1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Kubota Corporation (the "parent company") and subsidiaries (collectively the "Company") are one of Japan's leading manufacturers of a comprehensive range of machinery and other industrial and consumer products, including farm equipment, engines, pipe and fluid systems engineering, industrial castings, environmental control plants, and housing materials and equipment.

The manufacturing operations of the Company are conducted primarily at 20 plants in Japan and at 8 overseas plants located in the United States and certain other countries. Farm equipment, construction machinery, ductile iron pipe, and certain other products are sold both in Japan and overseas markets which consist mainly of North America, Europe, and Asia.

Basis of Financial Statements

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP") with the exception of FASB Emerging Issues Task Force ("EITF") Issue No. 91-5, "Nonmonetary Exchange of Cost-Method Investments" (see **Investments**). The presentation of segment information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," has also been omitted.

Certain reclassifications have been made to the consolidated financial statements for 2006 and 2005 to conform with classifications used in 2007.

Translation into United States Dollars

The parent company and its domestic subsidiaries maintain their accounts in Japanese yen, the currency of the country in which they are incorporated and principally operate. The United States dollar amounts included herein represent a translation using the approximate exchange rate at March 31, 2007 of ¥118=US$1, solely for convenience of readers outside Japan. The translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into United States dollars.

Consolidation

The consolidated financial statements include the accounts of the parent company and all majority-owned subsidiaries. The accounts of certain consolidated subsidiaries that have December 31 fiscal year-ends have been included in the March 31 consolidated financial statements. The accounts of variable interest entity ("VIE") as defined by the FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN46R") are included in the consolidated financial statements, as applicable.

The Company is involved with a VIE which engages in sales activities within the Internal Combustion Engine and Machinery segment. The VIE has been consolidated by the Company in accordance with FIN46R.

Total assets of the VIE at March 31, 2007 and 2006 were ¥1,057 million ($8,958 thousand) and ¥2,497 million, respectively. Whole assets of the VIE are not collateral for the VIE's obligations. Also, the creditors or beneficial interest holders of the consolidated VIE have no recourse to the general credit of the Company.

The Company is not a primary beneficiary of the unconsolidated VIEs and does not hold any significant variable interests in the VIEs.

Intercompany items have been eliminated in consolidation.

Investments mainly in 20%~50%-owned companies (the "affiliated companies") are accounted for using the equity method of accounting.

Revenue Recognition

The Company recognizes revenue related to product sales when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collectibility is reasonably assured.

Sales of environmental and other plant and equipment are recorded when the installation of plant and equipment is completed and accepted by the customer for short-term contracts, and recorded under the percentage-of-completion method of accounting for long-term contracts. (See Note 10. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS). Estimated losses on sales contracts are recorded in the period in which they are identified. The percentages of net sales to consolidated revenues for the years ended March 31, 2007, 2006, and 2005 that pertain to long-term contracts were 1.8%, 4.0%, and 6.2%, respectively.

Housing real estate sales are recorded when the title is legally transferred to the customer in accordance with the underlying contract and real estate laws and regulations. The percentages of net sales to consolidated revenues for the years ended March 31, 2007, 2006, and 2005 that pertain to housing real estate sales were 0.8%, 0.5%, and 1.0%, respectively.

Finance receivables are composed of the total arrangement fee less unamortized discounts. Based on imputed interest for the time value of money and reserve for credit losses, income is recorded over the terms of the receivables using the interest method.

Foreign Currency Translation

Under the provisions of SFAS No. 52,"Foreign Currency Translation," assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end exchange rates, and income and expenses are translated at the average exchange rates for the year. The resulting translation adjustments are included in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in the consolidated statements of income.

Securitization of Receivables

The Company sells trade and finance receivables to investors through bankruptcy-remote independent securitization trusts. At the time the receivables are sold to the securitization trusts, the balances are removed from the consolidated balance sheet of the Company. The investment in the sold receivables pool is allocated between the portion sold and the portion retained based on their relative fair values on the date of sale. The gain or loss for each qualifying sale of receivables is determined based on book value allocated to the portion sold. Those portions retained are subsequently measured at fair value.

The Company continues to service the receivables for a fee based on a percentage of the receivables transferred. The investors and the securitization trusts have no recourse to the Company's assets for failure of debtors to pay when due.

Allowance for Doubtful Receivables

The Company provides an allowance for doubtful notes and receivables. The allowance for doubtful receivables is based on historical collection trends and management's judgement on the collectibility of these accounts. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any adjustment required to the allowance is reflected in current operations.

Inventories

Manufacturing inventories are stated at the lower of cost, substantially determined using the average-cost method, or market, representing the estimated selling price less costs to sell. Completed real estate projects are stated at the lower of acquisition cost or fair value less estimated costs to sell. The fair values of those assets are estimates based on the appraised values in the market. Land to be developed and projects under development are carried at cost unless an impairment loss is required. An impairment loss on those assets is recognized when their carrying amounts exceed the undiscounted future cash flows expected to be realized from them and is measured based on the present values of those expected future cash flows.

Investments

Under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company classifies all its debt securities and marketable equity securities as available for sale and carries them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as an item of other comprehensive income in shareholders' equity. The fair values of those securities are determined based on quoted market prices.

Gains and losses on sales of available-for-sale securities as well as other nonmarketable equity securities which are carried at cost are computed on the average-cost method. When a decline in the value of the marketable security is deemed to be other than temporary, the Company recognizes an impairment loss to the extent of the decline. In determining if and when such a decline in value is other than temporary, the Company evaluates the extent to which cost exceeds market value, the duration of market declines, and other key measures. Other non-marketable securities are stated at cost and reviewed periodically for impairment.

(Merger of Bank of Tokyo and Mitsubishi Bank)

On April 1, 1996, The Bank of Tokyo, Ltd. ("BOT") and The Mitsubishi Bank, Limited, merged. Upon the merger, each common share of BOT owned by the Company which had been carried at cost was converted into 0.8 share of the combined entity, The Bank of Tokyo-Mitsubishi, Ltd. (currently part of Mitsubishi UFJ Financial Group, Inc. ("MUFG")). For purposes of comparability with financial statements under Japanese GAAP, the Company did not account for the exchange under EITF 91-5, which requires recognition of a nonmonetary exchange gain on the common shares of BOT.

If EITF 91-5 had been adopted, net income for the year ended March 31, 1997 would have increased by ¥3,081 million reflecting the unrecognized gain on the initial nonmonetary exchange, and net losses for the years ended March 31 from 1999 through 2003 would have increased totaling ¥3,461 million reflecting primarily subsequent losses on sales and impairment of the investment. There would have been no impact on operating results for the years ended March 31, 2007, 2006, and 2005. Retained earnings would have decreased by ¥380 million ($3,220 thousand) at March 31, 2007, 2006, and 2005, with a corresponding increase in accumulated other comprehensive income.

(Merger of UFJ Holdings and Mitsubishi Tokyo Financial Group)

On October 1, 2005, UFJ Holdings, Inc. ("UFJ") and Mitsubishi Tokyo Financial Group, Inc. merged. Upon the merger, each common share of UFJ owned by the Company which had been carried at cost was converted into 0.62 share of the combined entity, MUFG.

For the year ended March 31, 2006, the Company accounted for the gain on nonmonetary exchange of securities of ¥15,901 million, based on the fair value of MUFG's common shares of ¥18,284 million less carrying amounts of UFJ's common shares of ¥2,383 million.

(Merger of Hanshin Electric Railway and Hankyu Holdings)

On October 1, 2006, Hanshin Electric Railway Co., Ltd. ("Hanshin") and Hankyu Holdings, Inc. merged. Upon the merger, each common share of Hanshin owned by the Company which had been carried at cost was converted into 1.4 shares of the combined entity, Hankyu Hanshin Holdings, Inc. ("Hankyu Hanshin").

For the year ended March 31, 2007, the Company accounted for gain on nonmonetary exchange of securities of ¥997 million ($8,449 thousand), based on the fair value of Hankyu Hanshin's common shares of ¥1,205 million ($10,212 thousand) less carrying amounts of Hanshin's common shares of ¥208 million ($1,763 thousand).

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is principally computed using the declining-balance method based on the estimated useful lives of the assets. The estimated useful lives are principally as follows:

Buildings	10~50 years
Machinery and equipment	2~14 years

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities and tax loss and other carryforwards using the enacted tax rate. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that management believes will more likely than not be realized.

Retirement and Pension Plans

The Company accounted for retirement and pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)." The Company adopted the recognition and disclosure provisions of SFAS No. 158 on March 31, 2007. The Company recognizes its overfunded or underfunded status of the defined benefit plan as an asset or liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax.

The Company amortizes the prior service costs (benefits) due to amendments of the benefit plans over approximately 15 years. The Company recognizes actuarial gains and losses in excess of 20% of the larger of the projected benefit obligation or plan assets in the year following the year in which such gains and losses were incurred, and amortizes actuarial gains and losses between 10% and 20% over the average participants' remaining service period (approximately 14 years).

Consideration Given by a Vendor to a Customer

The Company accounts for consideration given to a customer in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." EITF 01-9 defines the income statement classification of consideration given by a vendor to a customer or a reseller of the vendor's products. In accordance with EITF 01-9, certain sales incentives are deducted from revenue.

Research and Development and Advertising

Research and development and advertising costs are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general, and administrative expenses.

Expense from the Payments for Health Hazard of Asbestos

The Company expenses payments to certain residents who lived near the Company's plant and current and former employees when the Company determines that a payment is warranted based on the medical condition of the individual concerned and in accordance with the Company's policies and procedures.

The Company also accrues an estimated loss from asbestos-related matters by a charge to income if both of the following conditions are met:

a. It is probable that a liability had been incurred at the date of financial statements.

b. The amount of loss can be reasonably estimated.

(See Note 17. COMMITMENTS AND CONTINGENCIES.)

Net Income per Common Share

Basic net income per common share has been computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted net income per common share reflects the potential dilution and has been computed on the basis that all convertible debentures were converted at the beginning of the year or at the time of issuance (if later).

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133," and No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognizes all derivatives as either assets or liabilities in the balance sheet and measures those instruments at fair value.

On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions. The Company considers all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currency, index of interest rates, amount, and terms of the derivatives correspond to those of the hedged items in accordance with the Company's policy.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The Company evaluates long-lived assets to be held and used for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the estimate of undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded based on the fair value of the assets.

The Company evaluates long-lived assets to be disposed of by sale at the lower of carrying amount or fair value less cost to sell.

Discontinued Operations

The Company accounts for discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and presents the results of discontinued operations as a separate line item in the consolidated statements of income under income (loss) from discontinued operations, net of taxes.

The figures of the consolidated statements of income for the prior years related to the discontinued operations have been separately reported from the ongoing operating results to conform with the current year presentation.

Cash Flow Information

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2007, 2006, and 2005, time deposits with original maturities of three months or less amounting to ¥3,832 million ($32,475 thousand), ¥4,195 million, and ¥3,333 million, respectively, were included in cash and cash equivalents.

Cash paid for interest amounted to ¥11,066 million ($93,780 thousand), ¥6,911 million, and ¥4,401 million, and for income taxes amounted to ¥36,733 million ($311,297 thousand), ¥32,724 million, and ¥32,092 million in 2007, 2006, and 2005, respectively.

The Company retired treasury stock of ¥8,484 million ($71,898 thousand), ¥36,336 million, and ¥23,881 million in 2007, 2006, and 2005, respectively.

Convertible bonds of ¥11,801 million were converted into common stock in 2006.

The Company capitalized leased assets under capital leases of ¥4,231 million ($35,856 thousand), ¥3,945 million, and ¥3,909 million in 2007, 2006, and 2005, respectively.

Use of Estimates in the Preparation of the Financial Statements

Management uses estimates in preparing the consolidated financial statements in conformity with US GAAP. Significant estimates used in the preparation of the consolidated financial statements are primarily in the areas of collectibility of private-sector notes and accounts receivable, inventory valuation, impairment of long-lived assets, valuation allowance for deferred tax assets, accruals for employee retirement and pension plans, and revenue recognition for long-term contracts. These estimates are assessed by the Company on a regular basis and management believes that material changes will not occur in the near term, although actual results could ultimately differ from these estimates.

New Accounting Standards

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS No. 109". This interpretation introduces a new approach that significantly changes how companies recognize and measure tax benefits associated with tax positions and disclose uncertainties related to income tax positions. This interpretation is effective in fiscal years beginning after December 15, 2006. The Company is currently calculating the impact of applying the interpretation on the consolidated financial statements.

Reclassification of Finance Income and Expenses from Retail Finance Business in the Consolidated Statements of Income

Finance income and expenses from retail finance business were previously classified mainly into "Interest income" and "Interest expense" in other income in the consolidated statements of income. The Company reconsidered their classification and currently classifies them into "Revenues" and "Cost of revenues" pursuant to Statement of Financial Accounting Concepts No. 6, "Elements of Financial Statements," since the significance of retail finance business has been increasing and the business is becoming one of the major or central operations of the Company. The reclassification has been made to the presentation of the prior years' statements of income to conform with the classification used for the year ended March 31, 2007.

The impact of the reclassification of the affected line items in the consolidated statements of income with respect to the years ended March 31, 2006 and 2005 is as follows:

Consolidated Statements of Income

	Millions of Yen					
	2006			2005		
	Previous Classification	Reclassification	As Reclassified	Previous Classification	Reclassification	As Reclassified
Revenues	¥1,050,425	¥15,311	¥1,065,736	¥982,878	¥11,605	¥994,483
Cost of revenues	746,756	7,196	753,952	712,708	3,787	716,495
Selling, general, and administrative expenses	185,383	634	186,017	181,691	807	182,498
Operating income	113,577	7,481	121,058	87,065	7,011	94,076
Interest and dividend income	14,355	(11,548)	2,807	9,488	(7,546)	1,942
Interest expense	(7,084)	5,928	(1,156)	(4,660)	2,998	(1,662)
Other—net	(931)	(1,861)	(2,792)	4,298	(2,463)	1,835
Other income, net	26,944	(7,481)	19,463	69,301	(7,011)	62,290

2. INVENTORIES

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Manufacturing:			
Finished products	**¥123,901**	¥103,686	**$1,050,008**
Spare parts	**21,332**	21,287	**180,780**
Work in process	**31,793**	25,693	**269,432**
Raw materials and supplies	**23,100**	21,205	**195,763**
Subtotal	**200,126**	171,871	**1,695,983**
Real estate:			
Completed projects, land to be developed, and projects under development	**5,532**	3,789	**46,881**
	¥205,658	¥175,660	**$1,742,864**

3. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to affiliated companies at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Investments	**¥13,734**	¥13,109	**$116,390**
Advances	**20**	36	**169**
	¥13,754	¥13,145	**$116,559**

A summary of financial information of affiliated companies is as follows:

At March 31, 2007 and 2006	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars 2007
Current assets	**¥ 59,006**	¥ 65,492	**$500,051**
Noncurrent assets	**57,354**	54,112	**486,051**
Total assets	**116,360**	119,604	**986,102**
Current liabilities	**62,182**	66,462	**526,966**
Noncurrent liabilities	**21,542**	21,807	**182,559**
Net assets	**¥ 32,636**	¥ 31,335	**$276,577**

Years Ended March 31, 2007, 2006, and 2005	Millions of Yen 2007	Millions of Yen 2006	Millions of Yen 2005	Thousands of U.S. Dollars 2007
Revenues	**¥219,750**	¥219,920	¥222,753	**$1,862,288**
Cost of revenues	**161,392**	162,124	165,050	**1,367,729**
Net income	**2,956**	3,126	4,886	**25,051**

Trade notes and accounts receivable from affiliated companies at March 31, 2007 and 2006 were ¥18,411 million ($156,025 thousand) and ¥19,355 million, respectively.

Revenues from affiliated companies aggregated ¥51,882 million ($439,678 thousand), ¥54,484 million, and ¥64,465 million for the years ended March 31, 2007, 2006, and 2005, respectively.

Cash dividends received from affiliated companies were ¥28 million ($237 thousand), ¥48 million, and ¥28 million for the years ended March 31, 2007, 2006, and 2005, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥8,729 million ($73,975 thousand) and ¥7,962 million at March 31, 2007 and 2006, respectively.

4. OTHER INVESTMENTS

The cost, fair value, and gross unrealized holding gains and losses for securities by major security type at March 31, 2007 and 2006 were as follows:

	Millions of Yen							
	2007				2006			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:								
Available-for-sale:								
Equity securities of financial institutions	**¥36,988**	**¥125,948**	**¥ 88,960**	**¥—**	¥37,208	¥153,697	¥116,489	¥—
Other equity securities	**21,119**	**77,778**	**56,677**	**18**	19,970	71,705	51,736	1
	¥58,107	**¥203,726**	**¥145,637**	**¥18**	¥57,178	¥225,402	¥168,225	¥ 1

	Thousands of U.S. Dollars			
	2007			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	**$313,458**	**$1,067,356**	**$ 753,898**	**$ —**
Other equity securities	**178,975**	**659,136**	**480,314**	**153**
	$492,433	**$1,726,492**	**$1,234,212**	**$153**

Gross unrealized holding losses and fair values on available-for-sale securities at March 31, 2007 and 2006 aggregated by the length of time that individual securities have been in a continuous unrealized loss position were as follows:

	Millions of Yen							
	2007				2006			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Other investments:								
Available-for-sale other equity securities	**¥154**	**¥18**	**¥—**	**¥—**	¥3	¥1	¥—	¥—

	Thousands of U.S. Dollars			
	2007			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale other equity securities	**$1,305**	**$153**	**$—**	**$—**

Proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales for the years ended March 31, 2007, 2006, and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Proceeds from sales	**¥2,391**	¥8,499	¥2,981	**$20,263**
Gross realized gains	**1,463**	4,944	1,821	**12,398**
Gross realized losses	**(150)**	(241)	(217)	**(1,271)**

Investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value, were stated at cost of ¥11,404 million ($96,644 thousand) and ¥11,227 million at March 31, 2007 and 2006, respectively.

Investments in non-marketable equity securities for which there is no readily determinable fair value were accounted for using the cost method, and each investment in non-marketable equity securities is reviewed annually for impairment or upon the occurrence of an event on change in circumstances that may have a significant adverse effect on the carrying value of the investment.

For the years ended March 31, 2007, 2006, and 2005, valuation losses on other investments were recognized to reflect the decline in fair value considered to be other-than-temporary totaling ¥524 million ($4,441 thousand), ¥403 million, and ¥423 million, respectively.

5. FINANCE RECEIVABLES

Finance receivables arise from sales of farm equipment and construction machinery to customers under retail finance agreements. The term of the receivables varies from one to eight years, with interest at rates ranging from 0.0% to 14.8% per annum.

Annual maturities of finance receivables at March 31, 2007 were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 97,798	$ 828,797
2009	74,335	629,958
2010	44,650	378,390
2011	29,909	253,466
2012	14,354	121,644
2013 and thereafter	6,783	57,483
Total	¥267,829	$2,269,738

Revenues and cost of revenues for the years ended March 31, 2007, 2006, and 2005 included finance income and expenses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Finance income	**¥22,217**	¥15,311	¥11,605	**$188,280**
Finance expenses	**12,282**	7,196	3,787	**104,085**

The Company sells finance receivables. (See Note 18. SECURITIZATION OF RECEIVABLES.) Pretax gains or losses on such sales are included in finance income or finance expenses in the table above.

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The changes in the allowance for doubtful notes and accounts receivable for the years ended March 31, 2007, 2006, and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Balance at beginning of year	**¥2,155**	¥2,257	¥3,054	**$18,262**
Provision for doubtful accounts	**255**	55	79	**2,161**
Write-offs	**(468)**	(179)	(175)	**(3,966)**
Other	**69**	22	(701)	**585**
Balance at end of year	**¥2,011**	¥2,155	¥2,257	**$17,042**

The balances of the allowance for doubtful non-current receivable at March 31, 2007 and 2006 were ¥2,811 million ($23,822 thousand) and ¥3,913 million, respectively. Such balances are reported as other assets in the consolidated balance sheets.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted of notes payable to banks of ¥128,365 million ($1,087,839 thousand) and ¥132,209 million, respectively.

Stated annual interest rates of short-term borrowings ranged primarily from 0.81% to 5.77% and from 0.31% to 4.71% at March 31, 2007 and 2006, respectively. The weighted average interest rates on such short-term borrowings at March 31, 2007 and 2006 were 5.3% and 4.0%, respectively.

Available lines of credit with certain banks totaled ¥20,000 million ($169,492 thousand) at March 31, 2007 and 2006, respectively. The Company had no outstanding borrowings as of March 31, 2007 and 2006 related to lines of credit.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

		Millions of Yen		Thousands of U.S. Dollars
	Due in Years Ending March 31	**2007**	2006	**2007**
Unsecured bonds:				
1.20% yen notes	2011	**¥ 10,000**	¥ 10,000	**$ 84,746**
1.54% yen notes	2013	**10,000**	10,000	**84,746**
Loans, principally from banks and insurance companies, maturing on various dates through 2015:				
Collateralized		**70,491**	47,083	**597,381**
Unsecured		**124,466**	128,938	**1,054,797**
Capital lease obligations		**6,577**	6,023	**55,737**
Total		**221,534**	202,044	**1,877,407**
Less current portion		**(71,429)**	(50,020)	**(605,331)**
		¥150,105	¥152,024	**$1,272,076**

The interest rates on unsecured bonds were fixed. The interest rates of the long-term loans from banks and insurance companies were principally fixed and the weighted average rates at March 31, 2007 and 2006 were 3.6% and 2.3%, respectively.

Annual maturities of long-term debt at March 31, 2007 were as follows:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 71,429	$ 605,331
2009	59,613	505,195
2010	58,018	491,678
2011	17,619	149,313
2012	1,681	14,246
2013 and thereafter	13,174	111,644
Total	¥221,534	$1,877,407

At March 31, 2007 and 2006, assets pledged as collateral for debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Trade notes	**¥ 456**	¥ 531	**$ 3,864**
Trade accounts	**2,524**	1,465	**21,390**
Finance receivables	**117,835**	87,994	**998,602**
Property, plant, and equipment	**9,646**	9,817	**81,746**
Total	**¥130,461**	¥99,807	**$1,105,602**

The above assets were pledged against the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Short-term borrowings	**¥ 35,927**	¥36,473	**$304,466**
Current portion of long-term debt	**28,709**	16,394	**243,296**
Long-term debt	**41,782**	30,689	**354,085**
Total	**¥106,418**	¥83,556	**$901,847**

Both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Long-term agreements with lenders other than banks also generally provide that the Company must give additional security upon request of the lender.

8. RETIREMENT AND PENSION PLANS

The parent company and its domestic subsidiaries have a number of unfunded severance indemnity plans and defined benefit pension plans covering substantially all Japanese employees. Most employees of overseas subsidiaries are covered by defined benefit pension plans or defined contribution pension plans.

In the parent company, employees who terminate their employment have the option to receive benefits in the form of lump-sum payments or annuity payments from a defined benefit pension plan. The benefits are calculated as an aggregation of the following points under the point-based benefits system (with a point having specific monetary value):

- Points granted in proportion to each employee's job classification at retirement and length of service period
- Accumulated points granted in proportion to each employee's job classification at the end of each fiscal year
- Accumulated points granted in proportion to each employee's performance evaluation at the end of each fiscal year

The plan consists of a lifetime pension plan and a limited annuity plan, and annual contributions are made by the parent company for an amount determined on the basis of an accepted actuarial method for the plan. The plan is administered by a board of trustees composed of management and employee representatives. Plan assets, which are managed by trust banks and investment advisors, are invested primarily in corporate and government bonds and stocks.

The parent company also had a contributory defined benefit pension plan covering all of its employees (the "Contributory Plan"). The Contributory Plan consisted of a substitutional portion based on the pay-related part of the old-age pension benefits prescribed by the Japanese Welfare Pension Insurance Law and a corporate portion based on a defined benefit pension arrangement established at the discretion of management. Under the Japanese law that regulates retirement benefit plans, the Company could transfer the benefit obligation for the substitutional portion and related plan assets to the government, and the Company transferred the obligation and the plan assets to the government in January 2005. As a result of the transfer of the substitutional portion, the parent company has succeeded the corporate portion of the Contributory Plan.

For the year ended March 31, 2005, the Company recognized, in accordance with EITF No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities," the difference of ¥58,571 million between the substitutional portion of accumulated benefit obligations settled and the related plan assets transferred to the Japanese government as a government subsidy in Other income (expenses) in the consolidated statement of income. The Company also recognized derecognition of previously accrued salary progression of ¥11,111 million and a settlement loss for the proportionate amount of the net unrecognized loss attributable to the substitutional portion of ¥13,366 million. The net amount of ¥2,255 million of derecognition of previously accrued salary progression and the settlement loss was allocated to cost of revenues of ¥1,511 million and selling, general, and administrative expenses of ¥744 million.

The Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R)" on March 31, 2007. The Company recognizes its overfunded or underfunded status of the defined benefit postretirement plan as an asset or liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax. The statement replaced SFAS No. 87, "Employers' Accounting for Pensions" which required to report at least minimum pension liability measured as excess of the accumulated benefit obligation over the fair value of the plan assets. The amount of pension liability adjustment is comprised of prior service cost (benefit) and actuarial loss (gain), which will be subsequently recognized as net periodic benefit cost in the consolidated statements of income pursuant to the Company's accounting policy for amortizing such amounts.

The incremental effects of adopting the statement on the consolidated balance sheets at March 31, 2007 are presented in the following table. The adoption of the statement had no effect on the consolidated statement of income for the year ended March 31, 2007, or for any prior period presented, and it will not affect the Company's operating results in future periods.

	Millions of Yen		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Investments in and advances to affiliate companies	¥13,775	¥ (21)	¥13,754
Other assets	49,588	(717)	48,871
Accrued retirement and pension costs	43,159	(15,853)	27,306
Other long-term liabilities	46,363	6,369	52,732
Minority interests	35,982	87	36,069
Accumulated other comprehensive income	77,588	8,659	86,247

	Thousands of U.S. Dollars		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Investments in and advances to affiliate companies	$116,737	$ (178)	$116,559
Other assets	420,237	(6,076)	414,161
Accrued retirement and pension costs	365,754	(134,347)	231,407
Other long-term liabilities	392,907	53,974	446,881
Minority interests	304,932	738	305,670
Accumulated other comprehensive income	657,526	73,381	730,907

Net periodic benefit cost for the unfunded severance indemnity plan, the defined benefit pension plan, and the Contributory Plan of the parent company and for the unfunded severance indemnity plans and the defined benefit pension plans of certain subsidiaries for the years ended March 31, 2007, 2006, and 2005 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Service cost	**¥5,974**	¥6,841	¥ 8,343	**$50,627**
Interest cost	**3,799**	3,858	7,457	**32,195**
Expected return on plan assets	**(2,748)**	(2,277)	(3,129)	**(23,288)**
Amortization of prior service benefit	**(777)**	(780)	(522)	**(6,585)**
Recognized actuarial loss	**—**	—	2,047	**—**
Transfer to an affiliated company	**—**	(514)	—	**—**
Derecognition of previously accrued salary progression	**—**	—	(11,111)	**—**
Settlement loss	**—**	—	13,366	**—**
Net periodic benefit cost	**¥6,248**	¥7,128	¥16,451	**$52,949**

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets, together with plans' funded status were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Change in benefit obligations:			
Benefit obligations at beginning of year	**¥176,109**	¥176,250	**$1,492,449**
Service cost	**5,974**	6,841	**50,627**
Interest cost	**3,799**	3,858	**32,195**
Amendments	**(439)**	(25)	**(3,720)**
Transfer to an affiliated company	**—**	(5,961)	**—**
Actuarial gain	**1,024**	5,904	**8,678**
Benefits paid (lump-sum payments)	**(8,868)**	(8,181)	**(75,153)**
Benefits paid (annuity payments)	**(3,446)**	(3,203)	**(29,203)**
Foreign currency exchange rate changes	**89**	626	**754**
Benefit obligations at end of year	**¥174,242**	¥176,109	**$1,476,627**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥142,755**	¥108,060	**$1,209,788**
Actual return on plan assets	**(366)**	31,830	**(3,102)**
Employer contributions	**13,338**	12,759	**113,034**
Transfer to an affiliated company	**—**	(2,815)	**—**
Benefits paid (lump-sum payments)	**(5,293)**	(4,432)	**(44,856)**
Benefits paid (annuity payments)	**(3,446)**	(3,203)	**(29,203)**
Foreign currency exchange rate changes	**78**	556	**661**
Fair value of plan assets at end of year	**¥147,066**	¥142,755	**$1,246,322**
Plans' funded status at end of year:			
Funded status	**¥ (27,176)**	¥ (33,354)	**$ (230,305)**
Unrecognized actuarial gain	**N/A**	(12,193)	**N/A**
Unrecognized prior service benefit	**N/A**	(7,198)	**N/A**
Net amount recognized	**N/A**	¥ (52,745)	**N/A**

N/A—Not applicable. In accordance with the provisions of SFAS No. 158, the funded status was recognized as an asset or liability and any unrecognized actuarial gain, prior service benefit was recognized in accumulated comprehensive income at March 31, 2007.

The Company's measurement date of benefit obligations and plan assets is March 31.

Accumulated benefit obligations at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Accumulated benefit obligations:			
Accumulated benefit obligations at end of year	**¥168,808**	¥168,779	**$1,430,576**

Projected benefit obligations and fair value of plan assets with projected benefit obligations in excess of plan assets, and accumulated benefit obligations and fair value of plan assets with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Retirement and pension plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥171,494**	¥173,537	**$1,453,339**
Fair value of plan assets	**144,016**	140,170	**1,220,475**
Retirement and pension plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**166,060**	166,207	**1,407,288**
Fair value of plan assets	**144,016**	140,170	**1,220,475**

Amounts recognized in the consolidated balance sheets at March 31, 2007 consist of the following:

	Millions of Yen	Thousands of U.S. Dollars
Accrued retirement and pension costs	¥(27,306)	$(231,407)
Prepaid expenses for benefit plans, included in other assets	130	1,102
Funded status	¥(27,176)	$(230,305)

Amounts recognized in the consolidated balance sheets at March 31, 2006 consist of the following:

	Millions of Yen
Accrued retirement and pension costs	¥(53,633)
Prepaid expenses for benefit plans, included in other assets	888
Net amount recognized	¥(52,745)

Amounts recognized in accumulated other comprehensive income, before-tax, at March 31, 2007 consist of the following:

	Millions of Yen	Thousands of U.S. Dollars
Actuarial gain	¥ (7,873)	$ (66,720)
Prior service benefit	(6,860)	(58,136)
Total recognized in accumulated other comprehensive income	¥(14,733)	$(124,856)

The estimated prior service benefit that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending March 31, 2008 amounts to ¥808 million ($6,847 thousand).

The weighted-average discount rate used in calculating benefit obligations at March 31, 2007 and 2006 was 2.5%.

Weighted-average assumptions used in calculating net periodic benefit cost for the years ended March 31, 2007, 2006, and 2005 were as follows:

	2007	2006	2005
Discount rate	**2.5%**	2.5%	2.5%
Expected return on plan assets	**3.0**	3.0	3.5
Rate of compensation increase	**—**	6.5	6.5

To determine the expected rate of return on plan assets, the Company considers actual returns in the past 5 to 10 years, the current and expected components of plan assets, and anticipated market trends. Plan assets are managed by asset management companies and trust banks, and are invested primarily in fixed income and equity securities of Japanese and foreign issuers. The Company assumed that the long-term rate of return on plan assets was 3.0% for the years ended March 31, 2007 and 2006, and 3.5% for the year ended March 31, 2005. An actual return on plan assets in the past 10 years was 3.4%, and an asset allocation assumption was 55% on fixed income securities with an expected rate of return of 1.0%, and 45% on equity securities with an expected rate of return of 5.5% for the year ended March 31, 2006 and thereafter.

The rate of compensation increase was not used in the calculation of benefit obligations at March 31, 2007 and 2006, and net periodic benefit cost for the year ended March 31, 2007 as a result of completion of introduction of the point-based benefits system. Under the system, the benefit obligations and the net periodic benefit cost are determined using cumulative points and not salaries. The benefit obligations at March 31, 2007 and 2006, and the net periodic benefit cost for the year ended March 31, 2007 were calculated on the basis of an annual increase in points of 7.1%.

Pension plan weighted-average asset allocations by asset category were as follows:

	2007	2006
Equity securities	**44.6%**	48.7%
Debt securities	**54.9**	49.9
Other	**0.5**	1.4
	100.0%	100.0%

The Company's investment policy is to invest in equity securities and debt securities of companies in Japan and overseas primarily in Europe and the United States in order to diversify risk. The Company believes that investment in equity securities of 45% and debt securities of 55% is a proper allocation ratio and is consistent with the Company's investment objectives.

Employer contributions to pension plans for the year ending March 31, 2008 are expected to be ¥13,562 million ($114,932 thousand).

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2008	¥12,174	$103,169
2009	12,521	106,110
2010	12,937	109,636
2011	12,817	108,619
2012	12,496	105,898
2013–2017	56,716	480,644

9. SHAREHOLDERS' EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Japanese Commercial Code with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

The Corporate Law permits companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the companies so stipulate. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock.

10. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS

Long-term contracts accepted by the Company consist mainly of construction works with the Japanese national government and local governments, such as construction of environmental control plants, and facilities for water supply. These contracts are completed within two to three years.

The contracts, which are fully executed before the commencement of construction projects, include the terms of the contract price, expected completion date and critical milestone dates, and acceptance inspections (e.g., performance tests and external appearance inspections). The contracts are legally enforceable and the parties are expected to satisfy their obligations under the contracts. The Company is able to develop reasonably dependable estimates of the total contract cost based on the construction order, that includes details on every single component unit, labor hour costs, and all overhead.

Further, the Company believes that it is able to develop reasonably dependable estimates of the extent of progress towards completion of individual contracts and, therefore, the long-term contracts are accounted for using the percentage of completion method.

Concerning the method of measuring the extent of progress toward completion, the Company uses the cost-to-cost method in measuring the extent of progress toward completion. In most cases, the Company's contracts with customers include the delivery and installation of component units.

In case that an option or an addition which has separate contents from an existing contract has occurred, it is treated as a separate contract and, if otherwise, is combined with the original contract.

Additional contract revenue arising from any claims for customer-caused reasons is recognized when the contract modification is completed.

Any revisions in revenue, cost, and profit estimates or in measurements of the extent of progress toward completion are accounted for in the consolidated statement of income for the fiscal year in which the contract modification has been completed. A disclosure is made of the effect of such revisions in the financial statements, if significant.

Notes receivable and accounts receivable related to the long-term contracts accounted for under the percentage of completion method as of March 31, 2007 and 2006 were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2006			**2007**		
Years ended March 31	Less than 1 year	1-2 years	2-3 years	Less than 1 year	1-2 years	2-3 years	Less than 1 year	1-2 years	2-3 years
Notes receivable	**¥ —**	**¥ —**	**¥—**	¥ 492	¥ —	¥ —	**$ —**	**$ —**	**$—**
Accounts receivable	**9,244**	**679**	**—**	26,260	537	135	**78,339**	**5,754**	**—**
	¥9,244	**¥679**	**¥—**	¥26,752	¥537	¥135	**$78,339**	**$5,754**	**$—**

A large portion of such receivables had been billed to customers, and the total aggregated amounts which had not been billed or were not billable were not material as of March 31, 2007 and 2006. The total aggregated amounts subject to uncertainty were not material.

With respect to the inventories related to the long-term contracts, the aggregated amounts of manufacturing or production costs which exceeds the aggregated estimate costs of all in-process, the total aggregated amounts subject to uncertainty, and advances receipt offset with inventories were not material as of March 31, 2007 and 2006.

11. OTHER INCOME (EXPENSES), NET

Other—net as shown in other income (expenses) for the years ended March 31, 2007, 2006, and 2005 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Loss from write-down of securities	**¥ (524)**	¥ (403)	¥ (423)	**$ (4,441)**
Foreign exchange (loss) gain—net	**(442)**	(1,952)	3,597	**(3,746)**
Other—net	**(2,190)**	(437)	(1,339)	**(18,559)**
	¥(3,156)	¥(2,792)	¥1,835	**$(26,746)**

12. INCOME TAXES

Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies and income taxes for the years ended March 31, 2007, 2006, and 2005 were comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies:				
Domestic	**¥ 80,208**	¥102,857	¥123,792	**$ 679,729**
Foreign	**51,357**	37,664	32,574	**435,229**
	¥131,565	¥140,521	¥156,366	**$1,114,958**
Income taxes:				
Current—				
Domestic	**¥ 28,184**	¥ 18,065	¥ 21,780	**$238,848**
Foreign	**19,824**	16,368	12,711	**168,000**
	48,008	34,433	34,491	**406,848**
Deferred—				
Domestic	**3,415**	24,522	14,503	**28,940**
Foreign	**(2,462)**	(2,888)	(878)	**(20,864)**
	953	21,634	13,625	**8,076**
Total	**¥ 48,961**	¥ 56,067	¥ 48,116	**$414,924**

The approximate effects of temporary differences and tax loss and credit carryforwards that gave rise to deferred tax balances at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 1,540**	¥ 1,950	**$ 13,051**
Intercompany profits	**12,340**	11,462	**104,576**
Adjustment of investment securities	**11,322**	11,547	**95,949**
Write-downs of inventories and fixed assets	**2,834**	1,313	**24,017**
Accrued bonus	**6,173**	6,349	**52,314**
Retirement and pension costs	**15,123**	25,759	**128,161**
Tax loss and credit carryforwards	**4,390**	2,251	**37,203**
Other temporary differences	**23,615**	17,045	**200,127**
Subtotal	**77,337**	77,676	**655,398**
Less valuation allowance	**(1,212)**	(3,439)	**(10,271)**
	¥76,125	¥74,237	**$645,127**
Deferred tax liabilities:			
Adjustment of investment securities	**¥66,015**	¥74,913	**$559,449**
Unremitted earnings of foreign subsidiaries and affiliates	**9,511**	6,845	**80,602**
Other temporary differences	**9,354**	4,734	**79,271**
	¥84,880	¥86,492	**$719,322**

Net deferred tax balances at March 31, 2007 and 2006 were reflected in the accompanying consolidated balance sheets under the following line items:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Other current assets	**¥37,467**	¥ 28,700	**$317,517**
Other assets	**4,046**	4,088	**34,288**
Other current liabilities	**(60)**	—	**(508)**
Other long-term liabilities	**(50,208)**	(45,043)	**(425,492)**
Net deferred tax liabilities	**¥ (8,755)**	¥(12,255)	**$ (74,195)**

A valuation allowance is recorded against the deferred tax assets for items which may not be realized.

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse and/or the tax losses and credits are carried forward, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets, net of the existing valuation allowances at March 31, 2007.

At March 31, 2007, the tax loss carryforwards in the aggregate amounted to approximately ¥11,000 million ($93,220 thousand), which are available to offset future taxable income, and will expire in the period from 2008 through 2012.

The changes in the valuation allowance for the years ended March 31, 2007, 2006, and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Balance at beginning of year	**¥3,439**	¥3,824	¥22,913	**$29,144**
Addition	**548**	508	2,466	**4,644**
Deduction	**(2,775)**	(893)	(21,555)	**(23,517)**
Balance at end of year	**¥1,212**	¥3,439	¥ 3,824	**$10,271**

The effective income tax rates of the Company for each of the three years in the period ended March 31, 2007 differed from the normal Japanese statutory tax rates as follows:

	2007	2006	2005
Normal Japanese statutory tax rates applied to income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	**40.6%**	40.6%	40.6%
Increase (decrease) in taxes resulting from:			
Decrease in valuation allowance	**(1.4)**	(0.3)	(8.5)
Permanently nondeductible expenses	**0.7**	0.4	0.4
Nontaxable dividend income	**(0.2)**	(0.2)	(0.1)
Extra tax deduction on expenses for research and development	**(1.9)**	(1.2)	(1.3)
Other—net	**(0.6)**	0.6	(0.3)
Effective income tax rates applied to income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	**37.2%**	39.9%	30.8%

Provisions have been recorded for unremitted earnings of all foreign subsidiaries and affiliates where earnings are not deemed to be permanently reinvested. Substantially all of the undistributed earnings of domestic subsidiaries and affiliates would not, under present Japanese tax law, be subject to tax through tax-free distributions.

13. NET INCOME (LOSS) PER COMMON SHARE

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) per common share computation for the years ended March 31, 2007, 2006, and 2005 was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Basic net income (loss):				
Income from continuing operations	**¥77,743**	¥81,149	¥107,132	**$658,839**
Income (loss) from discontinued operations, net of taxes	**(1,286)**	(115)	10,769	**(10,898)**
Net income	**¥76,457**	¥81,034	¥117,901	**$647,941**
Effect of dilutive convertible bonds	**¥ —**	¥ 55	¥ 188	**$ —**
Diluted net income (loss):				
Income from continuing operations	**¥77,743**	¥81,204	¥107,320	**$658,839**
Income (loss) from discontinued operations, net of taxes	**(1,286)**	(115)	10,769	**(10,898)**
Net income	**¥76,457**	¥81,089	¥118,089	**$647,941**

	Number of Shares (Thousands)		
	2007	2006	2005
Weighted average common shares outstanding	**1,295,750**	1,304,097	1,323,068
Effect of dilutive convertible bonds	**—**	10,831	36,910
Diluted common shares outstanding	**1,295,750**	1,314,928	1,359,978

14. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income, including reclassification adjustments and tax effects for the years ended March 31, 2007, 2006, and 2005 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2007			**2007**		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:						
Foreign currency translation adjustments arising during period	**¥ 5,095**	**¥ (425)**	**¥ 4,670**	**$ 43,178**	**$ (3,602)**	**$ 39,576**
Reclassification adjustment for losses realized in net income	**—**	**—**	**—**	**—**	**—**	**—**
	5,095	**(425)**	**4,670**	**43,178**	**(3,602)**	**39,576**
Unrealized gains on securities:						
Unrealized gains on securities arising during period	**(22,114)**	**8,976**	**(13,138)**	**(187,407)**	**76,068**	**(111,339)**
Reclassification adjustment for gains realized in net income	**(789)**	**320**	**(469)**	**(6,686)**	**2,712**	**(3,974)**
	(22,903)	**9,296**	**(13,607)**	**(194,093)**	**78,780**	**(115,313)**
Unrealized losses on derivatives:						
Unrealized losses on derivatives arising during period	**(4,823)**	**1,924**	**(2,899)**	**(40,873)**	**16,305**	**(24,568)**
Reclassification adjustments for losses realized in net income	**4,469**	**(1,814)**	**2,655**	**37,873**	**(15,373)**	**22,500**
	(354)	**110**	**(244)**	**(3,000)**	**932**	**(2,068)**
Other comprehensive loss	**¥(18,162)**	**¥8,981**	**¥ (9,181)**	**$(153,915)**	**$76,110**	**$ (77,805)**

	Millions of Yen		
	2006		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥14,131	¥ (582)	¥13,549
Reclassification adjustment for losses realized in net income	21	—	21
	14,152	(582)	13,570
Unrealized gains on securities:			
Unrealized gains on securities arising during period	80,095	(32,524)	47,571
Reclassification adjustment for gains realized in net income	(4,300)	1,746	(2,554)
	75,795	(30,778)	45,017
Unrealized losses on derivatives:			
Unrealized losses on derivatives arising during period	(5,593)	2,289	(3,304)
Reclassification adjustments for losses realized in net income	6,698	(2,719)	3,979
	1,105	(430)	675
Other comprehensive income	¥91,052	¥(31,790)	¥59,262

	Millions of Yen		
	2005		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥(1,628)	¥ 103	¥(1,525)
Reclassification adjustment for losses realized in net income	57	—	57
	(1,571)	103	(1,468)
Unrealized gains on securities:			
Unrealized gains on securities arising during period	2,046	(827)	1,219
Reclassification adjustment for gains realized in net income	(1,181)	479	(702)
	865	(348)	517
Minimum pension liability adjustment	5,991	(2,499)	3,492
Unrealized losses on derivatives:			
Unrealized losses on derivatives arising during period	(1,429)	591	(838)
Reclassification adjustments for gains realized in net income	(456)	185	(271)
	(1,885)	776	(1,109)
Other comprehensive income	¥ 3,400	¥(1,968)	¥ 1,432

The balances of each classification within accumulated other comprehensive income were as follows:

	Millions of Yen				
	Cumulative Translation Adjustments	Unrealized Gains on Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustments	Accumulated Other Comprehensive Income
Balance, April 1, 2006	¥ 657	¥86,033	¥ 79	¥ —	¥86,769
Current—period change	4,670	(13,607)	(244)	—	(9,181)
Adjustment to initially apply SFAS No. 158, net of taxes	—	—	—	8,659	8,659
Balance, March 31, 2007	¥5,327	¥72,426	¥(165)	¥8,659	¥86,247

	Thousands of U.S. Dollars				
	Cumulative Translation Adjustments	Unrealized Gains on Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustments	Accumulated Other Comprehensive Income
Balance, April 1, 2006	$ 5,568	$729,093	$ 670	$ —	$735,331
Current—period change	39,576	(115,313)	(2,068)	—	(77,805)
Adjustment to initially apply SFAS No. 158, net of taxes	—	—	—	73,381	73,381
Balance, March 31, 2007	$45,144	$613,780	$(1,398)	$73,381	$730,907

15. FINANCIAL INSTRUMENTS

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. The Company also enters into agreements involving derivative instruments to manage its exposure to fluctuations in foreign exchange and interest rates.

Market Risk Management

Market Risk Exposures

The Company is subject to market rate risks due to fluctuation of foreign currency exchange rates, interest rates, and equity prices. Among these risks, the Company manages foreign currency exchange and interest rate risks by using derivative financial instruments in accordance with established policies and procedures. The Company does not use derivative financial instruments for trading purposes. The credit risks associated with these instruments are not considered to be significant since the counterparties are reliable major international financial institutions and the Company does not anticipate any such losses. The net cash requirements arising from the previously mentioned risk management activities are not expected to be material.

Foreign Currency Exchange Risks

The Company's foreign currency exposure relates primarily to its foreign currency denominated assets in its international operations. The Company entered into foreign exchange forward contracts and currency swaps designated to mitigate its exposure to foreign currency exchange risks.

The following table provides information regarding the Company's derivative financial instruments related to foreign currency exchange transactions as of March 31, 2007, which was translated into Japanese yen at the year-end currency exchange rate.

Foreign Exchange Forward Contracts and Currency Swaps

		Millions of Yen	Thousands of U.S. Dollars
Maturities, Years Ending March 31		2008	2008
Sell U.S. Dollar, buy Yen	Receive	¥30,191	$255,856
	Pay	29,972	254,000
Sell Euro, buy Yen	Receive	9,988	84,644
	Pay	10,109	85,669
Sell Canada Dollar, buy Yen	Receive	409	3,466
	Pay	408	3,458
Sell U.S. Dollar, buy Canada Dollar	Receive	211	1,788
	Pay	214	1,814
Sell Sterling Pound, buy Yen	Receive	232	1,966
	Pay	232	1,966
Sell Baht, buy Yen	Receive	12,051	102,127
	Pay	13,977	118,449
Sell Baht, buy U.S. Dollar	Receive	2	17
	Pay	3	25
Sell Won, buy Yen	Receive	178	1,508
	Pay	176	1,492
Sell Australia Dollar, buy Yen	Receive	561	4,754
	Pay	570	4,831

Interest Rate Risks

The Company is exposed to interest rate risks mainly inherent in its debt obligations with both fixed and variable rates. Debt obligations that are sensitive to interest rate changes are disclosed in Note 7. In order to hedge these risks, the Company uses interest rate swap contracts to change the characteristics of its fixed and variable rate exposures.

The following table provides information, by maturity date, about the Company's interest rate swap contracts. The table represents notional principal amounts and weighted average interest rates by expected maturity dates. Notional principal amounts are used to calculate the contractual payments to be exchanged under the contracts as of March 31, 2007, which are translated into Japanese yen at the year-end currency exchange rate.

Interest Rate Swap Contracts

	Weighted Average Rate		Notional Amount	
Maturities, Years Ending March 31,	Receive	Pay	Millions of Yen	Thousands of U.S. Dollars
2008	3.56%	3.66%	¥37,417	$317,093
2009	3.85	3.92	28,710	243,305
2010	4.24	4.38	14,255	120,805
2011	3.52	4.27	900	7,627
2012	2.44	4.63	80	678
2013	2.44	4.63	13	110

Cash Flow Hedges

Changes in the fair value of foreign exchange contracts and interest rate swap agreements designated and qualifying as cash flow hedges are reported in other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (expense) in the same period as the hedged items affect earnings. For most forward exchange contracts, the amounts are reclassified when products related to hedged transactions are sold from overseas subsidiaries to customers. In the case of interest rate swaps, the amounts are reclassified when the related interest expense is recognized. Substantially all of the unrecognized net loss on derivatives included in accumulated other comprehensive income of ¥165 million ($1,398 thousand) at March 31, 2007 will be reclassified into earnings within the next 12 months.

Equity Price Risks

The Company's other investments are exposed to changes in equity price risks and consist mainly of available-for-sale securities. Fair value and other information for such equity securities is disclosed in Note 4.

Fair Value of Financial Instruments

The Company had the following financial instruments at March 31, 2007 and 2006:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		**2007**	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:						
Finance receivables—net	**¥267,829**	**¥248,744**	¥203,625	¥193,578	**$2,269,738**	**$2,108,000**
Financial liabilities:						
Long-term debt	**(214,957)**	**(210,777)**	(196,021)	(190,718)	**(1,821,670)**	**(1,786,246)**
Derivative financial instruments recorded as (liabilities) assets:						
Foreign exchange instruments	**(899)**	**(899)**	(108)	(108)	**(7,619)**	**(7,619)**
Interest rate swaps and other instruments	**33**	**33**	163	163	**280**	**280**

Other investments are disclosed in Note 4.

The fair values of finance receivables and long-term debt are based on discounted cash flows using the current interest rate on similar financing investments or borrowings. The fair value estimates of the financial instruments are not necessarily indicative of the amounts the Company might pay or receive from actual market transactions.

The carrying amounts of cash and cash equivalents, notes and accounts receivable and payable, and short-term borrowings approximate the fair value because of the short maturity of those instruments.

Concentration of Credit Risks

Trade notes and accounts receivable are composed largely of these to the dealers in the farm equipment market in North America. These accounts are sold through securitization to minimize credit risks. Most of the finance receivables are composed of these to the retail customers in the farm equipment market in North America. However, the Company considers that credit risks are limited since no single customer represents a significant concentration of credit risks.

16. SUPPLEMENTAL EXPENSE INFORMATION

Research and Development Expenses, Advertising Costs, and Shipping and Handling Costs

Amounts of certain costs and expenses for the years ended March 31, 2007, 2006, and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Research and development expenses	**¥22,925**	¥22,731	¥21,963	**$194,280**
Advertising costs	**10,085**	9,184	9,586	**85,466**
Shipping and handling costs	**50,982**	45,834	40,412	**432,051**

Loss from Disposal and Impairment of Businesses and Fixed Assets

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2007 includes a loss from disposal of fixed assets of ¥1,172 million ($9,932 thousand) and a loss from disposal and impairment of businesses of ¥1,446 million ($12,254 thousand) resulting mainly from the liquidation of a company which operated a construction business.

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2006 includes a loss from impairment of fixed assets of ¥1,038 million and a loss from disposal and impairment of businesses of ¥3,648 million resulting mainly from a loss of ¥2,788 million related to the additional payments due to employment transfer to a subsidiary and an affiliated company.

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2005 includes a loss from impairment of fixed assets of ¥1,095 million and a gain of ¥1,022 million resulting mainly from the sale of a company which is involved in a rental computer server service.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Commitments for capital expenditures outstanding at March 31, 2007 approximated ¥3,819 million ($32,364 thousand).

The Company leases certain office space and equipment and employee housing under cancelable and noncancelable lease agreements.

An analysis of leased assets under capital leases is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Machinery and equipment	**¥12,148**	¥10,000	**$102,949**
Accumulated depreciation	**(5,852)**	(3,977)	**(49,593)**
Software	**281**	—	**2,381**
	¥ 6,577	¥ 6,023	**$ 55,737**

Amortization expenses under capital leases for the years ended March 31, 2007, 2006, and 2005 were ¥3,677 million ($31,161 thousand), ¥2,763 million, and ¥2,858 million, respectively.

Future minimum lease payments required under capital and noncancelable operating leases that have an initial or a remaining lease term in excess of one year as of March 31, 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending March 31,	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2008	¥3,329	¥ 682	$28,212	$ 5,780
2009	2,031	418	17,212	3,542
2010	1,049	262	8,890	2,220
2011	175	97	1,483	822
2012	89	81	754	687
2013 and thereafter	42	245	356	2,076
Total minimum lease payments	6,715	¥1,785	56,907	$15,127
Less: amounts representing interest	(138)		(1,170)	
Present value of net minimum capital lease payments	¥6,577		$55,737	

Capital lease obligations are included in the current portion of long-term debt and long-term debt in the consolidated balance sheets. Rental expenses under operating leases for the years ended March 31, 2007, 2006, and 2005 were ¥5,727 million ($48,534 thousand), ¥6,009 million, and ¥7,029 million, respectively.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors including affiliated companies, and customers for their borrowings from financial institutions. The Company would have to perform under these guarantees in the events of default on a payment within the guarantee periods of 1 year to 10 years for distributors and customers. The maximum potential amount of undiscounted future payments of these financial guarantees as of March 31, 2007 was ¥949 million ($8,042 thousand).

The Company issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The Company determines its reserve for product warranties based on an analysis of the historical data of costs to perform under product warranties.

The changes in the accrued product warranty cost for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Balance at beginning of year	**¥5,473**	¥2,718	**$46,381**
Addition	**5,007**	7,878	**42,432**
Utilization	**(4,335)**	(5,331)	**(36,737)**
Other	**56**	208	**475**
Balance at end of year	**¥6,201**	¥5,473	**$52,551**

Accrued product warranty cost is included in other current liabilities in the consolidated balance sheets.

Legal Proceedings

In the fiscal year ended March 31, 1999, the Fair Trade Commission of Japan (the "FTCJ") began an investigation of the Company for an alleged violation of the Anti-Monopoly Law (prohibition of private monopoly or unfair trade restraint) relating to participation in fixing the shares of ductile iron straight pipe orders in Japan. In March 1999, the Company received a cease and desist recommendation from the FTCJ, which was accepted by the Company in April 1999.

In connection with this investigation, on December 24, 1999, the Company received a surcharge order of ¥7,072 million from the FTCJ. The Company has challenged this order and filed a petition for the initiation of hearing procedures that were started in March 2000 and continued through the year ended March 31, 2007. Under Section 49 of the Anti-Monopoly Law, upon the initiation of the procedures, the surcharge order lost effect. In addition, Section 7-2 of the law stipulates that surcharges are imposed in cases where price cartels or cartels that influence prices by curtailing the volume of supply are carried out. The Company believes that the alleged share cartel does not meet the requirement of Section 7-2 and has not established any provision for the ultimate liability, if any, which may result from the settlement of this matter.

An unfavorable outcome from this issue could materially affect the Company's results of operations or cash flows in a given year. The Company is not able to estimate the likelihood of such an unfavorable outcome or the amount of related losses, if any.

Matters Related to Health Hazard of Asbestos

(Background)

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, had produced asbestos-containing products. In April 2005, the Company was advised that some residents who lived near the plant suffered from mesothelioma, a form of cancer that is said to be mainly caused by aspiration of asbestos. In June 2005, the Company voluntarily decided to make consolation payments to certain residents with mesothelioma and started the program. In April 2006, the Company decided to establish the relief payment system in place of the consolation payment and make additional payment to the residents to whom consolation payment was paid or payable, and started the system. The new supporting system is applied to the residents who claim for the payment in the future.

With regard to current and former employees who suffered and are suffering from asbestos-related diseases, the Company shall make the compensation which is not required by law but is made in accordance with the Company's internal policies.

The Japanese government newly established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases ("New Asbestos Law") in March 2006. This law was enacted for the purpose of promptly providing relief to the people suffering from asbestos-related diseases who are not eligible for relief by compensation from the Insurance in accordance with the Workers' Accident Compensation Insurance Law. The relief aid payments are contributed by the national government, municipal governments, and business entities. The contribution, which includes a special contribution by the companies which operated a business closely related to asbestos, to be made by business entities shall commence from the year ending March 31, 2008.

(Accounting for Asbestos-Related Expenses)

The Company expenses the payments for the health hazard of asbestos based on the Company's accounting policies and procedures. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.) The expenses include payments to certain residents who lived close to the Company's plants and current and former employees, and special contribution in accordance with the New Asbestos Law. The Company recorded expenses aggregating ¥4,035 million ($34,195 thousand), ¥4,196 million, and ¥210 million during the years ended March 31, 2007, 2006, and 2005, respectively. These amounts are included in the selling, general, and administrative expenses. During the year ended March 31, 2007, the Company expensed the special contribution in accordance with the New Asbestos Law aggregating ¥735 million ($6,229 thousand) which is expected to be paid during four years commencing after April 1, 2007. The Company accrues in those cases the conditions of loss contingencies provided under SFAS No. 5, "Accounting for Contingencies," are met. The amount accrued and included in recorded expenses were ¥1,359 million ($11,517 thousand) and ¥3,726 million at March 31, 2007 and 2006, respectively. Though the Company believes that this amount appears to be a better estimate than any other amount within a reasonably estimable range of amounts, the additional exposure to loss in excess of this accrued amount of ¥860 million ($7,288 thousand) exists.

Since the Company has no basis or information to project the number of current and former employees and residents that are going to apply for payments, the Company is not able to consider such condition in accounting for the amount accrued and included in recorded expenses. Despite the filing of asbestos-related lawsuit against the Japanese government and the Company by a certain resident in May 2007 for the first time, the Company is not able to predict the outcome of the lawsuit, or predict the possibility of being filed in other lawsuits like this. Therefore, the Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to this contingency. However, the Company believes asbestos-related issues contain potentially material risks for the Company's consolidated results of operations, financial position, and its liquidity.

In August 2006, the Company also announced that the Company would support two research projects of medical research institutions for curing mesothelioma, and the Company donated ¥400 million ($3,390 thousand) as a contribution for the year ended March 31, 2007. This contribution is also included in the selling, general, and administrative expenses, which is not included in asbestos-related expenses mentioned above.

18. SECURITIZATION OF RECEIVABLES

The Company sells trade and finance receivables to investors through bankruptcy-remote independent securitization trusts. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.)

The Company recognized pretax losses resulting from the sales of trade receivables of ¥2,607 million ($22,093 thousand), ¥931 million, and ¥832 million for the years ended March 31, 2007, 2006, and 2005, respectively.

The Company recognized pretax gains resulting from the sales of finance receivables of ¥211 million ($1,788 thousand) and ¥479 million for the years ended March 31, 2007 and 2005, respectively, and recognized pretax losses resulting from the sales of finance receivables of ¥172 million for the year ended March 31, 2006.

Retained interests are subsequently measured at fair value based on the net present value of future anticipated cash flows, which is calculated by analyzing the yield, estimated net dilution, contractual servicing rates, and the average life of the transferred receivables.

The amounts of servicing assets or liabilities were not material as of March 31, 2007 and 2006.

The following key economic assumptions were used in measuring the retained interest in receivables sold by the Company during the years ended March 31:

	2007	2006
Trade receivables:		
Weighted average life (months)	**6.5**	6.5
Expected net dilution (monthly rate)	**0.78%**	0.78%
Discount rate and fee (annual rate)	**5.57%**	5.48%
Finance receivables:		
Weighted-average life (months)	**35.0**	49.6
Expected credit losses (annual rate)	**0.13%**	0.08%
Discount rate (annual rate)	**10.00%**	11.00%

The following depicts the sensitivity of the fair value of retained interests in trade receivables and finance receivables at March 31, 2007 to adverse changes in the key economic assumptions of the current fair value of future cash flow:

	Millions of Yen	Thousands of U.S. Dollars
Trade receivables:		
Fair value of retained interest	¥72,014	$610,288
Expected net dilution (monthly rate)	0.78%	
Impact on fair value of 10% adverse change	333	2,822
Impact on fair value of 20% adverse change	665	5,636
Discount rate and fee (annual rate)	5.57%	
Impact on fair value of 10% adverse change	34	288
Impact on fair value of 20% adverse change	67	568

Considerable judgment is required in interpreting market data to develop estimates of fair value, so the above estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. In addition, the above-estimated amounts generated from the sensitivity analyses include forward-looking statements of market risk, which assume for analytical purposes that certain adverse market considerations may occur. Actual future market conditions may differ materially, and, accordingly, the forward-looking statements should not be considered projections by the Company of future events or losses.

The following table summarizes certain cash flows received from securitization trusts for the years ended March 31:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	**2007**
Trade receivables:				
Proceeds from collections reinvested in revolving-period securitizations	**¥165,633**	¥163,671	¥108,109	**$1,403,669**
Servicing fees received	**338**	275	270	**2,864**
Finance receivables:				
Servicing fees received	**576**	219	210	**4,881**
Cash flows received on retained interests in securitizations	**1,489**	598	359	**12,619**

19. DISCONTINUED OPERATIONS

During the year ended March 31, 2005, the Company sold Nishinihon Kubota Kaihatsu Co., Ltd., a subsidiary reported in the Other Segment which operated a golf course and had reported consecutive losses, since it was very unlikely that Nishinihon Kubota Kaihatsu Co., Ltd. would be able to improve its earnings in the future.

During the year ended March 31, 2007, Kubota Retex Corp., a subsidiary reported in the Environmental Engineering Segment, decided to liquidate itself and withdraw from industrial waste treatment market since there were no prospects of getting in operation as a business.

Operating results of the discontinued operations for the years ended March 31, 2007, 2006, and 2005 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	Kubota Retex Corp.	Nishinihon Kubota Kaihatsu Co., Ltd.	Total	Total
Year ended March 31, 2007:				
Revenues	**¥ 267**	**¥ —**	**¥ 267**	**$ 2,263**
Loss from discontinued operations before income taxes	**¥(2,818)**	**¥ —**	**¥(2,818)**	**$(23,881)**
Gain from disposal of business	**—**	**—**	**—**	**—**
Income taxes	**1,532**	**—**	**1,532**	**12,983**
Loss from discontinued operations	**¥(1,286)**	**¥ —**	**¥(1,286)**	**$(10,898)**
Year ended March 31, 2006:				
Revenues	¥ 615	¥ —	¥ 615	
Loss from discontinued operations before income taxes	¥ (115)	¥ —	¥ (115)	
Gain from disposal of business	—	—	—	
Income taxes	—	—	—	
Loss from discontinued operations	¥ (115)	¥ —	¥ (115)	
Year ended March 31, 2005:				
Revenues	¥ 348	¥ —	¥ 348	
Loss from discontinued operations before income taxes	¥ (331)	¥ —	¥ (331)	
Gain from disposal of business	—	5,526	5,526	
Income taxes	—	5,574	5,574	
Income (loss) from discontinued operations	¥ (331)	¥11,100	¥10,769	

20. SUBSEQUENT EVENTS

On May 11, 2007, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2007 of ¥7 per common share (¥35 per 5 common shares) or a total of ¥9,043 million ($76,636 thousand).

On June 22, 2007, the Company's Board of Directors approved the purchase of up to 10,000,000 shares, or up to ¥11,000 million ($93,220 thousand) of the parent company's outstanding common stock on and after June 25, 2007 through September 27, 2007.