About a year has passed since the Japan Center for Economic Research (JCER) launched the Global Social Responsibility (GSR) Research Group. The acronym GSR is not yet widely recognized, but it is one that we are popularizing to promote the inquiry into what companies engaged in international operations should do to tackle such urgent global-scale tasks as resolving environmental, poverty, and resource issues, including water and energy problems.

Naturally companies cannot handle issues of global proportions on their own. Even just to propose prescriptions for dealing with them, companies must collaborate with the United Nations, the World Bank, and other international institutions; the governments of all concerned countries; and various other actors including nongovernmental organizations (NGOs) and nonprofit organizations (NPOs). At the same time, it is a fact that as a result of various trial-and-error experiences, national governments and international institutions including the UN have come to recognize that cooperation with the corporate world is indispensable for resolving global-scale issues.

The concept of GSR is an extension of the notion of corporate social responsibility (CSR). It is a version of CSR focused on the world economy's globalization, and it may also be seen as a statement about how global corporate management should be conducted. As Japanese corporations globalized, moving beyond the framework of a single country, they came into contact with foreign cultures, and they found that practices and ways of thinking peculiar to Japan did not pass muster in some cases. They also encountered obvious variation among countries and regions in what was expected of corporate actors. It is vital for a company hoping to thrive in the global economy to carry out business operations smoothly based on a thorough understanding of such differences. The objective of the GSR Research is to promote research into this subject and convey the results from Japan to the world.

Led by Heizo Takenaka, a senior advisor to JCER, the study group is composed of a team of professors at such schools as Keio University, Hitotsubashi University, and Kwansei Gakuin University and a group of 15 corporations. The corporate members were enlisted from the ranks of Japan's representative businesses with good track records in global corporate management. During the first year, study meetings were held once a month in principle, and two symposiums were organized, with such specialists as Jeffrey Sachs, a professor at Columbia University, invited from Japan and overseas. We have now prepared a research report titled the GSR White Paper. This is an interim report aimed at popularizing the GSR concept by putting together the research results and awareness of the issues of the study group's members. We named it a white paper in the hope that by publishing it once a year, we can contribute to the spread of the GSR.
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AEON Co., Ltd., Asahi Breweries, Ltd., Asahi Kasei Co., Chiyoda Co., Fuji Xerox Co., Ltd.,
Co., Ltd., Sumitomo Trust & Banking Co., Ltd., Sompo Japan Insurance Inc., Takeda
Pharmaceutical Co., Ltd., Toshiba Co.

March 2010
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Global Agenda and the Role of Enterprises
—Why GSR Now?

Heizo Takenaka
Chief Examiner, GSR Research Group
Senior Advisor, JCER / Professor, Keio Uni.

The Global Social Responsibility (GSR) Research Group was formed at the appeal of Nikkei Inc. and the Japan Center for Economic Research (JCER). The GSR Research Group was established with the participation of Japan’s leading enterprise, as a place to consider new corporate social responsibility for the global era and move into action. It is precisely because we live in a chaotic world that corporate responsibility is now becoming increasingly important. As the project leader, I will begin this report by discussing the topic “Global Agenda and the Role of Enterprises—Why GSR Now?”

I would like to start by noting two points concerning the foundations for the changes in the global economy after the end of the Cold War. I will then discuss the role companies should play in a globalized society using the concepts of global governance, global agenda, and multiple stakeholders.

The global economy is steadily moving forward even amid financial confusion and a worldwide recession. This is made possible by the positive spirit of entrepreneurs who boldly face the future despite the risks they face. Despite constant criticism of corporations, the roles that must be played by corporations are actually expanding. GSR advocates such new approaches by businesses.

Globalization and the Digital Revolution

We often hear that the world has changed and the economy has changed, but fundamentally what are the important changes? I would like to address this from my personal experience.

Two years ago I had an opportunity to travel to Brazil. I was asked to speak in conjunction with the 100th anniversary of Japanese emigration to Brazil. Today, as you all know, Brazil is an emerging economy and one of the BRIC countries. As a result of Japanese emigration to Brazil, which began in 1908, there are now some 1.5 million Brazilians of Japanese ancestry. As symbolized by use of the word “Fuji” to refer to apples in Brazil, the activities of Japanese-Brazilians have strengthened Brazil’s economy and transformed Brazilian society.
After returning to Japan, I called the Tokyo branch of Banco do Brasil to thank a certain person, and the operator who answered the phone was in Sao Paulo. That is to say, the operators who answer the phone for the Tokyo branch of Banco do Brasil live and work in Brazil. The call centers of many Japanese corporations are now located in Okinawa, but there is no reason why they have to be in Okinawa. They could just as well be in Brazil. This is symbolic of the essence of the new world we are facing today.

I think we are experiencing two fundamental changes. The first is that we are undergoing a sweeping globalization. All people and all companies have come to think and plan on a global level, transcending national boundaries. Consequently, we need to create new international rules, and new problems never experienced before will emerge. Indeed, financial problems recently advanced across national boundaries, resulting in today’s global financial uncertainty. Globalization is not a choice, but a fact.

The second is the change in technology. The world is in the midst of a complete digital revolution. The new digital technology system is making great changes to the structures of our society and at a remarkably fast pace. The information technology revolution, the biorevolution and the nanotechnology revolution were all made possible by digital technologies (converting information into numbers).

The distinctive characteristic of this technological revolution is that marginal costs are reduced to zero (there are no additional costs), as when sound data is digitized into CDs and visual data is digitized into DVDs. For example, in terms of a digital telephone, this means that the cost of a phone call to the next room and to the opposite side of the earth are the same. With the advance of globalization and the digital revolution, the Banco do Brasil example implies that the wage level of Japanese company telephone operators will inevitably converge with the levels of salaries paid in Brazil or India. This would be the emergence of a truly flat society.

To date, we have preserved the structure of governance, assuming the existence of national boundaries, in the form of the nation state. It is a framework whereby laws are enacted within countries, rules made, and countries governed. Amid globalization, however, issues inevitably emerge that cannot be resolved under the existing structure. The current financial problems may be considered one representative example. The new fact whereby marginal costs become zero adds to this situation. Unless we constantly make special efforts to increase added value, our wage levels will converge with those in developing nations.

Winner-take-all conditions are another aspect of a world with decreasing marginal costs. The top companies in each field keep improving efficiency to the point that in extreme cases only the number one company in a given field can survive. Latecomers, be they companies or countries,
are not just unable to catch up, but cannot easily survive. In fact, one rule of thumb that has received comparatively broad support from economists is convergence theory. Simply stated, convergence theory holds that because growth rates are low in countries with high income levels and high in countries with low income levels, the income levels in all countries will converge in the future. However, this does not hold true in the digital world, where marginal costs keep falling. These types of structural issues lie behind the issue of global poverty.

Human society has faced many problems in the past, but with the progress of globalization and the digital revolution, greater problems demanding solutions have emerged on a global scale.

How to Approach the Global Agenda

With these developments two key concepts have emerged: global governance and a global agenda. Unlike the past, there is now a need for new governance on a global scale. An agenda of new problems that need to be resolved is appearing amid our changing world. We must share our understanding of problems on a global scale, and resolve them through the cooperation of a wide range of people. Let us now consider a few aspects of this global agenda.

The global environmental problem may be cited as the most easily understood example. The capacity of the earth will no longer be able to support human production levels. Of course, there have been environmental problems in the past. For example, Japan had diverse pollution problems during the 1970s. Japan resolved those environmental problems under government initiative with the cooperation of business enterprises. So we had a reasonably effective governance structure to resolve the pollution problems of the 1970s. There were various reasons for this. For one, the environmental problems of that time had relatively clear perpetrators and victims.

However, we are all both perpetrators and victims of today’s global environmental problems, which makes them difficult to specify. Moreover, given the plain fact that the CO₂ emissions of one country cause pollution in others, the establishment of international rules is necessary. The question is how to go about this. As demonstrated by the Kyoto Protocol, although efforts are being made toward resolving environmental problems, at the rate we are proceeding, unfortunately, it is difficult to believe that the global environment will be sufficiently protected.

There are things that governments, international organizations, non-governmental organizations (NGOs), companies and individuals must do, respectively, to resolve global environmental problems as part of a global agenda. Efforts must be reinforced at diverse levels. We must draw upon our wisdom and share best practices. The GSR Research Group was established based on that very understanding.
Also, we cannot afford to ignore the problem of poverty as an important item on the global agenda. In several leading industrialized nations many people are struggling to reduce their own weight, while at the same time some eight million people starve to death each year across the globe in conditions of abject poverty. In the past, according to the convergence theory mentioned above, income levels in the developing countries were expected to somehow rise. With globalization and the digital revolution, however, resolving global poverty has only become increasingly difficult.

My friend Columbia University Professor Jeffrey Sachs launched the United Nations Millennium Project, which is aimed at eradicating poverty in this century, and proposed the establishment of experimental Millennium Villages. Rather than just donating money to resolve problems, the approach is to have impoverished villages eliminate poverty themselves by teaching the villagers how to dig wells and plant seeds. Professor Sachs holds that the Millennium Villages can achieve great success with more support from Japanese corporations. Japanese corporations have many outstanding resources, especially in the field of technology.

I apologize for referring to a specific company, but Sumitomo Chemical Co., Ltd. is one of the best-known companies in Africa. This company, which makes top-quality mosquito nets at the lowest cost, is based in Japan. In fact, Sumitomo Chemical has been praised for the significant contribution it has made to efforts to eradicate malaria in Africa. There must be many other Japanese corporations that can make such contributions. GSR is a call to such firms to take action.

The Role of Companies as Strategists

Let us also consider the global financial chaos as another item for the global agenda.

In the recent crisis, financial confusion and recession spread across the globe. We suddenly realized that while novel financial products had been developed one after another, the framework of appropriate policies to regulate them had clearly fallen behind. This did not occur only in the United States, which is the world’s leader in developing financial products. Rather, the establishment of frameworks to regulate finance fell behind worldwide. It is often said that deregulation resulted in the confusion, but it is more accurate to say that the preparation of frameworks suitable for the new products fell behind.

On the other hand, we should not forget that financial liberalization has helped the economy to develop. So we want to maintain freedom but must still draft new rules. The question become: Who should prepare these rules and how should they be created? In addition to national governments, it will also be necessary to strengthen international organs
such as the International Monetary Fund (IMF). In some cases, new regional organizations may also be needed. Who will take the initiative, and when will these be realized?

This brings to mind the establishment of systems at the end of the Second World War. Today, the world is controlled under a single governance framework, and it was actually private-sector parties that designed the United Nations, IMF and World Bank, specifically financiers from Wall Street and the City of London. These entrepreneurs conceived our present framework as the best strategists, and the governance framework was then realized by political leaders. In the end, it is those who are on the front lines of economic activities who are the greatest strategists.

As noted by the leading 20th-century economist Joseph Schumpeter, the economy is developed by the innovations of entrepreneurs, and the financiers who fund them are the ultimate strategists. Schumpeter noted that financiers are the final bearers of risk and the force that drives the world forward.

Looking back, Japan’s economic development was also built on the private sector. Former Princeton University Professor Kent Calder, who presently serves as Director of the Reischauer Center at Johns Hopkins University, asserts that the direction of the Japanese economy during the 1950s and 1960s was determined neither by the Ministry of International Trade and Industry, nor by the Ministry of Finance or the Bank of Japan, but ultimately by private enterprises. In his book Strategic Capitalism, Calder’s analyses reveal the historical roles played by private-sector companies as the final risk-bearers, and particularly by bankers in the Otemachi district of Tokyo.

Resolution by Multiple Stakeholders

Global governance is now being shaken. One reason is that with globalization, international rules cannot be set solely through decision making at the individual country level. Of course, the United Nations, IMF, World Bank and G7 are all important. Nevertheless, it has become patently clear that issues cannot be resolved through these forums alone. The G7 provides an example that is very easy to understand. Clearly global governance can no longer be addressed by just the G7, and that is why the new framework of the G20, which includes so-called emerging economies, became necessary. Yet it is also clear that even the G20 is not sufficient to fill the huge hole in global governance by itself.

Regardless, we will probably never discover an ultimate form of global governance that would ensure success as long as it was adhered to. In the end, the new truth of global society is that as many people as possible must all do whatever they can, with no final solution. The only path is to build up efforts toward resolutions by multiple stakeholders: international organs, national governments, local government bodies, NPOs,
corporations and individuals.

Among these, in particular the roles to be performed by corporations and the roles expected of corporations are increasing. Why corporations? Because corporations hold overwhelming resources.

Corporations hold an overwhelming share of the resources that can be used for resolving problems: people, goods, money, and technologies. Moreover, corporations themselves are expanding their global activities in this global and digital age. When corporations take the initiative in addressing the global agenda, this contributes to the sound development of global society. It is also in their own long-term interests.

I would now like to take note of another related aspect. Today, in every country, great changes are taking place in the legal systems used for governance. This has been described as a shift from hard law to soft law. As economic activities are broken into smaller and smaller fields, it becomes difficult for the law to determine fine details. In fact, Japan’s Financial Services Agency has been pursuing research on soft law for some time, based on that awareness. This is often explained as a principles-based as opposed to a rules-based framework. Under soft law, governments determine only principles. The determination of detailed rules is left up to industry associations and individual corporations. This means that to a great extent decision making is entrusted to the private sector, rather than being implemented by the state. From the perspective of governance, the reason to why the private sector must play a major role is evident from this change in the legal system.

**Conclusion: A Private Sector That Fulfills Government Responsibilities**

To date, the debate has at times been framed as a simple choice between government or the market, but government and the market are not fundamentally opposed concepts. We need to redefine our thinking in terms of public versus private and of government versus the private sector.

The distinction between public and private has to do with the rules for the allocation of resources. Private goods and services should be allocated by the market. The market has a superb allocation function, and market allocation facilitates the efficient allocation of resources. Yet some things exist that cannot be allocated solely by the market. These are public goods. Public goods must be allocated not by the market, but by public rules.

In contrast, the distinction between the government and the private sector is a distinction regarding which party takes responsibility. The government need not directly fulfill all public duties. Private universities are one example. Universities fulfill the public
education function, but they need not all be operated by the government.

There was a very interesting arrangement in Japan during the Edo period (1603–1868). Neighborhood business owners would rebuild bridges in Edo (modern Tokyo) at their own expense. The construction of bridges is public work. It is a public activity, yet it was considered only natural for this to be carried out by the private sector. In post-war Japan, however, public duties have been largely monopolized by the government, and there has been a reluctance to entrust them to the private sector. Nevertheless, many works are public in nature but can and should be carried out by the private sector.

As is often pointed out in this regard, while the private sector has conducted public activities in other countries, this practice did not become well established in Japan. Here are three examples of public duties which should be conducted by the private sector but did not become established in Japan.

First is the military conscription system. By nature, military activities are a public matter. However, there has been no military conscription system in post-war Japan under which the private sector (not professional soldiers) provides labor for military service.

The second example is the jury system. In many countries, the private sector bears responsibility for court rulings, which are public judgments. While the specific form varies by country, most industrialized nations have introduced some sort of jury system. However, there was virtually no such system in Japan prior to the very recent reforms.

The third example is the tax-filing system. Japan does have a tax-filing system, but it has not become strongly established in society. A system for year-end adjustments by employers has been introduced so individuals need not file tax forms, impeding the spirit of public duties borne by the private sector.

Consequently, in Japan a strong approach is needed regarding the public roles that should be fulfilled by the private sector. Independent considerations by the private sector regarding corporate contributions and the launch of projects – such as GSR – concerning public duties to be borne by corporations in the global era are particularly important.

Global competition is becoming increasingly harsh. Corporations that can generate high profits are extremely important, and without high profits corporations cannot survive. Under these circumstances, it is no simple matter for corporations to fulfill social responsibilities. At the same time, it is also a fact that the continued existence of global society is at risk if governments, corporations, and individuals do not all fulfill new responsibilities. We must aspire to a new pathway between these two realities.
Part 1 Theoretical Approaches
Chapter 1
Organizations and Individuals to Support Global Social Responsibility

Hideaki Takahashi
Professor, Keio Uni.

【Summary】

European and US global corporations have been expanding into the emerging markets that are expected to maintain a high rate of growth in the wake of the global economic crisis, and they are also working hard to gain a foothold in the so-called bottom-of-the-pyramid (BOP) markets made up of relatively low-income consumers. In a number of cases, these Western firms have also begun contributing to the resolution of global social issues through their mainstream business activities, particularly in these BOP markets. Japan’s global companies are not unaware of the potential of the BOP markets, but they seem to be lagging in their efforts to penetrate them.

In the 1980s, Japanese companies implemented a successful global strategy with an all-out assault on the markets of the world’s advanced industrial nations. Christopher Bartlett and Sumantra Ghoshal, in their comparative analysis of global management strategies, attributed the success of Japanese companies in the field of consumer electronics to the efficiency and productivity of their centralized organization and centralized mass-production systems. In today’s BOP markets, however, it is not only Western companies but also South Korean, Chinese, and Indian counterparts that are making an impact, armed with low-cost products and their own original business schemes. If Japanese companies hope to penetrate these markets as well, it is essential that they set aside the conventional wisdom of doing business in an industrial nation and develop new business designs tailored to these local markets. A promising organizational model for this purpose is the “transnational model” extolled by Bartlett and Ghoshal, which excels at adapting to local markets and responding flexibly to new situations by combining the strengths of the centralized and decentralized organization.

However, organizational design alone will not yield satisfactory results. In all times, the key to business results lies in one’s human resources. For the most part, Japan’s global companies have a centralized organization. When the president of an overseas subsidiary is Japanese, the management tends to take its cues from the headquarters in Japan instead of responding to the local market. If Japanese companies are to use their business to help solve global social problems, they need genuine leaders, not blind followers. Transnational leaders are leaders who can adapt flexibly to new and rapidly changing situations.

We can no longer meet our global HR requirements simply by training Japanese employees to become global managers. In order to develop the core human resources for tomorrow we must move now to recruit top-flight local talents and train locals and Japanese alongside in a “global village” in the headquarters so that they learn from each other the corporate and local cultures. The transformation from centralized to transnational model will not be easy. However the fruit from the expansion into the fast-growing emerging and BOP markets appears to be too great to pass up for the Japanese companies.
Chapter 2

GSR’s Historical Significance and Future Challenges

Hirotugu Koike
Professor, Kwansei Gakuin Uni.

【Summary】

Globalization has created new challenges for the nations of the world. It has brought with it not only economic and environmental problems but a whole array of negative side-effects that need to be addressed. The global problems we face today cannot be adequately addressed by the efforts of sovereign states, whether individually or collectively via international organizations. Businesses and nongovernmental organizations must also play a role in these efforts. The same is true for private individuals. In fact, all types of entities must strive to solve the world’s problems and devise systems and mechanisms for that purpose. This is the meaning of global social responsibility, or GSR. It is a concept whose time has come, an inevitable product of the times in which we live.

Business has a particularly important role to play. This is not just because the global scope of businesses’ economic activity nowadays makes it particularly vulnerable to the impact of global problems, but also because the speed of globalization has necessitated a rapid response, with the result that today’s business organizations excel in the speed of their response capability. The technological know-how of business is sure to play a key role in solving global problems. Also important is the continuity business can bring to programs. When business methods are used to solve problems, continuity is assured.

The social entrepreneurs who have received so much attention of late must be given opportunities to function at the global level. There is an important place for organizations that can support people who have the ideas and the will to solve social problems but lack the necessary funding or networks. With the help of such organizations, social entrepreneurs can put their ideas into practice, build networks of social entrepreneurs, and bring about change on a greater scale.

Looking ahead to the future of GSR from a business perspective, the single most important condition for progress is ensuring that top business executives understand the concept—otherwise there is no way for business to fulfill its potential. Partnerships between business and social entrepreneurs will play an increasingly vital role.

The forces for positive social change need support not only from business but society as a whole. Particularly important in this regard is the role of education in nurturing the people who can bring about social change. Nor should this role be limited to our universities. From the primary grades our educators should be focused on the development of these human resources. Solving society’s problems will require innovative ideas and a model to sustain them. It will require entirely new ways of thinking.
In this section we trace the idea of global social responsibility historically, focusing on changing concepts of responsibility, and attempt to explain why corporations are being asked to shoulder social responsibility in a global context. The idea of corporate social responsibility has been much bandied about in recent years, and in Japan it has been taken up with such enthusiasm that one hears talk of a “CSR boom.” But if the trend is to be sustained, each company must give serious thought to the nature of its own social responsibility in the context of its core business and dispatch that responsibility strategically and voluntarily. Also at issue is how Japanese business will approach this movement in the context of global business trends in the twenty-first century.

If we trace the notion of responsibility within the history of ethics, we find it to be a surprisingly new concept, coming into its own only in the second half of the eighteenth century. Its development is correlated with that of such institutions as the modern state and the joint-stock company, suggesting that people became aware of their responsibilities within the framework of organizations and systems of command that arose in the modern period. However, where joint-stock companies are concerned, the prevailing view has been that, as private profit-making organizations, they have no particular responsibility to society. In the twentieth century, Milton Friedman and others argued that a corporation’s social responsibility was simply to maximize profits. But even as this position took root within society, powerful counterarguments were emerging in the form of such concepts as corporate ethics and stakeholder theory. Along with the rise of global socioeconomic policy in the second half of the twentieth century, the case for corporate social responsibility, including responsibility toward the environment, began to gather force all around the world.

While the idea of responsibility to one’s immediate stakeholders is relatively easy to grasp, GSR holds business responsible for a wide range of indirect stakeholders, including people in geographically remote regions and future generations whose existence will never overlap ours chronologically. In this section we adduce the Kew Gardens principle to help explain why, in a global society, our stakeholder responsibility extends even to people with whom we have no apparent connection.
Chapter 4

Collaboration with the UN and NGOs in the Age of GSR

Katsuhiro Harada
Senior Staff Writer, NIKKEI inc.

【Summary】

In the absence of a world government, the United Nations has a key role to play in solving global problems today. Its role is that of coordinator. The United Nations has provided world leadership by recognizing early on the urgency of such global issues as climate change, poverty, human rights, and the plight of refugees and by holding international conferences addressing these problems. As an international organization concerned with issues of world peace and security, it has, quite naturally, distanced itself from profit-making organizations.

But all this is changing. Globalization has augmented the impact of business to the point where its existence can no longer be ignored, and the UN has become increasingly aware of the rich human and financial resources business has to offer. At the 1999 World Economic Forum in Davos, UN Secretary General Kofi Annan called for a global compact with business on human rights, labor, the environment, and anti-corruption. This Global Compact, together with the UN Millennium Declaration adopted at the 2000 Millennium Summit and the Millennium Development Goals formulated to serve as a common framework, is evidence of a powerful awareness of the need for cooperation with the business sector.

Against this backdrop, the UN and the business community have been rapidly bridging the distance that previously divided them. Embodying this trend is the Millennium Villages project being carried out in Africa under the leadership of Jeffrey Sachs, director of the Earth Institute at Columbia University; the UN Development Programme; and Millennium Promise, an NGO. The UNDP has been one of the first UN agencies to work in collaboration with business. One of the UN programs by which people are working to reach the Millennium Development Goals is the Growing Sustainable Business initiative, which has been implemented around the world since 2004. This initiative grew out of the UN Global Compact policy dialogue on business and sustainable development and was officially endorsed at the 2002 World Summit on Sustainable Development in Johannesburg. The GSB initiative is also linked to the Business Call to Action and the Growing Inclusive Markets program in such a way as to form a complete cycle that functions as an organic whole.
Part 2 Practical Approaches
Chapter 1

Asahi Kasei Co. – Contributing to Human Life and Human Livelihood

Tadashi Takamizawa
General Manager, CSR Office

【Summary】
① Practicing Our Management Philosophy

With “contributing to human life and human livelihood through constant innovation and advances based in science and the human intellect” as its management philosophy, the Asahi Kasei Group is developing business activities on a global scale. Asahi Kasei is engaged in a wide range of businesses including petrochemicals and other chemicals, housing and construction materials, fibers, pharmaceuticals and healthcare, and electronics.

② Proactive Approach to Environmental Issues

The Asahi Kasei Group has been intensively pursuing responsible care activities since 1995, emphasizing production activities in harmony with the global environment, and is developing production processes that reduce emissions of greenhouse gases and decrease environmental load. Asahi Kasei also works to strengthen its relations of trust with society through positive information disclosure and the development of social contribution activities utilizing management resources, recognizing its relations with diverse stakeholders. Among these efforts, Asahi Kasei is working on research, development, and commercialization in four categories to address global warming and other environmental issues.

Aside from global warming and the management of ecosystems and chemical substances, global environmental issues include water shortages and water quality improvement. The Asahi Kasei Group has built up a record of proven performance in addressing these issues with water treatment filtration systems using its Microza hollow fiber membranes in securing safe drinking water, in the purification and reuse of sewage and industrial wastewater, and in otherwise improving the water environment in the United States, China, and many other countries.

③ Future Developments

The water treatment purification membrane market is presently growing at a rate of 10% per year between upstream applications to address the worsening of source water quality and wastewater applications to address water shortages. The adoption of purification membranes is particularly active in the Asian region for the recovery and reuse of sewage and wastewater. In China, the water treatment business has already grown to become one of the world’s largest water purification membrane markets, with private-sector demand on a par with that in the United States. From now the Chinese market is expected to grow at a rate of 20% per year to address water shortages and the pollution of rivers and other inland waters, with additional strong demand and investment from the government.
Chapter 2

Asahi Breweries, Ltd. – A Sustainable Society Through Food and Health

Ryo Matsuo
Assistant Section Manager, Corporate Planning Department

【Summary】

The Asahi Breweries Group views CSR efforts as the basis for all our corporate activities. We believe CSR activities are essential to be continuously accepted by society and boost corporate value. We aim at fulfilling our responsibility to our stakeholders and building up relations of trust through the repetition of a cycle whereby every employee conducts activities that satisfy our stakeholders (including the customers who patronize our products, employees, business partners, shareholders, and local communities) and applies the opinions and evaluations received as feedback on those activities to subsequent efforts.

The Asahi Breweries Group’s CSR rests on our corporate DNA whereby Asahi Breweries must be useful to people, be trusted by people, and make people happy to be embraced by society. That corporate spirit has been handed down, and is present in our current CSR activities. Based on the tenet that we will not sacrifice employees, the environment, or morals for profit, Asahi Breweries naturally recognizes the importance of environmental preservation and of food safety and security, and strives for an environment in which all our employees are motivated by being recognized and take pride in their contributions.

We aspire to be an organization where employees work with robust health and energy and can fully realize their own growth, while also being an organization where every individual employee desires to serve society. Achieving this goal is important both for the company to fulfill its social responsibility and for corporate growth and development. We advance human resources development and workplace environment improvements based on the understanding that the growth of our employees is directly linked to the growth of our companies.

The Asahi Breweries Group has a corporate culture and tradition that highly value social contributions, and our top management has handed down a sense of values dictating that the company must be cherished by society. From the mid-1950s, Asahi Breweries was already providing support for orchestras and artists. We have implemented leading activities in accordance with the demands of the times, including a successful 1996 initiative for 100% recycling of waste at our Ibaraki plant. In recent years, we have advanced unprecedented contributions, such as returning ¥1 to local communities for each bottle of Asahi Super Dry sold.
Chapter 3
AEON Co., Ltd. – Together with our Customers
~ the AEON 1% Club
Motoo Tomomura
Secretary General, AEON 1% CLUB

【Summary】

① Corporate Purpose

As a retailer, the source of our value is to contribute to our communities. Profits are not the ultimate purpose of companies. What is important is how the profits are used.

② The AEON 1% Club

The AEON 1% Club was established in 1989, primarily for projects in the three fields of (a) environmental protection, (b) the revitalization of local communities and cultures, and (c) international cultural and interpersonal exchange and human resources development. As a funding source, AEON Group companies each donate 1% of their pre-tax profits.

③ History of the AEON School Construction Support Project

We devised a uniquely AEON approach to supporting the construction of schools in Asian countries, providing assistance together with our customers and taking advantage of our outlets, which are visited by many customers.

④ In Collaboration with Customers and the Japan Committee for UNICEF

(1) Construction Partner: Japan Committee for UNICEF

Local UNICEF offices were responsible for the construction management and school construction locations, while AEON was in charge of soliciting funds from customers and collecting donations at outlets. The project is designed for the schools to be self-supporting in the future.

(2) Funding Cooperation

Funds donated by customers at AEON outlets nationwide are matched by funds from AEON and the Japan Committee for UNICEF.

⑤ School Construction Support Project Progress

One hundred forty-nine schools were opened in Cambodia between 2001 and 03, and 57 schools were opened in Nepal in 2004 and 05.

⑥ Laos School Construction Support Project

There were various impediments to the project in Laos, but school opening ceremonies were finally held with support from the government of Laos. A total of 100 schools were opened as planned between 2006 and 08.

⑦ Future of the School Construction Support Project

While there are debates regarding the necessity of CSR activities and their relations with business fields, this CSR project must be considered from a long-term rather than a short-term perspective. The AEON Group intends to continue advancing our School Construction Support Project.
Chapter 4

Itochu Co. – Further Developing the Management Philosophy of Benefiting the Seller, the Buyer, and Society

Michiaki Takai
General Manager, CSR Promotion Department, General Affairs Division

【Summary】

GSR (global social responsibility) refers to the implementation of CSR activities unified with business operations as a corporate citizen, and this is the ideal CSR to which ITOCHU Corporation aspires. By having every ITOCHU Group employee fulfill our corporate credo, “Committed to the global good,” we aspire to be an attractive global company for our stakeholders.

Below is a brief explanation of our GSR activities, which are being advanced based on this fundamental philosophy, in five areas.

① Review of the Corporate Philosophy and Corporate Action Guidelines

The Corporate Philosophy and Corporate Action Guidelines were revised in March 2009 to share the fundamental management value of being a highly attractive global enterprise.

② Approach to the Solar Business

ITOCHU has established a Solar Business Department to promote the spread of solar power generation and rapid technological innovations in this field. We are advancing construction of an upstream-to-downstream solar energy business value chain.

③ Supply Chain Management

ITOCHU implemented fact-finding surveys on all our suppliers to confirm practices concerning human rights, labor, and the environment throughout our supply chains, and enacted the ITOCHU Corporation CSR Action Guidelines for Supply Chains.

④ Global Personnel Strategy

With a basic policy of seeking, training, and utilizing personnel worldwide, ITOCHU has initiated a strategy of employment with no restrictions by nationality, race, sex, or age, and of fostering the development of personnel who can be active from a global perspective.

⑤ 150th Anniversary Social Contribution Programs: Support for Restoration of the Tropical Rainforests of Borneo and Establishment of the ITOCHU Scholarship Fund

In 2008, we initiated support for activities restoring the tropical rainforests and conserving the ecosystem of Borneo, as well as a new ITOCHU Scholarship Fund, as social contribution programs to commemorate the 150th anniversary of ITOCHU’s founding.

ITOCHU Corporation implements CSR and social contributions from a global perspective, as we aim to be a truly global company. The foundation that has enabled ITOCHU to develop for many years is the sampo yoshi management philosophy espoused by our founder, Chubei Itoh, of benefitting the seller, the buyer, and society. It has become our tradition to always question ourselves, asking if our business activities are truly for the benefit of society.
Chapter 5

Olympus Co. – Linking People through Photographs

Shinji Motomura
Senior Supervisor, Marketing 1, Marketing Department, Life Science Business Division

【Summary】

Olympus Corporation, which began from the domestic production of microscopes for the development of Japanese medicine, compiled our current management philosophy “Social IN” from the viewpoint of providing new value to society through our businesses while fusing with society, sharing values as an ordinary citizen, and working to realize human health and happiness. We also compiled the Olympus Group Corporate Conduct Charter as principles of corporate conduct to raise corporate value and build win-win relations with all stakeholders. We participate in the United Nations Global Compact, and have incorporated its 10 principles into our Corporate Conduct Charter.

Olympus has worked toward the realization of a sustainable society through our primary business activities under our management philosophy “Social IN” and our Corporate Conduct Charter. In 2002, as an official sponsor and photographic equipment supplier to “A Day in the Life of Africa,” Olympus held a photography exhibition and produced a music CD by African musicians for AIDS awareness to stimulate interest in the problems facing Africa such as poverty and infectious diseases, and toward realizing the United Nations Millennium Development Goals. This exhibition became an authorized government event in conjunction with the Tokyo International Conference on African Development (TICAD) III and IV, and established as an activity linking the Ministry of Foreign Affairs, United Nations organs, JICA, and civil society groups.

Olympus held a photography contest, “Picture This: Caring for the Earth,” with cooperation from the UNDP and the AFP Foundation, in the run-up to the 15th Conference of the Parties (COP 15) to the United Nations Framework Convention on Climate Change in December 2009. Moreover, our Brave Circle colorectal cancer eradication campaign, which was launched to reduce deaths from colorectal cancer, entered its third year in 2009.

The realization of a sustainable society through environmentally considerate products, services and business activities is a corporate responsibility. Our “Carbon 1/2 2020” initiative (to reduce CO₂ emissions by 50% from 2007 levels by 2020) is a step ahead of Japan’s national Basic Environment Plan, and sets long-term goals for Olympus, as a leading environmental company, toward the prevention of global warming.

The Olympus Group will continue making our utmost efforts in the economic, social, and environmental fields so that Olympus employees can share our management philosophy “Social IN,” foster a CSR orientation, and contribute to the sustainable development of society and of Olympus through social contributions in line with our main business activities.
Chapter 6

Kaneka Co. – Aiming at a Creative Fusion of People and Technology

Yasuharu Horiuchi
General Manager, Public Relations Office

【Summary】

Kaneka has adopted a divisional system of operating units by product, with nearly no GSR perspective in division business activities. However, the company may be said to have taken a great step forward with the establishment of our CSR Committee (with the company president as chairman) in April 2009 and the announcement of our long-term vision, the Kaneka United declaration, in September that same year.

The declaration states that all employees will aim at developing Kaneka as a research-and-development-oriented company by shifting from the current product-based divisional system to four priority strategic fields, with an intensive investment of management resources to contribute to the global environment and an abundant lifestyle. This is an operational restructuring to focus on the four areas of environment and energy, health, information and communications, and food production support. The declaration states that through intensive investment of management resources in these fields, Kaneka will realize its corporate philosophy while making a global-scale business contribution. With the great focus on global environmental issues today, we understand GSR as the imperative for corporations to constantly grasp the social issues and the needs of the times and provide solutions.

We must also maintain a suitable scale of production for Kaneka and the Japanese manufacturing industry to survive great competition. As we cannot expect future growth in the domestic Japanese market, we must include overseas markets in our expansion strategies. For this reason as well, global CSR activities will become essential in the future.

True GSR should be understood as contributions by corporations through their primary businesses. For manufacturing firms, this means contributing to society and the world through production. Employees can participate in that contribution by always seeking out themes from the GSR perspective and cultivating wisdom and technologies. This gives birth to employee pride and company loyalty.

In fact, corporate activities linked to GSR that emerge when we devote ourselves to our corporate philosophy and primary businesses are the true GSR.
Chapter 7

Kikkoman Co. – Consistent Social Responsibility Since Its Founding

Katsuto Umezaki
Assistant Manager, Research & External Relations, Corporate Planning Division

【Summary】

Eight family companies producing soy sauce merged to form the predecessor of Kikkoman Corporation—Noda Shoyu Co., Ltd.—in the city of Noda, Chiba Prefecture, in December 1917. While Noda Shoyu was primarily engaged in the manufacture and sale of soy sauce, the company expanded its business fields and today Kikkoman is involved with the manufacture and sale of food products and the provision of products and services related to food and health on a global scale.

Kikkoman advanced overseas from an early stage. Aiming at a full-scale advance into the US market, Kikkoman established a sales company in San Francisco in 1957. Today, many US households keep Kikkoman soy sauce on hand, and Kikkoman has become a synonym for soy sauce. Kikkoman products are now used in over 100 countries worldwide. In the fiscal year ended March 2009, overseas operations accounted for about 30% of Kikkoman’s net sales and for roughly 60% of the Kikkoman Group’s operating income.

Kikkoman has recognized CSR as an important management issue ever since our company was founded. The merger address delivered in 1917 was a leader in mentioning social responsibility, and Kikkoman’s nature as a public institution has been strongly recognized right from that time. The approach to corporate social responsibility that has continued ever since our company was founded can also been seen in the present management philosophy of the Kikkoman Group, which is based on the three pillars: ① to pursue a consumer orientation as our fundamental principle, ② to promote the international exchange of food culture, and ③ to become a company whose existence is meaningful to global society. These three pillars all strongly recognize Kikkoman’s ties to its stakeholders and to society.

At Kikkoman, our social responsibility activities are led by the Corporate Social Responsibility Committee. At many companies, social responsibility activities are conducted by CSR promotion offices or other specialized units, but Kikkoman advances corporate social responsibility within our business activities, rather than entrusting them to a special department. In this approach, policies are set by the Corporate Social Responsibility Committee, for which the Corporate Planning Department serves as the secretariat, and the Committee monitors all Kikkoman Group companies and divisions.

The Kikkoman Group adopted our Global Vision 2020 in April 2008. This vision sets the company’s ideal future form and basic strategy for the year 2020. The vision goals include making Kikkoman a company whose existence is meaningful to global society. The vision also specifies CSR, along with brand strengths and other factors, as an important source of corporate value.
Chapter 8

Shiseido Co. Ltd. – Proactive CSR That Is Distinctively Shiseido

Mari Kataoka
Senior Manager, CSR Group, General Affairs Department

【Summary】

① CSR Activity Fields

At Shiseido, we advance CSR activities in both the fields of “Fundamental CSR” (reactive CSR) and “Unique Shiseido CSR” (proactive CSR). The latter emphasizes cosmetics, women, and cultural assets as fields where we take advantage of the company’s strengths, along with global environmental conservation activities, which we should conduct as good global citizens.

② Specific Activity Examples

〈Approaches Through Cosmetics〉

Shiseido has been holding free beauty clinics for about 60 years and conducting make-up and massage seminars at facilities for elderly and disabled persons for about 30 years. We launched full-scale beauty classes overseas from fiscal 2009. While these classes are part of efforts to spread cosmetics culture in developing countries, more importantly, they lead the participating employees to gain deep knowledge and pride in their work and to conduct high-level operations with a sense of social trends.

〈Support for Women’s Activities〉

The Camellia Fund, a social contribution organization supported by Shiseido employees, selected and made donations to the United Nations Development Fund for Women (the Japan National Committee for UNIFEM), the Japan Association for UNHCR, and Save the Children Japan.

〈Environmental Conservation Activities〉

Shiseido endorsed the Caring for Climate initiative being advanced by the UN Global Compact in November 2008, demonstrating its strong determination to promote environmental conservation to Japan and the world. The company has launched a 10-year tree-planting program in Lanzhou City in China’s Gansu Province, and is seeking to contribute to Chinese society through this afforestation program, which will protect the environment by reducing CO₂ and also generate employment opportunities. In other efforts, Shiseido is actively installing photovoltaic panels and wind power generation equipment at our overseas plants.
Chapter 9

Sumitomo Chemical Co., Ltd. – Contributing to Sustainable Development Through the Power of Chemistry

Shigeki Kamizuru
Manager, CSR Team Leader, General Affairs Department

【Summary】

① The Sumitomo Chemical Approach to CSR Management

Sumitomo Chemical considers CSR a form of contribution to the sustainable development of society through its business activities. Today humanity faces many challenges that must be overcome. We must address climate change and other environmental problems, secure food, resources, and energy, and combat infectious diseases and poverty. The power of chemistry may play an important role in resolving these problems, which are worsening on a global scale. Sumitomo Chemical is advancing specific approaches to address these issues by creating new products and developing more efficient manufacturing processes based on our diverse technologies cultivated over many years.

(2) Representative Example: Support for Africa Through the Olyset® Net

Malaria is one of the world’s top three infectious diseases along with AIDS and tuberculosis. It is a major cause of death of children under five years old, and one of the main causes of poverty in Africa.

The Olyset® Net developed by Sumitomo Chemical, which has a large effect in preventing malaria, is a mosquito net woven using resin impregnated with insecticide. The Olyset® Net was first endorsed by the World Health Organization (WHO) in 2001 as a Long Lasting Insecticidal Net (LLIN).

Sumitomo Chemical has been increasing its Olyset® Net production capacity to keep pace with growing demand. As of March 2009, the company had an annual production capacity of over 38 million nets worldwide, including 19 million nets in Tanzania, and our Olyset® Net business employed more than 4,000 workers.

It is essential to improve the educational environment for Africa to free itself from poverty and achieve autonomous economic development. Based on this recognition, Sumitomo Chemical has been supporting local education using a portion of the revenues from the Olyset® Net business. To date, we have supported the construction of eight primary and junior high schools in five African countries.

The Olyset® Net business not only prevents malaria, but has the distinctive characteristic of making social contributions at each stage of the business activities—generating employment through local production, reinvesting, and giving back a portion of revenues to support education. This business can continuously implement social contribution activities precisely because it generates fair profits as a business enterprise.
Chapter 10

Sumitomo Trust & Banking Co., Ltd. – Addressing Environmental Problems from Finance

Tadashi Ejima
Senior Manager, Corporate Planning Department

【Summary】
At Sumitomo Trust & Banking, the basic CSR policy is to contribute to the sustainable development of society while enhancing corporate value. CSR is positioned as part of the management strategy, and as a means to differentiate Sumitomo Trust & Banking from other firms within our primary business. CSR is also the core of a corporate culture suitable for the new era. It becomes a foundation to foster a progressive spirit which encourages awareness of social responsibility by each employee, and grasps the solution of social problems as a business opportunity.

Sumitomo Trust & Banking is taking the lead in addressing the following four themes:

① Efforts to Promote Environmentally Friendly Real Estate (Buildings)
  Research on the environmental added value of real estate; involvement in establishing an RPI (responsible property investment) mechanism; proposals to promote environmentally friendly real estate and disseminate information; environmentally friendly development and construction consulting; support for a contaminated land purchase and revival fund

② Activities to address Biodiversity Issues
  Signing the Business and Biodiversity Initiative Leadership Declaration; translation of *The Economics of Ecosystems and Biodiversity (TEEB)*, exhibition and participation in the planning and administration of the Eco-Products show; promotion of biodiversity-related finance business

③ CSR Activities in China
  Speech at the China Development Bank; examination of a Chinese stock SRI fund; participation in the energy conservation business in China

④ SRI Funds
  Pioneering activities in the pension market; developing distinctive features of Sumitomo Trust & Banking SRI Funds; excellent investment performance praised by external organizations; activities to expand the SRI market
Sompo Japan Insurance Inc. – Consistent Approach to Environmental Issues

Masao Seki
Associate Director, Chief CSR Officer

[Summary]

Sompo Japan has been actively pursuing environmental issues since establishing the Department of Global Environment in 1992. The company received ISO 14001 environmental management certification in 1997, and became the first Japanese financial organ to issue an environmental report in the following year.

Sompo Japan is presently addressing climate change mitigation and adaptation as an important CSR issue. In particular, we are addressing adaptation to climate change as an issue making use of the strengths of our main business as an insurance company. The spread of nonlife insurance as a response to the increase in natural disasters throughout the world accompanying climate change is an urgent issue for fragile developing countries and an effective countermeasure. As one example, the Sompo Japan Group has developed weather index insurance for farmers in northeast Thailand, linked to the volume of rainfall, which compensates farmers for drought damage. This product development is an important step to increase the adaptation capabilities of developing nations, where nonlife insurance remains undeveloped. A new public-private partnership is being sought on a global scale combining such insurance with adaptation funds and other public support.

Another example of Sompo Japan’s CSR activities is support for puppet theater performances of The Fire of Inamura (rice sheaves), which is said to be a masterpiece of Japanese tsunami disaster prevention education. Sompo Japan has promoted this puppet theater disaster prevention education project to convey information on tsunami evacuations in an easily understood manner. This project has also been introduced to the countries of Asia as part of the Japanese government’s tsunami disaster prevention assistance. The Fire of Inamura was taken up as an example of good private-sector efforts at the UN Asian Conference on Disaster Reduction held in Bali, Indonesia, in November 2008.

What both these examples have in common is an emphasis on preventative measures. The key to addressing climate change, biological diversity, poverty, and other global issues lies in devising such preventative measures. Moreover, the graver the impact that these issues are expected to have, the greater the need for preventative action. And as noted in the Stern Review, which discusses climate change from an economics viewpoint, the cost of taking action is far less than the cost of not taking action. Sompo Japan will continue to focus our energies on providing preventative solutions for a sustainable, safe, and secure society.
Chapter 12

Takeda Pharmaceutical Co., Ltd. – Contributing to the Future of Health and Medicine Through Pharmaceuticals

Koichi Kaneda
Senior Manager, CSR & Corporate Branding, Corporate Communications Department

【Summary】

The essence of Takeda Pharmaceutical’s understanding of CSR lies in our mission of striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products. We also recognize that with the globalization of our operations, the perspective of acting as a corporate citizen is becoming increasingly important. Takeda Pharmaceutical implemented two initiatives upon signing the United Nations Global Compact in March 2009. The first was information disclosure to clarify the relationship between the 10 Global Compact principles and our company’s previous main CSR fields of relations with society, relations with the environment, relations with suppliers, and relations with employees. The second was the launch of the Takeda Plan Healthcare Access Program in partnership with Plan Japan, the Japanese affiliate of the international NGO Plan International, as an effort toward achieving the United Nations Millennium Development Goals.

Since fiscal 2006, Takeda Pharmaceutical has adopted an integrated report approach of including CSR activities and other nonfinancial data in our annual report, and from fiscal 2009, to fulfill our accountability to civil society, we have been compiling a separate CSR Data Book (PDF version) as a supplement to provide more detailed information on the nonfinancial data presented in the annual report.
Chapter 13
Chiyoda Co. – People, Technology and Trust, and Contribution to the International Community
Kazumi Matsuoka
General Manager, Compliance Management Office

【Summary】
(1) Introduction
① The key concepts are people, technology and trust, and contribution to the international community.
② The Chiyoda Group corporate philosophy is: “Enhance our business in aiming for harmony between energy and the environment and contribute to the sustainable development of society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.” We have been developing technologies and advancing our business toward resolving energy and environmental problems based on this spirit ever since the company was founded.

(2) The Chiyoda Group’s Unique CSR leading to GSR
① Creating the future with Chiyoda’s energy and environmental technologies: In the booklet Legacy for the 21st Century, published in 1972, Chiyoda Corporation gave a clear message to society at large regarding the scale of the responsibility corporations should bear for pollution and declared it would take the initiative to develop technologies and solve energy and environmental problems. Based on this understanding, the Chiyoda Group has advanced diverse activities in accordance with the needs of the times to contribute toward the realization of an abundant society.
② Contributions to harmony between energy and the environment and the development of a sustainable society: Chiyoda has contributed to global society in terms of the stable supply of energy, global environmental conservation, and human resources development through projects for the design and construction of LNG (liquefied natural gas) plants, which provide a clean energy source. Moreover, the Chiyoda Group has maintained safety as a common core value throughout all our projects, always upheld the spirit of cherishing people, and conducted thorough safety management and education based on those priorities.

(3) Constantly Embracing New Challenges
The Chiyoda Group contributes to the global issue of realizing a low-carbon society through our business operations. We will contribute to society with the understanding that the center of our business activities lies in using our strengths in LNG as the core of efforts to develop technologies to reduce carbon emissions from the existing energy sources of oil and coal, and in expanding our business domain into new energy fields. In space development, which leads to new solutions, we will make full use of cutting-edge engineering to embrace the challenges of the diverse development required to realize boundless dreams. We believe these Chiyoda Group activities will lead to GSR.
Chapter 14

Toshiba Co. – Environmental Vision 2050

Makoto Shirai
General Manager, CSR Implementation Office, Corporate Social Responsibility Division

【Summary】

The Toshiba Group views addressing social issues through our primary businesses as an important factor of CSR, and is actively addressing the prevention of global warming and other important issues for humanity.

The Toshiba Group saw people leading rich lifestyles in harmony with the Earth as the ideal to be achieved by 2050, and drafted Environmental Vision 2050 toward achieving that goal. This vision has been redefined as the Toshiba Group mission to create new enriched value while minimizing environmental impacts. Environmental Vision 2050 sets a goal of improving environmental efficiency 10 times (“Factor 10”) by 2050, and promotes the energy and eco-product approaches, supported by actions in eco-processes and eco-programs.

The energy approach aims at achieving an effect equivalent to reducing CO₂ emissions by 82 million tons per year by 2025 by realizing an energy best mix, using a good balance of diverse power generation systems, starting with so-called main energies like nuclear and thermal power along with renewable energies and other new energy sources, and by promoting a smart grid in the electricity distribution field with supply-demand control technologies and the reduction of losses from transmission lines.

The eco-product approach aims at achieving an effect equivalent to reducing CO₂ emissions by 35.7 million tons per year by 2025 compared with the emissions from products shipped in 2000 by continuously making innovations and providing eco-products that achieve both the creation of enriched value and coexistence with the Earth.

These approaches will have a combined effect equivalent to reducing CO₂ emissions by approximately 120 million tons per year.

For a maximum reduction of the Toshiba Group’s greenhouse gas emissions, the eco-process actions advance all types of energy conservation measures and seek to stop the increase in emission volumes by 2012, capping the peak at less than 70% of the 1990 level, and then reduce emission volumes by an additional 10% toward 2025.

The eco-program actions will introduce the Toshiba Group’s approach to wide-ranging stakeholders while promoting environmental communications activities at locations across the world, and deepen understanding through dialog.
Chapter 15

Fuji Xerox Co., Ltd. – Aiming at Useful Management Tempered by Society

Kouichi Nomura
Group Manager, Planning and Promotion Group, Corporate Social Responsibility Department

【Summary】

During the nearly 50 years since Fuji Xerox was founded in 1962, the company moved its primary production base to China and established sales bases in many Asia-Pacific countries and regions. Today Fuji Xerox has become a global corporation: approximately 40% of the company’s sales, 80% of its production volume, and 40% of its employees are from outside Japan. With the rapid globalization of the economy, as many companies advance overseas seeking foreign markets and production bases, Fuji Xerox has also looked abroad, gaining unprecedented business opportunities and encountering unexpected trials. If the topic of this paper on GSR is CSR for the global competition era, then the CSR that Fuji Xerox has advanced for the past few years may be considered true GSR.

The philosophy that supports CSR activities at Fuji Xerox today—aiming to pursue profit as a matter of course, going beyond that to contribute to society, and becoming a company where employees take joy in their work—has been formed by the strong leadership of our successive presidents.

Fuji Xerox declared an emphasis on CSR as a fundamental management issue in 2007, in response to the diversification of markets, overseas shift of activities bases, expansion of supply chains, and other sudden changes inside and outside the company that have accelerated in recent years due to economic globalization. At the same time, we redefined the significance, goals, and policies of our CSR approach as a summation of the activities previously conducted, for a common understanding among our affiliated companies, including overseas affiliates.

In 2009, Fuji Xerox prepared a CSR strategy to comprehensively examine global trends, clarify interim tasks for the company, and build up and promote new competitiveness from the CSR perspective. In this section, we introduce the basic stance.

We raise perfecting a mechanism to improve CSR and strengthening CSR communications as future issues, and introduce approaches toward improvements.

Finally, we note the importance of CSR under the unprecedented financial and economic crisis, drawing on personal opinions, and declare the intentions at Fuji Xerox to actively advance CSR.
Shun-ichi Murata, Director of the United Nations Development Programme (UNDP) Tokyo Office, was invited to the Japan Center for Economic Research as a guest speaker on April 23, 2009, where he gave a lecture entitled “UNDP-Private Sector Partnership Initiatives: Toward the Frontier of the Next Markets.”

Lecture Summary

1. Next Markets and the UNDP

The United Nations was at one time wary of companies, but in response to the globalization of corporate activities it has begun to seek ways to move from the old twentieth-century model to a new business model. Times have changed. In the new model, companies form networks with organizations such as the UN while harnessing ODA as one option for expanding into developing countries; CSR that capitalizes on the core business of the company is integrated with international contributions. Unlike organizations such as UNICEF, the UNDP is not a UN agency that seeks charity from companies; it is an organization that companies can make use of. The UNDP is keen to become a point of contact between companies and developing countries.

Goal 8 of the UN Millennium Development Goals (MDGs) is to “develop a global partnership for development,” so active involvement by companies will help to achieve the MDGs. The general concept of the MDGs dates back to the Colombo Plan, and Japan was involved in the Development Assistance Committee’s New Development Strategy, which was the prototype of the MDGs. There is a high degree of mutual complementarity when the UNDP, a development agency working in developing countries, and companies work as business partners. The strength of companies lies in tangible things like products and equipment, services, and technology, while their weakness lies in such areas as amassing information about developing countries. If companies contact the UNDP, we can give them this information. We can create a win-win business model in which companies achieve profits while at the same time contributing to the sustainable development of developing countries.
The UNDP supports business through three initiatives: Business Call to Action (BCTA), through which networks and alliances are formed; Growing Inclusive Markets (GIM), which offers surveys and research as well as advocacy; and Growing Sustainable Business (GSB), which sets up pilot enterprises. These initiatives function as a cycle.

2. Partnership Case Studies
Typical models of collaboration are the GSB model (Type 1), the business-led model (Type 2), and the business expansion model (Type 3). I would like to present specific case studies involving Unilever (in Tanzania), Ericsson (also in Tanzania), Yamaha (in Indonesia), Tree of Life (in Ghana), and PSQ (in Vietnam).

3. Proposals to Japanese Companies
I would like to propose the poverty business and the environment and energy business as new frontiers. The poverty business is an example of cooperation that benefits both companies and the poor; projects might include strengthening the supply chain (quality management), making use of information and communications technology, and introducing micro-franchises. In the environment and energy business, possibilities include introducing and using renewable energy, pilot projects for reducing CO2 and combating global warming, recycling projects, and support for access to safe water.

Discussion
The following points were discussed at the question-and-answer session.

- With the world in the midst of an economic crisis, the session began with a tough question: “Do you believe that CSR will continue even in a crisis like this?” Murata explained that as the Japanese economy coexists with those of developing countries, halting overseas assistance because of the current crisis would be tantamount to Japan’s digging its own grave. Many people, he said, are calling for firms to maintain their CSR efforts. The basic stance of the UNDP, he noted, is that CSR is best undertaken within the field of the company’s core business, but such efforts can also be in a different field, as in the example of the AIDS campaign carried out by Olympus.

- It was pointed out that most of the signatories to the UN Global Compact are large companies. In response, it was explained that there are also companies like Tree of Life that put forward an investment of a few million yen in collaboration with the UNDP. “While the investment may have been small, JETRO and JICA got involved and the result was a purely Japanese effort. A network has developed around Tree of Life. They may not be well known in Japan, but there are small and medium-sized enterprises in this country with technology that is needed. What is important is to match donors and recipients,” said Murata.
One of the questions was: “Companies and developing countries should be able to create win-win relationships even without the UNDP. Chinese companies are moving into Africa; why aren’t Japanese companies able to do the same?” Corporate attendees responded with some candid opinions: “There are the risks relating to different countries. We got burned in places like South America, so we are very reluctant to enter developing countries again. The burden on our business success is just too great.” “In the case of China even though companies have signed up to the GC, it is not a purely private-sector trend—some of it stems from the political background. A lot of bribes are paid in Africa, but if Japanese companies pay bribes they get taken to task by the West. That’s why we can’t move into Africa. Japanese companies don’t see Africa in political terms, and nor do they think of it as a market.”

Most companies collaborating with the UNDP are from the West, while Japan is lagging behind. One participant commented, “In global terms, Japanese companies are on a small scale. Surely there is a need to focus more narrowly on the areas in which Japanese companies can contribute to the world.” Another expressed the view that, “Even though it costs money, it’s only in the region of 60 million yen at the most, which is not a lot of money. Perhaps it is because the sum is so small that companies are not moving ahead with collaboration.” In response to this, it was pointed out that while there is the question of money, finding human resources may also be a problem. The corporate side responded with the persuasive, forward-looking attitude that while there may perhaps be the question of scale, whether or not companies become involved in collaboration depends on mission and motivation; a pharmaceuticals manufacturer, for example, would want to carry out proactive activities in fields relating to life.

**Conclusion**

This was the first GSR Study Meeting, and when people were introducing themselves at the start of the gathering there was a somewhat nervous atmosphere. The air gradually cleared, though, and some lively discussions developed. The meeting was unlike a regular training session for people responsible for CSR or corporate philanthropy, as the chief examiner Heizo Takeoka and the other JCR members from the academic world, who all have a wealth of scholarship, put forward some searching questions, and Murata marshaled his knowledge and experience to the full to return fire. The corporate attendees certainly seemed to find it a very stimulating exchange. We can expect the discussions and study to deepen further in subsequent meetings.

(By Katsuhiro Harada, deputy examiner and secretary general)
Toshio Arima, Director and Executive Advisor to the Board, Fuji Xerox, was invited to the Japan Center for Economic Research as a guest speaker on May 12, 2009, where he gave a lecture entitled “The United Nations Global Compact and CSR Management.”

Lecture Summary

1. What Is the Global Compact?
   The GC was launched in 2000, the year after then United Nations Secretary-General Kofi Annan called for greater efforts from the private sector and for globalization with a human face at the 1999 World Economic Forum in Davos, Switzerland. The GC began with nine principles in the fields of human rights, labor standards, and the environment; these included non-complicity in human rights abuses, the elimination of forced and compulsory labor, and the abolition of child labor. The prevention of bribery and other forms of corruption was later added, bringing the total to 10 principles. The GC is based on the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development.

2. Current Status of Activities
   The Global Compact Office is located in New York and works in collaboration with six UN agencies, including the Office of the High Commissioner for Human Rights and the United Nations Environment Programme. There are local networks in countries around the world. Currently 6,867 groups in 135 countries participate in the GC; Spain tops the list with 692 participant groups, followed by France (593) and Mexico (311). China has the highest number in Asia with 202, followed by India (104), the Republic of Korea (152), and Japan (98). The number of participating companies in the Republic of Korea is increasing with the help of the government, which is keen to give its support to UN Secretary-General Ban Ki-moon. Labor problems proved to be a stumbling block for China at the start, when the only participants in the country were foreign companies, but encouragement from the government has led to a surge in the number of participants. A local network was set up in Japan in 2003, and while there were few participants at first, the number started to increase in 2008.
3. Challenges and Potential

Looking at the situation in the light of the present economic crisis, there are cases in which it is difficult to know which position to take. In the case of civil society, for example, on the one hand there are high expectations of companies as we saw in the recent G20 Declaration; they are supposed to join hands with governments so that the two can complement each other. On the other hand, though, there is the view from the labor side that we should take the side of the workers and see to it that companies that have violated workers’ rights are punished. It’s a tricky situation, and there have been similar cases in international politics. NGOs have complained about PetroChina’s activities in Sudan. PetroChina has invested US$15 billion in Sudan’s oil business, and they assert that this money and the taxes the company pays benefit a Sudanese regime that commits genocide and violates human rights. The NGOs maintain that PetroChina ought to be kicked out of the UNGC, but the GC has refused to do this. The reason is that since a local network has been launched in Sudan, it would be better to make sure that no problems arise by energizing this network.

We also have to answer those who ask if the GC is simply about advocating ideals and principles. Maybe it is not enough for us just to get companies to fulfill their roles in society through ESG (Environment, Social, Governance) projects or other activities, or to broaden the platforms for calling on governments to act by involving a wide variety of different actors, such as the academic world and the media. Perhaps the GC should function as some kind of mechanism for action. Areas for consideration are collaboration with ISO26000 and regulation and evaluation.

Discussion

The following points were discussed at the question-and-answer session.

- Attention focused on the fact that fewer companies in Japan participate in the GC than in China, India, or the Republic of Korea. There are deep misgivings among Japanese companies that participating in the GC may entail meeting some kinds of obligations. A representative of Takeda Pharmaceutical, which has only recently joined the GC, said, “We went as far as checking the 10 principles across the whole group to determine whether it would be worth joining or not. There were two or three questions relating to each of the principles, and you had to tick a box to indicate whether the conditions had been met fully, partially, or not at all. We took the plunge to join on the grounds that working on the areas where we didn’t come up to scratch would help us to catch up with other members. It took us about two or three years.” In a similar vein, a representative of Itochu explained, “We were conscious of our overseas business partners and our supply chain, and it took us about a year and a half to carry out the task of establishing a foothold for joining the GC. In the case of Japanese companies, there are some principles that don’t make much sense to the head office, whereas the local offices overseas are sensitive to such issues as poor working
environments.” While it is quite acceptable to join the GC first and then carry out improvements, the fact is that Japanese companies tend to be cautious over a lot of things. When the UNGC was launched, in-house corporate lawyers fearful of litigation were saying that it would be better not to join and warned that companies in breach of the 10 principles would find themselves doing battle with NGOs. Japanese companies were thus slow to act at first, but recently the understanding that it is acceptable for companies to approach the principles in their own special way has been taking hold. This is one reason for the increase in the number of participants.

- A corporate attendee raised the difficulty of complying with the principles locally: “Even if there are problems with a business partner such as the use of child labor, you cannot get involved in labor issues if you are not.”

- At the same time, there was a very straightforward comment from a representative of a company that has not joined the GC: “Our company is already putting into practice all of the 10 principles, so we don’t really see any advantage to joining.” A representative of a company that enthusiastically supports the GC responded, “It is certainly true that Japanese companies are doing everything properly, but if you look carefully enough there are business partners overseas with problems like forced labor. It’s a question of whether it is OK to just carry on operations as you have done so far, or whether it is better to join up to find out what is really going on. The reason that CSR has become so popular in Europe is that companies were having so many difficulties in overseas locations. Japanese companies need to be careful if they want to compete overseas; if not, they are likely to find themselves left out of the supply chain. The GC consists of ideas that are shared across the world, and it is bound to be beneficial.”

**Conclusion**

As many of the member companies attending the GSR Study Meetings have joined the GC, the level of interest was high, and the positive contributions made by corporate attendees were very noticeable. What became clear during the course of the discussions was the size of the perception gaps between Japan and the rest of the world, whether about human rights or labor issues. For example, while overtime is regarded as a matter of course in Japan, practices such as unpaid overtime are sometimes regarded as forced labor in other countries. These are undoubtedly issues of human rights.

(By Katsuhiro Harada, deputy examiner and secretary general)
Uichiro Niwa, Chairman of Itochu Corporation and of the Japan Association for the United Nations World Food Programme (JAWFP), was invited to the Japan Center for Economic Research as a guest speaker on June 3, 2009, where he gave a lecture entitled “The Social Responsibility of Global Corporations.”

Lecture Summary

1. **What Are Corporations for?**
   - The three important features of corporations are their obligation to pay taxes (and to generate profits for this purpose), the employment they provide, and their sustainability. Companies have a responsibility to society. Japanese politicians, businesspeople, public officials, and media figures tend to be ultra-domestic in their focus, although this is something that can be said all over the world. Japanese people are under the illusion that the world revolves around Japan.
   - “For the people, for the society, for the nation.” Companies should take these words to heart.

2. **Trust and Ethics Are the Keys**
   - Trust is the very foundation of business. No company can function without trust. Haven’t US corporations recently lost people’s trust? No theory is worth anything without trust.
   - Transparency, accountability, and disclosure are the three basics.
   - In the final analysis, it is the ethics of corporate managers that count. I like Max Weber’s The Protestant Ethic and the Spirit of Capitalism. The power to control the kind of greed found in the United States today surely lies with the ethics and religious piety of corporate leaders. What separates humans from animals is our ability to control ourselves.

3. **The State of CSR in Japan**
   - As of the end of March 2009, there were about 37,000 nonprofit organizations in Japan, of which just 93 were certified as eligible to receive tax breaks. The JAWFP, of which I am chairman, is one of these, and I know that the criteria for gaining certification are extremely strict. Meanwhile, public service corporations created by government bodies enjoy tax breaks and are not subject to restrictions on annakudari (the practice of retired bureaucrats’ taking jobs in organizations they previously oversaw). That is how bureaucrats do things.
- ¥220 billion is given in charitable contributions each year in Japan, compared to ¥2.3 trillion in the United States—more than 100 times more. Private individuals in Japan donate very little to NPOs. Is it because they are stingy?

- The accumulation of actions by individuals has the power to change the world.

- In the United States, many politicians donate a set amount to charity. How about in Japan? The spirit of giving and sacrifice seems to be absent.

- The efforts of each individual are important. The accumulation of these efforts will raise Japan's presence.

Discussion

- Most of the opinions exchanged related to the nature of charitable donations in Japan. Why are such contributions so much rarer in Japan than in the United States? Participants expressed the following views.

  “One of the reasons is that there is nothing in Japan comparable to the churches of America. Donations are often requested through churches. There's no custom of donating like that in Japan.”

  “Japanese people are indifferent about things that don’t concern them.”

  “I think people hesitate to donate because of a lack of transparency by the receiving organizations.”

  “There are also examples like Table for Two [a campaign in which diners divert a certain proportion of their food bill to developing countries] which was proposed by Japan. Isn’t this a form of charitable donation?”

  “Marketing is important.”

  “Children should be taught to do things for others from an early age.”

  “Some companies have introduced mechanisms by which donations are deducted from employees' salaries with their permission, but this doesn't work overseas, because making donations is seen as a matter for individuals.”

  “Children are interested in volunteering. It's important to give them a little encouragement.”

  “The key is to make giving to charity 'cool.' There needs to be a mechanism that allows people to think like that.”
• The discussion on charitable giving can be summarized as follows:
  First, teach the importance of donations in educational settings.
  Second, consider mechanisms and campaigns to encourage people to take an interest in charity.
  Third, there are many different ways of donating, so new ideas should be solicited.
  Fourth, the transparency of donations, particularly knowing how the money one gives is used, is important.

Conclusion

Managers of global corporations must be more ethical. This was Mr. Naka's biggest message. That, and the power of each employee to act. GSR is a theme that all Japanese companies should ponder.

Note

Some World Food Programme booklets were distributed to the members of the study meeting. One of them concerned an essay contest for schoolchildren on the theme of “Help the Hungry: If I Were President.” One in seven people in the world suffer from hunger. The children wrote all sorts of ideas, such as enforcing a “no leftovers” rule. Now what will adults do? (By Yoji Kajita, deputy examiner)
Aiding Africa through the Olyset Mosquito Net Business

Yoshimasa Takao, director and senior managing executive officer of Sumitomo Chemical, was invited to the Japan Center for Economic Research as a guest speaker on July 9, 2009, where he gave a lecture entitled “Aiding Africa through the Olyset Mosquito Net Business.”

Lecture Summary

1. The Olyset Mosquito Net Business

The business aims to protect children in Africa from malaria and to help bring about a better living environment. At the same time, the project creates new jobs, thereby contributing to the local economy. The nets are produced locally in Africa under a royalty-free technology license.

As part of efforts to reduce the threat of malaria in endemic areas, the World Health Organization (WHO) tried for some time to establish a sustainable community-based system that would encourage people to treat their already-existing mosquito nets with insecticide on a regular basis. The onerous task of regularly re-treating the nets, however, prevented the system from working well. Olyset nets were developed to provide a better alternative. The Olyset net is a long-lasting insecticidal net (LLIN) in which the active chemicals are incorporated directly into the polyethylene fibers of the netting. The nets have received an official recommendation from the WHO, marking a major strategy shift for WHO malaria control programs.

2. Production Begins in Tanzania

In 2003 Sumitomo Chemical provided a royalty-free technology license for Olyset nets to A to Z Textile Mills, Ltd. of Arusha, Tanzania, and production began at a rate of 12 million nets a year. When the WHO revised its malaria control policies in 2007, Sumitomo Chemical started Vector Health International as a joint venture with A to Z, with investment from JBIC (Japan Bank for International Cooperation). Production by this new venture started at 6.7 million nets a year. Total production capacity is now 19 million nets a year, and together the two companies employ more than 4,000 people.

3. Millennium Development Goals

Eradicating malaria is one of eight Millennium Development Goals established by the United Nations to form the backbone of aid programs in the developing world. Olyset nets are making a major contribution toward making this goal a reality. In January 2005, Hiromasa Yonekura, then president of Sumitomo Chemical, presented the nets at the World Economic Forum in Davos. The resulting publicity led to a surge in sales.
4. Future production models

At present a total of 38 million Olyset nets are produced annually in plants in Tanzania, Vietnam, and China. Anticipating growing demand, Sumitomo Chemical has plans to increase production capacity at its existing facilities and to build a new facility in West Africa, as well as establishing sewing operations in Ethiopia and other parts of the world. The company hopes this will allow it to increase production to 60 million nets per year.

5. Aid Activities in Africa

Sumitomo Chemical supports Millennium Promise, a nonprofit organization working to achieve the Millennium Development Goals. The company has donated 330,000 nets to 100 “Millennium Villages”-model villages set up in 10 countries including Ethiopia, Ghana, and Kenya. Using part of the proceeds from sales of Olyset nets, the company has funded new school buildings and school lunch facilities, and donated education materials and computers. The company has worked with World Vision, an NGO, and is involved with the African activities of Table for Two, a Japan-based social action group working to solve the twin problems of hunger and malnutrition in the developing world and overeating and obesity in rich countries.

Discussion

The following points were discussed at the question-and-answer session.

- There was a great deal of interest in the company’s business model. Mr. Takao said most of the company’s sales were to UNICEF and other UN organizations or local health ministries within endemic areas, who then distribute the nets to the local population. For this reason, the company can rely on steady demand, though Mr. Takao said it would be unrealistic to expect huge profits. Not unexpectedly, official WHO endorsement of the nets had given a major boost to sales, and the allocation of funds to support the Millennium Development Goals project had also played a major part in the company’s success. Mr. Takao suggested that the scheme might serve as a useful model for businesses hoping to succeed with a low-income customer base in Africa.

- Another question that interested the audience concerned Sumitomo’s priorities for the business. Which was more important: the CSR aspects of the venture, or making a profit? Sumitomo Chemical’s answer was clear: “There is no chance of us giving up the business because we are not making enough money. Having said that, the main reason why we are looking to expand into West Africa is to grow the business and increase profits.” Several people in attendance expressed admiration for Sumitomo’s clear managerial position, noting that other companies have been reluctant to get involved in otherwise promising projects if the profits did not come up to company standards.
Many companies think twice about getting too actively involved in the African market, but Mr. Takao stressed the importance of the region for Sumitomo. “People talk about China and India as the next big markets. Africa lags some way behind those two, but it is still an important market. Not many other Japanese companies are active there yet, so there is a lot of potential and all kinds of possibilities.” Some of the mosquito nets produced in China and Vietnam are also earmarked for the African market.

Touching on the difficulties of doing business in Africa, Takao mentioned the lack of infrastructure and an industrial base. “In that respect, A to Z was vital for us. We got a lot of help locally: getting roads built and a power supply set up, and so on. I doubt it would have been possible anywhere else in Africa. It was touch and go whether we could get our workers up to speed in time, but we managed it in the end. Vietnam and the other places are still a way behind,” he acknowledged.

Asked why the company had been able to succeed with mosquito nets in Africa despite the fact that nets have not been common in Japan for many years, Mr. Takao said the company had initially been inspired to get involved in making the nets by the determination of its researchers to eradicate malaria. The audience was impressed by the ambition and hard work of the employees who had launched the company into this new line of business, as well as by the company itself for turning those ideas into a reality. As Dr. Mitsuhiro Umez, chairing the meeting, remarked: “How many other technologies are out there in Japan, just waiting to be rediscovered?”

Conclusion

Sumitomo Chemical’s African joint venture is one of the best-known CSR projects in Japan. There was a high level of interest in the talk and some lively discussion after it. The Olyset net business is a classic success story both for its combination of sound business with corporate responsibility and for its successful collaboration between a private-sector company and the UN. Bribery and corruption do more damage to business in Africa than anything else, but Mr. Takao said the company had not been approached once since the UN became involved. In Africa, the Olyset net has already become a well-known brand and one hopes that this will benefit business in the future. The company’s researchers deserve the praise of everyone in the company for coming up with such a bright idea.

(By Katsuhiro Harada, deputy examiner and secretary general)
On August 6, 2008, in keeping with the philosophy of the Nikkei GSR Project ("Changing Businesses and Businesspeople Will Change Japan and the World") a special experimental session was held at which attendance was limited to member companies.

Takayuki Ogai, director general of the Japan International Cooperation Agency’s Office for Private Sector Partnership, and Kaoru Nemoto, secretary general of the Japan Association for UNHCR, were invited as guest speakers.

Summary of Mr. Ogai’s Lecture

1. Changes in ODA and International Trends Affecting Developing Countries
   There has been a major shift in the flow of funds from developed to developing countries since the 1990s. In 1990, the majority of these flows consisted of official development assistance, but by 2006 the flow of private funds was greater than that of ODA by a ratio of seven to three. This change came about because private companies began to take more interest in corporate social responsibility activities and BOP (base of the pyramid) business opportunities, and, at the same time, international organizations and national aid organizations around the world became more receptive to requests from private corporations.

2. The Japanese Government’s Approach
   In April 2008, the government announced a new set of measures aimed at strengthening the links between ODA and private enterprise, entitled “Public Private Partnership for Boosting Growth in Developing Countries.” In June 2009 at an Overseas Economic Cooperation Council meeting attended by the prime minister and several ministers, it was confirmed that the government was considering restarting its overseas investment program of combined ODA and private-sector funding. Further mention was made of this in the government’s outline of its basic policies for 2009.
3. JICA's Strategy

JICA recognizes the limitations of the conventional ODA model and the need for closer collaboration with private enterprise. To strengthen its partnerships with the private sector, New JICA launched the Office for Private Sector Partnership in October 2008, which received more than 100 approaches from private businesses in its first six months. By region, the largest share of these inquiries (42%) concerned Africa; by type, the largest share (28%) concerned CSR. JICA intends to achieve results in this area by providing appropriate information and consulting on business opportunities in development, so as to boost its interaction with private enterprises and equip itself to respond to individual inquiries.

Summary of Ms. Nemoto's Lecture

1. The UNHCR's Refugee Assistance

People in Japan tend to think of refugees as distant figures, but there are more than 33 million refugees in the world today. Refugees are the victims of regional conflicts, and finding a solution to the refugee problem is directly related to the question of peace. The UNHCR (Office of the United Nations High Commissioner for Refugees) provides comprehensive assistance to refugees, ranging from emergency aid to long-term solutions like voluntary repatriation and permanent settlement in a third country. On average, the UNHCR provides assistance for some 17 years per case, encompassing the full spectrum of aid from helping people to secure food and water to providing them with healthcare, education, and occupational training. There has been a rapid increase in applications from refugees for asylum in Japan, which has agreed to begin accepting refugees from Myanmar next year.

2. Collaboration with the Private Sector

Refugee assistance is a challenge that cannot be met by the UN alone; collaboration that harnesses the resources of private corporations is now indispensable. The UNHCR formed a Council of Business Leaders in 2005, which currently has five members. Unfortunately, no Japanese corporations are involved at present. The council is engaged in a variety of cooperation with private-sector companies, including the development of a refugee registration system, IT education for young people, employment assistance, and public relations activities. In Japan too, joint efforts with private enterprises are beginning to bear fruit. To date, such efforts have included providing equipment for journalists visiting refugee camps, donating recycled clothing, and helping to publicize a film festival held to raise awareness of refugees' issues. The UNHCR hopes to further strengthen its ties with the private sector in the future.
Discussion

The following points were discussed at the question-and-answer session.

- Asked about public-private partnerships in the West, Mr. Ogasai said that organizations such as USAID had become increasingly interested in collaborating with corporations in recent years, and had done a significant amount of work already through joint funding with private organizations. Although NGOs were largely responsible for aid efforts on the ground, Mr. Ogasai said that in many cases this work was supported financially by major corporations.

- In response to a question about collaboration with international bodies such as the UN, Mr. Ogasai explained that JICA had participated in joint efforts between the private sector and the United Nations Development Programme. Ms. Nemoto added that the UNHCR and JICA had also worked together in the past.

- In response to a question regarding the nature of the inquiries JICA had received so far, Mr. Ogasai said that although there had, unfortunately, been no official proposals for government-related programs so far, a number of companies had made ODA-related proposals that seemed likely to produce concrete results in areas such as tree planting and the provision of water purification equipment. Because collaboration with companies can take such a wide variety of forms, JICA needs to ensure that it is in a position to respond to the requirements of each individual case. It is therefore important to provide reliable information by consolidating the information held by JICA's regional offices around the world and to deepen JICA's partnerships with chambers of commerce and other organizations in each region.

- Ms. Nemoto was asked about the logistics of providing aid to refugees and the types of assistance that corporations could provide. The commonest method, she said, was to sign a contract with a local NGO. Next year, Japan is due to accept a number of refugees from Myanmar. In addition to support from local governments, it is essential that they receive employment support from local companies. There are high expectations that the manufacturing industry will assist the refugees in areas like occupational training and higher education.

- In response to a question about maintenance in cases where a company had provided assistance in the form of equipment, Ms. Nemoto admitted that maintenance was an issue of vital importance and that, wherever possible, proper training should be provided to ensure that local people had the skills necessary for carrying out maintenance themselves. Mr. Oga mentioned failures in which facilities built using ODA had fallen into disrepair once responsibility for their upkeep passed into the hands of local people, and suggested that establishing a fund for operating and maintaining facilities might be one way of avoiding this problem in the future.
• In response to a question about maintenance in cases where a company had provided assistance in the form of equipment, Ms. Nometo admitted that maintenance was an issue of vital importance and that, wherever possible, proper training should be provided to ensure that local people had the skills necessary for carrying out maintenance themselves. Mr. Ogai mentioned failures in which facilities built using ODA had fallen into disrepair once responsibility for their upkeep passed into the hands of local people, and suggested that establishing a fund for operating and maintaining facilities might be one way of avoiding this problem in the future.

• Personnel exchanges are relatively common between JICA and UNHCR. Sadako Ogata, the current president of JICA, was previously UN High Commissioner for Refugees. Mention of this led to a discussion about personnel exchanges between aid organizations and private corporations. JICA has a system in place whereby corporate employees can work at JICA on a temporary basis, but there have so far been no cases of JICA employees going on temporary transfers to private companies. Several employees from member corporations of the Council of Business Leaders have joined the UNHCR as transfer workers on a temporary basis.

**Conclusion**

This session was conducted with only corporate members in attendance. Both speakers gave concrete and practical lectures, and the corporate attendees spoke frankly about how they saw things from the perspective of their own companies. Many of the questions touched on public-private partnerships and the practicalities of aid operations on the ground. Combining such corporate sessions with regular study meetings is likely to produce further results.
Corporate Responsibility on the Frontier: Companies Battling in Africa

Katsumi Hranc, director general of the Area Studies Center at the Institute of Developing Economies, Japan External Trade Association (JETRO), was invited to Nikkei Inc. as a guest speaker on September 2, 2009, where he gave a lecture entitled “Corporate Responsibility on the Frontier: Companies Battling in Africa.”

Lecture Summary

1. Africa: Poverty and Economic Development

Asia’s development means that global poverty, previously known as the “North–South divide,” is now largely an African problem. Asian countries—particularly China—have come to dominate the global manufacturing industry, but widespread inefficiencies have led to huge consumption of natural resources. Africa is rich in natural resources, and African economies tend to develop in step with fluctuations in resource prices. Direct investment in Africa hardly existed in the 1970s, but today both aid and investment are increasing dramatically. Africa’s nominal economic growth for the period 1990–2007 was 19.5%, even more than the Chinese figure of 18.6%.

2. Oil-Producing Africa and Resource-Based Growth

People tend to think of Africa primarily as an exporter of agricultural produce, but in fact the African continent is a major oil producer. Oil production is no longer confined to Nigeria, and extraction has increased significantly in recent years in Angola, Sudan, and Ghana. Since the administration of former President George W. Bush, the United States has been reducing its dependence on Middle Eastern oil in an attempt to minimize geopolitical risk. At present its two biggest sources of crude oil imports are Canada and Africa. The Middle East is in third place. At the same time, the US military presence in Africa is also increasing dramatically. China rapidly becoming the world’s factory, relies for its imports of crude oil on Saudi Arabia, Angola, Iran, and Russia, in that order; its dependence on Angolan oil has increased markedly. From an African perspective, fuel exports account for an overwhelming majority of total exports, while the continent’s manufacturing industry remains underdeveloped. Indeed, an abundance of natural resources can sometimes be a curse-economic growth driven by natural resources can sometimes mitigate against real development. Numerous problems affect governments in Africa, with kleptocracies and rogue states still common.
3. Japan and Africa

In the past, Japan's trade with Africa consisted of imports of raw materials, which were then used to manufacture goods for export. Today, however, the bulk of trade is made up of imports of platinum and imports of automobiles (imports of Mercedes and BMWs from South Africa, and exports of Japanese-manufactured cars to Africa). There has been a rapid increase in Japanese investment in natural resource projects in recent years, with involvement from major companies such as Sumitomo (nickel in Madagascar) and Mitsubishi (aluminum in Mozambique). Africa is becoming crucial to Japan's national interests in terms of securing access to raw materials. It is important for Japan to coexist peacefully with China while building a stable relationship between the manufacturing-dominated East Asian economic zone and the African continent, a region rich in rare metals, rare earths, and other natural resources.

4. Aggressive CSR

Beset with poverty, crime, and AIDS, and hampered by structural problems including weak or corrupt governments and inadequate links between industry and agriculture, Africa is a high-cost, high-risk investment environment. Companies investing in Africa must themselves take responsibility for the surrounding community as public bodies. From a Japanese perspective, it is crucial to establish a new approach to business that will protect employees and the natural environment in a setting quite different from Japan. An aggressive, forward-looking corporate social responsibility program is therefore indispensable to bring about change.

Discussion

The following points were discussed at the question-and-answer session.

- During a discussion of the risks involved in investment in Africa, questions were raised about Sumitomo’s nickel project in Ambatovy, Madagascar. The future of the project has been in some doubt since the recent coup d’état. What was the attitude of the new regime to the project? Mr. Hirano’s analysis was blunt: “There has been talk of the government pulling out of the project, but in reality they see this project as a source of income, along with another major project involving the United Nations Development Program and UNICEF, and what they really want is to increase their own cut of the royalties.” He said that since inward investment had the potential to bring about change in African societies, the key consideration was to find ways to minimize any negative impact. Pointing to the success of East Asia, he emphasized the importance of writing reports etc. on the best ways to put natural resource income to use for the future.

- Regarding the level of European interest in Africa, given that most of the continent was once colonized by the European powers, Mr. Hirano said the United States was the country with the greatest international presence, followed by China. The rapid growth in consumer spending
Regarding the level of European interest in Africa, given that most of the continent was once colonized by the European powers, Mr. Hirano said the United States was the country with the greatest international presence, followed by China. The rapid growth in consumer spending has made China the biggest source of Africa’s imports. Chinese goods and Chinese companies are expanding into Africa at a remarkable rate. Finding the right way to compete and coexist with China is a pressing concern for Japan.

Britain’s Department for International Development is involved in a joint public-private technical cooperation project in which the DFID has the right to buy back the manufactured goods. Mr. Hirano stressed the importance of ministerial visits to the region concerned and suggested that JICA should introduce a similar system of officials who would be responsible for broad regions and who would gather information from a broad perspective.

There was general agreement with the view that, with so many problems at the governmental level, companies need to implement aggressive, expansive CSR strategies with regard to public policy. But reservations were expressed about whether a project that put too much emphasis on business success could really be described as a CSR project. In response, Mr. Hirano said it was the duty of any business to think about boosting its profits. Shell, he said, was now so worried about how to return benefits to the local community that was even prepared to pull out of its operations. It is necessary to approach CSR from a unique perspective in Africa, where little social return could be expected in many cases.

**Conclusion**

This was a highly impressive, eye-opening talk. It is easy to fall into outdated thinking with regards to Africa, viewing it as a collection of former colonies or as the region left behind by economic development. But Mr. Hirano, an expert in African affairs, marshaled his impressive knowledge and experience to paint a vivid and evocative picture of Africa as it is now. He also explained the reasons why Japan should get involved in the region and gave a clear account of why companies might need to get involved in public policy in areas such as AIDS and education. As part of their CSR efforts in a region so fundamentally different from Asia and where crime is rife in countries undergoing rapid economic growth, Africa is often thought of in Japan as a faraway place, but this talk brought the issues home to everyone in attendance. The talk itself was followed by a lively discussion and question-and-answer session, and it was hard not to feel that, six months after they began, the GSR research sessions are now well and truly on the right track.

(By Katsuhiro Harada, deputy examiner and secretary general)
Takehiro Sueyoshi, special advisor to the United Nations Environment Program Finance Initiative, was invited to Nikkei Inc. as a guest speaker on October 7, 2009, where he gave a lecture titled “The Low-Carbon Society and Corporate Management.”

Lecture Summary

1. The Era of Global Warming

In this era of global warming, it is vital that we develop policies both to mitigate the problem (such as major reductions in greenhouse gas emissions) and to adjust to the reality of the situation (by making changes to the infrastructure of our societies). Climate change is closely connected with the depletion of energy resources, shortages of food and water, and the destruction of ecosystems. In addition, climate change exacerbates poverty and creates environmental refugees, providing us with a glimpse of “another reality” by widening disparities and giving rise to human rights problems. The pace of industrialization is also accelerating exponentially; in Britain, it took 150 years for per-capita GDP to increase from $1,000 to $2,000—in China, it took just 10. The world is changing at an unprecedented pace. And this is producing economic, social, and environmental winners and losers.

2. The Post-Kyoto Era

The twenty-first century will see a shift from a “brown economy,” in which economic growth was to be achieved at any cost, to a “green economy” in which investments are made in sustainability. Many countries are already reacting to this new reality. In November 2009, the British government passed the Climate Change Act, which pledged to reduce the country’s emissions of carbon dioxide and other greenhouse gases by 80% from 1990 levels by 2050. France passed a law in 2005 to incorporate the precautionary principle into its constitution. Meanwhile, eye-catching initiatives have been introduced in cities around the world: in London, where plastic bottles are disappearing as people switch to drinking tap water; in Paris, with its public bicycles and streetcars; in Berlin and Rotterdam, the city of water, where access by car to the city center is limited to vehicles emitting strict emissions criteria; and in Masdar, Abu Dhabi, where there are plans to build the world’s first zero-emission, zero-waste city.

The United States has also made an about-turn under the Obama Administration and has begun supporting the adoption of solar panels and environmentally friendly cars. The House of Representatives has passed a bill on restricting emissions that calls for an 83% reduction in
carbon emissions by 2050, the introduction of a cap-and-trade system, and close observation of India and China. Corporations are also developing new business models, such as Wal-Mart’s plans for zero-emission outlets.

3. Principles for Responsible Investment

In 2005, then UN Secretary General Kofi Annan launched the Principles for Responsible Investment, on the grounds that it would be impossible to reduce CO2 emissions unless companies changed their approach to investment decision making. The PRI encourage investors to take into account nonfinancial considerations such as ESG (environmental, social, and governance) issues when deciding where and how to invest; the scheme currently has 480 signatories around the world (managing assets of $18 trillion).

4. Risk and Opportunity

Global warming involves risks. As the physical damage it causes becomes more extensive, restrictions will begin to bite. This produces increased risks to a company’s supply chain and reputation, and an increased risk of litigation. Along with the challenges, however, come opportunities. Companies can invest in differentiation, and consumer needs also change in response to the growing crisis.

Discussion

The following points were discussed at the question-and-answer session.

- Following Mr. Sueyoshi’s suggestion that the Japanese response to environmental issues had been inadequate, the first question asked concerned the implications of this for Japan. Mr. Sueyoshi said that although Japan had impressive levels of technology and service, the country’s overall approach was not clear. “Where are the politicians and economists who are thinking about our national goals? You can’t think about Japan without considering the rest of the world. Our leaders need to understand the problems facing the people of the world,” he said.

- A representative of a financial institution commented that Socially Responsible Investment funds performed poorly. “Clients are primarily interested in getting a return on their investments. That’s the reality—and financial institutions are concerned about how things will change in the future.” Mr. Sueyoshi’s view was that Japan had been largely indifferent to global trends on environmental issues. He stressed that financial institutions had a major part to play. “As professionals, they should be thinking about these things more seriously. The PRI are not perfect, but we can’t improve society unless companies start to give serious consideration to ESG issues.” Positing the assumption that companies investing in ESG issues would find favor, the question, said Mr. Sueyoshi, was who would be bold enough to move first. For financial institutions, SRI was both a social responsibility and a business opportunity.
• One problem was fiduciary responsibility, which is frequently used as an excuse by institutional investors managing pension funds. As Mr. Sueyoshi explained: “A pension fund has an obligation to invest for the best possible return, and concerns have been raised that environmentally or socially driven investment might constitute an infringement of the law. However, a UN study conducted in 2005-06 disagreed, concluding that pension fund managers and other investors had a responsibility to consider ESG issues.” The number of PRI signatories increased as a result.

• Regarding Prime Minister Yukio Hatoyama’s pledge that Japan would reduce its greenhouse gas emissions by 25%, Mr. Sueyoshi said, “International recognition for Japan’s environmental efforts is usually conspicuous by its absence, but now the country’s voice has been heard at last thanks to the prime minister’s speech.” Examiner Takenaka commented that this was one positive aspect of the discontinuity arising from the change of government. Regarding the objections made by Nippon Keidanren (Japan Business Federation) to the numerical target, Mr. Sueyoshi did not mince his words: “Debate on reducing emissions is a matter for individual companies, not business as a whole. The Japan Business Federation cannot take responsibility for failures caused by bad management decisions.” Chairman Junichi Arai noted that even within the Japan Business Federation, opposition to the plan was limited to the electricity and steel sectors. For some companies, he said, large-scale reductions would be an advantage.

**Conclusion**

Featuring a hot topic and a guest speaker familiar from TV, this meeting attracted a good deal of excitement and debate. Generally speaking, Prime Minister Hatoyama’s target has been positively received at home and abroad, and there was widespread recognition of the need for a Japanese response following this detailed account of the world’s efforts to move to a lower carbon society. But many members were disappointed to hear that the efforts Japan was making on environmental issues were not getting through to the rest of the world. We need greater leadership and communication skills. This is true in many areas besides the environment. We would be delighted if this workshop led to a breakthrough in this area.

(By Katsuhiro Harada, deputy examiner and secretary general)
INAX's Management Philosophy and Environmental Strategy

Ryuichi Kawamoto, president of INAX Corporation, was invited to Nikkei Inc. as a guest speaker on November 16, 2009, where he gave a lecture titled “INAX’s Management Philosophy and Environmental Strategy.” Based in Tokoname, Aichi Prefecture, INAX has attracted a lot of attention with its revolutionary plans to reduce carbon dioxide emissions by 80% of 1990 levels by 2050.

Lecture Summary

1. 2008 and the Move Toward Full-Scale Environmental Management

INAX’s environmental strategy is designed to help bring about a sustainable society, and is built on an approach that targets the three areas of “manufacturing,” “use,” and “return,” with the aim of building a low-carbon, energy-saving, recycling society. In addressing the feasibility of an 80% cut, Kawamoto said the INAX group’s overall carbon dioxide emissions had been on a downward trend since 1990 owing to a shift in focus from tiling materials to household equipment. Beginning in 2000, international expansion and an increase in overseas ceramics factories had pushed overall emissions up, but this had since been followed by a slight downward trend. As of fiscal 2008 emissions were down 27.9% from 1990 levels.

2. The manufacture of ceramic sanitary fixtures made up 27% of total carbon dioxide emissions. Tile manufacture made up 51% of the total. Together, these two sectors represented 78% of the total emissions. In order to bring emissions for fiscal 2008 (208,893 tons) down to the levels required by an 80% reduction on 1990 levels (57,956 tons), Kawamoto said it was essential to introduce innovations in ceramics technology. In terms of “manufacturing,” it was important to improve the kiln technology used in ceramics manufacture, which has hardly evolved since the Industrial Revolution. In particular, there is a demand for technology that will heat the ceramics alone without heating the kiln itself. INAX is looking at shifting to alternative sources of energy that do not produce carbon dioxide, perhaps by becoming self-sufficient in a source of green energy such as wind or solar.

3. To reduce the amount of energy consumed in the “use” phase of the company’s three-pronged approach, INAX introduced regenerative equipment into its kiln furnaces. These accumulate waste heat during the firing stage, and reuse it to heat the combustion air, improving energy efficiency by 30-40%. The company is also making progress in introducing new fuels and more energy-efficient equipment to its factories. In fiscal 2008 INAX switched from liquefied petroleum gas to liquefied natural gas. This investment cost ¥400 million in new equipment, but expected fuel savings of ¥200 million over five years, plus a support grant from the Ministry of

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the Environment worth ¥130 million, bring the actual cost to less than ¥100 million. Although carbon dioxide emission trading is not a factor at present, the company has reserves worth 14,300 tons, so that if trading becomes possible the switch may even produce a profit. Kawamoto said that cutting carbon dioxide emissions involved the essential business issues of reducing costs, boosting productivity, and improving quality.

4. In terms of energy “return,” Japanese carbon dioxide emissions continue to rise, both in the home and in industry. Aspects of daily life connected with INAX’s key businesses, such as heating and air conditioning, boilers, and kitchen use, make up a particularly high proportion of the total. Aware of its own responsibilities in this regard, INAX intends to contribute to carbon dioxide reductions in home and commercial use through three main activities: replacing existing products and clear display of information on carbon dioxide reductions; encouraging the reuse of waste materials; and research and development on new recyclable materials and products.

Discussion

The following points were discussed at the question-and-answer session.

- Unsurprisingly, the 60% reduction target came in for praise. One of the academics in attendance asked whether there had been no resistance within the company to such ambitious plans. Kawamoto admitted with a wry smile that he had been shocked by the idea when it was first put to him. “I said to them, ‘Are you sure? Are you really sure we can do this?’” But the issues were discussed with an environmental strategy committee including a number of experts, and in the end the project was given the go-ahead.

- “Such a bold move may be easy enough for the founder of a company to make, but it is not so simple for a listed company. How did the company encourage such high levels of environmental awareness among its core workers?” one of the academics asked. Kawamoto said the company did not have any particular education or training system in place. Instead, management aimed to maintain close communications with employees in the workplace. “We are always asking ourselves what a company should be. What a good company should look like, and because of this I think the importance we assign to our corporate ideals is something that everyone who works for the company is aware of.”

- As regards technology transfer overseas, Kawamoto said that water-conservation technology in Japanese toilets was highly advanced and reliable compared to overseas products. These products were a key component of INAX’s overseas strategy and did good business, and the company was confident that they would be successful in the future. However, Kawamoto admitted that cultural differences made it hard to break into overseas markets at present. “Japanese products struggled to penetrate the US market at first— even TOTO. Japanese products only really took off after the introduction of water conservation regulations, when they won praise for their superior performance levels.”
Bottom of the Pyramid business plans, which attempt to tap the less affluent as a new market, are attracting a lot of attention. On the subject of business in the developing world, Kawamoto revealed that INAX had more than half of the Vietnamese market for flush toilets. “But there are other options, such as composting toilets, and we are looking into alternatives to water-based sanitation methods that may not be as common in Japan.” The company also works in Vietnam with the NGOs “Save the Children Japan” and “Bridge Asia Japan” to provide education on water resource use. There were questions from the corporate participants about the connection between carbon dioxide reductions and the company’s investment plans. “Whenever we consider investing in something, we ask how the investment will contribute to carbon dioxide reductions,” he said. “If they can’t demonstrate a positive effect, the investment will not be approved.”

Conclusion

Well known for its commitment to environmental issues, INAX is based in Aichi Prefecture. In 1992, the company announced plans to eliminate industrial waste and achieved this aim at the end of 2000. The company’s philosophy and corporate ideals were inspired to a large extent by Terutz Ina, who changed the company’s name from Ina Seto to INAX in 1985, and established a new corporate philosophy based on the five principles known as the INAX 5. The current president is still young, but has clearly inherited the corporate DNA. With Nippon Keidanren (Japan Business Federation) proving less than enthusiastic about efforts to reduce greenhouse gas emissions, a powerful force like this in the regions is just what is needed.

(By Katsuhiro Harada, deputy examiner and secretary general)
Toshihiko Goto, chief executive of the Sustainability Forum Japan, was invited to Nikkei Inc. as a guest speaker on December 21, 2009, where he gave a lecture titled “Environmental Issues and Innovation.”

Lecture Summary

1. "Innovation for Sustainability": Basic Policy Recommendations
The Sustainability Forum Japan put together a template for companies to use when drawing up their own "Innovation for Sustainability" basic policies. Individual basic policies are designed for each company in line with environmental and biodiversity policies; the hope is that companies will adhere to these policies and provide details of their efforts via CSR reports and the Internet.

The wide-ranging negative effects of modern civilization include global warming, the destruction of ecosystems, the depletion of natural resources, and the spread of poverty and present a genuine threat to human survival.

2. Climate change measures should not be seen as obligations or limitations. The present moment represents a major shift in the socioeconomic system and should be seized as a magnificent business opportunity. This is an ideal opportunity for companies to distinguish themselves from the competition. Companies that remain stuck on the attitudes of the past will be overtaken by competitors and may even struggle to survive. In Europe and the United States, it is common knowledge that climate change represents a business opportunity. It is essential to keep this in mind.

3. To make the most of this opportunity, it is essential to create an environment in which innovation can thrive. Japan is often described as a country with advanced environmental technology, but is this really true? Unfortunately, with the exception of certain companies and certain business sectors, it is nothing more than an illusion. It is not enough to wait for the government to act. It is essential to use the Green New Deal to establish a new corporate direction. This calls for innovation—but what does innovation mean in this context? Innovation is not simply the invention of new technology, but involves new ideas and the creation of new values with social significance—a spontaneous and wide-ranging shift affecting people, systems, and society, which will bring major social changes.

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4. A survey carried out on readers of the environmental and social reports featured on the NTT Group’s Kankyō eco web portal in December 2006 revealed some interesting findings. In response to the question, “Do you support Prime Minister Hatoyama’s international pledge to reduce Japan’s CO2 emissions by 25%?” 60% of respondents answered yes. Support was particularly high among the over-fifties, with 72% expressing support. To the question “Were you aware that Japan lags behind other countries in terms of its environmental policies?” 47% said yes. In response to the question, “Do you think Japan should aim to fulfill the Hatoyama administration’s 25% emission cut pledge, or do you agree with economic groups who claim the pledge places too great a burden on families and businesses and that the target should be reduced to a more realistic level?” 49% took the former position, and 20% the latter. Together, a total of 56% supported efforts to build a new socioeconomic model based on innovation.

Discussion

The following points were discussed at the question-and-answer session.

- Many members are responsible for CSR projects within their companies. One representative asked bluntly: “In the past, this kind of thing was normally kept separate from CSR in discussions of the North-South divide. But you are telling us that the North-South divide has the same roots as climate change and biodiversity issues. It seems difficult for companies to get involved—how should we think about it in concrete terms?” Mr. Goto responded from two angles. One problem was child labor in the supply chain. Some managers defended this by saying, “What’s wrong with kids helping out their parents?” The truth was that exporting cheap goods by paying low wages meant a drop in domestic employment. In fact, working children were deprived of an opportunity to get an education, reinforcing the cycle of poverty.

  The second thing to consider was Bottom of the Pyramid schemes, which aimed to solve social problems through business. Increasing attention was being paid to the capacity building and technical support that companies could provide, on the grounds that aid alone would never eliminate poverty. The Ministry of Economy, Trade, and Industry was paying close attention to the little-known worldwide activities of companies such as Ajinomoto in this regard.

- There was a question from one of the academics in attendance about emissions trading and the cap and trade system. Although some companies were willing to push forward with innovations, the social system was not backing up these efforts. In response, Mr. Goto said that it would be preferable for national targets to be drawn up, as was the case in Europe, but Japan lagged behind in this respect. Instead, he urged individual companies to formulate their own “Innovation for Sustainability” policies. One participant suggested that companies would be reluctant to provide environmental technology to the developing world for no reward. Mr. Goto said one possibility would be for the government to purchase intellectual property from the copyright owner first before passing it on to people in the developing world.
• There were also questions relating to Prime Minister Hatoyama's plans to reduce CO2 emissions by 25% from 1990 levels—a controversial subject in the business world. Wouldn't those proposals cause production difficulties for Japan's steel and automobile industries? Mr. Goto's response was unsympathetic to such concerns. "The steel industry builds blast furnaces in China and Brazil, only to pull out as soon as there is a downturn in the economy. One wonders how seriously they are taking their efforts. Other sectors of the economy are all doing their part. How does the industry feel about being responsible for 40% of all Japan's carbon dioxide emissions?"

• Mr. Goto was asked for his opinions on the COP 15 summit that had just ended in Copenhagen. He summarized his views as follows: "From around September, the experts were saying it was unlikely that a political agreement would be reached. And in October I too thought the same thing. It all went according to the script." Regarding the United States, Mr. Goto said that President Obama had little international bargaining power and was hamstrung by Congressional opposition. But his analysis of the situation was that "America seems to be serious about getting something done. I think they mean it when they talk of finalizing an agreement next year." He took an optimistic view of Japan's aims to cut carbon dioxide emissions by 25%, saying that it "came with conditions." He emphasized that the most important thing was to achieve an 80% reduction by 2050, and that innovation was essential to make this possible.

**Conclusion**

This was an eloquent talk from an authority in the environmental field, although the large number of specialist terms made it somewhat difficult to follow in parts. "Nippon Keidanren [Japan Business Federation] is certainly a problem, but the media don't help either by focusing constantly on the financial burden of the cuts." Mr. Goto said, turning a critical eye on the editorial stance of the Nikkei newspaper. One had to admit that he had a point.

(By Katsuhiro Harada, deputy examiner and secretary general)
Yukie Osa, chairperson of the Japan Platform, was invited to Nikkei Inc. as a guest speaker on January 14, 2010, where she gave a lecture titled “Japan Platform: Collaboration between NGOs, business, and government.”

Lecture Summary

1. How the Japan Platform Operates

The Japan Platform (JPF) was founded in August 2000 to improve Japan’s ability to deliver emergency humanitarian assistance through NGOs, the government, and private enterprise. Until this date, fundraising would often start only after an emergency situation—a flood of refugees or natural disaster—had already occurred. For this reason, Japan’s NGOs lagged behind their counterparts in the West. The JPF was founded at the suggestion of Kensuke Onishi, CEO of Peace Winds Japan, on the occasion of the Kosovo crisis in 1999. The JPF made it possible to build up a pool of funds to support initial response activities, so that NGOs could be ready to fly out of Narita the day after a disaster hit. Previously, humanitarian aid depended on a vertical relationship between the government (the Ministry of Foreign Affairs) and NGOs; this was now expanded into a horizontal network that included other stakeholders such as the business community, academia, and the media. One of the characteristics of the organization is therefore that it is representative of the whole of civil society. The board was initially made up largely of NGO representatives, but today it also includes figures from the business world, academia, and the media, among other sectors. Thirty-two NGOs are involved in the platform.

2. Achievements to Date

The JPF has donated a total of ¥10.6 billion in aid, spread across some 473 projects. The biggest projects have been the 2004 Indian Ocean tsunami and relief projects in Iraq and Afghanistan. The platform is also active in Sudan, Sierra Leone, and Peru. A decision has been made to send assistance to Haiti in the wake of the recent earthquake in that country. In terms of funding, 317 of the platform’s projects to date were carried out with government funding and 156 with private sector funding (a ratio of roughly two to one). When the actual amount of funding is considered, however, the extent of the platform’s reliance on government funding becomes clearer, with government money exceeding private funding nine to one, by ¥9.4 billion to ¥1.1 billion. This is not true across the board, however: funding for natural disasters such as earthquakes, floods, and droughts that attract wide concern from the private sector was almost equally divided between the public and private sectors. But the private sector was much more hesitant to lend support in cases such as refugee situations arising from armed conflict, where political factors were involved. In these cases it was necessary to depend on the government for 100% of funding.
3. **Collaboration with Businesses**

In the past, most corporate charitable donations went to the Japanese Red Cross. Recently Nippon Keidanren (the Japan Business Federation) and other groups have changed their approach so that individual companies can now choose between the Red Cross and Japan Platform. As a result, new funds are beginning to come in. Corporate assistance falls into one of four patterns: services (assistance with shipping, air freight, communication networks, financial services, and storefront fundraising), human resources (participation in management), materials (supplying products at no cost), and financial assistance (to cover project and administrative costs).

4. **Advantages and Challenges**

A major advantage of the platform is the fact that 32 different NGOs are involved, making it easy for the donor to deal with NGOs as a body rather than having to fix on an individual organization. Many different types of partnership are possible, with the JPF secretariat playing a coordinating role. The biggest issue to be addressed is the platform's continuing dependence on government funding: the goal of making government and the private sector equal contributors has been only partially achieved so far.

**Discussion**

The following points were discussed at the question-and-answer session.

- The opening salvo came from Examiner Takenaka. The idea that the private sector should share the burden of public services sat well with the aims of GSR, but if 90% of the JPF's funding comes from the government, wouldn't it be better to become affiliated to a government organization such as JICA? This would cut down on overheads and would also bring access to more on-the-ground information from overseas. In response to this natural query, the JPF side argued persuasively that "in the case of natural disasters the public and private sectors should work together." Although until recently the only real options were the Japanese Red Cross and UNICEF, there is no shortage of people prepared to support Japan's NGOs. The problem is situations of war and armed conflict, where for the time being there is no alternative but to rely on the government for funding. The platform hopes to change this situation in the future. Government money is crucial in providing the necessary support for initial responses and thus helps to put private-sector money to good use. NGOs are also active in areas such as North Korea where it is difficult for the government to operate.

- There was a practical question from a representative of a company that donates to the JPF. "When you donate to individual NGOs, you are never sure how effectively the money is being used. On that point, the JPF is reassuring. But when the Sumatra earthquake hit, there was considerable debate within our company about whether to donate to the JPF or the Japanese Red Cross. It was hard to decide between the two. What would you say the main selling points of the JPF are?" Osa responded by underlining the characteristics of the JPF."With the
Japanese Red Cross and the Japan Committee for UNICEF, decisions on how money is used are taken at head office, so it is impossible to trace where it goes. The JPF works exclusively with Japanese NGOs and is responsible for visiting supporters and explaining where the funding goes and what it is used for.

- Another company commented that “regarding the situation in Haiti, the Japanese Red Cross responded more quickly. The Japanese Red Cross also has a well-known image of safety and reliability. The JPF doesn’t have a well-defined public image. Wouldn’t it be better to work on improving name recognition?” Also, “companies are beginning to show greater concern about global poverty through CSR and bottom-of-the-pyramid business schemes. Isn’t it a bit out of date to ask companies to contribute to society simply by donating money to charity? We look forward to seeing NGOs do more to respond to these new developments in future.”

- Finally, there was a comment noting the importance of university education and concept leaders in moving toward a mature civil society. The JPF representatives added to this by making some strong criticisms of the media and its focus on readers as consumers. “The media in Japan only ever report on our activities sporadically and in isolation. The media should provide readers with information about disasters, famines, and poverty relief as part of regular news, as happens in the West.”

**Conclusion**

The subject of the talk and the vivid accounts of work in the field were extremely timely in the wake of the massive earthquake in Haiti. This marked the first appearance of an NGO speaker at the study group, and there had been worries about how members would react. As it happened, there was a high level of interest in the talk, led by Examiner Takenaka, and some lively debate during the question and answer session. According to the JPF representatives, no fewer than 11 of the 15 companies taking part in the group had supported the JPF in the past. This came as a pleasant surprise. The comments on the media’s stance were less pleasant to listen to, but as close followers of NGO activities we were grateful nevertheless for the candor of the comments. There is certainly room for improvement in the way we cover groups like JPF.

(By Katsuhiko Harada, deputy examiner and secretary general)
Jerry O’Brien, deputy division chief of the Office of Development Partners/Private Sector Alliances at the US Agency for International Development (USAID, Washington), and Michael Silberman, FDO regional alliance builder of the USAID Regional Development Mission/Asia Office (Thailand), were invited to discuss the GDA (Global Development Alliance) under the theme “Public-Private Partnerships in the United States” at the GSR Study Meeting, which took place at Nikkei Inc. on February 5, 2010.

Summary of Mr. Ogai’s Lecture

1. Role of USAID, the world’s largest aid organization
With offices in 86 countries around the world, the US Agency for International Development (USAID) is the world’s largest development assistance organization. Until now, the organization’s interest—if talking about coffee, for example—was focused on the coffee beans and the farmers who grow them. In other words, the “market” was completely ignored. In terms of official development assistance structure, USAID is akin to the Japan International Cooperation Agency (JICA), working for poverty reduction and development.

2. Promotion of public-private sector alliances
Working together with private-sector partners in a “co-conor” arrangement, USAID provides funding to organizers (NGOs or consultancies) that carry out projects in developing countries. From the perspective of private-sector companies, there are two motivating factors: corporate social responsibility and market opportunity. The first involves making alliances while placing emphasis on core businesses for the sake of PR and establishing goodwill. The second factor offers the benefits of an alliance with USAID to reduce risk, or to make it easier to access difficult-to-reach markets, everything from coffee to hotels, in developing countries.

3. The roles of the alliances
Alliances are formed with partners because business interests and the goals of USAID overlap in part. Opportunities can be found in areas where core business and development aims overlap, resulting in strong partnerships. For example, it takes 3 liters of water to produce 1 liter of Coca-Cola. Twenty-five percent of the countries in the world face water shortages, and it is not
possible to buy up rivers. Measures that span everything from national-level water policies to household water usage are necessary for a company to obtain clean water just like an ordinary citizen; a single company cannot do anything on its own. This makes the success of water programs promoted by USAID vital, and so alliances are formed. If Microsoft, for example, wants to sell its products in a developing country, it may face the challenge of low literacy among the young people in that country, making them unable to use the products. In this case USAID would put together a curriculum for training teachers locally and teach them. In the long term, the children educated by them will be Microsoft’s next generation of customers.

4. Features of public-private partnerships
   1. Problems are identified and resolved by both parties together.
   2. Resources, risks, and responsibilities are shared.
   3. Innovations can result from the difference of opinions and perspectives.
   4. Both parties view the concept of investment as encompassing all necessary resources to be directed toward an issue, not only monetary funds.

5. Expectations of USAID and private-sector resource provision

   USAID is expected to provide introductions to national and state government agencies in developing countries, as well as networking, funding, and dependability. Private-sector companies provide market knowledge, funding, supply chains, technological expertise, and services.

Discussion

The following points were discussed at the question-and-answer session.

- BOP (Bottom Of the Pyramid) schemes are a big topic in Japan right now. Mr. O’Brien said: “BOP is a business strategy for companies to open up new markets.” He noted that “it’s just one approach to development,” going on to explain that USAID does not use that terminology. “BOP can be a plus on the development side, but it can also have no effect at all.” Mr. Silverman gave several examples of situations where companies succeeded in BOP schemes with USAID assistance, such as a soap maker teaching women to wash their hands and a farming equipment maker providing maintenance training and lending funds to buy machinery. It was also pointed out that BOP efforts can rouse the entrepreneurial spirit.

- The members in attendance caught their breath at the unexpected explanation that companies from all over the world, including Japan and Europe, and not just the United States, are welcome as partners. In response to a question about forming partnerships came the explanation that matters are decided on a case-by-case basis. One company might go to USAID headquarters in Washington for a consultation because they “want to do something in Angola,” but there could also be a company that has dealings with the local USAID office in
Rwanda that wants to discuss a specific idea. USAID is looking for private-sector companies whose approaches are in line with its development goals; sometimes it approaches companies, but at other times it waits for applicants. Sometimes it is project organizers, rather than USAID, who seek out companies, or it can be the other way around, with companies approaching organizers.

- Either way, it appears that there is a line of demarcation with companies. It was clearly explained that “USAID and private-sector companies provide resources to organizers as co-donors. We don’t give money to companies, to say nothing of exclusive contracts and the like.”
- Either way, it appears that there is a line of demarcation with companies. It was clearly explained that “USAID and private-sector companies provide resources to organizers as co-donors. We don’t give money to companies, to say nothing of exclusive contracts and the like.”

**Conclusion**

There were worries at first about how it would turn out having guest speakers from abroad for the first time, but their presentations were even better than expected and very well received. Their content is even more interesting when compared to the talk given by Takayuki Ogai from JICA’s Office for Private Sector Partnership, the guest speaker at the fifth Study Meeting. For USAID also, it was a welcome opportunity to exchange opinions with and answer questions from representatives of leading Japanese companies. We were also very glad to have John A. Beed, director of the USAID/Tokyo office in the US Embassy, in attendance, and we would like to thank him for taking time out of his busy schedule. In the opening remarks, Mr. Beed noted: “No matter how much Japan or the US increases ODA, that alone is not enough to address the global issues of poverty, climate change, and food supply. Therefore, USAID is looking for ways to obtain resources from the private sector, encourage competency and innovation, and tackle problems in this era of globalization.” The Global Development Alliance (GDA) was established in 2001. In this regard, Japan is about a decade behind, but it is not too late. Hopefully this study meeting will open up new horizons for companies, starting with JGER corporate members, and Japan as a whole, to provide assistance and pursue business opportunities in developing countries.

(By Katsuhiro Harada, deputy examiner and secretary general)
On February 18, 2010, Nikkei Inc. invited Bill Drayton, founder and CEO of the nonprofit organization Ashoka: Innovators for the Public, as a guest speaker. In his lecture, titled “The Role of Social Entrepreneurs in Global Governance,” he talked about social entrepreneurs and global change.

Lecture Summary

1. Global change
The world changes at astounding speed, and in recent years the pace has only accelerated. Several hundred individuals worldwide are driving these changes. Ten years ago, technology was the leading factor for success among entrepreneurs and states; natural resources were also a source of competitive advantage. Today that power rests in the hands of so-called changemakers, and it is vital for cities and corporations to foster environments that make it easy to implement change. Failed cities like Detroit have missed out on this transition, while Silicon Valley, with its large concentration of changemakers, has achieved success.

2. Turning All Team Members into Players
The conventional notion of a small number of leaders making decisions and directing other individuals is no longer effective. Now it is important that all team members be active participants; in other words, each and every one must become a changemaker. People today need to acquire altogether different skills than those they relied on in the past. In the area of education, for example, it is not enough for students to learn by rote. Young people must acquire people and social skills. Those who cannot empathize with others’ psychological anguish will be marginalized.

3. The Frontline for Social Entrepreneurs
Where do social entrepreneurs fit within these changes? It is sometimes essential to give people a fish so they can eat for a day, as the saying goes. Next it becomes important to teach them to fish, equipping them to provide for themselves. But to increase the velocity of change we must alter the very means by which these fish are caught. Social entrepreneurs are going to change the conventional methods and patterns throughout all sectors. They will become essential not only in steel companies and electronics manufacturers, but in such fields as education and development as well.
4. Examples of Social Entrepreneurs

Mary Gordon is an Ashoka fellow from Canada. Gordon perceived that negative methods of communication had become entrenched in Toronto schools. Fearing that terrible consequences would result if nothing were done, she endeavored to change the way children communicate. She placed a baby wearing a t-shirt with the logo “Professor” atop a blanket, and asked first- to third-grade children to figure out “what the little professor is trying to say, and what he’s feeling.” Four years later, her methods have been adopted by 2,000 schools in five countries, and the proportion of children to suffer bullying in Canada has fallen.

5. The Ashoka Advantage

There are 2,700 Ashoka Fellows in some 70 countries around the world, each possessed of the strong conviction that they are going to change the world. Ashoka’s primary strength is its creation of a network to assist them and steer them toward success. An investment in social entrepreneurs is an investment aimed at social change.

Discussion

The following points were discussed at the question-and-answer session.

- As Mr. Drayton had just met with Prime Minister Yukio Hatoyama, questions were initially directed at the content of their discussion. According to Nana Watanabe, who had also been present at the meeting, “Mr. Drayton’s assertion that ‘All team members will become changemakers, rather than many people following a single leader’ is analogous to Prime Minister Hatoyama’s concept of a society in which citizens are active players. The important thing is empathizing with others’ pain. Those who lack this skill cannot become team players. Mr. Drayton’s assertion that education should be initiated toward this end also resonated with the prime minister.”

- Mr. Drayton visited India before coming to Japan and is an admirer of Mahatma Gandhi. When asked why he visited India, he replied, “My involvement in the civil rights movement during my youth eventually led to an interest in Gandhi. Thanks to Gandhi’s methods, many people have been able to choose the right path. The power to empathize with others’ pain helped steer the civil rights movement to victory.” Mr. Drayton visited India as a student, and there it occurred to him that fostering the ideas of social entrepreneurs would result in changing the future and the world. This is what led him to found Ashoka.
• A university instructor commented, "In Japan, the government is strong and civil society weak. The result is that the public is not motivated to action. Many students are inclined toward social entrepreneurship, but they end up going to work for corporations after they graduate." Drayton responded, "Today's adults would themselves have been changemakers if only the groundwork had been in place for them. Today's young people can become changemakers if that environment is there. This is what will determine whether future generations follow the same path as those who came before or opt for a different course."

• From the corporate side came this question: "Muhammad Yunus, founder of Grameen Bank, holds that social entrepreneurs do not make profits. Is it acceptable for a social entrepreneur to make large profits? Is it okay to earn a high income?" Mr. Drayton said that it depends on the field, elaborating, "Profits are not generated in human rights, for example, but they are in other areas. Compared with the past, remuneration for social entrepreneurs is approaching corporate levels, since the principle of competition also applies to the nonprofit sector and productivity is improving. We have entered the era of a high-quality hybrid between 'profit' and 'nonprofit.'"

Conclusion

Bill Drayton, renowned as the "father of social entrepreneurship," is one of America's most outstanding guiding forces. In 2000 he received an honorary doctorate of humane letters from Yale University, the same honor conferred to Dr. Martin Luther King Jr., and US President John F. Kennedy. Some say that he will also one day be awarded the Nobel Peace Prize, so it was no surprise that his symposium in Japan was a resounding success. In order to make time for the lecture, Mr. Drayton cut short the meeting in which he offered his advice to Prime Minister Hatoyama regarding his "new concept of public service." It need hardly be said that his lecture was full of profound suggestions; yet Mr. Drayton himself is quite modest. It was particularly impressive that he made time after his lecture to exchange business cards with each and every member in attendance.

(By Katsuhito Harada, deputy examiner and secretary general)
The Role of Corporations in Tackling Global Issues

We have entered an age in which corporations face the question of how to live up to their “global social responsibility,” or GSR, with regard to shared global issues like climate change, food shortages, and the spread of infectious diseases. On June 1, 2009, the Nikkei Inc. and the Japan Center for Economic Research held the first Nikkei GSR Symposium to address the topic “Sustainable Growth: The Role of Global Corporations.” The symposium, which took place at the Nikkei Hall in Otemachi, Tokyo, served as a forum for lively discussions on this topic.

Keynote presentation
Global governance and the role of corporations

The need for a framework that fits the times

Heizo Takenaka

Two changes in progress in the world

While the reform process in Japan has gone into reverse, elsewhere in the world it is moving ahead rapidly. Various changes are occurring, but they can be boiled down essentially to two that are transforming the way the world works. The first is globalization. People and corporations of every sort are now crossing national boundaries and operating globally. As a result, we are encountering problems that cannot be solved within the existing framework of governance predicated on operations limited to single countries, such as the financial turmoil that has occurred on a global scale. The second change is the digital revolution. Digital technology has greatly changed our social arrangements, creating a world of “zero marginal costs” (meaning that producing an additional unit costs nothing), something that is unimaginable under traditional economic theory. This leads to a situation in which the “convenience theory” that was formerly accepted does not apply: The corporation that is largest in scale keeps getting more efficient, and other firms find it hard to catch up, however they may try. In other words, it is a “winner takes all” sort of world. And as the world has been undergoing these two changes, we have seen the emergence of a “global agenda”: a new set of major issues requiring attention and solution at the global level.
New rules for tackling the issues

The biggest issue is that of the global environment. This differs from earlier environmental issues in that we are all both perpetrators and victims. The countries of the world must continue to cooperate and work to improve the situation through undertakings like the Kyoto Protocol, but more than that is necessary. Another important issue on the global agenda is poverty. It had been hoped that, with financial assistance and technology transfers, it would eventually be possible for the developing countries to escape from poverty and achieve economic progress. But we now find ourselves in an age in which this convergence theory does not apply; it is feared that impoverished countries will end up becoming more and more impoverished.

I would like to cite the financial order as one issue on the global agenda. We often hear people saying that deregulation is the cause of the financial turmoil that has set off a global downturn, but it seems to me that the real cause is the late in the creation of appropriate frameworks for control of the new financial products that have appeared in rapid succession. The freedom of finance is important, and we need to create new rules that will preserve it. What is sought now is a new form of governance that will be capable of dealing with problems of this sort. Amid the turbulence in global governance, it is not possible to create international rules just through decision making at the level of national units. The governance provided by institutions like the United Nations, the International Monetary Fund, and the World Bank is important, but this alone has proved to be inadequate.

The corporation as a social entity

Private-sector corporations have played an important role historically in the processes of building the existing framework of global governance and of achieving economic development in Japan. Corporations are the object of great expectations, because they have resources that can be used to solve problems, such as people, goods, money, and technology, and are themselves operating globally. Japanese corporations in particular should recognize the magnitude of the expectations directed toward them and actively tackle the global agenda. The role that Japanese corporations should play is something that needs to be fully discussed now as never before.

A corporation is the property of its shareholders, but it also exists as a social entity—an entity that is expected to contribute to society. In order to contribute to society, a corporation must solidly make profits. We are in an age in which corporations face strong demands for achievement of two objectives at the same time: the public objective of contributing to society and the private objective of securing profits. Japanese corporations face great expectations in the area of social contributions, but there are fears that the basic prerequisite, their ability to earn profits—in other words, their competitive strength—is weakening. I want to see Japanese corporations build up powerful competitive capabilities and move on to contribute even more actively to society.

Winston Churchill is quoted as having said: “It is a socialist idea that making profits is a vice. I consider the real vice is making losses.” Making profits and contributing to society—these are two challenging tasks that I hope Japanese corporations will tackle energetically.
Efforts by corporations

Tapping Japan’s strengths and working with other countries

Shun’ichi Murata

Moderator: The theme for our discussion today is “Possibilities for Global Corporations: Ideas for Japanese GSR.” I’d like for us to discuss ways for corporations to put the resources they possess, including money, people, and technology, to work in resolving global issues. I will ask each of the panelists to make a presentation.

Murata: The United Nations is supporting efforts by corporations to fulfill their social responsibilities through their business activities. If corporations can fulfill their social responsibilities while making profits, both developing countries and the corporations themselves can benefit. This approach is now attracting global attention.

The United Nations is calling on everybody, including those in the public sector, to act in order to achieve the Millennium Development Goals, which include the reduction of poverty, protection of the environment, and improvement of public health by 2015. These MDGs are goals shared by the international community, and contributing to their achievement will not only allow enterprises to fulfill their social responsibilities as global corporations but will also enhance their global reputation and create an environment facilitating cooperation with national governments and civil society.

The United Nations Development Program is tapping the rich store of knowledge it has gained from its activities in 166 countries around the world to support businesses that contribute to the achievement of the MDGs. In 2004 we launched the Growing Sustainable Business initiative, through which the UNDP is directly intermediating between corporations and developing countries. So far we have supported moves by seventy-five corporations to set up operations in developing countries in fields including agriculture/food and telecommunications. I strongly urge Japanese corporations to take advantage of this initiative.
The markets of developing countries are expanding year by year, but they still have many development-related issues to deal with. Japanese corporations have top-level technologies and products that can contribute to the solution of these problems. I hope to see Japanese corporations adopt a global viewpoint and undertake business and CSR [corporate social responsibility] activities that tap their strengths.

Management for the creation of added value

Toshio Arima

Arima: The proper nature of the global corporation is now being questioned from the viewpoint of corporate management. Recovering trust and undertaking a healthy form of globalization have become important issues for corporations.

It has become essential for Japanese corporations to cope with changes in megatrends, the demographic shift to an aged society with a low birthrate, globalization, and the spread of information technology. They must reform their management so as to create added value through the integration of their strengths in making goods with the provision of solutions and services.

The United Nations’ Global Compact embodies the vision and ten principles set forth by then UN Secretary General Kofi Annan at the Davos conference [World Economic Forum] in 1999. Mr. Annan’s ideal is summed up in this statement: “Let us choose to unite the power of markets with the authority of universal ideals. Let us choose to reconcile the creative force of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations.”

The Global Compact has secured the participation of some 6,800 companies, nongovernmental organizations, universities, and public-sector organizations in over 80 countries, and it is undertaking initiatives transcending national borders. It has local networks at the national level, and Japan is also undertaking activities through subgroups within the Global Compact Japan Network.

Issues for the future are the small number of Japanese corporations participating—only 88—and the inadequate level of their participation in global initiative activities.
Playing a Role in Promoting Coexistence with the Environment

Nobuo Seki

Seki: Our company is an integrated engineering enterprise established in 1943 that carries out construction of high-value-added plants in various fields, including petroleum, gas, chemicals, and the environment. Recently we have been devoting efforts to the construction of plants for liquefied natural gas, which has been identified as the prime clean energy among fossil fuels. We are now undertaking a large-scale LNG project in Qatar; it is a global undertaking, with some 75,000 people from 86 countries working on construction at the site.

We have aimed to be number one in reliability as an engineering company that can be counted on in terms of technology, business, and corporate management. We have also worked hard to construct practical systems relating to our corporate code of behavior. For example, our “Cold Eye Review” system provides for the checking of our work in terms of legality, finance, and technology through dispassionate inspection by pairs of third-party eyes. Also, in addition to ordinary provisions for risk management, we have built a crisis management system to initiate appropriate responses to emergency situations.

In 1973 we published a pamphlet titled “21-senki e no isan” (Legacy for the Twenty-first Century), declaring our commitment to the environment: “Preventing pollution is the mission of an engineering company.” We intend to firmly fulfill our role as an engineering company, creating jobs in countries around the world, transmitting technologies by training people, and aiming to
The Importance of a Strategic Agenda
Heizo Takenaka

Moderator: Mr. Takenaka, what are your thoughts after hearing these three presentations?

Takenaka: The panelists cited problems from their respective standpoints. Mr. Murata pointed out that it is possible to combine profits and social contributions and that it is important to have a “win-win” relationship between developing countries and corporations. Mr. Arima noted the importance of promoting healthy globalization and the need for a framework for this purpose. And Mr. Seki spoke of the need for a global perspective. I was impressed by his phrase, “coexistence between human beings and their environment.”

Among Japanese corporations that have set up operations overseas, we find many cases in which they have good reputations inside their plants but have not won sufficient understanding or recognition from the local communities. This may be related to the Japanese mentality, but it is a point that has been noted frequently with respect to Japanese corporations. I belong to the Foundation Board of the World Economic Forum, which organizes the Davos conferences, and I would note that the profile of the Japanese corporations participating in these conferences is extremely low. Few Japanese CEOs attend. It seems to me that unless corporations use opportunities of this sort to transmit information, they will not be able to fulfill their global responsibilities.

What is important is to turn slogans like “win-win,” “healthy globalization,” and “coexistence between human beings and their environment” into strategic agenda items. We need to see action with a strong impact that will serve as a trigger for realization of these goals.
Panel discussion
Possibilities for Global Corporations: Ideas for Japanese GSR

Business and Social Contributions

Moderator: Please offer your thoughts on corporations’ role in combining business with social contributions.

Seki: Success through collaboration
When undertaking business around the globe, three points are always mentioned in connection with local operations: job creation, technology transfer, and human resources development. Our company’s plant engineering operations fulfill the responsibility of meeting these demands. In order to achieve success in carrying out challenging projects, it is essential for those involved to respect each other and to have a spirit of treating people with care; the key is collaboration based on proper communication.

Moderator: Western companies seem to be doing well at incorporating the Millennium Development Goals and such into their management.

Murata: GSR as an integral part of corporate strategies
Japanese corporations are undertaking globalization, but in order to operate successfully in developing countries, they need to build business models that match local people’s lifestyles. Also, Japanese corporations should take part in the process of making global rules. I hope they will promote their GSR activities as an integral part of their corporate management strategies, making effective use of the resources of UN agencies and civil society.
Arima: Incentives to accelerate activity

In tackling the issues they face, such as preservation of the environment, corporations must be ready to set high goals and take action. Our company has announced its own goal for reduction of carbon dioxide emissions by supporting the reform of workstyles. We see the possibility for creation of business opportunities through the development of technologies and systems.

The governments of a number of European countries have announced CSR strategies as national policies. I believe the provision of incentives will work to accelerate activity.

Moderator: How about the role of Japanese corporations?

Takenaka: Expectations for the tapping of corporate resources

We face new problems requiring solutions—a global agenda—but we lack the framework of global governance needed to provide the solutions. Japan has great amounts of the resources required for this purpose, namely, technology, people, and capital. It is important to start a national movement, and I would like to see Japanese corporations, which have the most resources, take the lead in this respect.

Moderator: The idea of the corporation as a social entity has taken hold, but Japanese corporations are lacking in global perspective. They have many resources for GSR; this is one of the messages of today’s panel discussion.
The Increasingly Important Role of Corporations in Tackling Global Issues

Discussions about “Cooperation by Corporations with the United Nations and NGOs in Addressing Global Problems”

In order to fulfill their global social responsibility (GSR), it is important for corporations to work in cooperation with other actors, including international institutions, nongovernmental organizations, and others in dealing with shared global problems like climate change, food shortages, and the spread of infectious diseases. The Nikkei Inc. and the Japan Center for Economic Research held the second Nikkei GSR Symposium in Tokyo on October 29, 2009, which served as a forum for lively discussions on the topic of “Cooperation by Corporations with the United Nations and NGOs in Addressing Global Problems.”

Keynote presentation I

Contributing through our business, supporting the fight against malaria

Hiromasa Yonekura

Now that we are confronting a global economic crisis, the moves by the international community to achieve sustainable development, such as efforts to deal with poverty and the problems of the global environment, have reached a very difficult juncture. In order to deal with poverty, it is important for us to promote the achievement of sustainable economic growth by the developing countries through the use of technology and the development of human resources. But in the regions suffering the most extreme poverty, it is first necessary to secure a minimum standard of living. Flexible, strategic support is required for this purpose.

Malaria causes 1 million deaths each year in Africa, and it also causes many poor people to lose their jobs and fall even deeper into poverty. Our company, using its own technology, developed the Olyset mosquito net, which is effective in preventing the spread of malaria. The net retains its insecticidal effect for five years, and it has been endorsed by the World Health Organization. We expanded the supply of these mosquito nets, joining in the activities of the WHO against malaria and working in tandem with national governments and others. Also, we promoted the
creation of job opportunities and the development of local economies by providing the technology free of charge to an African company and having the nets produced locally. This represents a realization of the business spirit of the Sumitomo Group, according to which our business must not only serve the development of our own company but must also contribute to society. This is not a transient contribution activity; we are working to secure profits so that the business can be continued, and we are using a portion of the profits to support education in Africa.

The problems of poverty and climate change are important topics that cannot be put off until the future. The international community must cooperate in building systems for sustainable social development. For the corporation, deepening cooperation with governments and international institutions and actively working toward the solution of global problems by tapping its technology and wisdom is a duty as a member of the international community—and it is also essential for the corporation’s own sustained development.

**Special dialogue**

**Using corporation’s technologies for large-scale support**

**Jeffrey Sachs**

Tokunaga: I would like to talk about global-scale problems with Professor Sachs, an economist who has a record of many accomplishments in the field of international economics and who is also working for the eradication of poverty.

First, countries are feeling serious effects from the global downturn. How do you view the current global situation?

Sachs: The world faces various crises. It is not just the short-term problem of the financial crisis; long-term problems have also arisen on a global scale, such as the energy crisis and poverty. In particular, factors like environmental destruction, extreme poverty, and population growth are aggravating the situation.

We need to find measures to solve these problems, but there is no particular leader to show the way. We need to discuss ways in which we can cooperate to find solutions.
**Takenaka:** There is clearly a “global agenda” of problems that need to be solved on a global scale, and national governments, NGOs, and corporations must all tackle this agenda together.

We have already passed the midpoint in the fifteen-year period for accomplishment of the Millennium Development Goals adopted at the United Nations Millennium Summit in the year 2000. Some results have been achieved, but the fundamental problems have yet to be solved.

**Sachs:** The Millennium Development Goals set eight targets for the international community to strive toward. One of these is the eradication of extreme poverty. As a model of GSR activities contributing to this goal, I would like to introduce the activities of Sumitomo Chemical in support of the fight against malaria.

This company developed a mosquito net effective in preventing malaria, and in cooperation with a nonprofit organization working to eradicate poverty, it contributed 330,000 of these nets. This resulted in a sharp decline in the spread of malaria. The US and Japanese governments subsequently provided large amounts of financial support.

This case is symbolic of the significance of GSR activities: A corporation demonstrated the value of its superior technology as a means of solving a problem in a concrete form, and this produced action by governments, leading to large-scale support.

**Reality-based contributions to bring hope to impoverished countries**

**Heizo Takenaka**

**Takenaka:** The global downturn has done especially grave damage to the impoverished countries, primarily in Africa. The advanced countries have not reached the numerical targets aimed at achievement of the Millennium Development Goals. I can understand that when economic conditions are tough, countries place priority on their domestic situation, but we should recognize that poor people in other countries are feeling the effects of this policy stance.

We need to take action, not just moan about the current state of affairs. For example, I believe that Japan could make a major contribution through the United Nations’ Millennium Villages project, which provides integrated development assistance on the village-unit level.
Sachs: The Millennium Villages project selects villages that are especially impoverished even in the African context and turns them into model districts, providing comprehensive assistance in such areas as agricultural technology and medical care. In Japan, the nonprofit organization Millennium Promise Japan is supporting this project. Numerous corporations have already taken part, putting their respective technological strengths to work in the project. For example, one maker of communications equipment is working to promote the spread of mobile phones, and an integrated electronics company that is in the medical equipment business is providing support so that women can give birth safely in hospitals. Support of this sort has given great power to impoverished villages and brought about change.

It is important for corporations to fulfill their social responsibilities by using technology to tackle problems. I would also like to see corporations donate some of their products. In order to show that their products function well, it is necessary first to have people try them out.

But corporations are not charities. In the end they need to recover their costs and make a profit. Once technologies are shown to be effective in dealing with problems, it is then up to governments to expand the scale of their use.

Takeoka: The Millennium Villages operation gives great hope to local people. The idea of gathering “best practices” and getting the government to move is an important one. If Japanese corporations would put together their strengths, they could generate great power.

Sachs: Supplying the technologies and products at which corporations excel can generate value many times greater than just giving money. And it should become possible for them to develop this activity into profitable businesses in the future.

Japanese corporations have a wealth of excellent technologies and know-how that they can use in practical GSR activities. Governments cannot be the leaders in solving global problems like poverty and climate change. Corporations need to exert leadership and tackle these problems.
Keeping up long-term CSR activities as a financial institution

Baek Soon Lee

The Shinhan Bank is the central institution of the Shinhan Financial Group, which is one of South Korea’s top financial organizations, comprising eleven companies in fields including banking, securities, insurance, and credit cards. Our bank has total assets of 24.6 trillion won, 947 domestic branches, and 46 offices in 14 other countries around the world.

Our management philosophy calls on us to contribute to society, and since our foundation in 1982, we have been a leader in social contribution activities within the South Korean financial services industry. In 2004 we became the first bank in South Korea to issue a corporate social responsibility report, and in 2009 we joined the United Nations Global Compact. We are striving to put CSR into practice on a sustainable basis and in a systematic, organized manner, making use of our characteristics as a financial institution.

The four pillars of our CSR activities are (1) contributions to local communities, (2) development of future generations, (3) support for culture and the arts, and (4) preservation of the global environment. In specific terms, we are providing support for those who have become alienated from ordinary financial services, whether because of payments errors, low income, or other factors. We are also working to tackle the problem of unemployment, to contribute to the development of future generations through education in finance and economics and the provision of scholarships, to protect and support traditional culture and arts, and to provide “greener finance” for preservation of the environment.

These activities are being conducted both within South Korea and in other countries, such as Vietnam, Cambodia, Uzbekistan, and China, where we have undertaken the construction of primary schools and community centers, the provision of scholarships, the dispatch of medical care volunteers, and other contributions.

In September 2009 we set up our first incorporated overseas Asian subsidiary in Japan, Shinhan Bank Japan (SEJ Bank). We hope to serve as an economic and cultural bridge between Japan and South Korea and to keep up our long-term CSR activities with roots in the community.
From an individual to a community perspective

Jamshed Irani

Global issues like poverty and inequalities cannot be solved just by the United Nations, national governments, and nongovernmental organizations, and so expectations are now being directed toward the funds, technologies, and know-how of corporations and social entrepreneurs. Some have suggested that “CSR” is a Western value; the answer to this will depend on the involvement of Asian corporations.

India was a poor country for a long time, and even now many people have to live on less than two dollars a day. That is why the idea of seeking community wealth took hold 120 years ago.

The Tata Group, centering on the holding company Tata Trust and its mother organization, Tata Sons, has kept up free and fair investment. Our investment targets are not limited to businesses but also include academic institutions like the Indian Institute of Science, a cancer hospital, a cancer research institute, and performing arts.

We also advocate a fair, equitable approach toward the environment. If we think of the skies above us as a bank called the atmosphere, we need to come up with a global agreement that will give chances to those regions that have not yet drawn on it.

Stronger technological and financial support for smaller firms

Byeong Hyo Jang

At POSCO we produce steel on the basis of our corporate philosophy that “resources are limited, creativity is unlimited.” We rank number three in the world and have an A credit rating from Standard & Poor’s.

In the area of environmental management, we are striving to improve the social environment through efforts including the transfer of energy technologies to small and medium-sized enterprises, and we are responding to climate change through innovation in technologies relating...
to carbon dioxide. We are manufacturing environment-friendly products, and we have also introduced environmental accounting and an environmental management index to support our executive decision-making. From 1973, when POSCO was established, through 2008, we invested more than 3.6 trillion won in environment-related undertakings.

We are also devoting efforts to the development of human resources: We operate twelve private schools, and we have produced more than 1,300 PhDs through Pohang University of Science and Technology. In the area of social service activities, we have been supporting the Pohang International Fireworks Festival, which is estimated to generate economic synergies amounting to 200 billion won, and our officers and employees have been taking part in community volunteer activities; in addition we provide support to low-income people and are involved in healthcare services and blood donation programs. In 2008 alone our outlays for such activities came to 127.8 billion won. And we have been strengthening our financial support for smaller firms to help them cope with the global financial crisis.

Building a disaster-resilient society with insurance

Masao Seki

—Japanese corporations have been in the limelight for their pioneering stance in the area of environmental concerns. How far have they progressed recently?

Seki:Sompo Japan Insurance is doing business globally as a corporate group offering integrated financial services centering on property and casualty insurance, such as automobile and fire insurance, and also including life insurance, asset management, and risk management. While confronting global environmental risks through our insurance business, we were the first financial institution to acquire ISO 14001 certification (environmental management standards), and we have been devoting efforts to disclosure and the development of SRI (socially responsible investment) products, such as eco-friendly funds.

Our current CSR priorities are (1) adaptation to and mitigation of climate change, (2) risk management for safety and security, (3) CSR financing, and (4) community involvement. In the area of climate change, we are focusing on using our financial and insurance capabilities with the aim of creating a low-carbon society and on building a disaster-resilient society by tapping our specialized expertise and insurance capabilities.

As one initiative in this connection, we have developed a new “micro insurance” product that provides coverage against the risk of drought in Southeast Asia, automatically paying benefits to farmers if rainfall is below a certain level. We are aiming to put this product in the market in 2010, working together with the Japan Bank for International Cooperation and Thailand’s Bank for Agriculture and Agricultural Cooperatives. The next issue on the agenda will be to turn this
for Agriculture and Agricultural Cooperatives. The next issue on the agenda will be to turn this into a bigger framework, working in cooperation with the public sector, including the United Nations, official development assistance programs, and the World Bank. As has been noted by the secretariat of the United Nations Framework Convention on Climate Change, from now on there will be increasing opportunities for tapping the strengths of the private sector in adaptation.

The United Nations Development Program is also looking at the issues of the environment and climate change as being linked to poverty. It seems that the time has come for all sectors, including corporations, to pool their energies.

Seki: The new ISO 26000 certification that that is expected to be launched in 2010 will provide guidance not just for corporations but for all organizations in tackling their social responsibilities. At the drafting stage for this standard, various actors, including governments, NGOs, and corporations, all participated in discussions on an equal footing. As was clear from today’s discussions as well, it will not be possible to solve global issues like climate change and poverty unless all sectors work together, including citizens and consumers.

Iran: Guidance is also effective in order to prevent confusion. Some think that Europe’s emission standards are too strict, but if we think of the entire world as a community, they will probably be accepted eventually.

At Tate we have put together a disaster-countermeasures group to be ready for floods and drought and established a system to support disaster recovery. We have also prepared a fund to help cover election costs so as to support clean elections without gaps between the center and the regions. From now on it will be increasingly important to have a community perspective that transcends particular interests.

Jane: ISO 26000 could turn into a new trade barrier against developing countries, but destroying the global environment for the sake of economic development is a problem for the entire human race. POSCO has been proclaiming the need for CSR activities not simply as a matter of obligation but for the sake of the development of the human race. We look at ISO 26000 from this viewpoint.

Seki: The essential nature of CSR is the same, whether in Europe or in Asia. It has to be an integral part of management, involving efforts that inform each decision that is made in the course of everyday business activities. It is efforts of this sort that are needed now in every part of the world.