

To Our Shareholders and Friends

Performance over the Past Year

Along with continued robust performance in overseas business activities, Kubota Corporation and subsidiaries (hereinafter, the "Company") continued to report a strong performance for fiscal 2008, ended March 31, 2008. Both revenues and operating income rose to new record levels. Overseas, our performance showed steady gains, as a result of aggressive market development activities, especially in the Internal Combustion Engine and Machinery segment, in the markets of Europe and Asia outside Japan. In the domestic market, demand was relatively lackluster, but we worked to secure a solid performance through further cost-cutting, increasing productivity.

The Company posted consolidated revenues of ¥1,154.6 billion, an annual increase of ¥27.1 billion (2.4%) in fiscal 2008. Although revenues in the domestic market declined, overall growth was propelled by increases in overseas sales, which were driven by expansion in Europe and Asia outside Japan. As a consequence, the ratio of overseas revenues to consolidated revenues rose 3.9 percentage points, to 50.4%, and our overseas revenues exceeded those in Japan for the first time in the Company's history.

Operating income increased ¥6.5 billion (5.0%), to ¥136.9 billion from the prior year, the highest level in the Company's history. By segment, operating income in Internal Combustion Engine and Machinery expanded due to the increase in revenues. Operating income in Pipes, Valves, and Industrial Castings decreased owing to sharp price hikes of raw materials. Operating income in Environmental Engineering remained in deficit due to the sales decrease and declining profit margins by intensifying competition. Operating income in Other rose mainly due to increased sales of vending machines.

In spite of an increase in operating income, income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies decreased ¥9.0 billion (6.8%), to ¥122.6 billion. This decrease resulted mainly from increases in the foreign exchange loss-net and the valuation loss on other investments. Income taxes were ¥48.0 billion (representing an effective tax rate of 39.2%), and the net amount of minority interests in earnings of subsidiaries and equity in net income of affiliated companies to deduct was ¥6.7 billion, and the addition of income from discontinued operations, net of taxes, was ¥0.2 billion. As a result, net income decreased ¥8.4 billion (11.0%), to ¥68.0 billion, from the prior year.

Regarding dividends, to expand the return to shareholders, the Company has decided to increase the cash dividend applicable

to the fiscal year ended March 31, 2008, including dividends to be paid after the end of the fiscal year, to ¥14 per common share, or ¥70 per five common shares, compared with ¥12 per common share, or ¥60 per five common shares applicable to the prior fiscal year. Accordingly, in addition to the interim dividend of ¥6 per common share, or ¥30 per five common shares, already paid, the Company will pay ¥8 per common share, or ¥40 per five common shares, as a year-end cash dividend.

With the objectives of improving capital efficiency and raising the value of Kubota's stock, the Company has adopted a policy of flexibly buying back portions of shares outstanding. The Company purchased 10.93 million of treasury stock (¥8.0 billion). On the other hand, the Company retired 6.00 million shares of treasury stock (¥4.4 billion) on March 31, 2008.

Priority Policies for Medium- to Long-Term Growth in Earnings

To achieve further development and steady increases in enterprise value, the Company is actively addressing the following management issues.

Accelerating Global Development

The Company is working to accelerate the development of its overseas operations not only in Internal Combustion Engine and Machinery but also in other segments. Although there has been temporary deterioration in certain circumstances, including adverse movements in foreign exchange rates and concern about recession in the U.S. economy, the Company is continuing to prioritize inputs of management resources and accelerate the growth of overseas business activities through strengthening the competitiveness of its products and bolstering its business structure.

In Internal Combustion Engine and Machinery, the Company is expanding the diversity of its product portfolio by widening the scope of the product lineup and introducing products based on new concepts. At the same time, by offering products and services suited to the market environment of various regions, including North America, Europe, Asia, and elsewhere, the Company is promoting the diversification and dispersal of its revenues by region. In addition, the Company is working to develop its positions in newly emerging markets and thereby build its presence in future growth markets.

In other segments, including Pipes, Valves, and Industrial Castings, the Company is pursuing business opportunities in such fields as “water” and “the natural environment,” where solutions are needed on a global scale.

Restructuring Domestic Operations

The Company's domestic operations confront an extremely challenging business environment as demand in many businesses is continuing to decline and raw material prices have risen and remain at high levels. To respond effectively to this business environment, the Company is taking drastic initiatives to restructure its domestic operations.

In Pipes, Valves, and Industrial Castings, to overcome current difficulties and enhance profitability, the Company is adopting thoroughgoing measures to increase the efficiency of its marketing activities and reduce fixed costs as well as take even stronger steps to lower variable costs and increase productivity. The objectives of these measures include lowering the break-even point and mounting full-scale initiatives to expand revenues from the private sector.

In Environmental Engineering, the Company is engaged in a strong drive to concentrate on its core competencies and shift to new business models. Specific examples of activities include focusing principal business domains on the “water”-related fields, and, by developing private-sector markets, escape from overdependence on public-sector demand, as well as shift from the plant engineering business to expanding revenues from the sale of equipment and the provision of installation services.

Also, in Internal Combustion Engine and Machinery, the Company is endeavoring to steadily strengthen its business position through the substantial cutting of costs in all process phases from production through marketing.

Promoting Management Based on Corporate Social Responsibility (CSR)

The Company conducts its business activities with the awareness that management with a CSR perspective is one of the most important of its business policies. The Company believes that



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President and Representative Director

its sustainable growth and development as well as continuing growth in earning power will only be realizable if it contributes to the development of society and the preservation of the natural environment. Based on this awareness, in conducting its activities, the Company works to respond to the expectations and trust of its many stakeholders as a global corporate citizen by being strongly conscious of the multitude of responsibilities it must fulfill toward the economy, society, and the natural environment.

Reforming Corporate Governance

The Company intends to introduce the “Corporate Officers System” from April 2009, for the purpose of strengthening the soundness of corporate management and responding to the rapidly changing business environment surrounding the Company with agility and appropriateness.

The business environment the Company confronts is extremely challenging. Many developments that may have a major influence on the management of the Company are occurring simultaneously. These include the trend toward the appreciation of the yen against the U.S. dollar, concerns about recession in the United States, rapid increases in the prices of raw materials, and changes in the regulatory environment for the agricultural sector in Japan.

The Company has reaffirmed its commitment to overcoming the challenges it faces at present and achieving growth and development as well as enhancing its corporate value in the long term by devoting its fullest efforts to addressing these challenges.

We thank you for your investment in Kubota and your continuing support in the years ahead.

June 2008

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Daisuke Hatakake
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