

# Environmental Accounting

We are accurately determining the costs and benefits of environmental activities and using this knowledge to better manage the company.

## Stance on Environmental Accounting

Environmental accounting is a management tool that helps to determine the costs and benefits of a company's environmental activities. At TEL we have introduced an environmental accounting system to determine quantitatively the costs of the environmental aspects of our business, and we are using this information to guide corporate activities.

Fiscal 2001 is the third year since the introduction of the environmental accounting system, and we have made greater efforts this year to improve the accuracy of information about investments and environmental activity expenses, as compared to fiscal 1999 (a trial year) and fiscal 2000 (when we worked to expand the range of data collected). Our aim for future years is to make our environmental activities sustainable.

Our environmental accounting complies with the Environmental Accounting Guidelines (2002 Edition) and Environmental Accounting Guidebook from Japan's Ministry of the Environment.

## Environmental Preservation Costs

The costs of environmental preservation (investments and expenses) for fiscal 2001 can be seen in the table below.

Data was collected for TEL facilities in Japan. Depreciation on investments in facilities is calculated as an expense beginning with the investments made in fiscal 1999.

In the environmental accounting for fiscal 2000, the "upstream/downstream costs" primarily covered office facilities, and only a portion of products were covered under research and development costs. As a result, a complete assessment was not possible during that year. For fiscal 2001 however, we attempted to include all facilities in Japan in the calculations, as well as all environmental costs and cost categories. As a result of this more comprehensive approach, the research and development costs calculated for fiscal 2001 grew considerably, to 1.985 billion yen.

### TEL's Environmental Preservation Costs in Fiscal 2001

Locations covered: All TEL facilities in Japan (Sapporo, Tohoku, Miyagi, Akasaka, Fuchu, Yokohama, Sagami, Yamanashi [Hosaka, Fujii], Osaka, Saga, Kumamoto, Koshi, Ozu)  
 Period covered: April 1, 2001 to March 31, 2002

Units: Million yen

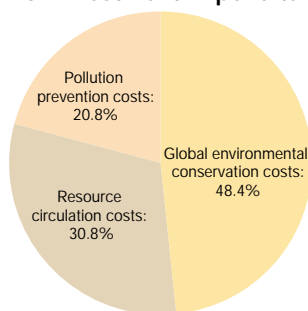
Classifications of Environmental Costs	Details of main initiatives (facilities, supplies, leases, depreciation, maintenance, etc.)	Investment amount	Expense amount	
1. Business area cost		91.4	774.1	
Itemization	1.1 Pollution prevention costs	Air pollution, water pollution, soil contamination, etc.	19.0	126.1
	1.2 Global environmental costs	Climate change prevention, ozone layer depletion prevention, etc.	44.2	67.6
	1.3 Resource circulation costs	Efficient use of resources, waste reduction, etc.	28.1	580.3
2. Upstream/downstream costs	Green purchasing, green procurement, etc.	0.0	72.6	
3. Management activity costs	Environmental education, monitoring and measuring environmental impacts, etc.	0.0	411.0	
4. Research and development costs	Product R&D, etc.	0.0	1,985.0	
5. Social activity costs	Planting trees and vegetation, supporting local environmental activities, information provision, etc.	0.0	42.9	
6. Environmental damage costs	Repairing damage to the natural environment, etc.	0.0	0.0	
7. Other activities	other	0.0	0.0	
Total		91.4	3,285.8	

## Major activities

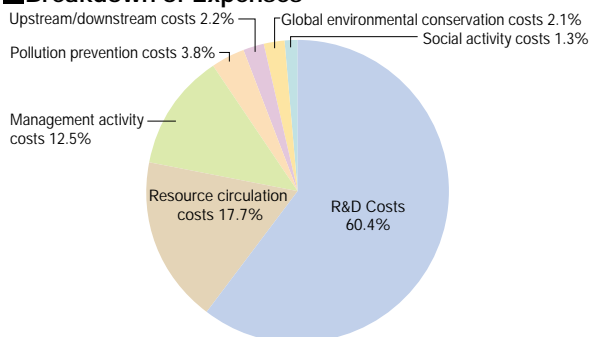
Below are several examples of the TEL's major activities.

Business area costs	
Itemization	① Pollution prevention costs Installation of abatement equipment, wastewater neutralization equipment maintenance expenses, upgrades to prevent oil spills, etc.
	② Global environmental costs Installation of inverters for lighting, installation of timers to control lighting and air conditioning, installation of equipment for removing chlorofluorocarbons, etc.
	③ Resource circulation costs Maintenance of organic waste disposal equipment, expenses involved in reducing and disposing of waste, recycling of liquid wastes, etc.
Upstream/downstream costs	
Hybrid car lease and maintenance costs, use of kenaf paper cups, costs of converting to recycled paper, purchase of environmentally-friendly products, etc.	
Management activity costs	
Environmental monitoring expenses for air/water pollution, soil contamination, etc., costs for preparing environmental education materials, personnel costs for environmental education, etc.	
Research and development costs	
Research and development for reducing environmental impacts, etc.	
Social activity costs	
Planting of trees and vegetation, etc.	

## Breakdown of Investment Expenditures



## Breakdown of Expenses



## Effects of Environmental Preservation Activities

The results of calculations of economic effects relating to environmental preservation activities are shown in the table below.

We consider fiscal 2001 to be a trial for efforts to determine the effects and benefits of environment preservation activities. The economic effects of these activities were calculated for four of the TEL Group plants in Japan: Tohoku, Miyagi, Yamanashi (Hosaka and Fujii) and Saga.

Concerning categories of environmental accounting, this report covers only the economic effects of environment preservation activities. For the environmental effects based on physical quantities, please refer to the explanation of the Eco-Factory (pages 13 to 18 of this report).

## TEL's Economic Effects of Environmental Preservation Activities

Locations covered: Four locations of TEL in Japan (Tohoku, Miyagi, Yamanashi [Hosaka, Fujii] and Saga)  
Period Covered: April 1, 2001 to March 31, 2002  
Units: Million yen

Category	Description	Amount
Cost reduction	Reduction of power consumed (power savings from stopping boiler operation during summer and scheduled stoppages)	70.2
	Reduction of water consumed	3.2
	Reduction of paper consumed	13.3
	Reduction of chemicals used in recovery of pure water, reduction in the use of heavy oil, reduction in the use of liquid nitrogen	17.5
	Reduction in the amount of disposed waste	5.4
	Cost reductions from other effects	1.5
Cost reduction		111.3
Total cost reduction	Sales of recycled (salvaged) materials	0.5
Total effect		111.8

## Reduction of power consumed

For the effective utilization of management resources, it is also important to quantify improvements in environmental performance and to determine their costs and effects. In the future, we aim to improve the accuracy of our calculations of the economic effects of environmental preservation initiatives.