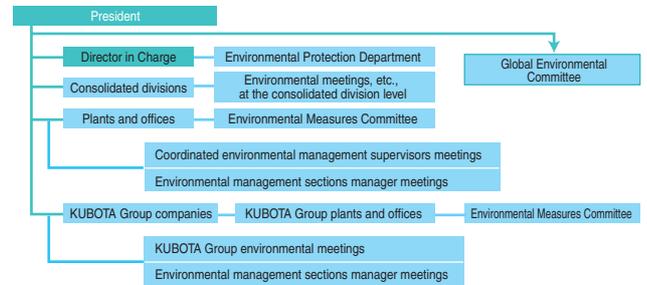


Environmental Corporate Management

In order to properly understand the environmental impact of our business activities and to promote the involvement of the entire KUBOTA group in eco-management, we have enhanced our system of management upon an "Environmental Corporate Management" framework.

The Framework to Promote Environmental Corporate Management

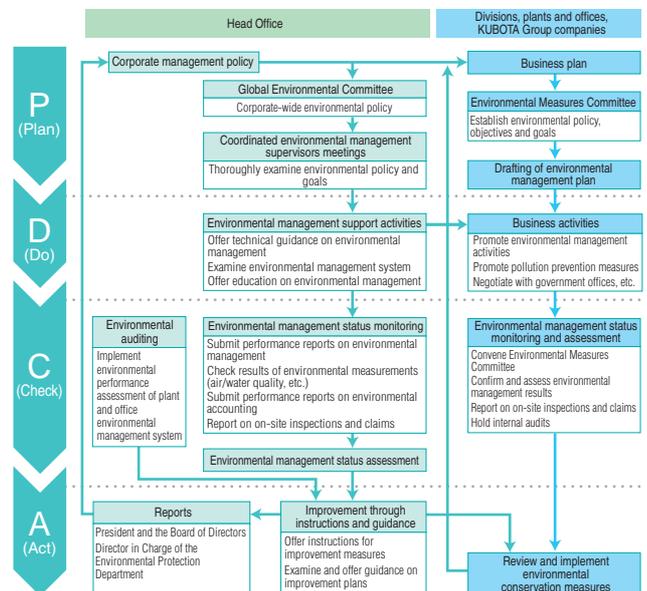
In order to enable the coordinated response to all global and local environmental issues, KUBOTA has established the Environmental Protection Department to promote environmental measures and environmental auditing, etc., and placed it under the management of the Director in Charge, as well as also establishing sections in charge of environmental corporate management within other plants and offices (including group companies). All corporate environmental policies are also discussed in the Global Environment Committee.



Kubota Environmental Management System

Since 1972, KUBOTA has been promoting full-employee participation in environmental corporate management as part of our TPC¹ program. In 1995, we then introduced our ISO 14001-compliant "KEMS"² and, by the end of fiscal 2001, all of our production plants and offices had acquired, and continue to maintain, ISO 14001 certification.

- 1: TPC (Total Pollution Control)
- 2: KEMS (Kubota Environmental Management System)



Environmental Auditing and Plant/Office Study Teams

Newly added from fiscal 2006 to those points used to assess compliance to environment-related laws were 21 items related to the Fire Defense Law (hazardous materials) and the Industrial Safety and Health Law (working environment), and audits containing 159 total checkpoints were implemented. Under environmental performance, priority was placed on "Air and water quality and waste management" and "Emergency response, education, and training" as documents were examined and on-site audits were executed for two days at plants and offices where the environmental burden was large and for 1 day at smaller plants and offices.

As a result, the number of items requiring improvement increased over the previous year, more detailed study team meetings were held, and improvement in the overall level of environmental management was aimed at.

Assessment items and number of items requiring improvement as determined by the environmental plant/office study team

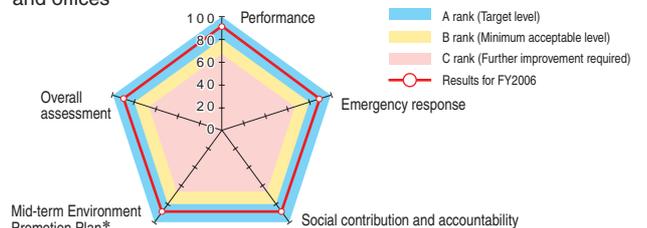
Assessment items	Items requiring improvement	
	FY2005	FY2006
1. Compliance with environment-related laws	17	28
2. Environmental performance	58	93
3. Emergency response, education and training	13	30
4. Eco-friendly products (excluding FY2006)	11	—
5. Social contribution and accountability	3	0
6. Working environment management (FY2005) and Mid-term Plan (FY2006)	13	12
Total	115	163

Improvement plans, especially those related to capital investment, are developed and promoted with a link to standard capital investment plans. KUBOTA is aiming at implementing a future review of assessment criteria and audit methods, at improving and enhancing environmental audits, and at the further improvement of environmental corporate management activities throughout the KUBOTA group.

Environmental plant/office study team



Average assessment results of KUBOTA's domestic production plants and offices



* FY2005 was set to the same target values due to the new auditing items implemented from FY2006

Eco-office measures (environmental management activities at non-production plants and offices)

In order to confirm the state of participation at 12 locations nationwide, as well as to aim at even more improved environmental management capabilities, KUBOTA developed eco-office plant/office study teams during October and November.

The number of items requiring improvement decreased (from 98 to 62) in comparison with the previous year (FY2005) and the level of participation has improved overall.

These study teams will be periodically put into practice in the future, and efforts will be made to further improve our total environmental management capabilities.

Main activities

Subject	Main content being promoted
Reduction of greenhouse gases	Turn off unnecessary lighting and office equipment
Energy conservation	Implement diligent air-conditioning temperature control
Reduction of municipal waste	Implement thorough sorting, collection and recycling
	Reduce waste paper and implement thorough paper recycling
Promotion of green purchasing	Place priority on purchasing green products

The assessment items and number of items requiring improvement as determined by the eco-office plant/office study team

	Classification	Items requiring improvement	
		FY2005	FY2006
Assessment criteria for offices	Promotion organizations	13	6
	Education activities	20	10
	Energy conservation and global warming prevention	14	3
	Waste reduction	15	8
	Industrial Waste Law compliance	—	8
	Equipment containing PCB	0	0
	Water resource conservation	1	0
	Company vehicles	6	3
	Green purchasing	12	4
	Total number of assessment criteria for offices	81	42
Assessment criteria for service plants and offices	Hazardous materials and hazardous material warehousing	4	3
	Chemical substances	4	6
	Management status of facilities related to the atmosphere	0	—
	Management status of facilities related to water quality	5	2
	Waste management	4	8
	Working environment	0	1
	Noise	0	0
	Odors	0	0
		Total number of assessment criteria for service plants and offices	17
	Total	98	62

Status of ISO14001 certification acquisition

All of KUBOTA's production plants and offices had acquired ISO 14001 certification by the end of fiscal 2001. All of our non-production plants and offices are currently working towards acquisition of ISO 14001 certification.

KUBOTA's domestic plants and offices and consolidated divisions

No	Name	Other included organization	Inspecting/Certifying organ	Date of certification
1	Hanshin plant	Marushima branch Nagasaki branch	LRQA	March 5, 1999
2	Hanshin plant (Shin-yodogawa factory)		JCQA	January 11, 2000
3	Keiyo plant*	Distribution center Gyofoku processing center	LRQA	July 16, 1998
4	Hirakata plant	Kubota Valve Maintenance Corporation	LRQA	September 17, 1999
5	Okajima plant	Ohtake ShellCo Corp.	JICQA	December 22, 1999
6	Sakai plant	Sakai Rinkai plant	LRQA	March 10, 2000
7	Utsunomiya plant		LRQA	December 8, 2000
8	Tsukuba plant		LRQA	November 28, 1997
9	Kyuhoji business center	Kubota Retex Corp. Kubota Membrane Corp. Kubota Keiso Corp.	DNV	March 19, 1999
10	Ryugasaki plant	Kubota Vending Service Co., Ltd.	DNV	November 13, 1998
11	Shiga plant		JUSE	May 18, 2000
12	Environmental Engineering Consolidated Division	Shin-yodogawa environmental plant center Kubota Machinery and Construction Corporation Kubota System Control Co., Ltd.	LRQA	July 14, 2000

* The Keiyo plant (Ichikawa) and Keiyo plant (Funabashi) are jointly certified.

Domestic subsidiaries

No	Name	Other included organization	Inspecting/Certifying organ	Date of certification
1	Kubota-C.I. Co., Ltd.	Tochigi plant	KHK	April 20, 1999
2	Kubota-C.I. Co., Ltd.	Sakai plant, Ishizu-nishi factory	JUSE	July 23, 1999
3	Kubota-C.I. Co., Ltd.	Odawara plant	JUSE	January 19, 2000
4	Nippon Plastic Industry Co., Ltd.	Head office and plant, Mino plant	JSA	October 27, 2000
5	Kubota Construction Co., Ltd.		JQA	December 22, 2000
6	Kanto Kubota Precision Machinery Co., Ltd.		LRQA	November 14, 2001
7	Kubota Environmental Service Co., Ltd.		MSA	November 20, 2002
8	Kyusyu Kubota Chemical Co., Ltd.		JUSE	March 27, 2003
9	Kubota Air Conditioner Co., Ltd.	Tochigi plant	JQA	August 27, 2004
10	Kubota Retex Corp.	Kitakami Recycle Center	JQA	October 22, 2004
11	Kubota Pipe Tech., Co.		JCQA	January 24, 2005

Overseas subsidiaries

No	Name	Other included organization	Inspecting/Certifying organ	Date of certification
1	The Siam Kubota Industry Co., Ltd. (Thailand)		MASCI	February 28, 2003

LRQA: Lloyd's Register Quality Assurance Limited JCQA: Japan Chemical Quality Assurance Ltd. JICQA: JIC Quality Assurance Ltd. DNV: Det Norske Veritas AS
 JUSE: Union of Japanese Scientists and Engineers KHK: The High Pressure Gas Safety Institute of Japan JSA: Japanese Standard Association
 JQA: Japan Quality Assurance Organization MSA: Management System Assessment Center Co., Ltd. MASCI: Management System Certification Institute (Thailand)

Environment-Related Education

Raising the awareness of each and every employee in regard to environmental issues is important in promoting business activities that truly take the environment into consideration. On the basis that knowledge is the first step to solving environmental issues, KUBOTA aims at improving environmental consciousness through regular education according to the employee's level. We also implement systematic professional education to enable the appropriate response to environmental issues, support the enhancement of individual abilities and the development of qualified personnel, and promote the practice of environmental

conservation.

Since fiscal 2005, we have been offering courses that correspond to the participants' job level as a further enhancement to our basic education program, with three courses offered in FY2006.

In addition, in the "Environment Month" of June and the "Energy Saving Month" of February, we organized field trips for the purpose of learning about the environment-related actions taken by other advanced companies and we are cooperating in offering environmental education to outside organizations as well.

Environment-related education in FY2006

(Only in-house education sponsored by the Environmental Protection Department or performed by contracted lecturers is included herein)

Classification	Course title	Frequency	No. of participants	Course descriptions	
Management-level education	Report meetings with directors	1	21	Environmental audit results report	
	Environmental plans/office study team (environmental audit) results report				
Education by employee-level	New employee orientation	1	84	Global environmental issues	
	General course <1>	Environmental conservation	3	91	Global environmental issues and the response required of corporations
	Compliance training for 9th year employees in create positions	3	134	Global environmental issues and KUBOTA's environmental corporate management	
	Training for personnel promoted to senior management	3	152	Global environmental issues and KUBOTA's environmental corporate management	
	Intermediate course for technicians	Environmental corporate management	1	25	KUBOTA's involvement & on-site environmental corporate management
		Energy conservation	1	24	Theory and application of energy conservation technology
	Training for newly appointed foremen	1	18	KUBOTA's environmental corporate management & on-site environmental management	
Training for newly appointed supervisors	2	45	KUBOTA's environmental corporate management & on-site environmental management		
Professional education	Basic course on environmental corporate management	For designing and R&D sections	1	3	Environment-related laws and regulations & Kubota's involvement Environmental corporate management according to the participant
		For construction and service sections	1	6	
		For office administration	1	7	
	Education of environmental management technology	1	14	Theory and application of environmental corporate management technology	
	Preparation course for workplace environment measurement expert examination	Class 1	1	4	Dust, organic solvents, chemical substances and metals
		Class 2	2	14	Laws and regulations relating to industrial health & chemical analysis, etc.
	Follow-up education for internal environmental auditors (ISO 14001)	4	75	The ISO 14001 standard, environmental laws, and case studies	
Meetings	Environmental management sections manager meetings	1	26	Instructions on environmental corporate management and case introductions	
	Office environment management sections manager meetings	1	13	Instructions on environmental corporate management	
	KUBOTA Group environmental management sections manager meetings	1	26	Instructions on environmental corporate management	
	Briefings on the environmental management information system (KEDES)	1	33	An explanation of the environmental management information system	
	Hanshin office manager training workshop	1	44	The environmental management knowledge required of managers	
	Construction work safety and health conference	2	64	Waste management in construction work	
	ISO 14001 (environmental management system) revisions	3	-	An explanation of revisions to ISO 14001	
Environmental information offered over the intranet	Mini-brief on environmental accounting	6	-	An explanation on environmental accounting	
	Eco-friendly products	5	-	An introduction to eco-friendly products	
	Enforcing the Kyoto Protocol, the international framework for the prevention of global warming	6	-	An introduction to the Kyoto Protocol	
	Global warming prevention and new energy	5	-	A background introduction to new energy implementation	
	Water environment maintenance	4	-	An introduction on environmental water quality standards, etc.	
	Specifics on PCB (polychlorinated biphenyl)	3	-	An explanation of PCB	
	Specifics of recycling laws	3	-	An explanation of laws for the promotion of utilization of recycled resources	
Field trips in subject months	Environment Month	Izumi EcoPlaza, Daiiei Inter Nature System, Inc.	1	23	A tour of an industrial waste processing facility and final disposal site
		Wako Service Co., Ltd.	1	18	A tour of an industrial waste processing facility and incineration and melting facility
		Ricoh Kansai Co., Ltd.	1	15	A visit to view eco-office and ISO 14001 activities
	Energy Saving Month	Hitachi Industrial Equipment Systems Co., Ltd.	1	21	A tour of a factory that excels in energy conservation
Associate companies	Kubota Pipe Tech Co.	2	67	Education on construction waste managed	
	Farm & Industrial Machinery Consolidated Division Block Conference	4	114	Education of industrial machinery sellers	
	Kubota Construction Equipment East Japan Cooperative	1	23	Education of construction equipment sellers	
Cooperation in the education of outside organizations	Japan International Cooperation Agency (JICA)				
	- Agricultural expansion project manager	1	12	A tour of environment-related facilities at the Sakai plant	
	- Environmental policy and environmental management system	1	9	An explanation of the state of KUBOTA's activities	
	Acceptance of internship Tochigi Prefecture Utsunomiya Hakuyo High School, Utsunomiya Industrial High School, Utsunomiya Commercial High School	1	13	Education on environmental management at the Utsunomiya plant	
	Hyogo Prefecture Amagasaki Industrial High School Period for integrated study: environmental education	5	114	Explanations on pollution, waste, hazardous chemicals, and global warming, etc.	

Environmental information offered over the intranet Ex.: "Explanation on PCB"



Follow-up education for environmental auditors Case study (workgroup)



Number of personnel with environmental certification

Pollution Control Managers	Air	51
	Water quality	62
	Noise	93
	Vibration	67
	Dioxins	5
Environment Measurers	Concentration	1
	Noise and vibration	1
Environmental Management System (EMS) Auditors	Lead auditors	0
	Auditors	1
	Provisional auditors	5
Energy Management Experts	Heat	40
	Electricity	35
Workplace Environment Measurement Experts	Class 1	74
	Class 2	73

Target range:

KUBOTA's domestic production plants and offices
+
Subsidiaries' domestic production plants and offices

Expansion of subsidiary companies targeted for environmental management

KUBOTA is working to systematically bring all domestic and foreign subsidiaries within the scope of environmental corporate management by fiscal 2012. The ratio of target companies in fiscal 2006 was about 41.3%.

Ratio of target subsidiary companies



Environmental Risk Management

KUBOTA promotes work activities that adhere to work standards and thoroughly implements the regular inspections and necessary maintenance that will secure compliance to the law, prevent the generation of environmental damage, and minimize environmental risks in all our business activities.

Based on the premise that an environmental accident may occur at any time, we have established accident-response procedures to control contamination and carry out regular training to prepare for unusual events and emergencies. We also review and reinforce our preparatory organization and emergency environmental accident response structure based on the possibilities of a major environmental accident, and promote companywide crisis-response management towards such potential accidents.

We are reinforcing environmental risk management through environmental audits targeting all of our production plants and offices, including our subsidiaries, in order to fully clarify high environmental risks and to provide thorough and appropriate countermeasures against those risks.

Chemical substances present the highest level of environmental risk at KUBOTA, so we are involved in efforts to reduce the volumes of use, emission, and transport of highly hazardous chemicals and implement thorough control to prevent the generation of environmental problems.

We also employ environmental audits and plant/office study teams to confirm and improve, as necessary, the state of our environmental risk management, such as our emergency response.



Training for unusual and emergency situations (Sakai plant)
Training at a painting-related facility (November 21, 2005) implemented under the premise of a chemical tank leakage accident.

Law compliance measures

(1) Status of air quality control

All items satisfied the required standards.

(2) Status of water quality control

An accident that generated outflow into the public sewerage and that exceeded the hexavalent chromium effluent standard occurred. We reported the incident to the related government office, and our prompt handling of the situation resulted in no adverse influence on the surrounding area. Thoroughness relapse prevention measures, including strengthening equipment control and daily management, were targeted companywide.

(3) Status of noise and vibration control

During fiscal 2006, the measured values of noise emission exceeded the required standards at 4 plants/offices. A speedy response was carried out and we have been working to reduce noise even further. All plants and offices satisfied the required standards for vibration.

(4) Status of hazardous chemical pollution control

The presence of groundwater contamination is regularly measured using observation wells installed in our plants and offices. As a result, there were no problems of groundwater contamination from organic chlorine-based compounds.

(5) On-site inspections by government and municipal offices

We had 49 on-site inspections concerning air and water quality and industrial waste during fiscal 2006. The result of these inspections indicated that we were in compliance with all required regulations and criteria, and that there were no special problems. We will continue to exert efforts towards conducting thorough daily monitoring and management in order to prevent receiving any administrative notices in the future as well.

(6) Environmental accidents

Once again, there were neither incidents of litigation nor payments of fines or penalties required in fiscal 2006 in regard to the environment. We had 18 accidents related to oil leakage, etc., in our plants and offices, but, as a result of appropriate measures taken in accordance with our procedures for unusual event and emergency response, there were no effects exhibited outside the company.

(7) Environmental claims

There was 1 claim from the neighborhood concerning the exhaust sound of our pneumatic material transport and 1 claim of the vehicles in a parking lot in the vicinity being dirtied with dust from the factory, and we took prompt measures in each case. We will continue to exert efforts towards conducting thorough daily monitoring and management in order to prevent a similar recurrence of such claims.

(8) Information disclosure on the environmental and safety measures taken for our products

KUBOTA compiles MSDSs (Material Safety Data Sheets) and offers that information to our customers. In preparation for potential accidents in the distribution process, we also provide information to transport companies concerning environmental and safety measures for our products, such as handling procedures during emergencies, etc.