

Evolution toward a Corporation for Co-Creating Social Value—Aiming for sustainable, synergetic development of society and companies—

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<Introduction>

Keizai Doyukai (Japan Association of Corporate Executives) issued the “Market Evolution and CSR Management,” which explains the theory and practice of CSR (Corporate Social Responsibility), in March 2003 and has since played an integral role in the dissemination and promotion of CSR in Japan. Since then, after experiencing the financial crisis, which emanated from the United States, and Europe’s debt crisis, out of the reflection on an extreme orientation toward short-term profits and the concerns about sustainability on a global scale in terms of environment, energy, and so forth, requests from society to companies have undergone a change on a global basis “From the pursuit of short-term profits to coexistence and co-prosperity with society.” In addition, also in Japan, as obvious from the fact that corporate endeavors, making full use of their strengths (such as technologies and knowledge) for the restoration and reconstruction of the areas devastated by the Great East Japan Earthquake and for the revitalization of Japan are attracting people’s attention, now is the time to reconsider the corporate *raison d’être*.

“CSR Management” is *management* itself. In the global age, it is essential (1) for the founder or the top executive to accurately grasp apparent or potential social issues and requests, (2) to realize an affluent society and life by providing business models and services that can make full use of the strengths of each company, and (3) to continue to create and provide new value through uninterrupted innovations; it is such corporations that win recognition from society and markets and are capable of increasing profits and expanding employment. We propose that we should strive to evolve into a “Corporation for Co-creating Social Value” that will achieve a sustainable, synergetic development with society through the above-mentioned virtuous cycle and that the management of three-sided mirror should further be well established.

* “Management of three-sided mirror”: Management that fulfills social responsibility from a medium- and long-term point of view, while attaching importance to its customers, in light of its own action reflected in the three values (mirrors), that is, not only *capital markets (shareholders)* but also *employees (employment)*, and *society*. (Please refer to “Now is the time to practice management filled with entrepreneurship” issued by Keizai Doyukai in March 2009.)

<Corporation for Co-creating Social Value that aims for a sustainable, synergetic development with society>

“Corporation for Co-creating Social Value” means *a corporation that implements innovation and value creation through the collaboration with its stakeholders and achieves a sustainable, synergetic development with society through its own business*, and the following five factors are of vital importance:

- (1) Corporate philosophy: Maintain the spirit of the founder and corporate philosophy filled with a sense of mission as the core of management

- (2) Management strategy: Incorporate the corporate philosophy into the management strategy, pursue new business opportunities all the time and collaborate with stakeholders to incessantly produce innovations
- (3) Corporate culture: Make the corporate philosophy penetrated within the company so as to establish a corporate culture, and further enhance the corporate philosophy awareness
- (4) Corporate governance: Establish such governance that unites a sense of values between society and corporations
- (5) Continuation of business: For companies to strengthen the sustainability of business in order to achieve a synergetic development of society and companies

<Proposal aiming to achieve a Corporation for Co-creating Social Value: Five points to remember as the top executive>

To achieve a Corporation for Co-creating Social Value, the leadership of top executive is the most important factor, and the top executive needs to keep the following five points in mind:

- <Point 1> ¹Human capacity of the top executive: A sense of mission, a sense of ethics and a sense of crisis
 - Strive to learn liberal arts and interact with diverse values
- <Point 2> Aggressive risk-taking and collaborative leadership
 - Identify social issues that can be new business opportunities and invest management resources to create innovations
 - Promote the collaboration with diverse stakeholders and combine the strengths of each organization
- <Point 3> Resolution to tackle obstacles that are against social value, and formation of comrades
 - Cultivate knowledge and wisdom to strive for the creation of a new society and gather comrades
- <Point 4> Handing down of corporate philosophy and training of a successor both of which should be implemented heart and soul
 - Commit himself/herself to training a successor and establish a fair and transparent successor selection system
- <Point 5> Top executive's governance that is made up of his/her humble attitude
 - Promote the introduction and utilization of company valuation reports obtained from employees and the independent outside directors

<Conclusion>

CSR management requires that the top executive listen to society and share with the people in order to take the initiative to establish synergetic development of society and companies. While the Committee on CSR Management is going to terminate its activities with this proposal, we hope that the proposal serves as the guiding principle for future top executives.

¹ We have defined a concept that we refer to as "human capacity" as the comprehensive capacity of an individual executive to leverage their qualities and abilities (including intellectual ability, social, communicative skills, moral virtues, and magnetism) for not only their companies and themselves but for the greater society as well.