

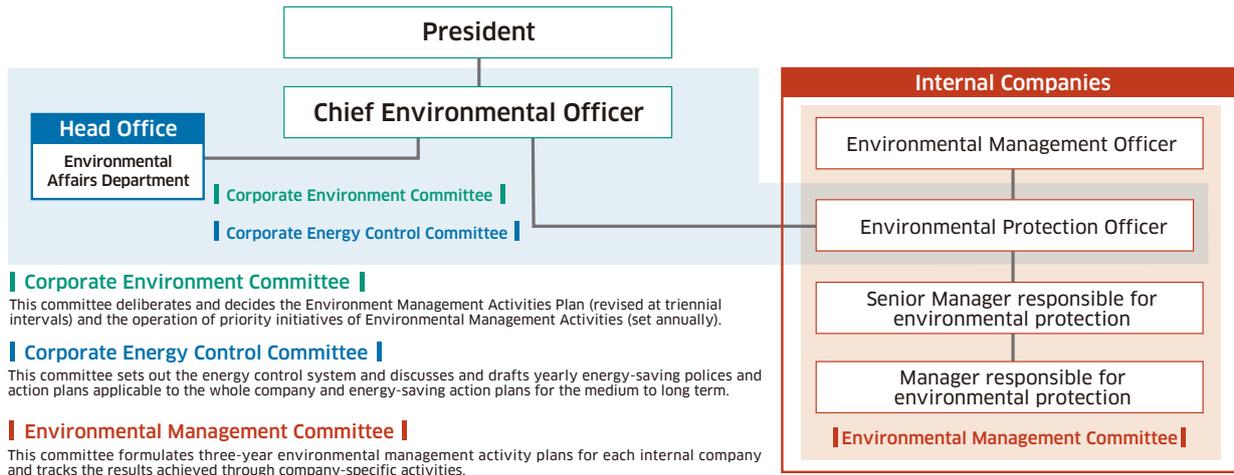
Building an Environmental Management Platform

Environmental Management Organization

The director for environmental issues at KHI is appointed the Chief Environmental Officer and in this position chairs the Corporate Environment Committee, which deliberates and formulates policy on a variety of important matters related to the environment. To enable each internal company to independently promote the environmental management activities plan as formulated, an Environmental Management Officer, an Environmental Protection Officer, a Senior Manager responsible for

environmental protection, and a 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 coordinated efforts among all employees to implement environment-oriented initiatives.

In addition, to promote energy management, an energy management structure was put in place from 2010 to roll out activities similar to those in environmental management.



EMS at the KHI Group

Under the Seventh Plan, action was progressed on the basis of an EMS establishment plan drawn up for domestic and overseas consolidated subsidiaries. Main consolidated subsidiaries covered by the plan each completed the establishment of EMS. At consolidated subsidiaries which have completed the establishment of EMS, the collection of key environmental data has begun.

EMS Establishment Status at KHI

All KHI production bases have acquired ISO 14001 certification.

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

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	Nishi-Kobe 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 Kiban Seibi Kyoukai (Defences Structure Improvement Foundation), DNV: Det Norske Veritas

EMS Establishment Status at Domestic Consolidated Subsidiaries

The establishment of EMS at all domestic consolidated subsidiaries, which was targeted under the Seventh Plan, has been completed, either through acquisition of ISO 14001 registration, acquisition of EMS certification by another body, or self-declaration.

Under the Eighth Plan, we will work to enhance the EMS of domestic consolidated subsidiaries. From fiscal 2013, we began data collection under the EMS by extending the scope of data collection by our IT systems to include domestic consolidated subsidiaries.

Domestic Consolidated Subsidiaries

Oversight organization	Company	Establishment level*	Date of establishment
Ship & Offshore Structure Company	Kawasaki Techno Wave Co., Ltd.	1	Aug. 2000
	Kawaju Support Co., Ltd.	2	Dec. 2005
	Kawaju Marine Engineering Co., Ltd.	3	Apr. 2013
	KHI JPS Co., Ltd.	3	Mar. 2008
Rolling Stock Company	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	May 2010
Aerospace Company	Kawaju Gifu Engineering Co., Ltd.	1	Feb. 2002
	Kawaju Gifu Service Co., Ltd.	1	Feb. 2002
	KGM Co., Ltd.	1	Feb. 2002
	NIPPI Corporation	1	Dec. 2006
Gas Turbine & Machinery Company	Kawaju Akashi Engineering Co., Ltd.	1	Mar. 2000
	Kawasaki Thermal Engineering Co., Ltd.	1	Apr. 2002
	Kawasaki Machine Systems, Ltd.	2	Dec. 2011
	Kawasaki Prime Mover Engineering Co., Ltd.	1	Dec. 2002
	Kawasaki Naval Engine Service, Ltd.	1	Dec. 2002
Plant & Infrastructure Company	KEE Environmental Construction, Co. Ltd.	1	Dec. 2003
	EarthTechnica M&S Co., Ltd.	3	Apr. 2013
	KEE Environmental Service, Ltd.	1	Jun. 2002
	Kawaju Facilitech Co., Ltd.	3	Apr. 2013
	Kawasaki Engineering Co., Ltd.	3	Oct. 2009
Motorcycle & Engine Company	EarthTechnica Co., Ltd.	1	Sep. 2000
	Kawasaki Motors Corporation Japan	1	Feb. 2008
	K-TEC Corporation	3	Dec. 2009
	Technica Corp.	3	Feb. 2012
	Autopolis	2	Dec. 2011
Head Office	Union Precision Die Co., Ltd.	1	Jul. 2006
	Kawasaki Trading Co., Ltd.	1	Dec. 2004
	Kawaju Service Co., Ltd.	1	Feb. 2000
	Kawasaki Technology Co., Ltd.	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
	KCM Corporation	1	May 2000
KCMJ	2	Mar. 2012	

* **Level 1** ISO 14001 registration
Level 2 Simplified EMS certification
Level 3 Self-declaration of EMS establishment

EMS Establishment Status at Overseas Consolidated Subsidiaries

Regarding overseas consolidated subsidiaries, seven companies spread across China, Europe, North America, Southeast Asia and other regions completed establishment of EMS, either through acquisition of ISO 14001 registration or through self-declaration.

Overseas Consolidated Subsidiaries

Oversight organization	Company	Location	Establishment level*	Date of establishment
Gas Turbine & Machinery Company	Kawasaki Gas Turbine Asia Sdn. Bhd.	Malaysia	3	Mar. 2013
	Wuhan Kawasaki Marine Machinery Co., Ltd.	China (PRC)	1	Jul. 2009
Plant & Infrastructure Company	KHI Design & Technical Service Inc.	Philippines	3	Nov. 2011
Motorcycle & Engine Company	Kawasaki Motors Corp., U.S.A.	U.S.A.	3	Mar. 2013
	Kawasaki Motors Pty. Ltd.	Australia	3	Mar. 2013
	P.T. Kawasaki Motor Indonesia	Indonesia	3	Jan. 2012
	KHITKAN Co., Ltd.	Thailand	1	Dec. 2011
	Kawasaki Motors (Phils.) Corporation	Philippines	3	Jan. 2012
	Kawasaki Motors Manufacturing Corp., U.S.A.	U.S.A.	1	Apr. 2003
	Kawasaki Motors Enterprise (Thailand) Co., Ltd.	Thailand	1	Dec. 2011
	Canadian Kawasaki Motors Inc.	Canada	3	Feb. 2013
Precision Machinery Company	Kawasaki Precision Machinery (Suzhou) Ltd.	China (PRC)	1	Dec. 2007
	Kawasaki Precision Machinery (UK) Ltd.	U.K.	1	Nov. 2001
	Kawasaki Chunhui Precision Machinery (Zhejiang) Ltd.	China (PRC)	1	Nov. 2012
	Flutek, Ltd.	South Korea	1	Nov. 2005
	Kawasaki Robotics (Tianjin) Co., Ltd.	China (PRC)	3	Nov. 2012
	Kawasaki Robotics GmbH	Germany	3	Nov. 2012
Head Office	Kawasaki Robotics (U.S.A.) Inc.	U.S.A.	1	Feb. 2006
	KHI (Dalian) Computer Technology Co., Ltd.	China (PRC)	3	May 2013
Head Office	KCMA Corporation	U.S.A.	3	Mar. 2011

* **Level 1** ISO 14001 registration
Level 2 Simplified EMS certification
Level 3 Self-declaration of EMS establishment

Utilization of IT Systems

KHI utilizes IT systems to identify the direct and indirect environmental impact of its business operations and the state of progress with environmental management activities.

As environmental issues become increasingly complex, it is necessary to find solutions that transcend local and organizational structures. Because environmental management activities are an important element of business operations, speedy collation of accurate data and quantitative assessment forms part of our effort to fulfill Environmental Vision 2020.

Recent years have seen a steady increase in the environmental data items required: for example, reports to central and local government and responses to rating agency surveys, and the volume of data subject to analysis is therefore growing as well, requiring more efficient collection and analysis. Moreover, because of the electric power supply issues experienced in the wake of the Great East Japan Earthquake, management of energy data, especially data on electric power, has become ever more important.

Environmental Data Management System

Currently, we are moving ahead with environmental management activities by rolling out to domestic consolidated subsidiaries our in-house Environmental Data Management System (ECOKEEP). In addition, we are working to introduce an energy visualization system that will include data on electric power demand for our factories.

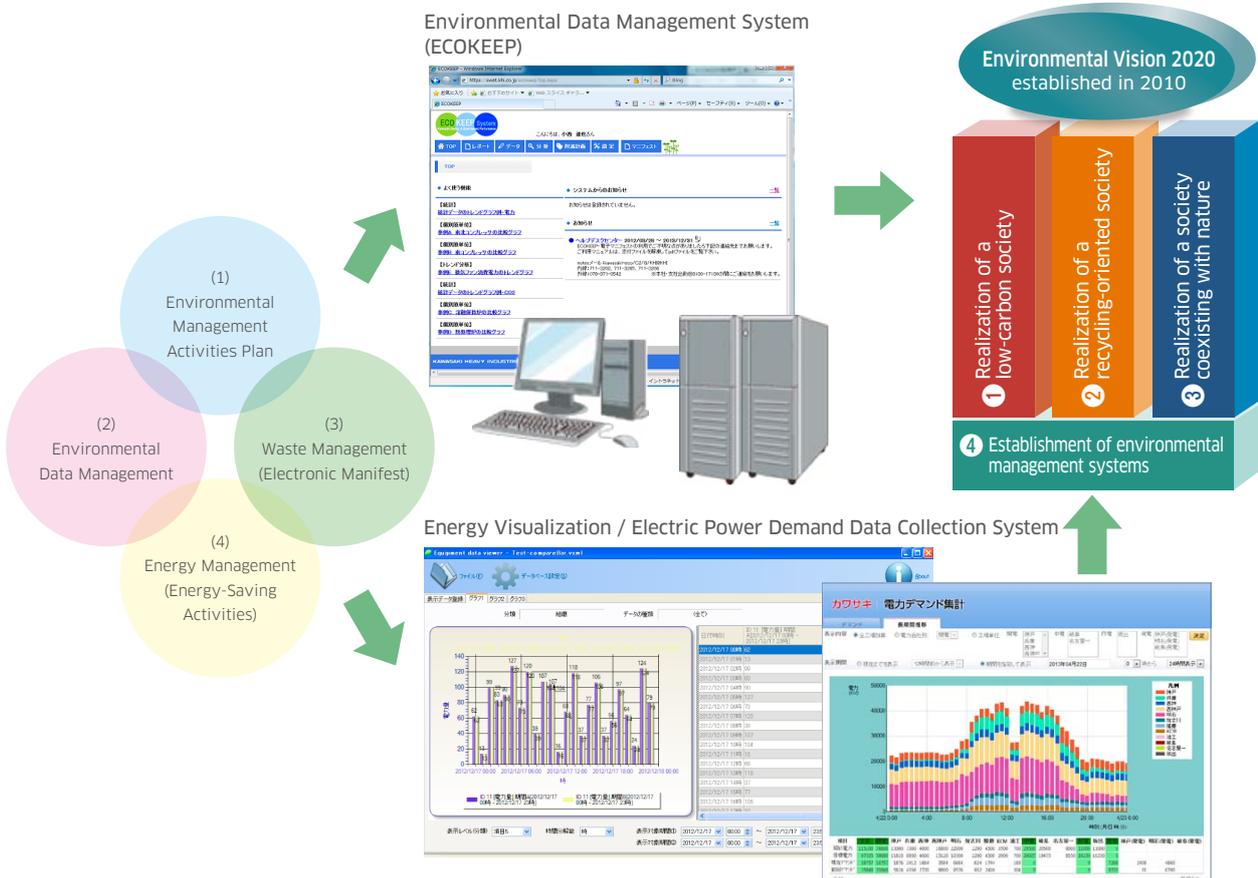
The constituent functions of ECOKEEP are management of target values for the Environmental Management Activities Plan, environmental data management, and waste management (electronic manifest). The system is

coordinated with an energy visualization system designed to facilitate energy-saving activities. The system can be utilized as follows.

- (1) Environmental Management Activities Plan: Each quarter, targets and measures for reduction of CO₂ emissions, energy consumption, waste generation and chemical substance utilization are monitored together with investment items for environmental conservation and their progress.
- (2) Environmental data management: In accordance with the KHI Group data collection manual, data for the month or another designated period is input and environmental performance is checked.
- (3) Waste management (electronic manifest): Through linkup to an electronic manifesto system as stipulated in Japan's Waste Disposal and Public Cleansing Law, the system monitors the industrial waste emissions of domestic factories and legal compliance.
- (4) Energy management: The system checks demand for purchase of electric power from electric power companies and achieves improvements by analyzing energy visualization data.

Energy Visualization/Electric Power Demand Data Collection System

In fiscal 2013, we began operating a system for real-time data collection on the amount of electricity purchased and the amount generated in-house at nine factories, including the main affiliated companies in the Kansai region. We will extend this successively to our factories in other regions. In addition, we will expand the system's functions so that it can provide speedy and detailed information on utilization of energy forms other than electric power to promote a comprehensive approach to energy saving.



Compliance with Laws and Regulations

Legal Compliance Status in Japan

In fiscal 2013, there were no incidents of infringement by the KHI Group (judicial or administrative penalties, administrative measures, administrative warnings).

There were four instances of complaints from residents.

Violations and Accidents during the Past 5 Years

Fiscal year	2009	2010	2011	2012	2013
Judicial / administrative penalties	0	0	0	0	0
Administrative measures	1	0	0	0	0
Administrative warnings	4	0	2	2	0
Complaints from residents	4	0	5	0	4

*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

Legal Compliance Status Overseas

In fiscal 2013, as in fiscal 2012, we carried out a questionnaire survey of major overseas consolidated subsidiaries to check their compliance with environmental laws and regulations. Based on the results, we will promote adaptation to overseas legislation and reduction of environmental risk under the Eighth Plan.

Risk Management

To ensure compliance with environmental laws and regulations as well as full familiarity with revisions to laws and improved ability among managers with environmental responsibilities, we hold liaison conferences at appropriate intervals to prevent accidents before they occur. The conferences are attended by environmental management officers from each business segment, who work together under the guidance of a secretariat (the Environmental Affairs Department).

In fiscal 2013, we held a liaison conference concentrating on the main points of the revision of the Water Pollution Prevention Law and a study meeting that covered processing activities, essential points of commissioned processing, and the promotion of appropriate processing (decomposition) of high-concentration and low-concentration PCB waste. Participants included the participation of managers from consolidated subsidiaries. From fiscal 2014, we will carry out on-site checks concentrating on overseas manufacturing bases to promote the reduction of environmental risk.

Promoting Environmental Communication

Raising Environmental Awareness

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



"Eco Mind," featured in the Group magazine *Kawasaki*



Message from the President concerning environmental management

Environmental e-Learning

To maintain and improve environmental awareness among employees throughout the domestic 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 domestic consolidated subsidiaries. In fiscal 2013, approximately 1,150 people participated in the environmental e-learning courses. The attendance rate was 93%.

Employees for whom computer-based environmental e-learning is not convenient are offered lectures and other educational means, which have gathered approximately 7,200 participants during the five years since fiscal 2009.

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. In addition, as an internal qualification, we offer training for internal ISO 14001 auditors, through which 145 employees qualified as internal auditors in fiscal 2013.

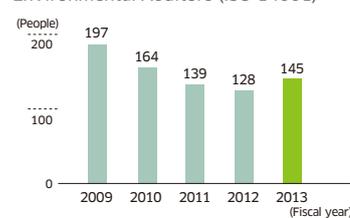
Number of Qualified Pollution Control Managers

Air	73
Water	76
Noise, vibration	42
Others	84
Total	275

Number of Qualified Energy Managers

Energy managers	51
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Number of Completed Training of Internal Environmental Auditors (ISO 14001)



External Information Disclosure

At KHI, we are committed to information disclosure as indicated by our cooperation with numerous external evaluation organs, such as the CDP investors' information request "CDP Japan 500," published by the CDP (Carbon Disclosure Project), and the Nikkei Environmental Management Survey conducted by Nikkei Research, Inc.

Ecocap Movement

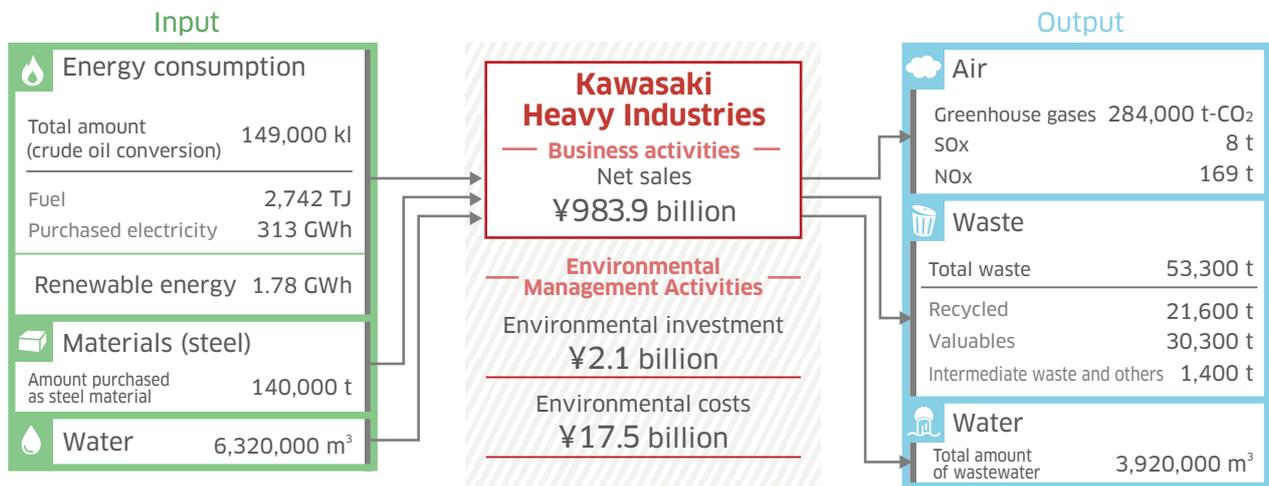
The KHI Group has participated since 2009 in the Ecocap Movement, which separates and collects plastic bottle caps and sells them to recycling firms. Profits from the sale go to provide polio vaccine to children around the world.

Since the start of our participation, the efforts of KHI Group employees have led to the collection of a cumulative total of some 990,000 caps, corresponding to polio vaccine for approximately 1,100 children.

We intend to continue with this activity as an environmental initiative to raise awareness of the efficient use of resources and the sorting and collection of waste.

Material Balance of Business Activities for Fiscal 2013 (Overall Picture of the Environmental Impact)

KHI has drawn up a summary of the impact of our business activities on the environment during fiscal 2013. We undertake activities to reduce the amounts of raw materials, energy and water used in the manufacturing of our many products, and we strive to curb the emission of substances that adversely affect the environment.



Environmental Accounting Calculations for Fiscal 2013

In compiling the statistics, reference was made to the Japanese Ministry of the Environment's Environmental Accounting Guidelines (2005 edition).

(Millions of yen)

Item		Environmental investments	Environmental costs	Economic effects	
Business area costs	Global warming prevention (Save energy, reduce greenhouse gas emissions, stop ozone layer destruction, etc.)	1,154	3,603	Energy-saving cost reduction 229	
	Efficient use of raw materials, water, and other resources	72	197	Resource-saving cost reduction 33	
	Resource-recycling activities	Resource-recycling activities	66	645	Income from recycling 610
		Waste disposal costs	0	406	Waste disposal cost reduction 4
	Environmental risk control	537	1,027	0	
	Subtotal	1,829	5,878	876	
Year-on-year comparisons		116%	99%	63%	
Upstream/downstream costs		123	2,739	0	
Management activity costs		1	369	0	
R&D costs		96	7,806	0	
Social activity costs		23	153	0	
Environmental remediation costs		0	583	0	
Total		2,072	17,528	876	
Year-on-year comparisons		119%	102%	63%	

Item	Total
Total investments	56,797
Total R&D costs	39,111

Item	Proportion
Percentage of investments (environmental investments 2,072 / Total investments 56,797)	4%
Percentage of R&D costs (environmental R&D costs 7,806 / Total R&D costs 39,111)	20%