

# Environmental Accounting

“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. Although there are currently no uniform international standard for environmental accounting definitions and classifications, Japan’s Environment Agency released Developing an Environmental Accounting System (Year 2000 Report) in May 2000.

In January 2000, we established an Environmental Accounting Working Group composed of TEL Group personnel from throughout Japan. The Environment, Health and Safety Center serves as the Working Group’s secretariat. At the same time, we also clarified (1) our approach to adopting environmental accounting, (2) the scope of our environmental accounting program, and (3) methods of tabulating environmental accounting data. In fiscal year 1999, we ascertained the cost of our environmental activities and implemented an environmental accounting system on a trial basis atop the foundation of the environmental management system. We intend to maintain such environmental conservation activities in the future as well.

## ■ Fiscal Year 1999 Results

Our fiscal year 1999 environmental costs (investments and expenses) are tabulated below. The numbers apply to the domestic plants and other facilities of TEL and its affiliates. Environmental conservation costs are classified as cost within the business area, management activity cost, and social activity cost. These costs do not include depreciation of capital equipment.

## ■ Future Issues

During the recent trial, we did not calculate costs such as cost of upper stream/lower stream, R&D cost, and environmental damage cost, but we consider it necessary to investigate and include such costs in the future. From the standpoint of effective utilization of management resources, it is also necessary to quantify improvements in environmental performance and ascertain their cost and effect. We plan to formulate an approach to ascertaining results and to undertake to quantify results in monetary terms based on this approach. We intend to disclose such issues as they are determined.

## ■ TEL Group’s Environmental Costs

(FY1999 results in thousands of yen)

Environmental Preservation Cost Classifications		Main Activities	Investments	Expenses
Cost within the business area			133,114	454,598
Itemization	(1) Pollution prevention costs	air pollution, water pollution, soil contamination, etc.	76,718	142,617
	(2) Global environmental conservation costs	climate change prevention, resource conservation, ozone layer depletion prevention, etc.	37,775	24,791
	(3) Resource circulation costs	efficient use of resource, waste reduction, etc.	18,621	287,190
Management activity costs		environmental education, monitoring and measuring environmental impacts, etc.	630	49,242
Social activity costs		afforestation, support of local environmental activities, environmental information disclosure, etc.	0	41,487
Total			133,744	545,327



## Major Environmental Costs

Below are several examples of the TEL Group's major environmental costs in the categories of cost within the business area, management activity cost, and social activity cost. Cost within the business area are further classified as (1) pollution prevention costs, (2) global environmental conservation costs, and (3) resource circulation costs.

- Cost within the business area:
  - (1) Pollution prevention costs: installation of filtering equipment, incinerator dismantlement and removal expense, construction of storage facilities for special material receptacles, installation of redundant plumbing for pure-water product equipment's liquid waste, environmental equipment maintenance expense, etc.
  - (2) Global environmental conservation costs: installation of unit cleaners for turbo freezers, installation of UV-blocking film on windows, rebuilding of vacuum pumps' cooling water circulation systems, etc.
  - (3) Resource circulation costs: construction and enlargement of waste storage facilities, recycling expenses, waste processing expenses, etc.
- Management activity costs: environmental education expenses, cost of periodic audits by third-party organizations, environmental measurement expenses (e.g., for air/water pollution, soil contamination, noise, vibration, etc.), purchase of LCA software, etc.
- Social activity costs: afforestation expenses, expenses to support environmental activities conducted by local residents, contributions to environmental groups, environmental announcement expenses

