

FUJIFILM Holdings Corporation

Kenji Sukeno President and Chief Operating Officer November 5, 2019

Notice of Acquisition of Fuji Xerox as a Wholly Owned Subsidiary and Posting of Extraordinary Profit (Gain on Sale of Shares of Subsidiary)

FUJIFILM Holdings Corporation (the "Company") has today entered into an agreement (the "Agreement") with Xerox Corporation (collectively with its subsidiaries, "Xerox") under which the Company will acquire Xerox's 25% stake in Fuji Xerox Co., Ltd. (a consolidated subsidiary of the Company; "Fuji Xerox"). The transactions envisaged under the Agreement have been approved by the Boards of Directors of the Company and Xerox. This transaction will bring the Company's ownership of Fuji Xerox to 100%.

I. Acquisition of Fuji Xerox as a wholly owned subsidiary

1. Background and purpose

Founded in 1962, Fuji Xerox Co., Ltd. is a leading document solutions company and a 75% - 25% joint venture between the Company and Xerox Corporation. Throughout its 57-year history, it has provided office related products and solutions to increase productivity and has grown into a company with revenues exceeding 1 trillion yen. It is also known as one of the most successful cross-border joint ventures between Japanese and non-Japanese companies.

Fuji Xerox operates in the Asia-Pacific market including Japan and has a strong customer base among large corporations and government offices. In addition, it has achieved a unique position in the document industry by leveraging excellent product development capabilities and manufacturing technology.

In the current situation where uncertainty about the future of the global economy is increasing and competition in the market is intensifying, the Company has decided it is best to have Fuji Xerox as a wholly-owned subsidiary to strengthen the document solutions business and flexibly implement necessary measures in a timely manner in order to achieve further growth.

With the execution of the Agreement, the joint venture agreement between the Company and Xerox will be terminated, and Fuji Xerox will become a wholly owned subsidiary of the Company. Fuji Xerox will continue to provide products to Xerox in the medium-to-long term, even after Fuji Xerox becomes a wholly owned subsidiary of the Company, and has executed a new agreement with Xerox that will enable it to expand its OEM opportunities in Europe and North America and worldwide. Fuji Xerox will utilize its strengths in product development and manufacturing technology to supply products such as printer engines as an OEM. Fuji Xerox will accelerate its development of digitalization solutions services utilizing cloud, AI and IoT technologies in areas adjacent to the document market. Furthermore, Fuji Xerox will accelerate its expansion into growth areas, including producing revolutionary new products and services combining the Fujifilm Group's image processing technology with Fuji Xerox's language processing technology for the medical and healthcare industries.

2. Terms of the Agreement and outline of the transaction

(1) Terms of the Agreement

Under the Agreement between the Company and Xerox, the Fujifilm Group is to acquire Xerox's 25% ownership stake in Fuji Xerox and a related interest (see Note 1) for USD 2.3 billion (JPY 253 billion; see Note 2) in total.

The Company has agreed to withdraw the litigation that it filed against Xerox on June 18, 2018 claiming damages caused by the unilateral cancellation of the definitive agreement between the two companies.

The Fujifilm Group's payments will be funded from the Fujifilm Group's cash and deposits in hand and outside funding.

Note 1: Xerox's 51% ownership interest in Xerox International Partners, a 51%-49% Joint Venture between Xerox and Fuji Xerox that operates OEM business mainly in the U.S. and Europe

Note 2: As part of the execution of the Agreement, the Company conducted a valuation of Fuji Xerox that takes into account the current market and economic conditions and the opinions of third party organizations. The valuation in yen is based on an exchange rate of JPY 110 per USD.

(2) Outline of the transaction

- (A) Fuji Xerox will conduct a buyback of its shares as treasury shares in accordance with the respective ownership percentages of the Company and Xerox and within the distributable amount.
- (B) After (A) has been completed, a company in the Fujifilm Group will acquire the remaining shares of Fuji Xerox held by Xerox.

3. Schedule

(1)	Date of resolution by Board of Directors (of the Company)	November 5, 2019
(2)	Date of execution of agreement	November 5, 2019
(3)	Date of share acquisition	Scheduled within November 2019

4. Effects of acquisition of Fuji Xerox as a wholly owned subsidiary

The Company anticipates the acquisition of Fuji Xerox as a wholly owned subsidiary to have the following effects. Therefore, the Fujifilm Group will aim to achieve net sales of JPY 1.3 trillion in the document solutions business in the 2024 fiscal year.

- By combining the Fujifilm Group's strengths in image processing, graphics, and optics technologies and Fuji Xerox's strengths in language processing technologies and advanced solutions expertise, the Fujifilm Group will be able to expand into growth areas, including developing new IT solutions such as automatic generation of diagnostic reports in the medical segment.
- The Fujifilm Group will be better positioned to facilitate digitalization in the printing industry and offer one-stop solutions covering analogue to digital by combining Fujifilm's graphic systems

business, with its extensive client base in commercial and package printing, and Fuji Xerox's excellent sales, technological, and product creation capabilities in production business with strong digital printing technologies.

- Business growth by expanding new OEM customers other than Xerox in the area of documents, and accelerated expansion into document-adjacent fields through faster decision-making as a wholly owned subsidiary (revenue target for 2024 fiscal year: JPY 150 billion).
- Fuji Xerox will continue to supply products to Xerox in the medium-to-long term.
- Cost synergies within the Fujifilm Group (including integration of duplicate middle/back-office functions, consolidation of overseas operations, procurement optimization and infrastructure sharing).

5. Future growth strategy of FUJIFILM Holdings

To date, the Fujifilm Group has continued to grow by building a powerful business platform in diverse businesses including healthcare, highly functional materials and documents, as well as by achieving business portfolio transformation in existing businesses such as photography and digital cameras by taking rapid and appropriate responses to sudden changes in market environments.

Acquiring Fuji Xerox as a wholly owned subsidiary will simultaneously achieve two of the focus areas set out in the medium-term management plan *VISION2019* – "further strengthening document business" and "realizing growth in healthcare and highly functional materials" – and maximize shareholder value. It will also further ensure the Fujifilm Group's continued investment in growth areas including healthcare and highly functional materials by enhancing the cashflow creation capabilities of the document solutions business.

6. Effect on results

If the transactions envisaged in the Agreement are completed, the results are expected to contribute positively over the medium to long term to the consolidated results of the Company after Fuji Xerox is made a wholly owned subsidiary.

Xerox's non-controlling interest in the profit of Fuji Xerox will be absorbed into the net income attributable to the Company's shareholders by the acquisition of Fuji Xerox as a wholly owned subsidiary, but the effect on performance is still being assessed. The Company will promptly announce any revision to the financial forecasts for the fiscal year ended March 2020 that may become necessary.

The Company will recognize a gain on sale of shares of Fuji Xerox in the non-consolidated financial statements of the Company as stated in II. below, but such gain on sale will be eliminated in the consolidated financial statements of the Company.

7. Note regarding forward-looking statements

The results forecasts and other forward-looking statements contained herein are based on certain assumptions judged to be reasonable and the information available to the Company. The Company does not intend to make any promises with respect to the realization of those statements.

II. Posting of extraordinary profit (gain on sale of shares of subsidiary)

As stated in "I.2.(2) Outline of the transaction" above, Fuji Xerox will buy back a part of the Company's stake in Fuji Xerox as treasury shares, and the Company will receive approximately JPY

250 billion as consideration therefor. As a result, the Company expects to post approximately JPY 189 billion gain on sale of shares in its non-consolidated financial statements for the fiscal year ended March 2020. Further, as stated in I.6 above, the gain on sale will be eliminated in the consolidated financial statements of the Company.

Reference

1. Outline of Fuji Xerox

(1)	Name	Fuji Xerox Co., Ltd.		
(2)	Address	9-7-3 Akasaka, Minato-ku, Tokyo, Japan		
(3)	Name and position of representative	Shigetaka Komori, Chairman, Representative Director and CEO Kouichi Tamai, President and Representative Director		
(4)	Business activities	Office Products and Printer business, Production Services business, and Solutions and Services business		
(5)	Stated capital	JPY 20 billion		
(6)	Date of incorporation	February 20, 1962		
(7)	Fiscal year end	March		
(8)	Consolidated net assets	JPY 664.1 billion (as of March 31, 2019)		
(9)	Consolidated total assets	JPY 930.3 billion (as of March 31, 2019)		
(10)	Ownership structure	FUJIFILM Holdings Corporation: 75%; Xerox Limited (consolidated subsidiary of Xerox Corporation): 25% (as of November 5, 2019)		

2. Outline of Xerox Corporation

(1)	Name	Xerox Corporation	
(2)	Address	201 Merritt 7, Norwalk, Connecticut	
(3)	Name and position of representative Chief Executive Officer Giovanni (John) Visentin		
(4)	Business activities Printing devices and related services		
(5)	Stated capital	USD 232 million	
(6)	Date of incorporation	April 18, 1906	
(7)	Major shareholders and shareholding ratio	Xerox Holdings Corporation 100.0%	

	Relationship with listed company	Capital relationship	Through its consolidated subsidiary Xerox Limited, Xerox Corporation holds 10,000,000 shares (25% of the issued shares and voting rights) of Fuji Xerox, which is a consolidated subsidiary of the Company.			
(8)		Personnel relationship	CEO Giovanni (John) Visentin, President & COO Steven J. Bandrowczak, and Vice President Xavier Heiss of Xerox Corporation concurrently serve as directors of Fuji Xerox, which is a consolidated subsidiary of the Company.			
		Transactional relationship	Fuji Xerox, which is a consolidated subsidiary of the Company, has entered into cross-license arrangements with Xerox Corporation regarding xerography products and the technology and trademarks, etc. relating to such products.			
(9) Consolidated management results and consolidated financial situation of Xerox Corporation over the most recent three years						
Fiscal year ended		December 2016 (see Note 1)		December 2017	December 2018	
Consolidated net assets		11,277		11,024	10,483	
Conso	lidated total assets	18,051		15,946	14,874	
Consolidated net assets per share (see Note 2)		51.0		49.8	47.4	
Conso	lidated net sales	10,771		10,265	9,830	
Consolidated operating profit (see Note 3)		568		570	598	
Net profit attributable to owners of the parent		(471)		195	361	
Consolidated net profit per share		(1.95)		0.71	1.40	
Dividend per share		1.24		1.00	1.00	

Unit: USD ("Net assets per share," "Net profit per share," and "Dividend per share")
Million USD (all other categories)

Note 1: Xerox conducted a spin-off in which its Business Process Outsourcing business was spun off as Conduent (NYSE: CNDT) effective December 31, 2016. The figures for the Business Process Outsourcing business are not included in the figures for the fiscal year ended December 2016.

Note 2: Calculated by dividing consolidated net assets by the total issued shares as of July 2019 (221,283,933 shares).

Note 3: Income Before Income Taxes and Equity Income.