The KHI Group believes that one of the pillars of our Group Mission is to contribute to the environment through our products. We will make thorough efforts in implementing product assessments and complying to overseas laws and regulations and voluntary regulations in industry, and will continue to promote consideration for the environment in our products in the entire KHI Group.

P A

For newly developed and designed products, as well as for particularly important products, KHI assesses products according to such criteria as resource-and energy-savings and recycling potential, with the goal of reducing the environmental impact of our products during their life cycles. Because specific evaluation techniques vary depending on the type of product, each business segment draws up product assessment rules appropriate to the characteristics of respective products. Main evaluation items of product assessment are shown below.

R EL D [*1], R HS D [*2], REACH R [*3]

Since 2000, laws and regulations related to chemical substances have been strengthened in the European Union by the establishment of such controls as the ELV Directive, the RoHS Directive, and the REACH Regulation. The RoHS Directive covers electric and electronic products, and some of the products made by the Precision Machinery Company and the Robot Division comply with this Directive. 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). We also apply this directive to some Precision Machinery Company products.

A M &E C

C Ex G

In fiscal 2012, we continued to tackle technologies that make exhaust from motorcycles cleaner, from a world standard perspective, and launched sales of the Ninja ZX-14R, the newest in a flagship lineup that reigns supreme in every sport-bike domain. By improving intake and exhaust systems, we have ensured that this motorcycle meets European exhaust gas restrictions and delivers high environmental performance.

The fuel injection system features throttle bodies fitted with sub-throttle valves[*1] and a remote idle speed control (ISC) valve[*2] to provide □ne fuel control perfectly matched to whatever driving conditions the rider encounters. As a result, this motorcycle offers outstanding engine performance without compromising efforts to meet tough exhaust gas standards.

Ninja ZX-14R

P 3R

Since October 2004, we have operated an independent motorcycle recycling system in cooperation with three other motorcycle manufacturers and 12 importers in Japan. In fiscal 2012, we achieved a recycling rate of 92.9%. From October 2011, the user burden of recycling costs has become completely free of charge. For new-model motorcycles, we emphasize environmentally conscious designs highlighting reduced materials and more recycling, right from the development phase. We conduct preliminary evaluations of efforts related to the 3Rs-reduce, reuse and recycle-before commencing design, prototyping, and mass-production phases. In particular, we seek to increase recyclability through greater use of materials that are easy to recycle and have achieved a potential recycling rate exceeding 90% on every model, with most models exceeding 95%. This potential recycling rate was calculated based on The Guidelines for Definition and Calculation Method on the Recyclability Rate for New Vehicles (1998 JAMA).

R E E S C

For new-model motorcycles sold in Japan, we already meet the voluntary targets of reduced environmental substances of concern (lead, mercury, hexavalent chromium and cadmium) set by the Japan Automobile Manufacturers Association, and we have also achieved voluntary targets for older models still being sold.

For general purpose engines and JET SKI® watercraft,