Realization of a Society Coexisting with Nature

Key Strategies and Targets under Eighth Environmental Management Activities Plan (FY2014–FY2016) and Fiscal 2016 Results

Reduction of environmental load

Targets

❶ **Reduce chemical substances**
Major VOCs per unit of sales to be at or below the average of results (135) achieved in the Seventh Plan
Seek to reduce heavy metals to zero, in principle, by fiscal 2021

Results

Achieved target of 79 for major VOCs per unit of sales
Dichloromethane emissions decreased 17%, and the amount of heavy metals handled dropped 40%

Promotion of resource conservation

Targets

❶ **Continue with forest conservation activity**
Carry out forest conservation activity at least twice a year

❷ **Conserving water**
Reduce consumption per unit of sales to the level below the amount in fiscal 2014

Results

Activities were undertaken a total of four times in Hyogo Prefecture and Kochi Prefecture

Achieved target of 0.537 per unit of sales (the amount of water used was down 2% per unit of sales from fiscal 2015)

Toward Realization of a Society Coexisting with Nature

Modern society is built on the benefits of ecosystem services from nature and could have a negative impact on ecosystems without its proper management.

The Kawasaki Group strives to reduce environmental impact through products and manufacturing processes in harmony with the global environment and seeks to contribute to the protection of ecosystems as part of its overall efforts to realize a society coexisting with nature.

1. Chemical Substance Reduction

As chemical substances used in processes to manufacture products can have a detrimental effect on human health and ecosystems, we will conduct proper management and strive to reduce consumption of such substances. We have set targets for major VOCs (toluene, xylene and ethylbenzene), dichloromethane and hazardous heavy metals in each business segment, and applied approaches to curb consumption and emissions.

Toward this end, we will emphasize the use of effective painting and metal processing and treatment and also introduce alternatives to current paints and chemical substances.

In fiscal 2016, several factors caused major VOCs per unit of sales to deteriorate, including an increase in the amount of paint used in the construction of ships. However, we were able to reduce consumption of dichloromethane and heavy metals. Going forward, we will continue to conduct proper management of chemical substances while reducing its amount used.

2. Forest Conservation Activity

Objectives

1. Promote coexistence at community level by participating in local environmental activities
2. Contribute to protection of watershed forests and help prevent global warming
3. Use as opportunity for employees to learn about the environment, and boost awareness of the importance of environmental protection

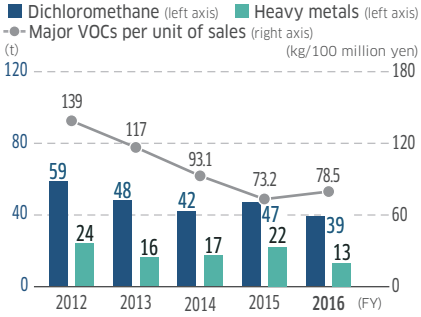

Figure 10: Emissions and Handling Volume of Managed Chemical Substances

Notes: 1. Major VOCs per unit of sales is a measurement obtained by dividing VOC emissions by net sales.
2. Heavy metals represent the combined amount of lead compounds and hexavalent chromium compounds. Reduction activities are undertaken separately for each substance.

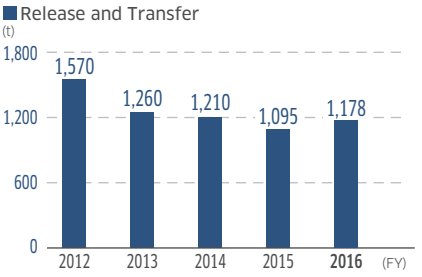

Figure 11: Release and Transfer of Chemical Substances Designated under the PRTR Law*

*PRTR law: Pollutant Release and Transfer Register law (Order for Enforcement of the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof)

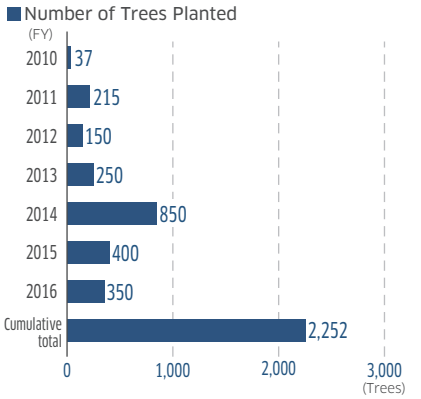

Figure 12: Results of Tree-Planting Activity

Table 4: Fiscal 2016 Achievements

Activity location	Town of Taka, in Hyogo Prefecture	Town of Niyodogawa, in Kochi Prefecture
Activity content	Tree pruning, thinning and planting Nature watching and observation events, woodworking classes	Tree thinning, environmental education
Participants	Employees and their families, former employees and others (201 people)	Employees and others (69 people)
Achievements	Area: 0.7ha Amount of CO_2 absorbed: 1.17t/CO_2 Trees planted: 350	Area: 1.0ha Amount of CO_2 absorbed: 55t/ CO_2
Number of events	Three times a year	Once a year

3. Conserving Water

Kawasaki strives to reduce water consumption and sets reduction targets on a per unit of sales basis.

In fiscal 2016, we were able to cut water consumption and improve by 2% per unit of sales, thanks to progression on measures, such as repairing leaks at factories, and a drop in water usage.

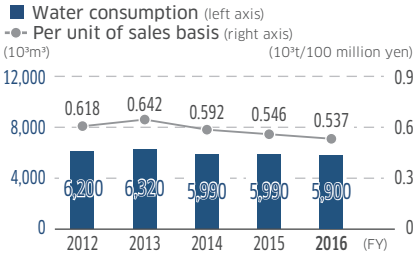

Figure 13: Water Consumption and Per Unit of Sales Basis

Note: Per unit of sales basis is a measurement obtained by dividing water consumption by net sales.

4. Biodiversity-Friendly Society

A short-term target in Japan's national biodiversity strategy, which was revised in 2010, is to analyze the state of biodiversity to get a clearer picture of conditions and, based on this knowledge, to promote activities that protect biodiversity. We will support efforts to achieve this objective by implementing the activities listed below at all business sites with biodiversity protection in mind.

We also undertake activities such as greening programs on corporate premises that take into account location or other characteristics specific to each operating site.

Efforts to Reduce the Environmental Load from Business Activities

1. Promote measures to cut greenhouse gas emissions
2. Reduce the amount of industrial waste for final disposal
3. Decrease the environmental load from wastewater and chemical substances

Non-Business Activity

1. Promote cleanup events around business sites
2. Implement greening programs and other activities based on analysis of and insight into biodiversity conditions on corporate premises and the surrounding area
3. Embrace collaborative opportunities to protect biodiversity with local groups, such as creating corporate forests

5. Responding to the ELV Directive[*1], the RoHS Directive[*2], and the REACH Regulation[*3]

Since 2000, laws and regulations related to chemical substances have been strengthened in the European Union (EU) by the establishment of such controls as the ELV Directive, the RoHS Directive, and the REACH Regulation. The ELV Directive focuses on automobiles, and while motorcycles are not subject to the content of this directive, the Motorcycle & Engine Company has embraced the voluntary actions espoused by the Japan Automobile Manufacturers Association (JAMA). The Precision Machinery Company also applies this directive to some of our products. The RoHS Directive covers electric and electronic products, and within the Kawasaki structure, the Precision Machinery Company, which includes the Robot Division, complies with the directive for some of its products. The REACH Regulation went into effect in June 2007 and applies to all chemical substances manufactured in and imported by the EU. Enterprises that manufacture or import one ton or more of chemical substances a year are required to register the chemical substances.

As Kawasaki products are mainly molded articles, only a limited number need

to be registered. Registration and notification are, however, compulsory for all substances that are deliberately emitted and all substances that are carcinogenic or otherwise of high concern. In addition to registration and notification, regulations exist for the evaluation, authorization, restriction and communication of information regarding chemical substances, necessitating a system to identify information about the chemical substances in products throughout our entire supply chain.

Laws and regulations related to chemical substances have been strengthened not only in the EU but in many countries around the world. As requirements vary by country, for instance regarding substances and products covered, we believe that our response must be based on a firm understanding of the law.

Kawasaki practices CSR procurement and responds to requests from customers to gather chemical substance information. In addition, the Motorcycle & Engine Company has created the Kawasaki Material Data System II[*4] to collect data about chemical substances and respond to REACH and other applicable chemical substance regulations.

CSR Procurement Guidelines ▸
http://global.kawasaki.com/en/corp/sustainability/procurement/guideline.html

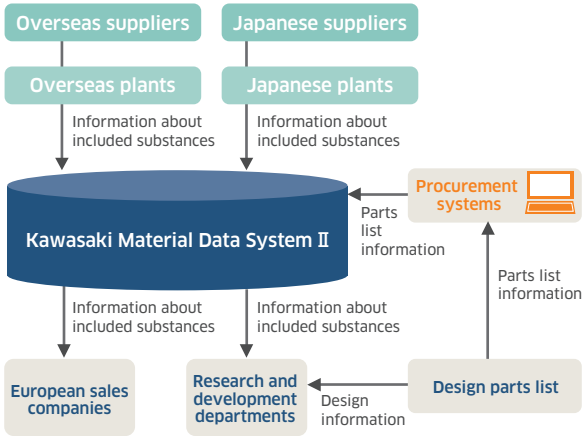

Figure 14: Response to REACH by the Motorcycle & Engine Company

*1 ELV Directive: End of Life Vehicles Directive
*2 RoHS Directive: Directive on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment
*3 REACH Regulation: Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals
*4 Kawasaki Material Data System II: Currently switching to IMDS (International Material Data System: A reporting system encompassing 26 finished automakers in Europe, the United States, Japan and South Korea which enables suppliers to identify the composition of materials in respective parts delivered to the automotive industry)

Key Strategies and Targets under Ninth Environmental Management Activities Plan (FY2017–FY2019)

Reduction of environmental load

Targets

❶ Reduce chemical substances
→ Reduce major VOCs per unit of sales by at least 1% from level achieved under the Eighth Plan
Cut dichloromethane by at least 1% year on year
Strive to reduce hexavalent chromium to zero, in principle, by fiscal 2021

❷ Conserve water
→ Reduce annual consumption of water per unit of sales by at least 1%
Track cost effect of measures to conserve tap water and prevent leaks from clean-water pipes

❸ Continue with forest conservation activity
→ Carry out forest conservation activity at least twice a year