

# Environmental Cost Management

In order to ensure continued efficiency in environmental preservation investment, we are monitoring the costs and benefits of environmental investment and perform centralized manage environmental investment through environmental accounting.

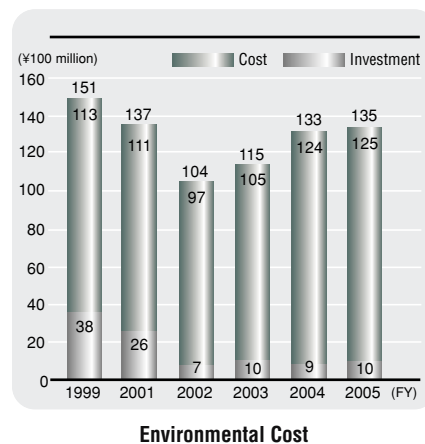
## Implementation of environmental accounting

Daihatsu introduced environmental accounting in FY1999 in order to ensure continued efficiency in environmental investment. Our standards for determining environmental cost and economic benefits are based on the Ministry of Environment (MoE)'s Environmental Accounting Guidebook. Each year we perform our accounting under the same standards.

## Results for FY2005

In FY2005, environmental costs amounted to ¥13.5 billion (year-on-year increase of 1.2%). The main reason for this was an increase in R&D costs for the development of new vehicles.

The economic benefit of environmental conservation was roughly 1.3 billion (year-on-year increase of 28%). The main reason for this was a decrease in energy purchasing costs achieved through improved energy production efficiency.



## Environmental Costs and Benefits in FY2005

• Scope: Daihatsu Motor Only • Period: April 2005 to March 2006

MoE Guidelines Categories		Environmental cost (100 million yen)				Environmental benefits					Economic benefits (100 million yen)				
		FY2004		FY2005		Category	Unit	FY 2004	FY 2005	Improvement (%)	Benefit details	FY 2004	FY 2005		
		Investment	Costs	Investment	Costs										
1. Business area cost	(1) Pollution prevention cost	3.5	15.2	3.0	14.8										
	(2) Global environmental preservation cost	2.4	3.2	1.0	4.2	CO <sub>2</sub> emissions	1,000 t-CO <sub>2</sub> /year	362	372	3% worsening	Energy purchase amount reduction	1.5	5.9		
						Per-unit CO <sub>2</sub>	t-CO <sub>2</sub> /100 million yen	41.2	27.3	5% improvement					
	(3) Resource recycling cost	0.1	10.1	0.4	10.1	Achievement of absolute zero direct landfill waste Achievement of Incinerated Waste Action Plan targets					Waste treatment cost reduction	0.1	0.1		
											Reduction in purchasing cost by reuse of casting sand	0.1	0.1		
											Value of materials recycled at production stage	8.2	6.8		
						VOC emissions	g/m <sup>2</sup>	51	43	16% improvement	Reduction in rinsing thinner purchased	0.0	0.0		
						Water usage per vehicle	m <sup>3</sup> /vehicle	4.2	4.1	2% improvement	Reduction in water purchased	0.6	0.6		
2. Upstream/downstream costs		0.0	9.4	0.0	4.7	Creation of an internal system for promoting vehicle recycling									
3. Administration cost		0.2	7.5	0.0	7.6	Promotion of EMS management and improvement activities									
4. R&D cost		2.5	78.6	5.2	83.5	Promotion of improved fuel efficiency and cleaner emissions									
5. Social activity cost		0.0	0.0	0.0	0.0										
6. Environmental remediation cost		0.0	0.0	0.0	0.0										
Total		8.7	124.2	9.5 (-14%)	125.0 (+19%)								Total economic benefits	10.5	13.4
		132.9		134.5 (+16%)											

## Environmental accounting standards

### Environmental conservation cost

#### 1. Investment

- Total amount invested in environmental preservation efforts. If investments are spread over several terms, only the amount invested during this particular term is counted. (Divided according to financial year)
- In the case of multiple purpose investments, the portion concerning environmental matters is calculated.

#### 2. Costs

- Expenses and personnel costs
- Depreciation not included

#### 3. R&D cost

- Environmental portion of R&D facility costs, expenses, personnel costs is calculated.

### Economic benefits associated with environmental activities

For each production site, we calculate the economic benefit for a single business year for each of six economic benefits (indicators) for which a monetary value can be obtained. To calculate economic benefit, we calculate the economic benefit of environmental activities only, use "variance analysis" and make adjust-

ments of external factors such as production volume and unit price.

\* For details on variance analysis, please see our environmental report for FY2001.