

Realizing continuous growth as an enterprise to contribute to the abundant lifestyles of people around the world and the future of the global environment



President **Satoshi Hasegawa**

Since 1878, when the Kawasaki Group began as a shipbuilding business, we have built our business foundations in the fields of rolling stock and aircraft as well as in land, sea and air transportation systems and transportation equipment. During these 130 years, we have also been expanding our business in the areas of industrial infrastructure, energy and the environment, and recreational vehicles including motorcycles. Without a doubt, we have reached this present by realizing “continuous growth.”

In addition to constant innovation, the indispensable elements that are required for a corporation to grow continuously include having soundness of the management and making contributions to society. Having established a CSR Department and an Environmental Affairs Department within our CSR Division, our Group is pursuing these elements of “soundness of the management” and “contributions to society” as a unified whole. Through this report, we hope to communicate about the types of activities that we are undertaking with specific examples so that our readers will gain a broad understanding of our efforts.

Kawasaki Group Mission Statement

We established the Kawasaki Group Mission Statement in 2007 as a compass for the entire Group. This statement incorporates the social mission that our Group is necessary to fulfill in the 21st century, the sense of values that we should share in order to increase our brand value, principles for management activities and guidelines for the daily conduct of each individual member of our Group.

The Kawasaki Group Mission Statement is comprised of the following four parts, which are envisioned as layers that start with the Group Mission at the core.

Group Mission

Kawasaki, working as one for the good of the planet

- We are the Kawasaki Group, a global technology leader with diverse integrated strengths.
- We create new value – for a better environment and a brighter future for generations to come.

The Kawasaki Group Core Values

Value Creation: We are globally driven to create new value – both for our customers and for the benefit of society as a whole.

Originality: We thrive on originality, innovation and leadership.

Excellence: What we produce is of exceptionally high quality and functionality, as we constantly strive to be at the global cutting edge.



Realizing Contributions to Society with Manufacturing as the Foundation

We have undertaken business with the advancement of society and the nation through “manufacturing” as our basis since the time of our establishment. We have greatly expanded our business fields, but that fundamental philosophy has not changed in any area of our business.

We have summarized this fundamental philosophy that we have inherited as the basic approach to management for the Group in the Kawasaki Group Mission Statement (hereafter, the “Mission Statement”). The contents of our Mission Statement are explained in detail at the bottom of these pages. The first of the Kawasaki Group Management Principles is set as follows. “Trust: As an integrated technology leader, the Kawasaki Group is committed to providing high-performance products and services of superior safety and quality. By doing so, we will win the trust of our customers and the community.” This demonstrates that we truly place our philosophy of contributing to society through manufacturing at the forefront of our approach.

In manufacturing, the provision of high-quality products that satisfy customers is an obvious goal, but in recent years, it also goes without saying that consideration of the global environment has become an indispensable goal.

We believe that one of the major social responsibilities of manufacturing businesses such as our Group is contributing to the prevention of global warming by providing products that not only do not use or emit harmful substances, but that also greatly save energy.

Fortunately, our Group possesses outstanding technologies for clean energy, energy saving and other products related to the environment, and we are providing numerous products and services that utilize them. We have explained many of these products in detail in the past, but we introduce some in this report as well, and we sincerely hope that you will read about them.



The Kawasaki Group Management Principles

1. Trust: As an integrated technology leader, the Kawasaki Group is committed to providing high-performance products and services of superior safety and quality. By doing so, we will win the trust of our customers and the community.
2. Harmonious coexistence: The importance of corporate social responsibility (CSR) permeates all aspects of our business. This stance reflects the Kawasaki Group’s corporate ideal of harmonious coexistence with the environment, society as a whole, local communities and individuals.
3. People: The Kawasaki Group’s corporate culture is built on integrity, vitality, organizational strength and mutual respect for people through all levels of the Group. We nurture a global team for a global era.
4. Strategy: The Kawasaki Group pursues continuous enhancement of profitability and corporate value based on three guiding principles – selectively focusing resources on strategic businesses; emphasizing quality over quantity; and employing prudent risk management.

The Kawasaki Group Code of Conduct

1. Always look at the bigger picture. Think and act from a long-term, global perspective.
2. Meet difficult challenges head-on. Aim high and never be afraid to try something new.
3. Be driven by your aspirations and goals. Work toward success by always dedicating yourself to your tasks.
4. Earn the trust of the community through high ethical standards and the example you set for others.
5. Keep striving for self-improvement. Act on your own initiative as a confident professional.
6. Be a part of Team Kawasaki. Share your pride and sense of fulfillment in a job well done.

For more details see Kawasaki Heavy Industries “Kawasaki Group Mission Statement” at

http://www.khi.co.jp/overview/mission_e.html



Contributing to the Abundant Lifestyles of People Around the World

At the core of our Mission Statement is the Group Mission (our role in society), which we have stated as, “Kawasaki, working as one for the good of the planet.”

“Abundant lifestyles” include material wealth, but what we want to emphasize by “abundant lifestyles” here is also the meaning of “abundance in the spiritual sense.” We must seriously think about what our Group can do to promote “spiritual abundance” and take actions accordingly.

The second of the Kawasaki Group Management Principles also includes “spiritual abundance” in its meaning, and is as follows. “Harmonious coexistence: The importance of corporate social responsibility (CSR) permeates all aspects of our business. This stance reflects our Group’s corporate ideal of harmonious coexistence with the environment, society as a whole, local communities and individuals.”

Specific examples of related activities are presented in this report starting on page 20. In addition to the cooperation and participation of our business locations in local events, the invitation of ordinary citizens to naming and launching ceremonies for newly-built ships and other established activities, other examples include our contributions to local society through Kawasaki Good Times World, our corporate museum, and financial donations at times of disaster. Moreover, recently, we have also been participating in “corporate forest restoration” projects. In this report, we discuss in detail these efforts to preserve forest resources. In 2007, we began efforts in the town of Niyodogawa-cho in Kochi Prefecture. We have also started a five-year forest restoration effort in the town of Taka-cho in Hyogo Prefecture.

We will continue undertaking specific efforts such as these that contribute to “spiritual abundance.”

Contributing to the Future of the Global Environment

The main theme of the environmental activities of our Group is efforts to reduce greenhouse gas emissions. If we imagine that the amount of primary energy used per person in developing countries reached, without any technological advancements, the same level as that currently used in developed countries, we fear that the impact of increased burdens on the global environment would be immeasurable. As a corporation, we must think about efforts to improve the environment in consideration of how it will be in the future for our children and grandchildren.

In addition to actively working to enhance our independent reduction efforts for greenhouse gas emissions, we are also participating in Japan’s Experimental Introduction of an Integrated Domestic Market for Emissions Trading, and we are seeking to achieve our targets for reducing the amounts of greenhouse gases that we emit. For example, we have implemented specific measures, including the installation of photovoltaic systems in new factories that are larger than a certain size.

With continued business growth, reducing amounts of emissions is not easy, but through the application of the technologies of our Group, we are also able to utilize international emissions trading. We will continue to implement various measures to reduce emissions.



Medium-Term Business Plan “Global K”

The Global K is a business plan, covering primarily the years 2006 to 2010, compiles strategies to realize a vision for the entire Group and each business field 10 years from now. It specifies business strategies for growth and prosperity of the Group in the first half of the decade.



For more details see Kawasaki Heavy Industries Medium-Term Business Plan “Global K” at http://www.khi.co.jp/annual/japanese/pdf/presentation_0610e.pdf

Corporate Vision

Kawasaki Heavy Industries, Ltd. aims to become a leading global enterprise working as one for the good of the planet through its core businesses, which encompass land, sea and air transportation systems as well as energy and environmental engineering sectors.



Assuring Sound Management

In order for our Group to achieve its contributions to society, the assurance of sound management is a major prerequisite.

For this purpose, increasing the transparency of management by establishing and strengthening systems for internal control and compliance is necessary. Efforts for this are explained in detail starting on page 12. First of all, however, we are working to establish internal regulations related to corporate ethics, conduct various types of education, create compliance committees in each organization and make other efforts to comprehensively spread awareness throughout the Group about the details of various laws and regulations that require our compliance. In addition to the CSR Department within the CSR Division, which is an organization under the direct control of the president, we are also establishing sections responsible for CSR in each business division and undertaking other systematic efforts to make compliance understanding and implementation permeate the Group. Moreover, we are striving to cultivate a corporate culture that always prioritizes information disclosure and transparency.

Risk management is also important in order to assure “sound management,” and we have implemented systems to check and follow-up on important projects, as well as creating risk countermeasures that are suitable to the characteristics of each business area. At present, we are once again conducting risk evaluation that covers the entire Group. Along with this, we are verifying whether or not effective check systems and countermeasures have been prepared for risks that require responses.

Our duty as a corporation is to be useful to our numerous stakeholders, including our customers and business clients, local communities, shareholders, investors and employees. Even as the global economy struggles through confusion, with our Mission Statement as a compass, we are continuing to “invest in growth” and intend to keep managing with broad awareness of our social responsibility as a group that is “working as one for the good of the planet.” We hope that you will continue to support our efforts.



Satoshi Hasegawa

President
Kawasaki Heavy Industries, Ltd.

Basic Objectives and Policies

(1) Basic objectives

With “quality followed by quantity,” “selectivity and concentration” and “creation of new value” as our foundations for management, we will become a highly profitable, globally recognized enterprise.

(2) Basic policies

- (1) Concentrate management resources on key businesses areas where high earnings can be expected and growth businesses that are keys to future earnings.
- (2) Develop our businesses globally and seek to become a leading global enterprise in core business fields.
- (3) Provide products and services that have high functionality and are high quality throughout their entire lifecycles in order to build a solid income foundation that is not influenced by changes in the economy.

Key measures

- (1) Strengthen technological abilities
- (2) Cultivate ways of thinking and behavior patterns that are market-oriented
- (3) Accelerate global expansion
- (4) Create and foster new products and new businesses
- (5) Strengthen Group management abilities
- (6) Promote CSR