

System and Roles

At Keihin, we have established "Environmental Initiatives" in which we have defined the directionality of our environmental conservation activities. To convert these initiatives into tangible form, the Company-wide Environment Committee organized to handle environmental matters is developing practical solutions. The following describes Keihin's system for working with environmental conservation activities and the roles within the same.

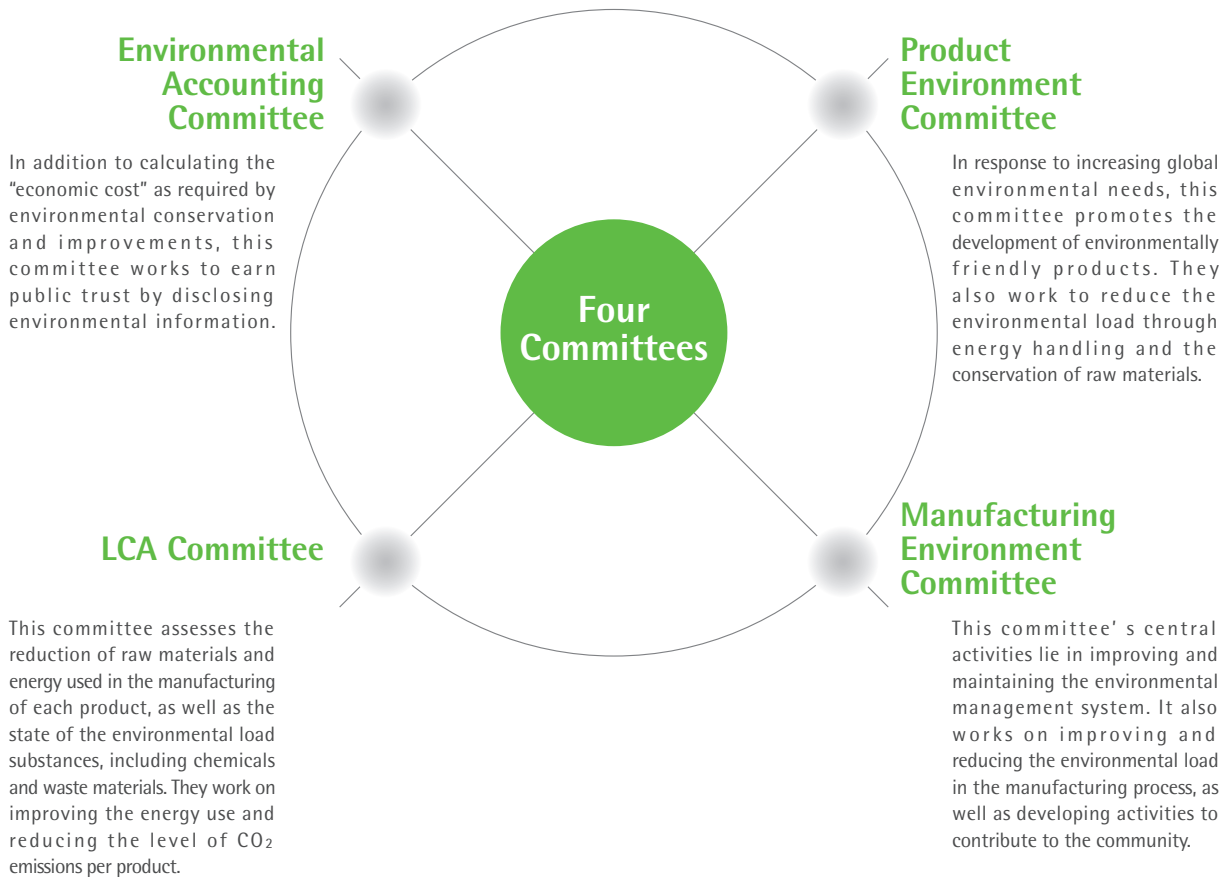
System

Fundamental ideas

In order to further the development of sound environmental solutions, Keihin operates using the following systems and mindsets:

- 1) In order to implement top level industry environmental management, Keihin accurately gages both domestic and overseas trends, exploiting its environmental management system as a base, and has also established a Company-wide Environment Committee. This committee consists of four sub-committees, each with its own function, to accommodate all areas requiring attention as related to the environment.
- 2) Each committee consists of a cross section of company employees. These committees are based on assessing the state of environmental issues at Keihin and publishing the results of improvements regarding these issues to the public.

● Company-wide Environment Committee



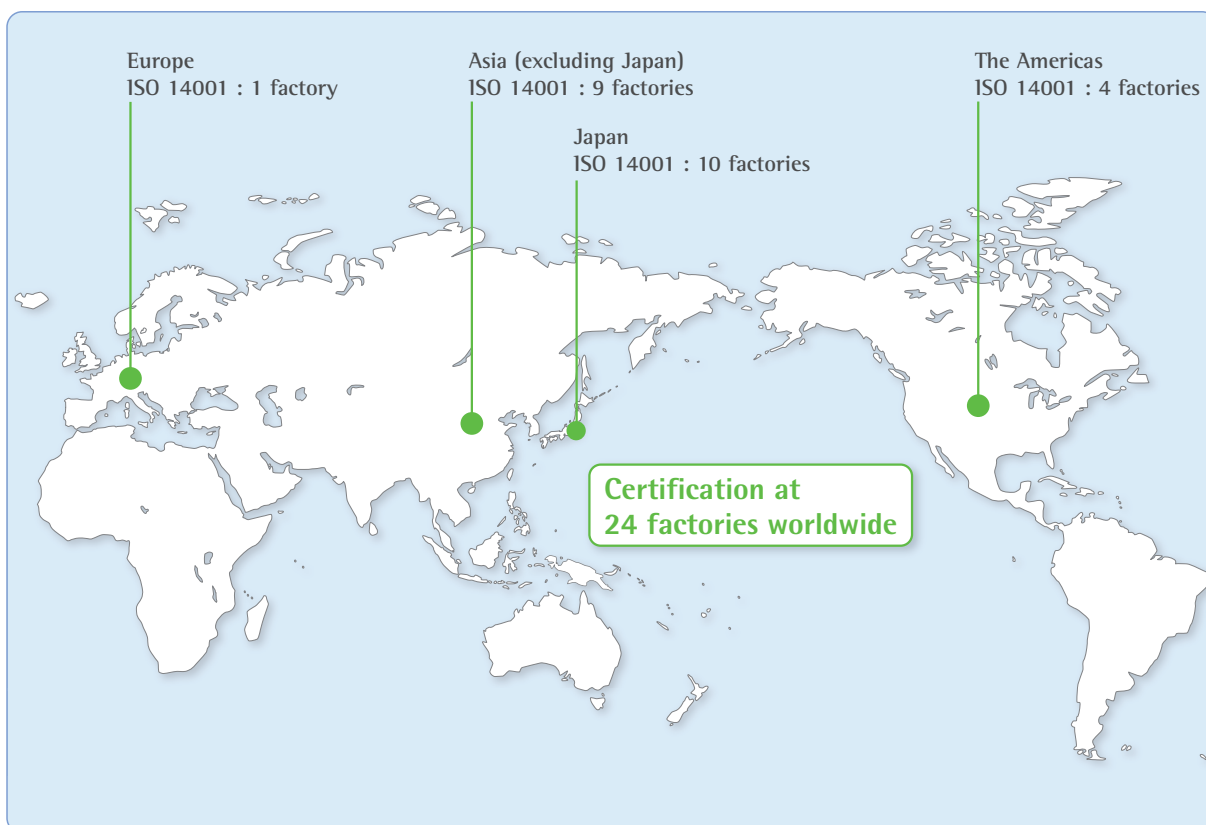
Environmental Management at Various Factories

Keihin prioritizes the reduction and thorough control of environmental load, and has promoted the acquisition of ISO 14001 certification, an international standard for environment management systems, at each of its factories.

In fiscal 2007, five domestic and overseas bases were certified. Additionally, Keihin Michigan Manufacturing was established as a new major production base for North America, while in Asia, the

Keihin FIE Pvt, Bawal Plant was opened in India. In future, we aim to further increase the number of certified factories and globally expand the acquisition of environmental management system certifications. Additionally, for factories that have already acquired certification, we will strive to further decrease environmental loads and continue improvements by maintaining the systems, reducing CO₂ emissions and utilizing resources effectively.

● Status of environmental management system certification acquisition at the end of fiscal 2008



Environmental Auditing

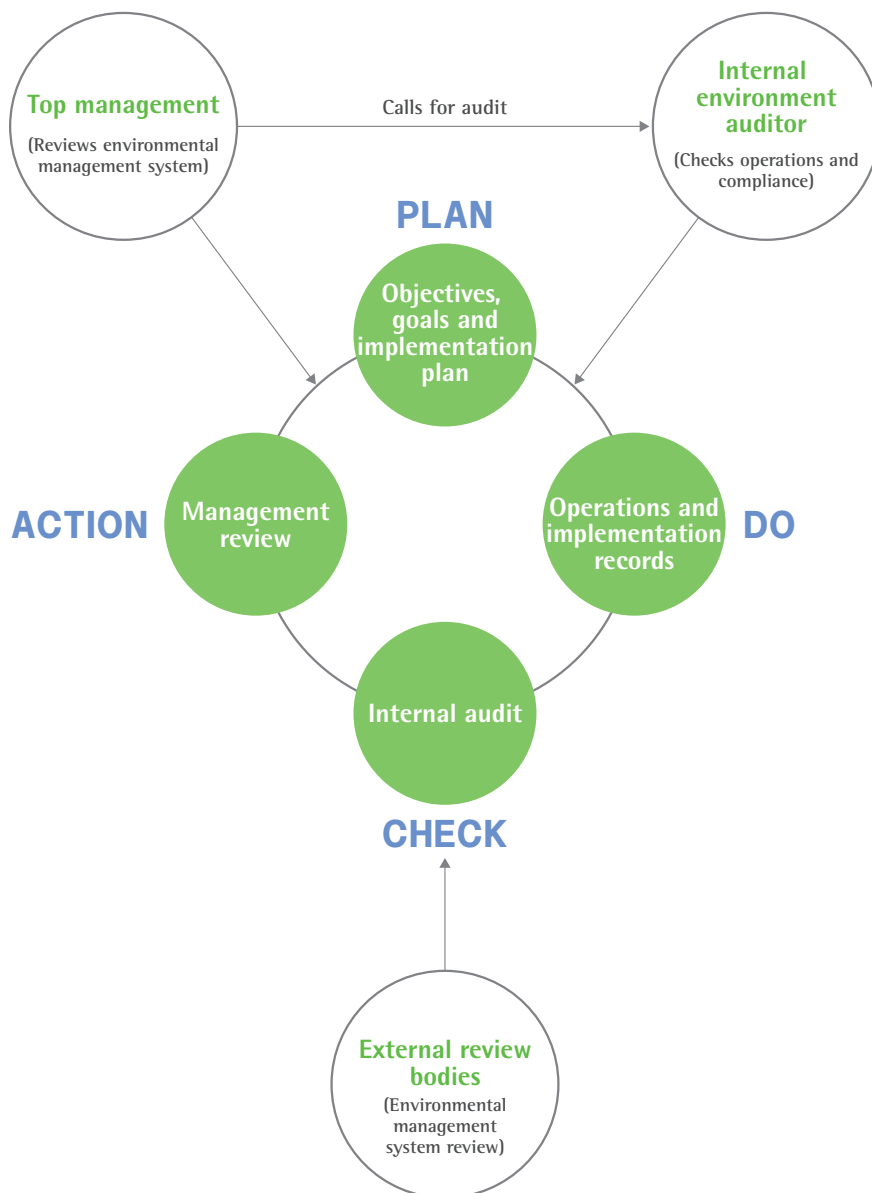
Environmental conservation activities at production bases are carried out by following the environmental objectives, goals and implementation plan as decided by top management in the Annual Objectives and the Mid-term Plan.

For an environmental audit, auditors are dispatched to each office or plant for mutual auditing to raise the level of internal environmental auditing while maintaining objectivity and fairness.

In fiscal 2008, internal environment audits indicated 2 problems and 21 points to note, while external environment audits showed 2 minor problems and 8 points to note.

The minor problems were quickly resolved.

● Mechanism of environmental audit



Environmental Risk Management

Compliance

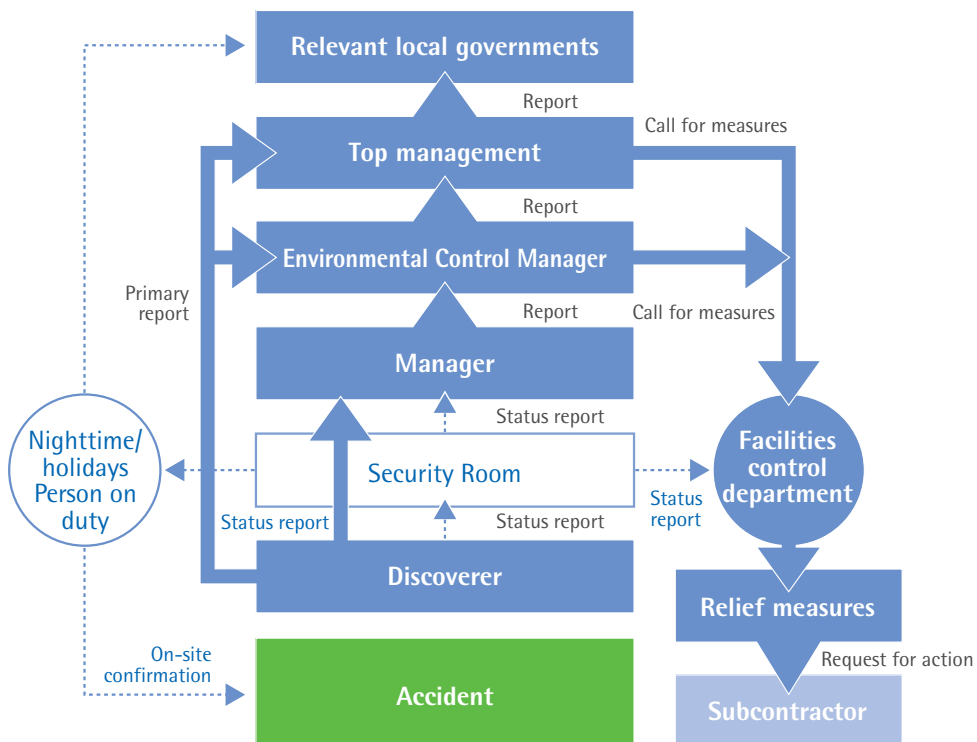
In working towards the realization of Keihin's environmental initiatives, environmental management systems have been implemented at production bases and in each business segment. In addition to implementing sustained and continuous environmental improvements, we have also established an independent control standard more stringent than national regulatory standards and will strive for complete compliance with the same. Also, as part of corporate governance, compliance and risk management will be addressed systematically by adhering to all laws and regulations, and a compliance officer will be appointed.

Handling emergency situations

When an accident causing environmental contamination occurs, considerable time and expenditure are required for recovery. Based on full compliance with legally prescribed emission standards, and in order to minimize the strain on the environment, Keihin has established procedures and mechanisms to prevent and reduce pollution at each production center and elsewhere.

Possible accidents are identified and estimated, and emergency situation drills are carried out regularly in preparation for the unlikely event of an accident. Furthermore, if an accident affects an area outside the plant boundaries, or if a situation not covered by laws and regulations occurs, we will take measures as established in the "Emergency situation action flowchart" to minimize the effects on the environment.

● Emergency situation action flowchart (-----> nighttime / holidays)



Environmental Accounting and Education

Environmental Accounting

Keihin identifies the costs and effects of reducing the environmental load and calculates the total cost of environmental conservation activities.

The costs and effects of reducing the environmental load are identified for each category and used as a tool to address environmental policies.

In addition, a clear picture of the company's environmental conservation activities is provided by disclosing environmental accounting information. In response to the worsening economy this fiscal year, research and development funds were used efficiently, thus reducing environmental conservation costs compared to the previous fiscal year.

1. The following are included in the above accounts:

● Companies included

- Keihin Corporation
- Keihin Watari Co., Ltd.
- Nasu Seiki Mfg. Co., Ltd.
- Keihin Electronics Technology Inc.
- Kanazu Mfg. Co., Ltd.
- Keihin Valve Corp.
- Keihin Sogyo Co., Ltd.

● Period: April 1, 2008 through March 31, 2009

2. This report was created following the Environmental Accounting Guidelines/Guidebook published by the Ministry of the Environment.

3. Depreciation allowances and electrical power charges for environmental equipment are not included in this report.

Environmental Education

At Keihin, we provide environmental education to raise the environmental awareness of each and every employee, as well as create a better



environmental management system. In sessions held for new employees and internal auditors, approximately 158 people attended seminars this fiscal year. Aiming to hone the skills of internal auditors, revision courses on the environment were also implemented. While set up on the basis of the ISO 14001 standards, they explored themes including "What is an environmental management system?", "Effects of business operations on the environment" and "Basic knowledge on environmental law."

Cost of Environmental Conservation (Unit : million yen)				
Category		Amount invested (million yen)	Cost (million yen)	Effects of environmental conservation (measured by volume of materials)
Cost within business areas	Pollution control cost	64	3	Electrical power consumption reduction : 927,000 kWh LPG consumption reduction : 50 tons Waste reduction : 277 tons
	Global environmental conservation cost	30	2	
	Resource recycling cost	0	140	
Up and downstream costs (purchasing green products)		0	41	
Cost of management activities (Environmental management staff costs, etc.)		0	102	
R & D costs (Cost of developing environment-friendly products)		437	6,052	
Cost of community activities (Cost of publicizing information, etc.)		2	6	
Cost of environmental degradation (Environmental contamination fines)		0	1	
Sum		533	6,347	
Sum total		6,880		

*Figures based on Keihin benchmarks