

Environmental Impact Assessments and Environmental Reviews WEB

The Significance of Assessing Environmental Impact

MC handles a wide spectrum of products and invests across a diverse range of industries. In view of the importance of gauging the extent to which these business activities affect the environment, each business group and domestic corporate center (in charge of domestic branches and offices) has a senior manager in place who reports to the president and is responsible for environmental and CSR activities. These managers oversee the development of environmental management systems across MC.

Under this system, the departments directly in charge of a business investment or type of product prepare annual environmental impact assessments (EIAs) using itemized cards to identify areas of environmental impact and quantify related effects. The act of compiling an EIA helps to consider and define the relationship between business activities and the environment. In the process, this helps to raise the environmental awareness of employees.

EIA Methodology

EIAs for products examine the environmental impact at each stage of the product life cycle, from raw materials procurement to post-use disposal. Assessments of business investments examine the environmental impact of products across the complete scope of business activities under both normal and irregular circumstances. In addition to the above points, EIAs also take into account factors such as MC's degree of influence on the business investment or product, stakeholder concerns and any relevant environmental laws and regulations. Based on the findings of these assessments, the characteristics of each business group and the priority or emphasis given to an area in environmental management, certain selected environmental aspects then become the subject of an environmental review.

Environmental Reviews

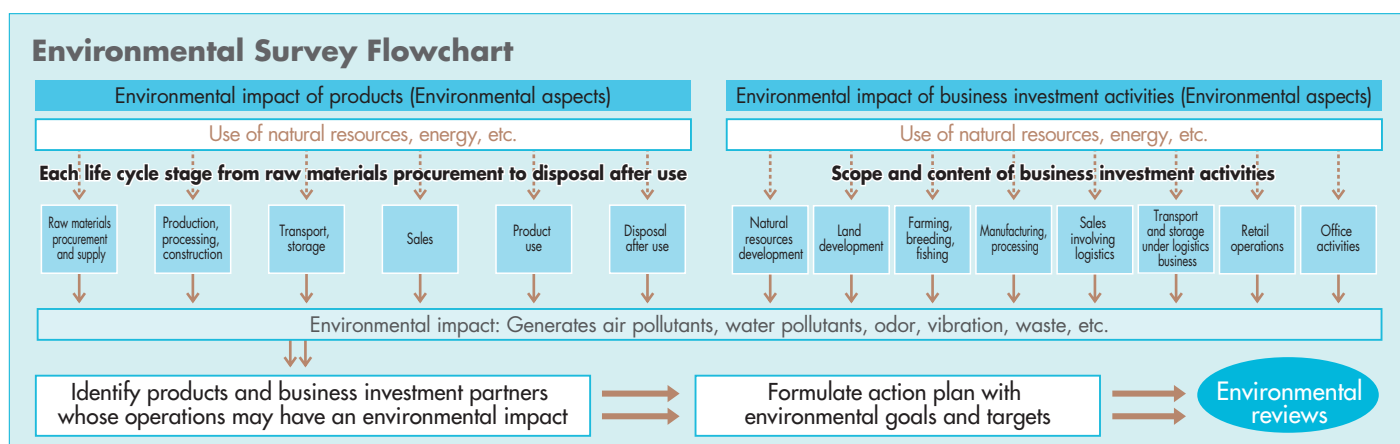
MC conducts environmental reviews as a matter of internal

policy to examine in more depth certain aspects of environmental management, where MC has indirect influence. These reviews involve surveys, interviews and site visits to confirm, assess and evaluate the status of environmental management at suppliers and subcontractors or business investees. The results of these environmental reviews are used to provide business investees and suppliers with suggestions and requests to make further improvements in environmental performance. The concept underlying the review is that such improvements help to reduce MC's indirect environmental impact while also contributing to better management of environmental risks.

MC conducted environmental reviews for 27 products and 15 business investees in fiscal 2007. These reviews generated numerous suggestions on ways to reduce environmental impact. In many cases MC also used the review as the basis for developing numerical performance targets with suppliers and business investees as part of specific business development plans. Environmental reviews have proven to be a highly effective tool for developing environmental management systems (EMS) that encompass MC's supply chain.

Themed Environmental Policy Initiatives

Besides trying to affect environmental impact indirectly through the environmental review process, as a matter of policy, MC is also involved in various initiatives that set and manage direct environmental performance targets and objectives. These are organized under a number of policy themes, including: the promotion of businesses with a positive effect on the environment; lectures and other educational programs aimed at raising environmental awareness; environmental preservation activities; and environment surveys linked to environmental management and related improvements. During fiscal 2007, MC undertook initiatives connected to 12 separate policy themes. These activities generated useful results in terms of assessing the progress made in certain environmental businesses and surveying environment-related compliance.



Environmental Review (Commodity Trading Operations)

Management Systems and Emergency Response Capabilities at Methanol Storage Base

The chemicals team at MC's Kyushu Branch conducted an environmental review of the Shinmoji plant of Chusei Oil Co., Ltd., a major user of methanol, to confirm the systems used for managing methanol supplies and to examine the measures adopted by the facility to prevent environmental pollution and respond to emergencies. The factory is situated in an industrial zone on the coast near a small river. Raw materials are stored in tanks on the site. The review included a visit to the site to observe the unloading process at the shipping berth, the transfer of methanol to storage tanks and the filling of tanker trucks. Detailed questioning ascertained that the methanol is properly handled as a hazardous and toxic substance, with various precautionary measures put in place to preserve the environment, ensure safety and prevent unlawful actions. The firm has detailed procedures in case of emergencies set out in manuals, as well as an emergency contact system. Employees receive training in the system through an annual disaster training exercise. As a result of the review, in view of the increased frequency of earthquakes in recent years, MC proposed that the company consider undertaking a review of the seismic resistance of the various plant facilities.



Environmental Review (Business Investee)

Value Chain EMS for Indonesian Vehicle Sales Operations

The Motor Vehicle Asia & ASEAN Unit of the Machinery Group conducted an environmental review of P.T. Krama Yudha Tiga Berlian Motors (KTB), a general vehicle importer and distributor based in Indonesia that is one of MC's business investees. The aim of the review was to check KTB's environmental management system.

KTB is highly aware of environmental issues. The company gained EMS certification to the ISO 14001 standard in January 2008, and has begun a program of specific measures to reduce environmental impact through its EMS.

The Machinery Group undertook onsite inspections not only at KTB, but also at other firms involved in MC's vehicle operations within Indonesia. These reviews provided opportunities to request that these firms take steps to expand and upgrade EMS in all parts of the value chain and to boost environmental awareness. Going forward, MC aims to support KTB and other local companies that comprise its Indonesian operations in developing EMS so that the automobile business can be developed in an eco-friendly manner.



Environmental Performance at MC

Waste Production

	Fiscal 2007	Fiscal 2006
Waste production (tons)	748	880
Waste recycling rate (%)	96.2	86.1

* Waste-related data is for the Marunouchi and Shinagawa head offices only.

Paper Consumption

(Unit: 1,000 sheets)

	Fiscal 2007	Fiscal 2006
Head offices	77,510	74,300
Domestic branches	8,866	10,026
All head offices and branches in Japan	86,376	84,326

CO₂ Emissions from distribution

(Unit: Tons of CO₂)

	Fiscal 2007	Fiscal 2006
Distribution factors	95,100	130,000

* Data collected in compliance with the revision of the Rationalization in Energy Use Law in Japan and covers domestic (Japan) transport where MC is the cargo owner.

Environmental Accounting

Environmental preservation costs are calculated for six items in accordance with the Ministry of the Environment's Environmental Accounting Guidelines 2005.

Environmental preservation benefits

Fiscal 2007 (Unit: Thousand yen)

	Economic benefits
Waste reductions	2,374
Paper reductions	▲1,738
Electricity reductions	4,286

Electricity Consumption

(Unit: 10,000 kWh)

	Fiscal 2007	Fiscal 2006
Head offices	854	885
Domestic branches	135	137
All head offices and branches in Japan	989	1,022

CO₂ Emissions

● Converted from the above electricity consumption.

● The conversion from electricity consumption to CO₂ emissions was performed using the WBCSD GHG Protocol tool.

(Unit: Tons of CO₂)

	Fiscal 2007	Fiscal 2006
Head offices	3,660	3,760
Domestic branches	579	582
All head offices and branches in Japan	4,238	4,341

Environmental preservation costs

Fiscal 2007 (Unit: Thousand yen)

	Expenses
Business area costs	14,125
Upstream and downstream costs	188
Administration costs	242,956
R&D costs	38,729
Social activity costs	139,087
Environmental remediation costs	0
Total	435,085

Consolidated CO₂ Emissions

A third-party review of CO₂ emissions data has been conducted by Bureau Veritas Japan to ensure the integrity of CO₂ emissions reporting.



	Fiscal 2005 (Unit: Tons of CO ₂)
Domestic Network	8,356
Overseas offices (overseas subsidiaries' branches and overseas branch offices)	4,907
Domestic and overseas consolidated subsidiaries (incl. sub-subsidiaries)*	1,372,629

* Consolidated business investees in which MC holds a stake of more than 50%