

Discussion with Top Management on Environmental Management

What can Casio do to achieve a sustainable society? President Kashio discussed this with Mr. Mita, who has extensive knowledge on building a sustainable society. Mr. Mita currently serves as Chairman of the Sustainable Management Forum of Japan, a non-profit organization. He is also Chairman of the Sustainable Management Rating Institute.

Envisioning the ideal state of affairs will lead to the achievement of sustainable environment and the prosperity of companies

Mita: The Sustainable Management Rating Institute is based on the Sustainable Management Forum of Japan non-profit organization. Let me first explain the background of this Institute's foundation. Through an exchange of opinions with experts at the IPCC (the Intergovernmental Panel on Climate Change) during the Kyoto Conference on Climate Change (COP3), their observation coincided with ours; that around 2050, the amount of wealth damaged by natural disasters will surpass that created by humans. "If that is true," I thought, "we have to consider how to recover the environment, and in a wider sense, how to change the human society," setting the year 2030 as a strategic target. This is the reason why we established this Institute. In this regard, although it is just a forum, our organization has clear strategic objectives. Ratings have generally been used for financial purposes such as loans and investments, but in response to a request from the Ministry of the Environment, a rating of human society was conducted to assess the degree of change needed to become a



Kazuo Kashio

President and CEO

green company, compared with the goals. This rating marked its second anniversary this year.

Looking at the world food situation, for example, food production for the population of 6.45 billion is decreasing, affected by poor harvests in recent years. If this trend continues, economically disadvantaged countries will be severely affected. Companies, on the other hand, are powerful in a sense. I think they need to meet expectations of people and to make reasonable efforts toward this situation. I would like to hear Casio's basic response to the current situation in the world, the environmental situation and social confusion.

Kashio: I always manage the company with the question "what is an ideal world?" in my mind. In my opinion, dividing this world into countries may pose a problem when the globe is looked at as a whole. For example, wars are caused by those who want to protect their country. You can see a similar problem in recent discussions on dispatching Japanese Self Defense Forces overseas. I think it will be the best to manage the world as one, sharing the resources with all the others. In this regard, Casio's response will be a focus on compliance including conservation of the environment and CSR.

Mita: I understand what you mean. However, if all the countries are united as one, they will lose their own characters. I believe that it is necessary for all the people in the world to cooperate to unite the world while respecting individual languages and cultures as well as the identities of each ethnic group. In that sense, it may be natural that environmental approaches taken by the United States or European countries differ from our traditional approach. There are many paths leading to the top of Mt. Fuji. Every climber becomes creative and takes his or her own approach to the top. I think this thinking will appeal to the Japanese people. I also think it is natural that rating methods may vary depending on the situation.

Developing environmentally conscious products utilizing light weight, compact, and energy efficient technologies

Mita: As a manager of a global corporation, do you have any idea how to introduce the Japanese way of thinking or technical characteristics in environmental management?

Kashio: There are many methods and ways of thinking. Since our foundation we have developed products that are light

Glossary

The Kyoto Conference on Climate Change(COP3): The 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3) held in Kyoto in 1997. Developed countries were required to reduce their greenhouse gas emissions by approximately 5% below 1990 levels in the commitment period of 2008 to 2012.

IPCC: IPCC stands for the Intergovernmental Panel on Climate Change. This panel, established in 1988, organizes and assesses various knowledge on the risks of man-caused climate change and provides advice and counseling to each government.

weight, compact, and energy efficient as Casio's core competence. I believe that continuously developing environmentally friendly, environmentally conscious products utilizing each company's own technology will eventually lead to the conservation of the global environment.

Mita: In 1975, I took a tour of the U.S. and Europe to observe incinerators and incineration technologies. This is partly because I expected that medical waste would pose a serious problem in the future. In the U.S., Canada, Italy, Germany and Sweden, I was often asked why I was there and told that Japanese technology was the best in the world.

Though the technology they meant there was only on environmental pollution control, I rediscovered the excellence of Japanese technology, which the Japanese people should further extend. In the environmental aspect, in particular, Japanese spirituality can be utilized for technological development.

Meanwhile, could you tell me about Casio's efforts in response to the recently seen trend in Europe to tighten control on chemical substances?

Kashio: For hazardous chemical substances used in our products, Casio carries out Green Procurement designating the controlled substances whose use must be banned or restricted. Especially for the chemical substances designated in the RoHS Directive, we are making company-wide efforts, including subsidiaries, and setting the goal to eliminate them totally in our Environmental Action Plan.

Mita: At present, how many controlled chemical substances are used?

Yamada: Basically, we comply with the PRTR law. The Electronics Equipment Division controls 30 chemical substances while the Electronic Component Division controls 40 substances.

Among them, we are striving to eliminate 6 substances containing lead and used in the products totally by 2005 to comply with the RoHS Directive.

Mita: In the environmental conservation activities, how do you establish a system to achieve positive results?

Yamada: Our concept to develop light weight, compact, and energy efficient products, as the President explained earlier, is for producing value-added products with fewer resources. Casio had adopted this approach as our corporate policy before environmental problems came to be an issue. In order to step up the efforts, we established the "Casio Voluntary Plan for Environment," which is revised every year to review the environmentally conscious standard and tighten it to meet the current times. The contents of



Kazutomi Mita

Chairman of the Sustainable Management Forum of Japan, he also serves as Chief Director, Sustainable Management Rating Institute.

He graduated from the University of Tokyo in 1961. After becoming the chief editor of "Kokusai Shicho," he established and has represented a number of public interest corporations, companies and organizations relating to energy and recycling since the 1970s. Has been involved in research and consulting at universities, hospitals and administrative agencies in 60 countries all over the world, and has worked for the advisory committee of the Ministry of International Trade and Industry and the Tokyo Metropolitan government. He has also been a visiting professor of a university, a corporate advisor, and a representative of Mita Environmental Management Consulting INC. The Sustainable Management Rating Institute was established in 2001, based on the Sustainable Management Forum. He serves as Chairman of the Sustainable Management Forum, Chairman of the Sustainable Management Rating Institute, and a visiting professor of Saitama University as of March 2004.

this plan are introduced in this Sustainability Report 2004.

This system is highly esteemed by the judges for ISO 14001 certification.

Always remember the spirit of contributing to the social responsibility expected of us

Mita: Japanese society is not as secure as it used to be, and some people attribute this trend to education. I think that these days people do not seem to make much of the basic rules in society, such as to adhere to laws or not to cause ethical problems to others. In the U.S., for example, management of prestigious companies violated the law, and this trend also applies to Japan. This is also not a good trend in terms of education. Because companies can have great influence on society, society requires the companies to be a model. I think it is necessary for companies to set a code of conduct and establish a solid system that does not allow violation of laws. Please tell me Casio's response.

Glossary

RoHS Directive: An EU directive on restriction of the use of certain hazardous substances in electrical and electronic equipment to be implemented in EU member countries from July 1st, 2006. The substances are mercury, cadmium, lead, hexavalent chromium, polybrominated biphenyls (PBBs), and polybrominated diphenyl ethers (PBDEs). Casio has already eliminated PBBs and PBDEs.

PRTR Law: PRTR stands for Pollutant Release and Transfer Register. Under the PRTR law, the national government tabulates and announces data on the transfer of chemical substances that might be harmful to human health and the ecosystem and their release into the air, water, and soil based on reports submitted by companies.

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Kashio: Last year, on the anniversary of Casio Computer's founding, we established the Charter of Creativity for Casio. Casio Common Commitment is summarized in a card, which has been distributed for all the employees, including myself, for signature. By raising the ethics of all the employees as an ongoing matter, we ensure that they always take ethical and model actions.

Mita: Casio Group operates a number of factories. Those factories, like it or not, play a central role in the lives and culture of the local residents. Please tell me Casio's approach to interact with the people in the local community.

Kashio: I think companies are inevitably required to contribute to the local community in the management of their operations. We are making efforts based on the spirit of contribution, which is our management philosophy.

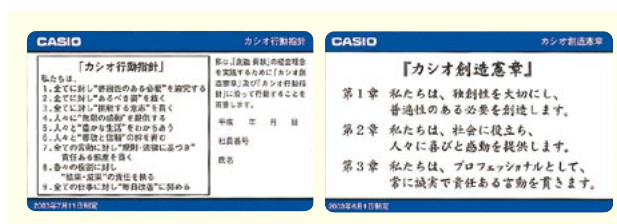
Yamada: Specifically, we held environment-related events tailored to each site, as described in pages 26 and 27 of the Environmental Report 2003 issued last year. In some sites, we maintain good relationships with the local community.

Mita: These days, child education attracts increasingly less attention within society. Adults look the other way even a child does a bad thing. In my hometown of Kamakura, for example, elementary schools invite local residents to see the classes and for outdoor activities with children. In such processes, local residents take care of the school children as their own, through which the basis of child education receiving cooperation from the local community has been gradually established. I heard this was achieved through a teacher's idea. I believe that your company plays an important role in the local area. Could you tell me how your company interacts with the local community?



■ Yoshinobu Yamada
General Manager of the
Quality & Environment Center

Kashio: The other day, we offered our head office building as an aid station for the Tokyo Volunteer Network for Disaster Relief. [p.30](#) As the entire Casio Group, we are actively engaged in employment and social contribution activities in our production sites in Kofu, Kochi and Yamagata. In addition, we established the Casio Science Promotion Foundation in 1983.



■ The Charter of Creativity for Casio (card)

Since its foundation, we have supported creative research activities in the fields of natural science and human science on a continuous basis.

Mita: I heard that several hundred people evacuated to this head office building (located in Hatsudai) in a disaster drill conducted last September. With real disaster in mind, Casio employees and local residents joined in the evacuation exercise for a few days.

Kashio: This head office building has a state-of-the-art disaster-resistant design. Casio was told by the builder that we were expected to offer this building as an evacuation center for the local residents, and we will be willing to do so in case of emergency.

Mita: After having heard this story, I went to Kasugai City, Aichi Prefecture, to give a lecture for the Architectural Institute of Japan. In my lecture, I made a suggestion on a new field, Super Green Building. What I mean here is companies are required to make more positive contribution to society in addition to passive contributions and those from social aspects. I introduced Casio as an example in which the company plays an important role in protecting local residents in case of emergency. I think this is the attitude required for the industrial circle today. I am planning to introduce Casio as an example in the Eco Design 2004 (the 4th International Symposium on Environmentally Conscious Design and Inverse Manufacturing) to be held in Harajuku this coming December.

Striving daily to improve everything we do is necessary for the development

Mita: This is the last question for you. It seems to me that Japanese companies in general, especially those operated by the owners, are not very good at accepting outside opinions

nor establishing flexible business structures. A rare example is Ieyasu Tokugawa, the *shogun* in the Edo period, who appointed an unknown Buddhist monk called Tenkai Sojo to his staff. Ieyasu, however, achieved political success. How do you deal with outside opinions? Some companies introduce the system used in the U.S. or appoint outside directors or auditors. Does Casio take a similar approach?

Kashio: To ensure soundness and transparency of management, we appointed two outside auditors in charge of accounting audits and operation audits. In addition, for the purpose of communication, we have the Public Communications Dept., General Affairs Division, and the Quality & Environment Center to provide stakeholders with necessary information and to deal with corporate IR. We participated in the Sustainable Management Rating this year because we hoped to have objective comments on the points we should improve.

What is important to keep a company prosperous on a continuous basis will be to envision the ideal state of affairs at all times, without being shortsighted. I therefore believe that all the employees must set their own future goals for the company. For this end, making use of experience is crucial. As people's lives are full of experiences, analyzing past experiences will lead to the right answer. True understanding arises from the experience.



■ President Kashio with Mr. Mita

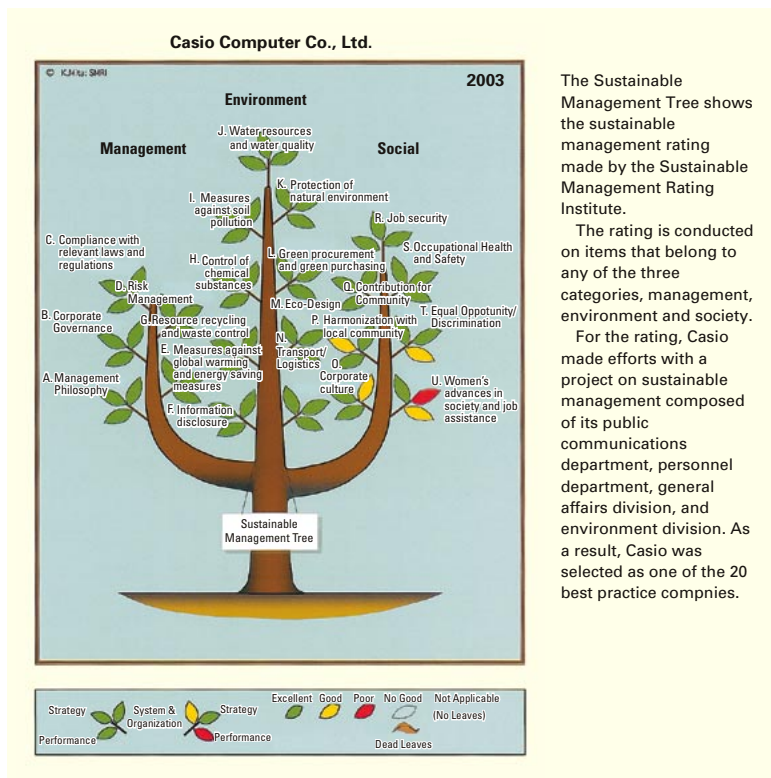
I mean that experiences are made up of one's attitude towards life, and answers are brought out as a story of experience. If one repeats a past failure, he or she will have the same results. In this regard, after a failure, one must consider other ways leading to the ideal state of affairs.

Almost a year has passed since I announced a message of "Mainichi Kaizen"- which means striving every day to improve everything we do - to all the employees, aiming at a dramatic transformation of our corporate culture. I asked all the employees to say these words prior to a meeting or other situations. I believe that all the employees feel they will do so every time they say this message themselves. Improvement comes from sticking to details. Improvement also comes from constantly questioning the status quo and asking oneself "how can this be further improved?"

Companies want uninterrupted growth. So far, companies that continued to make a large amount of profit have been highly esteemed as good-standing corporations. However, this will no longer be enough. The global environment is rapidly deteriorating and corporate responsibility is increasingly drawing attention. I strongly feel the necessity for improvement in terms of corporate compliance.

Mita: When I interact with your officers, I feel that they are quick in taking actions. Companies are required to do so, rather than just thinking about it. Because environmental problems are in an urgent situation, I always say "jump in both feet," otherwise it would be too late. Thank you for sharing your meaningful observation today. I would like to hear your philosophy another time.

Kashio: You are welcome with pleasure.



■ Sustainable Management Tree