

Mission Statement and Medium-term Business Plan

Kawasaki Group Mission Statement

Kawasaki Heavy Industries, Ltd. had followed the Basic Management Philosophy established in 1966 for about 40 years. But during that time, there occurred drastic changes in the social and management environments. Replacing the Basic Management Philosophy, we established a new version of the compass in May 2007 for the entire Group, the Kawasaki Group Mission Statement, to specify the social mission the Kawasaki Group has in the 21st century and to clarify the sense of value that must be shared for brand value reinforcement.

Group Mission

[Our role in society]

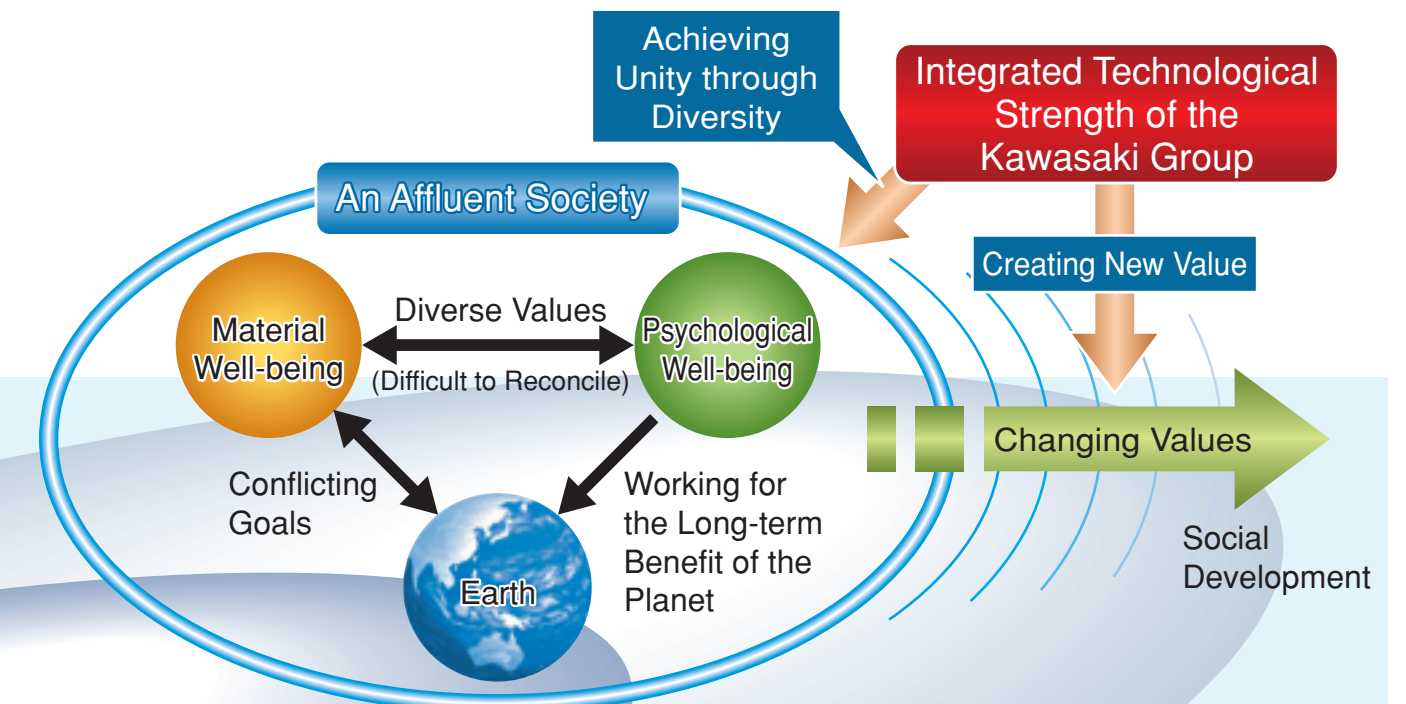
Kawasaki, working as one for the good of the planet

- 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

[The values behind strategies and plan]

- 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.



The Kawasaki Group Management Principles

[Group management guidelines and rules]

- 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.
- 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.
- 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.
- 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

[Set of standards to be followed daily]

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.

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.

The basic objective is "to become, during the period of medium-term business plan, a highly profitable, globally recognized enterprise based on these principal management policies: 'Quality Followed by Quantity,' 'Selectivity and Concentration,' and 'Stronger Non-price Competitiveness.'" One of the four basic objectives is to "Reinforce CSR organization to enhance corporate quality."

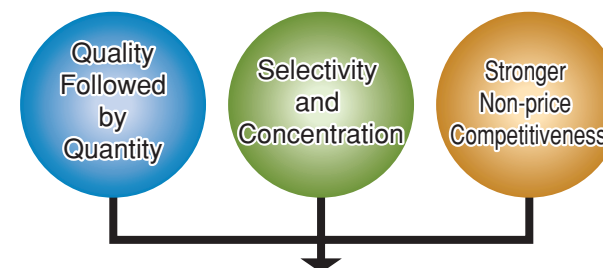
One of the priority initiatives under Global K is to "Promote CSR," which specifically states: further enhance our corporate quality by

- Enhance internal control systems and compliance
- Increase management transparency
- Strengthen risk management capabilities
- Endorse environment-friendly business operations

Corporate Vision

Kawasaki Heavy Industries, Ltd. aims to become a leading global company 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.

Basic Objectives



Quantitative Targets

- Strengthen profitability
 - Reinforce financial position
 - Improve ROIC (investment efficiency)
 - Increase ratio of income before tax to sales
- [Target for FY2010]
- | | | | |
|----------------------------|------|----------------------|----------------|
| - ROIC | 14% | - Net sales: | ¥1,560 billion |
| - Income before tax margin | 5.8% | - Operating income: | ¥100 billion |
| | | - Income before tax: | ¥90 billion |
- Debt-to-equity ratio: 100% or less
 - Equity ratio: 30% or more

Shareholder returns
Gradually increase dividends in line with improved profitability (consolidated payout ratio of 30%, a basic medium-term goal)

Note: ROIC (return on invested capital) = earnings before interest and taxes (EBIT) ÷ invested capital
Debt-to-equity ratio = interest-bearing debt ÷ total shareholders' equity