

As set out in the Three Corporate Principles that have governed our corporate conduct since our founding, MC is dedicated to helping improve the global environment and the sustainability of society as a whole. Our vision is also expressed in our Corporate Standards of Conduct, which sets out how MC will fulfill its responsibilities to society in every aspect of its business activities, and in the Mitsubishi Environmental Charter, which provides guidelines on preserving the global environment.

Corporate Social Responsibility Vision

▶ Three Corporate Principles

Our Three Corporate Principles form the underlying basis for all aspects of MC's business activities, including our efforts to achieve sustainable development. The Principles were formulated in 1934 to be the action guidelines of the Mitsubishi Trading Company (Mitsubishi Shoji Kaisha), and were based on the teachings of Koyata Iwasaki, Mitsubishi's fourth president. Although Mitsubishi Trading Company ceased to exist as of 1947, the principles were adopted as Mitsubishi Corporation's corporate philosophy, and their spirit lives on in the actions of today's management and employees.



Corporate Responsibility to Society

"Shoki Hoko"

Strive to enrich Society, both materially and spiritually, while contributing towards the preservation of the global environment.

Integrity and Fairness

"Shoji Komei"

Maintain principles of transparency and openness, conducting business with integrity and fairness.

International Understanding through Trade

"Ritsugyo Boeki"

Expand business, based on an all-encompassing global perspective.

► Corporate Standards of Conduct (Note 1)

1. Aim of Corporate Business Activities

Through its business activities, Mitsubishi Corporation will endeavor to increase its value. At the same time, the company will strive to enrich society in all ways, developing and offering its customers the best services and products, with the highest regard for safety.

2. Fairness and Integrity in Corporate Business Activities

Mitsubishi Corporation will continue to develop its business activities in compliance with all relevant laws, international regulations and internal rules. The company will act responsibly and will respect the highest social standards.

3. Respect for Human Rights and Employees

Mitsubishi Corporation will respect human rights and will not engage in any discrimination. The company will preserve and improve its corporate strengths through the development of its employees, all the while respecting the character and individuality of each employee.

4. Information Security and Disclosure

While Mitsubishi Corporation will continue to develop, implement and improve the effectiveness of its information security management system, at the same time the company will disclose information accurately and in a timely fashion, so as to maintain transparency and be correctly understood by both its stakeholders and the general public.

5. Consideration for Environmental Issues

Mitsubishi Corporation understands that an enterprise cannot continue to prosper without consideration for its environmental performance, and will strive to protect and improve the global environment and pursue sustainable development through all aspects of its business activities.

6. Contribution to Society

As a responsible member of society, Mitsubishi Corporation will actively carry out philanthropic programs in an effort to promote the enrichment of society. Moreover, the company will support efforts of its employees to contribute to society.

Note 1: Corporate Standards of Conduct

In order to take into account changes in the scope and definition of CSR and the launch of INNOVATION 2007, MC has revised its former "Standards of Conduct" into a new "Corporate Standards of Conduct," adding a new and separate item concerning "Respect for Human Rights and Employees."

► Environmental Charter

Basic Philosophy

As a sound global enterprise, Mitsubishi Corporation recognizes that an enterprise cannot continue to exist without consideration for its environmental performance.

We will strive to preserve and improve the global environment and pursue sustainable development through all aspects of our business activities.

Guidelines for Corporate Action

1. Conformity with Environmental Laws and Regulations

We will act in accordance with environmental laws and regulations of the national and local authorities to prevent environmental degradation in the countries where we operate. We will also adhere to relevant international conventions and incorporate respect for international standards.

2. Natural Environment

We will develop resources, pursue investments, and promote transactions with careful consideration of the environmental impacts of our activities on local communities and ecosystems.

3. Resources and Energy

We will actively promote the efficient use and reuse

of natural resources and energy while also employing forms of energy that minimize the environmental impacts of our operations.

4. Recycling Economy and Society

We will contribute to the development of a sustainable recycling economy and society where resources are wisely used and waste is minimized, through the introduction of new technologies and the efficient utilization of our information.

5. Environmental Management System

In accordance with this Environmental Charter, we will seek ways to continually improve our environmental management system.

6. Announcement and Public Release of the Environmental Charter

This Environmental Charter will be disseminated among the management and all employees of Mitsubishi Corporation. The company will promote environmental education to ensure that these principles are understood and acted upon throughout the organization. In addition, our Environmental Charter will be made available to the public.

► Basic Tenets on Human Rights

In developing its diverse array of businesses throughout the world, MC believes that respect for human rights is a vital element of its corporate social responsibility. The Mitsubishi Corporate Code of Conduct stipulates clearly that the company will "respect human rights; will not engage in discrimination on the basis of race, ethnicity, creed, religion, or any other grounds; will not tolerate sexual harassment; will foster a proper understanding and

awareness of the issue of human rights; will respect the cultures, customs, and language of other countries and regions; and will promote and maintain harmony with the international and local communities in which it operates." Moreover, MC is committed to all international conventions on human rights, including the Universal Declaration of Human Rights (Note 1), ILO Core Labor Standards (Note 2), and the Voluntary Principles of Security and Human Rights (Note 3).

Note 1: Universal Declaration of Human Rights

<http://www.un.org/Overview/rights.html>

Note 2: ILO Core Labor Standards

<http://www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm>

Note 3: Voluntary Principles on Security and Human Rights

<http://www.state.gov/g/drl/rls/2931.htm>

► Affirmation of the Universal Declaration of Human Rights

On December 10, 1948 the Third Session of the General Assembly of the United Nations adopted the Universal Declaration of Human Rights. This declaration put forth a common standard of achievement for all peoples and all nations to promote respect for human rights and freedoms. MC endorses the Declaration.

In addition to the Declaration, the United Nations has also adopted two Conventions on International Human Rights, through which signature parties pledge to uphold the articles of the Universal Declaration of Human

Rights. One of the two conventions focuses on civil and political rights, and the other with issues of economic, social, and cultural rights. Adopted in 1966 at the 21st Session of the General Assembly of the United Nations, the International Covenant on Civil and Political Rights came into effect in 1976 and the International Covenant on Economic, Social and Cultural Rights came into effect in 1976. MC endorses the Covenants, specifically citing them in the by-laws of its Corporate Code of Conduct as one of the relevant standards that the company and its employees will uphold.

Summary of the Universal Declaration of Human Rights

The Universal Declaration of Human Rights put forth a "common standard of achievement for all peoples and all nations" to ensure respect for human rights and freedoms, and as such, is an important milestone in the history of human rights. It was adopted on December 10, 1948 at the Third Session of the General Assembly of the United Nations.

The Declaration is comprised of a preamble and 30 articles. Article 1 states that, "All human beings are born free and equal in dignity and rights. They are

endowed with reason and conscience and should act towards one another in a spirit of brotherhood." Article 2 prohibits discrimination on the basis of race, color, sex, language, religion, political, or other opinion, national or social origin, or any other grounds. Articles 3 to 21 address basic civil and political rights, and Articles 22 through 30 address economic, social, and cultural rights. The Fifth Session of the General Assembly of the United Nations declared December 10 of each year to be "Human Rights Day."

► Compliance with International Labor Standards

The ILO (International Labour Organization) was founded in 1919 on the basic principle that "lasting world peace is only possible when built upon a foundation of social justice." One of the most important functions the ILO performs is the development of international standards for adoption in the form of Conventions and Recommendations, and ensuring the enforcement of those standards through ratification by member states. Recommendations set out guidelines for policy, legislation, and practices. Since its foundation, the organization has adopted Conventions and Recommendations that cover nearly every issue that affects the working world. Eight core Conventions form the International Labour Standards. MC endorses all eight of the Conventions, specifically

citing these Conventions in the by-laws of its Corporate Code of Conduct as being among the relevant rules and regulations the company and its employees will uphold.

The following eight Conventions make up the ILO Core Labor Standards:

- No. 29 Forced Labor Convention
- No. 87 Freedom of Association and Protection of the Right to Organize Convention
- No. 98 Right to Organize and Collective Bargaining Convention
- No. 100 Equal Remuneration Convention
- No. 105 Abolition of Forced Labor Convention
- No. 111 Discrimination (Employment and Occupation) Convention
- No. 138 Minimum Age Convention
- No. 182 Worst Forms of Child Labor Convention

► Declaration of Affirmation of Voluntary Principles on Security and Human Rights

Voluntarily proposed during a series of talks on security and human rights among the U.S. and U.K. governments, private corporations in the resource and energy sectors, NGOs with an interest in human rights and corporate social responsibility, and other organizations, the Voluntary Principles on Security and Human Rights are basic tenets designed to ensure that basic human rights and safety are respected in the workplace. These principles include: "Acknowledging that security is a fundamental need, shared by individuals, communities, businesses, and governments alike, we recognize that security and respect for human rights can and should be consistent;" "As those responsible for protecting company assets from theft and violence, company security personnel must recognize the potential risk of

the violation of human rights through the misuse of firearms;" "Companies recognize a commitment to act in a manner consistent with the laws of the countries within which they are present, to be mindful of the highest applicable international standards, and to promote the observance of applicable international law enforcement principles, particularly with regard to the use of force;" and "As members of their local communities, Companies recognize the value of engaging with civil society to contribute to the welfare of the local community." In addition, the Voluntary Principles also provide rules for governing corporate conduct and the role played by government in the arena of corporate business activity. MC endorses the Voluntary Principles on Security and Human Rights.

► Promoting Greater Employee Awareness of Corporate Social Responsibility

In order to promote a deeper understanding of our corporate principles and ensure greater compliance with international and local standards, MC distributes a palm-sized booklet on this subject to executives and employees. Entitled *On-the-Go Information for Employees*, this booklet comprises five chapters: "Corporate Principles and Compliance," as well as "Corporate Planning," "ISO14001," "Countering Computer Viruses," and "Responding When Disaster Strikes." The core guidelines cited in the chapter "Corporate Principles and Compliance" are MC's three Corporate Principles (Corporate Responsibility to Society, Integrity and Fairness, and International Understanding through Trade). Designed to ensure a thorough understanding of, and compliance with,

corporate social responsibility and compliance guidelines, this booklet outlines the objectives of MC's corporate activities; defines fairness and integrity in corporate activities; contains the company's Corporate Standards of Conduct to ensure respect for human rights and employees; provides information about information security, considerations for the global environment and activities that contribute to society; and also contains the Code of Conduct that governs executives' conduct in corporate activities. Small enough to be carried for instant access, *On-the-Go Information for Employees* is a valuable reference tool for promoting greater employee awareness and understanding of these issues.

► Respect for and Expression of Human Rights

MC added a new item concerning "Respect for Human Rights and Employees" into our revised Corporate Standards of Conduct this year. The new text states clearly that MC will respect human rights and will not engage in any discrimination. However, the issue of how far back along the product and service supply chain a company is able to verify

practices with regard to human rights – how far a company's responsibility extends – is difficult to determine. MC is therefore working to further the debate about human rights throughout the MC Group through the examination of social considerations in the supply chains of the commodities and the services that we handle.

MC aims to maintain mid- to long-term growth by focusing on continuously reinforcing our management base. INNOVATION 2007, MC's medium-term management plan, also stresses the continuous reinforcement of corporate governance and the improvement of internal controls as important management issues for ensuring future growth.

Corporate Governance and Compliance Framework

► MC's Corporate Governance Framework

Note 1: Governance Committee

An advisory council for the Board of Directors, the Governance Committee deliberates on issues regarding the MC governance structure and systems. This committee incorporates outside perspectives, and presents its opinions on these issues to the Board of Directors. The Committee consists of internal and external Directors/Corporate Auditors and experts from outside the company.

Note 2: International Advisory Committee

An advisory council for the Board of Directors, the International Advisory Committee offers a global perspective in its suggestions on management and corporate strategy. The Committee consists of internal and external Directors and members from outside of Japan.

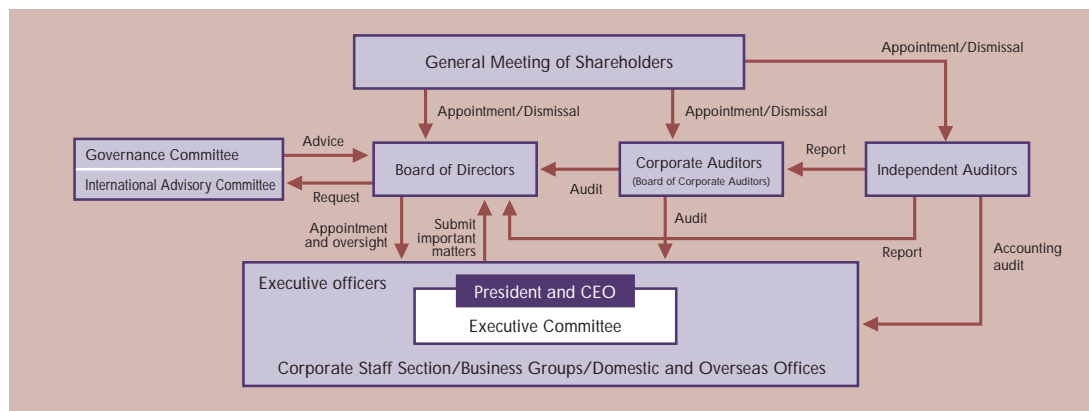
The 2002 revision of the Japanese Commercial Code includes a provision that allows Japanese companies to add a Committee System to their Board of Directors. Believing, however, that improving the efficacy of our corporate governance framework is more important than any particular structure or formula, MC made the decision to maintain its existing auditing system. Our corporate governance framework has been improved and strengthened by adding legal bodies and a governance structure, appointing outside directors, and introducing executive officer posts and an advisory committee.

The MC Board of Directors consists of 17 members, including four outside directors. The Board is responsible for making decisions on major management issues and overseeing the execution of day-to-day operations. The five corporate auditors, three of whom are appointed from outside the company, audit the directors in the execution of their duties. Independent auditors are responsible for auditing the company's financial statements.

The creation of the post of executive officer in 2001 helped to clearly separate the roles of our directors and executive officers and clarify their responsibilities. The establishment of the Governance Committee (Note 1) and the International Advisory Committee (Note 2) as advisory bodies has also enhanced the Board of Directors' management oversight role. In addition, the length of terms served by directors was reduced from two years to one in 2004 in order to keep the Board of Director structure flexible and agile.

The President, as the company's chief executive officer, and the Executive Committee, the highest-ranking decision-making body of executive officers, have the greatest responsibility for the execution of the company's day-to-day business operations. Major management decisions are made when the Board of Directors meet to discuss important issues referred to them by the Executive Committee.

MC's Corporate Governance Framework



▶ MC's Compliance Framework

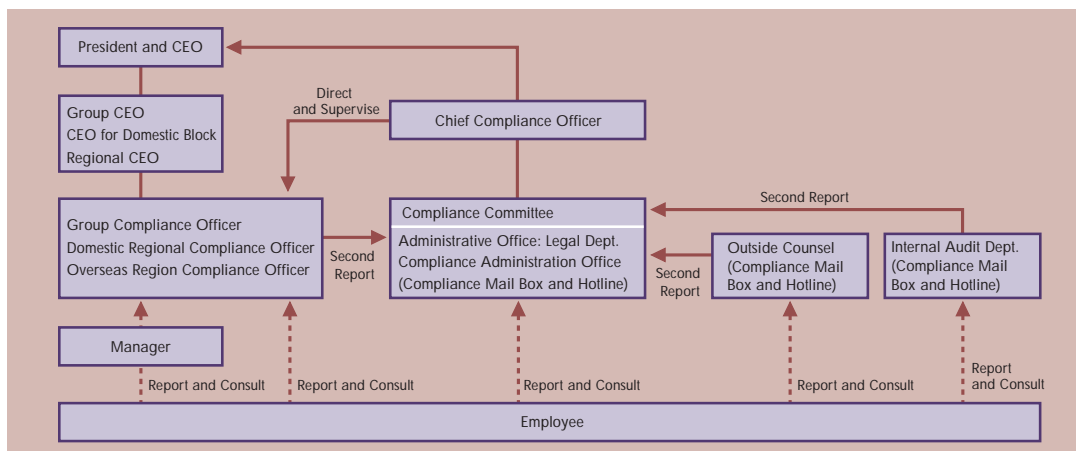
MC has worked to enhance and strengthen its internal compliance structure, as mandated by its Three Corporate Principles and its Corporate Standards of Conduct. These efforts focus on two levels: the individual and the systemic. We promote a thorough understanding of compliance among employees by asking each officer and employee to submit in writing a confirmation of their acceptance of our Code of Conduct, a document that outlines the type of conduct MC demands of its employees. At the systemic level, we have implemented an internal compliance framework, in line with the Basic Rules for Organization and Operation regarding Compliance established in January 2004. Finally, over the past fiscal year, MC has also put in place clear penalties to be imposed against those who violate compliance codes and regulations.

The chart below outlines the current MC compliance framework. When a problem concerning compliance arises, an investigation is conducted and the Compliance Officer appointed to each business group, domestic block and foreign region implements the measures and improvements needed, under the direction and supervision of the Chief Compliance

Officer. The Company-wide compliance policy is deliberated upon and adopted at the twice-yearly meetings of the Compliance Committee. By developing the framework outlined above, MC has established a unified and uniform compliance structure. We are committed to ensuring that the spirit, as well as the letter, of this framework informs our day-to-day operations.

In order to reinforce the consolidated management system outlined in INNOVATION 2007 as part of our efforts to enhance the value of the entire MC Group, MC is focused on strengthening our policy to enable us to develop and implement compliance frameworks of the same standard as the one outlined here at each group company around the world. We have, for example, expanded our internal reporting system to a consolidated level by creating a suggestion box system for consultation with outside compliance attorneys for all Japanese subsidiaries in February 2005. This is an improvement upon the suggestion box systems created in November 2001 for consultation with the Secretariat for the Compliance Committee and compliance attorneys outside MC.

MC's Compliance Framework



Mitsubishi Corporation Code of Conduct – Adopted 2000

Basic Policy

All officers and employees of Mitsubishi Corporation (the "Company") must comply with all applicable laws, rules and regulations where they operate, international standards and rules, and all internal corporate rules and policies. In addition, all officers and employees of Mitsubishi Corporation must act in a socially responsible manner by complying with generally accepted standards in the conduct of their business.

Basic Principles

1. Respect human rights, and refrain from discriminating on any basis, and from engaging in any form of harassment.
2. Maintain a high regard for environmental considerations in conducting our business operations, and ensure that our business is conducted in an environmentally sustainable manner, and comply with treaties, laws and regulations concerning the environment.
3. Promote fair business practices and comply with trade rules and regulations.
4. Comply with the rules and regulations of international trade.
5. Protect and properly use confidential and proprietary information, protect the rights of the Company and respect the rights of others.
6. Refrain from engaging in insider trading.
7. Avoid conflicts of interest with the Company; maintain a distinction between corporate and private business.
8. Maintain proper legal and ethical standards with respect to gifts and entertainment.
9. Resolutely oppose any organization, group or individual engaged in unlawful activities and do not provide money or other types of economic benefits to them.
10. Promptly report to or consult the superiors, the Group Compliance Officers, the Domestic Block Compliance Officers, the Foreign Regional Compliance Officers, the relevant departments, the Secretariat for the Compliance Committee, or the outside counsel in charge of compliance, upon discovering or committing any violations of this "Code of Conduct."

Throughout its wide-ranging businesses, from commercial trading to resource development, MC pays due consideration to environmental and social issues as part of its commitment to corporate social responsibility (CSR). To help create a sustainable society, MC has taken upon itself the task of understanding the environmental and social impact of its corporate activities, and of reducing or improving that impact. An introduction to our systems and initiatives for tackling this challenge follows.

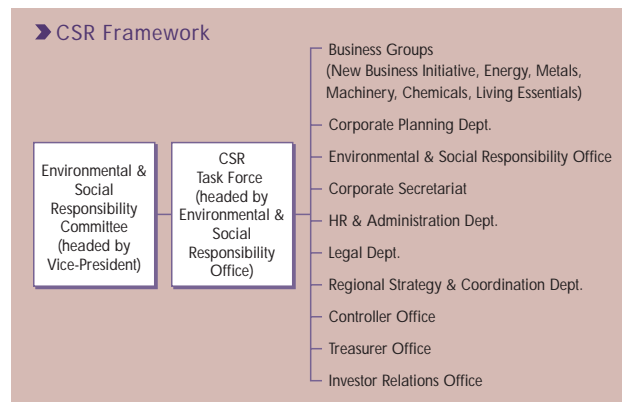
CSR Management System

► CSR Organizational Structure

The CSR framework at MC is structured around the Environmental & Social Responsibility Committee and the CSR Task Force. The Environmental & Social Responsibility Committee, headed by an MC Vice-President and consisting of the Environmental and Social Responsibility Managers of each Business Group and the heads of each department in the Corporate Staff Section, discusses policy and measures to be taken in regard to three topics: CSR, global environmental issues, and corporate citizenship.

The CSR Task Force (under the Environmental and Social Responsibility Office) consists of mid-level managers from each Business Group and each department of the

Corporate Staff Section. This task force studies information sharing among MC departments and related policies.



► Priority Issues for the CSR Task Force

At MC, we are currently focusing on employee education, identifying current internal CSR issues and information disclosure as our priority CSR issues.

Employee Education

MC works to promote an in-depth knowledge and awareness of CSR issues among our employees through a range of training tools, including lectures by CSR experts and web-based educational materials.

Identifying Internal CSR Issues

As part of our focus on strengthening risk management, loan and investment proposals handled by the Business Group now include comments concerning such corporate social responsibility issues as human rights, labor conditions, and consideration of local communities, as well as some that address global environmental issues. MC also monitors its

business investments, conducting surveys on CSR issues in order to promote a greater understanding of the appropriate measures to be taken. We have also introduced surveys designed to identify the status of CSR along our entire product supply chains.

Information Disclosure

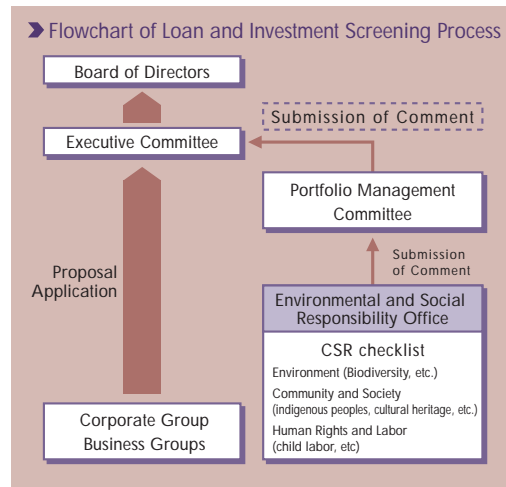
MC discloses information regarding its CSR efforts in its Sustainability Report and on its website. In recognition of our efforts and our focus on ensuring transparency in information disclosure, MC is listed on the FTSE4Good Index and the Dow Jones Sustainability Index (DJSI), two well-known Socially Responsible Investment (SRI) indexes.

► CSR-Based Loan and Investment Screening

MC established the system outlined below in order to introduce environmental and social responsibility considerations as criteria for use in determining whether or not we should extend loans to, or invest in, a business:

1. Inclusion of social and environmental impact items on loan and investment applications
2. Screening by the Environmental and Social Responsibility Office of any impact on society and the environment

The Environmental and Social Responsibility Office refers to the Japan Bank for International Cooperation's Guidelines for Confirmation of Environmental and Social Considerations, and guidelines issued by the International Finance Corporation (IFC) in its screening process. This office also uses a CSR checklist that includes screening of environmental impact, as well as the social aspects of proposed loans and investments,



such as human rights and labor conditions at the global level.

► Identifying Internal CSR Issues

CSR Survey of Business Investments

MC invests in companies operating in a wide array of industries ranging from resource development to manufacturing, distribution, sales, and services. MC understands the need to ensure good CSR governance not only in its own departments and divisions, but at the companies in which it invests as well. Toward this end, in the last fiscal year we introduced assessments designed to identify the status of labor conditions, human rights, support of local communities, and products and services, in addition to environmental aspects. We have also initiated activities designed to identify conditions along the supply chains of companies in which we invest by introducing new items in the assessment process for suppliers.

Identifying Product Supply Chain Conditions

Consumers have recently become much more interested in the traceability of products. There is also a growing movement demanding that greater attention be paid to human rights and labor conditions at farms where produce is grown and factories where apparel is made through, for example, by expanding the certification system for produce and other primary products to all countries worldwide.

Against this backdrop, MC has begun implementing assessments designed to identify conditions along the supply chains for a certain segment of the products it handles, namely produce and apparel. Although these assessments address only an extremely limited number of the products in the vast MC product line, we intend to continue our efforts to realize sustainable supply chains.

► CSR Communication

Information Disclosure

Based on the spirit of "integrity and fairness," MC works to ensure that our business activities are consistent with our principles of openness and transparency. MC took the lead in 2002, revising its environmental reporting style and issuing sustainability reports ahead of similar moves by other companies. This year marks the fourth year that MC has operated under this new style. In March of last year, MC invited a diverse group of stakeholders to take part in its first Stakeholder Dialogue. This year, dialogues were held in Tokyo, London and New York, providing valuable

feedback and opinions on MC businesses and environmental and social activities from a global perspective. MC also actively works to address inquiries (through questionnaires, interviews and other means) from various stakeholders on our socially responsible investments (SRI) and other issues. Communication with a diverse group of those who have a stake in society only serves to further enhance corporate performance. MC is committed to furthering these two-way dialogues to ensure that the voices of even more stakeholders are heard and their opinions incorporated in our business management policy.



Past sustainability reports

► Features of Mitsubishi Corporation's Environmental Management System

Business Activities

MC utilizes its numerous domestic and overseas offices and wide variety of products and services to develop its business on a global scale. Our commercial trading

activities and various business investments around the world have brought us into a close relationship with the environment.

Environmental Activity Highlights

Due to the breadth and depth of the business activities of the MC Group, we understand the need to regularly assess not only the way in which we directly impact the environment, but also the impact imposed on the environment by our partners and companies in which we have invested. In this context, we aim to reduce our environmental impact by conducting Environmental Impact Assessments on our own products and investments, and by offering our partners suggestions and directions on how they can improve their environmental performance. We also monitor the

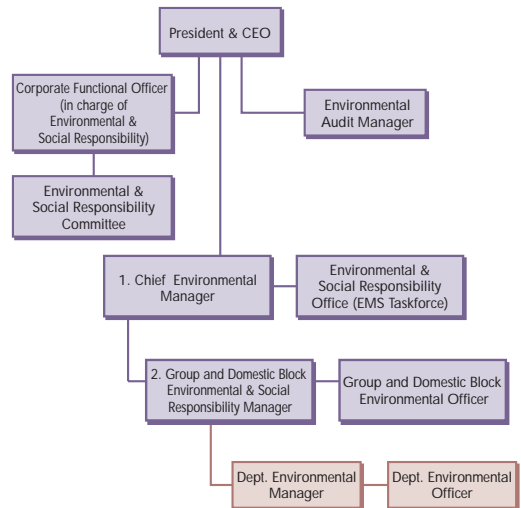
environmental management approaches taken by the businesses we have invested in, conducting environmental surveys to identify current environmental performance, and implementing risk management measures. MC has direct control over the environmental aspects of the activities of our own offices, and we strive to reduce the burden we impose on the environment by setting specific numerical targets to be achieved. MC uses the ISO14001 system to promote sound environmental management and ensure that our employees share a thorough understanding of environmental issues.

► Environmental Management Organizational Structure

In the MC environmental management organizational structure, the President & CEO of MC bears the ultimate responsibility for the environmental management system, which is driven by the participation of all of our employees.

1. Chief Environmental Manager: Responsible for the overall operation of the environmental management system.
2. Group/Block Environmental and Social Responsibility Managers: Responsible for environmental management system operations and oversight, as well as the company's response to CSR-related issues at the Group and Block levels.

Group and Block Environmental Managers (of which there are approximately 400) are responsible for overseeing Environmental Impact Assessments within each department and division, as well as for identifying and recording the status of CSR office policy implementation.



► Environmental Impact Assessments and Socio-Environmental Reviews of Business Investments and Commercial Transactions

Understanding Environmental Impact

MC invests in businesses operating in a wide range of fields, some of which have the potential for significant impact on social and environmental conditions.

Similarly, some of the large assortment of products we handle may also significantly impact the environment. In order to accurately understand these conditions, top-level management fills out environmental impact assessment cards on a yearly basis to determine environmental factors and assess the impact of our business investments and commercial transactions.

Environmental Impact Assessment Tools

Business investments and commercial transactions are subject to separate assessments under both normal and extraordinary conditions. The evaluation of business investments covers the environmental impact of activities conducted during each step of the process, from resource development, to manufacturing, and processing, all the way through sales. Commercial transactions are evaluated in terms of their impact on the environment at each stage of their lifecycle, beginning with the procurement of raw materials and extending to usage and disposal. Assessments take into consideration the features of the product, the extent to which MC is able to use its influence, claims by the parties concerned, and whether environmental laws and regulations are being applied, among other factors.

In fiscal 2004, MC Environment Impact Assessments were conducted to determine environmental factors and socio-environmental impact at 463 companies in which it has business investments (including 236 overseas firms), with 964 product lines.

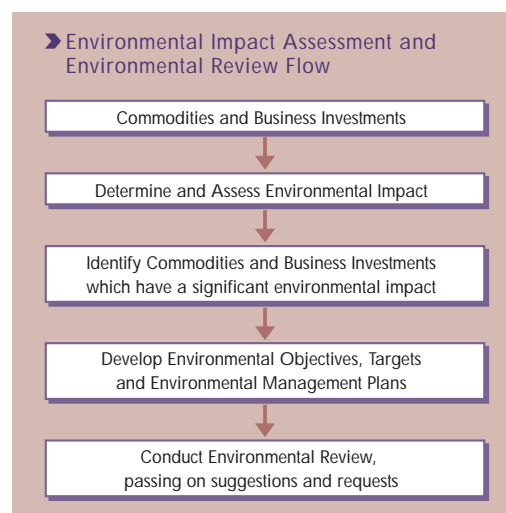
Annual assessments give our employees the opportunity to evaluate the relationship of the specific tasks they handle to the environment. These assessments are also an important educational tool for helping individual employees develop greater sensitivity to environmental issues and improve their ability to respond to these issues.

Environmental Review

MC also conducts annual Environmental Reviews of its partners and the companies in which it has invested to provide a comprehensive evaluation of the results of Environmental Impact Assessments, and the validity and efficacy of the subsequent steps taken to improve the environment.

Environmental Reviews focus on MC partners and companies in which it has invested. Companies complete questionnaires, participate in hearings, and are subject to onsite surveys. This process allows MC to understand, verify, and evaluate labor conditions, human rights, local communities, and other social issues, as well as how environmental issues are being addressed. The purpose of these reviews is to provide an opportunity for MC to give the companies we work with feedback that will facilitate environmental improvements and reduce indirect environmental risks.

Environmental Impact Assessments and Environmental Reviews are two MC Group risk management tools, and also play an important role in the management of a supply chain that extends to MC business partners.



Each year, MC performs Environmental Impact Assessments (EIAs) of selected products and companies we have investments in, in order to evaluate their environmental impact. Based on a comprehensive evaluation of the results of those EIAs, we also conduct Environmental Reviews of our product suppliers and invested companies each year to further examine their effectiveness in mitigating their environmental impact. An analysis of the results of product EIAs and some case studies of Environmental Reviews conducted in fiscal 2004 are presented below.

Environmental Impact Assessments and Environmental Reviews

► Product Environmental Impact Assessments

► Analysis of the fiscal 2004 EMS product environmental impact assessments

	No. of products	Tropical forest reduction	Deterioration of natural and ecological systems	Global warming	Depletion of natural resources	Ozone layer destruction	Air pollution	Water pollution	Soil pollution	Adverse health effects	Noise, vibrations, odors
New Business Initiative Group	21	B	B	A	A	C	B	C	C	C	C
Energy Business Group	42	C	B	A	A	C	B	B	C	C	C
Metals Group	39	C	B	A	A	C	B	C	C	C	B
Machinery Group	91	C	B	A	A	C	B	C	C	C	B
Chemicals Group	163	C	C	A	A	C	B	B	C	C	B
Living Essentials Group	127	C	C	A	A	C	B	B	C	C	B
Average	483*	C	B	A	A	C	B	C	C	C	B

* Number of products (per MC Head Office Business Group)

This chart provides a summary of the "Degree of Environmental Impact" for each EIA, with the results displayed by Business Group. Results are indicated by the letters A, B or C in descending order of impact, where "A" represents the most significant environmental impact.

MC conducts annual EIAs on every product it handles. These EIAs represent quantitative evaluations of the environmental impact associated with each stage of a product's life cycle – from materials procurement, manufacturing and processing to distribution, sales, and disposal. In fiscal 2004, EIAs were conducted on 964 product groups. The chart above provides a summary of the "Degree of Environmental Impact" of these EIAs, with the results displayed by Business Group. Results are indicated by the letters A, B or C in descending order of impact, where "A" represents the most significant environmental impact. Products in all Business Groups were found to have a significant impact on the environment with regard to global warming and depletion of natural resources.

Environmental impact in relation to depletion of natural resources is significant in both the Energy

Business Group and Metals Group, which deal in petroleum, natural gas, LPG, etc., and coal and other metals, respectively. The Machinery Group was found to have a significant impact in pollution issues such as noise, vibration, and odors, due to the plants, aircraft, automobiles and other machinery-related products manufactured and processed by that Group. The Chemicals Group handles a general range of chemical products, which have a significant environmental impact in terms of water pollution. The Living Essentials Group deals with commodities that cover the full range of products used in day-to-day life, including processed and raw foods and textiles. Assessments of this group found an environmental impact in terms of deterioration of natural and ecological systems.

► Environmental Review of Commercial Trading Activities

Case Study: Environmental Review of Water Treatment Facility

The Tohoku Branch Machinery Team conducted an Environmental Review of the Koiwai Plant of Koiwai Dairy Products Co., Ltd, in order to identify the condition of drainage water around the plant and reduce the amount of phosphorous it contains. As part of the pre-survey process, Koiwai filled out an environmental checklist designed to verify environmental management conditions at the company. A set of additional questions regarding the management of drainage water was compiled based on these answers, and an onsite inspection of the plant was conducted. The result of the Environmental Review confirmed that Koiwai Dairy Products Co., Ltd. is taking steps to reduce drainage, and has set its own in-house standard for the amount of phosphorous that drainage water may contain that is significantly lower than the legal requirement. The Koiwai plant is also registered for ISO14001 certification and has put in place an environmental management system that includes oversight of toxic substances and waste. Moreover, our Environmental Review confirmed that Koiwai Dairy Products Co., Ltd. stresses hygiene and sanitation to ensure the safety of its food products, and that employees are highly aware of environmental and



Water treatment facility

safety issues. The company releases information regarding the environment in its environmental reports and on its website, and is committed to actively communicating with consumers by offering tours of its plants to the general public. Those who are responsible for the environmental impact of Koiwai's business activities gave positive feedback, commenting that the MC Environmental Review gave renewed energy to the company's environmental management activities.

Case Study: Environmental Review of Methanol

The Hokkaido Branch Chemicals Group conducted an Environmental Review of MC's partner Iwakura Chemicals Industry Co., Ltd., with a pre-survey environmental checklist and an onsite inspection in order to verify the company's methanol safeguarding management system (in case of an emergency) and its fire and explosion prevention system. The Review found that the company manages the safeguarding of dangerous substances under strict controls, and has put in place standing disaster prevention procedures and a regional disaster prevention structure for emergencies. The company not only has well-developed in-house emergency response measures, but its employees also have a thorough understanding of the steps to take in case of an emergency. In light of the relatively frequent occurrence of earthquakes in Japan and the risk of other natural disasters, MC offered directions designed



Onsite inspection of methanol safeguarding management structure

to further strengthen and reinforce the safeguarding of dangerous substances and to promote activities to educate employees on how to transport and handle these substances.

Case Study: Environmental Review of Industrial Gas

The Nagasaki Branch Machinery Team conducted an Environmental Review of Japan Air Gases, Ltd., an industrial gas manufacturer, to review its management of air pollution caused by industrial gases. The results of this Environmental Review indicate that the company complies with inspections and other laws and regulations, and has taken every precaution to prevent and respond to gas leaks. The company's environmental managers provided the Team with a presentation on their management practices in relation to the characteristics of their chemicals and the handling of the gases the company manufactures. We found that Japan Air Gases, Ltd. has strict safeguards for handling toxic PCBs, and complies with laws and regulations regarding signage and other issues. In addition to safety audits, the company conducts environmental audits at plants that manufacture liquid



Onsite inspection of industrial gas management

gases, and refining plants that handle special material gases. This Environmental Review offered both MC and Japan Air Gases, Ltd. the opportunity to promote best-practice environmental management.

► Environmental Review of Activities at Companies In Which We Have Invested

Each year MC selects certain invested companies for an Environmental Review based on the results of Environmental Impact Assessments. In fiscal 2004,

MC conducted Environmental Impact Assessments of 463 companies, with 19 selected for Environmental Reviews.

Case Study: Environmental Review of Forestal Tierra Chilena Limitada (FTC)

The General Merchandise Division of the Living Essentials Group conducted an Environmental Review of Forestal Tierra Chilena Limitada (FTC) in Chile to examine environmental management at the afforestation company. FTC is accredited by the Forest Stewardship Council (FSC), which has a certification system for sustainable forest management. The Review found that FTC uses inspections of afforestation sites to help in setting cutting policies that guarantee the protection of water resources, as well as help to prevent landslides, in order to ensure that the company's operations do not adversely affect the surrounding environment. FTC designates protected zones that include a neutral zone encompassing areas where *queule*, a rare type of tree, grows, and also works with the forestry departments at local universities to survey the ecological systems that exist in these protected zones. The results of the MC Environmental Review confirm that FTC is actively working to protect the environment. In light of the fact that local residents, those buying wood chips in Japan, and various other

stakeholders will become increasingly concerned with environmental issues in the future, MC has requested FTC to take all possible measures to ensure the continued protection of rare tree varieties and the preservation of the surrounding environment.



Inspection of "queule tree" conservation site in FTC's forest

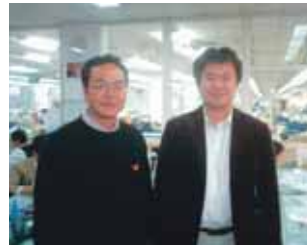
Case Study: Environmental Review of Shanghai Nikki Fashion Co., Ltd.

The Kansai Branch Apparel Division conducted an Environmental Review of Shanghai Nikki Fashion Co., Ltd. (SNFC) to determine the procedures involved in the production of clothing and other textile products and for implementing accident prevention measures and waste product control. With regard to emergency procedures, the Review found that clear and easily understood signs and instructions for evacuation routes are posted in the plant, and that the company conducts evacuation drills and other necessary employee education. With regard to waste, SNFC is working to reduce emissions by introducing an automatic computerized cutting system, and the Review found that no toxic waste was produced. MC instructed SNFC to establish in-house standards designed to strengthen the environmental management framework, waste management, and environmental standards, such as the creation of environmental responsibility manager posts.



Warning devices at the SNFC plant

Supervisor's Opinion



Makoto Ikeda (right)
Kansai Branch
Apparel Division

China is experiencing remarkable economic growth, which brings with it an increasing concern over its impact on the environment. This was the first visit I have made to SNFC for the purpose of environmental assessment, and I was pleasantly surprised to find much greater awareness among employees of environmental issues than I had expected. The SNFC team was also extremely cooperative, going out of their way to help me with the Environmental Review. The manufacturing plant was clean and well organized, and I found no labor safety issues or problems to be dealt with. I also felt that the Review was useful in promoting a greater understanding of the environment among SNFC managers, and that it will serve to further environmental improvement at the company. China is expected to experience even greater economic growth in the future, and stricter regulations concerning the environment and workers' safety and health will likely be put in place. With this in mind, I hope to develop greater communication with those in the field, and collaborate more closely in the areas of environmental management and CSR.

Promoting business ideas with a positive environmental impact

MC not only focuses on managing environmental risks, it also promotes Environmental Policy Management Themes, environmentally friendly products, surveys, and other tools that have the potential to positively impact the environment. A recent effort at our Kansai Branch Chemicals Group provides a good example of how MC applies CSR principles in our day-to-day business operations.

In collaboration with research facilities, the Kansai Branch Chemicals Group successfully developed the technology for MegaThin[®], an unwoven fabric containing macro-molecular absorbent sheets. Our goal is to gain a foothold for MegaThin[®] in the consumer products market, reducing the amount of pulp consumed for absorbent materials. In fiscal 2004, MC built a commercial production plant in Shanghai, which is



Shanghai MegaThin[®] plant

currently undergoing test runs and scheduled to begin commercial production in fiscal 2005.

MegaThin[®] has many desirable features, including that it is easy to compost and breaks down in water when prepared with the right constituent materials. Its weight is one third less than that of past absorbent materials, and can undoubtedly be called an "Earth Conscious" material.