

Environmental Accounting

We are accurately determining the costs and benefits of environmental activities and using this knowledge in management.

Our Approach to Environmental Accounting

Environmental accounting is a 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 environmental protection activities among our corporate activities and to use this information to guide corporate activities.

For FY 2004, which marked the fifth year since the introduction of our environmental accounting system, we endeavored to improve the accuracy of data collection on the amount of the investment in equipment and costs of the environmental activities. We intend to make continuity an aspect of environmental protection activities.

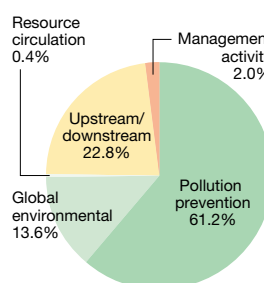
Our environmental accounting complies with the Environmental Accounting Guidelines (2002 edition) and the Environmental Accounting Guidebook published by Japan's Ministry of the Environment.

Environmental Preservation Costs

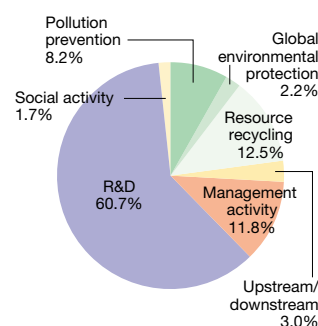
Environmental preservation costs (investments and expenses) for FY 2004 are outlined in the tables and figures below.

The scope of coverage of the data includes TEL plants and offices in Japan. The investment depreciations in facilities are calculated as expenses beginning with the investments made in FY 2000.

Breakdown of Investments



Breakdown of Expenses



Environmental Protection Costs in FY 2004

Scope: All TEL facilities in Japan (Sapporo, Tohoku, Miyagi, Akasaka, Fuchu, Yokohama, Sagami, Hosaka, Fujii, Amagasaki, Osaka, Saga, Kumamoto, Koshi, Ozu)
Period covered: April 1, 2003 — March 31, 2004

(1,000 yen)

Classifications of environmental costs	Scope of main initiatives (facilities, supplies, leases, depreciation, maintenance, etc.)	Investment amount	Expense amount
1. Business area costs		104,012	683,504
Itemization			
1.1 Pollution prevention costs	Preventing air pollution, water pollution, soil pollution, etc.	84,609	246,112
1.2 Global environmental costs	Global warming prevention, ozone layer protection, etc.	18,820	64,945
1.3 Resource circulation costs	Efficient use of resources, waste reduction, etc.	583	372,447
2. Upstream/Downstream costs	Green purchasing, green procurement, etc.	31,575	88,606
3. Management activity costs	Environmental education, monitoring and measuring environmental impacts, etc.	2,770	350,993
4. Research and development costs	Product R&D, etc.	0	1,812,572
5. Social activity costs	Planting trees and vegetation, supporting local environmental activities, information disclosure, etc.	0	50,440
6. Environmental damage costs	Repairing damage to the natural environment, etc.	0	102
7. Other costs	Other	0	0
Total		138,357	2,986,217

Economic Benefits of Environment Protection Activities

The results of calculations for the economic benefits of environmental protection activities are shown in the table below.

The economic benefits of environmental protection activities are the only environmental accounting items covered in this report.

Economic Benefits of Environmental Protection Activities in FY 2004

Scope: TEL facilities in Japan (Sapporo, Tohoku, Miyagi, Akasaka, Fuchu, Yokohama, Sagami, Hosaka, Fujii, Osaka, Amagasaki, Saga, Kumamoto, Koshi, Ozu)
Period covered: April 1, 2003 — March 31, 2004

(1,000 yen)

Classifications of environmental costs	Details	Amount	
Cost reduction	Benefits relating to electricity and other energy	Reduced electricity usage	78,613
	Water-related benefits	Reduced water usage	7,330
	Paper-related benefits	Reduced paper usage	9,095
	Resource-related benefits	Reduced crude oil usage	-1,066
	Other benefits		10,893
	Waste related benefits	Reduced waste volume	103,494
	Water and soil effluent benefits	Reduced waste volume	1,398
Cost reduction subtotal		209,757	
Profits	Resource-related benefits		53
	Waste-related benefits		3,421
Profit subtotal		3,474	
Grand total		213,232	