

KUBOTA CORP  
Form 20-F  
September 26, 2007  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**Form 20-F**

---

**.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2007

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

OR

**.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 1-07294

---

# KABUSHIKI KAISHA KUBOTA

(Exact name of registrant as specified in its charter)

---

## KUBOTA CORPORATION

(Translation of registrant's name into English)

JAPAN

(Jurisdiction of incorporation or organization)

2-47, SHIKITSUHIGASHI 1-CHOME, NANIWA-KU, OSAKA, JAPAN

(Address of principal executive offices)

---

### Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange
Common Stock*	on which registered New York Stock Exchange

\* Not for trading, but only in connection with the listing of American Depositary Receipts pursuant to the requirement of the New York Stock Exchange.  
American Depositary Receipts evidence American Depositary Shares, each American Depositary Share representing five shares of the registrant's common stock.

### Securities registered or to be registered pursuant to Section 12(g) of the Act

None

(Title of Class)

### Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

---

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Edgar Filing: KUBOTA CORP - Form 20-F

Title of Class	Outstanding as of	
	March 31, 2007	March 31, 2007
Common stock	(Tokyo Time)	(New York Time)
American Depositary Shares	1,291,919,180 shares	3,711,419 ADS

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If it is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**Table of Contents**TABLE OF CONTENTS

	<b>Page</b>
<u>PART I</u>	
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	1
Item 2. <u>Offer Statistics and Expected Timetable</u>	1
Item 3. <u>Key Information</u>	1
3.A <u>Selected Financial Data</u>	1
3.B <u>Capitalization and Indebtedness</u>	2
3.C <u>Reasons for the Offer and Use of Proceeds</u>	2
3.D <u>Risk Factors</u>	2
Item 4. <u>Information on the Company</u>	6
4.A <u>History and Development of the Company</u>	6
4.B <u>Business Overview</u>	7
4.C <u>Organization Structure</u>	11
4.D <u>Property, Plant and Equipment</u>	12
Item 4A. <u>Unresolved Staff Comments</u>	13
Item 5. <u>Operating and Financial Review and Prospects</u>	14
5.A <u>Operating Results</u>	16
5.B <u>Liquidity and Capital Resources</u>	22
5.C <u>Research and Development, Patents and Licenses, etc</u>	24
5.D <u>Trend Information</u>	25
5.E <u>Off-balance Sheet Arrangements</u>	27
5.F <u>Tabular Disclosure of Contractual Obligations</u>	27
5.G <u>Safe Harbor</u>	28
Item 6. <u>Directors, Senior Management and Employees</u>	29
6.A <u>Directors and Senior Management</u>	29
6.B <u>Compensation</u>	37
6.C <u>Board Practices</u>	37
6.D <u>Employees</u>	38
6.E <u>Share Ownership</u>	38
Item 7. <u>Major Shareholders and Related Party Transactions</u>	39
7.A <u>Major Shareholders</u>	39
7.B <u>Related Party Transactions</u>	39
7.C <u>Interests of Experts and Counsel</u>	39
Item 8. <u>Financial Information</u>	40
8.A <u>Consolidated Statements and Other Financial Information</u>	40
8.B <u>Significant Changes</u>	40
Item 9. <u>The Offer and Listing</u>	41
9.A <u>Offer and Listing Details</u>	41
9.B <u>Plan of Distribution</u>	42
9.C <u>Markets</u>	42
9.D <u>Selling Shareholders</u>	42
9.E <u>Dilution</u>	42
9.F <u>Expenses of the Issue</u>	42
Item 10. <u>Additional Information</u>	43
10.A <u>Share Capital</u>	43
10.B <u>Memorandum and Articles of Association</u>	43
10.C <u>Material Contracts</u>	52

Edgar Filing: KUBOTA CORP - Form 20-F

10.D	<u>Exchange Controls</u>	52
10.E	<u>Taxation</u>	53
10.F	<u>Dividends and Paying Agents</u>	56
10.G	<u>Statement by Experts</u>	56
10.H	<u>Documents on Display</u>	57
10.I	<u>Subsidiary Information</u>	57
Item 11.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	58
Item 12.	<u>Description of Securities other than Equity Securities</u>	59

**Table of Contents**

**PART II**

Item 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	60
Item 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	60
Item 15.	<u>Controls and Procedures</u>	60
Item 16A.	<u>Audit Committee Financial Expert</u>	61
Item 16B.	<u>Code of Ethics</u>	61
Item 16C.	<u>Principal Accountant Fees and Services</u>	62
Item 16D.	<u>Exemptions from the Listing Standards for Audit Committees</u>	63
Item 16E.	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	64

**PART III**

Item 17.	<u>Financial Statements</u>	65
Item 18.	<u>Financial Statements</u>	65
Item 19.	<u>Exhibits</u>	65

All information contained in this Report is as of or for the 12 months ended March 31, 2007 unless otherwise specified.

Unless otherwise specified, Japanese yen amounts in this Report have been translated for convenience into United States dollars at the rate of ¥118= US\$1, the approximate rate of exchange on March 31, 2007, the date of the most recent balance sheet herein.

As used herein, Kubota and the Company refer to Kubota Corporation and its subsidiaries unless the context otherwise indicates.

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on September 4, 2007 was ¥116.21 = US\$1.

The segment information that is disclosed in this Report, with respect to the Company's consolidated financial statements included herein, which is required under the regulations of the Securities and Exchange Law of Japan, is not consistent with accounting principles generally accepted in the United States of America.

<Cautionary Statement with Respect to Forward-Looking Statements>

Certain sections of this annual report on Form 20-F contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as expects, anticipates, believes, scheduled, estimates, variations of these words and similar expressions are intended to identify forward-looking statements which include but are not limited to projections of revenues, earnings, segment performance, cash flows and so forth. 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.

**Table of Contents****PART I****Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

The information required by this item, in addition to those provided below, appears on page 11 of the Financial Section of the Company's 2007 Annual Report to Shareholders included as an Attachment to this Form 20-F.

**A. Selected Financial Data**

	Years ended March 31 (millions of yen)				
	2003	2004	2005	2006	2007
Capital stock	78,156	78,156	78,156	84,070	84,070
Capital expenditures	35,845	21,396	26,097	33,805	44,715
Depreciation and amortization	38,804	27,755	25,808	25,821	27,097
R & D expenses	26,405	23,261	21,963	22,731	22,925
Number of shares outstanding (in thousands)	1,345,450	1,340,197	1,300,413	1,299,488	1,291,513

	Years ended March 31				
	2003	2004	2005	2006	2007
Cash dividends declared per depositary share:					
Interim (in yen)	15	15	15	20	25
(in U.S. dollars)	0.121	0.138	0.136	0.165	0.217
Year-end (in yen)	15	15	25	30	35
(in U.S. dollars)	0.125	0.138	0.233	0.258	0.282
Exchange rates (yen amounts per U.S. dollar):					
Year-end	118.07	104.18	107.22	117.48	117.56
Average	121.10	112.75	107.28	113.67	116.55
High	133.40	120.55	114.30	120.93	121.81
Low	115.71	104.18	102.26	104.41	110.07

2007	Mar.	Apr.	May.	Jun.	Jul.	Aug.
High	118.15	119.84	121.79	124.09	123.34	119.76
Low	116.01	117.69	119.77	121.08	118.41	113.81
Period-end	117.56	119.44	121.76	123.39	119.13	115.83

Notes to Selected Financial Data:

- Cash dividends in U.S. dollars are computed based on the exchange rates at each respective payment date.
- Exchange rates are the noon buying rates for cable transfers between the yen and the U.S. dollar in New York City as certified for customs purposes by the Federal Reserve Bank of New York. The rate on September 4, 2007 was ¥116.21 = US\$1.

---

**Table of Contents**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

**Declines in economic conditions in Kubota's major markets, including private-sector capital expenditure, construction investment, and domestic public investment, may adversely impact the results of operations of the Company.**

Industrial and capital goods make up a substantial portion of the Company's products. Accordingly, revenues of the Company may be sensitive to declines in general economic conditions, including private-sector capital expenditure, construction investment, and domestic public investment. In addition, governmental agricultural policies may affect domestic sales of agriculture-related products. In overseas markets, especially those of North America and Europe, sales of the Company's products, such as utility/compact tractors, may also be adversely affected by declines in general economic conditions, including private consumption and residential construction investment in those regions.

**Fluctuations of foreign exchange rates, including a stronger yen, may reduce revenues and adversely affect the results of operations of the Company.**

The Company has overseas revenues and manufacturing subsidiaries. The financial results of each overseas subsidiary are consolidated into the results of the parent company after translation into Japanese yen. In addition, the transactions between the parent company and overseas subsidiaries or customers are generally denominated in the local currencies. The payments received in local currencies on such transactions are converted to Japanese yen. As a result, fluctuations in foreign exchange rates will affect the consolidated financial results.

**The Company is subject to the risks of international operations.**

In some businesses of the Company, substantial overseas operations are conducted. Accordingly, the Company is subject to a number of risks inherent in doing business in those markets. Such risks may affect revenues and profitability of the Company or they may hinder growth of the Company in specific countries. The following risks are important concerns for the Company:

Unexpected changes in international, or in an individual country's, tax regulations;

unexpected legal or regulatory changes in a country;

difficulties in retaining qualified personnel;

underqualified technological skills or instability between management and employee unions in developing countries; and

political instability in those countries.

The major markets with the previously mentioned risks are markets in the United States, the EU, and Asian countries. Among the United States, the EU, and Asian countries, which are major markets for the Company, risks in Asian countries seem to be relatively higher than those of other regions.



---

## Table of Contents

### The Company utilizes estimates on some accounts in the consolidated financial statements, which may require additional accruals due to unanticipated changes in the basis of assumptions.

The Company appropriately records its employee benefit obligations, valuation of inventories, valuation allowances for deferred tax assets, probability of collection of notes and accounts receivable, impairment losses on long-lived assets, and revenue recognition for long-term contracts in the consolidated financial statements based on the information that it has available. However, these are based on various assumptions about future economic results. If actual results differ from any of these assumptions, unanticipated additional accruals may be required.

### Strategic alliances, mergers, and acquisitions may not generate successful results as planned.

The Company expects to use strategic alliances, mergers, and acquisitions to seek further growth. The success of these activities depends on such factors as the Company's business environment, the ability of its business counterparts, and whether the Company and its counterparts share common goals. Therefore, if these activities are not successful and returns on related investments are lower than expected, the Company may lose competitiveness in relevant markets. Consequently, the Company's profitability may deteriorate.

### The Company may not be able to successfully create new businesses or businesses complementary to the current ones.

As part of its structural renovation, the Company is attempting to cultivate new businesses or businesses that are complementary to the current ones. However, in those markets, there are numerous competitors, and competition will be very harsh. If the Company fails to develop the required personnel or abilities to produce and market appropriate products, subsequent impairment charges may be taken, or there may be a negative impact on the Company's financial position.

### Impairment losses on investments in marketable securities may occur as a result of stock market fluctuations.

As of March 31, 2007, the Company owns securities with a fair value of approximately ¥203.7 billion (\$1,726 million). Most of these securities are equity securities, and, accordingly, depending on stock market fluctuations, unrealized and realized losses may occur.

### In each of its businesses, Kubota is subject to intensifying competitive pressures. The Company must compete successfully to maintain revenues and profits.

The Company is exposed to severe competition in each of its businesses. Unless the Company surpasses other companies in such areas as terms of trade, R&D, and quality, revenues and/or net income may decrease in the future.

### The Company may be required to incur significant financial expenses if its products and services are alleged to have serious defects.

If the Company's products and services are alleged to have serious defects, the Company may have liability for significant damages. Such damages and other associated expenses may have a material effect on the Company's consolidated results of operations and financial position. If such claims are asserted, the Company may lose the confidence of the public and suffer a reduction in its brand value, which may result in decreased revenues or demand for its products.

### The Company is subject to various environmental laws and regulations, and may be required to incur considerable expenses in order to comply with such laws and regulations.

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as those that impose carbon dioxide emission controls, emission controls, and usage restrictions for certain materials which are used in the Company's products, are strengthened or newly established in jurisdictions in which the Company conducts its businesses, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material effect on the Company's consolidated results of operations and financial position. To the extent that the Company determines that it is not economical to continue to comply with such laws and regulations, the Company may have to curtail or discontinue its activities in the affected business areas.

---

## Table of Contents

### The Company may be required to incur significant expenses in connection with environmental damage its activities may allegedly cause.

Claims may arise that the Company's activities have caused environmental contamination, including the release of hazardous materials or air pollution, water pollution, and/or soil contamination. In such an event, the Company may elect or be required to implement costly corrective actions to resolve any issues associated with the release or presence of such hazardous materials or contamination and may face associated litigation. These factors may have a material effect on the Company's consolidated results of operations and financial position.

### The Company may be required to incur significant expenses relevant to asbestos-related issues.

The Company previously manufactured products containing asbestos from 1954 to 2001. The Company may be required to incur various expenses, including payments to the individuals concerned or face lawsuits related to the asbestos-related health hazards of employees (including former employees) who engaged in the manufacturing of products containing asbestos, and residents who lived near the Company's factory at which these products were manufactured. If such expenses become significant or any lawsuits result in judgments unfavorable to the Company, there may be a material adverse effect on the Company's consolidated results of operations, financial position, and its liquidity.

### The Company may experience a material effect on its consolidated results of operations and financial position if it faces issues related to compliance.

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles, and to exert efforts to cause all management and staff of the Group companies not to act in violation of various legal regulations, ethical standards, or internal regulations. However, in the event that compliance issues arise notwithstanding such efforts, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, that could have a material effect on the Company's consolidated results of operations and financial position.

### Damage by Natural Disasters

Japan is a country with frequent earthquakes. In case of a strong earthquake or related tidal wave, the Company may be affected in the operation of its manufacturing, logistics, and sales activities, and may lose revenues and profits depending on the severity of the earthquake or tidal wave. Japan also is hit by typhoons very frequently. In case major plants are struck by a large and powerful typhoon, the Company's operations may suffer great losses.

### In each business segment mentioned below, Kubota is subject to risks inherent to those businesses and markets.

#### Internal Combustion Engine and Machinery Segment

In the business of farm equipment, national agricultural policies which provide subsidies with emphasis on large-scale farmers to make efficient use of agricultural resources such as farming land, agricultural machinery and facilities, may lead farmers to refrain from purchasing new equipment.

In order to compete with other companies, the Company must maintain marketing channels, develop new products that reflect consumers' exact demands, and intensify appropriate after-sales services. In addition, substantial personnel and financing resources are required.

At the same time, the Company is also subject to severe competition in overseas markets including the United States. The pressures of reducing prices or shortening lead times are making business conditions more difficult. Consequently, the Company must take all possible steps to overcome the handicap of exporting products from Japan.

Specifically, it is very important for the Company to promote its retail sales by offering appropriate incentives to its dealers, and to introduce innovative products that address consumers' needs, in advance of its competitors. The Company must continue to promote these operations and to compete with its competitors in overseas markets in order to develop the business. Otherwise, the decrease in revenues may have a material effect on the Company's consolidated results of operations and financial position.

## **Table of Contents**

### **Pipes, Valves, and Industrial Castings Segment**

The business of Pipes and Valves is basically dependent on public sector investments. Therefore, sales and profitability of this segment may be adversely affected by reductions in public investments by national or local governments.

In the business of ductile iron pipes and industrial casting, because of the relatively severe working environment, including the need to handle molten pig iron and steel scraps, it might be difficult to hire and retain qualified new employees. If the Company fails to hire and retain qualified employees, to transfer the manufacturing skills to next- generation, to automate these processes, the Company may face difficulties in continuing its business.

In addition, increasing environmental restrictions on such items as noise, air pollution or bad smells caused by factories may require additional investments to cope with such restrictions and may reduce profitability as a result of an increase in production costs.

Certain of the Company's competitors are located in China or India where personnel costs are extremely low compared with Japan. Accordingly, the Company must continue to reduce production costs. As for export of its products, negative factors such as stronger yen, increased competition in international competitive bidding, increasing cost of freight and insurance, may impair profitability of exportation. Exports of ductile iron pipes, steel castings, and valves are concentrated to the Middle East. If conflicts erupt in this area, the rescission of contracts and bad debts may occur.

Reductions in private capital expenditure or residential construction investment may adversely impact the business, financial condition or results of the Company.

The Company may face difficulties in procuring adequate major raw materials. Especially, the difficulties may arise in obtaining such raw materials as coke, Mg, Mo and Mn, of which China is the largest producer and exporter, due to export restrictions that may be imposed by Chinese government when the Chinese domestic demand for these materials increases substantially. Other raw materials such as steel scraps may also become difficult to obtain sufficiently due to significant increase in the demand from abroad.

### **Environmental Engineering Segment**

In the business of Environmental Engineering, a large portion of the demand depends on public sector investments. If the Company is unable to manage adverse developments such as a decrease in demand due to a reduction in public investments, intensifying competition owing to an increase in competitors, or the need to maintain high quality R&D personnel to develop new technologies, the Company's financial condition or results may be adversely affected. Furthermore, demands on product specification vary from customer to customer, which raise product cost.

### **Other Segment**

Other segment consists of primarily vending machines, electronic-equipped machinery, air-conditioning equipment, septic tanks, condominiums, construction, and other equipments services. While the Company encounters market competition for these products, declining general economic conditions, including reduction in private capital expenditures, construction investment and public investment may also adversely affect the business and financial results of this segment.

**Table of Contents****Item 4. Information on the Company****A. History and Development of the Company**

KUBOTA Corporation (KABUSHIKIKAISHA KUBOTA), the ultimate parent company of the Kubota group, was founded in 1890 by Gonshiro Kubota and incorporated in 1930 under the Commercial Code of Japan. In 1949, stocks of the Company were listed on Tokyo Stock Exchange and Osaka Securities Exchange. In 1976, stocks of the Company were also listed on New York Stock Exchange. Today, Kubota is a manufacturer of farm equipment, and producer of pipes, principally ductile iron pipes, and related equipment for water supply and other utilities. In addition, the Company manufactures and sells other items; engines, construction machinery, industrial castings, industrial machinery, environmental control plants.

The Company's registered office is located at 2-47, Shikitsu Higashi 1-chome, Naniwa-ku, Osaka 556-8601, Japan, telephone +81-6-6648-2111.

The Company's production network primarily comprises 20 plants in Japan and 8 plants in overseas countries. Kubota also has 12 sales subsidiaries in overseas countries.

**Principal Capital Expenditures and Divestitures**

Capital expenditures in fiscal 2007, 2006 and 2005 amounted to ¥44,715 million, ¥33,805 million, and ¥26,097 million, respectively. The funding requirements for these capital expenditures were mainly provided by internal operations, and partially provided by external debt financing.

The principal capital expenditures in progress as of March 31, 2007, 2006, and 2005 were as follows:

**As of March 2007**

<b>Location</b>	<b>Industry segment included</b>	<b>Content</b>	<b>Estimated amount of</b>	
			<b>expenditures</b>	<b>Schedule</b>
			<b>Total amount of expenditures</b>	<b>Commenced</b>
			<b>(¥ billion)</b>	
Suzhou (China)	Internal Combustion	Building of new production facility for agricultural equipment in China	¥1.7	Oct. 2005
	Engine and Machinery			
Sakai (Osaka)	Internal Combustion	Production facilities for vertical diesel engines to increase production and developing new models	¥7.7	Jan. 2006
Okajima (Osaka)	Engine and Machinery			
Tsukuba (Ibaraki)				
Hirakata (Osaka)	Internal Combustion	Restructuring of production system for construction machinery	¥1.7	Jun. 2006
	Engine and Machinery			

**As of March 2006****Estimated amount of****expenditures**      **Schedule**

Edgar Filing: KUBOTA CORP - Form 20-F

Location	Industry segment included	Content	Total amount of expenditures	
			(¥ billion)	Commenced
Suzhou (China)	Internal Combustion	Building of new production facility for agricultural equipment in China	¥1.7	Oct. 2005
	Engine and Machinery			
Sakai (Osaka)	Internal Combustion	Production facilities for vertical diesel engines to increase production and developing new models	¥8.0	Jan. 2006
Okajima (Osaka)	Engine and Machinery			
Tsukuba (Ibaraki)				
Tsukuba (Ibaraki)	Internal Combustion	Addition to a building of a factory	¥3.4	Jan. 2006
	Engine and Machinery			
Jackson	Internal Combustion	Restructuring of production system	¥1.6	Oct. 2005
(Georgia, U.S.A.) <u>As of March 2005</u>	Engine and Machinery			

Location	Industry segment included	Content	Estimated amount of expenditures	
			(¥ billion)	Schedule
Jackson	Internal Combustion	Production facilities for implements attached to tractors	¥5.0	Nov. 2004
(Georgia, U.S.A.)	Engine and Machinery			
Tsukuba (Ibaraki)	Internal Combustion	Production equipment for vertical diesel engines	¥0.9	Oct. 2004
Sakai (Osaka)	Engine and Machinery			

**Table of Contents****B. Business Overview**

The Company classifies its products for revenue reporting purposes into the following 4 industry segments: Internal Combustion Engine and Machinery (which includes farm equipment, engines and construction machinery); Pipes, Valves, and Industrial Castings (which includes pipes, valves, and industrial castings); Environmental Engineering (which includes environmental engineering and pumps); and Other.

**Revenues by Industry Segment**

For the year ended March 31, 2007

	Millions of yen		Thousands of U.S. dollars	
	2007		2007	
	¥	%	\$	
Internal Combustion Engine and Machinery	746,808	66.3	6,328,881	
Pipes, Valves, and Industrial Castings	194,224	17.2	1,645,966	
Environmental Engineering	90,613	8.0	767,907	
Other	95,811	8.5	811,958	
<b>Total</b>	<b>1,127,456</b>	<b>100.0</b>	<b>9,554,712</b>	

For the years ended March 31, 2006 and 2005

	Millions of yen			
	2006		2005	
	¥	%	¥	%
Internal Combustion Engine and Machinery	674,087	63.3	594,269	59.7
Pipes, Valves, and Industrial Castings	189,708	17.8	170,629	17.2
Environmental Engineering	109,864	10.3	117,285	11.8
Other	92,077	8.6	112,300	11.3
<b>Total</b>	<b>1,065,736</b>	<b>100.0</b>	<b>994,483</b>	<b>100.0</b>

## Table of Contents

### Operation of Each Segment

#### Internal Combustion Engine and Machinery

Internal Combustion Engine and Machinery includes farm equipment, engines and construction machinery. Kubota is Japan's largest manufacturer of farm equipment and small engines for agricultural use based on market share. Revenues in this market in Japan are dominated by 4 major manufacturers, and the Company possesses a substantially larger share than the second ranked company. Main products include tractors ranging from 10.5 to 125 horsepower, combine harvesters, rice transplanters, power tillers and reaper binders. The Company also manufactures and sells a line of construction machinery including mini-excavators and wheel loaders as well as engines for various industrial uses. Overseas revenues of this segment accounted for 65.4% of the total revenues of this segment in fiscal 2007.

Domestic sales of farm equipment, engines and construction machinery are made through wholesale-retail dealers, wholesalers and the National Federation of Agricultural Cooperative Associations. Overseas revenues are made through trading companies, local distributors and the Company's overseas subsidiaries and affiliates.

The products in this segment are manufactured at 6 domestic plants, and the Company has manufacturing subsidiaries in the United States, Germany, China, Thailand, and Indonesia.

#### Pipes, Valves, and Industrial Castings

Pipes, Valves, and Industrial Castings is comprised of various kinds of pipes, valves, and industrial castings. Pipes and Valves consists of ductile iron pipes, spiral welded steel pipes, plastic pipes and fittings, filament winding (FW) pipes, and various valves. Most of these products are to municipalities and public utilities for use principally in water supply and sewage systems along with industrial water supply. These products are also used for gas supply, telecommunication and irrigation systems.

Industrial castings include various iron and steel castings. Iron castings encompass rolls for the steel industry, machinery parts, tunnel segments, and soil pipes and fittings. Steel castings include alloyed tubing and fittings for the petrochemical industry, rolls for the paper industry, centrifugal cast pipes used in oil tankers, and centrifugal cast steel columns and piles used in civil engineering and construction.

The products in this segment are manufactured at 11 plants in Japan, and the Company has a manufacturing subsidiary in Canada, and minority equity interest in an overseas manufacturing company.

#### Environmental Engineering

This segment develops and markets environmental control plants, pumps and related engineering. As for water treatment, the Company supplies water and sewage treatment plants, submerged membrane systems and biogas production systems. Regarding solid waste treatment, the Company supplies pulverizing facilities. This segment manufactures and supplies various pumps for waterworks, sewage facilities, irrigation system, rainwater drainage and power supplies.

At present, almost all the revenues in this segment are to municipalities focusing on domestic environmental engineering market, which is competitive with many engineering companies. There are 2 manufacturing plants in Japan and no overseas plants.

**Table of Contents****Other**

This segment encompasses all the other businesses that don't belong to the aforementioned 3 segments. This segment consists of vending machines, electronic-equipped machinery, air-conditioning equipment, septic tanks, condominiums, construction, and other equipment and services.

The products in this segment are manufactured mainly at 4 plants in Japan, and the Company has a manufacturing subsidiary in Indonesia.

**Revenues by Region**

	Millions of yen			Thousands of
	2005	2006	2007	U.S. dollars 2007
Japan	¥ 639,402	¥ 632,128	¥ 603,502	\$ 5,114,424
Overseas:				
North America	242,370	284,586	323,092	2,738,068
Other Areas	112,711	149,022	200,862	1,702,220
<b>Subtotal</b>	<b>355,081</b>	<b>433,608</b>	<b>523,954</b>	<b>4,440,288</b>
<b>Total</b>	<b>¥ 994,483</b>	<b>¥ 1,065,736</b>	<b>¥ 1,127,456</b>	<b>\$ 9,554,712</b>

Revenues in Japan in fiscal 2007, 2006, and 2005 amounted to ¥603,502 million (\$5,114,424 thousand), ¥632,128 million and ¥639,402 million, respectively. Revenues in North America in fiscal 2007, 2006, and 2005 amounted to ¥323,092 million (\$2,738,068 thousand), ¥284,586 million and ¥242,370 million, respectively. Revenues in Other areas in fiscal 2007, 2006, and 2005 amounted to ¥200,862 million (\$1,702,220 thousand), ¥149,022 million and ¥112,711 million, respectively.

**Overseas Activities**

The Company's overseas revenues (which represent revenues to unaffiliated customers outside Japan) in fiscal 2007, 2006, and 2005 amounted to ¥523,954 million (\$4,440,288 thousand), ¥433,608 million and ¥355,081 million, respectively. The ratios of such overseas revenues to consolidated revenues in 2007, 2006, and 2005 were 46.5%, 40.7% and 35.7%, respectively. The revenues of the Company's subsidiaries outside Japan in fiscal 2007, 2006, and 2005 amounted to ¥489,575 million (\$4,148,941 thousand), ¥405,357 million and ¥333,700 million, respectively. Its ratio to consolidated revenues in fiscal 2007, 2006, and 2005 were 43.4%, 38.0% and 33.6%, respectively.

The Company has manufacturing subsidiaries in the U.S.A., Canada, Germany, China, Indonesia and Thailand, and manufacturing affiliates in China. International sales subsidiaries are located in the U.S.A., Canada, France, the U.K., Germany, Spain, Australia, China and South Korea. In addition, a representative office is maintained in Beijing, and liaison offices are located in Torrance (California: U.S.A.), Flowery Branch (Georgia: U.S.A.), Argenteuil (France), Dubai (U.A.E.), Suzhou (China), Bangkok (Thailand), Selangor (Malaysia), Cairo (Egypt), and India (Delhi).

**Seasonality of the Company's Businesses**

In such businesses as ductile iron pipes, valves, environmental engineering, and pumps, which rely upon national government or municipalities for most of their sales, there is a tendency that sales in the second half of the fiscal year are much larger than those in the first half. Because the fiscal years of the national government or municipalities generally end in March, execution of public budgets in the second half is liable to be much larger than in the first half of the fiscal year.

## Table of Contents

### Raw Materials and Source of Supply

The Company purchases raw materials or parts from numerous sources. The major materials purchased are steel scrap, polyvinyl chloride resin, rolled steel coils, non-ferrous metals and alloys and pig iron. Some of the purchase prices of the major materials such as steel scrap fluctuate significantly by supply and demand conditions of the market. The Company has historically had no difficulty in obtaining adequate supplies of all of its raw materials requirements.

### Marketing Channels

Domestic sales of farm equipment, engines and construction machinery are made through wholesale-retail dealers, wholesalers and the National Federation of Agricultural Cooperative Associations. Overseas sales of those products are made through trading companies, local distributors and the Company's overseas subsidiaries and affiliates.

A large portion of pipes, valves, environmental control plants, and a portion of industrial castings are sold to public-sector markets in Japan directly by the Company, as well as through dealers.

On the other hand, domestic sales of industrial machinery and part of industrial castings are made to private-sector markets through dealers and trading companies, directly to the end-users or, in the case of vending machines, to manufacturers of beverages or other products sold in vending machines. Overseas sales of those products are made directly by the Company or through trading companies, local distributors and the Company's overseas subsidiaries and an affiliate.

### Dependent Contract, License, Patent and Manufacturing Process

The Company has many contracts. Some of them, for example, are for technical cooperation with other manufacturers, or for financing from banks. These are relatively important to the Company, but the Company relies on no specific contracts.

With respect to licenses or patents, the Company does not rely on specific licenses or patents. As of March 31, 2007, the Company held 5,081 Japanese patent and utility model registrations, and 886 foreign patent and utility model registrations. A utility model registration is a right granted under Japanese law and in certain other countries to inventions of lesser originality than those which qualify for patents. Although patent rights are important to Kubota, the Company does not consider that the expiration of any single patent or group of related patents would materially affect the conduct of Kubota's business. Kubota grants others licenses to use its technology including its patents, and obtains licenses under patents from third parties for technological assistance on a royalty basis. In fiscal 2007, royalty income and expenses were ¥723 million (\$6,127 thousand) and ¥136 million (\$1,153 thousand), respectively, under such licensing arrangements.

### Competition

The Company is the largest manufacturer of farm equipment in Japan based on market share. There are 3 other major Japanese manufacturers of farm equipment and engines for agricultural use, all of which offer a complete line of machinery and engines in competition with the Company. The Company believes that foreign manufacturers do not at present produce the kind of machinery or, in the case of farm tractors, the size of tractors suited to Japanese agriculture and that the Company has the advantages that accrue from an established production and distribution system. In overseas markets, the Company experiences strong competition from Japanese and foreign companies in the sale of farm equipment and engines.

In Japan, there are 2 other major manufacturers of ductile iron pipes, 3 other major manufacturers of spiral welded steel pipes and 2 other major manufacturers of plastic pipes according to internal research. In export markets for ductile iron pipes, the Company faces strong competition with foreign manufacturers. The Company also encounters strong competition with Japanese and foreign companies in all of its product lines.

**Table of Contents****Governmental Regulations**

Businesses of the Company tend to be affected by the regulations or restrictions in the countries where the Company or its subsidiaries operate. Those are, for example, regulations concerning investments, tariffs, anti-monopoly, intellectual property, foreign exchange, and environment.

Domestic sales of farm equipment, which are the mainstay of the Company's business, are prone to be influenced by Japanese agricultural policies.

In overseas markets, restrictions on exhausted gas may affect the engines business of the Company.

**C. Organization Structure**

As of March 31, 2007, the group of Kubota Corporation consists of Kubota Corporation, 118 subsidiaries and 24 affiliates. Kubota Corporation plays a leading role in the group. The Company's significant subsidiaries are as follows:

<b>Country of Incorporation or Residence</b>	<b>Name</b>	<b>Percentage ownership (%)</b>
Japan	Kubota Construction Co., Ltd.	100.0
	Kubota Credit Co., Ltd.	72.8
	Kubota Maison Co., Ltd.	100.0
	Kubota Environmental Service Co., Ltd.	100.0
	Kubota-C.I. Co., Ltd.	70.0
U.S.A.	Kubota Tractor Corporation	90.0
	Kubota Credit Corporation, U.S.A.	100.0
	Kubota Manufacturing of America Corporation	100.0
	Kubota Engine America Corporation	90.0
Canada	Kubota Metal Corporation	100.0
Germany	Kubota Baumaschinen GmbH	100.0
France	Kubota Europe S.A.S.	73.8

**Table of Contents****D. Property, Plant and Equipment**

The following table sets forth information with respect to Kubota's principal manufacturing facilities:

Location	Land area (Square meters)		Floor space (Square meters)		Principal products
	Owned	Leased	Owned	Leased	
<b><u>Japan</u></b>					
Amagasaki	462,785	37,798	166,488	122	Ductile iron pipes, Filament winding pipes, Rolls for steel mills
(Hyogo) Funabashi	561,265	18,057	142,920	6,686	Ductile iron pipes, Spiral welded steel pipes
(Chiba) Okajima	88,393	825	56,888		Cast iron products
(Osaka) Sakai	421,386	11,616	145,260	24,608	Farm equipment, Diesel engines
(Osaka) Utsunomiya	145,598		69,998	1,367	Farm equipment
(Tochigi) Tsukuba	334,496	25,907	152,080	15,531	Farm equipment, Diesel engines
(Ibaraki) Sakai	159,956		48,862	1,206	Diesel engines
(Osaka) Hirakata	306,102		143,724	8,112	Construction machinery, Cast steel products, Pumps, Valves
(Osaka) Konan	192,560		51,606		Septic tanks
(Shiga) Yao	38,102		27,469		Electronic machinery, Pulverizing equipment
(Osaka) Ryugasaki	84,795		30,820		Vending machines
(Ibaraki) <b><u>U.S.A.</u></b>					
Jackson	611,000		57,282		Lawn and garden tractors
(Georgia) Jefferson	356,000		37,400		Implements for tractors
(Georgia)					

The Company considers its principal manufacturing facilities to be well maintained and suitable for the purpose for which they are employed and believes that its plant capacity is adequate for its current and near-term needs.

## Edgar Filing: KUBOTA CORP - Form 20-F

In addition, the Company owns 2,433,430 square meters of land (309,472 square meters of floor space) in Japan, used for the head office, branches, business offices and research facilities, and leases 3,569 square meters of land (56,413 square meters of floor space) used for sales offices, warehousing, employee housing and other purposes.

The Company plans its capital expenditures considering future business demand and cash flows. As of March 2007, the Company has planned to invest approximately ¥43.0 billion (\$364 million) in the fiscal year ending March 31, 2008. The Company intends to fund the investment basically through cash obtained by operating activities, and to also utilize available borrowings from financial institutions. The Company's commitments for capital expenditures are not material.

**Table of Contents**

Principal plans for new construction, expansion, reforming, and disposition as of March 31, 2007 are as follows:

**New Construction**

Location	Industry segment included	Content	Estimated amount of expenditures		Schedule	
			(Billions of Yen) Total	Amount	Commenced	completed
			amount of	already		To be
Suzhou (Jiangsu, People's Republic of China)	Internal Combustion Engine and Machinery	Building of new production facility for agricultural equipment in China	¥1.7	¥1.5	Oct. 2005	Dec. 2007

**Expansion**

Location	Industry segment included	Content	Estimated amount of expenditures		Schedule	
			(Billions of Yen) Total	Amount	Commenced	completed
			amount of	already		To be
Sakai (Osaka)	Internal Combustion	Production facilities for vertical diesel engines to increase production and developing new models	¥7.7	¥3.7	Jan. 2006	Mar. 2008
Okajima (Osaka)	Engine and Machinery					
Tsukuba (Ibaraki)						
Hirakata (Osaka)	Internal Combustion Engine and Machinery	Restructuring of production system for construction machinery	¥1.7	¥1.2	Jun. 2006	Mar. 2008

**Reforming**

No material reforming is planned.

**Disposition**

No material disposition is planned.

**Item 4A. Unresolved Staff Comments**

The Company is a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments provided by the staff of the Securities and Exchange Commission regarding the Company's periodic reports under that Act as of the date of the filing of this Form 20-F with the Commission.



---

**Table of Contents**

**Item 5. Operating and Financial Review and Prospects**

**Critical Accounting Policies and Estimates**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ( U.S. GAAP ) with the exceptions described in Note 1 of the consolidated financial statements SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES . The preparation of the consolidated financial statements requires management to make estimates and assumptions on the selection and application of significant accounting policies. The Company reviews these estimates and assumptions periodically. Actual results may differ from estimated results. The following critical accounting policies that affect financial conditions and operations require management to make significant estimates and assumptions:

1) Inventory Valuation

Completed real estate projects are stated at the lower of acquisition cost or fair value, less estimated costs to sell. The fair values of those assets are estimated based on the appraised values in the market. Land to be developed and projects under development are carried at cost unless those assets are impaired. If carrying amounts of those assets exceed the undiscounted future cash flows expected to be realized from them, those assets are considered impaired, and an impairment loss is measured based on the amount by which the carrying value exceeds the fair value of those assets. If the market conditions and demand in the housing business are less favorable than management s projection, additional writedowns may be required.

2) Impairment of Investments

The Company classifies all its debt securities and marketable equity securities as available for sale. When a decline in the value of the marketable security is deemed to be other than temporary, the Company recognizes an impairment loss to the extent of the decline. In determining if and when such a decline in value is other than temporary, the Company evaluates the extent to which cost exceeds market value, the duration of market declines, and other key measures. Other non-marketable securities are stated at cost and reviewed periodically for impairment. If equity markets decline or operating results of the issuer of the security become worse, additional impairment losses may be required in the future.

3) Allowance for Doubtful Receivables

The Company evaluates the collectibility of the notes and accounts receivable, with the estimate based on various judgments, including the customers financial conditions, historical experience, and the current economic circumstances. If the customers financial conditions or current economic circumstances become worse, additional allowances may be required in the future.

4) Deferred Tax Assets

The Company provides a valuation allowance for deferred tax assets with a valuation allowance to adjust the carrying amount when it is more likely than not that the deferred tax assets will not be realized. The valuation of deferred tax assets principally depends on the estimation of future taxable income and tax planning strategies. If future taxable income is lower than expected due to a change in economic circumstances and poor operating results, significant adjustments to deferred tax assets may be required.

5) Impairment of Long-Lived Assets

When events and circumstances indicate that the carrying amount of long-lived assets to be held and used may not be recoverable and the carrying amounts of those assets exceed the undiscounted future cash flows, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets. Fair value is determined primarily using anticipated future cash flows discounted at a rate commensurate with the risk involved. If estimates of future cash flows fall below management s projection due to an unexpected change in economic circumstances, additional impairment may be required.

---

**Table of Contents**

6) Retirement and Pension Plans

Benefit obligations and periodic benefit cost are valued based on assumptions developed by the Company and used by actuaries in calculating such amounts. These assumptions include the discount rate, retirement rate, timing of estimated average promotion, mortality rate, expected rate of return on plan assets, and other factors. These assumptions are based upon current statistical data and are reviewed every fiscal year.

To determine the discount rate, the Company considers current market interest rates. The Company assumed that the discount rate was 2.5% for the years ended March 31, 2007, 2006, and 2005. A further decrease of 50 basis points in the discount rate would increase the benefit obligations as of March 31, 2007 by approximately ¥8.1 billion (\$69 million).

To determine the expected rate of return on plan assets, the Company considers actual returns in the past 5 to 10 years, the current and expected components of plan assets, and anticipated market trends. An actual return on plan assets in the past 10 years at March 31, 2007 was 3.4%, and an asset allocation assumption was 55% on fixed income securities with an expected rate of return of 1.0%, and 45% on equity securities with an expected rate of return of 5.5% for the year ended March 31, 2006 and thereafter. The Company assumed that the long-term rate of return on plan assets was 3.0% for the years ended March 31, 2007 and 2006, and 3.5% for the year ended March 31, 2005. A decrease of 50 basis points in the expected rate of return on plan assets would result in an increase of periodic benefit cost for the year ending March 31, 2008 of approximately ¥0.5 billion (\$4 million).

The Company recognizes actuarial gains and losses in excess of 20% of the larger of the projected benefit obligation or plan assets in the year following the year in which such gains and losses were incurred, and amortizes actuarial gains and losses between 10% and 20% over the average participants remaining service period. Accordingly, significant unrecognized actuarial gains or losses may have a material effect on periodic benefit cost in the next fiscal year.

From the fiscal year ended March 31, 2007, the Company adopted SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R). The Company recognized its underfunded status of the defined benefit postretirement plan as an liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax. The adoption of the statement has no effect on the consolidated statements of income.

7) Revenue Recognition for Long-Term Contracts

Long-term contracts are accounted for using the percentage of completion method. The Company believes that it is able to develop reasonably dependable estimates of the extent of progress toward completion of individual contracts. Concerning the method of measuring the extent of progress toward completion, the Company uses the cost-to-cost method in measuring the extent of progress toward completion.

Generally, output measures are considered to be the best measures of progress toward completion. But, in the case of the Company, most contracts with customers include the delivery and installation of component units. Accordingly, the extent of progress toward completion cannot be properly measured. The Company deems that the measuring method based on the accrual cost method is the most appropriate. Among the various input measure methods available, the Company believes the cost-to-cost method to be preferable to others, such as labor hours, labor cost, machine hours, or material quantities.

The Company's senior management and the Board of Corporate Auditors had proactive discussions about these critical accounting policies, and they agreed that estimates and assumptions were appropriate in light of the current and expected market conditions, the Company's businesses, and numerous other factors.

**New Accounting Standards**

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109. This interpretation introduces a new approach that significantly changes how companies recognize and measure tax benefits associated with tax positions and disclose uncertainties related to income tax positions. This interpretation is effective in fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's consolidated results of operations and financial position.

---

## Table of Contents

### A. Operating Results

*(The fiscal year ended March 31, 2007 compared with the fiscal year ended March 31, 2006)*

#### Revenues

For the year ended March 31, 2007, revenues of the Company increased ¥61.7 billion (5.8%), to ¥1,127.5 billion (\$9,555 million) from the prior year.

In the domestic market, revenues decreased ¥28.6 billion (4.5%), to ¥603.5 billion (\$5,114 million). Revenues in Internal Combustion Engine and Machinery decreased due to lower sales of core farm equipment even though sales of construction machinery and engines increased steadily. Revenues in Pipes, Valves, and Industrial Castings also declined slightly owing to a decrease in sales of industrial castings, while sales of ductile iron pipes and plastic pipes stayed at the same level as in the prior year. Revenues in Environmental Engineering decreased substantially due mainly to severe market conditions. On the contrary, revenues in Other increased chiefly due to sales expansion of vending machines.

On the other hand, revenues in overseas markets increased ¥90.3 billion (20.8%), to ¥524.0 billion (\$4,440 million) from the prior year. In North America, sales of newly introduced mid-size tractors expanded substantially and sales of construction machinery and engines also increased. In Europe, sales of tractors, construction machinery, and engines all increased. In Asia outside Japan, a large increase in sales of farm equipment for rice farming continued. As a consequence, the ratio of overseas revenues to consolidated revenues rose 5.8 percentage points, to 46.5%.

#### Revenues by industry segment

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

Revenues in Internal Combustion Engine and Machinery were ¥746.8 billion (\$6,329 million), 10.8% higher than the prior year, comprising 66.3% of consolidated revenues. Domestic revenues decreased 4.1%, to ¥258.3 billion (\$2,189 million), and overseas revenues increased 20.7%, to ¥488.5 billion (\$4,140 million). This segment comprises farm equipment, engines, and construction machinery.

In the domestic market, sales of farm equipment declined because of lackluster market conditions. In the domestic market for farm equipment, new government agricultural policies have been introduced, and the implementation of these measures is resulting in structural changes within the agricultural sector, leading to a postponement of equipment purchases, principally among medium-sized farms. Within this market environment, to revitalize the operations, the Company implemented sales expansion policies carefully tailored to various customer groups and was able to increase its market share; however, these efforts did not compensate for the market slump. On the other hand, sales of construction machinery rose significantly due to steady demand for construction machinery, the introduction of new models, and the expansion of sales to major machinery rental companies. In addition, sales of engines, mainly to manufacturers of construction and industrial machinery, showed steady expansion.

In overseas markets, sales of tractors, the Company's core product, expanded steadily. In the United States, sales of mid-size tractors showed marked expansion accompanying the introduction of new models, while sales of small-sized tractors weakened along with the slowdown in housing starts. In Europe, sales of tractors showed strong expansion as the Company introduced new products and implemented an active marketing program. Moreover, in Asia outside Japan, sales of tractors sustained a high rate of growth in Thailand, where demand for tractors is expanding rapidly.

Sales of construction machinery reported steady expansion in Europe, the principal overseas market of construction machinery, due to rising demand coupled with the introduction of new products. Sales of construction machinery in North America also increased. In addition, sales of engines in Europe and the United States grew steadily, and sales of combine harvesters in China increased rapidly.

## Table of Contents

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

Revenues in Pipes, Valves, and Industrial Castings were ¥194.2 billion (\$1,646 million), 2.4% higher than the prior year, comprising 17.2% of consolidated revenues. Domestic revenues decreased 2.2%, to ¥163.4 billion (\$1,385 million), and overseas revenues increased 36.7%, to ¥30.8 billion (\$261 million). This segment comprises pipes, valves, and industrial castings.

In the domestic market, demand for ductile iron pipes and plastic pipes was lackluster, but the Company was able to slightly increase sales of plastic pipes by raising prices, while sales of ductile iron pipes declined marginally. Sales of industrial castings expanded, mainly to the private sector, such as the steel and energy industries, but sales of products to the public sector fell sharply.

In overseas markets, exports of ductile iron pipes to the Middle East were robust, and sales of industrial castings continued to increase substantially, owing to high levels of private-sector capital expenditures.

### 3) Environmental Engineering

Revenues in Environmental Engineering were ¥90.6 billion (\$768 million), 17.5% lower than the prior year, comprising 8.0% of consolidated revenues. Domestic revenues decreased 17.6%, to ¥86.5 billion (\$733 million), and overseas revenues decreased 16.8 %, to ¥4.1 billion (\$35 million). This segment comprises environmental control plants and pumps.

In the domestic market, the operating environment continued to be extremely challenging because of the decline in public-sector demand and the drop in sales prices due to more intense competition. In addition, suspension of designated pre-approved suppliers due to compliance issues had a major negative impact. As a result, the Water & Sewage Engineering Division and Pumps Division, suffered substantial decline in revenues. Overseas revenues also declined due to a decrease in sales of pumps, which is the main export product in this segment.

### 4) Other

Revenues in Other were ¥95.8 billion (\$812 million), 4.1% higher than the prior year, comprising 8.5% of consolidated revenues. Domestic revenues increased 4.9%, to ¥95.3 billion (\$808 million), and overseas revenues decreased 60.0%, to ¥0.5 billion (\$4 million). This segment comprises vending machines, electronically equipped machinery, air-conditioning equipment, construction, septic tanks, condominiums, and other business.

Sales of construction fell sharply because of the Company's realignment measures, including discontinuance of receiving orders from the public sector as an original contractor. Sales of vending machines, condominiums, and air-conditioning equipment increased favorably, while sales of electronically equipped machinery and septic tanks declined.

### Cost of Revenues, SG&A Expenses, and Loss from Disposal and Impairment of Businesses and Fixed Assets

The cost of revenues increased 5.4% from the prior year, to ¥794.7 billion (\$6,735 million). The cost of revenues as a percentage of consolidated revenues decreased 0.2 percentage point, to 70.5%. The decrease in the ratio was attributable to ongoing activities for cost reductions and controls as well as the increased efficiency of the manufacturing process.

Selling, general, and administrative (SG&A) expenses increased 7.2% from the prior year, to ¥199.4 billion (\$1,689 million). The ratio of SG&A expenses to revenues increased 0.2 percentage point, to 17.7%. This increase was mainly due to increases in overseas subsidiaries' SG&A expenses resulting from sales expansion.

Loss from disposal and impairment of businesses and fixed assets decreased 34.9 % from the prior year, to ¥3.1 billion (\$26 million). This loss arose chiefly from the restructuring of construction businesses.

### Operating Income

Operating income climbed ¥9.3 billion (7.7%), to ¥130.3 billion (\$1,105 million) from the prior year, the highest level in the Company's history. By segment, operating income in Internal Combustion Engine and Machinery expanded substantially, supported by the increase in revenues and the positive effect of the weakening of the yen. Pipes, Valves, and Industrial Castings also reported a gain in operating income owing to continued cost cutting, including reductions in fixed expenses, and higher revenues in overseas markets. Environmental Engineering, however, posted a substantial decline in profitability and reported an operating loss accompanying the decline in sales prices. Operating income in Other,

## Edgar Filing: KUBOTA CORP - Form 20-F

however, showed steady expansion, as a result of increased sales of vending machines and other products.

Operating income or loss in each industry segment (before elimination of intersegment profits and corporate expenses) was as follows: Internal Combustion Engine and Machinery, operating income of ¥124.9 billion (\$1,059 million), a 12.9% increase; Pipes, Valves, and Industrial Castings, operating income of ¥22.0 billion (\$187 million), a 14.3% increase; Environmental Engineering, operating loss of ¥5.6 billion (\$48 million), as compared to operating income of ¥4.3 billion; and Other, operating income of ¥7.1 billion (\$60 million), a 226.9% increase.

---

## Table of Contents

### Other Income

Other income, net, was ¥1.2 billion (\$10 million), a decrease of ¥18.2 billion from the prior year. The reason for this substantial decrease was the absence of a gain of ¥15.9 billion from the nonmonetary exchange of securities of UFJ Holdings, Inc., resulting from the merger of Mitsubishi Tokyo Financial Group, Inc., and UFJ Holdings, Inc., in the prior year.

### Income from Continuing Operations before Income Taxes, Minority Interests in Earnings of Subsidiaries, and Equity in Net Income of Affiliated Companies

Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies was ¥131.6 billion (\$1,115 million), a decrease of ¥9.0 billion from the prior year.

### Income Taxes, Minority Interests in Earnings of Subsidiaries, and Equity in Net Income of Affiliated Companies

Income taxes decreased 12.7% from the prior year, to ¥49.0 billion (\$415 million). The effective tax rate was 37.2%.

Minority interests in earnings of subsidiaries increased ¥1.3 billion, to ¥6.2 billion (\$53 million). Equity in net income of affiliated companies decreased ¥0.3 billion from the prior year, to ¥1.4 billion (\$11 million). The increase in minority interests in earnings of subsidiaries resulted from the favorable operating performances of overseas subsidiaries.

### Income from Continuing Operations

Income from continuing operations was ¥77.7 billion (\$659 million), compared with ¥81.1 billion in the prior year.

### Loss from Discontinued Operations, Net of Taxes

Loss from discontinued operations, net of taxes, was ¥1.3 billion (\$11 million) in the year under review and ¥0.1 billion in the prior year. This loss resulted from the withdrawal from industrial-waste disposal business and the liquidation of a subsidiary engaged in that business.

### Net Income

Due to the factors described above, net income decreased ¥4.6 billion, to ¥76.5 billion (\$648 million). Return on shareholders' equity decreased 2.8 percentage points, to 12.1%, from the prior year.

### Income per ADS

Basic net income per ADS (five common shares) was ¥295 (\$2.50), as compared to ¥311 in the prior year.

### Dividends

The Company has decided to pay ¥35 per ADS as year-end cash dividends. Accordingly, including the interim dividend of ¥25 per ADS already paid, the total dividends for the entire fiscal year will be ¥60 per ADS, which will be ¥10 per ADS higher than the prior year.

The Company's basic policy for the return of profit to shareholders is to maintain stable dividends or raise dividends together with share buy-backs and the cancellation of treasury stock. For reference's sake, the Company purchased 7.98 million shares outstanding (¥8.5 billion) and retired 7.95 million shares of treasury stock (¥8.5 billion) during the year under review.

---

## Table of Contents

### Comprehensive Income

Comprehensive income was ¥67.3 billion (\$570 million), ¥73.0 billion lower from the prior year. This decrease was mainly due to a decrease in unrealized gains on securities.

*(The fiscal year ended March 31, 2006 compared with the fiscal year ended March 31, 2005)*

### Revenues

For the year under review, revenues of the Company rose 7.2%, to ¥1,065.7 billion. In the domestic market, revenues in Internal Combustion Engine and Machinery increased due to steady sales of engines and construction machinery, and revenues in Pipes, Valves, and Industrial Castings increased due to favorable sales of industrial castings and business integration in the plastic pipes business. However, revenues in Environmental Engineering decreased due to severe conditions of the public works related business, and revenues in Other decreased, resulting from a sale of a subsidiary at the beginning of this fiscal year. Total domestic revenues decreased 1.1%, to ¥632.1 billion from the prior year.

On the other hand, revenues in overseas markets increased largely as a result of sustained high growth in the Company's overseas operations in Internal Combustion Engine and Machinery. Revenues in North America increased due to steady sales of tractors and brisk sales of engines and construction machinery. In Europe, sales of tractors, construction machinery, and engines increased largely from the prior year. In Asia, sales of rice-farming equipment rose substantially. As a consequence, overseas revenues increased 22.1%, to ¥433.6 billion from the prior year. The percentage of overseas sales accounted for 40.7% of revenues, 5.0 percentage points higher than in the prior year.

Please refer to next revenues by industry segment for details.

### Revenues by industry segment

#### 1) Internal Combustion Engine and Machinery

Revenues in Internal Combustion Engine and Machinery were ¥674.1 billion, 13.4% higher than in the prior year, comprising 63.3% of consolidated revenues. Domestic revenues increased 4.0%, to ¥269.2 billion, and overseas revenues also increased 20.7%, to ¥404.9 billion. This segment consists of farm equipment, engines, and construction machinery.

In the domestic market, sales of farm equipment increased from the prior year. Although the domestic farm equipment market did not report briskness against a background of declining numbers of farmers in Japan and the division of middle-scale farmers into large-scale and small-scale farmers, the Company executed an aggressive sales promotion with finely tuned marketing programs and solution-providing activities for individual farmers in response to the changing environment surrounding Japanese farmers. Additionally, there was an upward trend in the domestic construction machinery market, and sales of construction machinery increased due to expansion of sales for the major rental companies supplying high-quality products in terms of safety and convenience. Sales of engines increased largely due to expansion of sales of existing and new manufacturers of construction machinery and industrial machinery.

In overseas markets, sales of tractors in North America increased steadily due to a sales promotion called the "Thanks a million" campaign, which was carried out after achieving sales of one million tractors in the United States. Sales in European markets increased substantially due to launching new models of garden tractors and utility vehicles (4-wheel multi-purpose vehicles), which achieved a successful outcome in the United States. In Asian markets, sales of rice farming machinery continue to increase, especially tractors in Thailand and combine harvesters in China. As for construction machinery, sales in European markets expanded largely due to the introduction of new products and an increasing market share. Sales of construction machinery in North America increased significantly due to improved recognition of the usefulness of the Company's mini-backhoes. With regard to engines, sales in the North American and European markets increased largely due to brisk business activities of existing major customers, the development of new customers, and the expansion of new applications.

---

## Table of Contents

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

Revenues in Pipes, Valves, and Industrial Castings were ¥189.7 billion, 11.2% higher than in the prior year, comprising 17.8% of consolidated net sales. Domestic revenues increased 7.5%, to ¥167.2 billion, and overseas revenues increased 48.7%, to ¥22.5 billion. This segment consists of pipes, valves, and industrial castings.

In the domestic market, sales of ductile iron pipes decreased due to declining demand. On the other hand, sales of plastic pipes steadily increased due to the business integration with C.I.Kasei Co., Ltd., from April 2005, and sales of industrial castings also increased largely due to the demand related to brisk capital expenditure in the steel and energy industries.

In overseas markets, sales of ductile iron pipes increased from the prior year due to steady sales in the Middle East against a background of raising price of oil, and sales of industrial castings also increased from the prior year for the same reason as the domestic market.

### 3) Environmental Engineering

Revenues in Environmental Engineering were ¥109.9 billion, 6.3% lower than the prior year, comprising 10.3% of consolidated revenues. Domestic revenues decreased 7.6%, to ¥104.9 billion, and overseas revenues increased 32.4%, to ¥5.0 billion. This segment consists of environmental control plants and pumps.

With regard to the domestic market, the Company operated this business in a difficult market where intensifying competition combined with price declines due to decreasing budgets for public works are in progress. Under such conditions, sales in the Water & Sewage Engineering Division increased, but sales in the Pumps Division slightly decreased and sales in the Waste Engineering Division decreased significantly. In overseas markets, sales of pumps and submerged membrane systems increased steadily.

### 4) Other

Revenues in Other were ¥92.1 billion, 18.0% lower than the prior year, comprising 8.6% of consolidated revenues. Domestic revenues decreased 18.6%, to ¥90.8 billion, and overseas revenues increased 65.5%, to ¥1.2 billion. This segment consists of vending machines, electronic-equipped machinery, air-conditioning equipment, construction, septic tanks, condominiums, and other business.

Sales of electronic-equipped machinery increased steadily. However, sales of vending machines slightly decreased, and sales of air-conditioning equipment, construction, septic tanks, and condominiums also declined. In particular, the Company coped with selecting and focusing the domain of its construction business and discontinued some part of construction business. In addition, there was a drop in sales due to the sale of a certain subsidiary. As a consequence, revenues of this segment decreased substantially from the prior year.

## Operating Income

Operating income also rose, by 28.7%, to ¥121.1 billion, exceeding ¥100 billion for the first time in the history of the Company. The Company achieved higher operating income due to increased revenues in Internal Combustion Engine and Machinery and a reduction in costs of the public works related business. The ratio of operating income to revenues also recorded a new high of 11.4%. Operating income or loss in each industry segment (before elimination of intersegment profits and corporate expenses) was as follows: Internal Combustion Engine and Machinery, operating income of ¥110.6 billion, a 28.4% increase; Pipes, Valves, and Industrial Castings, operating income of ¥19.3 billion, a 67.8% increase; Environmental Engineering, operating income of ¥4.3 billion, a 28.6% decrease; and Other, operating income of ¥2.2 billion, a 43.8% decrease.

Although there was a negative impact of high prices of raw materials, profitability of Internal Combustion Engine and Machinery improved from the prior year due to favorable revenues in the European, Asian, and U.S. markets. Profitability of Pipes, Valves, and Industrial Castings improved from the prior year due to rigorous cost controls and the demand related to brisk capital expenditures in the steel and energy industries, while personnel expenses related to employee transfers to a subsidiary were recorded. Profitability in Environmental Engineering deteriorated because the Company is operating this business in a severe market in which intensifying competition together with price declines due to decreasing budgets for public works are in progress. Profitability in Other deteriorated mainly due to personnel expenses related to employee transfers to an affiliated company.



## Table of Contents

### Cost of Revenues, SG&A Expenses, and Loss from Disposal and Impairment of Businesses and Fixed Assets

The cost of revenues increased 5.2% from the prior year, to ¥754.0 billion. As for material costs, while scrap metal for ductile iron pipes was cheaper than the Company's expectations, steel products for Internal Combustion Engine and Machinery and resin for plastic pipe rose substantially. The cost of revenues as a percentage of consolidated revenues decreased 1.3 percentage points, to 70.7%. The decrease in the ratio was attributable to thoroughgoing activities for cost reductions and controls, increased efficiency of the manufacturing process over past years, and a substantial decrease in pension costs.

Selling, general, and administrative (SG&A) expenses increased 1.9% from the prior year, to ¥186.0 billion. The ratio of SG&A expenses to revenues decreased 0.9 percentage point, to 17.5%. The decrease in pension costs as well as the Company's efforts to control spending in all aspects of business operations contributed to the decrease in the ratio.

Loss from disposal and impairment of businesses and fixed assets increased 233.0% from the prior year, to ¥4.7 billion. This loss increased mainly due to personnel expenses related to employee transfers to a subsidiary and an affiliated company.

### Other Income (Expenses)

Other income, net, was ¥19.5 billion, a decrease of ¥42.8 billion from the prior year. While there was a gain of ¥15.9 billion from the nonmonetary exchange of securities of UFJ Holdings, Inc., resulting from the merger of Mitsubishi Tokyo Financial Group, Inc., with UFJ Holdings, Inc., the gain on the transfer of the substitutional portion of the Company's accumulated pension benefit obligations to the Japanese government, which amounted to ¥58.6 billion, was reported in the prior year.

### Income from Continuing Operations before Income Taxes, Minority Interests in Earnings of Subsidiaries, and Equity in Net Income of Affiliated Companies

Due to the factors described above, income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies was ¥140.5 billion, a decrease of ¥15.8 billion from the prior year.

### Income Taxes, Minority Interests in Earnings of Subsidiaries, and Equity in Net Income of Affiliated Companies

Income taxes increased 16.5% from the prior year, to ¥56.1 billion. The increase of net income tax from the prior year was mainly due to the low level of income taxes for the prior year. The effective tax rate was 39.9%.

Minority interests in earnings of subsidiaries increased ¥1.5 billion, to ¥4.9 billion. Equity in net income of affiliated companies decreased ¥0.7 billion from the prior year, to ¥1.6 billion. This decrease was due to a drop of net income of Kubota Matsushitadenko Exterior Works, Ltd. (KMEW). Net income of KMEW for the prior year was extraordinarily high due to the low level of income taxes related to the merger.

### Income from Continuing Operations

Due to the factors described previously, net income from continuing operations was ¥81.1 billion, compared with ¥107.1 billion in the prior year.

### Income (loss) from Discontinued Operations, Net of Taxes

Loss from discontinued operations, net of taxes, was ¥0.1 billion during the year under review. In the prior year, income from discontinued operations, net of taxes, was recorded aggregating ¥10.8 billion.

### Net Income

Due to the factors described above, net income was ¥81.0 billion, compared with ¥117.9 billion in the prior year. Return on shareholders' equity decreased 12.1 percentage points, to 14.9%, from the prior year.

Basic net income per ADS (five common shares) was ¥311, as compared to ¥446 in the prior year.

Dividends

The Company's basic policy for the allocation of profit is to maintain or raise dividends. To this end, the Company determines the most appropriate use of retained earnings by considering requirements of maintaining stable current business operations as well as the future business environment. A year-end cash dividend per ADS at the rate of ¥30 was approved at the general meeting of shareholders, held on June 23, 2006. The Company also paid a ¥20 per ADS interim dividend to each shareholder.

---

## Table of Contents

### Comprehensive Income

Comprehensive income was ¥140.3 billion, a ¥21.0 billion improvement from the prior year. This increase was mainly due to an increase in unrecognized gains on securities against a background of raising price of Japanese shares.

### B. Liquidity and Capital Resources

#### Finance and Liquidity Management

The Company's financial policy is to ensure adequate financing and liquidity for its operations and to maintain the strength of its balance sheet. Through cash and cash equivalents, other current assets, cash flows provided by operating activities, and borrowing, the Company is in a position to fully finance the expansion of its business, R&D, and capital expenditures for current and future business projects. The specific methods of obtaining financing available to the Company are borrowing from financial institutions, the securitization of trade receivables, establishing committed lines of credit, and the issuance of bonds and commercial paper (CP) in the capital markets.

Annual interest rates of short-term borrowings ranged primarily from 0.81% to 5.77% at March 31, 2007. The weighted average interest rate on such short-term borrowings was 5.3%. As for long-term debt, interest rates were primarily fixed, and the weighted average interest rate on such long-term debt at March 31, 2007 was 3.6%. With regard to maturity profile of these borrowings, please refer to Item 5.F Tabular Disclosure of Contractual Obligations .

In North America, the Company maintains an accounts receivable securitization program of trade receivables and finance receivables. The Company may sell both trade and finance receivables through independent securitization trusts. Trade receivables and finance receivables sold under the securitization program are excluded from receivables in the accompanying consolidated balance sheets.

Regarding the lines of credit, the Company has established committed lines of credit totaling ¥20.0 billion (\$169 million) with certain Japanese banks. However, the Company currently does not use these lines. In the United States, Europe, and Asia, the Company maintains adequate uncommitted lines of credit with financial institutions. The Company also maintains a CP program allowing for the issuance of CP of up to ¥100.0 billion (\$847 million). There was no outstanding issue of CP as of the end of March 2007.

The Company utilizes Group financing. With Group financing, the Company centralizes and pursues the efficiency of cash management domestically through the Kubota Cash Management System, under which the excess or shortage of cash at most of its subsidiaries in Japan is invested or funded, as necessary.

To maintain the strength of its balance sheet and help secure adequate funding resources, the Company carefully monitors its interest-bearing debt excluding debt related to sale financing programs. The Company is providing sale financing programs to support machinery sales in North America, Japan, and Thailand. The Company believes an increase of debt related to sales financing programs is a result of business expansion. At the end of March 2007, the amount of interest-bearing debt was ¥349.9 billion (\$2,965 million). Of the ¥349.9 billion, ¥329.9 billion was borrowings from financial institutions, and the remaining ¥20.0 billion consisted of corporate bonds.

The Company plans its capital expenditures considering future business demand and cash flows. As of March 2007, the Company has planned to invest approximately ¥43.0 billion (\$364 million) in the fiscal year ending March 31, 2008. The Company intends to fund the investment basically through cash obtained by operating activities, and to also utilize available borrowings from financial institutions. The Company's commitments for capital expenditures are not material.

The Company's basic policy for the return of profit to shareholders is to maintain stable dividends or raise dividends together with repurchases of treasury stock. We use net cash provided by operating activities for these dividends and repurchases.

The amount of working capital decreased ¥1.4 billion, to ¥240.4 billion (\$2,037 million), from the prior year-end. Additionally, the ratio of current assets to current liabilities decreased 5.1 percentage points, to 141.7%. The primary reason for this decrease was an increase in the current portion of long-term debt. There is some seasonality to the Company's liquidity and capital resources because a high percentage of the notes and accounts receivable from local governments are collected during April through June each year.

All things considered, the Company believes that it can support its current and anticipated capital and operating expenditures for the foreseeable future. The currencies in which the Company has its debt are mainly Japanese yen and U.S. dollars. There are no restrictions regarding the manner in which the funds may be used.



---

## Table of Contents

### Ratings

The Company has obtained a credit rating from Rating and Investment Information, Inc. (R&I), a rating agency in Japan, to facilitate access to funds from the capital market in Japan. The Company's ratings are A+ for long-term debt and a-1 for short-term debt as of March 2007 and its outlook is stable. The Company's favorable credit rating provides it access to capital markets and investors.

### Assets, Liabilities, and Shareholders' Equity

#### 1) Assets

Total assets at the end of March 2007 amounted to ¥1,502.5 billion (\$12,733 million), an increase of ¥97.1 billion (6.9%) from the end of the prior year.

Current assets were ¥817.1 billion (\$6,925 million), an increase of ¥58.9 billion from the prior year-end. Current assets increased substantially due mainly to increases in inventories and short-term finance receivables resulting from business expansion in Internal Combustion Engine and Machinery. Inventory turnover dropped 0.5 point, to 5.9 times.

In addition to the increase in current assets, investments and long-term finance receivables increased ¥24.6 billion, to ¥398.9 billion (\$3,381 million). Long-term finance receivables increased substantially resulting from a sales increase in North America, while other investments decreased owing to a decrease in the unrealized gain on securities. Property, plant, and equipment increased ¥11.3 billion, to ¥237.6 billion (\$2,014 million), due to an increase in capital expenditures. Other assets slightly increased ¥2.3 billion, to ¥48.9 billion (\$414 million).

#### 2) Liabilities

Total liabilities amounted to ¥806.8 billion (\$6,837 million), an increase of ¥36.8 billion (4.8%) from the end of the prior year.

Current liabilities were ¥576.7 billion (\$4,887 million), an increase of ¥60.2 billion from the prior year-end. Trade notes and accounts payable increased due to an increase in inventories, and interest-bearing debt increased due to increases in short- and long-term finance receivables. In addition, income taxes payable also increased.

On the other hand, long-term liabilities decreased ¥23.4 billion, to ¥230.1 billion (\$1,950 million), because accrued retirement and pension costs decreased largely due to an application of a new accounting standard for pensions.

#### 3) Minority Interests

Minority interests amounted to ¥36.1 billion (\$306 million), an increase of ¥7.2 billion (24.8%) from the end of the prior year as a result of favorable results of operations of foreign subsidiaries.

#### 4) Shareholders' Equity

Total shareholders' equity amounted to ¥659.6 billion (\$5,590 million), an increase of ¥53.2 billion (8.8%) from the end of the prior year.

Retained earnings increased ¥53.7 billion, to ¥376.8 billion (\$3,193 million) from the prior year-end due to the recorded net income. Though the unrealized gains on securities decreased, accumulated other comprehensive income remained at the same level as the prior year-end due mainly to the recorded pension liability adjustment with an application of the new accounting standard for pensions. The Company repurchased ¥8.5 billion (\$72 million) of treasury stock and retired ¥8.5 billion (\$72 million) during the year under review.

The shareholders' equity ratio\* was 43.9%, 0.7 percentage point higher than at the prior year-end. The debt-to-equity ratio\*\* was 53.0%, 2.1 percentage points lower than at the prior year-end.

---

\* Shareholders' equity ratio = shareholders' equity / total assets

\*\* Debt-to-equity ratio = interest-bearing debt / shareholders' equity



**Table of Contents****Cash Flows**

Net cash provided by operating activities during the year under review was ¥96.8 billion (\$821 million), an increase of ¥9.0 billion from the prior year. Although net income decreased from the prior year, the Company's cash position was not affected, because the primary reason for the decrease of net income was the absence of the gain on nonmonetary exchange of securities which was recorded in the prior year. The increase in net cash provided by operating activities was mainly due to the favorable performance of business operations.

Net cash used in investing activities was ¥90.0 billion (\$763 million), an increase of ¥28.7 billion from the prior year. Purchases of fixed assets increased due to an increase in capital expenditures. In addition, cash provided by proceeds from sales of property, plant, and equipment, proceeds from sales of investments, and proceeds from sales of finance receivables decreased. Accordingly, net cash used in investing activities increased substantially.

Net cash used in financing activities was ¥16.8 billion (\$143 million), an increase of ¥6.6 billion from the prior year. Although purchases of treasury stock decreased, repayment of short-term borrowings and increased cash dividends increased net cash used in financing activities.

As a result, including the effect of exchange rate changes, cash and cash equivalents at the end of March 2007 were ¥82.6 billion (\$700 million), a decrease of ¥9.3 billion from the prior year.

**Derivatives**

To offset currency and interest rate fluctuation risks, the Company uses various types of derivatives, including foreign exchange forward contracts, currency swaps, and interest rate swaps. As a basic policy, the Company conducts its derivative transactions within the range of its outstanding credit and obligations, and the Company does not engage in speculative derivative transactions. The counterparties for the Company's derivative transactions are financial institutions with high creditworthiness; therefore, the Company does not anticipate any credit losses on such transactions. For more specific details, please refer to Note 15 to the consolidated financial statements.

**C. Research and Development, Patents and Licenses, etc****Research and Development**

The Company conducts its research and development activities with approximately 1,300 researchers and engineers. The following table shows the Company's research and development expenses for the last 3 fiscal years.

	Thousands of			
	Millions of yen			U.S. dollars
	2005	2006	2007	2007
R&D Expenses	¥21,963	¥22,731	¥22,925	\$ 194,280
As a percentage of consolidated revenues	2.2%	2.1%	2.0%	

The R&D activities are conducted principally in R&D departments in each business division and subsidiary. In our business divisions and subsidiaries, there are 32 R&D departments. Each department promotes the R&D activities fortifying each business.

Total R&D expenses of 4 industrial segments, which are Internal Combustion Engine and Machinery, Pipes, Valves, and Industrial Castings, Environmental Engineering, and Other segment, were ¥17.6 billion, ¥1.9 billion, ¥1.2 billion, and ¥2.2 billion, respectively.

**Patent and License**

With respect to licenses or patents, the Company does not rely on specific licenses or patents. As of March 31, 2007, the Company held 5,081 Japanese patent and utility model registrations, and 886 foreign patent and utility model registrations. A utility model registration is a right granted under Japanese law and in certain other countries to inventions of lesser originality than those, which qualify for patents. Although patent rights are important to Kubota, the Company does not consider that the expiration of any single patent or group of related patents would materially affect the conduct of Kubota's business. Kubota grants licenses to others to use its technology including its patents, and obtains licenses under patents from third parties for technological assistance on a royalty basis. In fiscal 2007, royalty income and expenses were ¥723

million (\$6,127 thousand) and ¥136 million (\$1,153 thousand), respectively, under such licensing arrangements.

---

**Table of Contents**

**D. Trend Information**

**Outlook for the Next Fiscal Year**

**Financial Outlook**

The Company forecasts consolidated revenues for the year ending March 31, 2008 will slightly increase from the year under review. In the domestic market, revenues in Pipes, Valves, and Industrial Castings are expected to increase. However, revenues in Internal Combustion Engine and Machinery are forecast to decrease slightly and revenues in Environmental Engineering and Other are forecast to decrease substantially. As a result, total domestic revenues are estimated to decrease from those of the year under review. As for overseas revenues, the Company expects higher revenues than in the year under review due to steady expansion of revenues in Internal Combustion Engine and Machinery.

The Company forecasts that operating income will almost be at the same level as in the year under review. Although a favorable swing of exchange rates mainly against the euro as well as corporate-wide cost reductions will have a favorable effect on profitability, the price increases in raw materials will cause downward pressure on operating income. The Company expects income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies, and net income for the next fiscal year to be also almost same level as in the year under review.

**Contingencies**

**Legal proceedings**

In May 1998, the Company was investigated by the Fair Trade Commission of Japan (the FTCJ ) for an alleged violation of the Law Concerning Prohibition of Private Monopoly and Preservation of Fair Trade (the Anti-Monopoly Law ) relating to participation in fixing the shares of ductile iron straight pipe orders in Japan. The Company received a cease and desist recommendation from the FTCJ in March 1999, which was accepted by the Company in April 1999.

The FTCJ also brought a criminal accusation alleging violation of the Anti-Monopoly Law against the Company and 3 of its employees, who were indicted in the Tokyo High Court in March 1999. On February 24, 2000, the Company was fined ¥130 million, and the 3 employees were given 6-10 months prison sentences, suspended for 2 years.

In the meanwhile, the Company received a surcharge order of ¥7,072 million from the FTCJ. The Company has challenged this order and filed a petition for the initiation of hearing procedures that were started in March 2000. Under Section 49 of the then Anti-Monopoly Law, upon initiation of the procedures the surcharge order lost effect. In addition, Section 7-2 of the then Anti-Monopoly Law stipulates that surcharges are imposed in cases where price cartels or cartels that influence prices by curtailing the volume of supply are carried out. The Company believes that the alleged share cartel does not meet the requirement of Section 7-2, and has not established any provision for the ultimate liability, if any, which may result from the settlement of this matter. An unfavorable outcome from this issue could materially affect the Company's results of operations or cash flows in a given year. The Company is not able to estimate the likelihood of such unfavorable outcome. As of this filing date, the Company is still in the process of the hearing procedures.

---

## Table of Contents

### Matters Related to the health hazard of Asbestos

#### Background

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, which is now a company office, had produced products containing asbestos. In April 2005, the Company was advised that some residents who lived near the former plant suffered from mesothelioma, a form of cancer that is said to be mainly caused by the aspiration of asbestos. After discussing this issue with those patients and their private support groups, and deliberating internally and consulting with outside advisers, the Company announced its intention in June 2005 to act seriously and faithfully concerning various issues of the health hazard of asbestos from the viewpoint of corporate social responsibility (CSR) as a company that had once manufactured products containing asbestos for a long time.

According to the Company's basic policy, the Company started the program of consolation payments to patients with mesothelioma who lived near the former plant and to the families of residents who died from mesothelioma. In April 2006, the Company decided to establish the relief payment system in place of the consolation payment system and make additional payment to the residents to whom consolation payment were eligible to be paid or payable. After the Company established its internal policies and procedures of relief payment system, the Company has received claims for relief payments from 149 residents and paid or accrued relief payments to 140 of those residents after carefully reviewing those claims as of March 31, 2007.

With regard to the procedures for making claims to the Company for relief payments, the Company has asked the residents or the bereaved family of the residents who lived close to its former plant to communicate with the Company through Amagasaki Occupational Safety and Health Center with the documents requested by the Company.

With regard to current and former employees of the Company who suffered and are suffering from asbestos-related disease, in accordance with the Company's internal policies, the Company shall pay compensation which is not required by law. Upon certification of medical treatment compensation from the Workers' Accident Compensation Insurance for asbestos-related diseases, the compensation for asbestos-related disease shall be paid. In case an employee dies during medical treatment and are certified for compensation from the Workers' Accident Compensation Insurance for bereaved families, the compensation for asbestos-related disease for the bereaved family shall also be paid. In addition, the Company shall provide other financial aids, such as medical expenses during medical treatment which are incurred by the diseased employees or salary payments during the period of their absence from work. The cumulative number of current and former employees who are eligible for compensation in accordance with the Company's internal policies that are not required by law is 94 as of the end of March 2005, 132 as of the end of March 2006, and 152 as of the end of March 2007.

In August 2006, the Company announced that the Company would provide a total of ¥1.2 billion donation to Hyogo College of Medicine in 10 years and a total of ¥0.5 billion donation to Osaka Medical Center for Cancer and Cardiovascular Diseases in 5 years. And the Company donated ¥400 million (\$3,390 thousand) as a contribution for the year ended March 31, 2007.

As a result of the asbestos issue becoming an object of public concern, the Japanese government newly established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases ( New Asbestos Law ) in March 2006. This law was enacted for the purpose of promptly providing relief to people suffering from asbestos-related diseases who are not eligible for relief by compensation from the Insurance in accordance with the Workers' Accident Compensation Insurance Law. The relief aid payments are contributed by the national government, municipal governments, and business entities. The contribution, which includes a special contribution by the companies which operated a business closely related to asbestos, to be made by business entities shall commence from the year ending March 31, 2008. During the year ended March 31, 2007, the Company accounted for ¥735 million (\$6,229 thousand) of the special contribution as a lump sum expense, which is imposed based on the New Asbestos Law for the next four years commencing the year ending March 31, 2008.

#### Contingencies Regarding Asbestos-Related Matters

The Company expenses the payments for the health hazard of asbestos based on the Company's policies and procedures. The amounts of these expenses during the year ended March 31, 2007 were approximately ¥4,035 million (\$34,195 thousand). Of the ¥4,035 million (\$34,195 thousand), ¥2,030 million (\$17,203 thousand) were expenses related to the payment for the relief payment system established in April 2006. The Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to asbestos issues. However, the Company believes asbestos-related issues contain potentially material risks for the Company's consolidated results of operations, financial position, and its liquidity.

#### Subsequent events

## Edgar Filing: KUBOTA CORP - Form 20-F

On May 11, 2007, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2007 of ¥7 per common share (¥35 per five common shares) or a total of ¥9.0 billion (\$77 million). On June 22, 2007, the Company's Board of Directors approved the purchase of up to 10,000,000 shares, or up to ¥11 billion (\$93 million) of the parent company's outstanding common stock on and after June 25, 2007 through September 27, 2007.

**Table of Contents****E. Off-balance Sheet Arrangements**

The Company utilizes accounts receivable securitization programs, which are important for the Company to broaden its funding sources and raise cost-effective funds. In the programs, the Company sells the receivables to wholly owned special-purpose entities ( SPEs ), which in turn transfer the receivables to bankruptcy-remote independent securitization trusts (the Trusts ). At the time the receivables are sold to the Trusts, the receivables are removed from the consolidated balance sheet of the Company. The Company retains servicing responsibilities and subordinated interests. The purchaser has no recourse to the Company's other assets for failure of debtors to pay when due. The Company's interest in sold receivables is subordinate to the purchaser's interest, and the Company serves as credit enhancements for the securities issued by the Trusts. The value of the Company's interest in sold receivables is subject to credit, repayment, dilution, and interest rate risks on sold receivables. The Company is obligated to repurchase any receivable if the interest of the administrative agent is materially adversely affected by a breach of representation or warranty made by the SPEs.

The Company provides guarantees to distributors, including affiliated companies, and customers for their borrowing from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods. The maximum potential amount of undiscounted future payments of these financial guarantees as of March 31, 2007 was ¥949 million (\$8,042 thousand).

**F. Tabular Disclosure of Contractual Obligations**

The following summarizes contractual obligations at March 31, 2007.

	Millions of Yen				
	Total	Payments Due by Period			More than 5 years
		Less than year	1-3 years	3-5 years	
Contractual obligations:					
Short-term borrowings	¥ 128,365	¥ 128,365	¥	¥	¥
Capital lease obligations	6,577	3,253	3,028	254	42
Long-term debt	214,957	68,176	114,603	19,046	13,132
Deposits from customers	2,522	2,522			
Operating lease obligations	1,785	682	680	178	245
Commitments for capital expenditures	3,819	3,819			
Interest payments	13,082	6,269	5,888	744	181
<b>Total</b>	<b>¥ 371,107</b>	<b>¥ 213,086</b>	<b>¥ 124,199</b>	<b>¥ 20,222</b>	<b>¥ 13,600</b>

	Thousands of U.S. Dollars				
	Total	Payments Due by Period			More than 5 years
		Less than year	1-3 years	3-5 years	
Contractual obligations:					
Short-term borrowings	\$ 1,087,839	\$ 1,087,839	\$	\$	\$
Capital lease obligations	55,737	27,568	25,661	2,152	356
Long-term debt	1,821,670	577,763	971,212	161,407	111,288
Deposits from customers	21,373	21,373			
Operating lease obligations	15,127	5,780	5,762	1,509	2,076
Commitments for capital expenditures	32,364	32,364			
Interest payments	110,864	53,127	49,898	6,305	1,534
<b>Total</b>	<b>\$ 3,144,974</b>	<b>\$ 1,805,814</b>	<b>\$ 1,052,533</b>	<b>\$ 171,373</b>	<b>\$ 115,254</b>

The Company's contributions to pension plans for the year ending March 31, 2008 are expected to be ¥13,562 million (\$114,932 thousand).



**Table of Contents**

**G. Safe Harbor**

Projected results of operations and other future forecasts contained in this annual 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 products which will be accepted in the market. Finally the users of this information should note that the factors that could influence the ultimate outcome of the Company's activities are not limited to the above.

**Table of Contents****Item 6. Directors, Senior Management and Employees****A. Directors and Senior Management**

The following sets for the information about the Company's directors, executive officers and corporate auditors as of the date of filing of this Report, together with their respective dates of birth and positions. The term of office of all directors will expire at the conclusion of the ordinary general meeting of shareholders which will be held in 2008.

Name  (Birthday)	Number of	Current Positions and Brief Occupational History  (including responsibilities in other companies)
	Company Shares Owned	
Daisuke Hatakake (Jun. 29, 1941)	51,000 Shares	President and Representative Director of Kubota Corporation  Apr. 2003 President and Representative Director of Kubota Corporation (to present) Jun. 2002 General Manager of Corporate Compliance Headquarters Jun. 2001 Managing Director of Kubota Corporation, in charge of Corporate Planning & Control Dept., Finance & Accounting Dept., Corporate Information Systems Planning Dept. (assistant)  Aug. 2000 In charge of PV Business Planning & Promotion Dept. Jun. 2000 In charge of Compliance Auditing Dept., Business Alliance Dept. (assistant), Corporate Information Systems Planning Dept. (assistant), General Manager of Corporate Planning & Control Dept.  Jun. 1999 Director of Kubota Corporation Dec. 1998 General Manager of Corporate Planning & Control Dept. Apr. 1964 Joined Kubota Corporation
Moriya Hayashi (May 7, 1944)	31,000 Shares	Executive Vice President and Representative Director of Kubota Corporation, General Manager of Farm & Industrial Machinery Consolidated Division, General Manager of International Operations Headquarters in Farm & Industrial Machinery Consolidated Division  Apr. 2006 Executive Vice President and Representative Director of Kubota Corporation (to present) Apr. 2004 General Manager of Farm & Industrial Machinery Consolidated Division (to present) Apr. 2004 Executive Managing Director of Kubota Corporation Apr. 2003 Managing Director of Kubota Corporation, General Manager of Tractor Division Jan. 2002 General Manager of International Operations Headquarters in Farm & Industrial Machinery Consolidated Division (to present) Oct. 2001 Deputy General Manager of Tractor Division Jun. 2001 Director of Kubota Corporation Jun. 1999 President of Kubota Tractor Corporation Apr. 1969 Joined Kubota Corporation

**Table of Contents**

Toshihiro Fukuda  (Oct. 12, 1945)	47,000 Shares	Executive Managing Director of Kubota Corporation, in charge of Corporate Staff Section
		<p>Apr. 2007 In charge of Corporate Staff Section (to present)</p> <p>Apr. 2006 In charge of Secretary &amp; Public Relations Dept.</p> <p>Apr. 2005 In charge of CSR Planning &amp; Coordination Dept., General Manager of Corporate Compliance Headquarters</p> <p>Apr. 2005 Executive Managing Director of Kubota Corporation (to present)</p> <p>Apr. 2004 Managing Director of Kubota Corporation, in charge of Corporate Compliance Headquarters, Environmental Protection Dept., General Affairs Dept.</p> <p>Apr. 2003 General Manager of Farm Machinery Division</p> <p>Mar. 2003 In charge of Related Products Division</p> <p>Jun. 2002 Director of Kubota Corporation</p> <p>Oct. 2001 Deputy General Manager of Sales Headquarters in Farm &amp; Industrial Machinery Consolidated Division and General Manager of Sales Coordination Dept. in Farm &amp; Industrial Machinery Consolidated Division</p> <p>Apr. 1969 Joined Kubota Corporation</p>
Yasuo Masumoto  (Apr. 21, 1947)	21,000 Shares	Executive Managing Director of Kubota Corporation, in charge of Tokyo Head Office, General Manager of Water, Environment & Infrastructure Consolidated Division, General Manager of Tokyo Head Office, General Manager of Production Control Headquarters in Water, Environment & Infrastructure Consolidated Division, General Manager of Coordination Dept. in Water, Environment & Infrastructure Consolidated Division
		<p>Apr. 2007 In charge of Tokyo Head Office, General Manager of Water, Environment &amp; Infrastructure Consolidated Division, General Manager of Tokyo Head Office, General Manager of Production Control Headquarters in Water, Environment &amp; Infrastructure Consolidated Division, General Manager of Coordination Dept. in Water, Environment &amp; Infrastructure Consolidated Division (to present)</p> <p>Apr. 2006 Executive Managing Director of Kubota Corporation (to present)</p> <p>Apr. 2005 Deputy General Manager of Industrial &amp; Material Systems Consolidated Division</p> <p>Jan. 2005 In charge of Quality Assurance &amp; Manufacturing Promotion Dept.</p> <p>Jun. 2004 General Manager of Purchasing Dept. in Industrial &amp; Material Systems Consolidated Division</p> <p>Apr. 2004 Managing Director of Kubota Corporation, in charge of Manufacturing Planning &amp; Promotion Dept.</p> <p>Apr. 2003 General Manager of Production Control Headquarters in Industrial &amp; Material Systems Consolidated Division</p> <p>Jun. 2002 Director of Kubota Corporation</p> <p>Oct. 2001 General Manager of Farm Machinery Division</p> <p>Apr. 1971 Joined Kubota Corporation</p>

**Table of Contents**

Eisaku Shinohara  (Aug. 25, 1947)	19,000 Shares	<p>Managing Director of Kubota Corporation, General Manager of R &amp; D Headquarters in Farm &amp; Industrial Machinery Consolidated Division, in charge of Research &amp; Development Planning &amp; Promotion Dept., Environmental Equipment R&amp;D Center</p> <p>Apr. 2007 In charge of Environmental Equipment R&amp;D Center (to present)</p> <p>Apr. 2005 Managing Director of Kubota Corporation, in charge of Research &amp; Development Planning &amp; Promotion Dept. (to present)</p> <p>Apr. 2004 General Manager of R &amp; D Headquarters in Farm &amp; Industrial Machinery Consolidated Division (to present)</p> <p>Jun. 2003 Director of Kubota Corporation</p> <p>Oct. 2001 Deputy General Manager of R&amp;D Headquarters in Farm &amp; Industrial Machinery Consolidated Division and General Manager of Vehicle Technology Generalization Dept. in Tractor Division</p> <p>Apr. 1974 Joined Kubota Corporation</p>
Yoshihiko Tabata  (Mar. 23, 1946)	20,000 Shares	<p>Managing Director of Kubota Corporation, General Manager of Engine Division</p> <p>Oct. 2006 General Manager of Planning &amp; Sales Promotion Dept. in Engine Division</p> <p>Apr. 2006 Managing Director of Kubota Corporation (to present)</p> <p>Jun. 2004 Director of Kubota Corporation</p> <p>Oct. 2003 General Manager of Engine Division (to present)</p> <p>May 1998 President of Kubota Engine America Corporation</p> <p>Dec. 1976 Joined Kubota Corporation</p>
Kazunobu Ueta  (Jan. 1, 1947)	22,000 Shares	<p>Managing Director of Kubota Corporation, General Manager of Sales Headquarters in Farm &amp; Industrial Machinery Consolidated Division</p> <p>Apr. 2006 Managing Director of Kubota Corporation (to present)</p> <p>Apr. 2005 In charge of Farm Facilities Division</p> <p>Apr. 2005 General Manager of Sales Headquarters in Farm &amp; Industrial Machinery Consolidated Division (to present)</p> <p>Jun. 2004 Director of Kubota Corporation, in charge of Related Products Division</p> <p>Apr. 2004 In charge of Related Products Division (assistant) and Deputy General Manager of Sales Headquarters in Farm &amp; Industrial Machinery Consolidated Division, General Manager of Sales Control Dept. in Farm &amp; Industrial Machinery Consolidated Division</p> <p>Apr. 2000 Deputy General Manager of Sales Headquarters in Farm &amp; Industrial Machinery Consolidated Division</p> <p>Apr. 1969 Joined Kubota Corporation</p>
Morimitsu Katayama  (Jan. 17, 1948)	25,000 Shares	<p>Managing Director of Kubota Corporation, General Manager of Manufacturing Headquarters in Farm &amp; Industrial Machinery Consolidated Division, General Manager of Sakai Plant, in charge of Quality Assurance &amp; Manufacturing Promotion Dept.</p> <p>Apr. 2007 Managing Director of Kubota Corporation, in charge of Quality Assurance &amp; Manufacturing Promotion Dept. (to present)</p> <p>Jan. 2005 In charge of Quality Assurance &amp; Manufacturing Promotion Dept. (assistant)</p> <p>Jun. 2004 Director of Kubota Corporation, in charge of Manufacturing Planning &amp; Promotion Dept. (assistant)</p> <p>Apr. 2004 General Manager of Manufacturing Headquarters in Farm &amp; Industrial Machinery Consolidated Division and General Manager of Sakai Plant (to present)</p> <p>Apr. 2003 General Manager of Sakai Plant</p> <p>Oct. 2001 General Manager of Construction Machinery Division and General Manager of Construction Machinery Manufacturing Dept. in Hirakata Plant</p> <p>Apr. 1963 Joined Kubota Corporation</p>



**Table of Contents**

<p>Nobuyuki Toshikuni  (Jan. 30, 1951)</p>	<p>13,000 Shares</p>	<p>Managing Director of Kubota Corporation, General Manager of Tractor Division</p> <p>Apr. 2007 Managing Director of Kubota Corporation (to present)  Jun. 2004 Director of Kubota Corporation  Apr. 2004 General Manager of Tractor Division (to present)  Oct. 2001 President of Kubota Tractor Corporation  Apr. 1973 Joined Kubota Corporation</p>
<p>Hirokazu Nara  (Oct. 2, 1948)</p>	<p>16,000 Shares</p>	<p>Managing Director of Kubota Corporation, in charge of Corporate Staff Section (assistant), Corporate Planning &amp; Control Dept., Finance &amp; Accounting Dept.</p> <p>Apr. 2007 Managing Director of Kubota Corporation, in charge of Corporate Staff Section (assistant) (to present)  Oct. 2005 In charge of Corporate Planning &amp; Control Dept. (to present)  Jun. 2005 In charge of Finance &amp; Accounting Dept. (to present)  Jun. 2005 Director of Kubota Corporation, in charge of Air Condition Equipment Division, Septic Tanks Division, Housing &amp; Building Materials Business Coordination Dept., PV Business Planning &amp; Promotion Dept., General Manager of Corporate Planning &amp; Control Dept.  Apr. 2005 In charge of Air Condition Equipment Division (assistant), Septic Tanks Division (assistant), Housing &amp; Building Materials Business Coordination Dept. (assistant), PV Business Planning &amp; Promotion Dept. (assistant), Finance &amp; Accounting Dept. (assistant) and General Manager of Corporate Planning &amp; Control Dept.  Apr. 2003 General Manager of Corporate Planning &amp; Control Dept.  Jun. 1996 General Manager of Planning Dept. in Vending Machinery Division  Apr. 1971 Joined Kubota Corporation</p>
<p>Masayoshi Kitaoka  (Dec. 11, 1949)</p>	<p>9,000 Shares</p>	<p>Director of Kubota Corporation, in charge of Personnel Dept., Health &amp; Safety Planning &amp; Promotion Dept., General Manager of Head Office</p> <p>Apr. 2007 In charge of Personnel Dept., Health &amp; Safety Planning &amp; Promotion Dept., General Manager of Head Office (to present)  Jun. 2005 Director of Kubota Corporation (to present)  Apr. 2004 General Manager of Farm Machinery Division  Aug. 2003 General Manager of Electronic Equipped Machinery Division  Dec. 2002 General Manager of Electronic Equipped Machinery Division and General Manager of FA Sales Dept. in Electronic Equipped Machinery Division  Oct. 2001 General Manager of Electronic Equipped Machinery Division and General Manager of CAD Dept. in Electronic Equipped Machinery Division  Apr. 1973 Joined Kubota Corporation</p>

**Table of Contents**

Tetsuji Tomita	9,000 Shares	Director of Kubota Corporation, President of Kubota Tractor Corporation
(Mar. 6, 1950)		
		Jun. 2005 Director of Kubota Corporation (to present)
		Apr. 2004 President of Kubota Tractor Corporation (to present)
		Jan. 2003 President of Kubota Europe S.A.S.
		Oct. 1999 General Manager of Export Dept. in Tractor Division
		Apr. 1973 Joined Kubota Corporation
Masatoshi Kimata	17,000 Shares	Director of Kubota Corporation, Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division
(Jun. 22, 1951)		
		Apr. 2007 Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division (to present)
		Jun. 2005 Director of Kubota Corporation (to present)
		Oct. 2001 General Manager of Tsukuba Plant
		Apr. 1977 Joined Kubota Corporation
Nobuyo Shioji	3,000 Shares	Director of Kubota Corporation, General Manager of Construction Machinery Division
(Apr. 11, 1949)		
		Jun. 2006 Director of Kubota Corporation (to present)
		Apr. 2005 General Manager of Construction Machinery Division (to present)
		Apr. 2004 General Manager of Construction Machinery Division and General Manager of Planning & Sales Promotion Dept. in Construction Machinery Division
		Apr. 2003 Deputy General Manager of Construction Machinery Division and General Manager of Planning & Sales Promotion Dept. in Construction Machinery Division
		Jun. 2001 General Manager of Planning & Sales Promotion Dept. in Construction Machinery Division
		Apr. 1973 Joined Kubota Corporation
Takeshi Torigoe	12,000 Shares	Director of Kubota Corporation, General Manager of Steel Castings Division
(Apr. 8, 1950)		
		Jun. 2006 Director of Kubota Corporation (to present)
		Apr. 2005 General Manager of Steel Castings Division (to present)
		Jan. 2004 General Manager of Steel Castings Manufacturing Dept. in Hirakata Plant
		Jan. 2001 President of Kubota Metal Corporation
		Apr. 1976 Joined Kubota Corporation
Satoru Sakamoto	5,000 Shares	Director of Kubota Corporation, General Manager of Air Condition Equipment Division, President of Kubota Air Conditioner, Ltd.
(Jul. 18, 1952)		
		Jun. 2006 Director of Kubota Corporation (to present)
		Apr. 2006 General Manager of Air Condition Equipment Division and President of Kubota Air Conditioner, Ltd. (to present)
		Oct. 2005 Deputy General Manager of Air Condition Equipment Division and Director of Kubota Air Conditioner, Ltd.
		Apr. 2003 General Manager of Planning Dept. in Ductile Iron Pipe Division
		Jun. 2001 General Manager of Corporate Planning & Control Dept.
		Apr. 1976 Joined Kubota Corporation

**Table of Contents**

Hideki Iwabu	11,000 Shares	Director of Kubota Corporation, General Manager of Water & Sewage Engineering Division
(Oct. 21, 1952)		
		Aug. 2006 General Manager of Planning Dept. in Water & Sewage Engineering Division
		Jun. 2006 Director of Kubota Corporation (to present)
		Apr. 2006 General Manager of Water & Sewage Engineering Division (to present)
		Apr. 2004 General Manager of Sewage Engineering Dept. II in Water & Sewage Engineering Division
		Jun. 2001 General Manager of Water & Sewage Engineering Dept. in Water & Sewage Engineering Division
		Apr. 1975 Joined Kubota Corporation
Takashi Yoshii	16,000 Shares	Director of Kubota Corporation, President of Kubota Manufacturing of America Corporation
(Oct. 7, 1951)		
		Jun. 2007 Director of Kubota Corporation (to present)
		Oct. 2005 President of Kubota Manufacturing of America Corporation (to present)
		Apr. 2005 General Manager of R&D Administration Dept. and General Manager of Prototype Engineering Dept. in Farm & Industrial Machinery Consolidated Division
		May 2003 General Manager of R&D Administration Dept. in Farm & Industrial Machinery Consolidated Division
		Apr. 1974 Joined Kubota Corporation
Kohkichi Uji	4,000 Shares	Director of Kubota Corporation, General Manager of Ductile Iron Pipe Division, General Manager of Business Planning & Marketing Dept. in Ductile Iron Pipe Division and Director of Tops Water Co., Ltd.
(Feb. 16, 1952)		
		Jun. 2007 Director of Kubota Corporation (to present)
		Apr. 2007 General Manager of Ductile Iron Pipe Division and General Manager of Business Planning & Marketing Dept. in Ductile Iron Pipe Division and Director of Tops Water Co., Ltd. (to present)
		Jun. 2006 General Manager of Business Planning & Marketing Dept. in Ductile Iron Pipe Division and Director of Tops Water Co., Ltd.
		Oct. 2003 General Manager of Business Planning & Marketing Dept. in Ductile Iron Pipe Division
		Apr. 2003 General Manager of Sales Administration Dept. in Ductile Iron Pipe Division
		Apr. 1974 Joined Kubota Corporation
Toshihiro Kubo	8,000 Shares	Director of Kubota Corporation, General Manager of Planning Dept. in Ductile Iron Pipe Division
(Apr. 5, 1953)		
		Jun. 2007 Director of Kubota Corporation (to present)
		Oct. 2005 General Manager of Planning Dept. in Ductile Iron Pipe Division (to present)
		Apr. 2003 General Manager of R&D Dept. in Ductile Iron Pipe Division
		Apr. 1979 Joined Kubota Corporation

**Table of Contents**

Kenshiro Ogawa  (Jul. 23, 1953)	18,000 Shares	Director of Kubota Corporation, General Manager of Tsukuba Plant  Jun. 2007 Director of Kubota Corporation (to present) Apr. 2007 General Manager of Tsukuba Plant (to present) Apr. 2003 General Manager of Engine Manufacturing Dept. in Sakai Plant and Rinkai Engine Manufacturing Dept. in Sakai Plant Apr. 1979 Joined Kubota Corporation
Junichi Maeda  (May 23, 1945)	20,000 Shares	Corporate Auditor of Kubota Corporation  Jun. 2005 Corporate Auditor of Kubota Corporation (to present) Jun. 2003 Director of Kubota Corporation Apr. 2003 General Manager of Ductile Iron Pipe Division Jun. 2001 General Manager of Planning Dept. in Ductile Iron Pipe Division Apr. 2001 Ditto and General Manager of Production Management Dept. in Ductile Iron Pipe Division  Jun. 2000 General Manager of Planning Dept. in Ductile Iron Pipe Division Sep. 1972 Joined Kubota Corporation
Yoshiharu Nishiguchi  (Jan.29, 1947)	22,000 Shares	Corporate Auditor of Kubota Corporation  Jun. 2007 Corporate Auditor of Kubota Corporation (to present) Apr. 2007 Director of Kubota Corporation Apr. 2006 In charge of General Affairs Dept., Tokyo Administration Dept. Apr. 2005 Managing Director of Kubota Corporation, in charge of Personnel Dept., Health & Safety Planning & Promotion Dept., General Manager of Head Office Apr. 2004 In charge of Septic Tanks Division, Housing & Building Materials Business Coordination Dept., Secretary & Public Relations Dept., PV Business Planning & Promotion Dept.  Jun. 2003 Director of Kubota Corporation, in charge of Air Condition Equipment Division, Corporate Planning & Control Dept., Finance & Accounting Dept. Dec. 2002 General Manager of Compliance Auditing Dept. Jun. 2000 General Manager of Finance & Accounting Dept. Jul. 1998 General Manager of Accounting Dept. Apr. 1970 Joined Kubota Corporation
Yuzuru Mizuno  (Jan. 21, 1948)	4,000 Shares	Corporate Auditor of Kubota Corporation  Jul. 2005 Executive Senior Councilor of Corporate Accounting & Finance of Matsushita Electric Industrial Co., Ltd. Jun. 2005 Corporate Auditor of Kubota Corporation (to present) Jul. 2004 Executive Director of Matsushita Electric Industrial Co., Ltd., in charge of Corporate Finance & Investor Relations Feb. 2004 Director (non full-time) of Nippon Otis Elevator Company Oct. 2000 President (non full-time) of Panasonic Finance (Japan) Co., Ltd. Oct. 2000 General Manager of Corporate Finance Dept. of Matsushita Electric Industrial Co., Ltd. Jun. 1998 Managing Director of Matsushita Industrial Corporation Sdn. Bhd. Dec. 1995 General Manager of Accounting Dept. in Compressor Division of Matsushita Electric Industrial Co., Ltd. Apr. 1970 Joined Matsushita Electric Industrial Co., Ltd.



**Table of Contents**

Yoshio Suekawa (Sep. 1, 1937)	7,000 Shares	Corporate Auditor of Kubota Corporation
		Jun. 2004 Corporate Auditor of Kubota Corporation (to present) Apr. 2004 Appointed as a special visiting professor, the Faculty of Commerce, Doshisha University Jun. 2003 Assumed statutory auditor of SUS-TECH Corporation Jul. 2002 Established Suekawa CPA Office (to present) Jun. 2002 Retired from Representative Partner of Deloitte Touche Tohmatsu, Osaka May 1989 Assumed Representative Partner of Deloitte Touche, Tohmatsu, Osaka Jul. 1984 Joined Sanwa Tokyo Marunouchi (currently, Deloitte Touche Tohmatsu) Oct. 1963 Registered as a CPA with the Japanese Institute of Certified Public Accountants Oct. 1959 Joined Lowe Bingham and Luckie (subsequently, PricewaterhouseCoopers, Osaka)
Masanobu Wakabayashi (Jan. 19, 1944)	0 Shares	Corporate Auditor of Kubota Corporation
		Jun. 2007 Corporate Auditor of Kubota Corporation (to present) Mar. 2004 Chairman of Osaka Prefectural Labour Relations Commission (to present) Apr. 1993 Vice President of Osaka Bar Association Apr. 1979 Established Masanobu Wakabayashi Law Office (to present) Apr. 1970 Registered as an attorney with Osaka Bar Association

Among Directors or Corporate Auditors of Kubota Corporation, there is no family relationship. No Directors and Corporate Auditors, except Yoshio Suekawa and Masanobu Wakabayashi, Corporate Auditors, of Kubota Corporation have business activities outside the Company. No Directors have directorship of another company.

There is not any arrangement or understanding with major shareholders, customers, suppliers or other pursuant to which any person named above was selected as a Director or a Corporate Auditor.

The Company is not dependent on specific Directors, researchers, or any other entity for its management.

---

## **Table of Contents**

### **B. Compensation**

The aggregate remuneration, including bonuses, paid by the Company in fiscal 2007 to all Directors (some of whom are also the executive officers) and Corporate Auditors of the Company as a group (26 persons) was ¥894 million. No options to purchase securities from the registrant or any of its subsidiaries were outstanding on March 31, 2007.

At the meeting of the Board of Directors of the Company held on May 13, 2005, the Company resolved that the retirement benefit systems for Directors and Corporate Auditors should be terminated as of the date of the ordinary general meeting of shareholders held on June 24, 2005 and retirement benefits should be paid to the then Directors and Corporate Auditors for the services rendered before the termination of the system. The Board of Directors also resolved that the timing of payment would be at the time of the retirement of each Director and/or Corporate Auditor from his/her office. The amount of the retirement benefits for the services rendered before the termination of the system was allocated to other long-term liabilities in the Company's consolidated balance sheets.

### **C. Board Practices**

The Company's Articles of Incorporation as revised as of June 23, 2006 provide that the number of Directors of the Company shall be not more than 30 and that of the Corporate Auditors shall be not more than 6.

Directors and Corporate Auditors shall be elected by the general meeting of shareholders. The Board of Directors has ultimate responsibility for administration of the Company's affairs. Directors may, by resolution of the Board of Directors, appoint a Chairman of the Board of Directors, a Vice Chairman of the Board of Directors, a President-Director, and one or more Executive Vice President-Directors, Executive Managing Directors and Managing Directors. The Chairman of the Board of Directors and President-Director are Representative Directors and severally represent the Company. In addition, the Board of Directors may by its resolution, appoint one or more additional Representative Directors. The term of office of Directors shall, under the Articles of Incorporation of the Company, expire at the conclusion of the ordinary general meeting of shareholders with respect to the last closing of accounts within one year from their assumption of office, and in the case of Corporate Auditors, within four years from their assumption of office. However, they may serve any number of consecutive terms.

Under the Corporate Law, the Corporate Auditors of the Company are not required to be and are not certified public accountants. However, at least half of the Corporate Auditors shall be a person who has not been a Director, accounting counselor, corporate executive officer, manager or any other employee of the Company or any of its subsidiaries at any time prior to his or her election as a Corporate Auditor.

The Corporate Auditors may not at the same time be Directors, accounting counselor, corporate executive officers, managers or any other employees of the Company or any of its subsidiaries. Each Corporate Auditor has the statutory duty to examine the Company's consolidated and non-consolidated financial statements and business report to be submitted by a Representative Director at the general meeting of shareholders and, based on such examination and a report of an Accounting Auditor referred to below, to respectively prepare his or her audit report. Each Corporate Auditor also has the statutory duty to supervise the administration by the Directors of the Company's affairs. They are required to attend in meetings of the Board of Directors and express opinions, if necessary, at such meetings, but they are not entitled to vote.

In addition to Corporate Auditors, an independent certified public accountant or an audit corporation must be appointed at general meetings of shareholders as Accounting Auditor of the Company. Such Accounting Auditor has the duties to examine the consolidated and non-consolidated financial statements proposed to be submitted by a Representative Director at general meetings of shareholders and to report their opinion thereon to certain Corporate Auditors designated by the Board of Corporate Auditors to receive such report (if such Corporate Auditors are not designated, all Corporate Auditors) and the Directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements).

The Corporate Auditors constitute the Board of Corporate Auditors. The Board of Corporate Auditors has a statutory duty to, based upon the reports prepared by respective Corporate Auditors, prepare and submit its audit report to the accounting auditor and certain directors designated to receive such report (if such Directors are not designated, the Directors who prepared the financial statements and the business report). A Corporate Auditor may note his or her opinion in the audit report if his or her opinion expressed in his or her audit report is different from the opinion expressed in the audit report. The Board of Corporate Auditors shall elect one or more full-time Corporate Auditors from among its members. The Board of Corporate Auditors is empowered to establish audit principles, method of examination by Corporate Auditors of the Company's affairs and financial position and other matters concerning the performance of the Corporate Auditors' duties.

There are no Director's service contracts with Kubota Corporation providing for benefits upon termination of service.

## Edgar Filing: KUBOTA CORP - Form 20-F

The rights of ADR holders, including their rights relating to corporate governance practices, are governed by the Amended and Restated Deposit Agreement (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-91654) filed on June 26, 2002).

**Table of Contents****D. Employees****Head Count at the End of the Period**

	2005	2006	2007
	22,916	23,049	23,727

**Head Count in Each Segment**

	2005	2006	2007
Internal Combustion Engine and Machinery	12,026	12,383	13,440
Pipes, Valves, and Industrial Castings	4,116	4,028	3,951
Environmental Engineering	2,489	2,563	2,484
Other	3,872	3,618	3,390
Corporate	413	457	462
Total	22,916	23,049	23,727

The number of full-time employees of Kubota as of March 31, 2007 was 23,727. Most employees of the Company in Japan, other than managerial personnel, are union members. The unions belong to the Federation of all Kubota Labor Union, which is affiliated with the Japanese Trade Union Confederation. The Company believes it maintains good relationship with the union.

Basic wage rates are reviewed annually in Spring. In addition, in accordance with Japanese custom, Kubota grants its full-time employees semiannual bonuses.

The parent company and its domestic subsidiaries have a number of unfunded severance indemnity plans and defined benefit pension plans covering substantially all Japanese employees. Most employees of overseas subsidiaries are covered by defined benefit pension plans or defined contribution pension plans. As is customary in Japan, the Company provides a wide range of fringe benefits to its employees.

**E. Share Ownership**

The total number of shares of the Company's common stock beneficially owned by the Directors and Corporate Auditors as a group as of June 22, 2007 was as follows:

Title of Class	Identity of persons or group	Number of shares owned	Percentage of class
Common stock	Directors and Corporate Auditors	430,000	0.03%

For individual shareholdings, see Item 6.A Directors and Senior Management.

Employee Stock Ownership Association (Kubota Fund) owned 16,824,807 shares as of March 31, 2007, which amounted to 1.3% of total shares issued.

The association consists of employees of the Company and some of its subsidiaries, and the members contribute a portion of their salaries to the association. The association purchases shares of Kubota's common stock on behalf of members.

**Table of Contents****Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders**

As of March 31, 2007, 4 shareholders held 5 percent or more of the shares issued. The 10 largest shareholders are as follows:

Name	(As of March 31, 2007)	
	Number of shares (thousand)	(%)
Japan Trustee Services Bank, Ltd.	103,855	8.03
The Master Trust Bank of Japan, Ltd.	103,070	7.97
Nippon Life Insurance Company	88,687	6.86
Meiji Yasuda Life Insurance Company	66,221	5.12
The Dai-ichi Mutual Life Insurance Company	47,307	3.66
Sumitomo Mitsui Banking Corporation	45,006	3.48
Mizuho Corporate Bank, Ltd.	40,851	3.16
The Chase Manhattan Bank N.A. London	40,194	3.11
Mizuho Bank, Ltd.	28,388	2.19
Trust & Custody Services Bank, Ltd.	24,670	1.90

As far as is known to the Company, there is no arrangement, the operation of which may at a subsequent date result in a change in control of the Company. The major shareholders have the same voting rights as other common shareholders of the Company.

As of March 31, 2007, there were 1,291,919,180 shares of Common Stock issued, of which 18,557,148 shares were in the form of ADR and 139,710,152 shares were held by the residents in the U.S. The number of registered ADR holders was 42 and the number of registered holders of common stock in the U.S. was 102.

To the best knowledge of the Company, the Company is not, directly or indirectly, owned or controlled by other corporations or by the Japanese or any foreign government.

**B. Related Party Transactions**

In the ordinary course of business, the Company has transactions with numerous companies. During the fiscal year ended March 31, 2007, the Company had sales transactions with affiliates accounted under the equity method, aggregating ¥51,882 million (\$439,678 thousand). As of March 31, 2007, the Company had trade notes and accounts receivable from affiliated companies of ¥18,411 million (\$156,025 thousand).

Refer to Note 3 of the Consolidated Financial Statements for additional information regarding the Company's investments in and advances to affiliated companies.

**C. Interests of Experts and Counsel**

Not applicable.

## **Table of Contents**

### **Item 8. Financial Information**

#### **A. Consolidated Statements and Other Financial Information**

The information required by this item, except as stated below, appears in the consolidated financial statements of this Form 20-F.

#### **Legal Proceedings**

##### **Anti-Trust**

In May 1998, the Company was investigated by the Fair Trade Commission of Japan (the FTCJ ) for an alleged violation of the Law Concerning Prohibition of Private Monopoly and Preservation of Fair Trade (the Anti-Monopoly Law ) relating to participation in fixing the shares of ductile iron straight pipe orders in Japan. The Company received a cease and desist recommendation from the FTCJ in March 1999, which was accepted by the Company in April 1999.

The FTCJ also brought a criminal accusation alleging violation of the Anti-Monopoly Law against the Company and 3 of its employees, who were indicted in the Tokyo High Court in March 1999. On February 24, 2000, the Company was fined ¥130 million, and the 3 employees were given 6 – 10 months prison sentences, suspended for 2 years.

In the meanwhile, the Company received a surcharge order of ¥7,072 million (\$59,932 thousand) from the FTCJ. The Company has challenged this order and filed a petition for the initiation of hearing procedures that were started in March 2000. Under Section 49 of the then Anti-Monopoly Law, upon initiation of the procedures the surcharge order lost effect. In addition, Section 7-2 of the then Anti-Monopoly Law stipulates that surcharges are imposed in cases where price cartels or cartels that influence prices by curtailing the volume of supply are carried out. The Company believes that the alleged share cartel does not meet the requirement of Section 7-2, and has not established any provision for the ultimate liability, if any, which may result from the settlement of this matter. An unfavorable outcome from this issue could materially affect the Company's results of operations or cash flows in a given year. The Company is not able to estimate the likelihood of such unfavorable outcome. As of March 31, 2007 the Company is still in the process of the hearing procedures.

#### **Policy on Dividends Distributions**

The Company's basic policy for the allocation of profit is to maintain or raise dividends. The Company's policy is to determine the most appropriate use of retained earnings, by considering current business operations as well as the future business environment.

#### **B. Significant Changes**

Except as disclosed in Item 5.D, there have been no significant changes since the date of latest annual financial statements of the Company.

**Table of Contents****Item 9. The Offer and Listing****A. Offer and Listing Details**

The primary market for Kubota's common stock is the Tokyo Stock Exchange (the "TSE") in the form of original common stock. Kubota's common stock has been listed on the TSE since 1949, and has also been listed on the Osaka Securities Exchange since 1949.

Overseas, Kubota's common stock is listed on the New York Stock Exchange (the "NYSE") in the form of American Depositary Shares ("ADSs") evidenced by American Depositary Receipts ("ADRs"). Prior to July 15, 2002, each ADS represented 20 shares of common stock. On July 15, 2002, the Company changed the unit of ADS from 20 common shares to 5 in order to help increase the number of ADS holders and improve the liquidity of its ADSs.

Kubota's ADSs, which have been listed on the NYSE since 1976, are issued by JPMorgan Chase Bank, as Depositary. Kubota's common stock is also listed on Frankfurt Stock Exchange.

The following table sets forth, for the periods indicated, the reported high and low sales prices of Kubota's common stock on the TSE and of Kubota's ADSs on the NYSE.

	TSE price per share of		NYSE price per ADS				
	common stock High	Low	(5 common shares) High		Low		
Annual Highs and Lows							
2003	¥444	¥280	\$17	\$25	\$11	\$90	
2004	517	260	24	15	11	06	
2005	596	446	28	46	19	05	
Quarterly Highs and Lows							
2006							
1 <sup>st</sup> quarter	¥651	¥517	\$29	\$85	\$24	\$20	
2 <sup>nd</sup> quarter	821	603	36	49	27	67	
3 <sup>rd</sup> quarter	1,073	733	45	90	32	10	
4 <sup>th</sup> quarter	1,295	930	55	21	40	58	
2007							
1 <sup>st</sup> quarter	1,379	918	60	60	40	16	
2 <sup>nd</sup> quarter	1,123	897	48	95	38	51	
3 <sup>rd</sup> quarter	1,134	927	47	30	39	81	
4 <sup>th</sup> quarter	1,306	1,012	53	83	43	70	
2008							
1 <sup>st</sup> quarter	1,162	909	48	30	37	80	
Monthly Highs and Lows							
February, 2007	¥1,295	¥1,106	\$53	\$83	\$47	\$25	
March	1,207	1,012	49	99	43	70	
April	1,162	985	48	30	42	34	
May	1,134	909	47	04	37	80	
June	1,074	977	43	50	40	05	
July	1,116	977	45	80	40	53	
August	1,059	857	43	67	38	31	

The Company has never experienced trade suspension, and keeps enough liquidity for trading.



**Table of Contents**

**B. Plan of Distribution**

Not applicable.

**C. Markets**

The stock of the Company is listed on 2 stock exchanges in Japan (Tokyo and Osaka), and 2 overseas stock exchanges (New York and Frankfurt). In May 1949, the stock was listed on Tokyo Stock Exchange (the TSE ) and Osaka Securities Exchange. The stock was also listed on the Frankfurt Stock Exchange in March 1974, and the New York Stock Exchange (the NYSE ) in November 1976.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

## **Table of Contents**

### **Item 10. Additional Information**

#### **A. Share Capital**

Not applicable.

#### **B. Memorandum and Articles of Association**

##### **Organization**

The Company is a joint stock corporation (*kabushiki kaisha*) incorporated in Japan under the Corporate Law of Japan. The Company is registered in the Commercial Register (*shogyo tokibo*) maintained by the Osaka Legal Affairs Bureau.

##### **Objects and Purposes**

Article 2 of the Articles of Incorporation of the Company provides that the Company's purpose is to engage in the following lines of business:

1. Manufacture, sale and laying work of cast iron pipe, various kinds of pipe and fittings thereof;
2. Manufacture and sale of castings, powder-metallurgy products and ceramic and other moldings;
3. Manufacture and sale of internal combustion engines, automobiles, agricultural machinery and ancillary farming products;
4. Manufacture, sale and installation of construction machinery, machine tools, pumps, valves, various kinds of industrial machinery and other machinery;
5. Manufacture, sale and installation of weighing, measuring and control equipment, electrical, electronic and communication machinery and equipment, automatic vending machines and automatizing machinery and equipment;
6. Manufacture and sale of various kinds of materials for civil engineering and construction as well as various kinds of machinery and equipment for houses;
7. Construction and civil engineering, and planning, manufacture, supervision, performance and sale of, and contracting for, houses, building structures, steel-frame structures and storage facilities and equipment;
8. Sale, purchase, lease and management of real estate and development of residential land;
9. Planning, manufacture, engineering and construction of, and contracting for, various environmental control devices and equipment and various plants;
10. Treatment, recovery and recycling business of various kinds of wastewater, exhaust gas and contaminated soil;

## Edgar Filing: KUBOTA CORP - Form 20-F

11. Treatment, recovery and recycling business of municipal and industrial wastes;
12. Manufacture and sale of chemicals for household use and for environmental control devices and equipment as well as bioproducts;
13. Manufacture, processing and sale of synthetic resins and other chemical synthetic products;
14. Development and sale of information processing and communication systems, and computer software;
15. Operation of facilities for sports, lodging, training, health and medical care, recuperation and recreation;
16. Road cargo transportation business, water transportation business and warehousing business;
17. General leasing business;
18. Personnel dispatching agency business;
19. Business of soliciting life insurance, casualty insurance agency business and insurance agency business pursuant to the Automobile Injury Compensation Law;
20. Fee-charging employment agency;
21. Accounting and payroll administration services;
22. Copying, printing and bookbinding businesses;
23. Any consulting business relating to each of the foregoing items; and
24. Any other business ancillary to or relating to any of the foregoing items.

---

**Table of Contents**

**Directors**

Each Director has executive powers and duties to manage the affairs of the Company and each Representative Director, who is elected from among the Directors by the Board of Directors, has the statutory authority to represent the Company in all respects. Under the Corporate Law, which came in effect on May 1, 2006, the Directors must refrain from engaging in any business competing with the Company unless approved by the Board of Directors and any Director who has a special interest in the subject matter of a resolution to be taken by the Board of Directors cannot vote on such resolution. The maximum aggregate amounts of remunerations, bonuses, and other financial benefits given in consideration of the performance of duties (the remunerations, etc. ) for the Company's Directors and that of the Company's Corporate Auditors must be, approved, respectively, at a general meeting of shareholders. The Company must also obtain the approval at a general meeting of shareholders if the Company desires to change such maximum amount of remunerations, etc. The amount of remuneration for each class of Director is determined by the remuneration committee, which is not a statutory organization but is delegated to make such determination by the Board of Directors, and such amount of remuneration so determined by the remuneration committee is approved by the President. The same applies *mutatis mutandis* to the amount of bonus for each Director. The amount of remuneration for each Corporate Auditor is determined upon consultation among the Corporate Auditors.

Except as stated below, neither the Corporate Law nor the Company's Articles of Incorporation make special provisions as to the Directors' or Corporate Auditors' power to vote in connection with their own compensation, the borrowing power exercisable by a Representative Director (or a Director who is given power by a Representative Director to exercise such power), their retirement age or requirements to hold any shares of Common Stock of the Company. The Corporate Law specifically requires the resolution of the Board of Directors for a company to acquire or dispose of material assets; to borrow a substantial amount of money; to appoint or dismiss important employees, such as executive officers; to establish, change or abolish material corporate organizations such as a branch office; to determine material conditions concerning offering of corporate bonds set forth in the ordinances of the Ministry of Justice; and to establish and maintain the internal control system set forth in the ordinances of the Ministry of Justice, such as the system to ensure the legitimacy of the performance of duties by Directors. The Regulations of the Board of Directors and the relevant internal regulation of the Company require a resolution of the Board of Directors for the Company's borrowing in an amount more than 5 billion yen or guaranteeing in an amount more than one billion yen or its equivalent.

---

## **Table of Contents**

### **Common Stock**

#### ***General***

Except as otherwise stated, set forth below is information relating to the Company's Common Stock, including brief summaries of the relevant provisions of the Company's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Corporate Law of Japan and related legislation.

Under the Corporate Law, generally, shares may be transferred only by delivering share certificates. In order to assert shareholders' rights against the Company, a shareholder must have its name and address registered on the Company's register of shareholders, in accordance with the Company's Share Handling Regulations. The registered beneficial holder of deposited shares underlying the ADSs is the Depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against the Company.

A law to establish a new central clearing system for shares of listed companies and to eliminate the issuance and use of certificates for such shares was promulgated in June 2004 and the relevant part of the law will come into effect within 5 years of the date of the promulgation. On the effective date, a new central clearing system will be established and the shares of all Japanese companies listed on any Japanese stock exchange, including the shares of common stock of the Company, will be subject to the new central clearing system. On the same day, all existing share certificates will become null and void and the companies are not required to withdraw those share certificates from shareholders. The transfer of such shares will be effected through entry in the books maintained under the new central clearing system.

#### ***Authorized capital***

Article 6 of the Articles of Incorporation of the Company provides that the total number of shares authorized to be issued by the Company is 1,874,700,000 shares.

As of March 31, 2007, 1,291,919,180 shares of Common Stock were issued. All shares of Common Stock of the Company have no par value.

#### ***Distribution of Surplus***

##### ***Distribution of Surplus - General***

Under the Corporate Law, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends", are referred to as distributions of Surplus (Surplus is defined in "Restriction on Distributions of Surplus"). The Company may make distributions of Surplus to the shareholders any number of times per business year, subject to certain limitations described in "Restriction on Distributions of Surplus". Distributions of Surplus are required in principle to be authorized by a resolution of a general meeting of shareholders, but the Company may also authorize distributions of Surplus by a resolution of the Board of Directors as long as its non-consolidated annual financial statements and certain documents for the last business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of common stock held by each shareholder. A resolution of a general meeting of shareholders or the board of directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution of a general meeting of shareholders or (as the case may be) the Board of Directors, grant a right to the shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see "Voting Rights" with respect to a "special resolution").

Under the Company's Articles of Incorporation, year-end dividends and interim dividends may be distributed to shareholders of record as of March 31 and September 30 each year, respectively, in proportion to the number of shares of common stock held by each shareholder following approval by the general meeting of shareholders or the Board of Directors. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the shares of common stock generally goes ex-dividend on the third business day prior to the record date.



---

**Table of Contents**

*Distribution of Surplus Restriction on distribution of Surplus*

In making a distribution of Surplus, the Company must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$(A + B + C + D) - (E + F + G)$$

In the above formula:

A = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year

B = (if the Company has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by the Company less the book value thereof

C = (if the Company has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

D = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

E = (if the Company has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock

F = (if the Company has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed

G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to the shareholders after the end of the last business year) the amount set aside in additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (the Distributable Amount), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the followings:

- (a) the book value of its treasury stock;
- (b) the amount of consideration for any of treasury stock disposed of by the Company after the end of the last business year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

---

## **Table of Contents**

If the Company has become at its option a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount (renketsu haito kisei tekiyo kaisha), the Company shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders' equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by ordinances of the Ministry of Justice over (y) the total amount of stockholders' equity and certain other amounts set forth by ordinances of the Ministry of Justice appearing on the consolidated balance sheet as of the end of the last business year.

If the Company has prepared interim financial statements as described below, and if such interim financial statements have been approved by the board of directors or (if so required by the Corporate Law) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by the Company, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by the Company must be audited by the Corporate Auditors and the accounting auditor, as required by ordinances of the Ministry of Justice.

### ***Stock splits***

The Company may at any time split shares in issue into a greater number of shares by resolution of the Board of Directors, and may in principle amend its Articles of Incorporation to increase the number of the authorized shares to be issued in proportion to the relevant stock split pursuant to a resolution of the Board of Directors rather than a special shareholders resolution (as defined in *Voting Rights*) which is otherwise required for amending the Articles of Incorporation.

In the event of a stock split, generally, shareholders will not be required to exchange share certificates for new share certificates, but certificates representing the additional shares resulting from the stock split will be issued to shareholders. When a stock split is to be made, the Company must give public notice of the stock split, specifying the record date thereof, at least 2 weeks prior to such record date.

### ***Consolidation of Shares***

The Company may at any time consolidate shares in issue into a smaller number of shares by a special shareholders resolution (as defined in *Voting Rights*). When a consolidation of shares is to be made, the Company must give public notice and notice to each shareholder that, within a period of not less than one month specified in the notice, share certificates must be submitted to the Company for exchange. The Company must disclose the reason for the consolidation of shares at the general meeting of shareholders.

### ***General meeting of shareholders***

The ordinary general meeting of shareholders of the Company for each fiscal year is normally held in June in each year in Osaka, Japan. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving notice of convocation thereof at least 2 weeks prior to the date set for the meeting.

Notice of convocation of a shareholders' meeting setting forth the place, time and purpose thereof, must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least 2 weeks prior to the date set for the meeting. Under the Corporate Law, such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. The record date for an ordinary general meeting of shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least 3 percent of the total number of voting rights for a period of 6 months or more may require the convocation of a general meeting of shareholders for a particular purpose by submitting a written request to a Representative Director. Unless such shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than 8 weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or one percent of the total number of voting rights for a period of 6 months or more may propose a matter to be considered at a general meeting of shareholders by submitting a written request to a Representative Director at least 8 weeks prior to the date set for such meeting.

If the Company's Articles of Incorporation so provide, any of the minimum voting rights or percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.



---

## **Table of Contents**

### *Voting rights*

So long as the Company maintains the unit share system (see Section B of this Item 10 Memorandum and Articles of Association Common Stock *Unit share system* below; currently 1,000 shares constitute one unit) a holder of shares constituting one or more full units is entitled to one voting right per unit of shares subject to the limitations on voting rights set forth in the following 2 sentences. Any corporate or certain entity one-quarter or more of whose total voting rights are directly or indirectly owned by the Company may not exercise its voting rights with respect to shares of Common Stock of the Company that it owns. In addition, the Company may not exercise its voting rights with respect to its shares that it owns. If the Company eliminates from its Articles of Incorporation the provisions relating to the unit of shares, holders of Common Stock will have one voting right for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the number of voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting. The Corporate Law and the Company's Articles of Incorporation provide, however, that the quorum for the election of Directors and Corporate Auditors shall not be less than one-third of the total number of voting rights of all the shareholders entitled to exercise their voting rights. The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. The Company's shareholders also may cast their votes in writing. Shareholders may also exercise their voting rights by electronic means pursuant to the method determined by the Board of Directors.

The Corporate Law and the Company's Articles of Incorporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares at a specially favorable price (or any offering of stock acquisition rights to subscribe for or acquire shares of capital stock, or bonds with stock acquisition rights at specially favorable conditions) to any persons other than shareholders;
- (4) the removal of a corporate auditor;
- (5) the exemption of liability of a director, corporate auditor or accounting auditor to the amounts set forth in the Corporate Law;
- (6) a reduction of stated capital;
- (7) a distribution of in-kind dividends which meets certain requirements;
- (8) dissolution, merger, consolidation or corporate split with certain exceptions in which a shareholders' resolution is not required;
- (9) the transfer of the whole or a material part of the business;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions in which a shareholders' resolution is not required; or

## Edgar Filing: KUBOTA CORP - Form 20-F

(11) share exchange or share transfer for the purpose of establishing 100% parent-subsidary relationships with certain exceptions in which a shareholders resolution is not required, the quorum shall be one-third of the total voting rights of all the shareholders entitled to exercise their voting rights and the approval by at least two-thirds of the voting rights of all the shareholders entitled to exercise their voting rights represented at the meeting is required (the special shareholders resolutions ).

Pursuant to the terms of the Amended and Restated Deposit Agreement relating to American Depositary Receipts (ADRs) evidencing American Depositary Shares (ADSs), each ADS representing 5 shares of Common Stock of the Company, as soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of shareholders of the Company, the Depositary (currently JPMorgan Chase Bank) will mail to the record holders of ADRs a notice which will contain the information in the original notice. The record holders of ADRs on a date specified by the Depositary will be entitled to instruct the Depositary as to the exercise of the voting rights pertaining to the shares of Common Stock of the Company represented by their ADSs, including instructions to give a discretionary proxy to a person designated by the Company. The Depositary will endeavor, in so far as practicable, to vote the number of shares of Common Stock of the Company represented by such ADSs in accordance with such instructions. The Depositary will not itself exercise any voting discretion in respect of any Deposited Shares.

## **Table of Contents**

### ***Issue of additional shares and pre-emptive rights***

Holders of the Company's shares of Common Stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under *Voting rights* above. The Board of Directors may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as at a record date at least 2 weeks prior to which public notice must be given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least 2 weeks prior to the date on which such rights expire.

Rights to subscribe for new shares may be made generally transferable by a resolution of the Board of Directors. Whether the Company will make subscription rights generally transferable in future rights offerings will depend upon the circumstances at the time of such offerings.

Subject to certain conditions, the Company may issue stock acquisition rights or bonds with stock acquisition rights by a resolution of the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, the Company will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

### ***Liquidation rights***

In the event of a liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses and taxes will be distributed among shareholders in proportion to the respective numbers of shares of Common Stock held.

### ***Record date***

As mentioned above, March 31 is the record date for the Company's year-end dividends. So long as the Company maintains the unit share system, the shareholders and beneficial shareholders who are registered as the holders of one or more units of shares in the Company's registers of shareholders and/or that of beneficial shareholders at the end of each March 31 are entitled to exercise shareholders' rights at the ordinary general meeting of shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, the Company may set a record date for determining the shareholders and/or beneficial shareholders entitled to other rights and for other purposes by giving at least 2 weeks' prior public notice.

The price of shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the third business day prior to a record date (or if the record date is not a business day, the fourth business day prior thereto), for the purpose of dividends or rights offerings.

---

**Table of Contents*****Acquisition by the Company of its Common Stock***

Under the Corporate Law and the Company's Articles of Incorporation, the Company may acquire shares of common stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (ii) from any of its subsidiaries (pursuant to a resolution of the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which the Company's shares of common stock is listed or by way of tender offer (as long as its non-consolidated annual financial statements and certain documents for the last business year fairly present its asset and profit or loss status, as required by ordinances of the Ministry of Justice) (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (i) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

Shares acquired by the Company may be held by it for any period or may be cancelled by a resolution of the Board of Directors. The Company may also transfer to any person the shares held by it, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in *Issue of additional shares and pre-emptive rights* above. The Company may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

***Unit share system***

The Articles of Incorporation of the Company provide that 1,000 shares constitute one unit of shares of Common Stock. Although the number of shares constituting one unit is included in the Articles of Incorporation, any amendment to the Articles of Incorporation reducing (but not increasing) the number of shares constituting one unit or eliminating the provisions for the unit of shares may be made by a resolution of the Board of Directors rather than by a special shareholders resolution, which is otherwise required for amending the Articles of Incorporation. The number of shares constituting one unit, however, cannot exceed 1,000.

Under the unit share system, shareholders shall have one voting right for each unit of shares that they hold. Any number of shares less than a full unit will carry no voting rights. Moreover, holders of shares constituting less than one unit will have no other shareholder rights, except that such holders may not be deprived of certain rights specified in the Corporate Law or ordinances of the Ministry of Justice, or in the Company's Articles of Incorporation, including the right to receive distribution of Surplus.

Unless the Company's Board of Directors adopts a resolution to eliminate the provision for the unit shares from the Articles of Incorporation or the shareholders amend the Articles of Incorporation by a special shareholders resolution to eliminate the provision not to issue share certificates for less than a unit of shares, a share certificate for any number of shares less than one full unit will in general not be issued. As the transfer of shares normally requires the delivery of the share certificates thereof, any fraction of a unit for which no share certificates are issued is not transferable.

A holder of shares constituting less than one unit may require the Company to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of the Company.

In addition, the Articles of Incorporation of the Company provide that a holder of shares constituting less than one full unit may request the Company to sell to such holder such amount of shares which will, when added together with the shares constituting less than one full unit held by such holder, constitute one full unit of Common Stock, in accordance with the provisions of the Share Handling Regulations of the Company.

A holder who owns ADRs evidencing less than 200 ADSs will indirectly own less than one full unit of shares of Common Stock. Although, as discussed above, under the unit share system holders of less than one full unit have the right to require the Company to purchase their shares or sell shares held by the Company to such holders, holders of ADRs evidencing ADSs that represent other than integral multiples of full units are unable to withdraw the underlying shares of Common Stock representing less than one full unit and, therefore, are unable, as a practical matter, to exercise the rights to require the Company to purchase such underlying shares or sell shares held by the Company to such holders unless the Company's Articles of Incorporation are amended to eliminate the provision not to issue share certificates for the numbers of shares less than a unit. As a result, access to the Japanese markets by holders of ADRs through the withdrawal mechanism will not be available for dispositions of shares of Common Stock in lots less than one full unit. The unit share system does not affect the transferability of ADSs, which may be transferred in lots of any size.



---

## Table of Contents

### *Sale by the Company of shares held by shareholders whose location is unknown*

The Company is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in the Company's register of shareholders or at the address otherwise notified to the Company continuously for 5 years or more.

In addition, the Company may sell or otherwise dispose of shares of Common Stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for 5 years or more at the shareholder's registered address in the Company's register of shareholders or at the address otherwise notified to the Company, and (ii) the shareholder fails to receive dividends on the shares continuously for 5 years or more at the address registered in the Company's register of shareholders or at the address otherwise notified to the Company, the Company may sell or otherwise dispose of the shareholder's shares by a resolution of the Board of Directors and after giving at least 3 months' prior public and individual notice, and holding or depositing the proceeds of such sale or disposal of shares at the then market price of the shares for the shareholder, the location of which is unknown.

### Reporting of substantial shareholdings

The Securities and Exchange Law of Japan and regulations thereunder requires any person, regardless of his/her residence, who has become, beneficially and solely or jointly, a holder of more than 5 percent of the total issued shares of Common Stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the Director-General of a competent Local Finance Bureau of Ministry of Finance within 5 business days a report concerning such shareholdings.

A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any such report shall be filed with the Director General of the relevant Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors' Network (EDINET) system. Copies of such report must also be furnished to the issuer of such shares.

Except for the general limitations under Japanese anti-trust and anti-monopoly regulations against holding of shares of Common Stock of a Japanese corporation which leads or may lead to a restraint of trade or a monopoly, and except for general limitations under the Corporate Law or the Company's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to the Company or under its Articles of Incorporation on the rights of non-resident or foreign shareholders to hold the shares of Common Stock of the Company or exercise voting rights thereon.

There is no provision in the Company's Articles of Incorporation that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to merger, consolidation, acquisition or corporate restructuring involving the Company.

### Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the balance between bids and offers. These stock exchanges are order-driven markets without specialists or market makers to guide price formation. In order to prevent excessive volatility, these stock exchanges set daily upward and downward price range limitations for each listed stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit on these stock exchanges may not be able to effect a sale at such price on a particular trading day, or at all.

---

## Table of Contents

### C. Material Contracts

#### Business division and integration of plastic pipes

The Company resolved at the Board of Directors Meeting held on May 27, 2004 that the Company would divide and transfer its plastic pipes business into a company which was jointly established with C.I. Kasei Company Limited (hereinafter "C.I. Kasei") on April 1, 2005 in order to integrate the business operation with C.I. Kasei.

Method of integration: The Company and C.I. Kasei divided their plastic pipes businesses, and the businesses were integrated into a newly established company, named Kubota-C.I. Co., Ltd. .

Share allotment ratio : 42,000 common shares (70%) to the Company

18,000 common shares (30%) to C.I. Kasei

Capital stock : ¥3.0 billion

### D. Exchange Controls

The Foreign Exchange and Foreign Trade Law of Japan and its related cabinet orders and ministerial ordinances (the "Foreign Exchange Regulations") govern the acquisition and holding of shares of Common Stock of the Company by exchange non-residents and by foreign investors. The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

(i) individuals who do not reside in Japan; and

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

(i) individuals who are exchange non-residents;

(ii) corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and

(iii) corporations (1) of which 50% or more of their shares are held by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan or (2) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of Common Stock of the Company) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of Common Stock of the Company) for consideration exceeding ¥100 million

## Edgar Filing: KUBOTA CORP - Form 20-F

to an exchange non-resident, the resident of Japan who transfers the shares is required to report the transfer to the Minister of Finance within 20 days from the date of the transfer, unless the transfer was made through a bank, securities company or financial futures trader licensed under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of Common Stock of the Company) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10% or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company within 15 days from and including the date of the acquisition, except where the offering of the company's shares was made overseas. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from revenues in Japan of shares of Common Stock of the Company held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

---

**Table of Contents**

**E. Taxation**

**Japanese Taxation**

*The following is a summary of the major Japanese national tax consequences of the ownership, acquisition and disposition of shares of Common Stock of the Company and of ADRs evidencing ADSs representing shares of Common Stock of the Company by a non-resident Holder (as defined below). The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor depending on its individual circumstances. Accordingly, holders of shares of Common Stock of the Company including holders of ADRs evidencing ADSs are encouraged to consult their tax advisors regarding the application of the considerations discussed below to their particular circumstances.*

This summary is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement, and in any related agreement, will be performed under its terms.

In general, taking into account the earlier assumption, for purposes of the income tax convention between Japan and the U.S.A. (the Treaty ), and Japanese income tax purposes, eligible U.S. holders of ADRs will be treated as owning the Common Stock underlying the ADSs evidenced by the ADRs. For the purposes of the following discussion, a eligible U.S. holder is a holder that:

- (i) is a resident of the U.S. for purposes of the Treaty;
- (ii) does not maintain a permanent establishment in Japan (a) with which ADRs or shares of Common Stock are attributable or (b) of which ADRs or shares of Common Stock form part of the business property; and
- (iii) is eligible for benefits under the Treaty with respect to income and gain derived in connection with the ADRs or shares of Common Stock.

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to holders of shares of Common Stock of the Company and of ADRs evidencing ADSs representing shares of Common Stock of the Company who are either individuals who are not residents of Japan or non-Japanese corporations, without a permanent establishment in Japan ( non-resident Holders ).

---

## **Table of Contents**

### *Dividends and gains on revenues*

Generally, an individual who is a non-resident of Japan or a non-Japanese corporation is subject to Japanese withholding tax on dividends paid by Japanese corporations. The Company withholds taxes from dividends it pays as required by Japanese law. Stock splits in themselves are not, in general, subject to Japanese income tax.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to individuals who are non-residents of Japan or non-Japanese corporations is 20 percent. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock of the Company) to any corporate or individual shareholders (including those shareholders who are non-Japanese corporations or Japanese non-resident individuals, such as non-resident Holders), except for any individual shareholder who holds 5 percent or more of the total issued shares of the relevant Japanese corporation, the aforementioned 20 percent withholding tax rate is reduced to (i) 7 percent for dividends due and payable on or before March 31, 2009, and (ii) 15 percent for dividends due and payable on or after April 1, 2009. At the date of this annual report, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and 10 percent under the income tax treaties with the U.K. and the United States).

Under the Treaty, the maximum rate of Japanese withholding tax which may be imposed on dividends paid by a Japanese corporation to a U.S. holder that is a portfolio investor is generally limited to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to a U.S. holder that is a pension fund are exempt from Japanese taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by the Company to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law or any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on the Company's shares of Common Stock by the Company is required to submit, through the Company, an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends in advance to the relevant tax authority before payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. With respect to ADSs, this reduced rate or exemption is applicable if the Depository or its agent submits 2 Application Forms (one before payment of dividends, the other within 8 months after the Company's fiscal year-end or semi-fiscal year-end). To claim this reduced rate or exemption, any non-resident Holder holding ADRs evidencing ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the Depository. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced treaty rate lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the whole of the withholding tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority. The Company does not assume any responsibility to ensure withholding at the reduced treaty rate or not withholding for shareholders who would be eligible under an applicable tax treaty but do not follow the required procedures as stated above.

Gains derived from the sale of shares of Common Stock of the Company or ADRs outside Japan by a non-resident Holder holding such shares or ADSs as a portfolio investor are, in general, not subject to Japanese income or corporation tax. U.S. holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty.

### *Inheritance and gift*

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares of Common Stock or ADSs as a legatee, heir or donee from an individual even though neither the individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock of the Company or ADSs should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.



## **Table of Contents**

### **United States Federal Income Taxation**

This section describes the material United States federal income tax consequences of owning Common Stock or ADSs. It applies to you only if you are a U.S. holder, as defined below, and you own your Common Stock or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

a person that actually or constructively owns 10% or more of the voting stock of the Company,

a person that holds Common Stock or ADSs as part of a straddle or a hedging or conversion transaction, or

a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations, published rulings and court decisions, as well as on the Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

You are a U.S. holder if you are a beneficial owner of Common Stock or ADSs and you are:

a citizen or resident of the U.S.A.,

a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

*You should consult your own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of Common Stock and ADSs in your particular circumstances.*

## Edgar Filing: KUBOTA CORP - Form 20-F

This discussion addresses only United States federal income taxation.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the Common Stock represented by those ADRs. Exchanges of Common Stock for ADRs, and ADRs for Common Stock, generally will not be subject to United States federal income tax.

## **Table of Contents**

### *Taxation of Dividends*

Under the United States federal income tax laws, and subject to the passive foreign investment Company, or PFIC rules discussed below, the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid by the Company with respect to common stock or ADSs generally will be qualified dividend income.

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of Common Stock, or the Depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. This gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Common Stock or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty, and paid over to Japan will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. The rules governing foreign tax credits are complex and we urge you to consult your tax advisor regarding the foreign tax credit in your situation.

Dividends will be income from sources outside the United States, but dividends paid in taxable years beginning before January 1, 2007 generally will be passive income or financial services income, and dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be passive income or general income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

### *Taxation of Capital Gains*

**Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your Common Stock or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your Common Stock or ADSs. Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.**

### *Passive Foreign investment Company Rules*

We believe that the Common Stock and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually thus may be subject to change. If we were to be treated as a PFIC, unless the Common Stock or ADSs are marketable stock and a U.S. Holder elects to be taxed annually on a mark-to-market basis with respect to the Common Stock or ADSs, gain realized on the sale or other disposition of the Common Stock or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. Holder, you would be treated as if you had realized such gain and certain excess distributions ratably over your holding period for the Common Stock or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are a PFIC either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

### **F. Dividends and Paying Agents**

Not applicable.

G. Statement by Experts

Not applicable.

**Table of Contents**

**H. Documents on Display**

According to the Securities Exchange Act of 1934, as amended, the Company is subject to the requirements of informational disclosure. The Company files various reports and other information, including this annual report on Form 20-F, to the U.S. Securities and Exchange Commission. These reports may be inspected at the following sites.

U.S. Securities and Exchange Commission : 100 F Street, N.E., Washington D.C. 20549

Form 20-F is also available at the website of the Company. URL : <http://www.kubota.co.jp>

**I. Subsidiary Information**

Not applicable.

**Table of Contents****Item 11. Quantitative and Qualitative Disclosures about Market Risk**

The Company is exposed to market risks, including changes of foreign currency exchanges rate, interest rates and prices of marketable equity securities. In order to hedge the risks of changes in foreign currency exchanges rates and interest rates, the Company uses derivative financial instruments. The Company uses these derivative financial instruments solely for risk hedging purposes and no derivative instruments are held or used for speculative purposes.

**Foreign Currency Exchange Risks**

The Company's foreign currency exposure relates primarily to its foreign currency denominated assets in its international operations. The Company utilizes foreign exchange forward contracts and foreign currency option contracts primarily to fix the value of cash flow resulting from accounts receivable and payable and future transactions denominated in foreign currencies.

The following table provides information regarding the Company's derivative financial instruments related to foreign exchange forward contracts and currency options as of March 31, 2007. All foreign exchange forward contracts and currency options have original maturities of less than one year.

**Foreign Exchange Forward Contracts and Currency Options (as of March 31, 2007)**

	Millions of Yen		Thousands of Dollars	
	Contract Amounts	Fair Value	Contract Amounts	Fair Value
Sell Baht, Buy Yen	¥ 41,093	¥ (1,234)	\$ 348,246	\$ (10,458)
Sell U.S. Dollar, Buy Yen	30,205	421	255,975	3,568
Sell Euro, Buy Yen	9,928	(82)	84,136	(695)
Others	1,380	(4)	11,694	(34)
<b>Total</b>	<b>¥ 82,606</b>	<b>¥ (899)</b>	<b>\$ 700,051</b>	<b>\$ (7,619)</b>

**Interest Rate Risks**

The Company is exposed to interest rate risks mainly inherent in its finance receivables and debt obligations. The Company has finance receivables with fixed rates and long-term debt with both fixed and variable rates. The Company uses interest rate swap agreements to enable the Company to choose between fixed and variable interest rates depending on how the funds are used as well as diversifying funding methods and lowering funding costs.

The following tables provide information about the Company's financial instruments that are sensitive to changes in interest rates at March 31, 2007. For finance receivables and long-term debt, these tables present annual maturities and fair value. For interest rate swap contracts, the table presents weighed average rate and notional amount by expected maturity dates.

**Finance Receivables (as of March 31, 2007)**

	Millions of Yen	Thousands of U.S. Dollars
<b>(Years ending March 31)</b>		
Annual maturities:		
2008	¥ 97,798	\$ 828,797
2009	74,335	629,958
2010	44,650	378,390
2011	29,909	253,466

Edgar Filing: KUBOTA CORP - Form 20-F

2012		14,354	121,644
2013 and thereafter		6,783	57,483
<b>Total</b>	¥	267,829	\$ 2,269,738
Fair value	¥	248,744	\$ 2,108,000

Long-Term Debt (as of March 31, 2007)

(Years ending March 31)		Millions of Yen	Thousands of U.S. Dollars
Annual maturities:			
2008	¥	68,176	\$ 577,763
2009		57,613	488,246
2010		56,990	482,966
2011		17,451	147,890
2012		1,595	13,517
2013 and thereafter		13,132	111,288
<b>Total</b>	¥	214,957	\$ 1,821,670
Fair value	¥	210,777	\$ 1,786,246

Interest Rate Swap Contracts (as of March 31, 2007)

(Maturities, years ending March 31)	Weighted average rate		Notional amount	
	Receive	Pay	Millions of Yen	Thousands of U.S. Dollars
2008	3.56%	3.66%	¥ 37,417	\$ 317,093
2009	3.85	3.92	28,710	243,305
2010	4.24	4.38	14,255	120,805
2011	3.52	4.27	900	7,627
2012	2.44	4.63	80	678
2013	2.44	4.63	13	110

**Table of Contents**

**Equity Price Risk**

The Company holds available-for-sale securities included in investments. These securities are exposed to changes in equity price risks. The estimated fair value of available-for-sale securities at March 31, 2007 was ¥204 billion (\$1,726 million). The Company does not hold marketable securities for trading purposes.

**Item 12. Description of Securities Other than Equity Securities**

Not applicable.

**Table of Contents**

**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

**Item 15. Controls and Procedures**

**Disclosure Controls and Procedures**

The Company's management, with the participation of its chief executive and chief financial officers, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.