Message to Our Stakeholders

Recently I had an opportunity to speak to a study group on environmental management. In response to my speech, many people took the time to provide us with their valuable opinions and thoughts regarding our environmental activities. In FY 2002, nearly all Fuji Xerox Group companies will have acquired ISO 14001 environmental management systems certification. During this process, all of our staff at Fuji Xerox and Fuji Xerox Group companies partook in environmental educational training. As a result of our endeavors, we were able to establish a general foundation for our environmental management system. However, upon reviewing the feedback we obtained, I once again realized the difficulties encountered when making the shift from a purely educational stage to one where environmental initiatives are actually implemented. While we are able to comprehend the ideas at hand, we have yet to acquire a complete grasp of how to fully implement our plans. I also believe we need to offer a better explanation of our activities to our customers.

Responding to the question of how corporate management should address environmental issues, we at Fuji Xerox, endorse an “excellent company” concept, in which the economic, social and humanistic values offered by a company, are conveyed through the precepts of “Strong, Kind, and Interesting”. “Strong” refers to economic power, competitive strength in product services as well as profitability. “Kind” represents how a company should interact with the environment and society. “Interesting” denotes the drive of employees who find their work to be creative and intriguing. These three key precepts continue to be positioned at the core of our managerial concepts.

Of these three dynamics, environmental initiatives are essential to sustaining competitiveness. Environmental initiatives are not only an important element of product quality, but are also representative of our corporate stance.

To achieve a “Sustainable Global Environment” as declared in our Environmental Action Plan (2002-2004), we aim to move forward with strong determination at becoming an excellent company in the 21st century with a well-defined sense of direction.

August 2002
Yotaro Kobayashi
Chairman of the Board and Representative Director

I would like to begin by taking this opportunity to thank all of our stakeholders for their continued support.

In 2001, significant progress was made in a community-wide effort to achieve sustainable development. This includes the agreement reached at COP7, which will promote the ratification of the Kyoto Protocol in 2002. In line with these major events, in February 2002, we celebrated the 40th anniversary of the founding of Fuji Xerox. Based on experience gained over the years in our rental business, in which we built a system to collect used products, we established a resource recycling system. We are also devoted to the development and supply of green products with superior energy saving performance.

Furthermore, from here forward, we plan to exercise our company’s comprehensive strengths to respond to public requests for such things as the reduction of greenhouse gases by improving the level of our environmental management that is aimed at achieving solid targets.

In response to the changes at Fuji Xerox and society at large, we established a Basic Environmental Strategy to realize our Ecology & Safety Vision and an Environmental Action Plan for the period from 2002 to 2004 to be carried out by the entire Fuji Xerox Group. In our continuous effort to establish a firm foundation for the group’s environmental management, we are on schedule to acquire ISO 14001 certification at all locations in both domestic and overseas companies, including non-manufacturing divisions, such as marketing and services.

As a common goal shared by the local community, our customers and employees, the Fuji Xerox Group fully acknowledges that as a corporate citizen one of its roles and responsibilities is to work for the achievement of a sustainable society. In this way, we aim to become a leading corporate group in the area of environmental management.

We hope that you will all take time to read our report. We would be grateful for any opinions you might have concerning the content of this report.

August 2002
Toshio Arima
President and Representative Director

小林陽太郎

有馬利男
Introduction

Company Profile

Fuji Xerox Co., Ltd.

Headquarters Akasaka Twin Tower East
17-22 Akasaka 2-chome, Minato-ku,
Tokyo, Japan 107-0052
Telephone +81-3-3585-3211

Establishment February 20, 1962
President Toshio Arima
Paid-in capital ¥20 billion (as of March 31, 2002)
Shareholders Fuji Photo film Co., Ltd., 75%
Xerox Ltd., 25% (as of March 31, 2002)

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, audio, etc. We have sought ways to effectively share and use such document which, we consider, is one of the most crucial business resources. By delivering the document utilization service to our customers, we focus to drastically enhance 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.

Main Domestic Operations

Headquarters Tokyo, Kawasaki city
Manufacturing Sites
Ebina: Ebina city, Kanagawa prefecture
(Development/production of machinery)
Takematsu: Minami Ashigara city, Kanagawa prefecture
(Development/production of consumables)
Iwatsuki: Iwatsuki city, Saitama prefecture
(Development/production of machinery)
Research Laboratory Corporate Research Center,
Nakai: Ashigara-kami-gun, Kanagawa prefecture
Sales & Service 200 offices in major cities
Offices throughout Japan

Performance FY 1999-2001 (source: financial report)

Revenue

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Recurring Profit

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Revenue by Product (consolidated)

- Information devices ¥347.7 billion (37%)
- Copiers ¥583.9 billion (62%)
- Others ¥11.2 billion (1%)

Revenue by Region (consolidated)

- North and South America ¥58.4 billion (6%)
- Asia and Oceania ¥119.7 billion (13%)
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Offerings

- Office appliances: Digital color copiers, Digital color printing systems, Digital multifunction machines (Copier, Facsimile, Printer), Laser printers, Inkjet printers, Facsimiles, Copiers, Digital publishing systems, Computers, Workstations, Networks and servers, Document management solutions and services, Document management software, Engineering systems (Technical information management/drawing issues system, Color plotter, Plain paper plotter, Large-format copier), Image processing systems, Document projectors, Copier related equipment, Consumables (Paper and toner)
- Educational programs: Business seminars and video training courses
- Systems development and integration:
- Others: Copy paper, Document Processing service

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In 1998, we reviewed our “corporate philosophy” and “action guide” to better adapt their content to the 21st century. As a result, we established our “Mission Statement” and “Shared Values” which define the significance of our existence and our common standards.

**Mission Statement**

We set forth a common goal for Fuji Xerox and all Group companies including domestic and overseas affiliates and sales subsidiaries as well as employees:

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.

**Shared Values**

The Shared Values comprise 10 value statements, each emphasizing our responsibility and setting forth how we should approach business as members of society and as individuals based on a fundamental respect for humanity.

One of these values is “Environmental Consciousness”. As a member of the global community, coexistence with nature and protection of the earth’s environment and natural resources - which are the foundation of global development - are required as fundamental social responsibilities. When making conscientious business decisions or in one’s daily life, Environmental Consciousness is essential. In addition, to foster a knowledge society and to enrich diverse cultures, we must promote a healthy environment.
In keeping with our “Mission Statement” and “Shared Values”, we reviewed our Basic Environmental Policy (first developed in 1991 and revised in 1996) and in 1999 established our “Ecology and Safety Vision” and “Ecology and Safety Basic Policy”, as part of our aim to become one of the world’s top-level, environmentally conscious companies.

Our company became a consolidated subsidiary of Fuji Photo Film Co., Ltd. in 2001. In conjunction with the “Fuji Film Group Green-Policy” issued in April 2002, which seeks to attain a higher level of “environmental quality”, we are actively encouraging interactions with our new parent to promote benefits from synergistic effects.

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**Fuji Xerox Group**

**Mission Statement**

**Shared Values**

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**Fuji Xerox Group**

**Ecology and Safety (E&S) Vision**

The Fuji Xerox Group will introduce and develop into all aspects of its business world-class eco-conscious activities that emphasize utmost 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.

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**Fuji Xerox Group**

**Ecology and Safety Basic Policy**

Based on the recognition that environmental conservation and safety preservation are fundamental parts of corporate existence, the Fuji Xerox Group will, through its entire workforce, strive to ensure that its business activities progressively reduce environmental impact. Companies in the group will work to protect the lives, physical well being and assets of their customers, employees and society at large, and will also do their utmost to maintain and improve on such efforts. This policy shall apply to the entire operations of the Fuji Xerox Group, both in Japan and abroad.

1. Complying with legislative and self-regulatory standards
   All business activities shall observe the legislative requirements and industry standards pertaining to safety and environmental conservation; in addition, all internal regulations and codes shall also be observed.

2. Saving energy and resources
   All products and operations sites shall promote the saving, recycling and reuse of energy and resources, based on evaluations of their environmental impact.

3. Developing and introducing the latest technology
   The latest technological advances shall be developed and introduced to reduce environmental impact and increase product safety.

4. Improving management and supervisory systems
   Environmental conservation and product safety management systems shall constantly be improved, in part through the performance of a variety of internal audits.

5. Creating a more harmonious relationship with society
   The company will participate in environmental conservation and product safety initiatives led by government, industry, and the rest of society; it will also get involved in such activities as a corporate citizen, allowing employees to participate of their own volition.

6. Adopting an environmental marketing approach
   By working to understand and share the environmental needs of customers, and by sharing knowldege gained through environmental conservation activities, the company will contribute to upgrading environmental management for the customers.

7. Enforcing information disclosure
   Information regarding environmental conservation and product safety activities shall be disseminated widely inside and outside the company, and any feedback acted on appropriately.

8. Formulating contingency plans
   In the event of some unforeseen event causing, or threatening to cause, damage to the local environment, or in the event of a product safety incident, the company shall respond appropriately and rapidly in good faith, and shall ensure that any repeat occurrence is prevented.

9. Raising awareness through education
   The company shall educate all employees on environmental conservation and product safety issues, and work to raise employee consciousness of these and related policies.

10. Cooperating with partners
    The company will work to gain the understanding of business partners and other firms with whom it is cooperating, so that both may work together on these common issues.