

To Our Shareholders and Friends



In fiscal 2004, ended March 31, 2004, Kubota Corporation's consolidated net sales amounted to ¥930.2 billion, up 0.4% from the prior fiscal year. In Japan, sales were sluggish, due principally to a decrease in public works related business as well as the business transfer of our building materials operations. Overseas, sales were favorable, thanks mainly to strong sales of tractors in North America. As a result, the increase in overseas sales offset the decrease in domestic sales.

Consolidated operating income fell 26.2%, to ¥21.8 billion, reflecting such factors as a significant increase in pension costs from the prior fiscal year. However, a drop in the valuation losses on short-term and other investments from the prior fiscal year caused a 340.2% surge in Kubota's income before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies, to ¥27.1 billion. Consequently, the Company regained its profitability, recording net income of ¥11.7 billion, a ¥19.7 billion improvement.

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 common share for the entire fiscal year amounted to ¥6, or ¥30 per five common shares.

While there are rising expectations that the Japanese economy will begin a full-scale recovery, public investment is expected to continue declining. Moreover, the effect of increases in the prices of raw materials on corporate profitability and growing concerns that the U.S. and European economies may slow down is expected to further prolong the difficult economic conditions.

Aiming to establish a business structure and profit structure geared to profitability and growth, Kubota is taking measures to restore the profitability of public works related business, while also dynamically implementing a growth strategy that focuses on the development of markets peripherally associated with core operations. Regarding public

works related business, we plan to utilize manufacturing methods to greatly boost productivity while concurrently doing our utmost to make fundamental cost reductions, particularly in fixed costs. Regarding the Internal Combustion Engine and Machinery segment, we aim to further expand our overseas operations by continually launching new models and by developing additional markets centered on Asian markets.

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

June 2004

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Daisuke Hatakake

President and Representative Director