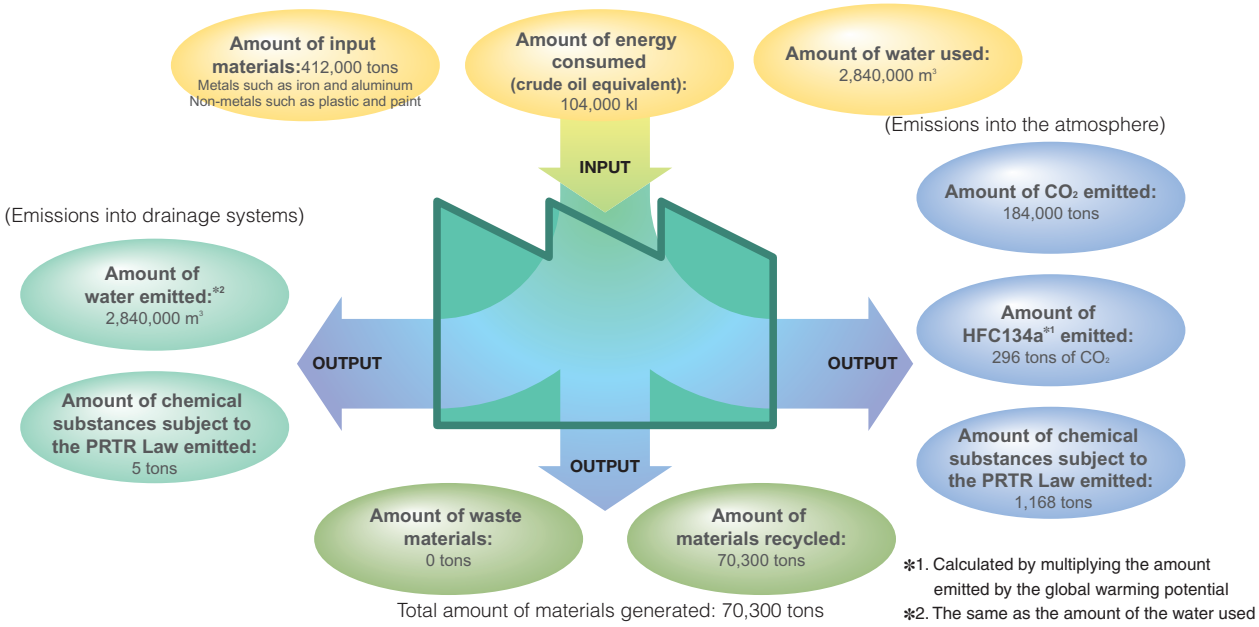
Production

Amount of Input Resources and Emissions in Plants

This figure shows the amount of input resources and emissions in fiscal 2003 at the Gunma Manufacturing Division, our main automobile production plant in Japan.

Amount of Input Resources and Emissions



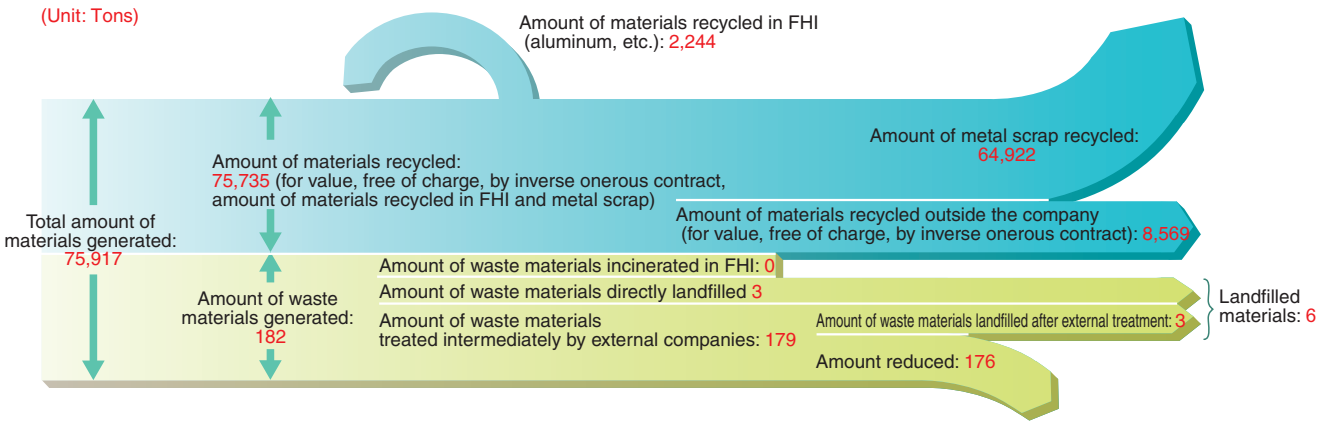
*1. Calculated by multiplying the amount emitted by the global warming potential
*2. The same as the amount of the water used

Reducing Waste Materials

FHI is actively committed to reducing waste in all its plants. At the Gunma Manufacturing Division for development and manufacturing of automobiles, the Utsunomiya Manufacturing Division for development and manufacturing for the Aerospace Company and Eco Technologies Company, and the Saitama Manufacturing Division for development and manufacturing for the Industrial Products Company, zero emissions have already been achieved. In 2003, zero emissions was achieved at the Tokyo Office for research and development of automobiles.

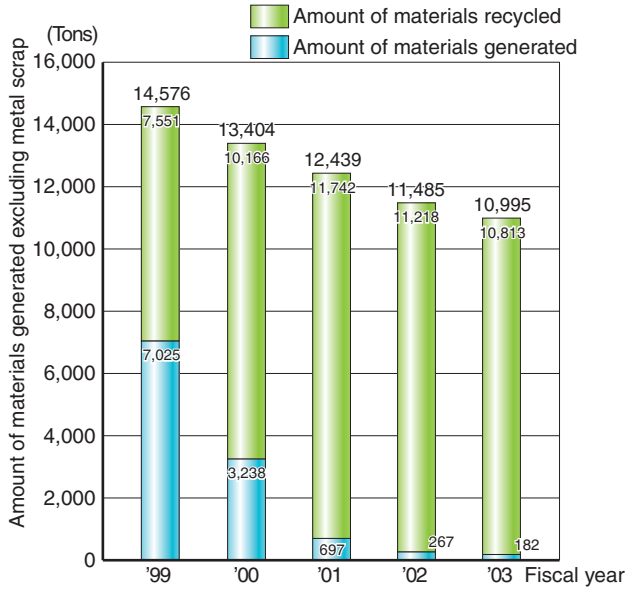
The total amount of materials generated, including scrap metal associated with production activities in 2003, was 75,917 tons in total for all plants, and the materials generated were treated as the figure below shows. All, excluding six tons of the landfilled materials, were recycled. The amount of waste materials generated (waste materials treated intermediately by external companies plus waste materials treated directly) was reduced by 32% compared with the previous year to 182 tons in all plants. The reduction was due to the progress in the measures for by-product sources and enhancement of recycling. The amount of waste materials landfilled has been at the zero level since October 2003.

Outline of Treatment of Materials Generated



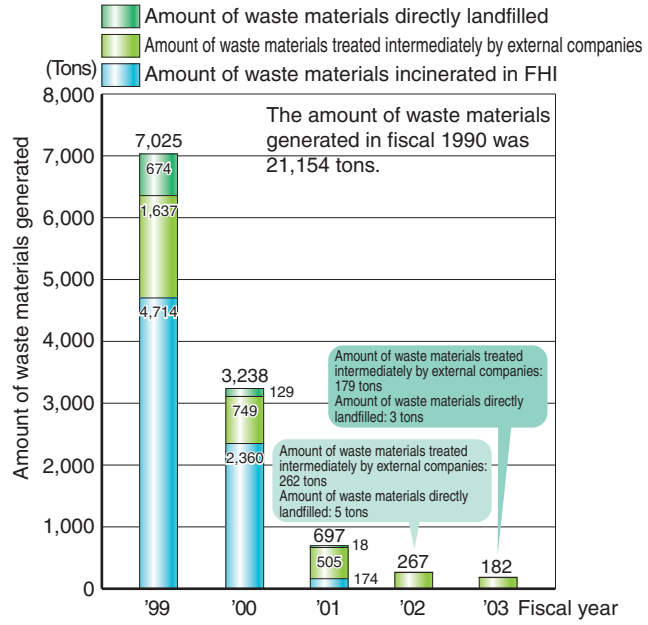
The following chart shows trends in the amount of materials generated excluding metal scrap from fiscal 1999 to 2003. The generation of materials has been inhibited and the recycling rate has been increased.

Trends in Amount of Materials Generated Excluding Metal Scrap



The following chart shows trends in the amount of waste materials generated from fiscal 1999 to 2003.

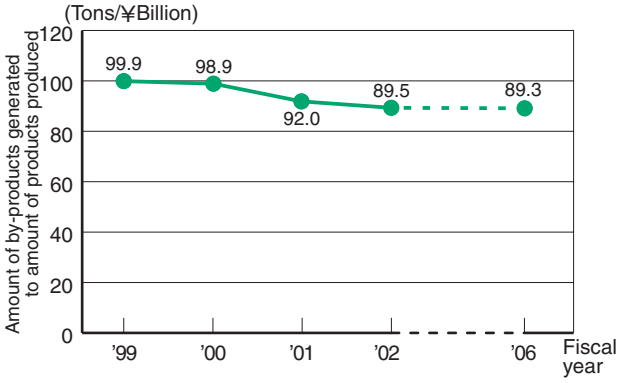
Trends in Amount of Waste Materials Generated



To Reduce the Amount of Metal Scrap in Automotive Production Process

As for metal, including iron and aluminum, the primary material for automobiles, FHI is making efforts to generate as little metal scrap (by-products) as possible by changing the quality of materials for weight saving and improving the yield ratio during the production process, in order to improve automobile environmental performance and effectively utilize resources. The following chart shows the past records after fiscal 1999 and our future plan.

Ratios of Amount of By-Products Generated to Amount of Products Produced



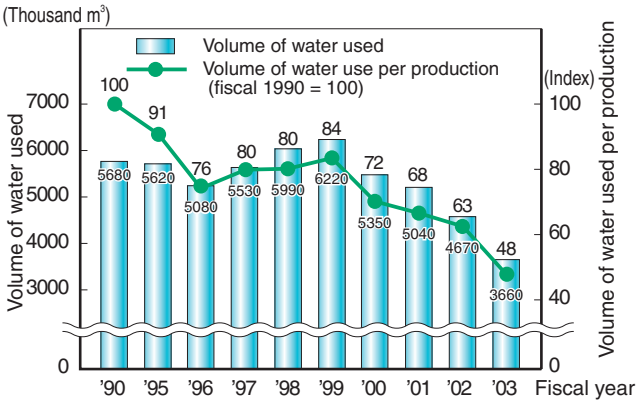
The Gunma Manufacturing Division Received the 2003 3Rs Promotion Association Chairman's Award

The Gunma Manufacturing Division received the Chairman's Award in 2003, which was given by the Reduce, Reuse and Recycling Promotion Association. This award is presented to individuals, groups, and companies, which have taken the initiative in the promotion of the 3Rs and have achieved satisfactory results through continuous activities. The Gunma division received high acclaim that all the employees worked on separating, collecting, and recycling waste materials; achieved zero emissions; abolished all of its own incinerators; and developed the technology to recycle paint sludge.

Reducing Water Consumption

In fiscal 2003, we continuously implemented energy conservation measures in everyday operation and the strict maintenance of water pipes to reduce water consumption. We also improved water supply facilities when we integrated production lines for minicars. As a result of these activities, the volume of water used by FHI was 3,660,000 m^3, and we achieved a 23.4% reduction in the volume of water use per production compared with the previous fiscal year.

Trends in Volume of Water Used



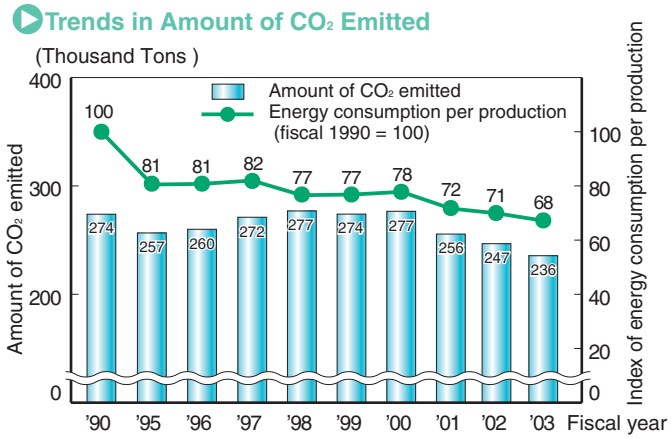
Energy Saving (Prevention of Global Warming)

Every FHI plant is committed to improving the energy efficiency of facilities to avoid waste or loss of energy. In September 2002, the Yajima Plant in the Gunma Manufacturing Division implemented a natural gas cogeneration system.

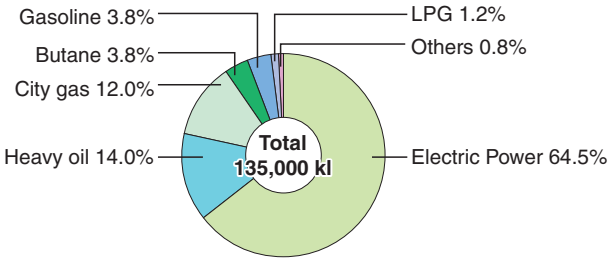
In fiscal year 2003, we reduced energy use by 2.1% compared with the previous year to 135,000 kiloliters (crude oil equivalent) in total for all plants, mainly by integrating production lines for minicars, though the number of vehicles produced increased by 5.9% since automotive production is our main business. The total amount of CO_2 emissions decreased 4.1% compared with the previous year to 236,000 tons in fiscal 2003, owing to the use of natural gas for air conditioning and boilers. This is a 13.7% reduction compared with fiscal 1990 levels. Energy consumption per production declined 4.3% compared with the previous year, which was a 32.3% reduction compared with fiscal 1990 levels.

The amount of greenhouse gas emitted, excluding CO_2 (methane, dinitrogen monoxide, HFC, PFC, sulfur hexafluoride) was 380 tons of CO_2 (CO_2 equivalent).

Trends in Amount of CO_2 Emitted



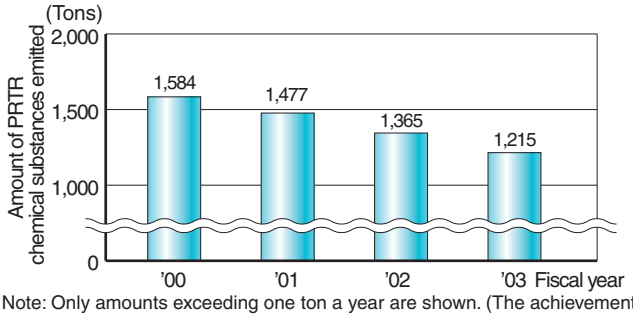
Component Ratio of Energy Used



Management of Chemical Substances (the PRTR Law)

In fiscal 2003, 19 chemical substances subject to the PRTR Law were used by FHI, as detailed below. The total use of such chemical substances was up 0.4%, broadly flat compared with the previous year, but their release into the atmosphere and water was down 11.0%. Major reasons for this include a change in the cleaning thinner during the automotive painting process to one with less xylene and that we combined the production lines for minicars.

Trends in Amount of Chemical Substances Subject to the PRTR Law



Note: Only amounts exceeding one ton a year are shown. (The achievement values are different from those of the previous year since only amounts exceeding five tons a year were shown in the earlier Environmental Report.)

Totals of PRTR Chemical Substances Used in Fiscal 2003

(Only amounts exceeding one ton a year are shown. Substances marked with * are Specified Class 1 Designated Chemical Substances)[Unit: Tons per year, mg-TEQ per year (only dioxins)]

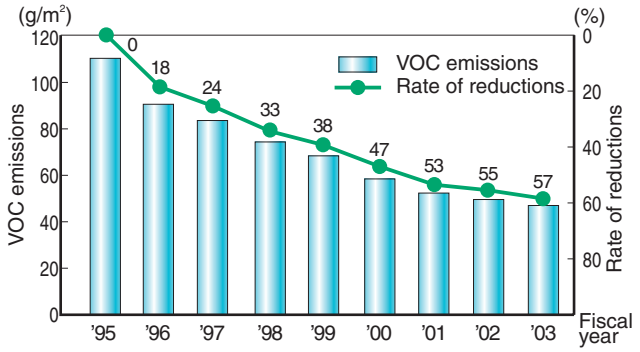
Code	CAS Number	Name	Amount handled	Amount emitted into atmosphere	Amount emitted into public water supply	Amount removed	Amount consumed	Amount eliminated by processing	Amount recycled	Amount treated at landfills
1	none	Soluble compound of zinc spelter	24.01	0	0.26	4.82	18.94	0	0	0
9	103-23-1	Bis (2-ethylhexyl) adipate	1.28	0	0	0	1.26	0.01	0	0
16	141-43-5	2-aminoethanol	4.30	0	0.35	0.04	0	3.91	0	0
30	25068-38-6	Polymer of 4, 4'-isopropylidene diphenol and 1-chloro-2,3-epoxypropane (liquid)	16.49	0	0	2.30	14.02	0.17	0	0
40	100-41-4	Ethylbenzene	464.47	244.85	0.44	0	77.55	8.66	132.98	0
43	107-21-1	Ethylene glycol	798.33	0	0	0	798.33	0	0	0
63	1330-20-7	Xylene	1,272.73	571.73	0.97	6.73	367.79	20.75	304.76	0
69*	none	Chromium (VI) compounds	2.07	0	0	0.71	0.17	1.18	0	0
176	none	Organotin compound	2.79	0	0.01	0.13	2.65	0	0	0
179*	–	Dioxins	0.51	0.51	0	0	0	0	0	0
224	108-67-8	1,3,5-trimethiylbenzene	45.96	17.72	0	0	18.35	1.01	8.87	0
227	108-88-3	Toluene	1,107.04	373.29	1.64	4.18	622.94	40.26	64.74	0
232*	none	Nickel compounds	5.26	0	0.23	3.83	1.20	0	0	0
272	117-81-7	Bis (2-ethylhexyl) phthalate	82.65	0	0	3.70	78.95	0	0	0
283	none	Hydrogen fluoride and water-soluble salts	6.62	0	1.15	5.46	0	0	0	0
299*	71-43-2	Benzene	26.95	0.05	0	0	26.90	0	0	0
309	9016-45-9	Poly (oxyethylene) = nonylphenyl ether	1.19	0	0.09	0.92	0.09	0.10	0	0
310	50-00-0	Formaldehyde	1.66	1.66	0	0	0	0	0	0
311	none	Manganese and its compounds	9.90	0	0.21	4.50	5.19	0	0	0
Total			3,873.68	1,209.30	5.36	37.31	2,034.31	76.05	511.35	0

Reducing Substances with Environmental Impact

Reducing VOCs Generated in the Painting Process (Automobile Division)

In fiscal 2003, we reduced emissions of VOCs per unit of area painted on the vehicle body to 47 g/m^2, thereby reducing emissions by 57% compared to fiscal 1995 levels. Since painting plants were also combined and restructured when production lines of minicars were combined, the painting and collection ratio of thinner was improved.

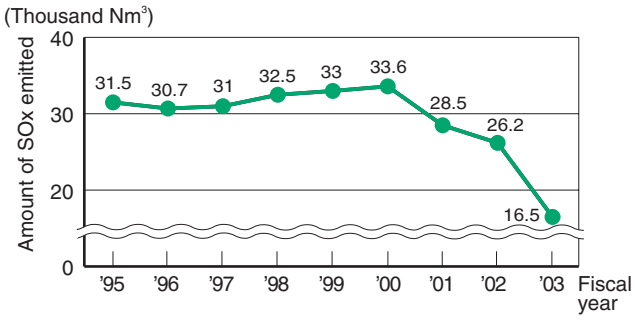
Trends in VOC Emissions



Sulfur Oxide (SOx) Emissions

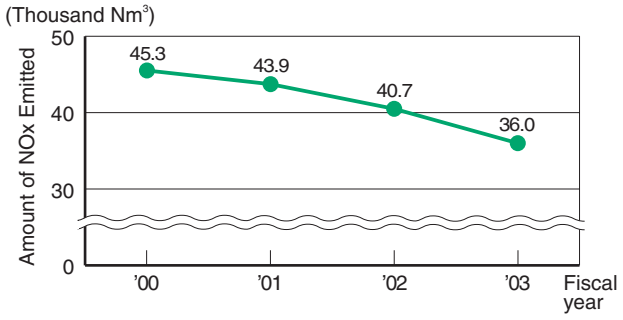
Amount of SOx emitted in fiscal 2003 was reduced compared with the previous year through full-year effects by introduction of a cogeneration system at the Yajima Plant in the Gunma Manufacturing Division and utilization of natural gas as fuel for boilers.

Trends in Amount of SOx Emitted (total for all plants)



Nitrogen Oxide (NOx) Emissions

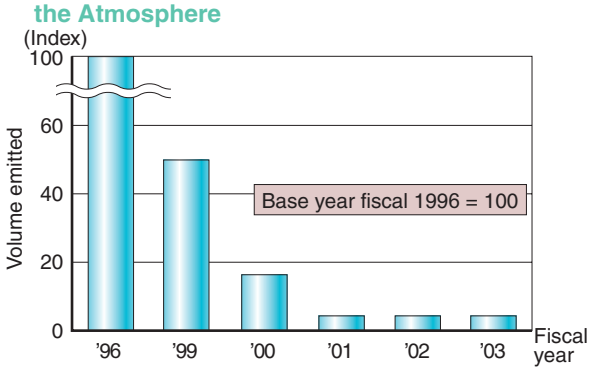
Trends in Amount of NOx Emitted (total for all plants)



Reducing Use of HFC134a (Automobile Division)

HFC134a, currently used as a CFC-alternative refrigerant in air conditioners, is also believed to contribute to global warming. To reduce atmospheric emissions from the vehicle manufacturing line, we have been minimizing leakage while pumping gas into air conditioners. As a result, we were able to reduce atmospheric emissions to 225 kg, which represents a 95% reduction from fiscal 1996 levels.

Trends in Amount of HFC134a Emitted into the Atmosphere



Emissions of Nitrogen, Phosphorous, and BOD

The chart below shows the total amount of nitrogen, phosphorous, and BOD emitted and included by drainage from all plants in fiscal 2003. These reductions were realized through improvements in the wastewater processing facilities for nitrogen and in the treatment of water discharged from cafeterias.

Amount of Nitrogen, Phosphorous, and BOD Emitted

Substance	Fiscal year	Nitrogen	Phosphorous	BOD
Amount emitted (tons per year)	2002	49	12	92
	2003	34	9	54

Dioxin Emissions from Incinerators

Incinerators were shut down in the Gunma Manufacturing Division in December 2000, and in the Utsunomiya Manufacturing Division and the Saitama Manufacturing Division in September 2002. This means we shut down all incinerators in every FHI division, ending dioxin emissions from all the sources.

The vacant lot of the incinerator in the Yajima Plant in the Gunma Manufacturing Division is now green space.

Our Activities Regarding the Environment

Reduction of Risks of Chemical Spills (Utsunomiya Manufacturing Division)

In order to prevent chemical leaks from a tank lorry when the chemical is fed from the tank lorry to the wastewater treatment facility, grooves surrounding the site where tank lorries stop were established. Pits with a shutoff valve, which is closed to prevent leakage while the chemical is being fed, were established to prevent the chemical from flowing into storm drains.

Reduction of risks of chemical spills where tank lorries stop (near the wastewater treatment facility) (Utsunomiya Manufacturing Division)

Establishment of Sound Barrier (Gunma Manufacturing Division)

Since the housing construction was planned near the Oizumi Plant in the Gunma Manufacturing Division, a sound barrier was established to reduce noises from the plant. The plant also implemented such environmental activities as using electric fork lifts instead of engine ones when handling cargo near the border.

Establishment of sound barrier
(Oizumi Plant in the Gunma Manufacturing Division)

Green Procurement

Automotive Business Unit

We held an explanatory meeting on our green procurement activities to suppliers in January 2004 and asked them to set up an environmental management system (EMS), that is, to complete ISO 14001 certification procedures or to independently set up the EMS equivalent of ISO 14001. We also held the conference of the Subaru Safety Environment Association regularly every April to assist local suppliers to set up their EMS. The EMS was completed by 272 suppliers out of 296 target suppliers in Japan by March 2004.

We are using the International Material Data System (IMDS), a system that meets global standards to measure substances with an environmental impact for included components, and we continued to assist our suppliers in inputting data.

Industrial Products Company

We asked 102 suppliers to set up an EMS and report their use of certain substances designated by FHI. In fiscal year 2003, all of the suppliers completed the establishment of an EMS. We will continue to work on activities for environmental preservation with the suppliers' cooperation by reviewing delivery containers and cushioning materials.

Aerospace Company

In September 2003, the company and suppliers started a green procurement working group. We asked our suppliers to set up their EMS and held the sixth training session to assist them in fiscal 2003.

Eco Technologies Company

We explained our green procurement activities in May 2003 to suppliers. We asked them to set up their EMS and report their use of certain substances designated by FHI.

Green Purchasing

In October 2000, the Gunma Manufacturing Division compiled a list of environment-conscious office equipment, and in January 2004, we had an explanatory meeting for suppliers subject to green purchasing to further promote the use of environment-friendly products. The ratio of environment-friendly products purchased by the Gunma region reached 80% in fiscal 2003. We will promote the eco-products campaign in the Head Office area in fiscal 2004.