

RELEASE IN FULL

*Remarks of Sir Howard Stringer***Global ICT Summit***June 11, 2012*

Tokyo, Japan

Thank you for that kind introduction. It is good to be back in Japan for a few days, following a whirlwind journey that took me from London to New York to Los Angeles to San Francisco to here, all in the past seven days.

I'm honored to be with you today, and later this week, I am looking forward to the world premiere of our studio's new film, *The Amazing Spider-Man*, which is happening right here in Tokyo in 3D - a testament to the power of the Japanese box office, and perhaps also to my position as chairman of Sony!

I must say, however, that many of us might rather be in Australia this week for the big match between Japan and Australia. I have a special interest in that game because of Shinji Kagawa, who has been playing brilliantly. I am especially excited about his success because he will be joining my own favorite team, Manchester United, as the first Japanese player to play at that great club. Also, tonight, Minister Vaizey and I will try to watch our team, England, play against France at Euro 2012.

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One of the things I look forward to after I move on from an operational management role at Sony later this month -- besides having more time for football -- is the opportunity to think what is jokingly referred to in American culture as "*deep thoughts*."

What that really means is I'll have more time to meet with entrepreneurs, journalists, public officials and others who are not directly involved with Sony. I'll be able to read entire newspapers and magazines, even an occasional book – and not just the Sony news clippings. And, I hope, I'll begin to see the world through a clearer lens with a wider field of view. Sony makes great image sensors and I look forward to fashioning one for my own mind's eye.

Lacking that degree of clarity and perspective today, I am afraid you will have to contend with ideas that may not be fully-formed. So I tread very cautiously down this road, with a sense of humility.

Nonetheless, I deeply appreciate the chance to speak with you and hope I can add a little bit of value to the big, growing debate about how to unlock the doors of opportunity in Japan and unleash the full potential of its great people.

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We are living in an era when the problems in one part of the world quickly become problems for the rest of the world. Just consider the ongoing financial crises in Greece and Spain and the Eurozone, and in the United States, where unemployment is on the rise and home values are not.

Japan, once immune by virtue of its island status to the vicissitudes of life elsewhere, is today deeply affected by the world's ills, especially given the strength of the yen. The complexity, the fast-changing nature, and the interconnectedness of the global marketplace puts a premium on new ideas and innovative solutions. The old ways of doing business must change. It is time, as the title of this conference suggests, for a smart revolution, indeed.

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**I believe Japan can experience a smart revolution – and expedite a return to greatness, but to do so must embrace and elevate the status of young people and women in the economic life of the country, and accept the virtues of a “trial and error” culture and the wisdom of taking risks in this hyperconnected world.**

These reforms are especially important given the way information and communication technology – the world that joins so many of us here today - has revolutionized economies and societies around the world, putting a premium on speed, change and creativity.

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First let me talk about the contributions young people can make to revitalizing Japan's economy. I've been thinking a lot about the next generation lately, in part because my son just graduated from high school two weeks ago, and I was asked to deliver the commencement address.

In preparing for that speech, I had a chance to hear from a man who does marketing research for MTV, a popular television channel that targets its music videos and other programs to the generation now named the Millennials – people born between 1981 and 2000.

This expert told me today's young people are characterized by these attributes: they are creative, self-expressive, smart, innovative and resourceful.

And they are the first generation to grow up not only with computers and the internet, but with social networks that connect them with each other constantly, instantly and very publicly. They are so wired in that their biggest fear is the fear of missing out.

Such advances in technology have had an incredibly leveling effect on global culture. That is not to say that everything is trending towards homogeneity; if anything, technology allows people to explore their differences as well as share in their similarities. **In this networked era, national boundaries have less meaning. Communities are defined by interests more than geography.** No doubt many of you are in the forefront of these tectonic social shifts.

So it is very important to make products that can be offered to the world, not just one country.

**Because young people are “switched on” wherever they roam...the technologies they acquire and the networks they access should be as worldly as they themselves have become.**

It's very exciting, actually, even if a little frightening, too. But it seems clear to me that we cannot create and define our future without understanding young people. They have much to offer, as witnessed by the creative spirit so much in evidence among young Japanese, especially in the worlds of art, fashion and music, where so many revolutionary things are happening.

The young do have much to offer, and we have much to gain from involving them more integrally in the heart and soul of our business lives. They are our customers, and very well informed customers at that. Do not ignore them.

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However, there is one issue of concern regarding young people in Japan, and that is the question of complacency. A professor named Ian Buruma has written about that subject, contrasting the atmosphere in Tokyo with Chengdu in China, which has a very vibrant and innovative culture these days. He says:

*“Young Japanese, growing up in relative comfort...become more reluctant to take risks....This lack of risk taking, more than anything, explains why Chengdu (in China) now feels different from Tokyo, despite the greater size, wealth and cultural sophistication of the Japanese capital.”*

That gets me to the next reform I believe is necessary to get Japan's economy moving again – encouraging people to take more risks. That's something else I spoke to the graduates of my son's high school about last month. I said,

*“If you have the courage to change, you will always find new opportunities in life and shape your own destiny – and not have it shaped for you by forces outside your control.”*

**Taking risks, being willing to try and fail, is at the heart of an innovative culture. Silicon Valley wouldn't exist without people who have the courage to change.**

A recent Wall Street Journal article captured the importance of what it called “pivoting,” noting that there is:

*“a new breed of entrepreneurs in their 20s and 30s who strategically ‘pivot’ – try out new ideas, shed them quickly if they don’t catch on, and move on to the next new thing.”*

There is a conflict in the Japanese technology arena between those who like to “pivot” and those who do not, and I characterize them as the “software culture” and the “hardware culture.”

The software culture emphasizes speed. “Launch first, fix problems later” is the mantra. It is evident in products that are network-connected and can be evolved and improved through software updates.

The hardware culture, in contrast, focuses on creating “perfect” products from the start. While it is important to offer reliable, long-lasting devices to consumers, making a fetish of perfectionism could be a disadvantage when so much rests on the race to market. **We should not let the perfect be the enemy of the upgradeable good.** As my successor, Kaz Hirai, said in an interview last month, “we need a culture where employees won’t be afraid to take risks.”

To make that kind of psychic shift in Japanese society will not be easy, because historically, getting things wrong can lead to shame. Now, the concept of shame is not necessarily a bad thing. Shame can be a force for good. It discourages people from doing bad things. *We should* feel shame when we sin.

But it can be taken too far, especially if applied to mistakes made by good people taking risks to make good things happen. Trying something new in hopes of a positive result is not a sin, and if failure results – as it often will when you push the envelope -- it should not be a shameful thing.

**The young people of Japan, as elsewhere, must have the confidence to know that not only does life go on when you make mistakes, but life can be even better if you learn from them.**

As noted in that Journal article:

*“Many of the new breed of young guns have made mistakes, all the while gaining the seasoning and experience that may increase their chances of succeeding with their next idea...They may fail at one start-up idea but ‘don’t just go away with their tail between their legs. They go on to do something else.”*

This is especially important now that we are in an era of disruptive technology. We all need to allow ourselves to be disrupted out of our complacency, young and old alike.

Consider that, here in Japan, there has been no new entrant into the top ranks of Japanese electronics manufacturing for decades. Instead, when new technologies emerge, a new division is created to foster it within existing businesses. That leads more often to incremental innovations than groundbreaking ones.

Elsewhere in the world emerging technologies are usually championed by new firms, often led by young entrepreneurs, with no emotional commitment to the products of yesteryear. Japanese companies, like many established businesses everywhere, seem to prefer the status quo – long after the quo has lost its status.

We are sometimes guilty of keeping bad programs on life support with insufficient capital for new ones. Daniel Kahneman, a Nobel Prize winner in economics, argues that too many businesses act like losing gamblers who won’t leave the table until they make up their losses.

So it should be no surprise when 13 mostly young people built Instagram, a smartphone app for sharing photos. Great camera makers from Kodak to Polaroid to Canon to Nikon to Sony didn’t do it. Neither did Facebook, and because it didn’t Facebook paid \$1 billion to acquire that small team of engineers and get access to their 30 million users.

**Companies today need to find ways to either develop disruptive technologies on their own, or recognize them in their embryonic stages when developed outside their walls and find a way to partner in their growth.**

That means taking risks. Economist Takashi Masuda, writing in the Nikkei last month, said people in Japan tend to think rules are created by someone else and must be followed. He said the private sector and government need to work together to encourage a trial and error environment out of which innovative social and technological change can emerge, not just for Japan, but for the world.

Creative Japanese leaders have done so in the past. Sony helped do it with the CD, and more recently, with the establishment of Blu-ray as the global standard for next generation disc technology. This kind of trailblazing can be done again, especially if the doors of opportunity are opened to more young people, who can help lead the way to such a dynamic future.

Their enthusiasm and creativity can contribute new energy and ideas at a time when both are in high demand, especially given the pace with which information and communication technology is changing the way the whole world works and plays, and when coupled with a culture where risk taking and trial and error methods are rewarded.

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Speaking of injecting new people, energy and ideas into the economy at this crucial moment in history, let me talk about the role of women in the workforce in Japan.

According to a new government study, 86 percent of married women with children in Japan want to work. So the desire of women to contribute to the economy is there. What is lacking is the desire of enough businesses to hire them, as well as the availability of day care for their children.

As a result, according to the Ministry of Internal Affairs and Communications, more than 70 percent of working age men are in the labor force, versus less than 50 percent of women.

Changing that equation is no easy task, I know. In addition to creating more childcare options and family leave and flextime policies, which is hard enough to do, people's attitudes have to shift, too. **I know that's difficult to achieve, especially when so much of the social fabric relies on and perpetuates the absence of women from the workforce.**

But I believe it's a necessary step. For I cannot stress how much value women can add not just to Japan's future, but to the world's.

One report, by Goldman Sachs, demonstrates that **if you reduce the barriers to women participating in the labor force in Japan, you would increase GDP here by close to 16 percent.**

As the U.S. Secretary of State, Hillary Clinton, noted in a speech last September,

*"When we liberate the economic potential of women, we elevate the economic performance of communities, nations, and the world."*

She also said,

*"When it comes to the enormous challenge of our time...we certainly don't have a gender to waste...we are entering the participation age, where every individual...is poised to be a contributing and valued member of the global marketplace."*

Echoing that idea, in an essay on expanding Japan's social capital, William Saito, an entrepreneur and venture capitalist, writes,

*"from any perspective, getting more women into work is the only economically rational choice for Japan...the economy desperately needs ways to revitalize growth."*

Saito goes on to point out that Japanese universities are educating large numbers of smart women but Western firms then hire them.



We have taken small steps in the right direction at Sony – we have a woman on our Board of Directors, and a woman serves as our General Counsel; she will become President of Sony Corporation of America later this month. A woman is co-chair of our motion picture and television studio; the only woman to hold such a position in Hollywood. I chose a woman to be my Chief of Staff at Sony in Japan.

And the company has created a mentoring system to encourage women to set their sights high within the organization, and is doing outreach to recruit female students who aspire to become engineers.

But there is far more to be done at Sony and throughout the economy, not only in Japan but worldwide, before substantial progress can be achieved.

Empowering women is the right thing to do from the perspective of equality and human rights. And just as important, it is the right thing to do to create jobs and advance opportunity for all people, men and women alike.

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Now this is the moment when you might expect me, as a Westerner, to raise questions about the jobs for life culture in Japan. No doubt that culture has inhibited the rise of women and young people in the workforce.

But at the same time, I recognize that American unemployment is more than eight percent, while Japanese unemployment is a more respectable 4.6 percent, according to the Ministry of Internal Affairs and Communications.

Unemployment is an insidious experience which dehumanizes society over time unless growth is accelerated fast enough to reinvigorate the economy. Japan is a harmonious society which cherishes its social values, including full employment. That inevitably leads to conflicts in a world where shareholder values call for ever greater efficiency.

That said, the balance between job protection on the one hand and productivity on the other is a global issue, not just a Japanese one, especially in the midst of the economic crises that are occurring in so many places around the world.

Still, Japan should leverage its skills in information and communication technology to establish a system to maximize the potential of women who need to juggle both their profession and parenting.

With Japanese unique harmonious nature, the information and communication technologies also create opportunities to promote social and generational unity rather than to widen the digital divide.

Ask young people at a Japanese company what the biggest obstacle to innovation is and they will invariably say middle management – too many layers stifling vertical communication and mobility.

This was true of big companies like IBM and AT&T in the 1990's. A senior executive of a major American firm once observed that his company practiced "one-stop shopping." Any one person, he said, "could stop anything."

The bigger the company, the harder it is to identify roadblocks and the roadblockers. When the Japanese economic miracle began after World War II, the entrepreneurial spirit of this society was alive and flourishing. Promotions came swiftly in the heat of competitive energy, and age was not a handicap.

Fifty years later many of the giant electronics companies are bigger and, like giant department stores, less flexible and less willing to mount a more specialized attack on competitors. Today, they compete with giants in every field; giants who often specialize in efficiency. Canon doesn't make smartphones. Apple doesn't make cameras. Microsoft doesn't make televisions. Sony seems to make everything.

As I mentioned earlier, the brilliance of Japan's educated young people is today reflected in industries that are not dependent on a huge infrastructure. Fashion, design, media and the arts offer options to individual creativity...just as the financial wherewithal of Silicon Valley offers options for countless small start-ups which value individual skills over consensus development.

Greed isn't as much of a motivator in Japan as it is in America, and that's probably a good thing. But excitement and fulfillment can be just as motivating.

Among the most thrilling moments I experienced at Sony were over dinner with young engineers whose enthusiasm was contagious. How do we sustain that energy and optimism? It is surely not by forcing them into a rigid bureaucracy which makes them adapt to the company's old ways, and never forces the company to adapt to this exciting new generation. Lose them and you lose the future.

Young people around the world today have much less respect for the hierarchies that they believe stand in the way of their destiny. We need to have more respect for what the young have to offer.

It is up to the people and institutions and businesses of Japan to grapple with this reality and to find ways to strike the right balance between great and age-old values and the imperatives of an interconnected, global economy that puts a premium on innovation and upward mobility.

This is a particularly urgent issue for Japan because of the coincident problem of a shrinking and aging population. Here, too, I believe the advancement of the young and women can have a positive effect.

As the president of Shiga University recently wrote, Japan's population is expected to fall to 97 million by 2050, from 127 million today. And at that time, nearly 40 percent will be 65 years of age or older, up from about 23 percent today.

Henry Tricks, the Tokyo bureau chief of The Economist, notes that problem and says,

*"Fewer workers mean the country needs to reboot productivity to maintain economic growth. The alternative is to entrench deflation and to erode living standards...Japan needs to exploit its workers' creative abilities and not keep them chained to the factory floor."*

I agree. More must be done, throughout the economy and society, to make the young and women part of the solution to Japan's problems, not additional victims of them.

An article in the Financial Times about Japanese companies making foreign acquisitions says,

*“As Japan ages and its economy matures, it is right and proper that its companies look abroad for growth.”*

That is no doubt true, and I would add that companies can look within for growth as well, by focusing on the untapped potential of women and the young.

**We should not let gender, age and lack of seniority be a barrier to acceptance of ideas or to a rapid rise in the ranks.** Mark Zuckerberg of Facebook isn't even thirty yet, and look at all he has accomplished, along with his gifted colleague, Sheryl Sandberg. And lest we forget, Akio Morita was but 25 when he co-founded the company that became Sony.

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One additional thought about the importance of elevating young people and women. They add value to the economy not simply by virtue of their productivity in the workplace, but they are strong consumers as well.

As some of you may know, the Walkman has regained a leading position in the digital music player market in Japan. This success was due not simply to Sony's superior audio technology, but also our product planning and marketing, which targeted female high school students. That, in turn, helped ignite popularity among Millennials and helped grow its business.

As a researcher for the Nomura Research Institute recently said, *“women have become bigger spenders than men”* and are crucial to the recovery of the Japanese market.

In addition, by engaging women and young people more actively in business environments, it will be easier for companies to learn from their diversity of viewpoints, and therefore make and market products more effectively to greater numbers of people.

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There is an old saying, "*Charity begins at home,*" and since there is a measure of social responsibility involved in what I speak of today, I do hope, in my new oversight role at Sony as a member of the Board, that I can do more to encourage the hiring and advancement of women and the next generation of innovators.

As I've described, we at Sony have worked to do that over the years, but there is always, always room for improvement, and I intend to take that mission seriously.

But more important, I hope it is a cause that is taken seriously throughout the business sector and beyond. On that point, I am optimistic about progress in Japan.

Why? **Because the people, businesses and leaders of Japan are recognizing the problems facing the country with candor and are beginning to work on solutions.**

Books are being written about the subject. I quoted several passages from one recently published here, called "*Let's Talk about the Future of Japan.*"

The fact that these topics are being widely discussed and debated in forums like this gives me confidence that positive changes are coming. For, **once the people of Japan come to grips with a serious problem, there is no stopping them from finding a solution.**

In the wake of the Great Earthquake and tsunami last year, I wrote about the resilience of the Japanese spirit in the Wall Street Journal, and the strength of character that is best captured in the phrase "*fukutsu no seishin.*"

If I pronounced it correctly, you know it means “*never give up*,” and certainly Japan never gave up once disaster struck here.

The thread of community that is woven tightly through the people of Japan helped everyone devote their efforts to saving their communities and the country, not just themselves.

The economic troubles of today are not as sudden, deadly or devastating as the natural disaster of last year. But they constitute a crisis and a threat to the prosperity of this great land.

I do believe the spirit of *fukutsu no seishin* will be applied to the task of navigating the challenges you face, and because of that, I have confidence that better days lie ahead.

I wish you well in all you do to reform and grow the economy, and I hope to contribute in some small measure to the effort along the way.

Though my time as CEO at Sony has come to an end, I continue to love and respect the people who work there, just as I came to love and respect the people of Japan. I care about Japan’s future very much, and I appreciate this opportunity to talk about it with you here today.

Thank you all.

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