

## Environmental Cost Management

Murata has long instituted and managed a budget for environmental preservation, pollution control, energy saving and prevention of soil and groundwater contamination. Moreover, we have allocated a reserve amount to cover the total cost of remediation efforts to correct soil and groundwater contamination, and we have enforced the management of costs related to the environment.

### Introduction of the Environmental Cost Management System

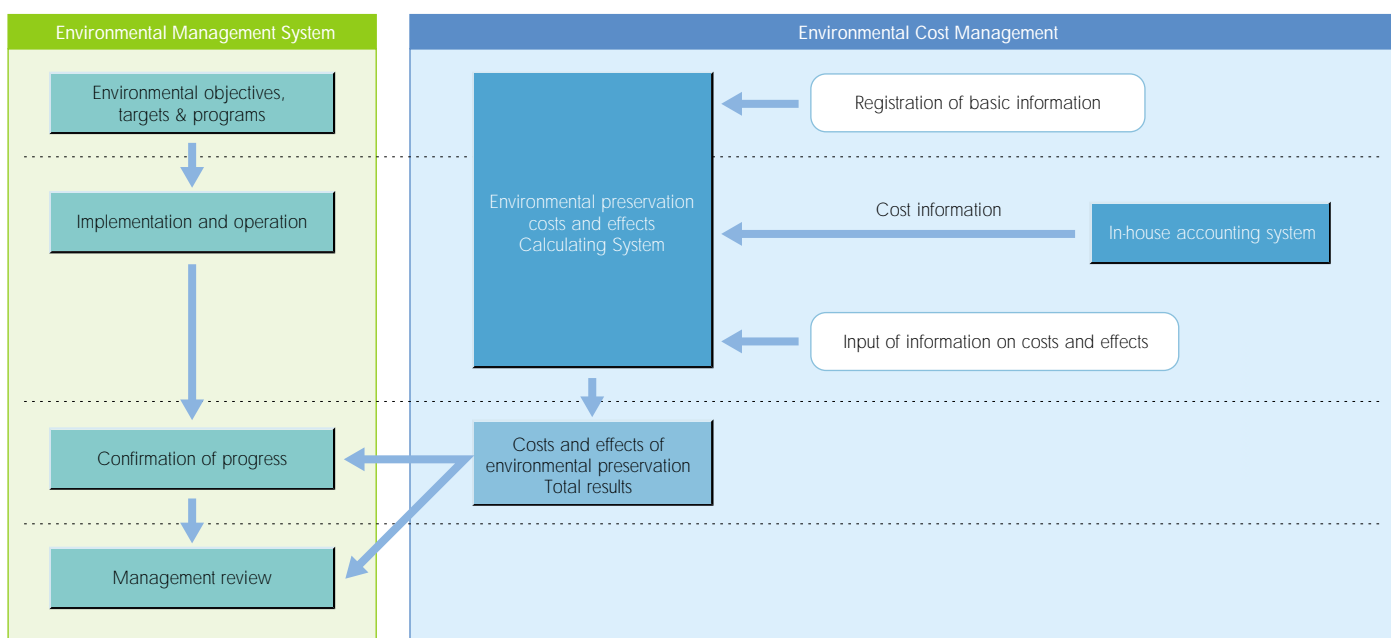
With the revision of the Murata Environmental Charter in May 2001, we further developed and refined our existing environmental cost management, clarified the cost of investment in environmental preservation, and highlighted the results according to objective. By using this information effectively, we are aiming to ensure efficient environmental management.

Murata introduced its environmental cost management system (see following chart) to gain an overall perspective; to classify environmental preservation in compliance with the Guidelines of the Ministry of the Environment; and to determine the costs and effects of individual environmental preservation activities of the environmental management system. This enables us to confirm our progress, modify our plans or review our management. By linking the Guidelines to our environmental management system, we can implement efficient measures, promote horizontal business development, achieve environmental goals, prepare targets and review our progress for effectiveness.

To tabulate the costs and effects, we will develop and introduce an accounting system that utilizes the data from our in-house accounting system, as we need to reduce the office work associated with accounting operations, ensure the reliability of the accounting, and secure storage for the original accounting data.

By September 2003, we expect to have prepared a system that can tabulate the cost and effectiveness. This will enable us to introduce this system in October in plants and subsidiaries in Japan.

### Outline of the Environmental Cost Management System



### Investment in Environmental Preservation

The following table outlines our investment in environmental preservation.

#### Investment in Environmental Preservation (Millions of yen)

Classification of Investment Objective	Total Expenditures for Fiscal 1998-2001		Expenditure for Fiscal 2002	
	Nonconsolidated	Consolidated	Nonconsolidated	Consolidated
Pollution control	69	484	19	69
Global environmental preservation	590	670	33	76
Recycling of resources	451	786	6	6
Prevention of soil and groundwater contamination	225	552	675	720
Others	19	93	0	65
<b>Total</b>	<b>1,355</b>	<b>2,586</b>	<b>732</b>	<b>936</b>

See page 13.

Regarding the accounting of remediation costs for contaminated soil and groundwater in particular in terms of business accounting, we have made a trial calculation of all costs accruing through to completion of the contamination remediation strategy and have appropriated a security reserve amount as a liability.

#### Remediation Cost of Soil and Groundwater Contamination (Millions of yen)

Total up to end of Fiscal 2002		Estimate for Fiscal 2003 and thereafter	
Nonconsolidated	Consolidated	Nonconsolidated	Consolidated
774	6,409	874	4,899

\* Note: Amount allocated as a reserve credit is the result of a trial calculation of the full cost of remediation measures, up to completion of the contamination cleanup.

See page 27.