


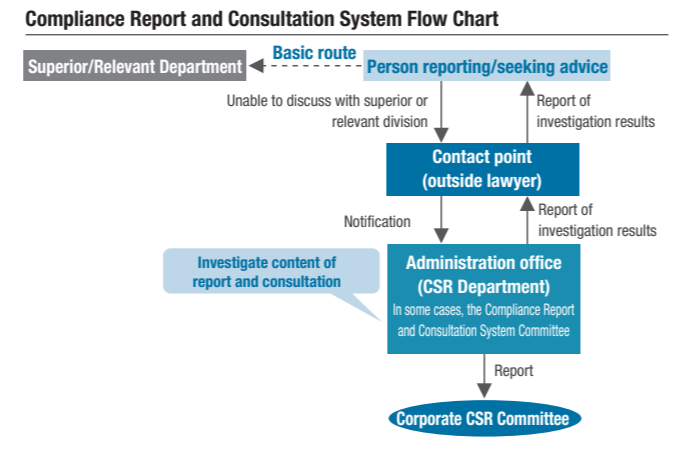
Topics
Example of Compliance Education in the U.S.

Kawasaki Rail Car Inc. (KRC), a production point for rolling stock in the United States, issued a code of conduct, outlining corporate ethics and compliance. Every year, the company holds a code of conduct training for all employees (about 400 people). The training is presented by representatives from the personnel department who take participants through the entire document. Participants are given a short quiz comprising 20 questions and then check the answers together. At the end of the training, participants make a written pledge to respect the code of conduct. This training ensures that employees have a solid understanding of the code of conduct to which KRC subscribes.



KRC Code of Conduct training

We established the Compliance Report and Consultation System to solve this problem. To promote effective use of the system, we make employees aware of its existence, explain how to use it and post the results of its use. We do this through various channels, including the Compliance Guidebook, the intranet bulletin board and in-house newsletters. In fiscal 2011, the system was used 11 times.



Compliance Report and Consultation System (in-house reporting system)

In certain situations, employees who suspect a violation of compliance practices in their department may find it difficult to report the situation or seek advice from superiors or a department that would normally address alleged misconduct.

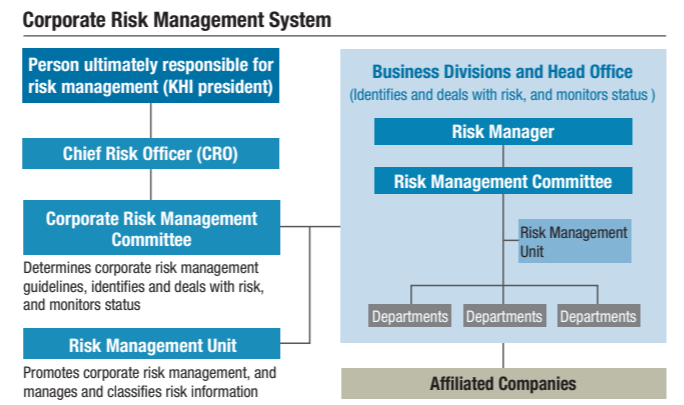
Export Control

To ensure that export-related laws are carefully observed throughout the Group, we drafted internal rules on export control for goods and technologies related to international safety and security, and we maintain an export control structure with a representative director taking primary responsibility for export control.

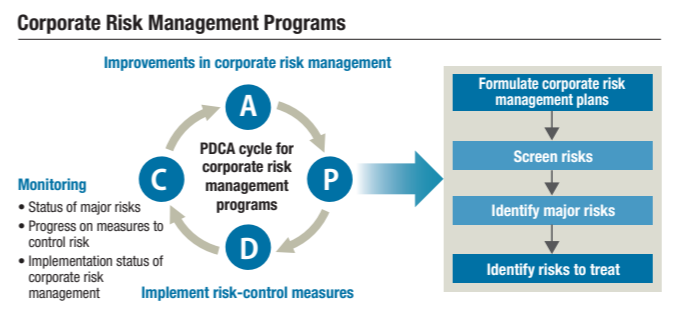
Risk Management and Crisis Management

Risk Management

Efforts to control risk run deep in our organization. The KHI president bears ultimate responsibility for risk management, while the Chief Risk Officer shoulders the duty of overseeing risk management activities. The Risk Management Committee discusses major items connected with risk management and monitors the implementation status of measures aimed at controlling risk. The Risk Management Unit promotes and supports risk management efforts throughout the Company, and similar structures exist in each business segment, with the president of each internal company acting as a risk officer, to facilitate effective risk management throughout the Company. In Fiscal 2012, the Corporate Risk Management System will be gradually introduced at affiliated companies.



Since Fiscal 2011 under the Corporate Risk Management System, we have been implementing corporate risk management programs—an integrated process of screening and evaluating risk, identifying major risks and determining risks to treat, and formulating, executing, and monitoring risk-hedging policy—to pinpoint any major risks having a significant impact on business according to annual and universal risk criteria, and we are controlling such risks with reasonable and appropriate methods from the perspective of enterprise management.



Crisis Management

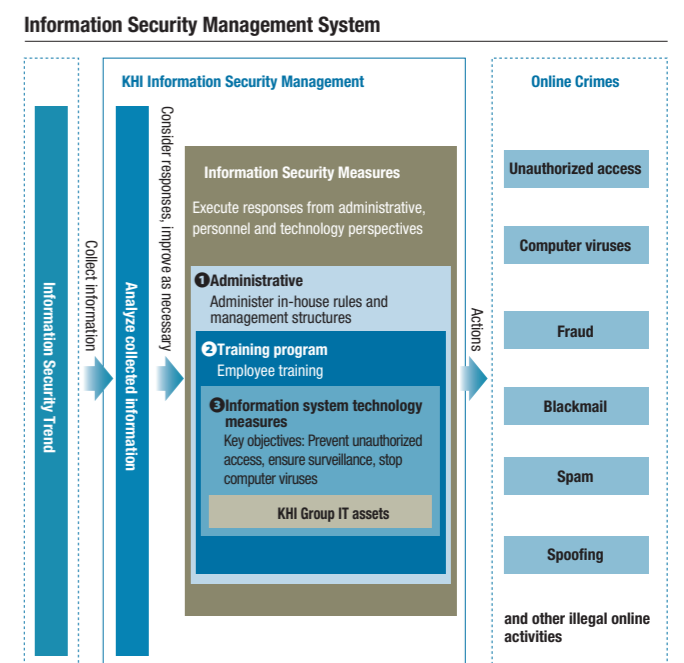
To prepare for the possibility that risk might become reality, the KHI Group adheres to internally defined Crisis Management Regulations. These regulations set forth behavioral guidelines and response systems that serve to protect lives and preserve assets, minimize damage and loss, and expedite the resumption of business activities in the event of unplanned interruption. To prepare for crisis situations, we rely on the Crisis Management Organization, a horizontally integrated Group structure for crisis management, and have a structure in place to expedite the establishment of command centers at the head office and local works or offices, as necessary, to ensure a quick response in the event of a crisis.

Reporting Route in Times of Emergency

Should an accident or natural disaster occur, information gets to where it is needed through a predetermined reporting route for use in times of emergency. This route is made widely known to employees and executives through the Crisis Management Organization, which under normal circumstances underpins the Group's crisis management structure. In conjunction with the emergency-activated reporting route, we have introduced contact networks in all business divisions and at all operating sites to ensure quick updates on the status of personnel and facilities throughout the Group.

Information Security Management

The KHI Group provides products to a wide range of customers, from general consumers to the public sector and further to defense forces, and meticulously promotes various information security measures matched to the requirements of respective customer sectors.



Protecting Intellectual Property

Our basic policy regarding intellectual property derived from R&D results emphasizes the acquisition of rights at home and abroad at appropriate times and concerted efforts to utilize these very valuable corporate assets to their fullest potential, primarily to grant us the freedom to develop business activities and to protect acquired technological excellence. To promote and manage these strategic intellectual property activities, we have a structure in place whereby the Intellectual Property Department in the Corporate Technology Division plans and implements corporate strategies, and also cooperates with intellectual property management departments in each business segment and provides support matched to respective business activities.