notes 13 and 17)</i>	—	—	—	535	—	535	34	569
Comprehensive income						107,631	1,902	109,533
Purchases of treasury stock	—	—	—	—	(50,024)	(50,024)	—	(50,024)
Sales of treasury stock	—	212	—	—	1,780	1,992	—	1,992
Dividends paid to FUJIFILM Holdings shareholders	—	—	(32,527)	—	—	(32,527)	—	(32,527)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(6,521)	(6,521)
Issuance of stock acquisition rights	—	(330)	—	—	—	(330)	—	(330)
Equity transactions with noncontrolling interests and other	—	(2,490)	—	—	11,323	8,833	(308)	8,525
Balance as of March 31, 2018	<u>¥40,363</u>	<u>¥79,153</u>	<u>¥2,383,793</u>	<u>¥(87,783)</u>	<u>¥(336,392)</u>	<u>¥2,079,134</u>	<u>¥219,572</u>	<u>¥2,298,706</u>

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Changes in Equity (continued)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock	FUJIFILM Holdings shareholders' equity	Noncontrolling interests	Total equity
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>							
Balance as of March 31, 2017	\$380,783	\$771,330	\$21,468,169	\$(516,226)	\$(2,825,198)	\$19,278,858	\$2,117,915	\$21,396,773
Comprehensive income (loss):								
Net income	—	—	1,327,302	—	—	1,327,302	33,490	1,360,792
Net unrealized (losses) gains on securities <i>(Note 13)</i>	—	—	—	(223,745)	—	(223,745)	(57)	(223,802)
Foreign currency translation adjustments <i>(Note 13)</i>	—	—	—	(73,991)	—	(73,991)	(1,773)	(75,764)
Pension liability adjustments <i>(Note 13)</i>	—	—	—	(19,226)	—	(19,226)	(14,038)	(33,264)
Net unrealized gains (losses) on derivatives <i>(Notes 13 and 17)</i>	—	—	—	5,047	—	5,047	321	5,368
Comprehensive income	—	—	—	—	—	1,015,387	17,943	1,033,330
Purchases of treasury stock	—	—	—	—	(471,925)	(471,925)	—	(471,925)
Sales of treasury stock	—	2,000	—	—	16,793	18,793	—	18,793
Dividends paid to FUJIFILM Holdings shareholders	—	—	(306,858)	—	—	(306,858)	—	(306,858)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(61,519)	(61,519)
Issuance of stock acquisition rights	—	(3,113)	—	—	—	(3,113)	—	(3,113)
Equity transactions with noncontrolling interests and other	—	(23,491)	—	—	106,821	83,330	(2,905)	80,425
Balance as of March 31, 2018	\$380,783	\$746,726	\$22,488,613	\$(828,141)	\$(3,173,509)	\$19,614,472	\$2,071,434	\$21,685,906

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Operating activities			
Net income	¥144,244	¥ 147,190	\$1,360,792
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	127,642	117,635	1,204,170
(Gains) losses on remeasurement of previously held equity interests <i>(Note 21)</i>	(20,838)	—	(196,585)
(Gains) losses on sales of investment securities, net	(51,222)	(22,513)	(483,226)
Deferred income taxes	(11,130)	(2,934)	(105,000)
Equity in net losses (gains) of affiliated companies, net of dividends received	1,142	4,546	10,774
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable	41,342	3,444	390,019
(Increase) decrease in inventories	(7,518)	4,891	(70,925)
(Decrease) increase in notes and accounts payable – trade	(19,999)	5,692	(188,670)
Increase (decrease) in accrued income taxes and other liabilities	68,551	(5,997)	646,708
Other	(11,062)	36,665	(104,359)
Net cash provided by operating activities	261,152	288,619	2,463,698
Investing activities			
Purchases of property, plant and equipment	(63,043)	(74,647)	(594,745)
Purchases of software	(18,541)	(22,318)	(174,915)
Proceeds from sales and maturities of marketable and investment securities	73,270	63,801	691,226
Purchases of marketable and investment securities	(5,063)	(20,055)	(47,764)
Decrease (increase) in time deposits, net	40,691	(38,589)	383,877
(Increase) decrease in investments in and advances to affiliated companies and other advances, net	(3,052)	(5,527)	(28,792)
Acquisitions of businesses, net of cash acquired <i>(Note 21)</i>	(127,269)	(1,334)	(1,200,651)
Other	(8,779)	(17,770)	(82,821)
Net cash used in investing activities	(111,786)	(116,439)	(1,054,585)
Financing activities			
Proceeds from long-term debt	2,100	226,495	19,811
Repayments of long-term debt	(165,416)	(6,777)	(1,560,528)
(Decrease) increase in short-term debt, net	(7,171)	(26,233)	(67,651)
Cash dividends paid to shareholders	(31,714)	(30,165)	(299,188)
Cash dividends paid to noncontrolling interests	(6,521)	(6,371)	(61,519)
Net purchases of treasury stock	(50,023)	(50,021)	(471,915)
Other	(216)	4,362	(2,038)
Net cash used in financing activities	(258,961)	111,290	(2,443,028)
Effect of exchange rate changes on cash and cash equivalents	1,883	(8,409)	17,764
Net (decrease) increase in cash and cash equivalents	(107,712)	275,061	(1,016,151)
Cash and cash equivalents at beginning of year	875,958	600,897	8,263,755
Cash and cash equivalents at end of year	¥768,246	¥ 875,958	\$7,247,604
Supplemental disclosures			
Cash paid for interest	¥5,844	¥5,156	\$55,132
Cash paid for income taxes	62,052	29,741	585,396

See notes to consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2018

1. Nature of Operations

FUJIFILM Holdings Corporation (the “Company”) is engaged in imaging, healthcare & material, and document solutions businesses. “Imaging Solutions” develops, manufactures, markets and services color films, digital cameras, color paper, services and equipment for photofinishing, instant photo systems, optical devices, and other related products. “Healthcare & Material Solutions” develops, manufactures, markets and services equipment and materials for medical systems, cosmetics and supplements, pharmaceuticals, contract development and manufacturing organization of biopharmaceuticals, regenerative medicine, fine chemicals, equipment and materials for graphic arts, inks and industrial inkjet printheads, display materials, recording media, electronic materials, and other related products. “Document Solutions” develops, manufactures, markets and services digital MFPs, production systems, document management software and related solution services, and other related products. The Company operates throughout the world, and the overseas revenue consists of approximately 59% of its Company’s total revenue, predominantly in North America, Europe and Asia. The Company’s principal manufacturing operations are located in Japan, the United States, China, the Netherlands and Vietnam. The Company changed the name of certain operating segment in the year ended March 31, 2018. In the year ended March 31, 2018, the Company changed the name of its “Information Solutions” operating segment to “Healthcare & Material Solutions”. This change is limited to the operating segment name, and does not affect segment information.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) (the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”).

The Company has prepared its consolidated financial statements in pursuant to US GAAP according to the agreement concerning the issuance of Euro-dollar denominated bonds in 1970. The Company’s listing of American Depositary Receipts listed on the NASDAQ since 1971 were abolished on July 31, 2009. Nevertheless, the Company continues to prepare and disclose its consolidated financial statements in accordance with US GAAP.

The main differences between the principles and procedures of the presentation methodology between the generally accepted accounting principles of Japan and US GAAP are summarized as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

- (1) In accordance with ASC 715, net periodic benefit costs are recorded based on actuarial calculations. Using the corridor approach, actuarial gains and losses are amortized over the average remaining years of service of the employee.
- (2) In accordance with ASC 350, goodwill and other indefinite lived intangible assets are not amortized. Instead, they are tested annually for impairment and impaired if necessary.

Principles of Consolidation and Accounting for Investments in Affiliated Companies

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

The Company's investments in affiliated companies (generally 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 US GAAP requires management to make assumptions and estimates that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such assumptions and estimates include the valuation of notes and accounts receivables, inventories, marketable and investment securities and deferred income tax assets; the valuation (including impairment) and determination of useful lives and depreciation or amortization method for property, plant and equipment and intangible assets, uncertain tax positions, assumptions related to the estimation of actuarially determined employee benefit obligations and accruals or contingent liabilities for environmental remediation, litigation and regulatory investigations. 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 prevailing at the balance sheet date and income and expenses are translated using average exchange rates prevailing during the year. Gains and losses resulting from translation are included and presented in "Accumulated other comprehensive income (loss)", a separate component of equity, as foreign currency translation adjustments.

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Certain debt securities with original maturities of three months or less are included in “Cash and cash equivalents” in the accompanying consolidated balance sheets and the consolidated statements of cash flow. Aggregate fair values of these securities were ¥334,290 million (\$3,153,679 thousand) and ¥529,590 million as of March 31, 2018 and 2017, respectively.

Marketable Securities and Investment Securities

The Company designates marketable securities and investment securities as available-for-sale, which are measured at fair value. The related changes in unrealized gains or losses, net of applicable taxes, are included and presented in “Accumulated other comprehensive income (loss)” of equity. The Company records an impairment loss in earnings when a decline in the value of a marketable equity security is deemed to be other-than-temporary. The Company separates an impairment loss for debt securities into the amount related to credit loss, which is recognized in earnings, and the amount related to all other factors, which is included and presented in “Accumulated other comprehensive income (loss)”. In determining whether such a decline of equity securities is other-than-temporary, the Company evaluates various factors including the time length, the extent to which the fair value has been lower 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. In determining whether such decline of debt securities is other-than-temporary, the Company also evaluates various factors including the Company’s intent to sell the securities, the available evidence to assess whether it is more likely than not that the Company will be required to sell the security as well as the available evidence to assess whether the entire amortized cost basis of the security will be recovered. The cost of securities sold is based on the moving-average-cost method. Dividends on available-for-sale securities are included in “Interest and dividend income” in the accompanying consolidated statements of income.

Allowance for Doubtful Receivables

Allowances for doubtful trade, finance and other receivables are determined based on a combination of historical experience, aging analysis and any specific factors affecting customer accounts. Uncollectible receivables are charged-off when legal actions have been taken to collect the receivable, and it becomes clear that the receivables will be uncollectable according to a decision of court.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Inventories

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

Property, Plant and Equipment and Depreciation

Property, plant and equipment are carried at cost. Depreciation is computed primarily using the straight-line method.

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

Machinery, equipment and other includes machines rented to customers under operating leases with a cost and accumulated depreciation of ¥40,879 million (\$385,651 thousand) and ¥30,093 million (\$283,896 thousand) as of March 31, 2018 and ¥40,482 million and ¥27,570 million as of March 31, 2017, respectively.

Net gains on sales of property plant and equipment were ¥5,695 million (\$53,726 thousand) and ¥6,272 million for the years ended March 31, 2018 and 2017, 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 ASC 350, goodwill and other indefinite lived intangible assets are tested annually for impairment. Impairment tests for goodwill are performed based on the fair value of estimated future cash flows of each reporting unit. The discount rate used is based on the reporting unit's weighted average cost of capital. In addition to the annual impairment test, which the Company performs as of January 1, an interim test for goodwill impairment would be performed if events occur or circumstances indicate that the carrying value may not be recoverable.

Intangible assets other than those with an indefinite life are amortized on a straight-line basis over their estimated useful lives.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Capitalized Software Costs

The Company capitalizes certain costs incurred in connection with developing and obtaining internal use software in accordance with ASC 350-40. These costs consist primarily of payments made to third parties and salaries of employees working on such software development. In connection with developing internal use software, costs incurred at the application development stage or later are capitalized. In addition, the Company develops or obtains certain software to be sold, leased, or otherwise marketed where related costs incurred after establishment of technological feasibility are capitalized in accordance with ASC 985. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software of 3 to 5 years. Costs and accumulated amortization of total capitalized software amounted to ¥158,790 million (\$1,498,019 thousand) and ¥101,314 million (\$955,792 thousand), respectively, as of March 31, 2018 and ¥158,590 million and ¥96,763 million, respectively, as of March 31, 2017. Costs and accumulated amortization of capitalized software to be sold, included in the above, amounted to ¥32,793 million (\$309,368 thousand) and ¥22,095 million (\$208,443 thousand), respectively, as of March 31, 2018 and ¥35,990 million and ¥24,237 million, respectively, as of March 31, 2017. Capitalized software costs are included in “Other” of other assets in the accompanying consolidated balance sheets.

Impairment of Long-lived Assets

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

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

Revenue from consumer products and industrial products such as medical and graphic products is recognized when goods are delivered or shipped to customers, depending on the timing of title and risk transfer. Revenue from certain equipment which requires customer acceptance such as certain type of medical, graphic, office and other equipment is recognized when equipment is installed and customer acceptance is obtained. Service revenue is derived mainly from maintenance on equipment sold to customers and is recognized as services are performed. Revenue from maintenance service of most office copy machines comprise of a basic fee and variable charge based on the metered usage of the office copy machines and is recognized as maintenance service is performed and charge occurs. Revenue from the sales-type leases is derived mainly from office copy machines and is recognized at the inception of leases. Interest income on the 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" in the accompanying consolidated statements of income. Revenue from operating leases is recognized as earned over the respective lease terms.

For arrangements with multiple elements including products, equipment or services, the Company allocates revenue to each element based on its relative selling price if such element meets the criteria for treatment as a separate unit of accounting as prescribed in ASC 605-25. Otherwise, revenue is deferred until the undelivered elements are fulfilled.

Costs incurred by the Company in connection with sales incentives related to purchase or promotion of the Company's products are classified as reduction of revenue in accordance with ASC 605-50. Such costs include the estimated cost of promotional discounts, 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 a period of one year from the date of sale. A liability for expected warranty costs is accrued at the time that the related revenue is recognized. In estimating the warranty liability, historical experience is considered.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Shipping and Handling Costs

Shipping and handling costs of ¥57,905 million (\$546,274 thousand) million and ¥52,955 million for the years ended March 31, 2018 and 2017, respectively, are included in “Selling, general and administrative” in the accompanying consolidated statements of income.

Advertising Costs

Advertising costs are expensed as incurred and included in “Selling, general and administrative” in the accompanying consolidated statements of income. Advertising costs amounted to ¥21,601 million (\$203,783 thousand) and ¥18,642 million for the years ended March 31, 2018 and 2017, respectively.

Income Taxes

Income taxes have been provided using the liability method in accordance with ASC 740.

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

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities in accordance with ASC 740. Recognized tax positions are measured at the largest amount of benefit which is more-likely-than-not to be realized upon ultimate settlement.

Consumption Taxes

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

Derivative Financial Instruments

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net income attributable to FUJIFILM Holdings per Share

Basic net income attributable to FUJIFILM Holdings per share is calculated based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income attributable to FUJIFILM Holdings per share is adjusted for the effect of dilutive common stocks to be additionally issued when stock options are exercised.

Stock-Based Compensation

The Company measured stock-based compensation cost based on fair value of the options on the grant date and recognizes stock-based compensation cost in accordance with ASC 718.

Subsequent Events

The Company evaluated all subsequent events through June 29, 2018, the date on which the financial statements are available to be issued in accordance with ASC 855.

Reclassifications

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

Accounting Standards Adopted in the Year Ended March 31, 2018

In November 2015, FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). ASU 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent in a statement of financial position. The Company applied ASU 2015-17 prospectively from the three-month period ended June 30, 2017, and did not adjust the prior periods retrospectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

New Accounting Standards to be Adopted

In May 2014, FASB issued Accounting Standard Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 creates ASC 606 and supersedes ASC 605. ASU 2014-09 provides a five-step model and application guidance to recognize revenue from contracts with customers, unless those contracts are within the scope of other standards. ASU 2014-09 also requires disclosing qualitative and quantitative information mainly about contracts with customers and significant judgments and changes in judgments made when recognizing revenue. ASU 2014-09 was effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In August 2015, FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers: Deferral of the Effective Date” (“ASU 2015-14”). ASU 2015-14 defers the effective date of ASU 2014-09 by one year. As a result, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period and will be adopted by the Company in the year beginning April 1, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. ASU 2014-09 should be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of the initial application. In addition, FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers : Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ” in March 2016, ASU No. 2016-10, “Revenue from Contracts with Customers : Identifying Performance Obligations and Licensing” in April 2016 and ASU No. 2016-12, “Revenue from Contracts with Customers : Narrow-Scope Improvements and Practical Expedients” in May 2016, and ASU No. 2016-20, “Revenue from Contracts with Customers: Technical corrections and improvements” in December 2016. The effective dates for these amendments are the same as the effective date for ASU 2014-09. The Company will apply ASU 2014-09 through a cumulative-effect adjustment directly to retained earnings as of beginning of the period of initial application. ASU 2014-09 will not have a material impact on the Company’s results of operations or financial condition.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

New Accounting Standards to be Adopted (continued)

In January 2016, FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. ASU 2016-01 also requires to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and amends certain aspects of disclosure of financial instruments. ASU 2016-01 clarifies the requirement of evaluation of the need for valuation allowance on a deferred tax asset related to available-for-sale securities. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and will be adopted by the Company in the year beginning April 1, 2018. The Company will apply ASU 2016-01 by adjusting net-of-tax amount of unrealized gains on equity investments recognized in Accumulated other comprehensive income amounting to ¥18,976 million (\$179,019 thousand) as a cumulative-effect adjustment on Retained earnings as of April 1, 2018.

In February 2016, FASB issued ASU No. 2016-02, “Leases” (“ASU 2016-02”). ASU 2016-02 creates ASC 842 and supersedes ASC 840. ASU 2016-02 requires a lessee to recognize a lease liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term in the statement of financial position. ASU 2016-02 also requires disclosing qualitative and quantitative information about leases. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and will be adopted by the Company in the year beginning April 1, 2019. Earlier application is permitted. ASU 2016-02 requires to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is evaluating the impact that the adoption of ASU 2016-02 will have on its results of operations and financial condition.

In June 2016, FASB issued ASU No. 2016-13 “Financial Instruments – Credit Losses” (“ASU 2016-13”). ASU 2016-13 requires the use of the expected credit loss model instead of the incurred loss impairment model when assessing the impairment of financial instruments. In the expected credit loss model, an estimate of uncollectible contractual cash flow is recorded as an allowance. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within that reporting period and will be adopted by the Company in the year beginning April 1, 2020. Earlier adoption is permitted. The Company is evaluating the impact of the adoption of ASU 2016-13 will have on its results of operations and financial condition.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

New Accounting Standards to be Adopted (continued)

In October 2016, the FASB issued ASU No. 2016-16, “Income Taxes - Intra-Entity Transfers of Assets Other than Inventory” (“ASU 2016-16”). ASU 2016-16 requires recognition of the income tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. Under the current GAAP, recognition of the income tax consequences for asset transfers other than inventory could not be recognized until the asset was sold to a third party. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods with those annual reporting periods. Early adoption is permitted. ASU 2016-16 should be applied through a cumulative-effect adjustment directly to retained earnings as of beginning of the period of adoption. ASU 2016-16 will be adopted by the Company in the year beginning April 1, 2018 and is not expected to have a material impact on the Company’s results of operations or financial condition.

3. U.S. Dollar Amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2018 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥106 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2018. The amounts shown in U.S. dollars are not intended to be computed in accordance with US GAAP for the translation of foreign currency amounts. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at this or any other rate.

4. Investments in Debt and Equity Securities

The cost, gross unrealized gains, gross unrealized losses and estimated fair value of the available-for-sale securities by major security type as of March 31, 2018 and 2017 are summarized as follows. Certain debt securities with original maturities of three months or less are included in “Cash and cash equivalents” in the accompanying consolidated balance sheets and gross unrealized gains and gross unrealized losses for those securities were not material as of March 31, 2018 and 2017.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments in Debt and Equity Securities (continued)

	2018			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	<i>(Millions of yen)</i>			
Investment securities:				
Stocks	¥43,337	¥34,765	¥1,160	¥76,942
Investment trusts	390	–	41	349
Total	<u>¥43,727</u>	<u>¥34,765</u>	<u>¥1,201</u>	<u>¥77,291</u>

	2017			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	<i>(Millions of yen)</i>			
Marketable securities:				
Corporate debt securities	¥6,000	¥1	¥1	¥6,000
Total	<u>¥6,000</u>	<u>¥1</u>	<u>¥1</u>	<u>¥6,000</u>
Investment securities:				
Stocks	¥59,658	¥67,942	¥924	¥126,676
Investment trusts	306	–	44	262
Total	<u>¥59,964</u>	<u>¥67,942</u>	<u>¥968</u>	<u>¥126,938</u>

	2018			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>			
Investment securities:				
Stocks	\$408,840	\$327,971	\$10,943	\$725,868
Investment trusts	3,679	–	387	3,292
Total	<u>\$412,519</u>	<u>\$327,971</u>	<u>\$11,330</u>	<u>\$729,160</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments in Debt and Equity Securities (continued)

Proceeds from sales of available-for-sale securities and gross realized gains on sales of available-for-sale securities for the year ended March 31, 2018 were ¥66,491 million (\$627,274 thousand) and ¥49,189 million (\$464,047 thousand), respectively. There were no gross realized losses on sales of available-for-sale securities for the year ended March 31, 2018. Proceeds from sales of available-for-sale securities and gross realized gains on sales of available-for-sale securities for the year ended March 31, 2017 were ¥34,903 million and ¥22,483 million, respectively. There were no gross realized losses on sales of available-for-sale securities for the year ended March 31, 2017.

Other-than-temporary impairment losses of available-for-sale securities for the years ended March 31, 2018 and 2017 were not material.

As of March 31, 2018, and 2017, 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:

	2018					
	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
	<i>(Millions of yen)</i>					
Stocks	¥2,465	¥107	¥3,059	¥1,053	¥5,524	¥1,160
Investment trusts	–	–	349	41	349	41
Total	¥2,465	¥107	¥3,408	¥1,094	¥5,873	¥1,201

	2017					
	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
	<i>(Millions of yen)</i>					
Corporate debt securities	¥3,000	¥ 1	¥ –	¥ –	¥3,000	¥ 1
Stocks	1,339	68	3,583	856	4,922	924
Investment trusts	262	44	–	–	262	44
Total	¥4,601	¥113	¥3,583	¥856	¥8,184	¥969

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments in Debt and Equity Securities (continued)

	2018					
	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
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>					
Stocks	\$23,255	\$1,009	\$28,859	\$ 9,934	\$52,114	\$10,943
Investment trusts	–	–	3,292	387	3,292	387
Total	\$23,255	\$1,009	\$32,151	\$10,321	\$55,406	\$11,330

As of March 31, 2018, available-for-sale securities with unrealized losses were principally domestic marketable securities such as listed stocks. The number of available-for-sale securities with unrealized losses was 14. The Company evaluated the financial conditions and near-term prospects of the issuers, considered the severity and duration of the decline, and concluded that it was premature to determine that the unrealized losses were other-than-temporary. Moreover, the Company has no plan to sell those available-for-sale securities with unrealized losses in the near future. Based on the evaluation and the Company's intent and ability to hold those securities for a reasonable period of time sufficient for a forecasted recovery of the fair value, the Company did not consider that the decline in fair value of those available-for-sale securities with unrealized losses to be other-than-temporary.

The aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥9,924 million (\$93,623 thousand) and ¥7,138 million as of March 31, 2018 and 2017, respectively. Investments with an aggregate cost of ¥9,482 million (\$89,453 thousand) and ¥4,961 million as of March 31, 2018 and 2017, respectively, were not evaluated for impairment because the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

5. Finance Receivables

Finance receivables consist of the sales-type lease receivables on the Company's printing and copying machines. The current portion of finance receivables and the portion due after one year are included in "Notes and accounts receivable: Trade and finance" and "Investments and long-term receivables: Long-term finance and other receivables" in the accompanying consolidated balance sheets, respectively. These receivables generally mature over one to seven years. The components of finance receivables as of March 31, 2018 and 2017 are as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Finance Receivables (continued)

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Gross receivables	¥177,406	¥208,513	\$1,673,642
Unearned income	(18,248)	(21,884)	(172,151)
Allowance for doubtful receivables	(9,949)	(6,635)	(93,859)
Finance receivables, net	<u>¥149,209</u>	<u>¥179,994</u>	<u>\$1,407,632</u>

The future minimum lease payments to be received under the sales-type leases as of March 31, 2018 are summarized as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Year ending March 31		
2019	¥ 76,430	\$ 721,038
2020	43,994	415,038
2021	31,557	297,708
2022	18,274	172,396
2023	6,148	58,000
2024 and thereafter	1,003	9,462
Total future minimum lease payments	<u>¥177,406</u>	<u>\$1,673,642</u>

6. Inventories

Inventories as of March 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Finished goods	¥217,676	¥202,538	\$2,053,547
Work in process	53,298	50,088	502,812
Raw materials and supplies	90,347	86,616	852,330
Total	<u>¥361,321</u>	<u>¥339,242</u>	<u>\$3,408,689</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Investments in Affiliated Companies

Investments in affiliated companies accounted for by the equity method amounted to ¥30,727 million (\$289,877 thousand) and ¥27,081 million as of March 31, 2018 and 2017, respectively. The difference between the carrying value of the investments in affiliate companies and the Company's equity in the underlying net assets of such affiliate companies was not material, except the impact of companies with excess liabilities. These affiliated companies primarily operate in the Imaging Solutions, Healthcare & Material Solutions and Document Solutions businesses.

The combined financial position of the Company's affiliated companies accounted for by the equity method as of March 31, 2018 and 2017 are summarized below. There were no individually material affiliated companies for the years ended March 31, 2018 and 2017.

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Current assets	¥136,862	¥121,904	\$1,291,151
Non-current assets	43,293	41,901	408,424
Total assets	¥180,155	¥163,805	\$1,699,575
Current liabilities	¥ 77,568	¥ 69,482	\$ 731,773
Non-current liabilities	80,935	72,719	763,538
Equity	21,652	21,604	204,264
Total liabilities and equity	¥180,155	¥163,805	\$1,699,575

The combined results of operations of the Company's affiliated companies accounted for by the equity method for the years ended March 31, 2018 and 2017 are summarized as follows:

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Revenue	¥219,226	¥227,343	\$2,068,170
Net loss	(4,404)	(10,206)	(41,547)

Transactions with affiliated companies for the years ended March 31, 2018 and 2017 are summarized as follows:

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Revenue	¥51,789	¥67,197	\$488,575
Purchases	10,508	10,703	99,132
Dividends received	2,014	1,083	19,000

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill and Other Intangible Assets

The changes in goodwill by operating segment for the years ended March 31, 2018 and 2017 are as follows.

	Health & Material Solutions	Document Solutions	Total
	<i>(Millions of yen)</i>		
As of March 31, 2016	¥279,869	¥227,001	¥506,870
Acquired	791	–	791
Other	(5,365)	(2,463)	(7,828)
As of March 31, 2017	275,295	224,538	499,833
Acquired	97,822	–	97,822
Other	(5,079)	(1,008)	(6,087)
As of March 31, 2018	¥368,038	¥223,530	¥591,568

	Health & Material Solutions	Document Solutions	Total
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
As of March 31, 2017	\$2,597,123	\$2,118,283	\$4,715,406
Acquired	922,849	–	922,849
Other	(47,916)	(9,509)	(57,425)
As of March 31, 2018	\$3,472,056	\$2,108,774	\$5,580,830

Other includes foreign currency translation adjustments.

There was no goodwill recognized in the Imaging Solutions segment for the years ended March 31, 2018 and 2017.

Other intangible assets subject to amortization as of March 31, 2018 and 2017 are as follows:

	2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Millions of yen)</i>		
Technology-based	¥ 84,858	¥34,454	¥ 50,404
Customer-related	74,518	16,906	57,612
Other	16,330	3,272	13,058
Total	¥175,706	¥54,632	¥121,074

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill and Other Intangible Assets (continued)

	2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Millions of yen)</i>		
Technology-based	¥ 71,601	¥29,279	¥42,322
Customer-related	29,486	12,821	16,665
Other	14,360	3,176	11,184
Total	¥115,447	¥45,276	¥70,171

	2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
Technology-based	\$ 800,547	\$325,038	\$ 475,509
Customer-related	703,000	159,490	543,510
Other	154,057	30,868	123,189
Total	\$1,657,604	\$515,396	\$1,142,208

The Company recorded impairment losses of ¥3,243 million for the other intangible assets subject to amortization mainly regarding technology-based and customer-related intangible assets which were categorized in the Healthcare & Material Solutions segment for the year ended March 31, 2017. Because the carrying amounts of these intangible assets were determined unrecoverable mainly due to the decrease in estimated future cash flows. The impairment losses were included in “Selling, general and administrative” in the accompanying consolidated statements of income.

The aggregate amortization expenses for other intangible assets for the years ended March 31, 2018 and 2017 were ¥11,619 million (\$109,613 thousand) and ¥9,045 million, respectively.

Other intangible assets not subjected to amortization were not material as of March 31, 2018 and 2017, respectively.

The estimated aggregate amortization expenses for other intangible assets subject to amortization for the next five years are as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill and Other Intangible Assets (continued)

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars) (Note 3)</i>
Year ending March 31		
2019	¥11,501	\$108,500
2020	11,046	104,208
2021	10,795	101,840
2022	10,232	96,528
2023	9,905	93,443

9. Short-term and Long-term Debt

Short-term debt as of March 31, 2018 and 2017 consisted of the following:

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Borrowings from banks	¥13,113	¥ 10,038	\$123,708
Commercial paper	–	10,000	–
Current portion of long-term debt	28,563	103,961	269,462
Total	¥41,676	¥123,999	\$393,170

The weighted average interest rates per annum on bank borrowings and commercial paper outstanding as of March 31, 2018 and 2017 were 1.51% and 0.91%, respectively. Short-term debt is unsecured.

Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Unsecured loans, principally from banks and insurance companies:			
Due through the year ending March 31, 2035 with interest rates ranging from (0.591)% to 6.000% as of March 31, 2018	¥209,283	¥211,166	\$1,974,368
Due through the year ending March 31, 2034 with interest rates ranging from (0.591) % to 6.000% as of March 31, 2017			

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Short-term and Long-term Debt (continued)

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Unsecured Japanese yen bonds:			
0.328% yen bonds, due the year ending March 31, 2018	–	40,000	–
0.330% yen bonds, due the year ending March 31, 2018	–	60,000	–
0.515% yen bonds, due the year ending March 31, 2020	30,000	30,000	283,019
0.005% yen bonds, due the year ending March 31, 2020	100,000	100,000	943,396
0.080% yen bonds, due the year ending March 31, 2022	30,000	30,000	283,019
0.882% yen bonds, due the year ending March 31, 2023	40,000	40,000	377,358
0.180% yen bonds, due the year ending March 31, 2024	10,000	10,000	94,340
0.250% yen bonds, due the year ending March 31, 2027	10,000	10,000	94,340
Other	11,782	7,638	111,151
	441,065	538,804	4,160,991
Less: portion due within one year	(28,563)	(103,961)	(269,463)
Balance	<u>¥412,502</u>	<u>¥434,843</u>	<u>\$3,891,528</u>

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

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Year ending March 31		
2019	¥28,563	\$269,463
2020	163,189	1,539,519
2021	48,242	455,113
2022	31,277	295,066
2023	70,851	668,406

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans

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

Certain subsidiaries have funded non-contributory defined benefit pension plans whose assets are maintained at trust banks and insurance companies and also have defined contribution pension plans. The funding policy for defined benefit pension plans is to make actuarially determined contributions to provide the plans with sufficient assets to meet future benefit payment requirements. Also, certain subsidiaries have defined contribution pension plans. The funding policy for such plans is to contribute annually an amount equal to a certain percentage of the participants' annual salary.

During the year ended March 31, 2018, settlements occurred related to the defined benefit pension plans of certain subsidiaries of the Company. In connection with these settlements, the Company recognized losses amounting to ¥223 million (\$2,104 thousand), which were included in net periodic benefit cost. Also, the projected benefit obligation decreased by ¥875 million (\$8,255 thousand).

During the year ended March 31, 2017, settlements occurred related to the defined benefit pension plans of certain subsidiaries of the Company. In connection with these settlements, the Company recognized gains amounting to ¥588 million, which were included in net periodic benefit cost. Also, the projected benefit obligation decreased by ¥4,496 million.

The amounts of net periodic benefit cost for defined contribution pension plans were ¥12,068 million (\$113,849 thousand) and ¥10,264 million for the years ended March 31, 2018 and 2017, respectively.

Components of Net Periodic Benefit Cost

Components of net periodic benefit cost for the defined benefit pension plans for the years ended March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Components of net periodic benefit cost:			
Service cost	¥23,360	¥ 22,289	\$220,377
Interest cost	8,677	7,944	81,859
Expected return on plan assets	(22,941)	(21,484)	(216,425)
Recognized net actuarial loss	8,867	10,795	83,651
Amortization of prior service credit	(2,176)	(2,586)	(20,528)
Settlement (gain) loss	223	(588)	2,104
Net periodic benefit cost	<u>¥16,010</u>	<u>¥ 16,370</u>	<u>\$151,038</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Obligations and Funded Status

Reconciliation of the beginning and ending balances of the benefit obligation and the fair value of the plan assets and the funded status of the defined benefit pension plans for the years ended March 31, 2018 and 2017 are outlined as follows:

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Changes in benefit obligation:			
Benefit obligation at beginning of year	¥830,162	¥840,738	\$7,831,717
Service cost	23,360	22,289	220,377
Interest cost	8,677	7,944	81,858
Plan participants' contributions	290	448	2,736
Plan amendments	(571)	(2,081)	(5,386)
Actuarial loss	16,157	8,168	152,425
Increase in acquisitions	11,413	–	107,670
Benefits paid	(31,223)	(28,956)	(294,557)
Settlement paid	(875)	(4,496)	(8,255)
Foreign currency translation	7,660	(13,892)	72,264
Benefit obligation at end of year	865,050	830,162	8,160,849
Changes in plan assets:			
Fair value of plan assets at beginning of year	802,358	788,843	7,569,415
Actual return on plan assets	23,042	37,140	217,377
Increase in acquisitions	10,213	–	96,349
Employers' contributions	22,773	20,952	214,840
Plan participants' contributions	290	448	2,736
Benefits paid	(28,340)	(27,086)	(267,358)
Settlement paid	(875)	(3,015)	(8,255)
Foreign currency translation	6,967	(14,924)	65,726
Fair value of plan assets at end of year	836,428	802,358	7,890,830
Funded status	¥(28,622)	¥(27,804)	\$ (270,019)

Amounts recognized in the consolidated balance sheets related to the defined benefit pension plans as of March 31, 2018 and 2017 are as follows:

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Other assets	¥ 17,506	¥ 12,770	\$ 165,151
Accrued liabilities	(935)	(1,130)	(8,821)
Accrued pension and severance costs	(45,193)	(39,444)	(426,349)
Net amount recognized	¥(28,622)	¥(27,804)	\$(270,019)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Obligations and Funded Status (continued)

Amounts recognized in Accumulated other comprehensive income (loss) related to the defined benefit pension plans as of March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net actuarial loss	¥206,130	¥199,307	\$1,944,623
Prior service credit	(11,788)	(13,565)	(111,208)
Total	¥194,342	¥185,742	\$1,833,415

The accumulated benefit obligation for the defined benefit pension plans amounted to ¥858,004 million (\$8,094,377 thousand) and ¥823,402 million as of March 31, 2018 and 2017, respectively.

The aggregate projected benefit obligation and aggregate fair value of plan assets for the pension plans where the projected benefit obligation exceeded the plan assets, and the aggregate accumulated benefit obligation and aggregate fair value of plan assets where accumulated benefit obligation exceeded plan assets as of March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Plans with projected benefit obligation in excess of plan assets:			
Projected benefit obligation	¥785,546	¥764,337	\$7,410,811
Fair value of plan assets	741,204	725,169	6,992,491
Plans with accumulated benefit obligation in excess of plan assets:			
Accumulated benefit obligation	773,900	752,620	7,300,943
Fair value of plan assets	734,351	718,110	6,927,840

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Assumptions

The weighted average assumptions used to determine the benefit obligation as of March 31, 2018 and 2017 are as follows: Rate of compensation increase is not presented because most of the defined benefit pension plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not impact the calculation of the benefit obligation.

	2018	2017
Discount rate	0.81%	0.99%

The weighted average assumptions used to determine the net periodic benefit cost for the years ended March 31, 2018 and 2017 are as follows: Rate of compensation increase is not presented because most of the defined benefit pension plans' benefit formulas are not based on compensation levels and therefore the rate of compensation increase does not impact the calculation of the net periodic benefit cost.

	2018	2017
Discount rate	0.99%	0.98%
Expected long-term rate of return on plan assets	2.79%	2.68%

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

Plan Assets

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

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

Targeted allocation ratios for equity securities, debt securities, general accounts of life insurance companies and alternative investments are 19% (6% domestic and 13% foreign), 38% (22% domestic and 16% foreign), 24% and 19%, respectively. Alternative investments primarily consist of hedge funds and real estate.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Plan Assets (continued)

Equity securities consist principally of stocks that are listed on securities exchanges and have been selected based on thorough analysis of investees' businesses, their potential for future growth and other appropriate factors while ensuring that industries in which the investees operate are appropriately diversified. Debt securities consist principally of government and other public debt, and corporate debt which have been selected based on thorough analysis of issuers and the terms and conditions of those securities including investment grades, interest rates, maturity dates, financial condition of issuers and other factors so that maturity dates and issuers are appropriately diversified. Pooled funds have been selected for investment using the same strategies as those for equity and debt securities described above. The Company has selected general accounts of life insurance companies, for which life insurance companies have guaranteed anticipated interest rates and return of capital, based on thorough analysis of issuers' investment grades and other factors so that the investments are appropriately diversified. Regarding foreign investments, the Company has selected the countries and currencies in which the Company invests in based on thorough analysis of the political and economic stability in those countries, the market characteristics, such as settlement systems and taxation systems, and other factors so that the investments are appropriately diversified. Alternative investments consist principally of hedge funds and real estate, which were intended to hedge the risk of traditional assets and establish ongoing returns that are less sensitive to market trends. The Company has selected alternative investments based on thorough analysis of the nature of risks and returns which are completely different from those of traditional assets so that the investment techniques and asset management companies are appropriately diversified.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Plan Assets (continued)

The fair value hierarchy that prioritizes the inputs used in valuation techniques is described in Note 19 “Fair Value Measurement”. The fair value hierarchy of plan assets as of March 31, 2018 and 2017 are as follows:

	2018				
	Level 1	Level 2	Level 3	NAV (a)	Total
	<i>(Millions of yen)</i>				
Cash and cash equivalents, and					
Short-term receivables (b)	¥ 6,960	¥ 4,071	¥ –	¥ –	¥ 11,031
Equity securities					
Domestic companies securities	8,041	382	–	–	8,423
Foreign companies securities	15,307	3,873	–	–	19,180
Pooled funds (c)	–	1,668	–	148,939	150,607
Debt securities					
Government debt securities (d)	5,483	10,912	–	–	16,395
Corporate debt securities (e)	–	13,873	–	–	13,873
Pooled funds (f)	–	5,751	–	270,300	276,051
General accounts of life insurance companies	–	192,121	–	–	192,121
Alternative investments					
Equity securities funds (g)	–	–	–	2,984	2,984
Debt securities funds (h)	4,015	246	157	6,028	10,446
Other funds (i)	4,057	3,534	4,130	102,151	113,872
Real estate (j)	–	24	418	21,003	21,445
Total	¥43,863	¥236,455	¥4,705	¥551,405	¥836,428

	2017				
	Level 1	Level 2	Level 3	NAV (a)	Total
	<i>(Millions of yen)</i>				
Cash and cash equivalents, and					
Short-term receivables (b)	¥11,358	¥ 7,909	¥ –	¥ –	¥ 19,267
Equity securities					
Domestic companies securities	7,689	–	–	–	7,689
Foreign companies securities	13,964	155	–	–	14,119
Pooled funds (c)	–	2,644	–	144,545	147,189
Debt securities					
Government debt securities (d)	19,023	4,723	–	–	23,746
Corporate debt securities (e)	–	17,466	–	–	17,466
Pooled funds (f)	–	5,416	–	239,316	244,732
General accounts of life insurance companies	–	182,800	–	–	182,800
Alternative investments					
Equity securities funds (g)	–	–	2,239	1,875	4,114
Debt securities funds (h)	–	3,778	6,314	48	10,140
Other funds (i)	–	7,319	2,341	100,451	110,111
Real estate (j)	–	25	342	20,618	20,985
Total	¥52,034	¥232,235	¥11,236	¥506,853	¥802,358

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Plan Assets (continued)

	2018				Total
	Level 1	Level 2	Level 3	NAV (a)	
	<i>(Thousands of U.S. dollars)</i>				
	<i>(Note 3)</i>				
Cash and cash equivalents, and Short-term receivables (b)	\$ 65,660	\$ 38,406	\$ –	\$ –	\$ 104,066
Equity securities					
Domestic companies securities	75,858	3,604	–	–	79,462
Foreign companies securities	144,406	36,538	–	–	180,944
Pooled funds (c)	–	15,736	–	1,405,085	1,420,821
Debt securities					
Government debt securities (d)	51,727	102,943	–	–	154,670
Corporate debt securities (e)	–	130,877	–	–	130,877
Pooled funds (f)	–	54,255	–	2,550,000	2,604,255
General accounts of life insurance companies	–	1,812,462	–	–	1,812,462
Alternative investments					
Equity securities funds (g)	–	–	–	28,151	28,151
Debt securities funds (h)	37,877	2,321	1,481	56,868	98,547
Other funds (i)	38,274	33,339	38,962	963,689	1,074,264
Real estate (j)	–	227	3,943	198,141	202,311
Total	\$413,802	\$2,230,708	\$44,386	\$5,201,934	\$7,890,830

(a) Certain assets that are measured at fair value using net asset value (“NAV”) per share applied by practical expedient, have not been classified in the fair value hierarchy.

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

(c) Pooled funds of equity securities consist of 30% and 26% domestic companies and 70% and 74% foreign companies as of March 31, 2018 and 2017, respectively.

(d) This category consists of 75% and 40% Japanese government debt securities and 25% and 60% foreign government debt securities as of March 31, 2018 and 2017, respectively.

(e) This category consists of 37% and 22% domestic corporate debt securities and 63% and 78% foreign corporate debt securities as of March 31, 2018 and 2017, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Plan Assets (continued)

- (f) Pooled funds of debt securities consist of 26% and 33% Japanese government debt securities, government agency and municipal securities, 50% and 39% foreign government debt securities, 10% and 15% domestic corporate debt securities and 14% and 13% foreign corporate debt securities as of March 31, 2018 and 2017, respectively.
- (g) Equity securities funds invest principally in domestic companies securities.
- (h) Debt securities funds invest principally in foreign government debt securities and foreign currencies.
- (i) Other funds include managed futures which principally invest in listed futures, which are classified as level 2 and fund of hedge funds classified as level 3 whose investments are diversified with a combination of various products and investment techniques.
- (j) Real estate includes principally domestic real estate funds whose investment policy is to generate stable rental income and capital gains from sales on real estate.

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Plan Assets (continued)

Reconciliation of the beginning and ending balances for assets classified as Level 3 for the years ended March 31, 2018 and 2017 are as follows:

	2018					
	Balance at beginning of year	Actual returns on assets held at the reporting date	Gain (loss) on sales of assets during the period	Purchase/sales	Currency translation	Balance at end of year
	<i>(Millions of yen)</i>					
Alternative investments						
Equity securities funds	¥ 2,239	¥ –	¥–	¥(2,239)	¥ –	¥ –
Debt securities funds	6,314	16	–	(6,182)	9	157
Other funds	2,341	65	–	1,578	146	4,130
Real estate	342	104	–	–	(28)	418
Total	¥11,236	¥185	¥–	¥(6,843)	¥127	¥4,705

	2017					
	Balance at beginning of year	Actual returns on assets held at the reporting date	Gain (loss) on sales of assets during the period	Purchase/sales	Currency translation	Balance at end of year
	<i>(Millions of yen)</i>					
Alternative investments						
Equity securities funds	¥ –	¥ –	¥–	¥ 2,517	¥ (278)	¥ 2,239
Debt securities funds	–	–	–	7,111	(797)	6,314
Other funds	2,485	(257)	–	411	(298)	2,341
Real estate	305	39	–	–	(2)	342
Total	¥2,790	¥(218)	¥–	¥10,039	¥(1,375)	¥11,236

	2018					
	Balance at beginning of year	Actual returns on assets held at the reporting date	Gain (loss) on sales of assets during the period	Purchase/sales	Currency translation	Balance at end of year
	<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>					
Alternative investments						
Equity securities funds	\$ 21,123	\$ –	\$–	\$(21,123)	\$ –	\$ –
Debt securities funds	59,566	151	–	(58,321)	85	1,481
Other funds	22,085	613	–	14,887	1,377	38,962
Real estate	3,226	981	–	–	(264)	3,943
Total	\$106,000	\$1,745	\$–	\$(64,557)	\$1,198	\$44,386

Contribution

The Company expects to contribute approximately ¥18,890 million (\$178,208 thousand) to the defined benefit pension plans for the year ending March 31, 2019.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Pension and Severance Plans (continued)

Estimated Future Benefit Payments

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

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars) (Note 3)</i>
Year ending March 31		
2019	¥30,960	\$292,075
2020	32,255	304,292
2021	33,651	317,462
2022	34,513	325,594
2023	34,887	329,123
2024 through 2028	189,105	1,784,009

11. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, inhabitant and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 30.8% for the years ended March 31, 2018 and 2017.

The U.S. tax reform act “The Tax Cuts and Jobs Act” was enacted on December 22, 2017. The major effect of the tax reform is that the federal corporate tax rate of the subsidiaries located in the U.S. decreased from the current tax rate of 35.0% to 21.0% effective from January 1, 2018. The adjustments of deferred tax assets and deferred tax liabilities due to the change in income tax rate were a profit of ¥1,990 million (\$18,774 thousand), and were included in “Income taxes, Deferred” in the consolidated statements of income for the year ended March 31, 2018.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2018 and 2017 differ from the statutory tax rate due to the following reasons:

	<u>2018</u>	<u>2017</u>
	(%)	(%)
Statutory tax rates	30.8	30.8
Increase (decrease) in income taxes resulting from:		
Expenses not deductible for tax purposes	2.0	1.1
Difference in statutory tax rates of other countries	(2.6)	0.1
Deferred tax liabilities on undistributed earnings	(2.8)	1.0
Research and development credits	(4.1)	(4.1)
Net change in valuation allowances	(3.6)	(7.4)
Adjustment for unrecognized tax benefits	(1.3)	0.1
Impact arising from U.S. tax reform	(1.0)	–
Difference in effective tax rates of domestic subsidiaries	0.9	0.5
Investor taxes on equity income from foreign subsidiaries	7.8	0.3
Other	1.4	0.3
Effective tax rates	<u>27.5</u>	<u>22.7</u>

Income before income taxes by tax jurisdictions for the years ended March 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Income before income taxes:			
Domestic	¥151,257	¥124,157	\$1,426,953
Foreign	46,550	70,618	439,151
Total	<u>¥197,807</u>	<u>¥194,775</u>	<u>\$1,866,104</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

The components of income taxes for the years ended March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Current:			
Domestic	¥38,092	¥33,328	\$359,359
Foreign	27,473	13,728	259,179
Total current	65,565	47,056	618,538
Deferred:			
Domestic	(6,616)	(3,211)	(62,415)
Foreign	(4,514)	277	(42,585)
Total deferred	(11,130)	(2,934)	(105,000)
Total	¥54,435	¥44,122	\$513,538

The major components of deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Deferred tax assets:			
Inventories	¥12,579	¥16,764	\$118,670
Depreciation	26,544	20,712	250,415
Accrued expenses	47,092	34,786	444,264
Accrued pension and severance costs	21,736	19,330	205,057
Accrued enterprise taxes	2,215	2,738	20,896
Tax loss carryforwards	31,191	25,000	294,255
Losses on investment securities	2,202	3,816	20,774
Allowance for doubtful receivables	6,630	11,869	62,547
Other	28,271	36,659	266,707
	178,460	171,674	1,683,585
Less: valuation allowances	(28,559)	(40,603)	(269,425)
Total deferred tax assets	149,901	131,071	1,414,160
Deferred tax liabilities:			
Depreciation	3,526	2,760	33,264
Lease accounting	16,352	13,157	154,264
Taxes on undistributed earnings	17,899	25,204	168,859
Unrealized gains on available-for-sale securities	9,625	17,431	90,802
Goodwill	11,490	11,140	108,396
Accrued pension and severance costs	7,700	7,720	72,642
Other intangible assets	35,264	23,263	332,679
Other	16,696	7,897	157,509
Total deferred tax liabilities	118,552	108,572	1,118,415
Net deferred tax assets	¥31,349	¥22,499	\$295,745

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

The valuation allowances relate primarily to the deferred tax assets of certain subsidiaries which have net operating loss carryforwards for tax purposes. The valuation allowances decreased by ¥12,044 million (\$113,623 thousand) for the year ended March 31, 2018 and ¥5,508 million for the year ended March 31, 2017.

Deferred tax assets and liabilities as of March 31, 2018 and 2017 are included in the consolidated balance sheets as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Deferred income taxes (current assets)	¥ –	¥ 61,423	\$ –
Deferred income taxes (other assets)	48,647	12,005	458,934
Other current liabilities	–	(193)	–
Deferred income taxes (non-current liabilities)	(17,298)	(50,736)	(163,189)
Net deferred tax assets	<u>¥31,349</u>	<u>¥ 22,499</u>	<u>\$295,745</u>

As of March 31, 2018, certain subsidiaries have net operating loss carryforwards for income tax purposes of ¥114,007 million (\$1,075,538 thousand), of which ¥71,245 million (\$672,123 thousand) will be carried forward indefinitely, ¥28,839 million (\$272,066 thousand) will expire through the year ending March 31, 2027 and the remainder will expire through the year ending March 31, 2037. These net operating loss carryforwards are available to offset future taxable income of the subsidiaries.

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

The Company recognizes tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities.

Reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Balance, as of April 1	¥3,704	¥4,064	\$34,943
Additions for tax positions of the current year	29	69	274
Additions for tax positions of prior years	77	–	726
Reductions for tax positions of prior years	(302)	(429)	(2,849)
Settlements with tax authorities	(1,277)	–	(12,047)
Balance, as of March 31	<u>¥2,231</u>	<u>¥3,704</u>	<u>\$21,047</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

The total amounts of unrecognized tax benefits that would reduce the effective tax rate, if recognized, are ¥2,231 million (\$21,047 thousand) and ¥3,704 million for the years ended March 31, 2018 and 2017, respectively.

Although the Company believes its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements could affect the effective tax rate in the future period. Based on each of the items of which the Company is aware as of March 31, 2018, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

Both interest and penalties accrued as of March 31, 2018 and 2017 in the consolidated balance sheets and included in income taxes for the years ended March 31, 2018 and 2017 in the consolidated statements of income were not material.

In Japan, tax examinations of the Company and major domestic subsidiaries by the tax authorities for the year ended March 31, 2015 and before have been completed. While there are no indications that the Company would be subject to tax examination related to transfer pricing as of March 31, 2018, the tax authority still has a right to conduct a tax examination for fiscal years ended on and after March 31, 2012.

In foreign tax jurisdictions, tax examinations of major foreign subsidiaries for the year ended March 31, 2012 and before have been completed.

12. Equity

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

Retained earnings available for dividends under the Law are based on the amount presented in the Company’s non-consolidated financial statements, which are prepared in accordance with accounting principles and practices generally accepted in Japan. Under the Law, the amount of retained earnings available for dividends as of March 31, 2018 amounted to ¥1,242,652 million (\$11,723,132 thousand).

The appropriation of retained earnings for the year ended March 31, 2018 has been reflected in the consolidated financial statements, including the amount approved at the 122th Ordinary General Meeting of Shareholders held on June 28, 2018.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Other Comprehensive Income (Loss)

The changes in each component of Accumulated other comprehensive income (loss) for the years ended March 31, 2018 and 2017 are as follows:

	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Unrealized (losses) gains on derivatives	Total
	<i>(Millions of yen)</i>				
As of April 1, 2016	¥50,864	¥29,655	¥(109,747)	¥(1,552)	¥(30,780)
Change in Accumulated other comprehensive (loss) income	7,206	(25,598)	5,532	206	(12,654)
Reclassification adjustment for gains and losses realized in net income	(15,377)	—	3,729	362	(11,286)
Net change	(8,171)	(25,598)	9,261	568	(23,940)
As of March 31, 2017	42,693	4,057	(100,486)	(984)	(54,720)
Change in Accumulated other comprehensive (loss) income	10,064	(7,767)	(5,567)	(354)	(3,624)
Reclassification adjustment for gains and losses realized in net income	(33,781)	(76)	3,529	889	(29,439)
Net change	(23,717)	(7,843)	(2,038)	535	(33,063)
As of March 31, 2018	¥18,976	¥ (3,786)	¥(102,524)	¥ (449)	¥(87,783)

	Unrealized gains (losses) on securities	Foreign currency translation adjustments	Pension liability adjustments	Unrealized (losses) gains on derivatives	Total
	<i>(Thousands of U.S. dollars) (Note 3)</i>				
As of April 1, 2017	\$402,764	\$ 38,274	\$(947,981)	\$(9,283)	\$(516,226)
Change in Accumulated other comprehensive (loss) income	94,943	(73,274)	(52,518)	(3,340)	(34,189)
Reclassification adjustment for gains and losses realized in net income	(318,688)	(717)	33,292	8,387	(277,726)
Net change	(223,745)	(73,991)	(19,226)	5,047	(311,915)
As of March 31, 2018	\$179,019	\$(35,717)	\$(967,207)	\$(4,236)	\$(828,141)

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Other Comprehensive Income (Loss) (continued)

The amounts reclassified out of each component of Accumulated other comprehensive income (loss) to net income for the years ended March 31, 2018 and 2017 are as follows:

Affected line item in the consolidated statements of income	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Unrealized gains (losses) on securities			
Gains (losses) on sales of investment securities, net	¥49,189	¥22,483	\$464,047
Income taxes	(15,150)	(6,925)	(142,925)
Net income attributable to noncontrolling interests	(258)	(181)	(2,434)
Net income attributable to FUJIFILM Holdings	33,781	15,377	318,688
Foreign currency translation adjustments			
Other, net	76	—	717
Net income attributable to FUJIFILM Holdings	76	—	717
Pension liability adjustments			
See Note 10 “Pension and Severance Plans”	(6,914)	(7,621)	(65,226)
Income taxes	2,621	2,870	24,726
Net income attributable to noncontrolling interests	764	1,022	7,208
Net income attributable to FUJIFILM Holdings	(3,529)	(3,729)	(33,292)
Unrealized (losses) gains on derivatives			
Foreign exchange (losses) gains, net	(987)	9	(9,311)
Other, net	(556)	(541)	(5,245)
Income taxes	483	171	4,556
Net income attributable to noncontrolling interests	171	(1)	1,613
Net income attributable to FUJIFILM Holdings	(889)	(362)	(8,387)
Total	¥29,439	¥11,286	\$277,726

The related tax effects allocated to each component of other comprehensive income (loss), including amounts attributable to noncontrolling interests, for the years ended March 31, 2018 and 2017 are as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Other Comprehensive Income (Loss) (continued)

	<u>Before-tax amount</u>	<u>Tax (expense) or benefit</u>	<u>Net-of-tax amount</u>
	<i>(Millions of yen)</i>		
2018			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ 15,132	¥(4,816)	¥ 10,316
Less: reclassification adjustment for gains and losses realized in net income	(49,189)	15,150	(34,039)
Net change in unrealized (losses) gains	(34,057)	10,334	(23,723)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(8,716)	761	(7,955)
Less: reclassification adjustment for gains and losses realized in net income	(76)	—	(76)
Net change in foreign currency translation adjustments	(8,792)	761	(8,031)
Pension liability adjustments:			
Change in pension liability adjustments	(15,514)	7,695	(7,819)
Less: reclassification adjustment for gains and losses realized in net income	6,914	(2,621)	4,293
Net change in pension liability adjustments	(8,600)	5,074	(3,526)
Unrealized gains (losses) on derivatives:			
Change in unrealized (losses) gains on derivatives	(711)	220	(491)
Less: reclassification adjustment for gains and losses realized in net income	1,543	(483)	1,060
Net change in unrealized gains (losses)	832	(263)	569
Total	<u>¥(50,617)</u>	<u>¥15,906</u>	<u>¥(34,711)</u>
	<u>Before-tax amount</u>	<u>Tax (expense) or benefit</u>	<u>Net-of-tax amount</u>
	<i>(Millions of yen)</i>		
2017			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	¥ 10,657	¥(3,298)	¥ 7,359
Less: reclassification adjustment for gains and losses realized in net income	(22,483)	6,925	(15,558)
Net change in unrealized (losses) gains	(11,826)	3,627	(8,199)
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(28,801)	560	(28,241)
Less: reclassification adjustment for gains and losses realized in net income	—	—	—
Net change in foreign currency translation adjustments	(28,801)	560	(28,241)
Pension liability adjustments:			
Change in pension liability adjustments	11,837	(4,653)	7,184
Less: reclassification adjustment for gains and losses realized in net income	7,621	(2,870)	4,751
Net change in pension liability adjustments	19,458	(7,523)	11,935
Unrealized gains (losses) on derivatives:			
Change in unrealized gains (losses) on derivatives	281	(83)	198
Less: reclassification adjustment for gains and losses realized in net income	532	(171)	361
Net change in unrealized gains (losses)	813	(254)	559
Total	<u>¥(20,356)</u>	<u>¥(3,590)</u>	<u>¥(23,946)</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Other Comprehensive Income (Loss) (continued)

	<u>Before-tax amount</u>	<u>Tax (expense) or benefit</u>	<u>Net-of-tax amount</u>
	<i>(Thousands of U.S. dollars)</i>		
	<i>(Note 3)</i>		
2018			
Unrealized gains (losses) on securities:			
Change in unrealized gains (losses) on securities	\$ 142,755	\$(45,434)	\$ 97,321
Less: reclassification adjustment for gains and losses realized in net income	<u>(464,047)</u>	<u>142,924</u>	<u>(321,123)</u>
Net change in unrealized (losses) gains	<u>(321,292)</u>	<u>97,490</u>	<u>(223,802)</u>
Foreign currency translation adjustments:			
Change in foreign currency translation adjustments	(82,226)	7,179	(75,047)
Less: reclassification adjustment for gains and losses realized in net income	<u>(717)</u>	<u>—</u>	<u>(717)</u>
Net change in foreign currency translation adjustments	<u>(82,943)</u>	<u>7,179</u>	<u>(75,764)</u>
Pension liability adjustments:			
Change in pension liability adjustments	(146,358)	72,594	(73,764)
Less: reclassification adjustment for gains and losses realized in net income	<u>65,226</u>	<u>(24,726)</u>	<u>40,500</u>
Net change in pension liability adjustments	<u>(81,132)</u>	<u>47,868</u>	<u>(33,264)</u>
Unrealized gains (losses) on derivatives:			
Change in unrealized (losses) gains on derivatives	(6,708)	2,076	(4,632)
Less: reclassification adjustment for gains and losses realized in net income	<u>14,557</u>	<u>(4,557)</u>	<u>10,000</u>
Net change in unrealized gains (losses)	<u>7,849</u>	<u>(2,481)</u>	<u>5,368</u>
Total	<u><u>\$ (477,518)</u></u>	<u><u>\$ 150,056</u></u>	<u><u>\$ (327,462)</u></u>

14. Commitments and Contingent Liabilities

Guarantees

The Company guarantees certain indebtedness of others and other obligations. As of March 31, 2018, the maximum potential amount of future payments (undiscounted) the Company could be required to make under such guarantees was ¥6,799 million (\$64,142 thousand), of which ¥3,736 million (\$35,245 thousand) were guarantees of employee mortgage loans to financial institutions. In the event of an employee's insolvency, certain subsidiaries of the Company will need to pay the default mortgage on behalf of the employee. The guarantees are partly secured by the employees' property in the amount of ¥3,730 million (\$35,189 thousand). The terms of the mortgage loan guarantees are from 1 to 18 years. The Company has not made any significant payments under such guarantees in the past and as of March 31, 2018, and the carrying amount of the liability for the Company's obligations under such guarantees was not material.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

Lease Commitments

The Company leases office and retail spaces, warehouses, offices and laboratory equipment as well as certain residential facilities for employees.

The future minimum lease payments required under operating leases which, as of March 31, 2018, had initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars) (Note 3)</i>
Year ending March 31		
2019	¥15,327	\$144,594
2020	11,927	112,519
2021	6,745	63,632
2022	4,625	43,632
2023	3,198	30,170
2024 and thereafter	6,070	57,264
Total future minimum lease payments	¥47,892	\$451,811

Rental expenses under operating leases for the years ended March 31, 2018 and 2017 were ¥57,852 million (\$545,774 thousand) and ¥52,650 million, respectively.

Purchase Commitments, Other Commitments and Contingencies

Commitments outstanding as of March 31, 2018, principally for the construction and purchase of property, plant and equipment, amounted to ¥9,641 million (\$90,953 thousand). As of March 31, 2018, the Company was contingently liable for discounted notes receivable on a full recourse basis with banks of ¥5,305 million (\$50,047 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.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingent Liabilities (continued)

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:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Balance, as of April 1	¥9,753	¥9,142	\$92,009
Warranties issued during the current period	11,059	10,763	104,330
Settlements made during the current period	(11,218)	(9,542)	(105,830)
Other, including changes in liability for pre-existing warranties during the current period	(477)	(610)	(4,500)
Balance, as of March 31	<u>¥9,117</u>	<u>¥9,753</u>	<u>\$86,009</u>

15. Net Income Attributable to FUJIFILM Holdings per Share

A calculation of the basic and diluted net income attributable to FUJIFILM Holdings per share for the years ended March 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of Yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Net income attributable to FUJIFILM Holdings	<u>¥140,694</u>	<u>¥131,506</u>	<u>\$1,327,302</u>

	<u>2018</u>	<u>2017</u>
	<i>(Shares)</i>	
Weighted average common shares outstanding-Basic	436,097,994	443,873,684
Securities with dilutive effect:		
Stock options	<u>1,452,427</u>	<u>1,584,384</u>
Weighted average common shares outstanding-Diluted	<u>437,550,421</u>	<u>445,458,068</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Net Income Attributable to FUJIFILM Holdings per Share (continued)

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
			<i>(Note 3)</i>
Net income attributable to FUJIFILM Holdings per share:			
Basic	¥322.62	¥296.27	\$3.04
Diluted	321.55	295.22	3.03

Although the Company adjusted the dilutive effect in the calculation of diluted net income attributable to FUJIFILM Holdings per share, the number of common stocks to be issued when stock options are exercised in the future, which is possible to have a dilutive effect on basic net income attributable to FUJIFILM Holdings per share, were 48,600 and 187,200 shares as of March 31, 2018 and 2017, respectively.

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. Under the stock-based compensation plans, one stock acquisition right represents one option to purchase 100 shares of the Company's common stock.

General terms of contracts are as follows. It is presented in numbers of shares on grant dates.

Stock acquisition rights	Number of shares	Exercise price (Yen)	Grant date	Period for exercising stock acquisition rights
No. 1-2	137,600	1	September 3, 2007	September 4, 2007~September 3, 2018 (Note 1)
No. 1-3	170,600	4,976	September 3, 2007	July 28, 2009~July 27, 2017
No. 2-2	182,600	2,981	October 1, 2008	August 29, 2010~August 28, 2018
No. 3-1	255,300	1	September 1, 2009	September 2, 2009~September 1, 2039 (Note 2)
No. 3-2	181,600	2,828	September 1, 2009	August 1, 2011~July 31, 2019
No. 4-1	277,800	1	January 31, 2011	February 1, 2011~January 31, 2041 (Note 2)
No. 4-2	196,200	2,965	January 31, 2011	December 25, 2012~December 24, 2020
No. 5-1	386,000	1	April 2, 2012	April 3, 2012~April 2, 2042 (Note 3)
No. 5-2	23,100	2,012	April 2, 2012	March 3, 2014~March 2, 2022

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Stock-Based Compensation Plan (continued)

Stock acquisition rights	Number of shares	Exercise price (Yen)	Grant date	Period for exercising stock acquisition rights
No. 6-1	370,400	1	April 1, 2013	April 2, 2013~April 1, 2043 (Note 3)
No. 6-2	23,500	1,842	April 1, 2013	February 27, 2015~February 26, 2023
No. 7-1	227,100	1	April 1, 2014	April 2, 2014~April 1, 2044 (Note 3)
No. 7-2	23,200	2,803	April 1, 2014	February 28, 2016~February 27, 2024
No. 8-1	182,100	1	April 1, 2015	April 2, 2015~April 1, 2045 (Note 3)
No. 8-2	22,500	4,205	April 1, 2015	February 27, 2017~February 26, 2025
No. 9-1	174,800	1	June 1, 2016	June 2, 2016~June 1, 2046 (Note 3)
No. 9-2	25,100	4,495	June 1, 2016	April 28, 2018~April 27, 2026
No. 10-1	163,300	1	June 1, 2017	June 2, 2017~June 1, 2047 (Note 4)
No. 10-2	23,500	4,146	June 1, 2017	April 28, 2019~April 27, 2027

(Note 1) Stock acquisition right holders may exercise such stock acquisition rights commencing from the date on which three years elapse from the date immediately following the allotment date. However, in the case that stock acquisition right holders cease to hold any positions as the Company and FUJIFILM Corporation's Directors, Executive Officers, or Fellows due to expiration of the term of office or any other reasonable reasons, they shall exercise the stock acquisition rights during a limited period of 7 years beginning from the day following the date of loss of position.

(Note 2) In the case that stock acquisition right holders cease to hold any positions as the Company and certain subsidiaries of the Company's Directors, Corporate Auditors, Executive Officers, Fellows, or other positions appointed by the Board of Directors, during the period for exercising the stock acquisition rights, they shall exercise the stock acquisition rights during a limited period of 7 years beginning from the day following the date of loss of position.

(Note 3) In the case that stock acquisition right holders cease to hold any positions as the Company and certain subsidiaries of the Company's Directors, Corporate Auditors, Executive Officers, Fellows, employees, or other positions appointed by the Board of Directors, during the period for exercising the stock acquisition rights, they shall exercise the stock acquisition rights during a limited period of 7 years beginning from the day following the date of loss of position.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Stock-Based Compensation Plan (continued)

(Note 4) In the case that stock acquisition right holders cease to hold any positions as the Company and certain subsidiaries of the Company's Directors, Corporate Auditors, Executive Officers, Fellows, employees, or other positions appointed by the Board of Directors, during the period for exercising the stock acquisition rights, they shall exercise the stock acquisition rights all at once during a limited period of 10 calendar days beginning from the day following the date of loss of position.

The Company recognized stock-based compensation cost of ¥667 million (\$6,292 thousand) and ¥789 million as "Selling, general and administrative" in the accompanying consolidated statements of income for the years ended March 31, 2018 and 2017, respectively, and the cost was measured as the fair value of the options estimated using the Black-Scholes pricing model. The deferred income tax benefit related to the cost was ¥198 million (\$1,868 thousand) and ¥234 million for the years ended March 31, 2018 and 2017, respectively. As of March 31, 2018, there was no unrecognized stock-based compensation cost. There were 4,550 stock acquisition rights exercised during the year ended March 31, 2018. The weighted average grant date fair values of stock acquisition rights granted during the years ended March 31, 2018 and 2017 were ¥3,569 (\$33.67) and ¥3,946, respectively. The total fair values of shares vested during the years ended March 31, 2018 and 2017 were ¥671 million (\$6,330 thousand) and ¥787 million, respectively. Cash received from the exercise of stock options for the year ended March 31, 2018, was ¥393 million (\$3,708 thousand).

A summary of the status of stock acquisition rights during the years ended March 31, 2018 and 2017 is as follows:

2018	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		<i>(Yen)</i>	<i>(Years)</i>	<i>(Millions of yen)</i>
Outstanding as of March 31, 2017	2,036,500	¥927		
Granted	186,800	522		
Exercised	(455,000)	864		
Forfeited or expired	(170,600)	4,158		
Outstanding as of March 31, 2018	1,597,700	553	21.5	¥5,906
Exercisable as of March 31, 2018	1,574,200	499	21.8	5,903

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Stock-Based Compensation Plan (continued)

2017	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		<i>(Yen)</i>	<i>(Years)</i>	<i>(Millions of yen)</i>
Outstanding as of March 31, 2016	2,052,600	¥1,082		
Granted	199,900	565		
Exercised	(200,000)	1,897		
Forfeited or expired	(16,000)	4,228		
Outstanding as of March 31, 2017	2,036,500	927	19.7	¥7,059
Exercisable as of March 31, 2017	2,011,400	882	19.9	7,059

2018	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
	<i>(U.S. dollar)</i>	<i>(Years)</i>	<i>(Thousands of U.S. dollars) (Note 3)</i>
Outstanding as of March 31, 2017	\$8.75		
Granted	4.92		
Exercised	8.15		
Forfeited or expired	39.23		
Outstanding as of March 31, 2018	5.22	21.5	\$55,717
Exercisable as of March 31, 2018	4.71	21.8	55,689

The aggregate intrinsic value of shares exercised under the stock acquisition rights plan was ¥1,539 million (\$14,519 thousand) and ¥490 million for the years ended March 31, 2018 and 2017, respectively.

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

Stock acquisition rights	Expected volatility	Expected remaining life	Expected dividend (Yen)	Risk-free interest rate
No. 1-2	25.980%	1 year	¥25	0.735%
No. 1-3	29.273%	6 years	25	1.285%
No. 2-2	28.979%	6 years	35	1.129%
No. 3-1	58.623%	1 year	30	0.170%
No. 3-2	34.575%	6 years	30	0.738%
No. 4-1	23.274%	1 year	27.5	0.145%

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Stock-Based Compensation Plan (continued)

Stock acquisition rights	Expected volatility	Expected remaining life	Expected dividend (Yen)	Risk-free interest rate
No. 4-2	34.205%	6 years	27.5	0.584%
No. 5-1	28.548%	1 year	32.5	0.105%
No. 5-2	38.826%	6 years	32.5	0.459%
No. 6-1	28.682%	1 year	37.5	0.055%
No. 6-2	36.549%	6 years	37.5	0.180%
No. 7-1	36.312%	1 year	40	0.070%
No. 7-2	37.091%	6 years	40	0.252%
No. 8-1	24.178%	1 year	55	0.020%
No. 8-2	29.772%	6 years	55	0.123%
No. 9-1	32.900%	1 year	67.5	(0.265%)
No. 9-2	29.840%	6 years	67.5	(0.256%)
No. 10-1	28.736%	2 years	67.5	(0.165%)
No. 10-2	29.426%	6 years	67.5	(0.092%)

The expected volatility is determined based on the historical volatility of the Company's common stock price over the most recent period corresponding with the estimated expected remaining life of the Company's stock acquisition rights. The expected remaining life of No. 1-2 Stock Acquisition Rights, No. 3-1 Stock Acquisition Rights, No. 4-1 Stock Acquisition Rights, No. 5-1 Stock Acquisition Rights, No. 6-1 Stock Acquisition Rights, No. 7-1 Stock Acquisition Rights, No. 8-1 Stock Acquisition Rights and No. 9-1 Stock Acquisition Rights was determined as one year based on the minimum term of Directors and Executive Officers of the Company and FUJIFILM Corporation. The expected remaining life of No. 10-1 Stock Acquisition Rights was determined as the years reflecting the actual term of the year before the grant date. The expected remaining life of No. 1-3 Stock Acquisition Rights, No. 2-2 Stock Acquisition Rights, No. 3-2 Stock Acquisition Rights, No. 4-2 Stock Acquisition Rights, No. 5-2 Stock Acquisition Rights, No. 6-2 Stock Acquisition Rights, No. 7-2 Stock Acquisition Rights, No. 8-2 Stock Acquisition Rights, No. 9-2 Stock Acquisition Rights and No. 10-2 Stock Acquisition Rights was determined as 6 years based on the midpoint of the period for exercising the share acquisition rights.

17. Derivatives

The Company operates internationally, and is exposed to market risks arising from fluctuations in foreign currencies, interest rates and certain commodity prices. The Company utilizes derivative financial instruments solely to reduce these risks.

The Company has established risk management policies for approval, reporting and monitoring of derivative financial instruments. The risk management policies prohibit the Company from holding or issuing derivative financial instruments for trading purposes. The following is a summary of the Company's risk management policies and impact on these strategies on the Company's consolidated financial statements.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Derivatives (continued)

Cash Flow Hedges

The Company has entered into interest rate swap contracts to reduce the risks of fluctuations in interest rates pertaining to variable interest rate loans, and cross currency interest rate swap contracts to reduce the risks of fluctuations in interest rates and foreign currency exchange rates pertaining to loans denominated in foreign currencies. In addition, certain subsidiaries of the Company have entered into forward currency exchange contracts to reduce the risks of fluctuations in foreign currencies pertaining to forecasted import purchases and export sales from/to third parties and group companies, and related receivables and payables denominated in foreign currencies. If the Japanese yen weakens significantly against foreign currencies (primarily the U.S. dollar), the increase in the cash flows caused by increases of value in future foreign currency is offset by gains or losses in the value of the forward exchange contracts designated as hedges. Conversely, if the Japanese yen strengthens, the decrease in the cash flows caused by decreases of value in future foreign currency is offset by gains or losses in the value of the forward contracts designated as hedges.

Changes in the fair value of those derivative instruments designated or qualified as cash flow hedges are reported in “Accumulated other comprehensive income (loss),” net of applicable taxes, in the accompanying consolidated balance sheets. These amounts are reclassified into earnings in the same period during which the hedged items affect earnings. Gains or losses on the portion of ineffective hedges or (part of) derivatives that are excluded from assessment of hedge effectiveness, do not have a material impact on the Company’s results of operations or financial condition.

As of March 31, 2018, the Company expects to reclassify ¥428 million (\$4,038 thousand) of unrealized losses on derivatives (before tax effect) from accumulated other comprehensive income (loss) to earnings during the next twelve months.

Derivatives Not Designated as Hedges

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Derivatives (continued)

Volume of Derivative Activities

Notional amounts of forward currency exchange contracts, currency swaps, cross currency interest rate swaps, interest rate swaps and other contracts as of March 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Forward currency exchange contracts (short)	¥242,009	¥97,838	\$2,283,104
Forward currency exchange contracts (long)	45,036	58,634	424,868
Currency swaps	61,078	71,861	576,208
Cross currency interest rate swaps	22,779	23,507	214,896
Interest rate swaps	142,290	147,647	1,342,358
Other	55,098	7,796	519,792

Impacts on the Consolidated Financial Statements

The locations and amounts of fair values of derivatives in the consolidated balance sheets as of March 31, 2018 and 2017 are summarized as follows:

		Derivative assets		
<u>Balance sheet location</u>		<u>Fair value</u>		
		<u>2018</u>	<u>2017</u>	<u>2018</u>
		<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
				<i>(Note 3)</i>
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	¥1,422	¥ 692	\$13,415
Cross currency interest rate swaps	Long-term finance and other receivables	361	1,008	3,406
Total		1,783	1,700	16,821
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Prepaid expenses and other	131	244	1,236
Currency swaps	Prepaid expenses and other	661	350	6,236
Currency swaps	Long-term finance and other receivables	211	109	1,990
Cross currency interest rate swaps	Prepaid expenses and other	1,327	—	12,519
Cross currency interest rate swaps	Long-term finance and other receivables	—	1,048	—
Other	Prepaid expenses and other	788	140	7,434
Other	Long-term finance and other receivables	439	—	4,141
Total		3,557	1,891	33,556
Total derivative assets		¥5,340	¥3,591	\$50,377

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

		Derivative liabilities		
		Balance sheet location	Fair value	
		2018	2017	2018
		(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Derivatives designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	¥1,864	¥ 1,229	\$17,585
Forward currency exchange contracts	Other non-current liabilities	—	232	—
Interest rate swaps	Other non-current liabilities	1,776	2,275	16,755
Total		3,640	3,736	34,340
Derivatives not designated as hedging instruments				
Forward currency exchange contracts	Other current liabilities	11	39	104
Currency swaps	Other current liabilities	1,432	1,395	13,509
Currency swaps	Other non-current liabilities	201	4,527	1,896
Interest rate swaps	Other current liabilities	46	64	434
Interest rate swaps	Other non-current liabilities	257	407	2,425
Other	Other current liabilities	784	69	7,396
Other	Other non-current liabilities	783	—	7,387
Total		3,514	6,501	33,151
Total derivative liabilities		¥7,154	¥10,237	\$67,491

The location and amounts of gains and losses related to derivatives recorded in the consolidated statements of income for the years ended March 31, 2018 and 2017 are summarized as follows:

Cash Flow Hedges	2018					
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		Amounts recognized in Profit and loss (Ineffective hedge or portions excluded from effectiveness assessment)		
	Amount	Statements of income location	Amount	Statements of income location	Amount	
		<i>(Millions of yen)</i>				
Forward currency exchange contracts	¥(792)	Foreign exchange gains (losses), net	¥ (987)	—	¥ —	
Cross currency interest rate swaps	81	—	—	—	—	
Interest rate swaps	—	Other, net	(556)	Other, net	499	
Total	¥(711)		¥(1,543)		¥499	

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

Cash Flow Hedges	2017				
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		Amounts recognized in Profit and loss (Ineffective hedge or portions excluded from effectiveness assessment)	
		Amount	Statements of income location	Amount	Statements of income location
	<i>(Millions of yen)</i>				
Forward currency exchange contracts	¥(43)	Foreign exchange gains (losses), net	¥ 9	—	¥ —
Cross currency interest rate swaps	324	—	—	—	—
Interest rate swaps	—	Other, net	(541)	Other, net	1,391
Total	¥281		¥(532)		¥1,391
Cash Flow Hedges	2018				
	Gains (losses) recognized in OCI on derivatives (Effective portion)	Gains (losses) reclassified from accumulated OCI into earnings (Effective portion)		Amounts recognized in Profit and loss (Ineffective hedge or portions excluded from effectiveness assessment)	
		Amount	Statements of income location	Amount	Statements of income location
	<i>(Thousands of U.S. dollars) (Note 3)</i>				
Forward currency exchange contracts	\$(7,472)	Foreign exchange gains (losses), net	\$ (9,312)	—	\$ —
Cross currency interest rate swaps	764	—	—	—	—
Interest rate swaps	—	Other, net	(5,245)	Other, net	4,708
Total	\$(6,708)		\$(14,557)		\$4,708

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Derivatives (continued)

Impacts on the Consolidated Financial Statements (continued)

Derivatives Not Designated as Hedges	Statements of income location	Amount		
		2018 <i>(Millions of yen)</i>	2017	2018 <i>(Thousands of U.S. dollars) (Note 3)</i>
Forward currency exchange contracts	Foreign exchange gains (losses), net	\$ (543)	¥867	\$(5,122)
Currency swaps	Foreign exchange gains (losses), net	3,948	(1,317)	37,245
Cross currency interest rate swaps	Foreign exchange gains (losses), net	279	(34)	2,632
Interest rate swaps	Other, net	166	296	1,566
Other	Other, net	788	738	7,434
Total		<u>¥4,638</u>	<u>¥550</u>	<u>\$43,755</u>

18. Fair Value of Financial Instruments and Concentration of Credit Risk

Fair Value of Financial Instruments

The fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. Although management uses its best judgment in estimating the fair value of such instruments, the methodologies and assumptions for the estimate of fair value are inherently subjective. Consequently, the estimated amounts 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 are used in estimating the fair value of its financial instruments:

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

Marketable securities and Investment securities: The fair values of government debt securities, stocks and public investment trusts with active markets are estimated based on quoted market prices. Debt securities and private investment trusts with inactive markets are measured by using observable inputs, either directly or indirectly.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Fair Value of Financial Instruments and Concentration of Credit Risk (continued)

Fair Value of Financial Instruments (continued)

Long-term debt: The fair value of long-term debt is estimated based on quoted market prices or using discounted cash flow analysis based on the current incremental borrowing rates for similar types of borrowing arrangements. The fair values and the corresponding carrying amounts of long-term debt, including the current portion, were ¥442,904 million (\$4,178,340 thousand) and ¥441,065 million (\$4,160,991 thousand), respectively, as of March 31, 2018 and ¥541,150 million and ¥538,804 million, respectively, as of March 31, 2017.

The fair values of Long-term debt as of March 31, 2018 and 2017 were classified as Level 2.

The fair value hierarchy that prioritizes the inputs used in valuation techniques is described in Note 19 “Fair Value Measurement.”

Derivative financial instruments: The fair values of forward currency exchange contracts, currency swaps, cross currency interest rate swaps and interest rate swaps are estimated based on the market prices obtained from financial institutions or third parties, which are measured by observable inputs. The fair values and the carrying amounts of these derivative assets were ¥5,340 million (\$50,377 thousand) and ¥3,591 million, and those of derivative liabilities were ¥7,154 million (\$67,491 thousand) and ¥10,237 million, as of March 31, 2018 and 2017, respectively.

Concentration of Credit Risk

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

The Company maintains cash and cash equivalents and short-term investments with various financial institutions. The Company’s policy is to not concentrate risks with any one financial institution. The Company periodically performs credit evaluations of those financial institutions.

Trade receivables are exposed to credit risks, due to receivables from certain major customers. The Company manages this risk by maintenance of customer’s guarantee deposits and ongoing performance of credit evaluations. An allowance for doubtful accounts is maintained at a level which the Company believes is sufficient to cover potential losses.

Regarding derivatives, the Company assumes the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Company conducts such derivative transactions with high credit quality financial institutions to reduce risks.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value Measurement

ASC 820 “Fair value measurement” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques into the following three levels, depending on the observability of those inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those classified as Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (inactive markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Assets and liabilities that the Company measures at fair value on a recurring basis include cash equivalents, marketable and investment securities, and derivative assets and liabilities. The fair value hierarchy as of March 31, 2018 and 2017 is as follows:

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value Measurement (continued)

	2018			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Assets:				
Cash equivalents	¥–	¥334,290	¥–	¥334,290
Investment securities				
Stocks	76,942	–	–	76,942
Investment trusts	–	–	349	349
Short-term derivative assets				
Forward currency exchange contracts	–	1,553	–	1,553
Currency swaps	–	661	–	661
Cross currency interest rate swaps	–	1,327	–	1,327
Other	–	788	–	788
Long-term derivative assets				
Currency swaps	–	211	–	211
Cross currency interest rate swaps	–	361	–	361
Other	–	439	–	439
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	–	1,875	–	1,875
Currency swaps	–	1,432	–	1,432
Interest rate swaps	–	46	–	46
Other	–	784	–	784
Long-term derivative liabilities				
Currency swaps	–	201	–	201
Interest rate swaps	–	2,033	–	2,033
Other	–	783	–	783

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value Measurement (continued)

	2017			Total
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Assets:				
Cash equivalents	¥–	¥529,590	¥–	¥529,590
Marketable securities				
Corporate debt securities	–	6,000	–	6,000
Investment securities				
Stocks	126,676	–	–	126,676
Investment trusts	–	–	262	262
Short-term derivative assets				
Forward currency exchange contracts	–	936	–	936
Currency swaps	–	350	–	350
Other	–	140	–	140
Long-term derivative assets				
Currency swaps	–	109	–	109
Cross currency interest rate swaps	–	2,056	–	2,056
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	–	1,268	–	1,268
Currency swaps	–	1,395	–	1,395
Interest rate swaps	–	64	–	64
Other	–	69	–	69
Long-term derivative liabilities				
Forward currency exchange contracts	–	232	–	232
Currency swaps	–	4,527	–	4,527
Interest rate swaps	–	2,682	–	2,682

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value Measurement (continued)

	2018			Total
	Level 1	Level 2	Level 3	
	<i>(Thousands of U.S. dollars)</i>			
	<i>(Note 3)</i>			
Assets:				
Cash equivalents	\$–	\$3,153,679	\$–	\$3,153,679
Investment securities				
Stocks	725,868	–	–	725,868
Investment trusts	–	–	3,292	3,292
Short-term derivative assets				
Forward currency exchange contracts	–	14,651	–	14,651
Currency swaps	–	6,236	–	6,236
Cross currency interest rate swaps	–	12,519	–	12,519
Other	–	7,434	–	7,434
Long-term derivative assets				
Currency swaps	–	1,991	–	1,991
Cross currency interest rate swaps	–	3,406	–	3,406
Other	–	4,142	–	4,142
Liabilities:				
Short-term derivative liabilities				
Forward currency exchange contracts	–	17,689	–	17,689
Currency swaps	–	13,509	–	13,509
Interest rate swaps	–	434	–	434
Other	–	7,396	–	7,396
Long-term derivative liabilities				
Currency swaps	–	1,896	–	1,896
Interest rate swaps	–	19,179	–	19,179
Other	–	7,387	–	7,387

Assets classified as Level 1 consist principally of listed stocks, which were valued using unadjusted quoted prices in active markets for identical assets. Assets and liabilities classified as Level 2 consist principally of negotiable certificates of deposit and derivatives. Negotiable certificates of deposits were valued based on market approach using directly or indirectly observable inputs in inactive markets. Derivative assets and liabilities were classified as Level 2 because they were valued based on market approach using inputs that were corroborated by observable market data obtained from financial institutions or third parties. Assets classified as Level 3 consist of private placements with mutual funds which were valued using unobservable inputs. Adjustments were not made for Level 3 assets because the amounts were not material.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Fair Value Measurement (continued)

For the year ended March 31, 2017, assets and liabilities measured at fair value on a nonrecurring basis were the property, plant and equipment and intangible assets for which impairment losses were recognized. The fair value of property, plant and equipment and intangible assets was measured using unobservable inputs such as estimated discounted future cash flows. As a result, the Company concluded that the carrying value of property, plant and equipment and intangible assets would not be recoverable and recorded impairment losses of 4,667 million and 3,243 million, respectively. These tangible and intangible assets were fully impaired, and the Company included the impairment losses in “Selling, general and administrative” of Operating expenses in the accompanying consolidated statement of income for the year ended March 31, 2017. These assets were classified as Level 3 because they were valued by the use of unobserved inputs. For the year ended March 31, 2018, assets and liabilities measured at fair value on a nonrecurring basis were not material.

20. Finance Receivables

Finance Receivables and Allowance for Doubtful Finance Receivables

Finance receivables are evaluated individually or collectively, based on the financial conditions of its customers and delays in payment. For collectively evaluated financing receivables, the allowance is determined by using percentages based on historical losses, whereas for individually evaluated financing receivables, the allowance is determined by using percentages based on the financial conditions of individual customer. The credit quality of finance receivables is reviewed every quarter based on the financial conditions of customers and delays in payment. Where the Company estimates that the credit quality of a particular receivable has decreased significantly, an allowance is individually recorded. Finance receivables are charged-off when it becomes clear that the finance receivables will be uncollectable according to a decision of court

The following table provides the roll-forward of allowance for doubtful finance receivable (excluding trade accounts receivable due within one year or less) for the years ended March 31, 2018 and 2017, and the breakdown of balances as of March 31, 2018 and 2017.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Finance Receivables (continued)

Finance Receivables and Allowance for Doubtful Finance Receivables (continued)

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Allowance for doubtful finance receivables:			
Balance, as of April 1	¥ (7,856)	¥(7,406)	\$ (74,113)
Charge-offs	2,913	2,382	27,481
Provisions	(6,457)	(2,806)	(60,915)
Other	644	(26)	6,075
Balance, as of March 31	¥(10,756)	¥(7,856)	\$(101,472)
Ending balance: individually evaluated for impairment	(5,003)	(2,979)	(47,198)
Ending balance: collectively evaluated for impairment	(5,753)	(4,877)	(54,274)

Other includes foreign currency translation adjustments.

The following table provides information about finance receivables, excluding trade accounts receivable due within one year or less, as of March 31, 2018 and 2017.

	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Finance receivables:			
Balance, as of March 31	¥159,802	¥187,850	\$1,507,566
Ending balance: individually evaluated for impairment	5,003	2,980	47,198
Ending balance: collectively evaluated for impairment	154,799	184,870	1,460,368

There were no significant purchases or sales in finance receivables occurred during the year ended March 31, 2018.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Finance Receivables (continued)

Past Due Finance Receivables

The following table provides past due finance receivables, excluding trade accounts receivable due within one year or less, as of March 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>	<u>2018</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
31-90 days	¥ 2,489	¥ 2,380	\$ 23,481
Greater than 90 days	11,141	9,182	105,104
Total	<u>¥13,630</u>	<u>¥11,562</u>	<u>\$128,585</u>

21. Acquisitions

In order to further expand business in the field of “healthcare” and “highly functional materials”, FUJIFILM Corporation (“FUJIFILM”), a wholly owned subsidiary of the Company, resolved to initiate a public tender offer on December 15, 2016 to acquire the issued and outstanding shares of common stock of Wako Pure Chemical Industries Ltd. (“Wako Pure Chemical”), a comprehensive manufacturing company of laboratory chemicals. The public tender offer was concluded on April 3, 2017. As a result, the Company’s ratio of shareholding increased from 14.82% to 93.50% and Wako Pure Chemical became a consolidated subsidiary as of April 21, 2017. The fair value of the share

FUJIFILM held before the additional acquisition remeasured by the public tender offer price was ¥21,163 million (\$199,651 thousand) and the difference from the book value amounting to ¥20,838 million (\$196,585 thousand) was recognized in “Other, net” of Other income in the Company’s consolidated statement of income. The purchase price was ¥174,046 million (\$1,641,943 thousand), and the purchase price allocation was completed during the year ended March 31, 2018. The following table summarizes the allocation of the purchase price to identifiable assets acquired and liabilities assumed as of the acquisition date.

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
		<i>(Note 3)</i>
Current assets	¥ 76,097	\$ 717,896
Property, plant and equipment	39,563	373,236
Goodwill and other intangible assets	160,278	1,512,057
Investments and other assets	8,140	76,792
Current liabilities	26,165	246,840
Non-current liabilities	83,867	791,198
Net assets acquired	<u>¥174,046</u>	<u>\$1,641,943</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Acquisitions (continued)

Intangible assets recognized consisted of customer-related intangibles, amortized over from 22 to 24 years, technology-based intangibles, amortized over from 6 to 20 years, and other intangibles, amortized over 20 years, amounting to ¥43,221 million (\$407,745 thousand), ¥15,158 million (\$143,000 thousand), and ¥3,868 million (\$36,491 thousand), respectively. The goodwill allocated to the Healthcare & Material Solutions segment is attributable primarily to expected future growth and synergies with existing businesses and is not deductible for tax purposes.

With an effective date of October 27, 2017, FUJIFILM implemented share exchange, which made FUJIFILM a wholly owning parent company and Wako Pure Chemical a wholly owned subsidiary. Wako Pure Chemical became a wholly owned subsidiary of the Company. On April 1, 2018, Wako Pure Chemical changed its trade name to FUJIFILM Wako Pure Chemical Co., Ltd.

The acquisition related costs are recorded in “Selling, general and administrative” of Operating expenses in the Company’s consolidated statement of income. The amounts are not significant.

The results of operations for the acquired entities have been included in the Company’s consolidated statements of income since the acquisition date. The effect on the revenue and net income attributable to FUJIFILM Holdings assuming that the acquisition would have been completed on April 1, 2016, would not be significant.

There was no significant acquisition during the year ended March 31, 2017.

22. Structural Reform Expenses

As the market environment surrounding Fuji Xerox Co., Ltd (“Fuji Xerox”), the Company’s subsidiary, has grown increasingly severe, the Group implemented a structural reform from the year ended March 31, 2018 in order to win out through the competition going forward and realize further business growth.

In the Document Solutions business, a special outside career change support program was implemented to pay allowances for supporting the employees who applied for outside career change, arising from the change in the working environment due to the organization restructuring. As a result, early retirement incentive allowance expenses are recorded.

The structural reform expenses incurred in the year ended March 31, 2018 amounting to ¥37,987 million (\$358,368 thousand) are recorded in Cost of sales, “Selling, general and administrative” and “Research and development” of Operating expenses in the Company’s consolidated statement of income. The liabilities as of March 31, 2018 is ¥36,913 million (\$348,236 thousand).

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Structural Reform Expenses (continued)

The movement of liabilities for the year ended March 31, 2018 is as follows:

	Personnel related expenses	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
		<i>(Note 3)</i>
Total expenses	¥37,987	\$358,368
Payments	(998)	(9,415)
Foreign currency translation adjustments	(76)	(717)
Liabilities as of March 31, 2018	¥36,913	\$348,236

23. Segment Information

Operating Segments

The Company has three operating segments. The Company's operating segments reflect how management reviews operating results and makes decisions about allocation of resources, and are determined based upon similarity in manufacturing technology, manufacturing processes, distribution methods and markets. "Imaging Solutions" develops, manufactures, sells and provides services of color films, digital cameras, color paper, services and equipment for photofinishing, instant photo systems, optical devices, and other related products, primarily for individual consumers. "Healthcare & Material Solutions" develops, manufactures, sells and provides services of materials and equipment for medical systems, cosmetics and supplement products, pharmaceuticals, entrusted biopharmaceutical manufacturing and development services, regenerative medicines, chemical products, materials and equipment for graphic systems, inject materials and equipment, display materials, recording media, electronic materials, and other related products, primarily for commercial enterprises. "Document Solutions" develops, manufactures, sells and provides

services of digital multifunction devices, publishing systems, document management software and related solution services, and other related products, primarily for commercial enterprises. The Company changed the name of certain operating segment in the year ended March 31, 2018. The operating segment previously named "Information Solutions" has been changed as "Healthcare & Material Solutions". Such change is limited to the name only, and does not affect the segment information. The segment information for the year ended March 31, 2017 is presented by the changed name of reportable segment.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Operating Segments (continued)

a. Revenue

	Year ended March 31		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Imaging Solutions:			
External customers	¥ 382,961	¥ 341,744	\$ 3,612,840
Intersegment	2,315	2,586	21,839
Total	385,276	344,330	3,634,679
Healthcare & Material Solutions:			
External customers	1,002,602	899,543	9,458,509
Intersegment	940	1,198	8,868
Total	1,003,542	900,741	9,467,377
Document Solutions:			
External customers	1,047,802	1,080,876	9,884,925
Intersegment	7,824	8,171	73,811
Total	1,055,626	1,089,047	9,958,736
Eliminations	(11,079)	(11,955)	(104,518)
Consolidated total	¥2,433,365	¥2,322,163	\$22,956,274

b. Segment profit or loss

	Year ended March 31		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating income:			
Imaging Solutions	¥ 56,025	¥ 36,847	\$ 528,538
Healthcare & Material Solutions	92,796	82,969	875,434
Document Solutions	13,980	82,683	131,887
Total	162,801	202,499	1,535,859
Corporate expenses and eliminations	(32,122)	(30,218)	(303,038)
Consolidated operating income	130,679	172,281	1,232,821
Other income, net	67,128	22,494	633,283
Consolidated income before income taxes	¥197,807	¥194,775	\$1,866,104

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Operating Segments (continued)

c. Total assets

	March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Total assets:			
Imaging Solutions	¥ 341,534	¥ 365,939	\$ 3,222,019
Healthcare & Material Solutions	1,725,703	1,542,355	16,280,217
Document Solutions	1,068,350	1,115,381	10,078,773
Total	<u>3,135,587</u>	<u>3,023,675</u>	<u>29,581,009</u>
Eliminations	(4,771)	(3,608)	(45,009)
Corporate assets	362,124	513,122	3,416,264
Consolidated total	<u>¥3,492,940</u>	<u>¥3,533,189</u>	<u>\$32,952,264</u>

d. Other significant items

	Year ended March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Depreciation and amortization:			
Imaging Solutions	¥ 13,254	¥ 11,095	\$ 125,038
Healthcare & Material Solutions	57,503	49,088	542,481
Document Solutions	54,685	55,340	515,896
Total	<u>125,442</u>	<u>115,523</u>	<u>1,183,415</u>
Corporate expenses	2,200	2,112	20,755
Consolidated total	<u>¥127,642</u>	<u>¥117,635</u>	<u>\$1,204,170</u>
Capital expenditures:			
Imaging Solutions	¥ 9,427	¥10,333	\$ 88,934
Healthcare & Material Solutions	42,668	40,139	402,528
Document Solutions	13,848	20,021	130,642
Total	<u>65,943</u>	<u>70,493</u>	<u>622,104</u>
Corporate expenses	1,540	1,312	14,528
Consolidated total	<u>¥67,483</u>	<u>¥71,805</u>	<u>\$636,632</u>

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Operating Segments (continued)

Transfers between operating segments are generally based on market price. Corporate expenses in “b. Segment profit or loss”, are those expenses related to the Corporate Division of the Company. Corporate assets in “c. Total assets”, consist primarily of cash and cash equivalents as well as investment securities held for general corporate-wide purposes. Corporate expenses, in the “d. Other significant items”, relates to facilities and equipment held by the Company for company-wide purposes. Capital expenditures in the above table represent the purchase amount of property, plant and equipment (on goods-receipt basis) by each segment.

Geographic Segments Information

a. Revenue

Revenue from external customers, which are attributed to the location of the customers, for the years ended March 31, 2018 and 2017 are as follows:

	Year ended March 31		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Japan	¥1,006,512	¥ 962,711	\$ 9,495,396
The Americas	462,768	450,368	4,365,736
Europe	315,251	273,938	2,974,066
Asia and others	648,834	635,146	6,121,076
Consolidated total	¥2,433,365	¥2,322,163	\$22,956,274

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

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Geographic Segments Information (continued)

b. Long-lived assets

Long-lived assets as of March 31, 2018 and 2017 are as follows:

	March 31		2018 <i>(Thousands of U.S. dollars) (Note 3)</i>
	2018 <i>(Millions of yen)</i>	2017	
Japan	¥382,344	¥374,673	\$3,607,019
The Americas	55,659	50,741	525,085
Europe	36,378	32,146	343,188
Asia and others	63,164	63,054	595,887
Consolidated total	¥537,545	¥520,614	\$5,071,179

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

Major Customers and Other Information

No single customer of the Company accounted for more than 10% of consolidated revenue for each of the years ended March 31, 2018 and 2017.

The Company through its Document Solutions segment sold certain copy machines, other equipment and consumable supplies to a noncontrolling interest and also purchased inventories from the noncontrolling interest. The sales amounts were ¥179,757 million (\$1,695,821 thousand) and ¥172,846 million, and the purchase amounts were ¥5,801 million (\$54,726 thousand) and ¥7,918 million for the years ended March 31, 2018 and 2017, respectively.

In conjunction with a license agreement and other arrangements between the Company through its Document Solutions segment and the noncontrolling interest, certain expenses which primarily relate to royalty and research expenses, amounting to ¥14,895 million (\$140,519 thousand) and ¥14,632 million, were recorded for the years ended March 31, 2018 and 2017, respectively.

Notes and accounts receivable from the noncontrolling interest as of March 31, 2018 and 2017 were ¥42,364 million (\$399,660 thousand) and ¥41,113 million, respectively. Notes and accounts payable to the noncontrolling interest as of March 31, 2018 and 2017 were ¥5,329 million (\$50,274 thousand) and ¥4,768 million, respectively.

FUJIFILM Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Subsequent Events

(1)

The Company resolved at a meeting of its Board of Directors on May 10, 2018 to merge TOYAMA CHEMICAL CO., LTD. (“TOYAMA CHEMICAL”), a company that conducts the research, development, manufacture, and sales of small molecule pharmaceutical products, and FUJIFILM RI Pharma Co., Ltd., a company that conducts the research, development, manufacture, and sales of radio pharmaceuticals, to form FUJIFILM Toyama Chemical Co., Ltd. as of October 1, 2018 in order to accelerate the development of new diagnostic and therapeutic drugs.

In preparation for the launch of the new company, the Company agreed with Taisho Pharmaceutical Holdings Co., Ltd., that it will acquire all of the shares of TOYAMA CHEMICAL held by Taisho Pharmaceutical Holdings, making TOYAMA CHEMICAL a wholly-owned subsidiary, on July 31, 2018.

The effect on the Company’s consolidated financial statements has not been determined till the date of this report.

(2)

To advance its growth strategies in the healthcare area, the Company acquired all the issued shares of Irvine Scientific Sales Company, Inc. and IS JAPAN CO., LTD. in the Group of JXTG Holdings, Inc., leading companies in cell culture media, by about 800 million U.S. dollars on June 1, 2018, making the two companies wholly-owned subsidiaries.

The accounting treatment of the acquisition has not been completed till the date of this report.

The acquisition related costs are recorded in “Selling, general and administrative” of Operating expenses in the Company’s consolidated statement of income. The amounts are not significant.

【Supplementary Schedules to the Consolidated Financial Statements】

Schedule of Bonds Payable

Please refer to Note 9 of the Consolidated Financial Statements

Schedule of Borrowings, etc.

Please refer to Note 9 of the Consolidated Financial Statements

Schedule of Asset Retirement Obligation

As both the beginning and ending balances of this fiscal year for Asset Retirement Obligation were not material, this schedule has been omitted.