

Takehiko Isobe, professor at Keio University's Graduate School of Business Administration offers his opinion on the KHI Group's CSR Report for 2012.



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Overall Impression and Assessment

It may be because fiscal 2012 brought the medium-term management plan to a close, but I feel the story quality—that is, the quality of your message—was supported loud and clear throughout the report this year. In particular, the environmental activities and social contribution sections presented a very clear picture of the environmental management image that the KHI Group seeks to establish. In addition, regarding self-assessment of actions to address CSR issues, activities with an internal focus have garnered a high rating in the past, but this time, issues with an external connection, such as to shareholders or customers, also earned a higher grade. I would say the CSR activities that you have put steady effort into are nearing final form. However, I am unable to compare assessments of corporate actions and internal company-specific actions. Going forward, a comparative analysis of corporate and internal company-specific actions is an issue you still need to address.

B-to-B Brand Efforts

The April 2012 establishment of the Marketing Division, which the president mentioned in his message, is going to play a major role, I would expect. In today's global era, even B-to-B companies will have to have sharp marketing

capabilities. What KHI sells is not so much products or technology but rather solutions that solve customers' concerns. Therefore, you have to identify customer needs and present approaches to address such needs, which will generate higher customer satisfaction.

KHI Group's Technology Strengths

The business fields of the internal companies are all different from each other, but these business segments do share access to environmental and energy solution technologies. Moreover, these are leading-edge technologies on the world stage. Plus, these technologies need not stand alone but can be systematically integrated to provide even greater value to society. You must, however, specifically indicate the kind of value that society might expect from the combination of technologies. A case in point: The distributed energy system that came out of your experiences in the Great East Japan Earthquake is a concept with very unique value.

Dialogue with Experts

Many valuable opinions were voiced at the first dialogue with experts. An opinion shared by all the experts was that you need activities that tie CSR and business activities together. Environmental Vision 2020, which is described in this report, shows that environmental management itself is a core competence of the KHI Group and fortifies the "Global Kawasaki" brand. I believe you have to recognize that the environmental management requirements placed on companies by society presents the greatest business opportunity for the KHI Group.

Response to the Third-Party Opinion

We must extend our gratitude to Dr. Isobe for the valuable thoughts he offered during the dialogue with experts and here again with his evaluation of the Group's activities in his third-party opinion in the CSR Report. The points he made regarding issues that KHI must address in the future will be shared within the Company and discussed among the many people involved in CSR activities, and necessary measures will then be implemented with a forward-looking perspective.

In particular, with regard to business activities, the hints about providing solutions to customers' concerns and systematically integrating the intellectual assets of the KHI Group are well-taken. Moving forward, we will be even more proactive about conveying the kind of society we regard as ideal and the kind of new value we hope to provide.

Yoshizumi Hashimoto, Executive Officer and General Manager of the CSR Division (left)

Yutaka Fukuda, Senior Manager, CSR Department (right)

