

## Message from the President

# Striving for Coexistence between Environmental Conservation and Business Progress

— To Serve Our Customers, Society and the Planet's Future

Over a year has passed since I was appointed the President of Kawasaki Heavy Industries. During this period I have benefited from many opportunities to meet and talk with our customers, representatives of various fields, our suppliers and numerous other parties both in Japan and abroad, regardful of their invaluable opinions and conveying my own ideas in return.

These experiences have further deepened my determination, as the chief executive at Kawasaki Heavy Industries to empower the Kawasaki Group to sustain progress and development, while fulfilling its social responsibilities as a global corporate group within an environment in which unpredictable events are daily realities.

### Marine Resources in Peril

As we know, Japan is a country with few underground resources, having no choice but to rely on imports for its supply of resources and energy. It can also be said, however, that this resource shortage is the very reason that Japan has charted robust development as an industrialized nation. Today, the Japanese companies boast the world's highest level of technology in the fields of energy conservation, recycling, and alternative energy. What this shows is that the scarcity of precious natural resources in Japan has led companies to relentlessly search out and devise effective uses for limited supplies.

On the other hand, we must also reflect upon the issues regarding marine resources. In terms of its total land area, Japan ranks sixtieth in the world (approx. 380,000km<sup>2</sup>). However, in terms of its exclusive economic zone (EEZ), Japan's some 4.47 million km<sup>2</sup> area is the sixth largest in the world, making it a country rich in marine resources. The daily lives of the Japanese people, therefore, are dependent on marine resources to a large degree. Yet, concerns are now emerging that a further rise in marine pollution accompanying the industrialization on a global basis will have a direct impact on food supplies and other critical aspects of our lives.

As far as environmental conservation activities are concerned, it seems that Japan is conventionally prone to focus on problems related to the underground resources mentioned above and to overlook those related to marine resources because of their abundance. However, in view of

the major importance of marine resources, as well as the magnitude of the issues surrounding them, Japan must clearly emerge as a global opinion leader in the quest to prevent marine pollution. Kawasaki and other Japanese companies have perfected outstanding technologies and products for treating sewage and refuse as well as for preventing marine pollution. Over the years to come, we are determined to contribute to society by supplying these technologies and products to help protect our precious marine resources.

### Social Contributions through Products

As I noted above, the best potential social contribution we can make as a manufacturer consists in our actual corporate activities — namely, supplying the world with sophisticated technologies and outstanding products that achieve harmony with the global environment, and bringing greater convenience and affluence to people's lives. For that matter, comprehensive heavy industrial manufacturers like Kawasaki are also positioned as core industries both in Japan and the world at large. Taking to this heart, we are keenly aware of the especially high expectations that society places on us to contribute to society through our products.

In addressing these hopes, the Kawasaki Group has already commercialized a large number of environmentally conscious products. They include power generation systems utilizing wind power, biomass, refuse paper and plastic fuel (RPF) and other refuse; tankers and onshore storage tanks for liquefied natural gas (LNG), a substance now being heralded as a source of clean energy; gas turbine cogeneration systems using LNG; sewage treatment plants and other innovations.

Looking to our business future, in China for example, transportation capacity currently handles less than half of demand, with electric power supply also falling behind the increasing demand. Under these conditions, the possibilities for us include supplying and supporting gas turbine power generation systems and technology, as well as transferring rolling stock and technology to China as environmentally friendly mass-transportation systems and supporting local production. As I mentioned above, we must also consider furnishing technology for sewage treatment, refuse incineration plants and other advances in order to prevent marine pollution resulting from rapid

economic growth around the globe.

Kawasaki has developed the BULLDOG humanitarian demining system, whose performance was tested in Afghanistan for over six months from 2004 to 2005.

Further improvement of the system continues today toward its practical use, and we have high hopes that this BULLDOG system, once put to practical use, will contribute to improving the safety and quality of the global environment.

As I stated, it is my firm conviction that to excel as a global company in the 21st century requires effort to strike a working harmony between business success and contributions to global environmental conservation. For the Kawasaki Group, the use of leading technology and products to help resolve global environmental issues is synonymous with the very core of Kawasaki corporate activities. It is also instrumental in strengthening both the value of Group companies and the "Kawasaki brand."

## Management Quality Assurance

Today, with increasing attention being focused on corporate social responsibility, it goes without saying that the expectations placed by society on companies are not limited to their products. Corporate activities are now evaluated according to an expanding range of parameters, including compliance systems, soundness and transparency in management, employment practices, corporate ethics and other fronts.

The compliance of all management and staff with relevant laws and regulations is a key assumption underlying all our activities. Having prepared internal rules and regulations regarding corporate ethics, the Kawasaki Group has begun to conduct training programs for management and staff and has distributed compliance-related guidebooks. Along with this, the Group has formed committees in each of its

organizational units to take the initiative in promoting the self-assessment and verification of compliance and is working to make all personnel fully aware of the laws and regulations they must obey. My policy is to further bolster our compliance efforts from now on.

Along with improving and protecting the environment through our products, society demands from us that we adopt environmentally conscious process of product manufacturing; observe law and social order; strive for a relationship of mutual benefit with regional communities; and uphold fair competition, proper working conditions and the quality of the surrounding environment. Society's demands on corporations span many dimensions, and from the standpoint of a corporate leader, I look upon these requirements as the true essence of "management quality assurance."

As an executive, I pledge to continue to uphold a corporate culture in which the highest priority is constantly placed on information disclosure and transparency, in striving to make our "management quality assurance" an even more established and reliable presence. It is in this spirit, therefore, that I look forward in the coming years to your continued support and understanding of the Kawasaki Group.

### Tadaharu Ohashi

President  
Kawasaki Heavy Industries, Ltd.

