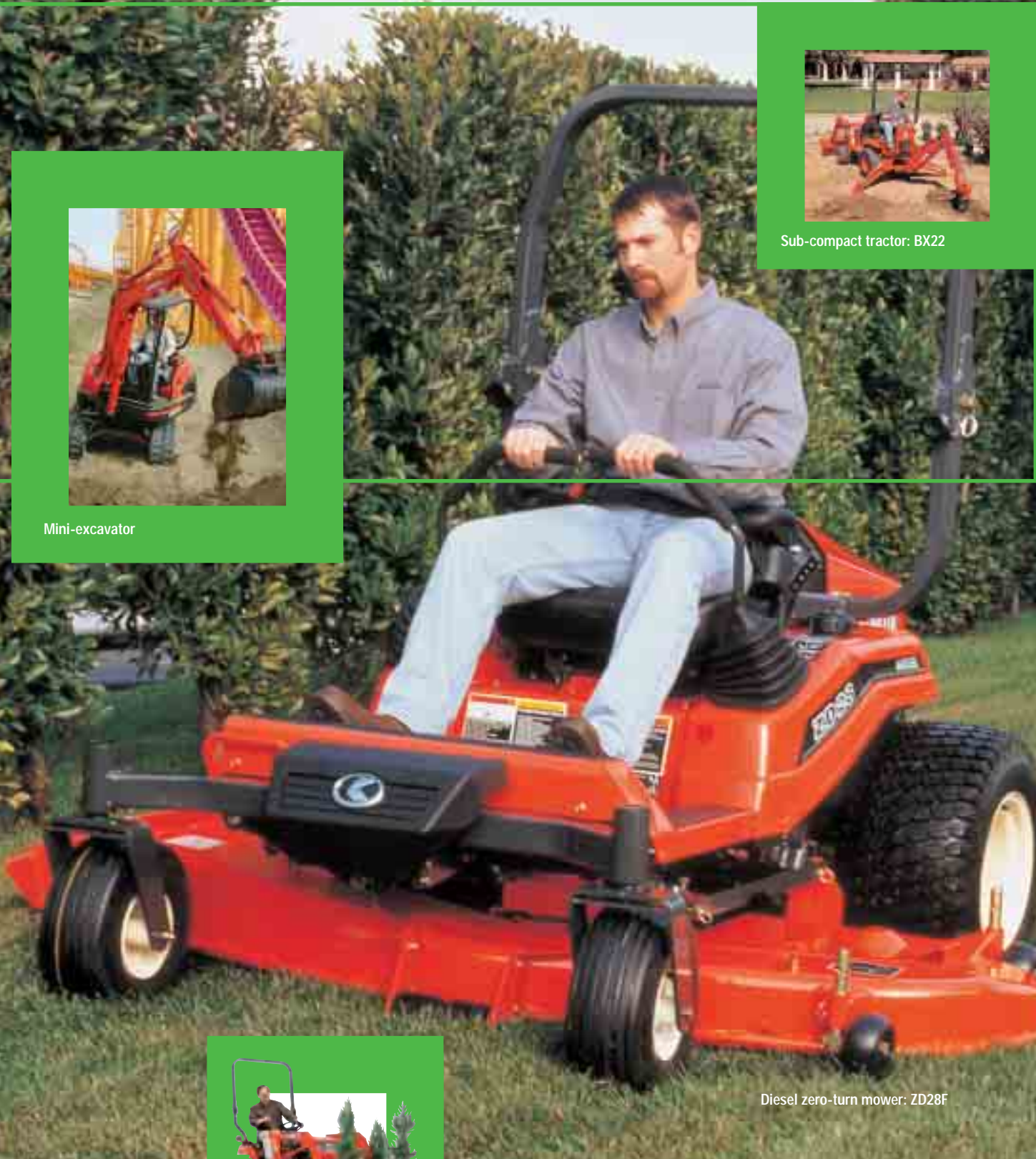


Internal Combustion



Mini-excavator



Sub-compact tractor: BX22



Sub-compact tractor: BX22

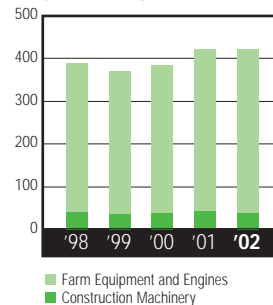
Diesel zero-turn mower: ZD28F

Engine and Machinery

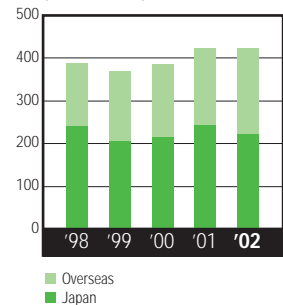
Review of Operations

Sales in Internal Combustion Engine and Machinery were ¥423.2 billion, a decrease of 0.1 % from the prior year, comprising 43.3% of consolidated net sales. Domestic sales decreased 8.3%, to ¥222.4 billion. Overseas sales rose 10.8%, to ¥200.8 billion.

Sales by Sector
(Billions of Yen)



Sales by Geographic Segment
(Billions of Yen)



		Billions of Yen				
		1998	1999	2000	2001	2002
Net Sales		¥1,029.4	¥976.7	¥987.3	¥994.5	¥976.1
Internal Combustion Engine and Machinery		388.7	370.0	385.8	423.7	423.2
Sales by Sector	Farm Equipment and Engines	348.1	334.3	348.1	381.7	383.9
	Construction Machinery	40.6	35.7	37.7	42.0	39.3
Sales in Japan and Overseas	Japan	239.4	204.2	213.9	242.5	222.4
	Overseas	149.3	165.8	171.9	181.2	200.8

FARM EQUIPMENT AND ENGINES

Domestic sales of farming equipment declined. This was primarily attributable to the reduction in the number of consolidated subsidiaries and feeble replacement demand. The domestic market for farming equipment has been negatively affected by gloomy economic conditions and weakness in the prices of rice and vegetables. Under these conditions, the Company has tried to aggressively promote sales by implementing a flexible sales policy while introducing new models with higher quality and price-competitiveness. Domestic sales of new models of medium-sized tractors were brisk and sales of large-sized tractors were favorable in northern Japan, especially Hokkaido, which is the main domestic market for large-sized tractors. However, sales of small-sized tractors declined compared with the previous year. This reflects substantial sales in the prior year and consumers' preference for tractors with lower price tags. Overseas, in the United States, which is the mainstay of the overseas market, there were growing concerns regarding the negative impacts of the recession and the terrorist attacks, but the Company recorded an all-time high in the volume of tractors sold. This was supported by brisk new housing starts and stable private consumption. Most noteworthy, a new model of lawn mower was received exceptionally well by consumers. The sub-compact tractor "BX" also recorded favorable sales in the year under review. Economic conditions in the EU, already negatively affected by the economic slowdown in the United States in the latter half of the year, turned worse.

However, in France, Germany, the United Kingdom, and Southern European countries, sales of tractors were brisk and higher than in the prior year. In China, sales of combine harvesters increased from the prior year thanks to the favorable acceptance of a new model by farmers, the fact that consumer credit loans have become widespread, and other factors. In Taiwan, sales were slightly lower than in the previous year due to an economic slump and the liberalization of imports of crops, a factor contingent to Taiwan's participation in the WTO.

Sales of engines retreated from the prior year. Domestic sales to manufacturers of construction and industrial machinery were reduced by sluggish demand in construction. Sales to farming-related markets also declined due to the stagnant demand for farm equipment. Overseas, in the U.S. market sales of engines for lawn mowers were brisk, thanks to favorable consumption levels and new housing starts; but, negatively impacted by the slowdown in the U.S. economy, sales of light towers and lifts struggled.

CONSTRUCTION MACHINERY

Sales of construction machinery decreased compared with the prior year. Domestic sales retreated because the market for construction machinery shrank due to lackluster economic conditions and the reduction in public works construction. Overseas, sales in Germany were down from the previous year, but sales in France and the United Kingdom were favorable. Total sales in these three countries were up from the previous year.

Industrial Products and



Submerged membrane unit system

Installed in an RC tank



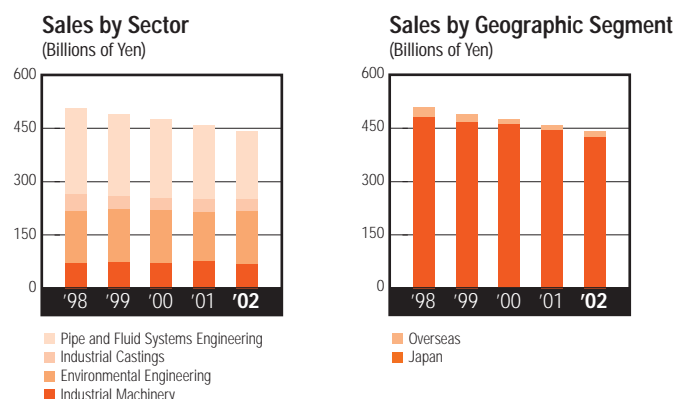
Metal-seated butterfly valve

Ductile iron pipes

Review of Operations

Sales in Industrial Products and Engineering, accounting for 45.2% of consolidated sales, were ¥440.9 billion, a decrease of 4.0% from the previous year. Domestic sales declined 4.4%, to ¥425.2 billion. Overseas sales climbed 9.5%, to ¥15.7 billion.

Engineering



		Billions of Yen				
		1998	1999	2000	2001	2002
Net Sales		¥1,029.4	¥976.7	¥987.3	¥994.5	¥976.1
Industrial Products and Engineering		507.5	489.5	475.6	459.2	440.9
Sales by Sector	Pipe and Fluid Systems Engineering	244.6	229.7	222.0	208.8	190.7
	Industrial Castings	45.5	38.8	34.3	34.8	33.2
	Environmental Engineering	145.0	147.4	148.2	139.5	148.0
	Industrial Machinery	72.4	73.6	71.1	76.1	69.0
Sales in Japan and Overseas	Japan	481.9	467.7	460.6	444.9	425.2
	Overseas	25.6	21.8	15.0	14.3	15.7

PIPE AND FLUID SYSTEMS ENGINEERING

Sales in pipe and fluid systems engineering fell 8.7%, to ¥190.7 billion. Domestic sales declined 9.2%, to ¥186.1 billion. Overseas sales rose 20%, to ¥4.6 billion. Sales of ductile iron pipes, centering on waterpipes, decreased. This decrease reflected a reduction in public works investment due to financial difficulties. Sales of polyvinyl chloride pipes decreased, principally due to weak new housing starts and the reduction in public works investment. Sales of valves improved, and construction related to several large orders progressed.

INDUSTRIAL CASTINGS

Sales in industrial castings retreated 4.4%, to ¥33.2 billion, with domestic sales down 4.4%, to ¥26.0 billion, and overseas sales decreasing 4.5%, to ¥7.2 billion. Sales of ductile iron segments grew thanks to large orders, but sales of cast steel pipes for use in preventing landslides declined, negatively affected by the reduction in public works investment. Sales of cargo oil pipes, or cracking tubes, for the petrochemical industry rose, but sales in the iron industry-related market declined. Overseas, our Canadian subsidiary, Kubota Metal Corporation, recorded lower sales as a result of sluggish market conditions in the mining and iron industries.

ENVIRONMENTAL ENGINEERING

Sales in environmental engineering increased 6.1%, to ¥148.0 billion. Domestic sales rose 5.6%, to ¥144.9 billion, and overseas sales increased 31.9%, to ¥3.1 billion. Sales of sewage treatment plants, which are the mainstay of this segment, were lower than in the prior year. This decrease had a direct relationship with the reduction in public works investment due to financial difficulties. Sales of incineration plants and recycling plants jumped because of large orders received in the prior year. Regarding orders, the Company received orders for incinerators from Kyoto. Total orders for incineration plants and recycling plants, were down, however, because orders in the prior year were very high. Sales of pumps fell, particularly of large-sized pumps, affected by the reduction in public works investment.

INDUSTRIAL MACHINERY

Sales in industrial machinery decreased 9.2%, to ¥69.0 billion, with domestic sales down 9.6%, to ¥68.2 billion, and overseas sales improving 36.3%, to ¥0.8 billion.



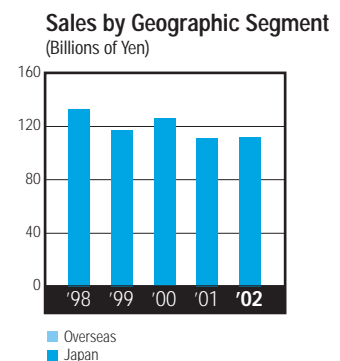
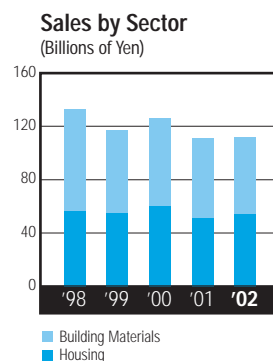
Roof-system fixed-in photovoltaic (PV) shingles: "New Ecology"

Building Materials and Housing

Colored cement roofing material

Review of Operations

Sales of Building Materials and Housing were ¥112.0 billion, an increase of 0.3% from the prior year, comprising 11.5% of consolidated net sales.



		Billions of Yen				
		1998	1999	2000	2001	2002
Net Sales		¥1,029.4	¥976.7	¥987.3	¥994.5	¥976.1
Building Materials and Housing		133.2	117.2	125.9	111.6	112.0
Sales by Sector	Building Materials	76.8	61.9	65.7	60.4	57.8
	Housing	56.4	55.3	60.2	51.2	54.2
Sales in Japan and Overseas	Japan	133.2	117.2	125.9	111.6	112.0
	Overseas	0.0	0.0	0.0	0.0	0.0

BUILDING MATERIALS

Sales of roofing materials decreased, negatively affected by the slump in new housing starts, even though the Company renewed its lineup of basic models for the first time since its inception. Sales of siding materials rose, as the Company raised market share by introducing new models.

As for septic tanks (*johkasou* systems), sales advanced. To meet expanding demand for dual-use (both night-soil and wastewater), systems, the Company introduced several new models of compact-type dual-use septic tanks. As a result, the Company's market share was up compared with the previous year.

HOUSING

Sales of prefabricated houses decreased compared with the previous year, reflecting weak new housing starts. In contrast, sales of condominiums were favorable, thus total sales in the housing business advanced. In March 2002, the Company transferred shares of KUBOTA House Co., Ltd., to Sanyo Electric Co., Ltd., and, as of April 1, 2002, withdrew from the prefabricated housing business.