



Sumitomo Group Public Affairs Committee
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Bedrock of Integrity

Carrying on from the past. Sharing a common heritage. This is how Sumitomo continues to be Sumitomo.

The Sumitomo Group

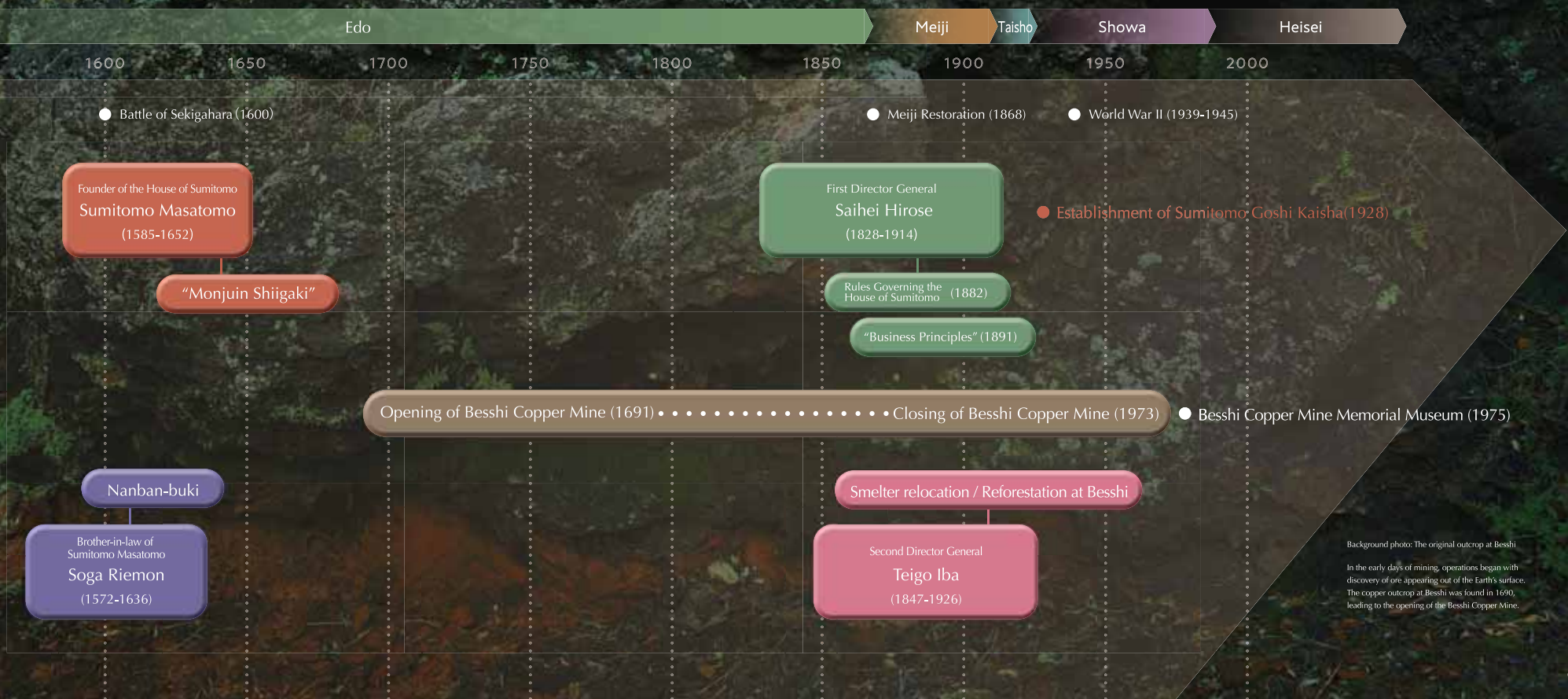
Sumitomo holds dear to the Confucian precept that we must

all recognize the debt we owe to our predecessors. Every year large numbers of Sumitomo Group employees visit the Sumitomo Museum of History and Fine Arts in Kyoto and the site of the Besshi Copper Mine in Niihama (Ehime Prefecture), offering gratitude to all those individuals whose earlier endeavors brought Sumitomo the prosperity it enjoys today.

“Monjuin Shiigaki,” a document written by Sumitomo Masatomo (1585-1652), founder of the House of Sumitomo, describes the principles for doing business honorably; they functioned as guidelines for the House of Sumitomo through the Edo period and then served as the basis for Sumitomo’s modernization in the Meiji era. The business philosophy delineated in “Monjuin Shiigaki” was manifested through the operation of the Besshi Copper

Mine, and it is from related businesses that the various companies in the present-day Sumitomo Group came into being.

In 1946 Sumitomo Headquarters disbanded by order of the General Headquarters of the Supreme Commander for the Allied Powers (GHQ), bringing an end to the financial ties between the House of Sumitomo and the various Sumitomo companies. On the occasion of their breakup, Shunnosuke Furuta, the last Director General, delivered the following message to the companies: “All Sumitomo business operations are interrelated: you are like brothers born of the same parents. Therefore, although you are now to be operated independently as separate entities, I hope that you will remain united in spirit, never losing sight of the fact that you are siblings.” Today all companies in the Sumitomo Group continue, in their common DNA, to share, maintain and pass on Sumitomo’s traditional philosophy.



Background photo: The original outcrop at Besshi
In the early days of mining, operations began with discovery of ore appearing out of the Earth's surface. The copper outcrop at Besshi was found in 1690, leading to the opening of the Besshi Copper Mine.

1650

Sumitomo's Bedrock, Solid and Firm

Monjuin Shiigaki

In times like ours when changes occur at a dizzying pace, corporations are called upon to manage their business affairs based on a solid philosophy. At Sumitomo, the philosophy that lies at the root of all business activities has been nurtured through four centuries. At the core of this philosophy are the standards expounded by Sumitomo Masatomo, founding father of the House of Sumitomo, who spent his early years as a Buddhist priest. His precepts long served as Sumitomo's traditional philosophy, and their influence extends to Sumitomo's business activities down to the present day.

■ The Source of Sumitomo's Philosophy

"Monjuin Shiigaki" is the name of a letter by Sumitomo Masatomo addressed to Kanjuro, a shop clerk, describing the principles for doing business. The letter begins with the cautionary note that the admonitions it contains actually apply not only in matters of business but in all situations. Masatomo then lists four things one should never do: never deal in goods of uncertain provenance offered to you below the normal market price, for they are probably stolen property; never give shelter to, or take custody of goods from, anyone; never serve as an intermediary or guarantor for others; never buy or sell goods on credit. These warnings reflect the unsettled social conditions of the times, and they encourage soundness in all business dealings and observance of all laws and regulations. The letter then closes with a fifth admonition on how to interact with others: "Never lose your temper or speak with harsh words; politely explain your position until an understanding can be reached."



Precepts of good business conduct set down by Sumitomo Masatomo (Monjuin), founding father of the House of Sumitomo, circa 1650 in a letter addressed to an employee

"Monjuin Shiigaki" is not a set of principles directly targeted at the sustained continuation and expansion of the House of Sumitomo or its business operations. It is a document that advocates diligence and sincerity and aims to promote the development of personal integrity. Through "Monjuin Shiigaki," Masatomo's teachings have served as the underlying source of the Sumitomo business philosophy down to our contemporary age.



Sumitomo Masatomo (1585-1652)
Founder of the House of Sumitomo

Sumitomo Masatomo hailed from Echizen-Maruoka, in what is today Fukui Prefecture. As a young man he went to Kyoto and joined the newly arisen Nehan sect of Buddhism, adopting the priestly name Kuzen and later acquiring the title Monjuin. When Nehan, by order of the Shogunate in Edo (Tokyo), was absorbed into the Tendai sect, Masatomo decided to become a priest "outside the fold" of any established sect. Sustained by his own philosophy and deep faith in Buddhism, he opened a shop dealing in books and medicines, items then at the vanguard of commercial enterprise. He eventually retired to the Saga area of Kyoto.

Embedded in Our DNA



Just as DNA determines who we are as individuals, an enterprise's philosophy is the DNA that determines its course of business. There are more Japanese corporations of long standing than in the West because most have their own corporate culture – the core of which is their business philosophy. At Sumitomo, the business spirit passed down from the founder, Masatomo, culminated in the "Rules of the House of Sumitomo", compiled in 1882 by Saihei Hirose, the first Director General. The "Business Principles" constitute their nucleus.

■ Embodiment of the Sumitomo Business Philosophy

A document known as "Business Principles," drawn up in 1891 to serve as the Rules Governing the House of Sumitomo, listed three overarching principles. The first placed prime importance on "integrity and sound management in the conduct of its business"; the second allowed for the fortunes of the business "to be molded according to the needs of the times and economic considerations, but under no circumstances allowing for the pursuit of easy gains"; and the third averred that "operation of the Besshi Copper Mine is of vital importance to the House of Sumitomo."

Subsequently, as business operations expanded beyond areas directly related to Besshi, in 1928 the "Business Principles" were reworked to include only their core intent: the first and second of the original principles of 1891. This is the form in which they have been passed down to all Sumitomo Group companies today as their business philosophy and code of conduct.

Business enterprises inherently exist for the purpose of pursuing profits, and as such, few place "prime importance on integrity and sound management" and hold to a philosophy that shuns "the pursuit of easy gains." In Sumitomo's embracement of a moral obligation to serve society lies the quintessential core of the Sumitomo business philosophy.

1882

"Rules Governing the House of Sumitomo"

Three Core Business Principles



Saihei Hirose (1828-1914)
First Director General of House of Sumitomo

Saihei Hirose was born in Yasu, in what today is Shiga Prefecture. Accompanying an uncle, he went to work at the Besshi Copper Mine, where he quickly rose through the ranks. In 1865 he was appointed the mine's manager. During the Meiji Restoration, he worked to secure management rights to the Besshi Mine for the House of Sumitomo, and he undertook the mine's modernization. Later, as the first Director General, Hirose made enormous contributions to the development of modern management at Sumitomo, exemplified by his formulation of the Rules Governing the House of Sumitomo as the embodiment of the Sumitomo business philosophy.



"Business Principles" forming the Rules Governing the House of Sumitomo (version formulated in 1928)

Pioneer of Japan's Mining Industry



"Nanban-buki," an ancient smelting technique that used lead to separate silver and remove impurities contained in black copper. The technique is described in detail in the *Kodo Zuroku* (Illustrated Book on the Smelting of Copper) issued by the House of Sumitomo at the beginning of the 19th century.



The "nanban-buki" technique of smelting is said to have been developed during the Keicho era (1596-1615) by Soga Riemon, brother-in-law of Sumitomo Masatomo, Sumitomo's founding father. Soga learned from Western experts the basic technique used in Europe to separate silver and copper, and this led to his devising his unique "nanban-buki" – literally, "smelting of foreign origin" – method. Today, Soga's technological discovery is acclaimed in the industry on the same level as *De Re Metallica*, a highly regarded 16th century German treatise on mining techniques. Nanban-buki is truly a historical legacy of great importance that long sustained Sumitomo's prowess in mining technology.

Why Sumitomo is Famed for its Copper

Nanban-buki is a technique for separating the silver component from black copper. It consists of three processes. First, taking advantage of the property that silver is easily absorbed by lead, copper containing silver is melted together with lead to form an alloy. Second, the alloy is heated to a temperature at which lead will melt but copper will not; the variation in the respective melting points of lead and copper results in the separation of refined copper and lead containing silver. Third, the lead containing silver is melted in a cupellation furnace, and the difference in the two metals' respective gravity weights causes the silver and lead to separate, enabling recovery of the silver component.

During the Edo period, copper ore was refined directly at mining sites to achieve black copper of higher than 90% grade, and this was sent to Osaka. The choice of refining method at each site depended on the quantity of silver contained in the raw copper. Copper containing a small amount of silver – which was the case at Besshi – was refined by removing its impurities in a "mabuki" smelting furnace. Copper containing a large amount of silver was refined by separating out its silver-containing lead and impurities in a "nanban-buki" furnace.

The black copper produced at Besshi, Ashio and all other copper mines throughout Japan was sent to copper refiners in Osaka, including Sumitomo's Nagahori Refinery, where it was refined to 99% grade. Once

refined, the copper was cast into bars for export or into round or square dies for domestic use. Sumitomo passed the nanban-buki process on to the copper casting guild in Osaka, and it was they who truly excelled in this field, forming a group at the very vanguard of the technology of their times.

Soga Riemon (1572-1636)

Inventor of Nanban-buki

Soga Riemon is said to have hailed from Kawachi-Gojo, in what is now eastern Osaka Prefecture. After studying copper refining in nearby Sakai, in 1590 he moved to Kyoto. Here, at a location close to Gojo Bridge he founded Izumiya, a business engaging in copper refining and crafting. Soga was the husband of the elder sister of Masatomo, founder of the House of Sumitomo, as well as the father of the second head of the House of Sumitomo, Tomomochi. The nanban-buki technique he developed, along with his copper refining business and the Izumiya shop name, was passed down through Tomomochi as the business operations of the House of Sumitomo.

Pursuit of Business Permanence



Folding screen depicting the Besshi Copper Mine (1840)

1691 ~ 1973

Besshi Copper Mine

Management of a copper mine demands a farsighted perspective and carefully wrought planning. These factors were particularly critical in the case of Besshi because of the harsh natural conditions presented by its mountain location 1,200 meters above sea level. From the outset, Sumitomo management held that even if the mine's operations failed to bear fruit within one generation, bringing mining at Besshi to a flourish after two or even three generations would suffice. It therefore pursued business permanence focused 100 years into the future. Sumitomo's philosophy has always called for actions based on farsighted ideas, never running blindly after immediate gains.

An Eternally Valuable Asset

For nearly 300 years, from its opening in 1691 until its closure in 1973, the Besshi Copper Mine was operated under the same continuous management: Sumitomo. While this continuity partly owed to the presence of promising deposits even well below sea level, nowhere else in the world is there a mine that has been under the same management for as long as three centuries.

During the Edo period (1600-1868) the copper mined at Besshi, mostly traded within East Asia, had a significant impact on the world economy. Around the time of the subsequent Meiji Restoration, however, the mine's operations descended into a critical situation stemming from deterioration in management efficiency. For a time the feasibility of selling the mine was even discussed. But Saihei Hirose, Besshi's overseer at the time, ardently argued that operations at Besshi constituted the bedrock of Sumitomo's businesses, and he successfully safeguarded the management rights to the mine.

Sumitomo took Hirose's advice and proceeded to modernize the mine through the introduction of the newest Western technologies, enabling Besshi to achieve copper production costs on a global level. Hirose, a man of enterprising spirit who did not cling to longstanding practices, also developed new business operations and strove to select and cultivate superlative human resources.

When ore deposits started to deplete conspicuously around 1930, Sumitomo, with an eye on the future, began pursuing coexistence and coprosperity with the local community from which it had benefited for so many years. It began investing in social infrastructure – the power grid, for example – and attracted chemical, machine and other factories to the area. As a result, Niihama rapidly developed into one of the core industrial cities along the perimeter of the Seto Inland Sea.



Besshi Mine Railway, opened in 1893

1596~

Nanban-buki



Early Attention to Modern Environmental Issues

CSR at Sumitomo

In the 21st century, protecting the environment on global scale is a challenge of major proportions. All around the world, regulations on emissions of carbon dioxide, a recognized cause of global warming, have gone into effect, starting with the Kyoto Protocol of 2005. At Sumitomo, CSR (corporate social responsibility) has been diligently pursued for over a century. Initiatives taken by Sumitomo to resolve the problem of serious smoke pollution from the Besshi Copper Mine early in the 20th century offered insight into the environmental problems of today, and the efforts made in those days serve as a noble precedent in addressing environmental issues through technology.

■ Proud Precedent in Addressing Environmental Issues

Japan's rapid modernization during the 19th century led to wanton deforestation around the Besshi Copper Mine, and emissions of sulfurous acid gas from the mine's smelter took a heavy toll not only on Besshi's own forests but also on crops grown in the surrounding areas. Teigo Iba, the second Director General of the House of Sumitomo, sought a fundamental solution by relocating smelting operations from Besshi to Shisakajima, an uninhabited island 20 kilometers offshore from Niigama.

Unfortunately, the smelting and refining technologies of those days were unable to achieve total resolution of the smoke pollution problem, and early in the 20th century Sumitomo concluded an agreement compensating the local farmers and placing limitations on its own production. Sumitomo then proceeded to pour great sums into related research, ultimately leading to development of sulfurous acid gas desulfurization and neutralization technologies in the mid-20th century. The sulfurous acid gas from its smokestacks was recovered as sulfuric acid that was supplied to the farmers in the form of a chemical fertilizer. Meanwhile more than one million trees were planted each year at Besshi.

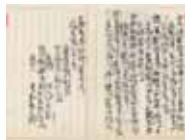
These actions are matters of course from today's CSR perspective, but Sumitomo undertook these initiatives without fanfare as long as a century ago.



Shisakajima Smelter, ca. 1905



Petition to relocate smelting operations to Shisakajima (1896)



Pledge to undertake reforestation at Besshi (1898)



Teigo Iba (1847-1926)

Second Director General of the House of Sumitomo

Teigo Iba was born in Omihachiman, in today's Shiga Prefecture. He rose to the position of a judge in the Osaka High Court, but in 1879 he resigned and joined Sumitomo at the invitation of his uncle, Saihei Hirose. Iba was initially appointed manager of the Osaka Head Office. Then in 1894 he became general manager at Besshi, where he devoted himself to resolving the mine's smoke pollution problem and to reforestation. In 1900 Iba became the second Director General of the House of Sumitomo, but after only four years in that position, he retired at the relatively young age of 57 in keeping with his belief that elders should swiftly pass responsibilities to their younger counterparts.

Reforestation at the Besshi Copper Mine

Harmonious Coexistence with Nature

Teigo Iba, who undertook reforestation at the Besshi Copper Mine, said that Sumitomo must return the entire mountain area around Besshi to its former lush natural state. This was no mere environmental protection measure, however; it was an initiative taken to seek harmonious coexistence with nature in the form of an ongoing cycle of planting and cutting, with an eye on the mine's development 100 years into the future. Today, the significance of Sumitomo's pioneering commitment and technologies fostered in those days is once again in the spotlight.

■ Forest Replenishment a Century Ago

Development of Japan's copper mining industry occurred at the expense of trees. Wood to support mine tunnels, to fuel smelters, to construct auxiliary buildings, and to form tools of all varieties was used abundantly and skillfully, making optimal use of the various species of trees available near each mine. But when development



Besshi Copper Mine prior to reforestation (1881)



Besshi Copper Mine after reforestation (today) Photo courtesy of Sumitomo Forestry Co., Ltd.

became excessive and overstepped nature's capacity to recover, lush mountain forests turned into barren wastelands.

At Besshi, about a century after the mine opened trees stopped growing in the surrounding area, partly due to the sulfurous acid gas given off during the smelting and refining processes. Later, modernization of the mining industry enabled rapid increases in the volumes of ore extracted and smelted, and the resulting expansion in tree-felling zones and smoke pollution began to lay conspicuous waste to the mountain forests. Confronted with this situation, during Teigo Iba's tenure as overseer at Besshi a reforestation plan was drawn up and the first steps were taken to replenish the local forests through large-scale tree planting. Thanks to the efforts to replenish nature taken by Sumitomo from that time forward, today – 100 years later – Besshi is once again home to beautiful lush forests.



Document concerning forest protection



Map showing forests owned by Besshi Copper Mine