

Annual report

Financial year 2010

FUJIFILM Manufacturing Europe B.V.

1 April 2010 – 31 March 2011



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Profile and Mission

FUJIFILM Corporation was established in Japan in 1934 and since then, it has achieved a leading position in the global market for imaging and information systems. The concern is active in the development, production and sales of a wide range of high-quality products both for professional purposes and consumer use.

The shares are listed at various stock exchanges in Japan and ADRs (American Depository Receipts) are traded over-the-counter in the United States.

The Dutch company FUJIFILM Manufacturing Europe B.V. ('the Company') was established on 25 August 1982 and is a subsidiary of FUJIFILM Europe B.V. The Company is a preferred manufacturer for FUJIFILM Europe B.V., who accounts for the sales activities of the Company. The Company is one of the largest producers of FUJIFILM outside Japan, with Europe as its main market.

The Company develops and produces high-quality photographic products from two integrated production facilities, at all times satisfying the expectations of our customers where quality and consistency are concerned. The first factory produces colour photographic paper, the second photosensitive plates for the offset industry.

The site also houses the Tilburg Research Laboratory. In recent years the R&D function shifted more to fundamental research and development in the areas of membranes, life science and plasma. These activities are directed to explore new markets and develop new products using existing technologies.

The Company also works together with other FUJIFILM companies in the area of its specific competence, with the aim of fulfilling the central mission of FUJIFILM. It is actively taking steps towards achieving a stronger position in Europe, and is developing initiatives with the other European FUJIFILM subsidiaries.

The Company always makes every effort to act in a socially responsible manner, particularly where the environment and safety are concerned. This principle is deeply rooted in Responsible Care, the company philosophy followed by FUJIFILM throughout the world, which is integrated into the Dutch company's Environmental Management System. This system is certified in accordance with ISO 14001, an international standard for systems of this type. By means of audits and performance indicators relating to the environment, the Company constantly monitors the environmental efforts being made. The target is to achieve more independent responsibility in connection with the environmental policy.

Financial Highlights*All amounts are in thousands of euros*

Financial year	2010	2009	2008
Net sales	382,549	310,718	455,846
Net profit/(loss)	(22,507)	(17,829)	(1,439)
Cash flows from operating activities	(21,338)	72,715	101,258
Cash used in investing activities	(31,343)	(31,109)	(18,415)
Depreciation	16,036	20,994	31,567
Shareholders' equity	296,287	312,281	328,341



Report of the Board of Supervisory Directors

As required by the articles of association, the Board of Supervisory Directors herewith submits the financial statements for the financial year 2010 as prepared by the Board of Directors and as examined by the auditors, Ernst & Young Accountants LLP.

The Board recommends that the financial year 2010 financial statements be adopted as submitted.

The Board wishes to express their gratitude and appreciation to the management and employees of FUJIFILM Manufacturing Europe B.V. for their intensive efforts and dedicated performance during the past 12 months.

A signed version of the Report of the Board of Supervisory Directors is kept at FUJIFILM Manufacturing Europe B.V.

30 June 2011

Mr J.P. Hanse *Chairman*

Mr T.M.A.J. Verhagen *Member*

Mr R. Miki *Member*

Mr N. Fujitani *Member*

Mr R. Masui *Member*

REPORT OF THE BOARD OF DIRECTORS

The end of financial year 2010 was dominated by the catastrophic consequences of the earthquake in Japan in March 2011. First of all off course because of the human tragedy evolving. Our thoughts go out to all people who have lost relatives and friends. The effect of the earthquake on FUJIFILM companies in Japan fortunately was limited. Still, the delivery of some critical materials was hampered due to some damage to related companies, the necessity to save power and the destruction of part of the logistic infrastructure. FUJIFILM is dealing with this issue and no significant negative impact for the business in Tilburg is expected.

FINANCIAL

FUJIFILM Manufacturing Europe B.V. is a 100% owned subsidiary of FUJIFILM Europe B.V. and acts as dedicated contract manufacturer for Europe. Based on the manufacturing contract FUJIFILM Manufacturing is entitled to a predefined operational margin of 1% on top total regular operational cost base. The settlement of the financial variances is done periodically making sure that the agreed margin is recorded in the financial result of FUJIFILM Manufacturing. However, extraordinary items are excluded from the settlement scheme. The financial year 2010, ending 31 March 2011, ended with a negative operating income of 29.8 million euro. The regular operating income is in line with the 1% settlement agreement, but an additional impairment charge for the Imaging business caused the operating income to turn significantly negative.

The Imaging business is already under pressure for a number of years as a result of the continuous digitalisation of the photo graphic market. World market demand for colour paper is expected to decline continuously in the coming years. But the rate of decline seems to be flattening out, at least in the next couple of years. The reason behind is the increased volumes in emerging markets and the fact that substitute products, like dry printing, are not conquering the market as rapidly as expected. Furthermore, FUJIFILM steadily increases it's market share of colour paper and as a result the production capacity is filled close to maximum. Also in 2011 the production capacity will be fully occupied and even temporary additional production capacity is currently being arranged. But, although volume developments are strong, the Imaging business continuous to be confronted with pressure on margins. This is caused by the continuous price erosion due to ongoing strong competition in the colour paper market and high prices for raw materials. The financial impact of these elements are not directly showing in the financial statement of FUJIFILM Manufacturing, but they are reflected in the financial statement of FUJIFILM Europe, being the appointed profit centre for Europe. On the purchasing side especially the high commodity price for silver has a significant impact on product cost and other raw material prices are also showing an upward tendency as a result of capacity limitations and high energy prices. FUJIFILM Manufacturing was able to off set the major part of these negative effects by continuous successful cost down efforts. Plans have been made to increase the sales margins again and implementation of those plans is currently ongoing. Nevertheless, FUJIFILM Manufacturing is obliged to make an impairment analysis on the Imaging assets on a yearly base. In the previous financial year 2009 already a partial impairment of 12.2 million euro was posted. This year the impairment analysis resulted in a negative cash flow expectation for the coming five years and consequently the remaining book value of the Imaging assets are fully impaired for an amount of 31.6 million euro.

The volumes for offset plates within the Graphic Arts business showed good recovery from the sudden down turn due to the economic crisis. The volumes are back to the level of before the crisis, and volumes increased considerably compared to financial year 2009. And the volumes for offset plates are expected to grow further in the coming years. In light of this positive development, FUJIFILM Manufacturing has restarted the construction project in October 2010 for building a third coating line for offset plates and it is expected that this new line will be operational at the end of 2011. The total investment amount is close to 100 million euro. This new line will not only increase the capacity, but it will also allow FUJIFILM to produce new product types. It is expected that demand for these new types will increase due to the innovative characteristics and the lower burden on the environment during usage. The operating income for Graphic Arts for FUJIFILM Manufacturing is completely in line with the 1% settlement agreement. However, on European level also the Graphic Arts margins are pressured by strong competition and decreasing sales prices on the one hand and high raw material prices on the other. Especially the commodity price for aluminium puts a squeeze on the margins and it is expected that aluminium prices will not decrease

significantly for a longer period. In 2010 FUJIFILM Manufacturing was able to off set these negative effects by realising substantial cost down amounts in both fixed and material costs and will continue these efforts in the coming years.

The net sales in financial year 2010 amounted to 382.5 million euro, which is 71.8 million or 23% higher than previous year. Due to the concept of contract manufacturer in combination with a predefined operational margin, this sales increase basically only reflects the increased sales volumes of both colour paper and off set plates. The increase of the cost of sales is in line with the sales increase. The general expenses are substantially higher than in previous year due to the additional impairment cost related to the Imaging business. Regular general expenses are comparable to those in 2009. In the previous year the net financial expenses showed a negative amount due to hedging results on aluminium. The hedging policy is now completely executed centrally in Japan. Including the exceptional cost for impairment, the net loss ended on 22.5 million euro.

The balance sheet shows a decrease in total assets of 52.7 million euro. Tangible fixed assets decreased due to the impairment of the Imaging assets and regular depreciation. This decrease is only partly off set by the investments in the new coating line for Graphic Arts. Receivables decreased due to the fact that sales in February and March 2011 were relatively low compared to previous year. This is considered to be incidental and it is not reflecting the actual and expected total sales volume development. The decrease of cash is explained by two main events; Investments in the new coating line for offset plates and a cash settlement of 33 million euro with FUJIFILM Europe based on the contract manufacturing agreement dating back to financial year 2009. The payable for this settlement was already recorded in the financial result of previous year, but payment was executed in current financial year. This is also the reason why the short-term liabilities decreased strongly. As a result of the high investment amount in the new coating line, totaling already close to 75 million euro over the past 3 years, the cash position is almost down to zero. To finance the operating activities and the remaining investment amount in the coming year, FUJIFILM Manufacturing will make use of the existing European cash pool facility managed by FUJIFILM Europe B.V.

PERSONNEL

From personnel point of view the outlook and policies remained largely unchanged compared to previous year. Although current volume developments show positive signs, developments in recent years and continues uncertainties for the future, strengthens the awareness that a flexible and vital workforce is an absolute necessity. We continue our efforts to keep a vital workforce, realising that our employees are our most important asset. Successful programs, like a wide range of training courses and career counselling advise, are continued and new initiatives are started. The flexibility and vitality project started in 2009 and continued in 2010. This project is aiming to create a workforce that is vital and flexible enough to cope with the inevitable changing characteristics of the business environment in the coming years. In 2010 the management introduced "entrepreneurship" as a new way of thinking throughout the organisation. Workshops are organised for all management layers to create awareness and strongly emphasize that entrepreneurship is a prerequisite for FUJIFILM Manufacturing to remain a sustainable business. The average number of FTE decreased from 831 in 2009 to 759 in 2010. The decrease is mainly related to the outflow of redundant employees as a result of closing the laminating plant in 2009. A large number of redundant persons were still included in the FTE figure of previous year.

RESEARCH & DEVELOPMENT

Over the last years our Tilburg Research Laboratory matured into a dedicated R&D facility for new business based on existing and life science technologies. These R&D activities are supported by a dedicated new business department that is acting as a strategic partner, market researcher and intermediary between the potential markets and the R&D organisation. Our Tilburg Research Laboratory is an integral part of the global R&D organization. The focus for Tilburg is on membrane and life science technology. Our membrane technique, making use of our existing coating capabilities, remains one of the most promising developments since it has good potential to be used in a wide range of filtering applications. Within the membrane applications we continue to focus on gas separation and ion exchange membranes. Although the outlook for these applications is

promising, it will take another couple of years to reach the stage of fully marketable products. First sales are expected in calendar year 2012/2013. In the life science field we continue to focus on the development of recombinant gelatines in close cooperation with the R&D department in Japan. In our search for a renewed strong foundation for the future our R&D activities continue to play a vital role in the coming years.

EXPECTATIONS

In the coming financial year 2011 volumes for both colour paper and offset plates are expected to increase compared to 2010. For Graphic Arts the focus will be on a successful start up of the new coating line. This high impact project, in combination with the increasing demand for offset plate volumes produced on the existing production lines, provides a challenge for the total Graphic Arts organisation.

To be able to cope with the expected high production volume for colour paper, we will arrange temporary additional production capacity by using the coating facility in the former plant for colour negative film. Although this arrangement is expected to be temporary, it does show our ability and flexibility to react to changing circumstances. For both the Graphic Arts and the Imaging business continuous cost down efforts are an absolute necessity to remain a sustainable business on the long run. Therefore cost control and cost reduction will continue to play an important role in day to day business.

In our drive for continuous improvement FUJIFILM Manufacturing and ENECO will build 5 wind turbines on the FUJIFILM's premises. ENECO will invest and operate the turbines and FUJIFILM Manufacturing will use all generated energy. The wind turbines are expected to be operational in the autumn of 2011 and will cover 15 to 20% of the total energy consumption of our company.

In normal circumstances FUJIFILM Manufacturing expects to realise an operational margin of 3 to 4 million euro, which is in line with the contract manufacturing agreement between FUJIFILM Manufacturing and FUJIFILM Europe.

30 June 2011

P. Struik, President



Balance Sheet

After appropriation of result for the year
In thousands of euros

	<u>Note</u>	<u>31 March 2011</u>	<u>31 March 2010</u>
<u>Assets</u>			
Tangible fixed assets	<u>2</u>	<u>189,774</u>	<u>206,029</u>
Employee benefits	<u>3</u>	<u>14,484</u>	<u>4,100</u>
Deferred income tax	<u>4</u>	<u>452</u>	<u>-</u>
<i>Current assets:</i>			
Inventories	<u>5</u>	<u>65,743</u>	<u>50,472</u>
Receivables	<u>6</u>	<u>79,927</u>	<u>93,432</u>
Cash and cash equivalents	<u>7</u>	<u>152</u>	<u>49,151</u>
Total current assets		<u>145,822</u>	<u>193,055</u>
Total assets		<u>350,532</u>	<u>403,184</u>



	Note	31 March 2011	31 March 2010
<u>Shareholders' equity and liabilities</u>			
Shareholders' equity:			
<i>Called and paid up share capital</i>		175,000	175,000
<i>Accumulated results</i>		110,421	132,928
<i>Other comprehensive income</i>		10,866	4,353
Total shareholders' equity	8	296,287	312,281
Deferred income tax	4	-	6,922
Other postponed remunerations	9	1,539	1,491
Restructuring provision	10	-	2,220
Short-term liabilities	11, 12, 13	52,706	80,270
Total shareholders' equity and liabilities		350,532	403,184

Statement of Income
In thousands of euros

	Note	2010	2009
Net sales	14	382,549	310,718
Cost of sales		(354,529)	(285,365)
Gross margin		28,020	25,353
General expenses	15	(57,832)	(45,156)
Operating income		(29,812)	(19,803)
Net financial income/(expenses)	16	38	(4,005)
Other income/(expenses)		(268)	200
Loss before income taxes		(30,042)	(23,608)
Income taxes	17	7,535	5,779
Net profit/(loss)		(22,507)	(17,829)

Statement of Cash Flows*In thousands of euros*

	Note	2010	2009
Cash flows from operating activities			
Net profit/(loss)		(22,507)	(17,829)
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities:			
Depreciation		16,036	20,994
Impairment of tangible fixed assets		31,562	12,176
Deferred income tax		(7,374)	(767)
Employee benefits		(10,336)	(5,894)
Actuarial gain/(loss)		6,513	1,769
(Increase)/decrease in:			
Inventories		(15,271)	11,256
Receivables		13,505	7,300
Increase/(decrease) in:			
Trade payables		5,082	12,854
Short-term liabilities		(36,328)	28,636
Restructuring provision		(2,220)	2,220
Net cash provided by operating activities		(21,338)	72,715
Cash flows used in investing activities			
Net purchase of tangible fixed assets		(31,343)	(31,109)
Cash flows used in financing activities			
Net increase/(decrease) in:			
Short-term bankoverdrafts		3,682	-
Net increase/(decrease) in cash and cash equivalents		(48,999)	41,606
Cash and cash equivalents at beginning of year		49,151	7,545
Cash and cash equivalents at end of year		152	49,151

Notes to the Financial Statements

All amounts are in thousands of euros, unless otherwise stated and except share and per share information.

General

FUJIFILM Manufacturing Europe B.V.'s financial year runs from 1 April up to and including 31 March.

Note 1 - Summary of significant accounting policies

General

FUJIFILM Manufacturing Europe B.V. ('the Company') was incorporated in the Netherlands on 25 August 1982 and is a subsidiary of FUJIFILM Europe B.V., Tilburg, The Netherlands ('FEN'). FUJIFILM Europe B.V. is a wholly-owned subsidiary of FUJIFILM Corporation, Tokyo, Japan. The financial statements are prepared consistent with generally accepted accounting principles in the Netherlands.

As from 1 June 2008 FUJIFILM Europe B.V. ('FEN') was put into operation. As from this date onwards, the Company became a preferred manufacturer for FEN and all finished products are directly sold to FEN.

From 1 April 2009 FEN pays a transferprice according to an agreed calculation system for the products produced by the Company and sold to FEN.

The transferprice is based on the full operational cost of the Company according to US GAAP accounting principles and includes a mark-up of 1% on the total operational cost. (FY09: according to generally accepted accounting principles in the Netherlands).

Foreign currencies

Transactions during the year and assets and liabilities at year-end denominated in foreign currencies are translated at the ruling exchange rates in effect on the transaction date and at year-end respectively. Gains and losses as a result thereof are recorded in the statement of income.

Tangible fixed assets

Tangible fixed assets are stated at acquisition cost less accumulated depreciation calculated from the first day of the month in which the tangible fixed asset is operational. Direct costs and interest expenses incurred during the construction period are capitalised as part of the work in construction.

Investment incentives granted are deducted from the acquisition cost of the assets.

Depreciation of tangible fixed assets is based on the period of the expected useful lives. The straight-line method is used for buildings, computer equipment, furniture and other tangible fixed assets. The declining balance method is used for machinery and equipment, using an estimated residual value.

The expected useful lives per asset category are as follows:

Buildings	30 years
Machinery and equipment	10 years
Computer equipment	5 years
Furniture	5 years



Other 10 years

Regular assessments are made for any indications that tangible fixed assets might be impaired. If any such indications exist, the recoverable amount is determined by taking into account the net present value of the future cash flows to be generated by the assets concerned or the net proceeds from sale. If the recoverable amount is less than its bookvalue, the difference is deducted from the carrying amount as an impairment loss. The impairment is charged to the statement of income.

Inventories

Inventories are stated at lower cost or market value, determined principally by the first-in/first-out method, less provisions for obsolescence where required. Cost consists of raw materials, production costs and production overhead.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. However, it should be possible to make a reliable estimate of the amount of the obligation. Provisions are stated at nominal value, with exception of the provision for employee benefits which is disclosed below.

Trade debtors

Trade debtors are stated at amortised costprice, net of a provision for doubtful accounts where required.

Other assets and liabilities

Assets and liabilities are stated at amortised costprice unless otherwise indicated.

Determination of result

Results are determined on the basis of the difference between realisable value of net sales, costs and other expenses for the period. Results from transactions are accounted for in the period they are realised; anticipated losses are provided for as and when they become apparent.

Net sales

Net sales consist of the proceeds of goods delivered and services rendered during the period net of value added tax.

Research costs

Research costs are expensed as incurred.

Costs for maintenance and repair

Costs for maintenance and repair are expensed as incurred.

Employee benefits

The post-employment employee benefits are determined according to the FASB Accounting Standards Codification 715-30. The basic retirement plan is a defined benefit pension plan, insured at an insurance company in a contract with segregated assets. The plan requires contributions to be made to a separately administered fund. The defined benefit plan is separately shown and is the aggregate of:

- Net present value of the pension rights granted;
- Fair value of plan assets.

The unrecognised actuarial gains/losses on balance sheet date and the unrecognised past service cost are recognised in "other comprehensive

income”.

The “Projected Unit Credit Method” is used for the calculation of the net present value of the pension rights granted and unrecognised passed service costs.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses, for each individual plan at the end of the previous financial year exceeded 10% of the higher of the net present value of the pension rights granted and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans. Actuarial calculations are performed by external actuaries each year.

Government grants

Grants and subsidies are recorded as income in the statement of income in the period in which the relating costs are recorded, income is earned, or subsidised deficits are recorded. Grants and subsidies are taken as income when all the conditions can be satisfied and it is probable that these will be received.

Income taxes

Taxation is calculated on the basis of reported results, adjusted for permanent differences between commercial and fiscal results. Deferred income taxes are provided, using the liability method, for all timing differences between commercial and fiscal reporting.

As of January 2008 the Company is part of the fiscal unity of FUJIFILM in the Netherlands. Head of the fiscal unity is FUJIFILM Europe B.V. (FEN). Taxation is calculated as if the Company is a legal independent entity. As agreed between parties the current tax position will be settled with the Dutch tax authorities by FEN. Therefore current tax is recognised as inter company receivable or debt in the balance sheet.

Cash flow statement

The cash flow statement has been prepared under the indirect method in accordance with generally accepted accounting principles in the Netherlands.



Note 2 - Tangible fixed assets

Movements in tangible fixed assets during the year are summarised below:

At cost	Land and buildings	Machinery and equipment	Other fixed assets	Work in construction	Total
Balance at 31 March 2010	165,629	481,623	148,518	60,583	856,353
Additions	-	-	-	32,363	32,363
Transfers	287	10,908	596	(11,791)	-
Disposals	(433)	(285)	(26,777)	-	(27,495)
Balance at 31 March 2011	165,483	492,246	122,337	81,155	861,221
Accumulated depreciation					
Balance at 31 March 2010	(98,476)	(411,928)	(139,920)	-	(650,324)
Charge for the year	(5,130)	(9,193)	(1,713)	-	(16,036)
Disposals	103	189	26,183	-	26,475
Impairment	(8,609)	(22,886)	(67)	-	(31,562)
Balance at 31 March 2011	(112,112)	(443,818)	(115,517)	-	(671,447)
Net book value at 31 March 2011	53,371	48,428	6,820	81,155	189,774
Net book value at 31 March 2010	67,153	69,695	8,598	60,583	206,029

The acquired cost of fixed assets includes accumulated capitalised interest if applicable. During the current and former financial year no interest was capitalised. For more information about the impairment is referred to note 19- Impairment of assets.

Note 3– Employee benefits

The development of the employee benefits is as follows:

	<u>2010</u>	<u>2009</u>
Liabilities:		
Beginning balance	(117,705)	(92,772)
Increase present value		
pension rights granted	(4,578)	(4,120)
Interest	(5,421)	(5,933)
Payment of pensions	1,078	1,155
Curtailment	-	1,143
Adjustment for insured capitals	-	(1,971)
Expected present value		
pension rights granted	(126,626)	(102,498)
Actuarial gain/(loss)	2,440	(15,207)
Projected benefit obligation	<u>(124,186)</u>	<u>(117,705)</u>
Plan assets:		
Beginning balance	121,805	90,937
Expected return on plan assets	5,217	4,580
Employer contributions	5,180	6,260
Employees contributions	1,241	1,313
Payment of pensions	(1,078)	(1,155)
Adjustment for insured capitals	-	1,971
Expected fair value		
plan assets	132,365	103,906
Actuarial gain/(loss)	6,305	17,899
Balance at 31 March	<u>138,670</u>	<u>121,805</u>
Funded Status:		
Projected benefit obligation	(124,186)	(117,705)
Fair value of plan assets	<u>138,670</u>	<u>121,805</u>
Balance at 31 March	14,484	4,100

Unrecognised actuarial gains and losses:		
Beginning balance	(5,843)	(3,468)
Actuarial results	(8,745)	(2,692)
Amortisation prior service costs	100	100
Gain/(loss) recognised in period	-	217
Balance at 31 March	<u>(14,488)</u>	<u>(5,843)</u>
Amounts recognised in other comprehensive income	<u>14,488</u>	<u>5,843</u>
Balance at 31 March	-	-
Total asset/(liability)	14,484	4,100

The development of the net employee benefits is as follows:

	<u>2010</u>	<u>2009</u>
Development of funded status:		
Beginning balance	4,100	(1,835)
Employer contribution	5,180	6,260
Total cost profit and loss account	(4,682)	(4,013)
Employee contribution	1,241	1,313
Amounts recognised in other comprehensive income	<u>8,645</u>	<u>2,375</u>
Balance at 31 March	14,484	4,100

The total costs on account of employee benefits presented at the salaries and social charges in the profit and loss account can be specified as follows:

	<u>2010</u>	<u>2009</u>
Rise in present value pension rights granted	4,578	4,120
Interest	5,421	5,933
Expected return on plan assets	(5,217)	(4,580)
Curtailement	-	(1,143)
Recognised prior service cost	(100)	(100)
Amortisation	-	(217)
Total	<u>4,682</u>	<u>4,013</u>
Employee payments	<u>(1,241)</u>	<u>(1,313)</u>
Net periodic pension costs	3,441	2,700

Most important actuarial assumptions

	<u>31 March 2011</u>	<u>31 March 2010</u>
Discount rate	4.88%	4.80%
Expected return on plan assets	3.77%	4.08%
Salary increases:		
Inflation rate	2.00%	2.00%
Individual	0.00%-4.00%	0.00%-4.00%
Pension increases:		
Active members	2.00%	2.00%
Inactive members/pensioners	0.28%	0.96%
Mortality	AG Generation table 2010-2060	Pension table 2006
Disability	0.13%-0.95%	0.13%-0.98%



Note 4 – Deferred income tax

	<u>2010</u>	<u>2009</u>
Beginning balance	(6,922)	(7,689)
(Dotation)/release to statement of Income	7,578	2,005
(Dotation)/release to other comprehensive income	(2,132)	(606)
Change tax rate	(43)	
Other	<u>1,971</u>	<u>(632)</u>
Balance at 31 March	452	(6,922)

The provision for deferred income tax relates to temporary differences with respect to tangible fixed assets, restructuring costs and employee benefits and is principally long term in nature.

Other relates to movement of current income tax.

Note 5- Inventories

	<u>31 March 2011</u>	<u>31 March 2010</u>
Raw materials	38,304	30,352
Semi-finished products	20,251	16,201
Finished products	2,347	1,160
Advance payments inventory	<u>4,841</u>	<u>2,759</u>
Total	65,743	50,472

Note 6- Receivables

	<u>31 March 2011</u>	<u>31 March 2010</u>
Trade receivables	113	209
Trade receivables affiliated companies	70,614	74,582
Other receivable parent company	4,392	12,761
Corporate tax receivable from parent company	579	2,550
Receivable VAT parent company	3,550	1,800
Pension cost defined contribution plan	131	-
Other receivables and prepaid expenses	<u>548</u>	<u>1,530</u>
Total	79,927	93,432

Note 7 – Cash and cash equivalents

No restrictions on the usage of cash exist.

Note 8 – Shareholders' Equity

	Share capital	Accumulated results	Other comprehensive income	Total
Balance at 31 March 2010	175,000	132,928	4,353	312,281
Actuarial gain/(loss)	-	-	6,513	6,513
Net profit/(loss)	-	(22,507)	-	(22,507)
Balance at 31 March 2011	175,000	110,421	10,866	296,287
	Share capital	Accumulated results	Other comprehensive income	Total
Balance at 31 March 2009	175,000	150,757	2,584	328,341
Actuarial gain/(loss)	-	-	1,769	1,769
Net profit/(loss)	-	(17,829)	-	(17,829)
Balance at 31 March 2010	175,000	132,928	4,353	312,281

The authorised share capital of the Company consists of 500,000 common shares of €1,000 each, of which 175,000 shares were issued and fully paid. As of 18 January 2008 all shares are held by FUJIFILM Europe B.V.

The actuarial gain/(loss) in other comprehensive income consists of the unrecognised gains and losses related to the employee benefits (note 3) with deduction of deferred tax.



Note 9 – Other postponed remunerations

The other postponed remunerations on account of employee benefits are related to jubilee payments.

	<u>2010</u>	<u>2009</u>
Beginning balance	1,491	1,450
Current service cost	81	81
Interest	71	88
Payment of other remunerations	<u>(183)</u>	<u>(143)</u>
Expected present value	1,460	1,476
Actual actuarial (gain)/loss	<u>79</u>	<u>15</u>
Balance at 31 March	1,539	1,491

The total costs on account of other postponed remunerations presented at the salaries and social charges in the profit and loss account can be specified as follows:

	<u>2010</u>	<u>2009</u>
Current service cost	81	81
Interest	71	88
Recognised net loss	<u>79</u>	<u>15</u>
Total employer costs	231	184

Most important actuarial assumptions

See actuarial assumptions note 3.

Note 10 – Restructuring provision

	<u>2010</u>	<u>2009</u>
Beginning balance	2,220	-
Additions/(Release)	(20)	8,966
Payments	<u>(2,200)</u>	<u>(6,746)</u>
Balance at 31 March	-	2,220

The provision is related to the closure of the production facility for laminating of colour paper. The restructuring plan was drawn up and announced to the employees at June 2009.

Note 11 – Short-term liabilities

	31 March 2011	31 March 2010
Trade payables	27,918	23,882
Trade payables affiliated companies	9,763	8,717
Bankoverdrafts	3,682	-
Other payable parent company	2,238	37,295
Corporate tax	-	8
Tax and social security premiums	1,357	1,312
Pension cost defined contribution plan	-	10
Other payables and accrued expenses	7,748	9,046
Total	52,706	80,270

Note 12 - Commitments and contingent liabilities

Operating lease commitments totalled €0.4 million in financial year 2010 (2009: €0.6 million). These leases expire at various dates during the next four years. The payments which fall due in connection with these obligations during the coming four years are:

2011	173
2012	89
2013	89
2014	53

Unutilised lines of credit with financial institutions amount to €30.5 million (2009: €30.5 million).

For the credit facilities provided by ING Bank N.V. the Company is jointly and severally liable as a co-debtor together with FEN and Fujifilm Europe GmbH.

The Company has issued bank guarantees to a total amount of €0.1 million (2009 €0.4 million).

At 31 March 2011 the Company was committed to additional fixed asset expenditures of €17.4 million (2009: €1.7 million). Principally all these commitments are short term in nature.

At 31 March 2010 the Company signed a contract with Eneco in order to build wind turbines. After realisation the Company has the obligation to buy energy.

As of January 2008 the Company is part of the fiscal unity of FUJIFILM in the Netherlands. Head of the fiscal unity is FUJIFILM Europe B.V. Based on this the Company is jointly and severally liable for payment of the corporate income tax and VAT of the fiscal unity.

Note 13 - Derivatives and other financial instruments

Risk management

Derivatives involve, to varying degrees, credit and market risk. With regard to credit risk, the Company may be exposed to loss in the event of non-performance by a counterpart. The Company has not experienced material non-performance by any counterpart. The Company does not enter into any derivative financial instruments to protect against default of counter parties.

Market risk is the possibility that a change in currency exchange rates, interest rates and commodity prices will cause the value of a financial instrument to decrease or its obligations to become more costly to settle. When derivatives are used for the purpose of risk management they do not expose the Company to market risk, because the exposure to market risk created by the derivative is offset by the opposite exposure arising from the asset, liability, cash flow or transaction being hedged.

Exposures to currency exchange rate fluctuations are managed through cross currency and forward contracts. Fluctuations in commodity prices, notably in aluminum prices, are being managed primarily through forward contracts.

Fair value of financial assets and liabilities

In view of their short-term nature, the fair value of financial assets and liabilities included in current assets and liabilities approximate their carrying amounts.

Note 14 - Net sales

	<u>2010</u>	<u>2009</u>
Imaging products	188,919	149,989
Graphic Art products	<u>193,630</u>	<u>160,729</u>
Total	382,549	310,718
	By geographic area:	
	<u>2010</u>	<u>2009</u>
The Netherlands	381,307	305,482
Other EU countries	59	152
The Americas	18	4,839
Other areas	<u>1,165</u>	<u>245</u>
Total	382,549	310,718

From June 2008 FEN and the Company entered into a Contract Manufacturing Service Agreement in which they agreed that FEN pays a transferprice for the products produced by the Company and sold to FEN. The transferprice is based on the full operational cost of the Company according to the US GAAP accounting principles and will include a mark –up of 1% on the total operational cost (FY09: according to generally accepted accounting principles in the Netherlands).

In 2010 the sales to other areas is sales of chemicals to an affiliated company.

In 2009 the sales to the Americas consists of sales of raw materials in order to support an affiliate company.

Note 15 - General expenses

General expenses include expenses for research amounting to €3 million (2009: €5 million).

General expenses also include grants and subsidies. The total amount recorded as income in the statement of income is €4 million. The major part of the amount consists of the following subsidies: KWR and WBSO.

KWR: “Kaderrichtlijn Water”.

WBSO: “Wet bevordering Speur –en ontwikkeling”.

Note 16– Net financial expenses

	2010	2009
Interest income	151	107
Interest expense	(21)	(34)
Exchange gain/(loss)	(92)	(4,078)
Total	38	(4,005)

Interest expense is shown net of capitalised interest relating to the acquired cost of tangible fixed assets. During the current and former financial year no interest was capitalised.

Note 17 - Income taxes

The effective income tax rate is 25.1% (2009: 24.48%). Because of fiscal facilities and the effect of the change in tax rate this is lower than the nominal rate: 25.38%.

The total commercial tax burden can be specified as follows:

	<u>2010</u>	<u>2009</u>
Current income tax charge/(income)	-	(4,521)
Change tax rate	43	-
Deferred income tax charge/(income)	(7,578)	(2,005)
Previous years	<u>-</u>	<u>747</u>
Total	(7,535)	(5,779)

Note 18 – Depreciation

Total depreciation expenses charged to the statement of income amounts to €16 million and can be specified as follows:

	<u>2010</u>	<u>2009</u>
Depreciation buildings	5,130	5,268
Depreciation machinery & equipment	9,193	12,872
Depreciation other fixed assets	<u>1,713</u>	<u>2,854</u>
Total	16,036	20,994

Depreciation of property plant & equipment is primarily included in cost of sales.

Note 19 – Impairment of assets

	<u>2010</u>	<u>2009</u>
Buildings	8,609	3,361
Machinery & equipment	22,886	7,204
Other fixed assets	67	1,254
Work in construction	<u>-</u>	<u>357</u>
Total	31,562	12,176

In March 2010 FUJIFILM announced a worldwide restructuring of the Imaging assets. This restructuring was a next step in the continuing adaptation of the company to the increasing pressure on conventional photographic products as a result of the digitalisation of the photographic industry. An impairment analysis showed that the world wide imaging assets would not be recoverable with expected cash flows in a five year period. Consequently, FUJIFILM Corporation decided to worldwide impair the Imaging assets. The Company made a new impairment analysis in March 2011. This analysis showed a recoverable amount of nil, with an impairment loss of €31.6 million. This recoverable value is based on the European cash flow expectation for a five year period which was part of the world wide impairment analysis. The pre-tax discount rate used was 15% (2009: 10%).

Note 20 - Wages, salaries and social charges

	<u>2010</u>	<u>2009</u>
Wages and salaries	42,950	46,175
Social charges	5,216	5,413
Pension costs employee benefits	3,441	2,700
Pension costs defined contribution plan	66	102
Other postponed remunerations	<u>231</u>	<u>184</u>
Total	51,904	54,574



Note 21 - Average number of employees (full time equivalents)

	2010	2009
Imaging and Graphic Art production sector	683	714
Office	76	117
Total	759	831

Note 22 - Supervisory directors and Statutory director

The Company has five supervisory directors of which the total remuneration during the financial year amounted to €0.03 million (2009: €0.03 million). In accordance with article 383 of the Netherlands Civil Code, the remuneration of the statutory director is not presented.

Note 23 – Disclosure of auditors' fee

In 2010 the auditors' fee amounted to €0.2 million, this is for audit services rendered in the financial year 2010 (2009: €0.2 million).

Other information

1 Provisions in the company's articles of association for the appropriation of results

In accordance with the company's articles of association (article 13) the result for the year is subject to the disposition decided upon at the annual general meeting of the shareholders.

2 Proposed appropriation of result

The Board of Directors proposes that the net result for the year be added to retained earnings. This proposal is included in the financial statements.

3 Subsequent events

At the end of the financial year, there were no subsequent events.

4 Auditors' report

The auditors' report is set out on the next page.

INDEPENDENT AUDITORS' REPORT

To: the shareholders meeting, board of directors and supervisory board, Tilburg

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements for the year ended 31 March, 2011 of FUJIFILM Manufacturing Europe B.V., Tilburg, which comprise the balance sheet as at 31 March, 2011, the statement of income for the year then ended, the statement of cash flow and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of FUJIFILM Manufacturing Europe B.V. as at 31 March, 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, June 30, 2011

Ernst & Young Accountants LLP

Signed by E.M.M. Kuijer



ACKNOWLEDGEMENTS

Final responsibility

Maarten Dullaert, manager Staff Department

Responsibility for Financial section

Krit Wijnberg, Finance manager

Operational responsibility

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