

Environmental Performance at MC

Waste Production

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Waste production (tons)	880	988	921
Waste recycling rate (%)	86.1	82.6	84.2

Notes:

1. Waste data is for Marunouchi and Shinagawa head offices only.
2. Waste production increased in fiscal 2005 due to the relocation of the Marunouchi head office.

Scope of Green Purchasing

	Fiscal 2006	Fiscal 2005	Fiscal 2004
No. of green purchase-compliant items (No. of items)	6,878	6,574	5,956
Green purchasing rate, by value (%)	51.5	49.1	44.5

Paper Consumption

(Unit: 1,000 sheets)	Fiscal 2006 consumption	Fiscal 2006 target	Fiscal 2005 consumption
Marunouchi and Shinagawa head offices	74,300	73,310	74,510
All branches	10,026	10,033	10,344
All head offices and branches in Japan	84,326	83,343	84,854

Electricity Consumption

Unit: kWh	Fiscal 2006 consumption	Fiscal 2005 consumption
Head offices	8,849,047	9,961,890
Branches, etc.	9,518,219	9,718,977
All head offices and branches in Japan	18,367,266	19,680,867

CO₂ Emissions *Based on conversion from electricity consumption

1) Indirect emissions from the use of electric power

Unit: Tons of CO ₂	Fiscal 2006 emissions	Fiscal 2005 emissions	CO ₂ emissions coefficient
Head offices	3,752	4,224	Coefficients from the WBCSD GHG Protocol Calculation Tool used
All branches	4,036	4,121	
All head offices and branches in Japan	7,788	8,345	

2) Other indirect emissions

Distribution Factors (*) (Unit: Tons of CO ₂)	Fiscal 2006 emissions	130,000
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*Domestic transportation in which MC is the shipper

Participation in the Carbon Disclosure Project (CDP)

As part of efforts to disclose its environmental performance, MC joined the Carbon Disclosure Project (CDP) in 2003, under which it discloses both its CO₂ emissions and its thinking regarding climate change. The CDP is a global project in which 351 institutional investors (total assets under management: 41 trillion dollars) ask companies to disclose information on what they are doing to combat global warming.

CARBON DISCLOSURE PROJECT

Third-party Reviews of CO₂ Emissions

Beginning this year, MC asked third parties to review its CO₂ emissions data in order to ensure the reliability of its CO₂ emissions reports.

For the first review, we have asked Bureau Veritas Japan Co. Ltd. to review CO₂ emissions data for fiscal 2005. We will continue to work to increase the reliability of our CO₂ emissions reports as we prepare for the low-carbon society of the future.



BUREAU VERITAS

Environmental Impact Assessments and Environmental Reviews of Business Investment Activities and Products

Environmental Impact Assessments and Environmental Reviews

Understanding Environmental Impact

MC handles a wide spectrum of products and has made business investments in a diverse range of industries. Some of these products have a significant environmental impact while certain business investments have operations with significant environmental as well as social impact. In order to track the environmental impact of the activities of its business investments and of the products they handle, the company uses a system of environmental impact assessments (EIAs). Under the system, the departments directly in charge of a business investment or product identify areas where environmental impact may occur and conduct EIAs on an annual basis.

Environmental Impact Assessment Methodology

Environmental impact assessments (EIAs) are separated into assessments covering normal as well as emergency situations. Assessments of business investments examine the environmental impact across the entire scope of business activities. Product assessments examine the environmental impact at each stage of the product life cycle. The assessments take into account numerous factors including the characteristics of the product and the degree of influence that MC can exert on the business investment and product. Concerns from stakeholders and the applicability of environmental regulations are also factors that are taken into account.

In fiscal 2006, the company identified areas of environmental impact and conducted EIAs targeted at 16 business investments, with 4 of those firms located abroad. Identification of areas of environmental impact and EIAs were conducted on all 28 product categories designated by the company.

The annual implementation of EIAs gives employees an opportunity to reflect on the relationship between their work and the environment. The initiative therefore functions as a critical educational tool to boost sensitivity and responsiveness to environmental issues among all employees.

Environmental Reviews

MC performs “Environmental Reviews” of the businesses we invest in and the products we handle, selecting them on the basis of the findings from environmental impact assessments (EIA) and expected environmental improvements.

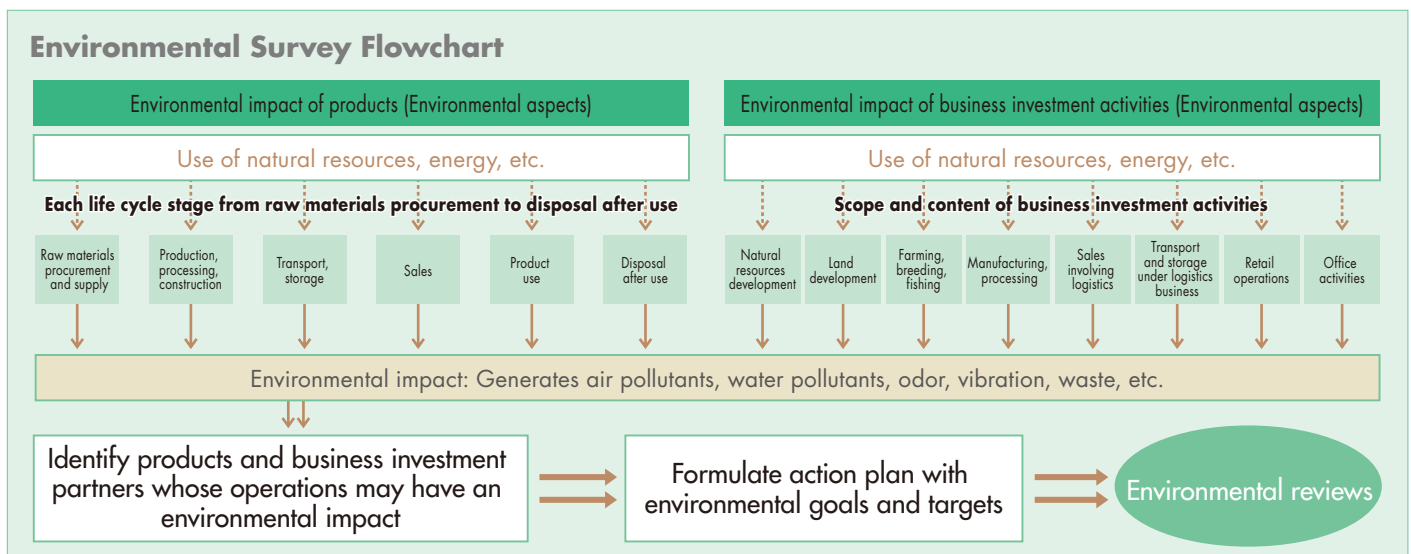
The environmental review process seeks to reduce the environmental risks taken by business investments and to lower the environmental impact of products handled by the company. Every year, MC surveys and interviews numerous business investments and suppliers. The process includes actual observation of work sites and of production processes in order to ascertain and assess the environmental management infrastructure and the state of implementation of environmental initiatives. It is also designed to verify and assess working conditions as well as to monitor the observance of human rights and the situation in local communities. The results of the environmental reviews are used to provide business investments and suppliers with suggestions and requests to further improve their environmental performance. The system enables MC to work collaboratively with business investments and suppliers to reduce environmental risk.

Environmental impact assessments and environmental reviews also play a critical role in the company’s supply chain management, which extends to its suppliers. These initiatives are part of an overall commitment to risk management by the MC Group.

Environmental Impact Assessments of Products

MC conducts annual environmental impact assessments (EIAs) of product categories covering the entire scope of products it handles. Products are grouped into categories based on shared characteristics ranging from physical and chemical properties to the way products are handled or used. Applicable environmental regulations are also taken into account in categorizing products.

In fiscal 2006, the company assessed 935 product categories comprised of 496 handled by head office operations and 439 handled by domestic block operations. The table below shows the level of environmental impact caused by the 496 product categories of the head office operations. The data is derived by calculating the average score for each product



category by type of environmental impact and by business group. Darker bars represent higher levels of environmental impact.

Analysis of the data shows that, in almost every business group, the environmental impact is highest in the global warming and natural resources categories. MC is using the data to implement initiatives that will reduce its environmental impact,

while taking into account the characteristics of each group and identifying significant environmental aspects. In addition to the above, MC is also implementing various environmental reviews.

FY2006 EMS: Analysis of Environmental Impact Assessments of Products

	No. of products	Tropical forest (*1)	Natural and ecological systems (*2)	Global warming	Natural resources (*3)	Ozone layer	Air pollution	Water pollution	Soil pollution	Adverse health effects	Noise, vibrations
Corporate Staff Section	21										
New Business Initiative Group	13										
Energy Business Group	41										
Metals Group	47										
Machinery Group	82										
Chemicals Group	168										
Living Essentials Group	124										
Total	496										

*1. Indicates impact from forestry development or use of wood products

*2. Indicates impact on local ecosystem, including use of natural resources and pollution of natural environment

*3. Indicates consumption of exhaustible natural resources (raw materials), electricity and packaging materials

Level of environmental impact High impact (7.0 -) Medium impact (5.0 - 6.9) Low impact (- 4.9)

The table summarizes the level of environmental impact derived from EIAs of products in fiscal 2006. The data represents the overall assessment score by type of environmental impact, which is calculated by using the average score for each product category handled by each business group.

Environmental Reviews in Commodities Business

Domestic Maritime Transportation of Naphtha

The Petroleum Feedstock Unit of the Energy Business Group performed an environmental review of the emergency-response system for maritime transportation of naphtha by Uyeno Transtech Ltd., the outsourcee for MC's domestic naphtha transportation. Prior to the review, the company was asked to complete an "environmental checklist," after which meetings were held jointly to confirm responses, peruse its safety management guidelines and other documentation and to hear explanations on its safety management procedures and auditing systems. Afterwards, the team visited the "Sakura-Maru," one of the ships in the fleet, and confirmed management and safety-related signage on board. It found that the crew did indeed take safety extremely seriously and tried to maintain rigorously safe operations. At the close of the review, MC communicated its desire for the company to continue to transport naphtha in a safe and environmentally-friendly manner, exchanged information on "energy rationalization" in transportation and proposed to work together to study ways to further reduce CO₂ emissions.



Environmental Reviews in Business Investments

MMC Car Poland Sp. z o.o. (MCP)

The Motor Vehicle Europe, Middle-East & Africa Unit of the Machinery Group confirmed and evaluated the environmental-management systems of auto dealer MMC Car Poland Sp. z o.o (MCP). The review included a survey of environmental awareness, interviews with key personnel and then on-site visits. It found that while the company had acceptable quality-management systems, it needed to be more aware of the environment in its business activities. The team proposed that MCP initiate programs to reduce the amount of paper and electricity consumed, which would in turn help to increase employee awareness regarding environmental issues. The environmental review provided the impetus for the company to nominate an environment officer and to enhance its environmental management systems. Environmental activities are now on the way to becoming an integral part of the company's operations.

