To Our Shareholders and Friends

Daisuke Hatakake
President and Representative Director

In fiscal 2003, ended March 31, 2003, Kubota Corporation's net sales declined 4.1% from the level in the previous fiscal year, to ¥926.1 billion ($7,718 million). This ¥39.6 billion decrease reflected a ¥41.1 billion reduction of the Company's net sales owing to the sale of prefabricated housing operations in March 2002. Excluding the effects of that transaction, our net sales would have been roughly the same as in the previous fiscal year.

Looking at year-on-year changes in segment sales, sales in the Internal Combustion Engine and Machinery segment increased both in Japan and overseas. In Japan, Kubota faced challenges from a decline in demand for agricultural equipment but was able to increase its market share and sales by proactively developing and launching products that offer improved functionality at relatively low prices and by dynamically executing sales promotion programs for those products. Kubota was able to augment overseas sales through the implementation of a 30-year-anniversary marketing promotion campaign and launch of new products in the United States, which is the Company's principal overseas market for tractors. Regarding the Pipes, Valves, and Industrial Castings segment, we increased our overseas sales, with particularly strong sales of ductile iron pipes and other products in the Middle East, but a sharp drop in domestic demand led to low sales levels for such principal products as ductile iron pipes and PVC pipes, causing total segment sales to decrease. Sales in the Environmental Engineering segment decreased owing to the end, in the previous fiscal year, of a boom in demand for the rebuilding of incinerators to prevent dioxin emissions. Sales in the Building Materials and Housing segment fell sharply owing to the previously mentioned sale of prefabricated housing operations.

Operating income declined ¥4.8 billion, to ¥29.6 billion ($247 million), owing to such factors as a ¥16.8 billion impairment loss on a golf course owned and operated by a subsidiary and ¥4.6 billion in payments associated with a voluntary early retirement special program. Reflecting this and ¥24.8 billion in valuation losses on short-term and other investments caused by a drop in Japanese stock prices, Kubota's income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies was down 78.5%, to ¥6.2 billion ($51 million). Income taxes amounted to ¥12.3 billion ($102 million). The subsidiary operating the golf course recorded a net loss, and there may be no prospect of recovering deferred tax assets from the subsidiary's taxable income in the future. Accordingly, the impairment loss was accounted for without recording a related deferred tax asset. As a result, the Company recorded a net loss of ¥8.0 billion ($67 million), the first time it has recorded a net loss on a consolidated basis.

Diluted net loss per five common shares amounted to ¥29 ($0.24), compared with diluted net income per five common shares of ¥33 in fiscal 2002. The Company plans to pay year-end cash dividends per common share of ¥3, or ¥15 per five common shares. Together with interim cash dividends, cash dividends per share for the entire fiscal year will amount to ¥6, or ¥30 ($0.25) per five common shares.

Medium-Term Management Strategy

In March 2001, Kubota initiated a Medium-Term Management Strategy covering the three-year period through March 2004. The Company is working concertedly to achieve the three principal objectives articulated in the strategy, which are to reform its business structure and profit structure, fundamentally improve its business operating systems, and strengthen its financial position. To overcome current challenges, improve performance, and promote sustained corporate development, we will continue with the forceful implementation of our Medium-Term Management Strategy during the current fiscal year. We will do our utmost to ensure that the strategy is implemented as quickly as possible and with maximum effectiveness.

The fundamental imperative of the Medium-Term Management Strategy is to continually reevaluate prospective business circumstances and steadily proceed with strategic initiatives conceived based on a medium-to-long-term perspective. Accordingly, while fiscal 2004 is the final year of the current Medium-Term Management Strategy, we have decided to draft new versions of the Medium-Term Management Strategy on a rolling basis. While annually reappraising progress made in implementing strategies as well as changes in our operating environment, we will make timely adjustments to our strategies and announce these adjustments to ensure that our management objectives are clear to concerned parties both inside and outside of Kubota.

We hope for the continued understanding and support of our shareholders and associates.

June 2003

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Daisuke Hatakake
President and Representative Director