


8. ENVIRONMENTAL COSTS


8. Environmental costs


1) Differential costing

A method of determining costs by deducting non-environmental protection costs from total "compound" costs.


2) Main categories of environmental expenditures

- (1) Expenditures on environmental facilities and waste disposal at works, etc.
- (2) Expenditures on environmental secretariat business and plant and power management business related to environmental preservation and education of employees concerning acquisition of ISO14001 certification
- (3) Expenditures on collection of waste parts
- (4) Expenditures related to R&D on improving fuel efficiency, reducing exhaust emissions and noise levels, recycling, and clean-energy vehicles, etc.
- (5) Expenditures on donations and membership fees paid to external environmental organizations, and expenditures on maintaining areas of greenery, afforestation, etc.


3) Expenditures are classified similar to guidelines laid down by the Environmental Agency. Depreciation expenses are included.

Environmental accounting is a way of accurately determining expenditures on activities to protect the environment and assessing their costs and effects, and is a valuable means of ensuring the effectiveness and sustainability of a firm's environmental investment. By introducing environmental accounting, we are working to improve the cost efficiency of our environmental activities and contribute further to environmental protection.

■ Environmental accounting at present

There are not at present any common standards regarding the scope and calculation of effects of environmental accounting as in the case of financial accounting. The Environment Agency did publish guidelines on calculating environmental costs in an interim report released in March 1998, but standards for determining their effects are still lacking. Methods of determining the effects of environmental expenditures are therefore to be reviewed and findings released once objective standards have been established.

■ Total environmental costs in fiscal 1998

Total environmental costs were aggregated mainly from expenditures on waste disposal and environmental facilities at works and R&D at research and development centers, and other expenditures clearly related to reducing environmental impact. As a general rule, "compound" environmental costs including expenditures on non-environmental objectives were costed by differential costing, ¹⁾ and estimates included where differential costing was difficult.

The table below shows aggregated, non-consolidated (affiliates excluded) expenditures the reduction of environmental impact in fiscal 1998.

Improvements will be made to the system to make environmental accounting more effective, with items of expenditure being examined in greater detail and their effects being determined more appropriately.

Total expenditures on environmental protection ²⁾

April 1, 1998–March 31, 1999

Category of expenditure ³⁾		(Unit: ¥m)
(1) Direct expenditures on reducing environmental impact (direct environmental costs)		4,068
Amount	1) Pollution prevention	(2,661)
	2) Global environmental protection	(148)
	3) Disposal and recycling of industrial waste and ordinary business waste	(1,259)
(2) Indirect expenditures on reducing environmental impact (administrative environmental costs)		1,254
(3) Environmental costs arising from use and disposal of products produced and sold, etc.		71
(4) Expenditure on R&D to reduce environmental impact (environmental R&D costs)		36,299
(5) Expenditures on community and social activities related to reducing environmental impact (environment-related community action costs)		273
(6) Other environment-related costs		48
Total		42,013