

Environmental Management

Gazing at the Future of the Global Environment

"Environmentally conscious corporate management" is one of the priority initiatives of our medium-term business plan Global K. This is our determination to commit ourselves to the betterment of the environment in every aspect of our business activities through conducting business with a focus on reducing the environmental impact of both our products and production activities.

Furthering "Environmental Management" under the Medium-term Business Plan "Global K"

We gave Kawasaki, Working as One for the Good of the Planet as our corporate vision in the medium-term business plan Global K, which handles the period until 2010.

We aim at "environmentally conscious corporate management" contribute to environmental improvement by

means of excellent products and technologies, reducing environmental impact in our production activities, and promoting environmental management that incorporates environmental considerations into corporate management.



In 2006, Kawasaki started anew its effort to further reinforce these activities towards the 2010 Environmental Vision: "What Kawasaki Should Be in the Year 2010," under the guidelines of Global K.

We actively took various measures in the 5th Kawasaki Environmental Management Activities Plan to promote environmental activities which were integrated with Global K.

Environmental Charter

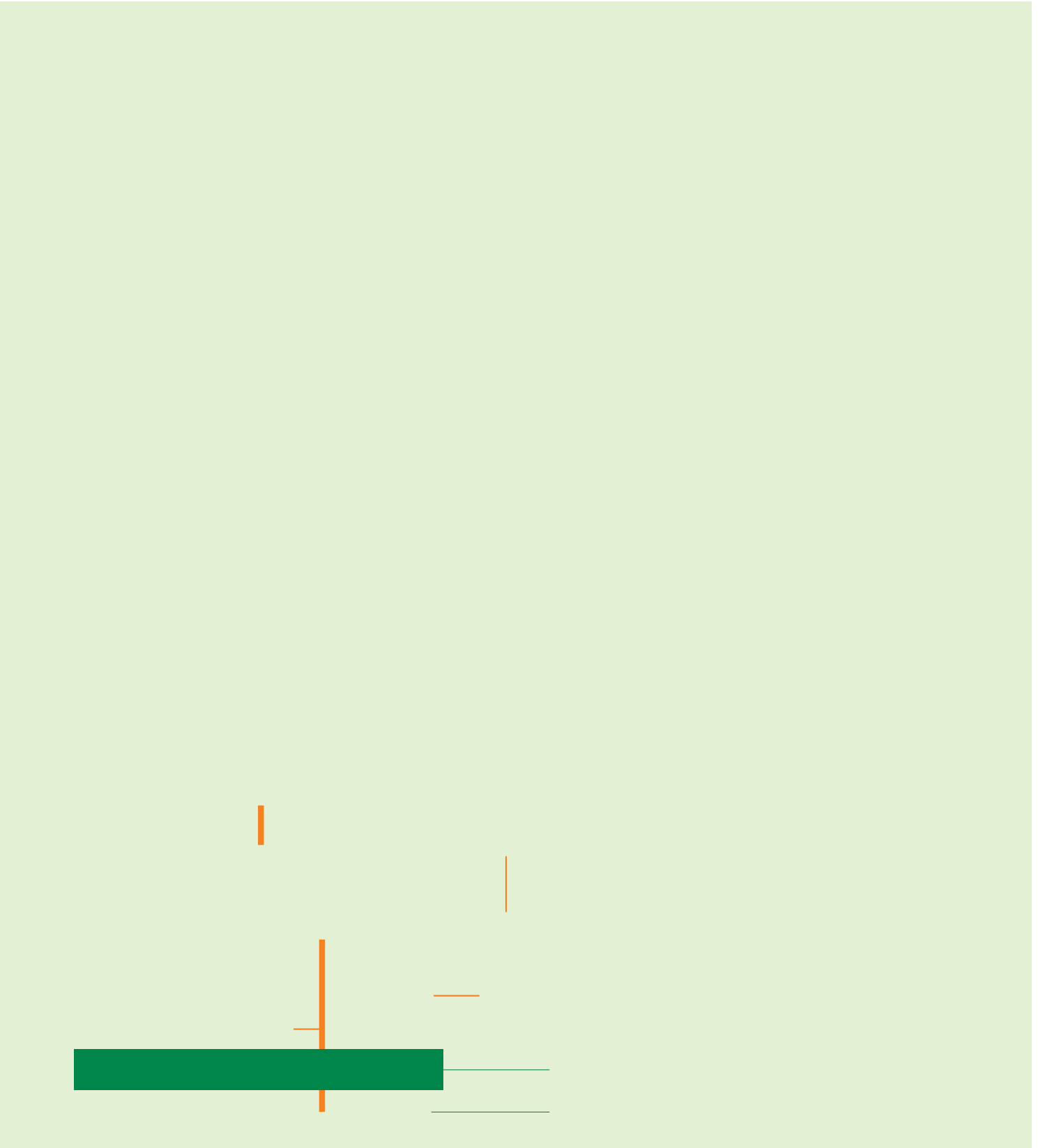
(Established in 1999)

Environmental Philosophy

As a company in key industries related to land, sea and air, Kawasaki is deploying its business activities globally in pursuit of reducing environmental impact and creating a sustainable society. This makes us to commit ourselves to contribute to the sustainable development of society through our environmentally conscious business activities, technologies and products that preserve the global environment.

Conduct Guidelines

1. Recognizing that global environmental protection is a common and serious issue for humankind, Kawasaki will positively volunteer to engage itself in harmonizing with the environment globally. We shall regard this as one of the most important strategies when we deploy our business activities.
2. During its production stages, Kawasaki will endeavor to conserve resources, to save energy, to recycle resources and to reduce industrial waste and will promote the reduction of environmental impact.
3. In the new product planning (i.e. research and development) and designing stages, Kawasaki will render careful attention throughout the procurement, production, distribution, utilization and material disposal stages in order to minimize the environmental impact.
4. In seeking solutions to global environmental issues, Kawasaki will do its best to develop and provide new technologies and new products that contribute to environmental protection, energy saving and resource conservation.
5. Notwithstanding its compliance with environmentally related institutional laws, regulations and agreements and voluntary action plans of each industry concerned, Kawasaki will voluntarily institute its own environmental control standards as an appropriate and necessary action in order to strive to improve environmental control levels.
6. Through environmental training and public awareness activities, Kawasaki will strive to enlighten all its employees on global environmental issues and will support individual views, lifestyles and will encourage their participation in the social activities and services.
7. Kawasaki will implement an environmental management system to promote environmental preservation and conservation, and hold regular conferences to review management systems and maintain continual improvement.



Toward Our Environmental Vision: What K's Should Be in the Year 2010
 Achievements and Appraisal of Environmental Management Activities

The focal point of the priority initiatives for FY2007 is the preparatory activities for forming the 6th Kawasaki Environmental Management Activities Plan (FY2008-2010). To be specific, environmental actions to be taken as per the medium-term business plan Global K should be integrated into the next Plan, working towards the establishment of the follow-up system.

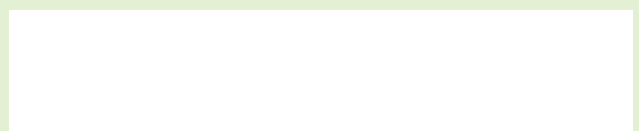
(Evaluation Criteria) A: Achieved; B: Mostly Achieved; C: Not yet achieved

	2010 (FY2008-2010)	5. (2006-2010)	2006	2007	2008
	<ul style="list-style-type: none"> - Actions by all employees are taken with concern for the environment, not only at work, but also in their local communities and homes, in accord with our Environmental Philosophy, which declares our commitments to the realization of a sustainable society. 	<ul style="list-style-type: none"> - Promoting the construction of an environmental education system through the use of IT - Continuation of activities to provide information to educate employees in environmental issues 		<ul style="list-style-type: none"> - E-learning programs intended for the education of all employees were developed. - "Message from the President," "Environmental News" and other internal publications were issued to promote environmental education. 	<ul style="list-style-type: none"> C - Furthering employee education by e-learning A - Continued publication of environmental information for Kawasaki Group employees
	<ul style="list-style-type: none"> - Implementation of an Environmental Management System (EMS) and actions are taken based on this EMS by all employees. - Incorporation of environmental considerations into the business management of each internal company enhances their environmental management levels. - An environmental management information system is created. 	<ul style="list-style-type: none"> - Promoting the development of EMS among our subsidiaries around the globe - Promoting risk review activities to reassess environmental risks -- "Understanding of environmental risk" and EMS review based on that viewpoint - Establish an environmental risk management system -- Implementation of appropriate and quick response on the part of the entire Group based on legal compliance - Development of an environmental management information system for the entire Kawasaki Group 		<ul style="list-style-type: none"> - EMS was developed in 38 out of 60 major Japanese subsidiaries and affiliates. - Environmental education was conducted for the management of Japanese subsidiaries and affiliates. - A status survey of major overseas subsidiaries and affiliates was conducted and their problems were identified with an eye to developing EMS. - Potential risks were analyzed by each production factory, and those facilities facing high environmental risks were identified. - Problems facing the organization for environmental risk management were identified. - Problems facing development of a database for environmental management information were identified. 	<ul style="list-style-type: none"> A - Increase in the number of major Japanese subsidiaries and affiliates with EMS A - Monitoring of environmental data and improvement of risk management system of major Japanese subsidiaries and affiliates A - Increase in the number of major overseas subsidiaries and affiliates with EMS A - Identification of potential environmental risks and incorporation of countermeasures into the business plan C - Verification of the level of deterioration of environment-related equipment and incorporation of equipment renewal/improvement programs into the business plan C - Full use of the environmental risk management system C - Expansion of the range from which environmental management data is gathered, and improvement of the timeliness of such data gathering
	<ul style="list-style-type: none"> - Design for Environment (DfE) is used for all products to enhance their environmental efficiency. - Products are offered that help protect the environment, thus contributing to the environment, society and businesses. 	<ul style="list-style-type: none"> - Reduction of environmental impact throughout the product lifecycle - Increase in providing green products 		<ul style="list-style-type: none"> - The status of attention paid to the environment was investigated by each product field. - Green procurement started in the Rolling Stock Company. - Commercialization of new products, including woody biomass power generation and the large-scale nickel-metal hydride battery Gigacell®* was furthered. 	<ul style="list-style-type: none"> B - Evaluation of the degree of improvement in environmental performance for newly developed products and major products A - Sections engaged in green procurement: Improvement of green procurement level; sections not engaged: clarification of problems facing A - Social contribution through development of products providing environmental solutions, and the improvement of their performance
	<ul style="list-style-type: none"> - Administrative penalties and administrative provisions are avoided, and voluntary control standards based on the needs of society are established to improve environmental control levels. - Every production activity is free of irrationality and waste to enhance the efficient utilization of resources and energies. - Total greenhouse gas emission in FY2010 is reduced by 6% relative to the FY1990 level. - Total waste production in FY2010 is reduced by 10% relative to the FY2000 level. - Maintenance of zero emissions (recycling rate 100%) is realized in all works. - The use of hazardous chemical substances is reduced. 	<ul style="list-style-type: none"> - No administrative penalty, provision, etc. - A reassessment of voluntary control standards complying with revisions and records of related laws, regulations, and agreements - Further examination of problems for measuring and reducing the amounts of resources and energy input in production processes - Reduction in total emissions of greenhouse gases toward the FY2010 goal - Reduction in total waste emissions toward the FY2010 goal - Continued effort to achieve zero emissions and expansion of this activity throughout the entire Group - Implementation of hazardous chemical substances reduction program -- Reduction of the total emitted amount of VOCs toward the FY2010 goal -- Reduction of the handled amount of hazardous chemical substances toward the 2010 goal -- Drafting of a plan for the disposal of waste containing PCBs 		<ul style="list-style-type: none"> - Administrative measures and warnings were issued for six cases. - Environmental management standard values and environmental management rules were reexamined, corrected or revised. - Good energy-saving practices were diffused to all companies. - Greenhouse gas emissions increased by 7.5% against those in FY2005 because of increased business operations. - Total waste emissions increased by 7.5% against those in FY2005 because of increased business operations. - Major VOC emissions increased by 4.2% against those in FY2005. - The amount of hazardous chemicals handled increased by 6.8% against those in FY2005. 	<ul style="list-style-type: none"> C - No administrative penalty, measure, etc. B - Response to act amendment, factor analysis of legal violations or accidents, followed by diffusion of findings and knowledge obtained across the Group B - Development of a scheme to implement the target reduction in greenhouse gas emissions included in the business plan (This applies to wastes and hazardous chemical substances.) C - Collection data of greenhouse gas emissions and the total waste emissions of major Japanese subsidiaries and affiliates C - Continuation of achieving the quality improvement of, and increase in the number of zero emissions C C
	<ul style="list-style-type: none"> - Kawasaki Environmental Reports that comply with the needs of society are published. - Communication with stakeholders is promoted. - The entire corporation and all employees are committed to environmental improvement in local communities. 	<ul style="list-style-type: none"> - Improvement of information disclosure - Promotion of communication with stakeholders - Positive cooperation in environmental activities with national and local governments 		<ul style="list-style-type: none"> - The Kawasaki Report - Environmental and Social Responsibility was issued as a result of reinforcing the social responsibility portion thereof. 	<ul style="list-style-type: none"> A - Information disclosure for the improvement of social trust

* Gigacell® is the registered trademark of Kawasaki Heavy Industries, Ltd.



2002
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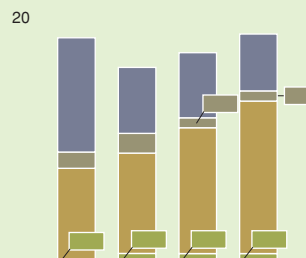
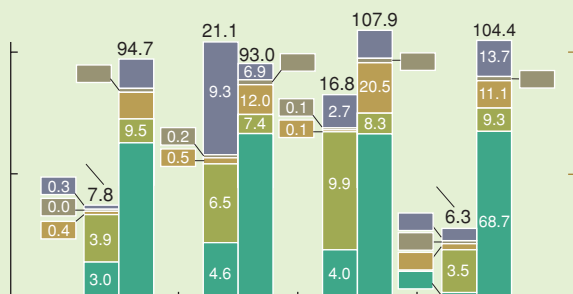
Environmental Accounting

Environmental accounting for FY2006 is shown below. The graphs show yearly changes in environmental investments, environmental costs, and economic effects. We grasp the cost-effectiveness of environmental management so as to provide feedback to plan and review of measures for the next year.

Environmental Accounting Calculations for FY2006

Item		Environmental Investments	Environmental Costs	Economic Effects	Environmental Preservation effects: Reduction as compared with previous FY (is an increase)		
Business area costs	Global warming prevention	165	1,373	Reduction of energy costs 423	Energy consumption	6,625	
					Reduction	455 TJ	
					Greenhouse gas emissions	314,073 t-CO ₂	
		Reduction				21,171 t-CO ₂	
	Efficient use of resources	20	162	Reduction of materials costs 55	Materials input	642,688 t	
					Reduction	34,018 t	
					Water consumption	7,669,000 m ³	
		Reduction				472,000 m ³	
	Resource recycling activities	Resource recycling activities	18	901	Income from recycling 1,334	Waste emissions	72,114 t
		Waste disposal costs	17	205	Reduction of waste disposal costs 76	Reduction	5,081 t
	Environmental risk control	348	928	—	Amount of waste recycled	69,657 t	
					Recycling ratio	97 %	
					SOx emissions	19 t	
					Reduction	4 t	
					NOx emissions	229 t	
					Reduction	30 t	
					COD emissions	15 t	
					Reduction	2 t	
	Subtotal	568	3,569	1,887	—		
	Comparisons w/ previous FY	44%	87%	110%	—		
Upstream/downstream costs		53	3,571	0	—		
Management activity costs		0	462	—	—		
R&D costs		0	2,635* ²	—	—		
Social activity costs		5	142	—	—		
Environmental damage compensation costs		2	56	—	—		
Total		628* ³	10,435	1,887	—		
Comparisons w/ previous FY		37%	97%	110%	—		

Item	Total	Item	Proportion
Total investments in FY2006* ⁴	29,278		
Total R&D costs in FY2006* ⁵	32,659		



Material Balance of Business Activities

We produce various products used on land, at sea and in the air. Raw materials, energy and water are input to those business activities, from which a variety of substances are emitted to the air or waters. We are trying to reduce environmental impact by those business activities by monitoring input and output.

Summary of Environmental Impact in FY2006

