



# Environmental Accounting

Environmental accounting is employed in order to reflect back into our business activities as much as possible the quantitative comprehension and analysis of the costs of environmental conservation and the effects that are obtained from those activities, and to promote a wider understanding of KUBOTA's participation in environmental conservation activities by disclosing information to related parties both inside and outside the company.

## Environmental conservation costs

In fiscal 2006, investments in environmental conservation totaled 1.42 billion yen, an increase of 720 million yen over the previous period. Environmental conservation costs

increased by 210 million yen to 7.07 billion yen, while R&D costs totaled 3.71 billion yen, approximately 52% of the overall environmental conservation costs.

### Environmental conservation cost breakdown

(¥ millions)

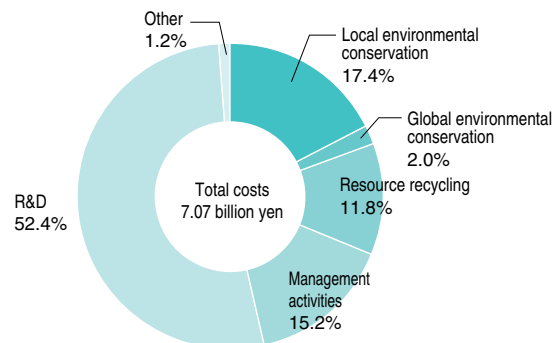
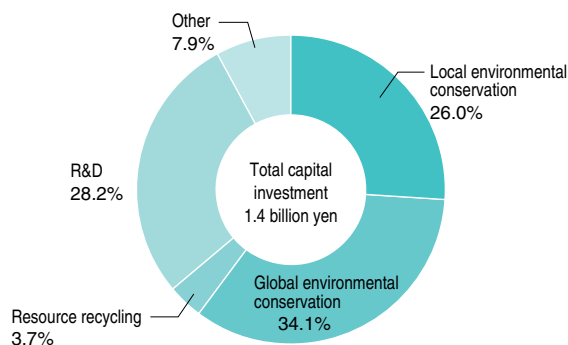
| Classification                    | Main content  | FY2005     |       | FY2006     |       |
|-----------------------------------|---|------------|-------|------------|-------|
|                                   |   | Investment | Cost  | Investment | Cost  |
| Within the business area          |   | 291        | 1,741 | 909        | 2,206 |
| Local environmental conservation  | Prevention of air and water pollution, soil contamination, noise, vibration, etc.                               | 130        | 667   | 370        | 1,230 |
| Global environmental conservation | Prevention of global warming, etc.  | 146        | 213   | 486        | 138   |
| Resource recycling                | Reduction and recycling of waste  | 15         | 861   | 53         | 838   |
| Upstream and downstream costs     | Collection of used products and commercialization of recycled products  | 0          | 56    | 0          | 24    |
| Management activities             | Environmental management personnel, ISO maintenance and implementation, environmental information dissemination | 0          | 410   | 25         | 1,077 |
| R&D                               | R&D for reducing of product environmental load and developing environment conservation equipment                | 414        | 4,579 | 402        | 3,709 |
| Social activities                 | Local cleanup activities and membership fees and contributions to environmental groups, etc.                    | 0          | 44    | 88         | 7     |
| Environmental remediation         | Levies on SOx emission, etc.  | 0          | 35    | 0          | 51    |
| Total                             |   | 705        | 6,865 | 1,424      | 7,074 |

(¥ millions)

|  |        |
|--|--------|
| Total capital investment (including land) for the corresponding period | 33,800 |
| Total R&D costs for the corresponding period                           | 22,731 |

Method of aggregation and provisions:

- (1) The period covered was from April 1, 2005 to March 31, 2006.
- (2) The scope of aggregation included all domestic production and non-production plants and offices in the KUBOTA Group. (The previous years' scope only included domestic production plants and offices.)
- (3) The method of aggregation was based on the Environmental Accounting Guidelines 2005 issued by Japan's Ministry of the Environment.
- (4) Depreciation costs were included in the total cost. Depreciation costs were calculated based on the same standards applied in KUBOTA's financial accounting and all assets acquired in and after FY1999 were recorded. Personnel costs are included in the costs for management activities and R&D. The contribution portion of compound costs was calculated by recording differences or dividing proportionately.
- (5) Only measurable economic effects were recorded. Presumed and deemed economic effects were not included herein.



## Effects of environmental conservation

By promoting zero-emission goals, waste to landfills decreased by 71% compared with the previous year. However, the amount of NOx and SOx exhaust increased greatly due to the influence of the diesel generator at

KUBOTA-C.I. Co., Ltd's Tochigi Factory, which became a new production subsidiary from fiscal year 2006.

### Environmental conservation effects

| Effects  | Items   | FY2005 | FY2006 | Effect (difference) | Ratio to the previous year (%) |
|--|---|--------|--------|---------------------|--------------------------------|
| Environmental effect related to resources input into business activities                           | Energy consumption [energy conversion on a calorie-basis; in petajoule (PJ*)] | 8.33   | 8.67   | 0.34                | 104                            |
|  | Water consumption (thousand m <sup>3</sup> )                                  | 5430   | 5390   | -40                 | 99                             |
| Environmental effect related to waste or environmental impact originating from business activities | CO <sub>2</sub> emission (tons in thousands)                                  | 455    | 464    | 9                   | 102                            |
|  | SOx emission (tons)   | 24.2   | 49.2   | 25.5                | 206                            |
|  | NOx emission (tons)   | 75.5   | 222.3  | 146.8               | 295                            |
|  | Soot and dust emission (tons)   | 15.3   | 10.7   | -4.6                | 70                             |
|  | Releases and transfers of PRTR-designated substances (tons)                   | 970.8  | 898.7  | -72.1               | 93                             |
|  | Waste discharge (tons in thousands)   | 92     | 94     | 2                   | 102                            |
|  | Waste to landfills (tons in thousands)  | 2.8    | 2.0    | -0.8                | 71                             |

\*PJ: 10<sup>15</sup>J

## Economic effects

The economic effects from KUBOTA's environmental conservation activities were 988 million yen.

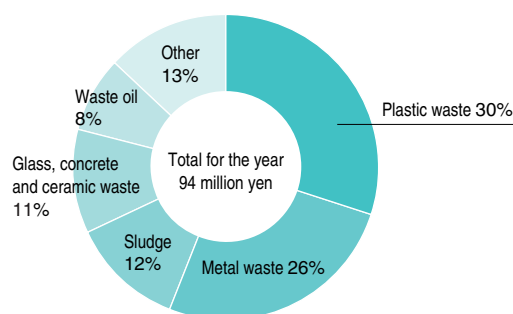
### Economic effects from environmental conservation activities

| Classification  | Details   | Annual effects (¥millions) |
|---|---|----------------------------|
| Energy conservation measures                            | Reduction of coke use in cupola, decrease in contracted electric power due to leveling of the electric power load, etc. | 308                        |
| Zero-emission measures                                  | Reduction and resource recycling of industrial waste  | 94                         |
|   | Sales of valuable resources   | 564                        |
| Environmental conservation measures during distribution | Modal shift and reduction in packing materials, etc.  | 22                         |
| Total   |   | 988                        |

### Effects of cost reduction through zero-emission measures

The reduction, reuse and resource recycling associated with waste contributed to lowered outsourcing fees for waste processing and generated an effect of 94 million yen in cost reductions for the year.

### Cost reduction effect by type of waste



## Future development

KUBOTA will continue to work to better understand the effects of investments and costs, to position environmental accounting as an indispensable tool and indicator for environmental corporate management in the continued development of our business, and to focus our efforts towards further environmental conservation activities and information disclosure.