Kawasaki

KAWASAKI REPORT 2007

Environmental and Social Responsibility

KAWASAKI HEAVY INDUSTRIES, LTD.

Corporate Profile and Overview of Business

Kawasaki Continues to Produce What is Good for People and Society

Corporate Profile

Company Name:	Kawasaki Heavy Industries, Ltd.
Incorporated:	October 15, 1896 (Founded in April 1878)
Capital:	103 billion yen
Kobe Head Office:	1-3, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe, Hyogo, 650-8680 Japan
Tokyo Head Office:	4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo, 105-6116 Japan
Representative:	Tadaharu Ohashi, President
Kawasaki Group Network: (See back cover)	20 Domestic (10 works) 4 Overseas 131 Affiliated Companies (99 Subsidiaries, 32 Affiliates)

(As of March 31, 2007)

Editorial Notes

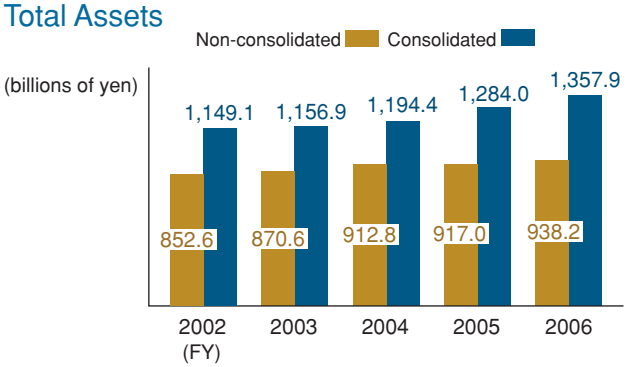
Reporting Scope: This report covers the environmental and social activities of the entire Kawasaki Group; however, the environmental responsibility section is focused on Kawasaki Heavy Industries, Ltd., and the following three main subsidiaries; Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd.

Reporting Period: The period for reporting covers FY2006 (April 1, 2006, to March 31, 2007). Some activities taking place subsequent to April 2007 are also noted herein.

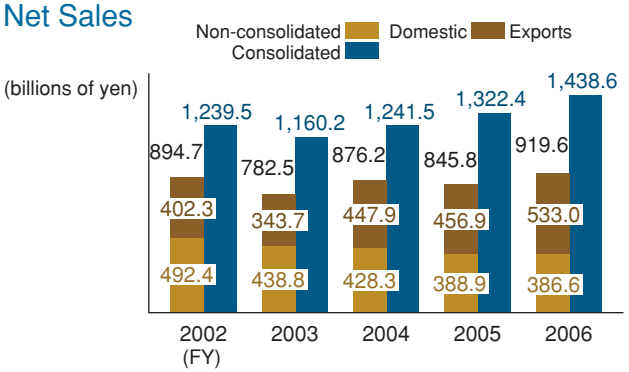
Next Scheduled Publication: This report will be published annually.

This report is prepared with reference to the Environmental Reporting Guidelines issued by the Ministry of the Environment.

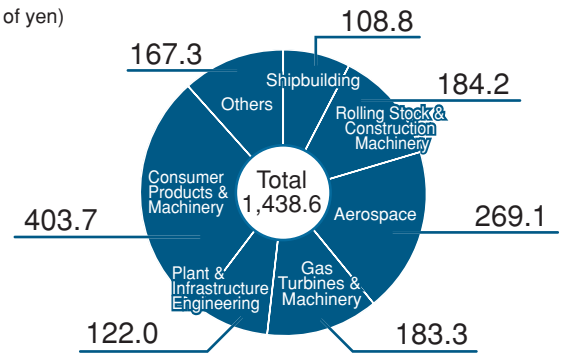
Total Assets



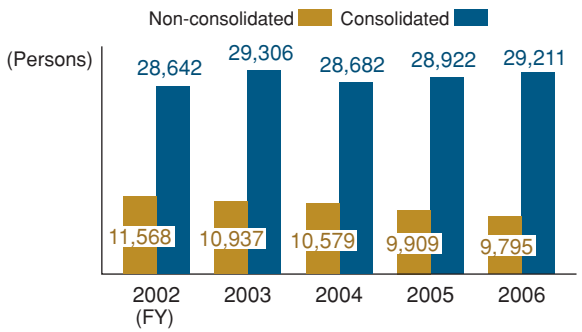
Net Sales



Sales by Segment (FY2006, consolidated)



Number of Employees (End of FY)



Overview of Business

■ Aircraft

■ Industrial Plants and Equipment

■ Rolling Stock

■ Steel Structures

■ Ships

■ Civil Engineering and Construction Machinery

■ Energy/Environmental Preservation Facilities

■ Motorcycles, Personal Watercraft

Major Products of Internal Companies and Main Subsidiaries

Rolling Stock Company Rolling Stock Company Construction Machinery Div Industrial Equipment & Metal Structures Div	■ Rolling Stock ■ Civil Engineering and Construction Machinery ■ Steel Structures
Aerospace Company	■ Aircraft
Gas Turbine & Machinery Company Gas Turbine Div Machinery Div	■ Aircraft (jet engines) ■ Ships (marine engines) ■ Energy Facilities ■ Industrial Plants and Equipment
Consumer Products & Machinery Company	■ Motorcycles,Personal Watercraft ■ Industrial Equipment (industrial robots)
Kawasaki Shipbuilding Corporation	■ Ships
Kawasaki Precision Machinery Ltd.	■ Industrial Equipment (hydraulic equipment)
Kawasaki Plant Systems, Ltd.	■ Energy/Environmental Preservation Facilities ■ Industrial Plants and Equipment

Contents

Message from the President

Kawasaki, Working as One for the Good of the Planet

Since Kawasaki Report of Environmental and Social Responsibility was issued last year, the Kawasaki Group formulated and announced two important policies to the public. One is our medium-term business plan "Global K", announced in September 2006, and the other is the Kawasaki Group Mission Statement in May 2007. Both policies came out of longtime in-house discussion and review from the viewpoint of the way the Kawasaki Group should be and what the Group should aim at in the future. While the Global K is about the growth strategy of the Group, the Mission Statement is about the social mission of the Group, the sense of value that underpins the Kawasaki brand, and the moral compass and principles of conduct for Group management and members. What is in common among both of these is the clear determination that the Kawasaki Group aims at

Kawasaki, Working as One for the Good of the Planet.

Formulation of the Kawasaki Group Mission Statement

Since its incorporation in 1878, Kawasaki Heavy Industries, Ltd. has been growing with the Japanese economy as one of its core industries, and has offered various products that support the industrial infrastructure. The first item of our Basic Management Philosophy, formulated in 1966, is to "Offer excellent products to customers at the best prices." This phrase implies universality as the core of production business, but because the impact of corporations on society and the economy is much bigger nowadays, just being true to the basics of "product making" is no longer seen as commitment enough to ensure that a company fully carries out its corporate responsibility.

Among others, one of the things that has undergone a drastic change with time is the global environment. As is generally known, the global environment is rapidly deteriorating, what with the depletion of natural resources and the acceleration of global warming. There will be no future for the entire globe unless all people in the world take concerted actions right now. Take the issue of global warming, for instance. The reports of the Intergovernmental Panel on Climate Change (IPCC) issued sequentially from February to May this year warn that the world average temperature will increase by 6.4ºC in the end of the 21st century as compared with that in the end of the 20th century if nothing is done to stop the temperature rise now, and that serious damage will be done to the world unless the average temperature is limited to a 2 to 3ºC rise over that in 1990.

Under these circumstances, corporations in the 21st century are required to go beyond their basic corporate activities—gaining profits by making good products—and look more to the environment and society, in order to harmonize with the environment and to help society achieve sustainable growth. I believe that the Kawasaki Group, one of the major groups of corporations' active as a major industrial player, is particularly responsible for carrying out these pivotal duties: tackling those challenges common to all people in the world, and meeting these high social expectations.

This is the reason we formulated the Kawasaki Group Mission Statement, which replaces our original Basic Management Philosophy for the first time in forty years.

Kawasaki, Working as One for the Good of the Planet

The Mission Statement sets Kawasaki, Working as One for the Good of the Planet as the Group Mission in order to show clearly the course of action the Kawasaki Group should take for the benefit of society.

As mentioned earlier, the deterioration of the environment is a serious problem, but the economic growth of emerging countries is expected to further accelerate on a global scale. It is crystal clear that improving the environment requires global efforts. On the other hand, it is ridiculous to restrict the growth of these developing countries in the name of environmental conservation.

Fortunately, the Kawasaki Group has excellent technologies related to clean energy and the environment. We also produce plenty of highly environmental efficient equipments for land, sea and air transport from energy and resource-saving standpoints. Combining all our technological expertise to produce new technologies and products in order to meet the dual purposes of sustainable economic growth and environmental conservation—this challenge, I believe, is not only a new business opportunity for us, but it is also a great contribution to society.

Our policy of promoting environmental consciousness in the corporate activities of the Kawasaki Group stays the same; we intend to carry out "environmentally conscious corporate management" in all aspects of our business,

including our products' manufacturing processes, such as reducing carbon dioxide and waste emission levels.

Living Together with the Environment, Society, Local Communities and Individuals

We hope to be a good neighbor to local communities in the places our sites are located, and need to support growth and harmony within them. The Group Management Principles in the Mission Statement stipulates that "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, local communities and individuals." Concrete examples of locally rooted activities include daily cleaning in the area around the site and cooperation with schools' field class.

Furthermore, we opened Kawasaki Good Times World, a corporate museum, in the Kobe Maritime Museum last year. Kawasaki Good Times World is designed to help visitors get a feel of "the wonders of technology" and "the importance of craftsmanship" through pleasant activities and casual learning in the facility. We are very pleased that the facility has so many visitors. We are continuously determined to enrich our activities, as a company aiming at cohabitation with society.

Improving Corporate Quality

In order for the Kawasaki Group to be a good corporate citizen, there is no doubt that the awareness and conduct of every employee who constitutes the Group matters. This is why the Group Code of Conduct in the Mission Statement says, "Earn the trust of the community through high ethical standards and the example you set for others." The medium-term business plan Global K has as one of the basic goals to "Reinforce CSR organization to enhance corporate quality." This is to incorporate the need to establish and improve the in-house structure, including CSR , compliance and corporate governance, and so on, into our priority initiatives. In October 2006, the CSR Dept. was established as a group-wide supervising division to promote CSR activities, including aspects of risk management.

I pledge to do my best to further enhance the "corporate quality" of the Kawasaki Group by providing in-house education to encourage the awareness of every employee and improving in-house institutional systems. It is in this spirit, therefore, that I look forward in the coming years to your continued support to the Kawasaki Group.

Tadaharu Ohashi
President
Kawasaki Heavy Industries, Ltd.

T Ohashi

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.

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.

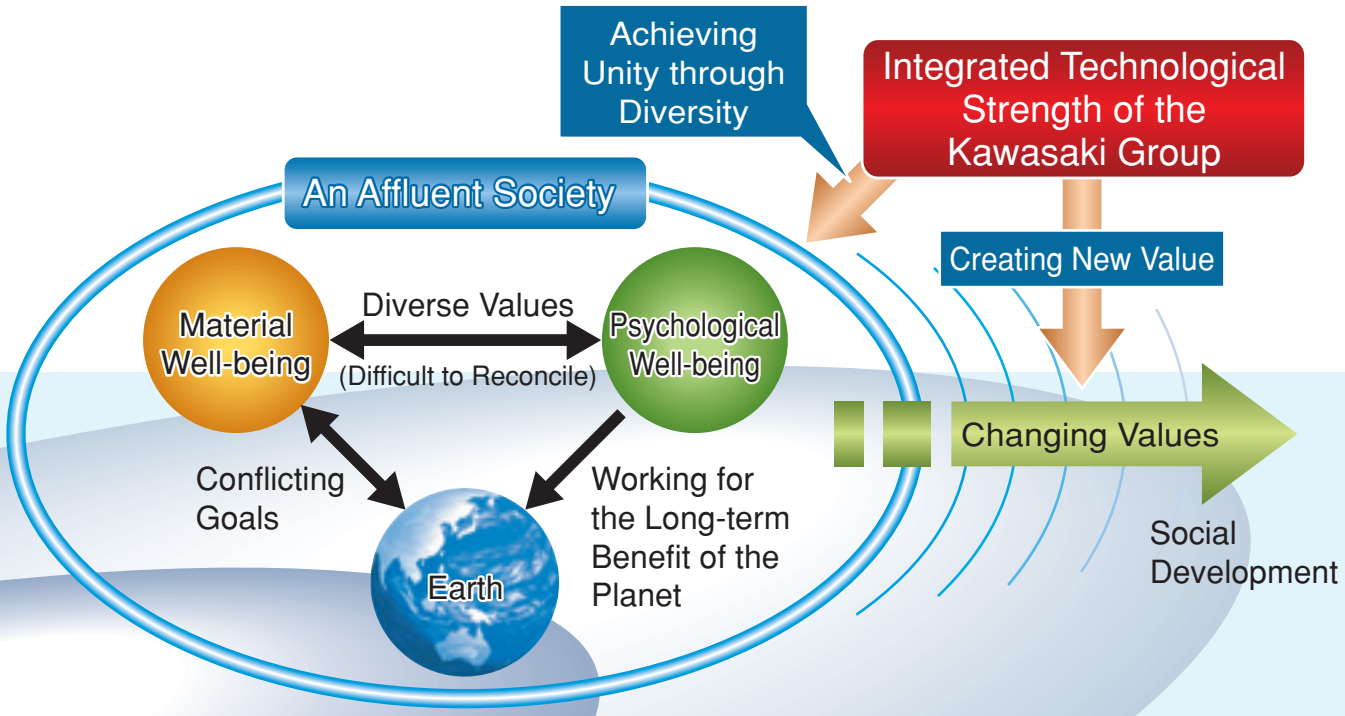
The basic objective is "to become, during the period of medium-term business plan, a highly profitable, globally recognized enterprise based on these principal management policies: 'Quality Followed by Quantity,' 'Selectivity and Concentration,' and 'Stronger Non-price Competitiveness.' " One of the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



The Kawasaki Group Management Principles

[Group management guidelines and rules]

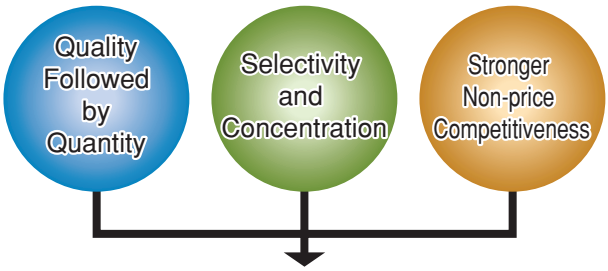
1. Trust: As an integrated technology leader, the Kawasaki Group is committed to providing high-performance products and services of superior safety and quality. By doing so, we will win the trust of our customers and the community.
2. Harmonious coexistence: The importance of corporate social responsibility (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

[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.

Basic Objectives



To become a highly profitable, globally recognized enterprise

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

For a Prosperous Earth, Society, and People

Together with Clean Energies

Kawasaki's Natural Gas Technology

"Natural gas" is a clean energy with low CO_2 emissions. Kawasaki offers a variety of technologies in the field of supply and application of natural gas, ranging from production, transport, receiving, storage to efficient power generation systems.

Increasing Demand for Clean Energy "Natural Gas"

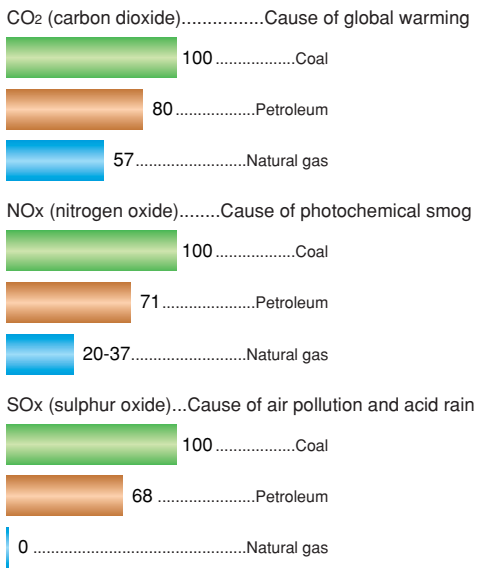
Natural gas is found in abundance in many parts of the world and has been expanded to use for stable energy source. Another feature of this resource is that it emits less CO_2 (carbon dioxide), NOx (nitrogen oxide), and SOx (sulfur oxide) when burned than other fossil fuels. The popularity of the cleanliness of natural gas is rising amid the globally growing importance of urgent measures to prevent global warming.

We are the first Japanese shipbuilder of LNG (liquefied natural gas) carriers; we manufacture gas compression module built in production plant, construct natural gas-receiving and storage terminals, and develop cogeneration systems that utilize natural gas efficiently. An effective use of those technologies related to natural gas allows us to help enrich lifestyles, develop industries, and reduce impact on the global environment.

Let's look at the routes of natural gas from producer to the user in Japan, specifically from production to transport, receiving and highly-efficient use, together with the technologies Kawasaki uses for this.

Cleanliness of Natural Gas

Comparison of CO_2, NOx and SOx emissions when burned (relative to coal as 100)



Source: Natural Gas Prospects to 2010 (1986), International Energy Agency; Report of the Corroborative Study of Assessment of the Impact of Thermal Power Plants on the Atmosphere (1990), The Institute of Applied Energy

3 LNG Transport

LNG carrier, Energy Advance, navigating with the load of 145,000 m^3 of LNG

Liquefied natural gas is transported on LNG carriers equipped with cargo tanks for LNG. Safer and more efficient transportation of a huge volume of −162°C LNG requires various advanced technologies. As the first Japanese shipbuilder of LNG carrier in 1981, we are building many LNG carriers using our accumulated valuable expertise and experience.

A detailed description of the LNG carrier is shown on page 9.

The Route Taken by Natural Gas to Japan and Our Company's Technology

1 Production of Natural Gas

Gas compression module installed offshore

Natural gas produced at an oil/natural gas field is sent to an onshore liquefaction terminal through a submarine pipeline laid on the sea bed. Our involvement here is the supply of gas compression module to pressurize natural gas to the level necessary for transport. Kawasaki has supported the production of the world's natural gas for over a quarter century, and has supplied a total of 49 modules as of March 2007.

2 Liquefaction and Shipment of Natural Gas

LNG carrier moored to a pier to an LNG liquefaction terminal
(photo by Tokyo Gas Co., Ltd.)

Sent to an onshore natural gas liquefaction terminal through a submarine pipeline, natural gas is cooled down to the cryogenic temperature of −162°C to become liquefied natural gas (LNG). Liquefaction of natural gas results in a volume reduction of about 1/600, thereby making highly efficient transport possible.

Kawasaki is examining the idea of conducting business in this field by utilizing our LNG tank technology, as well as its peripheral technologies.

3 Transportation of LNG

4 Receiving and Storing LNG

LNG receiving terminal and LNG carrier approaching to the pier

Vaporizer that evaporates LNG by heat exchange with hot water

LNG, transported on an LNG carrier and having arrived at the receiving terminal, is temporarily stored in LNG tanks in the terminal. LNG tanks are required to be of strong and safe structure and resistant to temperatures as low as −162°C . Kawasaki was among the first to conduct R&D of onshore LNG tanks, and delivered our first underground LNG tanks in 1982 and our first above ground ones in 1983. The total number of LNG tanks we constructed in March 2007 is 26.

5 High-Efficiency Use of Natural Gas

Combined cycle power plant (25 MW) equipped with Kawasaki gas turbine L20A

Kawasaki has developed gas turbine cogeneration systems and combined cycle power generation systems of high efficiency with natural gas, and has delivered them to all over the world.

A detailed description of the highly efficient use of natural gas is shown on page 10.

For a Prosperous Earth, Society, and People

Aiming at Stable Supply of Natural Gas

Kawasaki's Technological Expertise Mobilized to Build LNG Carriers

Natural gas is a primary energy which accounts for about 14% of its kind in Japan, and provides about 25% of all generated power in the power generation field. Kawasaki supports Japan's energy demand with LNG carriers we have built using our advanced technology.

Pride of a Pioneer Kawasaki-made LNG Carrier

As of March 2007, we have built 20 LNG carriers, with tank capacities of up to 145,000 m³, since we built Japan's first LNG carrier in 1981. Amid the globally rising demand for natural gas and increasing number of LNG carriers, we have been playing a leading role in construction of LNG carriers equipped with spherical independent tanks.

LNG carrier under construction

Spherical Aluminum Alloy Tank with Cryogenic Toughness and Excellent Insulation System

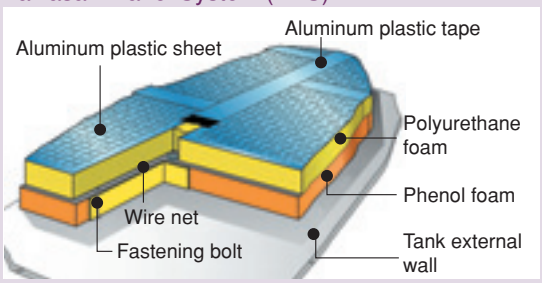
Cargo tanks are required to have the toughness for the extremely low temperature of LNG, and the structural strength for the weight of large volume of LNG and thermal insulation system that can minimize evaporization loss of LNG.

Aluminum alloy spherical tank

Adopting aluminum alloy having the toughness for extremely low temperatures as the tank material, and spherical shape which has the greatest structural strength, we construct LNG carriers. For the thermal insulation, our cargo tank boasts the world's highest class performance, with minimum boil-off rate of 0.1% per day thanks to the advanced insulation panels ("KPS; Kawasaki Panel System" shown in the under drawing) of our own development.

KPS, which is of a highly reliable double structure, achieves excellent insulation performance which enjoys a high reputation on a global scale.

Kawasaki Panel System (KPS)



Energy Carrying Ship that Contributes to Saving Its Own Energy

Ordinary LNG carriers use the steam turbine plant for propulsion in order to make effective use of natural gas evaporated in the tank during LNG transport (boil-off gas). The mechanism generates steam with a boiler capable of using boil-off gas as fuel, rotate the turbine with its high temperature and high pressure steam, and transmit the rolling capability to propellers as propulsive force.

To improve the fuel consumption of steam turbine propulsion plants for LNG carriers, we have developed "Kawasaki Advanced Reheat Turbine Plant" (Kawasaki URA Plant) based on the reheat cycle. In these plant the steam used in the turbine is reheated to improve its efficiency in the later stages, and the driving steam condition is improved (steam pressure and temperature are increased).

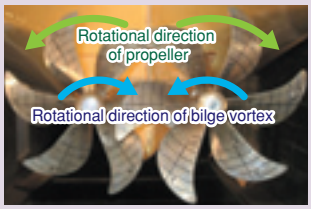
The Kawasaki URA Plant improves the efficiency by about 15%, so that LNG ships to carry energy contribute to saving of their own energy.

Steam turbine for LNG carrier

Development of High-Efficiency Propulsion Device for Larger LNG Carriers

Kawasaki developed the overlapping propeller system that uses bilge vortices* (patent registered) to obtain high propulsive performance.

Overlapping Propeller System for Large LNG Carriers



Providing two propellers reduces the propeller load and eventually increases propulsive efficiency. Locating each propeller at the center of the bilge vortex of the port and starboard side to utilize the rotational energy of the vortices can further improve propulsive efficiency.

*A set of inward-turning longitudinal vortices occurring on the right and left side of the ship in the stern when the ship moves forward

Toward High-Efficiency Use of Natural Gas

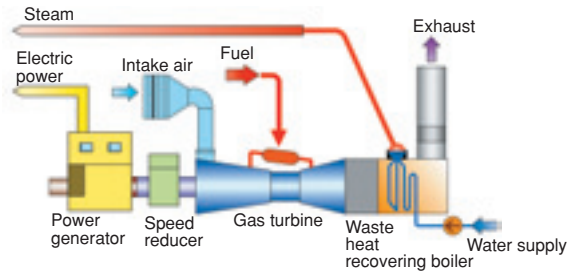
Kawasaki's Cogeneration System and Combined Cycle Power Generation System

Effective use of energy is strongly demanded for Japan which is a great importer of natural resources at the same time it is very important to prevent global warming. Kawasaki's contribution in this respect is application of its technology to highly efficient use of natural gas for the betterment of both society and the environment.

Reducing CO_2 in Two Ways—Effective Use of Natural Gas and High-Efficiency Power Generation System

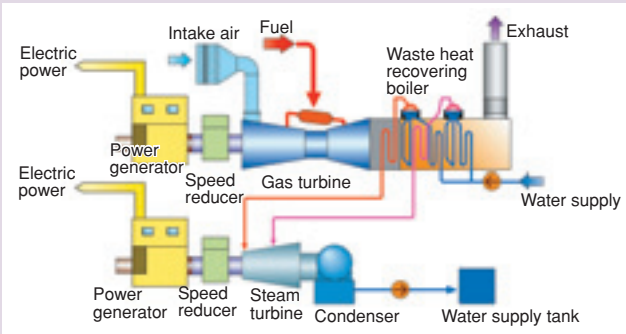
We provide cogeneration systems and combined cycle power generation systems to the market, both of which are fueled by clean natural gas, intended to encourage effective use of natural resources and prevention of global warming.

Cogeneration System



The cogeneration system burns fuel such as natural gas in the turbine or engine to generate electricity and uses waste heat generated from burning to generate steam or hot water.

Combined Cycle Power Generation System



This system is a high-efficiency power generator that generates electricity by burning natural gas with the gas turbine and use the waste heat to generate power with the steam turbine.

Decentralized Power Generation Evaluated Highly for Its Economic and Environmental Performance

The cogeneration system and the combined cycle power generation systems are intended to be installed as small- or medium-class distributed power generations, and can generate power at the right place where it is necessary. Therefore, almost no power transmission loss occurs, and waste heat is reusable. Because of these factors, their energy efficiency is very high; the total thermal efficiency is over 80% for the cogeneration system and the total power generation efficiency is over 48% for the combined cycle power generation systems. In addition to the economical advantages of such high energy efficiency, these systems enjoy good reputations in terms of energy saving and CO_2 reduction; expectations are also high for both.

Kawasaki's Small and Medium-Class Gas Turbines Occupying Over 60% of the Domestic Share

Our cogeneration system and combined cycle power generation system enjoy worldwide trust for the high technological prowess incorporated into them. The heart of those systems, the gas turbine, is the particular focus of our attention; we have put special energy into its R&D for over 30 years since the first one was developed in 1974. As a result of this long-term experiences accumulation of know-how and good sales records, our systems occupy over 60% of the Japanese share of small- and medium-size types, and enjoy a good reputation in the world at large as well.

Cogeneration system

Kawasaki Also Developed the World's Highest-Performance Gas Engine More Contributions Through Resource Saving and Environmental Improvement

We developed a gas engine with an 8 MW class power output in August 2006, which achieved the world's highest-class power generation efficiency, or 48.5%. It also attained the world's highest-class low NOx emission capability (160 ppm in O_2 = 0%).

We added the gas engine with power generation efficiency of 48.5% to a line-up of gas turbines ranging from 150 kW to 20 MW to meet the varying needs of users and, at the same time, contribute to resource saving and environmental improvement.

Newly developed gas engine

For a Prosperous Earth, Society, and People

Report on Social Activities from Overseas

Every member of the Kawasaki Group hopes to grow together with the local community as a member of society, through both exchange with and support of local communities as well as participation in communal activities. This page focuses on our activities supporting the local community and outlines the social activities of two U.S. companies very active in support of local societies.

Turning Customers' Support into Our Own Friendliness to Society and the Environment

Kawasaki Motors Corp., U.S.A. (KMC)

US Sales Company Paved the Road for Overseas Development

Born in California in 1966, Kawasaki Motors Corp., U.S.A. (herein KMC) grew to be an established sales outlet for the Group selling a variety of products from motorcycles to ATV (all-terrain vehicles), the utility vehicle MULE, and the personal watercraft, with some 550 employees and over 1,500 dealers all over the country. KMC is also active in social activities supporting local communities and promoting environmental conservation.

KMC building

Acting as a Member of Industrial Associations

KMC is a member of various industrial associations related to the products handled, namely, motorcycle, ATV, and personal watercraft, and provides various support activities to the users as such. For example, as a member of the motorcycle association, KMC promote safe use of motorcycles through high-quality education to riders. As a member of the ATV association and the personal watercraft association, KMC is actively communicating with users to provide them with the sense of safety and responsibility.

What We Can Do for Society

KMC is actively involved in the support of social welfare. Their support related to motorcycles is the March of Dimes RIDE, for which KMC is a national sponsor. In FY2006, over 40,000 riders and over 250 riders clubs took part in the charity event, held in various parts of the U.S.A. The profits from the event were used to support activities to save the lives of premature babies and small children.

Kawasaki Booth in the venue of the March of Dimes RIDE

Riders participating in the March of Dimes RIDE

Activities Supporting Local Societies

As a member of the local chamber of commerce and industry, KMC assists in the growth of the local economy. The vacant spaces in the head office and branch offices are open for off-road riders as a training ground, and the distribution center facilities are also offered for training of drug-sniffing and police dogs.

Environmentally Conscious Activities

KMC, on the basis of our FY2006 environmental conservation activities, was selected as an award nominee of an environmental program sponsored by the state of California to reward companies for excellent achievements in energy saving. KMC attained the reduction of a remarkable 500 tons of refuse that would have been sent to landfill sites. In document control, some 500,000 pieces of paper have been cumulatively saved by in-house computerization.

Efforts to reduce environmental impact is also an established part of sales activities. When ATVs and utility vehicle MULEs are delivered, recyclable metal returnable pallets are used, which have replaced the wooden pallets otherwise used in carrying out 100,000 vehicles a year.

KMC is determined to reinforce their efforts towards environmental conservation, and supporting the betterment of the global environment, while continuing their support on the local level as well.

Pride in Work and Social Contribution

Kawasaki Motors Manufacturing Corp., U.S.A. (KMM)

First Japanese Carmaker in the U.S.A.

Kawasaki built factories in the U.S.A. as the first Japanese carmaker in 1974. The facilities are located in Lincoln, Nebraska, and Maryville, Missouri under the management of Kawasaki Motors Manufacturing Corp., U.S.A. (herein KMM).

Today, over 2,000 workers for the two factories in total have strong senses of responsibility for the quality of their work, and take great pride in what they do.

As for local support, KMM helps develop the local economy, invites companies to its own soil, and propels local prosperity as a member of the local chamber of commerce and industry. Promotion of education and multi-cultural understanding is also one of the arenas they support.

KMM factory in Lincoln

KMM factory in Maryville

Support to Education

KMM provides grants to local universities and schools. The Kawasaki Reading Room was opened in the University of Nebraska in 1992, while responding to the request, to help students learn Japanese. The Room is used by students and local residents to learn about Japanese language and culture.

The Room stores plenty of books and other materials on Japanese language and culture. Today, the Room provides the local society with opportunities to learn a variety of things Japanese, including language, literature, history, religion, business, and politics, through Japanese language and culture.

People learning in the Kawasaki Reading Room

KMM conducts various other educational support activities mainly for local educational institutions, including a student exchange program to offer opportunities to study in Japan, a Japanese language learning support fund, scholarships, grants for school activities, and newspaper donation.

Participation in Charity Activities

KMM holds and supports a variety of charity events. Their activity in this field is wide-ranging, including participation in welfare events sponsored by the city, contribution to funds, donation of money to funds, support of the physically challenged, participation in drug elimination campaigns, support of the highway patrol, and service as volunteer firefighters.

Business Operation That Is Kind to the Environment

KMM earned ISO 14001 certification in 2003 and started to fully use EMS (environmental management system). The energy savings achieved in FY2006, including the contributions of other energy-saving actions, total to $250,000.

In recycling, KMM recycled 1,000 tons of cardboard and 13 tons of paper documents in FY2006. They intend to tackle recycling of wastewater in the future.

KMM has just begun environmental management, and is currently aiming to incorporate environmental actions into their daily production activities in a natural manner.

Environmental Management

Gazing at the Future of the Global Environment

"Environmentally conscious corporate management" is one of the priority initiatives of our medium-term business plan Global K. This is our determination to commit ourselves to the betterment of the environment in every aspect of our business activities through conducting business with a focus on reducing the environmental impact of both our products and production activities.

Furthering "Environmental Management" under the Medium-term Business Plan "Global K"

We gave Kawasaki, Working as One for the Good of the Planet as our corporate vision in the medium-term business plan Global K, which handles the period until 2010.

We aim at "environmentally conscious corporate management" contribute to environmental improvement by means of excellent products and technologies, reducing environmental impact in our production activities, and promoting environmental management that incorporates environmental considerations into corporate management.

Towards the Kawasaki Group's 2010 Environmental Vision

In 2006, Kawasaki started anew its effort to further reinforce these activities towards the 2010 Environmental Vision: "What Kawasaki Should Be in the Year 2010," under the guidelines of Global K.

We actively took various measures in the 5th Kawasaki Environmental Management Activities Plan to promote environmental activities which were integrated with Global K.

The achievements and appraisals of those activities are shown on pages 15 and 16.

Medium-term Business Plan "Global K"
↓
2010 Environmental Vision and the Environmental Charter
↓
5th Environmental Management Activities Plan
↓
Environmentally Conscious Corporate Management

Environmental Charter

(Established in 1999)

Environmental Philosophy

As a company in key industries related to land, sea and air, Kawasaki is deploying its business activities globally in pursuit of reducing environmental impact and creating a sustainable society. This makes us to commit ourselves to contribute to the sustainable development of society through our environmentally conscious business activities, technologies and products that preserve the global environment.

Conduct Guidelines

1. Recognizing that global environmental protection is a common and serious issue for humankind, Kawasaki will positively volunteer to engage itself in harmonizing with the environment globally. We shall regard this as one of the most important strategies when we deploy our business activities.
2. During its production stages, Kawasaki will endeavor to conserve resources, to save energy, to recycle resources and to reduce industrial waste and will promote the reduction of environmental impact.
3. In the new product planning (i.e. research and development) and designing stages, Kawasaki will render careful attention throughout the procurement, production, distribution, utilization and material disposal stages in order to minimize the environmental impact.
4. In seeking solutions to global environmental issues, Kawasaki will do its best to develop and provide new technologies and new products that contribute to environmental protection, energy saving and resource conservation.
5. Notwithstanding its compliance with environmentally related institutional laws, regulations and agreements and voluntary action plans of each industry concerned, Kawasaki will voluntarily institute its own environmental control standards as an appropriate and necessary action in order to strive to improve environmental control levels.
6. Through environmental training and public awareness activities, Kawasaki will strive to enlighten all its employees on global environmental issues and will support individual views, lifestyles and will encourage their participation in the social activities and services.
7. Kawasaki will implement an environmental management system to promote environmental preservation and conservation, and hold regular conferences to review management systems and maintain continual improvement.

Organization for Environmental Management

Masatoshi Terasaki
Chief Environmental Officer
Senior Executive Vice President

The Promotion of Environmental Management - Towards Realizing the Corporate Vision of Contribution to the Global Environment -

Global pollution, global warming and depletion of natural resources have come to the forefront of the issue of today. It is becoming commonly understood that there exist environmental restrictions, and that protecting and improving the environment is essential for the sustainable growth of mankind. Tackling the issue of the environment as one of our important management themes for many years now, we clarified anew our mission Kawasaki, Working as One for the Good of the Planet thereby contributing to the solution of these global problems through our corporate activities.

Since last year, the 5th Environmental Management Activities Plan has been under way, and we need to carry it out more aggressively. So doing, we decided to implement the plan integrally with the new medium-term business plan "Global K," formulated last autumn and to promote truly effective environmental activities integrally with the pursuit of business management.

Major focal points are as follows:

(1) Contribution through the very products and technologies has the first priority. We set in place the structure that thoroughly meets the requirements of each product, such as energy saving, reduction in exhausted gases and other environmental impact, and improvement of recyclability, for the contribution to the global environment.

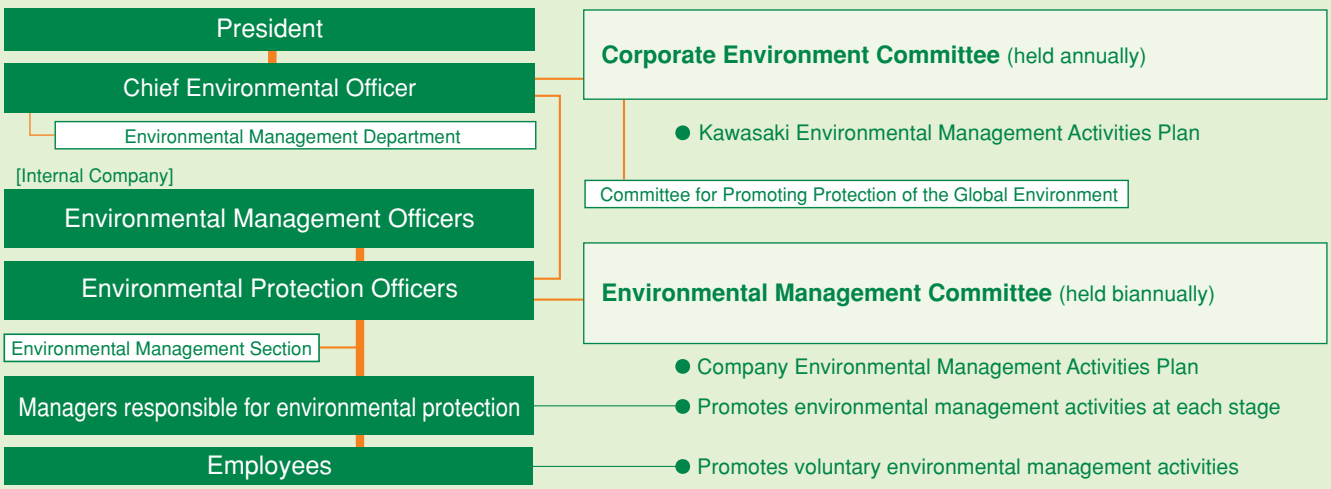
(2) We will promote again the activities, designed to reduce environmental impact including greenhouse gases, wastes, and hazardous chemical substances emitted from manufacturing processes, with returning the starting point according to the new medium-term business plan. Then we will evaluate and address effective measures to reduce environmental impact in terms of the entire scope of business management by eliminating redundancies.

(3) We will continue the activities to review environmental risks, which started last year, and take necessary actions to reduce the environmental risk and ensure the environmental improvement.

(4) Improvement in environmental management will be implemented for the Kawasaki Heavy Industries, Ltd. and three main subsidiaries,*1 and will also be intentionally enlarging this activity for the entire Kawasaki Group.

We continue to pursue environmentally conscious corporate management, promote contribution to environmental conservation and improvement through corporate activities for realizing the corporate visions specified in the Mission Statement and the medium-term business plan Global K, and try our best to get social trust as a corporation engaged in environmental betterment.

Environmental Management System



*1 Three main subsidiaries (Kawasaki Shipbuilding Corp., Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd.)

Environmental Management

Toward Our Environmental Vision: "What Kawasaki Should Be in the Year 2010"

Achievements and Appraisal of Environmental Management Activities

The focal point of the priority initiatives for FY2007 is the preparatory activities for forming the 6th Kawasaki Environmental Management Activities Plan (FY2008-2010). To be specific, environmental actions to be taken as per the medium-term business plan Global K should be integrated into the next Plan, working towards the establishment of the follow-up system.

	2010 Environmental Vision (What Kawasaki Should Be in the Year 2010)	5th Environmental Management Activities Plan (FY 2006 to 2008)
Environmental Philosophy	- Actions by all employees are taken with concern for the environment, not only at work, but also in their local communities and homes, in accord with our Environmental Philosophy, which declares our commitments to the realization of a sustainable society.	**Raising the level of environmental awareness of employees in the Kawasaki Group** - Promoting the construction of an environmental education system through the use of IT - Continuation of activities to provide information to educate employees in environmental issues
Environmental Management	- Implementation of an Environmental Management System (EMS) and actions are taken based on this EMS by all employees. - Incorporation of environmental considerations into the business management of each internal company enhances their environmental management levels. - An environmental management information system is created.	**Promotion of environmental management to increase the social trust of the Kawasaki Group** - Promoting the development of EMS among our subsidiaries around the globe - Promoting risk review activities to reassess environmental risks -- "Understanding of environmental risk" and EMS review based on that viewpoint - Establish an environmental risk management system -- Implementation of appropriate and quick response on the part of the entire Group based on legal compliance - Development of an environmental management information system for the entire Kawasaki Group
Environmentally Conscious Products	- Design for Environment (DfE) is used for all products to enhance their environmental efficiency. - Products are offered that help protect the environment, thus contributing to the environment, society and businesses.	**Contribute to the sustainable development of society through technologies and products conducive to environmental impact alleviation** - Reduction of environmental impact throughout the product lifecycle - Increase in providing green products
Environmentally Conscious Production	- Administrative penalties and administrative provisions are avoided, and voluntary control standards based on the needs of society are established to improve environmental control levels. - Every production activity is free of irrationality and waste to enhance the efficient utilization of resources and energies. - Total greenhouse gas emission in FY2010 is reduced by 6% relative to the FY1990 level. - Total waste production in FY2010 is reduced by 10% relative to the FY2000 level. - Maintenance of zero emissions (recycling rate 100%) is realized in all works. - The use of hazardous chemical substances is reduced.	**Compliance with laws, regulations, and agreements related to the environment** - No administrative penalty, provision, etc. - A reassessment of voluntary control standards complying with revisions and records of related laws, regulations, and agreements **Promotion of environmental impact alleviation in production activities** - Further examination of problems for measuring and reducing the amounts of resources and energy input in production processes - Reduction in total emissions of greenhouse gases toward the FY2010 goal - Reduction in total waste emissions toward the FY2010 goal - Continued effort to achieve zero emissions and expansion of this activity throughout the entire Group - Implementation of hazardous chemical substances reduction program -- Reduction of the total emitted amount of VOCs toward the FY2010 goal -- Reduction of the handled amount of hazardous chemical substances toward the 2010 goal -- Drafting of a plan for the disposal of waste containing PCBs
Environmental Communication	- Kawasaki Environmental Reports that comply with the needs of society are published. - Communication with stakeholders is promoted. - The entire corporation and all employees are committed to environmental improvement in local communities.	**Improvement of social credibility toward sustainable growth under the viewpoint of corporate social responsibility (CSR)** - Improvement of information disclosure - Promotion of communication with stakeholders - Positive cooperation in environmental activities with national and local governments

(Evaluation Criteria) A: Achieved; B: Mostly Achieved; C: Not yet achieved

Achievements in FY2006	Evaluation	Priority Initiatives in FY2007
- E-learning programs intended for the education of all employees were developed.	C	- Furthering employee education by e-learning
- "Message from the President," "Environmental News" and other internal publications were issued to promote environmental education.	A	- Continued publication of environmental information for Kawasaki Group employees
- EMS was developed in 38 out of 60 major Japanese subsidiaries and affiliates.	A	- Increase in the number of major Japanese subsidiaries and affiliates with EMS
- Environmental education was conducted for the management of Japanese subsidiaries and affiliates.	A	- Monitoring of environmental data and improvement of risk management system of major Japanese subsidiaries and affiliates
- A status survey of major overseas subsidiaries and affiliates was conducted and their problems were identified with an eye to developing EMS.	A	- Increase in the number of major overseas subsidiaries and affiliates with EMS
- Potential risks were analyzed by each production factory, and those facilities facing high environmental risks were identified.	A	- Identification of potential environmental risks and incorporation of countermeasures into the business plan
- Problems facing the organization for environmental risk management were identified.	C	- Verification of the level of deterioration of environment-related equipment and incorporation of equipment renewal/improvement programs into the business plan - Full use of the environmental risk management system
- Problems facing development of a database for environmental management information were identified.	C	- Expansion of the range from which environmental management data is gathered, and improvement of the timeliness of such data gathering
- The status of attention paid to the environment was investigated by each product field.	B	- Evaluation of the degree of improvement in environmental performance for newly developed products and major products
- Green procurement started in the Rolling Stock Company.	A	- Sections engaged in green procurement: Improvement of green procurement level; sections not engaged: clarification of problems facing
- Commercialization of new products, including woody biomass power generation and the large-scale nickel-metal hydride battery Gigacell®* was furthered.	A	- Social contribution through development of products providing environmental solutions, and the improvement of their performance
- Administrative measures and warnings were issued for six cases.	C	- No administrative penalty, measure, etc.
- Environmental management standard values and environmental management rules were reexamined, corrected or revised.	B	- Response to act amendment, factor analysis of legal violations or accidents, followed by diffusion of findings and knowledge obtained across the Group
- Good energy-saving practices were diffused to all companies.	B	- Development of a scheme to implement the target reduction in greenhouse gas emissions included in the business plan (This applies to wastes and hazardous chemical substances.)
- Greenhouse gas emissions increased by 7.5% against those in FY2005 because of increased business operations.	C	- Collection data of greenhouse gas emissions and the total waste emissions of major Japanese subsidiaries and affiliates
- Total waste emissions increased by 7.5% against those in FY2005 because of increased business operations.	C	- Continuation of achieving the quality improvement of, and increase in the number of zero emissions
- Major VOC emissions increased by 4.2% against those in FY2005.	C	
- The amount of hazardous chemicals handled increased by 6.8% against those in FY2005.	C	
- The Kawasaki Report - Environmental and Social Responsibility was issued as a result of reinforcing the social responsibility portion thereof.	A	- Information disclosure for the improvement of social trust

* Gigacell® is the registered trademark of Kawasaki Heavy Industries, Ltd.

Environmental Management

Environmental Management Activities

Kawasaki is aggressively working on promoting environmental management. With the improvement of the environmental management system (EMS) as the focal point of our efforts, we are actively engaged in increasing the number of sites that practice EMS and in continuous improvement thereof, as well as in environmental risk management as the social responsibility of a corporate citizen for preventing environmental accidents.

Further Development of EMS

All the domestic production bases of Kawasaki Heavy Industries, Ltd. and its main subsidiaries have acquired ISO 14001 certification. Since there are still more sites in Japan and overseas that do not practice EMS, we aim to have them develop EMS at their sites in the future.

ISO 14001 Certification Acquisition

	Internal Company		Date acquired	Registration
Kawasaki Heavy Industries	Rolling Stock Company	Rolling Stock Company	2002	LRQA
		Construction Machinery Division	2000	JICQA
		Industrial Equipment & Metal Structures Division	1999	JICQA
	Aerospace Company		2002	BSK
	Gas Turbines & Machinery Company	Gas Turbine Division	2000	LRQA
		Machinery Division	2000	NK
	Consumer Products & Machinery Company		2000	DNV
Subsidiaries	Kawasaki Shipbuilding Corporation	Kobe Works	2002	NK
		Sakaide Works	2000	DNV
	Kawasaki Precision Machinery Ltd.		1998	DNV
	Kawasaki Plant Systems, Ltd.		2001	NK

LRQA: Lloyd's Register Quality Assurance , JICQA: JIC Quality Assurance
NK: Nippon Kaiji Kyokai (ClassNK) , BSK: Bouei Choutatsu Kiban Seibi Kyoukai (Defense Procurement Framework Establishment Association of Japan) ,
DNV: Det Norske Veritas

Development of EMS for Other Subsidiaries in Japan

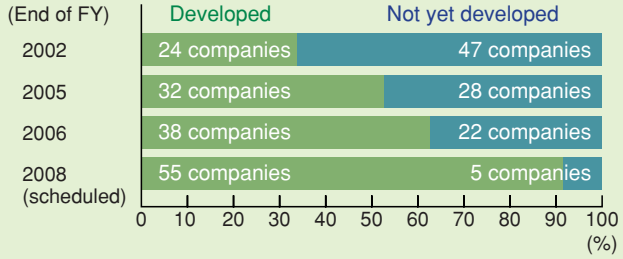
We have three step-by-step approaches to EMS development in place to help our sites practice environmental management in steps that match their practical condition based on their business field and production activity, and encourage our Japanese subsidiaries which have not yet developed EMS.

- Level 1 Acquisition of ISO 14001 certification
- Level 2 Acquisition of simplified EMS
- Level 3 Self-declaration of EMS development

In FY2006, a total of seven subsidiaries have developed their EMS (2 subsidiaries for Level 1, 3 for Level 2, and 2 for Level 3).

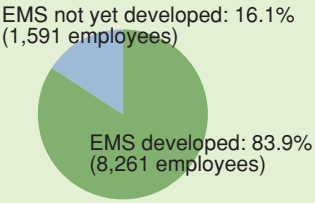
As a result, 38 Japanese subsidiaries out of 60 now practice EMS, and the effort to help the remaining 22 follow suit according to the 5th Kawasaki Environmental Management Activities Plan is currently underway.

Status of EMS Development at Japanese Subsidiaries*



Ratio of Employees of Companies with EMS Developed*

(as of the end of March 2007)



Acquisition of ISO 14001 Certification in Overseas Subsidiaries

Out of 30 overseas subsidiaries in total, there are 13 that seem to need development of their EMS because of their size, and the effort continues to help them acquire ISO 14001 certification.

(End of March 2007)

Subsidiaries	Data acquired	Registration
Kawasaki Motors Manufacturing Corp. (U.S.A.)	2003	DNV
Kawasaki Robotics, Inc. (U.S.A.)	2006	DNV
Nantong COSCO KHI Ship Engineering Co., Ltd. (China)	2003	DNV
Kawasaki Precision Machinery Ltd. (U.K.)	2001	LRQA
Flutek Ltd. (South Korea)	2005	KMA

DNV: Det Norske Veritas, LRQA: Lloyd's Register Quality Assurance, KMA: KMA R&A Inc.

3-Step Environmental Auditing to Help Improve Environmental Management

In addition to internal and external auditing conducted as per the requirements of ISO 14001, the Environmental Management Department of the head office conducts hearings with each site and follows up based on the results of the interview.

Environmental Auditing Systems

Environmental Management Hearings	Internal Auditing	External Auditing
The Environmental Management Department conducts hearings to follow up on the environmental management within our company and divisions.	Carries out its actions within our company and divisions based on the environmental management system governed by ISO14001.	Auditing based on the environmental management system of ISO14001 dictated by an organization registered as a third-party auditor.

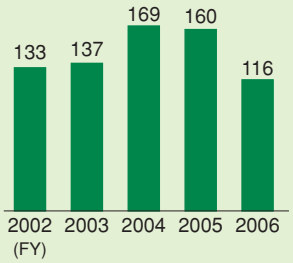
* Excluding main subsidiaries

Internal Education

Kawasaki systematically provides all our employees with environmental education, providing general environmental knowledge on topics such as global warming and Kawasaki's environmental activities. We have also been regularly holding internal environmental audit training based on ISO 14001 for the entire company since 1997. Developing qualified managers, whom Kawasaki is required to assign by relevant laws, is also part of our efforts.

Number of Newly Registered ISO 14001 Auditors

(including subsidiaries)



Number of Qualified Pollution Control Managers

Air	83
Water	87
Noise	36
Vibration	22
Others	17
Total	245

Number of Qualified Energy Managers

58

Encourage Further Awareness

Kawasaki has devoted its efforts to improve the environmental awareness of its employees by encouraging all of them to take action concerning the environment not only at work but in the community and at home as well.

We transmit to our employees the information both of outside and inside of our company which contributes to the abovementioned purpose, by various kinds of measures.

"Message from the President" about environmental management

Environmental News (released 4 times a year)

Serialized column "Eco Mind" in the in-house magazine Kawasaki (published five times a year)

Environmental Risk Management

Kawasaki focused its attention to the following activities to ensure effective operation of EMS and prevention of environmental problems, placing particular emphasis on the following two points, thereby improving our social trustworthiness as regards environmental management.

Environmental Risk Review

Kawasaki determined the potential risks associated with the effluent treatment facilities and rainwater drainage routes of all our production sites, and identified those that have a high level of environmental risk. We plan to evaluate the level of impact of the potential environmental risks associated with such natural disasters as heavy rain, flood, wind, earthquake or fire, and power outage and develop response measures.

Strict Compliance with Environment-related Standards

Any environmental conservation activities should be based on compliance with environment-related laws, regulations, agreements and self-imposed standards. As for the standards developed by us, we make it a rule to check if they themselves are appropriate, verify our own system, and ensure those standards are always being complied with.

Compliance with Laws & Regulations

Violations and Accidents during the Past 5 Years

FY	2002	2003	2004	2005	2006
Judicial/Administrative Penalties	0	0	0	1	0
Administrative Measures	0	0	0	1	1*
Administrative Warnings	3	0	0	0	5

* Contents of measures undetermined

■ Judicial/Administrative Penalties: Punishment by judicial or administrative authorities
■ Administrative Measures: Receiving instructions for improvements, etc. in written form
■ Administrative Warnings: Receiving verbal directives concerning business practices

We received the following administrative measures and administrative warnings in FY2006. We investigated the causes of every case, took proactive measures to prevent recurrences, and provided the information to other works.

Administrative Measures:

- Fuel Oil A in small quantity leaked from a ship under construction at the Sakaide Works because of an erroneous operation.

Administrative Warnings:

- COD in discharge to the public water from Banshu Works exceeded the upper limit of the wastewater standard.
- Discharge from Banshu Works to the public water exceeded the notified amount.
- Erroneous documentation by Harima Works including erroneous transfer of data to a periodic report as per the public pollution prevention agreement.
- N-hexane extracts in the discharge to the sewerage from Seishin Works exceeded the upper limit of the wastewater standard.
- Quenching solution leaked from Akashi Works to the public water.

Environmental Management

Environmental Accounting

Environmental accounting for FY2006 is shown below. The graphs show yearly changes in environmental investments, environmental costs, and economic effects. We grasp the cost-effectiveness of environmental management so as to provide feedback to plan and review of measures for the next year.

Environmental Accounting Calculations for FY2006

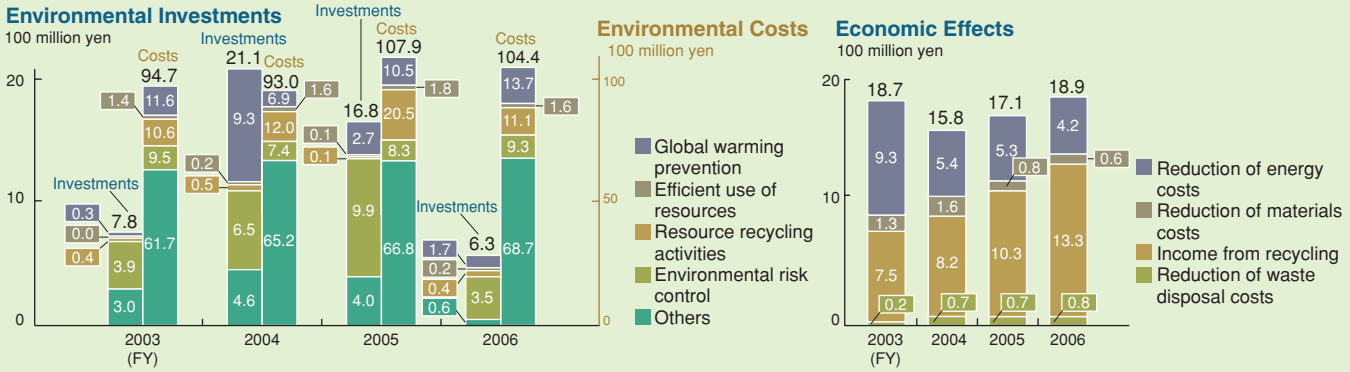
These figures were compiled in accordance to the Environmental Accounting Guideline released by the Ministry of the Environment.
Coverage: Kawasaki Heavy Industries, Ltd., and our three main subsidiaries. Period: April 1, 2006 to March 31, 2007

Millions of Yen

Item			Environmental Investments	Environmental Costs	Economic Effects	Environmental Preservation effects: Reduction as compared with previous FY (★ is an increase)	
Business area costs	Global warming prevention		165	1,373	Reduction of energy costs 423	Energy consumption	6,625 TJ*1
						Reduction	★455 TJ
						Greenhouse gas emissions	314,073 t-CO_2
						Reduction	★21,171 t-CO_2
	Efficient use of resources		20	162	Reduction of materials costs 55	Materials input	642,688 t
						Reduction	★34,018 t
						Water consumption	7,669,000 m^3
						Reduction	★472,000 m^3
	Resource recycling activities	Resource recycling activities	18	901	Income from recycling 1,334	Waste emissions	72,114 t
						Reduction	★5,081 t
		Waste disposal costs	17	205	Reduction of waste disposal costs 76	Amount of waste recycled	69,657 t
						Recycling ratio	97 %
	Environmental risk control		348	928	——	SOx emissions	19 t
						Reduction	★4 t
						NOx emissions	229 t
						Reduction	★30 t
						COD emissions	15 t
						Reduction	2 t
	Subtotal		568	3,569	1,887	——	
	Comparisons w/ previous FY		44%	87%	110%		
Upstream/downstream costs			53	3,571	0	——	
Management activity costs			0	462	——	——	
R&D costs			0	2,635*2	——	——	
Social activity costs			5	142	——	——	
Environmental damage compensation costs			2	56	——	——	
Total			628*3	10,435	1,887	——	
Comparisons w/ previous FY			37%	97%	110%		

Item	Total
Total investments in FY2006*4	29,278
Total R&D costs in FY2006*5	32,659

Item	Proportion
Percentage of investments (Environmental investments*3 / Total investments*4)	2%
Percentage of R&D costs (Environmental R&D costs*2 / Total R&D costs*5)	8%



*1 TJ: terajoules (10^{12}J)

Material Balance of Business Activities

We produce various products used on land, at sea and in the air. Raw materials, energy and water are input to those business activities, from which a variety of substances are emitted to the air or waters. We are trying to reduce environmental impact by those business activities by monitoring input and output.

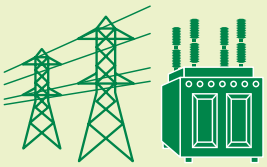
Summary of Environmental Impact in FY2006

INPUT

Raw materials

Steel, aluminum, copper, plastic, etc.

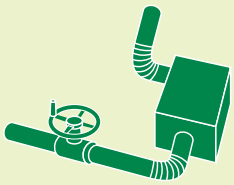
643,000t



Energy

Converted to crude oil

171,000kl



Water resources

7,700,000 m³

PRTR*1 regulated substances

2,700t

Input

Business Activities

Net Sales: ¥1,438.6 billion

(including all consolidated businesses)

Environmental Management Activities

Environmental Investments: ¥0.6 billion

Environmental Costs: ¥10.4 billion

Production Activities at Works

Aerospace Company
Nagoya Works 1

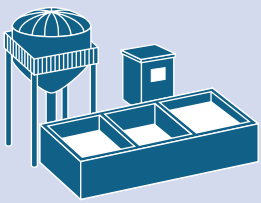
Rolling Stock Company
Hyogo Works

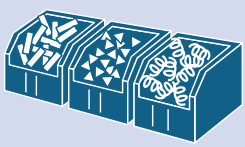
Gas Turbine & Machinery Company
Akashi Works

Consumer Products & Machinery Company
Akashi Works

Output

OUTPUT





Emissions to Air	Greenhouse gases.....314,000 t-CO_2	Emissions to Water Area	Drainage.....4,400,000 m³	Emissions of Wastes	Total wastes .....72,000 t
	SOx .....19 t		COD.....15 t		Final disposal wastes .....440 t
	NOx.....229 t		Nitrogen.....35 t		PRTR regulated substances..205 t
	Soot and dust .....3 t		Phosphorus.....1 t		
	PRTR regulated substances..1,600 t		PRTR regulated substances.....3 t		

*1 PRTR: Pollutant Release and Transfer Resister

Environmentally Conscious Products

Reducing Environmental Impact through Product Life Cycle

Efforts for Construction Machinery

We manufacture construction machinery for transport, loading and unloading, at construction sites or factories under the philosophy that the production of construction machinery should enrich the lifestyles of people in the world, and help create comfortable spaces. Some of our actions to reduce our impact on the environment, mainly over the life cycle of wheel loader, are introduced here.

1. Procuring Materials

Our products are kept "green" by using only those raw materials and components that pass our Green Procurement Guideline in them.

Green Procurement Guideline

- We procure "green" materials and components based on a relationship of trust with our business partners. The Green Procurement Guideline edited by the Construction Machinery Division in June 2006 is distributed to our business partners to request development of their own EMS and cooperation with our "green" efforts, such as prohibition or reduction of use of hazardous substances.

Substances banned for use or subject to elimination with respect to wheel loader

Green ranking	Main regulated substance
Banned for use	Asbestos, benzidine, polychloride biphenyl (PCB), ozone-depleting substances
Reduction in use (promotion or review of alternatives)	Lead, cadmium, hexavalent chromium, bromic flame retardant, selenium, arsenic, benzene, beryllium, nickel

2. Production

The focal points for our ongoing reduction in environmental impacts in production activities are the saving of resources and energies, reduction in waste generation, and reduction in use or emission of hazardous substances.

Resource- and Energy-saving Activities

- The main body of a wheel loader needs many components of great strength, and thick steel plates measuring 8 to 90 mm in thickness are used. When steel plates are cut to make parts of the necessary shapes, we cut them in such a way as to leave a smaller amount of cut waste, in order to increase the yield of steel plates and eventually reduce consumption of resources.
- For production of the hoist cylinder,*1 we revised the procedure by replacing the conventional cutting of cylinders out from cylindrical metal with producing near-net-shape cylinders in the first place and finishing them, thereby successfully reducing both energy for cylinder making as well as waste generation.

Hoist cylinder manufactured from near net shape

Reduction of Hazardous Chemicals

- We completely abolished the use of lead from all kinds of paint used in our production processes as part of our aggressive effort to reduce the quantity of hazardous chemicals in our painting work. In FY2007, we intend to use a type of high solid paint that contains less volatile organic compounds (VOC).

4. Disposal and Recycling

The viewpoint concerning effective use of resources is indispensable when it comes to the disposal of wheel loaders. Reuse and recycling is actively promoted to do justice to our wheel loaders whose service life have expired.

Ease of Recycling

- What is important to promote ease of recycling is that our wheel loader is easily disassembled despite its sturdy structure. For example, FRP parts in which metal was embedded were once used in the rear grill, but such parts were eliminated. Many other ideas that make the machine easier to recycle are integrated into our wheel loader, 98% of which is now recyclable weight ratio.

Rear grill for which use of composite materials is banned

Rebuilding Project (Restoration of transmissions)

- We recover recyclable parts such transmissions or torque converters from the disassembled wheel loaders before disposal.These parts are overhauled, cleaned, and their expendables (if any) replaced with new ones, and rebuit as service parts for maintenance use.

Transmission being restored in the rebuilding process

*1 Cylinder that operates the bucket (container to load sediment, etc.) of the wheel loader

This is our first wheel loader, produced in 1962.

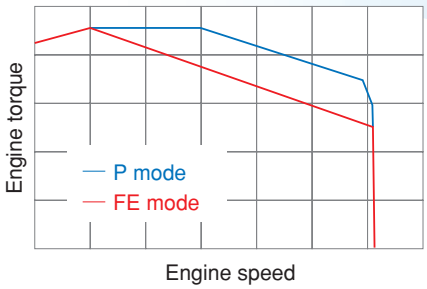
We have a stock of expertise accumulated over more than 40 years, and provide highly reliable products to the market.

3. Use

In the life cycle of the wheel loader, the greatest environmental impact occurs during its use. Focusing on this point, Kawasaki has introduced various technologies related to energy saving, exhaust gas and noise.

Energy Saving and Emission Reduction

- The computerized engine that optimizes the combustion conditions to match the operation conditions, in addition to the capability to select either of the two types of operation modes,*2 allows our wheel loader to operate at the best condition to match the operation mode. The benefits of this technological feature are both an improved operating capability and energy saving.



*2 P (power) mode and FE (fuel efficient) mode

- The turbo charger, which improves engine efficiency by raising suction pressure, in addition to the intercooler, which reduces the suction temperature that increases as a result of increased pressure, realizes both improvement of engine efficiency and reduction in NOx and dust and soot contents in the exhaust gas.

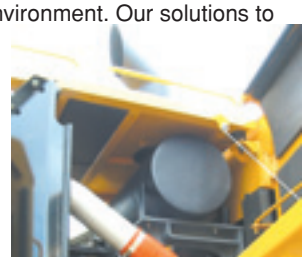
Engine fitted with turbo charger and intercooler

- Use of the exhaust gas recirculation system reduces the content of NOx and dust and soot in the exhaust gas by recirculating the exhaust gas with low oxygen concentration into the suction gas in order to lower the combustion temperature in the engine.

- Various measures are also taken to ensure energy saving for the hydraulic system. Examples are the hydraulic pump with enhanced efficiency, a system to start or stop the hydraulic pump to match the timing of loading or unloading, and reduction in pressure loss in the piping system.

Noise Reduction

- Noise from vibration of the engine and hydraulic equipment is always a nuisance to the environment. Our solutions to the noise problem are use of the low-noise engine, introduction of the operation system in the low-rotation range, where less noise and vibration is generated, and improved strength of the surrounding structure for vibration prevention.



Resonant muffler

- We tackle the sound of exhaust by applying the resonant muffler effective in absorbing the sound of specific frequencies that cause noise problems.

- As our solution to the noise of the engine cooling fan, we changed the cooling fan from the engine-direct-driven to the remote-fan-driven by using the hydraulic motor that rotates in the low-noise rotation range.

Sales and After-sale Service

Our order entry system that "produces the product designed to meet the specifications required by the user to meet the desired delivery date," born out of the market-in idea in sales, is supported by an advanced production system that features 14 days for production lead time (period from order placement to shipment). This arrangement allows us to produce the wheel loaders with the required capabilities only in the required quantity, thereby eliminating unnecessary production.

Equipped with a nation-wide network, quick responses to troubles, and appropriate maintenance capabilities, our after-sale service can maintain the original functions of the products and support the elongation of their service life, ensuring their long and efficient use.

Kawasaki Machine Systems, Ltd. is in charge of sale and after-sale service, and their services are explained in detail on page 34.

Environmentally Conscious Products

Reducing Environmental Impact through Product Life Cycle

Efforts for Consumer Products, including Motorcycles and Personal Watercraft

In fields such as motorcycles and personal watercraft, we set clear targets for environmental conservation, namely cleaning exhaust gas, 3R design, elimination, reduction, and management of environmental substances of concern, and we continue our efforts to fulfill those targets.

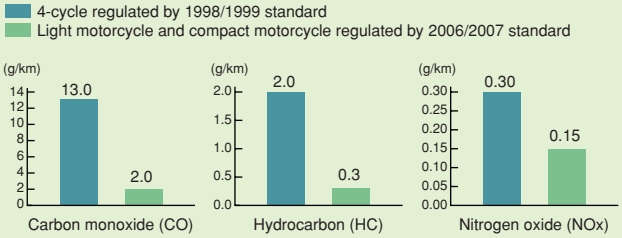
Cleaning Exhaust Gas

In FY2006, we installed a new computerized fuel injection system in two models of our motorcycles (126 to 250 cc class), ESTRELLA and 250TR, to realize cleaner combustion. We also applied KLEEN*1 that combines KCA,*2 which draws in fresh air to the exhaust port to reburn exhaust gas, and the honeycomb catalyzer, which promotes decomposition of HC (hydrocarbon) and CO (carbon monoxide) to remarkably improve of exhaust gas quality. ESTRELLA, 250TR which fully comply with the Japanese motorcycle emission regulation that became much tougher in 2006, were put to market in February 2007.

ESTRELLA, whose emission passed the Japanese motorcycle emission regulation in 2006

Engine fitted with fuel injection system

Comparison of Japanese Motorcycle Emission Regulations (Motorcycle Mode Standard)



Start of the 2006/2007 Regulation for Japanese Motorcycle Emissions

Motorcycle Category	New Products	Existing Products
126 - 250 cc category	Oct. 2006	Sept. 2007
251 cc and up category	Oct. 2007	Sept. 2008

For motorcycles of larger size (251 cc class and over), we were able to clean the exhaust gas by applying a set of clean emission systems combining a computerized fuel injection system, a variable valve timing system that optimizes the timing of valve opening/closing depending on the rotational speed, three-way catalysts and a feedback system.*3 1400GTR, one of our new products, debuted in Europe, and it fully complies with Europe's motorcycle emission regulations, which have been severely tightened since 2006.

Euro III compliant 1400GTR debuted in 2006

Promotion of 3R Design

Kawasaki, three other Japanese motorcycle manufacturers, and 12 importers voluntarily operate the motorcycle recycling system, in which used motorcycles are accepted from users and recycled, smoothly and successfully.

As a result of the operation of this recycling system, which began in October 2004, we achieved a recycling ratio of 86.7% (weight basis) in the third year (April 1, 2006, to March 31, 2007).

We are also implementing the use of materials that are easier to recycle, as well as the use of material identifying labels on resin parts, and motorcycles that are being newly sold in FY2006 are being built with a recyclable weight ratio of over 90%. We also apply the same design approach to personal watercraft and general-purpose gasoline engines to enhance their recyclable weight percentage.

As for our efforts in weight reduction, we continuously increased the use of light weight aluminum frames in medium- and large-size motorcycles.

Light weight aluminum frame

Elimination, Reduction and Management of Environmental Substances of Concern

With regard to motorcycles, we tackle the challenge of the elimination and reduction of environmental substances of concern to fulfill the goals voluntarily set by the Japan Automobile Manufacturers Association, Inc. (JAMA). We apply the approach to environmental conservation we take towards motorcycles to other products as well, including personal watercraft, in order to eliminate and reduce environmental substances of concern.

For lead, we completed the elimination program at the end of December 2005 except for solder used in electronic boards, electric parts and bearings in motorcycles. We also completed the replacement of lead-containing coatings with lead-free ones in March 2006 and are working on the reduction of lead in other parts for general-purpose gasoline engines.

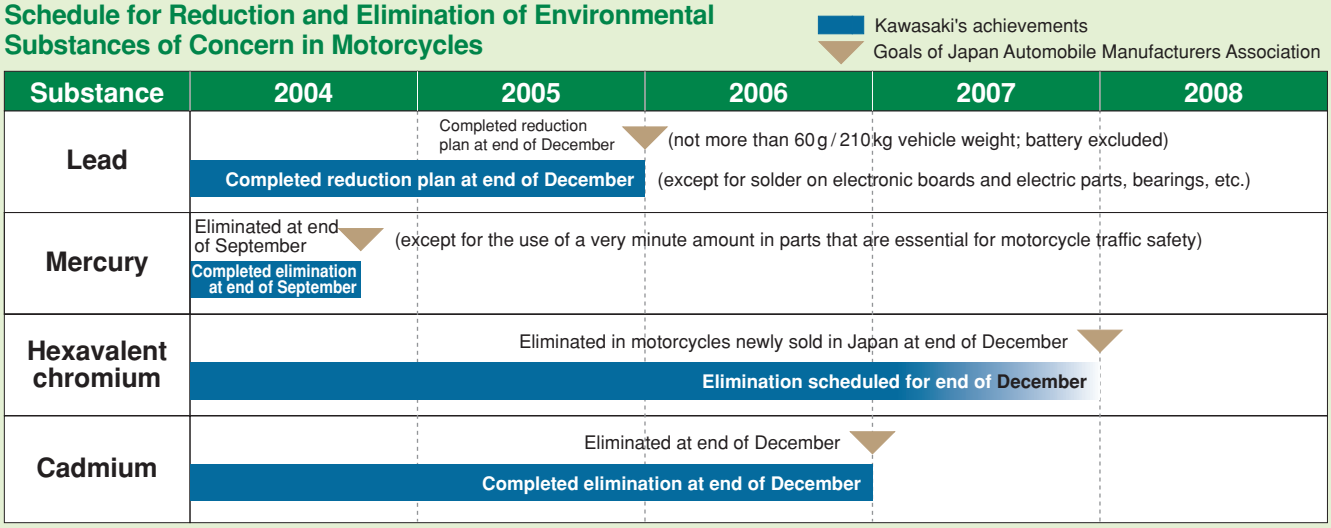
The use of mercury was abandoned at the end of September 2004, except for the use of a very minute amount in parts that are essential for motorcycle traffic safety. Cadmium, which had been used in few electric and electronic parts, was fully abolished at the end of December 2006 for motorcycles, personal watercraft and general-purpose gasoline engines.

Also, hexavalent chromium had been used in the rust-preventative treatment of various parts including metal components, bolts and nuts, but in 2005 we started a sequential shift to hexavalent chromium-free parts for motorcycles sold in Japan. Now we are certain that all parts containing hexavalent chromium will be gone by the end of December 2007, which is the goal set by JAMA voluntarily in their effort to reduce environmental substances of concern.

As for hexavalent chromium contained in chemical conversion coating agents used in rust-preventative treatment and the coating base preparation treatment of aluminum parts for personal watercraft and other products, those coating agents were fully replaced with clean ones by the end of December 2006.

For bolts and nuts used in personal watercraft, general-purpose gasoline engines and for-export motorcycles we are increasing the number of parts free of hexavalent chromium, and planning to complete the full shift within 2007.

Schedule for Reduction and Elimination of Environmental Substances of Concern in Motorcycles



*1 KLEEN (Kawasaki Low Emission System) is an exhaust gas cleaning system consisting of KCA and honeycomb catalyzer.
*2 KCA (Kawasaki Clean Air) introduces fresh air to the exhaust port to reburn the exhaust gas, thereby considerably reducing HC and CO.
*3 Feedback system enhances cleaning efficiency of catalysis by sensing the operating condition and optimizing air-fuel ratio.

Environmentally Conscious Products

Reducing Environmental Impact through Product Life Cycle

Efforts for each Product

Kawasaki is actively involved in the reduction of environmental impact through the life cycle of each product in all product fields as well as construction machinery and consumer products, as introduced previously.

Aircraft

We jointly develop and manufacture passenger aircraft with Boeing in the U.S.A. and Embraer in Brazil, and helicopters with Eurocopter in Europe, and thus our technology has resulted in a high international reputation.

The expectation for increasing use of aircraft in future makes it more urgent to take measures for environmental conservation, such as technologies for energy conservation and cleaning of exhaust gas.

One energy conservation technology currently under development for Boeing 787 etc. is the reduction of fuselage weight through the use of carbon fiber composite materials. With our advanced technology in carbon fiber composite materials, we jointly develop and manufacture fuselages for both Boeing and Embraer.

With our own environmentally conscious technology, we also jointly develop and manufacture TRENT 1000, the advanced jet engine of Rolls-Royce in the U.K.

During production as well, we are pursuing the reduction of environmentally hazardous substances by, for example, developing and applying high-solid-type coatings with reduced solvent in painting of fuselages.

Weight Reducing Improves Fuel Efficiency—Boeing 787

Weight reducing by shifting the fuselage material from aluminum alloy or titanium alloy to carbon fiber composite materials resulted in a 20% improvement in fuel efficiency.

Fuselage of Carbon Fiber Composite Materials

The fuselage of the Boeing 787 is made in one piece mold. The front of the fuselage was delivered from Kawasaki as its first shipment.

Ships

We develop and construct a variety of marine vessels, such as LNG carriers, LPG carriers, container ships, bulk carriers and crude oil tankers.

As important measures in reducing environmental impact, we are striving to reduce fuel consumption to begin with; we are working on technological developments to optimize hull shapes, improve the shapes of ship bows, and raise the efficiency of propellers. Our technologies to control the flow around the propeller for increasing efficiency include a Semi-duct System with Fins (SDS-F), a Rudder Bulb System with Fins (RBS-F) and newly developed propulsion system; or the Overlapping Propeller System (OLP).*1 We are pursuing to employ these technologies to many vessels.

The electronically controlled diesel engine, developed in 2005, is highly evaluated for its contributions in improving fuel consumption and the environmental impact from exhaust gas emissions.

We are also promoting to employ double-hull construction for fuel oil tanks as effective measures against marine pollution to prevent from leaking oil in case of accident.

Environmentally Conscious Technology for Large Bulk Carrier—Cape Progress

We are pursuing energy-saving measures, with employing a hull shape that receives little resistance, a fuel-efficient diesel engine, high-efficiency propeller, and RBS-F.

World's Largest Class Electronically Controlled Diesel Engine

The engine is equipped with an electronically controlled fuel injection and exhaust valve operation system, which realize the switchover between economy mode and emission mode in operation. Thanks to the above system, soot in the exhaust gas is remarkably reduced. It has been employed well in super-large container ships.

*1 Detailed information on the overlapping propeller is provided on page 9.

Rolling Stock

We manufacture a large variety of products, such as Shinkansen trains, limited express trains, commuter trains, subway cars, freight cars and locomotives.

The rolling stock is a means of transport with low CO_2 emissions, but it still needs further improvement. Concerning the environmental impact through the life cycle of rolling stock, as energy consumption is biggest when moving, energy saving during operation is a top priority. We therefore work toward technological cooperation with our customers and adopt technologies such as improving motor efficiency, regenerating electricity during braking, reducing the weight of car bodies, and creating car shapes with little air resistance in order to achieve high energy efficiency for rolling stock.

As one of our proposals for a new urban transit system, we are developing a super low-floor battery-driven light rail vehicle SWIMO equipped with the large-scale nickel-metal hydride battery Gigacell® of our own development.

In FY2006, we developed the Green Procurement Guideline to reduce the environmental impact through the life cycle of our products. We are moving our efforts forward in cooperation with our business partners, setting hazardous chemical substances such as lead, hexavalent chromium, and cadmium as prohibited materials, and polyvinyl chloride, brominated flame-retardants, and nickel as managed materials.

SWIMO, Friendly to Users and the Environment, Scheduled for Completion in FY2007

The test run of SWIMO equipped with Gigacell® ended successfully. Attention was drawn to its advantages, such as running without trolley wire, and high energy efficiency using all of regenerated electricity.*2

Industrial Plants and Equipment

In the field of the industrial plants and equipment, the development of energy efficient products is crucial.

Industrial plants: Now drawing attention is the internationally proven energy-saving performance of cement plant waste heat power generation system for great reduction of CO_2 emissions.

Gas and steam turbines: Continuing the introduction of new technology is what characterizes our gas and steam turbines. Specific achievements incorporated are reduction in resource use from size-reducing and weight-saving, and extended life as well as improved efficiency.

Hydraulic equipment: In addition to improving efficiency, we are engaged in resource-saving and noise-minimizing by reducing size and weight.

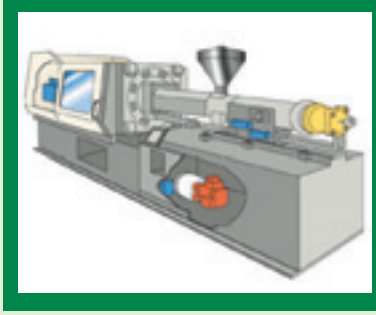
Kawasaki Eco Servo, which is an electro-hydraulic hybrid system with great energy-saving merit, enhances the performance of plastic processing machines and other industrial equipment.

We are also working on applying bio-degradable fluid to eliminate environmental pollution caused by oil leakage.

A Strong Measure for Reduction of CO_2 Emissions—Cement Plant Waste Heat Power Generation System

This system, which generates electricity utilizing the waste heat of exhaust gas from the cement plant, supplies about 30% of power consumpton in the whole cement plant. We have so far delivered 30 units of this system, which total reduction of CO_2 emissions of 1.6 million tons/year.

Kawasaki Eco Servo Enhances the Performance of Plastic Processing Machines



This rotates motors and hydraulic pumps only when needed. It succeeds in reducing excess energy loss and noise, which is expected in hydraulic equipment. Applied in plastic processing machines, it enhances performance, and therefore model quality improves.

*2 Electricity power recovered by the motor serving as a generator during braking.

Environmental Solution Products

Products Providing Solutions for Environmental Improvement and Conservation

We address reduction in environmental impact through the life cycle of each product, and are at the same time active in developing products to provide environmental solutions that directly improve or conserve the environment.

Energy Facilities

Global efforts to reduce CO_2 emissions are an urgent requirement for the prevention of global warming. Technologies, such as highly efficient use of energy and effective use of renewable energy, are in growing demand.

We supply energy-related high quality products, such as gas turbines, steam turbines, and boilers using a variety of fuels, and came up with power generation systems*1 made up of combinations of those individual products to match a variety of requirements, thereby contributing to highly efficient energy use.

For technologies of using renewable energy, we provide woody biomass power generation systems, wind turbine generation systems, photovoltaic systems, and geothermal generation systems.

For technologies to enhance efficiency of energy utilization, we provide ice storage cooling systems that use night-time electricity usefully and the optimization and diagnosis of industrial energy system that optimizes the efficiency of energy utilization of factories and offices.

Promising technologies with great potential include large-scale nickel-metal hydride battery Gigacell® leveling the greatly fluctuating electric output of natural power generators, for use in microgrids that connect various dispersed power generation system to ensure stable supply and demand adjustment, in addition to liquid H_2 transport and storage technology towards a future hydrogen society.

Biomass Power Generation System with Internal Circulating Fluidized Bed Boiler

Power is generated from woody biomass, refuse paper and plastic fuel (RPF). The internal circulating fluidized bed boiler with a double partition of our own technology can prevent corrosion and allow mixed combustion of various fuels, thereby contributing to the saving of fossil fuels.

Delivered to Tokai Pulp & Paper Co., Ltd.

Woody Biomass Gasification, Combined Heat and Power System

This system, of our own development, is composed of a fixed-bed gasifier, a gas cleaning system and a gas-engine generator. Lumber waste is used as fuel and electricity and heat (hot water, hot air and cold water via an absorption refrigerating machine) are supplied to the laminate lumber factory.

Delivered to Sekisui House, Ltd.

*1 Detailed information on the gas turbine cogeneration system and combined cycle power generation system is provided on page 10.

Air Pollution Control

Kawasaki's air pollution control technology to reduce acid rain and air pollution caused by photochemical oxidants or suspended particulate matter acquires high reputation from overseas.

We started development of air pollution control technologies, such as De-SOx/De-NOx plant and dust collector for flue gas from boilers in the 1970s, and have supplied many systems to various places in the world. Our R&D efforts of low NOx combustion technologies for various conventional combustion products have enabled us to complete low NOx gas turbine generation systems, low NOx coal-burning boilers, and low NOx heavy oil burning boilers.

Other than combustion equipment, we develop road tunnel ventilation and dust removal system with electrostatic precipitator for cleaning vehicle exhaust gas in road tunnels.

China's Largest-Scale Flue Gas De-SOx Plant

We supplied flue gas De-SOx plant for coal-fired power plant in China, which inherently has large environmental impact. Air pollution can be improved by removing SOx in flue gas.

Waste Treatment and Recycling

It is an urgent task in the field of waste to promote recycling, reduce final disposal waste, and make hazardous substances innocuous.

We develop high-performance refuse incineration systems (stoker type furnaces, fluidized bed furnaces) and refuse gasification and melting systems (fluidized bed gasification and melting furnaces, shaft gasification and melting furnaces) for treatment of urban waste, and supply these to various locations in Japan.

We also supply a refuse derived fuel (RDF) production system and RDF-burning power generation system. By these systems, domestic waste is turned into RDF by the area, and RDF is taken to a single location and used for RDF-burning power generation system with high efficiency.

We are taking measures to prevent environmental pollution with preparing fully functional system for above-mentioned systems to remove and thermally decompose harmful dioxins in the flue gas or fly ash.

Sophisticated Refuse Incineration System and Recycling System

Sophisticated refuse incineration system (advanced stoker-type furnace), equipped a plasma ash melting system and a recyclable waste recycling system, generates power at a high efficiency, reduces and cleans flue gas.

Delivered to Kishiwada City, Kaizuka City Clean Center

Our involvement in recycling system is the development and supply of bulky waste crushing and recycling systems, utilization system for fly ash and coal ash, and recycling systems that turn bottles, cans, PET bottles and plastic containers and packaging into resources.

Plastic Container and Packaging Recycling System (building appearance, compression and baling machine)

Intended to contribute to develop a recycling-based society envisioned in the Containers and Packing Recycling Low, this system compresses waste plastic containers into a cube about 1 m on a side and bales them. These baled plastic cubes are available as materials for new plastic products or as an energy source.

Delivered to Otsu city, Shiga prefecture

Water and Soil Pollution Control

Deterioration of water quality and pollution of soil are serious problems that have impact on the human living environment.

In the field of water treatment, we have established technologies for advanced sewage and sludge treatment system and deliver many sets to various locations in Japan. We also developed various systems using membranes for use in advanced treatment of drinking water and purification of leachate from landfill.

As a facility providing effective uses of sludge, we supply sludge utilization systems that convert sludge into activated carbon, fuel and compost.

Furthermore, we have also developed an on-vehicle sludge drying system that can go around several small and medium-scale sewage treatment facilities.

Methane Fermentation System for Biomass Waste

This system can treat mixture of organic wastes such as sludge or human waste and garbage generated from fish processing. The system uses methane gas generated by methane fermentation to heat the facility and dry sludge. Dry sludge is also returned to the local community as organic fertilizer. A great reduction in treatment cost results from this system.

Delivered to Suzu city, Ishikawa prefecture

Environmentally Conscious Production

Reducing Environmental Impact in Production Activities

Kawasaki aims to reduce its environmental impact in production activities by taking various measures to prevent global warming, reduce energy consumption and emission of waste, and decrease the use of chemical substances.

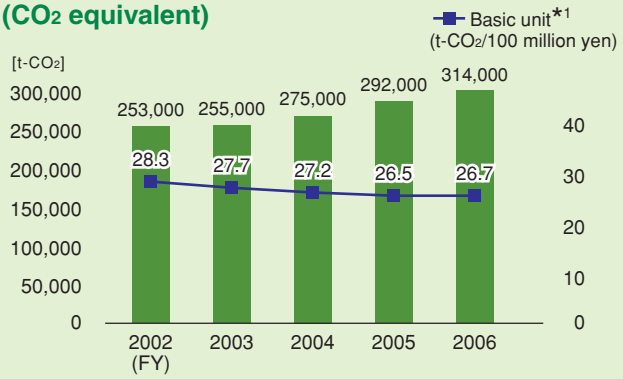
Activities to Prevent Global Warming

Kawasaki is involved in reduction of greenhouse gas emissions from production activities in various ways.

For instance, we have in place the 2010 Environmental Vision that aims to reduce the total greenhouse gas emissions from the entire Group to 6% of the FY1990 level by FY2010, and are aggressively moving towards the goal. In FY2006, the total emission increased up 22,000 t-CO_2 (7.5%) from the previous year because of the increase in business operations. Although the basic unit almost leveled off, we will nonetheless actively reinforce and promote measures to reduce environmental impact so as to match the increasing amount of business operations.

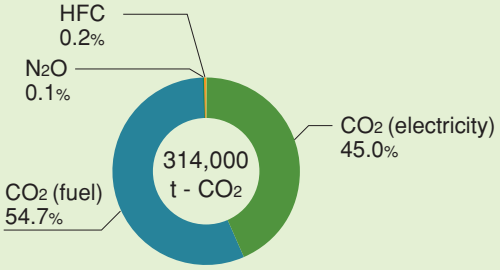
We also review comprehensive actions to prevent global warming including measures to reduce CO_2 emission through products and contributions to environmental conservation for society as well.

Amounts of Greenhouse Gas Emissions (CO_2 equivalent)



- Electricity conversion factors used herein were specified by power utility companies. (Electricity conversion factor for FY2005 were used to compute those of FY2006.)

Breakdown of Greenhouse Gas Emissions (FY2006)



Energy Saving Activities

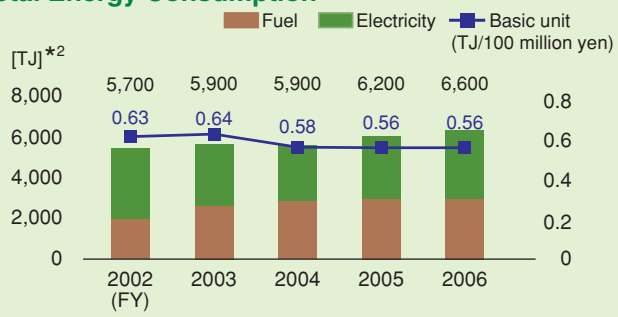
We carry out effective energy saving activities based on the analysis of their respective business activities. To be specific, the practical benefit and cost-effectiveness of each energy saving action is evaluated to decide what to correct and do now. Energy saving activities, categorized as follows, are put together in the Energy-saving Activity Checklist for company-wide implementation.

Level of Energy Saving Activities

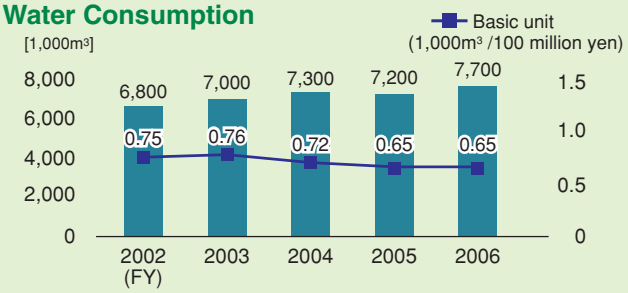
- LEVEL1 Activities to save electrical power, curtail power use, etc.
- LEVEL2 Activities to employ energy-saving operations.
- LEVEL3 Activities to renovate production facilities.
- LEVEL4 Activities to modify large-scale production facilities and production methods.

The total energy consumption shows an upswing similar to the growth of greenhouse gas emissions because of the increased amount of business operations. We do our utmost to offset the increment of water consumption that matches the business operation expansion by ensuring leak prevention, wastewater recycling, and the optimizing of cooling tower operation.

Total Energy Consumption



Water Consumption



*1 Basic unit: Divided the greenhouse gas emissions, total energy consumption and water consumption by net sales, respectively

*2 TJ terajoules (10^{12}J)

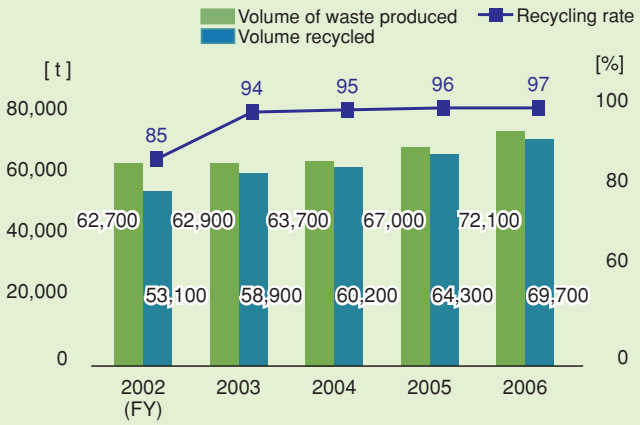
Waste Reduction Activities

We actively carry out 3Rs (reduce, reuse and recycle) promotion from the viewpoint of both reduction in waste and recycling of resources through various actions, including thorough sorting and recovery of waste.

As a result, we achieved zero emissions (a 100% rate for reusing and recycling waste generated from work) for all the works of Kawasaki Heavy Industries and maintained status. But the total amount of waste emissions increased 5,000 t (7.5%) from the previous year due to the expansion of business operations.

There is a paradigm shift in the "quality of recycling" going on at Kawasaki, which is moving away from thermal recycling, which burns waste and recovers thermal energy, to material recycling, which reuses waste as a recycled resource.

Volume of Produced and Recycled Waste



Efforts for Reducing Chemical Substances

We are reducing consumption of hazardous chemical substances, which is one of the objectives in our 2010 Environmental Vision.

The efforts in each business operation to reduce hazardous chemical substances is focused on the following three targets, and since the specific actions vary depending on the type and quantity of chemical substances handled at the sites, each target has its respective focal points and reduction goals.

1) Reduce emissions of major VOCs (toluene, xylene, ethyl benzene) by 30% relative to the reference year.
2) Reduce emissions of dichloromethane by 50% relative to the reference year.
3) Reduce the amounts of hazardous heavy metals (lead, hexavalent chromium, cadmium) handled
   - 30% reduction relative to the reference year for hexavalent chromium and cadmium
   - Reduction activity about lead promoted towards the FY2010 target

A considerable increase in consumption of three major VOCs resulted from the expansion in the amount of business operations in FY2006. For dichloromethane, a good reduction result was achieved, but there is still a wide gap before we reach the FY2010 target.

We plan to review those reduction programs for each of the works by considering other increasing factors, including an increase in the amount of business operations, and come up with comprehensive measures so that we can achieve the FY2010 goal.

Progress of Chemical Substance Reduction Plan

Substance		Reference year	FY2006	Change from reference year (%)	FY2010 target
Major VOCs	Toluene (t/year)	240	350	+46	170
	Xylene (t/year)	610	830	+36	430
	Ethylbenzene (t/year)	160	310	+94	110
Dichloromethane (t/year)		110	71	−35	57
Heavy metals	Lead (t/year)	7.0	5.6	−20	——
	Hexavalent chromium (t/year)	18	20	+11	12
	Cadmium (t/year)	0.16	0.13	−19	0.11

- Values of major VOCs and dichloromethane are the amount emitted, while those of heavy metals the amount handled.

Governance and Compliance

In Keeping with the Public Trust

Kawasaki hopes to be a corporation that continues to have the trust of society by developing and reinforcing its corporate structure to promote corporate governance, internal control and compliance.

Reinforcement of Corporate Governance

Policies of Corporate Governance

The Kawasaki Group endeavors to improve its corporate value by establishing a good relationship with our stakeholders, including customers, employees, stockholders, investors, business partners and local communities to maintain efficient and sound operation. With this as our basic concept, we plan to establish corporate governance suitable for our Group, and to improve it.

Structure of Corporate Governance

In Kawasaki's structure of corporate governance, the directors are in charge of formulating management strategies and supervising the conducting of operations, and auditors, including two outside auditors who have no stake in Kawasaki, conduct auditing, thereby retaining objectivity and neutrality of management monitoring.

We also introduced the internal company system, in which each company autonomously carries out business operations in their own field under the management of each company president assigned by the Board of Directors.

For business operations, executive officers appointed by the Board of Directors are responsible for the conduct of business operations under the executive officer system in order to quickly respond to changes in the operating environment.

Promotion of Group Management

Basic goals and policies for conduct of operations are determined by the Board of Directors. In response, the Group Executive Officer Committee is held by all executive officers to see that the basic goals and policies are carried out thoroughly.

Important business subjects are intensively discussed by the Management Committee, composed of representative directors, and predetermined items are put to review by the Board of Directors. The Management Committee, which also serves as the advisory organ for the President, is responsible for discussing essential management tasks and reviewing management policies and strategies. When necessary, the Committee invites executive officers of subsidiaries to ensure thorough review of the problems.

Incentive salary system is introduced for the directors. On the other hand, the directors are appointed on one-year basis to clarify management responsibility.

Reinforcement and Improvement of the Auditing Function

Although we have no outside directors, we have some directors independent of the executive roles of operations so as to provide reinforced supervision and monitoring of the Board of Directors on general management affairs.

The auditors, including two outside ones, attend the Board of Directors and the Management Committee meetings, check important documents, have periodic meetings with the representative directors, and investigate the operational and financial status through auditing divisions of the Company and subsidiaries.

The Auditing Department, which is responsible for internal auditing, endeavors to improve the capability of compliance, as the department regularly monitors to make sure the business operations in all the fields of the Group's business activities are conducted in compliance with the applicable laws and regulations as well as internal rules.

The auditors and the Auditing Department share information on auditing through a monthly meeting to reinforce each auditing function.

Financial reports of the Kawasaki Group are audited by certified public accountants.

Promotion of Internal Control and Compliance

Philosophy of Corporate Ethics

Kawasaki established the basic ideas, with which all directors and employees must comply recognizing corporate social responsibility, as the "Kawasaki Heavy Industries Corporate Ethics Rules." Internal control and compliance is being pursued by every Kawasaki member.

Efforts to Promote Internal Control and Compliance

We have the CSR Committee, headed by the President, as the supreme organ of decision-making related to the Group's internal control and compliance.

The CSR Department was also set up as a special organ to supervise the entire Group to ensure promotion of internal control and compliance.

A Compliance Reporting and Consultation System has been created to enable employees to report on or receive advice on compliance violations through an outside legal office.

Each internal company and main subsidiaries* also has their own CSR Department and Compliance Committee so that the entire Group can effectively establish a concrete and powerful system for internal control and compliance.

* main subsidiaries: Kawasaki Shipbuilding Corporation, Kawasaki Precision Machinery Ltd., and Kawasaki Plant Systems, Ltd.

Kawasaki Heavy Industries Corporate Ethics Rules

1. Follow the Code of Ethics as a Corporate Member.
We should carry out business activities with truth and proper conduct.

2. Respect Each Other's Personality and Human Rights and Practice No Discrimination.
We should respect everyone's personality and human rights and refrain from segregation and discrimination, sexual harassment, and bullying in order to create and maintain a comfortable work place.

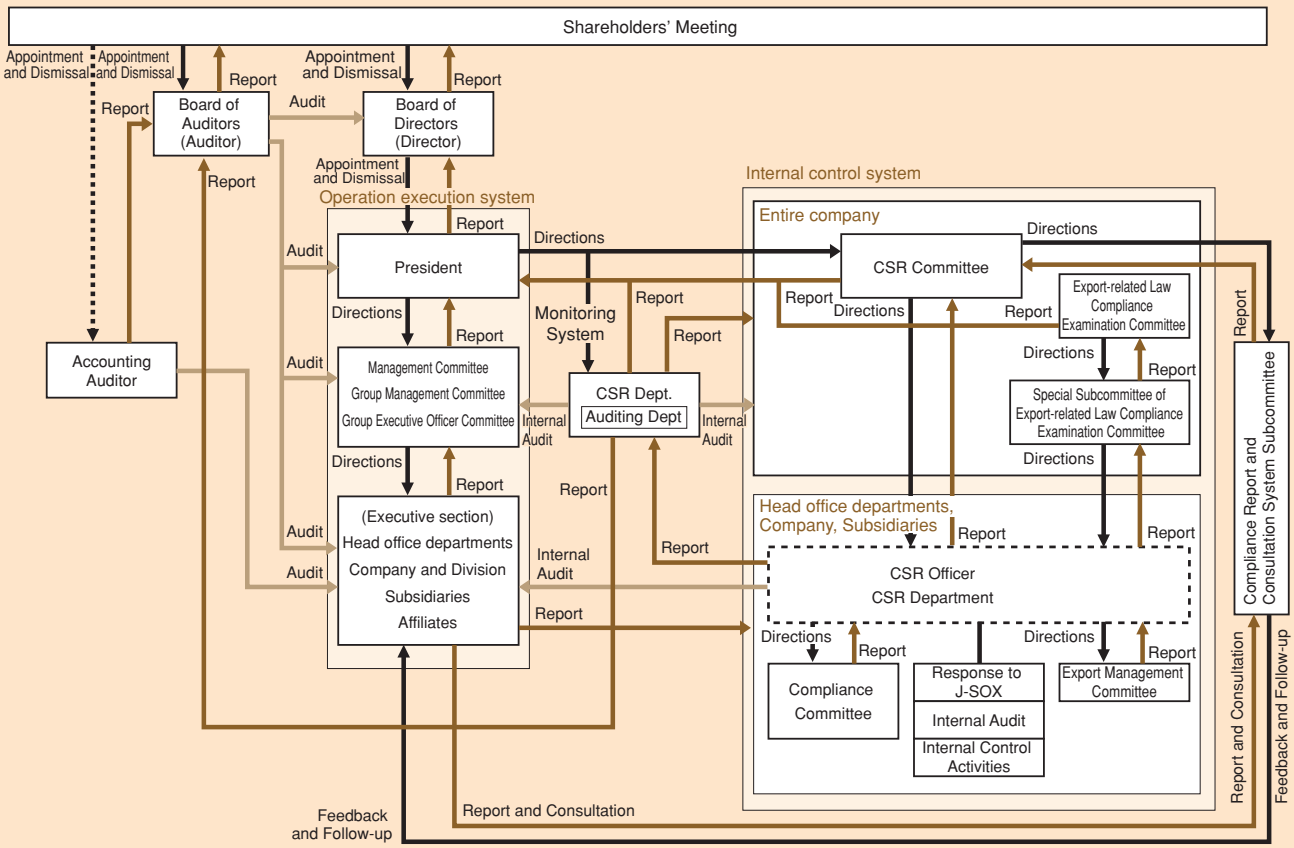
3. Promote Environmental Conservation
We should cherish the limited resources of mother nature and actively and voluntarily conduct ourselves with an eye to environmental conservation in order to reduce our impact thereupon, including saving resources and energy, minimizing waste, recycling resources, and preventing environmental pollution.

4. Ensure Appropriate Accounting Procedures
We should carry out recording and accounting of corporate activities correctly and precisely according to the best practice specified by laws, regulations and standards.

5. Comply with Laws, Regulations and Social Rules
We should realize the importance of legal, social and ethical compliance, and aggressively promote such compliance.

Kawasaki Heavy Industries, Ltd. was ordered by the Fair Trade Commission to pay penalty charges for violating the Antimonopoly Law with respect to a tunnel ventilation system project and a water gate system project in FY2006. To eliminate any recurrence of such a situation, Kawasaki is making an all-out company-wide effort to reinforce our compliance structure so as to realize the earliest possible recovery of our social trustworthiness.

Internal Control Promotion System (Implemented in FY2007)



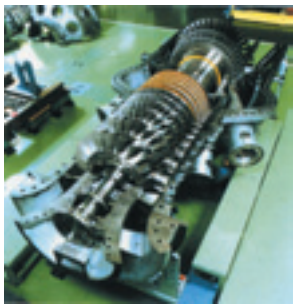
For Customer Satisfaction

Higher Reliability and Advanced Quality Control for Kawasaki Gas Turbines

Quality Assurance and Customer Support for Kawasaki Gas Turbines

Kawasaki's gas turbines are widely installed as stand-by power generators and cogeneration systems in the world market.

Such high reliability is supported by our technology and "advanced quality control," fully established in all stages from design and development to production and installation.



L20A type gas turbine

Coordination of Departments for Customer Satisfaction

In 1942, we produced Japan's first prototype jet engine. In 1952, we started the overhauling of US air forces' jet engines. The technical know-how accumulated in those years allowed us to develop and produce our first industrial gas turbine in 1974.

Since then, we have developed and supplied a wide range of products to meet the market needs and customers' requests, and currently produce about 300 gas turbines a year. All the departments concerned join forces to produce and provide quality products at all stages from design to production and delivery to customers.

Quality Assurance and Customer Support for Kawasaki Gas Turbines

Product development meeting

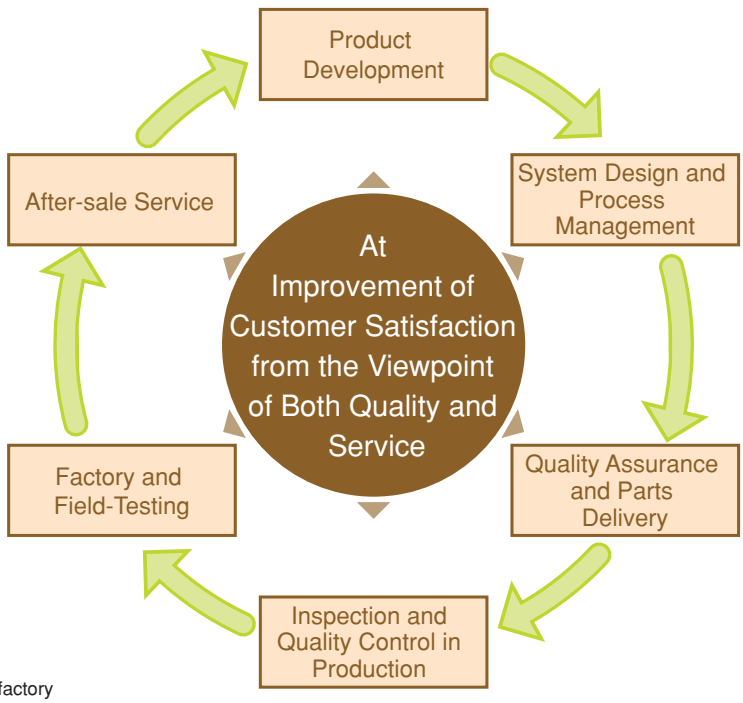
Owing to higher start-up reliability and thermal efficiency, which are major features of Kawasaki gas turbines, we have a wide variety of product lines to meet customers' needs.

Round-the-clock monitoring with remote monitoring equipment

After delivery, Kawasaki Gas Turbines & Machinery Company and Kawasaki Machine Systems, Ltd., a company specialized in sales and service, jointly supports customers. Customers' comments and requests for improvement or correction are fed back to the relevant divisions to enable further quality improvement.

System design

Our flexible design system is another feature; they can precisely incorporate the customers' requirements into product specifications. Our project management is also flexible; it enables delivery schedule according to status of customers' work.



Inspection before shipment from factory

Except certain large machines and equipment, Kawasaki Gas Turbines are carried out combined testing at the factory and ships out after passing the test. After shipped products arrive, legal inspection and various tests necessary for practical operation are conducted on-site to verify the performance and quality of the products.

Inspection during assembly process

Kawasaki gas turbines are manufactured in production lines controlled with a level equal to that of aircraft engines. Hence, quality and reliability is highly guaranteed.

Dimensions measurement and inspection of procured parts

Quality Assurance Department takes various actions to ensure quality, including periodic in-house education and training, internal auditing, and measures to specifically meet the targets provided by the General Manager.

Materializing Customers' Needs

Kawasaki Machine Systems True to the Idea of Market-in

Kawasaki Machine Systems, Ltd. (KMS) is a company specializing in sales of gas turbines, robots and construction machinery, and the provision of their related services.

KMS conducts fine-tuned and customer-centered sales and service activities to meet varying needs of the market, thereby winning its high confidence.

Emergency gas turbine generator

Gas turbine cogeneration system

Painting robot

Handling robot

Wheel loader

Snow remover (left) and rotary snow-plow (right)

Better Contribution to Society through Support of Industry

In the gas turbine section, KMS promotes the development and provision of technologies designed to make effective use of limited energy resources with the cogeneration system.

In the robot division, KMS developed automation systems equipped with robots, which now realize the production of quality products and overall efficient production activities. In the construction machinery section, we provide construction machines that fit the nature of each work site, such as for stone crushing work, snow removal work, tunneling work and others to maintain those various infrastructures, trying to achieve a better society through its support of various industries.

Solving Customers' Problems with the Market-in Concept

The primary role of KMS is to sale Kawasaki products and provide the related services, and we operate our business with an idea of market-in, under which we think about how to solve customers' problems as our own, propose solutions, and turn customers' needs into products.

Take a cogeneration system, for instance. KMS proposes an optimal energy mixture that meets each customers' power consumption and demands as well as their thermal demands. Another proposal would be, in this case, cogeneration system that can also serve as a stand-by generator in order to ensure efficient system and minimize cost to meet customers' needs.

In the robots division, KMS proposes efficient automation that meets the customers' needs.

In the construction machinery section, we proposed development of a high-speed snow removing dozer that can run at up to 49 km/h and start up and accelerate twice as fast as the conventional machine, and provided the new snow removal machine together with Kawasaki Heavy Industries,Ltd. One of the chronic problems with conventional snow removers is their slowness in moving; it took them a lot of time to move between places, and that caused traffic congestion. This problem was solved by our new machine with the new function: speed. This is just one example of how we listen to the voice of the front line, and practice the idea of market-in.

For Elongated Use of Kawasaki Products

The gas turbine section and robot section have a round-the-clock support system. The construction machinery section operates a locally based sales and service network with major bases located all over the country.

To help Kawasaki customers use for as long as possible, KMS carries out a well-developed after-sale service system, which includes the provision of periodic inspection. Customers' requests and demands are fed back to the development and production sections through development meetings and quality meeting sessions so as to encourage the smooth improvement of performance and quality.

KMS always wants to keep in touch with customers, thinking and feeling as if we ourselves were customers, so as to always provide safe, practical and easy-to-use products as well as fine-tuned service.

Service Structure of Kawasaki Machine Systems, Ltd.

■ Network ■	■ Service System ■
Gas turbines Direct service branches: 3 Designated service dealers: 34	Round-the-clock response system - Operation support Techno Net (remote monitoring system) - Preventive maintenance, equipment diagnosis, etc. Swift maintenance and parts supply structure
Robots Direct sites: 11 service centers (including the headquarters and two branch sites)	Kawasaki Robot School - Development of robot instructors and maintenance staff Round-the-clock help desk - Technical consultation over the phone
Construction machinery Direct sites: 34	Community-based service - Swift and reliable support (technology and parts)

For Employee Welfare

Creating an Enthusiastic Work Environment

Kawasaki strives to create a workplace in which each and every one of its employees can work enthusiastically while they show off their individuality, and we have introduced a variety of systems for this, and strive to enrich their content.

Supporting Employees with a Sense of Both the Value of Work and the Value of Life

System for Fostering the Next Generation

We provide our employees with various support programs that allow them to continue to work with enthusiasm while making a balance between work and child rearing. One such support is revision of the pre- and post-natal leave. We extended it for two more years, that is, until the child reaches the age of three. We also promote an atmosphere of understanding and cooperation toward employees rearing children, and provide financial assistance to cover part of the costs of social services, such as daycare nurseries and babysitters. Our actions to support child rearing and family care were highly evaluated and therefore rewarded by the Prefectural Labor Bureau Director Award by the Labor Bureau of Hyogo Prefectural Government in October 2006.

Kawasaki's employee presenting a case study report at the awarding ceremony for Kawasaki recognized as a "Family Friendly Corporation"

Child-bearing support available at each stage

During pregnancy
(Reduced work time, etc.)
During birth
(Pre- and post-natal leave, etc.)
Child rearing
(Child-rearing leave until child reaches 3)
After returning to work
(Reduced work time, etc.)

Financial support for the costs of child care facilities, etc.

Increasing Opportunities to Work for Senior Citizens

Kawasaki decided to extend the retirement age in stages starting in April 2005, and the retirement age will settle at 63 years of age in 2010. In addition, a system was put to effect in 2006 to offer a reemployment opportunity to allow for one or two more years of work, and ultimately in 2012, our employees will be able to utilize their skills and knowledge until the age of 65 using two-year reemployment right after retirement at 63.

Kawasaki was awarded the Health, Labor and Welfare Minister Special Prize in October 2006 for our active involvement in employee welfare, particularly the decision to extend the retirement age ahead of other companies and our efforts to create a work environment friendly to senior citizens.

General manager of the Personnel & Labor Administration Dept. Mihara (left) receives a certificate of merit for the Health, Labor and Welfare Minister Special Prize awarded to Kawasaki

Key-Post*1 Reemployment System

The reemployment scheme was also studied for application to the key-post employees, and it was decided that although no extension of retirement age was applied, a reemployment period of 3 to 5 years would be applied in stages from October 2006. In and after 2014, employees who had key-posts will be allowed to work until 65 years of age at the longest. This arrangement makes an effective use of valuable human resources with managerial skills, experience and knowledge even after their retirement and is sure to bring benefits both to the employees themselves and the Company.

The work-net section, set up to operate the reemployment scheme for key-post employees as an assemblage of in-house labor market conditions as well as an organization for these employees to adjust and move their position, mobilizes and utilizes the seasoned staff by converting the data on individual experiences and capabilities into the database, and provides post-retirement life support by holding training on how to work after retirement to managerial employees well before their retirement.

Key-Post Personnel Affairs and Handling System Combining "Challenge" and "Trust"

A new personnel affairs and handling system is to begin for key-post employees, which adjusts compensation depending on the individuals responsibilities, while at the same time aiming to establish an organization that realizes sustainable growth. The key-post staff bracket is divided to the organizational management career system that bears the burden of organizational operation as heads of departments and the senior professional career system for those who do higher level work by using their business knowledge and experience, and the compensation is set depending on the role of each type of career. Neither the organizational management career system nor the senior professional career system is fixed, and employees of either system can be exchanged depending on their individual performance, suitability and specialty.

*1 Key-post: employees at the post of section manager or higher

Making the Workplace Safer and Healthier

Kawasaki has proclaimed that protecting the safety and health of its employees comes first, and aims to promote the creation of a healthy workplace and foster various activities in safety management and health management to bring this about.

Safety Management Activities

Promotion and Establishment of the Management System

We assess risks attributable for operational work or operational environment and promote activities that can reduce the risks based on the results of the risk assessment.

Continued Implementation of the KSKY Movement

Continuing since 2002, the KSKY Movement is one of our important safety policies, with each letter standing for the first letter of a Japanese word meaning "basic rule" for K, "pointing and naming" for S and "predicting danger" for KY. The purpose of the movement is to ensure thorough compliance with basic safety rules and safety checks, enhance sensitivity to danger and toxicity, encourage every employee to willingly participate in safety actions and create a work place where "mutual cautioning" among employees is a standard practice.

Safety Patrol by the Japan Industrial Safety and Health Association

We have asked the Japan Industrial Safety and Health Association, a juridical entity that evaluates safety, to have their safety inspectors patrol our sites since 2004. With the fresh suggestions and indications of these outside parties, we steadily improved the safety management of our business sites. This year is the second time for all the sites to have the Association's patrol, and we asked the Association to change what to patrol so that we can find more room for improvement.

Safety patrol by third-party safety inspectors

Health Management Activities

Health Seminars

Company-wide THP*2 activities include holding of such health seminars as "Quit Smoking Challenge Class," "Health Habit Improvement Class," "Blood Sugar Reduction Class," and "Dental Health Study Class" to help our employees improve their health management.

Those seminars are intended for new employees and other employees who were diagnosed as having a disease associated with adult lifestyle habits, or signs thereof, through a regular medical checkup.

A scene of the classroom on how to lower high blood sugar held in 2006 at the Kobe head office

Employees learning the facts, knowledge and skills for reducing high blood sugar such as about eating, exercise and sleep

Exercise drill: Employees walking around the head office building to see how their blood sugar changes after exercise

Stress Level Check

Stress levels for each employee are measured during periodic physical checkups, and those employees who are identified as having a high level of stress receive individual counseling from an industrial medicine specialist. In FY2007, we plan to take measures to mitigate employees' stress at the workplace based on the workplace-derived stress level diagnosis.

Fatigue Self-Assessment Check

Workers who work over-long stretches of time are obligated to fill out a work fatigue self-assessment checklist. Those whose degree of accumulated fatigue is high receive individual counseling from an industrial medicine specialist.

Asbestos Control

As part of our efforts toward asbestos removal, we follow the various laws and regulations and work to consider the health of our employees and retirees who may have been exposed to asbestos. We also keep in mind the protection of the surrounding environment of our business sites according to the guidance of concerned authorities.

Improvement of Health Check System for Early Detection of Cancers

We plan to establish a medical examination system used in concert with the pepsinogen tests (blood tests) for the purpose of detecting stomach cancer in its early stages. We also plan to review an examination system that utilizes cancer marker checks.

*2 THP (Total Health Promotion)

Coexistence with Communities

Toward Symbiosis with Society and the People

The Kawasaki Group hopes we can help promote local communities and nurture their happiness as a member of society. We are determined to fulfill our social responsibility as a corporate citizen by promoting coexistence with local communities.

Tying Up with Kobe University, Setting Social Contribution as Our Common Philosophy

Kobe University and Kawasaki Heavy Industrie, Ltd. signed an agreement on industrial-academic cooperation with social contribution as their common philosophy in October 2006. The purpose of this bilateral concord is to fuse the "wisdom" of Kobe University with the "manufacturing" of KHI to create new values and projects for the betterment of society. Close ties, as represented by promotion of joint research and human resources exchange and mutual use of facilities, should allow us to solve the various problems of our present times that concern energy and the environment.

Representatives of Kobe University and Kawasaki Heavy Industries announcing the industrial-academic tie-up

Work experience at Kobe Works

Cooperating with the "Trial Week" as a Member of Local Community

The Trial Week is a public initiative jointly conducted by school and local community for second graders of all public junior high schools in Hyogo prefecture to nurture the moral values of students by exposing them to work experience. Our factories in Hyogo, such as Kobe Works, receive students of nearby junior high schools and provide them with opportunities to experience manufacturing at field workshops in the compound every year.

Cooperating with the National Convention of Motorcycle Safety Riding

The National Convention of Motorcycle Safety Riding is held at the Education Center of the Suzuka Circuit, Mie Prefecture, every summer to improve the safety riding skills of motorcycle riders and their compliance with traffic rules, and eventually promote prevention of traffic accidents. Kawasaki cooperates with the operation of the convention, sent six judges, and provided 12 vehicles this summer.

Women's class (block snake)

Donation of money and 20 motorcycles to the governor of Yogjakarta

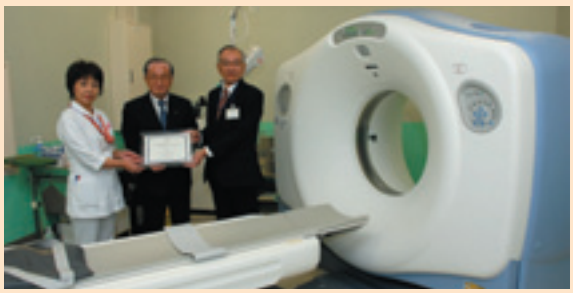
Support to Earthquake Victims

The Kawasaki Group donated a total sum of about ¥12 million to support the victims of the devastating earthquake that shook the middle of Java, Indonesia, in May 2006. The donation included relief money of ¥9 million through Japan Red Cross, and $10,000 in monetary and 20 motorcycles to the province of Yogjakarta by P.T. Kawasaki Motor Indonesia. We also repaired for free motorcycles damaged by the disaster through dealers.

Kawasaki Donated Advanced Medical Equipment and Emergency Medical Equipment

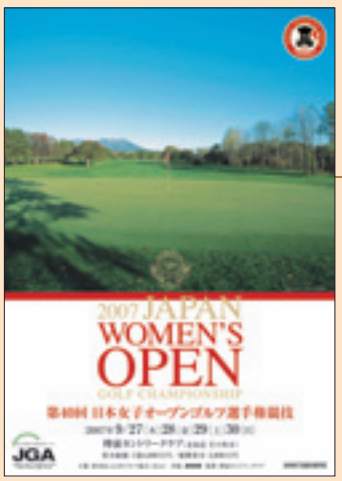
As part of our local contribution to improved emergency medical preparedness, our Rolling Stock Company (Hyogo works),in celebration of its 100th anniversary made donations to Kawasaki Hospital located in their neighborhood area for introduction of advanced 64-row multislice CT.

Kawasaki Precision Machinery Ltd. donated AED (Automated External Defibrillator) and two sets of its training equipment to the Kobe Municipal West Fire Department.



Chairman of Kawasaki Hospital, Ichihara (rightmost), and Kawasaki's Senior Vice President Segawa (center)

Chairman of the Board, Kawasaki Precision Machinery, Sakamoto (left), received Kobe Mayor's certificate of appreciation from Fire Chief Ono (right), West Fire Department, Kobe City



Support of Japan Women's Open Golf Championship Event September 27 to 30, 2007

The Tarumae Country Club, Tomakomai City, Hokkaido, run by Kawasaki Life Corporation was chosen as the venue of one of the three major Japan open golf competitions, Japan Women's Open Golf Championship. Against the backdrop of increased popularity of women's golf tournaments in Japan, we provided competing golfers with the excellently arranged golf course to help them show wonderful performances and were pleased that golf fans who visited the Tarumae Country Club could enjoy a wonderful golf competition in the spread of grand nature.

● Sponsorship: Japan Golf Association ● Co-sponsorship: NHK
● Support: Tarumae Country Club http://www.tarumae-cc.jp/

Kawasaki Good Times World Attracting over 240,000 Visitors in One Year after Opening

The Kawasaki Good Times World, our corporate museum that opened its doors in May 2006 in Kobe, attracted over 240,000 visitors in one year. The facility is designed to help visitors touch and feel "the wonders of technology" and "the importance of craftmanship" in the zones of land, sea and sky. Getting on a real Shinkansen train or a helicopter, watching the launching ceremony of a ship on a wide screen and much more fun experiences await visitors at the Kawasaki Good Times World, the place where we can deepen mutual communication with people.

Kawasaki's technologies contributing to the world in various fields

Kawasaki Group Network; Offices, Works, and Subsidiaries

■ DOMESTIC OFFICES AND WORKS

(Kawasaki Heavy Industries)

Tokyo Head Office
Kobe Head Office
Technical Institute
Sapporo Office
Nagoya Office
Osaka Office
Fukuoka Office
Sendai Office
Hiroshima Office
Okinawa Office
Gifu Works
Nagoya Works 1
Nagoya Works 2
Kobe Works
Hyogo Works
Akashi Works
Seishin Works
Kakogawa Works
Banshu Works
Harima Works

■ OVERSEAS OFFICES

(Kawasaki Heavy Industries)

Beijing office
Taipei Office
Delhi Office
Moscow Office

■ SUBSIDIARIES

(Except for Only Domestic Business One)

[Aircraft]

NIPPI Corporation
Kawaju Gifu Engineering Co., Ltd.
Kawaju Gifu Manufacturing Co., Ltd.
NIPPI Skill Corporation
NIPPI Kosan Co., Ltd.
Kawaju Gifu Service Co., Ltd.

[Rolling Stock]

Kawasaki Rolling Stock Technology Co., Ltd.
Kawasaki Rolling Stock Component Co., Ltd.
Alna Yusoki-Yohin Co., Ltd.
Sapporo Kawasaki Rolling Stock Engineering Co., Ltd.
Kansai Engineering Co., Ltd.
Kawajyu Hyogo Service Co., Ltd.
KRT Co., Ltd.

Kawasaki Rail Car, Inc.

[Ships]

Kawasaki Shipbuilding Corporation
Akashi Ship Model Basin Co., Ltd.
Ship Partners Limited
Kawajyu Sakaide Service Co., Ltd.
Kawajyu Kobe Support Co., Ltd.
Kawaju Marine Engineering Co., Ltd.
KHI JPS Co., Ltd.
Sakaide Ace Co., Ltd.
Kawasaki Shipbuilding Inspection Co., Ltd.
Kawasaki Naval Engine Service, Ltd.
Kawasaki Prime Mover Engineering Co., Ltd.

Wuhan Kawasaki Marine Machinery Co., Ltd.

[Energy Facilities]

Kawasaki Thermal Engineering Co., Ltd.
Kawaju Akashi Engineering Co., Ltd.

Kawasaki Gas Turbine Europe Gmbh
Kawasaki Gas Turbine Asia Sdn Bhd

[Industrial Plants and Equipment, Environmental Preservation Facilities]

Kawasaki Plant Systems, Ltd.
Kawasaki Precision Machinery Ltd.
Enetec Co., Ltd.
KEE Envionmental Construction, Ltd.
Kawasaki Engineering Co., Ltd.
KEE Envionmental Service, Ltd.
Kawasaki Gas Turbine Reseach Center Ltd.

Kawasaki Precision Machinery (China) Ltd.
Flutek, Ltd.
Kawasaki Heavy Industries Machinery Trading (Shanghai) Co., Ltd.
Kawasaki Precision Machinery (U.S.A.), Inc.
Kawasaki Precision Machinery (U.K.) Ltd.
KHI Design & Technical Service Inc.
Kawasaki Robotics (U.S.A.), Inc.
Kawasaki Robotics (UK) Ltd.
Kawasaki Robotics GmbH
Kawasaki Machine Systems Korea, Ltd.
Kawasaki Robotics (TIANJIN) Co., Ltd.

[Social Infrastructure]

Nichijo Manufacturing Co., Ltd.
Kawasaki Construction Co., Ltd.
Kawaju Facilitech Co., Ltd.
Kawajyu Steel Works & Engineering Co., Ltd.
Kawasaki Construction Machinery Corp. of America

[Motorcycles, Peronal Watercraft]

Kawasaki Motors Corporation Japan
K-GES Co., Ltd.
Union Precision Die Co., Ltd.
Kawasaki Oita Manufacturing Co., Ltd.
K-Tec Corporation
K-Point Co., Ltd.
Kawaju Akashi Service Co., Ltd.
KAA Co., Ltd.
Shinko Die Casting Co., Ltd.
Kawasaki Metal Industries, Ltd.
Auto Polis Co., Ltd.
Technica Corporation

Kawasaki Motors Corp., U.S.A.
Canadian Kawasaki Motors Inc.
Kawasaki Motors Europe N.V.
Kawasaki Motors Pty. Ltd.
Kawasaki Motors Manufacturing Corp., U.S.A.
P.T. Kawasaki Motor Indonesia
Kawasaki Motors (Phils.) Corporation
Kawasaki Motors Enterprise (Thailand) Co., Ltd.
Kawasaki Motors Racing B.V.
KM Receivables Corporation
Kawasaki Motors Finance Corporation

[Others]

Kawasaki Machine Systems, Ltd.
Kawajyu Shoji Co., Ltd.
Kawasaki Life Corporation
K Career Partners Corporation
Kawaju Techno Service Corporation
Benic Solution Corporation
Kawasaki Hydromechanics Corporation
Kawaju Tokyo Service Corporation
Kawaju Finance Co., Ltd.

KHI Europe Finance B.V.
Kawasaki Heavy Industries (U.K.) Ltd.
Kawasaki Heavy Industries (U.S.A.), Inc.
Kawasaki do Brasil Indústria e Comércio Ltda.
Kawasaki Heavy Industries (Singapore) Pte. Ltd.
Kawasaki Heavy Industries (H.K.) Ltd.
Kawasaki Heavy Industries (Europe) B.V.
KHI (Dalian) Computer Technology Co., Ltd.
Kawasaki Heavy Industries Consulting & Service (Shanghai) Co., Ltd.

KAWASAKI HEAVY INDUSTRIES, LTD.

Environmental Management Dept.

Kobe Crystal Tower, 1-3, Higashikawasaki-cho 1-chome, Chuo-ku, Kobe, 650-8680 Japan
Fax: +81-78-360-8700 http://www.khi.co.jp/earth/english/index.html

PRINTED WITH SOY INK™ Printed with non-scented soy ink

R100 Printed on 100% recycled paper

Published November 2007 in Japan