

Annual Report 2001



**Fujifilm will constantly strive to develop superior technologies
and to continue creating an imaging and information culture.**

**In line with this philosophy and its Imaging & Information (I&I)
concept, Fujifilm is using leading-edge technologies to make imaging
communication more enjoyable and beautiful in response to the
growing imaging communication needs of the IT society.**

CONTENTS

Financial Highlights.....	1
A Message from the Management	2
Special Feature	6
Introduction of Fuji Xerox	10
Review of Operations.....	12
Topics.....	16
Environmental Concerns.....	18
Financial Section	19
Board of Directors, Operating Executives, and Corporate Auditors.....	47
Global Network.....	48
Principal Consolidated Subsidiaries.....	49
Corporate Information	50
Investors' Information.....	50
Principal Products	51

FINANCIAL HIGHLIGHTS

Fuji Photo Film Co., Ltd. and Subsidiaries

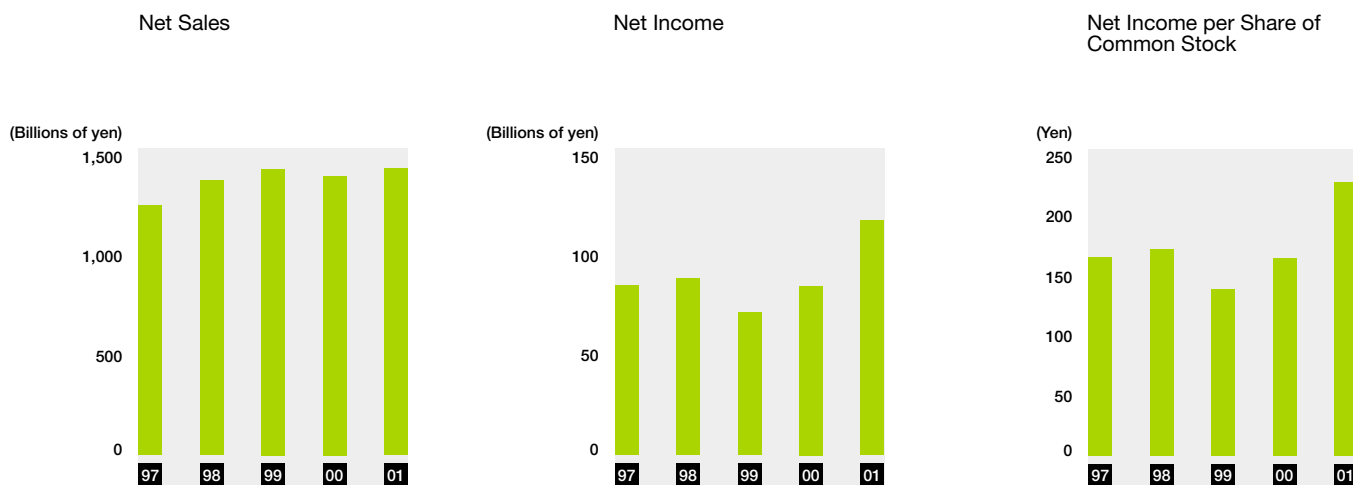
	Year ended March 31			Year ended March 31
	2001	2000	1999	2001
	(Millions of yen, except per share figures)			(Thousands of U.S. dollars, except per share figures) (Note 1)
Net sales.....	¥1,440,389	¥1,401,791	¥1,437,810	\$11,616,040
Operating income.....	149,732	147,935	165,334	1,207,516
Income before income taxes.....	197,333	135,308	137,191	1,591,395
Net income.....	117,900	84,895	74,709	950,806
Per share of common stock (¥):				
Net income (Note 2).....	¥ 229.11	¥ 164.97	¥ 145.17	\$ 1.85
Cash dividends.....	22.50	22.50	22.50	0.18
Research and development expenses.....	¥ 79,144	¥ 81,725	¥ 84,740	\$ 638,258
Acquisition of fixed assets.....	118,053	91,313	115,536	952,040
Depreciation.....	82,063	82,770	83,377	661,798
Total assets at year-end.....	2,830,469	2,235,876	2,165,758	22,826,363
Total shareholders' equity at year-end.....	1,625,012	1,575,129	1,489,257	13,104,935
Number of employees at year-end.....	70,722	37,151	37,551	

Notes: 1. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥124=US\$1, the exchange rate prevailing on March 31, 2001.

2. The computation of net income per share is based on the average number of shares outstanding during each year.

3. Effective April 1, 2000, Fujifilm adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The consolidated financial statements as of and for the years ended March 31, 1995 to 2000 have been restated to reflect this change in the method of accounting.

4. On March 30, 2001, Fujifilm acquired another 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. The balance sheet of Fuji Xerox as of March 31, 2001 was consolidated and the result of operations for the year then ended was accounted for by the equity method, with the pre-acquisition ownership interest of 50% as in prior years.



A MESSAGE FROM THE MANAGEMENT

BUSINESS RESULTS

During the fiscal year ended March 31, 2001, the bearish tendency in the Japanese economy continued because of such adverse factors as languishing personal consumption and plunging stock prices amid continuing deflationary currents, although capital investment in the private sector showed signs of recovery in the first half of the year. Overseas, in the United States, clear evidence emerged of a slowdown, but that country was still able to post a positive rate of growth over the full year. European economies generally performed well. However, difficulties began to mount in the economies of Asia during the second half of the fiscal year.

In this economic environment, Fujifilm worked to expand sales through the aggressive marketing operations of all types of new products, systems, services, and solutions, as well as through the further extension of its service network. As a result, we turned in a sound performance overseas, mainly in North American and European operations, achieving steady sales growth in those markets. But, due to the appreciation of the yen, yen-denominated overseas sales were ¥742.6 billion (\$5,989 million), up only 1.9% compared with the previous fiscal year. Domestic sales rose 3.6%, to ¥697.7 billion (\$5,627 million). Thus, consolidated net sales for the fiscal year amounted to ¥1,440.3 billion (\$11,616 million), up 2.8% from the previous fiscal year.

During the period under review, Fujifilm undertook efficiency-raising and rationalization programs throughout its operations, including measures to reduce business expenses and manufacturing costs. Operating income rose to ¥149.7 billion (\$1,208 million), an increase of 1.2% from the previous fiscal year. During this period, Fujifilm and certain domestic subsidiaries wrote off the net transition obligations resulting from the adoption of a new Japanese accounting principle for retirement benefit obligations. In this connection, they contributed certain equity securities to employee retirement benefit trusts whose market values were approximately equal to the amount written off. However, because the consolidated financial statements of Fujifilm have been prepared in conformity with accounting principles generally accepted in the U.S., the net transition obligations written off under the Japanese accounting principles had no effect on the result of operations of the Company. As a result, only the gain on contribution of securities to employee retirement benefit trusts, amounting to ¥56.1 billion (\$453 million), was recognized as other income. This type of gain is attributable only to the current period and is not a recurring item. Mainly as a result of this, income before income taxes increased 45.8%, to ¥197.3 billion (\$1,591 million), and net income rose 38.9%, to ¥117.9 billion (\$951 million). Net income per share of common stock was ¥229.11 (\$1.85).

On March 30, 2001, Fujifilm acquired another 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. The balance sheet of Fuji Xerox as of March 31, 2001 was consolidated and the result of operations for the year then ended was accounted for by the equity method, with the pre-acquisition ownership interest of 50% as in prior years.

Cash dividends applicable to the year amounted to ¥22.50 (\$0.18) per share of common stock.

IMAGING & INFORMATION: AN UNLIMITED CHALLENGE

The rapid advance of information technology (IT) is bringing major changes in the needs of customers and users. With image information now taken by digital cameras, edited on PCs, and relayed electronically through the Internet and via e-mail, there has been rapid expansion in the range of applications and functions demanded of such image information.

We regard these developments as an ideal business opportunity. Having embraced the concept of “Imaging & Information: An Unlimited Challenge—anything and everything that has to do with image creation and IT processing of images—” as a



*Seated from left: Minoru Obnishi, Chairman and Chief Executive Officer Masayuki Muneyuki, Vice Chairman
Standing: Shigetaka Komori, President*

corporate philosophy, we are launching new products, systems, services, and solutions that precisely meet customer needs by making maximum use of our specially developed photo film silver-halide technologies and know-how as well as the latest digital and network breakthroughs. Also, we are striving to prepare and position ourselves to meet the image information needs of the IT age in every field as well as develop and supply unique materials and components to manufacturers of various kinds of IT systems and equipment.

In tune with the Internet becoming the main vehicle for communications around the world, we proposed the “e-Picture Solution FinePix & FDi on the Web” concept to the Japanese imaging market in February 2001. That concept is to make e-Pictures—digitized high-quality color images—more fun and more widely used as well as to provide a fuller infrastructure for e-Pictures. At the Photo Marketing Association (PMA) 2001 Trade Show in Orlando, Florida—the largest photographic industry trade show in the United States—we were able to impress strongly upon visitors our commitment to e-Picture technology with our introduction and display of a wide range of new products and services under the concept “Fujifilm. Get The e Picture.” In this way, Fujifilm is delivering a full range of innovative products, systems, services, and solutions that can create the imaging communication world of the 21st century.

Regarding our product supply system, at Fuji Photo Film, Inc., a manufacturing subsidiary in South Carolina, we expanded facilities at our color film and color print paper production plant and built a new factory for producing medical X-ray films. These expansions were completed in February 2001, and production has already started. We have also decided to build a new factory for producing FUJITAC film in Japan, in light of the rapidly growing demand for LCD materials. Through these and other measures, we are aggressively enhancing our production capabilities and ensuring that we can smoothly bring products and services to the market.

By refining our prowess in silver-halide and digital-image technologies and fusing them, we are striving to make images more fun, more convenient to create, and more beautiful. Building on its achievements, the Fujifilm Group will draw on all its resources to further extend the frontiers of the image information-related market and continue to win the confidence of customers and users throughout the world.

RESPONSE TO ENVIRONMENTAL ISSUES

Fujifilm regards environmental protection on a global basis as an important current issue and is conscientiously implementing an environmental program based on three pillars:

- Consistently giving due consideration to the natural environment
- Ensuring safety with regard to chemicals
- Preventing the wasteful use of resources

Fujifilm's fundamental approach in its environmental protection programs is to meet its Responsible Care obligations (environmental protection and safety measures undertaken autonomously by the Company) as fully as possible. In addition to having acquired ISO 14001 certification for environmental management systems at Group companies around the world, we are taking a variety of measures to make our environmental record exemplary. We have built and now operate a database on chemical materials and environmental safety. Last year, we adopted environmental auditing procedures, which include monitoring expenditures on environmental protection and measuring their effects. We are also pursuing zero-emissions policies. In accordance with our ideal of making environmental protection an integral part of all of our activities, Fujifilm intends to make still greater efforts to protect the environment.

THE YEAR AHEAD

While it is always very difficult to predict operating conditions at home and abroad, we are intent on proactively and expeditiously concentrating all of the Fujifilm Group's resources—including technological, marketing, and financial capabilities—so that we can respond to the rapid social and economic changes stemming from IT; develop and introduce new products, systems, services, and solutions ahead of other companies; and expand our business worldwide. We are also undertaking restructuring and cost-reduction measures in the Fujifilm Group's day-to-day operations to further boost our management efficiency.

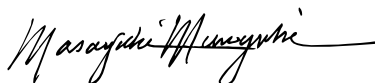
In March 2001, Fujifilm acquired another 25% of the outstanding shares of Fuji Xerox, bringing its total shareholding to 75%. Fuji Xerox is now a consolidated subsidiary of Fujifilm. We will aggressively develop our business to get synergistic effects with still closer operations.

In closing, we would like to express our sincere appreciation for all the day-to-day cooperation we have received from shareholders, customers, and business partners. We hope for your continued support and encouragement.

June 2001



Minoru Ohnishi
Chairman and Chief Executive Officer



Masayuki Muneyuki
Vice Chairman



Shigetaka Komori
President



Venice, Italy Photographed by Noribiko Matsumoto

Digital Network Solutions

MAKING E-PICTURES FLY THROUGH NETWORKS

The rapid advance and development of IT in recent years have created demand for a still broader range of imaging information. As the IT revolution rolls on, it will be more and more important that images and other kinds of visual information can be delivered more quickly and with greater vividness. Based on its ultrahigh-quality image technology, the fruit of long experience in the silver-halide field, Fujifilm began researching and developing digital imaging in the 1970s. We now regard our digital imaging technology as one of our strengths.

A beautiful photo, when digitized, can be displayed in a variety of ways on the Internet, enabling it to be enjoyed by many people simultaneously, at any time and in any place. Digital technology is now a force that can give image information wings to fly through networks. Fujifilm's digital and network technologies have the potential to radically reshape the future of imaging technologies, not only in the photography we enjoy in our daily lives, but also in graphic arts, medical imaging, and many other fields. Representative of Fujifilm's innovative network solutions are "e-Picture Solution FinePix & FDi on the Web," which offers a variety of ways to enjoy photography in the network age; SYNAPSE medical imaging network solution, which integrates radiography and other medical images, making possible more accurate and faster diagnoses; and GTRAX, an innovative solution for the publishing sector that enables printing companies and their clients to work together more closely and efficiently.

CONSUMER DIGITAL IMAGING NETWORK

Fujifilm is a leading player in the imaging field and has been launching digital cameras, digital minilab systems, and other digital products since the earliest days of this industry. In February 2001, Fujifilm unveiled its new imaging solution tailored to the network age, "e-Picture Solution: FinePix & FDi on the Web"(currently offered in Japan and several other countries). This system further expands the capabilities of digitized high-quality color e-Picture images, offering the user new options, more fun, and more beautiful images.

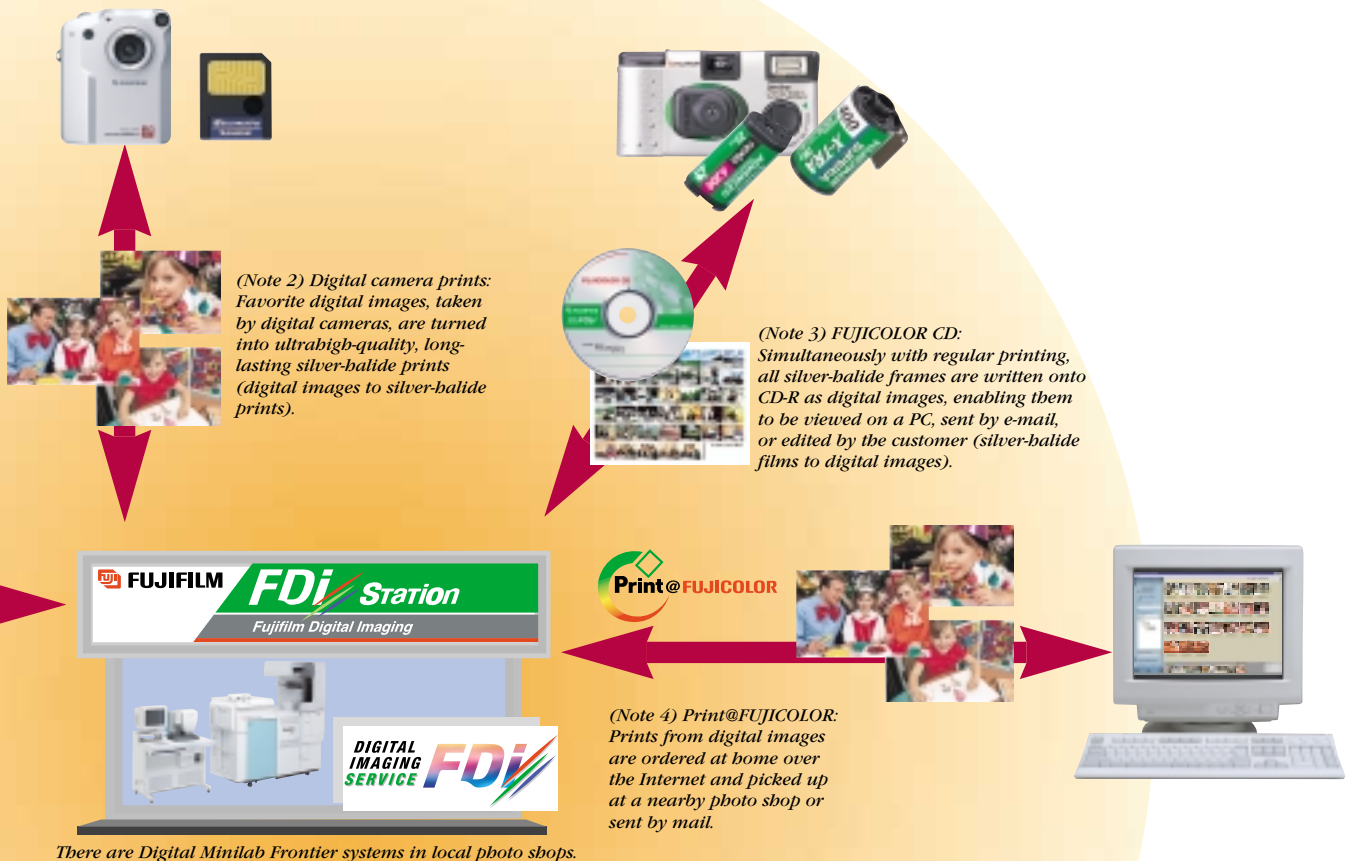
FINEPIX: A SIMPLE WAY TO PUT ULTRAHIGH-QUALITY IMAGES ON THE INTERNET

The new FinePix digital camera series, including the FinePix6800 Zoom with the new generation Super CCD (charge-coupled device), spearheads the FinePix "Picture The Future" system (note 1), which hooks up digital cameras to the Internet, enabling the consumer to easily enjoy image communication.



(Note 1) FinePix "Picture The Future." A new system, based mainly on FinePix, which integrates viewing software and on-line imaging services.

In the new "Picture The Future" system, the digital camera is placed in the PictureCradle, connected to a PC by a dedicated USB cable, and, with one press of a button, the FinePixViewer image-viewing software is activated. This instantly opens the way to viewing the pictures on the PC screen, as well as easily offering access to Fujifilm's PictureJourney site and FDi Net Print Service. The PictureJourney site enables users in Japan to incorporate images into their own home pages, digital albums, and e-mail, and the FDi Net Print Service allows users to place orders for ultrahigh-quality prints on-line. Fujifilm is now working to extend these services overseas.



FDI SERVICE: EXPANDING THROUGH THE INTERNET WITH FRONTIER

Fujifilm's Digital Minilab Frontier handles silver-halide photos like a craftsman and digital images like an expert. Images captured on silver-halide film are converted via a film scanner with a high-performance CCD to a high-precision digital format. These digital images are then automatically enhanced in terms of color and color density by sophisticated image enhancement technology and digitally exposed to color paper using an exclusive laser exposure system developed in-house by Fujifilm. In addition to being developed as a print from silver-halide film, the images, being fully digitized, can be developed using the FDi services: as prints from a digital camera (note 2), on a FUJICOLOR CD (note 3), or as long-lasting, ultrahigh-quality silver-halide prints that can be freely displayed and transmitted through the Internet via Print@FUJICOLOR (note 4). In this way, Fujifilm is making photography more fun with the new FDi service in the Internet age.

GRAPHIC ARTS IMAGING NETWORK

Our two primary printing products, graphic arts films and presensitized (PS) plates, have made major contributions to raising quality and adding value to printing in the pre-press arena. We have been involved in the digitization of printing processes from an early stage. As desktop publishing (DTP, note 1) spread, beginning in the early 1990s, we launched graphic arts media and digital electronic imaging (EI) equipment for computer-to-film (CTF, note 2) systems, which directly and digitally output graphic arts films from computer data without an intermediate film outputting stage. We also launched computer-to-plate (CTP, note 3) systems, which directly and digitally output PS plates without an intermediate film outputting stage. Such products have given Fujifilm a leading role in the digitization of the industry. In April 2000, Fujifilm launched GTRAX (in Japan), a total network solution that brings together printing companies and clients via networks in Japan. We are also testing “my-fujifilm.com” in the North American market.



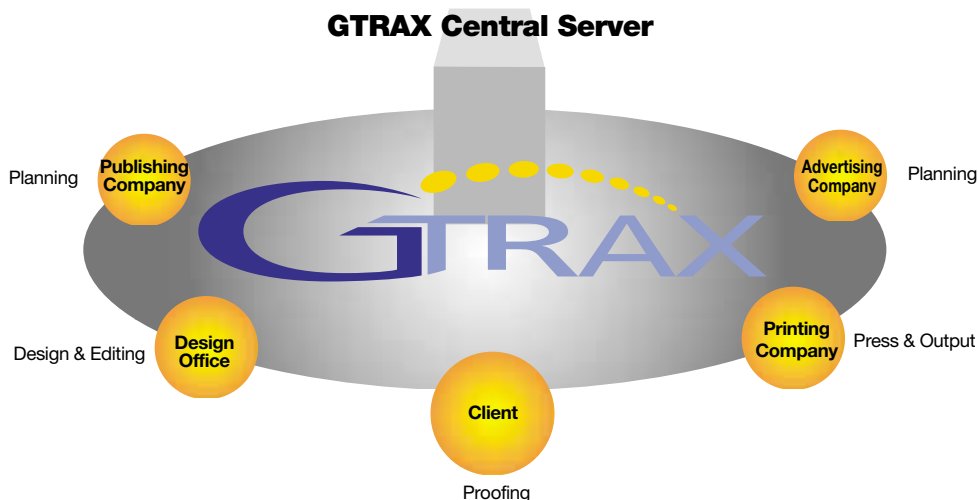
Notes: 1. DTP (Desktop publishing/Desktop pre-press): A printing system in which photocomposition and typesetting are carried out on PCs and their peripherals

2. CTF (Computer-to-film): Directly outputting a page of data from a computer to graphic arts films

3. CTP (Computer-to-plate): Directly outputting a page of data from a computer to PS plates

GTRAX: BRINGING TOGETHER PRINTERS AND THEIR CLIENTS OVER NETWORKS

As customer needs diversify and pressure for shorter lead times increases in the printing, advertising, and publishing sectors, the rationalization of the entire printing process—from planning to press—has become an urgent necessity. In response, Fujifilm has jointly developed the communications application GTRAX with Dainippon Screen Mfg. Co., Ltd., and NTT Communications Corporation. By integrating digital equipment through high-speed networks, the GTRAX system enables digital-content files to be shared by the client, design and creative company, and printer, and accessed by any of them at any time and from any location. The new system is a great improvement on the traditional, sequential workflow—planning, design, film-making, proofing, platemaking, and printing—and makes possible a digitized workflow with parallel processing and without distance or time restrictions. By accommodating the intentions of the client, the sensitivities of the creator, and the operating technology, symbiosis is achieved. The new GTRAX network-based solution has taken the graphic arts a step further in convenience.



MEDICAL IMAGING NETWORK

Medical images are not simply records, but also vital information upon which the lives of patients directly depend. Inspired by its belief in “Valuing diagnostic information amassed from a single X-ray image, to intensify visual detectability,” Fujifilm is committed to ongoing research and development programs in this field to create still higher quality images containing even more diagnostic information. Fujifilm developed the world’s first digitized radiography imaging system in 1981, and the following year began marketing the Fuji Computed Radiography (FCR) system. Its accuracy has earned the Company much praise. Also, the FCR5000MA high-quality mammography image system and a computer aided diagnosis (CAD) system currently under development are expected to contribute significantly to the early detection of breast cancer. Taking maximum advantage of the benefits of digitization, Fujifilm also offers a range of new network solutions, including SYNAPSE medical imaging network.

SYNAPSE ENHANCES DIAGNOSTIC EFFICIENCY

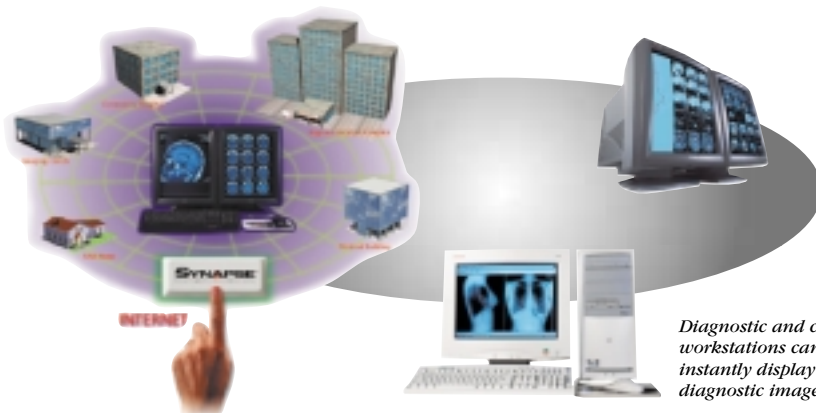
Fujifilm is building networks of medical images. By making FCR and other digital systems directly accessible through internally and externally networked medical facilities, images can easily be viewed by all concerned parties at any time, anywhere. Building this kind of network, which makes possible parallel processing and cooperation, is bringing about the enhancement of administrative efficiency and medical services in the wards.

The most difficult problem for medical information networks is handling images containing a very large volume of data. Fujifilm’s answer is SYNAPSE medical imaging network, based on digital signaling technology for X-ray images and advanced file-management technology for recording and storing images. Within this network environment, the management of high-quality medical imaging is greatly simplified. The network solution enhances diagnostic efficiency by offering rapid image reading and high image quality; images have a high compression ratio, can be processed swiftly, and are highly amenable to searching, cross-referencing, and other essential diagnostic tasks. SYNAPSE is making medical imaging an even more efficient tool for the doctor.

SYNAPSE[®]

Intelligent Connectivity

Web-connectivity among key institutions makes SYNAPSE a powerful tool of on-line diagnosis: these include a regional medical complex, a medical building, a radiologist’s home, an imaging center, and a community hospital.



Diagnostic and clinical workstations can instantly display diagnostic images.

INTRODUCTION OF FUJI XEROX

FUJI XEROX: PROVIDER OF ADVANCED DOCUMENT SOLUTIONS



THE DOCUMENT COMPANY

FUJI XEROX

Fuji Xerox Co., Ltd., was formed as a 50-50 joint venture between Fuji Photo Film Co., Ltd., and Rank Xerox Limited, currently Xerox Limited, in 1962. Since then, it has built up its position as a leader in the copier, printer, and multifunctional equipment market. On March 30, 2001, Fuji Xerox became a consolidated subsidiary of Fujifilm, which now holds 75% of its shares.

DIGITAL, NETWORK, AND COLOR—KEYWORDS OF IT-RELATED PRODUCT STRATEGY

Fuji Xerox's main business is the manufacture and marketing of color copiers, color printing systems, multifunctional equipment, laser printers, and other office equipment for corporate customers. In its copier business, Fuji Xerox is prioritizing digital technology and color capability. In office-automation equipment, it is rapidly developing laser printers that are faster, more cost-effective, and capable of handling color. Fuji Xerox has been developing multifunctional equipment as a mainstay product in its color printer business—an area in which it leads the industry. With the spread of digital networks, Fuji Xerox is also expanding into the field of integrated document services, adding data-filing, -search, and -management functions as well as providing network services centered on copiers and printers that can output documents in the office or anywhere around the globe.



DocuColor 1250

EXPANDING IT-RELATED DOCUMENT SOLUTION BUSINESS

While direct sales to corporate customers remains Fuji Xerox's principal business, the Company is building up a wide marketing network. By responding immediately to changes in demand requirements with the right product while maintaining close relations with the customers, Fuji Xerox is able to supply products that meet the market's needs. Rather than simply selling individual copiers and printers, the Company offers

total document solution services, creating seamlessly linked environments—from the initial solution proposal to the construction of network systems and the supply of printers and other hardware. In particular, its “on-demand printing service,” created in response to the rapid spread of networks, has won wide acceptance in the market. This service allows users to send only the documents they want, when and where they are needed, all over the world, and has been used by major companies with global operations for the distribution of manuals and other materials in world markets. Another example of the way Fuji Xerox is creating high value-added businesses tailored to the IT age is its development of on-demand commercial printing, a service in which Fuji Xerox makes its equipment and networks available to the small-lot printing market.

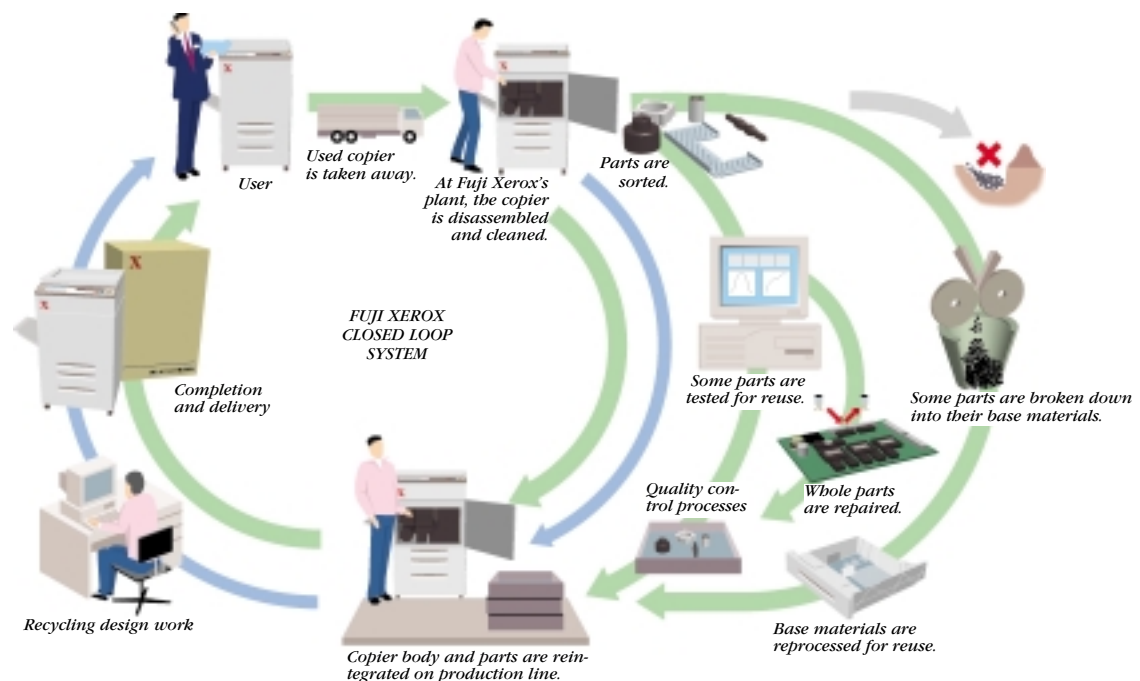


Color DocuTech 60

ENVIRONMENT

Since its establishment, Fuji Xerox has been actively involved in environmental preservation activities. By introducing a thoroughgoing waste separation system, it has nearly achieved its targets of complete reuse or recycling of all waste through its closed loop system, begun in 1995 for used copiers and multifunctional equipment, as well as zero emissions at all plants. The Company’s environmental activities are ongoing and cover all business processes. Within its “Fuji Xerox Ecology and Safety Vision” and “Fuji Xerox Group Ecology & Safety Fundamental Policy” programs, Fuji Xerox has set mid-term numerical targets in individual categories, such as “Green Product,” “Closed Loop System,” and “Environmental Management.”

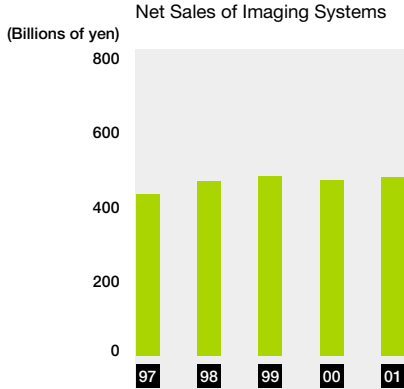
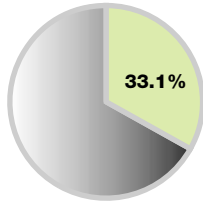
Looking ahead, Fujifilm and Fuji Xerox will develop their businesses in a way that generates synergy through closer cooperation.



REVIEW OF OPERATIONS

Imaging Systems

Share of Consolidated
Net Sales (%)



*SUPERIA X-TRA 800
and NEXIA 800*

The Imaging Systems segment includes businesses related to photographic materials, motion picture films, digital cameras, and videotapes. Segment sales during the fiscal year were ¥477.4 billion, up 1.5% from the previous year. Key contributions came from newly launched color films and the superior performance of the FinePix series of digital cameras.

PHOTOGRAPHIC FILMS

Fujifilm launched several new color films that feature the Company's proprietary 4th Color Layer Technology, the first such technology in the world in high-speed ISO 800 color negative films, including 35mm SUPERIA X-TRA 800 and NEXIA 800 for APS cameras. Also debuted was FUJICHROME PROVIA F, a series of color reversal films that provides exceptionally fine graininess.

We also saw soaring demand, mainly in overseas markets, for our QuickSnap one-time-use recyclable cameras, after expanding our lineup in this area with such new products as Fujicolor QuickSnap SUPERIA.

To further bolster our ability to supply and service the global market, we expanded the capacity of the color film and photographic color paper factory at Fuji Photo Film, Inc., our manufacturing subsidiary in South Carolina. These expansions were completed in February 2001.

MOTION PICTURE FILMS

Our SUPER F series of color negative motion picture films, which, through our advanced technology, offers one of the highest levels of graininess in the world, continues to garner high praise from the movie industry.

CAMERAS

Fujifilm further expanded its lineup of silver-halide products and enhanced their appeal. New additions included the NEXIA 4100ix Z, a small and light APS camera with a 4x zoom lens, and the FUJIFILM KLASSE, an easy to use 35mm camera that produces high-quality images.

Fujifilm also launched the Instax mini 20, one of the Instax mini series of instant cameras capable of delivering high-quality, credit card-size photographs. This and the release of higher-quality film for instant cameras helped boost sales in this field.



NEXIA 4100ix Z

DIGITAL CAMERAS

With the digital camera market still expanding in the period under review, we launched a variety of new products for all kinds of applications featuring Super CCD, Fujifilm's independently developed technology that greatly improves picture quality. We scored major hits with the FinePix4700 Zoom, which features a 3x optical zoom lens, the FinePix S1 Pro SLR-type digital camera that uses exchangeable lenses, the FinePix4900 Zoom, featuring a 6x zoom optical lens, and the FinePix 40 i, which can also play high sound quality MP3 audio. Another hit was the FinePix6800 Zoom, with a 3.3-million pixel Super CCD that realizes ultrahigh-resolution image files with 6.0 million pixels. Launched in spring 2001, this camera features an innovative design developed by The Porsche Design Studio and, when placed in a PictureCradle, can be recharged and easily hooked up to the Internet, where all the image files can be displayed at a single button touch. Also, Fujifilm made e-Pictures more fun and broadened their appeal by introducing its proprietary FinePix "Picture The Future" system, which makes it possible to link digital cameras with the Internet more easily.



Instax mini 20

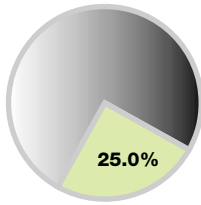
VIDEOTAPES

In broadcast-use videos, Fujifilm worked to increase sales through new product launches. New items included the HD331 tape for the HDCAM system, a new digital format for HD broadcasting, and thin tape for long-period recording in the DVCPRO high-quality compact digital videotape series for broadcasting.

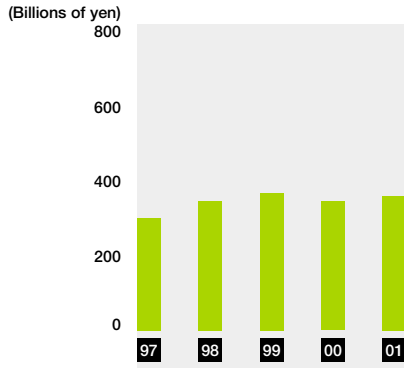


FinePix6800 Zoom

Share of Consolidated Net Sales (%)



Net Sales of Photofinishing Systems



Digital Minilab Frontier 390

Photofinishing Systems

Products in this segment include photofinishing and digital-imaging materials, chemicals, equipment, and photofinishing services. Segment sales during the period under review amounted to ¥360.7 billion, up 4.4% from the previous year. Despite intensifying competition in this area, Fujifilm enjoyed steadily growing demand for its FDi net service centered on the Digital Minilab Frontier series of products.

PHOTOFINISHING EQUIPMENT AND SERVICES

In this segment, Fujifilm's proprietary Digital Minilab Frontier lineup greatly increased its sales. Employing an exclusive laser exposure system based on solid-state blue and green lasers, the Frontier system's exclusive laser exposure system makes possible fast, high-quality digital exposures on long-lasting, silver-halide photographic paper. This system delivers extremely pure color reproductions, smooth gradations, superb sharpness, and many other advantages. The realization of ultra-high-quality prints from silver-halide film is only one of the strengths of the Frontier system. As for the FDi service, it also enables the customer to not only get high-quality, long-lasting prints from digital cameras, but also get digital images through the FUJICOLOR CD service and process the images on PCs during development. The wide range of FDi service, including "variety" prints, is making photography more fun. Fujifilm is also adding to the content of its FUJICOLOR CD service. As customer demand diversifies, we are making it easier to order prints by upgrading built-in software, developing dedicated FUJICOLOR CD equipment, and increasing the number of photo-shops that offer FUJICOLOR CD service. By using the Internet as we innovatively expand our photo print business, we are further contributing to the infrastructure for e-Pictures.



FUJICOLOR CD Service

Information Systems

Products in this segment include materials and equipment for graphic arts, medical, and office systems as well as materials for LCD panels and data media. During the fiscal year, segment sales totaled ¥602.2 billion, up 2.8%.

GRAPHIC SYSTEMS

Fujifilm focused on expanding sales of CTP systems, which are spreading throughout the printing industry as processes become digitized. Innovative new products included the Luxel P-9600CTP, a photopolymer platesetter that offers the world's fastest CTP output in its class. We also strove to increase our share of the graphic arts film and pre-sensitized (PS) plate markets. Meanwhile, Fujifilm's strategic response to the wave of digitization and networking spreading across the printing sector is GTRAX, developed jointly with two other companies. This innovative network solution shortens lead times and streamlines procedures by linking all processes, from planning to printing, through a network.

MEDICAL IMAGING

In this arena, Fujifilm worked to expand sales of dry imagers in response to the increasingly widespread digitization of X-ray images, and made a full entry into the total solution business for hospital networks with the launch of SYNAPSE medical imaging network. The FCR5000MA system for mammography imaging, which has been traditionally very difficult to digitize, is expected to contribute significantly to the early detection of breast cancer. We also built a medical X-ray film factory at our South Carolina production subsidiary, Fuji Photo Film, Inc., to expand production capacity.

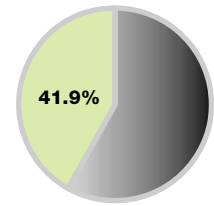
LCD MATERIALS

Stable demand for PCs and the growth of the market for LCD monitors combined to boost demand for such products as the LCD materials FUJITAC film, WV FILM, and TRANSER. In response, we are aggressively expanding production capacity through a range of measures, including the planned construction of a new FUJITAC film production factory.

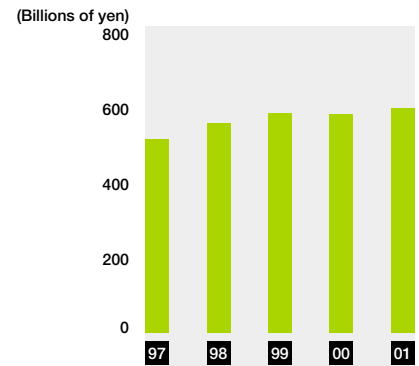
DATA MEDIA

The spread of the Internet and e-commerce has created rapidly expanding demand for highly sophisticated, large-volume data storage media. To meet these needs, Fujifilm has become the first company to launch Ultrium-format tapes. Based on our proprietary Advanced Super-Thin-Layer and High-Output Metal Media (ATOMM) technology, this product has strengthened our leading position in the backup tape market established by DLTtape™* and DDS data cartridges.

Share of Consolidated Net Sales (%)



Net Sales of Information Systems



Luxel P-9600CTP



New medical X-ray film factory at Fuji Photo Film (U.S.A.)



LTO Ultrium 1 Data Cartridge

*DLTtape™ is a registered trademark of Quantum Corporation of the United States.

TOPICS

Japan

OFFICIAL SPONSOR OF FIFA WORLD CUP 2002™

Fujifilm is an official sponsor of FIFA World Cup 2002 Korea/Japan™, to be staged jointly in June and July 2002. We will supply many official products and the processing service for official photographers.

SUPPORTING UNIVERSAL STUDIOS JAPAN



In March 2001, Universal Studios Japan opened in Osaka. As a corporate marketing partner, Fujifilm supports the large-scale attraction "Jurassic Park The Ride" and provides technical support for digital fun photos.

TOKYO DISNEYSEA SPONSOR

Already a sponsor of Tokyo Disneyland, Fujifilm will be sponsoring Tokyo DisneySea when it opens in autumn 2001. One of our facilities will be the Magic Lamp Theater, based on the Disney film *Aladdin*.

The Americas

DIGITAL IMAGING TECHNOLOGY SHOWCASED AT PMA 2001

America's largest photographic trade show, the Photo Marketing Association (PMA) 2001, was held in Orlando, Florida in February 2001. Exhibiting under the slogan "Fujifilm. Get The e Picture.," we presented such hit products as the FinePix6800 Zoom digital camera and our new Digital Minilab Frontier system. Visitors said they were impressed by the quality and versatility of these systems.



Photo: copyright
THE FOOTBALL ARCHIVE





SPONSORING GIANT PANDAS' RETURN TO NATIONAL ZOO

In November 2000, Fujifilm made a \$7.8 million contribution to bring two giant pandas from China to the Smithsonian National Zoological Park in Washington, D.C., and to support the construction of their new habitat as well as conservation education programs.

Europe

PHOTOKINA

Photokina 2000, held in September 2000 in Cologne, Germany, is the world's largest imaging exhibition. Under one roof, Fujifilm exhibited a range of silver-halide and digital products and services featuring its world-beating proprietary technology, such as SUPERIA X-TRA film, the FinePix4900 Zoom digital camera, and FUJICOLOR CD service.



UEFA EURO 2000

Fujifilm sponsored the UEFA EURO 2000 European Football Championship, held in June 2000. Most of the Fujifilm products were designated official products, and we offered developing services at the press service center of every stadium.

Asia and Others

SHANGHAI NEON SIGN REFURBISHMENT

In February 2001, refurbishment work began on the large cubic Fujifilm neon advertising signs that have brightened Huang Pu Park in Shanghai, China, since 1995. Featuring a new design better suited to the park, the Fujifilm logo boldly stands out against a green background amid the Shanghai night scene, more effectively promoting the Fujifilm brand.



ENVIRONMENTAL CONCERNS



In the belief that protecting the environment on a global scale is a management issue of the day, the Company has developed and is earnestly pursuing an environmental policy that rests on three pillars: constantly giving due consideration to the natural environment, ensuring safety with regard to chemicals, and preventing the wasteful use of resources.

Fujifilm's fundamental goal in its environmental policy is to meet Responsible Care obligations (environmental preservation and safety measures undertaken autonomously by the Company) as fully as possible. In addition to having secured ISO 14001 certification for environmental management systems at Group companies around the world, we are taking a variety of measures to make our environmental record exemplary. We have built and now operate a database on the handling of certain chemical substances as part of our environment- and safety-management efforts, and last year we adopted environmental auditing procedures, monitoring expenditures on environmental protection and measuring their effects. We are also committed to achieving zero emissions (100% reuse or recycling of all waste products that are generated by our business activities) throughout the entire Fujifilm Group.

Through its environmental activities, Fujifilm is building close relations with local communities. During the fiscal year, at Fuji Hunt Photographic Chemicals Pte Ltd in Singapore we organized a "Go Green Day," to raise employees' awareness of environmental issues. A donation, consisting of proceeds from a "Guess the Weight of Waste Paper" competition, was given to the Singapore Environmental Council, a nonprofit organization that supports environmental education for the young. In the United States, employees of Fuji Photo Film, Inc., collected around 1.7 tons of garbage in a street-cleaning session along a 10km stretch of local highway as part of community environmental activities.

Fujifilm will further strengthen its approach to environmental protection on the basis of its corporate philosophy that environmental protection is the foundation of its business activities.

FINANCIAL SECTION

Fuji Photo Film Co., Ltd. and Subsidiaries

CONTENTS

Financial Review	20
Ten-Year Summary	24
Consolidated Balance Sheets	26
Consolidated Statements of Income	28
Consolidated Statements of Changes in Shareholders' Equity	29
Consolidated Statements of Cash Flows	30
Notes to Consolidated Financial Statements	31
Report of Independent Auditors	46

FINANCIAL REVIEW

Operating Environment

During the fiscal year ended March 31, 2001, the bearish tendency in the Japanese economy continued because, although capital investment in the private sector showed signs of recovery in the first half of the fiscal year, such adverse factors as languishing personal consumption and plunging stock prices took their toll amid continuing deflationary currents. In the U.S., clear evidence emerged of a slowdown, but that country was still able to post a positive rate of growth over the full year. European economies generally performed well, though difficulties began to mount in the economies of Asia during the second half of the fiscal year.

In this economic environment, Fujifilm worked to expand sales through the aggressive marketing of all types of new products, systems, services, and solutions, as well as the further extension of its service network.

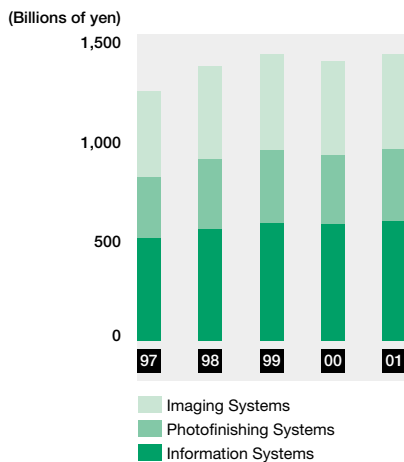
On March 30, 2001, Fujifilm acquired another 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. The balance sheet of Fuji Xerox as of March 31, 2001 was consolidated and the result of operations for the year then ended was accounted for by the equity method with the pre-acquisition ownership interest of 50% as in prior years.

Sales Performance

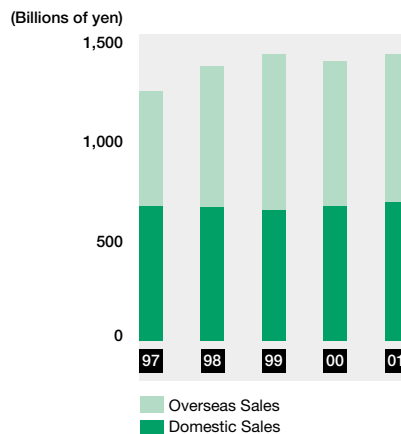
Fujifilm's consolidated net sales for the fiscal year amounted to ¥1,440.3 billion (\$11,616 million), up 2.8% from the previous fiscal year. Principal overseas markets were buoyant, backed by the economic strength of the countries involved, and Fujifilm saw sales of digital minilab and digital camera products rise in local currency terms as a result of marketing efforts. However, roughly ¥56 billion was wiped off total sales by the strength of the yen, in particular against the euro, which fell 12% against the Japanese currency during the period under review, so that net overseas sales grew only 1.9%, to ¥742.6 billion (\$5,989 million). The ratio of overseas sales to net sales declined 0.4 percentage point, to 51.6%. Domestic sales rose 3.6%, to ¥697.7 billion (\$5,627 million), as the slump in personal spending was offset by strong performances by new products and services.

Imaging Systems segment sales rose 1.5%, to ¥477.4 billion (\$3,850 million), or 33.1% of consolidated net sales, thanks notably to the contribution of new products, especially digital cameras—including those in the FinePix series.

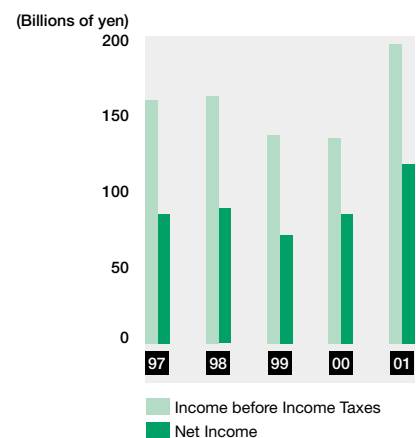
Net Sales by Product Category



Domestic and Overseas Sales



Income before Income Taxes and Net Income



In the Photofinishing Systems segment, sales rose 4.4%, to ¥360.7 billion (\$2,909 million), accounting for 25.0% of net sales. Fujifilm's highly acclaimed, independently developed Digital Minilab Frontier saw demand advance sharply.

Sales in the Information Systems segment rose 2.8%, to ¥602.2 billion (\$4,857 million), comprising 41.9% of net sales. In particular, sales of LCD materials increased gradually.

**Costs, Expenses,
and Earnings**

The cost of sales rose 3.7%, to ¥803.4 billion (\$6,480 million), and gross profit amounted to ¥636.9 billion (\$5,137 million), up 1.6%. The gross margin ratio fell 0.5 percentage points, to 44.2%.

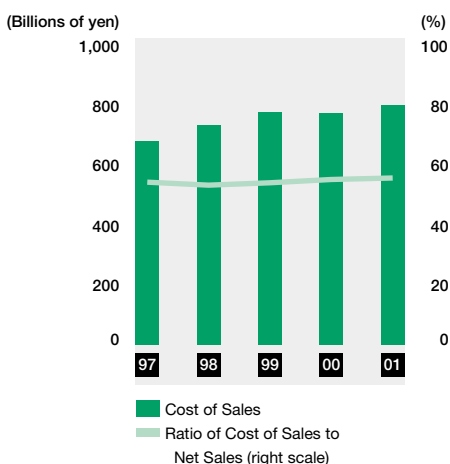
Selling, general and administrative (SG&A) expenses rose 2.7%, to ¥408.1 billion (\$3,291 million), and the ratio of SG&A expenses to net sales was 28.3%, approximately the same level as the previous fiscal year. Research and development (R&D) expenses totaled ¥79.1 billion (\$638 million), down 3.2%. The ratio of R&D expenses to net sales fell 0.3 percentage point, to 5.5%.

Operating income rose 1.2%, to ¥149.7 billion (\$1,208 million). This level corresponded to 10.4% of net sales, down 0.2 percentage point from the previous fiscal year.

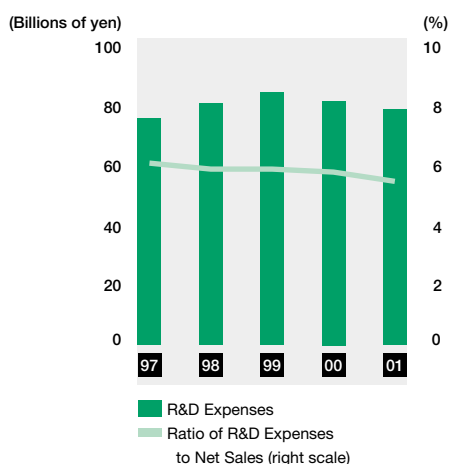
During the period under review, Fujifilm and certain domestic subsidiaries wrote off their net transition obligations resulting from the adoption of a new Japanese accounting principle on retirement benefit obligations. In this connection, they contributed certain equity securities to employee retirement benefit trusts, whose market value was approximately equal to the amount written off. However, because the consolidated financial statements of Fujifilm have been prepared in conformity with accounting principles generally accepted in the United States, the net transition obligations written off under the Japanese accounting principles had no effect on the result of operations of the Company. As a result, only gain on contribution of securities to employee retirement benefit trusts, amounting to ¥56.1 billion (\$453 million), was recognized as other income.

Income before income taxes jumped 45.8%, to ¥197.3 billion (\$1,591 million). Net income rose 38.9%, to ¥117.9 billion (\$951 million), reflecting the gain on contribution of securities to employee retirement benefit trusts of ¥56.1 billion (¥32.6 billion after taxes).

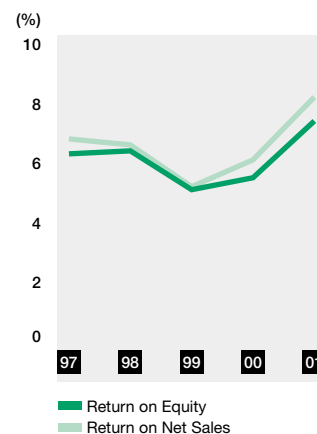
Cost of Sales and Ratio of Cost of Sales to Net Sales



R&D Expenses and Ratio of R&D Expenses to Net Sales



Return on Equity and Return on Net Sales



Net income per share of common stock was ¥229.11 (\$1.85), up ¥64.14 from the previous fiscal year. Year-end cash dividends were declared at ¥11.25 (\$0.09) per share of common stock, bringing the total dividend for the year to ¥22.50 (\$0.18). The dividend payout ratio was 9.8%.

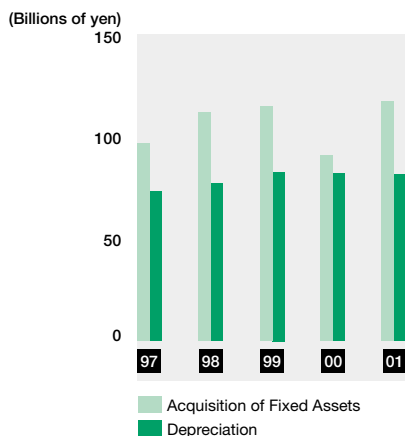
	Year ended March 31		
	2001	2000	1999
	(Millions of yen)		
Imaging Systems			
Sales	¥477,429	¥470,324	¥480,594
Operating Income	41,015	38,461	46,019
Operating Margin (%)	8.6%	8.2%	9.6%
Photofinishing Systems			
Sales	¥360,704	¥345,542	¥369,291
Operating Income	26,947	26,896	30,571
Operating Margin (%)	7.5%	7.8%	8.3%
Information Systems			
Sales	¥602,256	¥585,925	¥587,925
Operating Income	81,770	82,578	88,744
Operating Margin (%)	13.6%	14.1%	15.1%

Liquidity and Financial Position

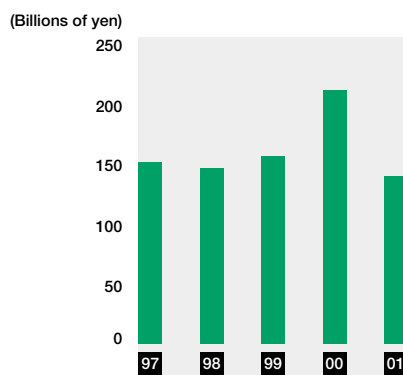
Fujifilm's cash and cash equivalents at end of year amounted to ¥466.3 billion (\$3,760 million), a 29.0% decrease from the previous fiscal year-end. Working capital totaled ¥612.1 billion (\$4,936 million), down from ¥916.0 billion. The current ratio was 1.76, compared with 2.86 at the previous fiscal year-end.

Net cash provided by operating activities was ¥140.0 billion (\$1,129 million). Net cash used in investing activities was ¥259.8 billion (\$2,095 million). An amount of ¥121.8 billion, net of cash acquired, was spent on the acquisition of Fuji Xerox, which has become a consolidated subsidiary. Net cash used in financing activities was ¥74.6 billion (\$602 million). At year-end, total shareholders' equity was ¥1,625.0 billion (\$13,105 million), up 3.2% from

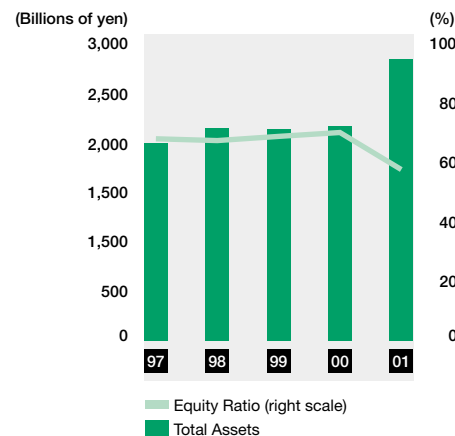
Acquisition of Fixed Assets and Depreciation



Net Cash Provided by Operating Activities



Total Assets and Equity Ratio



the previous fiscal year-end. Total assets were ¥2,830.5 billion (\$22,826 million), up 26.6% from the previous fiscal year-end, and the equity ratio decreased 13.0 percentage points, from 70.4% to 57.4%, reflecting the consolidation of Fuji Xerox.

Market Risk Management

The global nature of Fujifilm's business means that it is exposed to the impact of interest rate changes and foreign exchange fluctuations. Fujifilm uses derivatives to hedge these risks, but does not hold or issue derivatives for trading purposes.

Fujifilm undertakes interest rate swap, cross currency interest rate swap, and forward currency exchange contracts to hedge risk and reduce the cost of borrowings. In most cases, these instruments are incorporated into loan transactions, meaning that the execution and maturity dates are the same as for the loans themselves.

To hedge its foreign currency denominated assets and liabilities against the impact of foreign exchange fluctuations, Fujifilm undertakes forward currency exchange and currency-swap contracts, the majority of which mature within six months. Deferred exchange gains or losses on the foreign exchange contracts undertaken to hedge foreign currency sales commitments are not material.

Environmental Issues

Expenditures required to cope effectively with future environmental issues are difficult to project accurately because such expenditures are likely to be affected by laws and technologies not yet in existence. At present, Fujifilm does not expect environmental issues to have any material effect on its financial condition, financial results, or cash flows, nor does it expect to incur any additional expenses related to such issues in the future.

Forward-Looking Statements

This document contains forward-looking statements. Where any such forward-looking statement includes a statement of the assumptions or bases underlying such a forward-looking statement, Fujifilm cautions that assumed facts or bases almost always vary from the actual results, and differences between assumed facts or bases can be material, depending on the circumstances. Where, in any forward-looking statement, Fujifilm or its management expresses an expectation or belief as to future results, there can be no guaranty or assurance that the statement of expectation or belief will result or be achieved or accomplished. The words "forecast," "project," "believe," "expect," "estimate," "anticipate," and similar expressions may identify forward-looking statements.

Taking into account the foregoing, the following are identified as important factors, risks, or uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Fujifilm: competitive factors, including without limitation pricing, the implementation of Fujifilm's product strategies, and economic trends in important markets worldwide.

Fujifilm assumes no obligation to update its forward-looking statements or to advise of any changes in the assumptions and factors on which they are based.

TEN-YEAR SUMMARY

Fuji Photo Film Co., Ltd. and Subsidiaries

	Year ended March 31				
	2001	2000	1999	1998	1997
	(Restated-Note 6)				
	(Millions of yen, except per share figures)				
Results for the year:					
Net sales:					
Domestic.....	¥ 697,757	¥ 673,343	¥ 654,055	¥ 670,089	¥ 677,271
Overseas.....	742,632	728,448	783,755	707,972	574,846
Total.....	¥1,440,389	¥1,401,791	¥1,437,810	¥1,378,061	¥1,252,117
Cost of sales.....	803,460	774,757	779,985	735,953	681,030
Operating expenses:					
Selling, general and administrative.....	408,053	397,374	407,751	385,365	330,467
Research and development.....	79,144	81,725	84,740	81,043	75,924
Operating income.....	149,732	147,935	165,334	175,700	164,696
Interest and dividend income.....	8,180	6,975	11,298	10,479	10,247
Interest expense.....	11,093	9,957	11,994	11,524	11,705
Income before income taxes.....	197,333	135,308	137,191	162,438	160,320
Income before equity in net earnings of affiliated companies.....	110,798	72,666	67,769	77,726	74,832
Equity in net earnings of affiliated companies.....	7,102	12,229	6,940	13,554	10,517
Net income.....	117,900	84,895	74,709	91,280	85,349
Acquisition of fixed assets.....	¥ 118,053	¥ 91,313	¥ 115,536	¥ 112,800	¥ 97,315
Depreciation.....	82,063	82,770	83,377	77,818	73,761
Net cash provided by operating activities.....	139,976	212,305	157,159	147,000	151,736
Per share of common stock (¥):					
Net income (Note 2).....	¥ 229.11	¥ 164.97	¥ 145.17	¥ 177.38	¥ 165.85
Cash dividends (Note 3).....	22.50	22.50	22.50	22.50	22.00
Shareholders' equity (Note 4).....	¥ 3,157.86	¥ 3,060.81	¥ 2,893.94	¥ 2,842.91	¥ 2,684.52
Stock price at year-end.....	4,640	4,520	4,480	4,960	4,070
PER (Price-to-Earnings Ratio).....	20.25	27.40	30.86	27.96	24.54
PBR (Price-to-Book Value Ratio).....	1.47	1.48	1.55	1.74	1.52
Year-end financial position:					
Total assets.....	¥2,830,469	¥2,235,876	¥2,165,758	¥2,173,989	¥2,038,382
Long-term debt.....	81,246	20,897	47,363	53,113	47,036
Total shareholders' equity.....	1,625,012	1,575,129	1,489,257	1,463,014	1,381,458
Average number of shares outstanding					
(in thousands).....	514,603	514,612	514,615	514,610	514,607
Number of employees.....	70,722	37,151	37,551	36,580	33,154

See notes on page 25.

Year ended March 31	Period ended March 31, 1995 (Note 1)	Year ended October 20			Year ended March 31
1996		1994	1993	1992	2001
(Restated—Note 6)					(Thousands of U.S. dollars)
(Millions of yen, except per share figures)					
(Note 5)					
¥ 640,654	¥ 280,494	¥ 663,936	¥ 667,515	¥ 693,340	\$ 5,627,072
444,303	187,163	402,812	419,259	448,963	5,988,968
¥1,084,957	¥ 467,657	¥1,066,748	¥1,086,774	¥1,142,303	\$11,616,040
595,553	258,449	577,612	589,492	610,106	6,479,516
282,770	126,224	280,385	280,182	290,693	3,290,750
73,194	33,659	73,903	76,751	75,027	638,258
133,440	49,325	134,848	140,349	166,477	1,207,516
13,989	9,242	21,002	24,475	33,319	65,968
11,573	6,149	10,681	18,162	22,144	89,460
131,143	49,941	134,826	135,505	166,975	1,591,395
64,157	23,262	60,302	59,837	73,943	893,532
8,713	4,015	3,469	1,079	1,752	57,274
72,870	27,277	63,771	60,916	75,695	950,806
¥ 75,393	¥ 27,405	¥ 46,498	¥ 72,926	¥ 130,985	\$ 952,040
68,547	35,974	79,380	90,398	85,685	661,798
147,636	61,982	151,107	137,615	150,870	1,128,839
¥ 141.60	¥ 53.00	¥ 123.92	¥ 118.41	¥ 147.46	\$ 1.85
21.00	9.00	19.00	18.00	17.50	0.18
¥ 2,540.93	¥ 2,368.94	¥ 2,245.51	¥ 2,145.00	¥ 2,074.49	\$ 25.5
3,060	2,060	2,300	2,530	2,570	37.4
21.61	38.86	18.56	21.37	17.43	
1.20	0.87	1.02	1.18	1.24	
¥1,942,509	¥1,815,347	¥1,714,559	¥1,644,220	¥1,698,079	\$22,826,363
63,919	65,270	61,497	39,554	54,656	655,210
1,307,594	1,219,102	1,155,577	1,103,851	1,067,067	13,104,935
514,616	514,619	514,626	514,445	513,328	
29,903	27,565	26,555	25,074	24,868	

- Notes: 1. Figures for 1995 represent operations for the five-month and 11-day transitional period ended March 31, 1995.
2. The computation of net income per share is based on the average number of shares outstanding during each period, appropriately adjusted for free share distributions.
3. Cash dividends per share represent the amount declared per share for the respective period.
4. The computation of shareholders' equity per share is based on the number of shares outstanding at the end of each period, appropriately adjusted for free share distributions.
5. U.S. dollar amounts presented are translated from yen, for convenience only, at the rate of ¥124=US\$1, the exchange rate prevailing on March 31, 2001.
6. Effective April 1, 2000, Fujifilm adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The consolidated financial statements as of and for the years ended March 31, 1995 to 2000 have been restated to reflect this change in the method of accounting.
7. On March 30, 2001, Fujifilm acquired another 25% of the outstanding shares of Fuji Xerox Co., Ltd., bringing its total shareholding to 75%. As a result, Fuji Xerox became a consolidated subsidiary of Fujifilm. The balance sheet of Fuji Xerox as of March 31, 2001 was consolidated and the result of operations for the year then ended was accounted for by the equity method, with the pre-acquisition ownership interest of 50% as in prior years.

CONSOLIDATED BALANCE SHEETS

Fuji Photo Film Co., Ltd. and Subsidiaries

March 31

Assets	2001	2000	2001
		(Restated) (Note 2)	(Thousands of U.S. dollars) (Note 3)
		(Millions of yen)	
Current assets:			
Cash and cash equivalents (Note 4).....	¥ 466,266	¥ 656,781	\$ 3,760,210
Marketable securities (Notes 5 and 18)	11,019	221,916	88,863
Notes and accounts receivable (Note 6):			
Trade and finance.....	476,754	244,021	3,844,790
Affiliated companies.....	42,185	44,443	340,202
Allowance for doubtful receivables	(13,147)	(8,418)	(106,024)
Inventories (Note 7)	354,321	231,034	2,857,427
Deferred income taxes (Notes 11 and 18).....	56,079	4,089	452,250
Prepaid expenses and other.....	26,493	13,852	213,653
Total current assets	1,419,970	1,407,718	11,451,371
Investments and long-term receivables:			
Investments in and advances to affiliated companies (Note 8)	42,169	171,137	340,073
Investment securities (Notes 5 and 18)	245,975	113,966	1,983,669
Long-term finance and other receivables (Note 6)	99,579	16,439	803,056
	387,723	301,542	3,126,798
Property, plant and equipment (Note 9):			
Land.....	70,140	44,244	565,645
Buildings.....	485,574	323,414	3,915,919
Machinery and equipment	1,400,075	1,013,599	11,290,928
Construction in progress.....	33,605	24,008	271,008
	1,989,394	1,405,265	16,043,500
Less accumulated depreciation	(1,307,501)	(951,618)	(10,544,363)
	681,893	453,647	5,499,137
Other assets:			
Goodwill, net	182,721	11,652	1,473,557
Other intangible assets, net (Note 10).....	61,015	36,741	492,056
Deferred income taxes (Notes 11 and 18).....	31,916	157	257,387
Other	65,231	24,419	526,057
	340,883	72,969	2,749,057
Total assets	¥2,830,469	¥2,235,876	\$22,826,363

See notes to consolidated financial statements.

Liabilities and shareholders' equity	March 31		
	2001	2000	2001
	(Millions of yen)	(Restated) (Note 2)	(Thousands of U.S. dollars) (Note 3)
Current liabilities:			
Short-term debt (Note 9)	¥ 251,402	¥ 155,016	\$ 2,027,436
Notes and accounts payable:			
Trade	262,361	153,155	2,115,815
Construction	39,455	27,902	318,186
Affiliated companies.....	10,980	11,767	88,548
Accrued income taxes (Note 11).....	51,464	28,248	415,032
Accrued liabilities.....	141,812	92,199	1,143,645
Other current liabilities (Note 11).....	50,381	23,444	406,298
Total current liabilities	807,855	491,731	6,514,960
 Long-term debt (Notes 9 and 16).....	 81,246	 20,897	 655,210
 Accrued pension and severance costs (Note 10)	 130,957	 71,488	 1,056,105
 Deferred income taxes (Note 11).....	 17,683	 10,917	 142,605
 Customers' guarantee deposits and other (Note 8).....	 47,181	 43,031	 380,492
 Minority interests in subsidiaries (Note 18).....	 120,535	 22,683	 972,056
 Commitments and contingent liabilities (Notes 14 and 15)			
Shareholders' equity (Note 12):			
Common stock, ¥50 par value:			
Authorized: 800,000,000 shares			
Issued: 514,625,728 shares.....	40,363	40,363	325,508
Additional paid-in capital	68,135	68,135	549,476
Retained earnings (Note 18).....	1,549,803	1,443,481	12,498,411
Accumulated other comprehensive income (loss) (Notes 13 and 18)	(33,289)	23,150	(268,460)
Total shareholders' equity.....	1,625,012	1,575,129	13,104,935
Total liabilities and shareholders' equity.....	¥2,830,469	¥2,235,876	\$22,826,363

CONSOLIDATED STATEMENTS OF INCOME

Fuji Photo Film Co., Ltd. and Subsidiaries

	Year ended March 31			Year ended March 31
	2001	2000	1999	2001
	(Restated-Note 2) (Millions of yen)			(Thousands of U.S. dollars) (Note 3)
Net sales	¥1,440,389	¥1,401,791	¥1,437,810	\$11,616,040
Cost of sales.....	803,460	774,757	779,985	6,479,516
Gross profit.....	636,929	627,034	657,825	5,136,524
Operating expenses:				
Selling, general and administrative.....	408,053	397,374	407,751	3,290,750
Research and development	79,144	81,725	84,740	638,258
Operating income	149,732	147,935	165,334	1,207,516
Other income (expenses):				
Interest and dividend income.....	8,180	6,975	11,298	65,968
Interest expense	(11,093)	(9,957)	(11,994)	(89,460)
Exchange gains (losses), net.....	5,177	(1,987)	(9,455)	41,750
Gain on contribution of securities to employee retirement benefit trusts (Note 5).....	56,131	—	—	452,669
Other, net	(10,794)	(7,658)	(17,992)	(87,048)
	47,601	(12,627)	(28,143)	383,879
Income before income taxes.....	197,333	135,308	137,191	1,591,395
Income taxes (Note 11):				
Current	75,189	58,363	61,335	606,363
Deferred	11,346	4,279	8,087	91,500
	86,535	62,642	69,422	697,863
Income before equity in net earnings of affiliated companies	110,798	72,666	67,769	893,532
Equity in net earnings of affiliated companies	7,102	12,229	6,940	57,274
Net income.....	¥ 117,900	¥ 84,895	¥ 74,709	\$ 950,806
		(Yen)		(U.S. dollars) (Note 3)
Amounts per share of common stock:				
Net income	¥ 229.11	¥ 164.97	¥ 145.17	\$ 1.85
Cash dividends	22.50	22.50	22.50	0.18

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Fuji Photo Film Co., Ltd. and Subsidiaries

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
(Millions of yen)					
Balance at March 31, 1998					
(as originally reported)	¥ 40,363	¥ 68,135	¥ 1,304,578	¥ 17,418	¥ 1,430,494
Restatement <i>(Note 2)</i>	—	—	2,455	30,065	32,520
Balance at March 31, 1998 (as restated)	40,363	68,135	1,307,033	47,483	1,463,014
Comprehensive income:					
Net income.....	—	—	74,709	—	74,709
Net increase in unrealized gains on securities...	—	—	—	1,049	1,049
Foreign currency translation adjustments.....	—	—	—	(25,486)	(25,486)
Minimum pension liability adjustments.....	—	—	—	(12,451)	(12,451)
Net comprehensive income.....					37,821
Cash dividends applicable to earnings of the year.....	—	—	(11,578)	—	(11,578)
Balance at March 31, 1999 (restated)	40,363	68,135	1,370,164	10,595	1,489,257
Comprehensive income:					
Net income.....	—	—	84,895	—	84,895
Net increase in unrealized gains on securities...	—	—	—	35,877	35,877
Foreign currency translation adjustments.....	—	—	—	(30,663)	(30,663)
Minimum pension liability adjustments.....	—	—	—	7,341	7,341
Net comprehensive income.....					97,450
Cash dividends applicable to earnings of the year.....	—	—	(11,578)	—	(11,578)
Balance at March 31, 2000 (restated)	¥ 40,363	¥ 68,135	¥ 1,443,481	¥ 23,150	¥ 1,575,129
Comprehensive income:					
Net income.....	—	—	117,900	—	117,900
Net decrease in unrealized gains on securities..	—	—	—	(52,259)	(52,259)
Foreign currency translation adjustments.....	—	—	—	15,334	15,334
Minimum pension liability adjustments.....	—	—	—	(19,514)	(19,514)
Net comprehensive income.....					61,461
Cash dividends applicable to earnings of the year.....	—	—	(11,578)	—	(11,578)
Balance at March 31, 2001	¥ 40,363	¥ 68,135	¥ 1,549,803	¥ (33,289)	¥ 1,625,012

(Thousands of U.S. dollars) *(Note 3)*

Balance at March 31, 2000					
(as originally reported)	\$ 325,508	\$ 549,476	\$ 11,595,620	\$ (353,556)	\$ 12,117,048
Restatement <i>(Note 2)</i>	—	—	45,356	540,249	585,605
Balance at March 31, 2000 (as restated)	325,508	549,476	11,640,976	186,693	12,702,653
Comprehensive income:					
Net income.....	—	—	950,806	—	950,806
Net decrease in unrealized gains on securities..	—	—	—	(421,443)	(421,443)
Foreign currency translation adjustments.....	—	—	—	123,661	123,661
Minimum pension liability adjustments.....	—	—	—	(157,371)	(157,371)
Net comprehensive income.....					495,653
Cash dividends applicable to earnings of the year.....	—	—	(93,371)	—	(93,371)
Balance at March 31, 2001	\$325,508	\$549,476	\$12,498,411	\$(268,460)	\$13,104,935

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fuji Photo Film Co., Ltd. and Subsidiaries

	Year ended March 31			Year ended March 31
	2001	2000	1999	2001
	(Restated-Note 2) (Millions of yen)			(Thousands of U.S. dollars) (Note 3)
Operating activities				
Net income	¥117,900	¥ 84,895	¥ 74,709	\$ 950,806
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	99,241	102,990	106,217	800,331
Gain on contribution of securities to employee retirement benefit trusts	(56,131)	—	—	(452,669)
Deferred income taxes	11,346	4,279	8,087	91,500
Equity in net earnings of affiliated companies, less dividends	(2,853)	(7,980)	(1,813)	(23,008)
Changes in operating assets and liabilities:				
Notes and accounts receivable	(12,872)	(11,383)	(7,872)	(103,806)
Inventories	(25,125)	(8,805)	2,542	(202,621)
Notes and accounts payable—trade	(17,702)	30,024	(6,058)	(142,758)
Accrued income taxes	14,495	10,127	(28,204)	116,895
Other	11,677	8,158	9,551	94,169
Net cash provided by operating activities	139,976	212,305	157,159	1,128,839
Investing activities				
Payments for purchases of property, plant and equipment	(107,268)	(90,145)	(119,244)	(865,064)
Proceeds from sales and maturities of marketable and investment securities	84,746	29,983	66,353	683,435
Payments for purchases of marketable and investment securities	(93,039)	(38,371)	(69,431)	(750,314)
Decrease (increase) in investments in and advances to affiliated companies	1,537	1,763	(428)	12,395
Payments for acquisitions of businesses, net of cash acquired	(121,838)	—	(1,386)	(982,565)
Other	(23,930)	(11,122)	(14,877)	(192,984)
Net cash used in investing activities	(259,792)	(107,892)	(139,013)	(2,095,097)
Financing activities				
Proceeds from long-term debt	18,512	5,279	2,826	149,290
Repayments of long-term debt	(21,061)	(12,533)	(7,807)	(169,846)
Decrease in short-term debt	(60,497)	(6,036)	(11,505)	(487,879)
Cash dividends paid	(11,578)	(11,578)	(11,578)	(93,371)
Net cash used in financing activities	(74,624)	(24,868)	(28,064)	(601,806)
Effect of exchange rate changes on cash and cash equivalents	3,925	(5,371)	(4,588)	31,653
Net (decrease) increase in cash and cash equivalents	(190,515)	74,174	(14,506)	(1,536,411)
Cash and cash equivalents at beginning of year	656,781	582,607	597,113	5,296,621
Cash and cash equivalents at end of year	¥466,266	¥656,781	¥582,607	\$3,760,210

Supplemental disclosures of cash flow information

Cash paid for:

Interest	¥ 10,694	¥ 10,910	¥ 13,210	\$ 86,242
Income taxes	55,619	46,840	86,757	448,540

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fuji Photo Film Co., Ltd. and Subsidiaries March 31, 2001

1. Nature of operations

Fuji Photo Film Co., Ltd. (the "Company") is a multinational manufacturer of photographic products, with a growing involvement in imaging and information systems. The Company and its subsidiaries (collectively, the "Companies") operate throughout the world generating approximately 52% of their worldwide sales outside Japan, predominantly in North America and Europe. The Companies' principal businesses are Imaging Systems, Photofinishing Systems and Information Systems.

Imaging Systems, generating approximately 33% of the Companies' consolidated net sales, consists primarily of photographic film for amateurs and professionals, optical products, motion picture films, digital cameras and videotapes. Photofinishing Systems, generating approximately 25% of the Companies' consolidated net sales, consists primarily of photographic paper, photofinishing equipment and chemicals, as well as photographic developing and printing services. Information Systems, generating approximately 42% of the Companies' consolidated net sales, consists primarily of materials and equipment for graphic arts and printing, office automation and medical imaging systems, as well as miscellaneous industrial materials and data media.

Although sales are generated worldwide, the Companies' principal manufacturing operations are located in Japan, the United States of America, Brazil, Germany, the Netherlands, Singapore and China.

2. Summary of significant accounting policies

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

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

Principles of consolidation and accounting for investments in affiliated companies

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions which affect the amounts reported in the financial statements and accompanying notes. The actual results could differ from those estimates.

Foreign currency translations

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

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

Cash equivalents

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

Certificates of deposit purchased under resale agreements

The Company and its domestic subsidiaries enter into agreements with financial institutions to purchase and, within one month, to resell certain certificates of deposit at predetermined selling prices on specified dates. Such certificates are stated at cost which approximates market. The difference between the purchase cost and the predetermined selling price is accounted for as interest and is accrued on a straight-line basis.

Marketable securities and investment securities

During the current period, the Companies changed their method of accounting for certain investments in debt and equity securities and adopted Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” by retroactively restating prior years’ consolidated financial statements.

SFAS No. 115 requires that investments in debt and equity securities be classified into three categories: trading, available-for-sale and held-to-maturity. Under SFAS No. 115, the Companies’ debt and equity securities are classified as available-for-sale and are required to be accounted for at fair value, with unrealized gains and losses excluded from earnings and included in accumulated other comprehensive income (loss), a separate component of shareholders’ equity, on a net-of-tax basis.

Prior to the application of SFAS No. 115, marketable equity securities included in marketable securities (current) and investment securities (noncurrent) were valued at the lower of aggregate cost or market. Other current and noncurrent marketable securities were stated at the lower of cost or market. Other investments were stated at cost or less.

A summary of the effects of the restatement is presented in Note 18.

Inventories

Inventories are valued at the lower of cost or market with cost being determined principally by the moving-average method, except that the cost of certain raw materials is determined by the last-in, first-out method.

Property, plant and equipment and depreciation

Property, plant and equipment is carried at cost, less accumulated depreciation computed primarily by the declining-balance method and, for certain foreign subsidiaries, by the straight-line method over the estimated useful lives of the respective assets according to general classification, type of construction and use.

Machinery and equipment includes machines rented to customers under operating leases with a cost of ¥84,214 million (\$679,145 thousand) and accumulated depreciation of ¥50,778 million (\$409,500 thousand) as of March 31, 2001.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired, and other intangible assets principally consist of costs allocated to long-term product supply and photofinishing services agreements. Goodwill and other intangible assets are being amortized on a straight-line basis over the estimated period of benefit, the underlying contractual period, or a maximum of twenty years.

Accumulated amortization of goodwill and other intangible assets amounted to ¥17,139 million (\$138,218 thousand) and ¥24,906 million (\$200,855 thousand) at March 31, 2001 and ¥7,838 million and ¥19,503 million at March 31, 2000, respectively.

Impairment of long-lived assets

In the event that facts and circumstances indicate that the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset’s carrying amount to determine if a write-down is required. If this review indicates that the assets will not be recoverable, the carrying value of the Companies’ assets would be reduced to their estimated fair value.

Revenue

The Companies recognize revenue when it is realized or realizable and earned. The Companies consider revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the products or services have been provided to customers, the sales price is fixed or determinable, and collectibility is reasonably assured.

Shipping and handling costs

Shipping and handling costs of ¥35,890 million (\$289,435 thousand), ¥36,037 million and ¥38,302 million for the years ended March 31, 2001, 2000 and 1999, respectively, are included in selling, general and administrative expenses in the consolidated statements of income.

Advertising costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses. Advertising expenses amounted to ¥44,692 million (\$360,419 thousand), ¥40,191 million and ¥45,865 million for the years ended March 31, 2001, 2000 and 1999, respectively.

Income taxes

Deferred tax assets and liabilities are recognized for the expected future tax consequences of the temporary differences between the financial reporting and the tax bases of such assets and liabilities.

Derivative financial instruments

The Company and certain of its subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to fluctuations in foreign currency exchange rates and interest rates, but do not enter into such transactions for trading purposes. Gains or losses on hedging contracts are recognized concurrently with the recognition of the economic impact of the underlying exposure by either the accrual or the deferral method of accounting.

The accrual method is used for interest rate swaps and cross currency interest rate swaps. In order to qualify for the accrual method, the derivative must be designated and effective as a hedge. Interest differentials paid or received under interest rate swaps and cross currency interest rate swaps are reported as accrued interest receivable or payable. Interest expense is recognized over the lives of the contracts as adjustments to the effective yield of the underlying debt.

The deferral method is used for forward foreign exchange contracts. In order to qualify for the deferral method, the derivative must be designated and effective as a hedge. Gains or losses on forward foreign exchange contracts entered into for the purpose of hedging firm foreign currency commitments are deferred and included in the measurement of the hedged transactions. Gains or losses on forward foreign exchange contracts entered into for the purpose of hedging existing receivables or payables are recognized in income, and are offset against foreign exchange differences on the underlying receivables or payables. Discounts or premiums on such contracts are amortized over the lives of the contracts, and are included in determining net income.

Net income per share

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

Reclassifications

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

New accounting standards

In June 1998, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and 138 in June 1999 and June 2000, respectively. These statements, which were required to be adopted for fiscal years beginning after June 15, 2000, require all derivatives to be recorded on the balance sheet at fair value. The statements also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of derivatives either be offset against the change in fair value of assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of change in a derivative's fair value must be immediately recognized in earnings.

The Companies will adopt provisions of SFAS No.133, as amended, on April 1, 2001, which will result in an immaterial impact on the Companies' consolidated results of operations and financial position.

3. U.S. dollar amounts

Solely for the convenience of the reader and as a matter of arithmetical computation only, the 2001 amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars at the rate of ¥124=U.S.\$1.00, the exchange rate prevailing on March 31, 2001. 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. Cash and cash equivalents

Cash and cash equivalents at March 31, 2001 and 2000 consisted of the following:

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Cash.....	¥ 95,884	¥ 55,020	\$ 773,258
Time deposits.....	275,722	507,905	2,223,564
Short-term investments.....	11,107	315	89,573
	<u>382,713</u>	563,240	<u>3,086,395</u>
Certificates of deposit purchased under resale agreements.....	83,553	93,541	673,815
	<u>¥466,266</u>	¥656,781	<u>\$3,760,210</u>

5. Investments in debt and equity securities

The cost, gross unrealized gains, gross unrealized losses and estimated fair value of the available-for-sale securities by major security type at March 31, 2001 and 2000 are summarized as follows:

	2001			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(Millions of yen)			
Marketable securities:				
Corporate securities.....	¥ 11,043	¥ 2	¥ 26	¥ 11,019
Investment securities:				
Government securities.....	¥ 66	¥ 9	¥ —	¥ 75
Corporate securities.....	149,740	700	2,976	147,464
Equity securities.....	35,220	41,194	3,452	72,962
	<u>¥185,026</u>	<u>¥41,903</u>	<u>¥6,428</u>	<u>¥220,501</u>
	2000			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(Millions of yen)			
Marketable securities:				
Government securities.....	¥ 46	¥ 9	¥ —	¥ 55
Corporate securities.....	145,374	98	—	145,472
Equity securities.....	1,813	74,576	—	76,389
	<u>¥147,233</u>	<u>¥74,683</u>	¥ —	<u>¥221,916</u>
Investment securities:				
Corporate securities.....	¥ 9,377	¥ —	¥ —	¥ 9,377
Other debt securities.....	3,768	—	—	3,768
Equity securities.....	30,058	51,815	670	81,203
	<u>¥ 43,203</u>	<u>¥51,815</u>	<u>¥670</u>	<u>¥ 94,348</u>
	2001			
	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(Thousands of U.S. dollars)			
Marketable securities:				
Corporate securities.....	\$ 89,056	\$ 16	\$ 209	\$ 88,863
Investment securities:				
Government securities.....	\$ 532	\$ 73	\$ —	\$ 605
Corporate securities.....	1,207,581	5,645	24,000	1,189,226
Equity securities.....	284,032	332,210	27,839	588,403
	<u>\$1,492,145</u>	<u>\$337,928</u>	<u>\$51,839</u>	<u>\$1,778,234</u>

The difference between the amounts disclosed above for investment securities and the amounts on the balance sheet are due to certain non-listed equity securities which are carried at cost or less.

Proceeds from and gross realized gains and losses on sales of available-for-sale securities for each of the three years in the period ended March 31, 2001 were insignificant, except for the contribution of certain equity securities to employee retirement benefit trusts as explained in the following paragraphs. The cost of securities sold is based on the moving-average method.

During the current period, the Company and a subsidiary contributed certain marketable equity securities, none of which were those of its subsidiaries or affiliated companies, to employee retirement benefit trusts, with no cash proceeds received. The fair value of these securities at the time of contribution was ¥57,656 million (\$464,968 thousand). Upon contribution of these available-for-sale securities, the net unrealized gain of ¥56,131 million (\$452,669 thousand) was realized and was disclosed as "gain on contribution of securities to employee retirement benefit trusts" in the consolidated statements of income. Because the unrealized gain, net of tax, had previously been recorded as accumulated other comprehensive income, the contribution did not impact the amount of comprehensive income.

Net unrealized holding gains on available-for-sale securities, net of the related taxes, decreased by ¥52,259 million (\$421,443 thousand) for the year ended March 31, 2001 and increased by ¥35,877 million and ¥1,049 million for the years ended March 31, 2000 and 1999, respectively.

The cost and estimated fair value of debt and marketable equity securities at March 31, 2001, by contractual maturity, are shown below. The expected maturities may differ from the contractual maturities because the issuers of the securities may have the right to prepay the obligations without penalties.

	Cost	Estimated fair value	Cost	Estimated fair value
	(Millions of yen)		(Thousands of U.S. dollars)	
Due in one year or less	¥ 11,043	¥ 11,019	\$ 89,056	\$ 88,863
Due after one year through five years	114,223	113,946	921,153	918,920
Due after five years through ten years.....	35,583	33,593	286,960	270,911
	160,849	158,558	1,297,169	1,278,694
Equity securities.....	35,220	72,962	284,032	588,403
	<u>¥196,069</u>	<u>¥231,520</u>	<u>\$1,581,201</u>	<u>\$1,867,097</u>

6. Finance receivables

Finance receivables represent receivables recorded on sales-type leases resulting from the marketing of the Companies' business machines. The current portion of finance receivables and amounts due after one year as of March 31, 2001 are included in notes and accounts receivable—trade and finance and long-term finance and other receivables, respectively. These receivables generally mature over 2 to 5 years. The components of finance receivables as of March 31, 2001 are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Gross receivables	¥91,601	\$738,718
Unearned income.....	(14,487)	(116,831)
Unguaranteed residual amounts.....	433	3,492
Finance receivables, net.....	77,547	625,379
Current portion.....	(26,113)	(210,589)
Amounts due after one year, net.....	<u>¥51,434</u>	<u>\$414,790</u>

An allowance is provided for doubtful accounts in the amount of ¥1,163 million (\$9,379 thousand) and ¥1,033 million (\$8,331 thousand) for the current and non-current portions, respectively.

The future minimum lease payments to be received under sales-type leases as of March 31, 2001 are summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Year ending March 31:		
2002	¥32,672	\$263,484
2003	25,913	208,976
2004	18,605	150,040
2005	10,886	87,790
2006	3,468	27,968
2007 and thereafter	57	460
Total future minimum lease payments	<u>¥91,601</u>	<u>\$738,718</u>

7. Inventories

Inventories at March 31, 2001 and 2000 consisted of the following:

	2001 (Millions of yen)	2000	2001 (Thousands of U.S. dollars)
Finished goods	¥218,507	¥125,680	\$1,762,153
Work in process	67,399	51,231	543,540
Raw materials and supplies	68,415	54,123	551,734
	<u>¥354,321</u>	<u>¥231,034</u>	<u>\$2,857,427</u>

8. Investments in affiliated companies

Investments in affiliated companies accounted for by the equity method amounted to ¥39,901 million (\$321,782 thousand) and ¥167,332 million at March 31, 2001 and 2000, respectively (see Note 17, "Purchase of additional interest in Fuji Xerox"). The combined financial position and results of operations of the Companies' affiliates accounted for by the equity method are summarized as follows:

	2001 (Millions of yen)	2000	2001 (Thousands of U.S. dollars)
Current assets	¥158,408	¥467,121	\$1,277,484
Non-current assets	82,253	425,675	663,331
Total assets	<u>¥240,661</u>	<u>¥892,796</u>	<u>\$1,940,815</u>
Current liabilities	¥123,870	¥381,553	\$ 998,952
Long-term liabilities	40,361	171,379	325,492
Shareholders' equity	76,430	339,864	616,371
Total liabilities and shareholders' equity	<u>¥240,661</u>	<u>¥892,796</u>	<u>\$1,940,815</u>

	2001	2000	1999	2001 (Thousands of U.S. dollars)
Net sales	¥1,166,807	¥1,186,814	¥1,175,858	\$9,409,734
Net income	15,793	23,230	14,488	127,363

Transactions with affiliated companies for the years ended March 31, 2001, 2000 and 1999 are summarized as follows:

	2001	2000	1999	2001
	(Millions of yen)			(Thousands of U.S. dollars)
Sales	¥134,141	¥145,910	¥149,869	\$1,081,782
Purchases	40,433	34,509	31,635	326,073
Dividends received	4,249	4,249	5,127	34,266

Customers' guarantee deposits received from affiliated companies amounted to ¥17,288 million (\$139,419 thousand) and ¥17,135 million at March 31, 2001 and 2000, respectively.

9. Short-term debt and long-term debt

Short-term debt includes export bills payable, notes payable, commercial paper and the current portion of long-term debt. The weighted-average interest rates per annum on short-term debt outstanding at March 31, 2001 and 2000 were 2.93% and 3.77%, respectively. Short-term debt is principally unsecured.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Loans from banks due 2002 to 2018, with interest rates ranging from 0.67% to 8.75% per annum:			
Secured	¥ 3,652	¥ 3,439	\$ 29,451
Unsecured	52,774	13,266	425,597
Medium-term notes due 2002 to 2013, payable principally in Japanese yen, with fixed and floating interest rates ranging from 0.73% to 7.15%	43,339	22,259	349,508
Unsecured bonds:			
1.99% yen bonds, due 2011	10,000	—	80,645
1.63% yen bonds, due 2008	5,000	—	40,323
Other	2,590	2,428	20,887
	117,355	41,392	946,411
Portion due within one year	(36,109)	(20,495)	(291,201)
	¥ 81,246	¥20,897	\$655,210

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Year ending March 31:		
2002	¥ 36,109	\$291,201
2003	13,824	111,484
2004	18,864	152,129
2005	4,267	34,411
2006	16,546	133,436
2007 and thereafter	27,745	223,750
	¥117,355	\$946,411

At March 31, 2001, certain loans were secured by machinery and equipment with a net book value of ¥3,927 million (\$31,669 thousand).

10. Pension and severance plans

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

The Company and certain of its domestic subsidiaries have non-contributory defined benefit pension plans funded through a trust bank and insurance companies. The funding policy is to make actuarially determined contributions to provide the plans with sufficient assets to meet future benefit payment requirements. Effective January 1, 2001, the Company made certain amendments to the plans, which resulted in a decrease in its benefit obligation of ¥6,356 million (\$51,258 thousand).

The Company and certain of its domestic subsidiaries also have a defined benefit pension plan covering substantially all of their employees. The pension plan consists of two portions: a governmental welfare contributory plan (which would otherwise be provided by the Japanese government) and an additional non-contributory defined benefit plan. The pension benefits are determined based on years of service and compensation as stipulated in the pension plan's regulations. This plan is funded in conformity with the requirements of the Welfare Pension Insurance Law of Japan. During the years ended March 31, 2001 and 2000, the Company made certain amendments, which resulted in a decrease in the benefit obligation of ¥6,576 million (\$53,032 thousand) and ¥19,266 million, respectively.

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

The aggregate charges to income for severance indemnities and pension costs amounted to ¥20,671 million (\$166,702 thousand), ¥21,784 million and ¥19,104 million for the years ended March 31, 2001, 2000 and 1999, respectively.

Components of net periodic benefit cost for the years ended March 31, 2001, 2000 and 1999, and reconciliations of the beginning and ending balances of the benefit obligation and the fair value of the plan assets, the funded status and the amounts recognized in the consolidated balance sheets of the non-contributory and contributory defined benefit pension plans at March 31, 2001 and 2000 are outlined as follows:

	2001	2000	1999	2001
	(Millions of yen)			(Thousands of U.S. dollars)
Components of net periodic benefit cost:				
Service cost	¥13,542	¥12,340	¥10,042	\$109,210
Interest cost	11,049	12,912	13,056	89,105
Expected return on plan assets.....	(7,532)	(7,832)	(6,016)	(60,742)
Recognized net actuarial loss.....	3,150	2,403	139	25,403
Amortization of prior service cost (credit)	(1,385)	32	421	(11,169)
Amortization of net unrecognized transition obligation.....	482	490	487	3,887
Net periodic benefit cost	<u>¥19,306</u>	<u>¥20,345</u>	<u>¥18,129</u>	<u>\$155,694</u>

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Changes in benefit obligation:			
Benefit obligation at beginning of year	¥ 367,724	¥358,409	\$2,965,516
Service cost	13,542	12,340	109,210
Interest cost.....	11,049	12,912	89,105
Plan participants' contributions	1,461	1,744	11,782
Plan amendments	(12,932)	(19,266)	(104,290)
Actuarial loss	6,153	16,276	49,620
Acquisition	397,160	—	3,202,903
Benefits paid.....	(10,094)	(13,904)	(81,403)
Foreign currency translation	(144)	(787)	(1,161)
Benefit obligation at end of year	773,919	367,724	6,241,282
Changes in plan assets:			
Fair value of plan assets at beginning of year	238,634	200,312	1,924,468
Actual return (loss) on plan assets	(18,564)	23,119	(149,710)
Acquisition	246,296	—	1,986,258
Employers contributions	77,195	23,829	622,540
Plan participants' contributions	1,461	1,744	11,782
Benefits paid.....	(9,396)	(9,753)	(75,774)
Foreign currency translation	(140)	(617)	(1,129)
Fair value of plan assets at end of year.....	535,486	238,634	4,318,435
Funded status	(238,433)	(129,090)	(1,922,847)
Unrecognized net actuarial loss	177,600	75,419	1,432,258
Unrecognized prior service credit	(24,753)	(11,205)	(199,621)
Unrecognized net transition obligation.....	6,605	3,212	53,266
Net amount recognized.....	¥ (78,981)	¥(61,664)	\$ (636,944)
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	¥(130,957)	¥(71,488)	\$(1,056,105)
Additional minimum liability adjustments:			
Intangible asset.....	4,338	1,013	34,984
Deferred tax assets—non-current	20,007	3,701	161,347
Accumulated other comprehensive loss, net of tax.....	27,631	5,110	222,830
Net amount recognized.....	¥ (78,981)	¥(61,664)	\$ (636,944)

The weighted-average assumptions used in accounting for the plans at March 31, 2001 and 2000 are as follows:

	2001	2000
Discount rate	3.00%	3.00%
Long-term rate of salary increases	2.50%	2.50%
Expected long-term rate of return on plan assets	3.47%	3.53%

11. Income taxes

The Company and its domestic subsidiaries are subject to a number of different income taxes which, in the aggregate, resulted in statutory tax rates of approximately 42% for the years ended March 31, 2001 and 2000 and 47% for the year ended March 31, 1999. Based on the reductions in statutory income tax rates enacted in 1999, the Companies' net deferred tax assets at March 31, 1999 were reduced by ¥895 million.

A reconciliation of the differences between the statutory tax rates and the effective tax rates is as follows:

	2001	2000	1999
Statutory tax rates	42.0%	42.0%	47.0%
Increase (decrease) in income taxes resulting from:			
Current operating losses of subsidiaries with no tax benefit	0.6	0.1	3.2
Income tax credits	(0.6)	(1.4)	(1.6)
Changes in tax rates	—	—	0.7
Deferred tax liabilities on undistributed earnings	1.1	3.4	0.1
Other	0.8	2.2	1.2
Effective tax rates	<u>43.9%</u>	46.3%	50.6%

The significant components of deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Inventories—intercompany profits and write-downs	¥ 30,568	¥21,915	\$246,516
Depreciation	11,032	7,408	88,968
Accrued expenses	16,232	8,270	130,903
Accrued pension and severance costs	8,304	12,053	66,968
Minimum pension liability adjustments	20,007	3,701	161,347
Accrued enterprise tax	4,222	2,202	34,048
Tax loss carryforwards	3,045	3,705	24,556
Other	19,690	9,792	158,790
	<u>113,100</u>	69,046	<u>912,096</u>
Less valuation allowance	(3,185)	(4,109)	(25,685)
Total deferred tax assets	<u>109,915</u>	64,937	<u>886,411</u>
Deferred tax liabilities:			
Depreciation	13,336	9,142	107,548
Taxes on undistributed earnings	7,546	5,120	60,855
Unrealized gain on available-for-sale securities	14,889	52,848	120,073
Other	4,328	5,007	34,903
Total deferred tax liabilities	<u>40,099</u>	72,117	<u>323,379</u>
Net deferred tax assets (liabilities)	<u>¥ 69,816</u>	¥(7,180)	<u>\$563,032</u>

The valuation allowance relates primarily to the deferred tax assets of certain subsidiaries which have net operating loss carryforwards for tax purposes. The net decreases in the total valuation allowance were ¥924 million (\$7,452 thousand), ¥348 million and ¥3,254 million for the years ended March 31, 2001, 2000 and 1999, respectively.

Deferred tax assets and liabilities at March 31, 2001 and 2000 are included in the consolidated balance sheets as follows:

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred income taxes (current assets).....	¥56,079	¥ 4,089	\$452,250
Deferred income taxes (other assets).....	31,916	157	257,387
Other current liabilities.....	(496)	(509)	(4,000)
Deferred income taxes (non-current liabilities).....	(17,683)	(10,917)	(142,605)
Net deferred tax assets (liabilities).....	¥69,816	¥ (7,180)	\$563,032

At March 31, 2001, certain subsidiaries had net operating loss carryforwards for income tax purposes of ¥8,955 million (\$72,218 thousand) of which ¥6,906 million (\$55,694 thousand) will be carried forward indefinitely and ¥2,049 million (\$16,524 thousand) will expire through 2006. These net operating loss carryforwards are available to offset future taxable income of the subsidiaries.

12. Shareholders' equity

The Commercial Code of Japan provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until such reserve equals 25% of the common stock account. Legal reserves included in retained earnings as of March 31, 2001 and 2000 were ¥14,131 million (\$113,960 thousand) and ¥11,075 million and are restricted to be used as dividends.

The appropriation of retained earnings for the year ended March 31, 2001, which has been reflected in the consolidated financial statements, will be proposed for approval in accordance with the Commercial Code at the general shareholders' meeting to be held on June 28, 2001, and will subsequently be recorded in the Company's statutory books of account.

13. Other comprehensive income (loss)

Accumulated other comprehensive income (loss) as reflected in the consolidated balance sheets at March 31, 2001 and 2000 is summarized as follows:

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Unrealized holding gains on securities.....	¥ 14,732	¥66,991	\$ 118,806
Foreign currency translation adjustments.....	(23,397)	(38,731)	(188,685)
Minimum pension liability adjustments.....	(24,624)	(5,110)	(198,581)
	¥(33,289)	¥23,150	\$(268,460)

The related tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2001, 2000 and 1999 are as follows:

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
(Millions of yen)			
2001			
Unrealized gains on securities:			
Decrease in unrealized holding gains on securities	¥ (34,847)	¥14,703	¥(20,144)
Less: reclassification adjustment for gains realized in net income	(55,371)	23,256	(32,115)
Net decrease in unrealized gains	(90,218)	37,959	(52,259)
Foreign currency translation adjustments	15,662	(328)	15,334
Minimum pension liability adjustments	(35,820)	16,306	(19,514)
	<u>¥(110,376)</u>	<u>¥53,937</u>	<u>¥(56,439)</u>

2000

Unrealized gains on securities:			
Increase in unrealized holding gains on securities	¥ 60,894	¥(25,628)	¥ 35,266
Less: reclassification adjustment for loss realized in net income	1,054	(443)	611
Net increase in unrealized gains	61,948	(26,071)	35,877
Foreign currency translation adjustments	(31,857)	1,194	(30,663)
Minimum pension liability adjustments	10,846	(3,505)	7,341
	<u>¥ 40,937</u>	<u>¥(28,382)</u>	<u>¥ 12,555</u>

1999

Unrealized gains on securities:			
Decrease in unrealized holding gains on securities	¥ (6,379)	¥ 2,992	¥ (3,387)
Less: reclassification adjustment for loss realized in net income	8,370	(3,934)	4,436
Net increase in unrealized gains	1,991	(942)	1,049
Foreign currency translation adjustments	(25,780)	294	(25,486)
Minimum pension liability adjustments	(19,657)	7,206	(12,451)
	<u>¥ (43,446)</u>	<u>¥ 6,558</u>	<u>¥(36,888)</u>

	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
(Thousands of U.S. dollars)			

2001

Unrealized gains on securities:			
Decrease in unrealized holding gains on securities	\$(281,024)	\$118,573	\$(162,451)
Less: reclassification adjustment for gains realized in net income	(446,540)	187,548	(258,992)
Net decrease in unrealized gains	(727,564)	306,121	(421,443)
Foreign currency translation adjustments	126,306	(2,645)	123,661
Minimum pension liability adjustments	(288,871)	131,500	(157,371)
	<u>\$(890,129)</u>	<u>\$434,976</u>	<u>\$(455,153)</u>

14. Lease commitments

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

The future minimum lease payments required under operating leases which, at March 31, 2001, had initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Year ending March 31:		
2002	¥11,591	\$ 93,476
2003	8,590	69,274
2004	6,254	50,435
2005	4,302	34,694
2006	3,293	26,557
2007 and thereafter.....	8,325	67,137
Total future minimum lease payments.....	<u>¥42,355</u>	<u>\$341,573</u>

Rental expenses under operating leases for the years ended March 31, 2001, 2000 and 1999 were ¥24,369 million (\$196,524 thousand), ¥23,286 million and ¥28,120 million, respectively.

15. Commitments and contingent liabilities

Commitments outstanding at March 31, 2001 principally for the construction and purchase of property, plant and equipment amounted to ¥6,585 million (\$53,105 thousand).

Contingent liabilities at March 31, 2001 principally for guarantees of indebtedness of others amounted to ¥74,177 million (\$598,202 thousand).

Due to the nature of its business, the Companies are subject to various threatened or filed legal actions. Although the amount of the ultimate exposure, if any, cannot be determined at this time, the Company, based upon the advice of counsel, does not expect the final outcome of any threatened or filed suits to have a material adverse effect on its financial position.

16. Financial instruments***Derivative financial instruments***

The Companies operate internationally, and are thus exposed to market risks arising from fluctuations in foreign currencies and interest rates. The Companies utilize derivative financial instruments solely to reduce these risks and do not hold or issue these instruments for trading purposes. The counterparties to these derivative transactions are financial institutions with high credit ratings and, consequently, the Companies do not anticipate credit-related losses from nonperformance by the counterparties to transactions involving derivative financial instruments.

Debt-related derivative instruments

Certain of the Company's subsidiaries have entered into various interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts related to debt. These financial instruments have the effect of changing the interest rate and currency of the original borrowings with the objective of minimizing the subsidiaries' borrowing costs. Most derivatives are integrated as part of the structured debt transactions, and are entered into at the dates of the borrowings and have the same maturities as the underlying debt. The notional principal amounts of such debt-related derivative instruments were ¥78,851 million (\$635,895 thousand) and ¥44,371 million at March 31, 2001 and 2000, respectively.

Nondebt-related derivative instruments

The Companies have entered into forward foreign exchange or currency swap contracts to hedge existing assets and liabilities denominated in foreign currencies. Changes in the value of these contracts are expected to offset the foreign exchange gains and losses of the underlying assets or liabilities being hedged. The notional principal amounts outstanding for these non debt-related currency instruments were ¥50,382 million (\$406,306 thousand) and ¥8,292 million at March 31, 2001 and 2000, respectively, and substantially all these derivative instruments have maturities of less than six months. The notional principal amounts of forward foreign exchange contracts entered into to hedge firm sale or purchase commitments denominated in foreign currencies and the related hedging gains or losses which have been deferred were insignificant at March 31, 2001 and 2000.

Fair value of financial instruments

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. Although management uses its best judgment in estimating the fair value of such instruments, the methodologies and assumptions for the estimate of fair value are inherently subjective. Consequently, the estimates are not necessarily indicative of the amounts which could be realized or would be paid in a current market exchange. The following methodologies and assumptions were used by the Company in estimating the fair value of its financial instruments:

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

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

Advances, Long-term receivables, Customers' guarantee deposits: The carrying amounts approximate fair value because they are variable rate instruments.

Long-term debt: The fair value of long-term debt is estimated using discounted cash flow analyses based on the current incremental borrowing rates for similar types of borrowing arrangements.

Interest rate swap agreements: The fair value of interest rate swaps is based on the discounted cash flows of the differentials of interest to be paid or received.

Forward foreign exchange contracts: The fair value of forward foreign exchange contracts is estimated based on quoted market prices for contracts with similar terms.

Summarized below are the carrying amount and estimated fair value of the Companies' financial instruments at March 31, 2001 and 2000; amounts in parentheses represent liabilities. The estimated fair value of other financial instruments not appearing in the table below approximates their carrying amounts.

	2001		2000		2001	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(Millions of yen)				(Thousands of U.S. dollars)	
Long-term debt.....	¥(118,579)	¥(122,119)	¥(44,812)	¥(45,046)	\$ (956,282)	\$ (984,830)
Debt-related derivative instruments:						
Forward foreign exchange and currency swaps	1,224	626	3,420	3,452	9,871	5,048
Interest rate swaps	—	2,001	—	209	—	16,137
Net long-term debt (<i>Note 9</i>)	¥(117,355)	¥(119,492)	¥(41,392)	¥(41,385)	\$ (946,411)	\$ (963,645)

17. Purchase of additional interest in Fuji Xerox

On March 30, 2001, the Company purchased an additional 25% of the outstanding shares in Fuji Xerox Co., Ltd. ("Fuji Xerox") for ¥160,000 million (\$1,290,323 thousand). Fuji Xerox originated as a Japanese joint venture owned by the Company and Xerox Limited of the United Kingdom. The principal business of Fuji Xerox is the manufacturing and selling of office automation equipment such as copiers and low-end laser printers, collectively referred to as the Document Service Business, and other businesses which include logistics and educational services.

As a result of the acquisition of additional shares, the Company's ownership interest increased to 75% and Fuji Xerox became a consolidated subsidiary of the Company. The acquisition of the additional interest in Fuji Xerox was accounted for as a purchase. The acquisition cost was allocated to the percentage of the fair value of the assets and liabilities acquired. The excess of the acquisition cost over the fair value of the net assets acquired of ¥85,756 million (\$691,581 thousand) was recognized as goodwill. Goodwill resulting from this acquisition will be amortized on a straight-line basis over a 20-year period.

Prior to the acquisition, the Company owned a 50% interest in Fuji Xerox and accounted for the investment using the equity method. The following unaudited consolidated pro forma information is intended to present the Companies' consolidated results of operations for the years ended March 31, 2001 and 2000 as though the acquisition of the additional interest in Fuji Xerox was made as of April 1, 1999. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations that may occur in the future or that would have occurred had the acquisition of Fuji Xerox been affected on the date indicated.

	2001	2000	2001
	(Millions of yen)		(Thousands of U.S. dollars)
Net sales	¥2,336,194	¥2,284,366	\$18,840,274
Net income	116,497	85,926	939,492
		(Yen)	(U.S. dollars)
Net income per share of common stock	¥226.38	¥166.97	\$1.83

18. Restatement of financial statements

During the year ended March 31, 2001, the Companies adopted SFAS No. 115 retroactively and restated the consolidated financial statements for prior periods. The following table presents a summary of the effects of the restatements on the consolidated financial statements for the years ended March 31, 2000 and 1999. There was no effect on net income reported for the year ended March 31, 2000.

	March 31, 2000	
	As previously reported	As restated
	(Millions of yen)	
Marketable securities	¥ 147,233	¥ 221,916
Deferred income taxes (current assets)	35,456	4,089
Investment securities	62,821	113,966
Deferred income taxes (other assets)	21,638	157
Minority interests in subsidiaries	22,318	22,683
Retained earnings	1,437,857	1,443,481
Net unrealized gain on securities included in accumulated other comprehensive income (loss)	—	66,991
Comprehensive income	61,573	97,450
	March 31, 1999	
	As previously reported	As restated
	(Millions of yen)	
Comprehensive income	¥33,603	¥37,821
Net income (due to a change in enacted tax rates)	71,540	74,709
		(Yen)
Net income per share	¥139.02	¥145.17

REPORT OF INDEPENDENT AUDITORS



■ Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641

■ Phone: 03 3503-1191
Fax: 03 3503-1277

The Board of Directors
Fuji Photo Film Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fuji Photo Film Co., Ltd. and subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of Fuji Photo Film U.S.A., Inc. or the financial statements of Fuji Photo Film, Inc., wholly-owned subsidiaries, or the consolidated balance sheet of Fuji Xerox Co., Ltd., which became a majority owned consolidated subsidiary on March 30, 2001. Such statements, in the aggregate, reflect total assets constituting 39% and 12% of the consolidated totals at March 31, 2001 and 2000, respectively, and net sales constituting 20%, 19% and 19% of the consolidated totals for the years ended March 31, 2001, 2000 and 1999, respectively. We also did not audit the consolidated balance sheet of Fuji Xerox Co., Ltd., which until March 30, 2001 was a 50%-owned company accounted for using the equity method of accounting, at March 31, 2000 or its consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years ended March 31, 2001, 2000 and 1999. The investment in Fuji Xerox Co., Ltd. represents 10% of the consolidated net assets at March 31, 2000 and the equity in net income of Fuji Xerox Co., Ltd. represents 5%, 12% and 7% of the consolidated net income for the years ended March 31, 2001, 2000 and 1999, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the data included for Fuji Photo Film U.S.A., Inc., Fuji Photo Film, Inc. and Fuji Xerox Co., Ltd., is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

The Company has not presented segment information for each of the three years in the period ended March 31, 2001. In our opinion, presentation of segment information is required under accounting principles generally accepted in the United States of America for a complete presentation of the Company's consolidated financial statements.

In our report dated May 10, 2000, we expressed an opinion that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fuji Photo Film Co., Ltd. and subsidiaries at March 31, 2000, and the consolidated results of their operations and their cash flows for each of the two years in the period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States of America, except for the effects of departure from Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities," in accounting for certain investments in debt and equity securities as well as the omission of segment information discussed in the previous paragraph. As described in Notes 2 and 18, the Company has applied SFAS No. 115 and restated prior years' consolidated financial statements to conform to the requirements of SFAS No. 115. Accordingly, our present opinion on the prior years' consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, based on our audits and the reports of the other auditors, except for the omission of segment information as discussed in a preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Photo Film Co., Ltd. and subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

We have also reviewed the translation of the 2001 consolidated financial statements into U.S. dollars on the basis described in Note 3. In our opinion, such U.S. dollar amounts have been translated on such basis.

May 2, 2001

GLOBAL NETWORK

(As of March 31, 2001)

Principal Overseas Subsidiaries and Affiliated Companies

NORTH AMERICA

Canada

Fuji Photo Film Canada Inc.

275 Britannia Road East, Mississauga,
Ontario, L4Z 2E7, Canada

Fuji Graphic Systems Canada Inc.

6425 Airport Road, Mississauga,
Ontario, L4V 1E4, Canada

U.S.A.

Fuji Photo Film U.S.A., Inc.

555 Taxter Road, Elmsford, NY 10523, U.S.A.

Fuji Photo Film Hawaii, Inc.

1650 Kalakaua Avenue, Honolulu, HI 96826, U.S.A.

FUJIFILM Medical Systems U.S.A., Inc.

419 West Avenue, Stamford, CT 06902, U.S.A.

Fuji Photo Film, Inc.

211 Pucketts Ferry Road, Greenwood, SC 29649, U.S.A.

FUJIFILM Microdisks U.S.A., Inc.

45 Crosby Drive, Bedford, MA 01730, U.S.A.

Fuji Hunt Photographic Chemicals, Inc.

40 Boroline Road, Allendale,
New Jersey 07401, U.S.A.

SOUTH AMERICA

Brazil

Fuji Photo Film do Brasil Ltda.

Avenida Vereador José Diniz 3400, Campo Belo,
São Paulo-SP, Brazil CEP-04604-901

EUROPE

Belgium

FUJIFILM Medical Systems Benelux N.V.

Europark-Noord 25, B-9100 Sint-Niklaas, Belgium

Fuji Hunt Photographic Chemicals, N.V.

Europark-Noord 21-22, B-9100 Sint-Niklaas, Belgium

France

FUJIFILM France S.A.

Parc d'Activités du Pas-du-Lac-2, Avenue Franklin,
78186 St. Quentin-En-Yvelines Cedex, France

Fuji Graphic Systems France S.A.

Parc d'Activités Gustave Eiffel, 13 Avenue Gutenberg BP
20-Bussy Saint-Georges 77607,
Marne La Vallée Cedex 03, France

Germany

Fuji Photo Film (Europe) GmbH

Heesenstrasse 31, 40549 Düsseldorf, Germany

Fuji Magnetics GmbH

Fujistrasse 1, D-47533 Kleve, Germany

The Netherlands

Fuji Photo Film B.V.

Industrieterrein Vossenbergh, Oudenstaart 1,
5047 TK Tilburg, The Netherlands

Spain

FUJIFILM España, S.A.

Aragon, 180, 08011-Barcelona, Spain

U.K.

Fuji Photo Film (U.K.) Ltd.

Fujifilm House, 125 Finchley Road, Swiss Cottage,
London NW3 6HY, U.K.

FUJIFILM Electronic Imaging Ltd.

Fujifilm House, Boundary Way,
Hemel Hempstead, Herts HP2 7RH, U.K.

ASIA

Malaysia

Fuji Photo Film (Malaysia) Sdn. Bhd.

Letter Box 3, 3rd Floor, Office Block 1, Crystal Plaza,
Lot 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor
Darul Ehsan, Malaysia

PRC

FUJIFILM Imaging Systems (Suzhou) Co., Ltd.

138 Chang Jiang Road, New District, Suzhou, Jiangsu, PRC

Singapore

Fuji Photo Film (Singapore) Pte Ltd

10 New Industrial Road, Fujifilm Building, Singapore 536201

Fuji Hunt Photographic Chemicals, Pte. Ltd.

15 Tuas Avenue 7, Singapore 639270

Thailand

Fuji Photo Film (Thailand) Ltd.

S.P. Building, 8th Floor, 388 Phaholyothin Road,
Samsennai, Phayathai, Bangkok 10400, Thailand

Principal Overseas Offices

Fuji Photo Film Co., Ltd., Sydney Representative Office

c/o Hanimex Pty. Limited, 114 Old Pittwater Road,
Brookvale, N.S.W. 2100, Australia

Fuji Photo Film Co., Ltd., Hong Kong Office

Room 916, Sun Plaza, 28 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Fuji Photo Film Co., Ltd., Seoul Office

505-19, Kasan-Dong, Kunchon-Gu, Seoul,
Korea 152-020

Fuji Photo Film Co., Ltd., Manila Office

c/o YKL Development & Trading Corporation, 24 Sto.
Domingo St., Quezon City, Metro Manila, Philippines

Fuji Photo Film Co., Ltd., Beijing Representative Office

Fortune Building, No. 817, 5, Dong Sanhuan Bei-lu,
Chaoyang District, Beijing, PRC 100004

Fuji Photo Film Co., Ltd., Taipei Office

Room 601, Hung Chong Building, No. 38, Sec. 6,
Min Chuan E. Road, Taipei 11412, Taiwan

Fuji Photo Film Co., Ltd., Dubai Office

No. 4G-14, L.O.B. No. 4, P.O. Box 17212, Jebel Ali,
Dubai, U.A.E.

PRINCIPAL CONSOLIDATED SUBSIDIARIES

(As of March 31, 2001)

JAPAN

Fuji Photo Optical Co., Ltd.
Mito Fuji Koki Co., Ltd.
Sano Fuji Koki Co., Ltd.
Okaya Fuji Koki Co., Ltd.
FUJIFILM Microdevices Co., Ltd.
FUJIFILM PHOTONIX Co., Ltd.
FUJIFILM AXIA Co., Ltd.
FUJIFILM Battery Co., Ltd.
Fuji Photo Equipment Co., Ltd.
Fuji Color Trading Co., Ltd.
Fujicolor Service Co., Ltd.
Fuji Magne-Disk Co., Ltd.
*¹FUJIFILM OLIN Co., Ltd.
FUJIFILM Medical Co., Ltd.
FUJIFILM Medical Nishi-Nippon Co., Ltd.
Chiyoda Medical Co., Ltd.
FUJIFILM Business Supply Co., Ltd.
FUJIFILM Logistics Co., Ltd.
FUJIFILM Computer System Co., Ltd.

Fuji Xerox Co., Ltd.
Fuji Xerox Office Supply Co., Ltd.
Suzuka Fuji Xerox Co., Ltd.
Fuji Xerox Distribution Co., Ltd.
Fuji Xerox Information Systems Co., Ltd.
Fuji Xerox Engineering Co., Ltd.
Fuji Xerox Careernet Co., Ltd.
Fuji Xerox System Service Co., Ltd.
Fuji Xerox Learning Institute, Inc.
Fuji Xerox General Business Co., Ltd.
Phaser Printing Japan Co., Ltd.
Tokyo Xerox Co., Ltd.
Osaka Xerox Co., Ltd.

NORTH AMERICA

FUJIFILM America, Inc.
Fuji Photo Film, Inc.
Fuji Photo Film U.S.A., Inc.
Fuji Photo Film Hawaii, Inc.
Fuji Hunt Photographic Chemicals, Inc.
Fujicolor Processing, Inc.
FUJIFILM Microdisks U.S.A., Inc.
FUJIFILM Medical Systems U.S.A., Inc.
Fuji Photo Film Finance U.S.A., Inc.
Fuji Photo Film Canada Inc.
Black Photo Corporation
Fuji Graphic Systems Canada Inc.

FX Global, Inc.

SOUTH AMERICA

Fuji Photo Film do Brasil Ltda.

EUROPE

Fuji Photo Film B.V.
Fuji Photo Film Finance (Netherlands) B.V.
Fuji Magnetism GmbH
Fuji Photo Film (Europe) GmbH
Eurocolor Photofinishing GmbH & Co. KG
Fuji Photo Film Holdings (U.K.) Ltd.
Fuji Photo Film (U.K.) Ltd.
FUJIFILM Electronic Imaging Ltd.
Fuji Photo Film Holdings (France) S.A.S.
FUJIFILM France S.A.
Laboratoires FUJIFILM S.A.
Fuji Graphic Systems France S.A.
FUJIFILM España, S.A.
FUJIFILM Medical Systems Benelux N.V.
Fuji Hunt Photographic Chemicals, N.V.

ASIA AND PACIFIC

Fuji Photo Film Holdings (Singapore) Pte Ltd
Fuji Photo Film (Singapore) Pte Ltd
Fuji Hunt Photographic Chemicals, Pte. Ltd.
Fuji Photo Film (Malaysia) Sdn. Bhd.
FUJIFILM Imaging Systems (Suzhou) Co., Ltd.
FUJIFILM Imaging Devices (Suzhou) Co., Ltd.
Fuji Photo Film (Thailand) Ltd.

Fuji Xerox Asia Pacific Pte Ltd.
Fuji Xerox Australia Pty Ltd.
Fuji Xerox New Zealand Ltd.
Fuji Xerox (Singapore) Pte Ltd.
Xerox High-Technology Company of Shenzhen Limited
Fuji Xerox Korea Co., Ltd.
*²Xerox (China) Limited
*³Xerox (Hong Kong) Limited
Xerox of Shanghai Limited

*Notes: 1. FUJIFILM OLIN Co., Ltd., was renamed FUJIFILM ARCH Co., Ltd., as of April 1, 2001.

2. Xerox (China) Limited, was renamed Fuji Xerox (China) Limited, as of May 10, 2001.

3. Xerox (Hong Kong) Limited, was renamed Fuji Xerox (Hong Kong) Limited, as of May 15, 2001.

CORPORATE INFORMATION

Fuji Photo Film Co., Ltd.

26-30, Nishiazabu 2-chome,
Minato-ku, Tokyo 106-8620, Japan
Tel: (03) 3406-2111

URL: <http://www.fujifilm.co.jp/> (Japanese)
<http://home.fujifilm.com/> (English)

Date of Establishment: January 20, 1934

Capital: ¥40,363,373,192 (As of March 31, 2001)

Fiscal Year: April 1–March 31

Domestic Offices:

Sapporo, Sendai, Nagoya, Osaka,
Hiroshima, Fukuoka

Main Domestic Factories:

Ashigara, Odawara, Fujinomiya,
Yoshida-Minami

INVESTORS' INFORMATION

Stock Exchange Listings:

Tokyo, Osaka, Nagoya,
Fukuoka, Sapporo

Transfer Agent:

The Toyo Trust and Banking Co., Ltd.
4-3, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005, Japan

Independent Accountants:

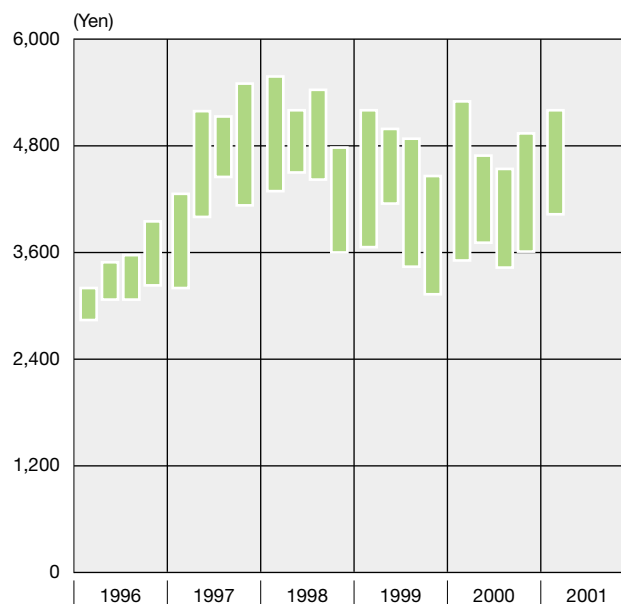
Ernst & Young
Tokyo, Japan

Distribution of Shareholders and Shares:

(As of March 31, 2001)

	Number of shareholders	Thousands of shares
Financial institutions	275	252,232
Securities companies	37	1,753
Other corporations	660	21,496
Individuals and others	26,133	46,787
National and regional governmental organizations	0	0
Foreign corporations	799	192,358
Total	27,904	514,626

Common Share Prices (Tokyo Stock Exchange)



IMAGING SYSTEMS

Photographic films:

Amateur-use films, One-time-use recyclable cameras (QuickSnap),
Professional-use films, Instant films

Motion picture films

Optical products:

Compact cameras, Professional-use cameras, Instant cameras

Magnetic products:

Videotapes, Audiotapes, Professional-use videotapes

Electronic imaging products:

Digital cameras

PHOTOFINISHING SYSTEMS

Photofinishing-related products and services:

Photographic papers, Minilab and lab equipment, Chemicals,
Processing and printing services, Digital imaging services,
Digital photo printers, Digital color printers

INFORMATION SYSTEMS

Graphic systems:

Films, Presensitized plates, Electronic imaging equipment, Chemicals

Medical imaging systems:

Medical X-ray imaging products, Computed radiography systems (FCR),
DRI-CHEM analytical systems, Endoscopes

Office automation systems:

Microfilming systems, Electronic filing systems,
Carbonless copying papers, Heat-sensitive papers

Data storage media:

Backup tapes (Data storage tapes), Magnetic disks,
Recordable compact disks

LCD materials:

Cellulose triacetate films (TAC film), Photosensitive color transfer films (TRANSER),
Wide View films (WV FILM)

General-use batteries

Miscellaneous industrial materials and equipment:

Industrial X-ray imaging products, Bio-imaging analyzers, Industrial chemicals,
Lenses and optical equipment



FUJI PHOTO FILM CO., LTD.

26-30, NISHIAZABU 2-CHOME, MINATO-KU, TOKYO 106-8620, JAPAN

June 2001 Printed in Japan