

1. Review of Operations and Financial Condition

1. Review of operations

Summary of the results of operations for the nine months under review

For the nine months ended December 31, 2008, revenues of Kubota Corporation and subsidiaries (collectively “the Company”) increased ¥4.0 billion (0.5 %), to ¥841.6 billion from the corresponding period in the prior year, due mainly to an increase in overseas revenues in Internal Combustion Engine & Machinery, while domestic revenues decreased.

In the domestic market, revenues decreased ¥8.5 billion (2.1 %), to ¥394.5 billion from the corresponding period in the prior year. Revenues in Internal Combustion Engine & Machinery decreased. Sales of farm equipment and engines decreased slightly, while sales of construction machinery declined substantially.

Revenues in Pipes, Valves, and Industrial Castings increased due mainly to sales increase of ductile iron pipes and spiral welded steel pipes, while sales of industrial castings decreased. Revenues in Environmental Engineering increased, but revenues in Other decreased.

In overseas markets, revenues increased ¥12.5 billion (2.9 %), to ¥447.2 billion from the corresponding period in the prior year. Revenues in Internal Combustion Engine & Machinery increased mainly due to sales increase of farm equipment and engines, even though sales of construction machinery declined. Revenues in Pipes, Valves, and Industrial Castings substantially increased due to sales increase of ductile iron pipes. Revenues in Environmental Engineering decreased, while revenues in Other increased. As a result, the ratio of overseas revenues to consolidated revenues rose 1.2 percentage points, to 53.1 % compared with the corresponding period in the prior year.

Operating income decreased ¥10.2 billion (9.5 %), to ¥96.3 billion from the corresponding period in the prior year. Operating income in Internal Combustion Engine and Machinery decreased mainly due to appreciation of the yen and price hikes of materials. Operating income in Pipes, Valves, and Industrial Castings increased owing to sales increase of ductile iron pipes. Although operating loss in Environmental Engineering decreased steadily, operating income in Other decreased due to a decreased sales of vending machines.

Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies decreased ¥21.6 billion (20.2 %), to ¥85.3 billion. This decrease is due to a decrease in operating income and an increase in other expenses resulting from increases in foreign exchange loss.

Income taxes were ¥33.4 billion (representing an effective tax rate of 39.1 %), and net amount of minority interests in earnings of subsidiaries and equity in net income of affiliated companies to deduct was ¥5.5 billion. As a result, net income was ¥46.5 billion, ¥13.5 billion (22.5 %) lower than the corresponding period in the prior year.

(2) Review of operations by industry segment

1) Internal Combustion Engine and Machinery

Revenues in Internal Combustion Engine and Machinery were ¥600.5 billion, 0.4% higher than the corresponding period in the prior year, comprising 71.3 % of consolidated revenues. Domestic revenues decreased 4.2 %, to ¥181.7 billion, and overseas revenues increased 2.5 %, to ¥418.9 billion. This segment comprises farm equipment, engines and construction machinery.

In the domestic market, the operating environment continued to be challenging due to a decrease in construction investment and stagnant demand for farm equipment resulted from economic slowdown and the price hikes of fertilizer and fodder. In this circumstance, the Company actively introduced new products and implemented promotional sales activity, however total sales of farm equipment slightly decreased, and construction machinery decreased substantially. On the other hand, sales of engines slightly increased.

In overseas markets, sales of tractors increased. Sales of tractors in North America decreased due to a

stagnation of the markets and appreciation of the yen. In Asia outside Japan, sales of tractors in Thailand continued to increase, and sales in Europe also increased steadily due to launching new products. Sales of farm machinery also increased sharply owing to a sales increase of combine harvesters and rice transplanters in China. On the other hand, sales of construction machinery decreased due to the rapid economic slowdown in Europe, sales of engine decreased due to inventory adjustment in European and North American clients.

2) Pipes, Valves, and Industrial Castings

Revenues in Pipes, Valves, and Industrial Castings increased 5.1 %, to ¥152.1 billion from the corresponding period in the prior year, comprising 18.1% of consolidated revenues. Domestic revenues increased 4.1%, to ¥128.3 billion, and overseas revenues increased 10.9%, to ¥23.8 billion. This segment comprises pipes and valves (ductile iron pipes, spiral welded steel pipes, plastic pipes, and valves), and industrial castings.

In the domestic market, sales of ductile iron pipes increased largely due to price increases, and sales of spiral welded steel pipes also increased. On the other hand, sales of plastic pipes decreased due to declining demand, and sales of industrial castings decreased substantially due to decreased sales of ductile tunnel segment.

In overseas markets, sales of industrial castings slightly decreased, however export sales of ductile iron pipes to the Middle East increased.

3) Environmental Engineering

Revenues in Environmental Engineering increased 18.5 %, to ¥37.6 billion from the corresponding period in the prior year, comprising 4.5 % of consolidated revenues. Domestic revenues increased 24.0 %, to ¥34.3 billion, and overseas revenues decreased 18.2 %, to ¥3.3 billion. This segment consists of environmental control plants and pumps.

In the domestic market, sales of all products increased. In overseas markets, sales of pumps increased, while sales of submerged membrane system decreased.

4) Other

Revenues in Other decreased 18.5 %, to ¥51.3 billion from the corresponding period in the prior year, comprising 6.1 % of consolidated revenues. Domestic revenues decreased 19.8 %, to ¥50.2 billion, and overseas revenues increased 161.2 %, to ¥1.2 billion. This segment comprises vending machines, electronic-equipped machinery, air-conditioning equipment, construction, septic tanks and other business.

Sales of vending machine decreased substantially in this segment due to the decreased demand for cigarette-vending machines with the function of age-identification, for which the temporary demand was very high in the prior year. Sales of construction also decreased.

In addition, sales of condominiums were absent in this fiscal year because some shares of the subsidiary which conducted condominium business were sold and the subsidiary changed into an affiliated Company in the prior year. As a result, revenues in Other largely decreased.

2. Financial condition

(1) Assets, liabilities and shareholders' equity

Total assets at the end of December 2008 amounted to ¥1,483.6 billion, an increase of ¥19.4 billion (1.3%) compared with those at the end of March 2008. Current assets increased largely due to an increase in notes and accounts receivable and inventories. An increase in notes and accounts receivable resulted from a large reduction in sales of trade accounts in North America. On the other hand, investments and long-term finance receivables decreased due to a decrease in unrealized gains on securities as a result of the decline in stock market prices. As for liabilities, interest-bearing debt increased largely owing to an increase of borrowing resulted from a reduction in sales of trade accounts, and trade notes and accounts payable also increased. Total shareholders' equity decreased because an increase in amount of accumulated other comprehensive loss, which resulted mainly from a decrease in unrealized

gains on securities, exceeded the increase in retained earnings. Shareholders' equity ratio was 42.2 %, 2.1 percentage points lower than the prior year end.

(2) Cash flows

Net cash provided by operating activities during the nine months under review was ¥7.2 billion. Total net cash provided by operating activities was limited, because of an increase in notes and accounts receivables, which resulted from a sharp reduction in sales of trade accounts in North America, and an increase in inventories.

Net cash used in investing activities was ¥61.8 billion. Amount of increase in finance receivables exceeded amount of collection of finance receivables due to an expansion of retail financing in Thailand.

Net cash provided by financing activities was ¥61.3 billion. Borrowing amount exceeded repayment amount due to additional funding requirement arisen from an expansion of retail financing and reduction in sales of trade accounts in North America.

3. Prospect for the fiscal year under review

The Company revised downward a forecast of revenues for the year ending March 31, 2009 by ¥35.0 billion, to ¥1,100.0 billion from the previous forecast, which was released in November 7, 2008.

In overseas markets, revenues in Internal Combustion Engine and Machinery are forecast to decrease significantly from the previous forecast. In the domestic market, revenues in Internal Combustion Engine and Machinery and Pipes, Valves and Industrial Castings are expected to decrease from the previous forecast.

The forecast of operating income is expected to decrease ¥5.0 billion, to ¥105.0 billion, from the previous forecast, in consideration of business performance up to the third quarter of this fiscal year and recent business development. Income from continuing operation before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies is forecast to decrease ¥13.0 billion, to ¥92.0 billion, from the previous forecast. Net income is also forecast to decrease ¥8.0 billion, to ¥50.0 billion, from the previous forecast. (These forecasts are based on the assumption of an exchange rate of ¥103=US\$1.)

(In millions of yen)

	Previous Forecasts on Nov. 7, 2008	Revised Forecasts	Change		Prior year (Year ended Mar. 31, 2008)
Revenues	1,135,000	1,100,000	(35,000)	(3.1%)	1,154,574
Operating Income	110,000	105,000	(5,000)	(4.5%)	136,875
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	105,000	92,000	(13,000)	(12.4%)	122,577
Net income	58,000	50,000	(8,000)	(13.8%)	68,026

4. Other information

(1) Changes in number of material subsidiaries

None

(2) Adoption of simplified accounting procedures or specific accounting procedures for consolidated quarterly financial statements

Income tax expense for the nine months ended December 31, 2008 was calculated using a reasonably estimated annual effective tax rate for this fiscal year.

(3) Changes in accounting principles, procedures and presentations for consolidated financial statements

1) Changes due to the revision of accounting standards

Since April 1, 2008, the Company has adopted SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. The adoption of this statement did not have a material impact on the Company's consolidated result of operations and financial position.

2) Changes in matters other than 1) above.

None

(4) Assumptions for going concern

None