

**FUJIFILM Holdings to own 50.1% of  
Xerox Corporation's shares,  
and the combination of Fuji Xerox and Xerox Corporation**

**Shigetaka Komori  
Chairman and CEO,  
FUJIFILM Holdings Corporation**

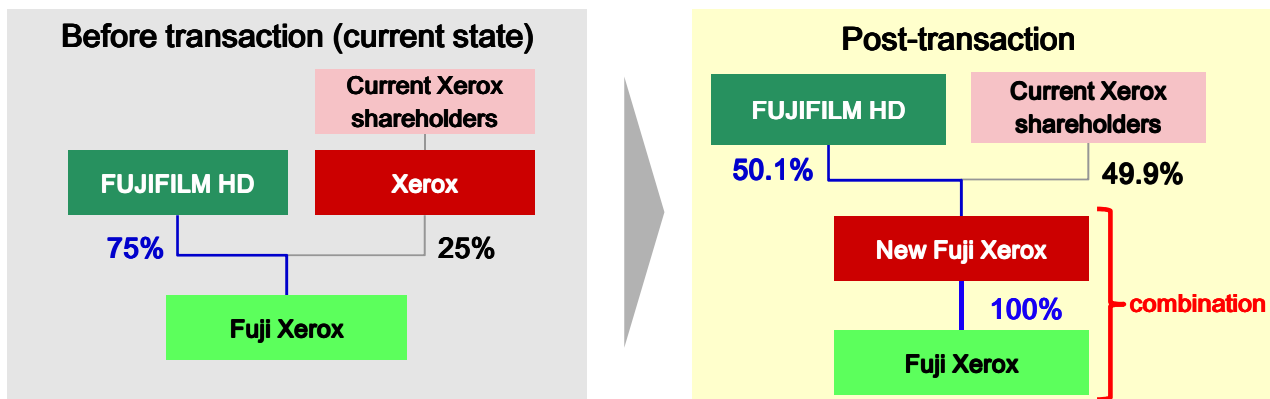
**January 31, 2018**

**FORWARD-LOOKING STATEMENTS**

Forward-looking statements, such as those relating to earnings forecasts and other projections contained in this material, are management's current assumptions and beliefs based on currently available information. Such forward-looking statements are subject to a number of risks, uncertainties, and other factors. Accordingly, actual results may differ materially from those projected due to various factors.

**1 . Transaction Overview**

- **Combination of Fuji Xerox and Xerox Corporation**
- **The current Xerox will be renamed "Fuji Xerox"<sup>(1)</sup> ( will maintain NYSE listing )**
- **Shigetaka Komori<sup>(2)</sup> to be named Chairman of BoD, Jeff Jacobson to be named CEO**
- **Dual headquarters in Minato, Tokyo and in Norwalk, CT USA**
- **FUJIFILM HD will own 50.1% (= management rights) of new shares of New Fuji Xerox, without any cash outflow from the FUJIFILM group**



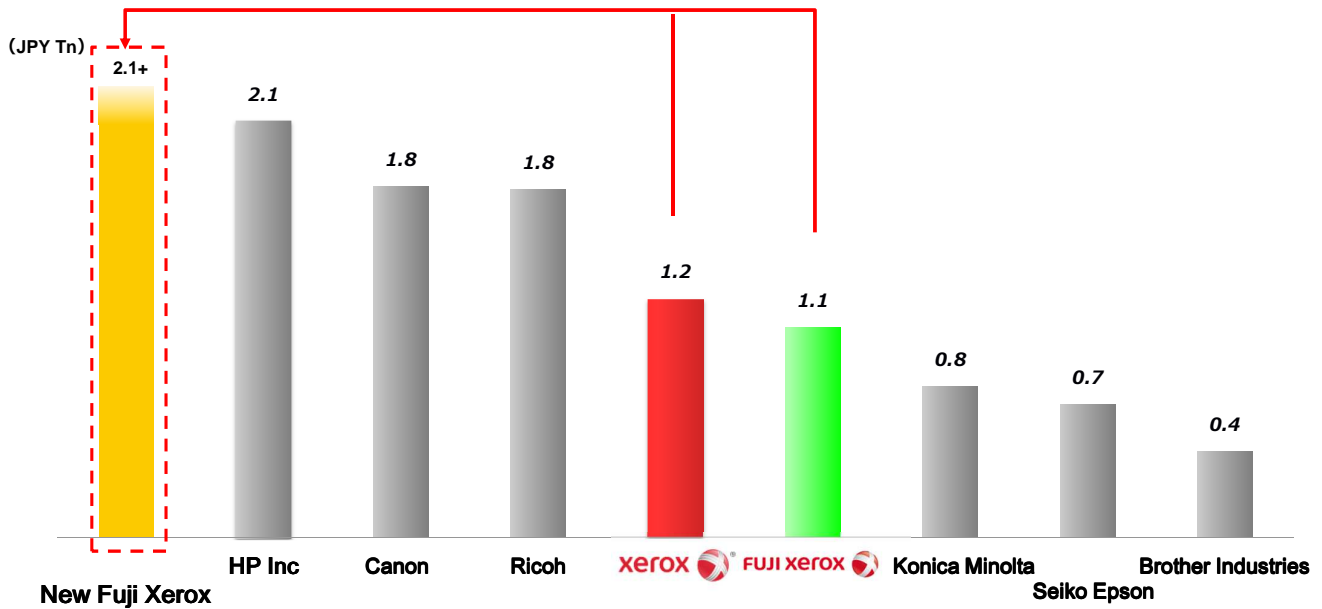
**< Strategy of New Fuji Xerox >**

- **Offer new value in improving office productivity, as a world-leading document solution company**
- **Expand into new markets such as industrial printing**

**Note(1)** For simplification, in this material, the current Xerox is referred to as "New Fuji Xerox" after the change in company name, in order to distinguish it with the existing Fuji Xerox. **2**  
**(2)** To continue to serve as Chairman and CEO of FUJIFILM HD, and Chairman of Fuji Xerox.

## 2 . Industry Ranking Post-combination

- To be a document solution company with one of the largest revenue scale in the world<sup>(1)</sup>
- Expected improvement in profitability, through sales growth and cost savings by achieving various synergies
- Accelerate business growth as a document solution company



Note (1) Represents revenue of each company's document business in the latest fiscal year (FY Oct 2017 for HP Inc., FY Dec 2016 for Xerox and Canon, FY March 2017 for the rest). Applied exchanged rate of USD/JPY=110. For New Fuji Xerox, intercompany transactions have been deducted.

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## 3 . Strategic Direction of New Fuji Xerox

- Together with New Fuji Xerox's own growth strategies, the new company will lead innovation in the print business by leveraging the technologies of FUJIFILM HD

### What New Fuji Xerox aspires to become

- Based on a globally unified marketing strategy, accelerate the provision of products and services far superior to that of peers, market share gains in each region, and the acquisition of global accounts
- Optimize the entire value chain, including R&D, production, procurement, logistics. Simultaneously achieve timely launches of new products as well as better cost competitiveness

### Leveraging FUJIFILM HD's advanced technologies

- By leveraging FUJIFILM HD's image processing technology and New Fuji Xerox's document-related AI technologies, offer solution services that contribute to the automation of business and productivity improvement of customers
- Moreover, by leveraging FUJIFILM HD's advanced technologies in photography, inkjet, photo-lithography<sup>(1)</sup>, optical, etc., develop innovative products unrivaled by peers, and expand market domain

Note(1) A technology used to create fine/minute patterns using photo-lithography technology, used in the manufacturing process of semiconductors etc.

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- Through this transaction, simultaneously achieve “further reinforcement of the document business, our largest business”, and “continue growth investments in business areas that will become the next pillars of FUJIFILM HD”
- Accelerate the corporate value improvement of FUJIFILM HD, through the simultaneous execution of the two business strategies

### Leap in the Document Business

- Use management resources, including brand power, high quality talent, client base etc., to the fullest extent in global business expansion
- Further strengthen cash generation ability, by achieving synergies and expanding into new markets

### Further leap in the growth areas (healthcare, highly functional materials, etc.)

- No change in policy of actively investing in growth areas, centered around healthcare and highly functional materials
- FUJIFILM HD will secure financial flexibility and investment capability post this transaction

# Business outlook of the New Fuji Xerox

**Kenji Sueno**  
**President and COO**  
**FUJIFILM Holdings Corporation**

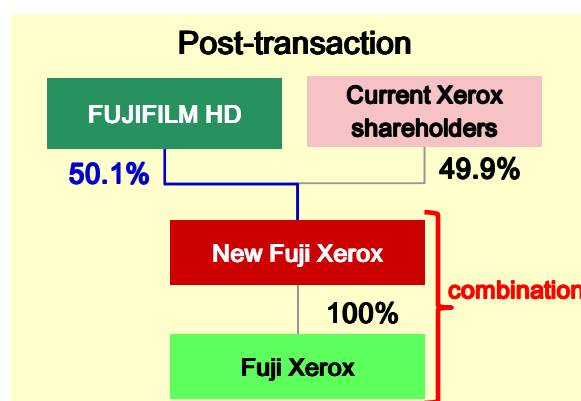
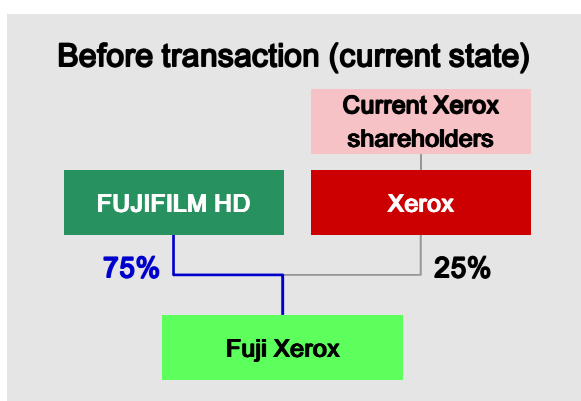
**January 31, 2018**

1. Transaction Structure
2. Company Overview of Fuji Xerox/Xerox
3. Market Environment of Document Business
4. Strengths of Xerox/Fuji Xerox
5. Synergies to be Achieved by New Fuji Xerox
6. Governance and Management of New Fuji Xerox
7. Impact on FUJIFILM HD's Financials
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## 1 . Transaction Structure

- Buyback 75% shares by Fuji Xerox from FUJIFILM HD for 671Bn yen
- FUJIFILM HD to own 50.1% of Xerox shares by subscribing for newly issued shares for \$6.1Bn(=671Bn yen)
- Special dividend of \$2.5Mil by Xerox paid to its current shareholders
- After completion of transaction, Fuji Xerox to combine with Xerox to be its wholly owned subsidiary. FUJIFILM HD to own management rights of New Fuji Xerox
- No cash outflow from the FUJIFILM group over this transaction



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## 2 . Company Overview of Fuji Xerox/Xerox

Fuji Xerox	Xerox
<p><b>Established : 1962</b>  <b>HQ : Minato, Tokyo, Japan</b>  <b>Revenue : 1.1 trillion yen ( FY 2016 )</b>  <b>Employees : 47,350 ( as of E/FY 2016 )</b></p> <ul style="list-style-type: none"> <li>■ Rare success case of a cross border joint venture</li> <li>■ Established a strong presence in the Asia Pacific region</li> </ul>	<p><b>Established : 1906</b>  <b>HQ : Norwalk, Connecticut, U.S.A.</b>  <b>Revenue : \$11Bn ( FY 2016 )</b>  <b>Employees : 37,600 ( as of E/FY 2016 )</b></p> <ul style="list-style-type: none"> <li>■ Leading the office productivity revolution</li> <li>■ Strong brand power in the global print market</li> </ul>



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## 3. Market Environment of Document Business

- Market remains large in developed countries, and demand is robust
- Market is expanding in emerging countries, driven by economic growth. Needs similar to that of developed countries exist in urban areas

Developed countries	<ul style="list-style-type: none"> <li>■ Although paper output volume is on the decline, the office document market remains large, and robust demand is expected</li> <li>■ There are three key growth factors:               <ol style="list-style-type: none"> <li>1. Expansion of the solutions &amp; services business in the office (MPS<sup>(1)</sup>/BPO<sup>(2)</sup>)</li> <li>2. Significant heightening of demand for productivity improvement in the office, with the advance of AI, IoT, cloud, and other technologies</li> <li>3. Expansion into large-scale printing markets (commercial printing, etc.)</li> </ol> </li> </ul>
Emerging countries	<ul style="list-style-type: none"> <li>■ Expansion of office document market, driven by economic growth</li> <li>■ In urban areas, there is an increase in solutions &amp; services business demand, similar to that seen in developed countries.</li> </ul>

**Note (1)** MPS: Managed Print Services. Hereinafter "MPS"  
**(2)** BPO: Business Process Outsourcing. Hereinafter "BPO"

## 4 . Strengths of Xerox

- Creates new business models, and leads the office productivity revolution
- As pioneer in the services business, has secured significant presence and a high quality customer base

### Differentiation through strength of products and services

- The pioneer in introducing MPS, which optimizes and manages the office printing environment, and remains the leader in the field
- Newly created the on demand printing market, using its xerography technology, and maintains significant presence as the pioneer

### Strong development and production capabilities

- Established a structure to develop tools and offer support, in order to support the optimization of the office printing environment, including business process analysis (crucial when introducing MPS), and monitoring systems following the introduction
- Development and production of iGen, the on demand publisher that supports on demand printing

### Marketing capability

- Built a powerful partner network, as leader of the production service market
- Maintains a powerful sales channel and capabilities in North America, through high quality sales subsidiaries such as GIS<sup>(1)</sup>

### Strong positioning

- Remains strong in the A3MFP market (market size of \$23Bn)
- Top runner in MPS for large enterprises, and centralized print services <sup>(2)</sup>
- Leads the market of the high-speed production printer

**Note (1)** GIS: Global Imaging System. Acquired by Xerox in 2007  
**(2)** Consultation-based in house printing service

## 4 . Strengths of Fuji Xerox

- Strong operational capabilities in all functions, from R&D, production to sales
- Utilizes its collaborative relationship with Xerox to win business in Solution & Services

### Differentiation through strength of products and services

- Supports the workstyle reform of customers, by making the business process more efficient, through the provision of MFPs that are highly compatible with various cloud services
- Utilizes its collaborative relationship with Xerox, the pioneer in Solution & Services, to secure a strong position in the Asia Pacific region

### Strong development and production capabilities

- Is in charge of developing and manufacturing both the Fuji Xerox and the Xerox brand products, and supplies a wide range of products globally
  - Development capability :  
Develops solutions utilizing connections to cloud services and AI  
Develops MFPs that balance environmental features, such as energy saving and resource saving, and productivity at a high level
  - Production capability :  
Manufactures and ships efficiently from factories in China and Vietnam

### Marketing capability

- Sales channel strategy suitable for each country
  - Developed countries:  
strong customer base with larger enterprises and government bodies, through the direct sales structure
  - Emerging countries :  
provides strong support to large enterprises and government bodies through the direct sales structure  
Utilizes distributors to cover mid-to-small sized customers, thereby expanding its sales network while securing profitability

### Strong positioning

- Maintains No.1 market share in A3MFPs in Asia Pacific including Japan
- Achieved No.1 customer satisfaction in Japan, China, Hong Kong, Taiwan, Thailand, Singapore, Australia, etc.

## 5 . Synergies to be Achieved by New Fuji Xerox

- Transaction will maximize the strengths of the three companies
- A “win-win-win” scheme for all the three companies

### FUJIFILM

#### A mid-to-long term strategy and management focus in speed

- Methodology and experience in corporate innovation, having successfully reformed business structures and revitalized businesses
- Vast range of basic technologies, including material chemistry, and a diverse business portfolio
- Inkjet-related technologies that are highly compatible with New Fuji Xerox

### Combine the strengths of the three companies



#### Strong R&D, production and sales capabilities

- Track record of developing equipment and materials for both the Fuji Xerox and the Xerox brands
- Strong customer base in Asia Pacific, including Japan
- High market share in Asia, through the introduction of direct sales



#### Advantages in Solution & Services

- Leading position in production printing and global services
- Strong brand power in the print market
- Powerful customer base in North America, the largest market in the world

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## 5 . Synergies to be Achieved by New Fuji Xerox

- High probability of sales and cost synergies arising from this combination
- **At least \$1.7Bn <sup>(1)</sup> cost savings per annum by FY2022**
  - \$1.2Bn cost savings per annum by FY2020
  - Take the opportunity of the combination to conduct fundamental structural reforms at Fuji Xerox. \$0.45Bn cost savings per annum expected

#### Sales synergies

- **Globally unified marketing strategy. Enrichment of product portfolio**
  - Accelerate the gains of global customers as well as market share in each region
- **Provision of Solution Services, by leveraging FUJIFILM HD's image processing technology**
- **Innovative product development and expansion into new markets, by utilizing FUJIFILM HD's technologies in photography, inkjet, photolithography, etc.**

#### Cost synergies

- **Optimize the entire value chain, including R&D, production, procurement, logistics**
  - Timely launches of new products
  - Better cost competitiveness
  - Optimization of production facilities and procurement functions. Removal of functional overlaps in production
  - Improved efficiency in back office and administrative operations

- Governed by BoD, where majority of members are appointed by FUJIFILM HD
- As a U.S. listed company, and by appointing independent directors, will establish a governance structure that fully considers the interests of minority shareholders

### New Fuji Xerox Board

- The majority (7 out of 12) of the Board members of New Fuji Xerox will be appointed by FUJIFILM HD. The remaining 5 members will be appointed from the current Xerox Board
- Shigetaka Komori to be named Chairman of BoD<sup>(1)</sup>
- A Conflicts Committee<sup>(2)</sup> is to be set up, comprising of independent directors, to protect minority shareholders

### Business execution

- Jeff Jacobson to be named CEO
- Establish an organizational structure that maximizes the strength of both Fuji Xerox and Xerox
- Personnel appointments will be made to maximize the strengths of New Fuji Xerox, and not based on capital relations or which company the individual is from

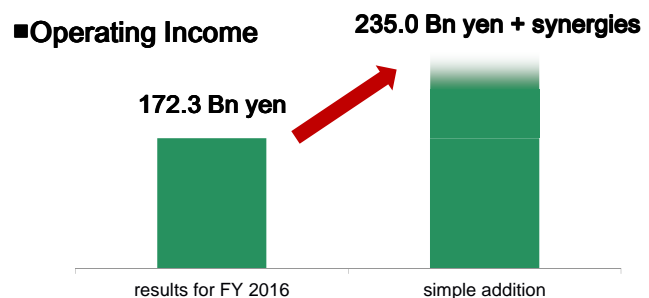
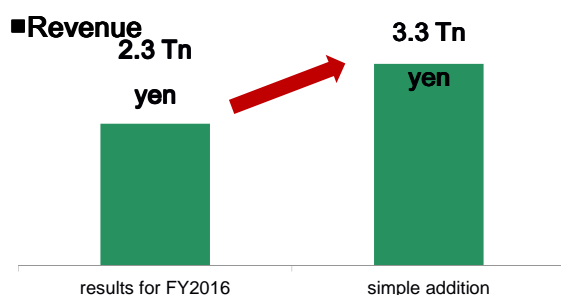
Note (1) To continue to serve as Chairman and CEO of FUJIFILM HD, and Chairman of Fuji Xerox.

(2) A committee that will evaluate and approve transactions between related parties (FUJIFILM HD / Fujifilm and New Fuji Xerox) beforehand, from a conflict of interest perspective

# 7. Impact on FUJIFILM HD's Financials

- Growth in sales and operating income, and early achievement of the 8.0% ROE target

	FUJIFILM HD consolidated (FY2016A)	FUJIFILM HD/Xerox Combined (FY2016A) <sup>(1)</sup>
Sales	2.3 Tn yen	3.3 Tn yen <sup>(2)</sup> ( +approx. 45% )
Operating income	172.3 Bn yen	235.0 Bn yen ( +approx. 35% ) – Plus, \$1.7Bn+ synergies per annum by FY2022 <sup>(3)</sup>



Note (1) Currency assumption: USD/JPY=110

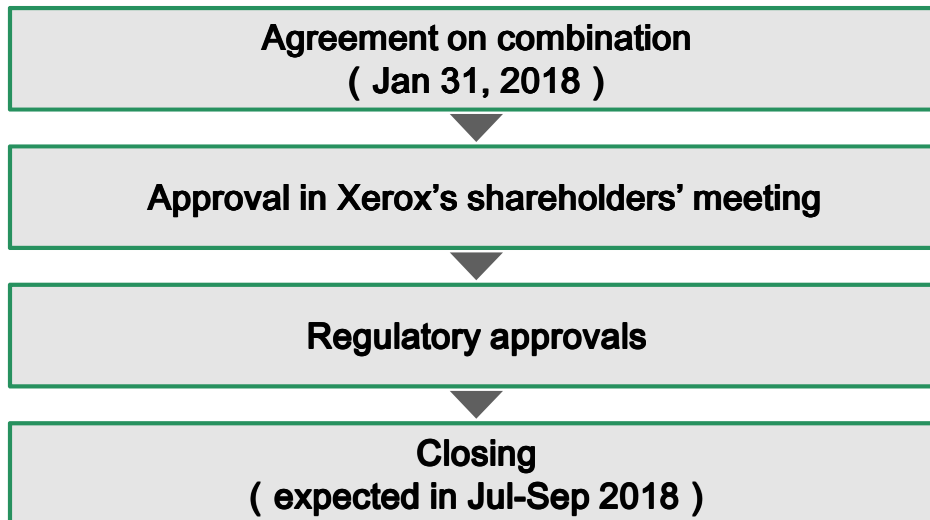
(2) Intercompany transactions between Fuji Xerox and Xerox have been deducted from revenue

(3) Based on operating income



## 8 . Expected Timeline

- Transaction scheduled to close following approval at Xerox's shareholders' meeting, as well as various approvals from authorities



# FUJIFILM

## Value from Innovation

At Fujifilm, we are continuously innovating — creating new technologies, products and services that inspire and excite people everywhere.

Our goal is to empower the potential and expand the horizons of tomorrow's businesses and lifestyles.

### **FUJIFILM Holdings Corporation**

Corporate Communication Office, Corporate Planning Div.

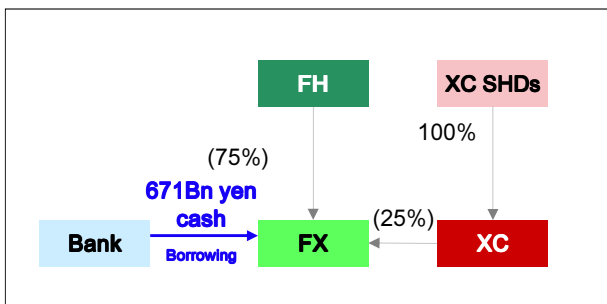
<http://www.fujifilmholdings.com/en/index.html>

# Reference

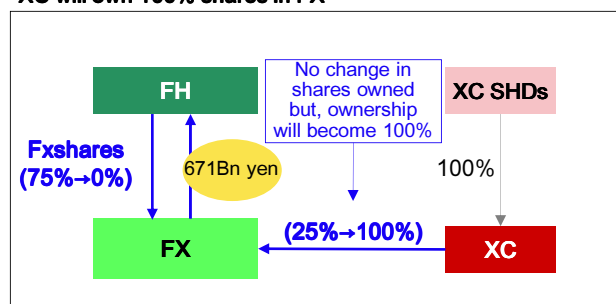
## Reference: Detailed Transaction Structure

### ■ FX to acquire 75% of its own shares from FH

FX to borrow 671Bn yen from Bank to fund share buy back

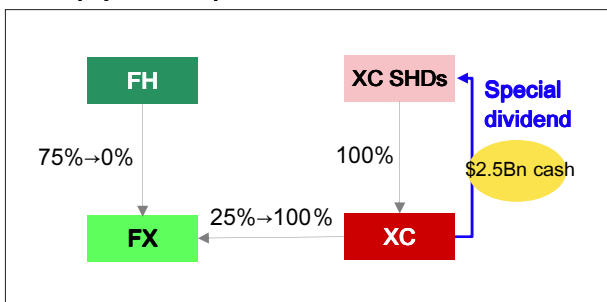


FX to repurchase 75% of its shares from FH  
XC will own 100% shares in FX



### ■ Special dividend by XC to current XC shareholders

XC to pay \$2.5Bn special dividend to current shareholders



FH : Fujifilm Holdings    FX : Fuji Xerox    XC : Xerox

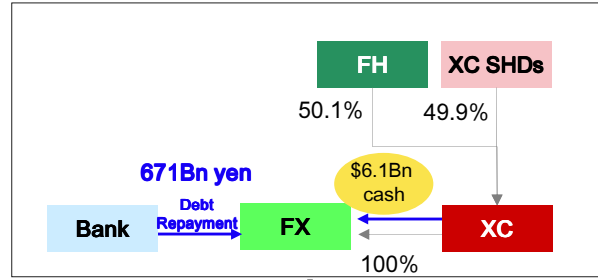
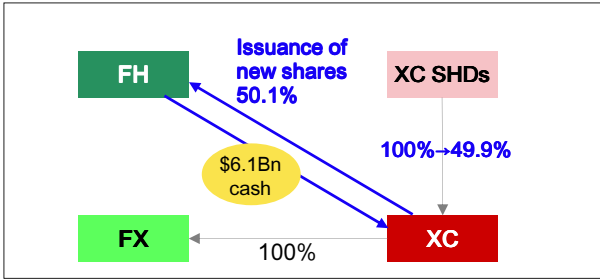
**Note**

1. Although these steps will take place in one go, as a package, we have separated the steps for explanatory purposes. Details regarding existing cash and deposits and existing interest-bearing debt have been abbreviated 20

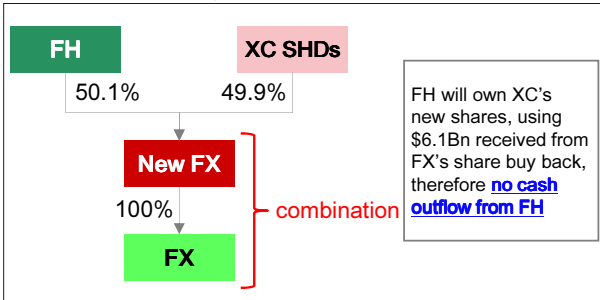
## ■ Issuance of new shares by XC to FH

FH will utilize the cash of 671Bn yen (= \$6.1Bn), received from FX, to purchase new shares of XC, thereby acquiring a 50.1% stake in XC

XC will transfer to FX the cash of \$6.1Bn, received from FH, which will be used to repay FX's borrowing



### Post transaction



FH : Fujifilm Holdings    FX : Fuji Xerox    XC : Xerox

#### Note

1. Although these steps will take place in one go, as a package, we have separated the steps for explanatory purposes. Details regarding existing cash and deposits and existing interest-bearing debt have been abbreviated