

Fujifilm to own 100% of Fuji Xerox

Fujifilm to acquire Xerox Corporation's 25% ownership stake in Fuji Xerox, and enter into a new collaborative partnership with Xerox

Transaction will enhance group-wide synergies to realize growth in new areas, while strengthening Document business

Tokyo, November 5 — FUJIFILM Holdings Corporation (including certain of its subsidiaries, “Fujifilm”) (TSE: 4901) announced today that it has entered into a definitive agreement with Xerox Corporation (including certain subsidiaries, “Xerox”) under which Fujifilm will acquire the 25% stake in Fuji Xerox Co., Ltd. (“Fuji Xerox”) owned by Xerox. This transaction will bring Fujifilm’s ownership of Fuji Xerox to 100%. The transaction was unanimously approved by the Boards of Directors of Fujifilm and Xerox.

Fuji Xerox will operate as a wholly owned subsidiary of Fujifilm and will continue to supply to Xerox after completion of the transaction.

“This transaction is an ideal next step for Fuji Xerox and Fujifilm that we believe serves our stakeholders well and reflects our commitment to create innovative products that contribute to society,” said Shigetaka Komori, Chairman and Chief Executive Officer of Fujifilm.

“Fuji Xerox has now become a lean and strong company after a series of reforms we started in 2018, and I am confident that with this initiative it will be even stronger.”

Mr. Komori continued, “Full ownership of Fuji Xerox will facilitate faster decision making in a rapidly changing business environment. At the same time, Fuji Xerox will be able to further strengthen its business by capturing new OEM opportunities in the global market, leveraging our world-leading product development and manufacturing capabilities. We are excited to start a new chapter for Fujifilm and Fuji Xerox.”

As part of the transaction, Fujifilm has agreed to withdraw litigation it filed against Xerox on June 18th, 2018 claiming damages caused by the unilateral cancellation of the definitive agreement between the two companies.

Background to the transaction

Founded in 1962, Fuji Xerox Co., Ltd. is a leading document solutions company and most recently has been a 75%-25% joint venture between Fujifilm and Xerox. 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 and has a strong customer base for 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 light of the fact that uncertainty about the future of the global economy is increasing and competition in the market is intensifying, Fujifilm has decided it is best to have Fuji Xerox as a wholly owned subsidiary to flexibly implement necessary measures in a timely manner in order to achieve further growth.

Transaction Overview

- Fujifilm to acquire Xerox's 25% ownership stake in Fuji Xerox and its 51% ownership in Xerox International Partners, a 51%-49% Joint Venture between Xerox and Fuji Xerox that operates OEM business in the U.S. and Europe
- Fujifilm to have expanded OEM opportunities in the global market under a new agreement with Xerox
- Fuji Xerox and Xerox to extend an existing product supply agreement
- Fujifilm to pay USD \$2.3Bn (JPY 253.0Bn^{*1}) in aggregate to Xerox

*1 Based on exchange rate of 110JPY = USD

Transaction Rationale

Strengthen Document Solutions business – While it will continue to supply its products to Xerox under an existing agreement, Fuji Xerox will also strengthen its Document Solutions business in several ways. Most important, Fuji Xerox will have expanded OEM opportunities and supply products such as printer engines to customers worldwide, including the U.S. and Europe, leveraging its world-leading product development and manufacturing capabilities. Fuji Xerox will be ideally positioned to build on its increasingly sophisticated technology including expertise relating to cloud, artificial intelligence, and the Internet of Things, accelerating further expansion into adjacent areas.

Capitalize on new product opportunities – Enhanced synergies will bring new opportunities in growth industries. Fuji Xerox's language processing technology together with Fujifilm's image processing technology can be utilized to develop automatically generated diagnostic reports in the medical segment. In the printing industry, Fujifilm and Fuji Xerox will be better positioned to facilitate digitalization, offering one-stop solutions from analog to digital. Value creation and synergy opportunities will be enhanced by combining Fujifilm's graphic systems business which possesses extensive client base in commercial and package printing, with Fuji Xerox's sales, technological, and product creation capabilities.

Realize significant cost synergies – With full ownership of Fuji Xerox, Fujifilm will realize cost synergies from integration of duplicate functions, procurement optimization and infrastructure sharing within the Fujifilm Group.

Expected Financial Benefits

- Fujifilm expects overall revenue in the Document business of JPY 1.3Tn by FY2024.
- Fuji Xerox expects to stabilize mid-to-long-term Document Solutions revenue by diversifying revenue sources, expanding OEM business globally, and further expanding into adjacent areas. Fuji Xerox expects JPY 150 Bn revenue by FY2024.
- Fujifilm expects a total of JPY 10 Bn cost synergies by FY 2024 with Fuji Xerox as a wholly owned subsidiary. The synergy-creating measures include integration of duplicate middle/back-office functions, consolidation of overseas operations, and procurement optimization.

For Fujifilm Group, the transaction is expected to make a mid-to-long term positive impact on its consolidated earnings after Fuji Xerox becomes a 100% owned subsidiary. Fujifilm has continued to grow by building a powerful business platform in diverse businesses including healthcare and 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.

The transaction aligns with one of the basic strategies outlined in the mid-term management plan VISION2019 -- "Strengthening Document Business" -- allowing the company to maximize corporate value. There will also be new growth opportunities by improving the profitability of the document business and accelerating the exchange of talents and technologies within the Fujifilm Group. The transaction will allow Fujifilm to use the cash generated to invest in growth areas including healthcare and highly functional materials.

The transaction is expected to be completed within November 2019.

Forward Looking Statements

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

About Fujifilm

FUJIFILM Holdings Corporation, Tokyo, Japan, brings cutting edge solutions to a broad range of global industries by leveraging its depth of knowledge and fundamental technologies developed in its relentless pursuit of innovation. Its proprietary core technologies contribute to the various fields including healthcare, graphic systems, highly functional materials, optical devices, digital imaging and document products. These products and services are based on its extensive portfolio of chemical, mechanical, optical, electronic and imaging technologies. For the year ended March 31, 2019, the company had global revenues of \$22 billion, at an exchange rate of 111 yen to the dollar. Fujifilm is committed to responsible environmental stewardship and good corporate citizenship.
www.fujifilmholdings.com.

Founded in 1962, Fuji Xerox Co., Ltd. is a leading company in offering smarter ways to work with its document-related solutions and services, as well as with the world-class office multifunction devices, printers and production printers that we develop and manufacture for worldwide distribution. Fuji Xerox is a consolidated subsidiary of FUJIFILM Holdings Corporation with direct sales force covering Japan and the Asia-Pacific region including China. As a 10 billion dollar enterprise, we employ approximately 40,000 people globally, with more than 80 domestic and overseas affiliates / sales subsidiaries.
<http://www.fujixerox.com>

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