

## Managerial Stance

### To Remain a Corporation in Keeping with the Public's Trust

Starting this year we enhance the report on our social nature and call it *KAWASAKI REPORT 2006-Environmental and Social Responsibility*. The stance of Kawasaki's spirit of manufacturing that contributes to a sustainable society is to provide products that help people and give society what it demands. From our basic management objectives and Medium-Term Business Plan to our corporate governance and compliance, all are devised to assure Kawasaki remains a company that maintains its social trust through our spirit of manufacturing.

#### Medium-Term Business Plan Global K

“Global Kawasaki” – The Next Exciting Stage (FY2006-FY2010)

Kawasaki issued its new medium-term business plan, Global K, covering the period from FY2006, ending March 31, 2007, to FY2010. In this plan, the Company aims to further enhance strategies and measures set in the previous K21 Medium-Term Business Plan, under which it established a stable earnings structure. Having decided on its corporate vision and what each business should be 10 years in the future, Kawasaki has set the Global K plan to guide the next five years, with a view to achieving its vision.

#### ■ Corporate Vision:

Enriching lifestyles and helping safeguard the environment:Global Kawasaki

Kawasaki aims to become a leading global enterprise that enriches lifestyles and helps safeguard the environment through its businesses, which encompass land, sea, and air transportation systems, and the energy and environmental engineering sectors.

#### ■ Basic Objectives:

The Company should leap forward to become a highly profitable, globally recognized enterprise during the period of the Global K plan by implementing the principal management policies of “Quality Followed by Quantity,” selectivity and concentration, and stronger non-price competitiveness.

- (1) Implement ongoing reforms to establish a sustainable growth cycle
- (2) Achieve steady growth in keeping with the Global Kawasaki vision
- (3) Build a solid Kawasaki brand by leveraging consumer trust
- (4) Reinforce CSR\* organization to enhance Corporate Quality

#### ■ Priority Initiatives:

- (1) Strengthen technological capabilities
- (2) Encourage market-oriented thinking and action
- (3) Accelerate global business development
- (4) Create and cultivate new products and businesses
- (5) Strengthen Group management capabilities
- (6) Promote CSR

\*CSR:Corporate Social Responsibility

## Corporate Governance

### ■ Basic Stance toward Corporate Governance

The basic stance of the Kawasaki Group as a whole regarding corporate governance is to conduct its activities with a high level of transparency and promote good relationships with all its stakeholders, including shareholders, customers, employees, and the community, as it works to increase its corporate value through the efficient and sound management of its operations.

### ■ Corporate Governance Framework

#### (1) Conduct of Operations

The Company has adopted the corporate auditor governance model. Under this model, nine directors are responsible for formulating management strategy and supervising the conduct of operations. In addition, four corporate auditors (two of whom are outside auditors) are responsible for auditing. To establish a management system that can respond quickly to changes in the operating environment, executive officers are appointed by the Board of Directors to be responsible for the day-to-day conduct of business operations.

The Board of Directors decides on the basic objectives and policies for the conduct of operations as they formulate management plans. These objectives and policies are then presented to all the executive officers in the Group Executive Officer Committee, and the Board of Directors follows up on the implementation of such objectives and policies periodically. For major management issues, the Management Committee, which consists of the representative directors and other members, discusses such issues in detail, then designated matters are decided by the Board of Directors. The Management Committee discusses management policy, management strategy, and important management issues from the perspective of the Group as a whole, the committee calls on the management personnel basis.

#### (2) Auditing Functions

The corporate auditors examine and monitor the state of operations and Group assets through a number of activities. These include attending the meetings of the Board of Directors and Management Committee, examining important documents, holding periodic meetings with the representative directors, and auditing divisions and subsidiaries. In addition, the two outside corporate auditors on the Board of Auditors

perform their surveillance duties as neutral and objective third parties. The internal corporate auditors share information with the outside corporate auditors and work to enhance the effectiveness of their management surveillance functions.

Moreover, the Auditing Department, which is responsible for internal auditing, monitors the overall conduct of management activities within the Group and carries out periodic audits of whether operations are being conducted appropriately and in compliance with laws and internal rules as well as other matters while endeavoring to upgrade internal control functions. In addition, the corporate auditors and the Auditing Department exchange information on a monthly basis and share information regarding the results of their auditing activities and items they have singled out for attention.

Audits of the Group's financial statements are conducted by an independent public accounting firm. The corporate auditors and the Board of Auditors review the outline of the audit plans of the independent accounting firm, receive report on items the accounting firm selects for particular focus, and provides briefings for the accounting firm on audit plans of the Board of Auditors. Reports on the results of audits by the accounting firm are presented twice annually, and the corporate auditors and the accounting firm work closely together, exchanging information and opinions. In addition, as necessary, the corporate auditors attend the audits conducted by the independent accounting firm and receive reports from the accounting firm as deemed appropriate.

#### (3) Compliance Systems

In addition to updating and improving internal regulations related to ethical matters, the Company has formed a CSR Committee chaired by the president, while the Group has formed committees in each of its organizational units in Japan to take the initiative in promoting the self-assessment and verification of compliance. In addition, a Compliance Guidebook has been prepared and distributed to employees of the parent company and major domestic subsidiaries and measures are being implemented to conduct compliance training along with concerted efforts to raise the level of awareness of compliance matters within the Group. In addition to these initiatives, a Compliance Reporting and Consultation System has been created through an outside legal office to enable employees to receive advice without being concerned about being observed by other employees.