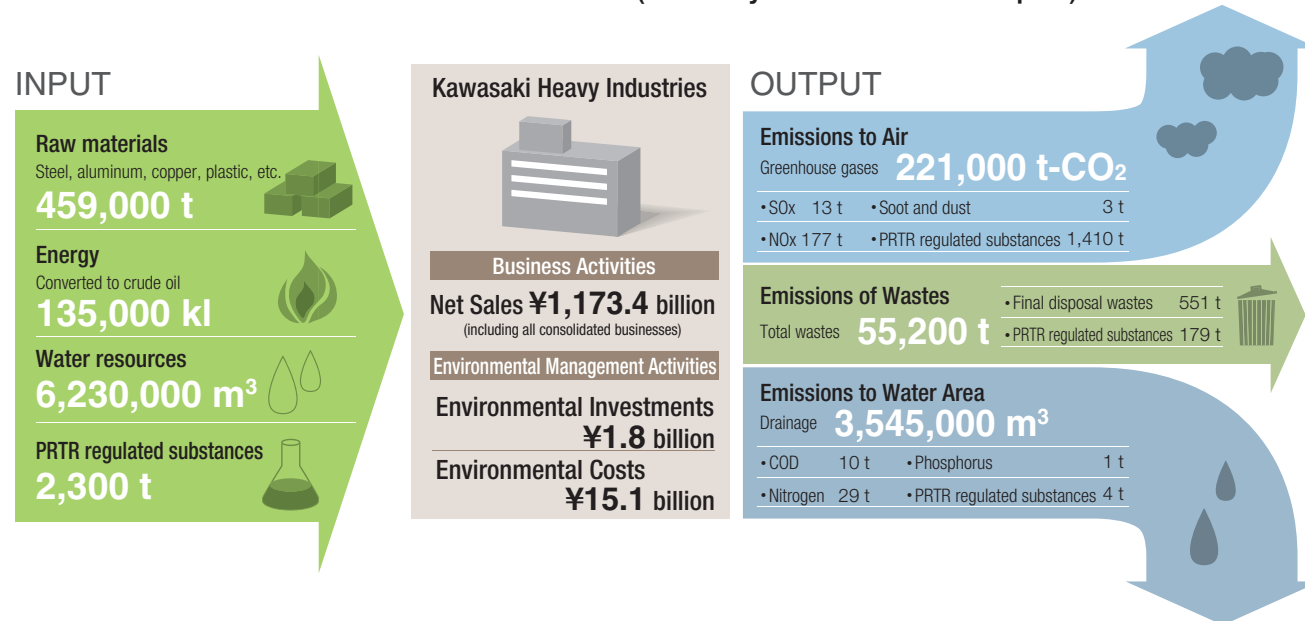


Material Balance of Business Activities and Environmental Accounting

This is a summary of environmental impacts and environmental accounting in our business activities for FY2009. In the manufacture of various products, we are making efforts to reduce the input amounts of the raw materials, energy and water that we use, as well as reduce the emissions of substances that are harmful to the environment.

Material Balance of Business Activities for FY2009 (Summary of Environmental Impact)



Environmental Accounting Calculations for FY2009

• These data were compiled in accordance to the Environmental Accounting Guideline released by the Ministry of the Environment.
• Coverage: Kawasaki Heavy Industries, Ltd.
• Period: April 1, 2009 to March 31, 2010

Item		Environmental Investments	Environmental Costs	Economic Effects	
Business area costs	Global warming prevention	553	1,423	Reduction of energy costs 240	
	Efficient use of resources	153	199	Reduction of materials costs 50	
	Resource recycling activities	Resource recycling activities	61	783	Income from recycling 1,004
		Waste disposal costs	9	178	Reduction of waste disposal costs 54
	Environmental risk control	747	1,134	—	
	Subtotal	1,523	3,717	1,348	
Comparisons w/ previous FY		94%	83%	61%	
Upstream/downstream costs		90	2,777	0	
Management activity costs		0	2,853	—	
R&D costs		47	5,497	—	
Social activity costs		29	199	—	
Environmental damage compensation costs		115	80	—	
Total		1,804	15,123	1,348	
Comparisons w/ previous FY		80%	107%	61%	

Millions of Yen

Item	Total
Total investments in FY2009	57,964
Total R&D costs in FY2009	36,076

Item	Proportion
Percentage of investments (Environmental investments 1,804/ Total investments 57,964)	3%
Percentage of R&D costs (Environmental R&D costs 5,497/ Total R&D costs 36,076)	15%

Environmental Management Activities

We are striving to build an environmental management system (EMS) for the entire Kawasaki Group. In order to prevent environmental trouble from occurring, we are also making efforts to implement environmental risk management and employee education on the environment.

Further Development of EMS

All the production bases of Kawasaki Heavy Industries in Japan have acquired ISO14001 certification. Currently, we are promoting the development of EMS at our subsidiaries in Japan and abroad, and continuing activities with the aim of establishing an EMS, including compliance with environmental laws and regulations. Among our subsidiaries in Japan, K-TEC Corporation, Kawasaki Engineering Co., Ltd. and Fukae Powtec Co., Ltd. newly completed to develop EMS. Forty-four of 51 of these companies had completed the EMS establishment by FY2009.

Of the 13 overseas companies where we are seeking to develop EMS, Wuhan Kawasaki Marine Machinery Co., Ltd. completed in FY2009. For the remaining seven companies that do not yet develop, based on local laws and regulations, we will clarify objectives according to business conditions and scale and set timeframes and otherwise implement incremental efforts for EMS development by the end of FY2009.

Compliance with Laws & Regulations

In FY2009, there were no violations (Judicial/Administrative Penalties ¹, Administrative Measures ² or Administrative Warnings ³), accidents or citizen complaints at any KHI works.

- ¹ Judicial/Administrative Penalties: Punishment by judicial or administrative authorities
- ² Administrative Measures: Receiving instructions for improvements, etc., in written form
- ³ Administrative Warnings: Receiving verbal directives concerning business practices

Activities of Environmental Law and Regulation Compliance Status Review Committee

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 of compliance with environmental laws and regulations at all 11 works of Kawasaki Heavy Industries in FY2009.

This has helped to eliminate the causes of environmental accidents and citizen complaints and there were no violations in our workplaces in FY2009.

Education

E-learning

We completed our PC-based environmental education (Environmental E-learning) for affiliated companies in April 2010 (attended by about 5,500 persons, an attendance rate of 92%). For the KHI Group as a whole in Japan domestic area, about 17,000 persons have taken the training (final attendance rate of 95%), and we have finished training in the Group over a period of two years. Over the two years since FY2008, we have also given environmental education to about 3,700 production workers, such as site workers who cannot easily take PC-based E-learning, with an attendance rate of 49%.

Raising Awareness about the Environment

We are conducting publicity activities with the goal of raising the environmental awareness of every individual employee. We are conducting these awareness-raising activities continuously to promote conduct that is considerate of the environment not only in the workplace, but also in local communities and households.



Cultivating Qualified Managers

In order to enhance our environmental management efforts, we are also focusing on the cultivation of individuals who have legal qualifications required by laws and regulations related to the environment.

- Number of Qualified Pollution Control Managers
- Number of Qualified Energy Managers and Newly Registered Internal Environmental Auditors

Air	71
Water	73
Noise, Vibration	44
Others	22
Total	210

Energy Managers	52
Internal Environmental Auditors	164