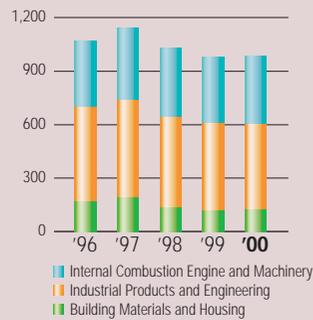


**Net Sales by Product Group**  
(Billions of Yen)

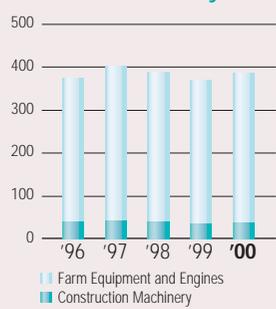


**Net Sales in Japan and Overseas**  
(Billions of Yen)

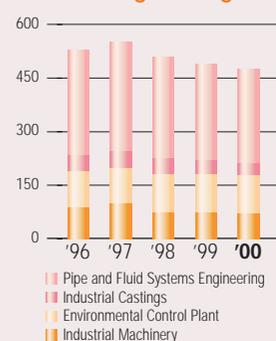


**Sales by Sector**  
(Billions of Yen)

**Internal Combustion Engine and Machinery**



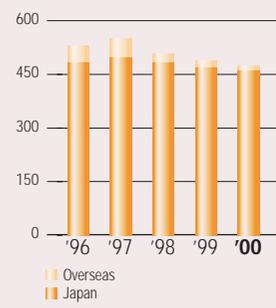
**Industrial Products and Engineering**



**Building Materials and Housing**



**Sales in Japan and Overseas**  
(Billions of Yen)



		Billions of Yen				
		1996	1997	1998	1999	2000
<b>Net Sales</b>		1,071.7	1,141.5	1,029.4	976.7	<b>987.3</b>
<b>Internal Combustion Engine and Machinery</b>		374.8	401.9	388.7	370.0	<b>385.8</b>
Sales by Sector	Farm Equipment and Engines	335.3	358.8	348.1	334.3	<b>348.1</b>
	Construction Machinery	39.5	43.1	40.6	35.7	<b>37.7</b>
Sales in Japan and Overseas	Japan	261.4	275.3	239.4	204.2	<b>213.9</b>
	Overseas	113.4	126.6	149.3	165.8	<b>171.9</b>
<b>Industrial Products and Engineering</b>		529.6	550.2	507.5	489.5	<b>475.6</b>
Sales by Sector	Pipe and Fluid Systems Engineering	295.0	306.8	282.3	271.2	<b>265.6</b>
	Industrial Castings	45.4	47.6	45.5	38.8	<b>34.3</b>
	Environmental Control Plant	102.7	96.1	107.3	105.9	<b>104.6</b>
	Industrial Machinery	86.5	99.7	72.4	73.6	<b>71.1</b>
Sales in Japan and Overseas	Japan	483.7	495.8	481.9	467.7	<b>460.6</b>
	Overseas	45.9	54.4	25.6	21.8	<b>15.0</b>
<b>Building Materials and Housing</b>		167.3	189.4	133.2	117.2	<b>125.9</b>
Sales by Sector	Building Materials	87.0	96.6	76.8	61.9	<b>65.7</b>
	Housing	80.3	92.8	56.4	55.3	<b>60.2</b>
Sales in Japan and Overseas	Japan	167.3	189.4	133.2	117.2	<b>125.9</b>
	Overseas	0.0	0.0	0.0	0.0	<b>0.0</b>

Sales in Internal Combustion Engine and Machinery increased 4.3%, to ¥385.8 billion (\$3,640 million), making up 39.1% of consolidated net sales. Domestic sales advanced 4.8%, to ¥213.9 billion (\$2,018 million), and overseas sales were up 3.7%, to ¥171.9 billion (\$1,622 million).

#### FARM EQUIPMENT AND ENGINES

Sales of farm equipment increased from the previous fiscal year.

Domestic sales of farm equipment rose, the first increase in three years, reflecting a recovery in replacement demand. The environment for rice production remained clouded by such factors as sluggish rice prices. Nevertheless, the establishment of self-sufficiency food targets under the Japanese Basic Law on Food, Agriculture, and Rural Areas, implemented in July 1999, is expected to prompt a full-fledged conversion to the planting of such agricultural crops as soybeans and wheat, for which Japan has a low rate of self-sufficiency.

In addition, the important role in environmental protection played by agricultural areas in mountainous regions has begun to attract interest, and there is a growing movement to provide public support for agriculture to prevent the abandonment of the industry in these regions. Against this background, Kubota further upgraded its lineup of affordably priced farm equipment and stimulated demand from farmers as it concentrated on activating the market. In tractors, Kubota introduced the "KINGWEL" series of tractors—the Company's first full-model change to its main class of tractors in nine years—which propelled an increase in tractor sales from the previous fiscal year. Within this

series, models that provide a sense of affordability and feature upgraded cabin specifications were particularly acclaimed. Also earning high praise in the market were our small-sized rice transplanters with specifications adapted for operation in mountainous regions. There are expectations that "ridable" farm equipment will be introduced for use in extremely narrow and confined agricultural spaces in mountainous regions, where previously only walk-behind-type equipment could be used. Kubota introduced the "Joycom Jr." series of farm equipment for



Mid-size tractor Model: M-120DTC

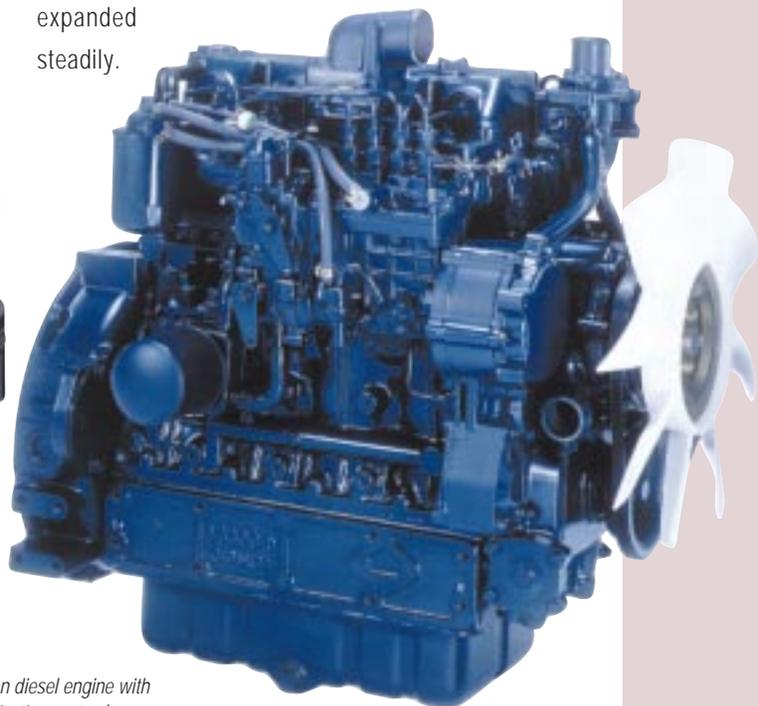


*Rice transplanter for mountainous regions*

mountainous areas, including a tractor, combine, and rice transplanter, thereby contributing to the development of new markets. Kubota once again focused on strengthening its management structure through such measures as further reducing retail dealers' inventories. In addition to these measures, from April 2000 Kubota commenced such new activities as significantly reorganizing its sales structure as part of efforts to achieve a more-direct and faster response to the market.

In overseas markets, despite a harsh environment that included such factors as the sharp appreciation of the yen, sales of farm equipment increased slightly from the previous fiscal year. In the United States, the market for large-sized farm equipment remained sluggish, along with a slumping grain market. Nevertheless, the market for small and medium-sized tractors—Kubota's target market—expanded amid growth in new housing starts accompanying ongoing buoyant economic conditions. Under these conditions, competition intensified, as other companies took an aggressive approach to the market for small and medium-sized tractors. Nevertheless, the reputation of Kubota tractors for outstanding mobility and superior maneuverability has been rising over the years, a factor enabling the Company to achieve higher tractor sales, particularly of medium-sized models, during fiscal 2000. Also, in the fiscal year under review, Kubota developed a sub-compact tractor that represents a totally new concept in

tractors. The development of this sub-compact tractor, which combines the performance of a compact utility tractor with the size of a garden tractor, highlights Kubota's determination to cultivate new demand in the market for small-sized tractors. Kubota started to produce this tractor at a manufacturing base in the United States from the first unit, as the Company progresses with the manufacture of its products in appropriate locations close to its markets. In Europe, Kubota posted healthy sales of tractors, supported by favorable economic conditions in each region. Kubota's G18 with a "Glide Cut" mower, which was introduced in fiscal 2000, has earned extensive acclaim for its revolutionary grass-catching system. In addition, Kubota made progress in efforts launched in fiscal 1999 to attain greater market penetration for its tractors in southern Europe. In China, which is attracting attention as a new market, demand for combine harvesters has expanded steadily.



*V3300-DI Direct Injection diesel engine with E-CDIS (center direct-injection system)*

Through its manufacturing and sales subsidiary in China, Kubota is concentrating on the local manufacture and sale of models appropriate for this market.

Sales of engines increased from the previous fiscal year. In Japan, weak sales of engines to manufacturers of construction and industrial machinery mirrored sluggishness in capital investment accompanying the long-term slump in the domestic economy. However, because of a recovery in sales of engines to farm equipment manufacturers, total domestic sales of engines increased slightly from the previous fiscal year. Overseas, Kubota continued to post robust sales of industrial diesel engines, mainly for construction equipment and freezer units, in its principal markets of the United States and Europe, despite intensifying

competition in these markets. Kubota is enhancing its competitiveness, a step ahead of its competitors, by establishing an outstanding structure for responding to the tightening of exhaust emission regulations. In North America, the Company registered healthy sales of generators used in preparation for Y2K-related problems. In Asia, sales of horizontal diesel engines recovered in Thailand, a principal market for these engines, while a sharp recovery in sales of these engines in Indonesia was supported, in part, by robust exports.

Kubota recorded an increase in sales of construction machinery from the previous fiscal year. The domestic market environment is undergoing profound changes, due to continued sluggishness in replacement demand for machinery in the construction industry as well as the trend toward the use of rental equipment. Under these conditions, Kubota enhanced its competitiveness by significantly reducing lead times and pruning total costs. We also worked to cultivate new customers among rental companies, which are large users of construction machinery. Thanks to these efforts, Kubota achieved an increase in domestic sales of construction machinery for the first time in three years. The Company also recorded higher overseas sales of construction machinery. Within Europe, a main market for construction machinery, Kubota posted a rise in sales in such existing markets as the United Kingdom, Germany, and France, while making progress in cultivating new markets, mainly Italy. In the North American market, increased recognition of the utility of Kubota's mini excavators is buoying expectations of growth in sales of these excavators.



*Mini excavator in the domestic market*

Sales in Industrial Products and Engineering declined 2.8%, to ¥475.6 billion (\$4,487 million), accounting for 48.2% of consolidated net sales. Domestic sales were down 1.5%, to ¥460.6 billion (\$4,346 million), and overseas sales decreased 31.6%, to ¥15.0 billion (\$141 million). Industrial Products and Engineering comprises pipe and fluid systems engineering, industrial castings, environmental control plant, and industrial machinery.

### PIPE AND FLUID SYSTEMS ENGINEERING

Sales in pipe and fluid systems engineering retreated 2.1%, to ¥265.6 billion (\$2,505 million). Domestic sales decreased 0.4%, to ¥260.3 billion (\$2,455 million), and overseas sales were down 46.8%, to ¥5.3 billion (\$50 million).

Domestic sales of ductile iron pipe declined from the previous fiscal year, centering on lower sales to large cities. Such high-functional products as earthquake-resistant pipe with elasticity and separation-resistant functions in the connecting segments as well as pipe with epoxy powder resin-coated interiors, which had been enjoying steady growth in sales, are continuing to earn acclaim for their outstanding capabilities. However, sales of these products as a percentage of total sales of ductile iron pipe declined slightly during the year under review, as users of this pipe placed emphasis on restraining their costs. Sales of ductile iron pipe in gas-related markets continued to decrease, but sales of ductile iron pipe for sewage systems and agricultural use expanded. During fiscal 2000, Kubota established a new consulting company for water supply pipe systems, as part of a structure set up for engaging in a further comprehensive range of water supply related

businesses. Overseas, sales of ductile iron pipe decreased, as a result of intensifying competition.

Sales of unplasticized polyvinyl chloride (PVC) pipe decreased from the previous fiscal year. Sales in the principal construction facility market declined. However,



*Ductile iron pipe*



*Pump—ready for shipment from the Hirakata Plant*

in electric power and information-related markets Kubota recorded an increase in sales of “information boxes,” owing to the establishment of a telecommunications infrastructure based on the Japanese Ministry of Construction’s Information Highway Vision. Information boxes use Rib Pipe, a high-strength PVC pipe with a wave-like surface. Because of its strength, Rib Pipe can be buried at shallow depths beneath roads, thereby reducing construction costs. Thus, there are also high expectations for increased sales of Rib Pipe for use in sewage systems.

Regarding other pipe, Kubota reported lower sales of spiral-welded steel pipe to its primary market, the public sector. On the other hand, sales of filament-winding pipe increased, especially for use in agricultural-related areas.

Kubota Construction Co., Ltd., which derives its sales from the installation of water supply and sewage

systems, recorded higher sales than the previous fiscal year. Favorable sales from installing medium-diameter pipe for sewage systems with its minishield technology—a field of particular strength—compensated for lower sales from the installation of water systems and a decline in overseas sales. With the aim of expanding its future business, Kubota Construction will strengthen its engineering business in the water supply and sewage systems sectors while striving vigorously to enter the construction field.

Sales of pumps rose from the previous fiscal year, as higher domestic sales compensated for sluggish overseas sales. Kubota recorded higher domestic sales of pumps, primarily in the market for sewage systems. These pump sales centered on pumps for sewage systems and the prevention of floods from rivers, which were supported by the implementation of the government’s supplementary budget. In fluid systems, a peripheral business, sales of both Unihole pumps and wastewater treatment facilities for farming communities edged down slightly from the previous fiscal year. Kubota’s first commercial waste-plastics liquefaction plants for converting waste plastics into oil, one of the Company’s new businesses, commenced operations during the fiscal year. Kubota is also proceeding with efforts to carry out its waste-plastics liquefaction plant business with various regional organizations. Sales of valves contracted due mainly to sluggishness in the private sector, including the electric power related market. Kubota worked to expand sales by introducing new soft-seal gate valves that respond to rising user emphasis on restraining costs.



*G-piles, cast steel pile for civil engineering*

### **INDUSTRIAL CASTINGS**

Sales in industrial castings were down 11.5%, to ¥34.3 billion (\$324 million). Domestic sales shrank 10.7%, to ¥26.0 billion (\$246 million), and overseas sales decreased 13.9%, to ¥8.3 billion (\$78 million).

In civil engineering and construction markets, sales of ductile tunnel segments shrank slightly from the previous fiscal year, along with a slump in the number of orders for new subway projects. Nevertheless, in view of an expected increase in demand for ductile tunnel segments used in underground tunnels for regulation ponds as a flood control countermeasure, Kubota will continue to concentrate on its activities to expand sales in this sector. Sales of wastewater pipe and G-columns—cast-steel pipe for construction—decreased due to lackluster investment in construction. However, sales of G-piles—cast-steel pile for civil engineering—jumped sharply from the previous fiscal year, thanks to the implementation of the Japanese government's supplementary budget.

Sales of cast-steel products for steel plants were lower owing to a decrease in exports due to the appreciation of the yen as well as sluggish replacement demand in the domestic market. Kubota posted lower sales of rolls for steel mills because of slumping domestic production of crude steel.

Kubota decided to close the Tokai Plant in September 2000 and discontinue the business of ingot molds and castings produced at the plant.

### **ENVIRONMENTAL CONTROL PLANT**

Sales in environmental control plant were down 1.3%, to ¥104.6 billion (\$987 million). Domestic sales retreated 1.5%, to ¥104.0 billion (\$982 million), and overseas sales increased 87.7%, to ¥0.6 billion (\$5 million).

In the field of water treatment, Kubota posted growth in sales of its mainstay sewage treatment plants, amid stable demand supported by an expansion of government budgets. However, sales of advanced water purification plants declined as demand for these facilities in large cities has passed for the time being. Sales of facilities for treating leachate from refuse landfill sites also trended downward. However, Kubota expects to record increased sales of a system for decomposing dioxins contained in wastewater, along with the implementation of the Law Concerning Special Measures against Dioxins in Japan, which establishes respective environmental standards for air, water, and soil. Sales of



*Night-soil treatment plant*



*Anaerobic digestion tank in sludge recycling plant*

night-soil treatment plants declined owing to a shrinking market for these facilities as government budgets have shifted their priority to dioxin treatment related facilities. Kubota foresees a steady shift toward sludge-recycling plants that not only treat night soil but that can simultaneously treat organic waste materials, including raw refuse. The Company will offer various new technologies in this field, including its bio-gas and compost technologies.

In the field of solid waste treatment, Kubota recorded a sharp increase in orders for refuse incineration plants. However, sales of these plants retreated in the current fiscal year. In the market for refuse incineration plants, gasification and melting furnaces—a new incineration method—are entering the spotlight as an effective dioxin countermeasure. Kubota will strive to establish a firm market position for its gasification and melting furnaces by appealing to the superiority of its system, which was jointly developed with another company.

## **INDUSTRIAL MACHINERY**

Sales in industrial machinery fell 3.4%, to ¥71.1 billion (\$671 million). Domestic sales were down 1.9%, to ¥70.3 billion (\$664 million), and overseas sales declined 59.4%, to ¥0.8 billion (\$7 million).

Sales of vending machines were lower as demand turned sluggish after several years of steady growth. Sales of our mainstay vending machines for beverage manufacturers declined, and sales of cigarette vending machines contracted following a sharp rise in sales in the previous fiscal year. The downtrend in vending machine prices persisted along with intensifying competition, while the business tie-ups among beverage manufacturers, the principal users of vending machines, progressed. A number of changes can be seen in the market environment, including rising demand for vending machines that serve as information terminals. Kubota plans to fortify its market presence by engaging in business activities that maximize the Company's strengths.

Sales of industrial weighing and measuring systems decreased due to curtailments in private-sector capital investment.



*Vending machine*

Sales in Building Materials and Housing increased 7.4% from the previous fiscal year, to ¥125.9 billion (\$1,188 million), making up 12.7% of consolidated net sales. Kubota's sales were favorably influenced by an increase in new housing starts, resulting from policies aimed at promoting home purchases that included implementing tax reductions on housing loans.

Sales of Kubota's Colorbest series of cement roofing materials increased amid a recovery in demand for housing. In the future, Kubota will strive to expand sales of its cement roofing materials by drawing on its strengths and offering products with distinctive characteristics, including providing a 10-year quality guarantee against rainwater leakage on roofs in response to the Japanese Housing Quality Assurance Act. At the same time, through such measures as cultivating new sales routes, Kubota will work to expand sales of its roof-system fixed photovoltaic (PV) shingles, which have attracted attention from the perspective of environmental protection.

Kubota posted growth in sales of cement siding materials, mainly of its high-value-added materials that feature highly attractive designs. Although price competition is intensifying, Kubota is concentrating on expanding sales through the strength of its products, mainly midrange and top-of-the-line products, which are developed with the Company's emphasis on quality.

In Johkasou Systems (septic tanks), the industry is promoting a shift away from single-use Johkasou Systems that treat only night-soil toward dual-use systems that can also simultaneously treat wastewater resulting from people's everyday living. Kubota was one of the first companies to cease production of single-use Johkasou Systems and switch mainly to sales of dual-use systems. In fiscal 2000, Kubota's sales of Johkasou Systems declined slightly because the fiscal year corresponded with a transitional period for the market penetration of dual-use systems. Kubota anticipates accelerated growth in the market for dual-use Johkasou Systems and expects to record increased sales of these systems.

In line with its emphasis on "selectivity and concentration" of management resources, Kubota has evaluated the future prospects of its unit bathroom business



Roof-system fixed photovoltaic (PV) shingles: Model "Ecolony"



PV module



*Dual-Use Johkasou System*

from numerous perspectives. Based on this evaluation, Kubota has determined that the outlook for expanding income in this sector would be dim. Thus, the Company has decided to withdraw from the unit bathroom business by March 2001.

Sales of prefabricated houses by Kubota House Co., Ltd., increased amid a recovery in new housing starts. However, sales of condominiums dipped because of the absence of large-scale projects in this market. The outlook for the housing market remains difficult, and a large recovery in demand seems unlikely. Amid this environment, Kubota House will work to significantly enhance the efficiency of its marketing by implementing highly focused marketing strategies for each geographic

region, which will include relocating its model house exhibit sites. Kubota House will strive to expand sales further by upgrading its product lineup, centered on the industry's first houses with 20-year guarantees and 60-year annual inspections and such high-value-added products as the "She-BE," that emphasize environmental harmony as a sales point, as well as expanding its product lineup to include energy-efficient products, using a new type of solar energy system.



*Prefabricated house Model: "She-BE"*