

# Measures for Environmental Preservation

The corporate mission of the Sumitomo Heavy Industries Group includes the recognition of its responsibility to contribute to regional development, a better environment, and safety. The Group as a whole is seriously tackling the issue of environmental preservation, based on our understanding that the protection of the global and regional environment, and the promotion of a recycling economy, are part of the social responsibilities of an enterprise. Especially since fiscal 2005, we have started activities to help prevent further global warming. These Group-wide measures include reduction of electricity consumption and paper usage, and the active utilization of "green" logistics systems.

## Environmental Management

### Management Organization

The Environmental Management Department within the General Affairs Group looks into various matters relating to environmental management activities within the Company and the Group. Each of the Works and the Group companies outside of the regions covered by the Works has created and is operating environmental management systems in compliance with ISO14001, the international standard for environmental management systems, in line with the environmental policies established by the president or the plant manager. Elements listed as having a potential impact on the environment are being assessed, and environmental management programs and targets for activities are being set up based on the assessment results.

### Environmental Accounting

Environmental accounting-complying with the Environmental Accounting Guidelines established by the Ministry of the Environment — has been implemented to clarify the money spent and amounts invested by the Company in environmental activities, and to achieve greater efficiency in environmental preservation. The total amount of environmental preservation costs for fiscal 2006 was about ¥2.9 billion, of which approximately ¥1.25 billion was spent on capital investments in facilities and equipment to decrease the volume of materials with a heavy environmental burden, and to save energy.

Expenses for environmental preservation have increased with each passing year. For the reporting term, total environmental preservation costs and capital investments increased ¥950 million and ¥700 million, respectively, over the previous year.

## Reducing Environmental Load

We are working on new initiatives to contribute to the prevention of global warming-one of the most serious environmental problems we face. To help reduce CO<sub>2</sub> emissions, which are the major cause of global warming, the Company set a goal for fiscal 2007 of cutting electricity consumption by 10% from the fiscal 2004 level. For fiscal 2006, we achieved a reduction of 1.5% from the fiscal 2004 level. We have accelerated introduction of energy-saving equipment in fiscal 2007, to better position us to meet these targets.

We have also set higher targets and taken initiatives for the reduction of paper usage and the promotion of green logistics.

In addition, to prevent environmental pollution, we are working on initiatives to reduce emissions of organic chlorine compounds and volatile organic compounds (VOCs).

## Activities Geared to the Recycling-Based Society

We aim to reduce the generation of substances that are a burden on the environment in two steps: first, by cutting overall waste from our business activities, and second, by reducing waste disposal. Waste is being managed in three categories, namely: waste for disposal, i.e. for landfills or incineration; recycling of waste as resource materials, which enables reuse; and valuable resources, which are reused or placed on a route for reuse in the Company.

Provided below are figures on the amount of waste the Sumitomo Heavy Industries Group produced and disposed of in fiscal 2006. These figures show that there has been a significant reduction in the waste produced and disposed of compared to fiscal 2001 levels.

Volume of waste produced in FY2006	27,970 tons (down 9% from the FY2001 level)
Volume of waste disposed of in FY2006	3,007 tons (down 66% from the FY2001 level)

## Developing Environmentally-Friendly Products

It is one of the missions of manufacturers to help preserve the quality of the environment in a broader sense through their products and services, in addition to reducing the burden on the environment caused by emissions. The Group helps its customers to reduce the environmental burden of their activities and reduce their operating costs, while also contributing to the realization of a society capable of sustainable development, through the reduction in the size and weight of its products, the development and supply of products that help conserve energy, and the construction and operation of environmental facilities, including our recycling plazas and biomass power-generation facilities.

## Format of Voluntary Environmental Preservation Costs

		(¥ Million)		
Category	Major Measures and Their Effects	Investment Amount	Cost	
(1) Costs in manufacturing field	Appropriate measures for water quality, air quality, noise, vibration, chemical substances, waste, etc. Reduction of energy use and resource usage and recycling	1,095	924	
Breakdown	(1)-1 Preventing pollution	Improvement and management of discharge treatment facilities, measures for dust collection and against VOCs, examination of trace PCB content, measurement of water quality and emitted gases	103	228
	(1)-2 Environmental preservation	Monitoring of electricity demand, investment in energy conservation, temperature management	974	93
	(1)-3 Resource recycling	Recycling of industrial waste, provision of waste leaving site, recycling of thinners, collection, transport, treatment and disposal of waste	18	602
(2) Upstream and downstream manufacturing processes	Use of low-sulfur heavy oil, "green purchasing" of office goods	0	12	
(3) Environmental management	Maintenance and management for ISO14001 certification, staff training (general, specific, examiner, in-house supervisor), periodical inspection, expansion of green areas, maintenance and management of green areas	35	109	
(4) R&D	Incineration and gasification of household garbage and industrial waste, development of emitted gas treatment systems, development of ash-melting furnace systems, development of water supply and sewerage facilities, development of methods of reducing noise from Cyclo® speed reducers, development of new tube heat exchangers	124	589	
(5) Compensation for environmental damage	Surcharges for air pollutant loads, contributions by regional enterprises for green areas and compensation for damage from pollution	0	6	
		(¥ Million)		
Item	Descriptions	Amount		
Total investments for the term	Improvement of discharge treatment facilities, development of dust collection systems, installation of VOC treatment facilities, investment in energy conservation	1,254		
Total R&D costs for the term	Incineration and gasification of household garbage and industrial waste, development of emitted gas treatment systems, development of ash-melting furnace systems, development of water supply and sewerage facilities, development of methods of reducing noise from Cyclo® speed reducers, development of new tube heat exchangers	713		
Amount of sales of valuable articles related to (1)-3	Metal scrap left over after the effective use of remnant materials	282		