

## Third-Party Opinion: Talking with the Expert

Seiji Yamashita, executive officer and general manager of the CSR Division at KHI, asked Takehiko Isobe, professor at Keio University's Graduate School of Business Administration, for his opinion on the KHI Group's CSR Report for 2011.

**Yamashita:** Dr. Isobe, you kindly provided a third-party opinion on our report last year. For this year's report, I'd like to ask you for your thoughts. Feel free to make comparisons with last year's report, and then I'll respond to each point.

**Isobe:** Let me begin with a general impression and overall assessment. By and large, you have emphasized continuity in the structure of this year's report, sustaining the themes from last year. From a reader's perspective, this familiarity of subject matter not only makes the Group's CSR activities easy to grasp but also establishes CSR as a pillar of corporate management and underscores a willingness to move steadily forward on CSR issues. However, I feel you have taken such an exhaustive approach to describing the Group's CSR activities that readers may get bogged down as they go through the report. I think readers would get a clearer picture of the Group's CSR activities if the report were not so all-encompassing but concentrated on particular Group pursuits instead. Perhaps a bit more information could be shifted to the online version.

**Yamashita:** Your point is well-taken. We were driven by an overwhelming desire to incorporate every bit of information on our chosen topics and failed to see that this might be perceived as information overload from a reader's perspective.

**Isobe:** With regard to the organizational framework at KHI, management has established various CSR-related structures and systems, such as CSR committees, compliance program and corporate risk management, which is great. But you have also got to consider how these structures and systems work together.

**Yamashita:** Again, you are quite right. Internal structures have been established gradually, in line with emerging social requirements, and it is now time to coordinate activities from an overall perspective.



**Isobe:** On self-assessment of CSR issues, actions under the management theme are excellent, even better than last year's. And, as was the case last year, I find your actions under the employees theme to be very appropriate. I feel that KHI has achieved a certain measure of success on internally oriented CSR activities. For the future, however, KHI must direct greater attention to externally oriented CSR issues, such as developing environmental activities overseas and contributing to society.

Also, in this year's report you include CSR issues that have been designated as priorities in each internal company. This demonstrates excellent awareness of CSR as a companywide commitment. You recognize that CSR goes beyond the headquarters to all divisions of a company, and I commend you for being so perceptive. However, I sense

varying degrees of enthusiasm in the approaches taken by each internal company. I think you should also consider activities that target only certain companies—not all of them—or certain products, based on the CSR category and the stakeholders involved.



**Yamashita:** The Group has seven internal companies. Each one caters to its own customer base with specific products and services, so the CSR activities embraced in each company in fiscal 2012 reflected these differences, which you interpreted as "varying degrees of enthusiasm." Knowing the crucial connection between CSR and society's impression of a company, we will promote rigorous exchanges of opinion with designated departments to identify strengths in each internal company that will reinforce respective CSR activities.

**Isobe:** Last, but not least, let me comment on your response to the Great East Japan Earthquake. This CSR Report really highlights the Group's pivotal role in supporting Japan's social infrastructure. This information tells me that management has given careful thought to the role that the Group must play in the future. Supporting infrastructure is itself a vital aspect of CSR. I look forward to seeing where you apply your corporate energies next.

**Yamashita:** Thank you for the vote of confidence. Of course, business activities of individual companies are an important part of social responsibility. However, the recent disaster made us all the more aware that social responsibility is also a companywide obligation, and it requires approaches that transcend the business activities of individual internal companies. This newfound insight will surely permeate the CSR activities that we undertake as a company and as a corporate group.



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## Kawasaki Heavy Industries, Ltd.

Incorporated		October 15, 1896
Head Offices		Tokyo Head Office: World Trade Center Bldg., 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo, 105-6116 Japan  Kobe Head Office: Kobe Crystal Tower, 1-3, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe, Hyogo, 650-8680 Japan
Representative		Satoshi Hasegawa, President
Paid-in Capital		¥104,340 million (As of March 31, 2011)
Number of Shares Issued		1,670,646,460 shares
Net Sales		¥1,226,949 million (As of March 31, 2011, consolidated)
Number of Employees		32,706 (As of March 31, 2011, consolidated)