



Toward a Sustainable Society —————

Sustainability Report 2004



THE DOCUMENT COMPANY

FUJI XEROX

Reporting Principle

Fuji Xerox and its affiliates are carrying out their business with diverse global environmental and social issues in mind. We are also taking on the challenge of solving these issues every day in order to be excellent companies to our various stakeholders.

This report introduces efforts to solve issues concerning business operations and the current status of the activities being carried out in relation to these efforts. It also attaches importance to the presentation of policies and attitudes toward issues, so that it is more than just a simple report of activities and statistical data. In terms of activities we particularly wish to report on this time, information was gathered from those responsible for or concerned with these activities by a third-party perspective and then summarized as "Highlights."

The Sustainability Report 2004 has a print version and an on-line version.

Print version (52 pages)

The print version emphasizes "Top Commitment" and the "Highlights" and presents "Management & Performance" in a compact form.

On-line version (in Japanese only and covering 87 items; about 200 pages in length if text is converted into A4-size pages)

"Management & Performance" includes in-depth reports made on a wider range of activities from the perspective of sustainability. The on-line version offers various navigation tools, such as the Report Map and the GRI/Ministry of the Environment Guideline Comparison Table, to enable visitors to obtain necessary information more easily. For details, please see page 29.

We would be pleased to hear your opinions and thoughts about our activities, and your cooperation in a questionnaire survey would be appreciated.

For more information, please see the on-line version at <http://www.fujixerox.co.jp/>

■Reference Guidelines

- Sustainability Reporting Guidelines 2002 by the GRI*
 - Environmental Reporting Guidelines (FY 2003) by the Ministry of the Environment
 - Criteria for corporate Assessment in the 15th Corporate White Paper by the Japan Association of Corporate Executives
- Please visit our website for a table comparing the guidelines of GRI and the Ministry of the Environment.
- * GRI: Abbreviation for the Global Reporting Initiative, an international organization established in 1997 for the purpose of developing globally applicable Sustainability Guidelines.

■Scope of Coverage

The environmental impact data presented in this report covers all the domestic sites and overseas production sites that are subject to environmental accounting. In principle, this report covers data from April 1, 2003 to March 31, 2004, which is the fiscal year for Fuji Xerox. However, certain parts of the report provide data for the period from April 2004.

■Third-party Verification

Since 2003, we have asked ChuoAoyama Sustainability Certification Co., Ltd. to provide third-party verification. Verification by the company covers pp 38-49 of the "Environmental Performance" section and the "Environmental Performance" section in the on-line version. The opinions of the company regarding the results of verification are published on our website.

■Release of the Next Report

September 2005

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Fulfilling Greater Responsibilities to Society to Achieve Sustainability

The Fuji Xerox Spirit: Believing in Human Potential

Since our founding, Fuji Xerox has widely publicized our management philosophy, business vision, and value system, making them an important part of our core business management.

Robert Frost's poem "The Road Not Taken" contains the lines, "Two roads diverged in a yellow wood, And I — I took the one less traveled by..." These lines are always quoted at the ceremony for incoming Fuji Xerox employees and are the direct expression of the challenging venture business spirit that drove Xerox at the time of its founding. The lines continue to be repeated as part of the Xerox spirit. At its founding,

Fuji Xerox's corporate philosophy was "Our business goal is to achieve better understanding among men through better communications." The value that Fuji Xerox creates through its business activities is the embodiment of that basic idea, and has remained a constant theme throughout all the subsequent corporate philosophies set forth.

Fuji Xerox has generated, proposed, and carried out its new vision for corporations and businesses in various forms, aimed at the world at large. One example was the year-long "Beautiful Campaign" of 1970, the year the notion of ecology first started to gain the public's attention in Japan. That year Expo '70 was held in Osaka, under the theme of "Progress and Harmony for Mankind." During that time of rapid economic growth, and a Japanese society character-

ized by high-intensity labor, the campaign received high praise for the stern warnings it sent out about environmental issues and working styles.

Contributions in Core Business Activities to Help Create a Sustainable Society

Today's increasingly apparent global environmental issues demand a unified approach to sustainability that does not separate corporate activities from the issues of the global environment or society as a whole. Work on resolving global environmental issues must be combined with core business activities.

Fuji Xerox has two areas of responsibility for environmental issues. The first is to minimize the environmental impact that our own business activities (such as development/production, sales and services) have on areas such as global warming, resource depletion, and chemical substances. The second is to provide products, systems, and services that will allow our customers to create greater value with a smaller amount of energy and resources. It is important to understand the contribution that each type of activity can have on sustainability, using them as steps toward achieving goals.

As one of the participants of the Global Compact — the United Nations voluntary initiative — we also understand the importance of work on a wide range of environmental and other global issues over the long term. Fuji Xerox and our clients are now eager to start working on a broad range of initiatives.

The explosive development of information infrastructure



and the rise of globalization are starting to create rapid changes in the way work processes and information systems are handled by today's companies.

Fuji Xerox has embarked on a business vision we call the Open Office Frontier (OOF), designed to respond to these types of trends and give them added momentum.

OOF networks intellectual activities and provides systems and services that are useful in increasing efficiency of working styles. These activities raise customer competitiveness and enable reductions in total cost. At the same time, they reduce the customer's environmental impact — in other words, they enable creation of greater value while consuming fewer resources.

With the expansion of globalization and corporate alliances, there has been an increase in corporate activity, and if the present situation continues, the amount of energy consumption will rise dramatically. Fuji Xerox believes that the OOF concept and approach have the potential to greatly change this trend.

The OOF business vision proposes a new way of working that enables collaboration that goes beyond the framework of organizations and corporations, without being limited by time or place. We want to work with our customers to further advance this vision into a new business model for the 21st century, expanding it greatly in scale.

Dialogs and Trust Our Keyword: "Communication"

Since our founding, Fuji Xerox has always carried out business practices that emphasize societal qualities. In order to advance this management philosophy further, in 1993 we announced the concept of an "excellent company" as the long-term vision for management to strive for. This involves striking a balance between, and developing the qualities of being "strong," "kind," and "interesting"— which are the three aspects of an excellent company — expressed in a clear manner so that all employees can share this concept. Unlike a mission statement that sets forth a corporate philosophy, these words express an important policy that defines the scope of our activities. Our vision of becoming an "excellent company" corresponds to the triple bottom line of sustainability: economy, society, and the environment.

About 35,000 employees work for Fuji Xerox and its affiliates. Each of these employees is the starting point in build-

ing an excellent company. Their work gives them the joy of creating new value, and the realization that work makes a contribution to society. It's important to find something "interesting" in one's work and provide some "kindness" to society and the environment. This mindset creates enthusiasm for working and the "strength" needed to win in the competitive marketplace.

By using their own judgment and abilities in the workplace, each employee that shares our vision and grand strategy can produce outstanding results as an individual and member of the corporate group. I think this type of management is the ideal. I call it "soccer-style management." Unlike other sports, once a soccer match has begun, the coach can no longer instruct individual players or call timeouts. The coach's main role is to create the team's philosophy. He or she sets clear goals and creates a grand strategy to share with the players. To turn this strategy into reality, the coach trains and fosters the players. Once the game has started, everything depends on the autonomy and abilities of the players on the field. Soccer professionals achieve self-realization through top-level play. The most important elements in the relationship between coach and player are sharing a vision and strategy, and having a relationship of trust. Everyday communication therefore plays an extremely important role.

Business management is the same. The power of highly-motivated employees with individual skills and a broad field of vision is mobilized within the team power of the organization. Soccer-style management involves creating opportunities for these employees to fully demonstrate their abilities, and working to achieve the "excellent company" ideal through their teamwork. Like the soccer stadium for professional soccer players, the company is the place where many employees achieve personal growth and self-realization through work. I hope that Fuji Xerox can provide such opportunities to its employees. Many of the contributions to society and the environment that this report describes were created out of voluntary individual or group activities our employees take part in.

Walking:

Slower Pace and Higher Eye Level

I often walk for exercise, and I've noticed that the slower pace and higher eye level you have while walking let you see much more than you would when driving a car. My spirit is lifted by sights like leaves on treetops, bushes, birds and in-



sects, and I'm more keenly aware of seasonal changes. I am reminded of the wide range of creatures living around us, and of how humanity shares the planet with vast numbers of various organisms. Getting back to the basic fact that human beings are supported by the earth's ecology has helped remind me that although Fuji Xerox's business activities are human-centered and human-driven, they must never exceed the bounds of the earth's ecology.

To ensure corporate sustainability, our activities must never lose sight of what is essential. For this reason, we need to implement CSR at a higher level than ever before. CSR is the necessary condition for realizing "sustainability," but unfortunately is not the sufficient condition yet.

The significance of our unflagging contributions to society since our founding and our sensitivity to the environment are now being reflected in our "Excellent Company Concept" and in our "Open Office Frontier" business vision. Business strategies based on these ideas are being incorporated into our management practices and shared by our employees.

The same ideas are now gaining global attention through the notions of CSR and sustainability. Our belief in human potential will continue to drive a management style that makes the fullest use of individuals. Our aim is to minimize the negative impact of our activities on society and the environment, and provide our customers with products and services that will help them do the same. We firmly believe that this approach will result in sustainability for society and the our planet.

Take a look at the direction we are moving in, and feel free to give us your honest feedback.

Toshio Arima
President
Fuji Xerox Co., Ltd.

有馬利男

Toward Sustainability

Achieving a Sustainable Society through Communication and Intelligence

We, the Fuji Xerox Group, Will Strive to;

Build an Environment for the Creation and Effective Utilization of Knowledge

A strong company that provides outstanding services and creates value

P.9
Corporate Value
"As The Document Company"



A
Highlight

Contribute to the Advancement of the Global Community by Continuously Fostering Mutual Trust and Enriching Diverse Cultures

A company that is kind to the local and international community through its environmental initiatives, ethics, and contribution to society

Ecology & Safety (E&S) Vision

The Fuji Xerox Group will introduce and develop in all aspects of its business world-class ecology-conscious activities that emphasize respect for the environment. Companies in the group will strive to offer customers products, services, and related information that are safe and kind to the environment, and thereby contribute to the environmental conservation efforts of individuals and society.

B
Highlight



Resource Depletion
"Aiming for Sustainable Manufacturing"

P.13

C
Highlight



Global Warming
"By Means of the Energy-efficiency of Fuji Xerox Products"

P.18

D
Highlight



Resource Depletion
"Aiming for Sustainable Paper Supply"

P.20

Achieve Growth and Fulfillment in both Our Professional and Personal Lives

Fuji Xerox is a company where employees can enjoy interesting work experiences and lives

nce



S u s t a i n a b i l i t y

What is the essence of Fuji Xerox?

What type of value can Fuji Xerox provide society?

Fuji Xerox is asking itself these questions, and to provide clear answers to stakeholders we have summarized our activities into a series of “Highlights.” This section describes the challenges we are taking on to help create a sustainable society and global environment.

Values Fuji Xerox Can Provide to Society through its Core Business

Highlight **A**

Responses to Global Environmental Impact

Highlight **B C D**

The Fuji Xerox Mindset the Company Values and Wants to Hand over to the Future Generation

Highlight **E**

S o c i e t y

C o m p a n y

E n v i r o n m e n t



As “The Document Company” Promoting the Evolution of Communication

What type of company is Fuji Xerox? Everyone knows that Fuji Xerox manufactures copy machines, but for what purpose? And what will we do in the future? This highlight looks at the value Fuji Xerox has provided to society and where we are headed for the future.

“OOF Square”: A Document Environment for Collaborative Work

What Does Fuji Xerox Provide Society?

In February 1991, Fuji Xerox first set forth its corporate identity as “The Document Company,” declaring its future business direction. This identity involved continually striving to be the best in both documentation itself and in the processes used to create documents. It also reflected Fuji Xerox’s corporate philosophy at the time of contributing to better understanding and harmony among human societies through documents.

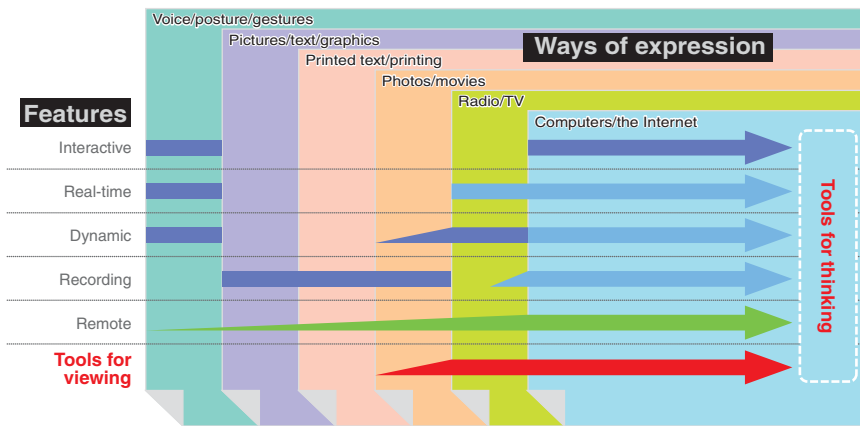
What type of value do companies provide society? There is a need to re-examine the value corporate business activities provide society from the standpoint of CSR (corporate social

responsibility). CSR is a term used to describe the responsibility that companies have toward society. So what has “The Document Company” Fuji Xerox provided to society, and what will it provide in future? This highlight examines the value Fuji Xerox provides society through documents.

What are “Documents”?

What are documents? To Fuji Xerox, they are more than just information written on paper. Documents can include a wide range of media, such as sound or electronic text and images. In other words, a document is any physical expression that

■ Development of ways to record and transmit thoughts and information What will the future bring?



Documents are tangible expressions of knowledge. As their formats have evolved, tools for documents have been created.

human intelligence can recognize. Humans think, communicate, decide and move using documents.

In the first place, what are documents? If a document is an expression of human knowledge, the original form documents took was communication conveyed by voices, postures and gestures. When humans wanted to convey knowledge to a wider audience and have it last longer, they carved characters into walls or wrote them on paper.

These records, which conveyed important historical facts, as well as knowledge related to natural science or medicine, to later generations, became the essence of documents. With the invention of the letterpress printing machine by Gutenberg in the 15th century, the essence of documents evolved into communication on a full-scale. As literacy progressed, more knowledge was shared, and documents started linking people.

Five hundred years later in 1949, the Haloid Company of Rochester, New York (later to become Xerox) invented and marketed a technology that enabled reproduction directly onto plain paper without a printing plate. Known as xerography, it was a reproduction technology based on static electricity. Anyone with access to a Xerox copy machine could now easily distribute documents, disseminating information whenever they wanted. This development was so revolutionary that management guru Peter F. Drucker said that Xerox succeeded in “democratizing information.” The first Xerox chairman, Joseph R. Wilson, said “the purpose of our work is to help create better understanding among people and bring harmony to the world.” These words suggest that the potential documents could have, providing an insight into the origin of Xerox’s role as “The Document Company.”



“CollaboPoster” lets individuals transmit and post knowledge in physical form.

■ Evolution of Documents into Tools for Thinking

In the 1980s, the information society started to develop at an ever-increasing pace. Personal computers became commonplace, and when linked through the Internet, allowed anyone to create and send out information to the world at large. But to use computers, humans had to learn computer operations and follow computer rules.

Struck by the unnaturalness of this arrangement, Xerox’s Mark Weiser created the concept of “ubiquitous computing” in 1988. Weiser indicated an idea that did not pertain solely to technological advances, and involved putting in place an environment where computers would not be visible to the eye so that human beings would be able to easily display their creativity. Takemi Yamazaki, a Fellow at the Corporate Research Group, says that “making humans unaware of the computer is an important factor when linking human thought to electronic documents.” Yamazaki predicts that the computers of the future will be objects that sit quietly alongside humans, improving not only productivity, but also helping creativity — becoming “tools for thinking.”

“Tools for creating documents,” such as paper, pencils and printers, were the first technologies created in the evolution of documents. In turn, these items gave rise to the need for “tools for viewing documents,” such as projectors, TVs and computers. From here, the next step is “tools for thinking.”

■ Documents that Create the Setting for Collaboration

Fuji Xerox predicts that in the future, documents will evolve into “tools for thinking,” but precisely what form will they take? Major



"InteractiveWall" lets users share documents across locations, and store data or handwritten text during discussions in electronic form.

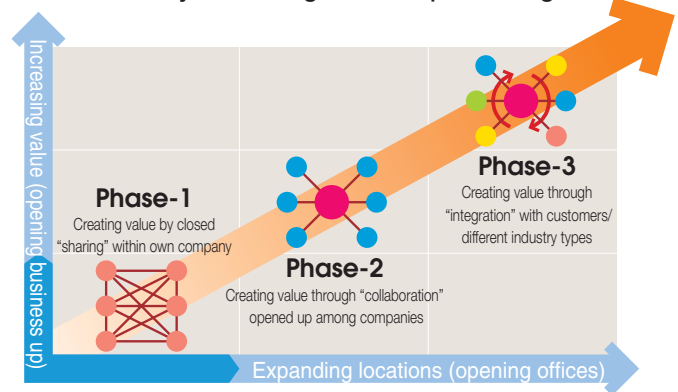
developments taking place today at Fuji Xerox are already shaping the evolution of these "tools for thinking." In fall 2002, the company created a new business vision called the "Open Office Frontier" (OOF). OOF proposes ways of working for a new generation by combining two concepts: the "Open Office" and the "Office Frontier."

The Open Office concept is an office paradigm in which offices are opened up to link workers in different companies or organizations. It was founded on the conviction that outstanding ideas are born from "give-and-grow" relationships that grow as knowledge is shared laterally across discrete job responsibilities and chains of command. Creating new value beyond the power of an organization requires the joint efforts of a multitude of individual identities that surpass the organization as a whole. It is an achievement not possible with just the single identity of a closed organization. However, when companies with complex interests join together, some parts of organizations can be open and others must be kept closed. Creating and managing rules for information sharing and information protection is an extremely demanding issue. Fuji Xerox has started providing services using information technologies it has researched to make its Open Office concept a reality.

One pharmaceutical company is using Fuji Xerox's Collaboration Service to create an R&D system enabling external collaboration, something they had previously never been able to manage. Amid today's intensifying international competition, companies that rely only on their own ability to raise capital or develop products will find themselves unable to compete with the massive capital of global corporations.

Sharing data that had been traditionally kept top-secret, to en-

■ Business style: Creating value in open settings



OOF proposes ways of working for a new generation.

able clinical trial outsourcing and sharing of clinical data with collaborator companies enables shorter development times and reduced costs. Faster and more advanced development is possible, and the added value of results is increased. Fuji Xerox's Collaboration Service allows companies to share collaborative project information with outsourcing companies and development partners, as freely as within a single company. At the same time, companies can set detailed security, such as restriction of information access by job function, and prevent all access to non-project-related information. The Open Office concept provides a setting for "opening up business" among companies pooling their know-how in collaborative projects.

One housing equipment wholesaler is working on improving its service to customers by using Fuji Xerox's Net Print Service (allowing data to be printed out at any Seven-Eleven convenience store in Japan). The wholesaler's sales representatives at sales outlets throughout Japan can take photos of a customer's kitchen or other room, and send the job instructions and photos to their design company in China, over the Internet.

The China design company uses the received photos to create a design showing the room after renovations, and registers the design in Net Print Service, where it is protected by high-level security.

When the design is ready, the sales representative in Japan goes to the nearest Seven-Eleven convenience store, prints the design as a proposal, and sends it to the customer. Open Office provides a setting for collaboration between "office-opening" organizations and individuals.

OOF's second driving concept is the Office Frontier—created from a passionate desire to work with customers

in order to remain at the forefront of the Open Office. The Office Frontier involves continually facing new challenges to be at the frontier of proposing better ways of working. Looking back on the company's history, Fuji Xerox has constantly created new working style proposals from the front-line office environment, such as “Rent Xerox, Buy Efficiency,” “From Moretsu (intensive) to Beautiful,” “Always Human-centered,” and “Start Over With a New Work Way.”

Fuji Xerox does more than just provide technology. The company is constantly proposing human-centered reforms for ways of working. The goal of the Open Office Frontier is not just to improve efficiency, but also to free human abilities through new ways of working.

Making Open Ways of Working a Reality—OOF Square

“OOF Square” is a concept office proposed by Fuji Xerox that was opened in January 2004 to illustrate the OOF concept. The office houses the staff of the Open Office Initiative, led by General Manager Yoshihisa Aoki, as well as researchers and development staff who normally do not work in a sales frontline. In addition, employees of other companies also work in the office on collaborative projects, and visits from customers accompanied by headquarters staff or sales representatives make it a truly open environment. Except for the meeting room, the office is separated by low partitions, and the space has an open design. Parts hidden from view are covered by rigorous security measures. The office is equipped with service tools such as “InteractiveWall” and “CollaboPoster” that let users get the most out of computers without having to be conscious of any interface. These tools link multiple bases to enable exchanges of ideas or creation of effective presentations.

One of the features of this office is that its computers are not assertive. Describing what makes OOF attractive, Aoki says: “Using a pen instead of a keyboard is more conducive to human creativity. Ideally, you should be able to focus on the subject of a discussion in a natural posture and have tasks like security management or recording of the discussion process handled reliably by a computer behind the scenes. This arrangement creates a space where employees can inspire each other, increasing individual and group productivity and even improving the mobility of the organization.” But OOF Square does not represent OOF's final form. There is still future potential, as Aoki describes. “OOF Square is a test-tube—an experiment to verify the types of benefits we can create by making “open ways of working” a reality. The next step we need is to create

value. That process itself is what OOF is all about. We are going to keep our concept open, and share our ideas with partners to get it into a more ideal form.”

Documents as Tools for Thinking

With OOF steadily taking shape, what form will the document services of the future take?

One goal of the company's current research is to find ways of sharing human knowledge to solve problems faster. Once a problem to solve has been defined, rarely is the key to solving it or the information to investigate immediately apparent. What is needed therefore, is a service that gathers information for the user, with an understanding of the type of work the user does and the user's interests (a system automatically sends information to the user).

In other words, the service will extract information that is appropriate to the user (retrieve high-quality information in quantities the user can process) and provide it when needed. Computers will be used for the skills they do well, such as recording and searching, leaving humans to concentrate on expressing their creative abilities. This concept is the framework in which documents can be provided as “tools for thinking.”

Yamazaki stresses that judgments will always be made by human beings. “Computers will not be allowed to reach conclusions. When a person requires information, the computer will already be a fraction of a second ahead in the process, and quietly display a list of options. This setup will be used to assist the thought process.” The document services provided by Fuji Xerox have evolved on the basis of the concept of “always being human-centered.”

Let us consider again the value that Fuji Xerox provides society. While the tools and services the company has provided—such as copy machines, workstations, and document solutions—have varied with the times, what has remained is the consistent focus in its work on bringing devices closer to people. This work has enabled people to take part more naturally in evolving communication processes.

Communication is an indispensable aspect of human society. By facilitating communication, the company can improve understanding among people, creating a better society and a sustainable world. Fuji Xerox is entrusted with a large responsibility, and will continue to face the challenges that this responsibility brings. ■



Aiming for Sustainable Manufacturing Reborn Copy Machines and Multifunction Machines

Reused parts washed with water

“Inverse manufacturing” may be an unfamiliar term to those not conversant with environmental issues. The term describes a revolutionary approach focusing on reuse instead of recycling. A manufacturing industry that aims for a sustainable society must turn to inverse manufacturing.

Manufacturing with Minimal Use of New Resources

Fuji Xerox's reuse of copy machine and multifunction machine parts is one part of the Integrated Recycling System, a production system it has created. This system has been established to minimize the use of new resources during manufacturing, as a way for Fuji Xerox to combat resource depletion.

What methods are available for minimizing the use of new resources to most effectively reduce the impact on the global environment? The conventional answer was thorough material recycling. However, material recycling consumes a lot of energy in order to turn items back into raw materials, and incurs many other problems, such as the usage of chemicals. With reuse, collected parts are used with few changes. If reuse can take the place of recycling, there is no telling the degree that impact on

the global environmental can be reduced.

Fuji Xerox has made it a policy to prioritize the Integrated Recycling System well into the future, a future where resource depletion will likely be a more serious problem. The company is waging a never-ending battle to create a new manufacturing style for a sustainable society.

Cardboard boxes are being unloaded from a truck. Written on their sides are the model names of new products, but instead they contain collected used copy machines. Once returned to the plant, each copy machine is checked against the information on its complete history after shipment, which is managed in a database. When the copy machine has been checked and found to operate normally, it is loaded onto an automatic conveyor which takes it to the disassembly process.



Hirota: "There are a lot of issues for which we have no answers. We are all trying to answer them by a process of trial-and-error."

When the copy machine enters the disassembly process, the database information is used to separate its reusable parts from parts to be recycled into component resources. The reusable parts are washed and dried, and if needed, repaired or repainted. Then they are sub-assembled into a unit, given a quality inspection and delivered to the assembly line. On the assembly line, the parts are processed just as if they were parts from a brand-new parts supplier.

Doing the Same Work as a Parts Supplier

This is the "inverse manufacturing" plant at Fuji Xerox's Ebina Center (Kanagawa Prefecture). Unlike the scrap factories of the past, the scene is no different from a plant manufacturing new products.

"We do the same work here as a parts supplier," says Yoko Hirota, an employee of a Fuji Xerox partner who has worked here for the roughly nine years since the Integrated Recycling System started.

As she explains, the plant she works at does more than just carry out disassembly. It also handles some of the functions of a production line. Hirota's job is to take parts that have been removed from collected equipment and judged reusable, and sub-assemble them into a unit so that they can be installed in new equipment. She says: "In terms of the long-term outlook for the planet, reuse is the best way to utilize resources. Working at this plant has made me understand how difficult but valuable this task is." The work done by this plant is known as asset recovery—the recovery of items that still have value, to bring them back to life.

Turning Products from "Used" into "Good as New"

There are two big challenges for asset recovery: (1) developing the technology needed to evaluate part life and the assure quality, and (2) designing products with parts that can be reused.

To take on these challenges, Fuji Xerox has set up a special team to isolate the specific issues to be tackled according to function. In addition to development/production divisions and sales divisions, the team has recruited its members from sources further afield, such as distribution companies, parts suppliers, etc. Masatsugu Kawaguchi, an employee in charge of production technology and a member of the Parts Reusable Technology Team, attributes much of the team's effectiveness to its wide variety of members. He says: "Sharing the know-how of parts suppliers and studying problems together has allowed us to solve problems that Fuji Xerox could not solve alone."

The first issue the team worked on was how to separate reusable parts from parts to be materially recycled. Parts can have many problems, including short service lives, damage such as wear, dirt, or scratches, incompatibility with multiple models, or being difficult to disassemble. Kawaguchi mentions the importance of separating parts. "Our goal is to provide products with quality that is as good as new, not used products. To reach this goal, we have had to work on gaining a thorough understanding of part life."

The service life of new manufactured parts can be known in advance, so if the length of time a copy machine was used is



Kawaguchi: "The detailed research results we have accumulated have been turned into quality assurance standards."

known, its parts can be separated when it is collected. But in practice, it is not that easy, as actual conditions of use vary. Two copy machines used for the same length of time could have logged different amounts of use, and could have been installed in different environments. And while in use, copy machines can receive replacement parts during periodic maintenance or repairs. Obtaining this type of detailed information is usually not possible.

Comprehensive History Information System Creates Quality

Many of the customers that use Fuji Xerox copy machines have total service contracts with the company. Under this system, customer engineers visit the site periodically, or as needed, to perform work such as maintenance and parts replacement on the customer's equipment. This work gives customer engineers an up-to-date understanding of the condition of this equipment, and this information is collected at the company's data center and stored in a database. This gathered and stored information on the usage frequency and total failure rate of each part can be used to determine the service life of parts using a statistical method known as Weibull analysis.

The next issue the team focused on was how to determine whether parts selected for reuse can guarantee the same level of quality as new parts. Since it is difficult to make this determination for some parts using conventional measurement methods, the team decided to try a departure from existing technologies. Using methods such as motor wear checking

by acoustic emissions, the team determines whether a part can be reused or not based on their own original quality standards. "The information and know-how we have accumulated within the company from our detailed research is the basis for the standards we have created," says Kawaguchi.

Processes ranging from disassembly to cleaning have also presented challenges. For example, collected copy machines are fairly dirty inside, coated with toner or dust. Kawaguchi describes how they are processed. "The basic method we use is minimal-environmental-impact shower cleaning, but for units that cannot be washed in water, we have come up with the cleaning method of using jets of fine dry ice."

The team has also worked on developing several other technologies. There is a technology for repairing/replacing only the short-service-life or non-reusable parts of substrate, an inspection equipment technology for checking results of repairs, a technology that strips and recoats just the worn areas of rubber parts such as rollers, and a technology for painting outer covers.

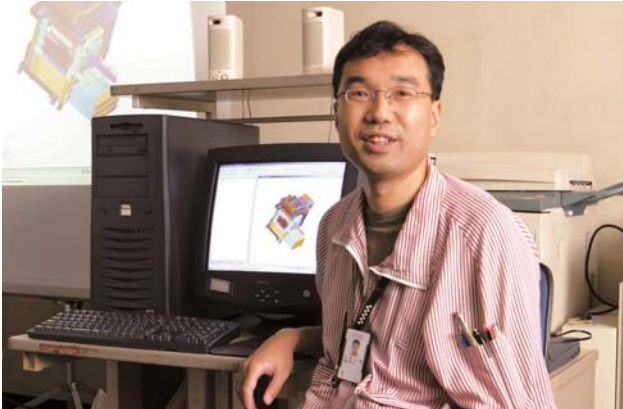
While it has been nine years since their work began, team members are still working together, sharing their know-how and facing each new challenge. The victories they have achieved are daily shaping the evolution of production lines for reused parts.

Platform Design Enables Multiple-Model Part Reuse

Discovering new ways to increase reusable parts requires work starting at the part design phase.

The platform concept begun in 2000 has been an effective tool for this phase. The concept involves grouping equipment component functions into modules. Combining these modules lets Fuji Xerox efficiently provide products that can meet a wide range of demands.

Although designed for more effective and efficient development at a lower cost, the platform concept is also highly effective for part reuse, and has helped increase the number of parts and units that are reusable over several generations and models. Shiro Yamahashi, Mechanical System Development, who is responsible for design says: "Conventionally, part reuse has meant using parts from the same generation or family. Fuji Xerox worked on using common parts in several models, and succeeded in 2003." By the end of 2004, models designed using the platform concept will start returning to the plant at the end of their life cycle. "I think the



Yamahashi: "The biggest challenge we are facing now is work on core components that are harder to reuse."



Kobori: "Can we really make them the same quality as new products? Will they actually sell?"—these concerns proved groundless."

benefits of greater reuse should gradually start being seen this year," Yamahashi says confidently.

Yamahashi is now working on the platform for the optical image reader that drives copy machines. He says that research done over the past few years has enabled part life to be extended up to 300% or more. "There are still a lot of challenges to address, such as dealing with production in China, and how to reuse core components." If developing part separation technology is the first phase and designing platforms is the second phase of Fuji Xerox has just now entered the third phase of working on reusing optical components and other core components, an area that previously was seen as being difficult. The practical know-how created by the challenges successfully met by Fuji Xerox engineers is reflected in the "Design Guidelines" and inherited through continual revisions.

Reuse is Key to Environmental Issues

Fuji Xerox's Integrated Recycling System has today become a production system in its own right. The study for the establishment of the system began in 1993. Then-president Akira Miyahara had a vision of "reducing environmental impact by reusing parts from collected equipment and providing them to customers." A project began to produce equipment with reused parts that would guarantee the same quality as new products. Underlying this project was the realization that new resource inputs could only be reduced by a limited amount through recycling. Miyahara believed that reuse held the key for dealing with environmental issues.

In those less environmentally aware days, some doubts were

raised concerning the advancing of the project, despite the directives of top management. Mutsuo Kobori, Group Manager of the Business Planning, ARM (Asset Recovery Management Unit), played a role throughout the establishment of the system. He says: "Some people questioned whether we would be able to make products with exactly the same quality as new products. Other people worried that even if we could make these products as good as new, customers would still ask for discounts since they would not actually be new. But all these fears were groundless." He adds that when the project was getting underway, there were several difficult obstacles to overcome, making it seem an impossible goal.

Since becoming the first company to announce a copy machine made with reused parts in 1995, Fuji Xerox has to date (March 2004) released 73 models and over 230,000 units of copy machines and digital multifunction machines using reused parts, achieving a reuse rate of 54% (by number of parts). This has reduced the quantity of new resource inputs by 2,200 tons, and CO₂ emissions by 13,900 tons-C (FY 2003), compared to the levels that would exist if the same number of copy machines had been manufactured without reuse.

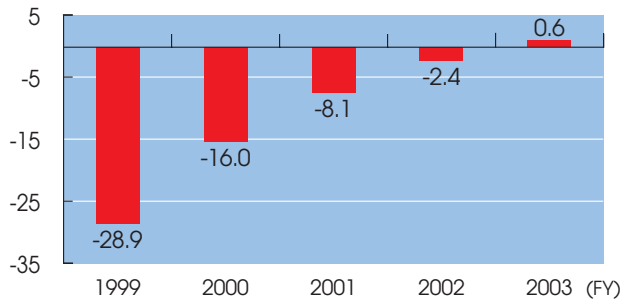
Thorough Recycling of Non-Reusable Parts

Conventional materials recycling (mostly of iron and other metals) has not been able to completely eliminate discarded scrap, making landfill necessary. Fuji Xerox has aimed at "infinite zero landfill." In autumn 1998, the company con-

■ Integrated Recycling System Achieves Profitability

By steadily expanding production of copy machines and multifunction machines with reused parts, the system achieved its first environmental accounting profit.

(¥100 million)



firmed it could achieve this goal by enlisting the aid of nationwide recycling partners to separate used product parts into as many as 44 categories and process them using the latest recycling processes. Since February 1999, the company has begun implementing this process for non-reusable parts at the Ebina Center, systematizing processes such as disassembly, sorting, and resource recycling into its management system. Fuji Xerox has also constructed “Ecoland,” a facility for researching and verifying the efficiency of disassembly and separation work. The company started its own disassembly and separation of used equipment in Tokyo, Kanagawa, and Yamanashi, and planned to expand this “zero landfill” system to the nationwide level. In August 2000, the company completed a national system to achieve its goal of “zero landfill” (except for process losses) for used products collected from customers. By enlarging the system in 2003 to cover the printer market in addition to just copy machines and multifunction machines, the company expanded, intensified and accelerated its response to resource depletion.

■ Integrated Recycling Systems Must be Profitable to Succeed

But Fuji Xerox was not satisfied with the results of these initiatives alone. Kobori describes how a new goal was set. “In 1993, We thought we had fully met the demands of the time, but some people in the company felt the Integrated Recycling System had to be profitable as a business area to truly succeed.” This challenge was included as one of the goals set for the Integrated Recycling System in 1995, the year Fuji

Xerox released the first copy machine incorporates reused parts. In 2002, the system came close to profitability, and in 2003 it reached this goal. After more than eight years of effort, Fuji Xerox established “harmonizing environmental aspect with social and economic aspects” which is a business model industry had long sought for the “century of the environment”

It has been a long time since the concept of inverse manufacturing was first proposed, and now the Ebina Center has become the plant that has made this concept a reality. The plant holds tours of its disassembly/production line to publicize the importance of its activities. More than 1,400 people took the tour in 2003 alone, and to date, nearly 10,000 people have learned about the Integrated Recycling System.

The specific successes that have come from Fuji Xerox’s intensive work on resource depletion are the result of keen insight on environmental issues and a corporate attitude of uncompromising, persistent inquiry into how companies should act to achieve fundamental solutions of such issues. Responding to today’s mass production for mass consumption, Fuji Xerox has cut off the flow of mass disposal that mass production creates through intensive work on the problem of resource depletion at manufacturing sites. The successes Fuji Xerox has had in this area will undoubtedly help companies improve their competitiveness, offering a new style of manufacturing for the resource-poor 21st century. Fuji Xerox has managed to create successful business areas from the so-called “venous industry” involving reuse and recycling on all its copy machine, multifunction machine, and printer manufacturing lines—a major achievement.

Another day of producing new copy machines with reused parts at the Ebina Center. ■



By Means of the Energy-efficiency of Fuji Xerox Products What Fuji Xerox Can Do to Help Prevent Global Warming



The Kyoto Protocol on preventing global warming calls for signatories to reduce greenhouse gas emissions by 6% from the 1990 level between 2008 and 2012. What should companies do to achieve this goal? Should they reduce CO₂ emissions of their business activities? Or develop energy-efficient products? As total CO₂ emissions continue to increase, this section tracks the challenges Fuji Xerox has taken on.

What Underlies the Concept of Making All Fuji Xerox Products Energy-efficient?

In 2003, Fuji Xerox Printing Systems Co., Ltd. won the Energy Conservation Prize for its DocuPrint C2425 and C2426 color laser printers. The award-winning models reduced power consumption by 71% (C2425) and 61% (C2426) compared to the previous Fuji Xerox models. 2003 was the fifth year in a row for Fuji Xerox to win the prize. Why has Fuji Xerox worked so hard to create energy-efficient products? What drives its innovations?

Fuji Xerox has adopted eco-efficiency as the numerical index to assess environmental management and manage the total environmental impact of corporate business activities in terms of CO₂ equivalents. Power consumed by customers using Fuji Xerox products and services is considered as part of this environmental impact. This approach is based on the company's "Basic Environmental Strategy," which states: "Offer environment-conscious products and environmental solutions to our customers."

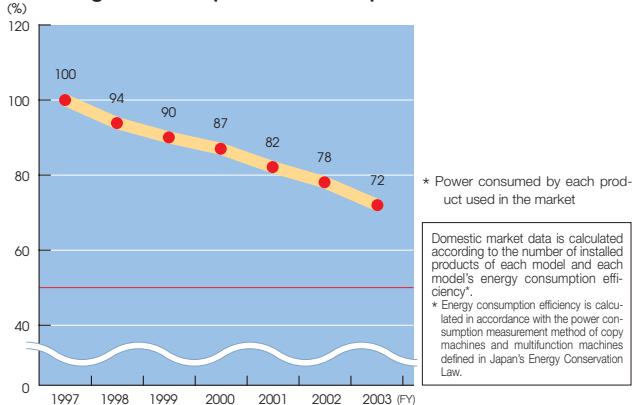
The development of energy-efficient equipment began under the current scheme in 1997 when Fuji Xerox set the target of reducing the total amount of power consumed by customers using copy machines and multifunction machines to 50% of the 1997 level

by 2005. It is one thing to reduce the power consumption of a single model by 50%, but to reduce the total power consumption of all equipment in the market by 50% is not an easy task. Even if the environmental impact of one model can be greatly reduced, the effect can easily be offset by the market as a whole. Environmental impact can increase from higher sales of higher-power consumption color models, the release of multifunction capabilities, or any of several other possibilities. The difficulty of achieving this target concerns the difficulty of decreasing total power consumption.

No Point in Providing a Single Energy-efficient Model

Tsuneo Obara, General Manager of the Environment & Product Safety, is confident that Fuji Xerox can meet the target, stating: "There is no point in providing a single energy-efficient model. We will make all models energy-efficient to achieve the target." Describing the results of a market simulation, he notes that after being released on the market, the number of operating copy machines and multifunction machines peaks in about three years, and then every year thereafter, with 25% of the units leaving the market. If energy-efficient models are released on the

Changes in total power consumption



market every year, in four or five years the new energy-efficient models will replace the old models. When this point has been reached, almost all the operating models will be energy-efficient, and total power consumption will be reduced by 50%. Therefore the key to achieving the target is to continue releasing top-level energy-efficient equipment into the market. A development project has been started to take on this challenge.

The project started by studying how office equipment is used in offices. The study found that copy machines and other equipment remain in standby mode for many hours of a day. Reducing power consumption during standby therefore became a top priority. Obara says: "Since standby time is unproductive to customers, everyone at Fuji Xerox agreed on the need to reduce power consumed during such time. Our goal is to eliminate the standby power consumption of all models." He adds: "Even if we get close to this goal, business productivity will decline if it takes longer for equipment to start, and then no one will choose our energy-efficient products. So, our development activities started with the concept of combining environmental performance and business performance."

Steadily Providing Major Energy Savings and High Business Performance Every Year

Engineers have made their best effort to meet two conflicting demands: environmental performance and business performance. They confronted several challenges, including the high demand for energy efficiency and the market's demand for improved performance. In addition, models also need to be cost competitive enough to encourage customers to buy them, otherwise, their efforts would come to nothing. They needed to



Obara: "We have begun initiatives that aim for further energy efficiency."

develop low-cost, low-power-consuming, and high-performance products.

To meet these demands, the engineers changed their course and started to fundamentally reexamine the structure of the fuser unit, which consumes the most power. Starting in 1999, they released a series of models offering outstanding energy efficiency and high performance. In 2003, they succeeded in creating a model with 28ppm color output, maximum power consumption of just 999 watts, and standby power consumption (sleep mode) reduced to just 4 watts. The combination of such energy efficient and other environment-conscious technologies received high acclaim, bringing Fuji Xerox models the Energy Conservation Prize for five consecutive years.

None of the technologies developed were revolutionary, and all were merely major improvements on conventional technologies made by radically altering existing concepts. But their benefits were outstanding, including major reductions in warm-up time (the time needed for a copy machine to be ready to operate, and a 30 to 50% reduction in power consumption. The development project applied these technologies to a wide product lineup, ranging from high-speed to low-speed models, and from color to monochrome models. Many energy-efficient models were developed, and have steadily been released into the market every year. Obara's confidence in Fuji Xerox's ability to meet its target is starting to look more and more realistic.

Fuji Xerox's goal of reducing the power consumed by customers using its products is a more radical approach to reducing global warming. The company is seeking to reduce not only the environmental impact of its own business activities, but also the impact that products and services have on the market and society. ■

Hoping to Use Paper Long into the Future

Aiming for Sustainable Paper Supply



How environmentally-friendly is 100% recycled paper? A surprising number of common beliefs are not true. What does copy paper supplier Fuji Xerox consider the ideal method of supplying paper?

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Balancing the Social Value of Paper with Environmental Conservation

Paper has many outstanding characteristics. It is cheap, has good readability, and can easily be used anywhere. These qualities have always made it indispensable as a recording and communication medium.

With the rise of industry and affluent lifestyles, paper consumption has increased steadily. Paper consumption is one measure of a civilization. Japan ranks third in world paper consumption by total volume, and its per capita consumption is fifth, after countries such as the United States and Canada. While the sudden decrease in the world's forest resources is due in large part to the use of lumber, the increase in paper consumption is also a factor. The invention

and rapid spread of copy machines has been partially responsible for this increase. This invention greatly expanded paper's use as a communication medium. The ability of a copy machine to assist the distribution and sharing of information has created the new value of "democratizing information"—making it relatively easy for large numbers of people to obtain information. But since there is nothing currently available that can completely replace all the functions of paper, the new problem has arisen of how to balance paper's social values with environmental conservation.

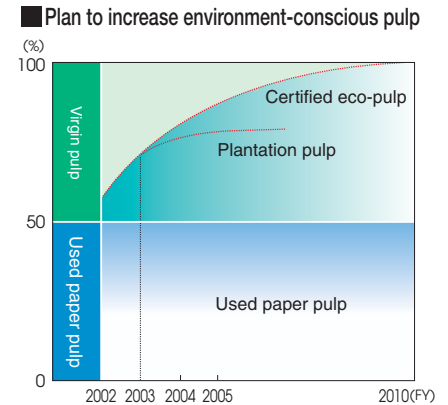
As a provider of copy machines and printers, how does Fuji Xerox respond to the challenge of ensuring a sustainable paper supply? Fuji Xerox Office Supply, Fuji Xerox's wholly-owned subsidiary, offers its views in this section.



Inaba: "Truly environmentally-sound plantations need to harmonize with the local ecosystem."



Ishida: "If you want to maintain a supply of environment-conscious paper, it would be difficult to rely on 100% used paper pulp."



The goal is to maintain used paper pulp at the current level of over 50%, and use only environment-conscious virgin pulp for the remainder.

Proposing the Most Environment-Conscious Paper: Turning Concepts into Products

Fuji Xerox Office Supply is one of Japan's major suppliers of paper for copy machines and printers. Mitsuo Ishida, Director and General Technology and Products Support Dept. states, "Our basic corporate stance is to give our paper the added value of the 'environment' along with its conventional functions as a recording and communication medium." Since its establishment, Fuji Xerox Office Supply's business has been driven by paper made to meet its own needs and specifications by paper manufacturers. The company has actively proposed concepts in line with its basic corporate stance to paper manufacturers and society, turning concepts into products. These concepts are driven by the desire to create and provide society with the most environment-conscious paper possible.

When the used paper surplus first emerged as a problem in the latter half of the 1990s, Fuji Xerox Office Supply began a project to increase the average amount of used paper pulp in the manufacture of all its products to over 50%. The project sought to increase the amount of used paper pulp in copy paper and other types of data-printout sheets. (At the time, used paper pulp was almost non-existent for paper manufacture.) It was a pioneering move toward office paper manufacture that would enable long-term effective use of paper resources. The amount of used paper pulp in copy paper increased steadily from 27% in 1997, reaching the target in 2001. Since then, the level has remained over 50%. Fuji Xerox and Fuji Xerox Office Supply have long had a concern for forests, the source of paper's raw material. Forests

are important to paper manufacturers because paper can only be recycled up to 4 or 5 times due to the fact that successive recycling leads to fiber degradation. To continually meet the demand for paper requires inputs of new raw material, such as virgin pulp. Ishida says, "Unfortunately, even in the case of thinning of forests, the felling and transportation costs for Japanese lumber are too high to make it economically feasible, and there is nowhere near enough scrap to meet demand. So we have to rely on imported lumber, but there are concerns that illegal felling is destroying tropical forests." For many years the company has had major concerns over the origin of lumber. Following on the success of its previous plan to increase used paper pulp, Fuji Xerox Office Supply has now set forth a new plan to increase the amount of environment-conscious pulp used in paper manufacture. The objective of the plan is to ensure that by 2010 used paper pulp will remain at the current level of over 50%, and only plantation pulp and certified eco-pulp will be used for the remaining amount.

Self-supply of the Pulp Used in Paper

Since 1996, Fuji Xerox and Fuji Xerox Office Supply have been investing in a plantation project carried out on New Zealand's South Island. The project started in 1992 as a 520 hectare eucalyptus tree plantation run by Oji Paper Co., Ltd. and ITOCHU Corporation. The area of the plantation has increased gradually every year. An expansion to 10,097 hectares is planned in 2004. (This area is larger than the 7,000 hectares that make up the JR Yamanote train line in Tokyo.)



"Happy Valley": Part of the Howden Forest

An area of *Eucalyptus nitens* planted in 2001. The dark green area of irregular woods is natural growth. SPFL performs conservation management based on the regulations for FSC certification, while maintaining the boundaries with neighboring farms.



Howden Forest is located on New Zealand's South Island. The plantation area is scheduled to be expanded to 10,097 hectares in 2004. The project calls for supply of environment-conscious pulp to start in early 2005.

Felling of the eucalyptus trees planted in 1992 will be able to start at the beginning of 2005 (during FY 2004) at the earliest. About 9,228 tons of lumber will be harvested. Plans call for a total of 582,846 tons to be harvested in the 12 years through to 2015.

The local ecology was not overlooked when establishing the plantation. Ishida says: "Wild grassland is being used as plantation, but we have not converted all of it, some grassland has been left. The idea is to prevent the ecosystem in the grassland from undergoing rapid changes." Sustainable forestry management practices are carried out, with replanting done after felling. These activities and results received recognition in March 2004 when SPFL—the company invested in—received FM certification (a certification for forest management) from FSC (Forest Stewardship Council; headquarters: Germany). While many New Zealand forests have received FSC certification, most are coniferous forests, and SPFL's certification was the first certification for plantation of broadleaf trees such as eucalyptus.

FSC certification can be either FM certification or COC certification. COC certification certifies that no uncertified lumber is contained in any process (manufacture, processing, distribution or sale) of the products made from lumber felled from FM-certified forests. FSC-certified paper products can display the FSC logo, indicating the product contains at least 30% certified eco-pulp. Fuji Xerox Office Supply's "C²," "J" and "Ncolor" copy paper products can display the FSC logo since the manufacturing process performed by Oji Paper is COC certified, as are Fuji Xerox Office Supply's distribution and

sales processes. Chiaki Inaba, Manager of the Environment Promotion Group, Management Department, says: "Eucalyptus trees harvested in New Zealand are made into chips locally, used by Oji Paper as raw material for products such as copy paper, and sold by us. This pulp will start arriving in Japan in March 2005." He adds: "FSC is currently the leading organization in forest certification, but other organizations are active, mainly in Europe. We want to expand our pulp use to pulp certified by these organizations, according to their level of recognition and standards." The idea of self-supply of the pulp used in paper is about to get underway.

Need for Benefits of Both Used Paper Pulp and Environment-conscious Pulp

The project to increase the amount of environment conscious pulp is a revolutionary move that aims to completely eliminate the use of natural-forest non-environment conscious pulp by 2010. Ishida is confident that the expansion of the plantations has nearly ensured a sufficient pulp supply. However, trust and cooperation between the Fuji Xerox Group and the plantation company, the trading companies, and the paper manufacturers is indispensable to the project's success, and customer understanding will be the most important requirement. Customers responded favorably to the initial sales of C², saying it "makes a large contribution to green purchasing and reflects positively on the company." But despite the acclaim, there are several obstacles to rapid increases in demand. Inaba points out: "Currently the only standard required for receiving "Eco-Mark certification"^{*1} and for the "Green Purchasing Network (GPN)"^{*2} guideline is the



C² paper containing at least 30% COC-certified pulp



Electronic paper can record several documents on a single sheet, and can be written on like conventional paper.

amount of used paper the product has to contain. This is an aspect of certified eco-pulp that has resulted in customers being reluctant to purchase the product.”

The Eco-Mark certification standard for data-printout sheets means that the product must contain at least 70% used paper pulp, or 100% used paper pulp for PPC (copy paper). The standard only makes reference to the use of certified eco-pulp, saying it “could become one of the conditions for Eco-Mark certification when a consensus is reached.”

The GPN purchasing guideline for printing and data-printout sheets starts by stating that the product “must contain a high proportion of used paper.” This stipulation reflects the still generally-held notion that virgin pulp is “bad” and that the proportion of used paper the product contains should be the primary concern. Ishida highlights the problem this thinking entails for paper supply methods in the years ahead: “As long as society requires the medium of paper, ensuring its continued supply will require drawing on the benefits of both used paper and virgin pulp.” Naturally, this virgin pulp will be extracted from sustainable, managed forests, so it is far from “bad.” Inaba notes that “the standards and guidelines need to be revised.”

Ensuring a Continued Supply of the Value Created by Paper

Fuji Xerox Office Supply’s project to increase the amount of environment-conscious pulp used in manufacturing paper should speed up revisions to the certification standards and guidelines. Ishida says: “We want to aggressively pursue re-

visions to the certification standards and guidelines of Eco-Mark and GPN. For example, paper products made from 50% used paper pulp and 50% plantation and certified eco-pulp have no greater impact on the environment than products made from 100% used paper pulp.” Naturally, concurrent efforts to reduce total paper consumption are also needed.

Fuji Xerox is working to reduce paper consumption in offices, with office solutions that use the scanner functions of multifunction machines to store text electronically for management and use on networks. The company is also developing media other than conventional paper made from pulp, including new media such as electronic paper. With ample memory and the ability to be rewritten many times, electronic paper has the potential to fully replace some of the functions now performed by paper. By trying to anticipate future needs and considering several different ways to meet them, Fuji Xerox is to offer the optimum array of solutions to paper supply in the larger sense at a given time. This is the consistent goal of the company.

However, with its outstanding portability and legibility, paper will likely continue as the major medium used for communicating information. The efforts of Fuji Xerox and Fuji Xerox Office Supply to ensure a sustainable supply of paper made from renewable materials will continue into the years ahead.■

*1 Products useful for environmental protection are permitted to bear the Eco-Mark.
*2 GPN was established in 1996 to promote green purchasing among consumers, governmental organizations in Japan.

To Prevent the Recurrence of Accidents With the fire Accident as a Turning Point, Striving for Greater Fairness, Integrity, and Thoroughness

How do companies respond to accidents, troubles, or scandals? What can we learn from them? Corporate value is being put to the test now.

National newspapers published
on December 10, 2002 that ran the notice

Accidents, Responses, Reoccurrence Prevention

On October 22, 2002, five major national Japanese morning newspapers ran a large notice about half a page in size. The notice was published by Fuji Xerox and 15 companies (hereinafter referred as to OEM clients) to which Fuji Xerox delivers its products. The headline reads; "To customers using Fuji Xerox monochrome laser printers: Notice of free parts replacement to prevent smoke or fire accidents."

On September 15, 2002, the Fuji Xerox engine (internal printing mechanism) mounted in a printer sold by an OEM client in the Japanese domestic market caught on fire. It was a serious accident that burned the image fixing unit and paper exit unit and melted a side cover.

The newspaper notices explained the accident, offered free parts

replacement, provided points to watch out for until the parts replacement procedure had been completed, and listed the affected models. It also explained Fuji Xerox's intention to implement thorough management procedures to prevent recurrence.

To ensure customer satisfaction and the highest level of quality, Fuji Xerox had created rigorous design safety standards and quality control systems, including the Customer Satisfaction & Quality Conference (now the Corporate Social Responsibility Conference/the Quality Review Committee) chaired by the president. Unfortunately the company's efforts proved insufficient to prevent the accident that was serious enough to shake customer confidence in its brand. This section examines the accident causes and possible problems in Fuji Xerox's response, and discusses whether the measures that the company has implemented since then will be

sufficiently effective to prevent similar incidents from occurring.

A Month Prior to Notification — Analyzing the Mechanism, Dealing with Difficulty of Coordination

Companies should report consumer safety problems to consumers as quickly as possible. So why did it take more than a month to publish the notices?

The first report of the accident was made the morning of September 17, 2002. Fuji Xerox President Toshio Arima was then immediately informed of the situation. On September 18, a cause-analysis team of engineers was formed to start studying the accident's cause and mechanism. Due to the seriousness and prevalence of the problem, a company-wide Accident Task Team was set up on September 24th. Team members busied themselves with tasks such as identifying the affected models, coordinating with OEM clients, procuring replacement parts and creating a report to the Ministry of Economy, Trade and Industry. The company held a press conference on October 21st and the newspaper notices appeared the following day.

There were two main reasons why the notification took more than a month. First, identify the direct cause of the accident and the mechanism responsible for the fire proved to be difficult. It is difficult for a manufacturer to take responsible measures to respond to an accident unless the cause is identified. Most of the task members agreed that it would be irresponsible to merely notify customers of the hazard without further explanations. Analysis of the faulty printer showed traces indicating abnormal overheating and electrical discharges in the connections of two different metal plates supplying power to an image fixing lamp. The heat was likely conveyed to plastic parts directly under the metal plates, spreading fire throughout the entire printer. However it was impossible to determine the direct cause for such abnormal overheating even from a general understanding of the design. A series of tests were carried out and an outside specialist institution was consulted, but the direct cause of the abnormal overheating could not be determined. Nevertheless, it was clear that the abnormality occurred in the connections of the two metal plates. To resolve the problem, it was decided to replace the two plates with a single plate, eliminate the connections, and switch to fireproof plastic parts. The task team hurried to procure the new parts. In the meantime, Fuji Xerox also conducted tests to confirm that there was no danger of similar accidents to occur in any of its other printers or copy machines.

“Our stance on product safety issues is now under scrutiny. It is important for us to consider how we should deal with the accident in order not to lose but to enhance customer’s trust in Fuji Xerox with our policy of quality first. We must make the utmost effort to fulfill our responsibilities to customers with sincerity and fairness.”

– President Arima’s message on the Fuji Xerox intranet

The second reason why notification took over a month to complete was the difficulty in coordinating with OEM clients. President Arima initially called for immediate simultaneous worldwide disclosure (notification) of the problem, asking relevant personnel to put the safety of end users above all other concerns.

However, OEM purchasing agreements were concluded under the understanding that no information shall be released without the consent of the OEM clients. Added to this obstacle was the variety of concerns that each client had (such as the impact on sales), making it extremely difficult to coordinate with the 15 companies. In the end, Fuji Xerox managed to obtain the consent of all of them just before a press conference was held.

With Launch of the Accident Task Team, President Arima Makes an Appeal to Employees

The same engine had in fact caused a fire accident in 2000. However, at the time, Fuji Xerox concluded that the accident resulted from electrical discharges caused by unauthorized processing in maintenance work. Therefore, it was considered as an isolated incident and no coordinated nationwide measures were carried out. Yujiro Sasamoto, Staff Manager of Legal Department, was a member of the Accident Investigation Committee. He notes: “We could not rule out the possibility of a fire hazard, so we should have continued investigating the cause. We really have to ask ourselves whether the relevant personnel adequately upheld the manufacturer’s responsibility for the accident.”

Launching the Accident Task Team, President Arima made the following declaration to relevant personnel: “Our stance on product safety issues is now under scrutiny. It is important for

us to consider how we should deal with the accident in order not to lose but to enhance customer's trust in Fuji Xerox with our policy of quality first. We must make the utmost effort to fulfill our responsibilities to customers with sincerity and fairness." 610,000 units of the affected model had been sold, but since the model was already seven years old, the actual number of affected units still in operation in the market was estimated at 260,000. The most difficult task was to accurately track down the end users. Kazuo Suzuki, who was a member of the Accident Task Team, recalls: "We put the OEM client companies and sales outlets through a lot of effort in a short period of time, on tasks ranging from tracking down end users to replacing parts. To honor their efforts, Fuji Xerox did everything it could think of. Besides running notices in a total of 57 nationwide, regional, and local newspapers, we posted banner ads on websites of government organizations as well as on Yahoo! and @nifty search sites. We asked for support of 527 Chamber of Commerce and Industry sites nationwide, sent out 1.3 million notices in the packages of consumable ink cartridges, and organized investigations by Fuji Xerox employees. We also set up 100-lines of a toll-free phone number during this period, organizing a company-wide response system." These efforts paid off, and by the end of March 2004, 404,000 affected units, or 66.3% of the total sales number, had been remedied; many more units were discovered to be still in operation than had initially been estimated. Fuji Xerox is still working on follow-up efforts with its OEM clients, and continues to discover copy machines that were affected and to replace defective parts.

Company-Wide Effort to Train Personnel and Create a Safety Management System

Fuji Xerox's response to the accident did not end there. In February 2003, the Accident Investigation Committee, which had researched the causes of the accident from both a technical and management perspective presented President Arima with a 33-item list of recommendations for improvements. The recommendations underscored the importance of establishing a safety system to cover the processes of development, design, and manufacture, and the importance of a consistent customer management method from sales to product disposal. As business activities become more complex and wide-ranging, the 33 items are provided to reinforce the traceability system and develop key safety management engineers.

In September 2003, the Customer Satisfaction & Quality Conference approved the introduction of the "Critical Quality / Safety Accident Escalation System." "Escalation" refers to the series of activities performed in response to serious accidents and problems, designed to immediately convey information to top management



100 employees were involved in customer service using a toll-free phone number.

and relevant personnel and implement solutions at every level of the company. Tsuneo Obara, General Manager of the Environment & Product Safety, emphasized the importance of the escalation system. "By introducing the escalation system, we have reconfirmed our responsibility as a manufacturer and improved the processes to solve problems promptly." The system has defined Fuji Xerox's basic policy, for critical quality issues and safety accidents, the classification of such problems, and how to handle them. To make sure accident information is promptly shared with relevant personnel, the night and holiday emergency line has been established to deal with critical problems reported by customers after regular business hours. An organization called SQEC (Safety & Quality Escalation Center) has also been set up to enable Fuji Xerox and its affiliates to share information on critical problems. 24 hours a day, 365 days a year.

In October 2003, Fuji Xerox established the "Product Safety Basic Policy" as the result of specific improvement activities based on the 33-item list of recommendations for improvements. This policy is a complete revision of the previous "Product Safety Management Regulations." It calls for management system improvements, information disclosure, safety education, and collaborative efforts with suppliers. It also includes information on product safety management and on the accident management system. The duties and responsibilities of employees, ranging from the president and other executives down to the staff in the field, were clarified by the policy.

In addition to work on the escalation system and new rules, Fuji Xerox has focused on product safety education for employees. The company has created a product safety education program for all the employees of Fuji Xerox and its domestic and overseas affiliates. Obara stresses that this program is significantly more detailed than previous product safety education programs. "To protect and enhance our brand, all our employees need to understand product



Members of the Accident Task Team.

safety and bear responsibility for providing only safely-designed products to the market. Learning the basic knowledge is the goal of product safety education. The lessons learned from the accident are being used in many different areas." The program had 26,291 participants, and ran from December 2003 to March 2004. To educate key product safety personnel, Fuji Xerox also introduced a safety manager system in March 2004. The safety managers assist the organizational chiefs responsible for product safety and take on responsibility for product safety management and related measures. 48 employees of Fuji Xerox and its affiliates were appointed and are working on improvements from the front lines of the field.

Living Up to Customer Expectations

Fuji Xerox's product safety initiatives are driven by (1) establishment of safety plans and policies, (2) radical reform in awareness and corporate culture, (3) education of key safety management personnel, and (4) restructuring the methods used in work processes.

Obara, who is in charge of promoting and auditing this series of product safety reforms, says: "With the accident as a turning point, I believe we were able to establish the safety plan at a higher level of effectiveness to eliminate smoke and fire accidents." He says that the multiple check system has begun functioning. "The escalation system has increased safety awareness so we're seeing significant improvements in terms of the time needed for problem resolution and the percentage of accident reporting within a day of occurrence. We have made it a rule that all new design standards and changes to drawings must be submitted to the Environment & Product Safety without exception, and we have improved its procedures so that supplier part changes and work changes can be checked as needed."

In 2004, Fuji Xerox started working with suppliers to monitor the major parts of new products to ensure their traceability. Obara says, "Since customers have been closely observing Fuji Xerox's response, our efforts over the next few years will be especially important in regaining their trust. When we were tracking down users by phone at the time of the accident, there were customers who provided us with encouragement by expressing their appreciation for our thoroughness and wishing us luck. I really don't want to betray the trust of those customers."

The internal audit assessed the current scheme and initiatives at a 95% rate of accomplishment. Obara says: "We have not finished setting up the overseas 24-hour-a-day/365-day-a-year customer care system and the safety expertise education program for particular divisions are not yet sufficient. If we do not continue steadily moving ahead with all the product safety measures that we have decided upon, all our efforts could come to nothing in a single day if a critical accident were to occur again. Persistence and thoroughness are important."

Providing safe products to customers is a basic duty of manufacturers. If a risk is discovered, the manufacturer must respond to it with sincerity and fairness. This stance of unyielding self-awareness helps enhance quality and earn the trust of society. Fuji Xerox will continue to make safety a focus and reinforce its personnel-training efforts, thoroughly examining how best to ensure the safety of customers, society, and the environment.

Whether or not Fuji Xerox has learned from the accident will become apparent through the response measures that the company has been steadily carrying out. ■

CSR – Some Things Change, Others Do Not –

Yotaro Kobayashi, Chairman, Fuji Xerox Co., Ltd.

Basic ways of doing business right don't change

CSR (Corporate Social Responsibility) is a term now gaining widespread media attention, with articles on CSR appearing almost every day on the pages of magazines and newspapers. While I welcome the heightened focus on CSR, I'm rather disturbed at how it's being treated as the latest fad. The essence of CSR has always been the way in which a good company does business, an idea completely unrelated to any fad.

There are companies throughout the world posting strong results while continually earning strong respect from society. Since before the term CSR became well known, these companies have been gauging the expectations and needs of the society they serve, and continually addressing this in their business management. The way such companies have always done business is the essence of CSR. The traditional Japanese business ethics of "shobaido (longstanding philosophy in doing business right)" and "shonindo (traditional philosophy of good merchants)" have a lot in common with CSR. The important "business fundamentals" represented by CSR hold true for any generation.

Different times and different societies require different CSR contents and different priority setting

While the fundamentals of "doing business right" remain the same regardless of the era, the specific expectations placed on companies, and the degree of balance, differ depending upon the period and the social environment.

In Japan, the notion of corporate social responsibility first became prominent in the 1970s. Then as now, society kept an extremely stern eye on corporations, and the discussion of that time is still very relevant today. However, society's demands on corporations were then mostly pollution-related, unlike today, when it expects corporations to bear much greater responsibility for broader environmental issues and tackle, therefore, a much wider range of issues. At the same time, demands of

stakeholders (such as customers, stockholders and employees) concerning economic issues have changed greatly in nature, and together with greater societal demands from the stakeholders continue to constitute a set of challenging needs which corporations must respond to.

CSR in business management and Sustainability Report

The key to successfully incorporating CSR into business management is gaining a correct understanding of the changing expectations of society and the demands being made of corporations. Corporations need to make balanced judgments in the midst of an ever-changing corporate environment and obtain the understanding of society about them. This understanding building is the main objective of our Sustainability Report. It is intended to keep the society informed about how Fuji Xerox evaluates and judges its expectations and demands from the stakeholders. Feedback on the report from the stakeholders will let us keep in touch with changes in the society and give us opportunities to improve ourselves. Firmly incorporating this beneficial cycle within the management cycle is, we believe, the correct way to ensure society's sustained trust for the corporation to exist and perform better in meeting the societal needs, the royal way toward a sustainable CSR, in essence.



Sustainability

Management & Performance

Management & Performance

Corporate governance

Social performance

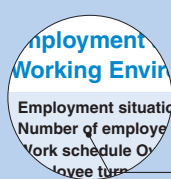
Environmental performance

Corporate profile

How are we going to be just like Fuji Xerox?

What approach are we taking toward society and the environment?

In this section, we summarize our policies for social and environmental issues and the present state of our efforts to solve them.



Please use a keyword to search the sections of the report you wish to read at the website.

Keyword

For further details, please visit the website (in Japanese only).

<http://www.fujixerox.co.jp/>



When you wish to know where you can find information that corresponds to articles in the book version...

Please see the Report Map.

Choose a page number in the book version, and a list of links to websites that relate to that page will appear.



Management and Organization

This section reports on Fuji Xerox management and organization. Fuji Xerox carries out its business while firmly maintaining a sincere and open corporate culture, based upon a mission statement with the headings of “We, the Fuji Xerox Group, Will Strive to;” and “Shared Values” as its fundamental aspects.

Corporate Mission

Corporate mission
Handing down of philosophy

>>WEB

We, the Fuji Xerox Group, Will Strive to;

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

The “Mission Statement” reiterates the raison d’être of Fuji Xerox and its affiliates. It reaffirms that the company’s ultimate objective lies beyond the pursuit of company growth and profitability, in contributing to the progress of the “global community” (i.e. the world), which encompasses not only human beings but everything that coexists within it.

Shared Values

Customer Satisfaction
Environmental Consciousness
High Ethical Standards
Scientific Thinking
Professionalism
Team Spirit
Cultural Diversity
Trust and Consideration
Joy and Fulfillment
Adventurous/Pioneer Spirit

Like the corporate mission, Fuji Xerox’s “Shared Values” were defined in 1998. The objective was to establish a set of ten values to be shared by all Fuji Xerox employees, covering the attitude and approach each should maintain when engaging in business.

Providing Value through Our Businesses

Fuji Xerox believes that its value within the society in which we live is realized through its provision of copy machines, multifunction machines, and document services. Ensuring smooth communication, a factor indispensable to maintain society, the company promotes better understanding among human beings and helps build a better society and a sustainable world.

Highlight See “As ‘The Document Company’” on p. 9

Management Organization

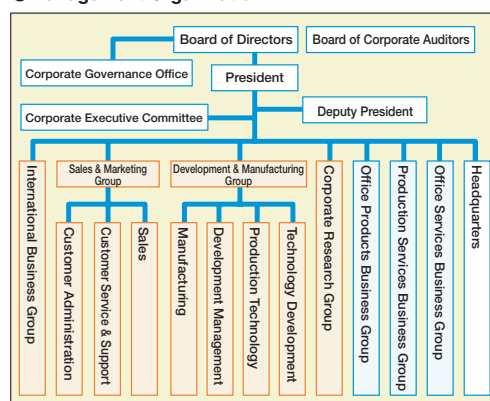
Structure for sound management
Executive management

>>WEB

We have made a continual effort to improve management transparency and strengthen the power of our board of directors.

Fuji Xerox business is managed on a consolidated basis through a “division organization” system, in which managerial responsibility and authority are clearly defined, and a “conference” system that ensures swift decision-making.

● Management Organization



● Subconferences

Risk & Ethics Conference	Risk management and general corporate ethics
Corporate Social Responsibility Conference	General CSR activities, including customer satisfaction, social contribution and the environment
New Xerox Frontier Conference	Basic policies and measures for strengthening and reforming management structure
Quality Conference	Policies and measures for product quality and safety
Technology Conference	Technology strategies and policies and technological consistency
Marketing Conference	Company-wide marketing issues, strategy and policy
Information Process Conference	Implementation of information technology for company-wide process innovation

Information Disclosure & Transparency

Disclosure Guideline
Information disclosure
Morale Survey
(employee survey)

>>WEB

Propagating Integrity and the Value of Ethics

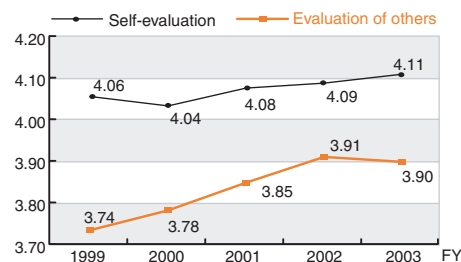
Employee Code of Content
Ethics training

>>WEB

Fuji Xerox implements training and educational programs in order to enhance the awareness and decision-making ability of employees (including affiliate employees) regarding ethics and information security matters. In addition, the company attaches importance to the disclosure of information to its employees and informs them about managerial meetings via the intranet. Also in place is a system for gathering opinions from employees.

The Employee Code of Conduct was established in October 1997 to instill high ethical standards among employees. Programs such as ethics training and the submissions of written pledges by all employees are implemented at Fuji Xerox, including overseas affiliates. The internal Morale Survey indicates a higher score for the company in terms of ethics.

● High Ethical Standards (Fuji Xerox only)



Question about high ethical standards

(Self-evaluation) As a working adult, I have a sense of morality and responsibility, and I make decisions and take action based upon common sense.

(Evaluation of others) At the workplace, employees adhere to the Employee Code of Conduct, making decisions and taking action based upon common sense.

- 5. Completely true
- 4. Mostly true
- 3. Neutral
- 2. Mostly false
- 1. Completely false

Compliance with Laws and Ordinances

Fair business activity
Ethics and Compliance
Management Regulations
Basic course on legislation

>>WEB

Fuji Xerox considers high ethical standards and fair business activities as fundamental values, attaching to them the utmost importance. The complete elimination of all corporate activities that may violate laws and ordinances has also been thoroughly incorporated within corporate policies. Additionally, in the spring of 2003, the company embarked in earnest on rebuilding an internal control system for legal compliance. And in February 2004, the Ethics and Compliance Management Regulations were established. In April of the same year, basic educational courses concerning major legislation were initiated for 17,000 of the 30,000 employees at Fuji Xerox and its domestic affiliates. The task for the future will be to implement similar programs overseas.

Risk Management System

Basic policy on risk management
Risk Management Committee

>>WEB

Ensuring a high level of corporate governance and putting in place the relevant internal controls are positioned as the most important management and organizational issues. Fuji Xerox views internal control as the essence of risk management and recognizes that building and maintaining internal controls is the responsibility of management. The company also believes this to be a responsibility vis-à-vis the many stakeholders and society as a whole.

Corporate Openness

Fuji Xerox aims to become a company that constantly provides its external stakeholders with the opportunity for face-to-face dialogue and is trusted by all members of society. The company also discloses management information to all its employees in a timely manner with the intention of creating a corporate culture that is open and full of autonomy.

Social Performance Report

In this section, we report the progress of initiatives involving our stakeholders, including employees, customers, society in general, and local communities, as well as the benefits and recognition achieved through such efforts. Along with expressing Fuji Xerox's policies, we also present objective data.

Relationships with Employees

In its mission statement, the Fuji Xerox Group states: "We, the Fuji Xerox Group, will strive to achieve growth and fulfillment in both our professional and personal lives." We urge our employees to be independent professionals who receive compensation and develop themselves by providing their own special knowledge and skills, instead of simply maintaining a sense of "belonging" to the company. We also aim to establish a relationship of equality with employees.

Employment and Working Environment

Employment situation
Number of employees
Work schedule
Overtime work
Employee turnover
Length of service
Employee satisfaction >>WEB

Fuji Xerox considers it important to share common values and maintain long-term employment contracts with its employees, who stand on an equal footing with the company. Its overseas affiliates are active in hiring local employees in order to carry out sales activities and product development that will be accepted by the local community.

Article 36 of the Labor Standards Law sets a limit to the number of hours worked outside normal working hours. Work schedules can be confirmed on the intranet at any time. Managers supervise attendance and absences from the perspective of both productivity and health maintenance to avoid imposing excessive workloads upon personnel.

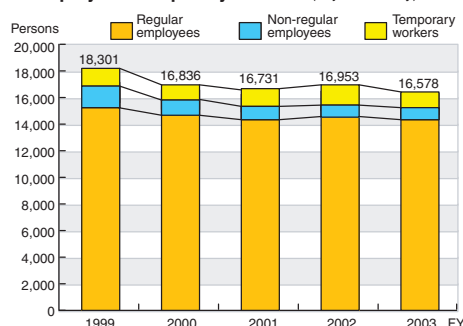
The Morale Survey indicates that the level of employee satisfaction with the company has remained high for several years. Employee turnover has remained under 2% for the past three years, and the length of service is also steadily increasing.

● Number of Employees by Country and Territory (Consolidated)

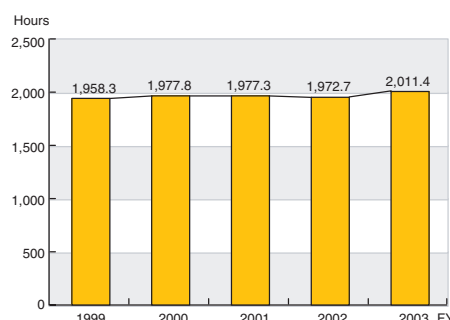
Countries and territories	Total
USA	60
Australia	1,434
Singapore	386
Thailand	1,130
New Zealand	423
The Philippines	284
Vietnam	30
Malaysia	451
China	4,083
Japan	24,509
Korea	1,097
Taiwan	7
Grand total	33,894

(As of March 30, 2004)

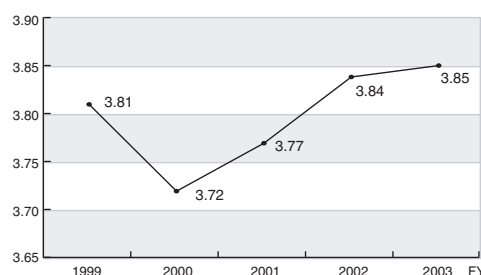
● Number of Regular Employees/Non-regular Employees/Temporary Workers (Fuji Xerox only)



● Total Working Hours (Fuji Xerox only)



● What is the Overall Employee Satisfaction Level in Terms of Working for Fuji Xerox? (Fuji Xerox employees only)



Question: What is your overall satisfaction level in terms of working for Fuji Xerox?

- 5. Very satisfied
- 4. Satisfied
- 3. Neutral
- 2. Dissatisfied
- 1. Very dissatisfied

Diversity and Opportunity

Equal opportunities for men and women
Employment of disabled persons
Re-entry program for retired employees

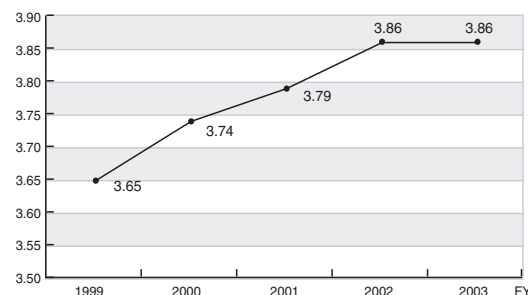
>>WEB

Fuji Xerox believes that employees with diverse personalities should make the most of each other's strengths and compensate for each other's weaknesses and that this leads to vitality within the company. The number of women in managerial positions is small and the ratio of women promoted to such positions is low compared to that of men, even though the Morale Survey shows a high score of 3.86 in response to the question: "Are job opportunities equal?" A future issue will be to verify whether women are assigned responsibilities commensurate with their abilities and are given opportunities to take on a greater role in the company.

● Number of Male and Female Employees/Managers (Fuji Xerox only)

	Permanent employees (Persons)	Number of persons in managerial positions (Persons)
Male	13,188	4,835
Female	1,280	48

● Are job opportunities equal? (Fuji Xerox employees only)



Question: Do you think job opportunities are equal for both sexes?

5. Completely true
4. Mostly true
3. Neutral
2. Mostly false
1. Completely false

Our doors are always open to employees with disabilities. The ratio of disabled persons to total employees at Fuji Xerox in FY 2003 was 1.80%. It is still too early to say, however, that an environment has been created in which disabled persons are able to display their abilities to the full. Fuji Xerox recognizes that more needs to be done, in terms of both culture and facilities, to ensure that disabled persons have a keener awareness that their jobs are worthwhile and that they are provided the most suitable opportunities for self-fulfillment.

Personnel system (Evaluation & Education)

Role Assignment
Evaluation Competency
Carrier development
Internal recruitment system

>>WEB

"Roles" are pivotal to the personnel system. We assign employees roles according to the unit of work at the individual level, based on our corporate and organizational strategies. Each employee is assigned a role upon the basis of four criteria: (1) the employee's wishes; (2) the degree to which his or her abilities match the requirements for a particular role; (3) qualifications, experience and other necessary conditions; and (4) the company's intentions.

"Competency" has been introduced as a yardstick for assigning roles to employees effectively, and also in helping employees with their career development. Competency refers to an employee's skill in harnessing his or her abilities in order to achieve results. Employees are required to report their common, specialized, and primary competencies and undergo assessment once every year.

In order to create an organization full of vitality, Fuji Xerox has implemented an internal recruitment system since 1999 through which employees are given the chance to apply for the roles they choose. In FY 2003, a total of 193 employees filed applications, 64 of whom were assigned roles they desired.

登録コード	項目内容	基本定義	NA
X00010	コミュニケーションスキル Communication Skills	仕事でコミュニケーションスキルを効果的に使って意思疎通を図る	—
X00020	ITリテラシー Information Technology Literacy	仕事でPCやIT(情報)ツールを効果的に使う	—

登録コード	項目内容	基本定義	NA	レベル1	レベル2	レベル3	レベル4	レベル5	備考	評価
X00010	コミュニケーションスキル	仕事でコミュニケーションスキルを効果的に使って意思疎通を図る	—	コミュニケーションスキルを効果的に使って意思疎通を図る	コミュニケーションスキルを効果的に使って意思疎通を図る	コミュニケーションスキルを効果的に使って意思疎通を図る	コミュニケーションスキルを効果的に使って意思疎通を図る	コミュニケーションスキルを効果的に使って意思疎通を図る	コミュニケーションスキルを効果的に使って意思疎通を図る	コミュニケーションスキルを効果的に使って意思疎通を図る
X00020	ITリテラシー	仕事でPCやIT(情報)ツールを効果的に使う	—	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う	ITリテラシーを効果的に使って仕事でPCやIT(情報)ツールを効果的に使う

Examples of Entries in the Competency Dictionary

Labor-Management Relations/Human Rights

Labor union
Percentage of union members
Creation of comfortable workplace
Preventing sexual harassment
Global Compact >>WEB

Respect for human rights is the basis for the Employee Code of Conduct. Fuji Xerox values the human rights of each and every employee and seeks to create comfortable working environments. We have signed the Global Compact and are working to improve our internal systems, incorporating human rights and labor standards.

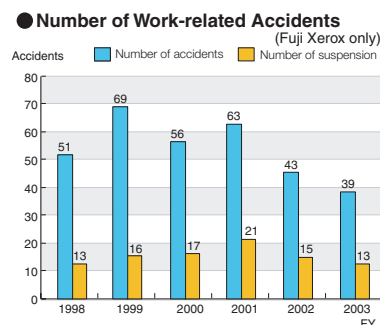
We protect the rights of workers, with management and labor working together for mutual growth based on a relationship of trust and equal responsibility. The future issues will be how to further improve labor-management relations and cooperation across the entire group based on this shared fundamental spirit and how to establish proper labor-management relations at overseas affiliates, taking into consideration the customary practices unique to the countries in which they operate.

Occupational Health and Safety

Health and safety regulations
Health examinations
Personal interview
Mental health education
Labor accidents >>WEB

Fuji Xerox regards it as its important duty to ensure the safety of its employees and help its employees to maintain and promote their health. Our health and safety regulations stipulate that employees shall protect their own health and that the company shall help such employee efforts. Under this principle, Fuji Xerox assigns ten full-time industrial physicians, eleven hygienists, and twelve full-time sanitation managers to carry out activities focusing on health promotion and disease prevention. Since 1995, Fuji Xerox has provided health consultations with industrial physicians and hygienists to all its employees. In FY 2003, 97% of employees underwent health examinations and 89.3% had consultations with industrial physicians and hygienists. This indicates that employees are highly interested in their health.

In FY 2003, 39 work-related accidents occurred at Fuji Xerox, and there were thirteen cases of absence from work. Both figures are similar to those for the previous year, but the frequency rate*¹ was 1.49, slightly higher than the average year. The severity rate*² was 0.01, which was as low as the average year.



*1 The frequency rate represents the number of work-related deaths and injuries per one million actual work-hours.

*2 The severity rate represents the total number of lost work days per one thousand actual work-hours.

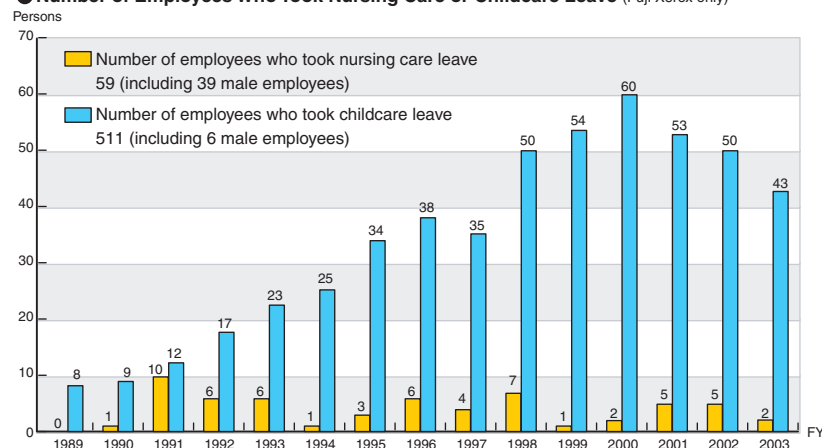
Employee Welfare

Balance between work and family
Nursing care leave
Childcare leave
Social service leave
Leave for volunteer activities
Accumulated paid leave >>WEB

An employee goes through various phases of his or her life during the forty or so years from employment to retirement. Fuji Xerox is working to establish a personnel system that enables the company to respond to the diversification of its employees' values and lifestyles.

We are continuing our efforts to make a wider, more accessible range of nursing care and childcare options available. Results show that during the period from January 1999 to the end of March 2003, 86% of employees who gave birth chose to continue working. The percentage of female employees who have children increased from 11% in 1992 to 24% in June 2003.

● Number of Employees Who Took Nursing Care or Childcare Leave (Fuji Xerox only)



Relationships with Customers

Fuji Xerox believes it can only continue to carry out business if it builds a relationship of trust with customers. Based on this belief, we are working to establish a safe management structure, create a system for gathering customer opinion, and ensure fair competition and fair trade. In particular, we place top priority on the safety of our products. Learning from the printer igniting accident that occurred in FY 2002, we reviewed our safety measures on a company-wide scale in FY 2003 to put in place an appropriate safety system.

Product Safety

Printer igniting accident
Safety manager
Escalation standards >>WEB

In FY 2003, in order to ensure a higher level of product safety, Fuji Xerox and its affiliates established a system for ensuring product safety in all processes—planning, development, evaluation, procurement, production, sales, maintenance and recycling—and enforced multi-faceted evaluations to prevent leaks within the system. In September 2003, we put in place the “Escalation System Concerning Important Quality Issues/Serious Accidents” in order to make a united effort to resolve major quality problems and serious accidents that might occur. We also implemented product safety training programs. A total of some 26,000 employees had participated in the programs by March 2004. A future issue will be to improve the ability of divisions involved with each process to take action, by providing continuous product safety training.

Highlight E See “To Prevent the Recurrence of Accidents” on p. 24

Communication with Customers

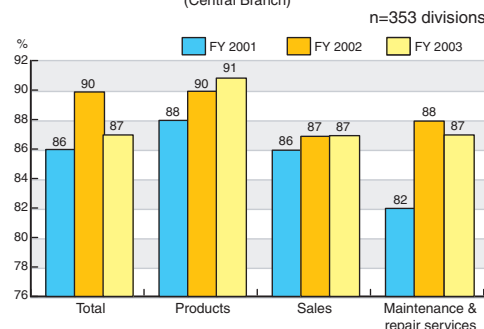
Customer satisfaction survey
Collaboration programs
Complaints & claims >>WEB

Fuji Xerox wishes to directly establish a relationship of trust with customers through its products, services, and employees, and indirectly through active disclosure of the know-how it has accumulated over the years.

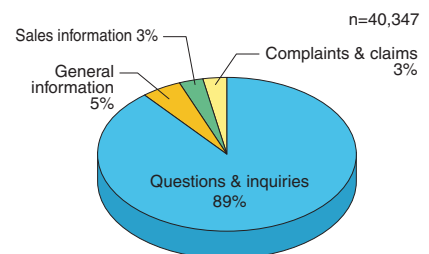
In particular, we are actively involved in gathering opinions from customers. One example is a survey of 353 divisions conducted at major corporate customers and central government offices concerning the level of satisfaction with products and services, whose results provided feedback. We also staged “collaboration” programs to make available the know-how we have accumulated over the years. This enabled the company to realize collaboration with 10,140 customers from 3,344 companies during the period from the second half of 1998 to March 2004.

In FY 2003, the Customer Center received a total of 40,347 calls, of which approximately 90% were questions and inquiries. The percentage of complaints and claims was 3%. The number and content of inquiries were almost the same as for FY 2002.

● Customer Satisfaction Survey
(Central Branch)



● Number of Calls Received by the Call Center



Fair Competition and Fair Trading

Fair and reasonable sales to government offices
Appropriate billing
Trading with partner companies >>WEB

In order to ensure fair competition and fair trading as a corporation, Fuji Xerox's management and frontline sales force are joining forces to prevent inappropriate conduct and eliminate ethical problems. In December 2003, Fuji Xerox's Ethics and Compliance Committee issued guidelines covering matters to be taken into account when complying with laws and regulations.

Relationships with Society and Local Communities

As a member of society, we are supported by customers, local communities, the state and the international community. While the social functions and responsibilities of businesses are recently being called into question, we wish to adopt a long-term global and local perspective, and make good use of our managerial resources as we play a more active role in realizing a better society.

Social Contribution as a Member of Society

Features of Fuji Xerox's social contribution
Kobayashi Setsutaro Foundation
Aspen Institute Japan
Junior Achievement

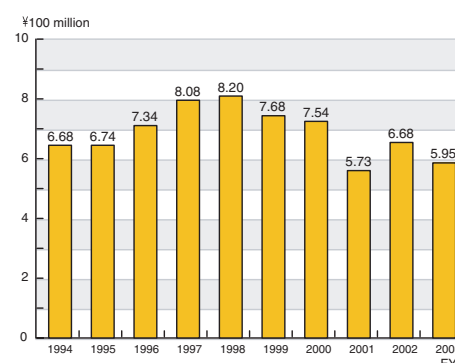
[>>WEB](#)

As a member of society, Fuji Xerox is implementing its social contribution programs in a wide range of areas.

The distinctive features of Fuji Xerox's social contribution programs include focusing on the Asian region, providing support in areas that other companies have difficulty providing, and supporting the activities and education of youth and children who will lead the next generation.

In FY 2003, the Kobayashi Setsutaro Foundation, which aims to promote deeper mutual understanding between Japan and Asia Pacific nations through scientific exchanges, granted subsidies to 50 researchers, more than usual, in commemoration of the 20th anniversary of the launch of this subsidy program.

● Social Contribution Expenditure



● Features of Fuji Xerox's Social Contribution Activities

	Focus on Asia	Unique to Fuji Xerox	Youth and Children	Local Roots
Research		Kobayashi Setsutaro Foundation Xerox Education Foundation (Taiwan) Fuji Xerox Philippines Foundation YAYASAN FXAP-ASTRA GRAPHIA (Indonesia) FXAP Korean Foundation Thai Fuji Xerox Foundation		
Education	Support for rural areas: Thailand FX Hope Elementary School: Shanghai	Aspen Institute Japan e-nakama support Supporting international universities Support for production of Japanese textbooks	Support for Kid's ISO program Support for Junior Achievement Art contest (sponsored by Fuji Xerox Office Supply) IT/Media School	Okinawa PARK (sponsored by Okinawa Xerox) Acorn Square (Suzuka Fuji Xerox)
Culture & Sports	Asia Youth Orchestra	Support for Perlman concerts Support for Special Olympics FPP support Woodblock print collection Support for Art by Xerox		
Environment		Support for Kid's ISO program e-nakama support		Preservation of natural woodlands near populated areas Association for Protecting Thickly Wooded Area in Tsukahara Workshop for nature guides

Social Contribution through Fuji Xerox's Core Business

Large-font textbook production support
IT/Media School
Universal design
Art by Xerox

>>WEB

In an effort to use much of the technology and expertise acquired over the years to meet a wide range of social needs, Fuji Xerox is implementing social contribution programs that make the best use of its core business.

One of these programs is to use color copy machines to produce textbooks for persons with weak eyesight. In FY 2003, Fuji Xerox collaborated with some 70 volunteer groups to support production of large-font textbooks at 67 of its sales bases nationwide. For this project, a total of 262,000 sheets of full-color prints in 500 volumes were utilized.

Fuji Xerox is also pushing forward with social contribution programs that make the most of the company's core business. The IT/Media School, for example, was opened for junior high school students to learn about the basic concepts of information in specific and practical terms.



The IT/Media School offers an opportunity to learn about mechanisms related to information and society. First-grade junior high school students produce model TV towers as part of the "television tower construction game and stock company system" program.

Systems for Supporting Social Contribution

Leave for volunteer activities
Social service system
Hasu Club

>>WEB

Fuji Xerox supports the volunteer activities of its employees. Through such activities employees can really feel that they are maturing as human beings, realize their dreams and wishes, and lead satisfying and enjoyable lives together with their family and members of the local community in which they live. In FY 2003, the Hasu Club, one of the systems for providing such support, collected membership fees by deducting equivalent amounts from members' monthly salaries and bonuses, and made 134 donations totaling ¥11.35 million. The four branches of the Hasu Club provide employees with the opportunity to take part in a variety of volunteer activities.



Many volunteers participated in a torch relay in Kumamoto, the birthplace of the Special Olympics in Japan.

Recognition by Society

Fuji Xerox and its affiliates have received many awards and prizes for their social contribution activities. Details are provided on our website.

Major Awards and Prizes Received in FY 2003

- Fuji Xerox Shanghai awarded the Prize for Excellence in Environmental Protection in 2002.
- EA toner, with high image-quality and low environmental impact, awarded the Technology Prize by the Japan Imaging Society.
- Fuji Xerox awarded the Prize for Excellence in the 6th Environmental Report Awards.
- Fuji Xerox Shenzhen awarded the Green Company Prize.
- The Ebina Site awarded the Chairman's Award in recognition of distinguished service to 3R promotion.
- Fuji Xerox awarded the Sustainability Reporting Excellence Award of the Environmental Report Awards.
- Fuji Xerox's environmental website awarded the Special Judges Award of the Kankyo-goo Grand Prize.
- Fuji Xerox's environmental website awarded the Special Judges Award of the ECO-Web Grand Prize.
- Fuji Xerox awarded the Corporate Citizen's Prize of the Corporate Philanthropy Awards for its support of large-font textbook production.
- Fuji Xerox awarded the Newspaper Category Excellence Award in the 13th Environmental Advertising Contest.
- DocuPrint C2425/2426 color laser printers awarded the Energy Conservation Center Chairman's Prize of the Energy Conservation Grand Prize.

Environmental Performance Report



This section covers our initiatives to deal with issues related to the global environment in terms of our environmental management to promote such endeavors, and from the perspective of the three issues positioned as key tasks, namely (1) global warming, (2) resource depletion and (3) chemical substances.

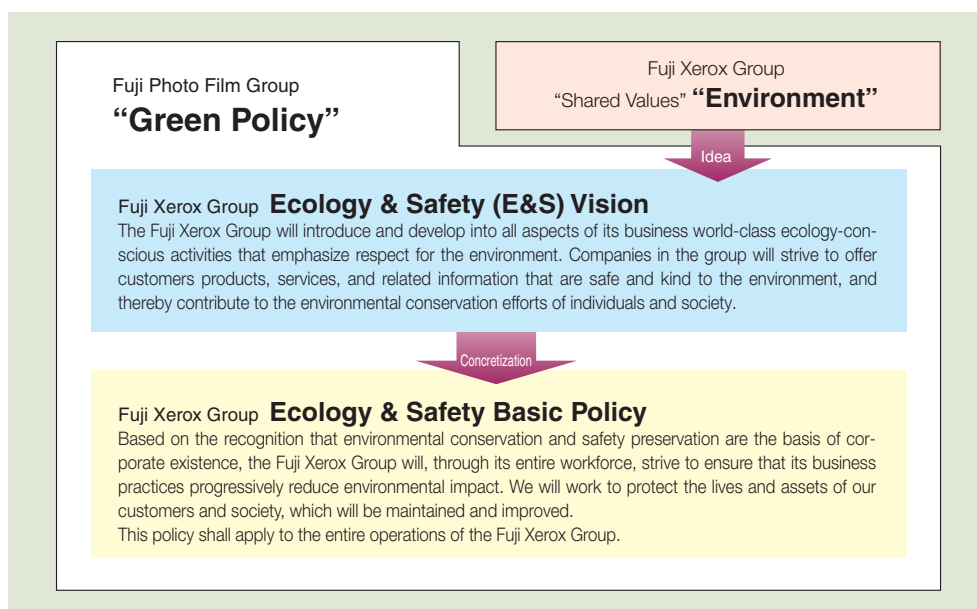
Environmental Management

In line with organizational changes made in FY 2004, Fuji Xerox revised its organization to promote environmental management. This change is designed to further improve our environmental management activities. In this area, we recently celebrated the milestone completion of ISO 14001 certification by our overseas sites. Our global environmental management promotion system is also progressing steadily, and our initiative for product reuse and recycling (Resource Recycling System) recorded its first profitable year in terms of environmental accounting.

Environmental Policy

**Fuji Photo Film Group's
"Green Policy"**
Ecology & Safety (E&S) Vision
[>>WEB](#)

The environment is one of Fuji Xerox's important "Shared Values." Our "Ecology & Safety Vision" statement is fundamentally based upon this idea and the Fuji Photo Film Group's "Green Policy." Our specific policy is indicated in the "Ecology & Safety Basic Policy," a design for achieving a world-class level of environmental management.



Note: For more on the items of this policy please visit our website.

Overview of Basic Environmental Strategy and Environmental Impact

Global warming
Resource depletion
Reduction of hazardous chemical substances
Environmental impact of business activities
[>>WEB](#)

As a step toward realizing our "Ecology & Safety Vision," we established our "Basic Environmental Strategy" in FY 2001, introducing eco-efficiency as a corporate performance indicator to use in measuring our effect on the environment. Based on our strategy, we have devised an action plan and long-term strategy, and are working on specific activities.

Basic Environmental Strategy

- A.Transform Fuji Xerox and its affiliates into a fully recycling-oriented company**
 Reduce our own environmental impact throughout product lifecycle stage
- B.Offer outstanding environment-conscious products and environmental solutions to our customers**
 Develop environmentally conscious products and services that can help customers reduce their own environmental impact
- C.Strengthen the infrastructure of environmental management**
 - Improve environmental awareness among employees
 - Establish a system for managing performance index
 - Establish an environmental management system

For further details visit our website at <http://www.fujixerox.co.jp/>

Impact To Be Reduced; Targets of Major Impacts

CO₂ emissions
(Global warming)

Double eco-efficiency (compared with FY 2000) by FY 2010

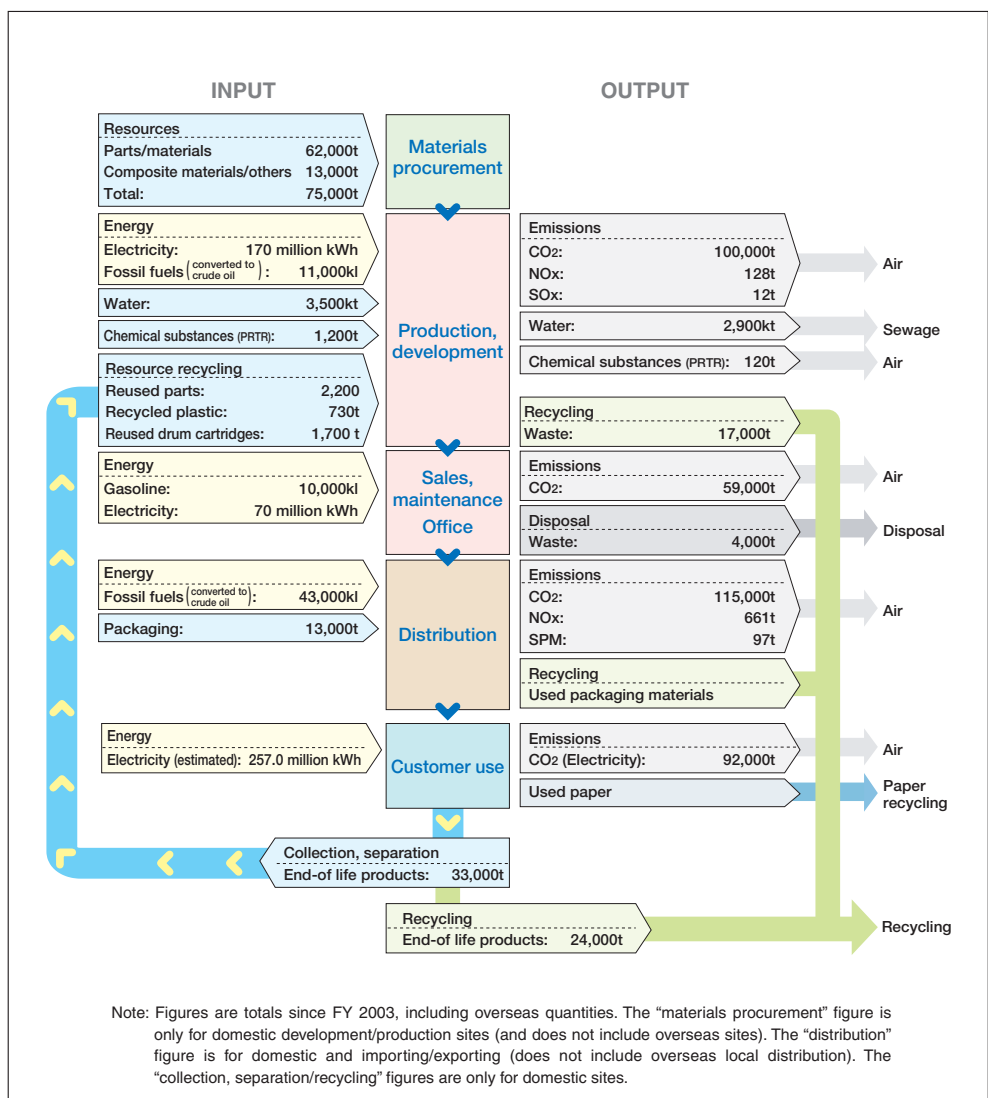
* Refer to p.40 for details

New resource input
(Resource depletion)

Hazardous chemical substances
(Chemical Pollution)

Schedule of elimination or phase-out plan for specific chemicals

● Overview of Environmental Impact Material Flow



Environmental performance

Organization of Our Environmental Management System

Corporate Social Responsibility Conference
Environmental Liaison Meeting

>>WEB

Environmental Management System

PDCA Cycle ISO 14001
Second-Party Auditing Systems

>>WEB

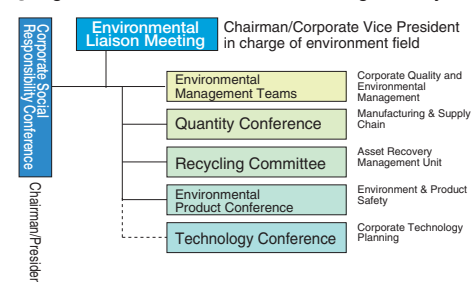
Activities & Results in FY 2003

Eco-efficiency results by area
Goals and results for major areas of each function

>>WEB

In line with organizational changes made in FY 2004, Fuji Xerox revised its organization to promote environmental management. This change is designed to promote cross organizational initiatives, further bolstering our environmental management.

● Organization of Our Environmental Management System



Of our 80 sites worldwide, 5 Japanese and 14 overseas non-production sites have become ISO 14001-certified. Taking into account the sites and organizations already certified, there are now a total of 74 certified Fuji Xerox bases. We have also improved the quality of our internal audits by creating a "Guide for Second-Party Audits of the Environmental Management System."

Each organization within Fuji Xerox works on relevant environmental issues in line with our Basic Environmental Strategy. Our efforts revolve around three major areas: preventing global warming, preventing resource depletion, and reducing hazardous chemical substances. Our efforts to reduce environmental impact in these areas involves the entire product lifecycle—in processes ranging from extraction of resources, to production, distribution, use, disposal, and recycling. Since this fiscal year we have begun including all data from overseas production/non-production sites and all distribution data, and our results are below the targets set forth in the FY 2003 plan. The sole exceptions are the eco-efficiency targets set for product use by customers.

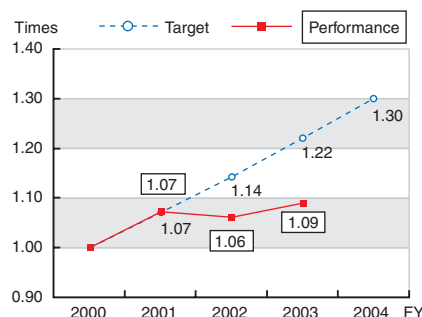
Eco-efficiency is a corporate performance indicator, calculated according to the formula below, that aims to "balance ecology and the economy."

[Global warming]

$$\text{Eco-efficiency} = \frac{\text{Social benefits (sales}^*1\text{)}}{\text{Environmental impact (CO}_2\text{ emissions)}}$$

*1: Sales are Fuji Xerox consolidated sales.

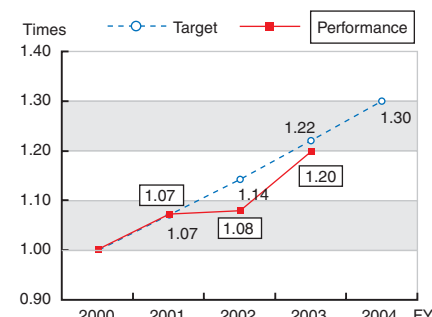
● Eco-efficiency of Business Activities



[Resource depletion]

$$\text{Eco-efficiency} = \frac{\text{Social benefits (sales}^*1\text{)}}{\text{Environmental impact (new resource input)}}$$

● Eco-efficiency of New Material Input among Purchased Material (Based on quantities, Japan only)



For further details visit our website at <http://www.fujixerox.co.jp/>

Environmental Accounting

FY 2003 results
Tallying method

>>WEB

Environmental accounting is a quantitative examination of an organization's entire environmental activities. It is designed to express the organization's monetary income/expenditure and environmental impact in terms of increases or decreases. Of particular note is the fact that in FY 2003 coverage was expanded so as to include almost the same range as that of our consolidated financial accounting figures, and initiatives under Fuji Xerox's unique Resource Recycling System recorded a profit for the first time.

Environmental Education

"Eco-Literacy" program
Environmental trainings
systems

>>WEB

We worked toward ISO 14001 certification for the affiliates of sales company in the Asia-Pacific region, and the "Eco-Literacy" education program for 9,000 employees in these companies came to a successful completion. All 14 companies completed ISO 14001 certification.

Environmental Communications

Eco-Products Exhibition
Environmental Website
Sustainability Report
Kids' ISO
Training for nature guides
Afforestation volunteers

>>WEB

Our initiatives for environmental communications through the diffusion of information and the holding of events, and the like, resulted in our website winning the Special Judges Award of Kankyo-goo Grand Prize, and our Sustainability Report 2003 winning the Sustainability Reporting Excellence Award of the Environmental Report Awards. Fuji Xerox employees also took part in their own environmental conservation activities as part of local communications efforts.

Promotions

By providing up-to-date information and holding events, Fuji Xerox's efforts have reached a wide audience.

Local Community Communications

We promoted putting in place an environment so that environmental conservation activities within society as a whole can be carried out naturally.



Kids' ISO

Fuji Xerox supports environmental education programs driven by ideas from children, which our employees have helped organize.



Afforestation Volunteers

With a focus on the environmental impact from paper, Fuji Xerox supports activities such as preserving and creating *satoyama* [natural woodlands near populated areas] landscapes and we have also carried out afforestation work.



Training for Nature Guides

Fuji Xerox is working to foster social systems and people which conserve and respect the richness of nature and the ecosystem.

Activities to Reduce Waste from Production Site

Zero emissions
Reducing waste from offices

>>WEB

Although Fuji Xerox is working to reduce waste generated by production processes at Fuji Xerox and affiliate sites in Japan and abroad, the total quantity of waste generated by Fuji Xerox and its affiliates increased greatly in FY 2003. The increase was due to the first-time inclusion of waste generated by the Zetland Site of Fuji Xerox Australia Pty. Ltd. and Fuji Xerox of Shenzhen (China), and the greater volume of production.

Initiatives for Global Warming Prevention

Preventing global warming is one of the three major environmental issues Fuji Xerox is tackling, through our work on reducing emissions of carbon dioxide (CO₂) and other gases responsible for global warming. We are promoting emissions reductions for each phase of the product lifecycle—production, distribution and use. In FY 2003, we developed more energy-saving products that reduce CO₂ emissions during product use, and reached our target figure for energy reductions within the production processes.

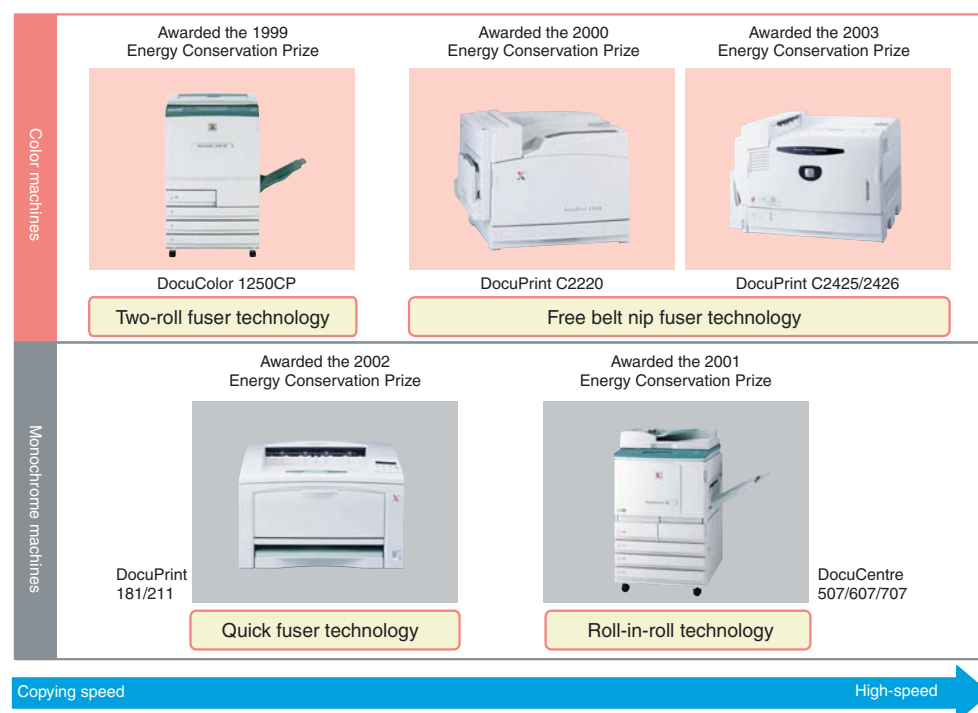
Development of Energy-Saving Products

Energy-saving technologies
Reducing total power consumption

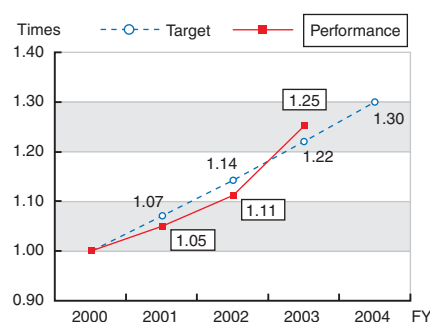
>>WEB

Fuji Xerox considers the power consumed by customers of our products to be part of our own environmental impact. We are working on developing a wide lineup of energy-saving products, targeting a 50% reduction in total power consumption for Fuji Xerox products by 2005 (compared to the 1997 figure). Several of the new technologies we have developed to achieve this target have received high acclaim, and we have been awarded the Energy Conservation Center's Energy Conservation Prize for five consecutive years since 1999.

● Models and New Technologies that Have Won the Energy Conservation Prize



● Eco-efficiency during Product Use by Customers



Highlight See "By Means of the Energy-efficiency of Fuji Xerox Products" on p. 18

Activities to Prevent Global Warming at Development/Production Sites

Fuel conversion
Alternative energy
Reducing greenhouse gas emissions

>>WEB

Distribution Activities to Prevent Global Warming

Expansion of simplified packaging initiatives

>>WEB

Efforts by Offices to Prevent Global Warming

Introduction of low-emission vehicles

>>WEB

Other Efforts to Prevent Global Warming

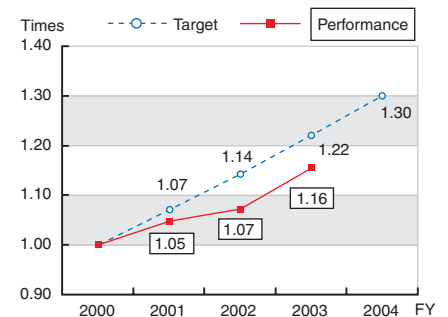
Wind power generation
Solar energy generation
Hydroelectric generation
NAS batteries
Ice thermal storage system
Afforestation

>>WEB

Our development and production sites have been using greater quantities of energy for the past few years, and achieving our FY 2003 target eco-efficiency of 1.22 was difficult. We set new FY 2003 targets, aiming to stop such increases. Through our efforts, we succeeded in meeting the new targets, attaining a production site eco-efficiency of 1.04 (versus a target of 0.94), and developing site eco-efficiency of 1.12 (versus a target of 1.12). We are now considering radical improvement measures, with a target of 1.30 for FY 2004.

So far our environmental activities in distribution have centered around domestic distribution. Aiming to develop activities for importing/exporting and our affiliates worldwide, we integrated our distribution-related departments to create the Manufacturing and Supply Chain in April 2003. The new department has already recorded a steady stream of successes. In line with the integration of our domestic manufacturing affiliates and overseas manufacturing/sales affiliates, we have been working on creating a foundation to enable us to deal with the environmental issues involving distribution.

● Eco-Efficiency during Distribution



Electricity and gasoline account for most of the energy consumed in the sales, service and administration divisions. Fuji Xerox is working to reduce electrical power consumption by improving methods of managing air-conditioners, lighting, and office machines. To reduce gasoline consumption, we are actively introducing a large number of low-emission vehicles and improving driving methods.

Fuji Xerox is also working on a wide array of activities to prevent global warming not directly related to our products and manufacturing processes. For example, we are reducing environmental impact in customer's offices through sales activities, introducing alternative energy sources, and promoting CO₂ (carbon dioxide) absorption by afforestation.



Windmills near Lake Towada



The solar power generation system at the Ebina Site

Initiatives for Resource Depletion Prevention

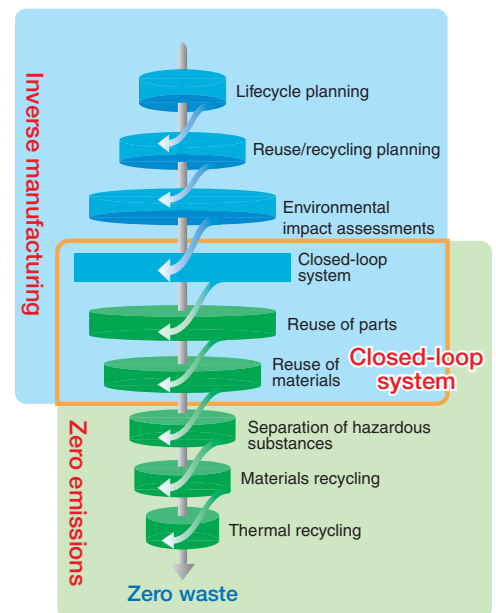
One key area of our environmental conservation efforts is our “Integrated Recycling System.” Based on our company-wide policies, we are working to minimize the quantity of new natural resource inputs, reduce waste to zero, and save energy.

Highlight B

See “Aiming for Sustainable Manufacturing” on p. 13.

Our Integrated Recycling System is based on a closed-loop system designed for effective use of resources, and treats end-of-life products as valuable resources instead of waste. Two approaches are used for each process in the product lifecycle from upstream to downstream. One is “inverse manufacturing”—the creation of products with low environmental impact by reusing parts in a closed loop. The other is “zero emissions”—the use of the resources contained in parts that cannot be reused whole.

● Integrated Recycling System



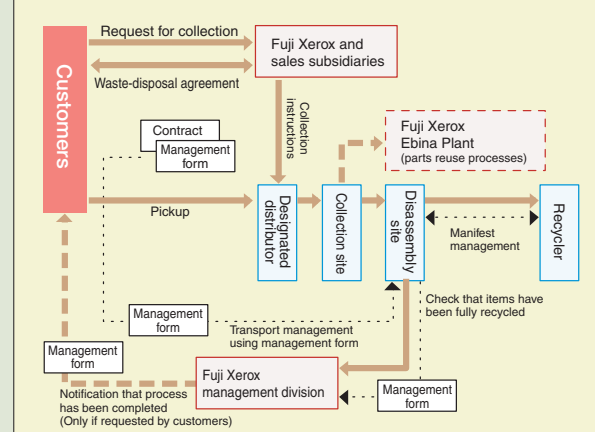
Profitability of Integrated Recycling System

In 1995, Fuji Xerox became the first company in the office machine industry to release a product containing reused parts. Production of copy machines and multifunction machines with reused parts has grown steadily, and this area recorded its first environmental accounting profit in FY 2003.

Expansion of Used Equipment Collection Service

Although recycling of used copy machines and multifunction machines is not required by law, Fuji Xerox has created a collection service network based on the Extended Producer Responsibility (EPR). We started the office machine industry's first printer collection service in July 2003, and expanded the service to include copy machines and multifunction machines in June 2004.

● Flow of Multifunction Machines Collection System

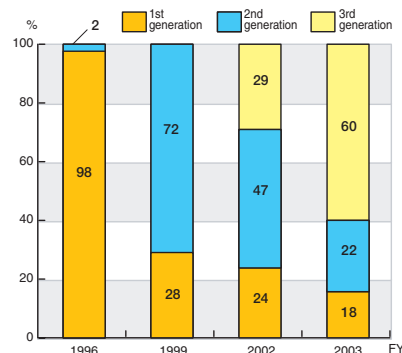


Initiatives for Planning/ Design/Procurement

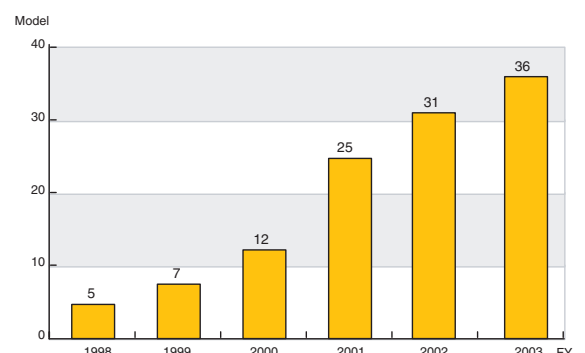
Lifecycle planning
Reuse/recycling planning
Multi-generation design
Module design
Environmental impact assessments
[>>WEB](#)

To expand the use of reused parts, we are promoting their use not only in next-generation but also in third-generation products. Success in the most upstream production processes — planning and design — allowed us to use roughly 60% of parts in third model generations in FY 2003.

● Part Reuse in Multi-Generation
New Products (Percentage of Whole)



● Number of Models Designed for Reuse/Recycling



For example, we increased the percentage of reused parts in the DocuCentre 507-MD digital copy machine released in October 2003 to up to 70% (by weight) by employing a multi-generation-compatible design, greatly reducing environmental impact.



Fuji Xerox has released “Product Eco-data” containing quantitative information on environmental impact reduction. The items published on *Product Eco-data* includes items created by carrying out actual surveys of customers regarding environmental information on product to find out what items concerning environmental impact customers consider important or think manufacturers should bear in mind.

Product Eco-data has been released for a total of 9 models by FY 2003.



Product Eco-data

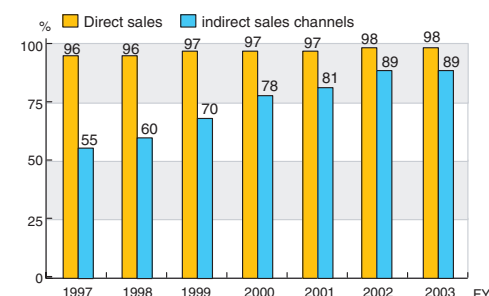
Environmental performance

Initiatives for Collection/Production

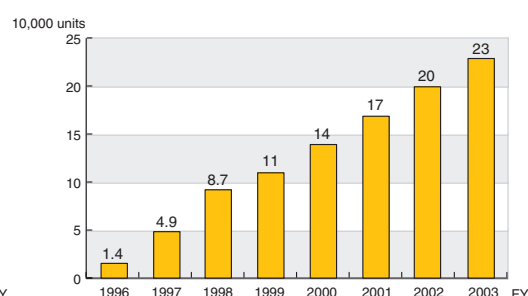
Collection ratio of end-of-life products
Part reuse
Module production
Number of units manufactured with reused parts
[>>WEB](#)

The Fuji Xerox collection program for end-of-life copy machines and multifunction machines is continuing to move ahead, and the use of reused parts is expanding. In FY 2003, we produced over 230,000 units with reused parts, enabling us to reduce new resource inputs during the year to 2,200 tons.

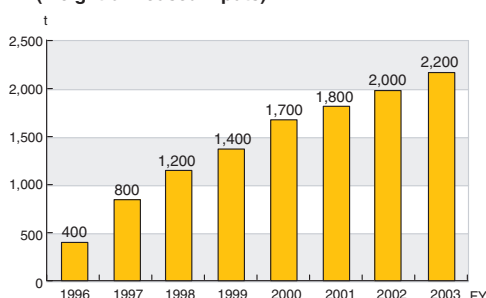
● Collection Ratio of End-of-Life Product



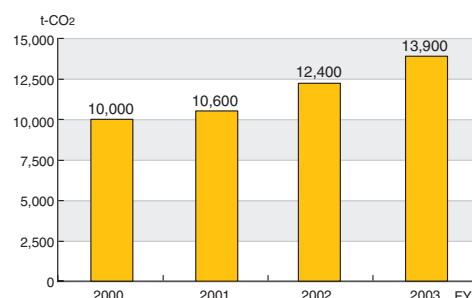
● Number of Units Produced with Reused Parts



● Products Only Reduction in New Resource Input Quantity (Weight of Reused Inputs)



● Quantity of CO₂ Saved during Part Manufacture Due to Part Reuse

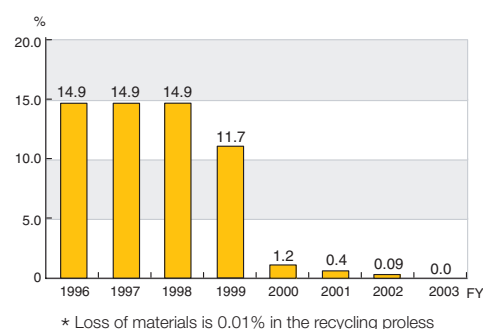


Initiatives for Separation/Recycling/Disposal

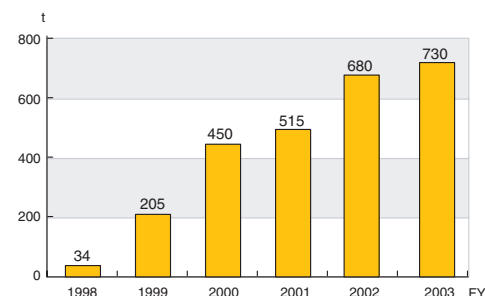
Landfill rate
Material recycling
Thermal recycling
RoHS-regulated substances
[>>WEB](#)

Through reuse, material recycling and thermal recycling, we are working to achieve zero emissions starting from the upstream processes. The landfill for copy machines returned to manufacturing processes in FY 2003 was zero, due to our thorough separation of leftover items into 44 part types, and the network we have created with recycling partners throughout Japan to enable 100% recycling nationwide.

● Landfill Ratio



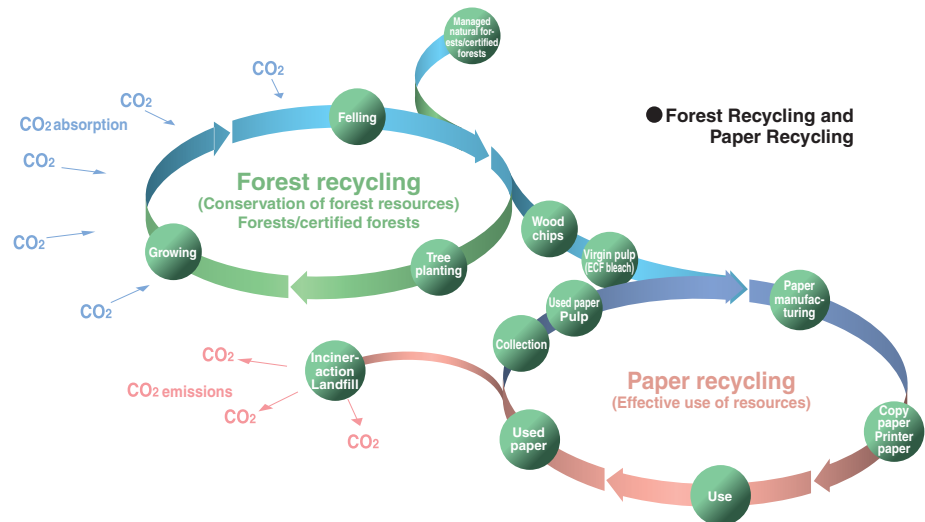
● Quantity of Reused Materials



Environment-Conscious Paper Supply

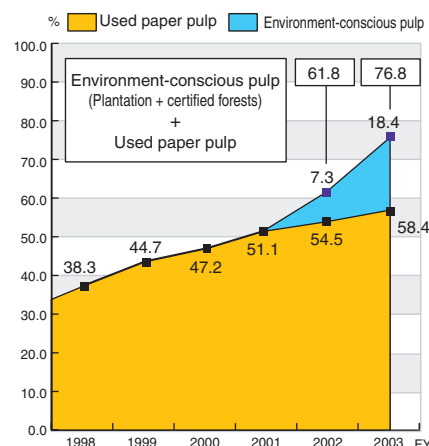
Plan to increase environment-conscious pulp
Certified eco-pulp
Pulp from forest plantation
Forestry operations
FSC-certified paper >>WEB

While paper's legibility, easy portability, and ability to absorb ink makes it an outstanding medium, the environmental impact of procuring its raw material, pulp, has become a problem. Through our affiliate Fuji Xerox Office Supply, we are researching environment-conscious methods of paper supply, and are creating a framework for sustainable paper supply without damaging the forests or the surrounding ecosystem.

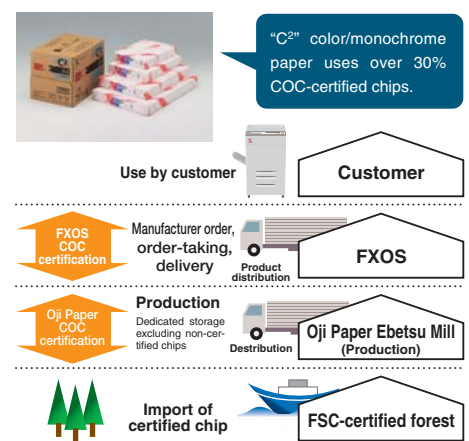


To enable effective use of resources, Fuji Xerox is seeking to increase the percentage of used paper in paper manufacture, and in FY 2003 we achieved a figure of 58.4%. In FY 2002, we started an initiative to increase the percentage of "environment-conscious virgin pulp" (FSC-certified paper) used in paper, and together, used paper and environment-conscious pulp accounted for 76.8% of the total in 2003.

● Use of Used Paper Pulp and Environment-Conscious Pulp



● From FSC-Certified Forests to Customers



In 1996, we helped support the plantation industry by investing in Southland Plantation Forest Limited (SPFL), a forestry concern based on New Zealand's South Island. The investment was designed as a way to meet our corporate responsibility to ensure a supply of paper manufacturing materials that do not rely on the felling of natural-growth wood, thus protecting a precious forest resources.

Highlight D See "Aiming for Sustainable Paper Supply" on p. 18 FSC Trademark(c)1996 Forest Stewardship Council A.C. -FSC-JPN-0022

Initiatives to Reduce Quantities of Hazardous Chemical Substances

In line with regulatory trends concerning hazardous chemical substances in Japan and abroad, we are engaging in initiatives to reduce the quantity of hazardous chemical substances in products and parts, starting from the product development phase. Common chemical substance risk management and reduction activities are underway at all production sites. To prevent environmental pollution from product disposal, we have also created the “Fuji Xerox Green Procurement Standards,” and are working on completely eliminating the hazardous substances specified by the EU’s RoHS (Restriction of the Use of Certain Hazardous Substances) directive from our products.

Chemical substances in products

RoHS Directive
Green Procurement Standards

[>>WEB](#)

In 1999, we created the Hazardous Substances Reduction Team to work with parts manufacturers and suppliers on reducing quantities of hazardous chemical substances contained in or used by parts. In February 2003, we revised the Green Procurement Guidelines created in 1999 so that it conforms with the Europe’s RoHS Directive, and we renamed it the Green Procurement Standards. We have stepped up efforts to reduce hazardous substances by making our suppliers aware of this standard.

● Hazardous Chemical Substance Reduction Plan (Including Overseas)

1. Conformance with RoHS Directive (covers models released in new markets)

[Substances to be completely eliminated in FY 2004]

- Lead
- Mercury
- Cadmium
- Hexavalent chrome
- PBB/PBDE

2. Fuji Xerox independent chemical substances reduction initiative (covers models newly released in the market)

[Substances to be completely eliminated in FY 2005]

- Halogen flame retardant
- Chloroethylene

Use in Manufacturing Processes

Chemical Management
Regulations
PRTR Law

[>>WEB](#)

Chemical substances handled in production sites are managed in compliance with the “Chemical Management Regulations” for all processes involving purchasing, use, storage, and disposal. Output and storage quantities of substances regulated by the PRTR Law (Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management) and of equipment waste containing PCBs are managed. Efforts are being made to reduce the quantities of these substances. Use and production quantities of substances regulated by the PRTR Law have increased, but due to output reduction activities, output levels for the air and water have remained constant. In the future, we plan to reduce environmental risk by meeting our reduction targets and creating a plan for PCB elimination.

Effects on Global Environment (Air /Soil/Water)

Soil/ground water
contamination survey

[>>WEB](#)

No pollution was detected by a soil and ground water contamination survey conducted on Suzuka Fuji Xerox and two other sites in response to the results of the FY 2002 contamination site assessment. This result confirmed that there is no soil or ground water contamination at any of our production sites. The Iwatsuki Plant, where soil contamination from organic chlorine-based compounds was discovered in 1996, completed its cleanup efforts in FY 2002.

Although large-scale pollution has currently been eliminated, the potential for small-scale localized pollution continues to be a concern, so monitoring will be carried out between March and September 2004 to determine if pollution will vanish naturally or if new measures are needed.

Site Data

Environmental performance data concerning major sites is reported on our website. Starting with the FY 2003 report, data on substances designated by the Japan Chemical Industry Association has been added to data concerning chemical substances regulated by the PRTR Law. Data on chemical substances for our overseas production sites is not included since these sites are managed by a different system.

● Major Sites



Ebina Site



Iwatsuki Site



Takematsu Site



Suzuka Fuji Xerox



Fuji Xerox Imaging Materials



Niigata Fuji Xerox Manufacturing



Taiwan Fuji Xerox



Fuji Xerox Korea



Fuji Xerox of Shanghai



Fuji Xerox of Shenzhen

Progress of Environmental Activities

Our website summarizes the progress of Fuji Xerox's environmental activities from 1972 to 2003. Our product recycling activities have continued from 1990 to 2003. The pollution prevention activities we started in 1972 led to our environmental conservation activities begun in 1989, and are linked to the environmental management we started in 1998.

FY 2003 Activities

Product recycling activities

Resource Recycling System posts first environmental accounting profit (non-consolidated) in FY 2003

Acquired designation as a "qualified industrial waste processor for recycling over a broad area". Reduced disposal of used office printers to zero

Created recycling network in Asia-Pacific region

Environmental management

Fourteen sales companies and offices in the Asia-Pacific region received ISO 14001 certification.

Corporate Profile

Fuji Xerox Co., Ltd.

Headquarters 17-22 Akasaka 2-Chome, Minato-ku,
Tokyo, Japan 107-0052

Telephone +81-3-3585-3211

Established February 20, 1962

President Toshio Arima

Paid-in capital 20.0 billion yen (As of March 31, 2004)

Shareholders Fuji Photo Film Co., Ltd., 75%
Xerox Ltd., 25%
(As of March 31, 2004)

■ Main Domestic Operations

Headquarters

Manufacturing, Ebina : Ebina city, Kanagawa pref.
R&D Sites (Machine development & production)
Takematsu : Minami-ashigara city, Kanagawa pref.
(Consumables development & production)
Iwatsuki : Iwatsuki city, Saitama pref.
(Machine development)

Research Laboratory Central Research Center :
Ashigara-kami gun, Kanagawa pref.

Sales & Service Offices Located in all major cities throughout Japan

Corporate Domain

Fuji Xerox defines a "document" not only as information marked on paper but also as knowledge formed on multimedia including electronic data, images, and audio, etc.

We have sought ways to effectively share and use such documents which we consider to be one of the most crucial business resources. By delivering the document utilization service to our customers, we focus on drastically enhancing the productivity of document generation, storage, and handling.

To rapidly enhance office productivity, this awareness has set us on a path of revolutionizing the process of providing document services to customers.

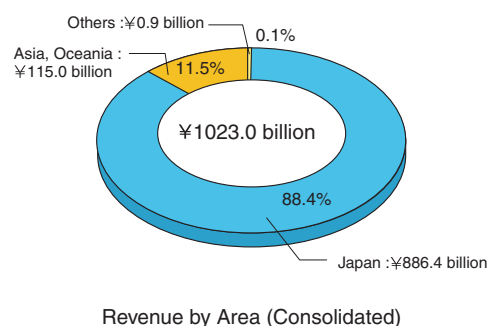
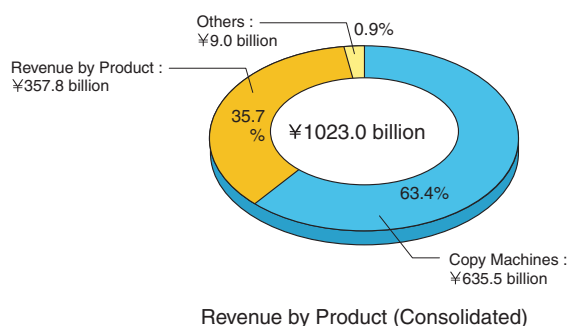
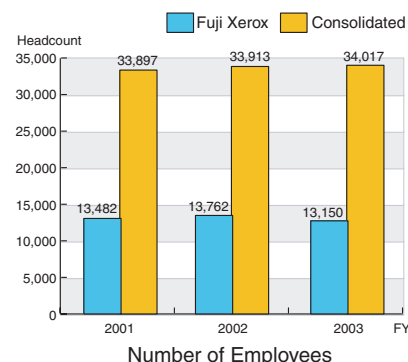
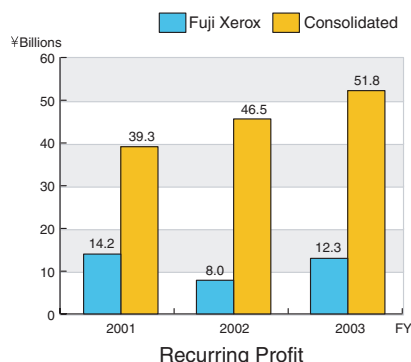
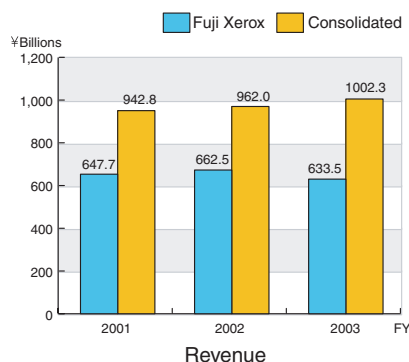
Offerings	Key products
Document services	Office copy machines Work stations Personal computers Facsimiles CAD systems Plotters Printers Copy paper Electronic parts Copy services, others
Others	Educational services

Fuji Xerox Group's Sales and Service Areas

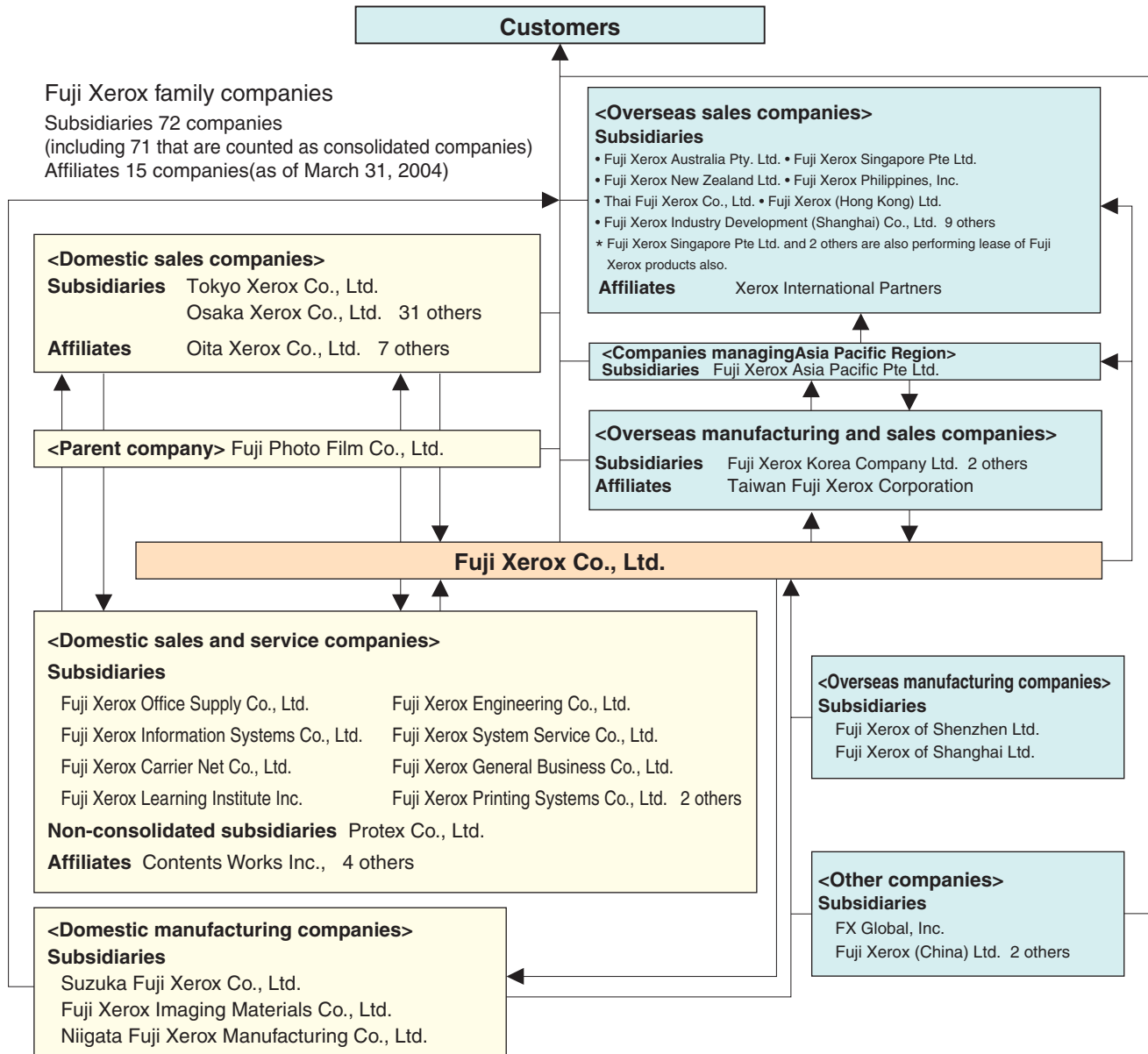
As shown in the map on the right, our sales and service territory covers Japan, the People's Republic of China, and other countries and regions in the Asia Pacific. Other areas are covered by Xerox Corp. and Xerox Ltd.



Performance in FY 2003 (April 1, 2003 to March 31, 2004) (Source: Securities Report)



For further details visit our website at <http://www.fujixerox.co.jp/>



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