

Aiming for Environmental Management that Combines Corporate Management with Environmental Preservation

Calculating Investments and Running Costs of Preservation Activities and Using Resources Effectively

SanDen calculates investments and expenses associated with environmental protection activities as part of its disclosure activities. We prepare this data based on our own system, which incorporates elements of the Ministry of the Environment's Environmental Accounting Guidelines.

In addition, data is compiled on both a monetary value and physical volume basis.

Beginning in fiscal 2005, we made the transition from the previous environmental preservation activities to "environmental management." Environmental management aims to implement both environmental activities and management activities at the same time. The method employed for promoting environmental management activities is material flow cost accounting (MFCA), which allows us to use resources more productively and makes it possible to manage both corporate and environmental activities simultaneously. After confirming the effectiveness of MFCA, beginning in fiscal 2006, we have introduced this method into the Company and domestic subsidiaries.

Environmental Accounting at Manufacturing Sites

Environmental Costs(100 Millions of yen)

Classification	Major initiatives and effects (from guidelines)	Investment	Expense
Business Area Costs	Costs associated with reducing the environmental impact that occurs within business areas (areas in which companies can directly manage their impact on the environment, including logistics and sales activities) as a direct result of production and service activities	1.7	272.1
Breakdown	Pollution Prevention Costs	0.1	91.1
	Global Environmental Preservation Costs	—	32.4
	Resource-Related Costs	1.6	148.6
Upstream/Downstream Costs	Costs associated with green procurement and other measures to reduce the environmental impact of upstream activities and costs associated with measures to reduce the environmental impact of downstream activities, including use, consumption, and disposal of containers, packaging, and products manufactured and sold by the Company	—	24.9
Administration Costs	Costs associated with measures that contribute indirectly to reducing the environmental impact of business activities through the management of environmental preservation activities	—	52.9
R&D Costs	R&D costs related to environmental preservation, including relevant personnel costs and R&D investments	56.5	1,363.5
Social Activity Costs	Costs associated with social contribution activities that are not directly related to business activities and contribute to environmental preservation as well as costs associated with the provision of information and other efforts on the part of the Company to communicate with society	6.8	9.8
Environmental Remediation Costs	Costs related to the remediation of environmental damage caused by business activities, which as a result, are costs related to environmental preservation	—	—
Subtotal		63.1	1,635.0
Total		1,698.1	

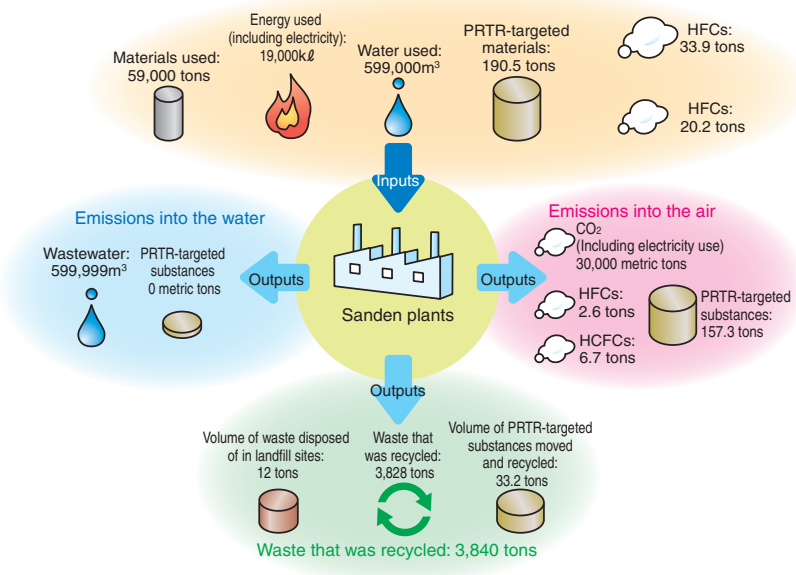
Compared with the results from the previous fiscal year, both investments and labor expenses resulted in virtually the same level of environmental cost inputs. In addition, depreciation on investments in equipment made in past years are included in expenses.

Volume of Main Resources Used at and Emissions from Plants

SanDen has calculated the volume of main resources used at plants and the volume of emissions from plants into the air and water in fiscal 2007.

Waste materials are not materials for simple disposal in landfills. Since all of SanDen's waste materials are recycled, the volume of materials disposed of in landfill sites in the table is an estimate of the volume of incinerator ashes after thermal recycling.

In addition, following the revision of Japan's Energy Conservation Law, the measurement of the impact on the natural environment in the distribution stage and of the environmental impact when the product is in use are taken into consideration using the Lifecycle Assessment (LCA) approach.

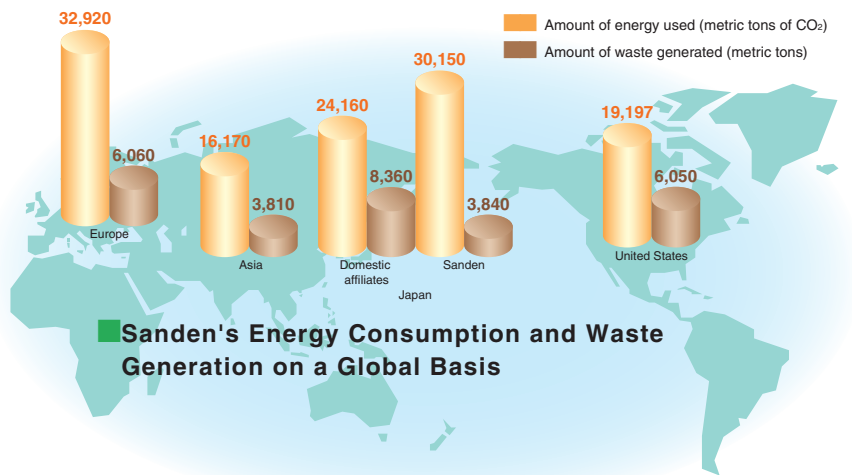


Global Environmental Accounting (Physical Volume Data)

The Sanden Group employs environmental accounting to obtain quantitative information, including on the amounts of energy used and waste generated and monetary information. This information is gathered and used in in-house information network and Internet postings, environmental reports created by individual companies every fiscal year, and environmental management documents and is utilized in the formulation of environmental policies.

Sanden is particularly encouraging Group companies in Japan and overseas to disclose physical volume data as basic information for environmental preservation activities.

Please note that energy use is expressed as CO₂ equivalents as a standard index using the Ministry of the Environment's Environmental Activities Evaluation Program.



Adoption of Material Flow Cost Accounting (MFCA)

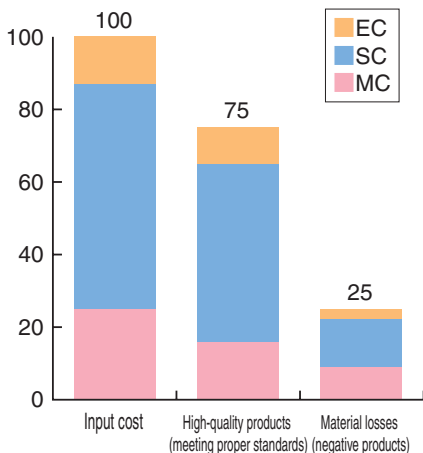
In fiscal 2005, Sanden replaced its conventional environmental protection activities with an environmental management system. As part of this shift, we started using MFCA as one means of backing up our environmental management. In conjunction with this action, we began participating in the Joint Research Model Business for Adoption of MFCA by Large Companies, a program operated by Japan Management Association Consulting Co., Ltd., on behalf of the Ministry of Economy, Trade and Industry. We selected the compressor parts factory at the Akagi Plant as our model business.

MFCA was developed in Germany as an environmental management method for conducting corporate management and environmental management through increasing productivity in the use of resources. MFCA identifies losses involving resources and energy that are incurred during manufacturing processes.

MFCA has made it possible to identify waste and inefficiencies that were not detected by previous methods in tests conducted in Sanden's compressor plants and made it possible to calculate the beneficial effects of individual improvements when viewing the overall plant process and make related simulations. We have also confirmed that MFCA is an effective method for supporting environmental management especially in workplaces where parts processing is conducted. In fiscal 2006, we have newly introduced MFCA to three departments and four domestic subsidiaries, with the consulting assistance of the Japan Productivity Association.

Through this trial, we are discovering many new sources of loss. Among them are loss from methods used to cut materials, loss from cutting and grinding processes, and loss resulting from time needed to start operations of new manufacturing equipment. We plan to incorporate the resulting improvements in our existing TPM program.

Results of MFCA Analysis in Compressor Plants (Aluminum Cutting)



Results of MFCA Analysis in Subsidiaries (Casting and Cutting)

