

Sustainability Report

Hand in Hand With Society

Highlights

- ▶ Contributing to Our Customers' Environmental Awareness With Excellent Products
- ▶ Diversity Strategies That Boost Competitiveness: Learning From a Pioneering Example at an Affiliated Company
- ▶ Synergetic Exchanges Beyond National and Corporate Borders: The Evolution of Ethical Procurement

Our CSR Goal at Fuji Xerox for a Sustainable Society and Beyond

We will strive to;

Mission Statement

Build an environment
for the creation and
effective utilization of
knowledge.

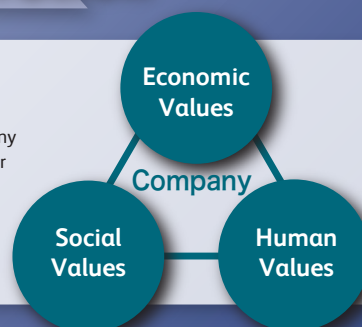
Contribute to the
advancement of the global
community by continuously
fostering mutual trust and
enriching diverse cultures.

Achieve growth and
fulfillment in both our
professional and
personal lives.

Innovation

Corporate Quality

Corporate Quality is the quality that a company facilitates through sustained value creation for all stakeholders by integrating high-level innovation comprising “economic values,” “social values,” and “human values,” which are at times contradictory.



In common terms, CSR at Fuji Xerox translates into the pursuit of corporate quality. Fuji Xerox strives for value creation as stated in our Mission Statement through that pursuit. Beyond that, we firmly believe a sustainable society lies ahead in the future.

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Top Commitment

Delivering New Value-Added to Customers and Society Through the Three Cs

Tadahito Yamamoto

President and Representative Director
Fuji Xerox Co., Ltd.



► CSR — The Essence of Corporate Management

CSR-related issues are attracting a great deal of attention these days. For example, corporate initiatives related to global warming, problems concerning dispatched workers, and corporate scandals are constantly being highlighted in the media. On the other hand, I made the decision to disband our CSR Committee that had continued for four years. This may seem contrary to what the rest of society is doing, but that is not so. CSR, in essence, is corporate management, and it is meaningful only when it is integrated into all processes of corporate activities. Honestly speaking, we are not involved in CSR for the purpose of impressing others, nor do we intend to use it to gain greater popularity. I believe CSR must be naturally reflected in the daily activities of every employee. It would be humiliating if we acted on CSR only when pressured by others. We want to create a company where all directors and employees act with an intrinsic awareness of the importance of CSR. We are committed to this goal and will continually strive to evolve.

► Continuously Aware of the Customers' Perspectives

If our work is to be meaningful for the company and society, it is essential that we develop a comprehensive understanding of our

customers. To achieve this, I thoroughly commit Fuji Xerox to the practice of the Three Cs.

The first C is the Customer. I cannot overemphasize the importance of maintaining our close connection with each customer. We need to identify our customers' needs and work toward resolving their issues. Through this process, we want to develop business platforms with universal applications. To be able to do this, all employees must further develop their marketing savvy. This is what I have been asking for. We no longer live in an age where the development of a mega-hit product can ensure our future. We have to thoroughly understand the importance of fixing our sights firmly on our customers and constantly absorbing and reacting to their expectations, needs, and all other forms of information and signals that they are sending out.

► Honing Our Senses and Capabilities

The second C represents Competency. It goes without saying that we have to present viable solutions to our customers. However, the future of our business also depends on our ability to develop our sensitivities, a sense of beauty, and a sense of what is good. In this regard, there is no single or uniform answer to what is demanded of us. We have accumulated an expansive amount of knowledge and experience within the company. These have to be effectively

brought into play, and any shortcomings within the company must be remedied through cooperation with external partners. All of these elements have to be combined to develop an overwhelming and unique attractiveness. Our ultimate goal is to develop and utilize diverse human resources to sustain a highly competent organization that can function effectively on a global scale.

► Gritting Our Teeth and Staying the Course

The third C stands for Commitment. We cannot provide attractive value-added to society if we adopt the position that, "We tried everything, but nothing worked." I tell employees that if you are unable to resolve a problem within your own department, find a director or an external organization that can help. If we give up before trying every available option, we will not be able to create solutions that will be appreciated by our customers and society. This is what I have been telling our directors and employees over and over again. We have to be totally committed to our work to ultimately enjoy a sense of accomplishment and personal growth.

► Introduction of the New Corporate Logo

Fuji Xerox renewed its corporate logo in April 2008, the first renewal in 13 years. The



development of information technologies and the globalization of business activities have broadened our choices for communication. Where once there was only paper, now we have a wide range of tools at our disposal, including audio and multi-media. In the past, we contributed to improving our customers' communication by supporting them with their document needs. Now, we are set to go beyond documents and to become our customers' ultimate partner. The renewed corporate logo was introduced to reflect this determination and to give expression to our hope of developing into a dynamic company in various global fields, and we are doing our very best to accomplish this goal. I hope that our renewed logo will be widely loved by everyone, as was our previous logo.

► FY2007 Commitment and Report

In the Sustainability Report 2007, I identified three challenges that Fuji Xerox must overcome if we are to win the trust of society: (1) creating added value document services that meet the expectations of society; (2) developing a global business that responds to social awareness; and, (3) maintaining a corporate environment in which our employees feel work is 'interesting' and are 'engaged.' I have received various comments on these three challenges. While some said that they understood the challenges, numerous others commented that it was unclear

what we were trying to achieve and how we intended to arrive at our goal. These views were reflected in our management over the past year, and we have steadily made the necessary improvements.

► Messages in FY2008 Report

The Highlights section this year comprises representative cases of the "Three Cs," which I believe are very important.

We find ourselves in an increasingly complex environment of global specialization and division of labor. Taking on very challenging product development projects in such an environment gives us an opportunity to rethink the value-added that we should be delivering to society. Moreover, it spurs us to strengthen our cooperative relations within the organization. This is the first case introduced in the Highlights section, and it is presented to convey our commitment to customers.

The second case involves our HRD staff capitalizing on a valuable lesson encompassing international human resources management learned from Fuji Xerox Australia, which is remarkably advanced in implementing American and European management approaches, and developing it into a knowledge base shared by Fuji Xerox and all of our affiliated companies. This case demonstrates how we are strengthening our competencies by making the maximum use of the knowledge and experiences

of Fuji Xerox affiliates.

The third case involves ethical procurement with the participation of overseas suppliers. This case features the efforts being made to develop equal and cooperative ties that are mutually beneficial. The message in this case is to convey our commitment to built-in quality and rigorous compliance.

► The Future of CSR at Fuji Xerox

In 2012, we will be celebrating Fuji Xerox's 50th anniversary. In preparation for that major milestone, this year we will begin formulating a 10-year vision for the company. One component of this 10-year corporate vision will be to promote the awareness that "CSR is not extra work, but rather stands centric to our business and management." With this awareness firmly established throughout our company, we want to promote CSR as a very natural part of our everyday work.

As the top executive of Fuji Xerox, I earnestly accept this goal as my own personal responsibility, and I pledge that I will do everything in my power to approach this ideal form of management that integrates CSR into all aspects of our work.

I eagerly look forward to receiving your candid views and comments.

Contributing to Our Customers' Environmental Awareness With Excellent Products

Our multifunction devices and printers have earned high marks from society as environmentally friendly products. The engineering teams directly involved in their development were preoccupied with numerous themes, yet they were able to use a multifaceted approach to meet the challenges of the job. Here, we provide a behind-the-scenes look at how they accomplish the task at hand.

Recipients of the METI Prize, Eco Products Category

Nowadays, practically all companies are engaged in environmentally friendly activities. Unless our products impress such corporate customers with the thoughtfulness and foresight that went into their design, they have not reached a level emblematic of the Fuji Xerox brand.

In November 2007, Fuji Xerox's line of color digital multifunction devices and printers was awarded the Minister of

Economy, Trade and Industry (METI) Prize in the Eco Products category at the Fourth Eco Products Awards (an event sponsored by the Eco Products Awards Promotion Council). The award was in recognition not only of the excellent basic performance these products offer, but also of their implementation of several pioneering Fuji Xerox environmental technologies, including drastic reductions in power

consumption and the utilization of lead-free shafts and biomass plastics. In June 2008, the awarded multifunction devices were certified for inclusion on the Chinese government's "green" procurement lists. Further, during the G8 Hokkaido Toyako Summit in July 2008, 75 award-winning Fuji Xerox printers were put to heavy use by the international media center and office centers operating at the G8 Summit site.

Sudden Assignment as a Team Leader

At Fuji Xerox, the project management tasks involved in new product development and market introduction are entrusted to a general program manager (GPM), who supervises the entire process, and a technical program manager (TPM), who supervises the development stage. Ryo Ando, a 20-year veteran employee with the company, served as TPM for our award-winning line of xerography-type multifunction devices and printers. Ando is a dyed-in-the-wool engineer who, until his TPM assignment, had honed his expertise as a supervisor involved in the frontline development of imaging controllers for our large copy devices. At a time when sweeping generational changes and the shift to offshore development and manufacturing operations in China were fueling fresh demand for individuals with leadership qualities, he was selected to play an important role as a change leader capable of supervising the entire project, from new

product development to market introduction.

"Ando is straight-faced when he says he wants to build the best products of the 21st century, products integrating all the features and functions consumers demand," explains Yuji Akiyoshi, a Product Development Group staff member who served as GPM. "Of course, I share that goal, but Ando has a certain passion that tells you, 'Wow! This

guy's serious.' On the other hand, it occurred to me that it might be easier to pursue our development goals when our people are that outspoken to start with. I was also aware that our company has a strong cache of environmental technologies that have been incubated by our engineers. That encouraged me to start this project with the intention of trying every option."



Ryo Ando, Manager
Device Development Department II
Device Development Group
Fuji Xerox Co., Ltd.



Yuji Akiyoshi, Manager
Product Planning and Program Management
Product Development Group
Fuji Xerox Co., Ltd.

Striving for Excellent Products

Having the "spirit to pursue *Dantotsu* — head and shoulders above others" has become something of a catchphrase among Fuji Xerox insiders. It embodies a desire for overwhelming strength, of shock-and-awe that stuns the world and transcends the pure satisfaction of maintaining the company's competitive edge or staying one step ahead

of our rivals. In the 1980s, at a time when development teams were beginning to lose their sense of direction, the phrase gained attention as the spoken word of then-president Yotaro Kobayashi (now chief corporate advisor), who used it in some of his pep talks. It has to do with much more than just winning over the competition. In

fact, as a call for strength driven by people-oriented concepts, it embodies the Fuji Xerox conviction of encouraging employees to devote themselves to work that excites and motivates them as well as to show aspiration in taking on lofty challenges to create world-leading products and innovations that will leave an indelible mark on history.

The project brought in many developers and engineers who were well versed in energy-conserving imaging devices, biomass-derived plastic materials, and other new environmental technologies. Under the traditional approach, the company had assigned the independent stages of technology and product development to

different supervisors. However, this time it decided to have the technology development teams participate in the product development stages due to the difficult technical challenges involved as well as the goal of achieving results on a shorter deadline.

"This represents an ideal opportunity to present our technologies that we have

incubated for some time to our consumers," Ando appealed to the other team members. "I'll assume responsibility for decisions on balancing the project work with budgeting and lead times. I want you to reflect on your pride as developers and harness those technologies that promise to deliver the best results to our customers."

The Customer's Perspective

In annual terms, the carbon footprint, namely carbon-dioxide emissions, of all four Fuji Xerox plant facilities in Japan, China, and South Korea combined, including operations for the manufacture of raw materials and parts and the distribution of finished products, is about 1/100th the scale of the carbon footprint of one of Japan's largest chemical manufacturers inside Japan alone. Because the plants are focused on fabrication and assembly, this counts as an exceptionally small footprint compared to the company's sheer operating scale. Of course, Fuji Xerox has gone all-out to minimize carbon-dioxide emissions from its production and logistics processes. Nonetheless, the most important question is how effectively we are able to contribute to the efforts of customers who use our multifunction devices and printers to become environmentally friendly companies, by acting as their supplier and partner.

With its line of award-winning multifunction devices and printers, Fuji Xerox has succeeded in drastically cutting power consumption requirements by utilizing LED (light-emitting diode) devices instead of the conventional laser-beam technology for the image scanning process. Ken Tsuchiya, a researcher specialized in image formation devices, discusses some of the background to the development of this approach.

"The LED technology demonstrates value to consumers because it affords longer product life cycles coupled with lower energy consumption," Tsuchiya says. "However, early on in the mass-production stages, inconsistencies in the image quality from this technology proved to be a persistent challenge. Nonetheless, my supervisor encouraged me not to give up because this is an environmentally appropriate technology that would sustain our operations into the

years ahead. At that stage, we decided to split up our group into smaller teams and review everything, including the smaller details that at first glance seemed not to matter. In doing so, we picked up our first clue from information in a digital camera brochure. Our shared determination as a team to provide consumers with technologies that offer the most value led us to success."



Ken Tsuchiya
Key Technology Laboratory
Research and Development Group
Fuji Xerox Co., Ltd.

A Fusion of Technologies, Followed by New Hurdles

Ando touches on the difficulties that await efforts to develop environmentally sound products.

"To cut power consumption, the product or component must be more compact, and increasingly integrated," Ando points out. "Having achieved that, the next thing to worry about is how to deal with the issues of heat generation and noise. Vibration-induced interaction among different components is a huge problem that needed be resolved."

No matter to what extent individual technologies can be used to overcome

problems, developers face new issues when they attempt to integrate these technologies into an increasingly compact, high-density product. In the case of the award-winning multifunction devices and printers, for example, the problem of heat arising from the miniaturization was a major hurdle. To let the heat escape, larger ventilation holes or ducts were used. Doing so, however, in turn aggravated the issue of mechanical noise. To effectively resolve all of these potential issues without increasing the product's final cost, the development team conducted



repeated tests and trials, modified ventilation duct sizes and locations, and reoriented the airflow from cooling fans until ultimately they had achieved an ideal balance in terms of the product's design. As part of this repetitive process of problem solving, many team members sacrificed sleep to devote themselves completely to the project discussions, debate, and testing routines.

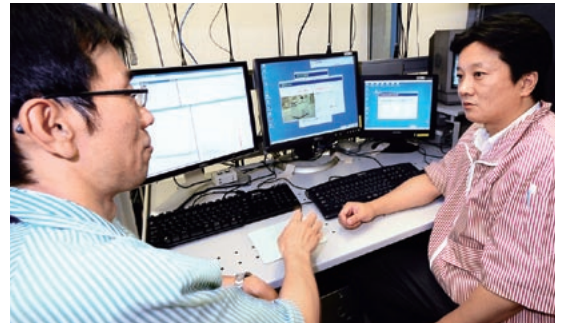
Teamwork counts as another crucial element. Ando reviews his supervisory approach in that context.

"We sought to keep costs in line with consumer expectations by maintaining a well-coordinated balance between the objective of cutting as much as possible costs associated with parts based on conventional

technologies and investing aggressively in environmental and other new technologies," Ando says. "In effect, our team sought to carry its work performance to the next level with a shared awareness that we would be balancing the choice of leaving certain components or technologies in place, while eliminating others at least to a certain extent."

Occasionally, supervisors found themselves at odds with one another. However, sometimes this internal wrangling between team members who shared the same goal of developing the ultimate in environmentally friendly product lines had the

end-effect not only of reinforcing team cohesion, but also of improving cross-departmental ties that otherwise suffered from a lack of communication and consensus under the conventional vertical specialization of duties that separated different departments from one another.



CSR From the Developer's Perspective

Shinji Masaki, an engineer with the Mechanical Development Division at Fuji Xerox Engineering Co., Ltd. who was in charge of the noise-abatement design, recounts his project experiences and the things he learned.

"Because we had set such high goals, there was little if any chance we would reach them very early on," Masaki notes. "At the outset, we knew it was imperative that we focus on just doing our jobs rather than being too concerned about whether the things we were trying to do were actually feasible. You can count on getting results of some kind if you are desperate enough. I will not forget this experience, and in fact, I feel

ready now to tackle new challenges."

"One condition for future products is that they satisfy not only the basic expectations of functionality and performance, but also the expectations of environmental suitability and universal design," Akiyoshi, GPM, comments. "There are many challenges I want to tackle in the context of product development, but it is not always possible to achieve our development ideals due to the constraints posed by budgets and delivery lead times. Even so, I feel it is our corporate social responsibility—or CSR—as developers to be faithful to our ideals and continue striving to translate our dreams into reality. With everyone's support, we were able to

savor the conviction that what we did was on target. All team members as well as myself are deeply grateful for that support."



Shinji Masaki
Mechanical Development Division
Fuji Xerox Engineering Co., Ltd.

Onward to a Higher Level

As explained in its founding charter, the purpose of the Eco Product Awards Promotion Council is to honor eco products that integrate environmental considerations of measurable excellence, demonstrate an abundance of innovation, and earn strong public acclaim. At Fuji Xerox, we have set our sights squarely on innovations that contribute to global

sustainability. Fuji Xerox products are developed by engineers driven by the same levels of enthusiasm portrayed in this report. Needless to say, we are determined to make endless contributions to the environmentally conscious efforts of our customers.



Diversity Strategies That Boost Competitiveness:

Learning From a Pioneering Example at an Affiliated Company

With a groundbreaking initiative, Fuji Xerox Australia has put into play a human resources framework where staff diversification and flexible working conditions are boosting its business performance. Here, we look at our affiliate's endeavors as well as what Fuji Xerox's Corporate Human Resources Department staff has learned from Fuji Xerox Australia's experiences to meet the demands of our global business operations.



Globally-Geared Human Resources Strategy

In June 2008, Kotowa Fukuda from Human Resources Strategy Group at Fuji Xerox's Human Resources Department dropped in on Beth Winchester, general manager of Fuji Xerox Australia's Human Resources. As an affiliate wholly-owned by Fuji Xerox, Fuji Xerox Australia operates its national sales network with a staff of 1,636 (1,212 men and 424 women) and six branch offices, posting annual sales of A\$689 million (FY 2007).

Reflecting the new global reach of Fuji Xerox's business operations, which requires greater interaction with multi-stakeholders, the Human Resources Strategy Group's mission includes planning and promoting a globally-geared human resources strategy that attracts a diverse range of people as well as maximizes their potential.

"The key to maximizing business results

is to 'Think Globally, Act Locally,'" Fukuda says. "As the parent company, Fuji Xerox is expected to provide corporate values on human resources and a human resources development scheme that functions globally. To do this, it is important to maintain good communication with human resources staff members of each



Kotowa Fukuda
Human Resources Department
Fuji Xerox Co., Ltd.

affiliate. We must understand the social background of each country that shapes our affiliates' human resources systems."

For her first stop, Fukuda chose Fuji Xerox Australia, where its human resources system has been integral in boosting its business performance.



Beth Winchester
Human Resources General Manager
Fuji Xerox Australia

Australian Social Context

Australia is a CSR forerunner, advancing early on to create standards on compliance programs (AS3806) and corporate social responsibility (AS8003), and contributing actively to the development of the ISO 26000 standard, a global guideline on CSR set by the International Organization for Standardization (ISO) and slated for completion in 2010.

Sparsely populated for its size, Australia actively welcomes more than 10,000 immigrants yearly, creating considerable national, ethnic, linguistic, and cultural diversity. Since abandoning the White Australia Policy in the 1970s, Australian society has become extremely sensitive to racial discrimination and other human rights infringements, and it has strict corporate regulations on equal opportunity in employment, advancement, and promotion.

Where social problems such as poverty, unemployment, and inflation were major policy issues in Australia some years ago, the economy has picked up recently and

unemployment has dropped to a record low of 4.3 percent. As a result, it has become a workers' market, with firms struggling to capture talented personnel.



New Ways of Working!

Fukuda talked with Fuji Xerox Australia staff members in detail. Vanessa Talty from the Human Resources Division recalled that three years ago, she took a year's maternity leave after her baby was born, then she returned to work two days a week. Later, she increased her workload to three days, and now she currently works four days a week. She is drawing on that experience to develop a flexible performance management system.

Barbara Allwright has negotiated with her manager as well as her general manager to work her full-time hours over a nine-day fortnight. By working longer hours on those nine days, she has the flexibility to pursue her personal interests on her days off. Fuji Xerox Australia considers personal interests as an entirely legitimate reason for adopting flexible work hours. Fukuda was impressed by the priority given to individual situations

and the values in determining work styles.

Beth Winchester explained that, for various reasons, 35 percent of Australians are not part of the labor market.

"Fuji Xerox Australia realized that this must include many skilled and motivated employees who cannot work eight hours a day, five days a week due to personal and home circumstances," Winchester said. "No one system fits all. So, we made the jump to a system that offers more flexible working conditions that adapt work styles to individual needs."

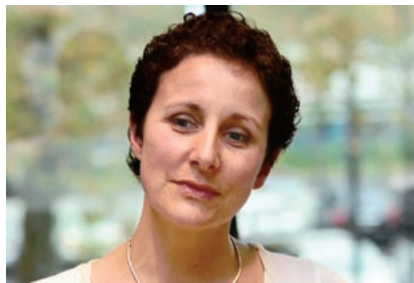
"Our aim is to attract talented staff through flexible working arrangements that suit their needs to improve the productivity of the company as a whole," Winchester continued.

Winchester left her job at a major construction company two years ago to take charge of Fuji Xerox Australia's Human

Resources Division. She arrived to find a business where more than 75 percent of the employees were men embedded in a nine-to-five, white-collar culture. But the firm was challenged with attracting the right replacements for retiring staff, and retaining young employees. Furthermore, Australia's unprecedented economic boom intensified the difficulty of attracting top talent through the firm's doors. To address these problems, Winchester has come up with a new basic policy: work styles would be adapted to suit individual employees, creating a workplace where staff could enjoy work and feel that their values were respected. Andy Lambert, managing director, Fuji Xerox Australia, is a strong supporter of this initiative, which forms an integral part of the company's CSR concept.



Vanessa Talty
Organizational Development Specialist
Fuji Xerox Australia



Barbara Allwright
Organizational Development Specialist
Fuji Xerox Australia



Andy Lambert
Managing Director
Fuji Xerox Australia

People-Based Management

Fuji Xerox Australia bought KAZ Group's Business Processing Services (BPS) Division in September 2007 to add to its services operations portfolio. BPS primarily gathers, inputs, and manages data on individual applications for credit cards and insurances. Former BPS staff member Samantha Fitzgerald, who had become a manager at Fuji Xerox Australia following the acquisition, explained to Fukuda about the change.

"Fuji Xerox Australia approved investment for information technology,"

Fitzgerald said, which was a big plus. "Now we can focus on high-level tasks. We often get urgent data input jobs, so teamwork is critical. But at the same time, we do not necessarily need everyone working full-time. By combining the different schedules of our various staff, we can work efficiently, without stress. Our employees are motivated and happy in their jobs. Very few have left since the buyout."

Fukuda recognized that Fuji Xerox's policy of people-based management was epitomized in the words of Fuji Xerox



Australia's staff. Today, a company's future depends on employees who garner deep affinities with society as well as have

the skills and leadership for a new era. When employees and companies mature, society also benefits. Thus, Fuji Xerox's

human resources strategy stands as the cornerstone of the company's CSR initiatives.

Diversity Management Supports Labor Productivity

Back in Japan, where Fukuda is based, diversity tends to be perceived as positive action in terms of employing women, foreigners, and people with special needs. After World War II, Japanese companies recruited relatively homogenous employees from a uniform market, which may explain why they struggle to understand the diverse labor situation in other countries. Fuji Xerox Australia has addressed its own local challenges by offering flexible work styles to draw a diverse range of human resources to the firm, and then using the synergy created by that team to boost the productivity of the company as a whole. Improving the economic performance, corporate brand, and management capability to attract diverse talents drives corporate competitiveness.

Different countries and regions have different work style needs, and within each region there are people with different values just waiting to be discovered. To maximize the capability of each employee so that he/she can perform at his/her best, companies need to accommodate flexibility in the choice and management of work styles. By offering flexible work styles, companies can attract diverse human resources and create synergy among them. Fukuda realized that Fuji Xerox Australia's diversity management offered many valuable lessons.

"I see diversity management as extending to all staff members," said Winchester, concurring with Fukuda entirely. "It goes without saying that it is important to be sensitive to issues like gender, ethnicity, religion, and people with special needs. However, we should extend the same level of consideration to employees who want to work shorter hours so that they have time to pursue other interests. From a productivity perspective, this means that remuneration



may change to reflect the reduced work hours. However, it is well-known that employees who are happy with their work circumstances as well as the consideration an employer has shown to their personal circumstances will be far more productive and viable than those that are not. I think that a company's sustainability depends on the ability of managers to work out how the working conditions sought by employees can be turned to maximum benefit for the company."

The general manager of Fuji Xerox's Corporate Human Resources Department, Takeshi Hibiya, suggests that in a globalized society, a company's growth depends on the sense of engagement and pride felt by each employee toward the common corporate value, and their motivation for self-fulfillment. Human resources strategies have to provide the means to this end, which he believes lies in pursuing diversity management tailored to the particular circumstances of each country. To realize this, he says that the Human Resources Department's job is to develop "real change leaders" who can deliver fair and legitimate assessments, and promote innovations. He continues that the challenge in the years ahead will be to

come up with a human resources framework that is not so rigid that employees must fit into it, but rather to develop systems or triggers so that employees become motivated and engaged. He wants to maintain firm support for the various human resources initiatives developed offshore to ensure that Fuji Xerox acquires a diverse range of employees who are engaged and passionate about their work, as well as produce results. Also, he wants each employee to feel self-fulfillment and excitement through their work. This is what he envisions for All-FX employees.

Fuji Xerox Australia's initiative—adapting flexible working conditions to individual employee's diverse needs—provided Fukuda many valuable clues as to how to advance diversity management. Sharing the experiences and knowhow of the corporate group will continue to take Fuji Xerox's human resources development to a new stage.

Synergetic Exchanges Beyond National and Corporate Borders:

The Evolution of Ethical Procurement

With the escalation of labor problems being reported in South China, Fuji Xerox of Shenzhen's ethical procurement program is going all out to help our business partners improve their management. Ties between Fuji Xerox of Shenzhen and local suppliers have strengthened as they work together to achieve mutual growth.

Highlight
03

Suppliers Respond Favorably

In August 2007, Fuji Xerox held briefings on ethical procurement first in Tokyo and then in Incheon (South Korea), Shanghai, and Shenzhen.

Shing Jie Plastics Products (Shenzhen) Co., Ltd. manufactures machine parts in Shenzhen City. According to its deputy general manager, Chen Shun Cheng, when his firm was having its first labor dispute last year, Fuji Xerox passed on a self-audit

questionnaire as well as management guidelines. Until then, the firm had concentrated on improving quality, cost, and delivery time. However, since the Fuji Xerox questionnaire and guidelines were used to address working conditions and dormitory facilities, employees have developed greater self-motivation and begun to support management. Chen feels that if the firm had made these changes a year earlier, the

dispute might have been avoided.

“Some of our clients only send out questions,” Chen says. “Fuji Xerox provides full guidelines and feedback that are indicative of the high quality of its enterprise. I wish other electronic equipment firms would follow Fuji Xerox and lighten our burden of responding to questions.”

Expectations of Fuji Xerox are evidently high.

Frequent Labor Disputes in South China

Dr. Kaiming Liu, who heads the Institute of Contemporary Observation (ICO), a non-profit organization that advises Fuji Xerox of Shenzhen on labor management, is well versed about the labor situation in South China. He has noted a recent rapid rise in labor disputes over wages and treatment of employees in China, and South China in particular, which he ascribes in part to the difficulty experienced by management in keeping up with frequent changes to laws, ordinances, and regulations on issues such as labor contracts, occupational health and safety, and minimum wages. In addition, with more and more of China's population belonging to the one-child policy generation, cheap labor to supplement and/or replace current staff is becoming scarce.

“Young workers are also masters of the mobile phone,” Liu says. “If they hear that another local company has raised its wages, regardless of the reasons for that move, they often demand that their own factory too institute a wage rise or else they move next door.”



Chen Shun Cheng
Deputy General Manager
Shing Jie Plastics Products (Shenzhen) Co., Ltd.

Other current challenges in developing business in China include rising raw material and personnel costs, the reduction or elimination of incentive measures for foreign firms, and a lower export return due to the high yuan.



Dr. Kaiming Liu
Executive Director
Institute of Contemporary Observation

Learning First

So far, Fuji Xerox's ethical procurement has garnered the understanding of local suppliers and proceeded according to plan. This success has been primarily due to the efforts and resourcefulness of staff on the production front-line.

According to Junichi Tada, general manager of Fuji Xerox of Shenzhen's Procurement Division, the firm's procurement staff are charged with strengthening Fuji Xerox of Shenzhen's relationship of trust with their business partners by providing effective support for

the challenges that local suppliers face, and with ensuring improvements in the suppliers' staff motivation, quality, cost, and delivery time.

“We expected suppliers to question whether they really needed to go so far, so we decided that our own procurement staff had to understand exactly what was involved and be convinced why it was necessary,” Tada notes.

The Planning Section manager at Fuji Xerox of Shenzhen's Procurement Division, Yang Yuanzhong, is in charge of introducing

and expanding ethical procurement. She observes that the limited response capacity of Fuji Xerox of Shenzhen's suppliers has



Junichi Tada
General Manager, Procurement Division
Fuji Xerox of Shenzhen Co., Ltd.

them groaning under the stack of similar survey demands they have received from their various clients.

“As a result, self-audits and improvement plan follow-ups were requiring more work and more time than we had expected,” Yang comments. “There were also many cases where we intuited inconsistencies between

the response data and reality. Racking our brains for a better survey approach, we were certainly reminded afresh of the importance of going out regularly to suppliers’ factories and observing the situation firsthand.”

Yang highlights the importance of follow-ups to supplier firms and consideration for the reliability of responses.



Yang Yuanzhong
Section Manager, Planning Section
Procurement Division
Fuji Xerox of Shenzhen Co., Ltd.

On-Site Checks Foster Solidarity and Professionalism

Based on the self-audits and improvement plans proffered by the supplier firms, Fuji Xerox of Shenzhen’s next step has been to undertake on-site checks.

The on-site check team comprises not only the general manager and buyers from the Procurement Division, but also Human Resources, Environment, General Affairs, Legal Affairs, and CSR staff. The team has a carefully-determined approach: (1) The general manager of the Procurement Division explains to the supplier firm that the check is being conducted for the supplier’s benefit; (2) the supplier’s general manager, deputy general manager, and other executives are asked to participate; (3) rather than completely trusting the self-audit results, team members witness with their own eyes and ears the actual circumstances at the factory lines and dormitories. Yang notes that it used to be the buyers’ job to visit suppliers, but with the introduction of ethical

procurement, staff from other divisions have also started coming along, forcing buyers to make greater efforts to develop a close understanding of the supplier’s situation.

“Our goal is to have all of our buyers understand exactly why we consider ethical procurement to be important and what is required of them as Fuji Xerox representatives,” Yang continues. “We are looking forward to fostering really strong buyers.”

Pursuing this point, Mika Liu, manager in the CSR Promotion Section, feels that participation by not only the general manager and buyers from the Procurement Division, but also representatives from various other divisions, has had an extremely favorable impact on staff development.

“Because the participating staff come to understand the leading-edge nature of our efforts, and because the suppliers are appreciative of them coming out and

engaging in a sympathetic dialogue, they become more enthusiastic about their jobs and feel a greater sense of belonging to the firm, while also developing a better understanding of management.” Liu notes. “Realization of the value of other divisions’ work has improved interdivisional communication.”

In short, working together as a team to address suppliers’ problems is enhancing the staff’s professionalism and interdivisional cohesion.



Mika Liu
Section Manager, CSR Promotion Section
Fuji Xerox of Shenzhen Co., Ltd.

Unexpectedly Positive Supplier Response

“When we first received and looked over the Fuji Xerox self-audit questionnaire, the company was thrown into an uproar, because we thought that we had to be able to put a check mark next to all the items or lose Fuji Xerox’s account,” recalls Naonori Najima, managing director of Amami Spring Co., Ltd., who has been involved in machine parts manufacturing in Shenzhen for more than 20 years now. “But a closer look at the questionnaire revealed that every item was something vital to the success of our

operation, and we were grateful that they had laid it out for us in such details. The on-site check after we had submitted our response was also a valuable experience. The Chinese staff at Fuji Xerox of Shenzhen might be young, but they have really mastered their areas. Specialists from areas such as human resources and environment gave precise answers as to what the problems were and how we could resolve them.”

Reflecting on the limited resources of Amami Spring as a smaller firm, Najima has

high hopes of a continued partnership with Fuji Xerox on concrete ways of balancing quality, cost, and delivery time with CSR.



Naonori Najima
Managing Director
Amami Spring Co., Ltd.

Close Headquarters/Factory Communication

Because manufacturing plants are expected to develop new technologies even as they work on further cost reductions, they face a number of hurdles in finding a balance between ensuring profit and ethical procurement. This means that even where



Nobuyuki Makita
General Manager, Production Center
Fuji Xerox of Shenzhen Co., Ltd.

supplier firm executives are called upon to follow ethical procurement guidelines, their factories might lack the necessary resources to pursue checks and corrections.

To address this problem, once supplier management has been persuaded of the need for ethical procurement, supplier factories also have to be provided with the necessary practical steps and tools for the checks and corrections. Moreover, because increasing penetration of the CSR concept will inevitably prompt more specialized social expectations of firms, these expectations must be met by securing and training human resources who can spot and respond to new trends. Nobuyuki Makita, who has guided Fuji Xerox of Shenzhen's



introduction of ethical procurement as general manager of the Procurement Division and is now general manager of the Production Center, believes that ethical procurement must be a sustained effort.

"Ethical procurement pursued only at the factory level often falters, and it's easy to lose touch with global trends," Makita notes. "That is why timely support from headquarters and the Corporate Procurement Division is so critical."

For both the headquarters and the factory floor, it is not about documents and directions—it is about real improvement.

Moving Ahead

ICO Executive Director, Dr. Kaiming Liu, lauds Fuji Xerox's decision to place ethical procurement at the heart of its management strategy and the commitment it has demonstrated.

"I was involved in the education program for the on-site check team, and both the level of education and the extent of preparations were unparalleled," Dr. Liu notes. "Even Western companies do not go this far. If more staff can be brought to understand the significance of ethical procurement and Fuji Xerox of Shenzhen continues to discuss specific improvement measures with its suppliers, I believe we can expect a positive impact on the business performance of both parties and on society in South China in general."

"As suppliers become familiar with the process, the check team will have to learn to spot superficial responses and the falsification of internal documents by unscrupulous suppliers when they go out on their visits," Dr. Liu notes as some of the challenges ahead. "Fuji Xerox of Shenzhen also has to determine a response in the event that suppliers do not make improvements despite repeated warnings. In addition,

the firm should look at strengthening cooperation with external auditing experts."

Fuji Xerox's president, Tadahito Yamamoto, first called for the introduction of ethical procurement two years ago when he was executive vice president in charge of development and production. Looking at the program to date, he notes that from the perspective of customers and shareholders, Fuji Xerox and its suppliers use the same processes.

"If we don't have the commitment and the capacity to pursue together a sustained course of improvement, we're not going to achieve the product quality or

the cost improvements to survive in market competition," Yamamoto says. "Ethical procurement is not something special—it's essentially about product quality. Fuji Xerox will continue to make a sustained push in this area."

Fuji Xerox's far-reaching scheme is premised on the idea that better working conditions in supplier firms will improve the quality of Fuji Xerox products. While the scheme is still barely off the ground, those involved have been encouraged by the response. The Fuji Xerox team will continue to work to produce clearer and more defined results from this bold initiative.



Bridging Japan-China Relations for Future Generations

Yotaro Kobayashi

Chief Corporate Advisor
Fuji Xerox Co., Ltd.



The world is in transition from an American-led 20th century to an age hallmarked by “non-American” countries. Surrounded by constant turmoil and daily reports of war, terrorism, pestilences, and natural disasters, humanity is anxiously waiting to see what will become of our world and who will emerge as the new center.

In this context, there is no doubt that China is one of the most closely watched major countries. China has an amazing history and is blessed with proud people. The growth that proceeded from the policies of economic liberalization has left an indelible impression of its presence on the entire world. As for the relations between China and Japan, in addition to the strong economic ties that have emerged between us, I feel that the two countries are making steady progress in strengthening their political ties. However, the dramatic changes that have taken place in China have created economic disparities and environmental problems. These are truly challenging issues.

In this sense, many of the problems that China will face in the course of its future economic development are not problems for China alone. It is my hope that China will establish itself in the international community through well-balanced stewardship, as this will be of critical importance to global sustainability. The advanced countries and Asian countries must consider what they can do to ensure this outcome. Of course, it is very important for China itself to act earnestly on these problems to allay the concerns of the world.

In the age that looms ahead, all countries must develop multiple points of interaction with all other countries throughout the world. They must strive to improve the quality and quantity of information that they have on each other so as to build mutual ties that are founded on equality and coexistence. To achieve this purpose, I believe there is an urgent need to develop human resources that can take a balanced view of things from the perspective of society and its citizen. This is not a matter that should be left to politicians and bureaucrats alone. To meet this urgent need, the corporate community must also stand up and take the initiative. There are many things that can be done. For example, the network of branches and manufacturing centers that Japanese companies have created to cover the entire globe can be effectively used as training sites for human

resources development. Another possible means would be for Japanese companies to include directors recruited from around the globe in their management structures.

Since 2003, I have been serving on the New Japan-China Friendship Committee for the 21st century as the chairperson of the Japanese side. In this post, I have had the opportunity to discuss Japan-China relations from many different perspectives and to submit reports and recommendations to the governments of both countries. Through these activities, I have come to realize that we must pay special attention to the exchange of young people and the role of the media.

The world has been swept by market fundamentalism that is centered on the needs of investors. However, we have seen how problematic this system can be in its various manifestations. It is my belief that protecting our young people from the infection of rampant materialism has very important ramifications for global sustainability.

We should mutually avoid making the statements of each other’s politicians the subject of nationalistic criticism. By its very nature, politics prioritizes the domestic realm, and sometimes it cannot be helped that statements made on important diplomatic issues reflect a double standard. With this in mind, it is extremely important for us to think and act with great maturity. We must stop to ask ourselves what the statements being made by other countries really intend to convey, and we must carefully consider how we can develop constructive relations that are not marred by misunderstandings.

Besides China, there are many other countries that will soon be affecting the course of the world. These include India, the Muslim world, and the African continent. When we work and live with other people, a human network is quickly formed, no matter what part of the world it encompasses. I am sure many of us have had this experience. Neither side should approach the relationship with arrogance or submissiveness. Rather, the relationship should be approached and deepened on equal terms. Both sides should be prepared to share ideas in the hope of helping the other side resolve its difficulties. I believe these to be essential requirements for the attainment of world peace and security, and by extension, global sustainability.

Significance of the UN Global Compact and the Role of Companies

Toshio Arima

Executive Corporate Advisor
Fuji Xerox Co., Ltd.

In 2002, I signed the United Nations Global Compact as president of Fuji Xerox, and I was appointed to the UN Global Compact Board in 2007.

The UN Global Compact is a voluntary initiative entailing cooperation among companies, the UN agencies, labor organizations, and the private sector, all of whom are committed to responsible behavior and to upholding 10 universal principles in the areas of human rights, labor standards, the environment, and anti-corruption. Through this association, I have been given many opportunities to speak at forums related to the UN Global Compact. Wherever I go, whatever I say is always founded on my own experiences with the practice of CSR at Fuji Xerox.

The very positive comments that I receive on these occasions from corporate executives from around the world and from the UN personnel have always exceeded my expectations. In fact, these occasions have provided me with excellent opportunities to reexamine the social “significance” of Fuji Xerox.

I am always deeply impressed by the active discussions that take place at the UN Global Compact conferences. Here, you have a gathering of executives from some of the most well-known global corporations who sit down with leaders of various NGOs. The discussions go well beyond global warming to include a broad spectrum of social issues related to poverty and economic disparity, as well as to labor and human rights. In the Leaders Summit held last year, top executives from various global corporations called for cooperative action for water resources management and countermeasures to global warming. The outcome of this meeting was the launching of initiatives for those issues.

One of the reasons I think the UN Global Compact activities are so wonderful is that their philosophy, “Realizing high ideals integrated with the development of the global economy and the companies that support it,” resonates very deeply with me. This philosophy has much in common with Fuji Xerox’s basic

CSR principle of “Corporate Quality,” which endeavors to elevate the “economy,” “people,” and “society” in an integrated approach.

The UN Global Compact conferences are also frequently held in developing and newly-industrializing countries. I am making a special effort to encourage as many Japanese companies as possible to participate in the UN Global Compact conferences held in such countries as China, Korea, and Thailand. I also call on the top executives of Fuji Xerox’s local affiliates in these countries to participate. The reason I do this is that these conferences provide excellent opportunities for gaining an objective understanding of the issues and needs of the region such as: Where is the world headed? What new systems and frameworks are being created? How should we participate in these frameworks? It is a very precious and exciting experience to participate in such discussions. Here is a chance to get a firsthand feel of the enthusiasm of the world’s people and to commit to these undertakings. It is my conviction that these are key experiences and perspectives that will be demanded of upcoming generations of leaders.

The UN Global Compact provides an extremely effective platform for creating a new age of “corporate citizenship.” This is a form of corporate citizenship in which employees at Fuji Xerox and countless numbers of people engaged in business throughout the world will naturally give thought to their own relationship to the world and to the local community, and will be duly evaluated for this by their companies. The significance of the UN Global Compact and the potential benefits of its realization for corporate management must be more widely recognized and appreciated in the international community. First and foremost, this requires the voluntary will and participation by members of the corporate community. As a member of the UN Global Compact Board and the Chairman of the Board of the Global Compact Japan Network, I am committed to doing everything in my power to accomplish this objective.



A stylized, handwritten signature in white ink, which appears to read 'Toshio Arima', is placed over a dark, horizontal band at the bottom of the image.

►For details, please access the following website:

<http://www.fujixerox.co.jp/eng/sr/2008/highlight/arima.html>

Volume 2: Nakamura Brace Co., Ltd. (Shimane Prefecture, Japan)

Management Embraces Young Hearts

As embodied in the phrase “harmony with the local community,” companies want to do more than simply provide jobs and pay taxes. They want to play a proactive role in town-building and cultural education that makes communities proud, and grow together with their local communities. Toshiro Nakamura is president of Nakamura Brace Co., Ltd., located in Omori-cho in Oda City, Shimane Prefecture. Nakamura has spent the last 35 years breaking new ground in the field of medical prosthetics, including prosthetic limbs, orthotic devices,

and artificial breasts, training young prostheticists along the way. He has also leveraged his success for the benefit of his hometown, devoting himself to Iwami Ginzan Silver Mine’s designation as a World Heritage Site. During the era of the great voyages, Western merchants and missionaries came to Japan for Iwami Ginzan’s silver, and today, Nakamura has set up shop in this historic spot. Here, Nakamura speaks with Takashi Shibuya, general manager of Fuji Xerox’s Corporate Social Responsibility Department.



Toshiro Nakamura, president, Nakamura Brace (left) and Takashi Shibuya from Fuji Xerox (right)

Shibuya: Rather than distribute your company’s many original products through a directly managed sales network, you chose to sell them wholesale to 600 prosthetics and orthotics (P&O) firms throughout Japan. Why did you choose this approach?

Nakamura: Prosthetics are special. They’re strongly linked to welfare, they’re carefully constructed by hand, and patients require permanent support. Therefore, your decisions cannot be made purely on a profit basis. Furthermore, when I was young, I ventured off to America with some big dreams. I wanted to extend my energies in multiple directions on the world stage; I wanted to lend a hand to my colleagues who work knee-deep in plaster day and night all year round; and I wanted to give the prosthetics profession a brighter image.

Through my own process of trial and error, I decided to wholesale to those 600 P&O firms.

Shibuya: Why did you call your silicon reconstruction devices “medical art”?

Nakamura: Our artificial breasts are designed to give women back their confidence, which in turn brightens their households and opens up the lives of their families. I called these products “medical art” with the idea of “art” speaking to the “heart.” Thanks in part to the business doing well, in addition to my staff gaining appreciable expertise, I’ve been able to realize a dream that I’ve nursed since my apprentice years in America. When patients have finished their treatment, the effects of having something like this to support them in their ongoing fight cannot be expressed in monetary

terms. Even if someone doesn’t buy one of our products right away, just knowing that it’s always available can alleviate despair and uncertainty. An unbelievable amount of time and work goes into each device, but because it’s an important job both for society and for my staff, I forge ahead with the knowledge that the business could well slide into the red.

Shibuya: Achieving a balance between welfare and profit is obviously no easy task.

Nakamura: Since I head the company, it is my responsibility to boost sales, pay wages, and contribute to society. At the same time, I stand here today thanks to my parents, who told me to look at the wider world, the love I have received from my community, almost miraculous encounters with benefactors, and the encouragement of many, many people. For me, it’s about making people happy as an expression of gratitude. Business is only a means to that end. It is not companies that sell things that make people happy, but rather companies



Medical art—just like the real thing



Toshio Nakamura

Born in 1948 in Shimane Prefecture. Begins training as a prostheticist at the age of 18, studying two and a half years in America, the home of prosthetics. Qualifies in the U.S. as an assistant orthotic prosthetic technician. Launches Nakamura Brace Co., Ltd. in 1974 in his hometown of Omori-cho, Oda City, Shimane Prefecture. Company currently employs 65 people. Has served in various key posts, including chairman of the Shimane Prefecture Board of Education. Has also devoted himself to collecting documents and educating the public on the historical value of Iwami Ginzan, a local heritage site. In 2007, Iwami Ginzan was registered as Japan's 14th World Heritage Site.

Iwami Ginzan, Shimane Prefecture

that do things that make people happy that will survive and flourish.

Shibuya: Have you been influenced significantly by your childhood experiences?

Nakamura: I was born in 1948 as the youngest of five children. Because my parents were already in their 40s when I was born, they lavished me with affection. When Omori-cho was annexed by Oda City, my father was involved in tidying up matters as both the deputy mayor and the revenue officer. When I was around 10 years old, we would sit around the *kotatsu* table and he would tell me about the experiences that he and my mother had shared living abroad when they were young, and his hopes for rebuilding our rundown little town. My mother was a decisive, strong-minded, and caring woman. My parents have really been my role models. People have also treated me very kindly in our local community. Omori-cho is like a big family to me.

Shibuya: When you were 23, you went off to America on no more than the strength of your desire to study and barely a penny to your name. There, too, you were helped by chance encounters and people's kindness, weren't you?

Nakamura: It just shows how important it is to act with complete commitment. Even though there was no hope of success, even though it was no more than my own personal dream, doors opened miraculously. I realized then that chance is everywhere, and that if you pray and act, there's no such thing as impossible. I also discovered that even out in the wider world beyond my local community and the borders of Japan, people would watch out for me. That experience was extremely significant.

Shibuya: When I visited the company, I was impressed at the courtesy of your staff and the way they focus on their work. How were

they trained?

Nakamura: I have them try their hands at various jobs. It takes 20 years to nurture a master prostheticist. Essentially, I leave them to it and they improve by themselves. All I do is poke my oar in occasionally. The company motto is "Think," and they seem to have absorbed this remarkably well. This job isn't just about techniques and processes, it's also about responding to the patients' feelings. When a child patient says that he doesn't want anyone other than that man and lady making his prosthetic, you know



Pouring plaster into a mold to create "medical art"

you have real professionals.

Shibuya: You train your staff over a very long timeframe.

Nakamura: This area used to produce plasterers; craftsmen who did very artistic work in buildings. I used to shout at my staff to master their jobs more quickly, but as I reached 60, I've finally realized that everyone here has that DNA. I've begun to recognize that my entire staff has enormous talent; I only wish that I had spotted it earlier. Rather than trying to produce immediate results, I want them to do their best without becoming discouraged. I want them to realize that they are currently kneading the clay for the wonderful vessels that they will become. (Laughs)

Shibuya: What was your aim in setting up the Nakamura Brace Iwami Ginzan Cultural Prize as of 2008?

Nakamura: All companies in the world, no matter how small, are here today on the strength of vision and effort, support from other people, references in publications and other media, and other acts of chance. Today, the Iwami Ginzan Cultural Prize is intended to express my gratitude for that. It doesn't offer a lot of money, but being able to continue it for the next 20 or 30 years will be a barometer of the healthy management of Nakamura Brace. I want the next generation to take it over and keep it going.

Shibuya: Absorbing a broad perspective from your parents, you've carved your way with determination, and now you use your job to realize dreams. You've really brought the essence of CSR to life.

Nakamura: The disassociation of companies and society has created social distortions and problems. We need to get back to the basics and recognize that countries flourish where companies look after their employees and their communities, and that people have to first value themselves and then their jobs. I think people in other countries have realized this, so now they talk a lot about CSR. I'd like my company to be a kind of private school; one that speaks its dreams, promotes sincerity, and nurtures young people. Those dreams might take 30 or 40 years to realize, but that's fine. The true essence of CSR is for company leaders to keep hold of young hearts.



► For details, please access the following website: <http://www.fujixerox.co.jp/eng/sr/topics/study.html>

Issues Surrounding Questionable Labeling of Recycled Paper Content

Masaaki Ishizuka

President and Representative Director
Fuji Xerox InterField Co., Ltd.

The inconsistencies reported in January 2008 in the listed and actual content of recycled paper in copy and printer paper products not only betrayed the trust of consumers who thought they were buying environmentally friendly merchandise, but also undermined efforts by those in both the public and private sectors to encourage paper recycling and the purchase of "green" products. As a vendor of such paper products, I am keenly aware of our responsibility in this matter. I wish to offer my sincere apologies and review the facts in details involved in this case.

Fuji Xerox sells nearly 140,000 metric tons of copy and printer paper products each year. Recycled paper accounts for about 50 percent of that total. Twenty-four years ago, Fuji Xerox began planning and developing acid-free paper, recycled paper, and other environmentally friendly paper products, and integrated these aspects of our business into our forestry operations. In this context, we have adopted the following basic policy:

1. Since the used paper recovery rate has reached levels nearing the maximum limit, and the fiber in used paper supports recycling up to a limit of three to five times, we use virgin pulp and used paper in a balanced manner.
2. We limit our procurement of virgin pulp to materials from sustainable resources, including plantation forests and other certified forestlands.
3. We explore our social responsibilities in collaboration with pulp and paper producers and nongovernmental organizations.

In keeping with this basic policy, in December 2004, we set up benchmarks for paper procurement and implemented a reporting framework requiring that suppliers of our paper products provide us with annual reports on the materials they use, by unit of raw paper and also by plant facility. However, around September 2007, we received reports from several paper makers that they faced increasing difficulty in acquiring used paper material, but continued to manufacture products containing recycled paper. Hence, we proceeded with preparations to begin marketing recycled paper products with a lower used paper content of 70 percent, down from 100

percent, in the spring of 2008.

To ensure that the sources of raw materials for our copy and printer paper products are selected appropriately and the ratio of recycled paper is controlled properly in accordance with specifications, starting in April 2008, Fuji Xerox sent inspection teams to the plant facilities of the paper makers to which we have outsourced our paper product manufacturing operations. We will conduct strict, twice-yearly on-site inspections of materials management, manufacturing processes, materials traceability, raw material blending or content, and management of environmental materials and chemical substances. Implementing these fundamental checks is the least we can do to meet our obligations as a product vendor.

The revelations of inconsistent content labeling have provided a fresh opportunity to review the issue of paper production and environmental problems throughout Japan. With international demand for paper products escalating particularly in newly-industrializing countries, an intensifying market crunch for used paper seems inescapable. In the interim, no scientifically useful methods for analyzing actual used paper content in paper products have been established. Accordingly, unless dramatic improvements are achieved in the conditions for used paper procurement, the number of times it can be recycled, and the technologies used to analyze paper content, the industry's entrenched use of labeling declaring 100 percent used paper content could lead to a second or even third round of allegations of false labeling. The Ministry of Environment has indicated that as part of their green procurement policy, government agencies plan to maintain a principle of 100 percent used paper content in the paper products they consume. That is a commendable public policy and one that we will actively support. However, satisfying demand from the public and private sectors for products with 100 percent used paper content is, unfortunately, going to be difficult, if not impossible, to achieve. I am hopeful that you will understand Fuji Xerox's policy of blending used paper with virgin pulp and acquiring virgin pulp from limited sources (planted forests and certified forests), and I look forward to your continued patronage and support.

Self-Evaluation on Progress of Our CSR Performance

Fuji Xerox believes companies exist to create and deliver value-added to society.

We strive to garner deep trust from the society by working and growing together with our stakeholders.



Progress on Our CSR Performance

CSR indices have been selected in relation to each group of stakeholders to enable a quantitative assessment on the current status of our CSR performance.

The chart provides an overview of the FY2007 situation. It indicates the meaning of each index, analyzes FY2007 figures, and explains our challenges and goals.

Stakeholders	Indices		Figures	Pages
Customers	Number of serious product incidents		No incidents	p25
Employees	Percentage of companies conducting employee satisfaction surveys		Fuji Xerox only: 100% (Response rate: 89.2%) Affiliates in Japan: 78.2% Overseas affiliates: 89.5%	p25
	Percentage of women in executive and management positions		Fuji Xerox only: 1.5% Affiliates in Japan: 2.1% Overseas affiliates: 26.9%	
	Ratio of direct employment to total employment		Fuji Xerox only: 82.7% Affiliates in Japan: 87.8% Overseas affiliates: 85.4%	p26
	Number of work-related incidents per 1,000 employees		Fuji Xerox only: 3.47 cases Affiliates in Japan: 4.08 cases Overseas affiliates (manufacturing): 12.31 cases Overseas affiliates (sales): 4.19 cases	
	Number of employees per industrial physician/occupational health professional		Fuji Xerox only: 405.8 employees Affiliates in Japan: 123.0 employees Overseas affiliates: 856.2 employees	
	Annual work hours per employee (actual performance)		Fuji Xerox only: 2,007.2 hours Affiliates in Japan (office staff): 2,111.4 hours Affiliates in Japan (manufacturing staff): 2,030.7 hours Overseas affiliates (office staff): 2,005.3 hours Overseas affiliates (manufacturing staff): 2,205.1 hours	
	Percentage of companies attaining the legally stipulated rate of employment of people with disabilities (Japan only)		Fuji Xerox only: 100% (1.96% employment rate) Affiliates in Japan: 58.3% Domestic affiliates (sales): 44.1%	p27
Environment and future generations	Contribution to CO ₂ reductions at our customers' offices and factories		821kt-CO₂	p27
	CO ₂ emissions at our business facilities		Development and manufacturing facilities: 123kt-CO₂ Business offices: 58kt-CO₂	
	Reduction of CO ₂ emissions at the manufacturing stage through parts reuse		25kt-CO₂	
	Recycling rate of recovered end-of-life products		Products in Japan: 99.9% Products overseas: 99.3%	p28
	Water consumption in the manufacturing process		Fuji Xerox and affiliates in Japan (manufacturing): 2.44 million tons Overseas affiliates (manufacturing): 520,000 tons	
	Number of problems that occurred in relation to regulations on chemical substances		Cases of non-compliance: 4	
Society and local communities	Changes in staff numbers by country/region (Figures within brackets indicate increases or decreases on the previous year.)	Japan	24,926 (-333)	p28
		Asia Pacific	16,848 (+1,942)	
		Other regions	68 (+1)	
	Social contribution spending		Fuji Xerox only: 572.27 million yen Affiliates in Japan: 61.46 million yen Overseas affiliates: 32 million yen	p29
Business partners	Response rate for ethical procurement self-audit questionnaire		75.4%	p29
	Local content ratio for raw materials and parts at overseas manufacturing bases (China)		65.6%	
Shareholders and investors	Number of serious corporate governance/compliance problems		One case	p29

► Customers

Number of Serious Product Incidents

No incidents

Identifies from among those product-related problems on which Fuji Xerox as a manufacturer has information, the total number of product incidents per annum that caused fatalities, severe injuries, after-effects, carbon monoxide poisoning, fires, or other serious damages, and which could potentially recur.

FY2007 Performance

► No serious product incidents occurred that required notification to the Ministry of Economy, Trade and Industry (METI) under the revised Consumer Products Safety Law.

Challenges and Goals

► Where Fuji Xerox identifies product incidents other than the above or signs thereof, a detailed investigation and analysis is undertaken and, if deemed necessary, voluntary notification is made to METI. In no such cases this year was the likelihood of recurrence noted, nor was it deemed necessary to undertake product recalls or other such measures.

► Fuji Xerox strives to embed product quality and safety even further into design, procurement, and production processes to eliminate all product incidents to the greatest extent possible. Improving our product safety is a never-ending task.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/customer/quality/safety.html>

► Employees

Percentage of Companies Conducting Employee Satisfaction Surveys

Fuji Xerox only: **100%**
(Response rate: 89.2%)

Affiliates in Japan: **78.2%**

Overseas affiliates: **89.5%**

Indicates the percentage of companies among Fuji Xerox and its affiliates that conduct employee satisfaction surveys.

FY2007 Performance

► In addition to Fuji Xerox itself, 36 of Fuji Xerox's 46 affiliates in Japan (78.2%) and 17 of our 19 overseas affiliates (89.5%) conducted employee satisfaction surveys.

► Employee satisfaction at Fuji Xerox rose slightly last year to 3.74 points out of a possible five. Variations in the questions and response formats in the surveys conducted by our affiliates prevent direct comparison of survey results or the calculation of average values.

Challenges and Goals

► Fuji Xerox strives for employee satisfaction surveys to be conducted by all its affiliates, and is working to standardize survey components.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/stability/satisfaction.html>

Percentage of Women in Executive and Management Positions

Fuji Xerox only: **1.5%**

Affiliates in Japan: **2.1%**

Overseas affiliates: **26.9%**

Indicates the percentage of women in executive and management positions at Fuji Xerox and its affiliates. Management here refers to those positions deemed as management level in Fuji Xerox's human resources system, regardless of the presence or absence of subordinates.

FY2007 Performance

► There are major differences between the figures for Fuji Xerox and its affiliates in Japan (around 1-2%) and overseas affiliates (around 27%).

► Fuji Xerox and its affiliates in Japan have not at this point introduced any particular positive action to boost the number of women appointed to management positions.

Challenges and Goals

► Fuji Xerox believes that female employees play a critical role in creating a company at which all employees regardless of gender can exercise their full potential, and in producing even more attractive products and services. Boosting the number of women appointed to executive and management positions is consequently regarded as a key issue.

► Fuji Xerox will look at steps to this end that are tailored to the features and circumstances of each company. This could include the introduction of positive action, which takes up the ratio of female appointments as a management index.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/stability/diversity.html>

● The various items listed on this page were selected because they are elements deemed important by Fuji Xerox in its involvement with society, or because they were expected to attract a large number of questions from stakeholders. Quantitative information is provided on the relevant indices and results achieved.

● FY2007 performances are based on data provided by Fuji Xerox and its affiliates as of March 31, 2008. Some reports include data from FY2008.

How to read each section
(pp. 25-29)

The meaning of each index is noted in bold at the beginning of each section.

FY2007 Performance

indicates results achieved in FY2007.

Challenges and Goals

notes challenges and goals for the future based on Fuji Xerox's FY2007 performance.

URL

indicates where related information can be found in the online version of the Sustainability Report.

Ratio of Direct Employment to Total Employment

Fuji Xerox only:	82.7 %
Affiliates in Japan:	87.8 %
Overseas affiliates:	85.4 %

Indicates the ratio of direct to total employment at Fuji Xerox and its affiliates. Direct employment includes both those employees whose contracts are open-ended and those whose contracts stipulate a set term.

FY2007 Performance

- ▶ The ratio of direct to other forms of employment is virtually the same at all the affiliates, regardless of where they are located.
- ▶ Temporary staff and contract labor are used primarily by those affiliates engaged in labor-intensive operations, such as manufacturing and production services.

Challenges and Goals

- ▶ Fuji Xerox recognizes that its employment policies need to be enhanced in line with types of assignments and expected roles, bearing in mind the importance of a broad employment portfolio and diversity in maintaining and boosting competitiveness.
- ▶ We will work to sustain and improve the quality of our human resources system and management so as to provide employees with stable jobs and the opportunities to grow regardless of type of employment.

URL <http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/environment.html>

Number of Work-Related Incidents per 1,000 Employees

Fuji Xerox only:	3.47 cases
Affiliates in Japan:	4.08 cases
Overseas affiliates (manufacturing):	12.31 cases
Overseas affiliates (sales):	4.19 cases

Indicates the frequency of work- or commuting-related incidents per company. The number of actual incidents per annum is adjusted on the assumption that each company has 1,000 employees.

FY2007 Performance

- ▶ Both affiliates in Japan and overseas sales affiliates presented virtually the same figures.
- ▶ Work-related incidents were higher at overseas manufacturing bases.

Challenges and Goals

- ▶ Work-related incidents need to be reduced at overseas manufacturing bases.
- ▶ Fuji Xerox will provide support to those overseas facilities where work-related incidents are particularly frequent, working together with them to enhance occupational safety.

URL <http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/condition/hygiene.html>

Number of Employees per Industrial Physician/Occupational Health Professional

Fuji Xerox only:	405.8 employees
Affiliates in Japan:	123.0 employees
Overseas affiliates:	856.2 employees

Indicates the number of employees per industrial physician/occupational health professional at Fuji Xerox and its affiliates. Industrial physicians and occupational health professionals include both full-time and part-time staff. The figure for overseas affiliates excludes those companies with no industrial physicians or occupational health professionals.

FY2007 Performance

- ▶ Fuji Xerox and all of its Japanese affiliates employ industrial physicians or occupational health professionals.
- ▶ 47.3 % (nine out of 19 firms) of overseas affiliates employ industrial physicians or occupational health professionals. Of these, 80 % of manufacturing affiliates and 35.7 % of sales companies employ such staff.

Challenges and Goals

- ▶ Fuji Xerox will consider deploying or appointing industrial physicians or occupational health professionals to those overseas affiliates that currently lack such personnel, bearing in mind the circumstances of individual companies and employee wishes.

URL <http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/condition/hygiene.html>

Annual Work Hours per Employee (Actual Performance)

Fuji Xerox only:	2,007.2 hours
Affiliates in Japan (office staff):	2,111.4 hours
Affiliates in Japan (manufacturing staff):	2,030.7 hours
Overseas affiliates (office staff):	2,005.3 hours
Overseas affiliates (manufacturing staff):	2,205.1 hours

Indicates annual work hours per employee at Fuji Xerox and its affiliates.

FY2007 Performance

- ▶ Annual work hours topped 2,200 at seven affiliates in Japan and two overseas affiliates.
- ▶ Fuji Xerox and affiliates in Japan are each taking their own measures to reduce work hours, but no measures are currently being instituted across the company and its affiliates.

Challenges and Goals

- ▶ A comprehensive and multi-faceted approach needs to be taken to consider management indices for work hours, bearing in mind the company's employment portfolio and the importance of work-life balance.
- ▶ Fuji Xerox will provide support to those facilities where annual work hours are particularly long, working together with them to reduce work hours.
- ▶ In cases where long work hours could impact on employees' health, Fuji Xerox has noted the constraint of work hours as a key issue and is acting accordingly.

URL http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/condition/working_hours.html

Percentage of Companies Attaining the Legally Stipulated Rate of Employment of People With Disabilities (Japan Only)

Fuji Xerox only: **100%**
(1.96% employment rate)

Affiliates in Japan: **58.3%**

Domestic affiliates (sales): **44.1%**

Indicates the percentage of companies among Fuji Xerox and its affiliates in Japan that have attained the legally stipulated rate of employment of people with disabilities.

FY2007 Performance

► Within Japan, around half of the 46 companies required to meet a numerical standard under the Law for Employment Promotion, etc. of the Disabled have attained the legally stipulated rate of employment of people with disabilities.

Challenges and Goals

► Current activities promoting the employment of disabled people at our affiliates in Japan will be enhanced and effective measures will be investigated and instituted to ensure that all companies meet the legally stipulated rate as soon as possible.

► Even in countries which have no legally stipulated rate, guidelines promoting the employment of disabled people will be considered for Fuji Xerox's overseas affiliates with a view to providing job opportunities and ensuring diversity.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/stability/diversity.html>

► Environment and Future Generations

Contribution to CO₂ Reductions at Our Customers' Offices and Factories

821 kt-CO₂

Indicates how much the power consumption of Fuji Xerox multifunctional devices and printers operating in the market was reduced compared to the year 2000, converted to a CO₂ emission volume basis.

FY2007 Performance

► In FY2007, Fuji Xerox achieved an 821 kt-CO₂ reduction. This equates to around 4.8 times the amount of CO₂ emitted by Fuji Xerox and its affiliates through office and manufacturing activities, and around 1.1 times that amount emitted across all the company's business activities, including manufacturing of procured parts and materials and product distribution. It is also the same amount of CO₂ that would be fixed per annum by around 60,000 cedar trees.*

*According to estimates on the Japanese Forestry Agency website, "Forests Absorb Carbon Dioxide"

Challenges and Goals

► The figures on the left only include the power consumption of multifunctional devices and printers, for which there is a standard calculation formula. We also need to find a means of calculating and incorporating the CO₂ reduction effect of other products and services, such as printers used for large-scale plans and solution services that contribute to energy-saving.

► Fuji Xerox will continue to develop and sell products and services with a high energy-saving effect toward achieving a 932 kt-CO₂ reduction in 2008.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/reduce/warming.html>

CO₂ Emissions at Our Business Facilities

Development and manufacturing facilities:

123 kt-CO₂

Business offices:

58 kt-CO₂

Indicates the amount of power and other energy consumed in the offices and factories of Fuji Xerox and its affiliates, converted to a CO₂ emission volume basis.

FY2007 Performance

► In FY2007, Fuji Xerox aimed to achieve emission levels of 112 kt-CO₂ for development and manufacturing facilities and 57 kt-CO₂ for offices. However, we were unable to cover the increase in manufacturing, and both development and manufacturing facilities and business offices (headquarters, sales offices, etc.) overshot their goals at 123 kt-CO₂ and 58 kt-CO₂ respectively.

Challenges and Goals

► With production expected to increase again in FY2008, targets have been set at 137 kt-CO₂ for development and manufacturing facilities and 58 kt-CO₂ for business offices. Fuji Xerox will pursue further energy-saving through ISO 14001-based management activities.

► Fuji Xerox has introduced a carbon offset index as of 2008 to ensure balanced CO₂ emissions management. The aim here is to offset the increase in the amount of CO₂ emitted by development and manufacturing facilities by reducing the power consumption of Fuji Xerox products operating in the market through expanded sales of energy-saving products.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/business/warming/index.html>

Reduction of CO₂ Emissions at the Manufacturing Stage Through Parts Reuse

25 kt-CO₂

Indicates the amount of CO₂ that Fuji Xerox and its affiliates would have emitted in the manufacturing process if new parts were used, but instead it was reduced through the use of reused parts.

FY2007 Performance

► In FY2007, parts reuse enabled Fuji Xerox to prevent the emission of 25 kt-CO₂, 1 kt-CO₂ more than last year. This equates to around 15 percent of the CO₂ emitted in the course of the business activities of Fuji Xerox and its affiliates, or the amount of CO₂ fixed per annum by approximately 1,800 cedar trees.

Challenges and Goals

► Parts reuse for devices is currently implemented only in the domestic manufacturing bases. We need to look at the feasibility of and methods for introducing the same system into manufacturing bases in China, where most production takes place, toward ongoing improvement of the parts reuse rate.

► We aim to expand the volume of CO₂ emissions constrained at the manufacturing stage through parts reuse to 33 kt-CO₂ by 2010 through technology development targeting the reuse of as many parts as possible.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/reduce/resources/collect.html>

Recycling Rate of Recovered End-of-Life Products

Products in Japan: **99.9 %**

Products overseas: **99.3 %**

Indicates the percentage of materials, heat, and other resources from end-of-life multifunctional devices and printers recovered in Japan and overseas that could not be reused as parts and were instead recycled as resources.

FY2007 Performance

► Ongoing improvements have seen Fuji Xerox achieve a domestic resource recycling rate of 99.9 % and an overseas recycling rate of 99.3 %.

Challenges and Goals

► In FY2008, Fuji Xerox will work to achieve recycling rates of 99.9 percent in Japan, 99.5 percent in the Asia-Pacific, and 96.0 percent in China.

URLs

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/reduce/resources/separate.html>
<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/reduce/resources/overseas.html>

Water Consumption in the Manufacturing Process

Fuji Xerox and affiliates in Japan (manufacturing):

2.44 million tons

Overseas affiliates (manufacturing):

520,000 tons

Indicates water consumption at the manufacturing stage by Fuji Xerox and its affiliates.

FY2007 Performance

► The total amount of water used by Japanese manufacturing affiliates was 2.44 million tons, 520,000 tons by overseas manufacturing affiliates.

Challenges and Goals

► In FY2007, water recycling at the manufacturing stage enabled a reduction in total water use of around 20 percent compared to FY2005.

► Further water conservation and water recycling need to be achieved at the manufacturing stage.

► With production volume expected to expand, Fuji Xerox and its affiliates will continue to work to reduce water use at its various business facilities with the aim of maintaining a 20 percent reduction compared to FY2005 in the total amount of water used at the company's and its affiliates' development and manufacturing bases.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/business/resources/water.html>

Number of Problems That Occurred in Relation to Regulations on Chemical Substances

Cases of non-compliance: **4**

Indicates the number of cases of non-compliance with the EU's RoHS Directive and other regulations.

FY2007 Performance

► There were four cases of non-compliance in FY2007. Two of these were identified at the pre-shipment inspection stage. We have conveyed information on the other two to vendors and are dealing with the situation. In all cases, the cause was an error in supplier manufacturing processes. Fuji Xerox has been educating suppliers to prevent the recurrence of such incidents.

Challenges and Goals

► In FY2008, Fuji Xerox will extend its efforts to ensure regulatory compliance toward eliminating all cases of non-compliance at the manufacturing stage.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/risk/product.html>

► Society and Local Communities

Changes in Staff Numbers by Country/Region

(Figures Within Brackets Indicate Increases or Decreases on the Previous Year.)

America	65 (±0)	Malaysia	550 (+47)
Australia	1,846 (+269)	China	9,340 (+1,293)
Singapore	867 (+116)	Japan	24,926 (-333)
Thailand	1,053 (+1)	South Korea	1,129 (+60)
New Zealand	483 (+3)	Taiwan	1,298 (+155)
Philippines	241 (-3)	Netherlands	3 (+1)
Vietnam	41 (+1)	Total	41,842 (+1,610)

Indicates staff numbers at Fuji Xerox and its affiliates by country/region.

FY2007 Performance

► There was an overall increase of 1,610. A larger production volume and the purchase of service businesses saw staff numbers grow in China and Australia.

Challenges and Goals

► We will work to promote further employment and job training, reflecting the economic development and employment policies and goals of our various business bases, as well as employees' needs.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/environment.html>

Social Contribution Spending

Fuji Xerox only:

572.27 million yen

Affiliates in Japan:

61.46 million yen

Overseas affiliates:

32 million yen

Indicates the total spending by Fuji Xerox and its affiliates on social contribution activities.

FY2007 Performance

► In FY2007, Fuji Xerox and its affiliates spent around 660 million yen on social contribution activities.

Challenges and Goals

► In FY2008, Fuji Xerox will focus on activities related to science and education, culture and the arts, future generations, the environment, and regional development, and areas closely related to the company's business domain. Even more employees will be encouraged to participate voluntarily in social contribution activities as an opportunity for personal growth. Fuji Xerox will also pursue collaborative projects with like-minded partners outside the company, deepening its involvement with society and the community.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/community/>

► Business Partners

Response Rate for Ethical Procurement Self-Audit Questionnaire

75.4 %

Indicates the response rate on the ethical procurement self-audit questionnaire that Fuji Xerox and its affiliates asked suppliers to perform.

FY2007 Performance

► Briefings were held in Japan, China (Shanghai and Shenzhen), and South Korea in August 2007 on the introduction of ethical procurement. Self-audits and reports were requested from 390 companies, * with responses received from 75.4% of the suppliers. (As of August 2008)

► The results of self-audit responses received from suppliers were analysed and feedback sheets created for each company. As of January 2008, suppliers have been provided with this feedback and asked to submit improvement plans.

*This includes the overseas manufacturing affiliates of Fuji Xerox's suppliers.

Challenges and Goals

► In FY2008, Fuji Xerox will need to undertake on-site checks of the plants of suppliers that have submitted improvement plans. We will also have to follow up on and strengthen support for those suppliers that have yet to submit their self-audit results and improvement plans.

► Common challenges faced by suppliers will be identified and more opportunities created to provide information on new social trends and practical knowhow within suppliers' implementation capabilities.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/partner/engagement.html>

Local Content Ratio for Raw Materials and Parts at Overseas Manufacturing Bases (China)

65.6 %

Indicates the ratio of materials procured based on supply contracts with local Chinese companies to the total raw materials and parts procured by affiliates in China (Fuji Xerox of Shenzhen, Fuji Xerox of Shanghai, and Suzuka Fuji Xerox (Dongguan)) expressed as a percentage of total purchase value.

FY2007 Performance

► In FY2007, the local content ratio for Fuji Xerox of Shenzhen was 66.8%, 60.3% for Fuji Xerox of Shanghai, and 69.8% for Suzuka Fuji Xerox (Dongguan).

► Fuji Xerox and its affiliates have not at this point introduced target values for local content ratios, nor have we calculated the economic effects of local procurement in terms of employment or tax, etc.

Challenges and Goals

► Fuji Xerox will look to boost local content ratios in its business activities so as to contribute to the development of the local economies where it operates.

► Shareholders and Investors

Number of Serious Corporate Governance/ Compliance Problems

One case

Indicates the number of serious corporate governance/compliance problems occurring per annum which required the issue of press releases.

FY2007 Performance

► A former employee was discovered to have placed a false order in Fuji Xerox's name with a trading company for around 2,000 computers (around 440 million yen), selling these computers to a bulk purchaser and using the money to cover for a past dummy transaction. This employee was dismissed on disciplinary grounds and criminal procedures were instituted. The damages were included in our March 2008 settlement as a non-operating loss. (April 25, 2008 press release)

Challenges and Goals

► Fuji Xerox will enhance corporate governance and compliance by reviewing our management system and reinforcing employee education so as to prevent the recurrence of such an incident.

URL

<http://www.fujixerox.co.jp/eng/sr/2008/corporation/organization/law.html>

Our Mission Statement and Shared Values

Fuji Xerox upholds “Corporate Quality” as the quality a company facilitates through sustained value creation expressed in our Mission Statement. In addition, the “Shared Values” express a set of values that represent Fuji Xerox employees’ attitude and spirit as they engage in business activities.

Mission Statement

The Mission Statement represents what Fuji Xerox and its affiliates, and all of the employees who work with us, strive for.

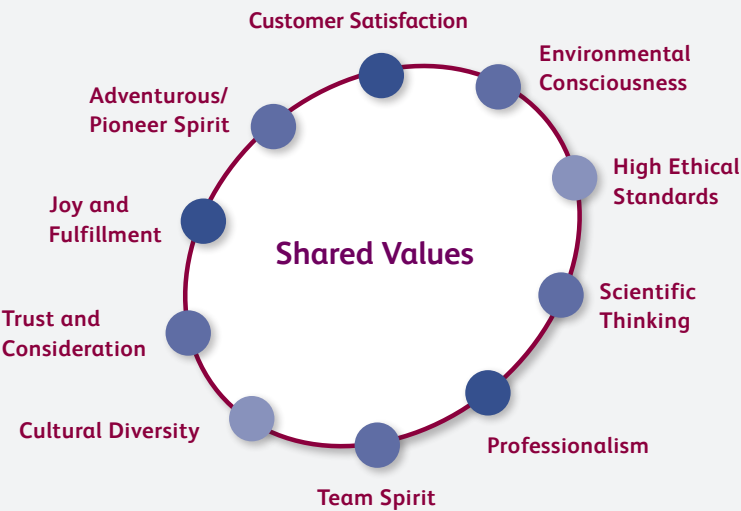
The goal to “build an environment for the creation and effective utilization of knowledge” concerns the business domain of Fuji Xerox. We exist to “contribute to the advancement of the global community by continuously fostering mutual trust and enriching diverse cultures” in that business domain, as well as to offer an environment to our employees who work to attain these goals so that they will “achieve growth and fulfillment in both our professional and personal lives.”

We will
strive to;



Shared Values

Our Shared Values express the 10 values that represent Fuji Xerox employees’ attitude and spirit as they engage in business as members of the company and society. All of these values symbolize the characteristics of our employees. With these values in mind, we strive to deliver values in the Mission Statement.



Good Company Concept

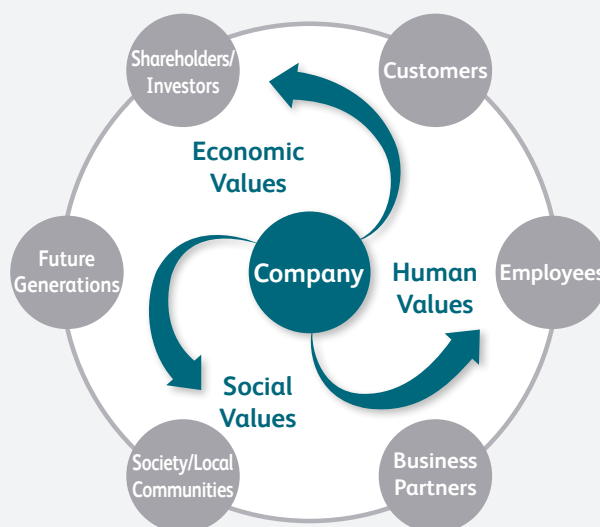
In 1992, Fuji Xerox announced the Good Company Concept on which our management is based. Under the concept, a good company must be “strong,” “kind,” and “interesting.” A “strong” company can deliver excellent products and services that satisfy customers and also reward its shareholders continuously. A company must be “kind” by contributing to the local and global communities, in terms of environmental conservation, ethics, and corporate citizenship. Employees find their life and work fulfilling at an “interesting” company. Fuji Xerox aims to be a company with a good balance of all three attributes.

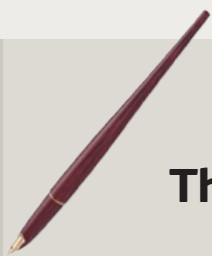


Corporate Quality

Top Executives at Fuji Xerox have always believed that a business exists to deliver value-added to society, including economic, social, and human values. Under the Good Company Concept, Fuji Xerox strives to become a strong, kind, and interesting company, and our Mission Statement prescribes that Fuji Xerox’s mission is to provide a wide range of values. These and other principles underlie our corporate management.

Corporate Quality is the quality that a company facilitates through sustained value creation for all stakeholders by integrating high-level innovation comprising “economic values,” “social values,” and “human values,” which are at times contradictory. We believe that the essence of corporate quality is to share a strong determination to integrate the three values and have the character and competency to yield new knowledge and overcome such contradictions. Based on this belief, we will continue our challenge to enhance the corporate quality.





Third-Party Opinion

Mr. Toshihiko Goto

Chief Executive, Sustainability Forum Japan
Chief Executive, Social Investment Forum Japan



The world currently faces three crucial challenges: climate change, biodiversity, and the North-South issue. We need to bring about a drastic turnaround on an epoch-making scale to reverse these negative side effects brought on by our economic and social systems since the Industrial Revolution. These problems may be too extensive to be related to individual companies; nevertheless, in the globalized era, companies, as main players in it, garner high expectations from society to tackle them. Those who regard and address them as business opportunities, not constraints, ahead of others, will gain trust from the society. In other words, that is CSR. It also suggests that these companies will be the winners in the 21st century econo-social system.

At Fuji Xerox, CSR is clearly defined as the “Pursuit of Corporate Quality.” It is thoroughly deployed within the company while practicing the Three Cs as portrayed in the Top Commitment section—“CSR: The Essence of Corporate Management.” I have understood three highlighted cases in this report as a declaration of Fuji Xerox’s “materiality.”

In spite of having an overall CSR vision/mission and a comprehensive policy, it is common for many Japanese companies to implement each concrete item with ambiguous policies. Fuji Xerox stands out with its clear declaration of the detailed direction, structure, and implementation plan for each item. Since these are beneficial for continuity of its efforts and post-performance evaluation, I would like to give high marks for them. As for the actual performance results, Fuji Xerox disclosed year-to-year statistical trends in its employee satisfaction survey as well as information that is deemed negative. Your earnestness to learn about staff diversity and flexible work styles from an affiliated company also impressed me.

Your activities embracing the environment and future generations span a variety of fields. I admire that Fuji Xerox, from early on, included “conservation of natural resources,” which is related with biodiversity, as one of three important pillars in its environmental activities. In my opinion, ethical (CSR) procurement plays a key role in the above efforts. As for CSR procurement, I understand it faces numerous obstacles, but from what I perceive, Fuji Xerox is making steady progress in cooperation with its Global Co-Prosperity Society. I hope in the future the range will expand to include not only the primary suppliers, but also suppliers’ business partners and so forth.

I cannot accept the defiant attitude of many paper makers on the issue of questionable labeling of recycled paper content, but I commend Fuji Xerox for its quick actions and countermeasures. I hope you also keep a close eye on manufacturers while bearing in mind that the end users cannot resolve this issue.

If the announced corporate target on environmental efficiency is repeated continuously over the next 10 years, I expect it will yield significant results. Nowadays, reduction in terms of total amount of Greenhouse Gas (GHG) emissions is the key for combating the climate change. Fuji Xerox’s efforts to reduce total emissions of GHG throughout its product life circle is important and effective, but it is also time to fundamentally address the reduction in the total amount of GHG emissions throughout your affiliated companies. It is said that the efforts during the next 10 to 15 years are most important; I am looking forward to your medium to long-term plan, such as a target by 2010.

Companies can make the greatest contribution toward rectifying the North-South issue through technology transfer, the creation of jobs, and CSR procurement. Fuji Xerox is doing a commendable job implementing the above three throughout its business territory. However, information disclosure is limited to that of Fuji Xerox alone, depending on the items. Therefore, I would urgently like to see consolidated-based data as well as data classified by country. Fuji Xerox has consistently sustained an outstanding reputation for its social contribution activities in Japan, but we cannot read anything about the activities overseas from this report. From now on, not only “plan” and “do” information, but also more “check” and “act” information is desired.

With regard to the reporting compilation, I would like to give high marks for having quantified indices for the readers’ better understanding. Thoroughness in publishing both print and online versions as well as providing detailed information on the online version is also commendable. Nevertheless, the explanation on the relationship between the print and the online versions should not come at the end of the print version. I believe when providing corporate information, the overall picture and explanation on the reporting compilation should come at the very beginning of the report.

Introduction of the Online Version Sustainability Report 2008

The print version focuses on Fuji Xerox's activities of which we deem particularly important to communicate to our stakeholders. Information not included in the print version, as well as more detailed information, are available on Fuji Xerox's website.

You can access the top page of the online version from this URL. <http://www.fujixerox.co.jp/eng/sr/2008>

Please find more detailed information on our website.

► Learning CSR From Other Companies (Full interview version)
<http://www.fujixerox.co.jp/eng/sr/2008/highlight/csr.html>

► Significance of the UN Global Compact and Role of the Companies (Full interview version)
<http://www.fujixerox.co.jp/eng/sr/2008/highlight/arima.html>

Relationships With Stakeholders

► Relationship With Employees

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/employee/>

- | | |
|--|---|
| <input type="radio"/> Employment and Working Environment | <input type="radio"/> Working Conditions and Occupational Health/Safety |
| <input type="radio"/> Initiatives for Stable Employment | — Initiatives to Respect Human Rights |
| — Career Development Support | — Work Hours and Holidays |
| — Initiatives for Diversity | — Health and Safety |
| — Labor-Management Relations | <input type="radio"/> Fair Evaluations/Benefits and Work-Life Balance |
| — Employee Satisfaction Survey | — Human Resources System (Evaluations and Benefits) |
| | — Work-Life Balance |
| | — Initiatives for Employees Not in Direct Employment |

► Relationship With Customers

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/customer/>

- | | |
|--|---|
| <input type="radio"/> Solution to Our Customers' Management Issues | <input type="radio"/> Provision of High Quality and Safe Products |
| — Global Services | — Quality Assurance and Product Safety |
| — Value-added Fuji Xerox Delivers to Our Customers | — Reliable Customer Support |
| <input type="radio"/> Products to Enhance Our Customers' CSR | <input type="radio"/> Improvement in Customer Satisfaction |
| — Universal Design | — Communication With Our Customers |
| — Reduction of Environmental Impact at Our Customers' Offices | |

► Relationship With Business Partners

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/partner/>

- | | |
|--|--|
| <input type="radio"/> Procurement Ethics | <input type="radio"/> Engagement Activities With Our Major Business Partners |
|--|--|

► Relationship With Society/Local Communities

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/community/>

- | | |
|--|---|
| <input type="radio"/> Support for Future Generations | <input type="radio"/> Contribution Related to Our Business Domain |
| <input type="radio"/> Environmental Conservation | <input type="radio"/> Supporting System for Volunteer Activities |
| <input type="radio"/> Communication With Local Communities | |

► Relationship With Shareholders/Investors

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/stock/>

- | |
|---|
| <input type="radio"/> Performance Results |
|---|



► Relationship With Environment and Future Generations

<http://www.fujixerox.co.jp/eng/sr/2008/stakeholder/environment/>

- | | |
|---|-----------------------------------|
| <input type="radio"/> Environmental Management | — Targets and Performance Results |
| — Environmental Principle | — Environmental Accounting |
| — Overview of Our Environmental Impact | — Environmental Communication |
| — Environmental Management Structure | |
| — Environmental Education | |
| — Mid-Term Plan for Environmental Management | |
| <input type="radio"/> Reducing Environmental Impact in Our Business Activities | |
| — Initiatives to Prevent Global Warming | |
| — Initiatives to Conserve Natural Resources | |
| <input type="radio"/> Reducing Environmental Risk From Chemical Substances | |
| — Initiatives Through Our Business Activities | |
| — Initiatives Through Our Products | |
| <input type="radio"/> Reducing Environmental Impact at Our Customers' Offices and Society | |
| — Initiatives to Prevent Global Warming Through Products | |
| — Initiatives to Conserve Natural Resources Through Products | |
| <input type="radio"/> Conservation of Ecosystems/Biodiversity | |
| <input type="radio"/> Environmental Performance Data at Major Facilities | |

Editorial Postscripts

Every year, with the Sustainability Report, we endeavor to communicate our passion and challenges to meet the expectations of society through our business operations, as well as contribute to solving social issues with our products and services.

We go through many trials and errors to issue this report so that our readers will pick it up, read it with interests, and understand the passion and challenges that go with our endeavors.

With great assistance and input from many people, the Sustainability Report 2008 has finally been completed.

We hope it translates our sustainability messages to you.

We still have a long way to go to achieve a sustainable society.

With our unchanged commitments, Fuji Xerox will continue to move forward.

Please also read the following contents:

- Corporate Profile
- R&D and Quality Initiatives

<http://www.fujixerox.co.jp/eng/sr/2008/archives/>

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