

## Environmental accounting

At Kubota, we set up our own standards regarding environment-related accounting in 1973, and we keep aggregate totals of expenses for environmental management, investment for environment-related facilities, and direct results. This data is then put to use in our environmental management activities.

We have not accounted the depreciation cost of facilities, the cost nor the plant investment for the development of environment-friendly products.

In addition, we have not accounted the supposed effect nor indirect effect because the definition is not clear.

In fiscal 2001, environmental management expenses at Kubota amounted to 2.84 billion yen, while plant investments totaled 2.19 billion yen on an unconsolidated basis.

And direct environmental conservation effects from those expenses and investments totaled 2.17 billion yen.

### •Regarding the expenses

The breakdown of the main environmental management expenses is as follows:

Direct personnel expenses reduced by 290 million yen, compared with the previous year, to 1.25 billion yen, because of the ISO14001 certificate acquisition and establishment in all the plants.

Commission for industrial wastes treatment for recycling reduced by 130 million yen, compared with the previous year, to 890 million yen.

### •Regarding the investment

In plant investments, environment improvement investment was 1.58 billion yen, and global-environmental-related investment was 440 million yen.

### •Regarding the effects

The breakdown of the effects is as follows:

Saving energy effect: 930 million yen

Reduction of waste treatment costs by zero emission: 220 million yen

Sales amount of valuable substances regarding recycling: 160 million yen

Effect of distribution improvement measures: 850 million yen.

### •Activities from now on

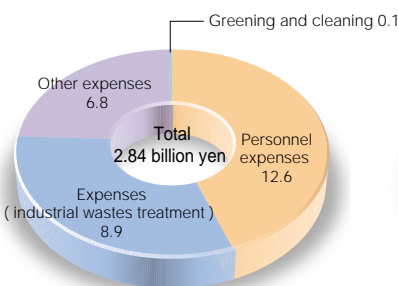
We are now constructing our new system, which includes reconsideration of standards and counting method, increase of counting items, accuracy improvement, and calculation of cost-performance, referring to "the guidelines for introduction of environmental accounting system" compiled by Ministry of the Environment.

We consider the environmental accounting as the indispensable tool for environmental corporate management, in order to sustain our business and development, grasping the investment effect and cost-performance.

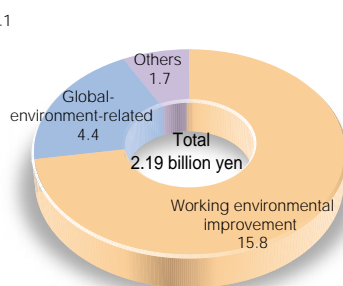
We make an effort to improve our environmental conservation activities, and to disclose our environmental information.

### Breakdown of environmental management expenses and plant investment in fiscal 2001

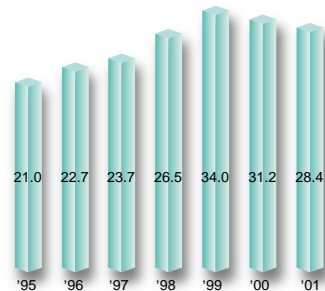
Environmental management expenses



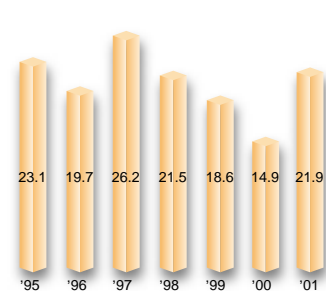
Environment-related plant investments



Transition of environmental management expenses (unit: 100 million yen)



Transition of environment-related plant investments (unit: 100 million yen)



### Direct effects in fiscal 2001

| Category   | Items   | Annual effects (unit: 100 million yen) |
|--|---|--|
| Saving energy measures                               | Waste heat reuse in cupola, reduction of electric power consumption, etc. | 9.3                                    |
| Zero emission  | Reduction and recycling of industrial wastes                              | 2.2                                    |
|  | Sales amount of valuable substances regarding recycling                   | 1.6                                    |
| Environmental conservation measures for distribution | Modal shift, etc.   | 8.5                                    |
| Support for ISO14001 certificate acquisition         | In-house environmental auditor education ( 348 employees )                | 0.2                                    |
| Total  |   | 21.7                                   |

## Environmental risk management

At Kubota, each of our plants has its own self-imposed regulation standards, stricter than those of municipal regulations, regarding the emission to environment, and also controls emissions, to prevent air pollution and water pollution and to obey the environment-related laws. In this way, environmental risk measures are conducted.

### Reinforcement of environmental risk management

As part of obeying law thoroughly and company-widely under Compliance Headquarters, we exactly obey environment-related laws and regulations.

We prepared measures thoroughly for crisis such as serious environmental accident and so on, including reconsideration and reinforcement of the preparation organization for serious environmental accident in advance, and the organization for environmental accident in emergency. Moreover we conducted our head office's special audit ( serious risk patrol ) for all the plants including affiliates to extract environment-related serious risk and to cope with it thoroughly.

### Serious risk patrol



Environmental audit is also conducted in each plant to obey law, to prevent environmental problems occurrence, and to minimize environmental risk in our business activities. We conduct regular training for trouble or emergency to minimize effluent of pollutants in case of environmental accident, making accident manual.

We are now considering the scheme of finer audit, grasping the range of laws and regulations more widely, in addition to conventional environmental audit to obey law thoroughly and minimize environmental risk in our business activities. Chemical substances control is most influential to our environmental risk.

We realized, before other companies in this industry, shifting to entirely asbestos-free in roofing materials by research activities for long period of time in December 2001.

We promote reduction of hazardous chemicals in use, emission and transfer from now on.



### Obeying to the law

|   |   |
|---|---|
| <p><b>(1) Status of air quality control</b></p>   | <p><b>(5) Inspections by government and municipal offices</b></p>   |
| <p>All the air quality items including dioxins do not exceed the standards.</p>   | <p>Eighty-two inspections were conducted in fiscal 2001. There was no problem in water quality and so on, in which analysis results did not exceed the standards. Though there was an inspection to survey an odor complaint, we improved it immediately. We promote our daily management intensively to achieve no pointing-out.</p>                           |
| <p><b>(2) Status of water quality control</b></p> <p>All the water quality items do not exceed the standards.</p>   | <p><b>(6) Complaint and accident regarding environment</b></p>  |
| <p><b>(3) Status of noise emission control</b></p> <p>Measured values exceed the standards in one plant this year while three plants exceeded last year. There was no complaint because there were no houses near the border line of the site. We promote noise reduction positively in this plant.</p>   | <p>We were not charged nor fined with environmental pollution in fiscal 2001. No accident occurred affecting people outside the company. Though two cases of complaint regarding odor from our neighborhood were reported, we improved them immediately. We also extended the improvement to the related plants in order not to receive the same complaint.</p> |
| <p><b>(4) Status of pollution, by hazardous chemicals, control</b></p> <p>There was no problem in groundwater contamination by organochlorine compounds. We measure the contamination by heavy metals and organochlorine compounds in groundwater regularly at the observation wells in our plants. We intend to abandon the incinerators entirely to prevent dioxins contamination by December 2002.</p> | <p><b>(7) Providing information on environment and safety measures for our products and materials</b></p> <p>We made the MSDS and provide it to our customers. We also provide the emergency measures to the distribution companies for the accident in distribution.</p>   |