

**Fujifilm to Own 100% of Fuji Xerox
New Collaborative Partnership with Xerox**

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

November 5, 2019

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.

Today, FUJIFILM Holdings announced that we have entered into a definitive agreement with Xerox, under which we will acquire the 25% stake in Fuji Xerox owned by Xerox. Fuji Xerox will operate as a wholly owned subsidiary of FUJIFILM Holdings.

In January 2018, Fujifilm HD and Xerox announced a plan to combine Fuji Xerox with Xerox. Following the announcement, the NY Supreme Court issued a preliminary injunction on the transaction, which eventually was overturned. Xerox unilaterally declared a cancellation of that agreement and we immediately sued Xerox claiming damages for breaching its agreement with us.

It has been nearly a year and a half since then, and we are excited to start a new chapter for Fujifilm and Fuji Xerox. Fuji Xerox has shown strong business improvement. Operating income margin is expected to increase to approximately 12% in FY2020/3. I am confident that this new transaction is the best alternative and a necessary step to making Fuji Xerox an even stronger company.

By acquiring the 25% stake of Fuji Xerox, our net income attributable to shareholders would be increased for the contribution of a non-controlling interest of Fuji Xerox. Fuji Xerox will continue to supply products to Xerox in the mid- to long-term after completion of this transaction. At the same time, Fuji Xerox will be able to further strengthen its business through expanded OEM opportunities globally, including the U.S. and Europe, leveraging our world-leading product development and manufacturing capabilities. This transaction enables us to expand and strengthen our Document business in new areas. Full ownership of Fuji Xerox will facilitate faster decision making in investment and development of new products along with flexible execution strategies in this rapidly changing business environment.

Through this transaction, the cooperative relationship between Xerox and Fujifilm will be even stronger. We will have a new collaborative partnership.

By expanding our business presence in growth sectors, we will accelerate synergy creation within the Fujifilm Group.

This transaction is an ideal next step for Fuji Xerox to continue growing and together with Fujifilm, to serve our stakeholders very well. It also reflects our commitment at Fujifilm Group to create innovative products that contribute to society. We will be doing this under the spirit of "NEVER STOP", as we keep moving forward and evolving.

**Fujifilm to Own 100% of Fuji Xerox
New Collaborative Partnership with Xerox**

**Kenji Sukeno
President and COO,
FUJIFILM Holdings Corporation**

November 5, 2019

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I am Kenji Sukeno, President and COO of FUJIFILM Holdings.

Fuji Xerox is well known as one of the most successful cross-border joint ventures. Throughout its 57-year history, it has innovated the office working space by providing office related products and solutions to increase productivity. Fuji Xerox expanded into the Asia-Pacific market, including Japan, and has grown into a company with revenues exceeding one trillion yen.

However, given the increasing uncertainty in the global economy and heightened industry competition, we have decided it is best to have Fuji Xerox become a wholly-owned subsidiary. In this way, we can further strengthen our Document business and realize growth in Healthcare and Highly-Functional materials while expanding new business opportunities.

I will explain the details and the rationale and benefits of the transaction on the following slides.

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Transaction Overview

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Fujifilm to own 100% of Fuji Xerox	<ul style="list-style-type: none"> ■ Acquisition^{*1} of 25% stake of Fuji Xerox: USD2.2Bn ■ Acquisition of XIP^{*2} stake and expanding OEM: USD0.1Bn
Enters into New Collaborative Partnership with Xerox	<ul style="list-style-type: none"> ■ Fuji Xerox will supply OEM products to additional customers worldwide ■ Fuji Xerox will continue to supply products to Xerox in the mid- to long-term <ul style="list-style-type: none"> – Fujifilm agreed to withdraw litigation filed against Xerox claiming damages, upon completion of the transaction

[Timeline]

- Definitive Agreement on all related terms : Nov. 5, 2019
- Completion of the transaction : Within Nov. 2019

*1: Fujifilm including certain of its subsidiaries will acquire Xerox's 25% ownership stake of Fuji Xerox
*2: Xerox International Partners (XIP), a 51%-49% joint venture between Xerox and Fuji Xerox that operates OEM business mainly in the U.S. and Europe.

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In this slide, we will provide the transaction overview, which consists of two factors.

First, FH will become the 100% owner of Fuji Xerox. Currently, Fuji Xerox is a 75%-25% joint venture between FH and Xerox. We will acquire the 25% stake of Fuji Xerox that is currently owned by Xerox, and we will pay \$2.2Bn (JPY 242.0Bn). We will also acquire Xerox's 51% ownership in Xerox International Partners (XIP) and obtain the right for expanding the OEM business, for USD0.1Bn (JPY 10Bn) .

Second, we have agreed to enter into a new collaborative partnership with Xerox. Xerox will continue to be an important business partner. Although Fuji Xerox will no longer operate as a joint venture with Xerox, Fuji Xerox will continue to supply products to Xerox in the mid- to long-term.

On the other hand, Fuji Xerox will be able to supply OEM products to customers other than Xerox worldwide based on a new agreement with Xerox.

Upon completion of the transaction, we also agreed to withdraw the litigation against Xerox.

The closing of the transaction we are announcing today (November 5) is expected to occur within this month (November).

FUJIFILM Value from Innovation **Future Growth Strategies of Fujifilm HD** **NEVER STOP**

■ Achieves two strategies outlined in the mid-term management plan VISION2019 -- “Strengthening Document Business” and “Realizing Growth in Healthcare and Highly Functional Materials” allowing Fujifilm to maximize corporate value

Further Strengthening Document Business	Realizing Growth in Healthcare and Highly Functional Materials
<ul style="list-style-type: none"> ■ Flexible and faster business expansion in document business <ul style="list-style-type: none"> ➢ Flexible exchanges of talents and technologies among Fujifilm Group to expand into growth areas ➢ Enhancing profitability and cash generation capability based on new OEM expansion and continuing stable product supply to Xerox ➢ Faster decision making in investment and development of new products 	<ul style="list-style-type: none"> ■ Accelerate growth in healthcare and highly functional materials areas <ul style="list-style-type: none"> ➢ Accelerate business growth by means of profitability improvement through proactive Capex, M&A and R&D ➢ Expansion of revenue and profit base from timely product launch through acceleration of innovative R&D ➢ Sufficient investment capacity for growth areas even after the transaction

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Next, we will describe Fujifilm’s future growth strategies.

Through this transaction, we aim to maximize our corporate value by both “strengthening our Document business” and “accelerating growth in Healthcare and Highly Functional Materials” as we stated in our current mid-term management plan, VISION2019.

On the Document business side, we will implement flexible and faster business expansion strategies.

We will collaborate more closely within our Group by promoting a more flexible allocation of internal talents and technologies to expand into growth areas and enhance customer solution services. In addition, we will strengthen profitability and cash generation by maintaining a stable product supply to Xerox and providing new OEM products such as printer engines worldwide.

On top of that, we will be able to make faster decisions on investments and new product development after Fuji Xerox becomes a wholly owned subsidiary.

On the Healthcare and Highly Functional Materials side, we will pursue accelerated business growth and improve profitability through proactive investment including M&A.

Also, we will expand revenue and profit base from timely product launches through acceleration of innovative R&D.

Importantly, we will still have sufficient capacity for investment in growth areas even after the transaction.

- Accelerate expansion into new business areas to boost growth
- Expand new OEM customers worldwide, while Fuji Xerox will continue to supply products to Xerox

	Asia Pacific	U.S., Europe, Others
New Business Areas	<ul style="list-style-type: none"> ■ New product opportunities by combining Fujifilm’s image processing and Fuji Xerox’s language processing technologies ■ Combination of Fujifilm’s and Fuji Xerox’s sales, technological, and product creation capabilities to become a one-stop solution provider from analog to digital printing ■ Accelerate further into adjacent new innovative areas such as cloud, AI and IoT based solutions 	
Document Business	Continue current Fuji Xerox business and geographic domains	<ul style="list-style-type: none"> ■ Expanding OEM opportunities ■ Fuji Xerox will continue to supply products to Xerox for mid- to long term

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Let me now discuss the growth strategies for Fuji Xerox.

We are confident that Fuji Xerox will have more growth opportunities following the transaction.

First, we will accelerate expansion into new business areas.

We will realize group synergies through new product opportunities in growing areas such as Healthcare by combining Fujifilm’s image processing and Fuji Xerox’s language processing technologies to develop automatically generated diagnostic reports.

In addition, we have already established FUJIFILM Digital Press Co., Ltd., a company focused on realizing synergies between Fujifilm and Fuji Xerox. The combination of Fujifilm’s extensive client base in commercial / package printing and Fuji Xerox’s strong sales, technologies, and product creation will enable our Group to become a one-stop solution provider ranging from analog to digital printing.

And lastly, by owning 100% of Fuji Xerox, we will have more flexibility in business management and will be able to make decisions quickly. This will help us accelerate our expansion into adjacent areas, building on our expertise and experience in cloud, AI and IoT based solutions.

On top of that, with expanded OEM business opportunities, Fuji Xerox will be able to provide our world-leading product development and manufacturing capabilities to OEM customers worldwide, beyond the Asia-Pacific region.

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Expected Financial Benefits

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- Document Revenue : JPY 1.3Tn by FY2025/3 (30% growth vs. FY2019/3)
- Accretive to net income and ROE, with contribution of expected revenue and cost synergies and non-controlling interest of Fuji Xerox
- Increase in cash flow, and early investment recoupment (within 6-7 yrs)

- ◆ Increase in operating Income : JPY 50Bn+ in FY2025/3 (vs. FY2019/3)
 - ✓ Increased Revenue **JPY 40Bn+**
 - Enhance R&D through collaboration on new technologies such as AI between Fujifilm and Fuji Xerox
 - OEM customer expansion
 - ✓ Cost Synergies **JPY 10Bn+**
 - Consolidation of overseas operations and integration of duplicate middle/back-office functions
 - Procurement optimization and infrastructure sharing
- ◆ Increase in net income attributable to Fujifilm Holdings based on contribution of non-controlling interest of Fuji Xerox : **JPY 20Bn+**

◆ Fujifilm plans to finance the acquisition with cash on hand and new debt

Accretive to ROE

Increase in Cash Flow

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This slide shows the expected financial benefits of today's announcement.

With this transaction and relevant initiatives, we are targeting Document revenue of JPY 1.3Tn by FY 2025/3, which is 30% growth vs. FY2019/3.

On an operating income basis, we will increase by more than JPY40Bn from increased revenue. This will be achieved by combining Fujifilm's and Fuji Xerox's strength in their respective domains, and the introduction of new products and services in new business areas, such as AI.

More than JPY10Bn in operating income increase will come from cost synergies. These are expected to come from consolidation of overseas operations and integration of duplicate middle/back-office functions, as well as procurement optimization and infrastructure sharing.

Moreover, after this transaction, our net income attributable to shareholders would be increased by JPY 20Bn based on the contribution of a non-controlling interest of Fuji Xerox.

These benefits will be accretive to ROE and enhance cash generation from the Document business, since there is no longer a dividend being paid to Xerox, and owing to the realization of synergies. We expect to recover this investment within six to seven years.

We plan to finance the acquisition with cash on hand and new debt.

In closing, I would like to add that we believe this transaction is the best alternative for Fujifilm Group and we are excited for continued growth under the new organization.



Thank you.