Quantitative Monitoring of Activities by Means of Environmental Accounting

Environmental Conservation Cost

Owing to the continued enhancement in fiscal 2006 of activities to combat global warming, such as the introduction of cogeneration systems, environmental conservation cost (investment) in fiscal 2006 rose 3.8% from a year earlier to ¥388 million

Unit: ¥million

Category of environmental conservation cost	Principal measures	FY2005		FY2006	
		Investment	Cost	Investment	Cost
Business area costs		517	1,893	598	1,604
Pollution prevention costs	Cost of deodorization equipment, dust-proofing equipment, and other environmental measures	63	368	198	350
Global environmental conservation cost	Investment in cogeneration facilities, cost of energy-saving activities, etc.	374	149	388	105
Resource recycling costs	Waste sorting and processing costs	80	1,376	11	1,149
Upstream and downstream costs	Furnishing of environmental supplies, additional expenditures on reducing environmental load	14	267	3	309
Management activity costs	Maintenance and operation of EMS, data disclosure costs	0	511	0	459
R&D costs	Cost of research and development to reduce environmental load	5	402	190	617
Social activity costs	Activities contributing to the environment in environmental terms	0	17	0	14
Subtotal		535	3,090	791	3,002
Total		**3,626**		**3,794**	

Scope: Yokohama Rubber production sites in Japan in the period from April 2006 to March 2007.
Data compiled in accordance with Japanese Ministry of the Environment, *Environmental Accounting Guidelines 2005* and Japan Rubber Manufacturers Association, *Environmental Accounting Guidelines 2003*. R&D costs consist of expenditures on development work to lower environmental load and development of environmentally sound products. Personnel costs were calculated based on man-hours expended on environmental conservation activities. Environmental damage or loss was zero. Depreciation costs are not included.

Economic Effects and Environmental Conservation Effects

Installation of a cogeneration system at the Mie Plant and energy-saving activities made major contributions to improving the economic effect and reducing emissions of greenhouse gas emissions.

Economic effect

Unit: ¥million

Category	Details	FY2005	FY2006
Income	Income from waste recycling generated in the course of business activities	83	143
Cost reductions	Reduction of costs due to energy savings	283	1,254
	Reduction of costs due to use of recycled products	588	541
Total		**954**	**1,938**

Environmental conservation effect

Category	Reduction compared with previous year	Page in this report
Reduction in greenhouse gas emissions (1,000 t-CO_2)	30	P32
Reduction in organic solvents (t)	98	P37
Waste disposed of by landfill (t)	Continuation of zero emission	P31
Water use (10,000 m^3)	8	P35

Environmental Accounting of Group Companies

Toughened measures to lower environmental load in fiscal 2006 led to a 105% increase in total investment and costs compared with the previous year.

Unit: ¥million

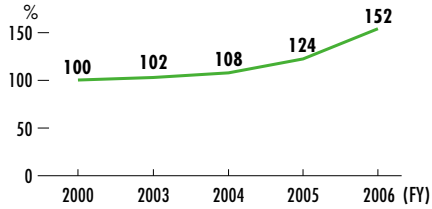
Category	FY2005		FY2006	
	Investment	Cost	Investment	Cost
Business area cost	5	26	17	59
Management activity and social activity costs	0	9	0	6
Subtotal	5	35	17	65
Total	**40**		**82**	
Economic effect	9		9	

Scope: Yokohama Tire East Japan Retread, Sanyo Retread, SC Kingflex.

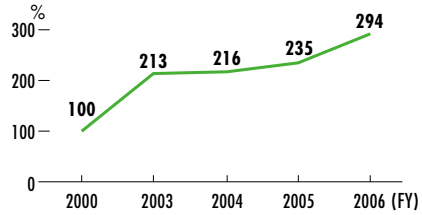
Environmental Efficiency

Environmental efficiency is a measure of whether business activities are undertaken efficiently while limiting the impact on the environment. It is calculated by the following formula, and a higher index means that improvements are being made: environmental efficiency = sales / environmental load. Of the three key indices that Yokohama Rubber uses as indicators of environmental load, the greenhouse gas index improved 28% in fiscal 2006 compared with the previous year.

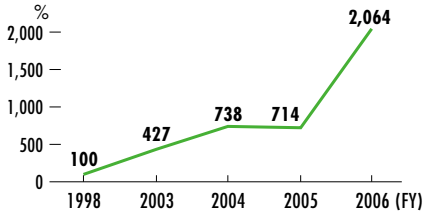
Greenhouse gas index[1]



Organic solvent index[2]



Recycling index[3]



1. Sales/greenhouse gas emissions: Based year (FY2000) = 100. 2. Sales/solvent emissions: Base year (FY2000) = 100.
3. Sales/final disposal: Base year (FY2000) = 100. (For the definition of final disposal, see p. 31.)