

## Environmental Accounting

The NSK Group has disclosed the results of environmental accounting, a tool for quantitatively ascertaining and evaluating the costs and results of environmental protection activities. The Group also has introduced environmental accounting as an information tool to broaden people's understanding of the Group's activities. The environmental conservation cost in fiscal 2015 included approximately 2.6 billion yen in investments and about 10.9 billion yen in expenses. The economic benefits came to roughly 0.8 billion yen.

The NSK Group seeks to ensure that its products contribute to environmental preservation. As a result, approximately 68% of environmental conservation costs comprised R&D costs for environmentally friendly products and environmental conservation technologies.

● **Table1: Environmental Conservation Cost**

Category	Investment			Cost			
	FY2014 Millions of yen	FY2015 Millions of yen	(%)	FY2014 Millions of yen	FY2015 Millions of yen	(%)	
Business area costs	Pollution prevention costs	330.9	183.1	6.9%	526.2	530.1	4.9%
	Global environment conservation costs	1,118.7	970.0	36.7%	979.8	963.8	8.8%
	Resource circulation costs	195.5	92.0	3.5%	841.3	669.4	6.1%
	Subtotal	1,645.1	1,245.1	47.1%	2,347.3	2,163.3	19.9%
Upstream and downstream costs	0.0	0.0	0.0%	269.9	287.1	2.6%	
Administration costs	2.3	1.1	0.0%	601.8	601.7	5.5%	
Research and development costs	1,645.2	1,383.3	52.3%	7,503.5	7,766.6	71.3%	
Social activity costs	0.0	0.0	0.0%	41.5	43.1	0.4%	
Environmental remediation costs	9.1	13.8	0.5%	20.4	30.4	0.3%	
<b>Total</b>	<b>3,301.7</b>	<b>2,643.2</b>	<b>100.0%</b>	<b>10,784.5</b>	<b>10,892.2</b>	<b>100.0%</b>	

Category	Key activities	
Business area costs	Pollution prevention costs	<ul style="list-style-type: none"> <li>• Brought to the surface and repaired underground tanks and pipes.</li> <li>• Maintained and inspected dust collectors and smoke removal units.</li> </ul>
	Global environment conservation costs	<ul style="list-style-type: none"> <li>• Followed energy conservation policies including high-energy-efficient equipment.</li> </ul>
	Resource circulation costs	<ul style="list-style-type: none"> <li>• Installed grinding-dust briquette-making equipment.</li> <li>• Took countermeasures to reduce and recycle waste material.</li> </ul>
Upstream and downstream costs	<ul style="list-style-type: none"> <li>• Practiced green procurement (low-polluting vehicles, paper, uniforms, and office equipment and supplies).</li> </ul>	
Administration costs	<ul style="list-style-type: none"> <li>• Maintained and followed procedures for ISO 14001.</li> <li>• Measured and analyzed environmental impact.</li> </ul>	
Research and development costs	<ul style="list-style-type: none"> <li>• Conducted research and development with the main goal of environmental protection for new product development.</li> </ul>	
Social activity costs	<ul style="list-style-type: none"> <li>• Participated in and donated to the Keidanren Nature Conservation Fund.</li> </ul>	
Environmental remediation costs	<ul style="list-style-type: none"> <li>• Maintained discharge treatment facilities.</li> </ul>	

● **Table 2: Economic Benefits Associated with Environmental Conservation Activities**

Category	FY2014	FY2015
	Millions of yen	Millions of yen
Reductions in energy costs through energy conservation activities	109	100
Reductions in waste disposal costs through waste reduction activities	50	55
Sales of recyclable waste material	1,234	685
<b>Total</b>	<b>1,393</b>	<b>840</b>

● **Table 3: Physical Benefits Associated with Environmental Conservation Activities**

Area	Indicators	FY2014	FY2015
Plants	CO <sub>2</sub> emissions / production unit	6.0% improvement	1.6% worsened
	Water withdrawal / production unit	10.7% improvement	6.0% improvement
	Landfill waste disposal ratio	0.001% improvement	0.001% improvement
	Waste recycling ratio	0.001% improvement	0.001% improvement
Distribution	Energy / production unit	1.1% worsened	3.2% worsened

### Method of Calculation

● **Criteria for environmental protection costs**

Environmental costs and expenses determined in accord with the *Environmental Accounting Guidelines 2005* issued by the Ministry of the Environment in Japan. Depreciation is entered as a cost using the 5-year straight-line depreciation method. Compound costs are divided in proportion to the relevant environmental objective. Costs incurred through green procurement are entered as full amounts and not as differential amounts.

● **Criteria for environmental protection benefits**

Includes economic benefits (in monetary units) calculated from tangible evidence and physical benefits gained from environmental policies. Does not include imputed benefits (risk avoidance benefits, estimated profit contribution benefits, etc.).