



Toward the Creation of a Secure and Prosperous Society

Discussing Relations Between Sumitomo Electric and Society

■ Outline of the Stakeholder Dialogue

Date: March 7, 2013 (Thu.)

Venue: Tokyo Head Office of Sumitomo Electric Industries, Ltd.

■ Schedule

1. Opening remarks and explanation of the purpose
2. Presentation on the social contribution activities of the Sumitomo Electric Group
3. Exchange of opinions
4. Summary and closing remarks

■ Guests

Mr. Eiichiro Adachi

Counselor, The Japan Research Institute, Limited

Mr. Adachi specializes in socially responsible investment (SRI) and corporate social responsibility (CSR). He has worked on various projects organized by the Ministry of the Environment, the Cabinet Office, etc., and is mainly engaged in industrial surveys and corporate evaluation from the perspective of CSR.

Professor Yoshinao Kozuma

Faculty of Economics, Sophia University

Prof. Kozuma specializes in environmental accounting theory and international accounting theory. He has served as chair and member of CSR- and environment-related review committees and study groups organized by Ministry of the Environment, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries, Cabinet Office, Government of Japan, Japanese Institute of Certified Public Accountants, etc.

Facilitator

Mr. Takashi Fukushima (President, Sustainability Accounting Co., Ltd.)

Participants from Sumitomo Electric

Yoshitomo Kasui

(Executive Officer and General Manager of HR & Administration Div.)

Masahito Kasuga

(Manager of the CSR Promotion Office, HR & Administration Div.)

In the third stakeholder dialogue held at the Tokyo Head Office of Sumitomo Electric, we invited two experts with outstanding knowledge about CSR, and exchanged opinions on the social contribution of the Sumitomo Electric Group.

While reviewing the results of the Group's social contribution activities, the participants had an active discussion on the role that the Sumitomo Electric Group should play as a company with global presence.



※ The titles/posts of the participants are those at the time of the stakeholder dialogue.

■ Exchange of Opinions

Theme: What is the ideal state of the social contribution of the Sumitomo Electric Group?

What is the “ideal state” of the social contribution of the Sumitomo Electric Group?

Fukushima : The topic of discussion is what activities the Sumitomo Electric Group is required to perform for social contribution as a company with global presence. Firstly, I would like to have your frank comments on the current activities of the Group.

Kozuma : Companies must conduct CSR activities to maintain good relationships with society, which are a foundation for their business, and social contribution is part of the activities. The Sumitomo Electric Group is engaged in business activities on a global scale. Accordingly, the Group has to cover an enormous range in its efforts to maintain good relationships. At the same time, companies have a fiduciary responsibility to shareholders and need to justify the social contribution cost. I think we should start with discussion on the position of “social contribution activities” in an organization.



Adachi : What inconvenience would occur if current social contribution activities were stopped? Consideration of this question will highlight the needed activities. In case of a car manufacturer, for example, assistance to development of car mechanics in emerging countries is not just social contribution. It is also an essential activity for smooth operation because the asset value of cars is different with and without a system for maintenance.



Kasui : Our CSR spirit is condensed in “mutual prosperity, respect for the public good.” This phrase in the Sumitomo Spirit represents the principle that Sumitomo’s business must benefit not only Sumitomo but also the nation and society in general. We supply products and technologies to society through our main business while increasing jobs in various regions, paying tax and avoiding burden on society. Such social contribution through the main business underlies our CSR activities.

Kasuga : As a manufacturer, we are committed to technological development and personnel development based on an idea that they are also suitable subjects in our group’s social contribution activities. In addition, we recognize respect for the autonomy of each employee as an important viewpoint for creation of lively corporate culture.



Kozuma : I think that social contribution is in an ideal state when it is linked to the objectives of the business and incorporated into the business. It is also favorable that personnel development is not implemented just as social contribution but integrated with business activities. The Sumitomo Electric Group will identify issues to be focused on when it recognizes CSR activities as a crucial base that supports long-term growth of both society and itself and examines how to promote the activities in the regions of the Group’s presence.

Kasui : While we are committed to various activities, it may be necessary to have a keystone to conduct them in an organized manner. We will make discussions to show a clear direction.

Social contribution also needs to be “strategic” in the current era

Adachi : A core subject in ISO 26000 is community involvement and development. While Japanese people tend to consider that education, health development and technology promotion are duties for governments, there is also a movement in global companies to play an active role in the areas of their strength. In emerging economies, this is becoming a key factor that affects reliability of companies.

Kozuma : I think the activities in which the Group is involved are fairly appropriate and making much contribution to society. Still, it is better to discuss the strategic direction of the activities for further improvement. It is considered in international society that the companies that use various social resources to make profit should contribute to solving social challenges based on the beneficiary-pays principle. To fulfill such responsibility while developing itself, a company needs to make social contribution in a strategic manner. The conventional Japanese way of responding to this issue is becoming less effective to gain approval or reputation from international community with the rapid progress of globalization. I assume that to be “strategic” is an inevitable process for a company to be “global” in a real sense.

Kasui : As we also have presence in emerging economies, we place emphasis on contribution to development of local communities, and believe that personnel development is an ultimate social contribution through which we return our profits to society as well as individuals. Sumitomo Electric has been committed to establishment of a global personnel system, and formulated the Global HRM Policy in September 2011. We are now designing more specific measures.



Target setting for social contribution activities

Fukushima: To apply the PDCA(plan-do-check-act) cycle in activities and achieve results, it is essential to set targets. In social contribution activities, how should the targets be narrowed down?



Kozuma: For target setting, there have to be clear objectives. Targets should be set for the objectives of higher priority first in relation to the vision.

Adachi: Before discussing target setting and quantification, it will be effective to consider what benefit the activities give to society. Examination of the benefit will lead to reaffirmation of the significance and targets.

Kasui: In rapidly changing society with various challenges such as the global financial crisis and natural disasters, as well as population decline and aging in Japan, "cultivation of persons" is effective only when jobs are saved in business activities, and it is also difficult to make a long-term forecast. On the other hand, in our efforts for social contribution, we have also placed emphasis on the view that awareness and learning by employees, who are front players in the activities, will lead to growth of themselves and revitalization of our organization. While paying attention to synergetic effect with business activities, we will seek to set medium- and long-term targets in a way that can develop employees and also win support from shareholders.



Contributing to the future of society with original technologies

Adachi: The short-term oriented market has created an atmosphere that discourages people to talk about the fields that do not directly generate profits. Accordingly in the R&D arena, the importance of dream technologies, for example, does not seem to be sufficiently recognized. In Europe, experience of the global financial crisis has led to discussions on how to introduce a medium- and long-term perspective into the market. In the newly formulated medium-term management plan VISION 2017 as well, introduction of a medium- and long-term perspective will lead to identification of social contribution activities from the angle.



Kasui: In the world of R&D, it is not unusual that it takes 30 years to achieve results. Continuous investment in the development of something whose real value is still unknown may be a sort of social contribution. On the other hand, we realize our duty to present clear future visions in order to

fulfill our fiduciary responsibility. As Mr. Adachi said, sorting out of social contribution activities linked to VISION 2017 will lead to identification of the activities unique to Sumitomo Electric. We will aim to preserve both our interests and uniqueness in our social contribution activities.

Seeking to link social contribution activities to business

Kozuma: The activities that do not directly generate profits should be addressed within the framework of social contribution for the time being. On the other hand, Sumitomo Electric has many basic technologies that will support people's life in the future although their uses are still unclear. I hope that the Company uses them to show its strength more aggressively.



Adachi: In disclosure of corporate information, integrated reporting has become a major trend. This can be interpreted as society's expectation of linkage of non-financial activities to corporate visions.

Kozuma: Companies need to be able to demonstrate to society that their initiatives are appropriate in light of the medium- and long-term targets. While the scope of the responsibilities that society expects companies to fulfill is expanding, half of the problems are generated in an upper or lower level of the value chain, according to the results of a survey. Companies will have to properly assess such invisible risks and strategically concentrate management resources on response to those risks which should be addressed in connection with business.

Kasui: I have reaffirmed that we should address linkage of business strategy with social contribution activities as a future challenge. We have to make concerted efforts across the Group to obtain results from both of them in an organized manner. We will work on this significant issue. Thank you everyone.

After the Stakeholder Dialogue

I think that we have found a way to solve a problem which has annoyed us. The frank exchange of views gave us a certain level of confidence and assurance about our commitment, as well as a new direction for our future path. It is about the time that the CSR activities, especially social contribution activities, of our group should move to the next stage. I would like to thank all participants for valuable comments.

