

Global Compact Leaders Summit
Session 2 Speech Outline (Draft)

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1. My Perception on “Mega-Trend” Study¹

- Today, we learned from the Goldman Sachs’ study that companies benefit from leading on ESG (environment, social and governance), and from McKinsey’s study that incorporating ESG can enhance competitive edge.
- I totally agree with their conclusions.
- From my perspective, the three most important mega-trends are as follows:
 - ① First, environmental problems (global warming, natural resources, controlling hazardous chemical substances); since not responding to them invite business continuity risks.
 - ② Second, China’s rapid economic development; as our growing market and as our key manufacturing site, the development of China and its increasing demand for CSR activities has a great impact for Fuji Xerox.
 - ③ Third trend is the increasing pressure from capital market and society on corporate governance. To cope with this, corporations have to re-establish value standard, IT/document information systems, training and management processes.

2. Responding to Mega-Trend

- Companies should take actions from two separate angles in response to Mega-Trend. Through these actions, companies can improve their competitiveness as well as contributions to sustainable society.
- 1) Offer products and services that contribute to solving environment and social issues.
- 2) Integrating into company’s management processes such activities that minimize environmental burden and enhance social development.

¹ Key messages of MegaTrend:

- “It can pay to lead on ESG(environment, social and governance).” (Goldman Sachs)
- Companies need to incorporate ESG to compete (McKinsey)

3. Now at Fuji Xerox: Our practice

1) Integrated Recycling System:

Production process innovation for minimizing environmental burden:

- Fuji Xerox launched “Integrated Recycling Systems” in 1995 in Japan. Fuji Xerox collects used machines and cartridges from customers in order to re-use as parts and materials, aiming to minimize new materials consumption and to avoid illegal dumping of used machines and cartridges.
- Recycling is a highly complicated process, and therefore, a very costly process unless optimized schemes are developed. It took 8 years for Fuji Xerox to overcome these complications and break-even. The peak loss during this timeframe was ¥3B, which occurred in 1999. The loss continued until 2003, when it turned profitable.
- In 2006, we generated ¥380M profit while reducing 15,500 tons of CO₂, delivering zero-landfill. For us to make this happen, we had to go through variety of technological and process innovations. We have submitted approximately 200 patent applications out of these activities.
- After establishing profitable yet environment-friendly recycling process in Japan, Fuji Xerox deployed it to Asia. We gather used machines and cartridges from 9 Asian countries and send to Eco-Manufacturing plant in Thailand, where those goods are recycled, using the same process and technology brought from Japan.
- Fuji Xerox is now intending to deploy further into China.
- Many companies in our industry are pursuing recycling their used products. We sell new products that incorporate reused parts. Customers are informed that the products may contain used parts. Customers understand and support our philosophy. We believe we are far ahead in this direction and this has become one of our differentiating points.
- As a conclusion, our experience indicates that environmental considerations can be profitable and can become competitive edge. Thus, I fully agree with what McKinsey told us.

2) Supplier Engagement activities incorporating ethical sourcing.

- Fuji Xerox investigated management conditions regarding labor, human rights, business ethics and environmental considerations in all Fuji Xerox manufacturing sites using a checklist, which incorporates EICC (Electronic Industry Code of conduct) questionnaire.
- Following this, 8 key suppliers of Fuji Xerox tested their practices in their

factories in China and Japan, using the same criteria. We have received their comments and improved our checklist. With those careful preparations, Fuji Xerox is now launching “Supplier Engagement Project” covering our major suppliers.

- Fuji Xerox is convinced that this project will help suppliers and Fuji Xerox become stronger in terms of Cost, Quality and Delivery through challenging broad and tough targets.

4. Conclusion

- As Mega-Trend spreads in today's globalized economy, more and more companies need to incorporate ESG into their management process. At the same time, I expect NGOs, governments and societies to encourage companies that take such initiatives.
- The most important role of corporate leaders is to set the standard for continuous improvement of corporate quality. In addition, communicating such values to the employees is also vital.
- I am looking forward to exchanging views with you, the distinguished guests, on how companies can incorporate ESG within their organizations, as well as to spread the movement towards a sustainable global society and environment.