



FUJIFILM Holdings Corporation

Kenji Sukeno

President and Chief Operating Officer

January 31, 2018

Notice of
FUJIFILM Holdings to own 50.1% shares of Xerox Corporation,
combination of Fuji Xerox and Xerox Corporation,
and posting of extraordinary profit (gain on sale of shares of subsidiary)

FUJIFILM Holdings Corporation (the “**Company**”) resolved as follows at a meeting of its Board of Directors held on January 31, 2018 to enter into an agreement with its subsidiary Fuji Xerox Co., Ltd. (“**Fuji Xerox**”) and Xerox Corporation (a U.S. corporation listed on the New York Stock Exchange (“**NYSE**”) (“**Xerox**”)) to the effect that Xerox will make Fuji Xerox a wholly-owned subsidiary, and that the Company will own 50.1% of the shares of Xerox by way of subscribing for a capital increase by third-party allotment of Xerox after it makes Fuji Xerox a wholly-owned subsidiary (the Company to own 50.1% of the shares of Xerox after it makes Fuji Xerox a wholly-owned subsidiary, and Fuji Xerox and Xerox being combined under the FUJIFILM group umbrella, is hereafter defined as the “**Combination of the two companies**”), and the Company has now executed such agreement.

I. FUJIFILM Holdings to own 50.1% of Xerox shares (making Xerox a subsidiary) and combination of Fuji Xerox and Xerox

1. Reasons for the Combination of the two companies

Fuji Xerox is a document solutions company founded in 1962, currently 75% of whose capital was invested by the Company and 25% by Xerox. Through a joint venture based partnership spanning 56 years, the Company and Xerox have deepened their multi-faceted mutual cooperation on technology, etc. and built a strong relationship of trust. Fuji Xerox is even known as a rare success story for a cross-border joint venture. The Combination of the two companies is the optimal conclusion for both the Company has been determined by considering various options to increase corporate value, and it is expected that this combination will generate a large number of synergies. Fuji Xerox is mainly engaged in business in Japan and the Asia Pacific region, while Xerox is mainly engaged in business in U.S. and Europe. The two companies have provided solutions that solve management and business challenges, revolutionizing offices with xerographic technology and supporting the communication activities and value creation of customers through a variety of products and services.

Now, the Company will make Xerox an owned subsidiary after Xerox makes Fuji Xerox a wholly-owned subsidiary, and Xerox will be renamed “Fuji Xerox” (in this announcement, “**New Fuji Xerox**”). The Company will hold 50.1% of the shares of New Fuji Xerox, and New Fuji Xerox will maintain its listing on the NYSE. Also, it is planned that the current brands of both Fuji Xerox and Xerox will continue to be used after the Combination of the two companies.

New Fuji Xerox will become the largest document solutions company in the world in revenue size, and by deploying its operations worldwide with a uniform management strategy, New Fuji Xerox will realize further acceleration of business growth and new value creation for customers. In addition to its size, New Fuji Xerox will also have management resources such as high-value brands and the cutting-edge technology and excellent human resources that support those brands, as well as global marketing power and a superior customer base.

In addition, by taking these aspects of New Fuji Xerox and then utilizing the strengths of the Company such as its wide range of technology and its experience and know-how regarding new business creation, New Fuji Xerox will accelerate business reform not only as an office document business but also as a leading company

engaged in a wide range of businesses in fields such as commercial printing centered on inkjet technology as well as various types of industrial printing, and solutions services that improve business process and productivity.

Strategy for New Fuji Xerox

- Based on a globally unified marketing strategy, provide products and services that are competitive in the office market, and further accelerate an increase in market share in each region and the acquisition of global accounts
- By optimizing all the value chains at New Fuji Xerox including R&D, manufacturing, procurement, and logistics, realize timely injection of new products into the market and improved cost competitiveness
- By combining the image processing technology that is the Company's specialty and the document-related AI technology held by New Fuji Xerox, automate work processes that differ for each industry and customer and provide solutions services that realize further improvements in productivity
- By taking the advanced technology held by the Company in areas such as photographs, inkjet, photolithography (see Note), and optical, and the technology held by New Fuji Xerox in the document area, then leveraging these technologies to form a combination that competitors do not have, realize innovative product development and expand market domains

Note: Photolithography is a technology used in semiconductor fabrication and the like that adapts photograph development technology to create microscopic patterns.

Governance of New Fuji Xerox

- Board of Directors
 - Seven of the twelve Directors on the Board of Directors of New Fuji Xerox will be nominated by the Company and five will be nominated from among the current independent directors of Xerox
 - Shigetaka Komori, Chairman and Chief Executive Officer of the Company and Chairman of Fuji Xerox, will be appointed as a chairman of the Board of New Fuji Xerox concurrently
 - From the perspective of minority shareholder protection, a "conflict committee" comprising independent directors will be established that will make prior evaluations and approvals regarding transactions between group companies
- Execution of Management
 - An organizational structure will be built that enables the strengths of both Fuji Xerox and Xerox to be maximized
 - Optimal human resources who are able to maximize the strengths of New Fuji Xerox will be promoted without considering their originating company or whether a capital relationship exists
 - Jeff Jacobson, current Chief Executive Officer of Xerox, will be appointed as Chief Executive Officer of New Fuji Xerox

To date, the Company has continued to grow by building powerful business platforms in various business areas such as healthcare, high-functional materials, and documents, as well as by achieving business structural readjustments in existing businesses such as photography and digital cameras by taking rapid and appropriate responses to sudden changes in market environments. As the largest documents company in the world, and by utilizing fusion with the wide range of marking technology held by the Company in fields spanning from imaging to industrial, and the management know-how and experience of the Company regarding business reforms, New Fuji Xerox will accelerate new value creation that leads to improved productivity in the office field and will endeavor to enhance the profitability. The Company will further accelerate the growth of the FUJIFILM group as a whole by continuing to invest in growth business such as healthcare and high-functional materials.

2. Method of the Combination of the two companies

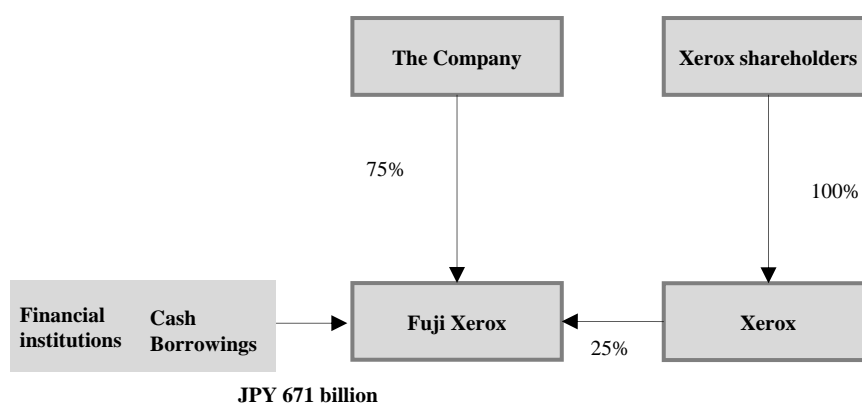
The Combination of the two companies will be conducted through three transactions, and the Company will own 50.1% of the shares issued by Xerox without any cash outflow from the FUJIFILM group.

- (i) Fuji Xerox will procure borrowings of JPY 671 billion from financial institutions, acquire from the Company as treasury stock 75% of the total number of issued shares of Fuji Xerox held by the Company, and the Company will receive JPY 671 billion as consideration therefor. As a result, Xerox, which held 25% of the total number of issued shares of Fuji Xerox, will come to hold 100% of the shares of Fuji Xerox.
- (ii) Xerox will pay a special dividend of USD 2,500 million to its existing shareholders.
- (iii) Xerox after making Fuji Xerox a wholly-owned subsidiary will conduct a capital increase by third party allotment with the Company as subscriber, and the Company will acquire 50.1% of the total number of issued shares of Xerox after such capital increase by third party allotment. The total amount to be paid in through such capital increase by third-party allotment will be USD 6,100 million (equal to the JPY 671 billion received by the Company in (i) above). The JPY 671 billion received by the Company will be contributed to Fuji Xerox through Xerox or the subsidiaries of Xerox after the capital increase by third party allotment above, then applied to the repayment of the borrowings in (i) above.

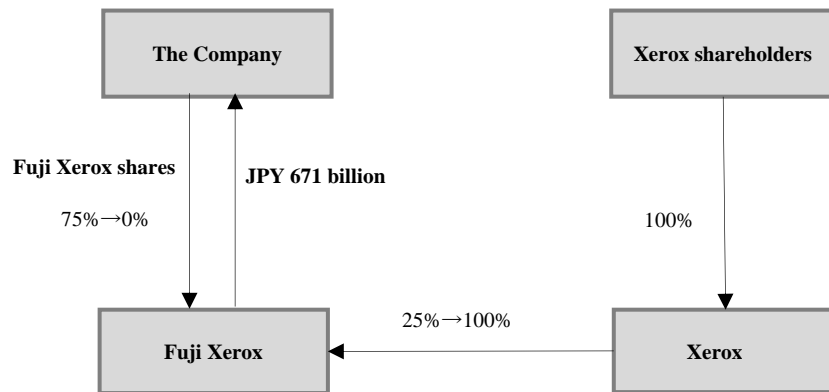
Outline of transaction

(a) Buyback by Fuji Xerox of 75% of its own shares from the Company

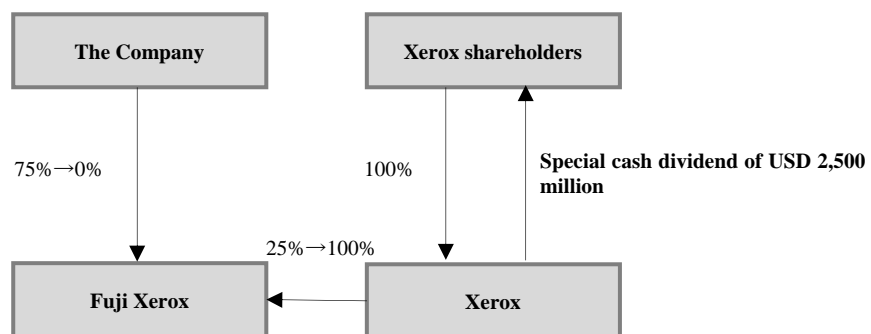
- (i) Fuji Xerox borrows JPY 671 billion from financial institutions



- (ii) By buying back 75% of its own shares from the Company, the equity holding ratio of Xerox in Fuji Xerox rises to 100%



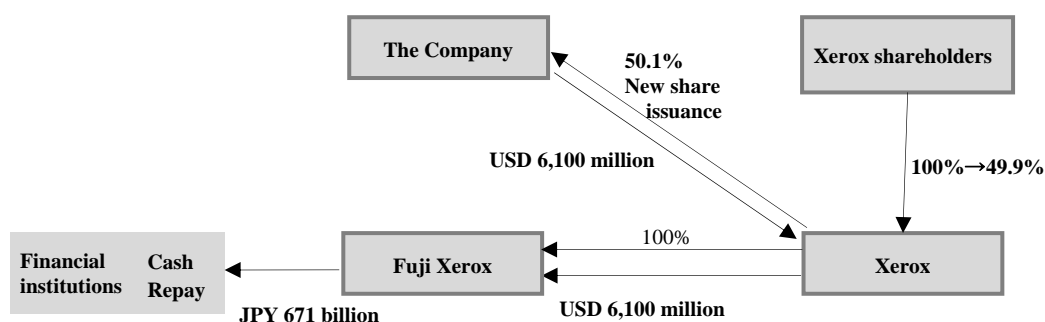
- (b) Payment of special cash dividend of USD 2,500 million by Xerox to its current shareholders



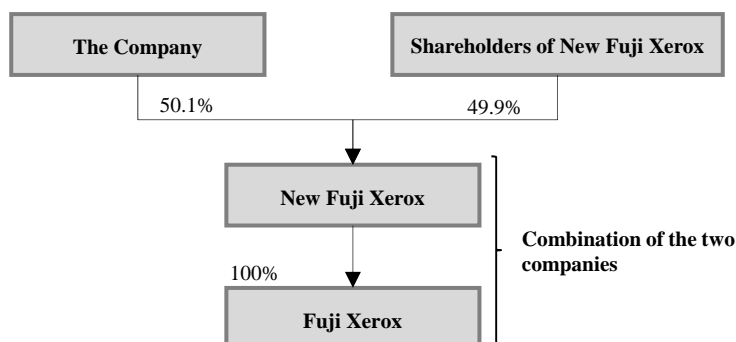
- (c) Acquisition by the Company of 50.1% of the shares of Xerox

The Company will use the JPY 671 billion it receives from Fuji Xerox to subscribe for newly issued shares of Xerox for USD 6,100 million, and own 50.1% of the shares of Xerox

Xerox will contribute USD 6,100 million to Fuji Xerox, and Fuji Xerox will repay JPY 671 billion to the financial institutions



After completion of the transaction



The Combination of the two companies is a friendly one and has been approved by the boards of directors of each company (by the Board of Directors of the Company on January 31 and by the Board of Directors of Xerox on January 30, US local time). In order to make contributions for the capital increase of Xerox by third party allotment to the Company, it is necessary for Xerox to satisfy certain conditions including obtaining approval at its shareholders meeting and completing procedures required by laws and regulations.

3. Outline of affected subsidiary (the company to newly become a subsidiary)

(1) Name	Xerox Corporation	
(2) Location	201 Merritt 7, Norwalk, Connecticut	
(3) Name and position of representative	Chief Executive Officer Jeff Jacobson	
(4) Business activities	Printing equipment and related services	
(5) Stated capital	USD 255 million	
(6) Date of incorporation	April 18, 1906	
(7) Largest shareholders and shareholding ratio thereof (see Note 1)	Icahn Associates Corporation 9.7% The Vanguard Group, Inc. 8.9% BlackRock, Inc. 5.9% State Street Corporation 3.5% Darwin Deason 3.4%	
(8) Relationship to the 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.
	Personnel relationship	CEO & Director Jeff Jacobson, Senior Vice President Farooq Muzaffar, and Royston C. Harding of Xerox Corporation concurrently serve as officers 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	Ending December 2014	Ending December 2015	Ending December 2016
Consolidated net assets (see Note 2)	10,753	9,117	4,841
Consolidated total assets (see Note 2)	27,658	25,541	18,145
Consolidated net assets per share (see Note 3)	9.63	9.00	4.77
Consolidated revenues	12,679	11,465	10,771
Consolidated operating profit (see Note 4)	1,090	924	568
Net profit attributable to owners of the parent	1,029	848	616
Consolidated net profit per share	0.86	0.42	(0.49)
Dividend per share	0.25	0.28	0.31

(Unit: Million USD (except for “Net assets per share,” “Net profit per share,” and “Dividend per share”))

Note 1: Shareholding ratio on an issued shares basis.

Note 2: Xerox conducted a spin-off in which its Business Process Outsourcing business was spun off as Conduent (NYSE: CNDT) effective December 31, 2016. Therefore, the figures for fiscal years 2014 and 2015 are from before the spin-off.

Note 3: Calculated by dividing consolidated net assets by the number of issued shares as of the end of each fiscal year.

Note 4: Income Before Income Taxes and Equity Income.

4. Outline of counterparty to share acquisition

Please refer to 3. above.

5. Number of shares to be acquired, acquisition price, and status of shares held before and after acquisition

(1) Number of shares held before change	—
(2) Number of shares to be acquired	The Company will acquire shares of Xerox equal to 50.1% of the total voting rights. Number of shares to be acquired by the Company has not been determined and it will be announced once it has been determined. (Voting right ownership ratio: 50.1%)
(3) Acquisition price	Common shares of Xerox USD 6,100 million Advisory fees, etc. (estimated amount) JPY 2,500 million
(4) Number of shares held after change	As stated in (2) above, this will be announced once it has been determined. (Voting right ownership ratio: 50.1%)

6. Schedule

(1)	Date of resolution by Board of Directors (of the Company)	January 31, 2018
(2)	Date of execution of agreement	January 31, 2018
(3)	Date of share acquisition	During the second quarter of fiscal year ending March 2019

7. Future outlook

- If the Combination of the two companies is consummated, the results of the combination are expected to contribute positively over the medium to long term to the consolidated results of the Company after New Fuji Xerox is made a consolidated subsidiary.
- If the Combination of the two companies is consummated, 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.
- There is no impact on the consolidated results for the fiscal year ending March 2018 in connection with the Combination of the two companies.

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

As stated in (i) of “I. 2. Method of the Combination of the two companies” above, Fuji Xerox will buy back from the Company 75% of the total number of issued shares of Fuji Xerox held by the Company, and the Company will receive JPY 671 billion as consideration therefor. As a result, the Company expects to post an extraordinary profit of approximately JPY 500 billion in its non-consolidated financial statements for the second quarter of the fiscal year ending March, 2019 (scheduled). Further, as stated in I-7 above, the gain on sale will be eliminated in the consolidated financial statements of the Company.