

Discussion on CSR

“How do we channel CSR to genuine activities instead of letting it be a fad?” This is one of the most critical questions that face corporate management today. In this report, we invited Mr. Mita, the chairman of the Sustainable Management Forum of Japan,*1 a non-profit organization, and two additional members of the Forum, all of whom have solid visions about the future of the global environment and are active in wide-ranging fields, to have discussions with President and Eexecutive Vice President along the above-mentioned theme.

Promoting “Creation of Goods” that Contribute to the Environment and the Society in a Unique Corporate Culture



Kazuo Kashio,
President and CEO



Yukio Kashio,
Executive Vice President and
Representative Director

[President]

First of all, our corporate creed is “Creativity and Contribution.” What this means literally is that we make contribution to the society by creating products that have unconventional and innovative functions. To make this more specific and easy to digest, we have the Charter of Creativity for Casio, and the Casio Common Commitment, which are the standards that guide our employees as they conduct their everyday tasks. → P13

Stated in these guides are the commitment asked of our employees to refuse to be confined by the limitations set by common sense in all parts of their work and to create the ideals and strive to realize them. They are also asked to contribute to the society through business activities, satisfy and delight people, and act in ways that strengthen bonds of respect and trust with all of our stakeholders. These guides were published in 2003. Today, all of our employees carry a card that provides this information and strive to comply with it.

We supply over 100 million units of our products annually to countries all over the world. To operate our business on a global scale, the spirit of mutual understanding is indispensable. One must not assert its interest one-sidedly. Instead, we must respect each other's position and try to find ways for both parties to be fine.

I think that the same is true with bilateral relationships between

[President / Executive Vice President]

Gentlemen, thank you very much for finding time to visit with us today.

[Mr. Mita, Forum Chairman]

I would like to thank YOU for giving us your time.

Now let's get started. Looking at many of the latest corporate scandals, whether they are in Japan, the United States or Europe, one cannot help wonder if some of these companies have any legitimate corporate culture at all. We would like you to start the discussion by telling us what your company's pillar of corporate culture is and how that pillar is being reflected in your corporate culture in view of the current development in our society.

countries. Choosing an action that takes heed of the interest of both parties instead of being self-centered is a basic principle for any corporation. I take advantage of every opportunity that comes up to discuss these issues at my company.

[Mr. Mita]

Your company has advocated the concepts of “compact, lightweight, slim, and energy efficient” in product development since the start of your company. These have direct impact on the environmental issues. I think they constitute impressive CSR.

But today, we see safety and health issues being raised in addition to environmental issues when we discuss CSR. Where is the main focus of your company's technological development today and in the future?

[Executive Vice President]

Regarding environment, our “compact, lightweight, slim, and energy efficient” products that we have developed with our core technologies are, without any further modifications, products that heed the environment.

We established the Casio Group Voluntary Plan to evaluate and certify Green Products, based on Casio's own certification criteria. → P30 In addition, we have set an action target, which is to raise the sales of Green Products to 50% of total sales in fiscal 2005. This plan is named Casio Green Products 50. → P40

As for health, we focused on the fact that wristwatches are worn at all times and that they are more like a part of our bodies. This led to the development and commercial production of watches that can measure heartbeats and blood pressure. They are thus used as tools of health management. These products can be used as both portable health devices and watches. They can be said to be products that put to use wrist technologies and heed both the environment and health.

In terms of safety, Casio has developed its proprietary fingerprint verification algorithm and encryption technology. These have been installed in such mobile devices as Casio-made handy terminals and PDAs. In addition, we have developed fingerprint sensors for cell phones with a built-in LCD. With these devices, we help ensure information security through personal verification. → P22 Apart from such product development, we are also pressing forward with research and development of Reformed Methanol fuel cells that are powered by clean fuels. → P22

We hope to bring these products to commercial production within the next few years if possible by combining them with Green Products that burn clean fuels.

[Mr. Mita]

Research and development of Reformed Methanol fuel cells must be a field that requires substantial know-how and technological power.

[Executive Vice President]

We are pressing forward with this project by gaining the cooperation of engineers in a number of fields both within and outside the company.

Methanol is used as a fuel for fuel cells. There still are some unresolved legal issues in connection with the handling of methanol. We anticipate the easing of the regulations regarding handling of methanol to occur over the next few years.

We are considering fuel cells introduced Casio's core technologies that are compact, lightweight and slim. Today, large fuel cells are being considered for automobile and video cameras. What we are trying to develop are much smaller ones that can fit inside our Casio products.

Especially because we make mobile products, we hope to develop cells that can make today's energy-saving products to have even longer lives. This is how we would be able to capitalize on our proprietary technology. Once such fuel cells are created, we will be making contributions in a wide range of fields toward the realization of a ubiquitous society.

Active Participation by Every Employee Leads to Greater Contribution to the Society

[Mr. Mita]

In addition to the creation of goods that you just mentioned, which is your true business, as a way to make contribution to the society, there is contribution to local communities. I understand that you offered part of your headquarters' building for disaster prevention drills for the community last year. → P63 I hope to see you expand this concept as a way to make social contributions in the future.

Last year and this year, we had earthquakes in Niigata and off the coast of Sumatra. Has your company taken any steps in response to such disasters?



Makoto Kobayashi,
Director,
CSR Operations Section

[Mr. Kobayashi, Director of the CSR Operations Section]

In connection with the earthquake in Niigata, the Casio Group, jointly with our labor union, solicited donations from employees. The company matched the total amount of collection and donated the sum. Employees gave over ¥2.4 million. The company added ¥2.5 million and gave

the total sum of approximately ¥5 million through the Japanese Red Cross Society.

As for the earthquake off the coast of Sumatra, the Casio Group donated ¥5 million through the Japanese Red Cross Society.

[President]

I think it was very meaningful that employees made sizable donations.

[Mr. Mita]

It really showed the real power.

There is a law that disasters occur in concentration. According to one theory, a new era of colossal upheavals started in 1993, 70 years after a disastrous earthquake obliterated Kanto area in 1923. When you look back at the last ten years, about 20 earthquakes of seismic intensity 6 and above occurred in Japan alone.

It is likely that there will be more disasters of all kinds, in addition to earthquakes. Nevertheless, we have seen

that government offices and municipalities frequently fail to meet the needs adequately at the time of disasters. I think that NPOs, NGOs and corporations are expected to voluntarily take disaster countermeasures as part of their social responsibilities.

Planting Awareness in All Employees, Including Executives, a Key to CSR Execution

[Mr. Shinozuka, a Forum member]

I understand that Casio is a corporation that has established its Charter of Creativity and is energetically promoting CSR. I would like to know what kind of policies Casio has for the future in connection with such topics as the incorporation of a mode of governance in which the function of the board of directors is separated from the execution function in a corporation that has established committees, etc., strengthening corporate governance and risk controls, and increasing transparency.

[President]

As for corporate governance, Casio has two external auditors. They objectively audit the management. → P14 Based on the results, they conduct periodic reviews.



Kazutomi Mita,
Chairman of the
Sustainable
Management Forum of
Japan

A 1961 graduate of the University of Tokyo. A philosopher, ethicist, environmental expert, and medical researcher.

After working as the chief editor of the Kokusai Shicho magazine, Mr. Mita set up a number of public interest corporations and corporate organizations relating to energy conservation and recycling, starting in 1970, and served as their representative. After serving as an staff of the Ministry of International Trade and Industry, and a researcher for Japan Science and Technology Institute, he has been engaged in research and consulting at universities, hospitals and government organizations in 60 countries.

He is a member of an advisory panel for the Ministry of International Trade and Industry and the Tokyo Metropolitan government, a visiting professor of a universities, and a corporate consultant.

He also runs Mita Environmental Management Consulting Inc. The MITAMODEL, a model developed as a technique to rating managements, is well known.

His extensive publications include the “Survey of Actual Waste Disposal by Businesses in Tokyo”, “Evaluation of Eco-Business Market” and “Introduction to Environmental Management.”

As for external directors, we have been looking into the possibility. There are, however, some issues to be resolved before we can adopt such a system. In essence, sound corporate management requires thorough knowledge of the corporation's business. Without such knowledge, it is difficult to run a corporation.

For this reason, we do not have external directors at this point. Instead, we have opted to be a corporation that appoints auditors to conduct objective audits, whose results are used in the management of the company.

[Mr. Mita]

The issue about external directors is not necessarily about transitioning into a corporation that has established committees or appointing external directors.

Various approaches should be considered regarding this issue. Wisdom of all sorts needs to converge to run a corporation. In this connection, my thought is that you should probably consider incorporating the social aspect to a greater degree to boost recognition power.

[President]

I quite agree with you. I think that the most important thing is for all of our employees, including our executives, to be constantly aware of CSR as they carry on their tasks every day, rather than being focused on the formality.

When you look at external auditors in this perspective, it seems questionable as a matter of fact that they have the ability to point out important areas for improvement or make meaningful suggestions. I believe that what will be important is that those who are actually in charge of business operations are well aware of CSR.

We have created the CSR Committee, whose members are our executives. We have periodic meetings. → P15 At these meetings, all tasks relating to CSR are checked. But unless we ourselves have strong awareness and hold solid opinions, ultimately nothing gets accomplished no matter how many meetings we may hold or how good a mechanism you may adopt.

[Mr. Mita]

You are indeed right about that. In many instances, corporations may establish committees or appoint external auditors, but end up having them only for the formality's sake. Naturally, such forms are important but it is more important to ensure that contents are given. I am sure there are a number of possible ways to go about it.

[President]

Another thing to add is that in the 20th century, we were able to envision the future of a corporation to some extent. In other words, it was possible to run a corporation by relying on the legacies of the past. But now that we are in the 21st century, it is not at all possible to manage a corporation with past legacies.

Moreover, competition between corporation has become very intense. Only a handful of corporations can survive as winners in any industry. We work strenuously for survival. The question of how to grow our business while fulfilling our responsibility to the environment and the society is a serious one to tackle.

On the other hand, it is a very good thing that attention is focused on the environment and CSR as the impact of corporations on the society has grown so large. I think that the most important point of management may be to position business growth and promotion of CSR as two wheels of management and push them forward in tandem.

[Mr. Mita]

It is corporations' duty to deal with both the environment and CSR. But corporations are desperate for survival. What we have been constantly advocating therefore is that it is important for them to convert what they are obligated to do to their own production power.

Continuing to Promote CSR Management in the Future while Focusing on its Impact on the Youths Who Will Be in Charge of the Next Generation

[Mr. Ogura, a Forum member]

Not to change the subject, many of the people who use your company's products are young. Issues about youths receive heavy attention these days, and education of youths is debated. Would you please describe how you have been tackling the issues of educating the youths, who constitute the largest segment of your customers?

[President]

Such products as G-SHOCK and Baby-G are indeed primarily designed for and marketed to the young people.

With respect to education of the youths that you just mentioned, we give factory tours and open our business sites and group companies for visits by students as extracurricular activities. We also conduct Kids ISO activities. We are actively engaged in executing these social contribution programs, which are also tied to our environmental education programs. → P62

[Executive Vice President]

We also manufacture electronic musical instruments. Musical



From left: Mr. Shinozuka (a committee member), Mr. Mita (Forum chairman), and Mr. Ogura (a committee member)

instruments play an important role in the emotional education of children. We are aware that the sounds that our products produce are very important to the young people, and especially to toddlers and preschoolers. We are therefore meticulous about creating beautiful tones and developing good sound sources. It is not all right to think that "musical instruments for toddlers are toys." When we manufacture musical instruments for very young children, we work hard to create sound sources that are suitable for their musical education.

[Mr. Mita]

Today, the word CSR is used defensively by some corporations in ways that differ from the term's original meaning. They may set up an impressive ethics committee, and hire a reputable CPA firm to audit their operations. And yet, we see corporate scandals.

I think that the basic spirit of CSR is not in preventing corporate scandals or quieting rumors about such scandals but in "noblesse oblige." *2 What it means is that a corporation's CSR speaks for itself without the company loudly advertising its CSR efforts. It should therefore be helpful for education and improving the society that each corporation firmly holds this basic principle.

The word "responsible," which is part of the term "Social Responsibility," has an origin that means "to have a good response" or "to react to." The original meaning of "Social Responsibility" is therefore "the condition of responding reliably to the demand of the society." It means that any response to social needs must be a sensitive one rather than a non-sensitive one. This should hold true in business as well. In this sense, I believe that it is possible to integrate CSR management with the mainstream business management.

[President]

You are absolutely right. We intend to continue our on-going efforts to accurately grasp our stakeholders' needs and respond dependably to them by fully staffing such groups as the CSR Operations Section and the Environment Center.

[Executive Vice President]

It is a mandate for us as a manufacturing concern to keep on creating hit products. The CSR concept is important in the development of hit products as well.

For instance, our core competence in "compact, lightweight, slim, and energy efficient" technologies not only has relevance to environmental issues but also lengthens the lives of batteries because of low power usage and lessens the trouble of replacing batteries for our customers. This is true with solar cells and fuel cells too. Such a merit helps our products become hit items.

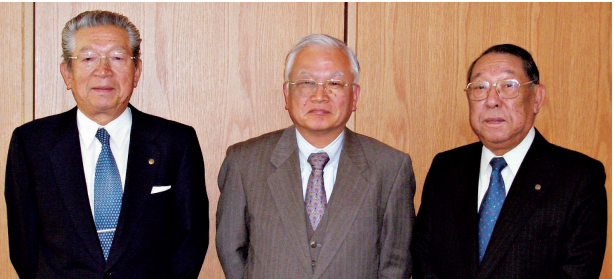
As this example shows, skillful incorporation of CSR in our products is a way for us to create hit products. This is something that I keep finding.

[Mr. Mita]

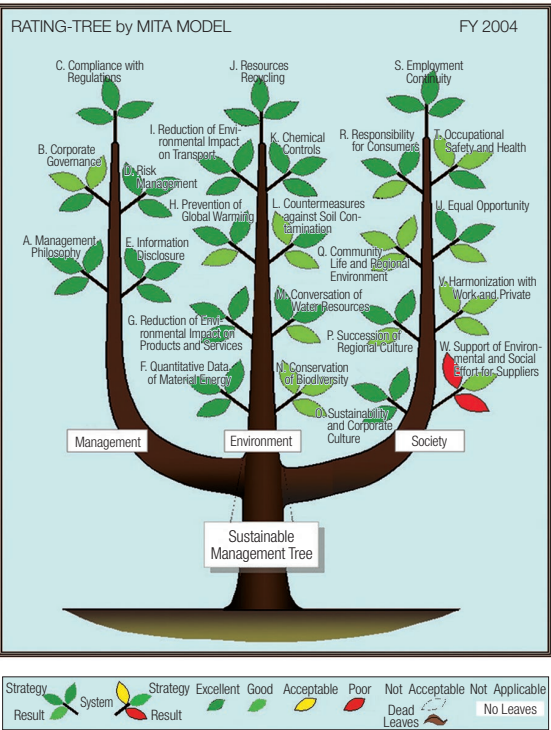
I would very much like you to keep pressing forward with that approach and use it as a feeler for your company's future growth. Thank you very much for your time.

[President/ Executive Vice President]

We thank you very much for your time as well.



***1Sustainable Management Forum of Japan:** A specified non-profit organization that provides a forum for theoretical and empirical research for researchers, corporate management and citizens with a goal of establishing management for sustainability by combining engineering, business administration and other related sciences with various experiences. The Forum conducts research in a wide range of fields and disseminates the results of such research so as to ensure that the findings take root in the society. Since fiscal 2003, Casio has subjected itself to the Sustainability Management Rating, which is promoted by the Sustainable Management Rating Institute, an organization that is part of the Forum.
The FY2004 Sustainable Management Rating is as follows:



Sustainable Management Rating Tree

***2Noblesse oblige:** A basic ethics notion in the European and American societies that those who are in noble positions have corresponding social responsibilities and duties to fulfill. In this discussion, the term was used to mean that corporations have social responsibilities and duties that they are expected to shoulder.