

Briefing on
“FUJIFILM Holdings to own 50.1% of Xerox Corporation’s shares,
and the combination of Fuji Xerox and Xerox Corporation” and
“FY2018/3 2nd Quarter Results”
Main questions and answers

Q: How did you reach the conclusion to own 50.1% of Xerox Corporation’s shares?

A: In December 2017, Xerox Corporation completed the separation of Conduent and Jeff Jacobson was named CEO. As we considered our business growth together, we have reached the idea of this transaction structure. We will use the value of 75% stake in Fuji Xerox to own 50.1% of the new shares of Xerox. The transaction does not entail a cash outflow from Fujifilm Group, which enables us to further accelerate our growth business such as healthcare and high-functional materials as outlined in the Medium-term Management Plan VISION 2019, while implementing fundamental reinforcement of the document business.

Q: Do you intend to own 100% of Xerox Corporation’s shares in the future?

A: We don’t really think that. If we are to acquire 49.9% of the rest of Xerox Corporation’s shares to make Xerox Corporation our 100% consolidated company, we would need a large amount of cash, which would be several hundred billion yen. We don’t intend to conduct such a deal which deteriorates investment efficiency for our future growth.

Q: Xerox Corporation is a large U.S. company. Do you think you can establish appropriate governance?

A: Yes. We have a proven track record of owning U.S. companies and successfully managing them to generate synergies. Although it may look more difficult in this case, as Xerox is a large, long-established U.S. company, Xerox and Fujifilm have deepened the mutual understanding and relationship of trust for over 50 years through our existing Fuji Xerox joint venture. Moreover, the new Fuji Xerox’s Board of Directors will have twelve members, seven of whom will be appointed by the Fujifilm Board and 5 independent directors will be appointed from the Xerox Board. This Board of Directors structure will secure the governance of new Fuji Xerox.

Q: What is the breakdown of the structural reform of personnel reductions (10,000 people) within the existing Fuji Xerox and cost-effectiveness?

A: Over half of personnel reduction in the existing Fuji Xerox is expected to occur outside of Japan. We will improve efficiency mainly in the production and indirect department both in Japan and overseas. The expected annual earnings improvement is 25.0 billion yen in the fiscal year ending March 2019 and 50.0 billion yen per annum in and after the fiscal year ending March 2020. One-time expenses of 72 billion yen are expected to be incurred over the next three years starting from the current fiscal year.

- Q: What was the reason for a large decrease of OP (-4.7 billion yen) in the Document solutions segment?
- A: The profit was down mainly due to 4.8 billion yen of one-time expenses posted in this 3rd quarter. The one-time expenses included a disposal of assets entailed by withdrawal of low-profit business and by strict selection of R&D topics.

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