The following is a third party’s opinion of THK’s CSR Report 2019, its 13th edition.

The importance of non-financial information
Efforts at building a sustainable world have picked up significant momentum, with the SDGs adopted at a UN summit in September 2015 and the Paris Agreement in December of that year. Interest in ESG investment has risen in Japan, with GPIF (Government Pension Investment Fund) signing the PRI (Principles for Responsible Investment) in September 2015. As a result, we are transitioning from an era where investors evaluate companies solely on their financial value, such as sales and profits, to an era where they look at non-financial value, evaluating how companies are engaging with environmental and social challenges as a lens to determine whether they can expect to see long-term, stable growth.

Accordingly, even this report states in the introduction’s CSR Policy: “We endeavor to improve our long-term corporate value,” and the Message from the CEO says, “Our products will greatly contribute to the achievement of the SDGs.” In particular, I want to praise the fact that the material aspects of CSR are clearly organized alongside the SDG icons in the “THK’s Stance on the Relationship Between Social Challenges and CSR” two-page spread in an aim to increase THK’s long-term corporate value and create an affluent society through its business activities. These material aspects of CSR also serve as guideposts for the entire report, appearing in the discussion of THK’s approach on the following pages and throughout the report. Consolidated net sales and other metrics are set as KPIs (key performance indicators) in terms of financial value, but I recommend viewing the material aspects of CSR, which fall under non-financial value, as KPIs, establishing medium- to long-term goals (which could be qualitative targets) for those they can, and using the PDCA cycle to pursue them.

A supply chain perspective
In “Together with Our Suppliers,” the stages of THK’s supply chain are listed as design, purchasing/procurement, production, distribution, and sales. Going forward, I believe it would be effective to further develop this arrangement and consider contents for the CSR Report from a perspective focused on the supply chain. For example, by coming up with business risks and opportunities that may impact THK and applying (or connecting) them to future material aspects of CSR as appropriate.

Stakeholders featured in the report
The “How THK Connects with Stakeholders” section at the beginning of the report provides an overall understanding of THK’s various stakeholders. A total of six customer organizations appear in the “Special Features” and “In Our Customers’ Words” sections, providing an objective perspective on how much THK’s high-quality products have helped solve environmental and social challenges. The report also features comments and reflections from employees who have received awards from external organizations, students and teachers who participated in THK’s school visits, and the recipients and THK employee in charge of the Science Castle Grant THK Prize. The fact that so many stakeholders are represented is commendable, but the trend seems to lean toward customers. Although there are page limitations, in the future, consider tying the material aspects of CSR into the structure of the CSR Report by introducing a series of voices from several different stakeholders other than customers (for example, the engineers who developed products using THK’s core technology, female employees, and suppliers and business partners).

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Public office held: Member of the 6th through the 22nd Environmental Communication Award Working Group (2002–2018) held by the Ministry of the Environment.

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