

# We will always act with integrity and good faith to merit society's trust.

### Ideal

- Corporate governance >>> Pursuing sound, transparent management, we will realize the independent operation of each business division and the application of the combined strengths of the Group.
- Compliance >>>>>>> We will build an organization that is open and self-regulating in order to establish a corporate culture with credibility.
- Risk management >>>> We will discern major risks that threaten the achievement of our business goals and create a system capable of providing the most appropriate response.

## The Corporate Governance System

The Company adopts a statutory auditor system of corporate governance and has appointed an independent auditor.

### Corporate Governance

Kawasaki Heavy Industries, Ltd. (KHI) has established a corporate governance system that accommodates the KHI Group's operations, with the Board of Directors and auditors playing central roles in governance, as they continuously work to improve this system.

The basic stance of the KHI Group as a whole regarding corporate governance is to endeavor to increase the Group's corporate value through the highly transparent, efficient, and sound management of its operations as the Group works to build solid relationships with all of its stakeholders, including shareholders, customers, employees, and the community.

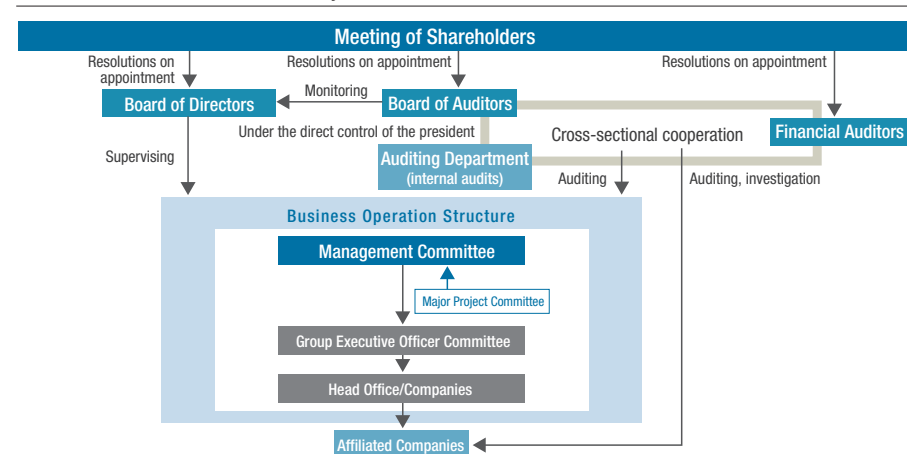
### Overview of the Corporate Governance System

The Chairman serves as the presiding officer of the Board of Directors, which consists of 12 directors (authorized number: 15 directors). The Company has four corporate auditors and has established a Board of Auditors. In addition to the Board of Directors, the Company has established a Management Committee and a Group Executive Officer Committee, both of which are composed of representative directors and managers responsible for major subsidiaries, while the Group Executive Officer Committee also includes executive officers. To reinforce the oversight and monitoring function of the Board of Directors with respect to management overall, the Company appoints directors who do not have roles in the

execution of operations. With regard to corporate auditors, to ensure objectivity and neutrality in the management oversight function, the Company appoints two outside corporate auditors with no business relationships or other vested interests in the Company. To ensure the reliability of financial reports, the Company appoints internal corporate auditors who have considerable knowledge of finance and accounting. The Board of Directors appoints executive officers to conduct business operations. The Board of Directors decides the basic objectives and policies for the execution of operations under the management plan and promptly issues directives for implementation to all executive officers. The Group Executive Officer Committee ensures that the objectives and policies are implemented. The Management Committee, which consists of representative directors and managers responsible for major subsidiaries, and the Board of Directors periodically follow up on the status of implementation of the management plan. The Company clearly defines the management responsibility of directors by means of incentive based compensation that reflects business performance and a one-year term of office for directors.

The Management Committee thoroughly discusses important management issues and confers with the Board of Directors concerning prescribed matters. As a rule, the Management Committee meets three times a month to discuss management policy, management strategy, important management issues, and other matters from the perspective of the Group as a whole.

Governance Structure of Kawasaki Heavy Industries



- Information security >>>>>>>>>>>>>>>>>>>> We will institute rigid information security measures and maintain the safety and security of our information.
- Information disclosure and IR activities >>>>>>>>>>>>>>>>>>>> We will disseminate corporate information in the appropriate manner and at the appropriate time, while further improving the substance of disclosure.
- Business partners >>>>>>>>>>>>>>>>>>>> Coexisting with our business partners and sustaining equitable partnerships with them, we will also encourage their cooperation with CSR activities.

### Preparations Status for Internal Control Systems

The KHI Group is preparing to move toward preparation of its internal control systems as described below, and keeping in mind the changes in the Group's environment, we assume that we will have to reassess matters as necessary in the future. The status of our preparations in 2010 is as follows:

#### (1) Enterprise of Risk Management System

To ensure a uniform level of risk management throughout the Group, the KHI Group has established a group-wide risk enterprise management system, which identifies and deals with critical risks that have a material impact on management, thereby enhancing risk management as set forth in the Kawasaki Group Management Principles.

#### (2) Compliance Framework

In April 2010, the KHI Group reorganized the compliance committees in each business segment into CSR committees and put in place a framework for raising compliance awareness as part of efforts to enhance overall CSR activities. We are working to increase compliance awareness throughout the KHI Group by distributing the Compliance Guidebook to employees and enhancing compliance education using e-learning and other means. In addition, we have put in place a mechanism by which employees can obtain advice discreetly through the establishment of the Compliance Reporting and Consultation System as a point of contact with an outside attorney.

### Internal Auditing

The Auditing Department, an internal auditing unit strives to improve internal control functions by such means as the periodic conducting of audits to confirm whether operations are executed appropriately in accordance with laws, regulations, and the Company's internal rules in all of the Group's management activities. Also, the corporate auditors and the Auditing Department have monthly meetings and share information on the results and findings of their respective audits.

### Statutory Auditing

Concerning statutory auditing, the corporate auditors attend meetings of the Board of Directors and the Management Committee, examine important documents, and examine the state of business operations and financial assets through periodic meetings with the representative directors and audits of KHI's divisions and subsidiaries. In addition, two outside corporate auditors ensure the objectivity and neutrality of the management oversight function. The full-time corporate auditors and outside corporate auditors share information and strive to enhance the management oversight function.

### Independent Auditing

With regard to independent auditing, the Company undergoes audits of its financial statements conducted by the Company's independent auditor, KPMG AZSA & Co. The corporate auditors and the Board of Auditors receive an outline of the audit plan and a report on important audit items from the independent auditor, and the Board of Auditors explains the Company's auditing plan to the independent auditor. The corporate auditors and the Board of Auditors periodically (twice a year) receive reports on the results of independent auditing and collaborate with the independent auditor by exchanging information and opinions. Also, the corporate auditors take part in the audits performed by the independent auditor as necessary and receive reports from the independent auditor concerning audits as appropriate.