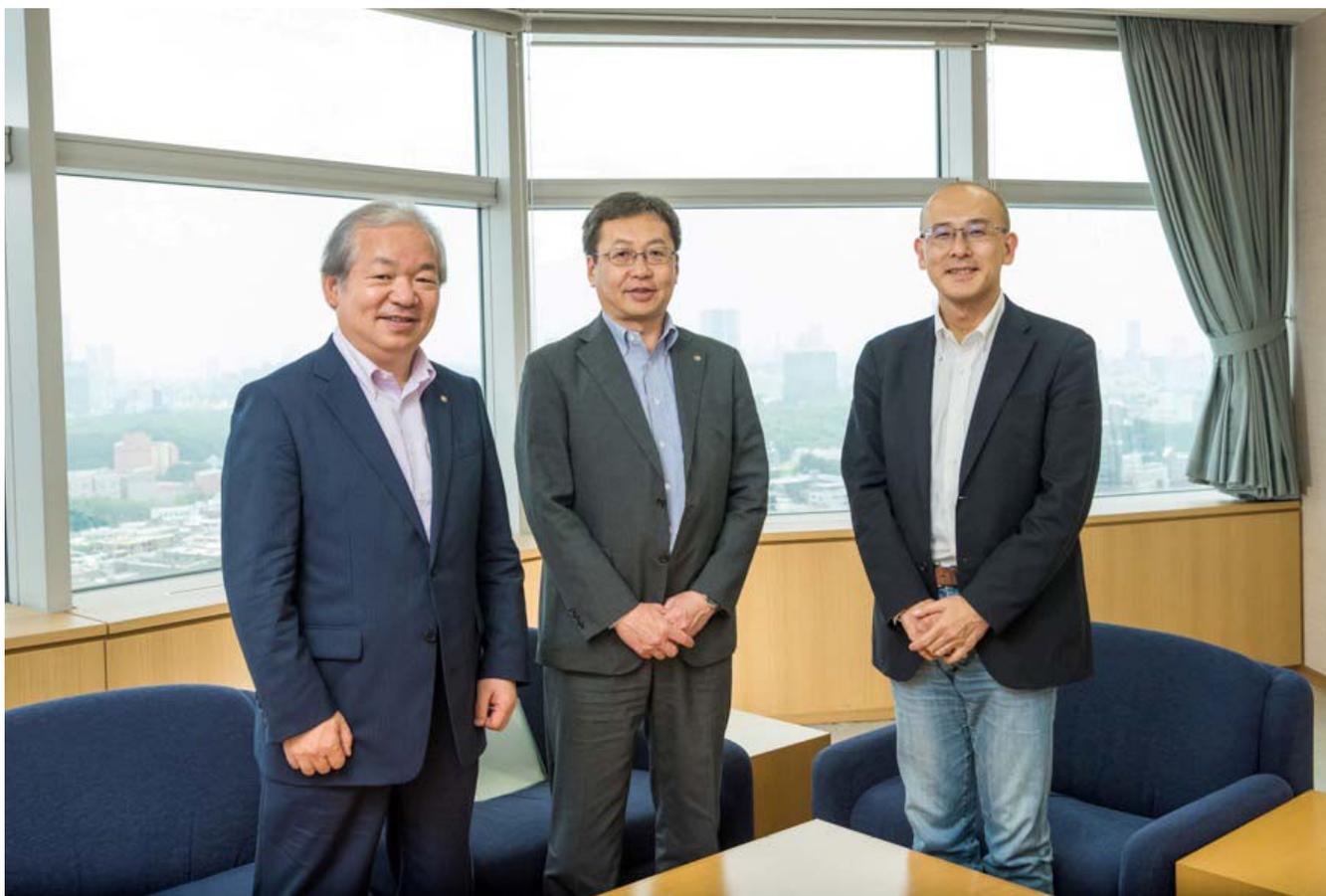


Conversation : Pursuing Strategic CSR Initiatives Driven by Materiality

In May 2016, Casio specified CSR issues with the greatest significance (materiality) to its business, setting the future course for the Casio Group's practice of social responsibility. As part of its efforts to raise awareness of the Casio's materiality approach broadly in and outside the company and to pursue strategic CSR management, Casio invited Hideto Kawakita, CEO of the International Institute for Human, Organization and the Earth (IIHOE), to provide his opinions and recommendations.



(From right) Hideto Kawakita, CEO, International Institute for Human, Organization and the Earth (IIHOE), Makoto Kobayashi, Corporate Officer and General Manager, CSR Promotion Department, and Noriaki Kimura, Manager, CSR Promotion Office, CSR Promotion Department

Working steadily to build internal focus on CSR materiality



Kobayashi: It has been about two years since Casio set out to specify the CSR issues with the greatest materiality to its business. To begin this process, a broad range of Casio professionals from areas including legal affairs, human resources, general affairs, sales, procurement, and environmental affairs engaged in discussions over a period of one year. In the second year, the study was continued by gathering input from external stakeholders. There were several challenges to overcome, such as incorporating materiality into our key performance indicators (KPI). Looking back, it has been a long road to getting everything accomplished. However, I feel the process itself was quite valuable. It was a good opportunity to build lasting relationships with outside experts.

Kawakita: Your emphasis on issues related to the supply chain, among the material issues you identified, is admirable and differentiates Casio from many other firms. Even though many companies focus on their supply chains, few of them single out human rights protection by suppliers as a top priority. While Casio has already made progress in this area, by once again explicitly specifying it as a material issue, you are sending a strong message to suppliers. You are saying that human rights is not only an important issue within Casio, but also important in the way you work with suppliers.

Kimura: We have made considerable efforts on human rights initiatives so far, including employee education, and I feel there is quite a high level of awareness within Casio on this issue. We have also been focusing on the elimination of conflict minerals from our supply chain, and currently about 70% of our primary suppliers have been audited. We intend to continue these efforts in the future.

Kawakita: I think a key point, going forward, will be how to generate even deeper understanding within the company about the material issues you have specified. Rather than just having the issues imposed at a superficial level from above, I hope you encourage real understanding through ongoing internal dialogue. If employees find it hard to understand the importance of environmental and human rights issues, then providing them with customer feedback is another effective method. Instead of just stating that the president or general manager says this is important, it is better to point out that failure to address these issues will mean a potential loss of customers. By clearly pointing out the market needs, frontline employees in production and procurement will certainly take action.

Kobayashi: You make a really good point. The demands of the market are much more compelling than just instructions from the boss. I think that will be an important point for us as we move forward.

Kimura: Every year we get a huge number of requests to complete questionnaires about our CSR initiatives, and the CSR Promotion Department responds to them. Considering the types of questions asked, it is clear what the market expects from us. Although it is time consuming, we will probably need to analyze the question trends, and share the results within the company.

Kawakita: While Europe is of course an important market for Casio, China and emerging countries are also very significant. Standards for corporate social responsibility have already been established in Europe, and that is reflected in the questionnaires and surveys from customers. On the other hand, it will probably be much more challenging to identify customer expectations in emerging countries.

Kimura: As you say, our priority in terms of this for the future will be regions like ASEAN. Sales strength at Casio is driven by our extensive local networks. For educational products in particular, we have built relationships of trust with

education ministries and community education officials in various countries. Through these efforts we have been able to get a sense of expectations for Casio in those markets, and we must emphasize the issues we have learned about in our CSR initiatives.

Creating new value for society by making the most of Casio's unique products and technologies

Kimura: In recent years, it seems that an international consensus has been reached on the need to balance profitability with sustainability. The stage of asking why this is necessary is long since gone, and companies that do not have a balanced strategy for these two objectives are running into trouble. When I participate in sustainability seminars, I always sense that pursuing business growth while contributing to society has become common sense, and I find this very stimulating.

Kawakita: Taking an environmental example, although water scarcity issues are difficult to appreciate in Japan due to our geography, you can really sense the reality of climate change, including water shortages and drought problems, in Europe and North America. It is clear that climate change has become a major factor in market destabilization, and this is making it harder to forecast revenues. The need to enhance the stability of entire societies in order to enable revenue forecasting has become the mainstream approach among big-brand companies.



Kobayashi: Climate change and many other social issues have a big impact on the market. Like many companies, Casio will continue searching for ways to make a social contribution linked to our products, even for issues that are not directly related to our business.

Kawakita: Casio develops and sells many watches and personal devices. By pairing thermometers and humidity sensors with information technology, climate observation systems can be created. If weather measurement and transmission functions were incorporated into Casio products, there would be countless weather sensors all over the world. It would be very meaningful if Casio could provide social value by enabling users to submit such kinds of valuable information, especially in the era of the Internet of Things.

Kimura: During one of our internal brainstorming sessions, there was a similar proposal for Casio watches equipped with various sensors. The idea was to add a sensor that can pick up the electromagnetic waves generated just before an earthquake. With several million or more Casio watch users transmitting this kind of information, the technology could be used to predict earthquakes with fairly high accuracy.

Kawakita: That is just the kind of idea we need. Digital signage is another Casio product, and you also have devices that show information on a terminal. In other words, you have functions for both determining certain conditions before a change occurs, and rapidly transmitting the information at the time of occurrence. By capitalizing on these technical functions, you could provide high-precision measurement data even in emerging countries that do not have the means to adequately gather weather information. You could also collaborate with other companies in the areas of IT infrastructure as well as analysis of the vast amounts of data collected. With everyone waiting to see what kind of business model Casio will create, it would be fantastic if you could undertake an initiative with a high degree of materiality, one that would allow employees to get excited about all the possibilities.

Kobayashi: We are always encouraging employees to come up with various ideas. That is why we have high expectations for our CSR Leaders, who are the key human resources for CSR promotion. Three CSR Leader meetings have already been held, bringing together a lot of people with a high level of CSR awareness. There was a lively exchange of opinions, lots of flexible thinking, and it generated a good stream of concepts. On the other hand, dialogue

with the product development department is also very important. It is essential to listen to the opinions of those on the manufacturing frontlines regarding how we can contribute to society through our products. By steadily pursuing these efforts, I think we can generate success stories, and then apply them laterally across the organization.

Advancing initiatives with an emphasis on dialogue and collaboration

Kawakita: It is also necessary for Casio to collaborate with NGOs and other organizations that have strengths in your focus areas, such as human rights, the environment and education. Then you can obtain appropriate evaluations of your initiatives and engage in scalable communication. In order to preserve the current value of products and businesses, and pave the way for new value in the future, it is time to start thinking about the best organizations to partner with.

Kobayashi: I think that is important. It is essential to have mechanisms for obtaining feedback both internally and externally, in order to determine what the market wants, what kind of value we should provide, and what to do about it.



Kimura: In the environmental product area, we have OCEANUS watches that are associated with marine activities, and PRO TREK watches for mountain climbing and other outdoor pursuits. Now we are investigating biodiversity protection initiatives relating to marine conservation and forest management. For example, since Casio cannot do environmental surveys on its own, we are thinking about collaborating with external organizations.

Kawakita: I also recommend that you recognize people who are active in and make contributions in those areas: for example, creating an ocean-related award program under the OCEANUS brand and recognizing outstanding people in the areas of marine sports or ocean research. You could also have the recipients actually wear OCEANUS watches. Through this kind of award program, you would develop connections with leaders in the areas concerned, create opportunities for dialogue, and also generate positive interest among employees and in the market. It would be like appointing CSR ambassadors. While companies often find it hard to get governments and local communities to listen, there would be lots of opportunities for your CSR ambassadors to effectively convey the message on your behalf.

Kimura: At Casio, we have developed PRO TREK models together with renowned climbers, and so we could deploy campaigns using their stories. Also with G-SHOCK, we hold “Shock the World” events in various countries to convey the appeal of the brand, and it would be good to deploy initiatives for each brand using this kind of noteworthy event.

Kawakita: That’s right. The important thing is to shift the focus to areas with social value, even for activities that have been used just for sales promotion until now. In that sense, an award system would serve the purpose of both sales promotion and social contribution. The resulting ambassadors would also be able to talk about Casio’s values to the media. It would be very significant both in and outside the company to have these ambassadors talking about why Casio focuses on human rights or why the company is working to protect biodiversity in mountain and ocean environments.

Kobayashi: I feel there is a growing momentum towards increasing brand value by tying it in with social value, even within the company. Although everyone is aiming to increase brand value at the moment, it is undeniable that until now people have been working on advertising, sales, development, and CSR, etc., through separate initiatives. However, under the president’s leadership, we are gradually becoming a company that tries to integrate those activities.

Kawakita: In order to involve the whole organization, it is also vital to convey the thoughts of top management to the entire corporate group whenever possible. At other companies, the president and department heads have been

thinking about how they want to pursue business development from a CSR perspective. They are now starting to make direct and timely announcements of their ideas, by maximizing the use of communication tools such as blogs and internal newsletters.

Moving to the next level by making CSR a personal concern

Kawakita: Casio is already caught up on meeting its CSR obligations, and you have now reached the stage where you are asking yourselves what to do next for the future. With Japan's aging population and the growth of emerging countries, the market will change significantly, and your current material CSR issues will change as well. Through ongoing review and evolution in response to the changing environment, it is critical that you reflect material CSR issues in management priorities and functions.

Kimura: One participant commented that, although the material issues we identified are indeed essential, they seem to be, on the whole, taking a rather defensive CSR stance, and we do need to address this, going forward. It is reassuring to know that we have such informed opinions about CSR within the company. In light of global trends such as COP21 and the UN sustainable development goals (SDGs), we will not be able to continue meeting the expectations of society in 2020 and beyond unless we craft a CSR strategy that creates new value in a way that only Casio can.

Kobayashi: As a company with the corporate creed of "Creativity and Contribution," Casio has always taken the approach of contributing to society through business activities. In the recent process we used to specify our material issues, we asked ourselves how we could combine what we found with Casio's original philosophy. In the future, we must consider how to leverage materiality concerns in our specific strategies, in the face of dramatic changes in the business environment. Given this situation, it is all the more important that employees make materiality at Casio part of their own personal concern.

Kawakita: It is also important to promote CSR awareness among employees by asking them which material issues are important to them personally. By combining employee social responsibility with corporate social responsibility, employees are empowered to participate more fully.

Kimura: We just recently spoke about these kinds of issues at the CSR Leader Conference. It is important for CSR Leaders to start first with their own situations and consider questions such as what social responsibility means to their own departments, and what it means to them personally. Currently, 100 CSR Leaders are registered with headquarters, but we plan to expand our recruitment efforts across Japan during the coming year, and then to overseas sites, as well.

Kobayashi: I would like to thank you for your valuable opinions and advice today. Your input will be extremely useful as we plan future initiatives. Thank you very much indeed.

