Chapter 20
Environmental Management Accounting Practices in Japanese Manufacturing Sites

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Abstract Previous questionnaire surveys on environmental management accounting (EMA) practices in Japan have targeted managers in environmental departments in corporate headquarters as being representative of the company perspective. By conducting a questionnaire survey in manufacturing sites this paper attempts to clarify Japanese corporate EMA practices at the operational level. Since environmental departments in headquarters are presumed to have considerable influence on the introduction and performance of environmental accounting at sites this study analyses the relationship between manufacturing sites and headquarters. As a result, the following points were identified. First, the main purpose of environmental accounting at manufacturing sites is to send data to headquarters. Second, approximately half of the sites in the sample used environmental accounting for internal management and environmental accounting was felt to be more useful at these sites than at those which did not use it for internal management. Third, an effective headquarters advises sites about the introduction of environmental accounting for internal management.

20.1 Introduction

In Japan, environmental accounting practices were developing rapidly. The turning point was the publication of the Environmental Accounting Guidelines by the Ministry of the Environment in 2000. The guidelines were revised twice, in 2002 and in 2005 (MOE 2005). The main purpose of Environmental Accounting Guidelines is to show a relationship between environmental conservation costs and environmental...
conservation effects, and, to emphasise environmental accounting information disclosure in voluntarily published corporate environmental reports. In practice, therefore, environmental accounting in Japan developed as a medium for external disclosure (Kokubu and Kurasaka 2002, Kokubu et al. 2003). This is in marked contrast to the situation in Europe and the US (see, for example, Bennett and James, 1999) where the focus was on environmental management accounting (EMA) is oriented towards internal management.

In relation to EMA, the Ministry of Economy, Trade and Industry (METI) published an Environmental Management Accounting Technique Workbook in 2002 (METI 2002). Previous surveys found a gradual but steady spread of EMA in Japanese corporate practice (Kokubu and Nashioka, 2005). Manufacturing sites such as factories measure environmental accounting information and make use of it for internal management. While the environmental departments in headquarters aggregate and disclose corporate environmental accounting information they are only indirectly concerned with those activities that cause environmental costs and effects. Nevertheless, previous questionnaire-type surveys almost exclusively targeted environmental departments based in the headquarters of Japanese companies and virtually none targeted the manufacturing sites where environmental accounting is carried out. At an international level, major studies based on a questionnaire survey (for example, Burritt et al. 2003; Collison et al. 2003) also targeted environmental departments or financial directors at headquarters.

The purpose of this paper is to clarify Japanese corporate EMA practices at the operational level by conducting a questionnaire survey at the manufacturing sites where environmental accounting is actually implemented. In this sense, strategic use of environmental accounting at headquarters is located outside the paper. However, since environmental departments in headquarters are presumed to have considerable influence on the introduction and performance of environmental accounting at sites the relationships between environmental departments and manufacturing sites were also examined. As mentioned, in Japanese environmental accounting practices, at the level of headquarters, the external disclosure purpose is more dominant, so examining this point at site level is the main research focuses in this paper.

20.2 Research Purpose and Sample Selection

To analyse environmental accounting practices in Japanese manufacturing sites our questionnaire targeted companies that publish environmental reports and are listed in four business categories on the First Section of the Tokyo Stock Exchange: Chemicals, Electrical appliances, Pharmaceuticals, and Transport machinery. Manufacturing sites disclosed in these companies’ environmental reports were then selected. The reason for targeting these four industry sectors was that they are at the forefront of environmental accounting initiatives and it seemed likely that EMA would be well-developed at their sites.