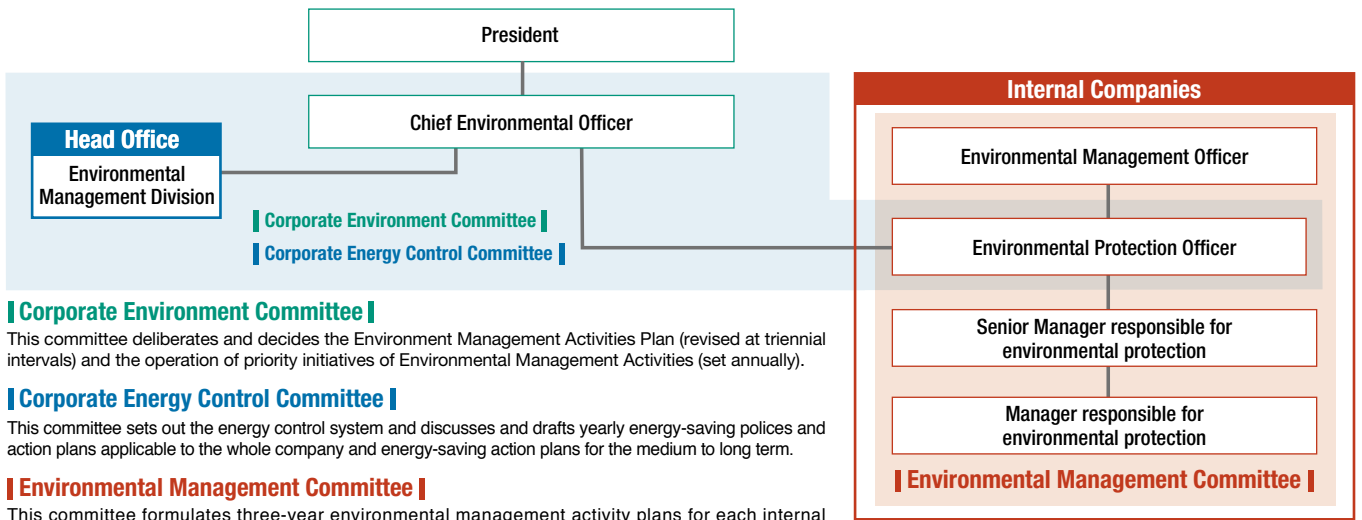


Building an Environmental Management Platform

Environmental Management Organization

The director for environmental issues at KHI is appointed Chief Environmental Officer and in this position chairs the Corporate Environment Committee, which deliberates and decides on operations of a variety of important matters related to the environment. To enable each internal company to independently promote the environmental management activities plan as designed, Environmental

Management Officer, Environmental Protection Officer, Senior Manager responsible for environmental protection, and Manager responsible for environmental protection are appointed to match the structure of each internal company with such activities. Furthermore, organization systems are in place to facilitate a coordinated effort among all employees to implement environment-oriented initiatives.



Corporate Environment Committee

This committee deliberates and decides the Environment Management Activities Plan (revised at triennial intervals) and the operation of priority initiatives of Environmental Management Activities (set annually).

Corporate Energy Control Committee

This committee sets out the energy control system and discusses and drafts yearly energy-saving policies and action plans applicable to the whole company and energy-saving action plans for the medium to long term.

Environmental Management Committee

This committee formulates three-year environmental management activity plans for each internal company and tracks the results achieved through company-specific activities.

Environmental Management System (EMS) Administration

All KHI production bases have acquired ISO 14001 certification. Currently, KHI Group is working to expand the scope of Environmental Management System (EMS) implementation at subsidiaries in Japan and abroad and continue activities aimed at establishing environmental management structures, including compliance with environmental laws and regulations. All the 43 domestic subsidiaries that we targeted for EMS adoption had completed development of the necessary structure by the end of fiscal 2012. To date, KHI Group focused on principal factories, but under the Seventh Environmental

Management Activities Plan, KHI Group will strive to expand the scope of EMS establishment at overseas locations. Of the 26 overseas subsidiaries that have been targeted for an EMS, Kawasaki Motors Enterprise (Thailand) Co., Ltd and other four companies completed implementation in fiscal 2012. Of the 14 companies that still have not established the EMS, we will advance the establishment of EMS in fiscal 2013, clarifying the policy corresponding to the business field and the scales, in accordance with local laws and regulations.

Current Situations for Acquiring ISO 14001 (JIS Q 14001) Certification for KHI Production Bases

Kawasaki Heavy Industries

Internal Companies	Date Acquired	Registration	
Ship & Offshore Structure Company	Kobe Works	Aug. 2002	DNV
	Sakaide Works	Aug. 2000	DNV
Rolling Stock Company		Feb. 2002	LRQA
Aerospace Company		Feb. 2002	BSK
Gas Turbine & Machinery Company	Gas Turbine Division	Mar. 2000	LRQA
	Machinery Division	Dec. 2000	NK
Plant & Infrastructure Company		Nov. 1999	JICQA
Motorcycle & Engine Company		Feb. 2000	DNV
Precision Machinery Company	Nishikobe Works	Feb. 1998	DNV
	Robot Division	Mar. 2011	DNV

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

Current Situations for EMS Installation for Subsidiaries

Subsidiaries in Japan

Oversight organization	Company	Establishment level	Date of Establishment	
Ship & Offshore Structure	Kawasaki Shipbuilding Inspection Co., Ltd.	1	Apr. 2008	
	Kawasaki Techno Wave Co., Ltd.	1	Aug. 2000	
	Kawaju Kobe Support Co., Ltd.	2	Dec. 2005	
	KHI JPS Co., Ltd.	3	Mar. 2008	
Rolling Stock	Kawaju Marine Engineering Co., Ltd.	1	Mar. 2008	
	Alna Yusoki-Yohin Co., Ltd.	1	Nov. 2008	
	Kawasaki Rolling Stock Component Co., Ltd.	1	Aug. 2002	
	Kawasaki Rolling Stock Technology Co., Ltd.	1	Aug. 2002	
	Kansai Engineering Co., Ltd.	3	Aug. 2002	
	Sapporo Kawasaki Rolling Stock Engineering Co., Ltd.	2	Jun. 2011	
	Nichijo Manufacturing Co., Ltd.	2	Oct. 2005	
Aerospace	Kawaju Gifu Engineering Co., Ltd.	1	Feb. 2002	
	Kawaju Gifu Service Co., Ltd.	1	Feb. 2002	
	KGM (Kawaju Gifu Manufacturing) Co., Ltd.	1	Feb. 2002	
	NIPPI Corporation	1	Dec. 2006	
Gas Turbine	Kawaju Akashi Engineering Co., Ltd.	1	Mar. 2000	
	Kawasaki Thermal Engineering Co., Ltd.	1	Apr. 2002	
Machinery	Kawasaki Prime Mover Engineering Co., Ltd.	1	Dec. 2002	
	Kawasaki Naval Engine Service, Ltd.	1	Dec. 2002	
Plant & Infrastructure	KEE Environmental Construction, Co. Ltd.	1	Dec. 2003	
	KEE Environmental Service, Ltd.	1	Jun. 2002	
	EarthTechnica Co., Ltd.	1	Sep. 2000	
	EarthTechnica M&S Co., Ltd.	1	Sep. 2000	
	Kawasaki Engineering Co., Ltd.	3	Oct. 2009	
	Fukae Powtec Co., Ltd.	3	Mar. 2010	
Motorcycle & Engine	Kawaju Facilittech Co., Ltd.	2	Jul. 2007	
	Autopolis	2	Dec. 2011	
	Kawasaki Motors Corporation Japan	1	Feb. 2008	
	K-GES Co., Ltd.	1	Jan. 2006	
	K-TEC Corporation	3	Dec. 2009	
	Technica Corp.	3	Mar. 2012	
	Union Precision Die Co., Ltd.	1	Jul. 2006	
	Head Office	KCM Corporation	1	May 2000
		KCMJ	2	Mar. 2012
		Kawasaki Hydromechanics Corp.	1	Jun. 2007
Kawasaki Machine Systems, Ltd.		2	Dec. 2011	
Kawasaki Life Corporation		2	Jul. 2006	
Kawaju Service Co., Ltd.		1	Feb. 2000	
Kawasaki Trading Co., Ltd.		1	Dec. 2004	
Kawaju Techno Service Corp.		3	Mar. 2005	
Kawaju Tokyo Service Corp.		3	Mar. 2009	
K Career Partners Corp.		2	Mar. 2007	
Benic Solution Corp.	2	Feb. 2006		

level 1 ISO14001 certification

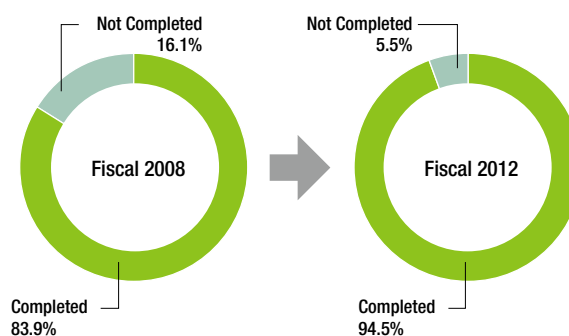
level 2 Simplified EMS certification

level 3 Self-declaration of EMS establishment

Subsidiaries Overseas

Oversight organization	Company	Location	Establishment level	Date of Establishment
Machinery	Wuhan Kawasaki Marine Machinery Co., Ltd.	China (PRC)	1	Jul. 2009
Plant & Infrastructure	KHI Design & Technical Service Inc.	Philippines	1	Nov. 2011
Motorcycle & Engine	Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.A	1	Apr. 2003
	Kawasaki Motors Enterprise (Thailand)Co., Ltd.	Thailand	1	Dec. 2011
	KHITKAN Co., Ltd.	Thailand	1	Dec. 2011
	P.T. Kawasaki Motor Indonesia	Indonesia	3	Jan. 2012
Precision Machinery Company	Kawasaki Motors(Phils.)Corporation	Philippines	3	Jun. 2012
	Kawasaki Precision Machinery (UK)Ltd.	U.K.	1	Nov. 2001
	Flutek, Ltd.	South Korea	1	Nov. 2005
Robot Division	Kawasaki Precision Machinery (Suzhou) Ltd. (China)	China (PRC)	1	Dec. 2007
	Kawasaki Robotics(U.S.A.)Inc.	U.S.A	1	Feb. 2006
Head Office	KCMA Corporation	U.S.A	3	Mar. 2011

Proportion of Employees of Subsidiaries in Establishing EMS Structures



Compliance with Laws and Regulations

In fiscal 2012, there were no instances of judicial or administrative penalties.

However, KHI received two administrative warnings. One was for an accident that released acidic wastewater (from sulfuric acid) at the site of some construction work at the Gifu Works. The system that constantly monitors wastewater status quickly detected the problem and generated an alert so that steps could be taken immediately. As a result, pH value only slightly exceeded the allowable level.

The other was for irregularities found at the Akashi Works during an on-site inspection by a team of pollution regulators from Hyogo Prefecture. We installed corrective devices and implemented measures to address these irregularities.

Violations and Accidents during the Past 5 Years

Fiscal Year	2008	2009	2010	2011	2012
Judicial/Administrative Penalties	0	0	0	0	0
Administrative Measures	0	1	0	0	0
Administrative Warnings	3	4	0	2	2
Complaints from residents	2	4	0	5	0

- Judicial/Administrative Penalties: Penalties handed down by judicial or administrative authorities
- Administrative Measures: Instructions for improvements and other corrective measures in written form
- Administrative Warnings: Verbal directives concerning business practices

Status of Laws and Regulations Compliance and Environmental Protection Activities Overseas

Overseas subsidiaries and offices of the Group are expected to abide by environmental laws and regulations just as domestic operations do, and we seek to expand the scope of EMS implementation and eliminate factors that lead to environmental accidents.

To enhance environmental management and lower environmental risk throughout the Group, regardless of location, In fiscal 2012 we have broadened the range of environmental impact data we collect from principal subsidiaries overseas, in addition to the energy consumption data collected from the fiscal 2011. Also, we are preparing to form the structure to reduce environmental risks by checking the actual situation of the oversea subsidiaries through onsite review by the Environmental Affairs Department.

Risk Management

Prompted by a NOx accident at the Akashi Works in February 2009, we established the Environmental Law and Regulation Compliance Status Review Committee in April of that year. In the last two years, the committee has inspected 16 facilities: that is, 11 sites run by KHI and five sites run by four subsidiaries where operations can have a considerable environmental impact. Issues requiring corrective measures have been largely resolved at all facilities and initial goals have been achieved, so the committee's activities will be suspended.

Going forward, we will continue to ensure awareness of revisions to environment-related laws and regulations and encourage managers responsible for environment-related activities to acquire additional qualifications. This will be achieved not through a committee format but rather through the establishment of a joint CSR liaison conference at

which environmental management officers from our internal companies work together, guided by the secretariat—Environmental Affairs Department—to address CSR issues from a risk management perspective and thereby prevent environmental accidents before they happen.

In fiscal 2012, environmental management officers at KHI and principal subsidiaries attended a joint meeting. This was an opportunity to highlight changes to recently revised environmental laws and regulations, share the results of on-site inspections undertaken by the secretariat to confirm legal compliance at facilities.

Environmental Awareness Activities for Employees

Environmental e-Learning/Courses for People without Computers

To maintain and improve environmental awareness among employees throughout the Group, we offer environmental e-learning opportunities to new employees. This ongoing process is aimed not only at new employees at KHI but also those at subsidiaries. In fiscal 2012, approximately 1150 people participated in the environmental e-learning courses. The attendance rate was 89%.

For employees who do not have access to a personal computer, we offer lecture-style classes. In the four years since these classes were first offered in fiscal 2009, we have had around 6800 people attend the lectures.

Environmental Awareness

KHI Group runs publicity campaigns designed to raise the environmental awareness of each and every employee. We undertake these campaigns all the time to promote environmentally conscious conduct not only in the workplace but also in the community and at home.



Message from the President concerning environmental management



Environmental News



"Eco Mind," featured in the Group magazine Kawasaki

Cultivating Qualified Managers

To enrich management activities emphasizing energy and the environment, we are striving to cultivate individuals with legal qualifications required under laws and regulations related to energy and the environment.

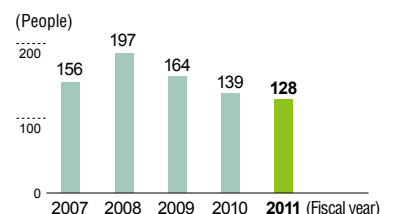
Number of Qualified Pollution Control Managers

Air	70
Water	74
Noise, Vibration	45
Others	78
Total	267

Number of Qualified Energy Managers

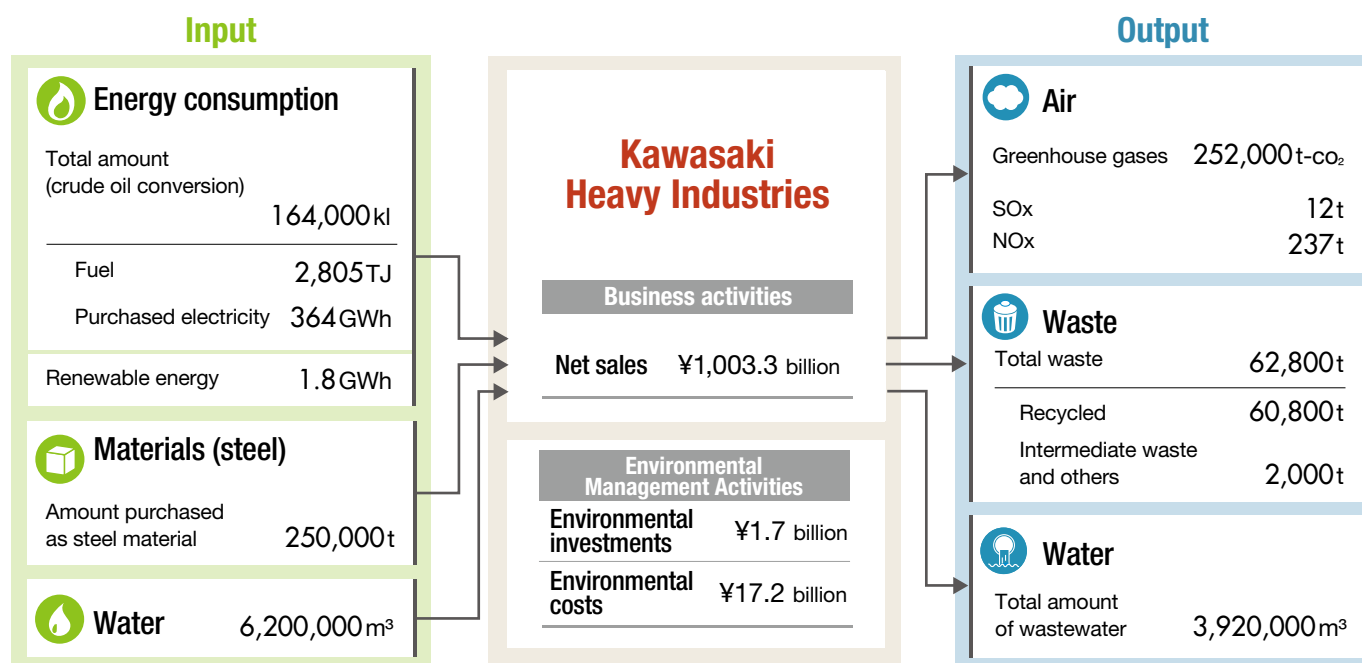
Energy Managers	39
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Number of Newly Registered ISO 14001 Internal Environmental Auditors



Material Balance of Business Activities for Fiscal 2012 (Overall Picture of Environmental Impact)

KHI has put together a summary of the impact of our business activities on the environment during fiscal 2012. We undertake activities to reduce the amounts of raw materials, energy, and water used in the production of the many products we make and strive to curb emission of substances that adversely affect the environment.



Environmental Accounting Calculations for Fiscal 2012

Item		Millions of yen			
		Environmental Investments	Environmental Costs	Economic Effects	
Business area costs	Global warming prevention Save energy, reduce greenhouse gas emissions, stop ozone layer destruction, etc.	847	2,974	Energy-saving cost reduction 175	
	Efficient use of raw materials, water, and other resources	6	192	Resource-saving cost reduction 50	
	Resource-recycling activities	Resource-recycling activities	70	726	Income from recycling 1,167
		Waste disposal costs	0	321	Waste disposal cost reduction 4
	Environmental risk control	650	1,722	2	
	Subtotal	1,572	5,935	1,398	
Year-on-year comparisons		112%	125%	115%	
Upstream/downstream costs		59	2,661	0	
Management activity costs		3	452	0	
R&D costs		87	7,876	0	
Social activity costs		13	194	0	
Environmental remediation costs		0	78	0	
Total		1,735	17,196	1,398	
Year-on-year comparisons		80%	109%	104%	

Millions of yen	
Item	Total
Total investments in fiscal 2011	47,404
Total R&D costs in fiscal 2011	37,916

Item	Proportion
Percentage of investments (Environmental investments 1,735/Total investments 47,404)	4%
Percentage of R&D costs (Environmental R&D costs 7,876/Total R&D costs 35,321)	21%