

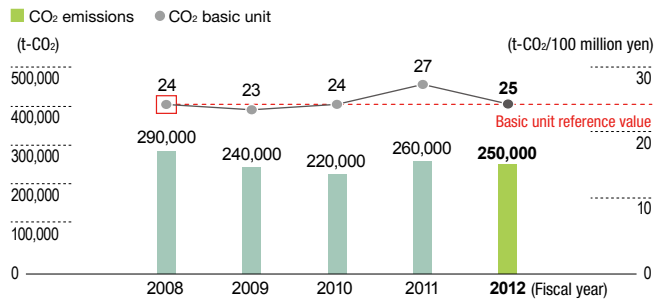
## Realization of Low-Carbon Society

### Reducing Greenhouse Gas Emissions

It is KHI's stated goal to contribute to the prevention of global warming through products and manufacturing that use energy without waste. Because 99% of the greenhouse gas emissions KHI generates through our business activities are CO<sub>2</sub> emissions from energy sources, KHI has implemented greenhouse gas reduction programs emphasizing a decrease in the usage of fossil fuel-derived energy. Our efforts include installation of photovoltaic power generation systems and conversion to high-efficiency lighting as well as progress in visualizing energy usage so that we can discover where energy is being wasted and then make the necessary changes to remedy the situation.

KHI's greenhouse gas reduction target is to achieve an average 10% decrease between fiscal 2009 and fiscal 2013 in our CO<sub>2</sub> basic unit, compared with the fiscal 2008 reference value. The results for fiscal 2012 showed a basic unit of 25t-CO<sub>2</sub>/¥100 million— against the benchmark 24t-CO<sub>2</sub>/¥100 million—indicating that it will be difficult to reach our target. However we will meet the target by using CO<sub>2</sub> credit to offset the shortage.

Changes in CO<sub>2</sub> Emissions and Basic Unit at KHI

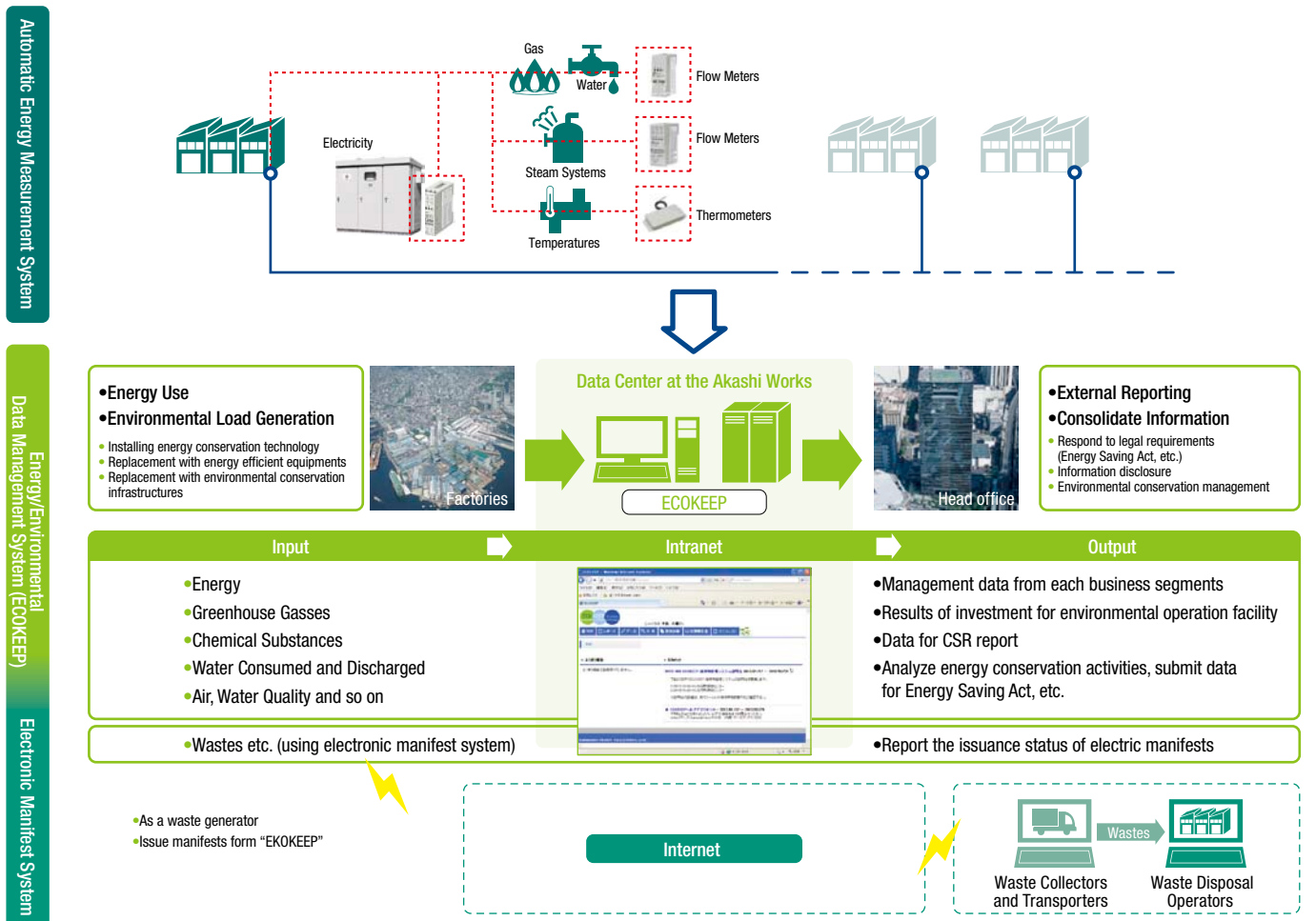


Note1 CO<sub>2</sub> basic unit is a measurement obtained by dividing CO<sub>2</sub> emissions by net sales.  
 Note2 CO<sub>2</sub> emissions in logistics processes are calculated from our position as a specified consignor (a Japanese legal designation applied to consignors that ship 30 million ton-kilometers of freight or more per year), under the revised Energy Saving Law.

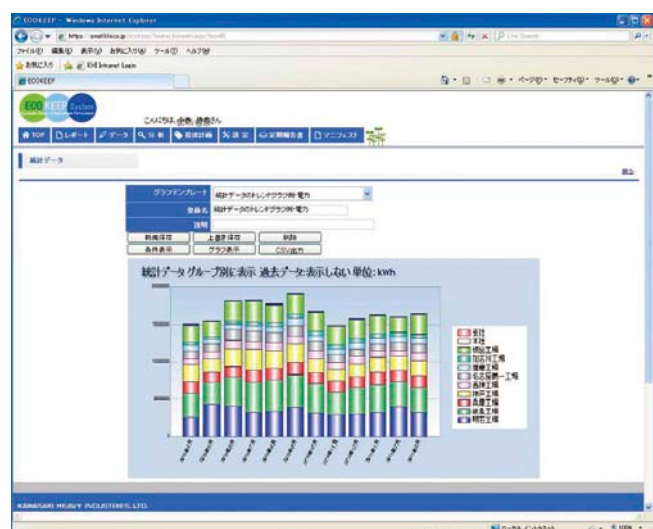
### Reducing Energy Consumption

KHI has achieved some positive results in reducing CO<sub>2</sub> emissions through investment in energy-saving

#### System Structure Image



equipment. But to achieve sustained reduction in energy consumption, KHI has implemented a system using automatic energy readers. At the Kakogawa Works, we measure energy consumption to be about 350 points, covering most metered sources, including electricity, gas and compressed air. Consumption is displayed in real time to promote energy-saving activities. In addition, measurements are tallied up in a group-wide system and then analyzed, with the information made available for sharing within the Group.



an example of "ECOKEEP" monitor views

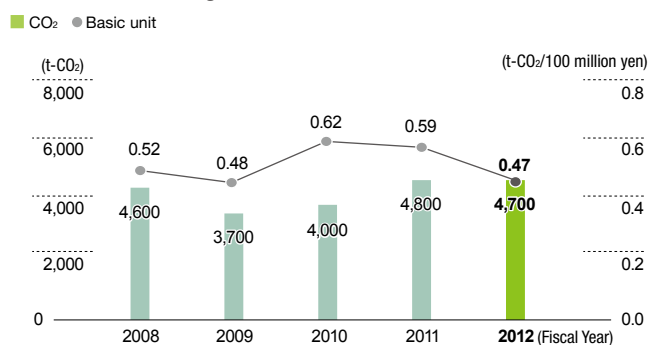
### CO<sub>2</sub> Reduction through Investment in Energy-Saving Equipment

From fiscal 2011 through fiscal 2012, KHI upgraded plant and office lighting systems and installed about 14,000 light fixtures with high energy-saving bulbs at plants and about 16,000 at offices. Specifically, we switched plant lighting from mercury bulbs to metal-halide bulbs, which offer the same level of brightness but consume only about half the power, and we switched office lighting from conventional fluorescent bulbs to high-frequency fluorescent bulbs, which are 20% more energy-efficient. Through these efforts, we expect to reduce CO<sub>2</sub> emissions by about 2,600 tons per year.

### Environmentally Conscious Logistics

KHI promotes energy-saving activities and data tracking to curb CO<sub>2</sub> emissions from logistics processes. Evaluating the Company's freight traffic on the basis of freight ton-kilometers carried (freight weight x distance), truck transport accounts for about half, with the balance of the freight carried by train or ship, which exerts less impact on the environment. In fiscal 2012, CO<sub>2</sub> emissions reached 4,700t-CO<sub>2</sub> and the basic unit improved 20% over fiscal 2011, to 0.468 point. We will strive to cut CO<sub>2</sub> emissions even further by boosting the load factor for truck transport and considering a modal shift from truck to other modes, such as train.

CO<sub>2</sub> Emissions from Logistics Processes



- \*1 CO<sub>2</sub> basic unit is a measurement obtained by dividing CO<sub>2</sub> emissions by net sales.
- \*2 CO<sub>2</sub> emissions in logistics processes are calculated from our position as a specified consignor (a Japanese legal designation applied to consignors that ship 30 million ton-kilometers of freight or more per year), under the revised Energy Saving Law.
- \*3 CO<sub>2</sub> emissions from logistics processes are for KHI and do not include emissions by Kawasaki Shipbuilding Corporation and other subsidiaries before they merged into the Company on October 1, 2010.
- \*4 The parameters for net sales, used in the calculation of the basic unit, are the same as those applied to emissions in \*3 above.