
Specification of Materiality

As a company with a global reach, it is extremely important for Casio to pursue initiatives that meet the expectations of the international community. The worldwide movement to build more sustainable societies continues to evolve, year by year. Companies today are expected to carry out strategic initiatives as part of their core business activities. Casio is no exception. Even more so, as a company known for “creating something from nothing,” Casio must strategically implement social contribution measures that are integrated with its business activities.

Responding to these trends, Casio has specified the issues with the greatest significance (materiality) to its practice of social responsibility, in accordance with the G4 Sustainability Reporting Guidelines issued by GRI in May 2013. Going forward, the company will take action on each of the specified issues, and will apply the plan-do-check-act (PDCA) cycle to these efforts to ensure the highest level of socially responsible management.

Materiality specification process

Step 1: Specification of issues with significance to the company

In fiscal 2015, Casio made a detailed list of CSR issues with reference to its business areas, and prioritized them based on relevance to its own activities.

Step 2: Specification of issues with significance to stakeholders

In fiscal 2016, Casio sent a questionnaire to its stakeholders and conducted interviews in order to organize the issues by their significance to stakeholders.

Step 3: Summarization and finalization

Based on the results of the processes in steps 1 and 2, in fiscal 2016 Casio formally specified its material issues with the approval of the director in charge of CSR.

Step 4: KPI formulation and implementation

Casio formulated key performance indicators (KPI) with reference to the specified material issues, thereby enabling each responsible department to evaluate its CSR initiatives quantitatively. In fiscal 2017, Casio is implementing related activities using the plan-do-check-act (PDCA) cycle.

Step 1: Specification of issues with significance to the company

Regarding the 46 “aspects” indicated in the G4 Sustainability Reporting Guidelines from GRI, Casio analyzed the risks to the company for each aspect and the degree of impact that they would have on Casio. The aspects were used to evaluate matters at various levels, including business segments, value chains for each segment, and regions of operation. This shaped the identification of the most significant aspects. The departments charged with CSR responsibilities also examined the identified aspects, and finalized them for use in their own processes.

Step 2: Specification of issues with significance to stakeholders

Based on the G4 Sustainability Reporting Guidelines, the 46 aspects were divided into six areas: economic, environment, labor practices, human rights, society, and product responsibility. The importance of each area was then identified through dialogue with stakeholders closely related to Casio.

Questionnaires were also given to customers and employees, and aspects with high significance to stakeholders were identified. In addition, questionnaires and interviews with experts were carried out on the respective topics. These processes enabled Casio to identify society’s expectations, resulting in a list of issues with significance to Casio stakeholders.

Stakeholder Opinions

Economic



Takeshi Mizuguchi, Professor
Takasaki City University of Economics

Over the past few years, the Casio Group has experienced rapid sales growth in many parts of Asia outside Japan. As more and more of its sales are driven by markets outside Japan, the company’s influence in these regions and its responsibilities to them are becoming subject to increasing scrutiny.

One economic issue for Casio that emerges from this trend will be how to raise the percentage of locally hired senior managers at its sites outside Japan. Giving responsibility to local human resources not only helps to meet the obligation to contribute to the local economies where Casio operates, but can also help with risk management, because these local professionals can apply their familiarity with the local economy to prevent various challenges at their respective sites. Going forward, Casio will be expected to carefully study local situations and disclose as much information as possible, while deploying a global human resources strategy. Moreover, because it is difficult with only the currently disclosed information to determine precisely whether Casio’s local procurement is having a positive impact on the overseas economies concerned, Casio ought to disclose its procurement ratios. This should be done while properly explaining its impact on overseas economies, and it should include local procurement ratios for overseas production sites, and ratios of production for Japan and abroad.

It is also vital that Casio undertake initiatives to address financial risks to its business caused by climate change. The Thai floods of 2011 damaged Casio Group plants there, and the company needs to put even greater focus on management of such risks.

Environment



Sadayoshi Tobai
Conservation Director, WWF Japan

Electronic device manufacturers face many environmental challenges throughout the entire supply chain. In raw materials procurement in particular, it is essential to ensure that natural capital is not compromised. This perspective is essential not only when procuring materials to make the products themselves, but also when purchasing paper materials for product packaging. Aware of this situation, the Casio Group has established Paper Procurement Policy and Biodiversity Guidelines, which I see as a solid step toward building a foundation for sustainable procurement. Going forward, the company also needs to set more specific targets and action plans, and it will also be critical to keep making progress while maintaining transparency. One of the characteristic efforts of the Casio Group has been its industry leadership in the area of lower energy consumption by products, for instance, the Group's early adoption of solar technology for watches. Casio also uses appropriate labeling of its environmental products, and provides environmental performance information to customers for its Green Star Products. In the future, it will also be important to take the next step and start making information on environmental impact more visible, such as indicating the CO2 emissions reduction that can be expected by using a particular Casio product.

With respect to greenhouse gas emission reductions, a long-term perspective is important, and it is commendable that Casio has set an ambitious 80% reduction target to be achieved by 2050. The Casio Environmental Declaration calls for the incorporation of renewable energy use into the company's business activities. In addition to the promotion of energy conservation, proactive use of renewable energy and relevant information disclosure is desirable. Going forward, I hope that Casio will also participate in the Science Based Targets initiative, which is becoming the new global standard for emissions reduction target-setting by companies. I expect that Casio can further enhance its standing by showing concrete evidence for its target values, thereby having a positive impact on the entire industry.

Labor Practices



Hiroki Sato, Professor
Chuo Graduate School of Strategic Management

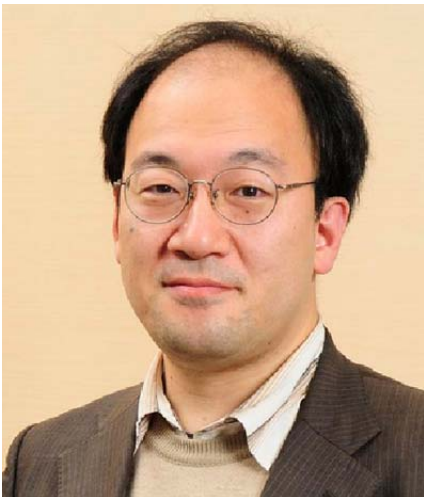
On the important issue of labor practices, the first step is to develop a supportive working environment. Especially for employees who have limited time for responsibilities such as childcare and family nursing care, it is imperative to create mechanisms that allow them to return to full-time work as soon as possible. To do this, chronic overtime needs to be reduced, and well-balanced work styles need to be promoted. The company should strive to make better use of data for employee health management, such as by collecting health check-up data in each department, and comparing it with indicators such as paid leave utilization rates and overtime hours. Even when considering how to raise the percentage of female managers, it is first necessary to confirm the hours actually worked by managers and disclose the information. If managers are working exceptionally long hours,

this may be an additional reason that women do not want to become managers. Considering how to raise the percentage of women at the senior staff level and taking appropriate measures will increase the number of women who can be promoted to manager positions. This means building a female human resources pipeline. As part this, it may also be important to deliberately provide work experience and skills development opportunities that female employees have traditionally lacked, designed especially for women. At the same time, it is best not to have different standards for promoting men and women to manager positions. Previously, many companies have appointed people who are highly skilled in their field as managers, but sometimes these people do not also have good staff management skills. One of the criteria for manager appointment should be management capabilities such as subordinate mentoring. It is also critical to confirm that there are no hidden issues in the workplace such as power harassment, by utilizing employee consultation desk services.

Along with the creation of good workplace environments, training and education must also be advanced. It is necessary not only to foster employees' ability to respond to future changes, but also to create time for employee self-development.

On the other hand, to achieve the focus needed to solve these issues and practice diversity management, it is essential that all employees fully embrace the management philosophy, so that human resources with diverse perspectives can be properly integrated into the corporate organization. I hope that the Casio Group will continue promoting its valued corporate creed of "Creativity and Contribution" among employees.

Human Rights



Makoto Teranaka, Visiting Professor
Tokyo Keizai University

As a global organization, the Casio Group constantly faces the risk of a human rights incident arising in its operations outside Japan, especially in a developing country. Standing against this risk is the Casio Group Policy on Human Rights, which aims to support relevant international agreements. Casio has also prepared a human rights checklist, and has already created a foundation for protecting human rights. Based on these efforts, it has identified further enhancement of human rights protection as material to the company.

When tracing materials up the supply chain, especially in developing countries where extraction of raw materials is often carried out, there is a risk of human rights issues arising relating to the rights of indigenous peoples, as it is difficult to assess their actual situation. In addition, the rights of employees concerning the freedom of association and collective bargaining applies not just to headquarters labor unions, but also to supply chain employees, including those at overseas sites, and temporary staff. Accordingly, ample information gathering and risk management is required. Forced labor and discrimination are examples of risks relating to human rights that people find harder to recognize in Japan. Especially for operations such as parts assembly conducted as prison work, there are cases where labor costs are not incurred. Therefore, companies should be aware of the fact that this may be considered forced labor under international treaties.

Meanwhile, discrimination is a problem that occurs in organizations. Since it often involves unconscious discrimination, which makes it hard to gather statements from victims, it is an issue that requires special mechanisms that cross organizational boundaries.

It is vital to have a human rights assessment system to ascertain risks. In addition to the existing Whistleblower Hotline, it would be a good idea to create a highly independent complaint handling system, focused on each business site. In particular, there are limits to the conventional style of evaluation of supplier human rights, which only involves the collection of documents. Casio needs a human rights management system with a stronger audit function.

Going forward, I believe the time has come for Casio to specifically address each of its material issues throughout the entire supply chain. The human rights checklist used by Casio will be very good as a start. I strongly encourage Casio to continue enhancing the list, and then take initiatives to increase its effectiveness.

Society



Kaori Kuroda, Executive Director
CSO Network Japan

The Casio Group has achieved high market shares for a number of its products, which puts it at risk for anti-competitive behavior. However, the company has included relevant points in its code of conduct, including the prohibition of bribery, and restrictions on the provision of entertainment and gifts, etc. Casio has undertaken anti-corruption measures, and has achieved thorough compliance both in name and reality. Nevertheless, in its operations in developing countries where legal frameworks are not as well-developed, mere legal compliance is insufficient; it is important to respect international laws and norms of behavior. As there have been an increasing number of international corporate corruption cases causing serious business risk, this issue needs to be addressed with a higher priority.

The Casio Group has also established Procurement Policies. The world faces many issues including child labor. Accordingly, to ensure thorough application of the policy throughout its global supply chain, Casio must place equal emphasis on its supply chain management initiatives.

I hope that Casio will maintain a high level of attention to the two aspects I've mentioned and take initiatives to address them.

Finally, since over 60% of total Casio Group sales are currently outside Japan, I hope that the company will become even more engaged with local communities, especially those overseas, on topics that can be easily connected to its business, such as education and women in particular.

Product Responsibility



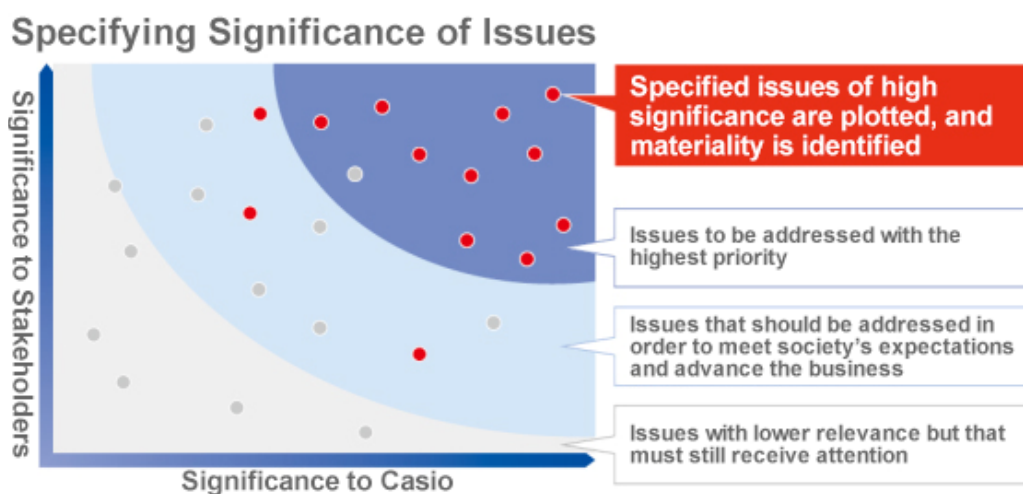
Kikuko Tatsumi, Executive Advisor
Nippon Association of Consumer Specialists

A manufacturer's responsibility for the products it provides is a serious matter of the highest priority. For consumers especially, not only the products themselves, but also the information provided about the products, is an important indicator of the company's stance. Casio has already tackled information provision as an important initiative, and it is essential that it maintain and enhance these efforts. On the other hand, issues still seem to remain when it comes to communication about Green Star Products. I think further promotion is necessary to get more customers to select Green Star Products, and to foster better understanding of Casio's CSR efforts. Similarly, product health and safety is a universally recognized responsibility of manufacturers. While Casio has already thoroughly addressed product safety issues such as accidental button battery ingestion and product fire risk, even one new incident can have a major impact on society. Therefore, the company should always aim for a perfect product safety record. Protection of personal information has become a growing concern for consumers in recent years, and it is an extremely important issue considering the huge risks involved. The basis for product responsibility initiatives is communication with consumers, and that is the role of CSR activities. In recent years, consumers have become increasingly aware of corporate ethics issues, and I hope Casio will promote consumer education through its communication activities.

Step 3: Summarization and finalization

By mapping the aspects identified in steps 1 and 2, Casio specified eight material issues, with a focus on aspects given a high priority. Finally, with the approval of the director in charge of CSR, the issues with medium-term materiality to the Casio Group were defined.

Material Issues for Casio



Material Issues for Casio	Material Aspects	Boundary	
		Internal	External
Building a recycling society	Products and services	•	•
Realizing a low-carbon society	Energy	•	•
	Emissions	•	•
Living in harmony with nature	Biodiversity	•	•
Promoting CSR procurement	Supplier environmental assessment	•	•
	Supplier assessment for labor practices	•	•
	Supplier human rights assessment	•	•
	Supplier assessment for impacts on society	•	•
Providing supportive workplace environments and promoting diversity	Employment	•	
	Diversity and equal opportunity	•	
Respecting human rights	Investment	•	•
	Non-discrimination	•	•
	Freedom of association and collective bargaining	•	•
	Child labor	•	•
	Forced or compulsory labor	•	•

	Human rights assessment	•	•
	Human rights grievance mechanism	•	•
Preventing corruption	Anti-corruption	•	•
Maximizing economic performance	Economic performance	•	•

Step 4: KPI formulation and implementation

KPI Formulation

Casio investigated key performance indicators (KPI) with reference to the specified material issues, in order to enable the responsible departments to evaluate their initiatives quantitatively. With the approval of the CSR Officer, the KPI were finalized, and efforts are underway in fiscal 2017 to ensure high performance.

KPI and Responsible Departments

Material Issues for Casio	FY2017 Targets and KPI	Responsible Department	Activity Profile Page
Realizing a low-carbon society	(1) Reduce energy consumption per unit of floor area by 13% (equivalent kL of crude oil) for the entire Casio Group, compared to FY2011 (2) Maintain same level of CO2 emissions (Scopes 1 and 2) as the previous fiscal year for the entire Casio Group	CSR Promotion Department	Climate Change Action
Building a recycling society	(1) Maintain the Casio Green Star product sales ratio at 50% or more (2) Promote the development of new Casio Super Green Star Products	CSR Promotion Department	Super Green Star Products

<p>Living in harmony with nature</p>	<p>(1) Ensure that 30% of product catalog paper used in Japan is FSC® certified paper (2) Begin biodiversity studies at the locations of major sites in Japan.</p>	<p>CSR Promotion Department</p>	<p>Biodiversity</p>
<p>Promoting CSR procurement</p>	<p>(1) Implement CSR education at Casio sites and at suppliers, and hold awareness raising campaign during one vendor meeting in China (2) Implement annual audit follow-up and confirmation prior to the annual audit (including documentation) for the six sites subject to audit</p>	<p>Production & Purchasing Department</p>	<p>Responsibilities to Suppliers</p>
<p>Providing supportive workplace environments and promoting diversity</p>	<p>(1) Achieve rate of employee return after childcare leave of 90% or more (2) Keep employee turnover at less than 5% - Plan measures to reduce turnover due to childcare reasons (3) Achieve implementation rate of follow-up measures of 80% or more. - Implement employee follow-up measures based on the results of annual health check-ups (4) Promote stress management - Ascertain the actual mental illness rate - Implement stress management seminars for managers - Implement work skill improvement training for young employees (5) Implement stress checks - Ascertain the rate of employees with high stress - Ascertain the health risk rate (by department) (6) Achieve female science graduate employment rate of 20% or more - Survey awareness related to active roles played by women. - Implement measures to promote career awareness among potential</p>	<p>Personal Department</p>	<p>Creating Supportive Workplaces Building Workplaces for a Diverse Workforce</p>

	<p>female candidates for professional positions</p> <ul style="list-style-type: none"> - Implement measures to help strengthen the employment of women for technical positions <p>(7) Maintain equally mandated employment rate of people with disabilities at 2% or more</p> <ul style="list-style-type: none"> - Actively employ people with disabilities, including those with mental disabilities, and achieve the legally mandated employment rate - Implement measures for retaining employees with disabilities <p>(8) Rate of senior employees seeking continued employment after retirement age (80% or more)</p> <ul style="list-style-type: none"> - Verify the Senior Employee System 		
Respecting human rights	<p>(1) Check human rights issue and implement feedback: All production group companies (100%)</p> <p>(2) Implement human rights education for CSR leaders: Casio Computer Co., Ltd. (100%)</p> <p>(3) Develop a grievance mechanism</p> <ul style="list-style-type: none"> a) In Japan: Raise awareness b) Outside Japan: Ascertain current situation and create grievance handling route 	CSR Promotion Department	Respecting Human Rights
Preventing corruption	<p>(1) Develop bribery prevention manuals for group companies and confirm the content</p> <p>(2) Check corruption risk: All sales group companies (100%)</p>	CSR Promotion Department	Corruption Prevention Initiatives

Next Steps

Management of KPIs is carried out by each responsible department, and performance will be reviewed over time while analyzing the gap between targets and results* using the plan-do-check-act (PDCA) cycle. Materiality will be reviewed once every three years in conjunction with the Medium-Term Management Plan. At such time, the GRI material aspects not currently specified as material issues for Casio will also have their significance re-evaluated. Casio will continue to gather information and continuously manage this materiality system.

[Social Initiatives: Action Plans and Performance](#)

[Environmental Action Plan \(Targets and Performance\)](#)