

Document Solutions

The Document Solutions segment encompasses office copy machines and multifunction devices, printers, production services and related products, paper, consumables and back-office outsourcing services.

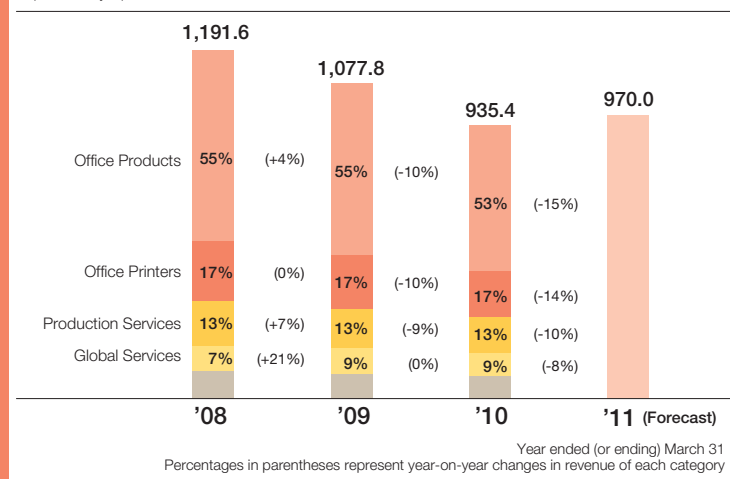


Breakdown of Revenue

Reasons for Changes from '09 to '10

- Lower sales due to weak demand and the appreciation of the yen
- + Higher sales attributable to a year-on-year increase in the fourth quarter of sales in the Asia and Oceania regions and exports to Xerox Corporation
- Negative impact of the yen's appreciation, totaling ¥28.3 billion, or 2.6%

(Billions of yen)

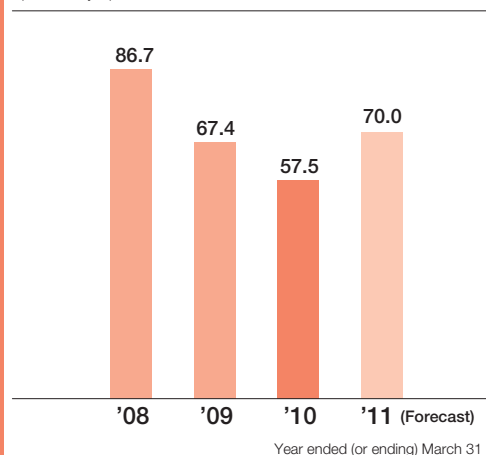


Operating Income before Restructuring and Other Charges

Reasons for Changes from '09 to '10

- Lower sales mainly attributable to weak demand
- + Year-on-year increases in third- and fourth-quarter profits due to reduced manufacturing costs and the reinforced management and thorough streamlining of SG&A expenses

(Billions of yen)



● Results for Fiscal Year Ended March 31, 2010

Consolidated revenue declined 13.2% year on year to ¥935.4 billion, due to a decrease in sales caused by weak demand, as well as other negative factors including the appreciation of the yen. Operating income before restructuring and other charges also declined 14.7% to ¥57.5 billion, mainly owing to a decrease in sales. Operating income after restructuring and other charges sank 35.1% to ¥32.2 billion, reflecting the segment's posting of restructuring and other charges totaling ¥25.3 billion.

● Segment Outlook

In the previous fiscal year, Fuji Xerox promoted Management Innovation Activities aimed at improving productivity in its back-office operations and reallocating the human resources secured through improved back-office productivity to its sales frontlines to strengthen marketing capabilities. In the fiscal year under review, Fuji Xerox launched Management Innovation Activities Part II. Through these activities, for example, Fuji Xerox worked on optimizing its R&D and production structures by consolidating its R&D and production facilities into central bases. Fuji Xerox will expand the scope of its Management Innovation Activities to its overseas bases, thereby further improving the profitability of its business.

Office Products

Year in Review

In Japan, the volume of shipments increased, thanks to robust sales of new Fuji Xerox products and the execution of large-scale sales contracts, which covered the installation of rental equipment. In particular, sales volume significantly grew for such new products as the *Fuji Xerox ApeosPort-IV/DocuCentre-IV* series of full-color digital multifunction devices and *DocuCentre-IV C2260*, a multifunction device, all of which use *EA-Eco Toner*. The *ApeosPort-IV/DocuCentre-IV* series boasts industry-leading energy efficiency, while *DocuCentre-IV C2260* has been designed exclusively for use in SOHOs—Fuji Xerox's new target market. While office copy volume had continued to decline until the third quarter due to corporate cost-cutting measures, the volume of copies made showed a year-on-year increase in the fourth quarter of the fiscal year under review.

In the Asia and Oceania regions, sales volume increased, especially in China. Exports to U.S.-based Xerox Corporation showed a year-on-year increase in the fourth quarter, driven by monochrome devices.

Business Outlook

Fuji Xerox will further strengthen the lineup of its solutions for wide-ranging corporate management issues, such as the streamlining and improvement of operations and processes involving document management and printing. At the same time, Fuji Xerox will work to lead the office products market through its competitive portfolio of products, including those designed for SOHO use and those boasting superior energy-saving performance.

In Japan, and in the Asia-Pacific region including China—the region where market growth is highly expected—Fuji Xerox will accelerate activities aimed at expanding sales of not only monochrome models but also color-capable models, thereby boosting the volume of copies made using its products.

Office Printers

Year in Review

In Japan, the office printers business suffered a sales volume decline due to weak demand. In the Asia and Oceania regions, Fuji Xerox continued to enjoy robust sales in China and other Asian countries, thereby expanding sales volume substantially. Concerning exports to Xerox Corporation, despite a decrease in the volume of shipments, performance has recovered from the third quarter of the fiscal year under review.

Business Outlook

Through the launch of competitive products with high cost performance, Fuji Xerox aims to improve performance in the Asia-Pacific region, including China, which is showing high potential for market growth, and in exports to Xerox Corporation, which is witnessing a gradual recovery in regional demand.

Production Services

Year in Review

On the domestic front, sales were robust for the color light production system, *700 Digital Color Press*. Fuji Xerox further strengthened its lineup by introducing two new models—namely, the color on-demand publishing systems *Color 1000 Press* and *Color 800 Press*—from January 2010. These two models offer additional value in various applications and help to drive the growth of the production color printing market. In the Asia and Oceania regions, as well as in exports to Xerox

Corporation, Fuji Xerox's products for the color light production market experienced steady sales growth.

Business Outlook

Leveraging its strengths of having a full lineup of competitive products covering everything from the light production field to the high-end production field, Fuji Xerox will continue to lead the ever-growing print-on-demand (POD) market.

Global Services

Year in Review

Sales in global services dropped year on year, adversely affected by the economic slowdown. However, sales of managed print services (MPS)* showed healthy growth on the back of customers' rising concerns about operational streamlining. MPS enables the integrated management of printing environments in offices and, consequently, supports efforts to reduce office infrastructure-related costs.

Business Outlook

In the growing global services business, Fuji Xerox will continue to provide MPS and other document outsourcing services that contribute to the enhanced management of the wide-ranging printing environments of customers. Also, in cooperation with Xerox Corporation, Fuji Xerox will work to expand the scope of its service offerings to add major companies and educational institutions in various countries to its existing customer base, which consists primarily of global companies.

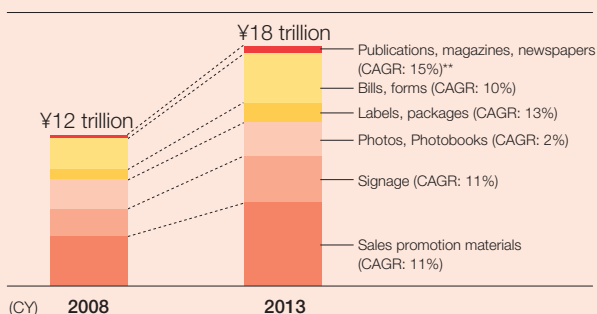
* MPS: An outsourcing service to manage the customers' printing environment with office equipment such as printers and multifunction devices, as well as with print-related work processes

New Growth Opportunities in the Production Services Business

Following its penetration into the computer printing market in 1978, Fuji Xerox has led the digital printing market for more than 30 years. In recent years, Fuji Xerox conducts product development jointly with Xerox Corporation, and the companies supply wide-ranging products to each other. Such a collaborative structure has enabled the two to promote their businesses worldwide, based on their unparalleled portfolio of high-quality products. Today, Fuji Xerox's production services business is about to tackle new growth opportunities. These opportunities are emerging in the digital printing market, our traditional area of expertise. As shown in the graph to the right, the digital printing market is expected to grow at the approximate rate of 10% annually over the period from 2008 to 2013. Increased demand for small-lot printing, coupled with the rising volume of personalized printed materials, is fueling this growth. More specifically, the growth will be centered on such fields as printed materials for sales promotion and signage (advertising displays, posters, etc.).

Fuji Xerox released color on-demand publishing systems *Color 1000 Press* and *Color 800 Press* in early 2010. These new publishing systems boast superior energy-saving performance. In addition, they have adopted the *EA-Eco Toner*,

Global Digital Printing Market Scale: Breakdown by Category*



* Market scale is based on the amount of shipments of digitally printed materials (Source: Fuji Xerox; 2008)

**Compound annual growth rate

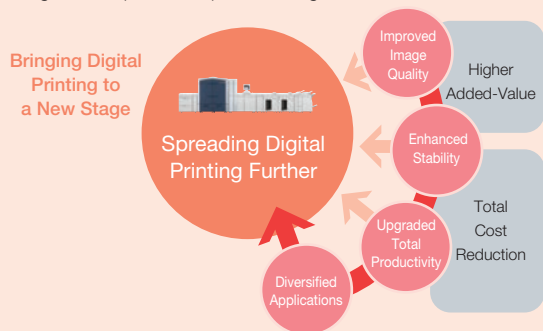
which achieves both high image quality and eco-friendliness, and the *Clear Toner*, which realizes a glossy finish on printed materials. Thanks to their superior printing performance and the high functionality of these toners, *Color 1000 Press* and *Color 800 Press* accomplish expressive reproduction, almost on par with offset printing.

In order to further develop the digital printing market, it is indispensable for Fuji Xerox to not only sell equipment, but also provide solutions tailored to the different needs of different customers. As part of its efforts in this regard, Fuji Xerox is promoting initiatives that focus on the marketing-oriented application of digital printing. For example, A mail-order company, one of Fuji Xerox's clients, has increased the volume of orders by changing the format of its orders from

general-use sales-promotion direct mail (DM) to personalized DM created using digital printing. By strengthening its customer relations and consulting services, Fuji Xerox is enhancing the value of digital printing applications. In this way, Fuji Xerox is working to propose new business models that will enable it to provide even higher added-value to its customers.

Color 1000 Press and Color 800 Press: Their Roles in Fuji Xerox's Business Development

Contributing to the expansion of Fuji Xerox's digital printing business through their superior, unique technological features



Broadening Digital Printing's Target Applications

Widening the scope of digital printing applications through improved productivity, image quality and stability



Fuji Xerox Accelerating Its Management Innovation Activities

After becoming a consolidated subsidiary of Fuji Photo Film Co., Ltd. (current FUJIFILM Holdings Corporation) in March 2001, Fuji Xerox has continued to strengthen its management structure. Through the three-year V06 Management Reform Program, which was launched in the fiscal year ended March 31, 2005, Fuji Xerox undertook the streamlining of its business functions with the aim of drastically reinforcing its corporate capabilities. Specifically, Fuji Xerox transferred its production functions to China, while overhauling its domestic marketing structure by, for example, turning certain sales subsidiaries into wholly-owned subsidiaries.

Technology Co., Ltd. and production-focused Fuji Xerox Manufacturing Co., Ltd., respectively. These new companies began operations on April 1, 2010. With these companies as its core drivers, Fuji Xerox is working to create next-generation technologies and solutions that meet rapidly changing business environments. At the same time, Fuji Xerox is reinforcing its cost competitiveness and thereby advancing toward realizing sustainable corporate growth.

The V06 Management Reform Program was taken over by Management Innovation Activities in the fiscal year ended March 31, 2009. Management Innovation Activities focused on the optimization of human resources allocation. More specifically, while establishing a slim back-office structure requiring fewer personnel, Fuji Xerox bolstered its sales force at points of customer contact.

And in the current fiscal year, ending March 31, 2011, Fuji Xerox will expand and speed up its operations under Management Innovation Activities Part II in China and other Asian countries. Through these initiatives, Fuji Xerox aims to build a powerful corporate constitution that can fend off any deterioration in operating conditions.

During the fiscal year under review, Fuji Xerox launched Management Innovation Activities Part II. Through this new undertaking, it is further accelerating reforms aimed at improving the productivity of all business functions. In addition to reforms in operational frontlines and back offices, Fuji Xerox has implemented reforms for R&D and production functions. Through such new kinds of reforms, it has reorganized and consolidated its previously scattered R&D and production functions into R&D-focused Fuji Xerox Advanced

Reorganization of R&D and Production Functions

