More than a century since its founding, Kubota Corporation and subsidiaries (collectively “the Company”) have continued to help improve people’s quality of life, by offering products and services—including farm equipment, pipes for water supply and sewage systems, environmental control plants, industrial castings, and building materials. The Company has its management principle that the Company contributes to the development of society and the preservation of the earth’s environment through its products, technology, and services that provide the foundation for society and for affluent lifestyles. While adhering to this management principle, the Company is implementing management policies that are focused on prioritizing the allocation of its resources, emphasizing agility in its operations, and strengthening consolidated operations. Through these measures, the Company aims to improve its adaptability to respond with flexibility to the changing times, resulting in a high enterprise value.

Performance over the Past Year

Driven by expansion in overseas business activities, Kubota Corporation and subsidiaries (hereinafter, “the Company”) continued to report a robust performance for fiscal 2007, ended March 31, 2007. Operating income, which is the best measure of the Company’s earning power, moved to record levels for the third consecutive fiscal year. Overseas, we expanded the scope of our business activities by introducing new products meeting customer needs, principally in the Internal Combustion Engine and Machinery segment, and implemented aggressive measures to further develop our position in Asia outside Japan. In the domestic market, demand was relatively weak, but we secured profitability by continuing to reduce costs and increase productivity. These management efforts in Japan and overseas enabled Kubota to report growth in both revenues and operating profits for the fiscal year under review.

The Company reported consolidated revenues of ¥1,127.5 billion, an annual increase of ¥81.7 billion (5.8%), in fiscal 2007. Although revenues in Japan declined slightly, overall expansion was driven by continued major growth in overseas revenues, especially sales of tractors, engines, and construction machinery. As a consequence, the ratio of overseas revenues to consolidated revenues rose 5.8 percentage points, to 46.5%. Operating income climbed ¥9.3 billion (7.7%), to ¥130.3 billion, from the prior year, the highest level in the Company’s history. By segment, operating income in Internal Combustion Engine and Machinery expanded substantially, supported by the increase in revenues and the positive effect of the weakening of the yen. Pipes, Valves, and Industrial Castings also reported a gain in operating profit, owing to continued cost-cutting, including reductions in fixed expenses, and higher revenues in overseas markets. Environmental Engineering, however, posted a substantial decline in profitability and reported an operating loss accompanying the decline in sales prices. Operating income in Other, however, showed steady expansion, as a result of increased sales of vending machines and other products.

Notwithstanding the rise in operating income, income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies decreased ¥9.0 billion (6.4%), to ¥121.6 billion. This decline was due to the absence of the gain on an exchange of shares of ¥15.9 billion reported in the prior year. After deductions of ¥49.0 billion in income taxes (representing an effective tax rate of 37.2%), ¥4.9 billion of minority interests in earnings of subsidiaries and equity in net income of affiliated companies, and a ¥1.3 billion loss from discontinued operations, net of taxes, net income decreased ¥46.6 billion (5.6%), to ¥76.5 billion from the prior year.

Regarding dividends, to expand the return to shareholders, the Company has decided to increase the cash dividend applicable to the fiscal year ended March 31, 2007, including dividends to be paid after the end of the fiscal year, to ¥12 per common share, or ¥60 per five common shares, compared with ¥10 per common share, or ¥50 per five common shares applicable to the prior fiscal year. Accordingly, in addition to the interim dividend of ¥5 per common share, or ¥25 per five common shares already paid, the Company will pay ¥7 per common share, or ¥35 per five common shares as a year-end cash dividend.

With the objectives of improving capital efficiency and raising the value of Kubota’s stock, the Company has adopted a policy of flexibly buying back portions of shares outstanding. The Company purchased 7.98 million of treasury stock (¥85.5 billion). On the other hand, the Company retired 7.95 million shares of treasury stock (¥85.5 billion) on March 30, 2007.

To Our Shareholders and Friends

President and Representative Director
Daisuke Hatakake