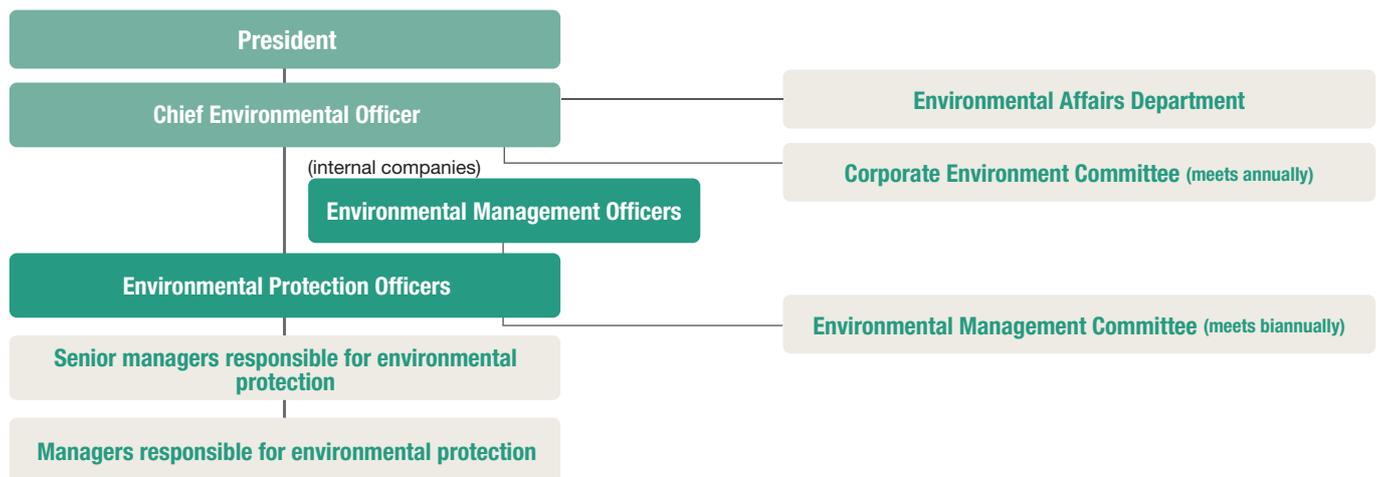


Building an Environmental Management Platform

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

officers, environmental protection officers, senior managers responsible for environmental protection, and managers 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.



EMS Administration

All KHI production bases have acquired ISO 14001 certification. Currently, we are 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.

Of the 46 domestic subsidiaries that we targeted for EMS adoption, 41 had completed development of the necessary structure by the end of fiscal 2011. The remaining five subsidiaries are expected to finish their preparations in fiscal 2012.

To date, we focused on principal factories, but under the 7th Environmental Management Activities Plan, we will strive to expand the scope of EMS establishment at overseas locations. Of the 24 subsidiaries that have been targeted for an EMS, KCMA Corporation, in the United States, completed implementation in fiscal 2011. Of the 17 companies that still have not configured the appropriate EMS, we will in accordance with local laws and regulations clarify objectives based on business conditions and scale of operations, and set time frames and otherwise implement incremental efforts to expedite EMS implementation.

Current Situations for Acquiring ISO 14001 (JIS Q 14001) Certification

Kawasaki Heavy Industries

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

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

Subsidiaries Overseas

Oversight organization	Company	Date Acquired	Registration
Machinery Division	Wuhan Kawasaki Marine Machinery Co., Ltd.	Jul. 2009	DNV
Motorcycle & Engine Company	Kawasaki Motors Manufacturing Corp. Lincoln Plant (U.S.A.)	Apr. 2003	DNV
	Kawasaki Motors Manufacturing Corp. Maryville Plant (U.S.A.)	Feb. 2006	DNV
Precision Machinery Company	Kawasaki Precision Machinery (UK) Ltd. (U.K.)	Nov. 2001	LRQA
	Flutek, Ltd. (South Korea)	Nov. 2005	KMA
	Kawasaki Precision Machinery (Suzhou) Ltd. (China)	Dec. 2007	BSI
Robot Division	Kawasaki Robotics, Inc. (U.S.A.)	Aug. 2003	DNV
Head Office	KCMA Corporation (U.S.A.)	Mar. 2011	(Self Declaration)

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

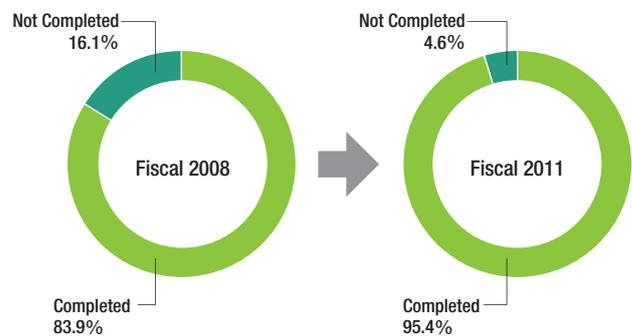
Subsidiaries in Japan

Oversight organization	Company	Establishment level	Date of Establishment
Head office	Kawaju Tokyo Service Corp.	3	Mar. 2009
	Kawasaki Trading Co., Ltd.	1	Dec. 2004
	Kawaju Service Co., Ltd.	1	Feb. 2000
	Kawaju Techno Service Corp.	3	Mar. 2005
	Kawasaki Life Corporation	2	Jul. 2006
	Kawasaki Hydromechanics Corp.	1	Jun. 2007
	K Career Partners Corp.	2	Mar. 2007
	Benic Solution Corp.	2	Feb. 2006
	Kawasaki Machine Systems, Ltd.	1	Mar. 2000
Ship & Offshore Structure	KCM Corporation	1	May. 2000
	Akashi Ship Model Basin Co., Ltd	3	Mar. 2008
	Kawasaki Techno Wave Co., Ltd.	1	Aug. 2000
	Kawaju Kobe Support Co., Ltd.	2	Dec. 2005
	Kawaju Marine Engineering Co., Ltd.	1	Mar. 2008
Rolling Stock	KHI JPS Co., Ltd.	3	Mar. 2008
	Kawasaki Shipbuilding Inspection Co., Ltd.	2	Apr. 2008
	Alna Yusoki-Yohin Co., Ltd.	1	Nov. 2008
	EarthTechnica M&S Co., Ltd.	1	Sep. 2000
	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
Aerospace	EarthTechnica Co., Ltd.	1	Sep. 2000
	Nichijo Manufacturing Co., Ltd.	3	Oct. 2005
	Fukae Powtec Co., Ltd.	3	Mar. 2010
	Kawaju Gifu Engineering Co., Ltd.	1	Feb. 2002
Gas Turbine	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

- level 1 Acquire ISO14001 certification
- level 2 Acquire simplified EMS certification
- level 3 Self-declaration of EMS establishment

Oversight organization	Company	Establishment level	Date of Establishment
Machinery	Kawasaki Prime Mover Engineering Co., Ltd.	1	Dec. 2002
	Kawasaki Naval Engine Service, Ltd.	1	Dec. 2002
Plant & Infrastructure	Kawasaki Engineering Co., Ltd.	3	Oct. 2009
	KEE Environmental Construction, Co. Ltd.	1	Dec. 2003
	KEE Environmental Service, Ltd.	1	Jun. 2002
	Kawaju Steel Work & Engineering Co., Ltd.	3	Jun. 2006
Motorcycle & Engine	Kawaju Facilittech Co., Ltd.	2	Jul. 2007
	K-GES Co., Ltd.	1	Jan. 2006
	Kawasaki Motors Corporation Japan	1	Feb. 2008
	K-TEC Corporation	3	Dec. 2009
	Union Precision Die Co., Ltd.	1	Jul. 2006

Proportion of Employees of Subsidiaries in Establishing EMS Structures



Compliance with Laws & Regulations

In fiscal 2011, there were no judicial or administrative penalties and no administrative measures at any KHI facilities, but there were two administrative warnings and five citizen complaints. The administrative warnings stem from issues regarding higher-than-allowable pH value in wastewater from the Harima Works and the reported value of water quality at the Akashi Works. Corrective action was immediately taken.

Status Law and Regulation 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, we have broadened the range of environmental impact data we collect from principal subsidiaries overseas. In addition to data on energy usage, collected since fiscal 2011, we now accumulate data on the volume of waste and chemical substances discharged and handled. Also, we will establish a format in fiscal 2012 to confirm environmental management status through local surveys of key overseas subsidiaries by the Environmental Affairs Department and promote efforts to minimize risk.

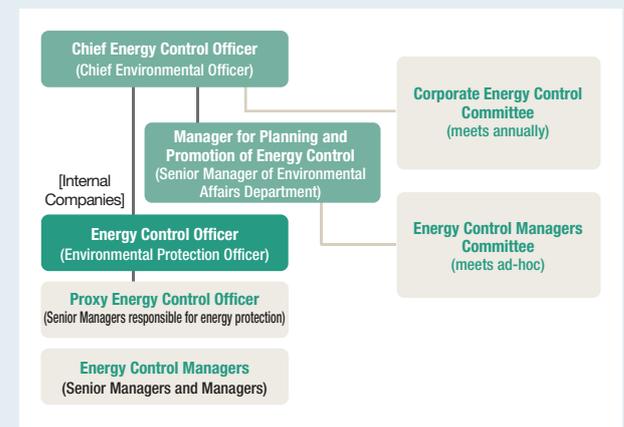
Violations and Accidents during the Past 5 Years

Fiscal Year	2007	2008	2009	2010	2011
Judicial/Administrative Penalties	0	0	0	0	0
Administrative Measures	0	0	1	0	0
Administrative Warnings	6	4	3	0	2
Complaints from residents	1	2	4	0	5

Topics

Introducing Energy Control System for Entire Company

We reinforced energy control system for KHI Group considering the revision of Energy Conservation Law and importance of energy saving activity.



Building an Environmental Management Platform

Risk Management

Prompted by an environmental violation at the Akashi Works in February 2009, we set up an Environmental Law and Regulation Compliance Status Review Committee, which did on-site studies on compliance with environmental laws and regulations at the works of KHI Group. In fiscal 2011, the Committee did on-site studies at 5 works of

4 principal subsidiaries in Japan, and Gifu Works and Akashi Works of KHI which have major impact on environment. The Committee confirmed the status of compliance with environmental laws and regulations at these works. Such a preventive measure helps us ensure compliance with laws and regulations.

Environmental Awareness Activities for Employees

Environmental e-Learning/Courses for People without Computers

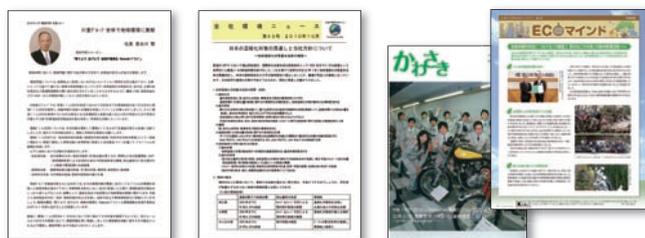
To sustain a high level of environmental awareness among employees throughout the Group, we offer environmental e-learning for newly hired individuals. This ongoing process is aimed not only at new employees at KHI but also those at subsidiaries. In July and August 2011, approximately 500 people participated in environmental e-learning classes, for a 90% attendance rate. For employees who find it difficult to participate in the e-learning classes because they lack easy access to a personal computer, we offer lecture-style classes. In the three years since these classes were first offered, in fiscal 2009, we have had around 5,700 people attend lectures, for an attendance rate of 73%.

Environmental Awareness

We run 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.

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.



Message from the President concerning environmental management

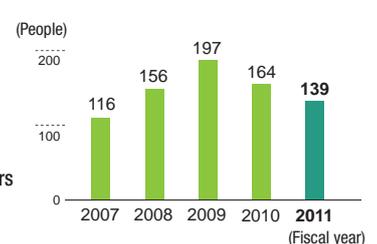
Environmental News, published four times a year

"Eco Mind," featured in the Group magazine Kawasaki

Number of Qualified Pollution Control Managers

Air	70
Water	75
Noise, Vibration	43
Others	21
Total	209

Number of Newly Registered ISO 14001 Internal Environmental Auditors



Number of Qualified Energy Managers

Energy Managers	46
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Environmental Accounting Calculations for Fiscal 2011

Item		Environmental Investments	Environmental Costs	Economic Effects	
Business area costs	Global warming prevention Save energy, reduce greenhouse gas emissions, stop ozone layer destruction, etc.	1,103	1,701	Energy-saving cost reduction 480	
	Efficient use of raw materials, water, and other resources	6	252	Resource-saving cost reduction 50	
	Resource-recycling activities	Resource-recycling activities	60	800	Income from recycling 686
		Waste disposal costs	0	168	Waste disposal cost reduction 2
	Environmental risk control	230	1,830	—	
	Subtotal	1,400	4,750	1,218	
Year-on-year comparisons		92%	128%	90%	
Upstream/downstream costs		139	2,776	126	
Management activity costs		20	462	—	
R&D costs		502	7,449	—	
Social activity costs		56	195	—	
Environmental remediation costs		41	80	—	
Total		2,158	15,712	1,343	
Year-on-year comparisons		120%	104%	100%	

Item	Total
Total investments in fiscal 2011	71,684
Total R&D costs in fiscal 2011	35,321

Item	Proportion
Percentage of investments (Environmental investments 2,158/Total investments 71,684)	3%
Percentage of R&D costs (Environmental R&D costs 7,449/Total R&D costs 35,321)	21%

- Data was compiled in accordance with the Environmental Accounting Guidelines released by the Ministry of the Environment.
- Coverage: Kawasaki Heavy Industries, Ltd.
- Period: April 1, 2010 to March 31, 2011

Material Balance of Business Activities for Fiscal 2011 (Overall Picture of Environmental Impact)

We have put together a summary of the impact of our business activities on the environment during fiscal 2011. 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.

