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FOR IMMEDIATE RELEASE (TUESDAY, NOVEMBER 11, 2003)

**RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED  
 SEPTEMBER 30, 2003 REPORTED BY KUBOTA CORPORATION**

OSAKA, JAPAN, November 11, 2003 ---Kubota Corporation reported today its consolidated and non-consolidated results of operations for the six months ended September 30, 2003.

Note: THIS PRESS RELEASE REPLACES THE SEMI-ANNUAL REPORT.

**Consolidated Financial Highlights**

(Unaudited)

(In millions of yen and thousands of U.S. dollars except per American Depositary Share ("ADS") amounts)

(1) Results of operations

|   | Six months ended<br>Sept. 30, 2003 | %<br>(* ) | Six months ended<br>Sept. 30, 2002 | %<br>(* ) | Year ended<br>Mar. 31, 2003 |
|---|------------------------------------|-----------|------------------------------------|-----------|-----------------------------|
| Net sales   | ¥421,540<br>[ \$3,797,658 ]        | 1.7       | ¥414,583                           | (8.8)     | ¥926,145                    |
| Operating income  | ¥16,598<br>[ \$149,532 ]           | (32.0)    | ¥24,411                            | (13.9)    | ¥29,613                     |
| % of net sales  | 3.9                                |           | 5.9%                               |           |                             |
| Income before income taxes, minority interest in earnings of subsidiaries, and equity in net income of affiliated companies | ¥18,686<br>[ \$168,342 ]           | (19.7)    | ¥23,283                            | (16.9)    | ¥6,156                      |
| % of net sales  | 4.4                                |           | 5.6%                               |           |                             |
| Net income  | ¥7,010<br>[ \$63,153 ]             | (42.8)    | ¥12,259                            | (7.6)     | (¥8,004)                    |
| % of net sales  | 1.7%                               |           | 3.0%                               |           |                             |
| Net income per ADS (5 common shares)  |                                    |           |                                    |           |                             |
| Basic   | ¥26<br>[\$0.23 ]                   |           | ¥44                                |           | (¥29)                       |
| Diluted   | ¥25<br>[\$0.23 ]                   |           | ¥42                                |           | (¥29)                       |

Notes. 1 : (\*) represents percentage change from the comparable previous period.

2 : Weighted-average number of shares outstanding during the six months ended September 30, 2003 ----- 1,344,549,260  
 Weighted-average number of shares outstanding during the six months ended September 30, 2002 ----- 1,382,392,864  
 Weighted-average number of shares outstanding during the year ended March 31, 2003 ----- 1,370,382,125

3 : Equity in net income of affiliated companies for the six months ended September 30, 2003 and 2002 was ¥406 million and ¥212 million, respectively.

(In millions of yen and thousands of U.S. dollars  
except per ADS amounts)

(2) Financial position

|   | Sept. 30, 2003                | Sept. 30, 2002 | Mar. 31, 2003 |
|---|-------------------------------|----------------|---------------|
| Total assets                                  | ¥1,062,668<br>[ \$9,573,586 ] | ¥1,112,566     | ¥1,139,011    |
| Shareholders' equity                          | ¥367,799<br>[ \$3,313,505 ]   | ¥379,999       | ¥315,443      |
| Ratio of shareholders' equity to total assets | 34.6%                         | 34.2%          | 27.7%         |
| Shareholders' equity per ADS                  | ¥1,372<br>[ \$12.36 ]         | ¥1,386         | ¥1,172        |

Notes to financial position:

Number of shares outstanding as of September 30, 2003 ----- 1,340,143,980  
 Number of shares outstanding as of September 30, 2002 ----- 1,371,282,273  
 Number of shares outstanding as of March 31, 2003 ----- 1,345,450,014

(3) Summary of statements of cash flows

(In millions of yen and thousands of U.S. dollars)

|   | Six months ended<br>Sept. 30, 2003 | Six months ended<br>Sept. 30, 2002 | Year ended<br>Mar. 31, 2003 |
|---|------------------------------------|------------------------------------|-----------------------------|
| Net cash provided by operating activities | ¥48,402<br>[ \$436,054 ]           | ¥62,590                            | ¥64,253                     |
| Net cash used in investing activities     | (¥3,156)<br>[ (\$28,432) ]         | (¥13,344)                          | (¥27,593)                   |
| Net cash used in financing activities     | (¥41,379)<br>[ \$372,784 ]         | (¥41,874)                          | (¥30,009)                   |
| Cash & cash equivalents, end of period    | ¥71,420<br>[ \$643,423 ]           | ¥67,883                            | ¥67,362                     |

(4) 114 subsidiaries are consolidated, and 46 affiliated companies are accounted for under the equity method.

(5) The number of newly consolidated companies during the period : 2  
 The number of companies newly excluded from consolidated subsidiaries during the period : 6  
  
 The number of newly affiliated companies during the period : 0  
 The number of companies newly excluded from affiliated companies during the period : 1

(6) Anticipated consolidated results of operations for the year ending March 31, 2004

(In millions of yen)

|  | Year ending<br>March 31, 2004 | Year ended<br>March 31, 2003 |
|--|-------------------------------|------------------------------|
| Net sales  | ¥925,000                      | ¥926,145                     |
| Income before income taxes, minority interest in earnings of subsidiaries,<br>and equity in net income of affiliated companies | ¥19,000                       | ¥6,156                       |
| Net income   | ¥8,000                        | (¥8,004)                     |

Basic net income per ADS for the year ending March 31, 2004 is anticipated to be ¥30.

Please refer to page 10 and 11 on condition for further information related to anticipated results of operations mentioned above.

## **1. Management Policies**

### **1. Basic management policy**

More than a century since its founding, Kubota Corporation and subsidiaries (collectively the “Company”) has continued to help improve people’s quality of life, by offering products and services—including farm equipment, pipes for water supply and sewage systems, environmental control plants, industrial castings, and building materials. Through its businesses, the Company has contributed to providing a better future for people, society, and the earth. While adhering to this corporate philosophy, the Company is implementing management policies that include focusing on prioritizing allocation of its resources, emphasizing agility in its operations as well as strengthening consolidated operations. Through these measures, the Company aims to improve its adaptability to respond with flexibility to the changing times, resulting in a high enterprise value.

### **2. Basic policy related to the Company’s profit allocation**

The Company's basic policy for the allocation of profit is to “maintain stable or raising dividends”. The Company’s policy is to determine the most appropriate use of retained earnings, considering requirements of maintaining stable current business operations as well as adapting to the future business environment.

### **3. The Medium-Term Management Strategy including issues upon which the Company should implement countermeasures**

#### **(1) Medium-Term Management Strategy**

In March 2001, the Company formulated the “Medium-Term Management Strategy”, which is being applied in the three-year period ending March 31, 2004, in order to attain further improvement in profitability. The strategy mainly consists of three domains; “Reforming the business structure and profit structure”, “Reforming operational Systems”, and “Focusing on finance strategy”. The Company has been working to implement the strategy with company-wide efforts. In order to improve performance, and promote stable and sustained development, the Company endeavors to promote this strategy for the year ending March 31, 2004, the final year of the three-year period.

The basic concept of Kubota's Medium-Term Management Strategy is to continually reevaluate the prospective circumstances of its businesses, determine the measures that should be taken over the medium-term in view of those business prospects, and steadily implement those measures. The Medium-Term Management Strategy is a tool for attaining these ends, and the Company will firmly maintain this concept and tool for promoting the management of its businesses based on a medium-term perspective.

In fiscal 2004, Kubota will draft a new medium-term management plan setting fiscal 2003 as the base period. Based on consideration of progress in the implementation of strategies and changes in the operating environment, the Company intends to draft modified versions of the medium-term management plan on an annual basis.

## **(2) Countermeasures by the Company**

### **1) Reforming the business structure and profit structure**

The Company has been reforming its business structure and profit structure through classifying each business of the Company into two categories: “Core and Strategic business” category which includes domestic and overseas farm equipment, ductile iron pipes, environmental engineering business, etc. and “Reviving business” category which includes building materials and industrial castings.

In the Core and Strategic business category, domestic farm equipment expanded its market share owing to aggressive sales promotion, including introduction of new models with higher performance and price competitiveness. In overseas markets, especially tractor business in North America has been expanding through various measures including the inception of new models of tractors, expansion of the local production capacity, and the sales promotion campaign. In the Environmental Engineering business, the Company has strengthened its existing operations and launched new businesses, such as industrial waste treatment business or site remediation business. However, in public works spending-related businesses, such as the business of ductile iron pipes, the profitability was not favorable resulting from lackluster domestic demand, and the Company will take every effort to regain the strength of those businesses.

In the Reviving business category, the Company is making major efforts to improve its break-even point through rigorous cost controls. Furthermore, under the principle of “selection and concentration of businesses”, the Company has made a withdrawal from the concrete pole business and the bathroom business, as well as a divestiture of its prefabricated housing business. In August 2003, the Company reached a basic agreement with Matsushita Electric Works, Ltd. (hereinafter “MEW”), to integrate their business operations of roofing and siding materials. Having the shared goal of integrating the business operations on December 1, 2003, MEW and the Company are working for an establishment of a joint operating entity.

### **2) Reforming operational systems**

#### Reorganization of Divisions

For the purpose of better combination and cooperation among business units, which have common and related technologies and markets, the Company realigned the divisional management organizational structure in July 2002. The new divisional management organization of the Company consists of “Farm & Industrial Machinery Consolidated Division”, “Industrial & Material Systems Consolidated Division”, “Environmental Engineering Consolidated Division”, and “Housing Materials & Utilities Consolidated Division”.

Furthermore, the Company is planning to empower the divisional management in each business unit with the authority and responsibility for decision-making, and to establish an autonomous management system in order to increase efficiency in the decision-making process of management.

#### Streamlining of the corporate office

Through reevaluating the responsibilities and functions of the corporate office, the Company reduced the number of departments in its corporate office from 40 to 14 during the period from April 1999 through April 2003. During the same period, the headcount at the corporate office decreased from 1,200 to 355.

In addition, the Company introduced a new program for human resource management in order to promote competitive and creative corporate culture. The new program includes a performance appraisal plan based

upon individual achievement, empowerment of younger employees, and human resource development.

In the future, Kubota will proceed still further with reforms to its organizational and operational systems while striving to maximize the benefits of those systems.

### **3) Focusing on finance strategy**

Kubota is taking measures to strengthen its financial position, primarily through the reduction of interest-bearing debt(\*). The Company's interest-bearing debt on a consolidated basis amounted to ¥429.6 billion as of March 31, 1999, and had been reduced to ¥327.4 billion at the end of March 2003. Due to the funds being used for Kubota's steadily expanding operations in North America as well as the advance procurement of funds for the repayment of corporate bonds due during the year ending March 31, 2004, the Company did not attain its target of reducing interest-bearing debt to ¥315.0 billion at the end of March 2003, but it is steadily progressing with the streamlining of its balance sheet through measures centering on the reduction of inventory levels and the restraint of capital expenditures. As of September 30, 2003, the amount of interest-bearing debt was ¥278.9 billion, a decrease of ¥ 48.5 billion from the prior year, due to the transfer of our leasing subsidiary.

Since December 2001, the Company has been purchasing treasury stock in order to enhance efficiency of shareholders' equity. The cumulative number of shares purchased at the end of March 31, 2003 amounted to 63.2 million shares. During the year ending March 2004, the Company will continue to purchase treasury stock, up to the maximum of 50 million shares, or ¥20.0 billion, and purchased 5.3 million shares during the six months ended September 30, 2003.

(\* ) Interest-bearing debt = (Short-term borrowings) + (Current portion of long-term debt) + (Long-term debt)

## **4. Corporate Governance: Policy and Implementation**

The Company is undertaking an extensive review of its corporate structure to build a more autonomous divisional management structure. Each division is required to operate by an appropriate management scheme of its own which includes responsibility for decision-making and operating systems. At the same time, the Company is making efforts to establish an optimum corporate management structure, and has recognized it as an important management task to enhance and improve its corporate governance.

The number of the Company's board of directors has been reduced to accelerate and enhance the decision-making process, and at present the number of directors is 19 which is half compared to the number of directors five years ago. The president and two vice presidents are the representative directors, and each of the two vice presidents concurrently serves as a general manager of consolidated divisions and oversees operations from a comprehensive company-wide perspective. Furthermore, in order to increase the clarity of management responsibility, the term of office of the directors was reduced from two years to one year at the ordinary general meeting of shareholders held in June 2003.

The Company will continue to adopt the "Corporate Auditors System" based upon the Commercial Code of Japan. The Company has been strengthening its "Corporate Auditors System", and is considering a plan to enhance outside corporate auditors including a plan of increasing staff members within the Compliance Auditing dept.

The Company has acknowledged the importance both of the operational auditing and the compliance management activities. "Corporate Compliance Headquarters" was established in June 2001, and with the

assistance of knowledgeable independent advisors, the Company has been able to further strengthen business ethics as well as compliance management.

The Company has been working to establish better communications with shareholders and investors, and is making efforts to improve its financial reporting for better transparency and timely disclosure. During the current fiscal year, the Company began quarterly financial disclosure. The Company will make efforts to enhance quarterly financial disclosure of next fiscal year and to strengthen the financial reporting system. Additionally, for the convenience of shareholders, the Company has made available a Voting Right Website since the ordinary general meeting of shareholders held in June 2003.

## **2. Review of Operations and Financial Condition**

### **1. Review of operations**

#### **(1) Outline of the results of operations for the six months under review**

During the six months ended September 30, 2003, the Japanese economy has shown signs of recovery supported by a steady growth of private capital expenditure and export. However, public investment continued declining, and new housing starts remained weak and thus harsh economic conditions for the Company prevailed. Overseas, in the U.S., brisk private consumption continued, housing investment remained favorable and some signs of an economic upturn appeared.

Under such conditions, sales of the Company during the six months under review, were ¥421.5 billion, an increase of ¥ 7.0 billion (1.7%) from the prior period. Domestic sales were ¥270.9 billion, a decrease of ¥9.0 billion (3.2%), resulting principally from sales of Kubota Lease Corporation and reduced sales of public works-related businesses. Overseas sales were ¥150.6 billion, an increase of ¥16.0 billion (11.9%) from the prior period, mainly due to the strong sales of tractors in North America and brisk export of ductile iron pipes to Middle East countries. As the increase in overseas sales exceeded the decrease in domestic sales, total sales increased. The percentage of overseas sales to total sales was 35.7%, 3.2 percentage points higher than the prior period.

Operating income was ¥16.6 billion, a decrease of ¥7.8 billion (32.0%). The Company managed to improve its profitability through the sales increase in Internal Combustion Engines and Machinery segment, and the implementation of a company-wide cost reduction program. However, because of the significant increase in pension cost of ¥19.4 billion from the prior period, which was caused mainly by the immediate recognition of unrecognized actuarial losses (\*), operating income declined from the prior period. Income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies was ¥18.7 billion, a decrease of ¥4.6 billion (19.7%), which reflected an increase of other income-net mainly due to the decrease of valuation losses on short-term and other investments. As a result, after the ¥10.7 billion of income taxes, ¥1.0 billion of minority interest in earnings of subsidiaries and the equity in net income of affiliated companies, net income during the six months under review was ¥7.0 billion, a decrease of ¥5.2 billion (42.8%) from the prior period.

## (2) Review of operations by product group

### 1) Internal Combustion Engine and Machinery

Sales in Internal Combustion Engine and Machinery were ¥255.3 billion, an increase of ¥15.7 billion (6.6%) from the prior period, comprising 60.6% of consolidated net sales. Domestic sales were ¥119.4 billion, an increase of ¥4.8 billion (4.2%), and overseas sales were ¥135.9 billion, an increase of ¥10.9 billion (8.7%) from the prior period. This segment consists of farm equipment and agriculture-related products, engines, and construction machinery.

Sales of farm equipment and engines were ¥230.9 billion, an increase of ¥13.4 billion (6.2%) from the prior period. Domestic sales were ¥109.7 billion, an increase of ¥4.6 billion (4.4%), and overseas sales were ¥121.1 billion, an increase of ¥8.8 billion (7.8%) from the prior period. In domestic markets, while demand of farm equipment was lackluster, and the unusual cold summer weather raised uncertainty, the Company has aggressively conducted a sales promotion campaign together with introducing new models of farm equipment with improved performance and price competitiveness, and attained the sales increase. In overseas markets, sales of tractors in North America had a significant increase resulting from the sales campaign and introduction of new models, including full model changes of the L-series tractors. In China, sales of combine harvesters grew favorably.

Sales of engines increased owing principally to the growing sales to original equipment manufacturers in EU markets as well as in U.S. markets where strong demand for mowers sustained.

Sales of construction machinery were ¥24.5 billion, an increase of ¥2.3 billion (10.6%) from the prior period. Domestic sales were ¥9.7 billion, an increase of ¥0.2 billion (1.9%), and overseas sales were ¥14.8 billion, an increase of ¥2.2 billion (17.1 %) from the prior period. Total demand for construction machinery in Japanese market remained sluggish due to the reduced public works spending, however, the Company expanded its market-share and recorded a slight sales increase. Overseas, while demands in EU markets were recovering, and demands in North America were strong, the Company achieved the sales increase by means of inception of new models and execution of effective sales campaign.

### 2) Pipes, Valves & Industrial Castings

Sales in Pipes, Valves & Industrial Castings were ¥74.2 billion, an increase of ¥2.6 billion (3.6%) from the prior period, comprising 17.6% of consolidated net sales. Domestic sales were ¥62.1 billion, a decrease of ¥2.2 billion (3.4%), and overseas sales were ¥12.1 billion, an increase of ¥4.8 billion (65.7 %) from the prior period. This segment consists of two sub-segments ; “pipes and valves” and “industrial castings”.

Sales in pipes and valves were ¥60.8 billion, an increase of ¥2.0 billion (3.3%) from the prior period. Domestic sales were ¥53.7 billion, a decrease of ¥1.9 billion (3.5%), and overseas sales were ¥7.0 billion, an increase of ¥3.9 billion (124.4 %) from the prior period. Domestic sales of ductile iron pipes, which are the mainstay in this sub-segment, remained at the same level as in the prior year, in spite of a reduction in public works spending and financial difficulties of local governments. Sales of PVC pipes also remained unchanged from the prior period, despite a lackluster level of new housing starts. However, sales of spiral-welded steel pipes declined mainly due to the delay of public works spending projects, and sales of valves declined reflecting the weak demands both from

public and private sector on Japan, and thus total domestic sales of this sub-segment decreased. Overseas sales surged by the brisk export of ductile iron pipes to Middle East countries, including the U.A.E.

Sales of industrial castings were ¥13.5 billion, an increase of ¥0.6 billion (5.1%) from the prior period. Domestic sales were ¥8.4 billion, a decrease of ¥0.3 billion (3.0%), and overseas sales were ¥5.1 billion, an increase of ¥0.9 billion (21.7 %) from the prior period. While domestic sales declined mainly due to the weak demands for ductile tunnel segment in construction markets, overseas sales increased as a result of the rising export of reformer tubes for markets in petrochemical industries.

### **3) Environmental Engineering**

Sales in Environmental Engineering were ¥22.0 billion, a decrease of ¥11.0 billion (33.3%) from the prior period, comprising 5.2% of consolidated net sales. Domestic sales were ¥20.8 billion, a decrease of ¥11.1 billion (34.7%), and overseas sales were ¥1.2 billion, an increase of ¥0.1 billion (6.4 %) from the prior period. This segment consists of environmental plants and pumps.

Sales of this segment deteriorated significantly from the prior period, because sales in the Solid Waste Engineering division fell. Regarding the sales decrease of the Solid Waste Engineering division, a boom in demand for rebuilding incinerators to prevent dioxin emissions was over in the prior year, and sales of several large orders such as rotating-type surface melting furnace at Teshima in Kagawa Prefecture was recorded in the prior period. Sales in the Water & Sewage Engineering division increased due to high level orders received in the prior year. Sales in the Water Environment Engineering division grew, due to growing sales of new business fields. As for pumps, domestic sales decreased due to the sluggish public works projects, however, overseas sales increased due to the growing export to the South East Asian markets.

### **4) Building Materials and Housing**

Sales in Building Materials and Housing were ¥34.4 billion, an increase of ¥4.5 billion (15.2%) from the prior period, comprising 8.2% of consolidated net sales. This segment consists mainly of building materials (roofing materials, siding materials and septic tanks) and sales of condominiums.

Sales of building materials were ¥28.1 billion, a decrease of ¥1.2 billion (3.9%) from the prior period. Although the company promoted new models to expand market share, sales of both roofing and siding materials decreased due to the lackluster new housing starts and fierce competition. Sale of septic tanks increased compared to the prior period, owing to the reinforcement of its marketing channel in regional markets and expansion of market-share by a successful introduction of new models.

Sales of condominiums were ¥6.4 billion, an increase of ¥5.7 billion (857.1%) from the prior period. Sales of condominiums surged from the prior period, due to the completion of large orders during the period under review.

On December 1, 2003 Matsushita Electric Works, Ltd. (“MEW”) and the Company will establish and hold an equal ownership in “Kubota Matsushitadenko Exterior Works, Ltd.” (hereinafter “KMEW”), the joint operation entity, in which the Company will transfer its roofing and siding materials business. KMEW, with the combined strength of MEW and the Company, will improve its operating efficiency and productivity, and aim to increase its corporate

value by developing new products and technology. Regarding its consolidated financial reporting, the Company will apply the equity method of accounting to KMEW due to the 50% ownership in KMEW.

#### **5) Other**

Sales of Other were ¥35.5 billion, a decrease of ¥4.9 billion (12.2%) from the prior period, comprising 8.4% of consolidated net sales. Domestic sales were ¥34.2 billion, a decrease of ¥5.1 billion (13.0%), and overseas sales were ¥1.3 billion, an increase of ¥0.2 billion (15.0 %) from the prior period. This segment consists of vending machines, electric equipment, air-conditioning equipment, construction and so forth.

Sales of the Other segment decreased, because, at the beginning of the period under review, the Company sold its leasing subsidiary, which recorded sales of ¥6.7 billion in the prior period. Although sales of electric equipment increased due to recovering private capital expenditures, sales of vending machines decreased because of declining market demand and the unusually cool summer. Sales of construction increased due to the increased sales of building construction as a result of reinforcement of its marketing for building construction projects.

## **2. Financial Condition**

Net cash provided by operating activities during the six months under review was ¥48.4 billion, a decrease of ¥14.2 billion from the prior period. The Company recorded a net income of ¥7.0 billion, a decrease of ¥5.2 billion from the prior period during the period under review. Although the decrease of the net income was mainly due to the significant increase of pension cost, the accrued retirement and pension cost did not affect its cash position. As the collections of the account receivable of sales to public sector concentrate at the beginning of fiscal year, the Company usually generates the large positive cash flow during the first half of the fiscal year.

Net cash used in investing activities was ¥3.2 billion, a decrease of ¥10.2 billion from the prior period. While the Company contained capital expenditures in recent years, both of the proceeds from sale of investments, and the proceeds from sale of non-use real estate contributed to reduce net cash used in investing activities.

Accordingly, free cash flows (the difference between net cash provided by operating activities and cash used in purchases of fixed assets) were ¥35.1 billion, a decrease of ¥11.0 billion from the prior period. The Company's financial strategy is to strengthen financial structure, focusing on reduction of interest-bearing debt. The Company implemented the strategy with the free cash flow. Net cash used in financing activities was ¥41.4 billion, a decrease of ¥0.5 billion from the prior period. The Company used cash in repayment of long-term debt of ¥54.4 billion principally due to the ¥40.0 billion of its corporate bond and convertible bond due during the six months under review. Additionally, the Company spent ¥2.2 billion on the purchase of treasury stock.

As the result, including the effect of exchange rate, cash and cash equivalents at the end of September 2003 was ¥71.4 billion, an increase of ¥4.1 billion as compared with those at the end of the prior year.

## **3. Matter concerning profit allocation for this half of the fiscal year**

The Company decided to pay interim cash dividends of ¥15 per ADS, consistent with the prior period.

### **3. Prospect for the Full Fiscal Year**

The Company expects that the Japanese economic conditions will remain weak because sluggish labor market and lackluster personal income level will negatively affect personal consumption and housing investment, while public investment in Japan is forecasted to reduce. Although the U.S. economy is showing signs of recovery, there exist some concerns for the Company, such as trends of interest rates and foreign exchanges. All things being considered, the Company expects the difficult economic conditions will continue.

Looking ahead, the Company forecasts net sales for the year ending March 31, 2004 at ¥925.0 billion, a decrease of ¥1.1 billion from the prior year. This revised sales forecast includes the impacts of the sale of its leasing business, and the business division and integration of the building materials operations for the establishment of a joint operating entity with MEW.

While a sales increase in the Internal Combustion and Engine and Machinery segment and the implementation of a company-wide cost reduction program are expected to improve profitability, the Company forecasts operating income at ¥15.0 billion, a decrease of ¥14.6 billions from the prior year. The decrease is mainly due to the significant increase of pension cost of ¥43.0 billion from the prior year, which was caused mainly by the immediate recognition of unrecognized actuarial losses (\*). The Company forecasts income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies at ¥19.0 billion, an increase of ¥12.8 billion from the prior year. The increase is due to the significant improvement of other income-net as a result of a large decrease in valuation losses on short-term and other investments from the prior year (the Company recorded the valuation losses of ¥24.8 billion in the prior year). Accordingly, net income is expected to be ¥8.0 billion, an increase of ¥16.0 billion compared with the net loss of ¥8.0 billion in the prior year. (These forecasts anticipate an exchange rate of ¥114=US\$1.)

(\* ) Note : Pension cost on consolidated basis

The Company recognizes immediately actuarial gains and losses in excess of 20 percent of larger of the benefit obligation or plan assets, and amortizes actuarial gains and losses between 10 and 20 percent over the average participants' remaining service period (about 15 years).

The Company recognized ¥5.6 billion for actuarial losses for the year ended March 31, 2003. The Company forecasts approximately ¥52.0 billion for actuarial losses for the year ending March 31, 2004.

Kubota Corporation was given an approval for its application for an exemption from the obligation to pay benefits for future employee service related to the substitutional portion of its employee benefit pension plan on January 30, 2003. The Company will recognize the gains related to the transfer when the Company completes the transfer to the government of the substitutional portion of the benefit obligation and related plan assets based upon US GAAP. The forecast of the above number does not include these gains, because there is no specific schedule for the transfer.

< Cautionary Statements with Respect to Forward – Looking Statements >

Projected results of operations and other future forecasts contained in this report are the estimates of the Company based on information available to the Company as of this published date. Therefore, those projections include certain potential risks and uncertainties. Accordingly, the users of this information are requested to note that the actual results could differ materially from those future projections. Major factors that could influence the ultimate outcome include the economic condition surrounding the Company, foreign exchange rates, agricultural policy in Japan, the trend of public investment and private capital expenditure in Japan, the price-competitive pressure in the market, the ability for the Company to manufacture or innovate the products which will be accepted in the market. And the user of the information should notice that factors that could influence the ultimate outcome of the Company are not limited to the factors above.

## Consolidated Statements of Income

(Unaudited)

(In millions of yen)

|   | Six months ended<br>Sept. 30, 2003 |            | Six months ended<br>Sept. 30, 2002 |            | Change         |               | Year ended<br>Mar. 31, 2003 |              |
|---|------------------------------------|------------|------------------------------------|------------|----------------|---------------|-----------------------------|--------------|
|   | Amount                             | %          | Amount                             | %          | Amount         | %             | Amount                      | %            |
| Net sales   | 421,540                            | 100.0      | 414,583                            | 100.0      | 6,957          | 1.7           | 926,145                     | 100.0        |
| Cost of sales   | 315,412                            | 74.8       | 309,189                            | 74.6       | 6,223          | 2.0           | 695,571                     | 75.1         |
| Selling, general, and administrative expenses   | 91,174                             | 21.7       | 79,661                             | 19.2       | 11,513         | 14.5          | 181,353                     | 19.6         |
| Loss (gain) from disposal and impairment of business<br>and fixed assets  | (1,644)                            | (0.4)      | 1,322                              | 0.3        | (2,966)        | -             | 19,608                      | 2.1          |
| <b>Operating income</b>   | <b>16,598</b>                      | <b>3.9</b> | <b>24,411</b>                      | <b>5.9</b> | <b>(7,813)</b> | <b>(32.0)</b> | <b>29,613</b>               | <b>3.2</b>   |
| Other income (expenses):  |                                    |            |                                    |            |                |               |                             |              |
| Interest and dividend income  | 3,409                              |            | 4,366                              |            | (957)          |               | 7,622                       |              |
| Interest expense  | (1,711)                            |            | (2,544)                            |            | 833            |               | (4,818)                     |              |
| Valuation losses on short-term and other investments  | (521)                              |            | (1,750)                            |            | 1,229          |               | (24,822)                    |              |
| Other-net   | 911                                |            | (1,200)                            |            | 2,111          |               | (1,439)                     |              |
| <b>Other income (expenses), net</b>   | <b>2,088</b>                       |            | <b>(1,128)</b>                     |            | <b>3,216</b>   |               | <b>(23,457)</b>             |              |
| Income before income taxes, minority interest in<br>earnings of subsidiaries, and equity in net income<br>of affiliated companies | 18,686                             | 4.4        | 23,283                             | 5.6        | (4,597)        | (19.7)        | 6,156                       | 0.7          |
| Income taxes:   |                                    |            |                                    |            |                |               |                             |              |
| Current   | 10,786                             |            | 10,481                             |            | 305            |               | 21,538                      |              |
| Deferred  | (91)                               |            | (475)                              |            | 384            |               | (9,242)                     |              |
| <b>Total income taxes</b>   | <b>10,695</b>                      |            | <b>10,006</b>                      |            | <b>689</b>     |               | <b>12,296</b>               |              |
| Minority interests in earnings of subsidiaries  | 1,387                              |            | 1,230                              |            | 157            |               | 2,097                       |              |
| Equity in net income of affiliated companies  | 406                                |            | 212                                |            | 194            |               | 233                         |              |
| <b>Net income (loss)</b>  | <b>7,010</b>                       | <b>1.7</b> | <b>12,259</b>                      | <b>3.0</b> | <b>(5,249)</b> | <b>(42.8)</b> | <b>(8,004)</b>              | <b>(0.9)</b> |

(In yen)

|   |    |    |      |
|---|----|----|------|
| Basic earnings per ADS (5 common shares):   | 26 | 44 | (29) |
| Diluted earnings per ADS (5 common shares): | 25 | 42 | (29) |

## Consolidated Balance Sheets

(Unaudited)

Assets

(In millions of yen)

|   | Sept. 30, 2003 |       | Sept. 30, 2002 |       | Change   | Mar. 31, 2003 |       |
|---|----------------|-------|----------------|-------|----------|---------------|-------|
|   | Amount         | %     | Amount         | %     | Amount   | Amount        | %     |
| <b>Current assets:</b>                              |                |       |                |       |          |               |       |
| Cash and cash equivalents                           | 71,420         |       | 67,883         |       | 3,537    | 67,362        |       |
| Short-term investments                              | -              |       | 1,249          |       | (1,249)  | 10            |       |
| Notes and accounts receivable:                      |                |       |                |       |          |               |       |
| Trade notes   | 62,668         |       | 69,635         |       | (6,967)  | 81,588        |       |
| Trade accounts                                      | 158,715        |       | 184,973        |       | (26,258) | 252,537       |       |
| Finance receivables, net                            | 104,721        |       | 98,195         |       | 6,526    | 90,338        |       |
| Less : Allowance for doubtful receivables           | (3,004)        |       | (4,227)        |       | 1,223    | (4,089)       |       |
| Total   | 323,100        |       | 348,576        |       | (25,476) | 420,374       |       |
| Inventories   | 148,603        |       | 152,959        |       | (4,356)  | 151,245       |       |
| Other current assets                                | 86,978         |       | 62,362         |       | 24,616   | 53,359        |       |
| Total current assets                                | 630,101        | 59.3  | 633,029        | 56.9  | (2,928)  | 692,350       | 60.8  |
| <b>Investments:</b>                                 |                |       |                |       |          |               |       |
| Investments in and advances to affiliated companies | 11,685         |       | 12,711         |       | (1,026)  | 12,119        |       |
| Other investments                                   | 114,156        |       | 127,391        |       | (13,235) | 79,959        |       |
| Total investments                                   | 125,841        | 11.8  | 140,102        | 12.6  | (14,261) | 92,078        | 8.1   |
| <b>Property, plant, and equipment:</b>              |                |       |                |       |          |               |       |
| Land  | 78,946         |       | 89,880         |       | (10,934) | 78,552        |       |
| Buildings   | 198,150        |       | 197,955        |       | 195      | 195,497       |       |
| Machinery and equipment                             | 400,770        |       | 456,405        |       | (55,635) | 447,956       |       |
| Construction in progress                            | 5,439          |       | 3,638          |       | 1,801    | 5,451         |       |
| Total   | 683,305        |       | 747,878        |       | (64,573) | 727,456       |       |
| Accumulated depreciation                            | (449,972)      |       | (476,572)      |       | 26,600   | (474,901)     |       |
| Net property, plant, and equipment                  | 233,333        | 22.0  | 271,306        | 24.4  | (37,973) | 252,555       | 22.2  |
| <b>Other assets:</b>                                | 73,393         | 6.9   | 68,129         | 6.1   | 5,264    | 102,028       | 8.9   |
| <b>Total</b>  | 1,062,668      | 100.0 | 1,112,566      | 100.0 | (49,898) | 1,139,011     | 100.0 |

## Consolidated Balance Sheets

(Unaudited)

Liabilities and Shareholders' Equity

(In millions of yen)

|   | Sept. 30, 2003 |       | Sept. 30, 2002 |       | Change   | Mar. 31, 2003 |       |
|---|----------------|-------|----------------|-------|----------|---------------|-------|
|   | Amount         | %     | Amount         | %     | Amount   | Amount        | %     |
| <b>Current liabilities:</b>                         |                |       |                |       |          |               |       |
| Short term borrowings                               | 98,284         |       | 98,367         |       | (83)     | 95,568        |       |
| Trade notes payable                                 | 22,653         |       | 30,769         |       | (8,116)  | 37,544        |       |
| Trade accounts payable                              | 127,476        |       | 137,175        |       | (9,699)  | 168,240       |       |
| Advances received from customers                    | 8,003          |       | 10,460         |       | (2,457)  | 7,244         |       |
| Notes and accounts payable for capital expenditures | 11,968         |       | 11,900         |       | 68       | 14,803        |       |
| Accrued payroll costs                               | 22,898         |       | 22,730         |       | 168      | 23,791        |       |
| Income taxes payable                                | 6,484          |       | 5,249          |       | 1,235    | 10,150        |       |
| Other current liabilities                           | 48,538         |       | 55,217         |       | (6,679)  | 46,194        |       |
| Current portion of long-term debt                   | 42,401         |       | 70,417         |       | (28,016) | 75,830        |       |
| Total current liabilities                           | 388,705        | 36.6  | 442,284        | 39.7  | (53,579) | 479,364       | 42.1  |
| <b>Long-term liabilities:</b>                       |                |       |                |       |          |               |       |
| Long-term debt                                      | 138,203        |       | 134,429        |       | 3,774    | 155,966       |       |
| Accrued retirement and pension costs                | 139,395        |       | 127,321        |       | 12,074   | 159,805       |       |
| Other long-term liabilities                         | 14,013         |       | 15,666         |       | (1,653)  | 15,184        |       |
| Total long-term liabilities                         | 291,611        | 27.4  | 277,416        | 24.9  | 14,195   | 330,955       | 29.0  |
| <b>Minority interest:</b>                           | 14,553         | 1.4   | 12,867         | 1.2   | 1,686    | 13,249        | 1.2   |
| <b>Shareholders' equity:</b>                        |                |       |                |       |          |               |       |
| Common stock  | 78,156         |       | 78,156         |       | -        | 78,156        |       |
| Additional paid-in capital                          | 87,263         |       | 87,263         |       | -        | 87,263        |       |
| Legal reserve                                       | 19,539         |       | 19,539         |       | -        | 19,539        |       |
| Retained earnings                                   | 203,489        |       | 224,896        |       | (21,407) | 200,517       |       |
| Accumulated other comprehensive income (loss)       | 3,486          |       | (16,077)       |       | 19,563   | (48,095)      |       |
| Treasury stock                                      | (24,134)       |       | (13,778)       |       | (10,356) | (21,937)      |       |
| Total shareholders' equity                          | 367,799        | 34.6  | 379,999        | 34.2  | (12,200) | 315,443       | 27.7  |
| <b>Total</b>  | 1,062,668      | 100.0 | 1,112,566      | 100.0 | (49,898) | 1,139,011     | 100.0 |

## Consolidated Statements of Comprehensive Income

(Unaudited)

(In millions of yen)

|   | Six months ended<br>Sept. 30, 2003 | Six months ended<br>Sept. 30, 2002 | Year ended<br>Mar. 31, 2003 |
|---|------------------------------------|------------------------------------|-----------------------------|
| Net income (loss)                               | 7,010                              | 12,259                             | (8,004)                     |
| Other comprehensive income (loss), net of tax : |                                    |                                    |                             |
| Foreign currency translation adjustments        | 1,749                              | (6,551)                            | (6,366)                     |
| Unrealized gains (losses) on securities         | 22,424                             | 1,462                              | (11,602)                    |
| Minimum pension liability adjustment            | 26,113                             | (11,161)                           | (30,386)                    |
| Unrealized gains on derivatives                 | 1,295                              | 45                                 | 131                         |
| Other comprehensive income (loss)               | 51,581                             | (16,205)                           | (48,223)                    |
| Comprehensive income (loss)                     | 58,591                             | (3,946)                            | (56,227)                    |

## Consolidated Statements of Shareholders' Equity

(Unaudited)

Six months ended Sept. 30, 2003

(In millions of yen)

|  | Shares of<br>common<br>stock<br>outstanding<br>(thousands) | Common<br>stock | Additional<br>paid-in<br>capital | Legal reserve | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Treasury<br>stock |
|--|--|-----------------|----------------------------------|---------------|----------------------|--|-------------------|
| Balance, Apr. 1, 2003                            | 1,345,450  | 78,156          | 87,263                           | 19,539        | 200,517              | (48,095)   | (21,937)          |
| Net income                                       |  |                 |                                  |               | 7,010                |  |                   |
| Other comprehensive income                       |  |                 |                                  |               |                      | 51,581   |                   |
| Cash dividends, ¥15 per ADS<br>(5 common shares) |  |                 |                                  |               | (4,038)              |  |                   |
| Purchases of treasury stock                      | (5,306)  |                 |                                  |               |                      |  | (2,197)           |
| Balance, Sept. 30, 2003                          | 1,340,144  | 78,156          | 87,263                           | 19,539        | 203,489              | 3,486  | (24,134)          |

Six months ended Sept. 30, 2002

(In millions of yen)

|  | Shares of<br>common<br>stock<br>outstanding<br>(thousands) | Common<br>stock | Additional<br>paid-in<br>capital | Legal reserve | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Treasury<br>stock |
|--|--|-----------------|----------------------------------|---------------|----------------------|--|-------------------|
| Balance, Apr. 1, 2002                            | 1,390,419  | 78,156          | 87,263                           | 19,539        | 216,810              | 128  | (6,926)           |
| Net income                                       |  |                 |                                  |               | 12,259               |  |                   |
| Other comprehensive loss                         |  |                 |                                  |               |                      | (16,205)   |                   |
| Cash dividends, ¥15 per ADS<br>(5 common shares) |  |                 |                                  |               | (4,173)              |  |                   |
| Purchases of treasury stock                      | (19,137)   |                 |                                  |               |                      |  | (6,852)           |
| Balance, Sept. 30, 2002                          | 1,371,282  | 78,156          | 87,263                           | 19,539        | 224,896              | (16,077)   | (13,778)          |

Year ended Mar. 31, 2003

(In millions of yen)

|  | Shares of<br>common<br>stock<br>outstanding<br>(thousands) | Common<br>stock | Additional<br>paid-in<br>capital | Legal reserve | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Treasury<br>stock |
|--|--|-----------------|----------------------------------|---------------|----------------------|--|-------------------|
| Balance, Apr. 1, 2002                            | 1,390,419  | 78,156          | 87,263                           | 19,539        | 216,810              | 128  | (6,926)           |
| Net loss   |  |                 |                                  |               | (8,004)              |  |                   |
| Other comprehensive loss                         |  |                 |                                  |               |                      | (48,223)   |                   |
| Cash dividends, ¥30 per ADS<br>(5 common shares) |  |                 |                                  |               | (8,289)              |  |                   |
| Purchases of treasury stock                      | (44,969)   |                 |                                  |               |                      |  | (15,011)          |
| Balance, Mar. 31, 2003                           | 1,345,450  | 78,156          | 87,263                           | 19,539        | 200,517              | (48,095)   | (21,937)          |

## Consolidated Statements of Cash Flows

(Unaudited)

(In millions of yen)

|  | Six months<br>ended<br>Sept. 30, 2003 | Six months<br>ended<br>Sept. 30, 2002 | Change         | Year ended<br>Mar. 31, 2003 |
|--|---------------------------------------|---------------------------------------|----------------|-----------------------------|
| <b>Operating activities:</b>                                 |                                       |                                       |                |                             |
| Net income (loss)  | 7,010                                 | 12,259                                | (5,249)        | (8,004)                     |
| Depreciation and amortization                                | 13,416                                | 18,844                                | (5,428)        | 38,804                      |
| Provision for retirement and pension costs, less payments    | 23,981                                | 759                                   | 23,222         | (4,416)                     |
| Loss (gain) on sales of securities                           | (1,817)                               | (798)                                 | (1,019)        | 5                           |
| Valuation losses on short-term and other investments         | 521                                   | 1,750                                 | (1,229)        | 24,822                      |
| Loss (gain) on disposal of fixed assets                      | (242)                                 | 818                                   | (1,060)        | 2,484                       |
| Impairment loss on fixed assets                              | -                                     | 484                                   | (484)          | 17,403                      |
| Deferred income taxes  | (91)                                  | (475)                                 | 384            | (9,242)                     |
| Decrease in notes and accounts receivable                    | 95,751                                | 101,758                               | (6,007)        | 31,649                      |
| Decrease in inventories                                      | 5,204                                 | 545                                   | 4,659          | 2,455                       |
| Increase in other current assets                             | (37,568)                              | (19,455)                              | (18,113)       | (5,637)                     |
| Decrease in trade notes and accounts payable                 | (56,056)                              | (55,910)                              | (146)          | (20,315)                    |
| Decrease in income taxes payable                             | (3,573)                               | (7,177)                               | 3,604          | (2,332)                     |
| Increase (decrease) in other current liabilities             | 2,081                                 | 9,509                                 | (7,428)        | (3,340)                     |
| Other  | (215)                                 | (321)                                 | 106            | (83)                        |
| Net cash provided by operating activities                    | 48,402                                | 62,590                                | (14,188)       | 64,253                      |
| <b>Investing activities:</b>                                 |                                       |                                       |                |                             |
| Purchases of fixed assets                                    | (13,260)                              | (16,461)                              | 3,201          | (33,838)                    |
| Purchases of investments and change in advances              | 475                                   | (639)                                 | 1,114          | (2,056)                     |
| Proceeds from sales of property, plant, and equipment        | 1,702                                 | 244                                   | 1,458          | 1,803                       |
| Proceeds from sales of investments                           | 5,074                                 | 3,113                                 | 1,961          | 5,153                       |
| Proceeds from sale of business                               | 2,562                                 | -                                     | 2,562          | -                           |
| Other  | 291                                   | 399                                   | (108)          | 1,345                       |
| Net cash used in investing activities                        | (3,156)                               | (13,344)                              | 10,188         | (27,593)                    |
| <b>Financing activities:</b>                                 |                                       |                                       |                |                             |
| Proceeds from long-term debt                                 | 16,233                                | 20,331                                | (4,098)        | 65,627                      |
| Repayments of long-term debt                                 | (54,444)                              | (25,577)                              | (28,867)       | (45,447)                    |
| Net increase (decrease) in short-term borrowings             | 3,389                                 | (25,227)                              | 28,616         | (26,548)                    |
| Cash dividends   | (4,038)                               | (4,173)                               | 135            | (8,289)                     |
| Purchases of treasury stock                                  | (2,197)                               | (6,852)                               | 4,655          | (15,011)                    |
| Other  | (322)                                 | (376)                                 | 54             | (341)                       |
| Net cash used in financing activities                        | (41,379)                              | (41,874)                              | 495            | (30,009)                    |
| Effect of exchange rate changes on cash and cash equivalents | 191                                   | (472)                                 | 663            | (272)                       |
| <b>Net increase in cash and cash equivalents</b>             | <b>4,058</b>                          | <b>6,900</b>                          | <b>(2,842)</b> | <b>6,379</b>                |
| <b>Cash and cash equivalents, beginning of period</b>        | <b>67,362</b>                         | <b>60,983</b>                         | <b>6,379</b>   | <b>60,983</b>               |
| <b>Cash and cash equivalents, end of period</b>              | <b>71,420</b>                         | <b>67,883</b>                         | <b>3,537</b>   | <b>67,362</b>               |

(In millions of yen)

|                   |        |        |         |        |
|-------------------|--------|--------|---------|--------|
| <b>Notes:</b>     |        |        |         |        |
| <b>Cash paid:</b> |        |        |         |        |
| Interest          | 1,703  | 2,698  | (995)   | 4,759  |
| Income taxes      | 14,352 | 17,615 | (3,263) | 24,117 |

## Consolidated Segment Information

(Unaudited)

### (1) Information by Industry Segments

Six months ended Sept. 30, 2003

(In millions of yen)

|                                      |                        | Internal<br>Combustion<br>Engine &<br>Machinery | Pipes,<br>Valves<br>& Industrial<br>Castings | Environmental<br>Engineering | Building<br>Materials<br>& Housing | Other  | Total   | Corporate<br>&<br>Eliminations | Consolidated |
|--------------------------------------|------------------------|---|--|------------------------------|------------------------------------|--------|---------|--------------------------------|--------------|
| Net<br>sales                         | Unaffiliated customers | 255,341   | 74,230                                       | 22,049                       | 34,419                             | 35,501 | 421,540 | -                              | 421,540      |
|                                      | Intersegment           | 8   | 2,406  | 513                          | -                                  | 9,081  | 12,008  | (12,008)                       | -            |
|                                      | Total                  | 255,349   | 76,636                                       | 22,562                       | 34,419                             | 44,582 | 433,548 | (12,008)                       | 421,540      |
| Cost of sales and operating expenses |                        | 221,951   | 81,684                                       | 25,091                       | 34,852                             | 45,171 | 408,749 | (3,807)                        | 404,942      |
| Operating income (loss)              |                        | 33,398  | (5,048)                                      | (2,529)                      | (433)                              | (589)  | 24,799  | (8,201)                        | 16,598       |

Six months ended Sept. 30, 2002

(In millions of yen)

|                                      |                        | Internal<br>Combustion<br>Engine &<br>Machinery | Pipes,<br>Valves<br>& Industrial<br>Castings | Environmental<br>Engineering | Building<br>Materials<br>& Housing | Other   | Total   | Corporate<br>&<br>Eliminations | Consolidated |
|--------------------------------------|------------------------|---|--|------------------------------|------------------------------------|---------|---------|--------------------------------|--------------|
| Net<br>sales                         | Unaffiliated customers | 239,605   | 71,619                                       | 33,041                       | 29,872                             | 40,446  | 414,583 | -                              | 414,583      |
|                                      | Intersegment           | 165   | 2,759  | 618                          | -                                  | 9,236   | 12,778  | (12,778)                       | -            |
|                                      | Total                  | 239,770   | 74,378                                       | 33,659                       | 29,872                             | 49,682  | 427,361 | (12,778)                       | 414,583      |
| Cost of sales and operating expenses |                        | 203,606   | 75,041                                       | 33,841                       | 30,128                             | 50,835  | 393,451 | (3,279)                        | 390,172      |
| Operating income (loss)              |                        | 36,164  | (663)  | (182)                        | (256)                              | (1,153) | 33,910  | (9,499)                        | 24,411       |

Year ended Mar. 31, 2003

(In millions of yen)

|                                      |                        | Internal<br>Combustion<br>Engine &<br>Machinery | Pipes,<br>Valves<br>& Industrial<br>Castings | Environmental<br>Engineering | Building<br>Materials<br>& Housing | Other    | Total   | Corporate<br>&<br>Eliminations | Consolidated |
|--------------------------------------|------------------------|---|--|------------------------------|------------------------------------|----------|---------|--------------------------------|--------------|
| Net<br>sales                         | Unaffiliated customers | 444,169   | 177,217                                      | 136,381                      | 64,350                             | 104,028  | 926,145 | -                              | 926,145      |
|                                      | Intersegment           | 480   | 7,678  | 1,053                        | 20                                 | 19,983   | 29,214  | (29,214)                       | -            |
|                                      | Total                  | 444,649   | 184,895                                      | 137,434                      | 64,370                             | 124,011  | 955,359 | (29,214)                       | 926,145      |
| Cost of sales and operating expenses |                        | 387,953   | 182,963                                      | 128,423                      | 64,338                             | 141,153  | 904,830 | (8,298)                        | 896,532      |
| Operating income (loss)              |                        | 56,696  | 1,932  | 9,011                        | 32                                 | (17,142) | 50,529  | (20,916)                       | 29,613       |

## (2) Information by Geographic Segment

Six months ended Sept. 30, 2003

(In millions of yen)

|                                      |                        | Japan   | North America | Other Areas | Total   | Corporate & Eliminations | Consolidated |
|--------------------------------------|------------------------|---------|---------------|-------------|---------|--------------------------|--------------|
| Net sales                            | Unaffiliated customers | 288,320 | 98,149        | 35,071      | 421,540 | -                        | 421,540      |
|                                      | Intersegment           | 66,073  | 2,085         | 970         | 69,128  | (69,128)                 | -            |
|                                      | Total                  | 354,393 | 100,234       | 36,041      | 490,668 | (69,128)                 | 421,540      |
| Cost of sales and operating expenses |                        | 348,309 | 87,911        | 32,834      | 469,054 | (64,112)                 | 404,942      |
| Operating income                     |                        | 6,084   | 12,323        | 3,207       | 21,614  | (5,016)                  | 16,598       |

Six months ended Sept. 30, 2002

(In millions of yen)

|                                      |                        | Japan   | North America | Other Areas | Total   | Corporate & Eliminations | Consolidated |
|--------------------------------------|------------------------|---------|---------------|-------------|---------|--------------------------|--------------|
| Net sales                            | Unaffiliated customers | 291,659 | 93,618        | 29,306      | 414,583 | -                        | 414,583      |
|                                      | Intersegment           | 55,621  | 1,513         | 506         | 57,640  | (57,640)                 | -            |
|                                      | Total                  | 347,280 | 95,131        | 29,812      | 472,223 | (57,640)                 | 414,583      |
| Cost of sales and operating expenses |                        | 331,006 | 85,271        | 27,303      | 443,580 | (53,408)                 | 390,172      |
| Operating income                     |                        | 16,274  | 9,860         | 2,509       | 28,643  | (4,232)                  | 24,411       |

Year ended Mar. 31, 2003

(In millions of yen)

|                                      |                        | Japan   | North America | Other Areas | Total     | Corporate & Eliminations | Consolidated |
|--------------------------------------|------------------------|---------|---------------|-------------|-----------|--------------------------|--------------|
| Net sales                            | Unaffiliated customers | 712,964 | 158,051       | 55,130      | 926,145   | -                        | 926,145      |
|                                      | Intersegment           | 124,213 | 2,439         | 1,268       | 127,920   | (127,920)                | -            |
|                                      | Total                  | 837,177 | 160,490       | 56,398      | 1,054,065 | (127,920)                | 926,145      |
| Cost of sales and operating expenses |                        | 807,122 | 144,348       | 52,720      | 1,004,190 | (107,658)                | 896,532      |
| Operating income                     |                        | 30,055  | 16,142        | 3,678       | 49,875    | (20,262)                 | 29,613       |

## (3) Overseas Sales

Six months ended Sept. 30, 2003

(In millions of yen)

|   | North America | Other Areas | Total   |
|---|---------------|-------------|---------|
| Overseas sales                                    | 98,017        | 52,604      | 150,621 |
| Consolidated net sales                            |               |             | 421,540 |
| Ratio of overseas sales to consolidated net sales | 23.2%         | 12.5%       | 35.7%   |

Six months ended Sept. 30, 2002

(In millions of yen)

|   | North America | Other Areas | Total   |
|---|---------------|-------------|---------|
| Overseas sales                                    | 93,345        | 41,305      | 134,650 |
| Consolidated net sales                            |               |             | 414,583 |
| Ratio of overseas sales to consolidated net sales | 22.5%         | 10.0%       | 32.5%   |

Year ended Mar. 31, 2003

(In millions of yen)

|   | North America | Other Areas | Total   |
|---|---------------|-------------|---------|
| Overseas sales                                    | 158,386       | 83,505      | 241,891 |
| Consolidated net sales                            |               |             | 926,145 |
| Ratio of overseas sales to consolidated net sales | 17.1%         | 9.0%        | 26.1%   |

## Fair Value of Short-Term and Other Investments

(Unaudited)

The Company classifies its holding marketable equity securities and all of its debt securities as available for sale securities, which are reported at their fair value on the Company's balance sheets. The following table presents cost, fair value, and net unrealized holding gains for securities by major security type at September 30, 2003, 2002, and March 31, 2003.

(In millions of yen)

|  | Sept. 30, 2003 |            |                              | Sept. 30, 2002 |            |                              | Mar. 31, 2003 |            |                              |
|--|----------------|------------|------------------------------|----------------|------------|------------------------------|---------------|------------|------------------------------|
|  | Cost           | Fair value | Net unrealized holding gains | Cost           | Fair value | Net unrealized holding gains | Cost          | Fair value | Net unrealized holding gains |
| <b>Short-term investments:</b>                       |                |            |                              |                |            |                              |               |            |                              |
| Governmental and corporate debt securities and other | -              | -          | -                            | 1,249          | 1,249      | -                            | 10            | 10         | -                            |
| <b>Other investments (*):</b>                        |                |            |                              |                |            |                              |               |            |                              |
| Equity securities of financial institutions          | 22,347         | 60,583     | 38,236                       | 48,405         | 77,350     | 28,945                       | 24,477        | 33,033     | 8,556                        |
| Other equity securities                              | 20,201         | 38,705     | 18,504                       | 22,728         | 35,449     | 12,721                       | 21,961        | 32,361     | 10,400                       |
| Other  | 1,607          | 1,685      | 78                           | 1,593          | 1,602      | 9                            | 1,593         | 1,639      | 46                           |
| <b>Total</b>   | 44,155         | 100,973    | 56,818                       | 73,975         | 115,650    | 41,675                       | 48,041        | 67,043     | 19,002                       |

(\*) "Other investments" on the Company's balance sheets includes investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value. They were stated at cost of ¥13,183 million, ¥12,990 million, and ¥12,926 million at September 30, 2003, 2002, and March 31, 2003, respectively.

Notes:

1. The United States dollar amounts included herein represent translations using the approximate exchange rate on September 30, 2003, of ¥111 = US\$1, solely for convenience.

2. Each American Depositary Share (“ADS”) represents five common shares.

3. 114 subsidiaries are consolidated.

|                                  |          |   |
|----------------------------------|----------|---|
| Major consolidated subsidiaries: | Domestic | Kubota Construction Co., Ltd.<br>Kubota Credit Co., Ltd.<br>Kubota Maison Co., Ltd.   |
|                                  | Overseas | Kubota Environmental Service Co., Ltd.<br>Kubota Tractor Corporation<br>Kubota Credit Corporation, U.S.A.<br>Kubota Manufacturing of America Corporation<br>Kubota Engine America Corporation<br>Kubota Metal Corporation<br>Kubota Baumaschinen GmbH<br>Kubota Europe S.A.S. |

4. 46 affiliated companies are accounted for under the equity method.

|                              |          |                                      |
|------------------------------|----------|--------------------------------------|
| Major affiliated companies : | Domestic | 30 sales companies of farm equipment |
|                              | Overseas | The Siam Kubota Industry Co., Ltd.   |

5. Summary of accounting policies

The accompanying consolidated financial information has been prepared in accordance with accounting principles generally accepted in the United States of America except for the presentation for segment information described in .

The consolidated segment information is prepared in accordance with a requirement of the Japanese Securities and Exchange regulations. This disclosure is not consistent with SFAS No.131, “Disclosures about Segments of an Enterprise and Related Information”.

## Consolidated Net Sales by Product Group

(Unaudited)

(In millions of yen)

|   | Six months ended<br>Sept. 30, 2003 |              | Six months ended<br>Sept. 30, 2002 |              | Change          |               | Year ended<br>Mar. 31, 2003 |              |
|---|------------------------------------|--------------|------------------------------------|--------------|-----------------|---------------|-----------------------------|--------------|
|   | Amount                             | %            | Amount                             | %            | Amount          | %             | Amount                      | %            |
| <b>Farm Equipment and Engines</b>                 | <b>230,858</b>                     | <b>54.8</b>  | <b>217,466</b>                     | <b>52.5</b>  | <b>13,392</b>   | <b>6.2</b>    | <b>399,368</b>              | <b>43.1</b>  |
| Domestic  | 109,727                            | 26.1         | 105,085                            | 25.3         | 4,642           | 4.4           | 204,186                     | 22.0         |
| Overseas  | 121,131                            | 28.7         | 112,381                            | 27.2         | 8,750           | 7.8           | 195,182                     | 21.1         |
| <b>Construction Machinery</b>                     | <b>24,483</b>                      | <b>5.8</b>   | <b>22,139</b>                      | <b>5.3</b>   | <b>2,344</b>    | <b>10.6</b>   | <b>44,801</b>               | <b>4.9</b>   |
| Domestic  | 9,672                              | 2.3          | 9,494                              | 2.3          | 178             | 1.9           | 21,317                      | 2.4          |
| Overseas  | 14,811                             | 3.5          | 12,645                             | 3.0          | 2,166           | 17.1          | 23,484                      | 2.5          |
| <b>Internal Combustion Engine &amp; Machinery</b> | <b>255,341</b>                     | <b>60.6</b>  | <b>239,605</b>                     | <b>57.8</b>  | <b>15,736</b>   | <b>6.6</b>    | <b>444,169</b>              | <b>48.0</b>  |
| Domestic  | 119,399                            | 28.4         | 114,579                            | 27.6         | 4,820           | 4.2           | 225,503                     | 24.4         |
| Overseas  | 135,942                            | 32.2         | 125,026                            | 30.2         | 10,916          | 8.7           | 218,666                     | 23.6         |
| <b>Pipes and Valves</b>                           | <b>60,779</b>                      | <b>14.4</b>  | <b>58,816</b>                      | <b>14.2</b>  | <b>1,963</b>    | <b>3.3</b>    | <b>145,561</b>              | <b>15.7</b>  |
| Domestic  | 53,747                             | 12.7         | 55,682                             | 13.4         | (1,935)         | (3.5)         | 135,480                     | 14.6         |
| Overseas  | 7,032                              | 1.7          | 3,134                              | 0.8          | 3,898           | 124.4         | 10,081                      | 1.1          |
| <b>Industrial Castings</b>                        | <b>13,451</b>                      | <b>3.2</b>   | <b>12,803</b>                      | <b>3.1</b>   | <b>648</b>      | <b>5.1</b>    | <b>31,656</b>               | <b>3.4</b>   |
| Domestic  | 8,357                              | 2.0          | 8,617                              | 2.1          | (260)           | (3.0)         | 23,531                      | 2.5          |
| Overseas  | 5,094                              | 1.2          | 4,186                              | 1.0          | 908             | 21.7          | 8,125                       | 0.9          |
| <b>Pipes, Valves &amp; Industrial Castings</b>    | <b>74,230</b>                      | <b>17.6</b>  | <b>71,619</b>                      | <b>17.3</b>  | <b>2,611</b>    | <b>3.6</b>    | <b>177,217</b>              | <b>19.1</b>  |
| Domestic  | 62,104                             | 14.7         | 64,299                             | 15.5         | (2,195)         | (3.4)         | 159,011                     | 17.1         |
| Overseas  | 12,126                             | 2.9          | 7,320                              | 1.8          | 4,806           | 65.7          | 18,206                      | 2.0          |
| <b>Environmental Engineering</b>                  | <b>22,049</b>                      | <b>5.2</b>   | <b>33,041</b>                      | <b>8.0</b>   | <b>(10,992)</b> | <b>(33.3)</b> | <b>136,381</b>              | <b>14.7</b>  |
| Domestic  | 20,844                             | 4.9          | 31,909                             | 7.7          | (11,065)        | (34.7)        | 134,521                     | 14.5         |
| Overseas  | 1,205                              | 0.3          | 1,132                              | 0.3          | 73              | 6.4           | 1,860                       | 0.2          |
| <b>Building Materials</b>                         | <b>28,054</b>                      | <b>6.7</b>   | <b>29,207</b>                      | <b>7.0</b>   | <b>(1,153)</b>  | <b>(3.9)</b>  | <b>57,352</b>               | <b>6.2</b>   |
| Domestic  | 28,054                             | 6.7          | 29,207                             | 7.0          | (1,153)         | (3.9)         | 57,352                      | 6.2          |
| <b>Condominiums</b>                               | <b>6,365</b>                       | <b>1.5</b>   | <b>665</b>                         | <b>0.2</b>   | <b>5,700</b>    | <b>857.1</b>  | <b>6,998</b>                | <b>0.8</b>   |
| Domestic  | 6,365                              | 1.5          | 665                                | 0.2          | 5,700           | 857.1         | 6,998                       | 0.8          |
| <b>Building Materials &amp; Housing</b>           | <b>34,419</b>                      | <b>8.2</b>   | <b>29,872</b>                      | <b>7.2</b>   | <b>4,547</b>    | <b>15.2</b>   | <b>64,350</b>               | <b>7.0</b>   |
| Domestic  | 34,419                             | 8.2          | 29,872                             | 7.2          | 4,547           | 15.2          | 64,350                      | 7.0          |
| <b>Other</b>                                      | <b>35,501</b>                      | <b>8.4</b>   | <b>40,446</b>                      | <b>9.7</b>   | <b>(4,945)</b>  | <b>(12.2)</b> | <b>104,028</b>              | <b>11.2</b>  |
| Domestic  | 34,153                             | 8.1          | 39,274                             | 9.5          | (5,121)         | (13.0)        | 100,869                     | 10.9         |
| Overseas  | 1,348                              | 0.3          | 1,172                              | 0.2          | 176             | 15.0          | 3,159                       | 0.3          |
| <b>Total</b>                                      | <b>421,540</b>                     | <b>100.0</b> | <b>414,583</b>                     | <b>100.0</b> | <b>6,957</b>    | <b>1.7</b>    | <b>926,145</b>              | <b>100.0</b> |
| Domestic  | 270,919                            | 64.3         | 279,933                            | 67.5         | (9,014)         | (3.2)         | 684,254                     | 73.9         |
| Overseas  | 150,621                            | 35.7         | 134,650                            | 32.5         | 15,971          | 11.9          | 241,891                     | 26.1         |

**Anticipated Consolidated Net Sales by Industry Segment**

(In billions of yen)

|  | Year ending<br>Mar. 31, 2004 |       | Year ended<br>Mar. 31, 2003 |       | Change |        |
|--|------------------------------|-------|-----------------------------|-------|--------|--------|
|  | Amount                       | %     | Amount                      | %     | Amount | %      |
| Domestic                               | 233.0                        |       | 225.5                       |       | 7.5    | 3.3    |
| Overseas                               | 242.0                        |       | 218.7                       |       | 23.3   | 10.7   |
| Internal Combustion Engine & Machinery | 475.0                        | 51.4  | 444.2                       | 48.0  | 30.8   | 6.9    |
| Domestic                               | 155.0                        |       | 159.0                       |       | (4.0)  | (2.5)  |
| Overseas                               | 24.0                         |       | 18.2                        |       | 5.8    | 31.9   |
| Pipes, Valves & Industrial Castings    | 179.0                        | 19.4  | 177.2                       | 19.1  | 1.8    | 1.0    |
| Domestic                               | 122.0                        |       | 134.5                       |       | (12.5) | (9.3)  |
| Overseas                               | 3.0                          |       | 1.9                         |       | 1.1    | 57.9   |
| Environmental Engineering              | 125.0                        | 13.5  | 136.4                       | 14.7  | (11.4) | (8.4)  |
| Domestic                               | 52.0                         |       | 64.3                        |       | (12.3) | (19.1) |
| Overseas                               | -                            |       | -                           |       | -      | -      |
| Building Materials & Housing           | 52.0                         | 5.6   | 64.3                        | 7.0   | (12.3) | (19.1) |
| Domestic                               | 91.0                         |       | 100.9                       |       | (9.9)  | (9.8)  |
| Overseas                               | 3.0                          |       | 3.1                         |       | (0.1)  | (3.2)  |
| Other                                  | 94.0                         | 10.1  | 104.0                       | 11.2  | (10.0) | (9.6)  |
| Grand Total                            | 925.0                        | 100.0 | 926.1                       | 100.0 | (1.1)  | (0.1)  |
| Domestic                               | 653.0                        | 70.6  | 684.2                       | 73.9  | (31.2) | (4.6)  |
| Overseas                               | 272.0                        | 29.4  | 241.9                       | 26.1  | 30.1   | 12.4   |

**Non-consolidated Financial Highlights**

(Unaudited)

(1) The date of the Board of Directors' Meeting----- Tuesday, November 11, 2003

(2) Payment date of interim dividends----- Wednesday, December 10, 2003

## (3) Results of operations

(In millions of yen except per ADS information)

|                                      | Six months ended<br>Sept. 30, 2003 | Change<br>(*) | Six months ended<br>Sept. 30, 2002 | Change<br>(*) | Year ended<br>Mar. 31, 2003 |
|--------------------------------------|------------------------------------|---------------|------------------------------------|---------------|-----------------------------|
| Net sales                            | ¥293,363                           | 1.3 %         | ¥289,692                           | 1.0 %         | ¥672,439                    |
| Operating income<br>% of net sales   | ¥12,353<br>4.2%                    | 172.3 %       | ¥4,535<br>1.6%                     | 12.9 %        | ¥28,312                     |
| Ordinary income<br>% of net sales    | ¥17,860<br>6.1%                    | 491.2 %       | ¥3,021<br>1.0%                     | 24.7 %        | ¥26,750                     |
| Net income<br>% of net sales         | ¥10,109<br>3.4%                    | 247.3 %       | ¥2,910<br>1.0%                     | (14.9 %)      | (¥8,270)                    |
| Net income per ADS (5 common shares) | ¥38                                | -             | ¥11                                | -             | (¥30)                       |

Notes to results of operations :

- Weighted-average number of shares outstanding during the six months ended September 30, 2003-- 1,345,195,179  
Weighted-average number of shares outstanding during the six months ended September 30, 2002-- 1,383,036,576  
Weighted-average number of shares outstanding during the year ended March 31, 2003----- 1,371,028,880
- (\*) represents percentage change from the comparable previous period.

## (4) Cash dividends

|  |     |
|--|-----|
| Interim cash dividends per ADS (5 common shares) for the six months ended September 30, 2003 ----- | ¥15 |
| Interim cash dividends per ADS (5 common shares) for the six months ended September 30, 2002 ----- | ¥15 |
| Cash dividends per ADS (5 common shares) for the fiscal year ended March 31, 2003 -----            | ¥30 |

## (5) Financial position

(In millions of yen except per ADS information)

|   | Sept. 30, 2003 | Sept. 30, 2002 | Mar. 31, 2003 |
|---|----------------|----------------|---------------|
| Total assets                                  | ¥808,517       | ¥851,269       | ¥858,893      |
| Shareholders' equity                          | ¥355,177       | ¥365,603       | ¥329,100      |
| Ratio of shareholders' equity to total assets | 43.9%          | 42.9%          | 38.3%         |
| Shareholders' equity per ADS                  | ¥1,325         | ¥1,332         | ¥1,222        |

## Notes to financial position:

|   |               |
|---|---------------|
| Number of shares outstanding as of September 30, 2003 ----- | 1,340,790,443 |
| Number of shares outstanding as of September 30, 2002 ----- | 1,371,921,562 |
| Number of shares outstanding as of March 31, 2003 -----     | 1,346,095,389 |

## (6) Anticipated annual results of operations

(In millions of yen except per share information)

|   | Year ending Mar. 31, 2004 |
|---|---------------------------|
| Net sales                                       | ¥664,000                  |
| Ordinary income                                 | ¥37,000                   |
| Net income                                      | ¥20,000                   |
| Annual dividends per ADS (5 common shares) (**) | ¥30                       |
| Net income per ADS (5 common shares)            | ¥75                       |

(\*\*) Including interim dividends which will be paid on December 10, 2003.

## Notes to anticipated results of operations for the year ending March 31, 2004 :

1. The non-consolidated financial information is prepared in accordance with accounting principles generally accepted in Japan and includes the information of parent company only. It should not be confused with condensed consolidated financial information.
2. All figures in the non-consolidated financial information have been rounded down except per ADS information.
3. Please refer to page 10 and 11 for further information related to the anticipated results of operations mentioned above.