KUBOTA CORP
Form 20-F
September 26, 2006
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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, 2006

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 on which registered
Common Stock *	**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.

	Outstanding as of	
Title of Class	**March 31, 2006 (Tokyo Time)**	**March 31, 2006 (New York Time)**
Common stock	1,299,487,964 shares	
American Depositary Shares		3,938,242 ADS

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual 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 x

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 x 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 x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 x 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 x

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All information contained in this Report is as of or for the 12 months ended March 31, 2006 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 ¥117= US$1, the approximate rate of exchange on March 31, 2006, 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 6, 2006 was ¥116.73 = US$1.

<Cautionary Statements 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.

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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, except as stated below, appears on page 11 in the Financial Section of the Company s 2006 Annual Report to Shareholders, which is incorporated herein by reference.

A. Selected Financial Data

	Years ended March 31 (millions of yen)				
	2002	2003	2004	2005	2006
Capital stock	78,156	78,156	78,156	78,156	84,070
Capital expenditures	36,342	35,845	21,396	26,097	33,805
Depreciation and amortization	40,535	38,804	27,755	25,808	25,821
R & D expenses	30,186	26,405	23,261	21,963	22,731
Income from continuing operations per share					
Basic	7.00	6.56	9.31	80.72	62.14
Diluted	6.88	6.56	9.09	78.67	61.67
Number of shares outstanding (in thousands)	1,390,419	1,345,450	1,340,197	1,300,413	1,299,488

	Years ended March 31				
	2002	2003	2004	2005	2006
Cash dividends declared per depositary share:					
Interim (in yen)	15	15	15	15	20
(in U.S. dollars)	0.119	0.121	0.138	0.136	0.165
Year-end (in yen)	15	15	15	25	30
(in U.S. dollars)	0.125	0.125	0.138	0.233	0.258
Exchange rates (yen amounts per U.S. dollar):					
Year-end	132.70	118.07	104.18	107.22	117.48
Average	125.64	121.10	112.75	107.28	113.67
High	134.77	133.40	120.55	114.30	120.93
Low	115.89	115.71	104.18	102.26	104.41

2006	Feb.	Mar.	Apr.	May	Jun.	Jul.
High	118.95	119.07	118.66	113.46	116.42	117.44
Low	115.82	115.89	113.79	110.07	111.66	113.97
Period-end	115.82	117.48	113.79	112.26	114.51	114.44

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Notes to Selected Financial Data:

1. Cash dividends in U.S. dollars are computed based on the exchange rates at each respective payment date.

2. 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 6, 2006 was ¥116.73 = US$1.

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, sales of the Company s products 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, such as a reduction in rice acreage or a change in agricultural law, 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 net sales and adversely affect the results of operations of the Company.

The Company has overseas sales 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.

Some of the Company s businesses involve substantial overseas operations. Accordingly, the Company is subject to a number of risks inherent in doing business in those markets. Such risks may affect sales 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

Political instability in those countries

The major markets with the above 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.

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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, 2006, the Company owns securities with a fair value of approximately ¥225.4 billion. 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 sales 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, sales and/or net income may decrease in the future.

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

If the Company s products and services have serious defects, the Company may incur a significant liability for reparation payments. Such payment and other associated expenses may have a material effect on the Company s consolidated results of operations and financial position. Should such events occur, the Company may lose the trust of the public and suffer a reduction in its brand value, which may result in decreased sales and 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.

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

The Company may cause environmental pollution while conducting its activities, such as the release of hazardous materials and causing air pollution, water pollution, and/or ground pollution. In such an event, the Company may have to implement corrective actions to resolve any problem associated with such hazardous materials or pollution with substantial expense and may face litigation regarding these issues. 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 expenditures for environmental remediation payments or payments to the individual 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 declared its intention to conduct its corporate activities based on compliance with legal regulations and ethical principles, and to exert efforts to make all management and staff of the Company not to act in violation of various legal regulations, ethical standards, or internal regulations throughout all Group companies. However, in the event that the Company is confronted with compliance issues arising from such activities, there is a possibility that it may undergo disciplinary action by government ministries supervising its activities, may be subjected to lawsuits, and 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 sales 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

The domestic business condition for Farm Equipment and Machinery remains difficult. In the business of farm equipment, for example, national agricultural policies on supporting agricultural management by community, which intends to make efficient use of agricultural resources such as farming land, agricultural machinery and facilities, may lead farmers to refrain from purchasing new equipment.

Under such conditions, 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. To accomplish these objectives, substantial personnel and financing resources are required.

At the same time, the Company is also subject to severe competition in 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 the U.S. in order to develop the business. Otherwise, the decrease in sales may have a material effect on the Company s consolidated results of operations and financial position.

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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 is not able to hire and retain qualified employees, nor 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.

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

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.

Cautionary Statements with Respect to Forward-Looking Statements

Certain sections of this annual report on Form 20-F may contain forward-looking statements that are based on management s expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company s markets, particularly government agricultural policies, levels of capital expenditures, both in public and private sectors, foreign currency exchange rates, continued competitive pricing pressures in the marketplace, as well as the Company s ability to continue to gain acceptance of its products.

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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, Shikitsuhigashi 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 7 plants in overseas countries. Kubota also has 12 sales subsidiaries in overseas countries.

Principal Capital Expenditures and Divestitures

Capital expenditures in fiscal 2006, 2005, and 2004 amounted to ¥33,805 million, ¥26,097 million, and ¥21,396 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, 2006, 2005, and 2004 were as follows:

As of March 2006

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

As of March 2005

Location	Industry segment included	Content	Estimated amount of expenditures	Schedule

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

As of March 2004

No principal expenditures were in progress.

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B. Business Overview

The Company classifies its products for revenue reporting purposes into the following 4 product 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.

Net Sales by Product Group

For the year ended March 31, 2006

	Millions of yen		Thousands of U.S. dollars
	2006		2006
	¥	%	$
Internal Combustion Engine and Machinery	658,776	62.7	5,630,564
Pipes, Valves, and Industrial Castings	189,708	18.0	1,621,436
Environmental Engineering	110,479	10.5	944,265
Other	92,077	8.8	786,983
Total	1,051,040	100.0	8,983,248

For the years ended March 31, 2005 and 2004

	Millions of yen			
	2005		2004	
	¥	%	¥	%
Internal Combustion Engine and Machinery	582,664	59.3	501,551	53.9
Pipes, Valves, and Industrial Castings	170,629	17.3	175,178	18.8
Environmental Engineering	117,633	12.0	115,721	12.5
Other	112,300	11.4	137,426	14.8
Total	983,226	100.0	929,876	100.0

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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. Sales 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 sales of this segment accounted for 59.4% of the total sales of this segment in fiscal 2006.

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 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, People s Republic of China and Thailand, and minority equity interests in an overseas manufacturing company.

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, night soil treatment plants, landfill leachate treatment plants, submerged membrane systems and biogas production systems. Regarding solid waste treatment, the Company supplies refuse incineration plants, industrial waste treatment plants, pulverizing facilities. The Company is also engaged in related engineering, such as contaminated soil remediation and industrial waste treatment business.

This segment manufactures and supplies various pumps for waterworks, sewage facilities, irrigation system, rainwater drainage and power supplies.

At present, almost all the sales 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.

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.

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Overseas Activities

The Company s overseas sales (which represent sales to unaffiliated customers outside Japan) in fiscal 2006, 2005, and 2004 amounted to ¥420,229 million ($3,591,701 thousand), ¥345,324 million and ¥286,891 million, respectively. The ratios of such overseas sales to consolidated net sales in 2006, 2005, and 2004 were 40.0%, 35.1% and 30.9%, respectively. The sales of the Company s subsidiaries outside Japan in fiscal 2006, 2005, and 2004 amounted to ¥391,978 million ($3,350,239 thousand), ¥323,943 million and ¥254,795 million, respectively. Its ratio to consolidated net sales in fiscal 2006, 2005, and 2004 were 37.3%, 32.9% and 27.4%, respectively.

The Company has manufacturing subsidiaries in the U.S.A., Canada, Germany, China, Indonesia and Thailand, and manufacturing affiliates in Indonesia and 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) and Cairo (Egypt).

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.

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, 2006, the Company held 5,344 Japanese patent and utility model registrations, and 815 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 2006, royalty income and expenses were ¥643 million ($5,496thousand) and ¥118 million ($1,009 thousand), respectively, under such licensing arrangements.

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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.

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. For example, policies that decrease rice prices or reduce rice paddy acreage will adversely influence the sales of farm equipment.

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

C. Organization Structure

As of March 31, 2006, the group of Kubota Corporation consists of Kubota Corporation, 122 subsidiaries and 25 affiliates. Kubota Corporation plays a leading role in the group. The main subsidiaries are as follows:

		Percentage ownership (%)
Japan	Kubota-C.I. Co., Ltd.	70.0
	Kubota Construction Co., Ltd.	100.0
	Kubota Credit Co., Ltd.	72.8
	Kubota Environmental Service Co., Ltd.	100.0
	Kubota Maison Co., Ltd.	100.0
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

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D. Property, Plant and Equipment

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

Location	Land (Square meters) Owned	Land Leased	Floor space Owned	Floor space Leased	Principal products
Japan					
Amagasaki (Hyogo)	462,785	37,260	166,488	663	Ductile iron pipes, Filament winding pipes, Rolls for steel mills
Funabashi (Chiba)	561,265	14,711	143,153	6,496	Ductile iron pipes, Spiral welded steel pipes
Osaka (Osaka)	88,393	825	56,888		Cast iron products
Sakai (Osaka)	421,386	11,616	145,260	39,116	Farm equipment, Diesel engines
Utsunomiya (Tochigi)	154,281		77,031	1,367	Farm equipment
Tsukuba (Ibaraki)	334,496	19,577	117,139	12,886	Farm equipment, Diesel engines
Sakai (Osaka)	159,956		48,862	2,869	Diesel engines
Hirakata (Osaka)	306,102		142,966	2,065	Construction machinery, Cast steel products, Pumps, Valves
Konan (Shiga)	221,818		80,632	257	Septic tanks
Yao (Osaka)	38,102		27,756		Electronic machinery, Pulverizing equipment
Ryugasaki (Ibaraki)	84,795		30,820		Vending machines
U.S.A.					
Jackson (Georgia)	611,000		57,876		Lawn and garden tractors, Implements for tractors
Germany					
Zweibrücken (Rheinlandpfalz)	70,898	3,243	11,108	13,905	Mini-excavators

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.

In addition, the Company owns 2,301,940 square meters of land (294,514 square meters of floor space) in Japan, used for the head office, branches, business offices and research facilities, and leases 3,625 square meters of land (68,206 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 2006, the Company has planned to invest approximately ¥50.0 billion in the fiscal year ending March 31, 2007. The Company intends to fund the investment basically from cash and cash equivalents, and to also utilize available borrowings from financial institutions. Property, plant and equipment of the Company are not subject to material encumbrances thereon.

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Principal plans for new construction, expansion, reforming, and disposition as of March 31,2006 are as follows:

New Construction

Location	Industry segment included	Content	Estimated amount of expenditures (¥billion) Total amount of expenditures	Amount already paid	Schedule Commenced	To be completed
Suzhou (Jiangsu, People s Republic of China)	Internal Combustion Engine and Machinery	Building of new production facility for agricultural equipment in China	¥1.7		Oct. 2005	Nov. 2006

Expansion

Location	Industry segment included	Content	Estimated amount of expenditures (¥billion) Total amount of expenditures	Amount already paid	Schedule Commenced	To be completed
Sakai (Osaka) Okajima (Osaka) Tsukuba (Ibaraki)	Internal Combustion Engine and Machinery	Production facilities for vertical diesel engines to increase production and developing new models	¥8.0		Jan. 2006	Oct. 2007
Tsukuba (Ibaraki)	Internal Combustion Engine and Machinery	Addition to a building of a factory	¥3.4	¥0	Jan. 2006	Oct. 2006
Hirakata (Osaka)	Internal Combustion Engine and Machinery	Restructuring of production system for construction machinery	¥1.7		May 2006	May 2007
Jackson (Georgia, U.S.A.)	Internal Combustion Engine and Machinery	Restructuring of production system	¥1.6		Oct. 2005	Nov. 2006

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 which have been provided by the staff of the Securities and Exchange Commission regarding the Company s periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2006 and which remain unresolved as of the date of the filing of this Form 20-F with the Commission.

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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.

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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, rate of compensation increase, 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. Differences in actual experience or changes in assumptions may affect the benefit obligations and future periodic benefit cost.

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 participants remaining service period (approximately 15 years). Significant unrecognized actuarial gains or losses may have a material effect on periodic benefit cost in the next 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, 2004, 2005, and 2006. A further decrease of 50 basis points in the discount rate would increase the benefit obligations as of March 31, 2006 by approximately ¥8.3 billion ($71 million).

To determine the timing of estimated average promotion which is used in calculating benefit obligations under the point-based benefits system, the Company considers employees age, current job classification, official retirement age of 60, and past experiences.

To determine the expected rate of return on plan assets, the Company considers actual returns in the past 5 to 10 years and the current and expected components of plan assets, and anticipated market trends. Plan assets are managed by asset management companies and trust banks, and are invested primarily in fixed income and equity securities of Japanese and foreign issuers. The Company assumed that the long-term rate of return on plan assets was 3.5% for the years ended March 31, 2004 and 2005, and 3.0% for the year ended March 31, 2006. An actual return on plan assets in the past 10 years was 3.1%, 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. 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, 2007 of approximately ¥0.5 billion ($4 million).

In accordance with EITF No. 03-2, Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities, the Company recognized the difference of ¥58.6 billion between the substitutional portion of accumulated benefit obligation settled and the related plan assets transferred to the Japanese government as a government subsidy in other income (expenses) in the consolidated statement of income for the year ended March 31, 2005. The Company also recognized derecognition of previously accrued salary progression of ¥11.1 billion and a settlement loss for the proportionate amount of the net unrecognized loss of ¥13.4 billion. The net amount of ¥2.3 billion of derecognition of previously accrued salary progression and the settlement loss was allocated to cost of sales of ¥1.5 billion and selling, general, and administrative expenses of ¥0.7 billion.

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 case of the Company, most contracts with customers include the delivery and installation of component units. Accordingly, measuring 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 rather than 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.

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New Accounting Standards

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43 (ARB 43), Chapter 4 in order to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement requires that those items be recognized as current-period charges regardless of whether they meet the so abnormal criterion outlined in ARB 43. SFAS No. 151 also requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. Unallocated overheads must be recognized as an expense in the period in which they are incurred. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this statement is not expected to have a material effect on the Company s consolidated results of operations and financial position.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, an amendment to APB Opinion No. 29. This statement eliminates the exception to measure exchanges at fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance. This statement is effective for nonmonetary exchanges in fiscal periods beginning after June 15, 2005. The adoption of this statement is not expected to have a material effect on the Company s consolidated results of operations and financial position.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS 154). SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle by requiring that a voluntary change in accounting principle be applied retrospectively with all prior periods financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS 154 also requires that a change in depreciation or amortization for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle and corrections of errors in previously issued financial statements should be termed a restatement. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this statement is not expected to have a material effect on the Company s consolidated results of operations and financial position.

In November 2005, the FASB issued FASB Staff Position (FSP) FAS 115-1 and FSP FAS 124-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments (FSP 115-1). FSP 115-1 explains when investments in debt securities and equity securities are considered to be impaired, and how such impairment loss is measured. FSP 115-1 is effective for other-than-temporary impairment loss for debt and equity securities incurred during fiscal years beginning after December 15, 2005. The adoption of this statement is not expected to have a material effect on the Company s consolidated results of operations and financial position.

A. Operating Results

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

Sales

For the year under review, net sales of the Company rose 6.9%, to ¥1,051.0 billion ($8,983 million). In the domestic market, sales in Internal Combustion Engine and Machinery increased due to steady sales of engines and construction machinery, and sales in Pipes, Valves, and Industrial Castings increased due to favorable sales of industrial castings and business integration in the plastic pipes business. However, sales in Environmental Engineering decreased due to severe conditions of the public works related business, and sales in Other decreased, resulting from a sale of a subsidiary at the beginning of this fiscal year. Total domestic sales decreased 1.1%, to ¥630.8 billion ($5,392 million) from the prior year.

On the other hand, sales in overseas markets increased largely as a result of sustained high growth in the Company s overseas operations in Internal Combustion Engine and Machinery. Sales 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 sales increased 21.7%, to ¥420.2 billion ($3,592 million) from the prior year. The percentage of overseas sales accounted for 40.0% of net sales, 4.9 percentage points higher than in the prior year.

Please refer to next sales by industry segment for details.

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Sales by industry segment

1) Internal Combustion Engine and Machinery

Sales in Internal Combustion Engine and Machinery were ¥658.8 billion ($5,631 million), 13.1% higher than in the prior year, comprising 62.7% of consolidated net sales. Domestic sales increased 4.0%, to ¥267.3 billion ($2,285 million), and overseas sales also increased 20.2%, to ¥391.5 billion ($3,346 million). 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.

2) Pipes, Valves, and Industrial Castings

Sales in Pipes, Valves, and Industrial Castings were ¥189.7 billion ($1,621 million), 11.2% higher than in the prior year, comprising 18.0% of consolidated net sales. Domestic sales increased 7.5%, to ¥167.2 billion ($1,429 million), and overseas sales increased 48.7%, to ¥22.5 billion ($192 million). 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

Sales in Environmental Engineering were ¥110.5 billion ($944 million), 6.1% lower than the prior year, comprising 10.5% of consolidated net sales. Domestic sales decreased 7.4%, to ¥105.5 billion ($901 million), and overseas sales increased 32.4%, to ¥5.0 billion ($43 million). 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

Sales in Other were ¥92.1 billion ($787 million), 18.0% lower than the prior year, comprising 8.8% of consolidated net sales. Domestic sales decreased 18.6%, to ¥90.8 billion ($776 million), and overseas sales increased 65.5%, to ¥1.2 billion ($11 million). 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, sales of this segment decreased substantially from the prior year.

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Operating Income

Operating income also rose, by 30.8%, to ¥113.5 billion ($970 million), exceeding ¥100 billion for the first time in the history of the Company The Company achieved higher operating income due to increased sales in Internal Combustion Engine and Machinery and a reduction in costs of the public works related business. The ratio of operating income to net sales also recorded a new high of 10.8%. 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 ¥103.1 billion ($881 million), a 30.3% increase; Pipes, Valves, and Industrial Castings, operating income of ¥19.3 billion ($165 million), a 67.8% increase; Environmental Engineering, operating income of ¥4.2 billion ($36 million), a 26.3% decrease; and Other, operating income of ¥2.2 billion ($19 million), 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 sales 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.

Cost of Sales

The cost of sales increased 4.8% from the prior year, to ¥747.4 billion ($6,388 million). 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 sales as a percentage of consolidated net sales decreased 1.4 percentage points, to 71.1%. 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.

SG&A Expenses

Selling, general, and administrative (SG&A) expenses increased 2.0% from the prior year, to ¥185.5 billion ($1,585 million). The ratio of SG&A expenses to net sales decreased 0.9 percentage point, to 17.6%. 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.

These SG&A expenses include an expense for covering costs related to the health hazard resulting from the use of asbestos. Please refer Matters Related to the health hazard of Asbestos in Item5.D for details.

Loss from Disposal and Impairment of Businesses and Fixed Assets

Loss from disposal and impairment of businesses and fixed assets increased 233.0% from the prior year, to ¥4.7 billion ($40 million). 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 ¥26.9 billion ($230 million), a decrease of ¥42.4 billion from the prior year. While there was a gain of ¥15.9 billion ($136 million) 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.

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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 ¥140.4 billion ($1,200 million), a decrease of ¥15.6 billion from the prior year.

Income Taxes

Income taxes increased 16.5% from the prior year, to ¥56.1 billion ($479 million). 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 and Equity in Net Income of Affiliated Companies

Minority interests in earnings of subsidiaries increased ¥1.5 billion, to ¥4.9 billion ($42 million). Equity in net income of affiliated companies decreased ¥0.7 billion from the prior year, to ¥1.6 billion ($14 million). 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.

Net Income from Continuing Operations

Due to the factors described previously, net income from continuing operations was ¥81.0 billion ($693 million), compared with ¥106.8 billion in the prior year.

Income from Discontinued Operations, Net of Taxes

Income from discontinued operations, net of taxes, was not recorded during the year under review. In the prior year, income from discontinued operations, net of taxes, was recorded aggregating ¥11.1 billion.

Net Income

Due to the factors described above, net income was ¥81.0 billion ($693 million), 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 ($2.66), 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 ($0.26) was approved at the general meeting of shareholders, held on June 23, 2006. The Company also paid a ¥20 ($0.17) per ADS interim dividend to each shareholder.

Comprehensive Income

Comprehensive income was ¥140.3 billion ($1,199 million), 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.

(The fiscal year ended March 31, 2005 compared with the fiscal year ended March 31, 2004)

General Economic Conditions

During the year ended March 31, 2005, although the Japanese economy initially maintained an upward trend, the tempo of economic growth slackened after the summer, reflecting slower growth of exports and higher prices of oil and raw materials. Overseas, while the U.S. economy expanded smoothly supported by active housing investment and private capital expenditures, the EU economy decelerated gradually, affected by the stronger Euro.

While the domestic market for Internal Combustion Engine and Machinery was sluggish, overseas markets, especially the small-sized tractors market in the U.S.A., were brisk due to active private consumption and the high level of housing starts. As for the public works related markets, the total amount of orders remained stagnant as ever due to the continuously declining public works spending. The domestic demand for ductile iron pipe, which is one of the mainstays in the public works related products, continued to decline although the pace of decrease declined. Environmental Engineering also faced a difficult operating environment in terms of receiving orders from public agencies.

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Sales

Under such conditions, net sales of the Company during the year under review were ¥983.2 billion, a 5.7% increase from the prior year, and domestic sales were ¥637.9 billion, a 0.8% decrease from the prior year. Although the negative impact from the sale of building materials operations in December 2003 (a decrease of ¥28.5 billion) was largely offset by a favorable increase in sales in other segments, domestic sales slightly declined from the prior year.

Overseas sales were ¥345.3 billion, a 20.4% increase from the prior year. This increase was mainly due to the continuing growth in sales of tractors in North America where a very promising new product was introduced, and brisk sales of construction machinery and engines principally in the U.S.A. and European markets. As a result, overseas sales accounted for 35.1% of net sales, 4.2 percentage points higher than in the prior year.

Sales by Industry Segment

1) Internal Combustion Engine and Machinery

Sales in Internal Combustion Engine and Machinery were ¥582.7 billion, 16.2% higher than in the prior year, comprising 59.3% of consolidated net sales. Domestic sales increased 5.8%, to ¥257.0 billion, and overseas sales increased 25.9%, to ¥325.7 billion. This segment consists of farm equipment and engines as well as construction machinery.

In the domestic market, due to the declining number of farmers and the negative impact of typhoons and earthquakes, market conditions were rather harsh. Accordingly, the Company executed aggressive sales promotion campaigns in connection with the introduction of new models of competitively priced farm equipment offering improved performance. By stimulating the market through these activities, the Company further diversified its customer base and increased its market share, which led to higher sales. Sales of construction machinery also increased due to the expansion of sales to rental companies and the introduction of new models supported by a recovery in demand. In overseas markets, sales of tractors in North America remained strong as a result of the introduction of new models and sales promotions, including promotions offering a 0% promotional interest rate. In particular, sales of a newly introduced product, the utility vehicle (multipurpose four-wheel vehicles), greatly exceeded expectations, fueling overall sales growth. In European markets, sales of tractors remained steady. In Asian and Oceanian markets, the Company recorded favorable sales, especially in Australia, South Korea, and Thailand. Sales of engines increased due principally to growth in demand from European and North American manufacturers of industrial machinery. Sales of construction machinery, underpinned by growing worldwide demand, also expanded sharply in Europe, our main market, and in the U.S.A., where the market for mini-excavators is growing rapidly.

2) Pipes, Valves, and Industrial Castings

Sales in Pipes, Valves, and Industrial Castings were ¥170.6 billion, 2.6% lower than in the prior year, comprising 17.3% of consolidated net sales. Domestic sales increased 2.0%, to ¥155.4 billion, but overseas sales declined 33.2%, to ¥15.2 billion. This segment consists of pipes and valves as well as industrial castings. As for domestic sales of ductile iron pipes and PVC pipes, prices of these products improved substantially. However, sales of ductile iron pipes decreased due to the lower demand from municipalities, while sales of PVC pipes increased, reflecting higher prices. Sales of industrial castings increased principally due to brisk demand from the steel, energy, and automobile industries.

On the other hand, overseas sales deteriorated significantly because shipments of large orders to Middle East countries were over in the prior fiscal year, although sales of industrial castings rose.

3) Environmental Engineering

Sales in Environmental Engineering were ¥117.6 billion, 1.7% higher than in the prior year, comprising 12.0% of consolidated net sales. Domestic sales increased 1.3%, to ¥113.9 billion, and overseas sales also increased, up 12.5%, to ¥3.7 billion. This segment consists of environmental control plants and pumps.

In the domestic market, Sales in the Water & Sewage Engineering Division decreased as a consequence of the lower level of bids accepted by local government in the prior year due to increased competition. Sales of pumps declined owing to reduced demand of large-sized pumps. On the other hand, sales in the Waste Engineering Division increased due to the progress in construction of large orders. Overall, total sales in Environmental Engineering increased in the domestic market. Overseas sales increased due to favorable sales in a subsidiary, which sells submerged membrane system.

4) Other

Sales in Other were ¥112.3 billion, 18.3% lower than in the prior year, comprising 11.4% of consolidated net sales. Domestic sales decreased 17.4%, to ¥111.6 billion, and overseas sales declined 67.5%, to ¥0.7 billion. This segment consists of vending machines, electronic-equipped machinery, air-conditioning equipment, septic tanks, condominiums, construction, and other equipment and services.

Sales of this segment decreased sharply, affected by the impact of the business transfer of building materials operations. However, sales of vending machines increased owing to brisk demand from the cigarette and bottling industries. Sales of air-conditioning equipment and condominiums also increased significantly. Additionally, sales of electronic-equipped machinery and septic tanks grew. On the other hand, revenues from construction services declined from the prior year.

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Operating Income

Operating income increased 283.8% from the prior year, to ¥86.8 billion. In spite of the appreciation of the yen and higher prices of raw materials, a significant decrease in pension costs (a decrease of ¥44.9 billion), increased sales centering on the Internal Combustion Engine and Machinery segment, and the reduction of costs and spending control in public works related business contributed to an increase in operating income. In the prior year, the Company recognized a large amount of unrecognized actuarial loss that resulted from unfavorable stock market conditions in Japan in the past few years before the prior year and a reduction of the discount rate used in pension plans in the year before the prior year.

The Company also had expenses related to reorganization of the building materials business in the prior year (¥4.8 billion). In contrast, the Company had non-recurring operating income in connection with the business transfer of a subsidiary in the year under review. As a result of these factors, operating income for the year under review expanded significantly. 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 ¥79.2 billion, a 46.5% increase; Pipes, Valves, and Industrial Castings, operating income of ¥11.5 billion, as compared to an operating loss of ¥5.7 billion in the prior year; Environmental Engineering, operating income of ¥5.7 billion, a 4,262.6% increase; and Other, operating income of ¥3.9 billion, as compared to an operating loss of ¥7.1 billion in the prior year.

Profitability in Internal Combustion Engine and Machinery benefited from the brisk sales of lawn mowers as well as compact and utility tractors in the U.S. market, due to steady private consumption and strong housing construction, which was similar with that of the prior year. In addition to the above factors, the decrease in pension costs contributed to an increase in operating income in this segment. Profitability in Pipes, Valves, and Industrial Castings benefited from rigorous cost controls and the increased efficiency of the manufacturing process as well as the decrease in pension costs. In Environmental Engineering, profitability improved due to the decrease in pension costs.

Cost of Sales

The cost of sales increased 1.7% from the prior year, to ¥713.3 billion. The cost of sales as a percentage of net sales decreased 2.9 percentage points, to 72.6%. The decrease in the ratio was attributable to the substantial decrease in pension costs.

SG&A Expenses

Selling, general, and administrative (SG&A) expenses decreased 8.8% from the prior year, to ¥181.7 billion. The ratio of SG&A expenses to net sales decreased 2.9 percentage points, to 18.5%. The decrease in pension costs as well as the Company s efforts for spending control in all aspects of business operations contributed to the decrease in the ratio.

Loss from Disposal and Impairment of Businesses and Fixed Assets

Loss from disposal and impairment of business and fixed assets decreased 77.8 % from the prior year, to ¥1.4 billion. This improvement was mainly due to the absence of impairment loss of the roofing and siding materials business in the prior year.

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Other Income (Expenses)

Other income (expenses), net, was income of ¥69.3 billion, an increase of ¥64.0 billion from the prior year. The increase is largely due to ¥58.6 billion from a government subsidy, which is the difference in the substitutional portion of accumulated benefit obligation settled and related plan assets transferred to the Japanese government. In addition, the foreign exchange gain improved ¥5.1 billion and interest and dividend income increased by ¥2.2 billion.

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 increased 459.4%, to ¥156.0 billion.

Income Taxes

Income taxes increased 251.2% from the prior year, to ¥48.1 billion. The effective tax rate decreased 18.3 percentage points, to 30.8%. The primary reason for the decrease in the effective tax rate was due to the deductibility of the historical impairment losses and net operating losses related to the sale and dissolution of the subsidiaries. Related deferred tax assets were fully reserved prior to the sale and dissolution of the subsidiaries. Income tax current was ¥34.5 billion, an increase of ¥5.2 billion, and income tax deferred (expense) was ¥13.6 billion as compared to income tax deferred (benefit) of ¥15.6 billion in the prior year.

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

Minority interests in earnings of subsidiaries increased ¥1.0 billion, to ¥3.4 billion. Equity in net income of affiliated companies increased ¥1.5 billion from the prior year, to ¥2.3 billion. Increased profit of the joint venture Kubota Matsushitadenko Exterior Works, Ltd., contributed to increased equity in net income of affiliated companies.

Income (Loss) from Discontinued Operations, Net of Taxes

Income from discontinued operations, net of taxes was ¥11.1 billion, as compared to a loss of ¥0.8 billion in the prior year. This income resulted from a gain in connection with the sale of a subsidiary that operated a golf course.

Net Income

Due to the factors described previously, net income was ¥117.9 billion, compared with ¥11.7 billion in the prior year. Return on shareholders equity improved 23.7 percentage points, to 27.0%, from the prior year.

Income per ADS

Basic net income per ADS (5 common shares) was ¥446, as compared to ¥44 in the prior year. The number of shares of treasury stock held by the Company was 40.4 million as of March 31, 2005, and these shares were excluded from the calculation of net income per ADS.

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 ¥25 was approved at the general meeting of shareholders, held on June 24, 2005. The Company also paid a ¥15 per ADS interim dividend to each shareholder.

Comprehensive Income

Comprehensive income was ¥119.3 billion, a ¥33.5 billion improvement from the prior year. The increase resulted from the expansion of net income, to ¥117.9 billion. However, the increase was partially offset by a decrease in unrecognized gains on securities and adjustment to reduce the minimum pension liability.

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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 notes and accounts receivable, 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 0.31% to 4.71% at March 31, 2006. The weighted average interest rate on such short-term borrowings was 4.02%. As for long-term debt, interest rates were primarily fixed, and the weighted average interest rate on such long-term debt at March 31, 2006, was 2.31%. 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 sold under the securitization program and finance receivables sold under the securitization program are excluded from receivables in the accompanying consolidated balance sheets. On the other hand, in the prior year, a subsidiary in the United States has decided to obtain borrowings using finance receivables as collateral instead of selling finance receivables under the securitization program.

Regarding the lines of credit, the Company has established committed lines of credit totaling ¥20.0 billion ($171 million) with some Japanese banks. However, the Company currently does not use these lines as it is focused on the reduction of interest-bearing debt. The Company recognizes issuing bonds as an important resource for raising long-term fund. During the year under review, the Company issued straight bond amounted ¥20.0 billion in Japan and the fund was used mainly for repayment of borrowings. The Company also maintains a CP program allowing for the issuance of CP of up to ¥100.0 billion ($855 million). The Company has not issued CP as of the end of March 2006.

The Company utilizes Group financing. With Group financing, the Company is centralizing and pursuing 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 is reducing its interest-bearing debt excluding debt related to sale financing programs. The Company is providing sale financing programs to support machinery sales in the United States and Japan. As the Company believes an increase of debt related to sales financing programs is a result of business expansion and it is not appropriate to target reduction of the related debt, the additional debt carried on its books to fund this program is excluded when determining the target. At the end of March 2006, the amount of interest-bearing debt excluding debt related to sale financing programs was ¥114.8 billion ($981 million), and the amount of total interest-bearing debt was ¥334.3 billion ($2,857 million). Of the ¥334.3 billion, ¥314.3 billion was borrowings from financial institutions, and the remaining ¥20.0 billion consisted of corporate bonds.

The amount of working capital increased ¥70.5 billion, to ¥241.8 billion ($2,067 million), from the prior year-end. Additionally, the ratio of current assets to current liabilities increased 12.8 percentage points, to 146.8%. The primary reason for this increase was a substantial decrease in the current portion of long-term debt due to repayment of corporate bonds during the year under review. 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.

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 current rating is A+ as of March 2006 and its outlook is stable. The Company s favorable credit rating provides it access to capital markets and investors.

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Assets, Liabilities, and Shareholders Equity

1) Assets

Total assets at the end of March 2006 amounted to ¥1,405.4 billion ($12,012 million), an increase of ¥212.3 billion (17.8%) from the end of the prior year. Current assets were ¥758.2 billion ($6,481 million), an increase of ¥82.9 billion from the end of the prior year. Current assets increased due mainly to increases in short-term finance receivables and inventories. The increases in short-term finance receivables and inventories were mainly due to a sales increase in overseas markets. Inventory turnover dropped 0.3 point, to 6.3 times. In addition to the increase in current assets, investments and long-term finance receivables increased due to increases in long-term finance receivables and other investments, which resulted from an increase in the unrealized gain on securities accompanied by a rise in Japanese stock prices. A substantial increase in short- and long-term finance receivables originated from a rapid expansion of business as well as a reduction in sales of finance receivables in North America. Property, plant, and equipment increased ¥6.6 billion, to ¥226.4 billion ($1,935 million). On the other hand, other assets decreased ¥11.9 billion, to ¥46.5 billion ($398 million). This decrease was due to the large decrease in long-term deferred tax assets, which was related to an increase in the unrealized holding gain on securities.

2) Liabilities

Total liabilities amounted to ¥770.0 billion ($6,581 million), an increase of ¥79.6 billion from the prior year-end. Long-term liabilities increased largely due to an increase in long-term debt and other long-term liabilities. Long-term liabilities includes ¥20.0 billion of corporate bonds. Other long-term liabilities increased mainly due to an increase in long-term deferred tax liabilities related to an increase in the unrealized holding gain on securities.

3) Minority Interests

Minority interests increased ¥7.3 billion, to ¥28.9 billion ($247 million), due to favorable results of operations of the subsidiaries and an increase in the number of subsidiaries that are not 100% owned, including Kubota C-I Co., Ltd.

4) Shareholders Equity

Total shareholders equity increased ¥125.5 billion, to ¥606.5 billion ($5,184 million). Shareholders equity substantially increased due to the recording of net income and an increase in accumulated other comprehensive income that mainly resulted from an increase in unrealized gains on securities and partial conversion of convertible bonds to common stock. The shareholders equity ratio* was 43.2%, 2.9 percentage points higher than at the prior year-end.

In order to reduce the number of outstanding shares and create more value for shareholders, the Company commenced a program for the purchase of shares of treasury stock in December 2001. During the year under review, the Company purchased 16.29 million shares of treasury stock (¥14.9 billion). The Company retired an aggregate of 56.3 million shares of treasury stock (¥36.3 billion), which consists of 39.0 million shares of treasury stock (¥20.9 billion) on June 30, 2005, and 17.3 million shares of treasury stock (¥15.4 billion) on March 31, 2006. For these purchases, the Company used net cash provided by operating activities. Next fiscal year, the Company plans to continue the purchase of treasury stock. The debt-to-equity ratio** was 55.1%, 8.1 percentage points lower than at the prior year-end, due to growth in shareholders equity that resulted from net income, conversion of bonds, and an increased unrealized gain on securities.

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* Shareholders equity ratio = shareholders equity / total assets

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

Cash Flows

Net cash provided by operating activities during the year under review was ¥87.9 billion ($751 million), an increase of ¥20.9 billion from the prior year. Although net income decreased sharply from the prior year, the Company s cash position was not affected because the subsidy from the government recorded in the prior year, which was the primary reason for the year-over-year decrease, was a nonmonetary gain. The large increase in net cash provided by operating activities was mainly due to the favorable performance of business operations, especially due to operations in Internal Combustion Engine and Machinery.

Net cash used in investing activities was ¥61.3 billion ($524 million), a decrease of ¥16.9 billion from the prior year. The decrease in net cash used in investing activities was due to increases in the collection of finance receivables, in proceeds from sales of finance receivables in North America, and in proceeds from land and securities.

Net cash used in financing activities was ¥10.2 billion ($87 million), an increase of ¥14.7 billion from the prior year. The Company controlled an increase in interest-bearing debt, including short-term borrowings, and increased cash dividends. As a result of these activities, net cash used in financing activities increased.

As a result, including the effect of changes in exchange rates, cash and cash equivalents at the end of March 2006 were ¥91.9 billion ($785 million), an increase of ¥17.3 billion from the prior year-end.

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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 1,200 researchers and engineers. The following table shows the Company s research and development expenses for the last 3 fiscal years.

	Millions of yen			Thousands of U.S. dollars
	2004	2005	2006	2006
R&D Expenses	¥ 23,261	¥ 21,963	¥ 22,731	$ 194,282
As a percentage of consolidated net sales	2.5%	2.2%	2.2%	

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 36 R&D departments. Each department promotes the R&D activities fortifying each business.

Examples of R&D activities in the Company s 4 industrial segments are as follows:

In Internal Combustion Engine and Machinery, the Company developed new mid-sized tractors with completely novel design, named M40 series for North America. A smooth and agile performance and ease of operations are achieved by its electronic panel, wet clutch, hydrostatic shuttle transmission and control lever concentrated to the right side. Total R&D expenses of this segment were ¥17.3 billion.

In Pipes, Valves, and Industrial Castings, the Company developed SGE method for piling steel pipe. This method realizes 40% reduction of construction cost by shortening work periods and reducing number of pile. Total R&D expenses of this segment were ¥1.9 billion.

In Environmental Engineering, the Company developed Methane Fermentation Unit Employing Submerged Membrane. This unit is substantially downsized comparing with predecessors and can be operated continuously. Total R&D expenses of this segment were ¥1.1 billion.

In Other segment, the Company developed new septic tank for a disposer of single-family house. This septic tank achieved a low price by simplification of structure and reduction of production costs. Total R&D expenses of this segment were ¥2.4 billion.

Patent and License

With respect to licenses or patents, the Company does not rely on specific licenses or patents. As of March 31, 2006, the Company held 5,344 Japanese patent and utility model registrations, and 815 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 2006, royalty income and expenses were ¥643 million ($5,496 thousand) and ¥118 million ($1,009 thousand), respectively, under such licensing arrangements.

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D. Trend Information

Outlook for the Next Fiscal Year

Financial Outlook

In the Company s forecast of consolidated net sales for the year ending March 31, 2007, the Company believes that domestic sales are expected to be almost the same amount as those of the year under review. As for overseas sales, the Company expects increased sales due to sales expansion in the Pipes, Valves, and Industrial Castings segment and the Environmental Engineering segment as well as sales expansion in the Internal Combustion Engine and Machinery segment. The Company expects a steady improvement in operating income. Although the price increases in raw materials will cause downward pressure on operating income, an increase in overseas sales of Internal Combustion Engine and Machinery and corporate-wide cost reduction are expected to contribute to the increase in operating income. Net income is forecast to slightly decrease from the year under review due to the significant decrease in other income-net due to an absence of the gain on nonmonetary exchange of securities (¥15.9 billion) recorded in the year under review.

Principal Business Policies for Continuous Profit Growth

To realize further development in the medium-to-long term as a company characterized by a combination of growth capabilities, profitability, and stability, Kubota is aggressively implementing the following 3 principal business policies: Accelerating Business Expansion in Overseas Operations, Restructuring Public Works Related Businesses, and Corporate Social Responsibility for Attainment of Sustainable Development.

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.

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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 lung 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 in August 2005 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. After the Company established its internal policies and procedures of consolation payments, the Company has received claims for consolation payments from 101 residents and paid or accrued consolation payments to 88 of those residents after carefully reviewing those claims as of March 31, 2006.

Subsequently, 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. The new supporting system will be applied to the residents who will claim for payment in the future. Based on this system, the Company accrued relief payments to above-mentioned 88 of residents who were eligible to be paid or acrued consolation payments as of March 31, 2006.

With regard to the procedures for making claims to the Company for consolation payments or relief payments, the Company has asked the residents or the bereaved family of the residents who lived close to our 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 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 83 as of the end of March 2004, 94 as of the end of March 2005, and 132 as of the end of March 2006.

As a further action, the Company proceeded to consider and attempt to implement forms of medical support, such as establishment of fund for medical treatment and research, support for early diagnosis method and medical treatment in cooperation with medical institutions and creating donation chairs. And the Company reached an agreement on medical support with two medical institutions. According to an agreement, the company will 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 from the current year.

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 Workers Accident Compensation Insurance in accordance with the Workers Accident Compensation Insurance Law. Based on the New Asbestos Law, a Fund for the Relief of Patients Suffering from Asbestos-Related Diseases (the Fund) was established by the Environmental Restoration and Conservation Agency of Japan, which is an independent administrative institution, for the purpose of providing financial assistance to eligible patients. The Fund is to commence the supply of funds to those individuals with asbestos-related illnesses as soon as they are identified as eligible patients under the New Asbestos Law.

Details of the terms of provision of funds by the Fund are as follows: When any such people are (i) identified as sufferers of asbestos-related diseases (the Designated Diseases), which fall within the categories designated by the Cabinet Order, including mesothelioma, malignant neoplasm of bronchi or lungs, or other diseases which are specified in Cabinet Orders, and (ii) are not covered by the Workers Accident Compensation Insurance Law, then the Fund shall provide funds to these people in an amount equivalent to medical expenses (to the extent of the amount actually incurred by the diseased people), recuperation benefits, funeral fees and adjustment of relief payments (the amount varies depending on the substance of the disease). To the bereaved family of the patients who died due to the Designated Diseases before the enforcement of the New Asbestos Law, who would have been eligible to receive the funds under the New Asbestos Law, special condolence money and special funeral fees shall be paid from the Fund. To the bereaved families of workers who died due to the Designated Diseases and whose right of claims under the Workers Accident Compensation Insurance Law ceased to exist because of prescription, a special survivors or special survivor s compensation shall be paid by the Fund.

The Fund, from which the relief aid is paid, is funded by the national government, municipal governments, and business entities. With regard to the sharing of financial burden by each entity, the national government has already contributed ¥38.8 billion to the Fund, which also covered the initial operating costs at the time of the establishment of the Fund in the year ended March 31, 2006, and it will make additional contributions to cover half of the operating costs the year ending March 31, 2007 and thereafter. Municipal governments shall contribute a quarter of the government s contribution amount excluding operating costs. As for business entities, all business entities that employ workers shall be imposed with a contribution burden in accordance with their total wage amount, and at the same time, business entities involved in asbestos-related business that meet certain conditions shall be imposed with an additional contribution burden.

The amount of contribution to be made by each business entity is now under consideration by the national government and is to be decided in the year ending March 31, 2007, and the business entities shall commence the payment of the contribution from the year ending March 31, 2008.

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Contingencies Regarding Asbestos-Related Matters

The Company expenses payments to certain residents and current and former employees when the Company determines that a payment is warranted based on the medical condition of the individual concerned and in accordance with the Company s policies and procedures. The amounts of these expenses during the year under review were approximately ¥4.2 billion ($36 million). Of the ¥4.2 billion ($36 million), ¥3.2 billion ($27 million) were expenses related to the payment for the relief payment system established in April, 2006. The Company has no grounds to project the number of current and former employees and residents who lived close to the Company s plants that are going to newly apply for payments. In addition, Kubota s liability under the New Asbestos Law has not been determined yet, and, although the Company has not been involved in any lawsuits up to the present time related to the asbestos-related diseases of its current and former employees and residents who lived close to the Company s plants, the Company recognizes the possibility that it may face lawsuits related to this issue. Therefore, the Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to this contingency. However, the Company believes asbestos-related issues contain potentially material risks for the Company s consolidated results of operations, financial position, and its liquidity.

Subsequent events

On May 12, 2006, the Company s Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2006 of ¥6 per common share (¥30 per 5 common shares) or a total of ¥7.8 billion ($67 million). The cash dividend was approved at the general shareholders meeting held on June 23, 2006.

On June 23, 2006, the Company s Board of Directors approved the purchase of up to 10,000,000 shares, or up to ¥11 billion ($94 million) of the parent company s outstanding common stock on and after June 26, 2006 through September 19, 2006. Pursuant to such approval, 4,700,000 shares of the parent company were purchased for ¥4.4 billion ($37 million).

In addition, on September 20, 2006, the Company s Board of Directors approved the purchase of up to 5,000,000 shares, or up to ¥5.0 billion ($43 million), of the parent company s outstanding common stock on and after September 21, 2006 through December 14, 2006.

E. Off-balance Sheet Arrangements

The Company accounts for guarantees in accordance with FASB Interpretation No.45 (FIN 45), Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. Notes 17 and 18 of the financial statements, which are incorporated herein by reference, elaborate on commitments and contingencies.

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, certain subsidiaries of Kubota sell the receivables to wholly-owned special purpose entites (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 purchaser s interest and serve as credit enhancements for the securities issued by the Trusts. The value of the Company s interest in sold receivable 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.

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F. Tabular Disclosure of Contractual Obligations

The following summarizes contractual obligations at March 31, 2006.

	Millions of Yen				
	Payments Due by Period				
Year Ended March 31, 2006	**Total**	**Less than year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual obligations:					
Short-term borrowings	¥ 132,209	¥ 132,209	¥	¥	¥
Capital lease obligations	6,023	2,829	2,972	177	45
Long-term debt	196,021	47,191	94,441	39,511	14,878
Deposits from customers	2,609	2,609			
Operating lease obligations	1,550	406	541	234	369
Commitments for capital expenditures	1,336	1,336			
Interest payments	9,564	3,906	4,237	1,037	384
Total	¥ 349,312	¥ 190,486	¥ 102,191	¥ 40,959	¥ 15,676

	Thousands of U.S. Dollars				
	Payments Due by Period				
Year Ended March 31, 2006	**Total**	**Less than year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual obligations:					
Short-term borrowings	$ 1,129,991	$ 1,129,991	$	$	$
Capital lease obligations	51,479	24,179	25,402	1,513	385
Long-term debt	1,675,393	403,342	807,188	337,701	127,162
Deposits from customers	22,299	22,299			
Operating lease obligations	13,248	3,470	4,624	2,000	3,154
Commitments for capital expenditures	11,419	11,419			
Interest payments	81,744	33,385	36,214	8,863	3,282
Total	$ 2,985,573	$ 1,628,085	$ 873,428	$ 350,077	$ 133,983

The Company s contributions to pension plans for the year ending March 31, 2007 are expected to be ¥13,597 million ($116,214 thousand).

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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.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The information with respect to the directors and corporate auditors is as follows:

Name (Birthday)	Number of Company Shares Owned	Current Positions and Brief Occupational History (including responsibilities in other companies)	
Daisuke Hatakake (Jun. 29, 1941)	45,000 Shares of the Company	President and Representative Director of the Company	
		Apr. 2003	President and Representative Director of the Company (to present)
		Jun. 2002	General Manager of Corporate Compliance Headquarters
		Jun. 2001	Managing Director of the Company, 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 the Company
		Dec. 1998	General Manager of Corporate Planning & Control Dept.
		Apr. 1964	Joined the Company
Moriya Hayashi (May 7, 1944)	29,000 Shares of the Company	Executive Vice President and Representative Director of the Company 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 the Company (to present)
		Apr. 2004	General Manager of Farm & Industrial Machinery Consolidated Division (to present)
		Apr. 2004	Executive Managing Director of the Company
		Apr. 2003	Managing Director of the Company, 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 the Company
		Jun. 1999	President of Kubota Tractor Corporation
		Apr. 1969	Joined the Company

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Yoshihiro Fujio	22,000 Shares	Executive Managing Director of the Company	
(Sep. 6, 1944)	of the Company	In charge of Tokyo Head Office, General Manager of Industrial & Material Systems Consolidated Division, General Manager of Tokyo Head Office	
		Apr. 2006	In charge of Tokyo Head Office, General Manager of Tokyo Head Office (to present)
		Jun. 2004	General Manager of Coordination Dept. in Industrial & Material Systems Consolidated Division
		Apr. 2004	Executive Managing Director of the Company, General Manager of Industrial & Material Systems Consolidated Division (to present)
		Dec. 2003	In charge of Housing & Building Materials Business Coordination Dept.
		Apr. 2003	Managing Director of the Company, in charge of Secretary & Public Relations Dept., Health & Safety Planning & Promotion Dept.
		Oct. 2002	In charge of Environmental Protection and Health & Safety Promotion Dept. (assistant)
		Jun. 2002	In charge of Personnel Dept., General Manager of Head Office
		Jun. 2001	Director of the Company, in charge of Human Resources & Labor Relations Dept. (assistant)
		Jun. 2000	General Manager of Electronic Equipped Machinery Division and General Manager of Kyuhoji Plant
		Apr. 1967	Joined the Company
Toshihiro Fukuda	39,000 Shares of the Company	Executive Managing Director of the Company	
(Oct. 12, 1945)		In charge of Environmental Protection Dept., CSR Planning & Coordination Dept., Secretary & Public Relations Dept., General Manager of Compliance Headquarters	
		Apr. 2006	In charge of Secretary & Public Relations Dept., (to present)
		Apr. 2005	Executive Managing Director of the Company, in charge of CSR Planning & Coordination Dept., General Manager of Compliance Headquarters (to present)
		Apr. 2004	In charge of Environmental Protection Dept., (to present)
		Apr. 2004	Managing Director of the Company, in charge of General Affairs Dept., Corporate Compliance Headquarters
		Apr. 2003	General Manager of Farm Machinery Division
		Mar. 2003	In charge of Related Products Division
		Jun. 2002	Director of the Company
		Oct. 2001	Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division and General Manager of Sales Coordination Dept. in Farm & Industrial Machinery Consolidated Division
		Dec. 1998	General Manager of Coordination Dept. in Farm & Industrial Machinery Consolidated Division
		Apr. 1969	Joined the Company
Yasuo Masumoto	20,000 Shares	Executive Managing Director of the Company	
(Apr. 21, 1947)	of the Company	In charge of Quality Assurance & Manufacturing Promotion Dept., Deputy General Manager of Industrial & Material Systems Consolidated Division, General Manager of Production Control Headquarters in Industrial & Material Systems Consolidated Division	
		Apr. 2006	Executive Managing Director of the Company, (to present)
		Apr. 2005	Deputy General Manager of Industrial & Material Systems Consolidated Division (to present)
		Jan. 2005	In charge of Quality Assurance & Manufacturing Promotion Dept. (to present)
		Jun. 2004	General Manager of Purchasing Dept. in Industrial & Material Systems Consolidated Division
		Apr. 2004	Managing Director of the Company, in charge of Manufacturing Planning & Promotion Dept.
		Apr. 2003	General Manager of Production Control Headquarters in Industrial & Material Systems Consolidated Division (to present)
		Jun. 2002	Director of the Company
		Oct. 2001	General Manager of Farm Machinery Division
		Apr. 1999	General Manager of Utsunomiya Plant
		Apr. 1971	Joined the Company

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Yoshiharu Nishiguchi (Jan. 29, 1947)	21,000 Shares of the Company	Managing Director of the Company In charge of General Affairs Dept., Personnel Dept., Health & Safety Planning & Promotion Dept., Tokyo Administration Dept., General Manager of Head Office	
		Apr. 2006	In charge of General Affairs Dept., Tokyo Administration Dept., (to present)
		Apr. 2005	Managing Director of the Company, in charge of Personnel Dept., Health & Safety Planning & Promotion Dept., General Manager of Head Office (to present)
		Apr. 2004	In charge of Septic Tanks Division, Housing & Building Materials Business Coordination Dept., PV Business Planning & Promotion Dept., Secretary & Public Relations Dept.
		Jun. 2003	Director of the Company, 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.
		Apr. 1970	Joined the Company
Eisaku Shinohara (Aug. 25, 1947)	18,000 Shares of the Company	Managing Director of the Company In charge of Research & Development Planning & Promotion Dept., General Manager of R & D Headquarters in Farm & Industrial Machinery Consolidated Division	
		Apr. 2005	Managing Director of the Company, in charge of Research & Development Planning & Promotion Dept. (to present)
		Apr. 2004	General Manager of R & D Headquarters in Farm & Industrial Machinery Consolidated Division (to present)
		Jun. 2003	Director of the Company
		Oct. 2001	Deputy General Manager of R&D Headquarters in Farm & Industrial Machinery Consolidated Division and General Manager of Vehicle Technology Generalization Dept.
		Jun. 2000	General Manager of Construction Machinery Division and General Manager of Planning Dept. in Construction Machinery Division
		Apr. 1974	Joined the Company
Nobuo Izawa (Feb. 28, 1948)	12,000 Shares of the Company	Managing Director of the Company General Manager of Environmental Engineering Consolidated Division	
		Apr. 2006	General Manager of Environmental Engineering Consolidated Division (to present)
		Apr. 2005	Deputy General Manager of Environmental Engineering Consolidated Division
		Apr. 2005	Managing Director of the Company (to present)
		Jun. 2003	Director of the Company
		Apr. 2002	General Manager of Pumps Division and General Manager of Planning Dept. in Pumps Division
		Jun. 2001	General Manager of Pumps Division
		Apr. 1998	General Manager of Sales Dept. I in Pumps Division
		Apr. 1971	Joined the Company

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Yoshihiko Tabata (Mar. 23, 1946)	19,000 Shares of the Company	Managing Director of the Company General Manager of Engine Division	
		Apr. 2006	Managing Director of the Company (to present)
		Jun. 2004	Director of the Company
		Oct. 2003	General Manager of Engine Division (to present)
		May 1998	President of Kubota Engine America Corporation
		Dec. 1976	Joined the Company
Kazunobu Ueta (Jan. 1, 1947)	18,000 Shares of the Company	Managing Director of the Company General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division	
		Apr. 2006	Managing Director of the Company (to present)
		Apr. 2005	In charge of Farm Facilities Division
		Apr. 2005	General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division (to present)
		Jun. 2004	Director of the Company, in charge of Related Products Division
		Apr. 2004	In charge of Related Products Division (assistant) and General Manager of Sales Control Dept. in Farm & Industrial Machinery Consolidated Division
		Apr. 2000	Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division
		Apr. 1969	Joined the Company
Tokuji Ohgi (Jul. 25, 1947)	12,000 Shares of the Company	Director of the Company General Manager of Ductile Iron Pipe Division	
		Apr. 2005	General Manager of Ductile Iron Pipe Division (to present)
		Jun. 2004	In charge of Personnel Dept., Health & Safety Planning & Promotion Dept., General Manager of Head Office
		Jun. 2004	Director of the Company (to present)
		Apr. 2004	In charge of Personnel Dept. (assistant), Health & Safety Planning & Promotion Dept. (assistant)
		Apr. 2003	General Manager of Secretary & Public Relations Dept.
		Jun. 2001	General Manager of Human Resources & Labor Relations Dept.
		Apr. 1972	Joined the Company

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Morimitsu Katayama	23,000 Shares	Director of the Company	
(Jan. 17, 1948)	of the Company	In charge of Quality Assurance & Manufacturing Promotion Dept. (assistant), General Manager of Manufacturing Headquarters in Farm & Industrial Machinery Consolidated Division, General Manager of Sakai Plant	
		Jan. 2005	In charge of Quality Assurance & Manufacturing Promotion Dept. (assistant) (to present)
		Jun. 2004	In charge of Manufacturing Planning & Promotion Dept. (assistant)
		Jun. 2004	Director of the Company (to present)
		Apr. 2004	General Manager of Manufacturing Headquarters in Farm & Industrial Machinery Consolidated Division (to present)
		Apr. 2003	General Manager of Sakai Plant (to present)
		Oct. 2001	General Manager of Construction Machinery Manufacturing Dept. in Hirakata Plant and General Manager of Construction Machinery Division
		Apr. 1999	General Manager of Construction Machinery Manufacturing Dept. in Hirakata Plant
		Apr. 1963	Joined the Company
Nobuyuki Toshikuni	11,000 Shares	Director of the Company	
(Jan. 30, 1951)	of the Company	General Manager of Tractor Division	
		Jun. 2004	Director of the Company (to present)
		Apr. 2004	General Manager of Tractor Division (to present)
		Oct. 2001	President of Kubota Tractor Corporation
		Apr. 1999	General Manager of Tractor Engineering Dept.
		Apr. 1973	Joined the Company
Hirokazu Nara	14,000 Shares	Director of the Company	
(Oct. 2, 1948)	of the Company	In charge of Septic Tanks Division, Corporate Planning & Control Dept., Finance & Accounting Dept.	
		Oct. 2005	In charge of Corporate Planning & Control Dept. (to present)
		Jun. 2005	In charge of Housing & Building Materials Business Coordination Dept., PV Business Planning & Promotion Dept., Air Condition Equipment Division
		Jun. 2005	Director of the Company, in charge of Septic Tanks Division, Finance & Accounting Dept. (to present)
		Apr. 2005	In charge of Air Condition Equipment Division (assistant), Septic Tanks Division (assistant), Housing & Building Materials Business Coordination Dept. (assistant), PV Business Planning & Promotion Dept. (assistant), Finance & Accounting Dept. (assistant)
		Apr. 2003	General Manager of Corporate Planning & Control Dept.
		Jun. 1996	General Manager of Planning Dept. in Vending Machinery Division
		Apr. 1971	Joined the Company

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Masayoshi Kitaoka (Dec. 11, 1949)	6,000 Shares of the Company	Director of the Company General Manager of Farm Machinery Division	
		Jun. 2005	Director of the Company (to present)
		Apr. 2004	General Manager of Farm Machinery Division (to present)
		Dec. 2002	General Manager of Electronic Equipped Machinery Division and General Manager of FA Sales Dept.
		Jun. 2001	General Manager of CAD Dept. and General Manager of Kyuhoji Plant and General Manager of Electronic Equipped Machinery Division
		Aug. 2000	General Manager of CAD Dept. and General Manager of Kyuhoji Plant
		Apr. 1998	General Manager of CAD Dept.
		Apr. 1973	Joined the Company
Tetsuji Tomita (Mar. 6, 1950)	7,000 Shares of the Company	Director of the Company President of Kubota Tractor Corporation	
		Jun. 2005	Director of the Company (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 the Company
Masatoshi Kimata (Jun. 22, 1951)	15,000 Shares of the Company	Director of the Company General Manager of Tsukuba Plant	
		Jun. 2005	Director of the Company (to present)
		Oct. 2001	General Manager of Tsukuba Plant (to present)
		Apr. 1977	Joined the Company
Nobuyo Shioji (Apr. 11, 1949)	2,000 Shares of the Company	Director of the Company General Manager of Construction Machinery Division	
		Jun. 2006	Director of the Company (to present)
		Apr. 2005	General Manager of Construction Machinery Division (to present)
		Apr. 2004	General Manager of Construction Machinery Division and General Manager of Construction Machinery Business Planning & Promotion Dept.
		Apr. 2003	General Manager of Construction Machinery Business Planning & Promotion Dept. and Vice General Manager of Construction Machinery Division
		Jun. 2001	General Manager of Construction Machinery Business Planning & Promotion Dept.
		Apr. 1973	Joined the Company
Takeshi Torigoe (Apr. 8, 1950)	11,000 Shares of the Company	Director of the Company General Manager of Steel Castings Division	
		Jun. 2006	Director of the Company (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 the Company

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Satoru Sakamoto	4,000 Shares	Director of the Company	
(Jul. 18, 1952)	of the Company	General Manager of Air Condition Equipment Division, President of Kubota Air Conditioner, Ltd.	
		Jun. 2006	Director of the Company (to present)
		Apr. 2006	President of Kubota Air Conditioner, Ltd. (to present)
		Apr. 2006	General Manager of Air Condition Equipment Division (to present)
		Oct. 2005	Vice General Manager in Air Condition Equipment Division
		Apr. 2003	General Manager of Planning Dept. in Ductile Iron Pipe Division
		Jun. 2001	General Manager of Corporate Planning & Control Dept.
		Apr. 1976	Joined the Company
Hideki Iwabu	9,000 Shares	Director of the Company	
(Oct. 21, 1952)	of the Company	General Manager of Water & Sewage Engineering Division	
		Jun. 2006	Director of the Company (to present)
		Apr. 2006	General Manager of Water & Sewage Engineering Division (to present)
		Apr. 2004	General Manager of Sewage Engineering Dept. II
		Jun. 2001	General Manager of Water & Sewage Engineering Dept.
		Apr. 2001	General Manager of Sewage Engineering Dept.
		Apr. 1975	Joined the Company
Susumu Sumikura	29,000 Shares	Corporate Auditor of the Company	
(Jul. 1, 1943)	of the Company	Jun. 2003	Corporate Auditor of the Company (to present)
		Apr. 2002	Corporate Planning & Control Dept.
		Jun. 1999	General Manager of Business Alliance Dept.
		Dec. 1998	General Manager of Planning Dept of Electronic Equipped Machinery Division
		Apr. 1967	Joined the Company
Junichi Maeda	17,000 Shares	Corporate Auditor of the Company	
(May 23, 1945)	of the Company	Jun. 2005	Corporate Auditor of the Company (to present)
		Jun. 2003	Director of the Company
		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 the Company

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Yuzuru Mizuno (Jan. 21, 1948)	0 Shares of the Company	Corporate Auditor of the Company	
		Jul. 2005	Executive Senior Councilor of Corporate Accounting & Finance of Matsushita Electric Industrial Co., Ltd.
		Jun. 2005	Corporate Auditor of the Company (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.
Teisuke Sono (May 10, 1934)	6,000 Shares of the Company	Corporate Auditor of the Company	
		Apr. 2004	Appointed as a visiting professor of Hokuriku University (to present)
		Jun. 2003	Corporate Auditor of the Company (to present)
		Apr. 2001	The professor of International Buddhist University
		Aug. 1996	Judge of Osaka High Court
		Oct. 1994	Chief Justice of Kobe Family Court
		Apr. 1973	Judge
		Apr. 1963	Deputy of Judge
Yoshio Suekawa (Sep. 1, 1937)	4,000 Shares of the Company	Corporate Auditor of the Company	
		Jun. 2004	Corporate Auditor of the Company (to present)
		Apr. 2004	Appointed as a special visiting professor, the Faculty of Commerce, Doshisha University (to present)
		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)

Between Directors or Corporate Auditors of the Company there is no family relationship. No Directors and Corporate Auditors, except Teisuke Sono and Yoshio Suekawa, Corporate Auditors, of the Company have business activities performed 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.

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B. Compensation

The aggregate remuneration, including bonuses, paid by the Company in fiscal 2006 to all Directors (some of whom are also the executive officers) and Corporate Auditors of the Company as a group (31persons) was ¥766 million. No options to purchase securities from the registrant or any of its subsidiaries were outstanding on March 31, 2006.

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 4 years from their assumption of office. However, they may serve any number of consecutive terms.

Under the Corporate Law, which came in effect on May 1, 2006, 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.

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).

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D. Employees

Head Count at the End of the Period	2004	2005	2006
	22,198	22,916	23,049

Head Count in Each Segment	2004	2005	2006
Internal Combustion Engine and Machinery	10,803	12,026	12,383
Pipes, Valves, and Industrial Castings	4,240	4,116	4,028
Environmental Engineering	2,478	2,489	2,563
Other	4,246	3,872	3,618
Corporate	431	413	457
Total	22,198	22,916	23,049

The number of full-time employees of Kubota as of March 31, 2006 was 23,049. 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 has not experienced any strikes or work stoppages for 57 years and believes its relations with its employees or union to be excellent.

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 23, 2006 was as follows:

Title of Class	Identity of persons or group	Number of shares owned	Percentage of class
Common stock	Directors and Corporate Auditors	413,000	0.03%

About individual shareholdings, see Item6.A Directors and Senior Management.

Employee Stock Ownership Association (Kubota Fund) owned 21,069 thousand shares as of March 31, 2006, which amounted to 1.6% 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.

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Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2006, 5 shareholders held more than 5 percent of the shares issued. The 10 largest shareholders are as follows:

	(As of March 31, 2006)	
	Number of shares	
Name	**(thousand)**	**(%)**
Japan Trustee Services Bank, Ltd.	137,454	10.57
The Master Trust Bank of Japan, Ltd.	117,769	9.06
Trust & Custody Services Bank, Ltd.	97,705	7.51
Nippon Life Insurance Company	85,188	6.55
Meiji Yasuda Life Insurance Company	72,304	5.56
The Dai-ichi Mutual Life Insurance Company	49,360	3.79
Sumitomo Mitsui Banking Corporation	34,620	2.66
Sumitomo Life Insurance Company	23,315	1.79
Kubota Fund (Employee Stock Ownership Plan)	21,069	1.62
Moxley & Co.	20,443	1.57

(Note) Although the Company possesses 23,271 of its treasury stocks, it is not included in the table above.

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, 2006, there were 1,299,869,180 shares of Common Stock issued, of which 20,443,263 shares were in the form of ADR and 145,726,294 shares were held by the residents in the U.S. The number of registered ADR holders was 43 and the number of registered holders of common stock in the U.S. was 113.

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, 2006, the Company had sales transactions with affiliates accounted under the equity method, aggregating ¥54,484 million ($465,675 thousand). As of March 31, 2006, the Company had trade notes and accounts receivable from affiliated companies of ¥19,355 million ($165,427 thousand). The Company does not consider the amounts involved in such transactions to be material to its business.

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

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 ($66,093 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, 2006 the Company is still in the process of the hearing procedures.

Patent Infringement

In July 2003, Etesia, which manufactures mowers in France, filed a patent infringement lawsuit and a noise regulation infringement lawsuit against the Company to the French district court. The district court rendered a verdict in favor of the Company in January 2005.

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 this annual report, there have been no significant changes since the date of latest annual financial statements of the Company.

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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 common stock		NYSE price per ADS (5 common shares)	
	High	**Low**	**High**	**Low**
Annual Highs and Lows				
2002	¥530	¥308	$20 78	$12 25
2003	444	280	17 25	11 90
2004	517	260	24 15	11 06
Quarterly Highs and Lows				
2005				
1 st quarter	¥596	¥446	$27 90	$19 05
2 nd quarter	582	485	26 65	22 00
3 rd quarter	539	466	25 24	22 10
4 th quarter	595	510	28 46	24 41
2006				
1 st quarter	651	517	29 85	24 20
2 nd quarter	821	603	36 49	27 67
3 rd quarter	1,073	733	45 90	32 10
4 th quarter	1,295	930	55 21	40 58
2007				
1 st quarter	1,379	918	60 06	40 16
Monthly Highs and Lows				
February, 2006	¥1,156	¥1,013	$49 08	$44 60
March	1,295	1,057	55 21	45 20
April	1,379	1,272	58 75	55 15
May	1,370	1,002	60 06	45 60
June	1,095	918	47 86	40 16
July	1,123	952	48 95	40 88
August	1,084	906	46 68	38 81

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

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B. Plan of Distribution

Not applicable

C. Markets

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

D. Selling Shareholders

Not applicable

E. Dilution

Not applicable

F. Expenses of the Issue

Not applicable

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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 its 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;

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;