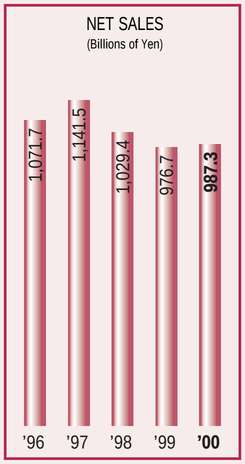
SALES AND EARNINGS

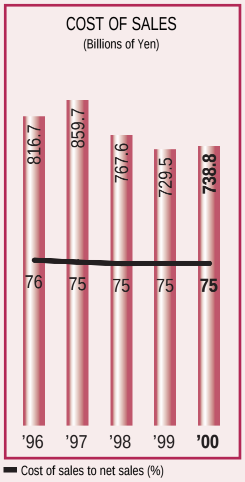
During fiscal 2000, the Japanese economy remained sluggish overall as public investments and housing investments, supported by the government's comprehensive economic stimulus package, slowed down in the latter half of the fiscal year. Consumer spending also showed weakness due to the harsh employment environment and sluggish wage growth. However, there were some signs of recovery in private-sector capital investments in some industries, centering on IT-related industries. Overseas, the U.S. economy continued to grow smoothly while the European economies also showed steady expansion in general. However, the export environment for Japanese companies worsened due to the appreciation of the yen.

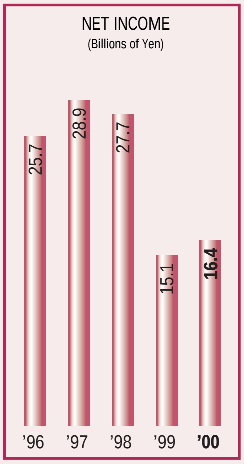
Under such conditions, consolidated net sales of Kubota increased 1.1% from the previous fiscal year, to ¥987.3 billion ($9,314 million). Sales in Internal Combustion Engine and Machinery rose 4.3%, to ¥385.8 billion ($3,640 million). On the other hand, sales in Industrial Products and Engineering decreased 2.8%, to ¥475.6 billion ($4,487 million), while sales in Building Materials and Housing were up 7.4%, to ¥125.9 billion ($1,188 million).

In Japan, Kubota recorded higher sales in Internal Combustion Engine and Machinery. In this group, sales of our mainstay farm equipment increased for the first time in three years due to the introduction of new models and a recovery in replacement demand. Sales of engines and construction machinery also increased. In Industrial Products and Engineering, sales in all four sectors, including pipe and fluid systems engineering, industrial castings, environmental control plant and industrial machinery, decreased. In pipe and fluid systems engineering, sales of pumps and sales from the installation of water supply and sewage systems increased, supported by public works investments. However, sales of mainstay ductile iron pipe declined. In environmental control plant, Kubota registered smooth sales growth of sewage treatment plants, but sales of refuse incineration plants retreated. Sales in Building Materials and Housing increased, centering on cement roofing materials, cement siding materials, and prefabricated houses amid a recovery in housing investment. As a result of these factors, total domestic sales were up 1.4% from the previous fiscal year, to ¥800.4 billion ($7,551 million).

In overseas markets, despite the harsh environment caused by the sharp appreciation of the yen, sales in Internal Combustion Engine and Machinery increased from the previous fiscal year. Sales in Industrial Products and Engineering, centering on pipe and fluid systems engineering, decreased. Reflecting these developments, total overseas sales decreased 0.4%, to





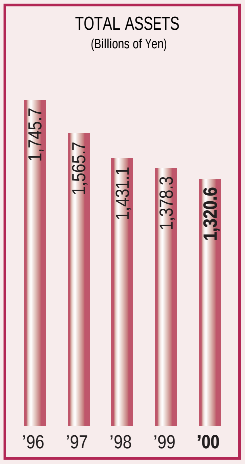


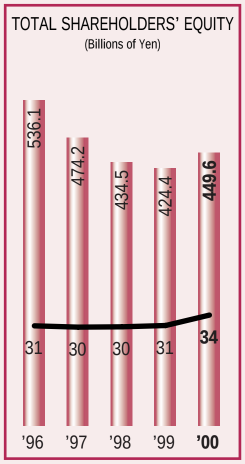
¥186.9 billion ($1,763 million), which as a percentage of net sales represents a 0.3 percentage point fall from the previous fiscal year, to 18.9%.

Operating income increased 8.7% from the previous fiscal year, to ¥35.7 billion ($337 million), which as a percentage of net sales represents a 0.2 percentage point rise, to 3.6%. Cost of sales increased ¥9.4 billion, to ¥738.8 billion ($6,970 million). The cost of sales ratio worsened 0.1 percentage point from the previous fiscal year, to 74.8%. On the other hand, selling, general and administrative (SG&A) expenses decreased 0.7%, to ¥212.8 billion ($2,007 million), thanks to Companywide efforts to reduce personnel and administrative costs under our urgent profit-increase measures. SG&A expenses as a percentage of net sales improved 0.3 percentage point, to 21.6%. R&D expenses in fiscal 2000 were down ¥3.6 billion from the previous fiscal year, to ¥33.1 billion ($313 million). As a percentage of net sales, R&D expenses declined 0.4 percentage point, to 3.4%.

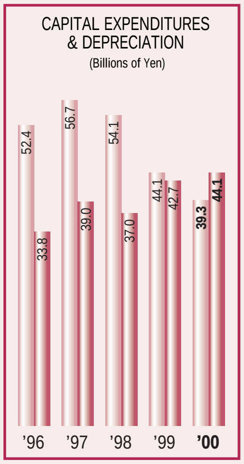
Consolidated income before income taxes and equity in net income (loss) of affiliated companies decreased 28.1%, to ¥23.2 billion ($219 million), as other income (expenses) amounted to net expense of ¥12.5 billion ($117 million) compared with net expense of ¥0.5 billion in the previous fiscal year. Interest expense decreased ¥3.9 billion, to ¥10.0 billion ($95 million), due to the reduction of interest-bearing debt. Interest and dividend income fell ¥3.0 billion, to ¥8.6 billion ($81 million), mainly due to the securitization of finance receivables of a U.S. subsidiary. As a result, Kubota's net financial expense was ¥1.4 billion ($13 million), an improvement of ¥0.8 billion from the previous fiscal year. Other—net, in fiscal 2000, worsened ¥12.8 billion, to net expense of ¥11.1 billion ($104 million), due to such factors as the loss from disposition of businesses incurred by the discontinuation of the unit bathroom business, valuation losses of marketable securities, and foreign exchange losses.

Consolidated net income increased 8.8%, to ¥16.4 billion ($155 million). The ratio of net income to net sales increased 0.2 percentage point, to 1.7%. Diluted consolidated net income per 20 common shares amounted to ¥221 ($2.08), an increase from ¥203 in the previous fiscal year. This improvement is mainly owing to such factors as the reduction in the effective tax rates, which resulted in income taxes for the fiscal year decreasing to ¥8.8 billion ($83 million), as well as improvement in the equity in net income (loss) of affiliated companies. The reduction in effective tax rates to 37.8%, from 48.9% in the previous fiscal year, partly reflects the reduction of corporate income tax rates in Japan as well as an evaluation of the realizability of deferred tax assets of subsidiaries. The equity in net





Total shareholders' equity to total assets (%)



Capital expenditures
Depreciation

income (loss) of affiliated companies amounted to net income of ¥2.0 billion ($19 million), compared with net loss of ¥1.4 billion in the previous fiscal year, due to the sharp recovery of profits in domestic sales companies related to farm equipment.

LIQUIDITY AND CAPITAL RESOURCES

Total assets at fiscal year-end amounted to ¥1,320.6 billion ($12,459 million), ¥57.7 billion less than at the previous fiscal year-end. Cash and cash equivalents decreased ¥16.1 billion, due to the effect of such measures as raising the efficiency of funds for the entire Kubota Group through Group financing. Notes and accounts receivable declined ¥35.5 billion, attributable to such factors as the securitization of the wholesale trade receivables of a U.S. subsidiary. Inventories decreased ¥9.4 billion as a result of cutting inventories, mainly in pipe and fluid systems engineering. Therefore, total current assets declined ¥44.2 billion from the previous fiscal year-end. Investments increased primarily due to the increase in the value of marketable securities. Net property, plant, and equipment declined ¥7.5 billion owing to the curtailment of capital expenditures and normal depreciation. Other assets also decreased ¥10.8 billion, due to the decline of intangible pension assets.

On the liabilities side, total liabilities amounted to ¥871.0 billion ($8,217 million), down ¥82.9 billion compared with the previous fiscal year-end, due mainly to a reduction of ¥30.2 billion in short-term borrowings and a decrease of ¥32.9 billion in long-term debt. Both decreases derived from the improved efficiency in financial assets. In addition, accrued retirement and pension costs decreased ¥28.9 billion.

Working capital at the fiscal year-end decreased ¥10.9 billion from the previous fiscal year-end, to ¥226.4 billion ($2,135 million), due mainly to reductions in cash and cash equivalents as well as accounts receivable. The current ratio, however, was up 0.9 percentage points from the previous fiscal year-end, to 146.9%. During the fiscal year under review, the Company established a line of credit with certain banks, totaling ¥20.0 billion ($189 million), to secure liquidity.

Because of an ¥8.0 billion increase in retained earnings and a ¥17.2 billion increase in accumulated other comprehensive income, total shareholders' equity expanded ¥25.2 billion, to ¥449.6 billion ($4,242 million). Based on the number of shares outstanding at the fiscal year-end, shareholders' equity per 20 common shares increased ¥358 from the previous fiscal year-end, to ¥6,380 ($60.19). The shareholders' equity ratio increased 3.2 percentage points, to 34.0%.

CASH FLOWS

Cash and cash equivalents at fiscal year-end decreased ¥16.1 billion from the previous fiscal year-end, to ¥78.6 billion ($742 million), which includes the negative effect of exchange rate changes on cash and cash equivalents of ¥0.9 billion ($8 million).

Net cash provided by operating activities decreased ¥9.7 billion, to ¥79.3 billion ($748 million). This decrease primarily reflected an increase in income taxes paid, from ¥4.8 billion to ¥23.6 billion ($223 million), offset by an even greater decrease in accounts receivable than the prior year.

Net cash used in investing activities increased ¥1.7 billion from the previous fiscal year, to ¥29.2 billion ($275 million). Demand for capital investment has passed its peak for the time being, therefore capital expenditures on an accrual-basis in this fiscal year decreased. However, cash-expenditures for fixed assets increased by ¥2.2 billion. Proceeds from the sales of investments also decreased ¥5.1 billion.

Net cash used in financing activities amounted to ¥65.3 billion ($616 million), compared with ¥46.7 billion in the previous fiscal year, owing mainly to a reduction in long-term debt while curtailing new issuances.

DERIVATIVES

To minimize or avoid 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, Kubota conducts its derivatives transactions within the range of its outstanding credits and obligations, and the Company does not engage in speculative derivatives transactions. Because the counterparties for derivatives transactions are financial institutions with high creditability, the Company does not anticipate any credit risk for such transactions. For more specific details, please refer to Note 12 to the consolidated financial statements.

CONTINGENCIES

For discussion of the Company's violation of the Anti-Monopoly Law relating to the sale of ductile iron straight pipe in Japan, please refer to Note 14 to the consolidated financial statements.

RECENT EVENT

Certain directors and employees of the Company are under investigation by the authorities in connection with an alleged criminal liability in violation of the Japanese Commercial Code. The future outcome of this incident is difficult to state since the investigation is currently in progress.

SEGMENT INFORMATION

The following segment information for the years ended March 31, 2000 and 1999, which is required under the regulations of the Securities and Exchange Law of Japan, is not consistent with accounting principles generally accepted in the United States of America.

Industry Segments

	Millions of Yen					
Year Ended March 31, 2000	Internal Combustion Engine & Machinery	Industrial Products & Engineering	Building Materials & Housing	Total	Corporate & Eliminations	Consolidated
Net sales:						
Unaffiliated customers	**¥385,799**	**¥475,575**	**¥125,891**	**¥ 987,265**	**¥ —**	**¥ 987,265**
Intersegment	**10**	**10,518**	**187**	**10,715**	**(10,715)**	**—**
Total	**385,809**	**486,093**	**126,078**	**997,980**	**(10,715)**	**987,265**
Cost of sales and operating expenses	**348,401**	**457,128**	**129,611**	**935,140**	**16,455**	**951,595**
Operating income (loss)	**¥ 37,408**	**¥ 28,965**	**¥ (3,533)**	**¥ 62,840**	**¥ (27,170)**	**¥ 35,670**
Identifiable assets at March 31, 2000	**¥424,194**	**¥504,531**	**¥123,740**	**¥1,052,465**	**¥268,140**	**¥1,320,605**
Depreciation	**13,987**	**22,633**	**4,552**	**41,172**	**2,977**	**44,149**
Capital expenditures	**14,964**	**19,713**	**2,526**	**37,203**	**2,091**	**39,294**

	Millions of Yen					
Year Ended March 31, 1999	Internal Combustion Engine & Machinery	Industrial Products & Engineering	Building Materials & Housing	Total	Corporate & Eliminations	Consolidated
Net sales:						
Unaffiliated customers	¥369,943	¥489,519	¥117,190	¥ 976,652	¥ —	¥ 976,652
Intersegment	67	10,855	320	11,242	(11,242)	—
Total	370,010	500,374	117,510	987,894	(11,242)	976,652
Cost of sales and operating expenses	330,235	469,249	128,554	928,038	15,811	943,849
Operating income (loss)	¥ 39,775	¥ 31,125	¥ (11,044)	¥ 59,856	¥ (27,053)	¥ 32,803
Identifiable assets at March 31, 1999	¥419,565	¥553,767	¥133,510	¥1,106,842	¥271,482	¥1,378,324
Depreciation	13,472	21,281	5,034	39,787	2,955	42,742
Capital expenditures	19,609	20,041	3,203	42,853	1,220	44,073

	Thousands of U.S. Dollars					
Years Ended March 31, 2000	Internal Combustion Engine & Machinery	Industrial Products & Engineering	Building Materials & Housing	Total	Corporate & Eliminations	Consolidated
Net sales:						
Unaffiliated customers	**$3,639,613**	**$4,486,557**	**$1,187,651**	**$9,313,821**	**$ —**	**$ 9,313,821**
Intersegment	**95**	**99,226**	**1,764**	**101,085**	**(101,085)**	**—**
Total	**3,639,708**	**4,585,783**	**1,189,415**	**9,414,906**	**(101,085)**	**9,313,821**
Cost of sales and operating expenses	**3,286,802**	**4,312,528**	**1,222,745**	**8,822,075**	**155,236**	**8,977,311**
Operating income (loss)	**$ 352,906**	**$ 273,255**	**$ (33,330)**	**$ 592,831**	**$ (256,321)**	**$ 336,510**
Identifiable assets at March 31, 2000	**$4,001,830**	**$4,759,726**	**$1,167,359**	**$9,928,915**	**$2,529,623**	**$12,458,538**
Depreciation	**131,953**	**213,519**	**42,943**	**388,415**	**28,085**	**416,500**
Capital expenditures	**141,170**	**185,972**	**23,830**	**350,972**	**19,726**	**370,698**

Geographic Segments

Year Ended March 31, 2000	Millions of Yen Japan	North America	Other Areas	Total	Corporate & Eliminations	Consolidated
Net sales:						
Unaffiliated customers	**¥821,031**	**¥118,660**	**¥47,574**	**¥ 987,265**	**¥ —**	**¥ 987,265**
Intersegment	**115,780**	**1,651**	**613**	**118,044**	**(118,044)**	**—**
Total	**936,811**	**120,311**	**48,187**	**1,105,309**	**(118,044)**	**987,265**
Cost of sales and operating expenses	**887,238**	**109,690**	**44,609**	**1,041,537**	**(89,942)**	**951,595**
Operating income	**¥ 49,573**	**¥ 10,621**	**¥ 3,578**	**¥ 63,772**	**¥ (28,102)**	**¥ 35,670**
Identifiable assets at March 31, 2000	**¥921,900**	**¥ 80,340**	**¥38,105**	**¥1,040,345**	**¥280,260**	**¥1,320,605**

Year Ended March 31, 1999	Millions of Yen Japan	North America	Other Areas	Total	Corporate & Eliminations	Consolidated
Net sales:						
Unaffiliated customers	¥820,779	¥108,942	¥46,931	¥ 976,652	¥ —	¥ 976,652
Intersegment	102,575	640	606	103,821	(103,821)	—
Total	923,354	109,582	47,537	1,080,473	(103,821)	976,652
Cost of sales and operating expenses	881,107	94,216	44,120	1,019,443	(75,594)	943,849
Operating income	¥ 42,247	¥ 15,366	¥ 3,417	¥ 61,030	¥ (28,227)	¥ 32,803
Identifiable assets at March 31, 1999	¥954,957	¥ 84,697	¥40,716	¥1,080,370	¥297,954	¥1,378,324

Year Ended March 31, 2000	Thousands of U.S. Dollars Japan	North America	Other Areas	Total	Corporate & Eliminations	Consolidated
Net sales:						
Unaffiliated customers	**$7,745,576**	**$1,119,434**	**$448,811**	**$9,313,821**	**$ —**	**$ 9,313,821**
Intersegment	**1,092,264**	**15,575**	**5,783**	**1,113,622**	**(1,113,622)**	**—**
Total	**8,837,840**	**1,135,009**	**454,594**	**10,427,443**	**(1,113,622)**	**9,313,821**
Cost of sales and operating expenses	**8,370,170**	**1,034,811**	**420,839**	**9,825,820**	**(848,509)**	**8,977,311**
Operating income	**$ 467,670**	**$ 100,198**	**$ 33,755**	**$ 601,623**	**$ (265,113)**	**$ 336,510**
Identifiable assets at March 31, 2000	**$8,697,170**	**$ 757,925**	**$359,481**	**$9,814,576**	**$2,643,962**	**$12,458,538**

Sales by Region

Years Ended March 31, 2000 and 1999	Millions of Yen **2000**		1999		Thousands of U.S. Dollars **2000**
Japan	**¥800,414**	**81.1%**	¥789,047	80.8%	**$ 7,551,076**
Overseas sales					
North America	**121,583**	**12.3**	116,990	12.0	**1,147,009**
Other Areas	**65,268**	**6.6**	70,615	7.2	**615,736**
Subtotal	**186,851**	**18.9**	187,605	19.2	**1,762,745**
Total	**¥987,265**	**100.0%**	¥976,652	100.0%	**$9,313,821**

Sales by region represent sales to unaffiliated customers based on the customers' locations.