

	Companies' approach
□ Background and purpose of accounting	<ul style="list-style-type: none"> • To respond to the increasing request from investors and specific customers for information disclosure about supply chain carbon emissions. • To establish some methods for accounting for our own supply chain emissions in order to capture them. • To identify high potential target areas for GHG emissions reduction and implement more effective measures to reduce carbon emissions by accounting for our emissions.
□ Utilization of accounting results	<ul style="list-style-type: none"> • We identify priority target areas for reduction activities, by comprehending proportions of our carbon emissions by category. • We use our accounting results to evaluate the effects of our reduction efforts or activities on emissions across the supply chain. • We disclose information based on the result to investors and specific customers by their request.
□ Benefits of accounting	<ul style="list-style-type: none"> • By the result, we reconfirmed that our emissions from the “Use of sold products” are the largest contributor, and we continuously deal it as a priority target for our reduction activities. • We found that our emissions from “Purchased goods and services” are also a large contributor, along with the above, and we will actively deal it as a priority target for our reduction activities. • We have accounted for our supply chain emissions for some categories which have difficulties to account the emission, by using approximated models.
□ Internal system for accounting	<ul style="list-style-type: none"> • The Environmental Affairs Department at Headquarters organizes our carbon-related activities and initiatives across the company. • Basically, we use the calculation formula of “Quantity of Activities x Emission Unit Value” to account for our supply chain emissions. • The quantity of activities is based on the primary data drawn from our actual results, using existing internal company data collected from the relevant departments and divisions.

	Companies' approach
<p>□ Efforts to reduce supply chain emissions</p>	<ul style="list-style-type: none"> • As priority target areas for our reduction activities, we have identified two Categories of “Use of sold products” and “Purchased goods and services.” • To reduce our emissions from the “Use of sold products,” we have been promoting the development and marketing of energy-saving products and highly-efficient products. • To reduce our emissions from “Purchased goods and services,” we have been incorporating a “resource-saving” design through a reduction in size and weight, and the adoption of “materials with lower environmental load” in developing new products. • To pursue on a company-wide basis the initiative for product development including these feature elements, we have established a promotion program for externally disseminating those products that meet our original environmental criteria as either “Kawasaki Green Products” or “Kawasaki Super Green Products.”
<p>□ Issues in supply chain emissions accounting</p>	<ul style="list-style-type: none"> • Buildup-based cumulative data is preferred for the supply chain emissions accounting, but such an approach might involve difficulties in some calculation. So that, we use emission unit value databases to make calculations. • We need to develop and improve adequate emission unit value databases that can enable us to evaluate overseas business activities of consolidated businesses and supply chain companies abroad.
<p>□ Other remarks</p>	<ul style="list-style-type: none"> • The main point in accounting for us is to understand an overall profile and proportions of carbon emissions by category, using the primary data available within our company and the emission unit value. • By the proportions of emissions as captured above, we identify categories to be addressed by our company as priority target areas for emissions reduction activities, and build on these priorities to take strategic action.

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Kawasaki Heavy Industries, Ltd.

Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> Amount of (raw) materials procured (in value terms) (by setting scenarios) 	<ul style="list-style-type: none"> Emission factor by material type (Ministry of the Environment DB)
Category 2: Capital goods	<ul style="list-style-type: none"> Capital investment amount 	<ul style="list-style-type: none"> Emission factor per amount of money (Ministry of the Environment DB)
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> Amount of procured fuel used 	<ul style="list-style-type: none"> Emission factor per fuel used (Ministry of the Environment DB)
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> Transportation in ton-kilometers used by us as the sender Transportation in ton-kilometers used for suppliers' transportation (by setting scenarios) 	<ul style="list-style-type: none"> Specified Shippers under the Energy Saving Act Emission factor per fuel used and volume of transportation (Ministry of the Environment DB)
Category 5: Waste generated in operations	<ul style="list-style-type: none"> Amount of waste discharged, by type 	<ul style="list-style-type: none"> Emission factor by waste type (Ministry of the Environment DB)
Category 6: Business travel	<ul style="list-style-type: none"> Business travel expenses paid (by setting scenarios) 	<ul style="list-style-type: none"> Emission factor per amount of transportation expenses paid (Ministry of the Environment DB)
Category 7: Employee commuting	<ul style="list-style-type: none"> Number of employees by place of work 	<ul style="list-style-type: none"> Emission factor per employee (Ministry of the Environment DB) (by choosing applicable emission unit factor)
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> Means, weight and distance of transportation where we are not the sender (by setting scenarios) 	<ul style="list-style-type: none"> Emission factor per volume of transportation (Ministry of the Environment DB)
Category 11: Use of sold products	<ul style="list-style-type: none"> Amount of electricity used by our main products during use (Calculated based on estimated product-specific operating time, combined with power usage and the number of units delivered) Calculated based on specific scenario for conditions of use 	<ul style="list-style-type: none"> Emission factor per amount of electricity used (Global Warming Countermeasures Act; Ministry of the Environment DB)