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 10 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”). 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 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, 2009 of ¥98 =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” (“FIN 46R”) are included in the consolidated financial statements, as applicable. There were no VIEs at March 31, 2009 and 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 receivables, 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, 2009, 2008, and 2007 that pertain to long-term contracts were 1.9%, 1.7%, and 1.8%, 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.

In October 2007, Kubota Maison Co., Ltd., subsidiary of housing real estate, was excluded from consolidated subsidiaries and became an affiliated company. As a result, there were no housing real estate sales for the year ended March 31, 2009. The percentages of revenues to consolidated revenues for the years ended March 31, 2008, and 2007 that pertain to housing real estate sales were 0.3%, and 0.8%, 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 expected future 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 required adjustment to the allowance is reflected in current operations.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average-cost method.

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 a 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 Hanshin Electric Railway and Hankyu Holdings)

In October, 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”).

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 for the year ended March 31, 2007.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation expenses related to manufacturing activities are included in cost of revenues, and the other depreciation expenses are classified in selling, general, and administrative expenses. Depreciation of those assets 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 FIN 48 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 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 for 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 the Emerging Issues Task Force ("EITF") Issue No. 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 has 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. The weighted average number of common shares outstanding for the years ended March 31, 2009, 2008, and 2007 was 1,275,574,702, 1,288,336,590 and 1,295,749,621, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2009, 2008, and 2007.

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 recognize 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.

The Company also uses derivatives not designated as cash flow hedges in certain relationships for economic purposes. Changes in the fair value of derivatives not designated are reported in earnings immediately.

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, 2009, 2008, and 2007, time deposits with original maturities of three months or less amounting to ¥4,022 million ($41,041 thousand), ¥3,915 million, and ¥3,832 million, respectively, were included in cash and cash equivalents.

Cash paid for interest amounted to ¥12,768 million ($130,286 thousand), ¥12,875 million, and ¥11,066 million, and for income taxes amounted to ¥38,472 million ($392,571 thousand), ¥56,535 million, and ¥36,733 million for the years ended March 31, 2009, 2008, and 2007, respectively.

The Company did not retire any treasury stock during the year ended March 31, 2009 and retired treasury stock of ¥4,398 million, and ¥8,484 million during the years ended March 31, 2008 and 2007, respectively.

The Company capitalized leased assets under capital leases of ¥2,916 million ($29,755 thousand), ¥3,678 million, and ¥4,231 million for the years ended March 31, 2009, 2008, and 2007, respectively.

Amounts pertaining to "(Increase) decrease in interests in sold receivables" were included in a line item of "Increase in other current assets" until March 31, 2008. Since the amount relating to "(Increase) decrease in interests in sold receivables" becomes significant in the current year, the Company has separately presented it with corresponding changes for prior years.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements,” which defines fair value and expands disclosures about fair value measurements that are required or permitted under other accounting pronouncements. This statement was effective in fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued Staff Position (FSP) FAS 157-2, “Effective Date of FASB Statement No. 157,” that delayed the effective date of SFAS No. 157 for nonfinancial assets and liabilities. The Company adopted this statement on April 1, 2008. The adoption of this statement did not have a material impact on the Company’s consolidated results 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, and was adopted by the Company on April 1, 2008. The Company did not elect the fair value option for selected financial assets and financial liabilities, therefore the adoption of this statement did not have an impact on the Company’s consolidated results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations”. This statement 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. This statement also requires recognition of contingent consideration and capitalization of in-process research and development at fair values as well as expensing of acquisition-related costs as incurred. This statement is effective in fiscal years beginning after December 15, 2008. The Company is currently calculating the impact of applying this statement on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51”. This statement 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. This statement also requires a parent recognize a retained investment at fair value when a subsidiary is deconsolidated. This statement is effective in fiscal years beginning after December 15, 2008. The Company is currently calculating the impact of applying this statement on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133”. This statement expands the disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS No. 161 requires entities to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this statement on January 1, 2009. The adoption of this statement did not have an impact on the Company’s consolidated results of operations and financial position.

In December 2008, the FASB issued FSP FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets”. This position requires more detailed disclosures about plan assets including investment allocation, the major categories of plan assets, valuation techniques used to measure the fair value of plan assets, and concentrations of risk within plan assets. This statement is effective for fiscal years ending after December 15, 2009. The adoption of this position is not expected to have a material impact on the Company’s consolidated results of operations and financial position.

In May 2009, the FASB issued SFAS No. 165 “Subsequent Events.” This statement establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this statement is not expected to have a material impact on the Company’s consolidated result of operations and financial position.

2. INVENTORIES

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Finished products	**¥132,125**	¥128,561	**$1,348,214**
Spare parts	**23,848**	23,359	**243,347**
Work in process	**31,165**	34,036	**318,010**
Raw materials and supplies	**20,263**	20,264	**206,766**
	¥207,401	¥206,220	**$2,116,337**

3. INVESTMENTS IN AND LOAN RECEIVABLES FROM AFFILIATED COMPANIES

Investments in and loan receivables from affiliated companies at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Investments	**¥14,443**	¥13,640	**$147,378**
Loan receivables	**68**	6	**694**
	¥14,511	¥13,646	**$148,072**

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

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2009 and 2008	**2009**	2008	**2009**
Current assets	**¥ 68,841**	¥ 69,686	**$ 702,459**
Noncurrent assets	**62,858**	57,019	**641,408**
Total assets	**131,699**	126,705	**1,343,867**
Current liabilities	**74,758**	73,188	**762,837**
Noncurrent liabilities	**20,794**	19,929	**212,183**
Net assets	**¥ 36,147**	¥ 33,588	**$ 368,847**

	Millions of Yen			Thousands of U.S. Dollars
Years Ended March 31, 2009, 2008, and 2007	**2009**	2008	2007	**2009**
Revenues	**¥216,430**	¥215,574	¥219,750	**$2,208,469**
Cost of revenues	**160,690**	162,533	161,392	**1,639,694**
Net income	**419**	482	2,956	**4,276**

Trade notes and accounts receivable from affiliated companies at March 31, 2009 and 2008 were ¥21,302 million ($217,367 thousand) and ¥17,185 million, respectively.

Revenues from affiliated companies aggregated ¥55,374 million ($565,041 thousand), ¥48,847 million, and ¥51,882 million for the years ended March 31, 2009, 2008, and 2007, respectively.

Cash dividends received from affiliated companies were ¥46 million ($469 thousand), ¥31 million, and ¥28 million for the years ended March 31, 2009, 2008, and 2007, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥9,719 million ($99,173 thousand) and ¥8,817 million at March 31, 2009 and 2008, respectively.

4. OTHER INVESTMENTS

The cost, fair value, and gross unrealized holding gains and losses for securities by major security type at March 31, 2009 and 2008 were as follows:

	Millions of Yen							
	2009				2008			
	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	**¥24,412**	**¥40,275**	**¥15,864**	**¥ 1**	¥30,813	¥ 73,257	¥42,464	¥ 20
Other equity securities	**17,665**	**40,653**	**23,304**	**316**	20,305	61,793	42,892	1,404
	¥42,077	**¥80,928**	**¥39,168**	**¥317**	¥51,118	¥135,050	¥85,356	¥1,424

	Thousands of U.S. Dollars			
	2009			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	**$249,102**	**$410,969**	**$161,877**	**$ 10**
Other equity securities	**180,255**	**414,827**	**237,796**	**3,224**
	$429,357	**$825,796**	**$399,673**	**$3,234**

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, 2009 and 2008 aggregated by the length of time that individual securities have been in a continuous unrealized loss position were as follows:

	Millions of Yen							
	2009				2008			
	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	**¥ 2**	**¥ 1**	**¥—**	**¥—**	¥ 249	¥ 20	¥—	¥—
Other equity securities	**1,958**	**316**	**—**	**—**	3,142	1,404	—	—
	¥1,960	**¥317**	**¥—**	**¥—**	¥3,391	¥1,424	¥—	¥—

	Thousands of U.S. Dollars			
	2009			
	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	**$ 20**	**$ 10**	**$—**	**$—**
Other equity securities	**19,980**	**3,224**	**—**	**—**
	$20,000	**$3,234**	**$—**	**$—**

For the years ended March 31, 2009, 2008, and 2007, valuation losses on other investments were recognized to reflect the decline in fair value considered to be other-than-temporary totaling ¥8,618 million ($87,939 thousand), ¥6,715 million, and ¥524 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, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Proceeds from sales of available-for-sale securities	**¥ 182**	¥2,001	¥2,749	**$ 1,857**
Gross realized gains	**20**	705	1,463	**204**
Gross realized losses	**(132)**	(1)	(150)	**(1,347)**

Investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value, were stated at cost of ¥15,269 million ($155,806 thousand) and ¥10,272 million at March 31, 2009 and 2008, 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, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Retail	**¥ 218,745**	¥ 273,771	**$2,232,092**
Finance leases	**59,442**	39,536	**606,551**
Total finance receivables	**278,187**	313,307	**2,838,643**
Less:			
Unearned income	**(10,052)**	(6,995)	**(102,572)**
Allowance for credit losses	**(1,586)**	(1,380)	**(16,184)**
Total finance receivables—net	**266,549**	304,932	**2,719,887**
Less current portion	**(97,292)**	(113,409)	**(992,775)**
Long-term finance receivables—net	**¥ 169,257**	¥ 191,523	**$1,727,112**

Annual maturities of retail finance receivables and future minimum lease payments on finance leases at March 31, 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending March 31,	Retail	Finance Leases	Retail	Finance Leases
2010	¥83,372	¥17,723	$ 850,734	$180,846
2011	65,256	16,537	665,878	168,745
2012	38,308	12,400	390,898	126,531
2013	21,946	6,958	223,939	71,000
2014	7,474	3,717	76,265	37,929
2015 and thereafter	2,389	2,107	24,378	21,500
Total	¥218,745	¥59,442	$2,232,092	$606,551

There is no estimated unguaranteed residual value on finance leases at March 31, 2009.

Revenues and cost of revenues for the years ended March 31, 2009, 2008, and 2007 included finance income and expenses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Finance income	**¥23,242**	¥27,539	¥22,217	**$237,163**
Finance expenses	**11,578**	15,363	12,282	**118,143**

The Company sold finance receivables for the years ended March 31, 2007. (See Note 18. SECURITIZATION OF RECEIVABLES.) Pretax gains or losses on such sales were 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, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥1,983**	¥2,011	¥2,155	**$20,235**
Provision for doubtful accounts	**1,041**	482	255	**10,622**
Write-offs	**(32)**	(531)	(468)	**(326)**
Other	**(480)**	21	69	**(4,898)**
Balance at end of year	**¥2,512**	¥1,983	¥2,011	**$25,633**

The changes in the allowance for doubtful non-current receivables for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥ 981**	¥ 2,811	¥3,913	**$10,010**
Provision for doubtful accounts	**50**	140	13	**510**
Write-offs	**(1)**	(137)	(792)	**(10)**
Other	**(171)**	(1,833)	(323)	**(1,745)**
Balance at end of year	**¥ 859**	¥ 981	¥2,811	**$ 8,765**

The changes in the allowance for finance receivables for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥1,380**	¥1,072	¥1,017	**$14,082**
Provision for doubtful accounts	**914**	542	203	**9,327**
Write-offs	**(308)**	(133)	(108)	**(3,143)**
Other	**(400)**	(101)	(40)	**(4,082)**
Balance at end of year	**¥1,586**	¥1,380	¥1,072	**$16,184**

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 consisted of notes payable to banks of ¥125,600 million ($1,281,632 thousand) and commercial paper of ¥6,500 million ($66,327 thousand). Short-term borrowings at March 31, 2008 consisted of notes payable to banks of ¥113,087 million.

Stated annual interest rates on short-term borrowings ranged primarily from 0.20% to 5.41% and from 0.50% to 5.59% at March 31, 2009 and 2008, respectively. The weighted average interest rates on such short-term borrowings at March 31, 2009 and 2008 were 3.1% and 4.9%, respectively.

Available committed lines of credit with certain banks at March 31, 2009 and 2008 totaled ¥25,000 million ($255,102 thousand) and ¥20,000 million, respectively. The terms of committed lines of credit are 1 year. The Company had no outstanding borrowings as of March 31, 2009 and 2008 related to committed lines of credit.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

		Millions of Yen		Thousands of U.S. Dollars
	Due in Years Ending March 31	**2009**	2008	**2009**
Unsecured bonds:				
Yen notes (fixed rate 1.20%)	2011	**¥ 10,000**	¥ 10,000	**$ 102,041**
Yen notes (floating rate 0.93%)	2012	**4,000**	—	**40,816**
Yen notes (fixed rate 1.54%)	2013	**10,000**	10,000	**102,041**
Yen notes (fixed rate 1.27%)	2013	**10,000**	10,000	**102,041**
Yen notes (fixed rate 1.53%)	2015	**10,000**	10,000	**102,041**
Loans, principally from banks and insurance companies, maturing on various dates through 2017:				
Collateralized		**37,320**	64,399	**380,816**
Unsecured		**181,125**	139,051	**1,848,214**
Capital lease obligations		**6,521**	6,471	**66,541**
Total		**268,966**	249,921	**2,744,551**
Less current portion		**(60,378)**	(65,976)	**(616,102)**
		¥208,588	¥183,945	**$2,128,449**

Both fixed and floating rates were included in the interest rates of the long-term loans from banks and insurance companies at March 31, 2009, while these rates were principally fixed at March 31, 2008. The weighted average rates at March 31, 2009 and 2008 were 2.9% and 4.2%, respectively.

Annual maturities of long-term debt at March 31, 2009 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 60,378	$ 616,102
2011	68,759	701,622
2012	86,100	878,571
2013	28,914	295,041
2014	11,601	118,378
2015 and thereafter	13,214	134,837
Total	¥268,966	$2,744,551

Assets pledged as collateral for debt at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Trade notes	**¥ 2,061**	¥ 439	**$ 21,031**
Trade accounts	**14,214**	3,422	**145,041**
Other current assets	**566**	950	**5,775**
Finance receivables	**45,213**	101,945	**461,357**
Property, plant, and equipment	**8,782**	9,932	**89,612**
Total	**¥70,836**	¥116,688	**$722,816**

Other current assets represent restricted cash which are pledged as collateral in accordance with the terms of borrowing.

The above assets were pledged against the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term borrowings	**¥28,233**	¥31,434	**$288,092**
Current portion of long-term debt	**17,416**	27,862	**177,714**
Long-term debt	**19,904**	36,537	**203,102**
Total	**¥65,553**	¥95,833	**$668,908**

Both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future indebtedness will be given upon request of the bank, and that the bank has 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.

There are restrictive covenants related to its borrowings including clauses of the negative pledges, rating trigger and minimum net worth. The financial covenants are as follows: the rating trigger states that the Company shall keep or be higher than the “BBB－” rating by Rating and Investment Information, Inc. and the minimum net worth covenant states that the Company shall keep the amount of shareholders’ equity of more than ¥454.0 billion ($4,633 million) on consolidated basis and more than ¥322.0 billion ($3,286 million) on a parent company-only basis. The Company is compliant with those restrictive covenants at March 31, 2009.

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 a lump-sum payment 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 in 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.

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, 2009, 2008, and 2007 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Service cost	**¥ 5,944**	¥ 5,830	¥ 5,974	**$ 60,653**
Interest cost	**3,730**	3,751	3,799	**38,061**
Expected return on plan assets	**(2,428)**	(3,023)	(2,748)	**(24,775)**
Amortization of prior service benefit	**(808)**	(808)	(777)	**(8,245)**
Amortization of actuarial loss	**128**	—	—	**1,306**
Net periodic benefit cost	**¥ 6,566**	¥ 5,750	¥ 6,248	**$ 67,000**

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
	2009	2008	**2009**
Change in benefit obligations:			
Benefit obligations at beginning of year	**¥173,689**	¥174,242	**$1,772,337**
Service cost	**5,944**	5,830	**60,653**
Interest cost	**3,730**	3,751	**38,061**
Actuarial loss	**(2,554)**	695	**(26,061)**
Benefits paid (lump-sum payments)	**(7,736)**	(7,670)	**(78,939)**
Benefits paid (annuity payments)	**(4,079)**	(3,758)	**(41,622)**
Foreign currency exchange rate changes	**(1,717)**	599	**(17,521)**
Benefit obligations at end of year	**¥167,277**	¥173,689	**$1,706,908**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥130,360**	¥147,066	**$1,330,204**
Actual return on plan assets	**(22,073)**	(22,689)	**(225,235)**
Employer contributions	**13,374**	13,849	**136,469**
Benefits paid (lump-sum payments)	**(4,819)**	(4,703)	**(49,173)**
Benefits paid (annuity payments)	**(4,079)**	(3,758)	**(41,622)**
Foreign currency exchange rate changes	**(1,757)**	595	**(17,929)**
Fair value of plan assets at end of year	**¥111,006**	¥130,360	**$1,132,714**
Funded status at end of year	**¥(56,271)**	¥ (43,329)	**$ (574,194)**

Accumulated benefit obligations at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Accumulated benefit obligations:			
Accumulated benefit obligations at end of year	**¥166,850**	¥168,530	**$1,702,551**

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
	2009	2008	**2009**
Retirement and pension plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥165,625**	¥170,659	**$1,690,051**
Fair value of plan assets	**109,034**	126,869	**1,112,592**
Retirement and pension plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**164,556**	165,500	**1,679,143**
Fair value of plan assets	**109,034**	126,869	**1,112,592**

Amounts recognized in the consolidated balance sheets at March 31, 2009 and 2008 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Accrued retirement and pension costs	**¥(56,591)**	¥(43,790)	**$(577,459)**
Prepaid expenses for benefit plans, included in other assets	**320**	461	**3,265**
Funded status	**¥(56,271)**	¥(43,329)	**$(574,194)**

Amounts recognized in accumulated other comprehensive income, before tax, at March 31, 2009 and 2008 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Actuarial loss	**¥41,371**	¥18,862	**$422,153**
Prior service benefit	**(5,244)**	(6,052)	**(53,510)**
Total recognized in accumulated other comprehensive income	**¥36,127**	¥12,810	**$368,643**

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, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Actuarial loss	¥ 9,611	$98,072
Prior service benefit	(808)	(8,245)

The weighted-average discount rate used in calculating benefit obligations at March 31, 2009 and 2008 was 2.5%.

Weighted-average assumptions used in calculating net periodic benefit cost for the years ended March 31, 2009, 2008, and 2007 were as follows:

	2009	2008	2007
Discount rate	**2.5%**	2.5%	2.5%
Expected return on plan assets	**2.5**	3.0	3.0

The rate of compensation increase was not used in the calculations of benefit obligations at March 31, 2009 and 2008, or net periodic benefit cost for the years ended March 31, 2009, 2008, and 2007 under the point-based benefits system.

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:

	2009	2008
Equity securities	**32.8%**	38.1%
Debt securities	**66.7**	61.1
Other	**0.5**	0.8
	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, 2010 are expected to be ¥13,884 million ($141,673 thousand).

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥12,950	$132,143
2011	12,526	127,816
2012	12,397	126,500
2013	12,263	125,133
2014	12,018	122,633
2015-2019	53,666	547,612

9. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Corporate Law of Japan (the "Corporate Law").

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, 2009, retained earnings, less treasury stock, recorded on the parent Company's books of account were ¥206,811 million ($2,110,316 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 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 approved by the customers. 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 those revisions have been made. 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, 2009 and 2008 were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			**2009**		
Years Ended March 31	Less than 1 year	1-2 years	Over 2 years	Less than 1 year	1-2 years	Over 2 years	Less than 1 year	1-2 years	Over 2 years
Notes receivable	**¥ 99**	**¥—**	**¥—**	¥ 427	¥ —	¥—	**$ 1,010**	**$ —**	**$—**
Accounts receivable	**8,930**	**40**	**—**	6,411	15	—	**91,123**	**408**	**—**
	¥9,029	**¥40**	**¥—**	¥6,838	¥ 15	¥—	**$92,133**	**$408**	**$—**

A large portion of such receivables have been billed to customers, and the total aggregated amounts which had not been billed or were not billable were not material at March 31, 2009 and 2008. 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 exceed the aggregated estimate costs of all in-process, the total aggregated amounts subject to uncertainty, and advances received offset with inventories were not material at March 31, 2009 and 2008.

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, 2009, 2008, and 2007 were comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies:				
Domestic	**¥ 35,739**	¥ 65,172	¥ 80,208	**$ 364,684**
Foreign	**47,520**	57,405	51,357	**484,898**
	¥ 83,259	¥122,577	¥131,565	**$ 849,582**
Income taxes:				
Current—				
Domestic	**¥ 5,719**	¥ 26,550	¥ 28,184	**$ 58,357**
Foreign	**17,918**	17,379	19,824	**182,837**
	23,637	43,929	48,008	**241,194**
Deferred—				
Domestic	**7,073**	3,537	3,415	**72,174**
Foreign	**(1,964)**	578	(2,462)	**(20,041)**
	5,109	4,115	953	**52,133**
Total	**¥ 28,746**	¥ 48,044	¥ 48,961	**$ 293,327**

The effective income tax rates of the Company for the years ended March 31, 2009, 2008, and 2007 differed from the normal Japanese statutory tax rates as follows:

	2009	2008	2007
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	**0.4**	0.1	(1.4)
Permanently nondeductible expenses	**4.1**	0.4	0.7
Nontaxable dividend income	**(0.7)**	(0.4)	(0.2)
Extra tax deduction on expenses for research and development	**(0.5)**	(1.7)	(1.9)
Reversal of taxes provided on unremitted earnings of foreign subsidiaries and affiliates	**(8.3)**	—	—
Other—net	**(1.1)**	0.2	(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	**34.5%**	39.2%	37.2%

Permanently nondeductible expenses for the year ended March 31, 2009 mainly consisted of nondeductible surcharge expense of ¥2,958 million ($30,184 thousand) for the violation of the Anti-Monopoly Law.

Reversal of taxes provided on unremitted earnings of foreign subsidiaries and affiliates for the year ended March 31, 2009 amounting ¥6,870 million ($70,102 thousand) was due to Japanese tax law revision related to the taxation of dividends from overseas subsidiaries and affiliates.

Net deferred tax balances at March 31, 2009 and 2008 were reflected in the accompanying consolidated balance sheets under the following line items:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Other current assets	**¥26,583**	¥ 33,614	**$271,255**
Other assets	**16,683**	4,392	**170,235**
Other current liabilities	**(2)**	—	**(20)**
Other long-term liabilities	**(254)**	(15,859)	**(2,592)**
Net deferred tax assets	**¥43,010**	¥ 22,147	**$438,878**

The approximate effects of temporary differences and tax loss and credit carryforwards that gave rise to deferred tax balances at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 1,069**	¥ 1,109	**$ 10,908**
Intercompany profits	**6,121**	11,793	**62,459**
Adjustment of investment securities	**8,445**	11,498	**86,174**
Write-downs of inventories and fixed assets	**1,988**	1,643	**20,286**
Accrued bonus	**5,938**	6,466	**60,592**
Retirement and pension costs	**25,960**	21,752	**264,898**
Tax loss and credit carryforwards	**3,991**	3,676	**40,724**
Other temporary differences	**21,086**	21,195	**215,163**
Subtotal	**74,598**	79,132	**761,204**
Less valuation allowance	**(1,631)**	(1,326)	**(16,643)**
	¥72,967	¥77,806	**$744,561**
Deferred tax liabilities:			
Adjustment of investment securities	**¥17,570**	¥38,259	**$179,286**
Unremitted earnings of foreign subsidiaries and affiliates	**5,878**	11,165	**59,979**
Other temporary differences	**6,509**	6,235	**66,418**
	¥29,957	¥55,659	**$305,683**

Deferral of income taxes relating to intercompany profits of ¥6,121 million ($62,459 thousand) and ¥11,793 million at March 31, 2009 and 2008 included in the above table is accounted for in accordance with Accounting Research Bulletins No. 51, “Consolidated Financial Statements.” The movements of ¥(5,672) million ($(57,878) thousand), ¥(547) million, and ¥878 million for the years ended March 31, 2009, 2008, and 2007 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 ¥66,846 million ($682,102 thousand) and ¥66,013 million at March 31, 2009 and 2008, 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, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥1,326**	¥1,212	¥ 3,439	**$13,531**
Addition	**565**	421	548	**5,765**
Deduction	**(260)**	(307)	(2,775)	**(2,653)**
Balance at end of year	**¥1,631**	¥1,326	¥ 1,212	**$16,643**

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, 2009.

At March 31, 2009, the tax loss carryforwards in the aggregate amounted to ¥10,274 million ($104,837 thousand), which are available to offset future taxable income, and will expire in the period from 2010 through 2016.

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.

Reconciliations of the beginning and ending amount of unrecognized tax benefits for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥6,950**	¥3,491	**$ 70,918**
Gross increase for tax positions taken in prior years	**31**	3,535	**316**
Gross decrease for tax positions taken in prior years	**(23)**	(40)	**(235)**
Settlements	**(108)**	(11)	**(1,102)**
Lapse of statute of limitations	**(15)**	(9)	**(153)**
Other	**(76)**	(16)	**(775)**
Balance at end of year	**¥6,759**	¥6,950	**$ 68,969**

The total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, is not material at March 31, 2009 and 2008.

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, 2009 and 2008, and interest and penalties included in income taxes for the years ended March 31, 2009 and 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 ¥6,500 million ($66,327 thousand) and ¥6,521 million in other long-term liabilities at March 31, 2009 and 2008, and recognized an estimated tax refund from the IRS of ¥4,647 million ($47,418 thousand) and ¥5,941 million in other assets at March 31, 2009 and 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. At March 31, 2009, the Company is no longer subject, with limited exception, to regular income tax examinations by the tax authorities for the years on or before March 31, 2007 in Japan, and for the years on or before December 31, 2001 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. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments and tax effects for the years ended March 31, 2009, 2008, and 2007 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2009			2009		
	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	**¥ (52,250)**	**¥ 461**	**¥(51,789)**	**$ (533,163)**	**$ 4,704**	**$(528,459)**
Reclassification adjustment for losses realized in net income	**—**	**—**	**—**	**—**	**—**	**—**
	(52,250)	**461**	**(51,789)**	**(533,163)**	**4,704**	**(528,459)**
Unrealized losses on securities:						
Unrealized losses on securities arising during period	**(53,846)**	**21,861**	**(31,985)**	**(549,449)**	**223,072**	**(326,377)**
Reclassification adjustment for losses realized in net income	**8,734**	**(3,019)**	**5,715**	**89,123**	**(30,807)**	**58,316**
	(45,112)	**18,842**	**(26,270)**	**(460,326)**	**192,265**	**(268,061)**
Unrealized losses on derivatives:						
Unrealized losses on derivatives arising during period	**(2,378)**	**1,054**	**(1,324)**	**(24,265)**	**10,755**	**(13,510)**
Reclassification adjustments for losses realized in net income	**(316)**	**128**	**(188)**	**(3,225)**	**1,306**	**(1,919)**
	(2,694)	**1,182**	**(1,512)**	**(27,490)**	**12,061**	**(15,429)**
Pension liability adjustments:						
Pension liability adjustments arising during period	**(22,637)**	**9,251**	**(13,386)**	**(230,990)**	**94,398**	**(136,592)**
Reclassification adjustment for gains realized in net income	**(680)**	**276**	**(404)**	**(6,939)**	**2,817**	**(4,122)**
	(23,317)	**9,527**	**(13,790)**	**(237,929)**	**97,215**	**(140,714)**
Other comprehensive loss	**¥(123,373)**	**¥30,012**	**¥(93,361)**	**$ (1,258,908)**	**$306,245**	**$(952,663)**

	Millions of Yen		
	2008		
	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)
Reclassification adjustment for losses realized in net income	—	—	—
	(2,656)	1,231	(1,425)
Unrealized losses on securities:			
Unrealized losses on securities arising during period	(68,031)	27,626	(40,405)
Reclassification adjustment for losses realized in net income	6,011	(2,440)	3,571
	(62,020)	25,186	(36,834)
Unrealized losses on derivatives:			
Unrealized losses on derivatives arising during period	(916)	322	(594)
Reclassification adjustments for losses realized in net income	191	(82)	109
	(725)	240	(485)
Pension liability adjustments:			
Pension liability adjustments arising during period	(26,735)	10,889	(15,846)
Reclassification adjustment for gains realized in net income	(808)	328	(480)
	(27,543)	11,217	(16,326)
Other comprehensive loss	¥(92,944)	¥37,874	¥(55,070)

	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)

The components of other comprehensive income at March 31, 2009, 2008, and 2007 and the related changes, net of taxes for the year ended March 31, 2009, 2008, and 2007 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, 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
Current—period change	**(51,789)**	**(26,270)**	**(1,512)**	**(13,790)**	**(93,361)**
Balance, March 31, 2009	**¥(47,887)**	**¥ 9,322**	**¥ (2,162)**	**¥ (21,457)**	**¥ (62,184)**

	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, 2008	$ 39,816	$ 363,183	$ (6,632)	$ (78,235)	$ 318,132
Current—period change	**(528,459)**	**(268,061)**	**(15,429)**	**(140,714)**	**(952,663)**
Balance, March 31, 2009	**$(488,643)**	**$ 95,122**	**$ (22,061)**	**$ (218,949)**	**$(634,531)**

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 financial institutions with high creditworthiness 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 option contracts (foreign exchange contracts) 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 and cross-currency interest rate swap contracts to change the characteristics of its fixed and variable rate exposures.

Cash Flow Hedges

The accounting treatments of changes in the fair value of foreign exchange contracts and interest rate swap agreements depend on whether derivatives are designated or not designated as cash flow hedges. Changes in the fair value of derivatives designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income. As for foreign exchange contracts related to forecasted intercompany transactions, the amounts are subsequently reclassified into earnings when unrelated third party transactions occur. In the case of interest rate swaps, the amounts are reclassified into earnings when the related interest expense is recognized. The unrecognized net loss of approximately ¥1,006 million ($10,265 thousand) on derivatives included in accumulated other comprehensive income (loss) at March 31, 2009 will be reclassified into earnings within the next 12 months.

Derivatives Not Designated As Hedging Instruments

The Company uses derivatives not designated as cash flow hedges in certain relationships, such as a part of foreign exchange contracts, interest rate swap contracts, and cross-currency interest rate swap contracts, for economic purposes. Changes in the fair value of derivatives not designated are reported in earnings immediately.

The fair value of derivative instruments at March 31, 2009 is as follows:

	Millions of Yen			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange contracts	—	¥ —	Other current liabilities	¥139
Interest rate swap contracts	—	—	Other current liabilities	3,153
Interest rate swap contracts	—	—	Other long-term liabilities	48
Total derivatives designated as hedging instruments		¥ —		¥3,340
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Other current assets	¥ 7	Other current liabilities	¥1,939
Interest rate swap contracts	—	—	Other current liabilities	223
Interest rate swap contracts	—	—	Other long-term liabilities	511
Cross-currency interest rate swap contracts	—	—	Other current liabilities	72
Cross-currency interest rate swap contracts	—	—	Other long-term liabilities	137
Total derivatives not designated as hedging instruments		¥ 7		¥2,882
Total derivatives		¥ 7		¥6,222

	Thousands of U.S. Dollars			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange contracts	—	$—	Other current liabilities	$1,418
Interest rate swap contracts	—	—	Other current liabilities	32,173
Interest rate swap contracts	—	—	Other long-term liabilities	490
Total derivatives designated as hedging instruments		$—		$34,081
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Other current assets	$71	Other current liabilities	$19,785
Interest rate swap contracts	—	—	Other current liabilities	2,276
Interest rate swap contracts	—	—	Other long-term liabilities	5,214
Cross-currency interest rate swap contracts	—	—	Other current liabilities	735
Cross-currency interest rate swap contracts	—	—	Other long-term liabilities	1,398
Total derivatives not designated as hedging instruments		$71		$29,408
Total derivatives		$71		$63,489

The effects of derivative instruments on the consolidated statements of income for the three months ended March 31, 2009 are as follows:

	Millions of Yen		
	Amount of Gain or (Loss) Recognized in OCI (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	3 months ended March 31, 2009		3 months ended March 31, 2009
Derivatives in cash flow hedging relationships:			
Foreign exchange contracts	**¥ (139)**	Revenues	**¥ 563**
Interest rate swap contracts	**(1,637)**	Interest expense	**(177)**
Total	**¥ (1,776)**		**¥ 386**

	Millions of Yen	
	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income
		3 months ended March 31,2009
Derivatives not designated:		
Foreign exchange contracts	Foreign exchange loss—net	**¥(5,026)**
Interest rate swap contracts	Other—net	**(340)**
Cross-currency interest rate swap contracts	Other—net	**(209)**
Total		**¥(5,575)**

	Thousands of U.S. Dollars		
	Amount of Gain or (Loss) Recognized in OCI (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	3 months ended March 31, 2009		3 months ended March 31, 2009
Derivatives in cash flow hedging relationships:			
Foreign exchange contracts	**$ (1,418)**	Revenues	**$ 5,745**
Interest rate swap contracts	**(16,704)**	Interest expense	**(1,806)**
Total	**$ (18,122)**		**$ 3,939**

	Thousands of U.S. Dollars	
	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income
		3 months ended March 31, 2009
Derivatives not designated:		
Foreign exchange contracts	Foreign exchange loss—net	**$(51,286)**
Interest rate swap contracts	Other—net	**(3,469)**
Cross-currency interest rate swap contracts	Other—net	**(2,133)**
Total		**$(56,888)**

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

Fair Value of Financial Instruments

The carrying value and fair value of financial instruments at March 31, 2009 and 2008 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		**2009**	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:						
Finance receivables—net	**¥ 217,503**	**¥ 223,508**	¥ 272,529	¥ 268,121	**$ 2,219,418**	**$ 2,280,694**
Long-term trade accounts receivable	**50,004**	**52,616**	49,464	52,154	**510,245**	**536,898**
Financial liabilities:						
Long-term debt	**(262,445)**	**(261,891)**	(243,450)	(242,211)	**(2,678,010)**	**(2,672,357)**
Derivative financial instruments recorded as assets (liabilities):						
Foreign exchange instruments	**(2,071)**	**(2,071)**	895	895	**(21,132)**	**(21,132)**
Interest rate swaps and cross-currency interest rate swaps	**(4,144)**	**(4,144)**	(1,152)	(1,152)	**(42,286)**	**(42,286)**

The fair value of finance receivables, long-term trade accounts receivable, and long-term debt is based on discounted cash flows using the current market rate. The carrying value of finance receivables—net at March 31, 2009 and 2008 in the table excludes finance leases. Long-term trade accounts receivable in the table includes the current portion, which is included in trade accounts receivable on the consolidated balance sheet.

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

Concentration of Credit Risks

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

15. FAIR VALUE MEASUREMENTS

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy as of March 31, 2009.

	Millions of Yen				Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Available-for-sale securities	**¥80,928**	**¥ —**	**¥—**	**¥80,928**	**$825,796**	**$ —**	**$—**	**$825,796**
Derivatives	**—**	**7**	**—**	**7**	**—**	**71**	**—**	**71**
Total assets	**¥80,928**	**¥ 7**	**¥—**	**¥80,935**	**$825,796**	**$ 71**	**$—**	**$825,867**
Liabilities:								
Derivatives	**¥ —**	**¥6,222**	**¥—**	**¥ 6,222**	**$ —**	**$63,489**	**$—**	**$ 63,489**
Total liabilities	**¥ —**	**¥6,222**	**¥—**	**¥ 6,222**	**$ —**	**$63,489**	**$—**	**$ 63,489**

Available-for-sale securities are valued using a quoted price for identical instruments in active markets. Derivatives are valued using observable market inputs from major international financial institutions.

16. SUPPLEMENTAL EXPENSE INFORMATION

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

Amounts of certain costs and expenses included in cost of revenues and selling, general, and administrative expenses for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Research and development expenses	**¥26,290**	¥24,784	¥22,925	**$268,265**
Advertising costs	**9,721**	9,550	10,085	**99,194**
Shipping and handling costs	**49,172**	51,068	50,982	**501,755**
Depreciation	**30,467**	30,119	25,094	**310,888**

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, 2009 includes a loss from impairment of fixed assets of ¥748 million ($7,633 thousand).

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 and a gain on disposal of business of ¥314 million 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.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Commitments for capital expenditures outstanding at March 31, 2009 amounted to ¥2,822 million ($28,796 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
	2009	2008	**2009**
Machinery and equipment	**¥12,415**	¥12,359	**$126,684**
Accumulated depreciation	**(6,961)**	(6,224)	**(71,031)**
Software	**350**	336	**3,571**
	¥ 5,804	¥ 6,471	**$ 59,224**

Amortization expenses under capital leases for the years ended March 31, 2009, 2008, and 2007 were ¥4,840 million ($49,388 thousand), ¥3,861 million, and ¥3,677 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, 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending March 31,	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2010	¥3,538	¥1,017	$36,102	$10,378
2011	1,940	621	19,796	6,337
2012	959	444	9,786	4,530
2013	149	341	1,520	3,480
2014	45	290	459	2,959
2015 and thereafter	28	132	286	1,347
Total minimum lease payments	6,659	¥2,845	67,949	$29,031
Less: amounts representing interest	(138)		(1,408)	
Present value of net minimum capital lease payments	¥6,521		$66,541	

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, 2009, 2008, and 2007 were ¥5,281 million ($53,888 thousand), ¥5,619 million, and ¥5,727 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 event 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, 2009 was ¥2,549 million ($26,010 thousand). The amount of these financial guarantees is not recorded in the consolidated balance sheet.

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, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 6,457**	¥ 6,201	**$ 65,888**
Addition	**4,503**	4,823	**45,949**
Utilization	**(3,984)**	(4,565)	**(40,653)**
Other	**(945)**	(2)	**(9,643)**
Balance at end of year	**¥ 6,031**	¥ 6,457	**$ 61,541**

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

Legal Proceedings

The Company is subject to various legal actions arising in the ordinary course of business including the following major legal proceedings.

(Anti-Trust)

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 then Anti-Monopoly Law, upon initiation of the procedures the surcharge order lost effect. In addition, Section 7-2 of the then Anti-Monopoly 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.

On March 25, 2009, the Company received the preliminary decision, which ordered the Company to pay the surcharge of ¥7,072 million ($72,163 thousand). The Company recorded the surcharge as selling, general, and administrative expenses for the year ended March 31, 2009 based on this decision.The Company considered it unacceptable and filed a motion for objection to the FTCJ in accordance with the Rules on Hearing by the FTCJ.

(Asbestos-Related Lawsuits)

The Company is, or the Japanese government and asbestos-related companies including the Company are currently involved in five asbestos-related lawsuits which were filed before the year ended March 31, 2009 in Japan and the aggregate amount of claims is ¥8,373 million ($85,439 thousand). The two lawsuits concerning an aggregate 212 construction workers who suffered from asbestos-related diseases consist mostly of the aggregate amount of five claims and defendants of these two lawsuits are the Japanese government and 46 asbestos-related companies including the Company.

The Company does not have cost-sharing arrangements with other potentially responsible parties for these lawsuits. The time frame is not available over which presently unrecognized amount may be paid out. The ultimate outcome of these litigations is unpredictable due to inherent uncertainties in litigation.

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 will make the compensation which is not required by law but is made in accordance with the Company's internal policies.

The Japanese government established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases ("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 made by business entities, which includes a special contribution by the companies which operated a business closely related to asbestos, 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 the special contribution in accordance with the Asbestos Law. The Company recorded expenses aggregating ¥1,155 million ($11,786 thousand), ¥1,090 million, and ¥4,035 million during the years ended March 31, 2009, 2008, and 2007, respectively. These amounts are included in selling, general, and administrative expenses. During the year ended March 31, 2007, the Company expensed the special contribution in accordance with the 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 amounts accrued and included in recorded expenses were ¥721 million ($7,357 thousand), ¥968 million, and ¥1,359 million at March 31, 2009, 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 ¥600 million ($6,122 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, such payments are not included in the accrued amounts. 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 used to sell trade and finance receivables to investors through independent securitization trusts before the Company terminated all such securitization programs during the year ended March 31, 2009. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.) As a result, the Company has no sold receivables at March 31, 2009.

The Company recognized pretax losses resulting from the sales of trade receivables of ¥679 million ($6,929 thousand), ¥3,008 million, and ¥2,607 million for the years ended March 31, 2009, 2008 and 2007, respectively. The Company recognized pretax gains resulting from the sales of finance receivables of ¥77 million, and ¥211 million for the years ended March 31, 2008 and 2007, respectively. The amount of servicing assets or liabilities was not material as of March 31, 2008.

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

The value of the retained interests was 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 year ended March 31, 2008:

	2008
Trade receivables:	
Weighted average life (months)	6.5
Expected net dilution (monthly rate)	0.78%
Discount rate and fee (annual rate)	5.58%

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
	2009	2008	2007	**2009**
Trade receivables:				
Proceeds from collections reinvested in revolving-period securitizations	**¥55,561**	¥160,468	¥165,633	**$566,949**
Servicing fees received	**230**	413	338	**2,347**
Finance receivables:				
Servicing fees received	**—**	—	576	**—**
Cash flows received on retained interests in securitizations	**—**	—	1,489	**—**

19. DISCONTINUED OPERATIONS

During the year ended March 31, 2007, Kubota Retex Corp., a subsidiary reported in the Environmental Engineering segment, decided to liquidate and withdraw from the 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, and 2007 were as follows:

	Millions of Yen	
	2008	2007
Revenues	¥ —	¥ 267
Income (loss) from discontinued operations before income taxes	¥ 316	¥(2,818)
Gain from disposal of business	—	—
Income taxes	(127)	1,532
Income (loss) from discontinued operations	¥ 189	¥(1,286)

20. SUBSEQUENT EVENTS

On May 13, 2009, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2009 of ¥7 per common share (¥35 per 5 common shares) or a total of ¥8,907 million ($90,888 thousand).