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FOR IMMEDIATE RELEASE (TUESDAY, MAY 13, 2008)

**RESULTS OF OPERATIONS FOR THE YEAR ENDED  
 MARCH 31, 2008 REPORTED BY KUBOTA CORPORATION**

OSAKA, JAPAN, May 13, 2008 ---Kubota Corporation reported today its consolidated and non-consolidated results of operations for the year ended March 31, 2008.

**Consolidated Financial Highlights**

**1. Consolidated Results of Operations for the Fiscal Year Ended March 31, 2008**

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

(1) Results of operations

|                                                                                                                                                         | Year ended<br>March 31, 2008     | %<br>(* ) | Year ended<br>March 31, 2007 | %<br>(* ) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------|------------------------------|-----------|
| Revenues                                                                                                                                                | ¥ 1,154,574<br>[ \$ 11,545,740 ] | 2.4       | ¥ 1,127,456                  | 5.8       |
| Operating income                                                                                                                                        | ¥ 136,875<br>[ \$ 1,368,750 ]    | 5.0       | ¥ 130,347                    | 7.7       |
| % of revenues                                                                                                                                           | 11.9%                            |           | 11.6%                        |           |
| Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies | ¥ 122,577<br>[ \$ 1,225,770 ]    | ( 6.8 )   | ¥ 131,565                    | ( 6.4 )   |
| % of revenues                                                                                                                                           | 10.6%                            |           | 11.7%                        |           |
| Net income                                                                                                                                              | ¥ 68,026<br>[ \$ 680,260 ]       | ( 11.0 )  | ¥ 76,457                     | ( 5.6 )   |
| % of revenues                                                                                                                                           | 5.9%                             |           | 6.8%                         |           |
| Net income per ADS                                                                                                                                      |                                  |           |                              |           |
| Basic                                                                                                                                                   | ¥ 264<br>[ \$ 2.64 ]             |           | ¥ 295                        |           |
| Diluted                                                                                                                                                 | ¥ 264<br>[ \$ 2.64 ]             |           | ¥ 295                        |           |
| Ratio of net income to shareholders' equity                                                                                                             | 10.4%                            |           | 12.1%                        |           |
| Ratio of income to total assets before income taxes                                                                                                     | 8.3%                             |           | 9.0%                         |           |

Notes.

1. (\*) represents percentage change from the comparable previous period.
2. Equity in net income of affiliated companies for the years ended March 31, 2008 and 2007 were ¥94 million and ¥1,353 million, respectively.

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

(2) Financial position

|                                               | March 31, 2008                   | March 31, 2007 |
|-----------------------------------------------|----------------------------------|----------------|
| Total assets                                  | ¥ 1,464,270<br>[ \$ 14,642,700 ] | ¥ 1,502,532    |
| Shareholders' equity                          | ¥ 648,097<br>[ \$ 6,480,970 ]    | ¥ 659,637      |
| Ratio of shareholders' equity to total assets | 44.3%                            | 43.9%          |
| Shareholders' equity per ADS                  | ¥ 2,530<br>[ \$ 25.30 ]          | ¥ 2,554        |

(3) Summary of statements of cash flows

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

|                                           | Year ended<br>March 31, 2008       | Year ended<br>March 31, 2007 |
|-------------------------------------------|------------------------------------|------------------------------|
| Net cash provided by operating activities | ¥ 90,110<br>[ \$ 901,100 ]         | ¥ 96,830                     |
| Net cash used in investing activities     | ( ¥ 72,344 )<br>[ ( \$ 723,440 ) ] | ( ¥ 90,007 )                 |
| Net cash used in financing activities     | ( ¥ 11,680 )<br>[ ( \$ 116,800 ) ] | ( ¥ 16,835 )                 |
| Cash & cash equivalents, end of year      | ¥ 88,784<br>[ \$ 887,840 ]         | ¥ 82,601                     |

**2. Cash dividends**

(In millions of yen except per ADS amounts)

|                              | Cash dividends per ADS |          |         | Annual<br>cash dividends | Annual<br>cash dividends<br>as % to net income | Annual dividends<br>as % to share<br>-holders' equity |
|------------------------------|------------------------|----------|---------|--------------------------|------------------------------------------------|-------------------------------------------------------|
|                              | Interim                | Year end | Total   |                          |                                                |                                                       |
| Year ended<br>March 31, 2008 | ¥ 30.00                | ¥ 40.00  | ¥ 70.00 | ¥ 17,981                 | 26.5%                                          | 2.8%                                                  |
| Year ended<br>March 31, 2007 | ¥ 25.00                | ¥ 35.00  | ¥ 60.00 | ¥ 15,518                 | 20.3%                                          | 2.5%                                                  |

**3. Anticipated results of operations for the year ending March 31, 2009**

(In millions of yen except per ADS amounts)

|                                                                                                                                                         | Six months ending<br>September 30, 2008 | %<br>(* ) | Year ending<br>March 31, 2009 | %<br>(* ) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------|-------------------------------|-----------|
| Revenues                                                                                                                                                | ¥ 555,000                               | ( 1.1 )   | ¥ 1,120,000                   | ( 3.0 )   |
| Operating income                                                                                                                                        | ¥ 60,000                                | ( 20.1 )  | ¥ 110,000                     | ( 19.6 )  |
| Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies | ¥ 60,000                                | ( 21.3 )  | ¥ 110,000                     | ( 10.3 )  |
| Net income                                                                                                                                              | ¥ 33,000                                | ( 23.3 )  | ¥ 63,000                      | ( 7.4 )   |
| Net income per ADS                                                                                                                                      | ¥ 129                                   |           | ¥ 246                         |           |

Notes.

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

Please refer to page 6 for further information related to the above mentioned anticipated results of operations.

**4. Other**

(1) Changes in number of material subsidiaries during the fiscal year: No

(2) Changes in accounting rules, procedures, presentation methods, etc. for the consolidated financial statements

a) Changes in consolidated accounting methods: Yes

b) Changes other than a) above: No

Please refer to "Notes" on page 18

|                                                                                    |   |               |
|------------------------------------------------------------------------------------|---|---------------|
| (3) Number of shares outstanding as of March 31, 2008                              | : | 1,285,919,180 |
| Number of shares outstanding as of March 31, 2007                                  | : | 1,291,919,180 |
| Number of treasury stock as of March 31, 2008                                      | : | 5,315,673     |
| Number of treasury stock as of March 31, 2007                                      | : | 406,439       |
| Weighted average number of shares outstanding during the year ended March 31, 2008 | : | 1,288,336,590 |
| Weighted average number of shares outstanding during the year ended March 31, 2007 | : | 1,295,749,621 |

Please refer to "Per Common Share Information" on page 17

(Reference) Non-consolidated Financial Highlights

(1) Results of operations

(In millions of yen except per ADS amounts)

|                    | Year ended<br>March 31, 2008 | (*)      | Year ended<br>March 31, 2007 | (*)     |
|--------------------|------------------------------|----------|------------------------------|---------|
| Net sales          | ¥ 685,431                    | ( 1.4 )  | ¥ 694,935                    | 0.2     |
| Operating income   | ¥ 61,932                     | ( 14.6 ) | ¥ 72,529                     | ( 3.0 ) |
| Ordinary income    | ¥ 64,357                     | ( 18.1 ) | ¥ 78,601                     | ( 3.0 ) |
| Net income         | ¥ 32,906                     | ( 24.1 ) | ¥ 43,372                     | ( 8.9 ) |
| Net income per ADS |                              |          |                              |         |
| Basic              | ¥ 128                        |          | ¥ 167                        |         |
| Diluted            | ¥ 128                        |          | ¥ 167                        |         |

Note.

(\*) represents percentage change to the comparable previous year.

(2) Financial position

(In millions of yen except per ADS amounts)

|                                               | March 31, 2008 | March 31, 2007 |
|-----------------------------------------------|----------------|----------------|
| Total assets                                  | ¥ 814,886      | ¥ 906,920      |
| Shareholders' equity                          | ¥ 459,948      | ¥ 492,369      |
| Ratio of shareholders' equity to total assets | 56.4%          | 54.3%          |
| Shareholders' equity per ADS                  | ¥ 1,795        | ¥ 1,906        |

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

## **1. Review of operations**

### **(1) Summary of the results of operations for the year under review**

For the year ended March 31, 2008, revenues of Kubota Corporation and subsidiaries (collectively “the Company”) increased ¥27.1 billion (2.4 %), to ¥1,154.6 billion from the prior year.

In the domestic market, revenues decreased ¥31.3 billion (5.2 %), to ¥572.2 billion from the prior year. Revenues in Internal Combustion Engine & Machinery decreased due to declined sales of farm equipment and construction machinery affected by stagnant market conditions. Revenues in Pipes, Valves, and Industrial Castings increased due to a great increase in sales of industrial casting, while sales of ductile iron pipes and plastic pipes stayed at the same level as the prior year. Revenues in Environmental Engineering decreased affected by the discontinuation of a part of operations. Revenues in Other decreased due to a decrease in sales of condominiums and construction while sales of vending machine expanded.

Revenues in overseas markets increased ¥58.4 billion (11.1 %), to ¥582.3 billion from the prior year. In North America, sales of construction machinery and engines decreased in adverse market conditions, while sales of tractors remained at almost same level as the prior year. On the contrary, in Europe, sales of tractors, construction machinery and engines increased largely all together. In Asia outside Japan, sales of tractors continued to increase favorably in Thailand. As a result, the ratio of overseas revenues to consolidated revenues rose 3.9 percentage points, to 50.4 % compared with the prior year, and overseas revenues exceeded domestic revenues for the first time.

Operating income increased ¥6.5 billion (5.0 %), to ¥136.9 billion from the prior year, the highest level in the Company’s history. By segment, operating income in Internal Combustion Engine and Machinery expanded due to the increase in revenues. Operating income in Pipes, Valves, and Industrial Castings decreased owing to sharp price hike of raw materials. Operating income in Environmental Engineering remained in deficit due to sales decrease and declining profit margins by intensifying competition. Operating income in Other rose mainly due to increased sales of vending machines.

In spite of an increase in operating income, income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies decreased ¥9.0 billion (6.8 %), to ¥122.6 billion. This decrease resulted from increases in foreign exchange loss and valuation loss on other investments.

Income taxes were ¥48.0 billion (representing an effective tax rate of 39.2%), and net amount of minority interests in earnings of subsidiaries and equity in net income of affiliated companies to deduct was ¥6.7 billion and addition of income from discontinued operation was ¥0.2 billion. As a result, net income decreased ¥8.4 billion (11.0 %), to ¥68.0 billion from the prior year.

### **(2) Review of operations by industry segment**

#### **1) Internal Combustion Engine and Machinery**

Revenues in Internal Combustion Engine and Machinery were ¥793.7 billion, 6.3% higher than the prior year, comprising 68.7% of consolidated revenues. Domestic revenues decreased 3.9%, to ¥248.3 billion, and overseas revenues increased 11.6%, to ¥545.3 billion. This segment comprises farm equipment, engines and construction machinery.

In the domestic market, sales of farm equipment decreased. Most of farmers, centering on medium-sized farmers, remained strong trend to hesitate purchasing farm equipment, while purchasing intention among some farmers began to show signs of improvement affected by partial revision of new government agricultural policies and firming up of rice price. In this circumstance, the Company actively implemented sales expansion policies to expand

customer base and was able to increase its market share, however it could not overcome the effect of declining demand. Sales of construction machinery decreased due to stagnant demand resulted from the partial revision of building standards law. On the other hand, sales of engines increased steadily due to sales expansion to domestic manufacturers of construction and industrial machinery.

In overseas markets, sales of tractors, the Company's core product, increased steadily. In the U.S., sales of tractors were almost same level as the prior year while there were worsening subprime loan problems, the slowdown of the housing related markets and serious drought in southeast area. In Europe, where favorable economic situations continued, sales of tractors showed strong expansion due to the active introduction of new products and aggressive promotional sales activity. In Asia outside Japan, sales of tractors continued a large increase in Thailand where mechanized farming is rapidly developing.

As for construction machinery in North America decreased due to the deterioration of the market, sales in Europe reported a large expansion due to rising demand resulted from favorable economic situations and sales expansion of the larger-sized product, which was introduced in the prior year. Sales of engines increased mainly due to steady sales in Europe. However, sales of farm machinery decreased due to a stagnation of the market of combine harvesters in China.

## **2) Pipes, Valves, and Industrial Castings**

Revenues in Pipes, Valves, and Industrial Castings increased 3.8%, to ¥201.6 billion from the prior year, comprising 17.5% of consolidated revenues. Domestic revenues increased 4.7%, to ¥171.0 billion, and overseas revenues decreased 0.8%, to ¥30.6 billion. This segment comprises pipes, valves and industrial castings.

In the domestic market, although demand for ductile iron pipes and plastic pipes was lackluster, sales of these products stayed at the same level as the prior year owing to the price-raising. On the contrary, sales of industrial castings increased substantially due to sales increase of ductile tunnel segment and products for steel and petrochemical industries.

In overseas markets, sales of industrial castings for steel and petrochemical industries continued to increase largely owing to high levels of private-sector capital expenditures, while sales of ductile iron pipes decreased.

## **3) Environmental Engineering**

Revenues in Environmental Engineering decreased 21.8%, to ¥70.9 billion from the prior year, comprising 6.1% of consolidated revenues. Domestic revenues decreased 24.9%, to ¥64.9 billion, and overseas revenues increased 43.6%, to ¥5.9 billion. This segment consists of environmental control plants and pumps.

In the domestic market, sales of the Water & Sewage Engineering products, the Waste Engineering products and Pumps decreased due to the decline in public sector demand and the drop in sales prices accompanying more intense competition. In addition, the suspension of designated pre-approved supplier resulted from compliance issues and the discontinuation of a part of operations negatively impacted revenues of this segment.

In overseas markets, sales of pumps increased substantially from the prior year.

## **4) Other**

Revenues in Other decreased 7.7%, to ¥88.4 billion from the prior year, comprising 7.7% of consolidated revenues. Domestic revenues decreased 7.7%, to ¥87.9 billion, and overseas revenues increased 2.2%, to ¥0.5 billion. This segment comprises vending machines, electronic-equipped machinery, air-conditioning equipment, construction, septic tanks, condominiums and other business.

Sales of vending machine increased due to a sales increase of cigarettes-vending machine with the function of age-identification, however sales of construction, air-conditioning equipment, septic tanks decreased. In addition, sales of condominiums in the second half of the fiscal year were absent because shares of a subsidiary which conducted condominium business were partially sold and the subsidiary changed into an affiliated Company. As a consequence, total revenues of this segment decreased from the prior year.

### **(3) Prospect for the Next Fiscal Year**

The Company forecasts consolidated revenues for the year ending March 31, 2009 at ¥1,120.0 billion, ¥34.6 billion lower than the year under review. In the domestic market, revenues in Environmental Engineering are expected to be the same level as the year under review. However, revenues in Internal Combustion Engine and Machinery, Pipes, Valves, and Industrial Castings and Other are forecast to decrease. As a result, total domestic revenues are forecast to decrease from the year under review. In overseas markets, although revenues in Pipes, Valves, and Industrial Castings, and Environmental Engineering are expected to increase from the year under review, revenues in Internal Combustion Engine and Machinery are forecast to decrease. As a result, total overseas revenues are forecast to decrease from the year under review.

The Company forecasts operating income of ¥110.0 billion, a decrease of ¥26.9 billion from the year under review, mainly due to appreciation of yen and sharp price hike of raw materials.

The Company expects income from continuing operation before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies for the next fiscal year to be ¥110.0 billion, a decrease of ¥12.6 billion from the year under review. Net income is forecast to be ¥63.0 billion, a decrease of ¥5.0 billion from the year under review. (The forecasts are based on the assumption of an exchange rate of ¥101=US\$1.)

## **2. Financial condition**

### **(1) Assets, liabilities and shareholders' equity**

Total assets at the end of March 2008 amounted to ¥1,464.3 billion, decrease of ¥38.3 billion from the end of the prior year. As for assets, the notes and accounts receivable decreased, and short- and long-term finance receivables increased resulting from business expansion in Internal Combustion Engine and Machinery. Other investments decreased due to a decrease in unrealized gains on securities.

Regarding liabilities, interest-bearing debt increased associated with an increase in short- and long-term finance receivables, while trade notes payable, trade accounts payable and income taxes payable substantially decreased. Due to a decline in stock market prices, accrued retirement and pension costs increased largely and deferred tax liabilities also decreased and resulted in a decrease in other long-term liabilities. As for shareholders' equity, total shareholders' equity decreased due to a decrease in accumulated other comprehensive income resulted mainly from a decrease in unrealized gains on securities. Shareholders' equity ratio was 44.3%, 0.4 percentage points higher than the prior year end.

### **(2) Cash flows**

Net cash provided by operating activities during the year under review was ¥90.1 billion, a decrease of ¥6.7 billion from the prior year. Although the notes and accounts receivable decreased largely, total net cash provided by operating activities decreased from the prior year due to a large decrease in notes and accounts payables, a decrease in income taxes payable, and an increase in other current assets.

Net cash used in investing activities was ¥72.3 billion, a decrease of ¥17.7 billion from the prior year. Although purchases of fixed assets were almost same level as the prior year, total net cash used in investing activities decreased largely due to an increase in collection of finance receivables in Internal Combustion Engine and Machinery.

Net cash used in financing activities was ¥11.7 billion, a decrease of ¥5.2 billion from the prior year. Although repayment of short-term borrowings and cash dividends increased, borrowing of long-term debt increased. Consequently, net cash used in investing activities slightly decreased.

As a result, including the effect of exchange rate, cash and cash equivalents at the end of March 2008 were ¥88.8 billion, an increase of ¥6.2 billion from the prior year.

Reference Cash flow indices

|                                                                          | Year ended<br>March 31, 2008 | Year ended<br>March 31, 2007 |
|--------------------------------------------------------------------------|------------------------------|------------------------------|
| Equity ratio (%)                                                         | 44.3                         | 43.9                         |
| Equity ratio based on market capitalization (%)                          | 54.1                         | 88.8                         |
| Interest-bearing debt / Net cash provided by operating activities (year) | 4.0                          | 3.6                          |
| Interest coverage ratio (times)                                          | 7.0                          | 8.8                          |

Notes.

Equity ratio : shareholders' equity / total assets

Equity ratio based on market capitalization : market capitalization / total assets

Interest coverage ratio : cash flows provided by operating activities / interest paid

Each ratio is calculated based on the figures in the consolidated financial statements. Market capitalization is calculated based on closing price at the end of the fiscal year multiplied by the number of shares outstanding at the end of fiscal year, excluding treasury stock. Net cash provided by operating activities are the amount of operating cash flows in the consolidated statements of cash flows. Interest-bearing debt includes short-term borrowings, current portion of long-term debt, and long-term debt in the consolidated balance sheets. Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

### 3. Matter concerning profit allocation

#### **(1) Basic policy related to the Company's profit allocation**

The Company's basic policy for the return of profit to shareholders is to maintain stable dividends or raise dividends together with share buy-back and retirement of treasury stock. The Company recognizes returning profit to shareholders is one of the most important missions and will strive to expand it, considering requirements of maintaining sound business operations as well as adapting to the future business environment.

#### **(2) Matter concerning profit allocation for this fiscal year and next fiscal year**

The Company has decided to pay ¥40 per ADS as year-end cash dividends. Accordingly, including the interim dividend of ¥30 per ADS already paid, the total dividends for the entire fiscal year will be ¥70 per ADS, which will be ¥10 per ADS higher than the prior year.

In accordance with the previously described basic policy related to the Company's profit allocation of maintaining stable dividends or raising dividends, the Company is considering paying cash dividends per ADS for the next fiscal year equivalent to, or more of, the year under review (¥70 per ADS). Specific amount will be decided based on the development of business performance in the next fiscal year.

During the year under review the Company purchased 10.93 million of its own shares (¥8.0 billion) on market and retired 6 million of treasury stock (¥4.4 billion).

## **2. Management Policies**

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

More than a century since its founding, 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. The Company has its management principle that the Company contributes to the development of society and the preservation of the earth's environment through its products, technology, and services that provide the foundation for society and for affluent lifestyles. While adhering to this management principle, the Company is implementing management policies that are focused on prioritizing allocation of its resources, emphasizing agility in its operations and strengthening consolidated operations. Through these measures, the Company aims to improve its adaptability to respond with flexibility to the changing times, resulting in a high enterprise value.

### **2. Principal Business Policies for Medium- to Long-Term Growth in Profit**

To achieve further development and steady increases in enterprise value, the Company is actively addressing the following management issues.

#### **(1)Accelerating Global Development**

The Company is working to accelerate the development of its overseas operations not only in Internal Combustion Engine and Machinery but also in other segments. Although there has been temporary deterioration in certain circumstances, including adverse movements in foreign exchange rates and concern about recession in the U.S. economy, the Company is continuing to prioritize inputs of management resources and accelerate the growth of overseas business activities through strengthening the competitiveness of its products and bolstering its business structure.

In Internal Combustion Engine and Machinery, the Company is expanding the diversity of its product portfolio by widening the scope of the product lineup and introducing products based on new concepts. At the same time, by offering products and services suited to the market environment of various regions, including North America, Europe, Asia, and elsewhere, the Company is promoting the diversification and dispersal of its revenues by region. In addition, the Company is working to develop its positions in newly emerging markets and thereby build its presence in future growth markets.

In other segments, including Pipes, Valves, and Industrial Castings, the Company is pursuing business opportunities in such fields as “water” and “the natural environment,” where solutions are needed on a global scale.

#### **(2)Restructuring Domestic Operations**

The Company's domestic operations confront an extremely challenging business environment as demand in many businesses is continuing to decline and raw material prices have risen and remain at high levels. To respond effectively to this business environment, the Company is taking drastic initiatives to restructure its domestic operations.

In Pipes, Valves, and Industrial Castings, to overcome current difficulties and enhance profitability, the Company is adopting thoroughgoing measures to increase the efficiency of its marketing activities and reduce fixed costs as well as take even stronger steps to lower variable costs and increase productivity. The objectives of these measures include lowering the break-even point and mounting full-scale initiatives to expand revenues from the private sector.

In Environmental Engineering, the Company is engaged in a strong drive to concentrate on its core competencies and shift to new business models. Specific examples of activities include focusing principal business domains on the “water”-related fields, and, by developing private-sector markets, escape from overdependence on



public-sector demand, as well as shift from the plant engineering business to expanding revenues from the sale of equipment and the provision of installation services.

Also, in Internal Combustion Engine and Machinery, the Company is endeavoring to steadily strengthen its business position through the substantial cutting of costs in all process phases from production through marketing.

**(3)Promoting Management Based on Corporate Social Responsibility (CSR)**

The Company conducts its business activities with the awareness that management with a CSR perspective is one of the most important of its business policies. The Company believes that its sustainable growth and development as well as continuing growth in earning power will only be realizable if it contributes to the development of society and the preservation of the natural environment. Based on this awareness, in conducting its activities, the Company works to respond to the expectations and trust of its many stakeholders as a global corporate citizen by being strongly conscious of the multitude of responsibilities it must fulfill toward the economy, society, and the natural environment.

**(4)Reforming Corporate Governance**

The Company intends to introduce "Corporate Officers System" from April 2009, for the purpose of strengthening the soundness of corporate management and responding to the rapidly changing business environment surrounding the Company with agility and felicity.

**< Cautionary Statements with Respect to Forward-Looking Statements >**

This document may contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company's markets, particularly government agricultural policies, levels of capital expenditures, both in public and private sectors, foreign currency exchange rates, continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain acceptance of its products.

**Consolidated Statements of Income**

(In millions of yen)

|                                                                                                                                                               | Year ended<br>March 31, 2008 |       | Year ended<br>March 31, 2007 |       | Change   |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------|------------------------------|-------|----------|--------|
|                                                                                                                                                               | Amount                       | %     | Amount                       | %     | Amount   | %      |
| Revenues                                                                                                                                                      | 1,154,574                    | 100.0 | 1,127,456                    | 100.0 | 27,118   | 2.4    |
| Cost of revenues                                                                                                                                              | 824,093                      | 71.4  | 794,687                      | 70.5  | 29,406   | 3.7    |
| Selling, general, and administrative expenses                                                                                                                 | 192,935                      | 16.7  | 199,356                      | 17.7  | (6,421)  | (3.2)  |
| Loss from disposal and impairment of businesses<br>and fixed assets                                                                                           | 671                          | 0.0   | 3,066                        | 0.2   | (2,395)  | (78.1) |
| Operating income                                                                                                                                              | 136,875                      | 11.9  | 130,347                      | 11.6  | 6,528    | 5.0    |
| Other income (expenses):                                                                                                                                      |                              |       |                              |       |          |        |
| Interest and dividend income                                                                                                                                  | 4,472                        |       | 3,283                        |       | 1,189    |        |
| Interest expense                                                                                                                                              | (986)                        |       | (1,219)                      |       | 233      |        |
| Gain on sales of securities-net                                                                                                                               | 704                          |       | 1,313                        |       | (609)    |        |
| Valuation loss on other investments                                                                                                                           | (6,715)                      |       | (524)                        |       | (6,191)  |        |
| Foreign exchange loss-net                                                                                                                                     | (9,043)                      |       | (442)                        |       | (8,601)  |        |
| Other-net                                                                                                                                                     | (2,730)                      |       | (1,193)                      |       | (1,537)  |        |
| Other income (expenses), net                                                                                                                                  | (14,298)                     |       | 1,218                        |       | (15,516) |        |
| Income from continuing operations before income taxes,<br>minority interests in earnings of subsidiaries,<br>and equity in net income of affiliated companies | 122,577                      | 10.6  | 131,565                      | 11.7  | (8,988)  | (6.8)  |
| Income taxes:                                                                                                                                                 |                              |       |                              |       |          |        |
| Current                                                                                                                                                       | 43,929                       |       | 48,008                       |       | (4,079)  |        |
| Deferred                                                                                                                                                      | 4,115                        |       | 953                          |       | 3,162    |        |
| Total income taxes                                                                                                                                            | 48,044                       |       | 48,961                       |       | (917)    |        |
| Minority interests in earnings of subsidiaries                                                                                                                | 6,790                        |       | 6,214                        |       | 576      |        |
| Equity in net income of affiliated companies                                                                                                                  | 94                           |       | 1,353                        |       | (1,259)  |        |
| Income from continuing operations                                                                                                                             | 67,837                       | 5.9   | 77,743                       | 6.9   | (9,906)  | (12.7) |
| Income (loss) from discontinued operations, net of taxes                                                                                                      | 189                          |       | (1,286)                      |       | 1,475    |        |
| Net income                                                                                                                                                    | 68,026                       | 5.9   | 76,457                       | 6.8   | (8,431)  | (11.0) |

## Consolidated Balance Sheets

Assets

(In millions of yen)

|                                                       | March 31, 2008 |       | March 31, 2007 |       | Change     |
|-------------------------------------------------------|----------------|-------|----------------|-------|------------|
|                                                       | Amount         | %     | Amount         | %     | Amount     |
| <b>Current assets:</b>                                |                |       |                |       |            |
| Cash and cash equivalents                             | 88,784         |       | 82,601         |       | 6,183      |
| Notes and accounts receivable:                        |                |       |                |       |            |
| Trade notes                                           | 70,645         |       | 82,491         |       | ( 11,846 ) |
| Trade accounts                                        | 209,275        |       | 235,728        |       | ( 26,453 ) |
| Less: Allowance for doubtful receivables              | ( 1,983 )      |       | ( 2,011 )      |       | 28         |
| Total receivables, net                                | 277,937        |       | 316,208        |       | ( 38,271 ) |
| Short-term finance receivables                        | 113,409        |       | 97,798         |       | 15,611     |
| Inventories                                           | 206,220        |       | 205,658        |       | 562        |
| Interest in sold receivables                          | 77,767         |       | 74,247         |       | 3,520      |
| Other current assets                                  | 58,521         |       | 40,588         |       | 17,933     |
| Total current assets                                  | 822,638        | 56.2  | 817,100        | 54.4  | 5,538      |
| <b>Investments and long-term finance receivables:</b> |                |       |                |       |            |
| Investments in and advances to affiliated companies   | 13,646         |       | 13,754         |       | ( 108 )    |
| Other investments                                     | 145,322        |       | 215,130        |       | ( 69,808 ) |
| Long-term finance receivables                         | 191,523        |       | 170,031        |       | 21,492     |
| Total investments and long-term finance receivables   | 350,491        | 23.9  | 398,915        | 26.5  | ( 48,424 ) |
| <b>Property, plant, and equipment:</b>                |                |       |                |       |            |
| Land                                                  | 92,208         |       | 90,416         |       | 1,792      |
| Buildings                                             | 211,570        |       | 208,529        |       | 3,041      |
| Machinery and equipment                               | 372,425        |       | 362,732        |       | 9,693      |
| Construction in progress                              | 6,225          |       | 8,216          |       | ( 1,991 )  |
| Total                                                 | 682,428        |       | 669,893        |       | 12,535     |
| Accumulated depreciation                              | ( 444,355 )    |       | ( 432,247 )    |       | ( 12,108 ) |
| Net property, plant, and equipment                    | 238,073        | 16.3  | 237,646        | 15.8  | 427        |
| <b>Other assets</b>                                   | 53,068         | 3.6   | 48,871         | 3.3   | 4,197      |
| <b>Total</b>                                          | 1,464,270      | 100.0 | 1,502,532      | 100.0 | ( 38,262 ) |

**Consolidated Balance Sheets**

Liabilities and shareholders' equity

(In millions of yen)

|                                                     | March 31, 2008 |       | March 31, 2007 |       | Change     |
|-----------------------------------------------------|----------------|-------|----------------|-------|------------|
|                                                     | Amount         | %     | Amount         | %     | Amount     |
| <b>Current liabilities:</b>                         |                |       |                |       |            |
| Short-term borrowings                               | 113,087        |       | 128,365        |       | ( 15,278 ) |
| Trade notes payable                                 | 21,232         |       | 30,487         |       | ( 9,255 )  |
| Trade accounts payable                              | 191,042        |       | 206,808        |       | ( 15,766 ) |
| Advances received from customers                    | 4,748          |       | 3,699          |       | 1,049      |
| Notes and accounts payable for capital expenditures | 15,436         |       | 20,895         |       | ( 5,459 )  |
| Accrued payroll costs                               | 27,680         |       | 28,277         |       | ( 597 )    |
| Accrued expenses                                    | 32,608         |       | 32,498         |       | 110        |
| Income taxes payable                                | 12,908         |       | 23,945         |       | ( 11,037 ) |
| Other current liabilities                           | 34,744         |       | 30,280         |       | 4,464      |
| Current portion of long-term debt                   | 65,976         |       | 71,429         |       | ( 5,453 )  |
| Total current liabilities                           | 519,461        | 35.5  | 576,683        | 38.4  | ( 57,222 ) |
| <b>Long-term liabilities:</b>                       |                |       |                |       |            |
| Long-term debt                                      | 183,945        |       | 150,105        |       | 33,840     |
| Accrued retirement and pension costs                | 43,790         |       | 27,306         |       | 16,484     |
| Other long-term liabilities                         | 25,747         |       | 52,732         |       | ( 26,985 ) |
| Total long-term liabilities                         | 253,482        | 17.3  | 230,143        | 15.3  | 23,339     |
| <b>Minority interests</b>                           | 43,230         | 2.9   | 36,069         | 2.4   | 7,161      |
| <b>Shareholders' equity:</b>                        |                |       |                |       |            |
| Common stock                                        | 84,070         |       | 84,070         |       | —          |
| Capital surplus                                     | 93,150         |       | 93,150         |       | —          |
| Legal reserve                                       | 19,539         |       | 19,539         |       | —          |
| Retained earnings                                   | 423,927        |       | 376,815        |       | 47,112     |
| Accumulated other comprehensive income              | 31,177         |       | 86,247         |       | ( 55,070 ) |
| Treasury stock                                      | ( 3,766 )      |       | ( 184 )        |       | ( 3,582 )  |
| Total shareholders' equity                          | 648,097        | 44.3  | 659,637        | 43.9  | ( 11,540 ) |
| <b>Total</b>                                        | 1,464,270      | 100.0 | 1,502,532      | 100.0 | ( 38,262 ) |

**Consolidated Statements of Comprehensive Income**

(In millions of yen)

|                                                | Year ended March 31, 2008 | Year ended March 31, 2007 | Change     |
|------------------------------------------------|---------------------------|---------------------------|------------|
| Net income                                     | 68,026                    | 76,457                    | ( 8,431 )  |
| Other comprehensive income (loss), net of tax: |                           |                           |            |
| Foreign currency translation adjustments       | ( 1,425 )                 | 4,670                     | ( 6,095 )  |
| Unrealized losses on securities                | ( 36,834 )                | ( 13,607 )                | ( 23,227 ) |
| Pension liability adjustments                  | ( 16,326 )                |                           | ( 16,326 ) |
| Unrealized losses on derivatives               | ( 485 )                   | ( 244 )                   | ( 241 )    |
| Other comprehensive loss                       | ( 55,070 )                | ( 9,181 )                 | ( 45,889 ) |
| Comprehensive income                           | 12,956                    | 67,276                    | ( 54,320 ) |

**Consolidated Statements of Shareholders' Equity**

(In millions of yen)

|                                              | Shares of<br>common stock<br>outstanding<br>(thousands) | Common<br>stock | Capital<br>surplus | Legal<br>reserve | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Treasury<br>stock |
|----------------------------------------------|---------------------------------------------------------|-----------------|--------------------|------------------|----------------------|--------------------------------------------------------|-------------------|
| Balance, April 1, 2006                       | 1,299,488                                               | 84,070          | 93,150             | 19,539           | 323,116              | 86,769                                                 | ( 160 )           |
| Net income                                   |                                                         |                 |                    |                  | 76,457               |                                                        |                   |
| Other comprehensive loss                     |                                                         |                 |                    |                  |                      | ( 9,181 )                                              |                   |
| Adjustment to initially apply<br>SFAS No.158 |                                                         |                 |                    |                  |                      | 8,659                                                  |                   |
| Cash dividends, \55 per ADS                  |                                                         |                 |                    |                  | ( 14,274 )           |                                                        |                   |
| Purchases of treasury stock                  | ( 7,975 )                                               |                 |                    |                  |                      |                                                        | ( 8,508 )         |
| Retirement of treasury stock                 |                                                         |                 |                    |                  | ( 8,484 )            |                                                        | 8,484             |
| Balance, March 31, 2007                      | 1,291,513                                               | 84,070          | 93,150             | 19,539           | 376,815              | 86,247                                                 | ( 184 )           |
| Cumulative effect of applying<br>FIN 48      |                                                         |                 |                    |                  | 261                  |                                                        |                   |
| Net income                                   |                                                         |                 |                    |                  | 68,026               |                                                        |                   |
| Other comprehensive loss                     |                                                         |                 |                    |                  |                      | ( 55,070 )                                             |                   |
| Cash dividends, \65 per ADS                  |                                                         |                 |                    |                  | ( 16,777 )           |                                                        |                   |
| Purchases of treasury stock                  | ( 10,909 )                                              |                 |                    |                  |                      |                                                        | ( 7,980 )         |
| Retirement of treasury stock                 |                                                         |                 |                    |                  | ( 4,398 )            |                                                        | 4,398             |
| Balance, March 31, 2008                      | 1,280,604                                               | 84,070          | 93,150             | 19,539           | 423,927              | 31,177                                                 | ( 3,766 )         |

## Consolidated Statements of Cash Flows

(In millions of yen)

|                                                              | Year ended<br>March 31, 2008 | Year ended<br>March 31, 2007 | Change    |
|--------------------------------------------------------------|------------------------------|------------------------------|-----------|
| <b>Operating activities:</b>                                 |                              |                              |           |
| Net income                                                   | 68,026                       | 76,457                       |           |
| Depreciation and amortization                                | 30,565                       | 27,097                       |           |
| Gain on sales of securities-net                              | ( 704 )                      | ( 1,313 )                    |           |
| Gain on nonmonetary exchange of securities                   |                              | ( 997 )                      |           |
| Valuation loss on other investments                          | 6,715                        | 524                          |           |
| Loss from disposal of fixed asset                            | 925                          | 1,172                        |           |
| Minority interests in earnings of subsidiaries               | 6,790                        | 6,214                        |           |
| Equity in net income of affiliated companies                 | ( 94 )                       | ( 1,353 )                    |           |
| Deferred income taxes                                        | 4,115                        | 953                          |           |
| Decrease in notes and accounts receivable                    | 31,750                       | 35                           |           |
| Increase in inventories                                      | ( 6,656 )                    | ( 24,255 )                   |           |
| Increase in other current assets                             | ( 20,072 )                   | ( 3,935 )                    |           |
| Increase (decrease) in trade notes and accounts payable      | ( 23,311 )                   | 11,999                       |           |
| Increase (decrease) in income taxes payable                  | ( 10,842 )                   | 11,305                       |           |
| Increase in other current liabilities                        | 7,539                        | 5,085                        |           |
| Decrease in accrued retirement and pension costs             | ( 10,998 )                   | ( 10,942 )                   |           |
| Other                                                        | 6,362                        | ( 1,216 )                    |           |
| Net cash provided by operating activities                    | 90,110                       | 96,830                       | ( 6,720 ) |
| <b>Investing activities:</b>                                 |                              |                              |           |
| Purchases of fixed assets                                    | ( 35,735 )                   | ( 34,286 )                   |           |
| Purchases of investments and change in advances              | 3,337                        | ( 1,311 )                    |           |
| Proceeds from sales of property, plant, and equipment        | 115                          | 3,709                        |           |
| Proceeds from sales of investments                           | 490                          | 2,391                        |           |
| Increase in finance receivables                              | ( 196,494 )                  | ( 190,098 )                  |           |
| Collection of finance receivables                            | 155,202                      | 129,442                      |           |
| Other                                                        | 741                          | 146                          |           |
| Net cash used in investing activities                        | ( 72,344 )                   | ( 90,007 )                   | 17,663    |
| <b>Financing activities:</b>                                 |                              |                              |           |
| Proceeds from issuance of long-term debt                     | 113,962                      | 86,434                       |           |
| Repayments of long-term debt                                 | ( 84,895 )                   | ( 73,654 )                   |           |
| Net decrease in short-term borrowings                        | ( 15,840 )                   | ( 5,937 )                    |           |
| Cash dividends                                               | ( 16,777 )                   | ( 14,274 )                   |           |
| Purchases of treasury stock                                  | ( 7,997 )                    | ( 8,515 )                    |           |
| Other                                                        | ( 133 )                      | ( 889 )                      |           |
| Net cash used in financing activities                        | ( 11,680 )                   | ( 16,835 )                   | 5,155     |
| Effect of exchange rate changes on cash and cash equivalents | 97                           | 755                          | ( 658 )   |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 6,183                        | ( 9,257 )                    |           |
| <b>Cash and cash equivalents, beginning of year</b>          | 82,601                       | 91,858                       |           |
| <b>Cash and cash equivalents, end of year</b>                | 88,784                       | 82,601                       | 6,183     |

(In millions of yen)

|                                |        |        |        |
|--------------------------------|--------|--------|--------|
| Notes:                         |        |        |        |
| Cash paid during the year for: |        |        |        |
| Interest                       | 12,875 | 11,066 | 1,809  |
| Income taxes                   | 56,535 | 36,733 | 19,802 |

**Consolidated Segment Information**

**(1) Information by industry segments**

Year ended March 31, 2008

(In millions of yen)

|                                            |                        | Internal<br>Combustion<br>Engine &<br>Machinery | Pipes, Valves,<br>& Industrial<br>Castings | Environmental<br>Engineering | Other   | Total     | Corporate<br>&<br>Eliminations | Consolidated |
|--------------------------------------------|------------------------|-------------------------------------------------|--------------------------------------------|------------------------------|---------|-----------|--------------------------------|--------------|
| Revenues                                   | Unaffiliated customers | 793,654                                         | 201,599                                    | 70,878                       | 88,443  | 1,154,574 | —                              | 1,154,574    |
|                                            | Intersegment           | 16                                              | 485                                        | 97                           | 15,551  | 16,149    | ( 16,149 )                     | —            |
|                                            | Total                  | 793,670                                         | 202,084                                    | 70,975                       | 103,994 | 1,170,723 | ( 16,149 )                     | 1,154,574    |
| Cost of revenues and<br>operating expenses |                        | 660,709                                         | 186,849                                    | 75,997                       | 95,427  | 1,018,982 | ( 1,283 )                      | 1,017,699    |
| Operating income (loss)                    |                        | 132,961                                         | 15,235                                     | ( 5,022 )                    | 8,567   | 151,741   | ( 14,866 )                     | 136,875      |
| Identifiable assets<br>at March 31, 2008   |                        | 932,231                                         | 192,433                                    | 59,149                       | 79,796  | 1,263,609 | 200,661                        | 1,464,270    |
| Depreciation                               |                        | 19,791                                          | 6,341                                      | 547                          | 1,347   | 28,026    | 2,093                          | 30,119       |
| Loss from impairment                       |                        | 8                                               | 114                                        |                              | —       | 122       | 15                             | 137          |
| Capital expenditures                       |                        | 26,798                                          | 5,251                                      | 591                          | 1,794   | 34,434    | 729                            | 35,163       |

Year ended March 31, 2007

(In millions of yen)

|                                            |                        | Internal<br>Combustion<br>Engine &<br>Machinery | Pipes, Valves,<br>& Industrial<br>Castings | Environmental<br>Engineering | Other   | Total     | Corporate<br>&<br>Eliminations | Consolidated |
|--------------------------------------------|------------------------|-------------------------------------------------|--------------------------------------------|------------------------------|---------|-----------|--------------------------------|--------------|
| Revenues                                   | Unaffiliated customers | 746,808                                         | 194,224                                    | 90,613                       | 95,811  | 1,127,456 | —                              | 1,127,456    |
|                                            | Intersegment           | 22                                              | 768                                        | 340                          | 16,893  | 18,023    | ( 18,023 )                     | —            |
|                                            | Total                  | 746,830                                         | 194,992                                    | 90,953                       | 112,704 | 1,145,479 | ( 18,023 )                     | 1,127,456    |
| Cost of revenues and<br>operating expenses |                        | 621,926                                         | 172,985                                    | 96,568                       | 105,577 | 997,056   | 53                             | 997,109      |
| Operating income (loss)                    |                        | 124,904                                         | 22,007                                     | ( 5,615 )                    | 7,127   | 148,423   | ( 18,076 )                     | 130,347      |
| Identifiable assets<br>at March 31, 2007   |                        | 862,298                                         | 197,555                                    | 68,742                       | 97,192  | 1,225,787 | 276,745                        | 1,502,532    |
| Depreciation                               |                        | 16,241                                          | 4,776                                      | 590                          | 1,305   | 22,912    | 2,182                          | 25,094       |
| Loss from impairment                       |                        | 12                                              |                                            | 138                          |         | 150       | 298                            | 448          |
| Capital expenditures                       |                        | 30,308                                          | 4,549                                      | 647                          | 1,830   | 37,334    | 7,381                          | 44,715       |

**(2) Information by geographic segments**

Year ended March 31, 2008

(In millions of yen)

|                                         |                        | Japan   | North America | Europe  | Other Areas | Total     | Corporate<br>&<br>Eliminations | Consolidated |
|-----------------------------------------|------------------------|---------|---------------|---------|-------------|-----------|--------------------------------|--------------|
| Revenues                                | Unaffiliated customers | 607,377 | 332,042       | 121,114 | 94,041      | 1,154,574 | —                              | 1,154,574    |
|                                         | Intersegment           | 292,371 | 9,160         | 4,142   | 1,623       | 307,296   | ( 307,296 )                    | —            |
|                                         | Total                  | 899,748 | 341,202       | 125,256 | 95,664      | 1,461,870 | ( 307,296 )                    | 1,154,574    |
| Cost of revenues and operating expenses |                        | 806,786 | 305,194       | 114,224 | 84,252      | 1,310,456 | ( 292,757 )                    | 1,017,699    |
| Operating income                        |                        | 92,962  | 36,008        | 11,032  | 11,412      | 151,414   | ( 14,539 )                     | 136,875      |
| Identifiable assets at March 31, 2008   |                        | 716,207 | 487,654       | 82,992  | 100,196     | 1,387,049 | 77,221                         | 1,464,270    |

Year ended March 31, 2007

(In millions of yen)

|                                         |                        | Japan   | North America | Europe | Other Areas | Total     | Corporate<br>&<br>Eliminations | Consolidated |
|-----------------------------------------|------------------------|---------|---------------|--------|-------------|-----------|--------------------------------|--------------|
| Revenues                                | Unaffiliated customers | 637,881 | 325,188       | 93,603 | 70,784      | 1,127,456 | —                              | 1,127,456    |
|                                         | Intersegment           | 270,392 | 7,392         | 4,570  | 1,273       | 283,627   | ( 283,627 )                    | —            |
|                                         | Total                  | 908,273 | 332,580       | 98,173 | 72,057      | 1,411,083 | ( 283,627 )                    | 1,127,456    |
| Cost of revenues and operating expenses |                        | 810,520 | 297,951       | 89,557 | 62,636      | 1,260,664 | ( 263,555 )                    | 997,109      |
| Operating income                        |                        | 97,753  | 34,629        | 8,616  | 9,421       | 150,419   | ( 20,072 )                     | 130,347      |
| Identifiable assets at March 31, 2007   |                        | 745,943 | 452,994       | 68,868 | 62,544      | 1,330,349 | 172,183                        | 1,502,532    |

**(3) Overseas revenues**

Year ended March 31, 2008

(In millions of yen)

|                                                     | North America | Europe  | Other Areas | Total     |
|-----------------------------------------------------|---------------|---------|-------------|-----------|
| Overseas revenues                                   | 329,495       | 125,388 | 127,455     | 582,338   |
| Consolidated revenues                               |               |         |             | 1,154,574 |
| Ratio of overseas revenues to consolidated revenues | 28.5%         | 10.9%   | 11.0%       | 50.4%     |

Year ended March 31, 2007

(In millions of yen)

|                                                     | North America | Europe | Other Areas | Total     |
|-----------------------------------------------------|---------------|--------|-------------|-----------|
| Overseas revenues                                   | 323,092       | 97,151 | 103,711     | 523,954   |
| Consolidated revenues                               |               |        |             | 1,127,456 |
| Ratio of overseas revenues to consolidated revenues | 28.7%         | 8.6%   | 9.2%        | 46.5%     |



## Fair Value of Other Investments

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 consolidated balance sheets. The following table presents costs, fair values, net unrealized holding gains for securities by major security type at March 31, 2008 and 2007.

(In millions of yen)

|                                             | March 31, 2008 |                |                              | March 31, 2007 |                |                              |
|---------------------------------------------|----------------|----------------|------------------------------|----------------|----------------|------------------------------|
|                                             | Cost           | Fair value     | Net unrealized holding gains | Cost           | Fair value     | Net unrealized holding gains |
| <b>Other Investments (*):</b>               |                |                |                              |                |                |                              |
| Equity securities of financial institutions | 30,813         | 73,257         | 42,444                       | 36,988         | 125,948        | 88,960                       |
| Other equity securities                     | 20,305         | 61,793         | 41,488                       | 21,119         | 77,778         | 56,659                       |
| <b>Total</b>                                | <b>51,118</b>  | <b>135,050</b> | <b>83,932</b>                | <b>58,107</b>  | <b>203,726</b> | <b>145,619</b>               |

(\*) "Other investments" on the Company's consolidated 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 ¥10,272 million and ¥11,404 million, at March 31, 2008 and 2007, respectively.

## Per Common Share Information

(Yen)

|                                       | Year ended<br>March 31, 2008 | Year ended<br>March 31, 2007 |
|---------------------------------------|------------------------------|------------------------------|
| Shareholders' equity per common share | ¥ 506.09                     | ¥ 510.75                     |
| Basic net income per common share     | ¥ 52.80                      | ¥ 59.01                      |
| Diluted net income per common share   | ¥ 52.80                      | ¥ 59.01                      |

A reconciliation of the numerators and denominators of the basic and diluted net income per common share computation is as follows:

### Numerators

(In millions of yen)

|                                      | Year ended<br>March 31, 2008 | Year ended<br>March 31, 2007 |
|--------------------------------------|------------------------------|------------------------------|
| Basic net income                     | ¥ 68,026                     | ¥ 76,457                     |
| Effect of dilutive convertible bonds | —                            | —                            |
| Diluted net income                   | ¥ 68,026                     | ¥ 76,457                     |

### Denominators

(Thousands of shares)

|                                            | Year ended<br>March 31, 2008 | Year ended<br>March 31, 2007 |
|--------------------------------------------|------------------------------|------------------------------|
| Weighted average common shares outstanding | 1,288,337                    | 1,295,750                    |
| Effect of dilutive convertible bonds       | —                            | —                            |
| Diluted common shares outstanding          | 1,288,337                    | 1,295,750                    |

Notes:

1. The United States dollar amounts included herein represent translations using the approximate exchange rate on March 31, 2008, of ¥100 = US\$1, solely for convenience.
2. Each American Depositary Share (“ADS”) represents five common shares.
3. 115 subsidiaries are consolidated.

|                                  |          |                                                                                                                                                                                                                                     |
|----------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Major consolidated subsidiaries: | Domestic | Kubota Construction Co., Ltd.<br>Kubota Credit Co., Ltd.<br>Kubota Environmental Service Co., Ltd.<br>Kubota-C.I. Co., Ltd.                                                                                                         |
|                                  | Overseas | 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. 26 affiliated companies are accounted for under the equity method.

|                             |          |                                                                                                                |
|-----------------------------|----------|----------------------------------------------------------------------------------------------------------------|
| Major affiliated companies: | Domestic | 17 sales companies of farm equipment<br>Kubota Matsushitadenko Exterior Works, Ltd.<br>Kubota Maison Co., Ltd. |
|-----------------------------|----------|----------------------------------------------------------------------------------------------------------------|

On July 27, 2007, the Company announced that the Company and Urbanex Co., Ltd. have reached a basic agreement to transfer all the shares of Kubota Maison Co., Ltd. (“Kubota Maison”) to Urbanex Co., Ltd. On October 1, 2007, the Company transferred 70% shares of Kubota Maison in accordance with the agreement. As a result of the transfer, Kubota Maison was excluded from consolidated subsidiaries and became an affiliated company of Kubota Corporation. Kubota Maison will be excluded from affiliated companies by the scheduled transfer of the remaining 30% shares on April 1, 2009.

5. Summary of accounting policies
  - (1) 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 (2).
  - (2) The consolidated segment information is prepared in accordance with a requirement of the Financial Instruments and Exchange Act in Japan. This disclosure is not consistent with SFAS No.131, “Disclosures about Segments of an Enterprise and Related Information”.
6. The Company adopted the FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109”, as of April 1, 2007. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertainty in income tax return. The adoption of this interpretation did not have a material impact on the Company’s consolidated results of operations and financial position.
7. The consolidated financial reports for the prior year have been reclassified to conform to the presentation for the year ended March 31, 2008.

**Consolidated Revenues by Industry Segment**

(In millions of yen)

|                                          | Year ended<br>March 31, 2008 |              | Year ended<br>March 31, 2007 |              | Change            |                 |
|------------------------------------------|------------------------------|--------------|------------------------------|--------------|-------------------|-----------------|
|                                          | Amount                       | %            | Amount                       | %            | Amount            | %               |
| Farm Equipment and Engines               | <b>677,074</b>               | <b>58.6</b>  | <b>643,214</b>               | <b>57.1</b>  | <b>33,860</b>     | <b>5.3</b>      |
| Domestic                                 | 218,828                      |              | 228,155                      |              | ( 9,327 )         | ( 4.1 )         |
| Overseas                                 | 458,246                      |              | 415,059                      |              | 43,187            | 10.4            |
| Construction Machinery                   | <b>116,580</b>               | <b>10.1</b>  | <b>103,594</b>               | <b>9.2</b>   | <b>12,986</b>     | <b>12.5</b>     |
| Domestic                                 | 29,488                       |              | 30,122                       |              | ( 634 )           | ( 2.1 )         |
| Overseas                                 | 87,092                       |              | 73,472                       |              | 13,620            | 18.5            |
| Internal Combustion Engine and Machinery | <b>793,654</b>               | <b>68.7</b>  | <b>746,808</b>               | <b>66.3</b>  | <b>46,846</b>     | <b>6.3</b>      |
| Domestic                                 | 248,316                      | 21.5         | 258,277                      | 22.9         | ( 9,961 )         | ( 3.9 )         |
| Overseas                                 | 545,338                      | 47.2         | 488,531                      | 43.4         | 56,807            | 11.6            |
| Pipes and Valves                         | <b>151,846</b>               | <b>13.2</b>  | <b>155,320</b>               | <b>13.8</b>  | <b>( 3,474 )</b>  | <b>( 2.2 )</b>  |
| Domestic                                 | 144,949                      |              | 143,485                      |              | 1,464             | 1.0             |
| Overseas                                 | 6,897                        |              | 11,835                       |              | ( 4,938 )         | ( 41.7 )        |
| Industrial Castings                      | <b>49,753</b>                | <b>4.3</b>   | <b>38,904</b>                | <b>3.4</b>   | <b>10,849</b>     | <b>27.9</b>     |
| Domestic                                 | 26,100                       |              | 19,949                       |              | 6,151             | 30.8            |
| Overseas                                 | 23,653                       |              | 18,955                       |              | 4,698             | 24.8            |
| Pipes, Valves, and Industrial Castings   | <b>201,599</b>               | <b>17.5</b>  | <b>194,224</b>               | <b>17.2</b>  | <b>7,375</b>      | <b>3.8</b>      |
| Domestic                                 | 171,049                      | 14.8         | 163,434                      | 14.5         | 7,615             | 4.7             |
| Overseas                                 | 30,550                       | 2.7          | 30,790                       | 2.7          | ( 240 )           | ( 0.8 )         |
| Environmental Engineering                | <b>70,878</b>                | <b>6.1</b>   | <b>90,613</b>                | <b>8.0</b>   | <b>( 19,735 )</b> | <b>( 21.8 )</b> |
| Domestic                                 | 64,934                       | 5.6          | 86,475                       | 7.6          | ( 21,541 )        | ( 24.9 )        |
| Overseas                                 | 5,944                        | 0.5          | 4,138                        | 0.4          | 1,806             | 43.6            |
| Building Materials and Housing           | <b>9,931</b>                 | <b>0.9</b>   | <b>17,247</b>                | <b>1.5</b>   | <b>( 7,316 )</b>  | <b>( 42.4 )</b> |
| Domestic                                 | 9,931                        |              | 17,247                       |              | ( 7,316 )         | ( 42.4 )        |
| Other                                    | <b>78,512</b>                | <b>6.8</b>   | <b>78,564</b>                | <b>7.0</b>   | <b>( 52 )</b>     | <b>( 0.1 )</b>  |
| Domestic                                 | 78,006                       |              | 78,069                       |              | ( 63 )            | ( 0.1 )         |
| Overseas                                 | 506                          |              | 495                          |              | 11                | 2.2             |
| Other                                    | <b>88,443</b>                | <b>7.7</b>   | <b>95,811</b>                | <b>8.5</b>   | <b>( 7,368 )</b>  | <b>( 7.7 )</b>  |
| Domestic                                 | 87,937                       | 7.7          | 95,316                       | 8.5          | ( 7,379 )         | ( 7.7 )         |
| Overseas                                 | 506                          | 0.0          | 495                          | 0.0          | 11                | 2.2             |
| <b>Total</b>                             | <b>1,154,574</b>             | <b>100.0</b> | <b>1,127,456</b>             | <b>100.0</b> | <b>27,118</b>     | <b>2.4</b>      |
| Domestic                                 | 572,236                      | 49.6         | 603,502                      | 53.5         | ( 31,266 )        | ( 5.2 )         |
| Overseas                                 | 582,338                      | 50.4         | 523,954                      | 46.5         | 58,384            | 11.1            |

**Anticipated Consolidated Revenues by Industry Segment**

(In billions of yen)

|                                          | Year ending<br>March 31, 2009 |       | Year ended<br>March 31, 2008 |       | Change   |          |
|------------------------------------------|-------------------------------|-------|------------------------------|-------|----------|----------|
|                                          | Amount                        | %     | Amount                       | %     | Amount   | %        |
| Domestic                                 | 245.0                         |       | 248.3                        |       | ( 3.3 )  | ( 1.3 )  |
| Overseas                                 | 522.0                         |       | 545.4                        |       | ( 23.4 ) | ( 4.3 )  |
| Internal Combustion Engine and Machinery | 767.0                         | 68.5  | 793.7                        | 68.7  | ( 26.7 ) | ( 3.4 )  |
| Domestic                                 | 169.5                         |       | 171.0                        |       | ( 1.5 )  | ( 0.9 )  |
| Overseas                                 | 36.0                          |       | 30.6                         |       | 5.4      | 17.6     |
| Pipes, Valves, and Industrial Castings   | 205.5                         | 18.3  | 201.6                        | 17.5  | 3.9      | 1.9      |
| Domestic                                 | 65.0                          |       | 65.0                         |       |          |          |
| Overseas                                 | 6.5                           |       | 5.9                          |       | 0.6      | 10.2     |
| Environmental Engineering                | 71.5                          | 6.4   | 70.9                         | 6.1   | 0.6      | 0.8      |
| Domestic                                 | 75.5                          |       | 87.9                         |       | ( 12.4 ) | ( 14.1 ) |
| Overseas                                 | 0.5                           |       | 0.5                          |       | —        | —        |
| Other                                    | 76.0                          | 6.8   | 88.4                         | 7.7   | ( 12.4 ) | ( 14.0 ) |
| Total                                    | 1,120.0                       | 100.0 | 1,154.6                      | 100.0 | ( 34.6 ) | ( 3.0 )  |
| Domestic                                 | 555.0                         | 49.6  | 572.2                        | 49.6  | ( 17.2 ) | ( 3.0 )  |
| Overseas                                 | 565.0                         | 50.4  | 582.4                        | 50.4  | ( 17.4 ) | ( 3.0 )  |

## **Notice of Change of Management**

Effective as of June 20, 2008

### **1) Appointment of new Directors**

| <u>Name</u>    | <u>Current Title</u>                                                                                                                                                 |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tetsu Fukui    | General Manager of Environmental Equipment R&D Center and<br>General Manager of Environmental Consolidated Technology Dept in<br>Environmental Equipment R&D Center. |
| Satoshi Iida   | President of Kubota Europe S.A.S.                                                                                                                                    |
| Shigeru Kimura | General Manager of Finance & Accounting Dept.                                                                                                                        |

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