

Third-Party Opinion

I hereby present my third-party opinion on the 2022 THK Sustainability Report (hereinafter referred to as “this report”).

The Carbon Neutrality Pledge and the Establishment of Medium- and Long-Term Targets

One could say that the largest development in terms of sustainability management in 2021 was the Carbon Neutrality Pledge and the establishment of medium- and long-term targets. Prior to this, environmental targets and KPIs would generally be set by building upon the current state (an inside-out approach), but in order to achieve carbon neutrality, now medium- and long-term targets are being formulated by calculating backwards from the ideal state (an outside-in approach), and commitments have been made to stakeholders as targets approved by the Board of Directors. With regard to their fundamental approach to such measures, I highly commend THK from a sustainability management perspective, for not only launching their Carbon Neutrality Promotion Project to work toward the “reduction of CO₂ emissions from [their] business activities (minimizing negative impact),” but also concerning themselves with “contributions from [their] products and services (strengthening positive impact)” in the supply chain through their business. As a technical matter, I look forward to continued progress in the future, including the disclosure of information based on a framework such as TCFD (Task Force on Climate-Related Financial Disclosures), which I mention below.

“Efforts to Promote the SDGs” and “Strengthening the Supply Chain”

The special features include “Efforts to Promote the SDGs” as in previous years, but the “Strengthening the Supply Chain” section on the following pages is a new addition. This caught my attention alongside the inclusion of “Strengthening Positive Impact” (opportunities for profit) and “Minimizing Negative Impact” (risk reduction), which were tied in with the SDGs, due to the fact that responding to these kinds of sustainability issues is a critical challenge for management, and it is connected to the improvement of corporate value over the medium to long term. In the future, I would like to see the relationship between “Efforts to Promote the SDGs” and “Strengthening the Supply Chain” reorganized, with information about THK’s professed sustainability management presented in a format that is made clearer for stakeholders.

In light of the aforementioned medium- to long-term goals for carbon neutrality and “Strengthening the Supply Chain” section, THK should reexamine the KPIs outlined in “Efforts to Promote the SDGs” and adjust them if necessary.

Meanwhile, as THK celebrated its 50th anniversary in 2021, President Teramachi made a commitment in his “Top Message” to “transform THK into a manufacturing and innovative services company” that goes beyond simply creating things, expanding its business to include everything from before to after the sale. This new management strategy is also related to strengthening the supply chain, so I would like for THK to integrate this into its conception of sustainability management and also consider the disclosure of information.

Global Partnerships through the “EntSherpa” Technical Support Service for Startup Companies

With regard to the newly launched EntSherpa service mentioned in the “Top Message,” when I read the “A Reliable Partner for Start-Ups” article in the “In Our Customers’ Words” special feature, it was clearly evident how this service could be used to contribute to the various objectives of the SDGs through partnerships with startup companies. Besides those objectives outlined on the pages related to the SDGs, this service also falls under Goal 17, “Strengthen the means of implementation and revitalize the global partnership for sustainable development.” I look forward to the global expansion and future development of this endeavor. Of course, I think the THK Education Outreach Program, which launched in 2017 and is aimed at young students, is another positive example of such partnership.

Toward Further Developments in Sustainability Management

The THK Corporate Governance Report updated in December 2021 lists “establishing diversity in the appointment of core staff (e.g. women, foreigners, and mid-career hires);” “establishing a committee for the promotion of sustainability;” and “implementing disclosures based on the internationally established TCFD disclosure framework or an equivalent framework” as items for consideration. In this way, the challenges for THK’s sustainability management are clear, so I hope THK will make concrete strides towards the aforementioned items and disclose information about the progress in next year’s report.



Masatoshi Ikari

Representative, Sustainability Consulting
Part-Time Teacher, Seikei University

Profile: Born in 1957. Graduated from the Department of Engineering at Tohoku University and joined Mitsubishi Materials Corporation in 1982. After working at MS&AD InterRisk Research & Consulting, Inc., has held current position since April 2018.

Publications: *Evolutional Strategy on Environmental Risk for Financial Institutions* (coauthor, Kinzai Institute for Financial Affairs, Inc.), *Practical Guidance on SDGs for Corporate Environmental Staff* (coauthor, Nikkan Kogyo), and many more.