

Environmental Accounting

Environmental accounting is a critical tool for environmental management that enables the company to effectively implement environmental activities within its corporate management.

Toyota Industries is calculating, based on the **Environmental Accounting Guidelines (2002)** published by Japan's Ministry of the Environment, the investment and costs associated with its environmental activities, which are categorized according to the purpose of each activity. The results of its environmental accounting data are published in its **Social & Environmental Report**. In addition to supporting full information disclosure, Toyota Industries fully intends to incorporate environmental accounting data into the decision-making process for its corporate management, in order to improve the efficiency of the company's environmental activities.

FY 2003 Summary

In FY 2003, environmental conservation costs totaled 9.09 billion yen, consisting of 2.24 billion yen in investments and

6.85 billion yen in expenses. Toyota Industries' major investments consisted of a 620-million-yen investment for the adoption of a cogeneration system, and a 1.3 billion yen investment in equipment designed to prevent global warming, such as equipment upgrades to improve energy efficiency and the adoption of solar power generation systems. Other major investments included upgrades to wastewater processing equipment and new powder coating equipment designed to reduce VOC emissions.

Expenses in FY 2003 increased by 600 million yen over the previous year due to higher processing costs. The increase in processing costs resulted from the additional accounting of waste processing costs incurred by TIBC Corporation, which was included in Toyota Industries' environmental accounting for the first time in FY 2003, and also from the intensification of recycling within the company. Additional factors were the costs associated with the development of manufacturing technologies designed to emit reduced levels of substances of concern, the expanded promotion of environmental disclosure, and the ongoing soil purification efforts.

Economic benefits from the company's environmental conservation strategies totaled 1.44 billion yen, covering only those benefits that could be determined at the present time. The company reduced its energy costs by 190 million yen due to strategies aimed at preventing global warming. Expenses decreased by 60 million yen due to reductions in water consumption and wastewater processing costs.

■ FY 2003 Environmental Accounting*1 Results

Environmental Conservation Categories		Environmental Conservation Costs (millions of yen)		Economic Benefit*3 (millions of yen)	Environmental Conservation Benefit*4		Reference
		Investment	Expense*2				
Business area costs	Pollution prevention	Air pollution prevention	74	224	–	Reduced SOx emissions 768 m ³ N	p.33
		Water pollution prevention	709	555	Reduced wastewater processing costs 33	Reduced NOx emissions 13,457 m ³ N	p.33
						Reduced VOC emissions 46 tons	
	Reduced quantity of wastewater processing 183 km ³						
	Other	9	34	–	Reduced release and transfer of PRTR-designated substances 51 tons	p.30-31	
	Resource conservation	Global environmental conservation	1,312	1,429	Reduced energy consumption 187	Reduced CO ₂ emissions 5 kt-CO ₂	p.31
		Industrial waste reduction	50	1,041	Gain on sale of reusable materials 1,195	Recycling volume*5 5,346 tons	p.34
		Water consumption reduction	18	15	Reduced consumption of water 22	Water conservation 42 tons	p.35-36
		Other resource utilization	–	16	Reduced consumption of paper products 4	Paper conservation 34 tons	–
	Upstream/downstream costs		–	41	–	Promoted green procurement Reduced CO ₂ emissions and packaging materials consumption from logistics	p.21 p.36-37
Administrative costs		13	964	–	Strengthened environmental auditing by adopting environmental information system	p.22	
R&D costs		55	2,269	–	Developed environmentally friendly products Developed processes to reduce emissions of substances of concern	p.24-25 p.20	
Social contribution costs		–	3	–	Contributed personnel, facilities, and capital for the sake of the community	p.42-45	
Environmental remediation costs		–	260	–	Promoted purification of underground water and soil	p.16	
Total		2,240	6,851	1,441			

*1 Environmental accounting was implemented for Toyota Industries' eight domestic plants, CO/BS, and TIBC Corporation.

*2 Depreciation is not factored into expenses. Investments and expenses that apply to more than one category are calculated on a proportional basis.

*3 Earnings, recorded as an economic benefit of environmental conservation, 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 × (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.