

Notes to Consolidated Financial Statements

Kubota Corporation and Subsidiaries Years Ended March 31, 2008, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Kubota Corporation (the "parent company") and subsidiaries (collectively the "Company") are one of Japan's leading manufacturers of a comprehensive range of machinery and other industrial and consumer products, including farm equipment, engines, pipe and fluid systems engineering, industrial castings, environmental control plants, and housing materials and equipment.

The manufacturing operations of the Company are conducted primarily at 20 plants in Japan and at 8 overseas plants located in the United States and certain other countries. Farm equipment, construction machinery, ductile iron pipe, and certain other products are sold both in Japan and overseas markets which consist mainly of North America, Europe, and Asia.

Basis of Financial Statements

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP") with the exception of FASB Emerging Issues Task Force ("EITF") Issue No. 91-5, "Nonmonetary Exchange of Cost-Method Investments" (see **Investments**). The presentation of segment information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," has also been omitted.

Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the parent company is incorporated and operates. The United States dollar amounts included herein represent a translation using the approximate exchange rate at March 31, 2008 of ¥100 =US\$1, solely for convenience of readers outside Japan. The translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into United States dollars.

Consolidation

The consolidated financial statements include the accounts of the parent company and all majority-owned subsidiaries. The accounts of certain consolidated subsidiaries that have December 31 fiscal year-ends have been included in the March 31 consolidated financial statements. The accounts of variable interest entity ("VIE") as defined by the FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN46R") are included in the consolidated financial statements, as applicable.

The Company had been involved with a VIE, which was engaged in sales activities within the Internal Combustion Engine and Machinery segment until March 31, 2007. The VIE was consolidated by the Company in accordance with FIN46R. Total assets of the VIE at March 31, 2007 were ¥1,057 million. All assets of the VIE were not collateral for the VIE's obligations. In the year ended March 31, 2008, the VIE was liquidated, and there were no VIEs at March 31, 2008.

Intercompany items have been eliminated in consolidation.

Investments in affiliates in which the Company has the ability to exercise significant influence over their operating and financial policies, but where the Company does not have a controlling financial interest are accounted for using the equity method.

Use of Estimates

Preparing financial statements in conformity with US GAAP requires the Company to make estimates and assumptions that affect reported amounts and related disclosures. Significant estimates and assumptions are used primarily in the area of inventory valuation, impairment of investments, impairment of long-lived assets, valuation allowance for deferred tax assets, collectibility of notes and receivable, uncertain tax positions, accruals for employee retirement and pension plans, revenue recognition for long-term contracts, and loss contingencies. Actual results could differ from those estimates.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries, using the local currency as their functional currency, are translated to Japanese yen based on the current exchange rate prevailing at each balance sheet date and any resulting translation adjustments are included in accumulated other comprehensive income (loss). Revenues and expenses are translated into Japanese yen using the average exchange rates prevailing for each period presented.

Revenue Recognition

The Company recognizes revenue related to product sales when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collectibility is reasonably assured.

Sales of environmental and other plant and equipment are recorded when the installation of plant and equipment is completed and accepted by the customer for short-term contracts, and recorded under the percentage-of-completion method of accounting for long-term contracts. (See Note 10. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS.) Estimated losses on sales contracts are charged to income in the period in which they are identified. The percentages of revenues to consolidated revenues for the years ended March 31, 2008, 2007, and 2006 that pertain to long-term contracts were 1.7%, 1.8%, and, 4.0%, respectively.

Housing real estate sales are recorded when the title is legally transferred to the customer in accordance with the underlying contract and real estate laws and regulations. The percentages of revenues to consolidated revenues for the years ended March 31, 2008, 2007, and 2006 that pertain to housing real estate sales were 0.3%, 0.8%, and 0.5%, respectively.

Finance receivables are composed of the total arrangement fee less unamortized discounts. Based on imputed interest for the time value of money and reserve for credit losses, income is recorded over the terms of the receivables using the interest method.

Securitization of Receivables

The Company sells trade and finance receivables to investors through independent securitization trusts. At the time the receivables are sold to the securitization trusts, the balances are removed from the consolidated balance sheets of the Company. The investment in the sold receivables pool is allocated between the portion sold and the portion retained based on their relative fair values on the date of sale. The gain or loss for each qualifying sale of receivables is determined based on book value allocated to the portion sold. If forecasted future cash flows result in an other-than-temporary decline in the fair value of the retained interests, then an impairment loss is recognized to the extent that the fair value is less than the carrying amount. Such losses would be included in the consolidated statements of income. The Company estimates fair value based on the present value of future expected cash flows less credit losses.

The Company continues to service the receivables for a fee based on a percentage of the receivables transferred. The investors and the securitization trusts have no recourse to the Company's assets for failure of debtors to pay when due.

Allowance for Doubtful Receivables

The Company provides an allowance for doubtful notes, receivables, and interest in sold receivables. The allowance for these doubtful receivables is based on historical collection trends and management's judgement on the collectibility of these accounts. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any adjustment required to the allowance is reflected in current operations.

Inventories

Manufacturing inventories are stated at the lower of cost, substantially determined using the average-cost method, or market, representing the estimated selling price less costs to sell. Completed real estate projects are stated at the lower of acquisition cost or fair value less estimated costs to sell. The fair values of those assets are estimates based on the appraised values in the market. Land to be developed and projects under development are carried at cost unless an impairment loss is required. An impairment loss on those assets is recognized when their carrying amounts exceed the undiscounted future cash flows expected to be realized from them and is measured based on the present values of those expected future cash flows.

Investments

Under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company classifies all its debt securities and marketable equity securities as available for sale and carries them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as an item of other comprehensive income in shareholders' equity. The fair values of those securities are determined based on quoted market prices.

Gains and losses on sales of available-for-sale securities as well as other nonmarketable equity securities which are carried at cost are computed on the average-cost method. When a decline in the value of the marketable security is deemed to be other than temporary, the Company recognizes an impairment loss to the extent of the decline. In determining if and when such a decline in value is other than temporary, the Company evaluates the extent to which cost exceeds market value, the duration of market declines, and other key measures. Other non-marketable securities are stated at cost and reviewed periodically for impairment.

(Merger of Bank of Tokyo and Mitsubishi Bank)

On April 1, 1996, The Bank of Tokyo, Ltd. ("BOT") and The Mitsubishi Bank, Limited, merged. Upon the merger, each common share of BOT owned by the Company which had been carried at cost was converted into 0.8 share of the combined entity, The Bank of Tokyo-Mitsubishi, Ltd. (currently part of Mitsubishi UFJ Financial Group, Inc. ("MUFG")). For purposes of comparability with financial statements under Japanese GAAP, the Company did not account for the exchange under EITF 91-5, which requires recognition of a nonmonetary exchange gain on the common shares of BOT.

If EITF 91-5 had been adopted, net income for the year ended March 31, 1997 would have increased by ¥3,081 million reflecting the unrecognized gain on the initial nonmonetary exchange, and net losses for the years ended March 31 from 1999 through 2003 would have increased totaling ¥3,461 million reflecting primarily subsequent losses on sales and impairment of the investment. There would have been no material impact on operating results for the years ended March 31, 2008, 2007, and 2006. Retained earnings would have decreased by ¥380 million at March 31, 2007, with a corresponding increase in accumulated other comprehensive income. The impact in retained earnings and accumulated other comprehensive income at March 31, 2008 is not material.

(Merger of UFJ Holdings and Mitsubishi Tokyo Financial Group)

On October 1, 2005, UFJ Holdings, Inc. ("UFJ") and Mitsubishi Tokyo Financial Group, Inc. merged. Upon the merger, each common share of UFJ owned by the Company which had been carried at cost was converted into 0.62 share of the combined entity, MUFG.

For the year ended March 31, 2006, the Company accounted for the gain on nonmonetary exchange of securities of ¥15,901 million, based on the fair value of MUFG's common shares of ¥18,284 million less carrying amounts of UFJ's common shares of ¥2,383 million.

(Merger of Hanshin Electric Railway and Hankyu Holdings)

On October 1, 2006, Hanshin Electric Railway Co., Ltd. ("Hanshin") and Hankyu Holdings, Inc. merged. Upon the merger, each common share of Hanshin owned by the Company which had been carried at cost was converted into 1.4 shares of the combined entity, Hankyu Hanshin Holdings, Inc. ("Hankyu Hanshin").

For the year ended March 31, 2007, the Company accounted for gain on nonmonetary exchange of securities of ¥997 million, based on the fair value of Hankyu Hanshin's common shares of ¥1,205 million less carrying amounts of Hanshin's common shares of ¥208 million.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is principally computed using the declining-balance method based on the estimated useful lives of the assets. The estimated useful lives are principally as follows:

Buildings	10~50 years
Machinery and equipment	2~14 years

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" and FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109."

Under SFAS No. 109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities and tax loss and other carry forwards using the enacted tax rate. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that management believes will more likely than not be realized.

The Company adopted the provisions of FIN48 on April 1, 2007. The Company recognizes the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statements of income.

Retirement and Pension Plans

The Company accounts for retirement and pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)." The Company adopted the recognition and disclosure provisions of SFAS No. 158 on March 31, 2007. The Company recognizes the overfunded or underfunded status of the defined

benefit plan as an asset or a liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax. The Company's measurement date of benefit obligations and plan assets is March 31.

The Company amortizes the prior service costs (benefits) due to amendments of the benefit plans over approximately 15 years. The Company immediately recognizes net actuarial gains and losses in excess of 20% of the larger of the projected benefit obligation or plan assets in the year following the year in which such gains and losses were incurred, while the portion between 10% and 20% is amortized over the average participants' remaining service period (approximately 14 years).

Consideration Given by a Vendor to a Customer

The Company accounts for consideration given to a customer in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." EITF 01-9 defines the income statement classification of consideration given by a vendor to a customer or a reseller of the vendor's products. In accordance with EITF 01-9, certain sales incentives are deducted from revenue.

Accounting for Sales Tax

Revenues are presented exclusive of sales tax.

Research and Development and Advertising

Research and development and advertising costs are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general, and administrative expenses.

Expense from the Payments for Health Hazard of Asbestos

The Company expenses payments to certain residents who lived near the Company's plant and current and former employees when the Company determines that a payment is warranted based on the medical condition of the individual concerned and in accordance with the Company's policies and procedures.

The Company also accrues an estimated loss from asbestos-related matters by a charge to income if both of the following conditions are met:

- (a) It is probable that a liability had been incurred at the date of financial statements.
- (b) The amount of loss can be reasonably estimated.

(See Note 17. COMMITMENTS AND CONTINGENCIES.)

Net Income per Common Share

Basic net income per common share has been computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted net income per common share reflects the potential dilution and has been computed on the basis that all convertible debentures were converted at the beginning of the year or at the time of issuance (if later).

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133," and No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognizes all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value.

On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the consolidated balance sheets or to specific firm commitments or forecasted transactions. The Company considers all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currency, index of interest rates, amount, and terms of the derivatives correspond to those of the hedged items in accordance with the Company's policy.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company evaluates long-lived assets to be held and used for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the estimate of undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded based on the fair value of the assets. The Company evaluates long-lived assets to be disposed of by sale at the lower of carrying amount or fair value less cost to sell.

Discontinued Operations

The Company accounts for discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and presents the results of discontinued operations as a separate line item in the consolidated statements of income under income (loss) from discontinued operations, net of taxes.

Cash Flow Information

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2008, 2007, and 2006, time deposits with original maturities of three months or less amounting to ¥3,915 million (\$39,150 thousand), ¥3,832 million, and ¥4,195 million, respectively, were included in cash and cash equivalents.

Cash paid for interest amounted to ¥12,875 million (\$128,750 thousand), ¥11,066 million, and ¥6,911 million, and for income taxes amounted to ¥56,535 million (\$565,350 thousand), ¥36,733 million, and ¥32,724 million for the years ended March 31, 2008, 2007, and 2006, respectively.

The Company retired treasury stock of ¥4,398 million (\$43,980 thousand), ¥8,484 million, and ¥36,336 million during the years ended March 31, 2008, 2007, and 2006, respectively.

Convertible bonds of ¥11,801 million were converted into common stock for the year ended March 31, 2006.

The Company capitalized leased assets under capital leases of ¥3,678 million (\$36,780 thousand), ¥4,231 million, and ¥3,945 million for the years ended March 31, 2008, 2007, and 2006, respectively.

New Accounting Standards

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertainty in income tax return. This interpretation is effective in fiscal years beginning after December 15, 2006, and was adopted by the Company on April 1, 2007, resulting mainly in a ¥3,334 million increase of other assets, a ¥3,230 million increase of other long-term liabilities, and a ¥261 million increase of retained earnings.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value and expands disclosures about fair value measurements that are required or permitted under other accounting pronouncements. This statement is effective in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material impact on the Company's consolidated result of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of SFAS No. 115." This statement offers an irrevocable option to report selected financial assets and liabilities at fair value, with changes in fair value recorded in earnings. This statement is effective in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material impact on the Company's consolidated result of operations and financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," and SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." SFAS No. 141 (revised 2007) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statements of income. These statements are effective in fiscal years beginning after December 15, 2008. The Company is currently calculating the impact of applying the statements on the consolidated financial statements.

2. INVENTORIES

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Manufacturing:			
Finished products	¥128,561	¥123,901	\$1,285,610
Spare parts	23,359	21,332	233,590
Work in process	34,036	31,793	340,360
Raw materials and supplies	20,264	23,100	202,640
Subtotal	206,220	200,126	2,062,200
Real estate:			
Completed projects, land to be developed, and projects under development	—	5,532	—
	¥206,220	¥205,658	\$2,062,200

3. INVESTMENTS IN AND LOAN RECEIVABLES TO AFFILIATED COMPANIES

Investments in and loan receivables to affiliated companies at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Investments	¥13,640	¥13,734	\$136,400
Loan receivables	6	20	60
	¥13,646	¥13,754	\$136,460

A summary of financial information of affiliated companies is as follows:

At March 31, 2008 and 2007	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current assets	¥ 69,686	¥ 59,006	\$ 696,860
Noncurrent assets	57,019	57,354	570,190
Total assets	126,705	116,360	1,267,050
Current liabilities	73,188	62,182	731,880
Noncurrent liabilities	19,929	21,542	199,290
Net assets	¥ 33,588	¥ 32,636	\$ 335,880

Years Ended March 31, 2008, 2007, and 2006	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Revenues	¥215,574	¥219,750	¥219,920	\$2,155,740
Cost of revenues	162,533	161,392	162,124	1,625,330
Net income	482	2,956	3,126	4,820

Trade notes and accounts receivable from affiliated companies at March 31, 2008 and 2007 were ¥17,185 million (\$171,850 thousand) and ¥18,411 million, respectively.

Revenues from affiliated companies aggregated ¥48,847 million (\$488,470 thousand), ¥51,882 million, and ¥54,484 million for the years ended March 31, 2008, 2007, and 2006, respectively.

Cash dividends received from affiliated companies were ¥31 million (\$310 thousand), ¥28 million, and ¥48 million for the years ended March 31, 2008, 2007, and 2006, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥8,817 million (\$88,170 thousand) and ¥8,729 million at March 31, 2008 and 2007, respectively.

4. OTHER INVESTMENTS

The cost, fair value, and gross unrealized holding gains and losses for securities by major security type at March 31, 2008 and 2007 were as follows:

	Millions of Yen							
	2008				2007			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:								
Available-for-sale:								
Equity securities of financial institutions	¥30,813	¥ 73,257	¥42,464	¥ 20	¥36,988	¥125,948	¥ 88,960	¥—
Other equity securities	20,305	61,793	42,892	1,404	21,119	77,778	56,677	18
	¥51,118	¥135,050	¥85,356	¥1,424	¥58,107	¥203,726	¥145,637	¥18

	Thousands of U.S. Dollars			
	2008			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	\$308,130	\$ 732,570	\$424,640	\$ 200
Other equity securities	203,050	617,930	428,920	14,040
	\$511,180	\$1,350,500	\$853,560	\$14,240

Gross unrealized holding losses and fair values on available-for-sale securities that are not deemed to be other-than-temporarily impaired at March 31, 2008 and 2007 aggregated by the length of time that individual securities have been in a continuous unrealized loss position were as follows:

	Millions of Yen							
	2008				2007			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Other investments:								
Available-for-sale:								
Equity securities of financial institutions	¥ 249	¥ 20	¥—	¥—	¥ —	¥—	¥—	¥—
Other equity securities	3,142	1,404	—	—	154	18	—	—
	¥ 3,391	¥1,424	¥—	¥—	¥154	¥18	¥—	¥—

	Thousands of U.S. Dollars			
	2008			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	\$ 2,490	\$ 200	\$—	\$—
Other equity securities	31,420	14,040	—	—
	\$33,910	\$14,240	\$—	\$—

For the years ended March 31, 2008, 2007, and 2006, valuation losses on other investments were recognized to reflect the decline in fair value considered to be other-than-temporary totaling ¥6,715 million (\$67,150 thousand), ¥524 million, and ¥403 million, respectively.

Proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Proceeds from sales of available-for-sale securities	¥2,001	¥2,749	¥8,970	\$20,010
Gross realized gains	705	1,463	4,944	7,050
Gross realized losses	(1)	(150)	(241)	(10)

Investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value, were stated at cost of ¥10,272 million (\$102,720 thousand) and ¥11,404 million at March 31, 2008 and 2007, respectively. Investments in non-marketable equity securities for which there is no readily determinable fair value were accounted for using the cost method. Each investment in non-marketable equity securities is reviewed annually for impairment or upon the occurrence of an event on change in circumstances that may have a significant adverse effect on the carrying value of the investment.

5. FINANCE RECEIVABLES

The Company provides retail finance and finance leases to customers mainly in order to support sales of farm equipment and construction machinery.

Finance receivables—net at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Retail	¥ 273,771	¥253,755	\$2,737,710
Finance leases	39,536	17,767	395,360
Total finance receivables	313,307	271,522	3,133,070
Less:			
Unearned income	(6,995)	(2,621)	(69,950)
Allowance for credit losses	(1,380)	(1,072)	(13,800)
Total finance receivables—net	304,932	267,829	3,049,320
Less current portion	(113,409)	(97,798)	(1,134,090)
Long-term finance receivables—net	¥ 191,523	¥170,031	\$1,915,230

Annual maturities of retail finance receivables and future minimum lease payments on finance leases at March 31, 2008 are summarized as follows:

Years Ending March 31,	Millions of Yen		Thousands of U.S. Dollars	
	Retail	Finance Leases	Retail	Finance Leases
2009	¥104,627	¥12,525	\$1,046,270	\$125,250
2010	79,242	10,387	792,420	103,870
2011	45,054	8,649	450,540	86,490
2012	28,135	5,100	281,350	51,000
2013	12,902	2,224	129,020	22,240
2014 and thereafter	3,811	651	38,110	6,510
Total	¥273,771	¥39,536	\$2,737,710	\$395,360

There is no estimated unguaranteed residual value on finance leases at March 31, 2008.

Revenues and cost of revenues for the years ended March 31, 2008, 2007, and 2006 included finance income and expenses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Finance income	¥27,539	¥22,217	¥15,311	\$275,390
Finance expenses	15,363	12,282	7,196	153,630

The Company sells finance receivables. (See Note 18. SECURITIZATION OF RECEIVABLES.) Pretax gains or losses on such sales are included in finance income or finance expenses in the table above.

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The changes in the allowance for doubtful notes and accounts receivable for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Balance at beginning of year	¥2,011	¥2,155	¥2,257	\$20,110
Provision for doubtful accounts	482	255	55	4,820
Write-offs	(531)	(468)	(179)	(5,310)
Other	21	69	22	210
Balance at end of year	¥1,983	¥2,011	¥2,155	\$19,830

The changes in the allowance for doubtful non-current receivables for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Balance at beginning of year	¥2,811	¥3,913	¥4,474	\$28,110
Provision for doubtful accounts	140	13	101	1,400
Write-offs	(137)	(792)	(313)	(1,370)
Other	(1,833)	(323)	(349)	(18,330)
Balance at end of year	¥ 981	¥2,811	¥3,913	\$ 9,810

The changes in the allowance for finance receivables for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Balance at beginning of year	¥1,072	¥1,017	¥ 818	\$10,720
Provision for doubtful accounts	542	203	331	5,420
Write-offs	(133)	(108)	(250)	(1,330)
Other	(101)	(40)	118	(1,010)
Balance at end of year	¥1,380	¥1,072	¥1,017	\$13,800

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consisted of notes payable to banks of ¥113,087 million (\$1,130,870 thousand) and ¥128,365 million, respectively.

Stated annual interest rates of short-term borrowings ranged primarily from 0.50% to 5.59% and from 0.81% to 5.77% at March 31, 2008 and 2007, respectively. The weighted average interest rates on such short-term borrowings at March 31, 2008 and 2007 were 4.9% and 5.3%, respectively.

Available lines of credit with certain banks totaled ¥20,000 million (\$200,000 thousand) at March 31, 2008 and 2007. The Company had no outstanding borrowings as of March 31, 2008 and 2007 related to lines of credit.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Due in Years Ending March 31	Millions of Yen		Thousands of U.S. Dollars
		2008	2007	2008
Unsecured bonds:				
1.20% yen notes	2011	¥ 10,000	¥ 10,000	\$ 100,000
1.54% yen notes	2013	10,000	10,000	100,000
1.27% yen notes	2013	10,000	—	100,000
1.53% yen notes	2015	10,000	—	100,000
Loans, principally from banks and insurance companies, maturing on various dates through 2015:				
Collateralized		64,399	70,491	643,990
Unsecured		139,051	124,466	1,390,510
Capital lease obligations		6,471	6,577	64,710
Total		249,921	221,534	2,499,210
Less current portion		(65,976)	(71,429)	(659,760)
		¥183,945	¥150,105	\$1,839,450

The interest rates on unsecured bonds were fixed. The interest rates of the long-term loans from banks and insurance companies were principally fixed. The weighted average rates at March 31, 2008 and 2007 were 4.2% and 3.6%, respectively.

Annual maturities of long-term debt at March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 65,976	\$ 659,760
2010	65,958	659,580
2011	73,041	730,410
2012	5,713	57,130
2013	27,880	278,800
2014 and thereafter	11,353	113,530
Total	¥249,921	\$2,499,210

At March 31, 2008 and 2007, assets pledged as collateral for debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Trade notes	¥ 439	¥ 456	\$ 4,390
Trade accounts	3,422	2,524	34,220
Other current assets	950	—	9,500
Finance receivables	101,945	117,835	1,019,450
Property, plant, and equipment	9,932	9,646	99,320
Total	¥116,688	¥130,461	\$1,166,880

Other current assets consist of the time deposits which are pledged as collateral and are deemed restricted in accordance with the terms of borrowing.

The above assets were pledged against the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Short-term borrowings	¥31,434	¥ 35,927	\$314,340
Current portion of long-term debt	27,862	28,709	278,620
Long-term debt	36,537	41,782	365,370
Total	¥95,833	¥106,418	\$958,330

Both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Long-term agreements with lenders other than banks also generally provide that the Company must give additional security upon request of the lender.

8. RETIREMENT AND PENSION PLANS

The parent company and its domestic subsidiaries have a number of unfunded severance indemnity plans and defined benefit pension plans covering substantially all Japanese employees. Most employees of overseas subsidiaries are covered by defined benefit pension plans or defined contribution pension plans.

In the parent company, employees who terminate their employment have the option to receive benefits in the form of lump-sum payments or annuity payments from a defined benefit pension plan. The benefits are calculated as an aggregation of the following points under the point-based benefits system (with a point having specific monetary value):

- Points granted in proportion to each employee's job classification at retirement and length of service period
- Accumulated points granted in proportion to each employee's job classification at the end of each fiscal year
- Accumulated points granted in proportion to each employee's performance evaluation at the end of each fiscal year

The plan consists of a lifetime pension plan and a limited annuity plan, and annual contributions are made by the parent company for an amount determined on the basis of an accepted actuarial method for the plan. The plan is administered by a board of trustees composed of management and employee representatives. Plan assets, which are managed by trust banks and investment advisors, are invested primarily in corporate and government bonds and stocks.

The Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)" on March 31, 2007. The Company recognizes the underfunded status of the defined benefit postretirement plan as a liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax. The statement replaced SFAS No. 87, "Employers' Accounting for Pensions" which required the reporting of at least minimum pension liability measured as excess of the accumulated benefit obligation over the fair value of the plan assets. The amount of pension liability adjustment is comprised of prior service cost (benefit) and actuarial loss (gain), which will be subsequently recognized as net periodic benefit cost in the consolidated statements of income pursuant to the Company's accounting policy for amortizing such amounts.

Net periodic benefit cost for the unfunded severance indemnity plan and the defined benefit pension plan of the parent company and certain subsidiaries for the years ended March 31, 2008, 2007, and 2006 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Service cost	¥ 5,830	¥ 5,974	¥ 6,841	\$ 58,300
Interest cost	3,751	3,799	3,858	37,510
Expected return on plan assets	(3,023)	(2,748)	(2,277)	(30,230)
Amortization of prior service benefit	(808)	(777)	(780)	(8,080)
Transfer to an affiliated company	—	—	(514)	—
Net periodic benefit cost	¥ 5,750	¥ 6,248	¥ 7,128	\$ 57,500

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Change in benefit obligations:			
Benefit obligations at beginning of year	¥174,242	¥176,109	\$1,742,420
Service cost	5,830	5,974	58,300
Interest cost	3,751	3,799	37,510
Amendments	—	(439)	—
Actuarial loss	695	1,024	6,950
Benefits paid (lump-sum payments)	(7,670)	(8,868)	(76,700)
Benefits paid (annuity payments)	(3,758)	(3,446)	(37,580)
Foreign currency exchange rate changes	599	89	5,990
Benefit obligations at end of year	¥173,689	¥174,242	\$1,736,890

Change in plan assets:			
Fair value of plan assets at beginning of year	¥147,066	¥142,755	\$1,470,660
Actual return on plan assets	(22,689)	(366)	(226,890)
Employer contributions	13,849	13,338	138,490
Benefits paid (lump-sum payments)	(4,703)	(5,293)	(47,030)
Benefits paid (annuity payments)	(3,758)	(3,446)	(37,580)
Foreign currency exchange rate changes	595	78	5,950
Fair value of plan assets at end of year	¥130,360	¥147,066	\$1,303,600
Funded status at end of year	¥ (43,329)	¥(27,176)	\$ (433,290)

Accumulated benefit obligations at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accumulated benefit obligations:			
Accumulated benefit obligations at end of year	¥168,530	¥168,808	\$1,685,300

Projected benefit obligations and fair value of plan assets with projected benefit obligations in excess of plan assets, and accumulated benefit obligations and fair value of plan assets with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Retirement and pension plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	¥170,659	¥171,494	\$1,706,590
Fair value of plan assets	126,869	144,016	1,268,690
Retirement and pension plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	165,500	166,060	1,655,000
Fair value of plan assets	126,869	144,016	1,268,690

Amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accrued retirement and pension costs	¥(43,790)	¥(27,306)	\$(437,900)
Prepaid expenses for benefit plans, included in other assets	461	130	4,610
Funded status	¥(43,329)	¥(27,176)	\$(433,290)

Amounts recognized in accumulated other comprehensive income, before tax, at March 31, 2008 and 2007 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Actuarial loss (gain)	¥18,862	¥ (7,873)	\$188,620
Prior service benefit	(6,052)	(6,860)	(60,520)
Total recognized in accumulated other comprehensive income	¥12,810	¥(14,733)	\$128,100

Amounts of estimated actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Actuarial loss	¥ 128	\$ 1,280
Prior service benefit	(808)	(8,080)

The weighted-average discount rate used in calculating benefit obligations at March 31, 2008 and 2007 was 2.5%.

Weighted-average assumptions used in calculating net periodic benefit cost for the years ended March 31, 2008, 2007, and 2006 were as follows:

	2008	2007	2006
Discount rate	2.5%	2.5%	2.5%
Expected return on plan assets	3.0	3.0	3.0
Rate of compensation increase	—	—	6.5

The rate of compensation increase was not used in the calculations of benefit obligations at March 31, 2008 and 2007, or net periodic benefit cost for the years ended March 31, 2008 and 2007 as a result of transition to the point-based benefits system. Under the system, the benefit obligations and the net periodic benefit cost are determined using cumulative points and not salaries. The benefit obligations at March 31, 2008 and 2007, and the net periodic benefit cost for the years ended March 31, 2008 and 2007 were calculated on the basis of an annual increase in points of 0.2%~9.6%.

The expected rate of return on plan assets is determined after considering several applicable factors including, the composition of plan assets held, assumed risks of asset management, historical results of the returns on plan assets, the Company's principal policy for plan asset management, and forecasted market conditions.

Pension plan weighted-average asset allocations by asset category were as follows:

	2008	2007
Equity securities	38.1%	44.6%
Debt securities	61.1	54.9
Other	0.8	0.5
	100.0%	100.0%

The Company's investment policy is to invest in equity securities and debt securities of companies in Japan and overseas primarily in Europe and the United States in order to diversify risk. The Company evaluates the gap between expected and actual rate of return on invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the portfolio. The Company revises the portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Employer contributions to pension plans for the year ending March 31, 2009 are expected to be ¥14,216 million (\$142,160 thousand).

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥12,309	\$123,090
2010	12,504	125,040
2011	12,328	123,280
2012	12,185	121,850
2013	12,085	120,850
2014-2018	54,021	540,210

9. SHAREHOLDERS' EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Japanese Commercial Code with various revisions that are, for the most part, applicable to events or transactions which occur on and after May 1, 2006 and for the fiscal years ended on and after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

Dividends

The Corporate Law permits companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare

dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the companies so stipulate. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

Under the Corporate Law, the amount available for dividends is based on retained earnings, less treasury stock, as recorded on the books of the parent Company. Certain adjustments, not recorded on the parent company's books, are reflected in the consolidated financial statements. At March 31, 2008, retained earnings, less treasury stock, recorded on the parent company's books of account were ¥227,470 million (\$2,274,700 thousand).

Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock.

10. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS

Long-term contracts accepted by the Company consist mainly of construction works with the Japanese national government and local governments, such as construction of environmental control plants and facilities for water supply. These contracts are generally completed within two to three years.

The contracts, which are fully executed before the commencement of construction projects, include the terms of the contract price, expected completion date and critical milestone dates, and acceptance inspections (e.g., performance tests and external appearance inspections). The contracts are legally enforceable and the parties are expected to satisfy their obligations under the contracts. The Company is able to develop reasonably dependable estimates of the total contract cost based on the construction order, that includes details on every single component unit, labor hour costs, and all overhead. Further, the Company believes that it is able to develop reasonably dependable estimates of the extent of progress towards completion of individual contracts and, therefore, the long-term contracts are accounted for using the percentage of completion method. Concerning the method of measuring the extent of progress toward completion, the Company uses the cost-to-cost method in measuring the extent of progress toward completion. In most cases, the Company's contracts with customers include the delivery and installation of component units.

In the situation where an option or an addition which has separate content from an existing contract has occurred, it is treated as a separate contract and, if otherwise, is combined with the original contract. Additional contract revenue arising from any claims for customer-caused reasons is recognized when the contract modification is completed. Any revisions in revenue, cost, and profit estimates or in measurements of the extent of progress toward completion are accounted for in the consolidated statements of income for the fiscal year in which the contract modification has been completed. A disclosure is made of the effect of such revisions in the financial statements, if significant.

Notes receivable and accounts receivable related to the long-term contracts accounted for under the percentage of completion method at March 31, 2008 and 2007 were as follows:

Years Ended March 31	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	Less than 1 year	1-2 years	2-3 years	Less than 1 year	1-2 years	2-3 years	Less than 1 year	1-2 years	2-3 years
Notes receivable	¥ 427	¥—	¥—	¥ —	¥ —	¥—	\$ 4,270	\$ —	\$—
Accounts receivable	6,411	15	—	9,244	679	—	64,110	150	—
	¥6,838	¥15	¥—	¥9,244	¥679	¥—	\$68,380	\$150	\$—

A large portion of such receivables had been billed to customers, and the total aggregated amounts which had not been billed or were not billable were not material at March 31, 2008 and 2007. The total aggregated amounts subject to uncertainty were not material.

With respect to the inventories related to the long-term contracts, the aggregated amounts of manufacturing or production costs which exceeds the aggregated estimate costs of all in-process, the total aggregated amounts subject to uncertainty, and advances receipt offset with inventories were not material at March 31, 2008 and 2007.

11. INCOME TAXES

Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies and income taxes for the years ended March 31, 2008, 2007, and 2006 were comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies:				
Domestic	¥ 65,172	¥ 80,208	¥102,857	\$ 651,720
Foreign	57,405	51,357	37,664	574,050
	¥122,577	¥131,565	¥140,521	\$1,225,770
Income taxes:				
Current—				
Domestic	¥ 26,550	¥ 28,184	¥ 18,065	\$ 265,500
Foreign	17,379	19,824	16,368	173,790
	43,929	48,008	34,433	439,290
Deferred—				
Domestic	3,537	3,415	24,522	35,370
Foreign	578	(2,462)	(2,888)	5,780
	4,115	953	21,634	41,150
Total	¥ 48,044	¥ 48,961	¥ 56,067	\$ 480,440

The effective income tax rates of the Company for each of the three years in the period ended March 31, 2008 differed from the normal Japanese statutory tax rates as follows:

	2008	2007	2006
Normal Japanese statutory tax rates applied to income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	40.6%	40.6%	40.6%
Increase (decrease) in taxes resulting from:			
Increase (decrease) in valuation allowance	0.1	(1.4)	(0.3)
Permanently nondeductible expenses	0.4	0.7	0.4
Nontaxable dividend income	(0.4)	(0.2)	(0.2)
Extra tax deduction on expenses for research and development	(1.7)	(1.9)	(1.2)
Other—net	0.2	(0.6)	0.6
Effective income tax rates applied to income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	39.2%	37.2%	39.9%

Net deferred tax balances at March 31, 2008 and 2007 were reflected in the accompanying consolidated balance sheets under the following line items:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Other current assets	¥33,614	¥37,467	\$336,140
Other assets	4,392	4,046	43,920
Other current liabilities	—	(60)	—
Other long-term liabilities	(15,859)	(50,208)	(158,590)
Net deferred tax assets (liabilities)	¥22,147	¥ (8,755)	\$221,470

The approximate effects of temporary differences and tax loss and credit carryforwards that gave rise to deferred tax balances at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Allowance for doubtful receivables	¥ 1,109	¥ 1,540	\$ 11,090
Intercompany profits	11,793	12,340	117,930
Adjustment of investment securities	11,498	11,322	114,980
Write-downs of inventories and fixed assets	1,643	2,834	16,430
Accrued bonus	6,466	6,173	64,660
Retirement and pension costs	21,752	15,123	217,520
Tax loss and credit carryforwards	3,676	4,390	36,760
Other temporary differences	21,195	23,615	211,950
Subtotal	79,132	77,337	791,320
Less valuation allowance	(1,326)	(1,212)	(13,260)
	¥77,806	¥76,125	\$778,060
Deferred tax liabilities:			
Adjustment of investment securities	¥38,259	¥66,015	\$382,590
Unremitted earnings of foreign subsidiaries and affiliates	11,165	9,511	111,650
Other temporary differences	6,235	9,354	62,350
	¥55,659	¥84,880	\$556,590

Deferral of income taxes relating to intercompany profits of ¥11,793 million (\$117,930 thousand) and ¥12,340 million at March 31, 2008 and 2007 included in the above table is accounted for in accordance with Accounting Research Bulletins No. 51, "Consolidated Financial Statements." The movements of ¥(547) million (\$(5,470) thousand), ¥878 million, and ¥2,157 million for the years ended March 31, 2008, 2007, and 2006 in such deferral of income taxes are presented as "Income taxes – Deferred" in the consolidated statements of income. The total amounts of deferred tax assets recorded in accordance with SFAS No. 109, "Accounting for Income Taxes" were ¥66,013 million (\$660,130 thousand) and ¥63,785 million at March 31, 2008 and 2007, respectively.

Provisions have been recorded for unremitted earnings of all foreign subsidiaries and affiliates where earnings are not deemed to be permanently reinvested. Substantially all of the undistributed earnings of domestic subsidiaries and affiliates would not, under present Japanese tax law, be subject to tax through tax-free distributions.

The changes in the valuation allowance for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Balance at beginning of year	¥1,212	¥3,439	¥3,824	\$12,120
Addition	421	548	508	4,210
Deduction	(307)	(2,775)	(893)	(3,070)
Balance at end of year	¥1,326	¥1,212	¥3,439	\$13,260

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse and/or the tax losses and credits are carried forward, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets, net of the existing valuation allowances at March 31, 2008.

At March 31, 2008, the tax loss carryforwards in the aggregate amounted to ¥8,773 million (\$87,730 thousand), which are available to offset future taxable income, and will expire in the period from 2009 through 2013.

The Company adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" on April 1, 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the year ended March 31, 2008 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥3,491	\$34,910
Gross increase for tax positions taken in prior years	3,535	35,350
Gross decrease for tax positions taken in prior years	(40)	(400)
Settlements	(11)	(110)
Lapse of statute of limitations	(9)	(90)
Other	(16)	(160)
Balance at end of year	¥6,950	\$69,500

Total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, is not material.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. Both interest and penalties accrued at March 31, 2008 and interest and penalties included in income taxes for the year ended March 31, 2008 are not material.

During the year ended March 31, 2008, the U.S. Internal Revenue Service ("IRS") and the National Taxation Agency in Japan ("NTA") reached an agreement on a bilateral Advance Pricing Agreement ("APA"), for which the Company had submitted requests with respect to certain intercompany transactions between related parties in U.S. and Japan. The Company accrued an estimated additional tax payment to the NTA of ¥6,521 million (\$65,210 thousand) in other long-term liabilities and recognized an estimated tax refund from the IRS of ¥5,941 million (\$59,410 thousand) in other assets at March 31, 2008. These estimates may be adjusted in the future through the final period covered by the APA. It is reasonably possible that the amount of unrecognized tax benefits due to the APA may significantly increase or decrease within the next 12 months depending on the business results of the U.S. subsidiaries. The Company believes that it is difficult to estimate reasonably the range of the business results of the U.S. subsidiaries in the future periods. However, a significant increase or decrease in the amount of unrecognized tax benefits due to the APA would not have a material effect on the Company's consolidated results of operations or financial position since the tax refund from the IRS will increase or decrease in proportion to the increase or decrease of additional tax payment to the NTA.

The Company files income tax returns in Japan, U.S., and various foreign tax jurisdictions. With limited exception, the Company is no longer subject to regular income tax examinations by the tax authorities for the years on or before March 31, 2005 in Japan, and for the years on or before December 31, 2000 in U.S., respectively. While the tax authority could conduct a transfer pricing examination for the years on and after April 1, 2001, the intercompany transactions between related parties in U.S. and Japan will not be subject to a tax examination since the APA between U.S. and Japan has been agreed.

12. NET INCOME (LOSS) PER COMMON SHARE

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per common share computation for the years ended March 31, 2008, 2007, and 2006 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Basic net income (loss):				
Income from continuing operations	¥67,837	¥77,743	¥81,149	\$678,370
Income (loss) from discontinued operations, net of taxes	189	(1,286)	(115)	1,890
Net income	¥68,026	¥76,457	¥81,034	\$680,260
Effect of dilutive convertible bonds	¥ —	¥ —	¥ 55	\$ —
Diluted net income (loss):				
Income from continuing operations	¥67,837	¥77,743	¥81,204	\$678,370
Income (loss) from discontinued operations, net of taxes	189	(1,286)	(115)	1,890
Net income	¥68,026	¥76,457	¥81,089	\$680,260

	Number of Shares (Thousands)		
	2008	2007	2006
Weighted average common shares outstanding	1,288,337	1,295,750	1,304,097
Effect of dilutive convertible bonds	—	—	10,831
Diluted common shares outstanding	1,288,337	1,295,750	1,314,928

13. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments and tax effects for the years ended March 31, 2008, 2007, and 2006 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2008			2008		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:						
Foreign currency translation adjustments arising during period	¥ (2,656)	¥ 1,231	¥ (1,425)	\$ (26,560)	\$ 12,310	\$ (14,250)
Reclassification adjustment for losses realized in net income	—	—	—	—	—	—
	(2,656)	1,231	(1,425)	(26,560)	12,310	(14,250)
Unrealized losses on securities:						
Unrealized losses on securities arising during period	(68,031)	27,626	(40,405)	(680,310)	276,260	(404,050)
Reclassification adjustment for losses realized in net income	6,011	(2,440)	3,571	60,110	(24,400)	35,710
	(62,020)	25,186	(36,834)	(620,200)	251,860	(368,340)
Unrealized losses on derivatives:						
Unrealized losses on derivatives arising during period	(916)	322	(594)	(9,160)	3,220	(5,940)
Reclassification adjustments for gains realized in net income	191	(82)	109	1,910	(820)	1,090
	(725)	240	(485)	(7,250)	2,400	(4,850)
Pension liability adjustments:						
Pension liability adjustments arising during period	(26,735)	10,889	(15,846)	(267,350)	108,890	(158,460)
Reclassification adjustment for gains realized in net income	(808)	328	(480)	(8,080)	3,280	(4,800)
	(27,543)	11,217	(16,326)	(275,430)	112,170	(163,260)
Other comprehensive loss	¥(92,944)	¥37,874	¥(55,070)	\$(929,440)	\$378,740	\$(550,700)

	Millions of Yen		
	2007		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥ 5,095	¥ (425)	¥ 4,670
Reclassification adjustment for losses realized in net income	—	—	—
	5,095	(425)	4,670
Unrealized losses on securities:			
Unrealized losses on securities arising during period	(22,114)	8,976	(13,138)
Reclassification adjustment for gains realized in net income	(789)	320	(469)
	(22,903)	9,296	(13,607)
Unrealized losses on derivatives:			
Unrealized losses on derivatives arising during period	(4,823)	1,924	(2,899)
Reclassification adjustments for losses realized in net income	4,469	(1,814)	2,655
	(354)	110	(244)
Other comprehensive loss	¥(18,162)	¥ 8,981	¥ (9,181)

	Millions of Yen		
	2006		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥14,131	¥ (582)	¥13,549
Reclassification adjustment for losses realized in net income	21	—	21
	14,152	(582)	13,570
Unrealized gains on securities:			
Unrealized gains on securities arising during period	80,095	(32,524)	47,571
Reclassification adjustment for gains realized in net income	(4,300)	1,746	(2,554)
	75,795	(30,778)	45,017
Unrealized gains on derivatives:			
Unrealized losses on derivatives arising during period	(5,593)	2,289	(3,304)
Reclassification adjustments for losses realized in net income	6,698	(2,719)	3,979
	1,105	(430)	675
Other comprehensive income	¥91,052	¥(31,790)	¥59,262

The components of other comprehensive income at March 31, 2008, 2007, and 2006 and the related changes, net of taxes for the year ended March 31, 2008, 2007, and 2006 consist of the following:

	Millions of Yen				
	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustments	Accumulated Other Comprehensive Income (loss)
Balance, March 31, 2005	¥(12,913)	¥ 41,016	¥(596)	¥ —	¥ 27,507
Current—period change	13,570	45,017	675	—	59,262
Balance, March 31, 2006	657	86,033	79	—	86,769
Current—period change	4,670	(13,607)	(244)	—	(9,181)
Adjustment to initial apply SFAS No. 158, net of taxes	—	—	—	8,659	8,659
Balance, March 31, 2007	5,327	72,426	(165)	8,659	86,247
Current—period change	(1,425)	(36,834)	(485)	(16,326)	(55,070)
Balance, March 31, 2008	¥ 3,902	¥ 35,592	¥(650)	¥ (7,667)	¥ 31,177

	Thousands of U.S. Dollars				
	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustments	Accumulated Other Comprehensive Income (loss)
Balance, March 31, 2007	\$ 53,270	\$ 724,260	\$(1,650)	\$ 86,590	\$ 862,470
Current—period change	(14,250)	(368,340)	(4,850)	(163,260)	(550,700)
Balance, March 31, 2008	\$ 39,020	\$ 355,920	\$(6,500)	\$(76,670)	\$ 311,770

14. DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Policy

The Company is subject to market rate risks due to fluctuation of foreign currency exchange rates and interest rates. The Company manages these risks by using derivative financial instruments in accordance with established policies and procedures. The Company does not use derivative financial instruments for trading purposes. The credit risks associated with these instruments are not considered to be significant since the counterparties are reliable major international financial institutions and the Company does not anticipate any such losses.

Foreign Currency Exchange Risks

The Company's foreign currency exposure relates primarily to its foreign currency denominated assets in its international operations. The Company entered into foreign exchange forward contracts and foreign currency options designated to mitigate its exposure to foreign currency exchange risks.

Interest Rate Risks

The Company is exposed to interest rate risks mainly inherent in its debt obligations with both fixed and variable rates. Debt obligations that are sensitive to interest rate changes are disclosed in Note 7. In order to hedge these risks, the Company uses interest rate swap contracts to change the characteristics of its fixed and variable rate exposures.

Cash Flow Hedges

Changes in the fair value of foreign exchange contracts and interest rate swap agreements designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income. These amounts are subsequently reclassified into earnings in the same period as the hedged items affect earnings. In the case of interest rate swaps, the amounts are reclassified when the related interest expense is recognized. Substantially all of the unrecognized net loss on derivatives included in accumulated other comprehensive income at March 31, 2008 will be reclassified into earnings within the next 12 months.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying value and fair values of financial instruments at March 31, 2008 and 2007 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2008		2007		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:						
Finance receivables—net	¥ 272,529	¥ 268,121	¥ 252,739	¥ 239,924	\$ 2,725,290	\$ 2,681,210
Financial liabilities:						
Long-term debt	(243,450)	(242,211)	(214,957)	(210,777)	(2,434,500)	(2,422,110)
Derivative financial instruments recorded as assets (liabilities):						
Foreign exchange instruments	895	895	(899)	(899)	8,950	8,950
Interest rate swaps and other instruments	(1,152)	(1,152)	33	33	(11,520)	(11,520)

The fair values of finance receivables and long-term debt are based on discounted cash flows using the current market rate. The carrying value of finance receivables—net at March 31, 2008 and 2007 in the table excludes that of finance leases.

The carrying amounts of cash and cash equivalents, notes and accounts receivable and payable, and short-term borrowings approximate the fair value because of the short maturity of those instruments. The carrying value and fair values of other investments are disclosed in Note 4.

Concentration of Credit Risks

Interest in sold receivables and retail finance receivables are composed of those to the dealers or customers in the farm equipment market in North America. Interest in sold receivables arises from the sales of trade accounts receivable to a large number of dealers, and retail finance receivables arise from the sales of the Company's products to the retail customers. The Company considers that credit risks on these receivables are limited since no single dealer or customer represents a significant concentration of credit risks.

16. SUPPLEMENTAL EXPENSE INFORMATION

Research and Development Expenses, Advertising Costs, Shipping and Handling Costs and Depreciation

Amounts of certain costs and expenses for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Research and development expenses	¥24,784	¥22,925	¥22,731	\$247,840
Advertising costs	9,550	10,085	9,184	95,500
Shipping and handling costs	51,068	50,982	45,834	510,680
Depreciation	30,119	25,094	25,167	301,190

Loss from Disposal and Impairment of Businesses and Fixed Assets

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2008 includes a loss from disposal of fixed assets of ¥925 million (\$9,250 thousand) and a gain on disposal of business of ¥314 million (\$3,140 thousand) resulting from a partial sale of the shares of a company which conducts condominium business.

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2007 includes a loss from disposal of fixed assets of ¥1,172 million and a loss from disposal and impairment of businesses of ¥1,446 million resulting mainly from the liquidation of a company which operated a construction business.

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2006 includes a loss from impairment of fixed assets of ¥1,038 million and a loss from disposal and impairment of businesses of ¥3,648 million resulting mainly from a loss of ¥2,788 million related to the additional payments due to employment transfer to a subsidiary and an affiliated company.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Commitments for capital expenditures outstanding at March 31, 2008 approximated ¥3,756 million (\$3,756 thousand).

The Company leases certain office space and equipment and employee housing under cancelable and noncancelable lease agreements.

An analysis of leased assets under capital leases is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Machinery and equipment	¥12,359	¥12,148	\$123,590
Accumulated depreciation	(6,224)	(5,852)	(62,240)
Software	336	281	3,360
	¥ 6,471	¥ 6,577	\$ 64,710

Amortization expenses under capital leases for the years ended March 31, 2008, 2007, and 2006 were ¥3,861 million (\$38,610 thousand), ¥3,677 million, and ¥2,763 million, respectively.

Future minimum lease payments required under capital and noncancelable operating leases that have an initial or a remaining lease term in excess of one year as of March 31, 2008 were as follows:

Years Ending March 31,	Millions of Yen		Thousands of U.S. Dollars	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2009	¥3,561	¥ 826	\$35,610	\$ 8,260
2010	1,906	364	19,060	3,640
2011	858	131	8,580	1,310
2012	181	89	1,810	890
2013	72	78	720	780
2014 and thereafter	31	75	310	750
Total minimum lease payments	6,609	<u>¥1,563</u>	66,090	<u>\$15,630</u>
Less: amounts representing interest	(138)		(1,380)	
Present value of net minimum capital lease payments	<u>¥6,471</u>		<u>\$64,710</u>	

Capital lease obligations are included in the current portion of long-term debt and long-term debt in the consolidated balance sheets. Rental expenses under operating leases for the years ended March 31, 2008, 2007, and 2006 were ¥5,619 million (\$56,190 thousand), ¥5,727 million, and ¥6,009 million, respectively.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors including affiliated companies, and customers for their borrowings from financial institutions. The Company would have to perform under these guarantees in the events of default on a payment within the guarantee periods of 1 year to 10 years for distributors and customers. The maximum potential amount of undiscounted future payments of these financial guarantees as of March 31, 2008 was ¥2,602 million (\$26,020 thousand).

The Company issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The Company determines its reserve for product warranties based on an analysis of the historical data of costs to perform under product warranties.

The changes in the accrued product warranty cost for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Balance at beginning of year	¥ 6,201	¥ 5,473	\$ 62,010
Addition	4,823	5,007	48,230
Utilization	(4,565)	(4,335)	(45,650)
Other	(2)	56	(20)
Balance at end of year	¥ 6,457	¥ 6,201	\$ 64,570

Accrued product warranty cost is included in other current liabilities in the consolidated balance sheets.

Legal Proceedings

In the fiscal year ended March 31, 1999, the Fair Trade Commission of Japan (the "FTCJ") began an investigation of the Company for an alleged violation of the Anti-Monopoly Law (prohibition of private monopoly or unfair trade restraint) relating to participation in fixing the shares of ductile iron straight pipe orders in Japan. In March 1999, the Company received a cease and desist recommendation from the FTCJ, which was accepted by the Company in April 1999.

In December, 1999, the Company received a surcharge order of ¥7,072 million from the FTCJ in connection with this investigation. The Company has challenged this order and filed a petition for the initiation of hearing procedures that were started in March 2000. Under Section 49 of the Anti-Monopoly Law, upon the initiation of the procedures, the surcharge order lost effect. In addition, Section 7-2 of the law stipulates that surcharges are imposed in cases where price cartels or cartels that influence prices by curtailing the volume of supply are carried out. The Company believes that the alleged share cartel does not meet the requirement of Section 7-2 and has not established any provision for the ultimate liability, if any, which may result from the settlement of this matter.

An unfavorable outcome from this issue could materially affect the Company's results of operations or cash flows in a given year. In November, 2007, the hearing on the surcharge ended. However, the Company is not able to predict the timing of the decision and its outcome at this moment.

Matters Related to Health Hazard of Asbestos (Background)

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, had produced asbestos-containing products. In April 2005, the Company was advised that some residents who lived near the plant suffered from mesothelioma, a form of cancer that is said to be mainly caused by aspiration of asbestos. In June 2005, the Company voluntarily decided to make consolation payments to certain residents with mesothelioma and started the program. In April 2006, the Company decided to establish the relief payment system in place of the consolation payment and make additional payment to the residents to whom consolation payment was paid or payable, and started the system. The new supporting system is applied to the residents who make a claim for the payment in the future. With regard to current and former employees who suffered and are suffering from asbestos-related diseases, the Company shall make the compensation which is not required by law but is made in accordance with the Company's internal policies.

The Japanese government newly established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases ("New Asbestos Law") in March 2006. This law was enacted for the purpose of promptly providing relief to the people suffering

from asbestos-related diseases who are not eligible for relief by compensation from the Insurance in accordance with the Workers' Accident Compensation Insurance Law. The relief aid payments are contributed by the national government, municipal governments, and business entities. The contribution, which includes a special contribution by the companies which operated a business closely related to asbestos, to be made by business entities commenced from the year ended March 31, 2008.

(Accounting for Asbestos-Related Expenses)

The Company expenses the payments for the health hazard of asbestos based on the Company's accounting policies and procedures. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.) The expenses include payments to certain residents who lived near the Company's plant and current and former employees, and special contribution in accordance with the New Asbestos Law. The Company recorded expenses aggregating ¥1,090 million (\$10,900 thousand), ¥4,035 million, and ¥4,196 million during the years ended March 31, 2008, 2007, and 2006, respectively. These amounts are included in the selling, general, and administrative expenses. During the year ended March 31, 2007, the Company expensed the special contribution in accordance with the New Asbestos Law aggregating ¥735 million which is expected to be paid during four years commencing on and after April 1, 2007. The Company accrues in those cases where the conditions of loss contingencies provided under SFAS No. 5, "Accounting for Contingencies," are met. The amount accrued and included in recorded expenses were ¥968 million (\$9,680 thousand) and ¥1,359 million at March 31, 2008 and 2007, respectively. Though the Company believes that this amount appears to be a better estimate than any other amount within a reasonably estimable range of amounts, the additional exposure to loss in excess of this accrued amount of ¥720 million (\$7,200 thousand) exists.

Since the Company has no basis or information to estimate the number of current and former employees and residents that are going to apply for payments, the Company is not able to consider such condition in accounting for the amount accrued and included in recorded expenses. While asbestos-related lawsuits against the Japanese government and the Company have been filed since May 2007, the Company is not also able to predict the proceedings of the lawsuits and possibility of being named in other lawsuits like this. Therefore, the Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to this contingency. However, the Company believes asbestos-related issues contain potentially material risks for the Company's consolidated results of operations, financial position, and its liquidity.

18. SECURITIZATION OF RECEIVABLES

The Company sells trade and finance receivables to investors through independent securitization trusts. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.) The Company recognized pretax losses resulting from the sales of trade receivables of ¥3,008 million (\$30,080 thousand), ¥2,607 million, and ¥931 million for the years ended March 31, 2008, 2007, and 2006, respectively. The Company recognized pretax gains resulting from the sales of finance receivables of ¥77 million (\$770 thousand) and ¥211 million for the years ended March 31, 2008 and 2007, respectively, and recognized pretax losses resulting from the sales of finance receivables of ¥172 million for the year ended March 31, 2006. The amounts of servicing assets or liabilities were not material as of March 31, 2008 and 2007.

The retained interests in sold receivables are subordinate to investors' interests. If forecasted future cash flows result in an other-than-temporary decline in the fair value of the retained interests, then an impairment loss is recognized to the extent that the fair value is less than the carrying amount.

The value of the retained interests is subject to credit, repayment, dilution, and interest rate risks on sold receivables. Due to the short-term nature of the Company's retained interest in sold receivables, its fair value approximated carrying value, net of an appropriate allowance. The amounts of credit losses and delinquencies were not material.

The following key economic assumptions were used in measuring the retained interest in receivables sold by the Company during the years ended March 31:

	2008	2007
Trade receivables:		
Weighted average life (months)	6.5	6.5
Expected net dilution (monthly rate)	0.78%	0.78%
Discount rate and fee (annual rate)	5.58%	5.57%
Finance receivables:		
Weighted-average life (months)	—	35.0
Expected credit losses (annual rate)	—	0.13%
Discount rate (annual rate)	—	10.00%

The following depicts the sensitivity of the fair value of retained interests in trade receivables at March 31, 2008 to adverse changes in the key economic assumptions of the current fair value of future cash flow:

	Millions of Yen	Thousands of U.S. Dollars
Trade receivables:		
Fair value of retained interest	¥77,767	\$777,670
Expected net dilution (monthly rate):	0.78%	
Impact on fair value of 10% adverse change	338	3,380
Impact on fair value of 20% adverse change	674	6,740
Discount rate and fee (annual rate):	5.58%	
Impact on fair value of 10% adverse change	31	310
Impact on fair value of 20% adverse change	62	620

Considerable judgment is required in interpreting market data to develop estimates of fair value, so the above estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. In addition, the above-estimated amounts generated from the sensitivity analyses include forward-looking statements of market risk, which assume for analytical purposes that certain adverse market considerations may occur. Actual future market conditions may differ materially, and, accordingly, the forward-looking statements should not be considered projections by the Company of future events or losses.

The following table summarizes certain cash flows received from securitization trusts for the years ended March 31:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Trade receivables:				
Proceeds from collections reinvested in revolving-period securitizations	¥160,468	¥165,633	¥163,671	\$1,604,680
Servicing fees received	413	338	275	4,130
Finance receivables:				
Servicing fees received	—	576	219	—
Cash flows received on retained interests in securitizations	—	1,489	598	—

19. DISCONTINUED OPERATIONS

During the year ended March 31, 2007, Kubota Retex Corp., a subsidiary reported in the Environmental Engineering Segment, decided to liquidate itself and withdraw from industrial waste treatment market. During the year ended March 31, 2008, the Company completed liquidation.

Operating results of the discontinued operations for the years ended March 31, 2008, 2007, and 2006 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2007	2006	2008
Revenues	¥ —	¥ 267	¥ 615	\$ —
Income (loss) from discontinued operations before income taxes	¥ 316	¥(2,818)	¥(115)	\$ 3,160
Gain from disposal of business	—	—	—	—
Income taxes	(127)	1,532	—	(1,270)
Income (loss) from discontinued operations	¥ 189	¥(1,286)	¥(115)	\$ 1,890

20. SUBSEQUENT EVENTS

On May 13, 2008, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2008 of ¥8 per common share (¥40 per 5 common shares) or a total of ¥10,248 million (\$102,480 thousand).

On June 20, 2008, the Company's Board of Directors approved the purchase of up to 10,000,000 shares, or up to ¥10,000 million (\$100,000 thousand) of the parent company's outstanding common stock on and after June 23, 2008 through September 24, 2008.