

## Environmental Accounting

Toyota Industries places a strong emphasis on environmental accounting as a core element of its environmental management efforts. The company is striving to effectively utilize environmental accounting principles and is taking an active approach to information disclosure.

Toyota Industries adopted environmental accounting practices in FY 1999. The company has since established in-house environmental accounting standards, which are presently based on the Environmental Accounting Guidelines (2002) published by Japan's Ministry of the Environment. In FY 2002, the company revised its environmental accounting standards in order to update its methods for tracking the effectiveness of its environmental activities.

In the future, Toyota Industries will continue to actively promote information disclosure and enhance its environmental accounting practices to serve as a decision-making tool for environmental management. Above all, the company will strive to improve the effectiveness of its environmental activities through the application of environmental accounting practices.

### ● FY 2002 Environmental Accounting Summary\*1

Environmental Conservation Categories		Environmental Conservation Costs (millions of yen)		Economic Benefit*3 (millions of yen)	Environmental Conservation Benefit*4	Reference								
		Investment*2	Expense*2											
Business area costs	Pollution prevention	Air pollution prevention	421	311	—	Reduced SOx emissions	13,313 m <sup>3</sup> N	p.32						
						Reduced NOx emissions	114 m <sup>3</sup> N							
						Reduced VOC emissions	397 tons		p.30-31					
	Water pollution prevention	838	414	Reduced wastewater processing costs	5	Reduced quantity of wastewater processing	81 km <sup>3</sup>	p.32						
						Reduction in total COD	1,556 kg							
						Increase in total nitrogen emissions	44 kg							
	Other	21	70	—	—	Reduction in total phosphorous emissions	83 kg	p.30-31						
						Reduced release and transfer of PRTR-designated substances	145 tons							
						Reduced CO <sub>2</sub> emissions	23 kt-CO <sub>2</sub>		p.26-28					
	Resource utilization	Global environmental conservation	1,208	1,073	Reduced energy consumption	447	Reduced CO <sub>2</sub> emissions	23 kt-CO <sub>2</sub>	p.26-28					
Industrial waste reduction							158	410		Gain on sale of reusable materials	863	Recycling volume*5	6,382 tons	p.34-35
										Increased costs for industrial waste processing	13			
Water consumption reduction							122	3		Water conservation	46	Water conservation	1,026 tons	p.37
Other resource utilization	21	10	Reduced consumption of paper products	6	Paper products conservation	34 tons	—							
Upstream/downstream costs		1	31	—		Reduced CO <sub>2</sub> emissions and conversion to reusable packaging materials for logistics operations		p.38-39						
Management costs		142	548	—		ISO 14001 certification of Higashichita Plant and Higashiura Plant		p.11						
R&D costs		174	2,172	—		Development of electrically driven CO <sub>2</sub> compressor for car air-conditioners		p.5, p.25						
Social contribution costs		—	3	—		Reduced reliance on substances of concern		p.19						
Social contribution costs		—	3	—		Development of new environmentally conscious electric forklift truck		p.23						
Environmental remediation costs		5	53	—		Financial contribution to Keidanren Nature Conservation Fund		p.40-41						
Environmental remediation costs		5	53	—		Promoted purification of underground water and soil		p.15						
Total		3,111	5,098	1,354										

\*1 Environmental accounting was implemented for Toyota Industries' eight domestic plants and the Corporate Center/Business Support Center (CO/BS).

\*2 Calculations include the environmental portion of investments and expenses that also have other components, as well as any differences in cost incurred by, for example, procuring environmentally conscious materials rather than less expensive materials. Depreciation is not factored into expenses.

\*3 Earnings recorded as an environmental conservation benefit are taken directly from FY 2002 financial statements. Reductions in environmental costs are calculated by multiplying the environmental impact quantity by the unit cost.

\*4 Environmental conservation benefits are calculated using the following formula:

Environmental Conservation Benefit = FY 2001 Environmental Impact by Quantity x (FY 2002 Net Sales/Net Sales During Reference Period) - FY 2002 Environmental Impact by Quantity

\*5 Recycling volume: Volume of recycled industrial waste that had not been recycled in the past.

### ● FY 2002 Environmental Accounting Summary

In FY 2002, environmental conservation costs totaled 8.2 billion yen, consisting of 3.1 billion yen in investments and 5.1 billion yen in expenses. Toyota Industries' investments increased by 1.4 billion yen when compared with its FY 2001 investments. This increase is primarily due to equipment investments related to the following measures: construction of the Higashiura Plant, which began operating in July 2002, the adoption of cogeneration systems and other efforts to prevent global warming, and the adoption of powder coat equipment designed to reduce VOC emissions.

Expenses in FY 2002 were generally equivalent to FY 2001 levels. However, there was a decrease of approximately 300 million yen in environmental damage costs due to soil

processing and soil improvements that were implemented as part of the company's groundwater purification measures in FY 2001.

Economic benefits from the company's environmental conservation activities totaled 1.4 billion yen, covering only those benefits that could be determined at the present time. The economic benefit from energy conservation activities increased by 130 million yen compared with FY 2001. In addition, costs related to industrial waste processing increased by 13 million yen due to increased recycling.

\*Definitions of environmental conservation costs for environmental accounting can be found on p.55.