Environmental Costs

Business Activities to Enhance Eco-Efficiency

To make ideal management decisions, we are preparing an effective environmental accounting system.

The Concept of Environmental Costs and Results for Fiscal 1998

As the number of environment-related issues has expanded, measuring and analyzing the investment and expenses needed for environmental protection as well as knowing the return on investment and cost benefit (i.e., environmental accounting) has become essential for environmental management.

Moreover, it is likely that the disclosure of environmental costs will be required by a range of interested parties.

At present, consideration of the scope and definition of environmental costs is given not only in Japan but also internationally. We have decided to classify environmental costs into the categories shown in the table below after considering the guidelines issued by the Environment Agency and other approaches. In this connection, depre-ciation could be considered an environ-mental cost but it has not been included because of duplication with environ-mental investment.

Classification	Actual Expenses in Fiscal 1998	Amount
Maintenance Cost	Direct expenses for reducing the environmental impact, including pollution prevention and waste disposal	¥0.9 billion
	Indirect expenses for reducing the environmental impact, including environmental measurement and analysis	0.3 billion
	Expenses for community activities, such as planting greenery and improving the environment	0.2 billion
	Subtotal	¥1.4 billion
Environmental Investments*	Direct expenses for capital equipment, such as that related to global-warming prevention, pollution prevention, waste disposal, and other issues	¥3.9 billion
	R&D expenses on products that reduce the environmental impact	1.7 billion
	Subtotal	¥5.6 billion
	Total	¥7.0 billion

*As some of these items are closely linked with corporate strategy, the content cannot be disclosed in detail. For items that are being implemented for other purposes as well, the portion applicable to environment-related issues has been estimated.

In fiscal 1998, environment-related costs amounted to ¥7.0 billion, or 1.5%, of sales. This was larger than in most years because of expenditures related to the introduction of co-generation systems (¥1.5 billion) and the cost of environment-related equipment for vehicle (Vitz, Yaris) and forklift engine manufacturing (¥1.2 billion).

Under the environmental accounting concepts, it is necessary to measure the effect of such expenditures and work to increase environmental efficiency. Possibilities for attaining this objective include reduction in maintenance costs by, for example, lowering energy usage through energy conservation, and increasing revenues through the enhance-ment of value-added products. At present, we are reviewing and studying these approaches. We plan to restructure and improve the effectiveness of the environmental accounting framework and will begin to disclose