

Internal Combustion Engine and Machinery

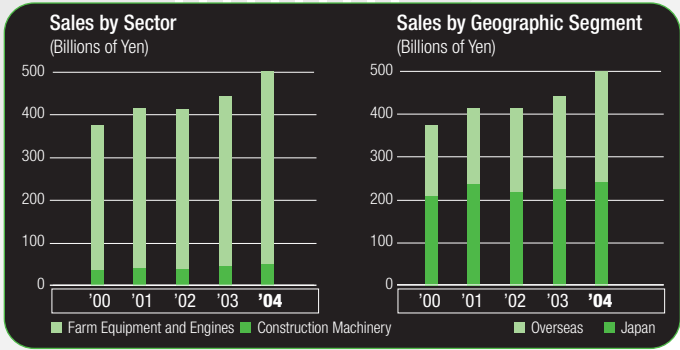


Mid-size tractor: M105S

			Billions of Yen				
			2000	2001	2002	2003	2004
Net Sales			¥974.6	¥984.8	¥965.8	¥926.1	¥930.2
Internal Combustion Engine and Machinery			375.5	416.4	415.1	444.2	501.5
Sales by Sector	Farm Equipment and Engines		338.6	375.0	377.0	399.4	450.7
	Construction Machinery		36.9	41.4	38.1	44.8	50.8
Sales in Japan and Overseas	Japan		208.6	238.4	218.2	225.5	243.0
	Overseas		166.9	178.0	196.9	218.7	258.5

Sales in Internal Combustion Engine and Machinery totaled ¥501.5 billion, an increase of 12.9% from the prior year, comprising 53.9% of consolidated net sales. Domestic sales were ¥243.0 billion, an increase of 7.7%, and overseas sales were ¥258.5 billion, an increase of 18.3% from the prior year. This segment consists of “farm equipment and engines” and “construction machinery.”

Sales of farm equipment and engines were ¥450.7 billion, an increase of 12.9% from the prior year. Domestic sales were ¥219.8 billion, an increase of 7.6%, and overseas sales were ¥231.0 billion, an increase of 18.3% from the prior year. In domestic markets, the Company has aggressively conducted sales promotion campaigns to introduce new models of farm equipment with improved performance and price-competitiveness and thus stimulated the market and



Mini-excavator: KX71-3



Utility vehicle: RTV 900



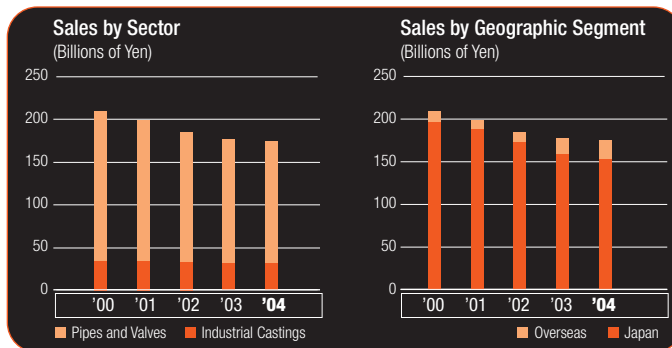
Zero-turn mower: ZG 23

increased its market share. As a result, sales of farm equipment increased from the prior year. In overseas markets, sales of tractors in North America had a significant increase resulting from sales campaigns, including a “zero-percent promotional interest rate” offered by the Company’s retail finance subsidiary, and the introduction of new models, such as full model changes of the L-series tractors. In the Asian market, sales of farm equipment grew favorably, especially in China and South Korea.

Sales of engines increased, owing principally to growing sales to original equipment manufacturers in EU markets as well as in U.S. markets.

Sales of construction machinery were ¥50.8 billion, an increase of 13.4% from the prior year. Domestic sales were ¥23.2 billion, an increase of 8.8%, and overseas sales were ¥27.6 billion, an increase of 17.6% from the prior year. While demand for construction machinery in the Japanese market recovered, the Company made successful marketing efforts aimed at major rental companies and recorded a sales increase. Overseas, while demand in EU markets was recovering and demand in North America was strong, the Company achieved sales increases by introducing new models and executing effective sales campaigns.

Pipes, Valves, and Industrial Castings



Ductile iron pipes



Ductile iron pipes



Ductile tunnel segments

		Billions of Yen				
		2000	2001	2002	2003	2004
Net Sales		¥974.6	¥984.8	¥965.8	¥926.1	¥930.2
Pipes, Valves, and Industrial Castings		209.1	199.0	184.5	177.2	175.2
Sales by Sector	Pipes and Valves	174.8	164.3	151.3	145.6	143.8
	Industrial Castings	34.3	34.7	33.2	31.6	31.4
Sales in Japan and Overseas	Japan	196.7	187.6	173.4	159.0	152.5
	Overseas	12.4	11.4	11.1	18.2	22.7

Sales in Pipes, Valves, and Industrial Castings totaled ¥175.2 billion, a decrease of 1.2% from the prior year, comprising 18.8% of consolidated net sales. Domestic sales were ¥152.5 billion, a decrease of 4.1%, and overseas sales were ¥22.7 billion, an increase of 24.6% from the prior year. This segment consists of "pipes and valves" and "industrial castings."

Sales of pipes and valves were ¥143.8 billion, a decrease of 1.2% from the prior year. Domestic sales were ¥130.7 billion, a decrease of 3.6%, and overseas sales were ¥13.1 billion, an increase of 30.1% from the prior year. While domestic sales of ductile iron pipes decreased slightly from the prior year, domestic sales of PVC pipes remained at the same level in spite of a reduction in public works spending and the financial difficulties of local governments.

However, sales of spiral-welded steel pipes and valves declined significantly, and thus total domestic sales of this sub-segment decreased. Overseas sales surged as a result of the brisk export of ductile iron pipes to Middle Eastern countries.

Sales of industrial castings were ¥31.4 billion, a decrease of 0.8% from the prior year. Domestic sales were ¥21.8 billion, a decrease of 7.2%, and overseas sales were ¥9.6 billion, an increase of 17.7% from the prior year. Domestic sales declined mainly due to the weak demand for ductile tunnel segments in construction markets, although the demand in steel industries recovered. Overseas sales increased due to the rising demand for reformer tubes in petrochemical industries.

Environmental Engineering



Intermediate treatment plant



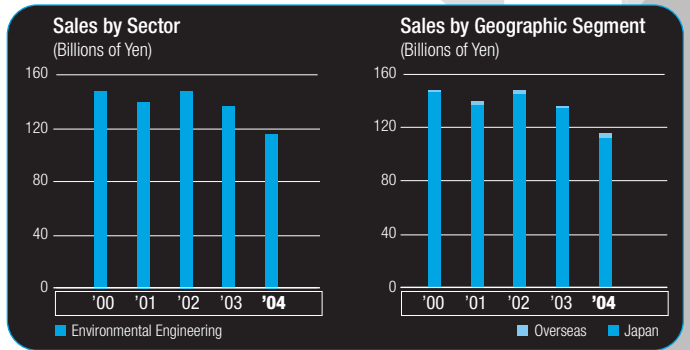
Rotating-type surface melting furnace



Industrial waste processing facility



Dioxin-decomposition system



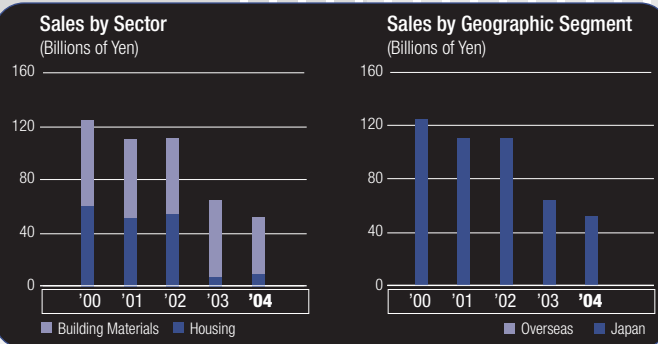
		Billions of Yen				
		2000	2001	2002	2003	2004
Net Sales		¥974.6	¥984.8	¥965.8	¥926.1	¥930.2
Environmental Engineering		148.1	139.5	148.0	136.4	115.7
Sales by Sector	Environmental Engineering	148.1	139.5	148.0	136.4	115.7
Sales in Japan and Overseas	Japan	146.4	137.2	144.9	134.5	112.4
	Overseas	1.7	2.3	3.1	1.9	3.3

Sales in Environmental Engineering totaled ¥115.7 billion, a decrease of 15.1% from the prior year, comprising 12.4% of consolidated net sales. Domestic sales were ¥112.4 billion, a decrease of 16.5%, and overseas sales were ¥3.3 billion, an increase of 79.6% from the prior year. This segment consists of environmental control plants and pumps.

Due to prolonged sluggish public works spending and fierce competition, domestic sales fell in the Solid Waste Engineering, Water Environment Engineering, and Pumps divisions. As a result, domestic sales in this segment

deteriorated significantly, although sales in the Water and Sewage Engineering division increased due to the high level of orders received in the prior year. Sales in the Solid Waste Engineering division decreased due to a downturn in demand for rebuilding incinerators to prevent dioxin emissions and as a result of the very low number of orders received during the prior fiscal year. On the other hand, overseas sales increased, due to the growing export of pumps to the African and Southeast Asian markets.

Building Materials and Housing



		Billions of Yen				
		2000	2001	2002	2003	2004
Net Sales		¥974.6	¥984.8	¥965.8	¥926.1	¥930.2
Building Materials and Housing		124.5	110.3	110.9	64.3	51.8
Sales by Sector	Building Materials	64.3	59.1	56.7	57.3	42.7
	Housing	60.2	51.2	54.2	7.0	9.1
Sales in Japan and Overseas	Japan	124.5	110.3	110.9	64.3	51.8
	Overseas	0.0	0.0	0.0	0.0	0.0

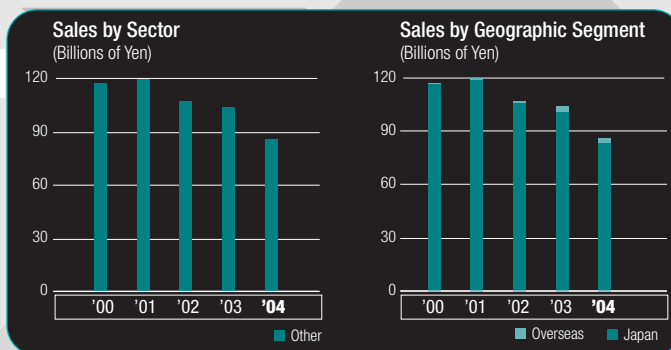
Sales in Building Materials and Housing were ¥51.8 billion, a decrease of 19.5% from the prior year, comprising 5.6% of consolidated net sales. This segment consists mainly of building materials (roofing materials, siding materials, and septic tanks) and sales of condominiums.

Sales of building materials were ¥42.7 billion, a decrease of 25.5% from the prior year. On December 1, 2003, Matsushita Electric Works, Ltd. (MEW), and the Company established and held a 50% ownership in Kubota Matsushitadenko Exterior Works, Ltd. (hereinafter KMEW), the joint operation entity, into which the Company transferred its roofing and siding materials business. The Company has applied the equity method of accounting to KMEW, due to its

50% ownership in the entity, and has excluded the sales of roofing and siding materials during the period from December 1, 2003, through March 31, 2004, from its consolidated operations. Accordingly, sales of building materials fell sharply. Sales of septic tanks remained at the same level as in the prior year, owing to the focus of marketing efforts on the expansion of market share.

Sales of condominiums were ¥9.1 billion, an increase of 29.7% from the prior year. Sales of condominiums surged from the prior year due to the completion of large orders during the year under review.

Other



		Billions of Yen				
		2000	2001	2002	2003	2004
Net Sales		¥974.6	¥984.8	¥965.8	¥926.1	930.2
Other		117.4	119.6	107.3	104.0	86.0
Sales by Sector	Other	117.4	119.6	107.3	104.0	86.0
Sales in Japan and Overseas	Japan	116.6	119.0	105.8	100.9	83.7
	Overseas	0.8	0.6	1.5	3.1	2.3

Sales in Other were ¥86.0 billion, a decrease of 17.4% from the prior year, comprising 9.3% of consolidated net sales. Domestic sales were ¥83.7 billion, a decrease of 17.1%, and overseas sales were ¥2.3 billion, a decrease of 27.2% from the prior year. This segment consists of vending machines, electronic-equipped machinery, air-conditioning equipment, construction, and other items.

The decrease was mainly due to the sale of a leasing subsidiary—which had sales of ¥13.4 billion in the prior year—at the beginning of the year. Although sales of electronic-equipped machinery increased, due to a recovery in private sector capital expenditures, sales of vending machines decreased, due to increasing price competition. Sales of construction also decreased, mainly due to the reduction in public works spending.