“Environmental accounting” is a tool for ascertaining the cost and effect of a company’s environmental activities for use within the company’s routine operations. At the TEL Group, we have decided to adopt an environmental accounting system to quantitatively ascertain the costs associated with our environmental conservation activities and utilize them as gauges of corporate activities.

Fiscal year 2000 marked the second year since the introduction of our environmental accounting system. Following up on the experiences of fiscal year 1999, when the system was run on a trial basis, we attempted to extend the scope of the tabulation of environmental accounting data. We intend to maintain these sorts of environmental conservation activities in the future as well.

### Fiscal Year 2000 Results

Our fiscal year 2000 environmental costs (investment amount and expense amount) are tabulated below. The numbers apply to TEL Group domestic plants. Costs for the depreciation of capital equipment cover purchases made since fiscal year 1999.

In fiscal year 1999, environmental costs included business area cost, management activity costs, and social activity costs. In fiscal year 2000, an effort was made to include all costs associated with environmental conservation. However, it should be noted that results for upstream/downstream costs are based mainly on branch office information, while research and development costs represent costs associated with some equipment only.

### Future Issues

We aim to provide even more accurate environmental conservation costs in the future. Further consideration needs to be given to calculating upstream/downstream costs and research and development costs. Furthermore, from the standpoint of the effective utilization of management resources, it is also necessary to quantify improvements in environmental performance and to ascertain their costs and effects. We plan to formulate an approach to ascertaining results and to undertake to quantify results in monetary terms based on this approach.

### TEL Group’s Environmental Costs

(FY2000 results in thousands of yen)

<table>
<thead>
<tr>
<th>Environmental Preservation Cost Classifications</th>
<th>Main Activities</th>
<th>Investment amount</th>
<th>Expense amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business area cost</td>
<td></td>
<td>408,264</td>
<td>545,705</td>
</tr>
<tr>
<td>1.1 Pollution prevention costs</td>
<td></td>
<td>142,430</td>
<td>154,066</td>
</tr>
<tr>
<td>1.2 Global environmental costs</td>
<td></td>
<td>165,991</td>
<td>70,888</td>
</tr>
<tr>
<td>1.3 Resource circulation costs</td>
<td></td>
<td>99,843</td>
<td>320,751</td>
</tr>
<tr>
<td>2. Upstream/downstream costs</td>
<td></td>
<td>0</td>
<td>21,441</td>
</tr>
<tr>
<td>3. Management activity costs</td>
<td></td>
<td>432</td>
<td>112,966</td>
</tr>
<tr>
<td>4. Research and development costs</td>
<td></td>
<td>0</td>
<td>2,447</td>
</tr>
<tr>
<td>5. Social activity costs</td>
<td></td>
<td>6,500</td>
<td>44,148</td>
</tr>
<tr>
<td>6. Environmental damage costs</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7. Other costs</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>415,196</strong></td>
<td><strong>726,707</strong></td>
</tr>
</tbody>
</table>

*Environmental costs include the total amounts for all ascertained costs*
### Major Environmental Costs

Below are several examples of the TEL Group’s major environmental costs.

- **Business area cost:**
  1. **Pollution prevention costs:** installation of abatement equipment, wastewater neutralization equipment maintenance expenses, and the like
  2. **Global environmental costs:** installation of equipment for removing chlorofluorocarbons, and the like
  3. **Resource circulation costs:** installation of kitchen garbage-disposal equipment, expenses involved in reducing and disposing waste, and the like

- **Upstream/downstream costs:** hybrid car lease and maintenance costs, purchase of environmentally-friendly products, and the like

- **Management activity costs:** environmental measurement expenses for air/water pollution, soil contamination, etc., environmental education expenses, and the like

- **Research and development costs:** research and development aimed at reducing environmental impact of cleaning systems, and the like

- **Social activity costs:** afforestation expenses, and the like

### Breakdown of Investment Expenditures

- **Global environmental conservation costs:** climate change prevention, ozone layer depletion prevention, etc.
- **Pollution prevention costs:** air pollution, water pollution, soil contamination, etc.
- **Resource circulation costs:** efficient use of resource, waste reduction, etc.
- **Social activity costs:** afforestation, support for local environmental activities, environmental information disclosure, etc.
- **Management activity costs:** environmental education, monitoring/measuring of environmental impacts, etc.

### Breakdown of Expenses

- **Resource circulation costs:** efficient use of resource, waste reduction, etc.
- **Pollution prevention costs:** air pollution, water pollution, soil contamination, etc.
- **Management activity costs:** environmental education, monitoring/measuring of environmental impacts, etc.
- **Global environmental conservation costs:** climate change prevention, ozone layer depletion prevention, etc.
- **Social activity costs:** afforestation, support for local environmental activities, environmental information disclosure, etc.
- **Upstream/downstream costs:** hybrid car lease and maintenance costs, purchase of environmentally-friendly products, and the like
- **R&D costs:** product R&D and the like