



**Annual report**

**Financial year 2009**

**FUJIFILM Manufacturing Europe B.V.**

1 April 2008 – 31 March 2009



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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 account for the sales activities of the Company.

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.

The Company is one of the largest producers of FUJIFILM outside Japan, with Europe as its main market. Sales take place via affiliated companies and independent sales organisations.

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*

<b>Financial year</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net sales	455,846	474,129	516,735
Net profit/(loss)	(1,439)	38,856	32,422
Cash flows from operating activities	101,258	43,517	59,763
Cash used in investing activities	(18,415)	(11,737)	(22,075)
Depreciation	31,567	30,456	37,124
Shareholders' equity	328,341	334,687	438,113

In financial year 2008, the effect of the change in accounting policy is recognised in cash flows from operating activities for a total amount of (€5) million.

The effect of the change in accounting policy in net profit/(loss) and shareholders' equity is explained in note 6.

The comparative figures of financial year 2007 have not been restated.

## 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 2009 as prepared by the Board of Directors and as examined by the auditors, Ernst & Young Accountants.

The board had 4 meetings this year in which the main topics were the economic crisis, which resulted finally in the re-organization, the European integration and the general strategy setting. Besides these meetings the board had regular consultation with (a delegation of) the Works Council.

The Board recommends that the financial year 2009 financial statements be adopted as submitted.

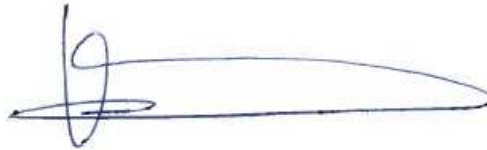
The Board wishes to express their gratitude and appreciation to the management and employees of FUJIFILM Manufacturing Europe B.V. for their intensive efforts and dedicated performance during the past 12 months.

9 July 2009

Mr J.P. Hanse *Chairman*

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

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Mr R. Miki *Member*

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Mr N. Fujitani *Member*

A handwritten signature in blue ink, written in a cursive style that appears to read 'N. Fujitani'.

## REPORT FROM BOARD OF DIRECTORS

### FINANCIAL

The financial year 2009 for FUJIFILM Manufacturing Europe B.V., hereinafter referred to as FUJIFILM Manufacturing, was dominated by two main events.

The first main event was that in June 2008 the function of FUJIFILM Manufacturing changed from profit centre to contracted manufacturer of colour paper and offset plates for FUJIFILM Europe B.V. This change of function is part of an European reorganisation project started already in 2006 and aiming at providing more clear European direction and management. The change of function itself did not have a substantial effect on day to day business. The focus was and still is on developing and producing high quality products against competitive cost. The main difference is showing in the profit and loss statement, where the financial result for 2009 for the first time is based on the so called "cost-plus" method for inter company transfer pricing. Consequently the financial results of FUJIFILM Manufacturing, basically acting as cost centre, are automatically substantially lower than previous years. This annual report contains the legally obliged comparison figures of the previous financial year. However, as the financial figures in the profit and loss statement are not comparable between both years, no specific attempt is made to explain the differences in financial figures.

The second main event in 2008 and 2009 affecting the organisation and the financial results was the world wide economic crisis. Especially in the second half of the financial year, the impact of the crisis was felt through declining production volumes for both colour paper and offset plates.

In the financial year 2009 the total net sales amounted to €455.8 million, which is below the anticipated sales at the beginning of the year. Compared to the anticipated net sales the lower actual sales is related to lower volumes for both colour paper and offset plates, especially in the second half of the financial year. This effect was partly compensated by the fact that the "go live" of FUJIFILM Europe was postponed from 1 April to 1 June 2008, giving FUJIFILM Manufacturing the opportunity to benefit from two months additional external sales turnover. The relatively low variance in net sales compared to previous year is caused by the fact that we sold our finished product stocks of colour paper and offset plates to FUJIFILM Europe in June 2008. The net sales related to this one time event amounted to almost €50 million. Our operating income amounted to €15.1 million euro, which is higher than expected due to the two months additional regular sales margin. Due to, among others, losses on hedging contracts for aluminium in the second half of the year, the financial year 2009 ended with a loss of €1.4 million euro. These hedging losses were caused by the unanticipated strong decrease of aluminium prices and volumes as a result of the economic crisis.

In the Imaging business the world wide decline in demand for colour paper was already clearly manifesting itself in recent years. This trend is only accelerated by the current economic crisis. To cope with the world wide overcapacity and to continue our cost down efforts, our laminating plant, as part of our colour paper production facility, is closed end of June 2009. The corresponding cost for accelerated depreciation of the laminating assets had a negative effect on the cost of sales of colour paper in the financial year 2009. However, in spite of the difficult market circumstances, the Imaging business still managed to contribute positively to the operating income. Two months of regular external sales and sales margin and very successful cost down programs are the main reasons for this positive contribution.

Also the Graphic Art business felt the consequences of the economic crisis. The expected growth in offset plate volumes was showing in the first half of the financial year 2009, but in the second half the volumes dropped considerably. Nevertheless, although expectations were not met, the total offset plate volumes in 2009 still slightly exceeded the volumes of 2008. The Graphic Art business contributed positively to the total operating income, mainly due to two months additional external sales and sales margin and low aluminium prices in the second half of the year. The positive effect of low aluminium prices on operation income was however completely counterbalanced by the negative results on the hedging of aluminium reported under net financial expenses. Until the impact of the economic crisis became more and more clear, the world wide production capacity for offset plates was judged to be too low to cope with the expected demand in coming years. Therefore, the construction of a third coating line for offset plates was started on our

production site in Tilburg in 2008. This new line could not only increase our production capacity, but also boost our technological competitiveness in order to increase our market share in Europe and other parts of the world. However, in view of the current pressure on off set plate volumes and the uncertainties surrounding the pace in which the world wide economic will recover, FUJIFILM decided to suspend the project.

Prior to the suspension of the new coating line for offset plates, we intended to relocate redundant personnel from the closing laminating plant to this new production line for Graphic Arts products. Hence, due to the suspension and corresponding uncertain future developments, we had to announce a restructuring operation in April 2009, effective in financial year 2010. The closing of the laminating plant and the continuous pressure on volumes for Imaging and fierce competition and decreasing margins for both Imaging and Graphics, made restructuring unavoidable to control fixed costs and provide a lean basis for the future. In total just over 100 employees will be redundant and will leave the company supported by a social plan.

The balance sheets shows significant changes in assets and liabilities, mainly related to the changed European organisation structure and corresponding reallocation of assets. In spite of additional investments in the new production line for offset plates, the total fixed asset base decreased with €13.2 million to a level of €208.1 million. This is mainly caused by the fact that our distribution centre was sold to FUJIFILM Europe. Our total stock value decreased with €40.9 million due to the sales of the finished product stock to FUJIFILM Europe in June 2008. Furthermore, the amount of receivables decreased substantially as a result of the changed position of FUJIFILM Manufacturing in Europe. FUJIFILM Europe is currently the only customer and in accordance with new European policy the payment term is now 60 days, which is considerably lower than in the past. The total amount of receivables decreased with €32 million. The excess cash generated by the reduced current assets is utilized to fully pay off the outstanding short term inter-company loan with FUJIFILM Europe and the year ended with a positive cash position of €7.5 million.

## **PERSONNEL**

The economic crisis and the world wide decline in demand for colour paper had and still has an impact on our personnel. Especially in functions directly related to production it became clear that volumes decreased and the number of planned production stops increased. This development and the decision to suspend the construction of the new production line for offset plates, finally resulted in the announcement in April 2009 to lay off about 10% of our current workforce. Our human resource department will offer support to employees affected by the reorganisation, backed up by a social plan including counseling towards new employment.

In the coming year management will execute initiatives to revitalize the workforce after the announcement of the restructuring. FUJIFILM Manufacturing continues to invest in its employees, recognizing that our workforce is our main asset. A wide range of training courses is provided and the successful career counselling service will continue.

The average number of FTE decreased from 945 in the prior year to 864 in the financial year 2009. This decrease is mainly related to the transfer of personnel from FUJIFILM Manufacturing to FUJIFILM Europe in April 2008.

## **RESEARCH & DEVELOPMENT**

FUJIFILM Manufacturing is permanently busy with innovations, next to our existing products. In 2009 our Tilburg Research Laboratory continued its transformation from a developer of existing products into a R&D organisation for the development of new products based on Life Science technologies and other existing technologies. Our New Business Development department, working closely together with R&D, focuses on commercializing the core competences of the company. Innovation is of vital importance to FUJIFILM and the company intends to deploy the available knowledge for the development of new technologies. The existing funnel model to manage the new business developments is refined and adjusted to bring it in line with the models used in other FUJIFILM laboratories. Many projects, although being promising, are still in the earlier stages of the funnel model and are not expected to lead to marketable products or applications in the near future. Others are in the last stages of the model. One of the most promising examples is membranes, since there is good potential to apply it to a wide range of applications related to filtering. In the second half of financial year 2010 we aim at introducing a so called gas separation membrane. This type of membrane is used by gas treatment engineering companies related to the (bio)gas industry. Other applications for membranes are expected to be brought to the market in the coming years. In

the past year we expanded our patent base considerably and will continue to do so. 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**

The uncertainty surrounding the extent and term of the current economic crisis provides an unsteady basis for making predictions for the running year. It is however clear that FUJIFILM Manufacturing will not be able to realise a profit in the financial year 2010, due to the incidental additional restructuring cost related to the announced lay off of personnel. It should be noted that this restructuring is not to be seen as an indication for structural problems in the near future. It is merely related to the closing of the laminating facility and the need to bring the fixed costs in line with the decreased volume expectations. The total cost are expected to amount to €9 million. Apart from this restructuring project, we will continue and intensify our cost down efforts to stay competitive in the existing business fields of Imaging and Graphics. The European organisation will continue their efforts to aggressively approach the market to increase market share and maximize the utilisation of our production capacity. And finally, continued emphasis will be placed on new business development by strengthening the internal organisation and further embedding new business in the European organisation.

9 July 2009



P. Struik, President

## Balance Sheet

After appropriation of result for the year  
In thousands of euros

	Note	31 March 2009	31 March 2008
<b>Assets</b>			
Tangible fixed assets	2	208,089	221,241
Current assets:			
<i>Inventories</i>	3	61,728	102,650
<i>Receivables</i>	4	100,732	132,744
<i>Cash and cash equivalents</i>	5	7,545	1,422
Total current assets		170,005	236,816
Total assets		378,094	458,057

	Note	31 March 2009	31 March 2008
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity:			
<i>Called and paid up share capital</i>		175,000	175,000
<i>Accumulated results</i>		150,757	152,196
<i>Other comprehensive income</i>		2,584	7,491
Total shareholders' equity	6	328,341	334,687
Employee benefits	7	3,285	1,949
Deferred income tax	8	7,689	12,234
Restructuring provision	9	-	-
Long-term liabilities	10	-	17,882
Short-term liabilities	11, 12, 13	38,779	91,305
Total shareholders' equity and liabilities		378,094	458,057

**Statement of Income**  
*In thousands of euros*

	Note	2009	2008
Net sales	14	455,846	474,129
Cost of sales		<u>(401,655)</u>	<u>(361,300)</u>
Gross margin		<u>54,191</u>	<u>112,829</u>
Selling expenses		(4,530)	(26,786)
General expenses	15	<u>(34,542)</u>	<u>(32,932)</u>
Total operational expenses		<u>(39,072)</u>	<u>(59,718)</u>
Operating income		<u>15,119</u>	<u>53,111</u>
Net financial income/(expenses)	16	(17,322)	(985)
Other income	23	<u>257</u>	<u>-</u>
Profit before income taxes		<u>(1,946)</u>	<u>52,126</u>
Income taxes	17	<u>507</u>	<u>(13,270)</u>
Net profit/(loss)		<u>(1,439)</u>	<u>38,856</u>

## Statement of Cash Flows

In thousands of euros

	Note	2009	2008
<b>Cash flows from operating activities</b>			
<hr/>			
Net profit/(loss)		(1,439)	38,856
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities			
Depreciation		31,567	30,456
(Increase)/decrease in:			
Inventories		40,922	(16,798)
Receivables		32,012	(3,596)
Increase/(decrease) in:			
Trade payables		(3,100)	(2,333)
Short-term liabilities		4,505	2,356
Employee benefits		1,336	(6,378)
Deferred income tax		(4,545)	4,389
Restructuring provision		-	(3,435)
		<hr/>	<hr/>
Net cash provided by operating activities		101,258	43,517
<hr/>			
<b>Cash flows used in investing activities</b>			
<hr/>			
Net purchase of tangible fixed assets		(18,415)	(11,737)
<hr/>			
<b>Cash flows used in financing activities</b>			
<hr/>			
Net increase/(decrease) in long-term liabilities		(17,882)	106
Net increase/(decrease) in:			
Short-term financial lease obligations		(1,016)	129
Short-term bankoverdrafts		(52,915)	52,915
Actuarial gain/(loss)		(4,907)	4,956
Dividend paid		-	(150,000)
		<hr/>	<hr/>
Net cash used in financing activities		(76,720)	(91,894)
<hr/>			
Net increase/(decrease) in cash and cash equivalents		6,123	(60,114)
<hr/>			
Cash and cash equivalents at beginning of year		1,422	61,536
Cash and cash equivalents at end of year		<hr/>	<hr/>
		7,545	1,422

## **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. This situation has an effect on various items in this annual report. The (financial lease) central warehouse and the greater part of the finished product inventory has been sold to FEN.

#### **Changes in accounting policies**

As of financial year 2009 "the Company" uses the option which is provided by RJ271, to apply US GAAP standards FAS87 and FAS158 for defined benefit pensions and other postponed remunerations

Under FAS158 unrealised profits and losses, in respect of the defined benefit pensions and other postponed remunerations, are recognised under "other comprehensive income".

The effect of the change in the accounting policy is that the retained earnings are decreased with €0.3 million per 1 April 2008 (€0.2 million per 1 April 2007).

Furthermore the "other comprehensive income" is increased with €7 million per 1 April 2008. This is applicable for the unrealised results of financial year 2008 for the amount of €10 million with deduction of deferred tax for the amount of €3 million.

Based on RJ140 the comparative figures have been restated in accordance with FAS87 and FAS158.

#### **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 nominal value, net of a provision for doubtful accounts where required.

#### **Other assets and liabilities**

Assets and liabilities are stated at nominal value 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 FAS87 and FAS158. 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:

<b>At cost</b>	Land and buildings	Machinery and equipment	Other fixed assets	Work in construction	Total
Balance at 31 March 2008	197,016	521,516	158,783	8,680	885,995
Additions	-	-	-	37,568	37,568
Transfers	623	9,923	4,010	( 14,556)	-
Disposals	( 25,639)	( 2,379)	( 11,071)	-	( 39,089)
Balance at 31 March 2009	172,000	529,060	151,722	31,692	884,474
<b><u>Accumulated depreciation</u></b>					
Balance at 31 March 2008	( 99,312)	( 420,910)	( 144,532)	-	( 664,754)
Charge for the year	( 6,919)	( 21,100)	( 3,548)	-	( 31,567)
Disposals	9,471	1,889	8,576	-	19,936
Balance at 31 March 2009	( 96,760)	( 440,121)	( 139,504)	-	( 676,385)
Net book value at 31 March 2009	75,240	88,939	12,218	31,692	208,089
Net book value at 31 March 2008	97,704	100,606	14,251	8,680	221,241

The acquired cost of fixed assets includes accumulated capitalised interest if applicable. During the current and former financial year no interest was capitalised.

**Note 3 - Inventories**

	31 March 2009	31 March 2008
Raw materials	35,474	28,965
Semi-finished products	23,804	26,694
Finished products	2,450	46,991
Total	61,728	102,650

**Note 4 - Receivables**

	31 March 2009	31 March 2008
Trade receivables	540	31,031
Due from affiliated companies	67,806	73,362
Receivable parent company	8,965	8,120
Corporate tax	19,873	18,987
VAT	2,606	692
Pension cost defined contribution plan	120	158
Other receivables and prepaid expenses	822	394
Total	100,732	132,744

**Note 5 – Cash and cash equivalents**

No restrictions on the usage of cash exist.

**Note 6 – Shareholders' Equity**

	Share capital	Accumulated results	Other comprehensive income	Total
Balance at 31 March 2008	175,000	151,894	-	326,894
Change in accounting policy	-	302	7,491	7,793
Revised balance at 31 March 2008	175,000	152,196	7,491	334,687
Actuarial gain/(loss)	-	-	( 4,907)	( 4,907)
Net profit/(loss)	-	( 1,439)	-	( 1,439)
Balance at 31 March 2009	175,000	150,757	2,584	328,341

	Share capital	Accumulated results	Other comprehensive income	Total
Balance at 31 March 2007	175,000	263,113	-	438,113
Change in accounting policy	-	227	2,535	2,762
Revised balance at 31 March 2007	175,000	263,340	2,535	440,875
Dividend	-	( 150,000)	-	( 150,000)
Actuarial gain/(loss)	-	-	4,956	4,956
Net profit/(loss)	-	38,856	-	38,856
Balance at 31 March 2008	175,000	152,196	7,491	334,687

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.

Change in accounting policy:

From financial year 2009 defined benefit pensions are valued in line with FAS87 and FAS158 instead of RJ271. The comparative figures have been restated in accordance.

The beginning balance "accumulated results" as per 1 April 2008 is revised with a total amount of €0.3 million. This is the total difference of the unrealised results calculated under FAS87 and RJ271 per 31 March 2008 with deduction of deferred tax.

Per 1 April 2008 the total amount of the unrealised results with deduction of deferred tax was recognised as change in accounting policy and recorded as revision of the beginning balance "other comprehensive income".

**Note 7 – Employee benefits**

The company contributes to several defined benefit pension plans on the basis of which employees will receive pension after their retirement.

Per 1 April 2008 the defined benefit pension plan is split up into two separate plans, one for the Company and one for FEN. The split up is shown as “Segregation FEN”.

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

The development of the employee benefits is as follows:

	<u>2009</u>	<u>2008</u>
<b>Liabilities:</b>		
Beginning balance	93,554	103,292
Increase present value		
pension rights granted	3,135	4,588
Interest	5,686	4,767
Payment of pensions	(1,717)	(3,889)
Segregation FEN	<u>(7,244)</u>	<u>-</u>
Expected present value		
pension rights granted	93,414	108,758
Actuarial (gain)/loss	<u>(642)</u>	<u>(15,204)</u>
Defined benefit pension plans	92,772	93,554
Other postponed remunerations	<u>1,450</u>	<u>1,338</u>
Balance at 31 March	94,222	94,892
 <b>Plan assets:</b>		
Beginning balance	(92,943)	(96,306)
Expected return on plan assets	(5,251)	(4,922)
Employer contributions	(7,005)	(2,641)
Employees contributions	(1,314)	(1,415)
Payment of pensions	1,717	3,889
Segregation FEN	<u>6,988</u>	<u>-</u>
Expected fair value		
plan assets	(97,808)	(101,395)
Actuarial (gain)/loss	<u>6,871</u>	<u>8,452</u>
Balance at 31 March	(90,937)	(92,943)
 <b>Funded Status:</b>		
Projected benefit obligation	92,772	93,554
Fair value of plan assets	<u>(90,937)</u>	<u>(92,943)</u>
Balance at 31 March	1,835	611

Unrecognised actuarial gains and losses:		
Beginning balance	10,460	3,708
Change in accounting policy	<u>(405)</u>	<u>(305)</u>
Revised beginning balance	10,055	3,403
Actuarial results	(6,229)	6,752
Amortisation prior service costs	(100)	(100)
(Gain)/loss recognised in period	(258)	-
Amounts recognised in other comprehensive income	<u>(3,468)</u>	<u>(10,055)</u>
Balance at 31 March	-	-
Total liability	3,285	1,949

The development of the net employee benefits is as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	11,071	10,694
Change in accounting policy	<u>(405)</u>	<u>(305)</u>
Revised beginning balance	10,666	10,389
Employer contribution	(7,005)	(2,641)
Total cost profit and loss account	2,956	4,333
Employee contribution	(1,314)	(1,415)
Amounts recognised in other comprehensive income	<u>(3,468)</u>	<u>(10,055)</u>
Defined benefit pension plans	1,835	611
Other postponed remunerations	<u>1,450</u>	<u>1,338</u>
Balance at 31 March	3,285	1,949

The unrecognised results have been restated according to FAS87. The total difference till 31 March 2007 was €0.3 million. Furthermore an amortisation of prior service costs of €0.1 million is recognised under FAS87. This results in a total correction of the beginning balance per 1 April 2008 of €0.4 million.

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>2009</u>	<u>2008</u>
Segregation FEN	(256)	-
Rise in present value pension rights granted	3,135	4,588
Interest	5,686	4,767
Expected return on plan assets	(5,251)	(4,922)
Recognised prior service cost	-	-
Amortisation	(358)	-
Change in accounting policy	-	(100)
Total	<u>2,956</u>	<u>4,333</u>
Employee payments	<u>(1,314)</u>	<u>(1,415)</u>
Defined benefit pension plans	1,642	2,918
Other postponed remunerations	124	(3)
Total employer costs	<u>1,766</u>	<u>2,915</u>

#### Most important actuarial assumptions

	<u>31 March 2009</u>	<u>31 March 2008</u>
Discount rate	6.05%	6.20%
Expected return on plan assets	4.42%	5.65%
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	1.67%	1.85%
Mortality	Pension table 2006	Pension table 2006
Disability	0.13%-0.98%	0.13%-0.98%

**Note 8 – Deferred income tax**

	<u>2009</u>	<u>2008</u>
Beginning balance	9,567	6,899
Change in accounting policy	<u>2,667</u>	<u>946</u>
Revised beginning balance	12,234	7,845
Dotation/(release) to statement of Income	(2,865)	2,693
Dotation/(release) to other comprehensive income	<u>(1,680)</u>	<u>1,696</u>
Balance at 31 March	7,689	12,234

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.

**Note 9 – Restructuring provision**

	<u>2009</u>	<u>2008</u>
Beginning balance	-	3,435
Additions/(Release)	-	(636)
Payments	<u>-</u>	<u>(2,799)</u>
Balance at 31 March	-	-

**Note 10 – Long-term liabilities**

	<u>31 March 2009</u>	<u>31 March 2008</u>
Financial lease obligations	-	17,882

Classification of long-term liabilities by effective interest rates:

	<u>2009</u>	<u>2008</u>
below 4%	-	-
4-6%	-	14,251
6%	-	3,631
8%	<u>-</u>	<u>-</u>
Total	-	17,882

At 1 June 2008 the Company sold the central distribution center and the surrounding land to FEN. The financial lease obligation is therefore terminated.

### **Note 11 – Short-term liabilities**

	31 March 2009	31 March 2008
Trade payables	12,716	19,267
Trade payables affiliated companies	7,029	3,578
Bankoverdrafts	-	52,915
Financial lease obligations	-	1,016
Short-term debt parent company	2,614	1,912
Tax and social security premiums	1,170	1,303
Other payables and accrued expenses	15,250	11,314
Total	38,779	91,305

The short-term debt parent company consists of tax debts related to the head of the fiscal unity.

In financial year 2008 the total amount consisted of deferred income tax €0.2 million and corporate income tax payable €1.7 million.

From financial year 2009 the deferred tax is separately shown in the provision for deferred tax (note 8).

### **Note 12 - Commitments and contingent liabilities**

Operating lease commitments totalled €0.3 million in financial year 2009 (2008: €0.8 million). These leases expire at various dates during the next three years. The payments which fall due in connection with these obligations during the coming three years are:

2009	114
2010	114
2011	114

Unutilised lines of credit with financial institutions amount to €26 million (2008: €95 million), 6,000 tons of aluminium which may not exceed the equivalent of \$15 million and 500,000 ounces of silver which may not exceed the equivalent of \$7.5 million

The Company has issued bank guarantees to a total amount of €0.5 million.

At 31 March 2009 the Company was committed to additional fixed asset expenditures of €32.4 million (2008: €5.5 million), principally these commitments are short term in nature.

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 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 and silver 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>2009</u>	<u>2008</u>
Imaging products	219,146	202,313
Graphic Art products	<u>236,700</u>	<u>271,816</u>
Total	455,846	474,129
By geographic area:		
	<u>2009</u>	<u>2008</u>
The Netherlands	375,708	8,392
Other EU countries	58,070	382,448
Other European countries	6,375	46,967
The Americas	356	6,673
Other areas	<u>15,337</u>	<u>29,649</u>
Total	455,846	474,129

**Note 15 - General expenses**

General expenses include expenses for research amounting to €8 million (2008: €6 million).

General expenses also include grants and subsidies. The total amount recorded as income in the statement of income is €1 million. The major part of the amount consists of the following subsidies: ESF and WBSO.  
 ESF: "Europees Sociaal Fonds".  
 WBSO: "Wet bevordering Speur –en ontwikkeling".

**Note 16 – Net financial income**

	<u>2009</u>	<u>2008</u>
Interest income	353	2,275
Interest expense	(1,298)	(2,120)
Exchange gain/(loss)	<u>(16,377)</u>	<u>(1,140)</u>
Total	(17,322)	(985)

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 25.5% (2008: 25.5%), which does not defer from the nominal tax rate.

	<u>2009</u>	<u>2008</u>
Current income tax charge/ (income)	564	9,531
Investment subsidy	(6)	-
Deferred income tax charge/ (income)	(1,864)	3,738
Change in accounting policy Previous years	-	25
	<u>799</u>	<u>(24)</u>
Total	(507)	13,270

**Note 18 – Depreciation**

Total depreciation expenses charged to the statement of income amounts to €32 million and can be specified as follows:

	<u>2009</u>	<u>2008</u>
Depreciation buildings	6,919	6,012
Depreciation machinery & equipment	21,100	19,557
Depreciation other fixed assets	<u>3,548</u>	<u>4,887</u>
Total	31,567	30,456

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

**Note 19 - Wages, salaries and social charges**

	<u>2009</u>	<u>2008</u>
Wages and salaries	46,828	51,235
Social charges	5,672	5,637
Pension costs employee benefits	1,766	2,915
Pension costs defined contribution plan	<u>134</u>	<u>76</u>
Total	54,400	59,863

**Note 20 - Average number of employees (full time equivalents)**

	<u>2009</u>	<u>2008</u>
Imaging and Graphic Art production sector	792	807
Office	<u>72</u>	<u>138</u>
Total	864	945

**Note 21 - Supervisory directors and Statutory director**

The Company has four supervisory directors of which the remuneration of two of the supervisory directors during the financial year amounted to €0.03 million (2008: €0.04 million for three supervisory directors). In accordance with article 383 of the Netherlands Civil Code, the remuneration of the statutory director is not presented.

**Note 22 – Disclosure of auditors' fee**

In 2009 the auditors' fee amounted to €0.2 million, this is for audit services rendered in the financial year 2009 (non-audit services, tax services and other services: €0,0 million).

**Note 23 – Other income**

In 2009 the total amount consisted of a reimbursement by FEN for expenses incurred by the Company in 2008.

**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 Auditors' report**

The auditors' report is set out on page 26.

## **AUDITORS' REPORT**

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

### **REPORT ON THE COMPANY FINANCIAL STATEMENTS**

We have audited the company financial statements 2009 which are part of the financial statements of FUJIFILM Manufacturing B.V., Tilburg the Netherlands, as set out on pages 5 to 25 which comprise the balance sheet as at March 31, 2009, the profit and loss account for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the Report of the Board of Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the company 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 company 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 company 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 company financial statements give a true and fair view of the financial position of FUJIFILM Manufacturing Europe B.V. as at March, 31, 2009, 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 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, July 9, 2009

Ernst & Young Accountants LLP

Signed by P.J.A. Gabriëls

## **ACKNOWLEDGEMENTS**

### **Final responsibility**

Maarten Dullaert, manager Staff Department

### **Responsibility for Financial section**

Krit Wijnberg, Finance manager

### **Operational responsibility**

Anneliek Groenen-Jongmans

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