

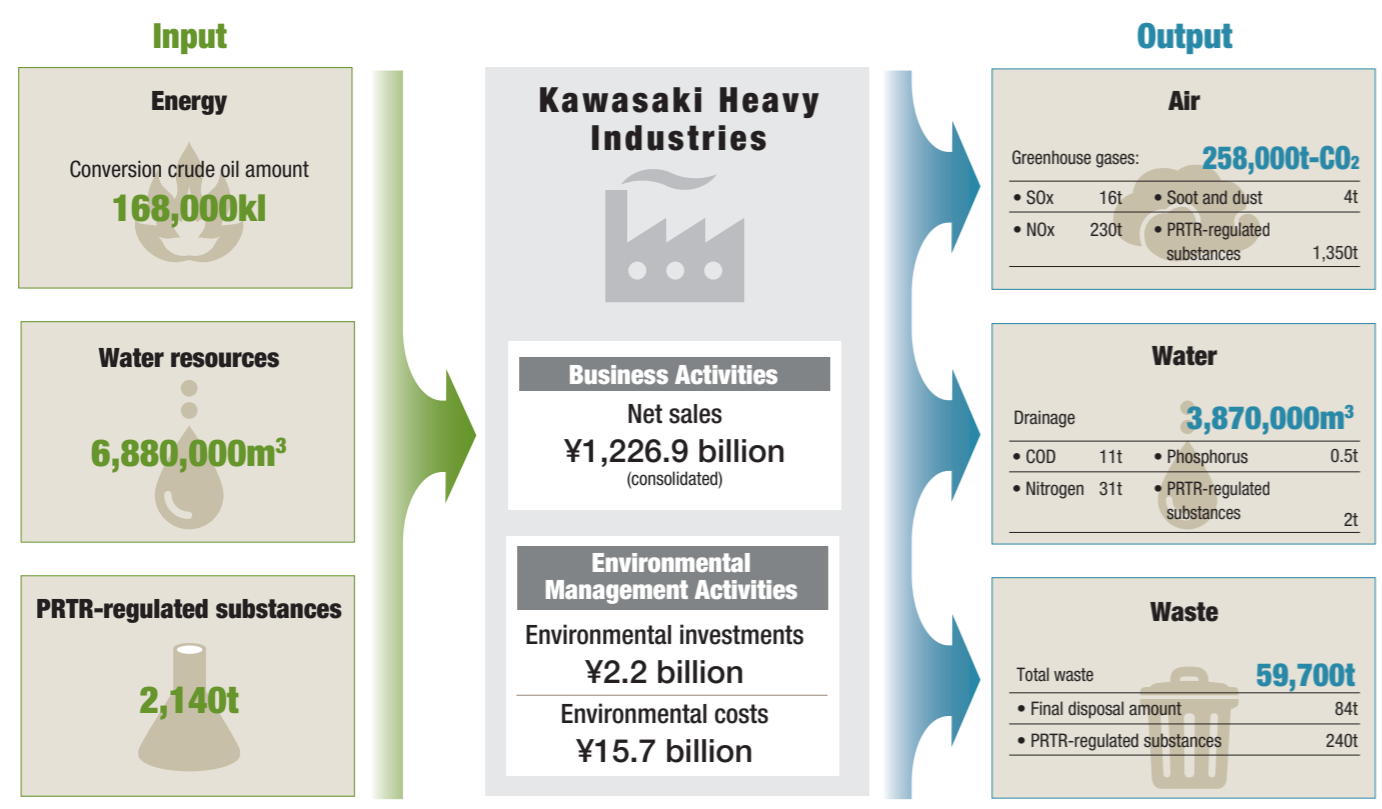
We will pursue "manufacturing that makes the Earth smile."

Material Balance between Business Activities and Environmental Accounting

We have put together a summary of fiscal 2011 environmental accounting and the impact of our business activities on the environment during this period. 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.

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



Environmental Accounting Calculations for Fiscal 2011

Business area costs				Millions of yen	
Item	Environmental Investments	Environmental Costs	Economic Effects	Item	Total
Global warming prevention Save energy, reduce greenhouse gas emissions, stop ozone layer destruction, etc.	1,103	1,701	Energy-saving cost reduction 480	Total investments in fiscal 2011	71,684
Efficient use of raw materials, water, and other resources	6	252	Resource-saving cost reduction 50	Total R&D costs in fiscal 2011	35,321
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%		

• 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

Building an Environmental Management Platform

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.

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.

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 2010, 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.



Message from the President concerning environmental management, Environmental News, published four times a year, "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	75
Noise, Vibration	43
Others	21
Total	209

Number of Qualified Energy Managers

Energy Managers	46
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Number of Newly Registered ISO 14001 Internal Environmental Auditors

