

Water, Soil, Air... For All of Us

As a part of society's latent potential,
KUBOTA continues its support for an affluent way of life for all.





TABLE OF CONTENTS

In Editing the CSR Report 2006	2
TOP COMMITMENT	3
Fundamental Views on CSR Management	
Basic Concept [Corporate Mission Statement, Management Principles, Charter for Action]	5
Corporate Governance	7
Compliance	8
Economic Report	
KUBOTA Group Profile	9
A Year's Journey	11
Results for Fiscal 2006	13
Social Report	
Customer Satisfaction	15
Acting to Ensure Proper Awareness of Legal Compliance	19
Raising Awareness of Human Rights	21
Creating a Workplace that is Energetic and Conducive to Work	23
The KUBOTA Approach to Health & Safety in the Workplace	27
Communicating with the Local Community	29
Social and Cultural Support Activities	31
Coexistence with the International Society	33
KUBOTA's Response to the Issue of Asbestos	34
Appropriate Disclosure and Transmission of Corporate Information	35
Environmental Report	
Basic Policy	37
Status of Mid-term Targets and Results	39
KUBOTA Group Business Activities and Environmental Loads	41
Environmental Corporate Management	43
Environmental Accounting	47
Towards a Recycling-based Society	49
Global Warming Prevention	51
Chemical Substance Controls	53
Prevention of Environmental Pollution	55
Eco-Friendly Products	56
Independent Review on the Environmental Report	58
Scope of the Environmental Report	59
Questionnaire	60
Comments on the CSR Report	62

In Editing the CSR Report 2006

This report was compiled in order to report with sincerity and clarity on Kubota's CSR activities.

The report for this fiscal year touches on 3 perspectives of corporate activity, i.e., economic, social and environmental, and is composed in line with our Charter for Action.

Comments on the CSR Report 2006 have been given by Yukinobu Matsuo of KPMG AZSA Sustainability Co., Ltd.

The Environmental Report portion of the CSR Report 2006 underwent independent review by KPMG AZSA Sustainability Co., Ltd, in order to secure the reliability of the quantitative information in that report.

Scope of the CSR Report 2006

Economic Report

The Economic Report contains data on the consolidated accounting that was performed based on U.S. accounting standards.

Fiscal year 2006: 122 consolidated subsidiary companies and 25 affiliated companies accounted for under the equity-method.

Social Report

The Social Report contains the results of social activities carried out by KUBOTA Corporation itself as well as a portion of our subsidiary companies.

Environmental Report

The Environmental Report contains the results of environmental activities carried out by KUBOTA Corporation itself as well as 37 domestic and 6 overseas subsidiary companies. (Refer to page 59 for details on the companies within the scope.)

Period covered by this report

The content of this report focuses on activities during fiscal 2006 (April 2005 to March 2006). Some portions may include information on recent events.

Data in the Environmental Report are aggregate totals of domestic (April 2005 to March 2006) and overseas activities (January 2005 to December 2005).

Referenced guidelines

Ministry of the Environment: Environmental Report Guidelines (Fiscal Year 2003 version), Ministry of the Environment (Japan Government) GRI (Global Reporting Initiative): Sustainability Reporting Guidelines

Publication dates

This issue	September 2006
Next scheduled issue	September 2007
Previous issue	August 2005: "Social and Environmental Report 2005"

NOTES: The laws and government and municipal offices and organs, etc., mentioned in this CSR Report indicate Japanese laws and agencies, etc., unless otherwise indicated. The term "domestic" as used in this CSR Report refers to the areas comprising the country of Japan, while "overseas" indicates countries and regions outside of Japan.

New Corporate Principles and Codes of Conduct Established Towards the Implementation of CSR Management

President and Representative Director
KUBOTA Corporation

Daisuke Hatakake



AN INTERVIEW WITH THE PRESIDENT

KUBOTA has seriously begun working towards the realization of “CSR Management”. Would you please give us some of the background behind that?

For over a century since its initial founding, Kubota has offered products and services related to piping, agricultural equipment, environmental facilities, and much more, and we've been supporting society through those businesses.

To-date, we've attempted in our activities to make the best use of the basic business concept expressed by our founders, “Including absolute know-how and unrestrained devotion in creating products that are of value in the development of the country and of society”.

And, in surveying the future in this 21st century, it is apparent that expectations for KUBOTA are only growing larger and larger in the field of solutions for such immediate global issues as food, water, and the environment.

So, by adhering to and further developing the DNA that's been handed down to us within our business activities since we were first established, we hope to implement a CSR Management system at KUBOTA that enables us to support society through our business.

What successes and regrets did you experience in terms of CSR Management during fiscal 2006?

In fiscal 2006 we were involved in setting up new corporate principles and codes of conduct that better suit the times in order to more clearly fix our direction at KUBOTA towards our goal of CSR Management.

I offered up the basic management policy of “supporting the development of society and the preservation of our natural environment by offering products and services that create the foundations for human lifestyles and that contribute towards improving our quality of life”.

Conventional corporate policy and content did not always mirror current business circumstances and did not accurately indicate the desired corporate mission and corporate image of the KUBOTA Group. So we implemented an overall reevaluation and renewed the maintenance of and content within our system of corporate principles and code of conduct to reflect CSR concepts, and we then established new Management Principles and the Charter for Action on April 1, 2006.

In looking at compliance as well, something that's a foundation of CSR Management, we can see a state of departure from the appropriate posture.

We feel that developing our business more and more as a proper member of society is a responsibility that our company should fulfill, and that is the basis for our CSR Management. This fact has been conveyed at every opportunity to all levels of managers and employees, and I am recommending thorough compliance throughout the KUBOTA group.

What exactly will CSR Management entail at Kubota in fiscal 2007?

To make our new Management Principles and the Charter for Action thoroughly known, I want the policies that are the foundation of CSR Management to be sufficiently understood by all managers and employees throughout the KUBOTA Group, and those policies should be tied to our business activities and meticulously implemented until they are completely entrenched.

In order for KUBOTA to remain a decent member of society, it's necessary that both the rules of that society and our own in-house rules be properly understood and appropriately employed as the basis of management by all managers and employees. And we'll be putting effort into maintaining an internal control system that will serve as the mechanism for implementing this.

I also want to establish CSR Management at KUBOTA by strengthening the incorporation of such points as compliance and crisis management, in other words “risk management”, and by constructing a management organization that “implements matters of common sense with common sense”.

As president, what are your thoughts on CSR?

I've always said that it is the basic principle that it is society that allows a business to live that supports our company's direction.

In order to answer society's trust, I think that it's important to execute business in an honest manner, and that is the basis of CSR Management. But in order for a company to be continually honest to society, top management must

show uncompromising “honesty” in regard to all matters, and it is especially important, along with being involved in such management, that we clarify that stance both inside and outside the company.

I also feel that continuing to hold a high resolve towards supporting society in one's business, and having a sense of mission in carrying that out, is directly connected with a sense of pride and sense of responsibility in your work.

In order for KUBOTA to be a truly upright member of our society, we must never forget that feeling and we must continually work to fulfill our social responsibility through our daily activities.

And finally, what measures are being taken towards asbestos-related health issues?

I see this as a serious problem that pains me deeply. As a company that's been doing business over these many, many years in the Amagasaki area, it is more important than anything else that we at KUBOTA do whatever we can, and to our utmost ability, for both the residents of the area and the local government in order to resolve these issues. And that, I think, is a part of fulfilling our social responsibility.

Fundamental Views on CSR Management



Through CSR Management, the KUBOTA Group aims at obtaining the trust and satisfaction of our stakeholders and at increasing our corporate value.

Basic Concept

A new system of corporate principles and codes of conduct was established for the KUBOTA Group on April 1, 2006 through our “Corporate Mission Statement”, “Management Principles”, “Charter for Action” and “Code of Conduct”.

Outline

KUBOTA's corporate principles and codes of conduct were indicated in our corporate policy and content that were issued in 1973. The portion that particularly referred to codes of conduct was then revised in the “Charter of Business Conduct” and “Code of Compliance Standards” enacted in 1999 with a focus on corporate ethics.

However, as a major flow in the world today, companies have come to better recognize their relationship to society from all possible angles, and it is the fulfillment of our responsibilities in a manner that best fits such demands that will garner trust from the majority of stakeholders in this day and age. By making a strengthening of the CSR Management that can facilitate the fulfillment of the company's social responsibilities an important issue for top management, by reevaluating corporate policy, corporate content, the Charter of Business Conduct and the Code of Compliance Standards, and by enacting new corporate principles for the KUBOTA Group, we have prepared a system of principles and codes that can respond to changes in the social environment.



KUBOTA's Corporate Mission Statement, Management Principles, Charter for Action and Code of Conduct guidebook (left) and portable card (right) that are distributed to employees.



Corporate Mission Statement

- Work for the development of society by drawing on all our capabilities and know-how to offer superior products and technologies
- Build today and open the way to tomorrow, with the aim of bringing prosperity to society and happiness to employees
- Challenge the unknown with creativity and courage

Management Principles

The Kubota Group contributes to the development of society and the preservation of the earth's environment through its products, technologies, and services that provide the foundation for society and for affluent lifestyles.

KUBOTA Group

Charter for Action

1. Winning Customer Satisfaction

The Kubota Group seeks to win customer satisfaction and confidence by working to ensure product safety and offering products, technologies, and services that meet customer needs.

2. Conducting Corporate Activities Based on Compliance with Legal Regulations and Ethical Principles

The Kubota Group conducts its corporate activities while observing the letter and spirit of legal regulations applicable to its business operations, in accordance with social ethical principles and good conscience.

3. Respecting Human Rights

The Kubota Group bases its activities on the Universal Declaration of Human Rights, respects human rights, and does not violate human rights. Moreover, the Group respects the privacy of individuals and works to protect personal information.

4. Creating a Safe and Vibrant Work Environment

The Kubota Group maintains a safe and healthy working environment and works to improve workplace conditions. In addition, the Group respects the diversity and creativity of its employees and promotes a vibrant work environment.

5. Preserving the Natural Environment

The Kubota Group aims to create a society where sustainable development is possible on a global scale and conducts its operations with concern for preserving the natural environment.

6. Achieving Symbiosis with International and Local Societies

The Kubota Group respects the culture and customs of all countries and regions and seeks to build relationships of trust through communication with local societies, while also working to be a good corporate citizen.

7. Fulfilling Responsibilities for Improving Management Transparency and Accountability

The Kubota Group makes appropriate and timely disclosure of corporate information and fulfills its responsibilities for transparency and accountability in corporate activities.

KUBOTA's direction

We think of CSR Management in the KUBOTA Group as "aiming towards the satisfaction of those stakeholders that exist around the company, and performing management activities that heighten the overall value of the company while balancing the company's economic value, social value and environmental value i.e., the triple bottom line".

There are a number of important points required in order to implement CSR Management that fulfills a company's social responsibilities. The first is the absolute necessity for a strong volition within top management towards that CSR Management permeating throughout the whole of the organization, and towards everyone facing the same goal in all corporate activities, with all vectors aligned and with the same sense of values rooted as the corporate norm.

The next point is that, in order for corporate activities related to CSR Management to be truly valid, the overall management system must function properly. The most important issues within this management system are thought to be "establishing corporate governance", "thorough compliance" and "constructing an internal control system".





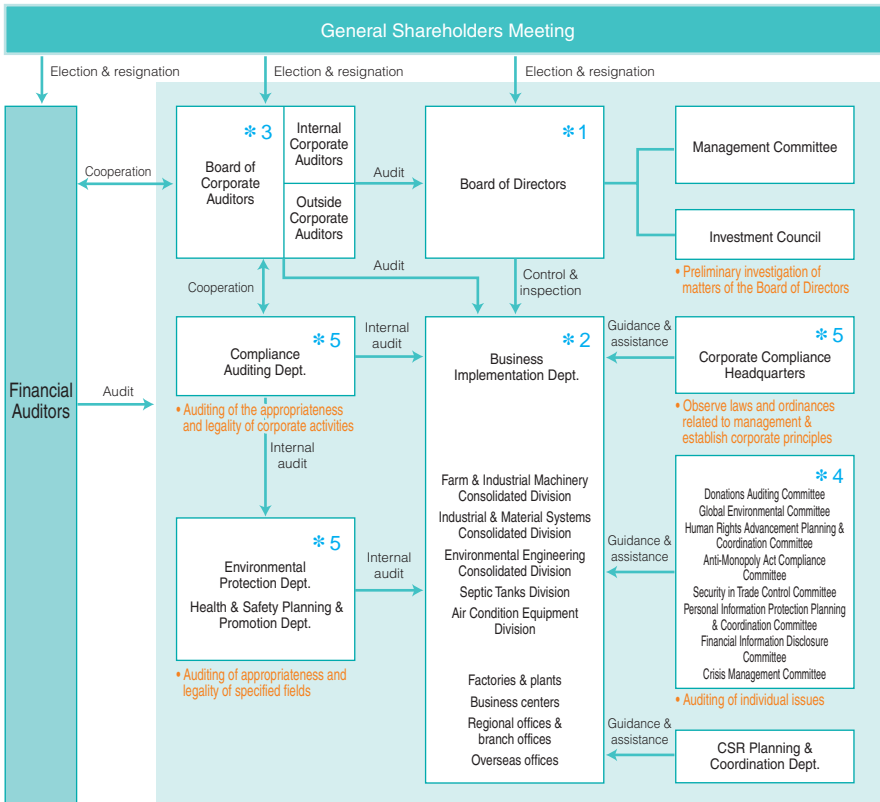
Corporate Governance

KUBOTA is promoting the enrichment of corporate governance in order to heighten stakeholder trust.

Views on governance and its structure

KUBOTA employs a system of Corporate Auditors who, through the Board of Directors and the Board of Corporate Auditors, carry out the supervision and inspection of the Directors' execution of business. We do not employ a system of outside Directors of Executive Officers.

Corporate governance structure (as of April 1, 2006)



*1: Composition and role of the Board of Directors

The Board of Directors is composed of 19 Directors. The Board convenes regularly, once a month, as well as periodically, as necessary.

The Board of Directors considers and makes decisions on items regarding management plans and important items related to capital plans and investment business reorganizations, etc.

Directors are reelected each year at the General Shareholders Meeting and, along with the aim of clarifying of management responsibilities for each business year, a flexible organization for the Board of Directors has been constructed.

*2: The role of the Business Implementation Department

There are many group companies that have put in place a business HQ system for each business domain that contains differing markets and technology. The Business Implementation Department has constructed an independent organization for our management system and corporate governance, based on both self-governing and consolidated management mechanisms.

*3: Composition and role of the Board of Corporate Auditors

The Board of Corporate Auditors is composed of 6 Auditors (3 of which are outside Auditors). Corporate Auditors implement audits by attending important meetings, listening to reports from Directors, etc., inspecting important approval documents, and inspecting subsidiaries, etc.

The Board of Corporate Auditors determines auditing policy and receives the reports on auditing circumstances, etc., from each Corporate Auditor as well as reports in regard to periodic audits from the Financial Auditors.

KUBOTA has established a permanent Office of Corporate Auditors to assist the Corporate Auditors in their auditing.

*4: The role of the various Executive Committees

Composed of those persons in charge of the related departments and with each corresponding corporate officer as committee chairperson, executive committees have been established to handle overlapping management issues that greatly influence management, to consider basic policy, and to make determinations on individual matters and response conditions, etc.

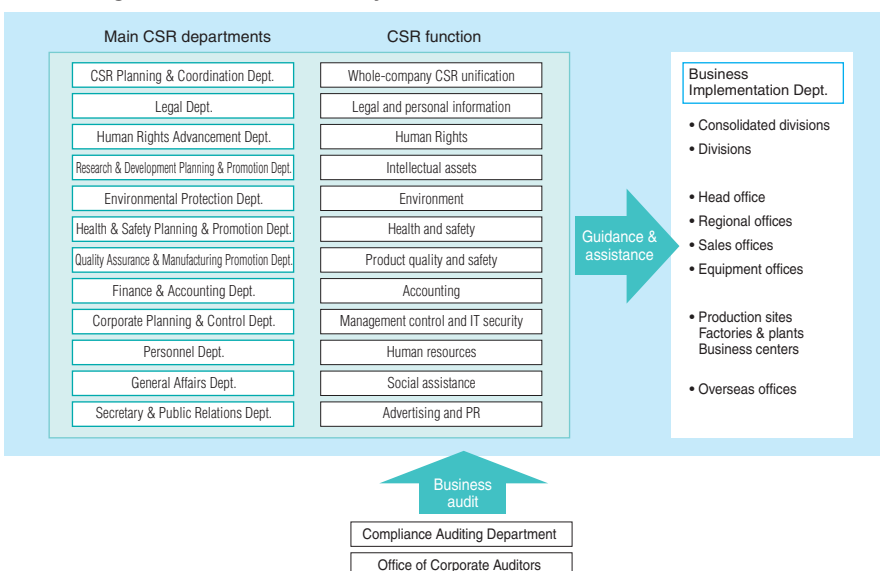
*5: Internal audits

The Compliance Auditing Department is independent from the Business Implementation Department and employs experienced staff to perform business and financial audits targeting KUBOTA and its group companies.

Business audits are performed as well in regard to important managerial issues related to the environmental field and health and safety field, for which the Environmental Protection Department and the Health & Safety Planning & Promotion Department are respectively in charge.

Internal audits involve inspecting specific locations and documentation based on an Audit Plan and reporting the results to the President, as well as performing necessary countermeasures and follow-up.

CSR Management Internal Control System



Compliance

Promotion activities, such as systematic development and education, information transmission, etc., are carried out in order to foster a business culture with a law-abiding spirit and a high sense of ethics.

System of promoting compliance

The Compliance Auditing Department was established in June 1999 as a special section dedicated to the promotion of corporate ethics in reflection of and in order to prevent a reoccurrence of our violation of the Anti-Monopoly Act* and Commercial Code. Following that, an outside specialist was invited as advisor to further strengthen the system of observance to the law and corporate ethics, and our Corporate Compliance Headquarters was established in June 2001. (We currently have 3 advisors.)

Composition of the Corporate Compliance Headquarters

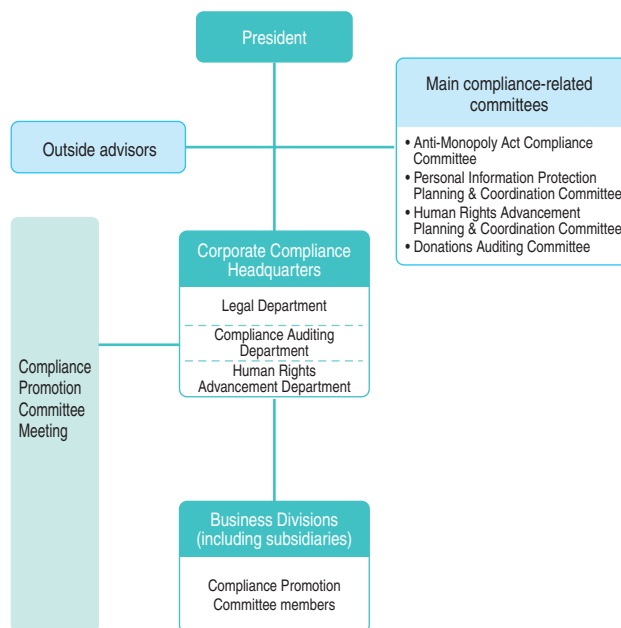
The Corporate Compliance Headquarters is a division that unifies the observance of not only the law but also generally-accepted social concepts and ethics. Under the Corporate Compliance Headquarters Manager, this section is composed of the Legal Department, which is the unifying section for all companies in relation to legal matters, the Compliance Auditing Department, which deals with corporate ethics and business audits, and the Human Rights Advancement Department, which is involved in human rights advancement and guidance.

Compliance Promotion Committee Members

56 management class employees from the various offices and business section are chosen and registered as Compliance Promotion Committee members. The Committee members meet every year to deepen their understanding of compliance and to exchange opinions on the important themes of the Anti-Monopoly Act*, human rights issues, crisis-management measures, etc.

* Proper name: Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade

Compliance Promotion System Flowchart



Compliance promotion activities

Educational advancement activities

Towards the thorough adherence to the law, rules, and corporate ethics, KUBOTA performs separate training for each employee level, targeting the management layer, officers, newly elected officers, new employees, etc. Specifically, this aims at the permeation of a consciousness towards compliance by inducing consideration from the standpoint of "How did this happen?" and "What would I have done?" in regard to actual cases from other company's as well as in their own company. Participants' level of understanding and consideration for risk, both pre- and post-training, and the desired content and methods of training, etc., are also examined through questionnaires and effectively applied in all subsequent training.



Training by employee level

In-house information transmission

The company newsletter contains educational articles that take up recurrent themes related to compliance, such as those concerning the regulatory systems for the Act on the Protection of Personal Information, the Anti-Monopoly Act, and importing and exporting. A main appeal of this newsletter is in its friendly form, which stays away from difficult legalese and employs an interactive student-teacher style that fits concrete scenes that tend to exist. Such information as regular messages from the officer in charge of compliance and on the introduction of other company's experiences, etc., is also delivered via the company's Intranet.



Article in the company newsletter



In various regions around the world and throughout a wide range of fields, KUBOTA is there to support the foundation of everyone's lives by offering high quality products and service.

KUBOTA Group Profile

KUBOTA Corporation

Corporate name	KUBOTA CORPORATION	Head Office	1-2-47 Shikitsu-higashi, Naniwa-ku, Osaka 556-8601 JAPAN Telephone: +81-6-6648-2111 Facsimile: +81-6-6648-3862
Founded	February 1890		
Established	December 1930		
Capital	¥84,070,280,304	Tokyo Head Office	3-1-3 Nihonbashi-Muromachi, Chuo-ku, Tokyo 103-8310 JAPAN Telephone: +81-3-3245-3111 Facsimile: +81-3-3245-3822
Total number of shares issued	1,299,869,180		
Number of shareholders	46,214		
Number of employees	8,706	Website	http://www.kubota.co.jp/
Total number of employees in the KUBOTA Group	23,049		

(as of March 31, 2006)

A diversity of products, technology, and services

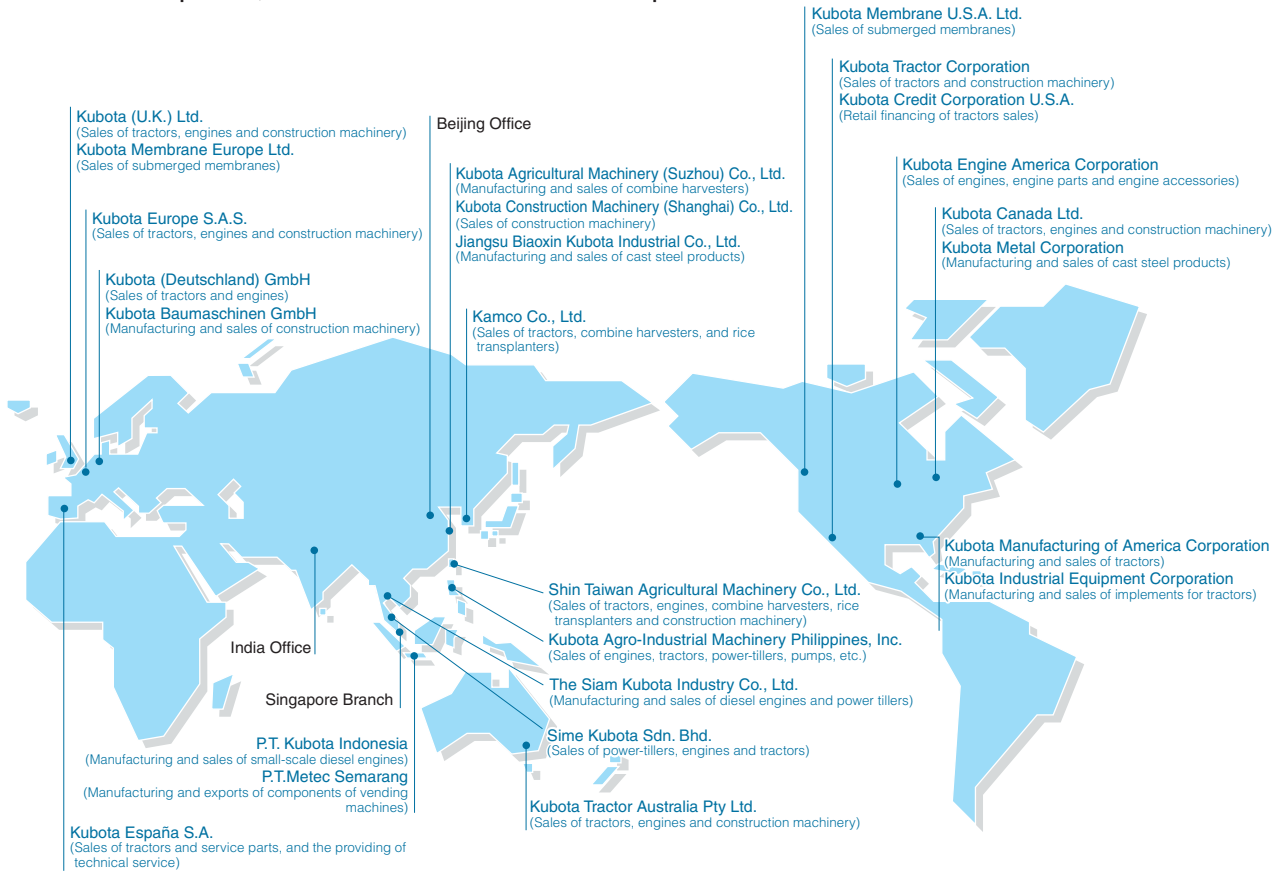
Division	Main products	
Internal combustion machinery	Agricultural machinery	Tractors, Mini-tillers, Tillers, Power tillers, Combine harvesters, Binders, Harvesters, Rice transplanters
	Agriculture-related products	Implements, Attachments, Rice driers, Mowing machines, Pest control machines, Vegetable transplanters, Vegetable harvesters, Arm housings, Rice milling machines, Storage refrigerators, Electric carts, Rice-shaping robots, others
	Agricultural facilities	Cooperative drying facilities, Cooperative seeding facilities, Gardening and fruit collection, selection and shipment facilities, Rice milling facilities,
	General use machinery	Green control devices, Mowers, Utility vehicles
	Engines	Various types of engines for agricultural machinery, construction machinery, industrial machinery, generators, etc.
	Construction machinery	Mini-excavators, Wheel loaders, Carriers, Hydraulic shovels, Welders, Generators, various other products
Industrial & Material Systems	Piping systems	Ductile iron pipes, FW pipes (reinforced plastic composite pipes), Spiral welded steel pipes (steel pipe piles, steel pipe sheet piles), Perma pipes (double-layer heat-retentive pipes) Synthetic pipes (Vinyl pipes, Polyethylene pipes, Resin-lined steel pipes, Joints, fittings and various kinds of attachments) Valves (valves for service water and sewage, etc.)
	Industrial casting and materials	Reformer tubes, Harness rolls, G columns, G piles, Rolls for steel mills, Ceramics, TXAX (brake pad material), Cast iron drainage pipes, Jointed drainage pipes, Ductile tunnel segments, Ductile frames
Environmental Engineering	Service water and sewage engineering	Sewage treatment plants, Sewage sludge incineration and melting plants, Water purification plants
	Environmental recycling	Waste pulverizing, sorting and recycling plants, crushing and ultra-fine grinding equipment. Waste incineration and melting plants, Landfill leachate treatment plants, Nightsoil treatment plants, Soil and groundwater remediation plants, Industrial wastewater treatment plants, Biomass recycling plants
	Pumps	Various types of pumps and pump plants for service water, sewage and industrial use, Fountain, Micro hydro power generation equipment
	Others	Submerged membrane systems for nightsoil and wastewater purification, Food waste treatment plants
Others	Residential use	Roofing material, External wall material, Septic tanks, Bathtubs, Condominiums
	Vending machines	Vending machines for various beverages and cigarettes, Plastic ticket vending machines
	Electrical equipment	Weighing and measuring control systems, CAD systems, ticket vending machines
	Others	Air-conditioning equipment, Diverse software, Design and construction for service water, sewage and general earthwork, etc.



Operations that span the world

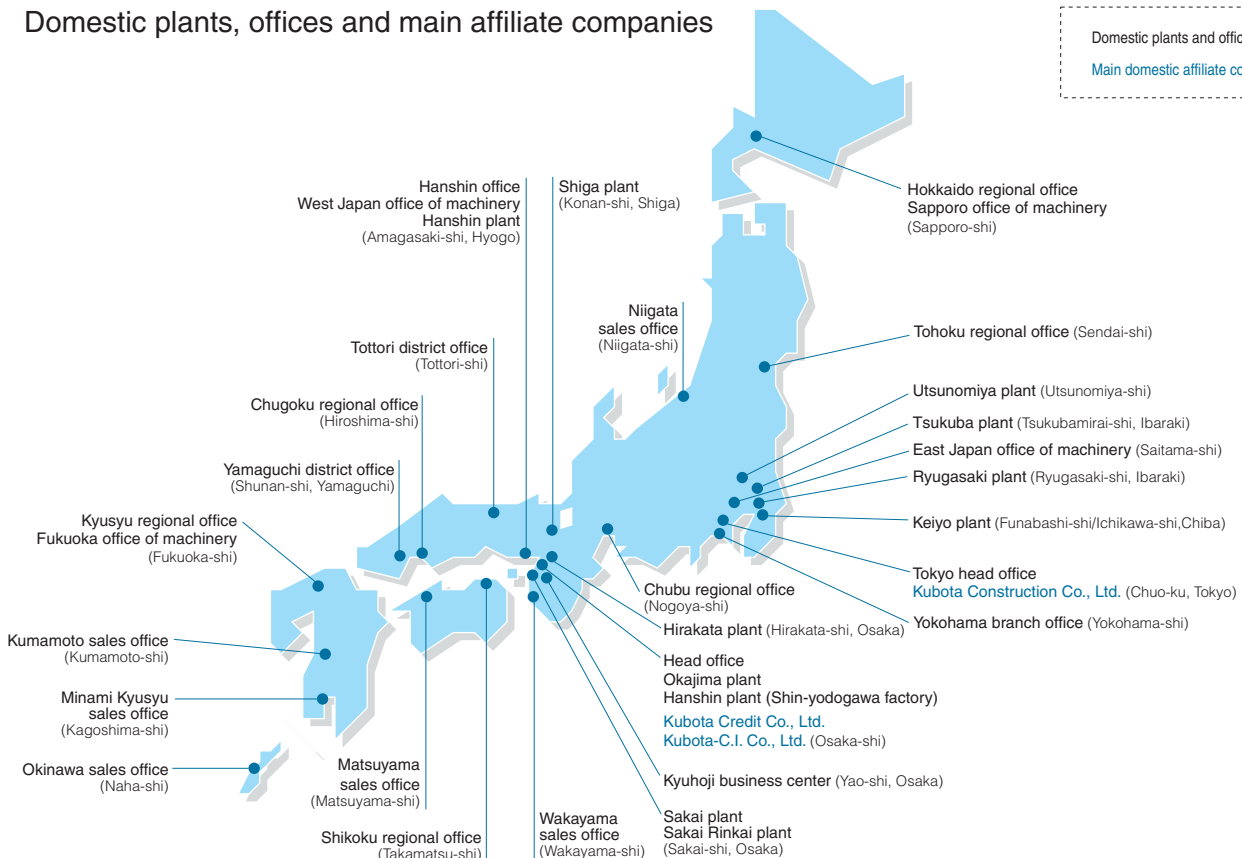
Overseas plants and offices
Main overseas affiliate companies

Overseas plants, offices and main affiliate companies



Domestic plants, offices and main affiliate companies

Domestic plants and offices
Main domestic affiliate companies





A Year's Journey: April 2005–March 2006

April 2005

Kubota-C.I. Co., Ltd., established *1
 CSR Planning & Coordination Dept. established
 Fiscal 2005 new employee initiation ceremony held *2
 "Kubota Chubu Regional Meeting" held
 Order for steel pipe piling received for new construction at ProLogis Park Urayasu III
 φ500–1000 mm ductile iron pipe with NS-type earthquake-proof fittings made compliant with JCPA standards *3
 "Casing Storage Method Ceramic Membrane Filtration Device" developed for large-scale water purification plants *4

May

Fiscal 2005 financial statements released
 "FMZ-100K Tobacco Root Processor" put on the market *5

June

"Social and Environmental Report 2005" issued
 "Teshima Illegal Waste Dump Raw Material Recovery System" wins the Minister of Economy, Trade and Industry Prize at the "31st Excellent Environmental Equipment Awards"
 "115th General Shareholders Meeting" held
 "Kubota Shikoku Regional Meeting" held
 "Kubota Giho No. 39" issued *6
 Order for steel pipe piling received for new construction at La Salle Investment Suminoe Distribution Center

July

Singapore Sales Office established
 IR activity initiated towards European investors
 Business and capital partnership entered into with Tsukishima Kikai Co., Ltd. in relation to service water and sewage equipment
 "New KingEye KT Series" mid-size tractor *7 and "OneMaster" single-wheel management machine put on sale in the domestic market
 "KINGLEV U-20-3S" and "KINGLEV U-25-3S" compact rear turning radius mini-excavators put on sale in the domestic market *8

August

"Kubota Hokkaido Regional Meeting" held
 "Cute", "Welstar VIP Special, and "WelstarPro" ride-on rice transplanters and the standard type "AeroStar GP Series" 38-horsepower "ARH380" combine harvester *9 put on the market

September

Kubota Tractor Corporation (KTC) U.S. reaches one million in total sales for four-wheel passenger vehicles
 "Kubota Kyushu Regional Meeting" held
 "U-20-3α" and "U-25-3α" compact rear turning radius mini-excavators put on sale in the European market *10
 Plant delivered for the "Colombo Region Northern Waterworks Project" *11
 "PV3000 Series" plastic ticket vending machine put on the market

*1 The Synthetic Pipe Division was abolished and its functions transferred to Kubota-C.I. Co., Ltd.



*2 Fiscal 2005 new employee initiation ceremony



*3 The NS-type fitting with its excellent construction was developed into a series of products



*4 The membrane filtration device for water purification plants



*5 Continuous operation in the processing of remaining tobacco roots is possible without getting off the tractor



*6 "Products and technology that support global business" is the feature of this issue



*7 The "KT250", equipped with built-in "Double-Speed U Turning" function, offers a compact turning radius



*8 World-class safety features included as standard equipment



*9 Small-scale standard-type combine harvester with one top-of-its-class capabilities and functions



*10 Original anti-theft device is installed for the European market



*11 Sri Lanka's largest-scale water supply equipment delivered to Colombo

October

Management of the photovoltaic power generation roof business transferred to MSK Corporation

"U.S. KTC Dealer Meeting" held

"Kubota Tohoku Regional Meeting" held

"In-line Power Generation Waterwheel" wins the New Energy Foundation Chairman's Prize at the "10th New Energy Awards"

Compact rear turning radius mini-excavator with safety functions included as standard equipment put on sale in the domestic market [*12](#)

November

Interim financial report release

"Kubota Chugoku Regional Meeting" held

December

Kubota Manufacturing of America Corporation (KMA) achieves a production volume of 40,000 utility vehicles

"New Ceramic Membrane Filtration Device" acquires approval as a service water membrane filtration device from Japan Water Research Center (JWRC)

Global tractor production reaches three million [*13](#)

January 2006

"59th Kubota Machinery Group Dealers Meeting" held

"New M40 Series" M-type tractors [*14](#) and "F80 Series" front mowers put on sale in the international market

"U15", "U25S", and "U45S" compact rear turning radius mini-excavators put on sale in the United States [*15](#)

New "AeroStar Witt Series" 2- and 3-row combine harvester put on the market [*16](#)

"SGE method" for steel pipe pilings acquires certification by Japan's Minister of Land, Infrastructure and Transport [*17](#)

February

Kubota Industrial Equipment Corporation (KIE) new U.S. factory completed [*18](#)

Construction begun on new factory at Kubota Agricultural Machinery (Suzhou) Co., Ltd. [*19](#)

IR activity initiated towards U.S. investors

Japan's largest "submerged ceramic membrane filtration tank facilities" completed for the Arita-cho area in Saga Prefecture



[*18](#) View of the plant



[*19](#) Image of the completed plant



[*12](#) Functions in compliance with European safety standards, viewed as the strictest in the world, standardized domestically into the "CE-Version"



[*13](#) A limited edition commemorative tractor put on the market

[*14](#) Refined design suitable for a complete restyling of the M9540 model added and basic performance improvement implemented



[*15](#) Three models of compact rear turning radius mini-excavators put on the market



[*16](#) Model No. 9 completely changed all at once



[*17](#) Construction using the "SGE method"

March

India Office newly established

Construction begun on new factory at the Tsukuba plant

Partial withdrawal from the night soil treatment plant business completed

Septic tank for waste disposal units put on the market [*20](#)

The very first "Spiral Filtration Membrane Device" completed for the Ishinomaki District Water Supply Authority

"Sewage sludge melting equipment" completed for Toyama Prefecture Oyabe River Valley Sewage Futagami Purification Center [*21](#)



[*20](#) Joint development by four manufacturers achieves high-level processing, compact design, and low price



[*21](#) Processing capacity 16 ton/day

Results for Fiscal 2006

KUBOTA received wide-ranging support from both domestic and foreign customers around the divisions related to internal combustion machinery enabling a high level of both sales and profits to be maintained.

Overall status of the KUBOTA Group

During this period and in continuation from the previous term, the KUBOTA Group maintained the trend towards positive results, with the highest operating profits in our history recorded especially indicating the potential of our business.

Various efforts were enacted in an aim at the "reform of our business structure and our corporate profit structure", including the expansion of foreign operations through the introduction of new products that matched market needs and the development of new markets, and the steady, continuous strengthening of our competitive edge through lowered costs and increased productivity, and all of this worked to deliver good results for this period.

Total sales for this fiscal year reached 1 trillion 51 billion yen. The high expansion in overseas sales continued for divisions related to such internal combustion machinery as tractors, engines, and construction machinery and served as the force behind the growth of the group.

Operating profit totaled 113.5 billion yen due to the increase in sales and a persisting reduction in costs, thus exceeding 100 billion yen for the first time ever.

Divisional situation of the KUBOTA Group

Internal combustion machinery divisions

These divisions are connected to the sales of agricultural implements and machinery, engines, construction machinery, etc., and include various agricultural-related products as well, with domestic sales of their agricultural implements and machinery, their core products, especially increasing for this term.

The sales of construction machinery expanded with a focus on major rental firms and a background of increased demand. Sales of engines also improved greatly, centering on the development of new customers, etc., with a concentration on construction and industrial machinery manufacturers.

Overseas, besides steadily increased sales in North America, the leading market for tractors, a major rise in income was recorded through the launch of new models of garden tractors in Europe along with the market introduction of utility (multi-purpose four-wheel) vehicles that are quite popular in the United States.

Sales in Asia as well continue to expand remarkably in regard to various rice farming machinery, such as tractors in the Thai market and combine harvesters in the Chinese market. New model introductions and an increased share, etc., in the leading market of Europe led to healthy increases in construction machinery sales, and results in that field are also on the rise in North America where the market recognition for mini-excavators is advancing rapidly. Engines also showed a large growth in sales due to the boom being experienced by major customers in North America and Europe, the development of new customers, and the expansion of application, etc.

Industrial & Material Systems Division

This division includes pipe systems (ductile iron pipes, spiral steel pipe, synthetic pipes, valve and others) and industrial castings and materials.

Domestically, income from ductile iron pipes decreased due to a let-up in demand, but the sales of synthetic pipes increased through the integration of business between Kubota Corporation and C.I. Kasei Co., Ltd. in April 2005.

Industrial castings and materials witnessed a major increase in sales thanks to the active capital investment demand in the steel and energy fields.

In regard to the overseas market, the export of ductile iron pipes to the Middle East became steady and sales of industrial castings and materials that exceeded the previous term were also recorded.

Environmental Engineering Division

This division relates to various environmental plants and pumps, etc.

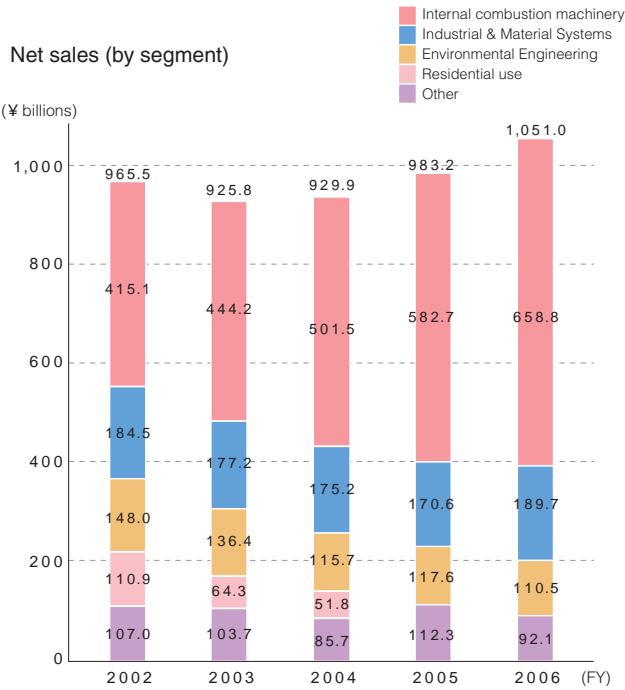
Domestically, with the continuing reduction in the public works investment budget and the simultaneous decline in demand and drop in sales price, extremely strict business management was necessitated. Amongst our strongest businesses, service water and sewage engineering secured an increase in income, but there was slight decrease in the sales of pumps and environmental recycling sales dropped significantly. On the other hand, overseas sales focusing on pumps and submerged membranes rose quite satisfactorily.

Other divisions

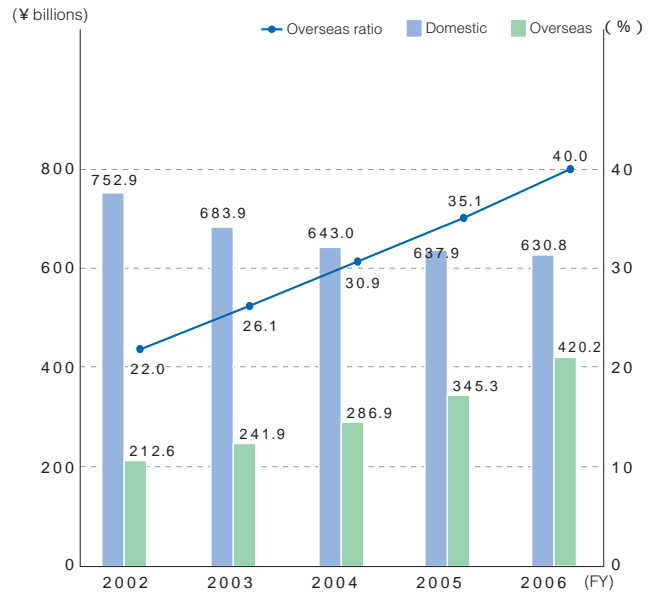
The sales of electrical equipment increased but income from vending machines showed a slightly decrease, while the sales of air-conditioning equipment, construction, septic tanks, and condominiums dropped as well.

The influence from the selling off of subsidiaries at the beginning of this period was also evident, causing sales in all other divisions to fall considerably below that of the previous term.

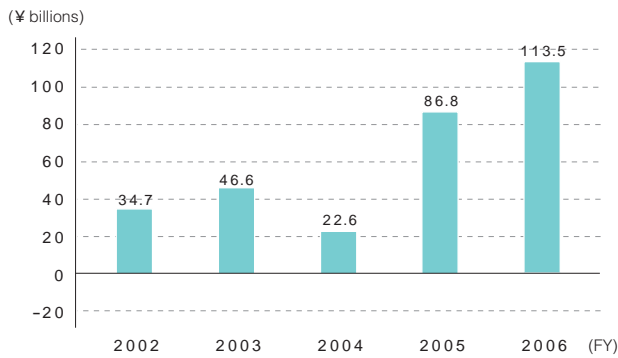
Changes in results (consolidated)



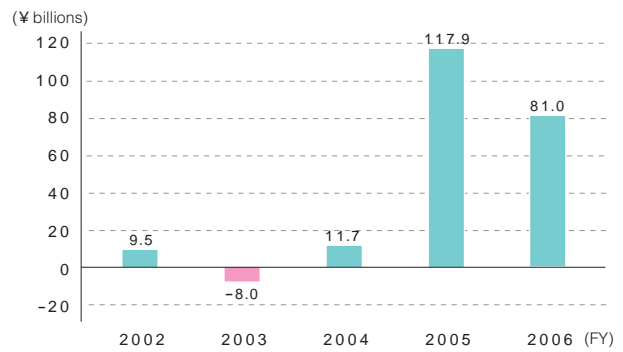
Changes in domestic and overseas sales



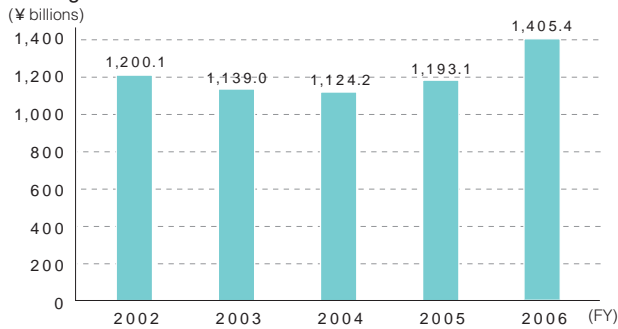
Changes in operating profit



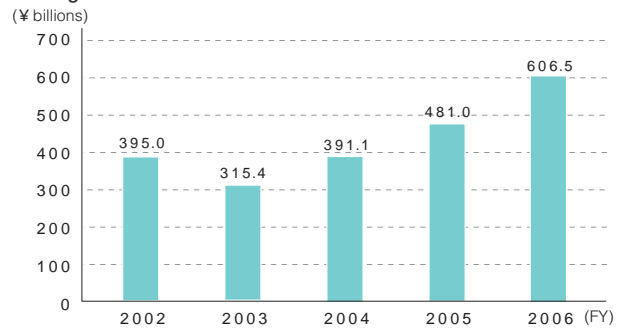
Changes in net profit



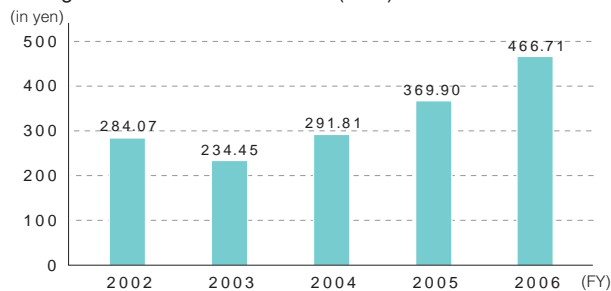
Changes in total assets



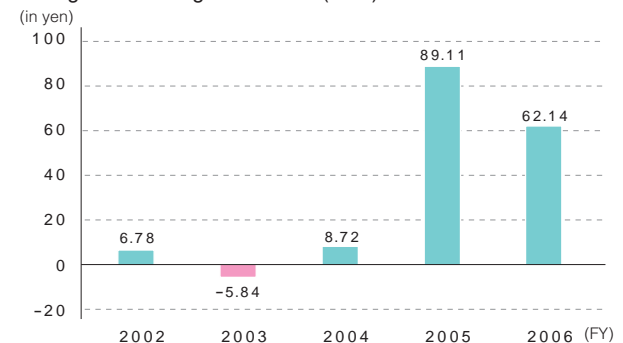
Changes in net assets



Changes in Book-value Per Share (BPS)



Changes in Earnings Per Share (EPS)





KUBOTA is involved in a variety of activities to deepen the confidence and satisfaction of all the diverse stakeholders who are involved with the company.

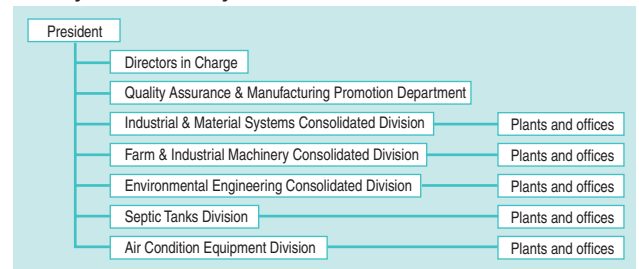
Customer Satisfaction

As an enterprise that satisfies its customers, the KUBOTA Group is committed to improving the quality of its goods and services and, striving to share information, places priority on communication.

Quality and product safety

In order to respond to the specific quality needs of customers in the different business areas of the KUBOTA Group, we have organized a unique quality assurance system that actively supports quality and safety within our consolidated divisions as well as within each individual division. To provide products, technologies, and services with superior safety and excellent quality, the department in charge takes care to ensure that both safety and quality are built into each operational process, from product development to final sales and service.

Quality Assurance System



ISO9001 certification status

Marked by the first acquisition of certification by the Hirakata plant in 1993, our Group has been implementing ISO9001 standards in order to increase the customer satisfaction with KUBOTA products. As the table below shows, all our sites currently conform to ISO9001. As we strive to provide products, technologies, and services with "superior safety and excellent quality", these international quality management principles spur us to build a continuous record of improvement.

List of sites with ISO9001 certification

Place of business (Head office, division, or plant or office)		Main product(s)	Date of certification	Certifying body	
Industrial & Material Systems	Iron pipes	Hanshin / Keiyo	Ductile iron and non-standard pipes, fiber-reinforced plastic composite and non-standard pipes, pipe fittings and related parts, water monitoring software	Jan 1999	JCQA
	Steel pipes	Keiyo	Spiral welded steel pipes, thermal transfer pipes	Jul 1998	JICQA
	Valves	Hirakata	Valves and gates	Sep 1994	LRQA
	Cast metal	Hirakata	Suction rolls for paper machines, ordinary steel, stainless steel, heat-resistant steel, pipes and fitting rolls, spool columns, piles, direct-injection castings	Mar 1993	LRQA
	Rolled products	Amagasaki	Mill rolls	Mar 1996	JICQA
	New materials	Amagasaki	Inorganic synthetic material (TXAX™)	Aug 2005	JICQA
	Industrial equipment	Okajima	Cast metal products	May 1998	JICQA
Farm & Industrial Machinery	Engines	Sakai	Engines, tractors, farm implements and construction equipment	Jun 1994	LRQA
	Tractors	Sakai Rinkai	Engines	Jun 1994	LRQA
	Farm implements	Tsukuba	Engines and tractors	Jun 1994	LRQA
	Construction machinery	Utsunomiya	Farm implements	Feb 1997	LRQA
	Construction machinery	Hirakata	Construction machinery	Apr 1996	LRQA
Environmental Engineering	Electrical devices	Kyuhoji	Scales and load cells	Aug 1994	DNV
	Water and sewage treatment	Tokyo head office Hanshin office Shin-yodogawa environmental plant center	Water purification systems, sewage treatment equipment, sewage sludge incineration and melting plant, industrial wastewater processing plant, dewatering equipment	Oct 1997	LRQA
	Water quality	Tokyo head office Hanshin office	Organic sludge treatment equipment, graywater treatment equipment		
	Recycling	Tokyo head office Hanshin office Kyuhoji	Incinerators and melting facilities, grinding and sorting facilities	Incineration	
				Recycling	
	Pumps	Hirakata Tokyo head office, Head office Hanshin office	Pumping plants, water and sewage treatment facilities	Dec 1995	LRQA
Septic tanks	Shiga	Small plastic composite septic tanks	Apr 2003	JUSE	

JCQA :
Japan Chemical Quality Assurance Ltd.

JICQA :
JIC Quality Assurance Ltd.

LRQA :
Lloyd's Register Quality Assurance Ltd.

JUSE :
Union of Japanese Scientists and Engineers

DNV :
Det Norske Veritas AS

Quality improvement activities in manufacturing divisions

Aiming to improve the quality of the products that we supply to our customers, KUBOTA has evolved small group activities within the manufacturing divisions and, we have been announcing the results of our excellent case studies outside the Group. On July 6, 2005, the Engine Division of KUBOTA's Sakai plant took part in ITC 2005 organized by the Japan Management Association at Pacifico Yokohama and received their Award of Excellence. Contests in expertise are regularly held within the company as well in order to further hone skills.



Skills contest: casting molten metal at the Okajima plant

Communicating with customers

To meet customer expectations by developing goods that deliver satisfaction, the KUBOTA Group both inclines a serious ear to what our customers have to say and actively conveys information about our products. We also strive to maintain complete two-way communication with our customers.

Products on display

To demonstrate their products and introduce equipment that customers will find satisfying, each division and Group company actively takes part in trade shows. While gathering information from customers, the feedback that we obtain there is reflected in the development of new models.



KUBOTA booth at the "Sapporo Suidoten" exhibition
October 26 to 28, 2005
Steel pipe, Valves, Pumps, and Water and Sewage Engineering divisions
(held at Sapporo Convention Center)



KUBOTA booth at the "Sewage Works Exhibition 2005 Tokyo"
July 26 to 29, 2005
Steel pipe, Valves, Pumps, and Water and Sewage Engineering divisions, Kubota-C.I. Co., Ltd., and Kubota Construction Co., Ltd.
(held at Tokyo Big Sight)



KUBOTA booth at the "Nagoya Nogyo Festa 2005"
July 27 to 31, 2005
Farm & Industrial Machinery Consolidated Division and Aichi Kubota K.K.
(held at Sasashima Satellite Square, Aichi Expo 2005)



The "59th KUBOTA Machinery Group Dealers Meeting" for agricultural and construction machinery dealers
January 17 to 18, 2006
(held at Kyoto International Conference Hall)



KUBOTA booth at the "New Earth 2005 Global Environment Technology Show"
October 26 to 29, 2005
Environmental Engineering Consolidated Division
(held at INTEX Osaka)



The "KTC Dealer Meeting"
October 1 to 5, 2005
(held in Texas, U.S.A.)

Disclosure of product recall and response

If a fault is found in a product purchased by a customer and action is deemed necessary, KUBOTA promptly makes that information public and submits it to the relevant body. Product collection, repair, or other action is then implemented as required. Recall and repair of the products listed below was carried out in fiscal 2006.

November 1: R Series wheel loader—Recalled to repair oscillation center shaft machining fault

February 9: KC Trimmer—Recalled to replace faulty buckle on body strap

February 23: RakuRoad EW40 Electric Cart—Recalled to reinforce inadequately welding strength

R&D: products and services

KUBOTA's basic policy on R&D

In principle, while striving to contribute to social improvement and environmental conservation, KUBOTA aims to “contribute to social development and conservation of the global environment through products, technologies, and services that support the foundations of society and an affluent lifestyle”. Thus providing deeper support to the wider world, we do our utmost to provide goods and services that both prove worthy of the confidence of our customers and contribute to the greater good. We specifically carry out research and development with particular emphasis on the three items listed below.

- (1) Products that embody social consideration and provide safety and satisfaction to the customer
- (2) Products and technology that provide support for lifeline functions and industry and which encourage social development
- (3) Products and technology that help to regenerate the environment and minimize environmental loads

Products that embody social consideration and provide safety and satisfaction to our customers

- Construction machinery with an eye on safety

KUBOTA has constantly endeavored to develop mini-excavators that appeal to users around the world by providing superior levels of safety, operability and comfort. For three years, beginning in 2002, we achieved the largest share of the global market for mini-excavators in the 6-ton and under class. Extending our globally acknowledged level of safety in a model aimed especially at Japan, we came up with the KINGLEV CE Version, a mini-excavator with an ultra-small rotation radius. Based on our own safety standards, which go beyond even the world's most stringent official regulations enacted in European directives, we have adopted a four-post ROPS/FOPS* canopy and cabin design. Furthermore, meeting the toughest global safety standards, if the engine cuts out when the bucket is raised, it can be lowered using built-up hydraulic pressure. By providing construction equipment that embodies a high level of safety, KUBOTA will go on helping to consolidate safety in the work environment, both in Japan and the all over the world.



The CE Version Label indicates that the product meets safety standards equivalent to those stipulated in EC regulations.

KINGLEV CE Version mini-excavator

*ROPS/FOPS: These European safety standards are for rollover protective structures (ROPS) and falling object protective structures (FOPS).

Products and technology that provide support for lifeline functions and industry and which encourage social development

- Cracking tubes with superior cracking efficiency that contribute to the global oil industry

Life in today's world is inconceivable without petrochemical products. Ethylene, a building block of these products, is made through the pyrolytic conversion of naphtha or ethane in arrays of high-temperature reactor tubes that comprise cracking furnaces. KUBOTA has been making and selling cracking tubes to the oil industry since 1960. With MERT (mixing element radiant tube), we have developed a new type of cracking tube that reduces coking inside the tube.

MERT features a projecting mixing element on the inner wall of the tube. This projection causes turbulence in the gas flow that improves thermal distribution and suppresses side reactions. Reduction in tube temperature and decreased coking have enabled heating costs to be reduced by 5% and maintenance costs to be cut in half. This is of great benefit to the ethylene processing industry. And, to make the technology suitable for even more kinds of furnaces, development has continued even after MERT went on sale. Currently, MERT is installed in more than 190 cracking furnaces, about 20% of those in use worldwide.



MERT

Products and technology that help to regenerate the environment and minimize environmental loading

- Membrane methane fermentation converts waste to energy

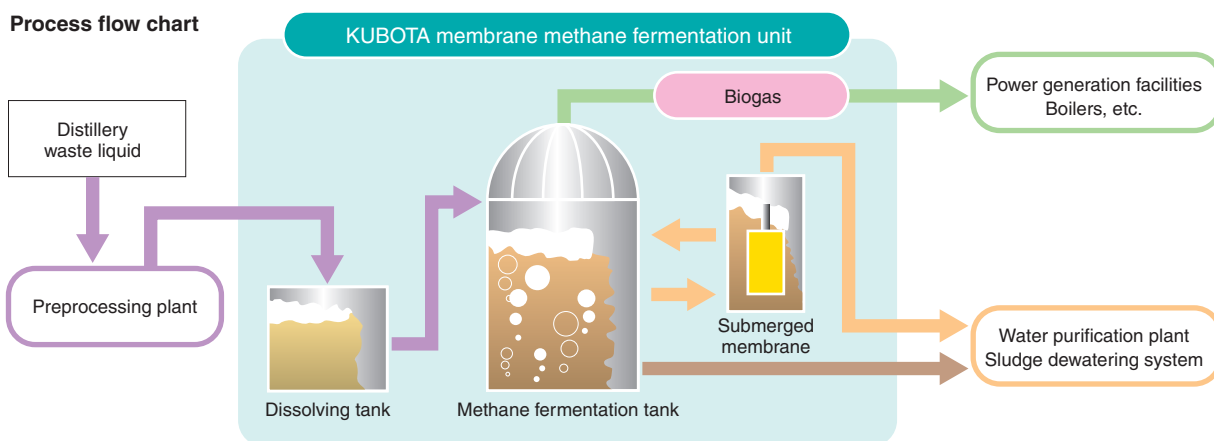
By organically fermenting food waste, sewage sludge, and other wastes, methane fermentation systems produce biogas that is used to generate energy. For example, *shochu* distilleries in Japan annually produce about 700,000 tons of wastewater. Disposing of this, whether through dumping in the sea, incineration, or conversion into animal feed and fertilizer, requires energy. Industry would prefer to deal with such wastes in ways that are more economical and environmentally friendly. In response, KUBOTA has developed a compact, clean, membrane methane fermentation system that, after microorganisms have digested brewery wastewater to produce methane, discharges clean water. As well as eliminating the hazard of dioxin discharge associated with incineration, the biogas produced by the system can then be used as fuel. Furthermore, because our innovative submerged membrane supports and sustains a high microbe population density, we have managed to greatly reduce the form

factor to create a compact fermentation plant. At the same time, production of ammonia and other inhibitory by-products of fermentation has been curtailed to allow continuous operation.



Membrane methane fermentation unit

Process flow chart



TOPIC

Zeolite Catalyst

In waste incineration and ash-melting plants, dioxins in the exhaust gas have usually been broken down with catalysts. These catalysts have commonly been titanium or vanadium compounds.

Evidence shows that one of these, vanadium pentoxide, is carcinogenic to humans, and it has been listed as a Class 1 substance in the appendix to the Japanese equivalent to the Pollutant Release and Transfer Register [PRTR] Law*.

This issue prompted KUBOTA to investigate the possibility of creating an effective catalyst using a non-harmful zeolite structure of silica, aluminum, and iron to support a metal that promotes dioxin breakdown.

As a result, we are close to commercial production of a superior zeolite catalyst that is both durable and highly effective for dioxin decomposition.

* Proper name: Law Concerning Reporting etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management

TOPIC

Teshima Illegal Waste Dump Raw Material Recovery System Minister of Economy, Trade and Industry Prize recipient

On June 21, 2005, KUBOTA's Teshima Illegal Waste Dump Raw Material Recovery System in Kagawa Prefecture received the Minister of Economy, Trade and Industry Prize, the highest commendation awarded by Japan's METI (Ministry of Economy, Trade and Industry), at the 31st Excellent Environmental Equipment Awards sponsored by the Japan Society of Industrial Machinery Manufacturers and supported by METI. Highly praising the system, the citation stated that this has pointed the way forward for large-scale waste processing systems.





Acting to Ensure Proper Awareness of Legal Compliance

Legal compliance is fundamental to any enterprise. Aiming to be worthy of public trust, KUBOTA is committed to ensuring that all company affairs are legally compliant with all relevant rules and regulations. To sustain operations based on integrity and good faith, we have implemented policies designed to instill a thorough awareness of compliance issues.

Anti-Monopoly Act compliance activities

KUBOTA has established an Anti-Monopoly Act¹ Compliance Committee, which encourages discussion of fair trade issues throughout the company and supervises compliance.

In addition to special workshops, as part of the normal education given for each employee level, activities are continuously undertaken to raise awareness.

In our effort to thoroughly enforce compliance, head office divisions systematically perform corresponding audits in addition to the voluntary audits carried out by each department, etc.

¹: Proper name—"Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade"

Protection and application of intellectual property

Intellectual property is highly valued as the source of the competitive power in business.

KUBOTA takes care to ensure that the results of its research and similar intellectual assets are properly protected.

So that we can properly comply and promptly respond to changes, our intellectual property policies include keeping up to date with changing regulations, especially revisions of the Patent Law.

Respect for the intellectual property of other companies

To ensure that we do not infringe the rights of other companies, KUBOTA investigates and thoroughly surveys the relevant fields of intellectual property at every stage, from product development through to product launch.

Amendment of provisions concerning employee inventions

In response to the revisions to the Patent Law that came into force in 2005, KUBOTA has amended our provisions concerning inventions. Assessment of compensation can now be accomplished according to the value of the invention and further adjusted according to the contribution of the inventor.

Respect of copyright in advertising and publicity

To avoid infringement of copyrights held by other companies, KUBOTA provides training to employees engaged in or responsible for advertising and publicity. Such training sessions were held twice during fiscal 2006, and 47 people received valuable instruction as a result.

Policy towards antisocial groups

KUBOTA stands firm in our stance against antisocial groups that threaten the safety and order of our civil society, and we fully cooperate with various organizations such as the police in that regard.

To prevent illegal payments being made to antisocial groups, contributions to and enrollment in all groups are scrutinized bi-annually by committees throughout the company. Employees in positions of responsibility are also given training and a companywide system is being consolidated.

Compliance with the Subcontracting Law and fair dealing

As well as complying with the Subcontracting Law², KUBOTA does not try to take advantage of its superior bargaining position to take unfair advantage of other companies with which it deals when carrying out procurement. Buyers and Design Department managers undergo special training and this issue is also dealt with in sessions provided in the company curriculum of general education. These and other measures reflect our intention to be thoroughly fair-minded in our dealings.

What is more, to maintain proper relations with other companies in terms of the content of agreements and business procedures, and to deal with any grievances they might have, we have established a Consultation Center for Cooperating Companies at the Head Office and have set up similar corners at our other plants and offices.

²: Proper name—"Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors"



Encouraging driving

In order to raise their awareness of road accident hazards and to avoid traffic violations, we regularly provides employees whose company business involves driving with driver's safety education. Naturally, our commitment to safety requires the proper maintenance of vehicles as well. Drivers are also encouraged to enter local traffic safety contests and receive awards if they avoid involvement in accidents and receive no citations for traffic violations.



Safe driving lecture

Tighter information security

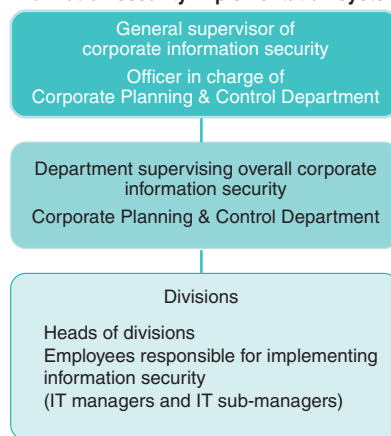
Under our Information Security Policy, in force from June 2001, a system has been consolidated to tightly control all information held by the company.

Specific measures to protect information

Category of action	Actual measures
Revision of Information Security Policy	<ul style="list-style-type: none"> Revised to conform to the Personal Information Protection Law³ Stringent handling of personal, confidential, and other sensitive information Prohibited on the use for company business of computers other than those belonging to the company Procedures to regulate external use of company computers
Systematic measures	<ul style="list-style-type: none"> Appointment at each worksite of a person responsible for implementing information protection Stringent control of information resources on terminals, servers, and other data storage devices Encouragement of protection measures at companies with which we have dealings
Education and training	<ul style="list-style-type: none"> Group workshops conducted by person responsible for implementing information protection e-learning studies for all employees
Technical measures	<ul style="list-style-type: none"> Installation of firewalls and virus screening software Stringent procedures to protect data when computers are used externally Complete erasure of data before disposal of computers and storage devices
Information security auditing	<ul style="list-style-type: none"> Implementation of internal audits (scheduled for FY2007)

³ Proper name—"Act on the Protection of Personal Information"

Information security implementation system

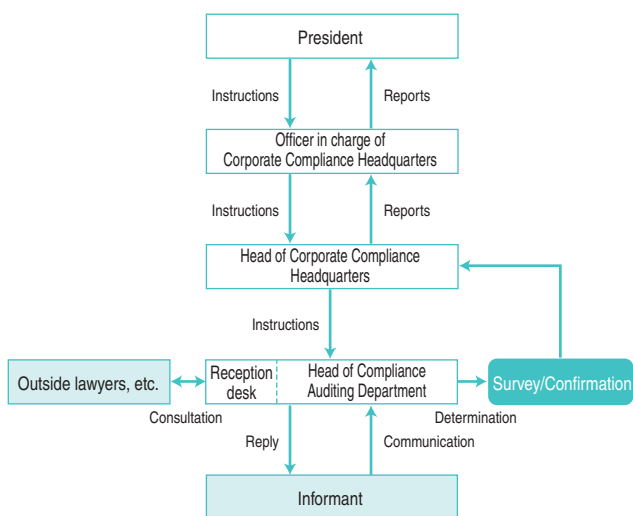


KUBOTA Hotline for internal communications

While employees are encouraged to consult their supervisor or the department responsible at their plant or office if they become aware of shady dealings, illegal conduct, or unethical behavior, or have a bad feeling about any circumstances, KUBOTA Group has set up the KUBOTA Hotline to enable direct contact with the head of the Compliance Auditing Department at our Head Office. Contact is possible over the telephone, by e-mail or by other written communication.

While doing our utmost to protect the benefits and privacy of the caller, the system helps to nip in the bud any illegal and unethical behavior.

KUBOTA Hotline flow chart



Legal grounding for sales personnel

In recent years, business dealings have become involved with increasingly varied rules and regulations. To avoid trouble with transactions, debt collection, and other matters, sales personnel are trained to be aware of the legal issues. Guidelines are also laid out in the "For Safe Trading" handbook that is distributed to all sales personnel. As well as increasing knowledge in regard to credit control, the handbook thoroughly informs about compliance issues and helps to deepen understanding of civil and commercial law as they relate to company dealings.

Legal affairs training record

FY2005	FY2006
37 persons	62 persons



The "For Safe Trading" handbook



Raising Awareness of Human Rights

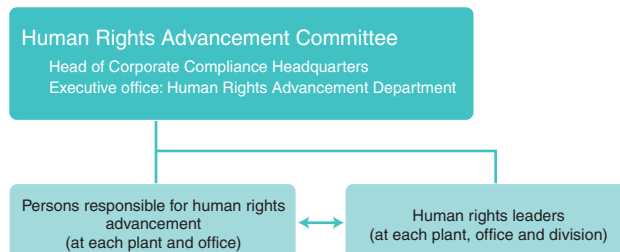
Striving to foster and sustain a corporate culture that values human rights

In line with the Universal Declaration of Human Rights, the KUBOTA Group Charter for Action mandates respect for human rights and requires members of the company try to avoid infringing or violating the human rights of others. Privacy is also respected and explicit care is taken to scrupulously protect personal information. In our business dealings, we also act with awareness of the need to affirm human rights and generally strive to foster and sustain a corporate culture that values human rights.

Human rights consciousness-raising system

A Human Rights Advancement Committee, chaired by the head of the Corporate Compliance Headquarters, promotes increased awareness throughout the KUBOTA Group under the executive responsibility of the Human Rights Advancement Department.

They also appoint a "Human Rights Leader" for each plant, office, and division, and work towards the promotion of human rights education within each organization.



Human rights consciousness-raising activities

The week from December 4 to 10 is annually Human Rights Week in Japan. We invite employees from the whole Group to submit slogans, and the best examples are printed and posted around the workplace. We also take an active role in local human rights events, including consciousness-raising on the streets.

In addition, employees receive a copy of the "Human Rights Issues and Us" booklet. Our in-house newsletter also carries topical articles concerned with human rights.



Slogan posters



The "Human Rights Issues and Us" human rights advancement booklet

Human rights consultation

To prevent human rights problems through early detection and rapidly response, KUBOTA has set up a system to provide human rights consultation at each plant and office. Our efforts to anticipate and respond to this problem include systematic activities carried out by the persons and supervisors responsible for human rights.

Human rights training

Tailored to company officers, administrative supervisors, newcomers, and other situations, human rights training appropriate to the employee's level within the KUBOTA Group is organized by the Human Rights Advancement Department, the Personnel Department, and the labor union.

Theme-based workshops are held for all company employees, while the Human Rights Advancement Committee organizes training within the divisions. We also actively encourage participation in human rights education outside the company.

Human rights seminar



Human rights training results for FY2006

(participants)

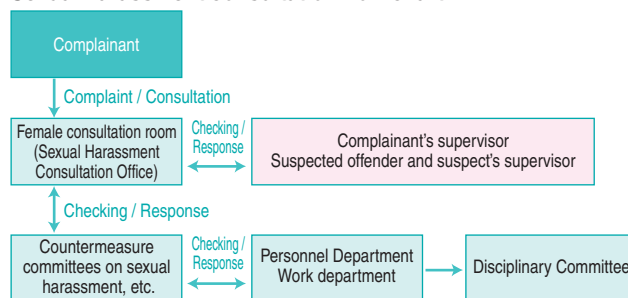
	No. of participants	Total
Employee level	Company officers	22
	Administrative supervisors	635
	Non-senior-level employees	630
	New employees	203
Plants and offices	4,570	6,485
Education outside the company	425	

Prevention of sexual harassment

Sexual harassment, which is a gross violation of human rights, is defined according to the Equal Employment Opportunity Act¹. To prevent such violation, we strive to create and maintain a comfortable office environment. We also provide a system that provides sexual harassment consultation at each plant and office. Labor-management countermeasure committees recommend training to prevent sexual harassment, activities to raise awareness of the issues, and other promotions.

¹ Proper name: Law on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment

Sexual harassment consultation flow chart



Protection of personal information

In anticipation of the Personal Information Protection Law², which came into force in April 2005, KUBOTA established a Personal Information Protection Committee composed of executive officers and heads of business divisions. A system was set up to properly deal with personal information, including that of employees and customers. Company rules were revised to include a privacy policy and regulations to protect personal information. To deal with queries and complaints, a consultation service was also set up for customers.

Moreover, we distributed a booklet explaining how KUBOTA was dealing with the issues. We also provided e-learning facilities on the intranet. Through these and other measures, we have been trying to make employees thoroughly aware of how to properly deal with personal information.

² Proper name: Act on the Protection of Personal Information

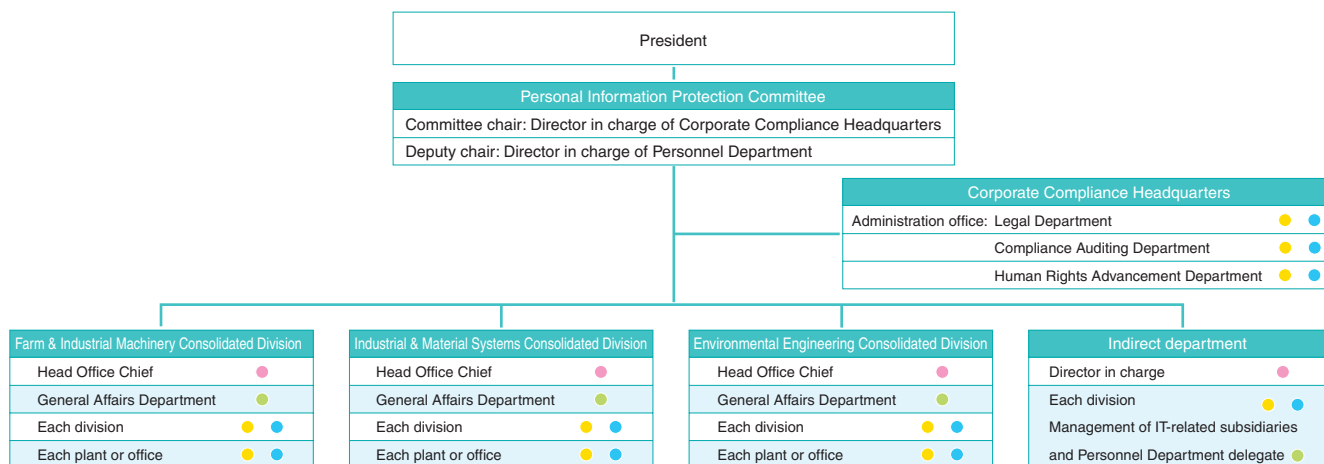


Booklet explaining how to deal with personal information



e-learning via the intranet

Roles and functions of personal information protection system



Personal Information Protection Committee	Chair: Person with highest executive responsibility in company
	Vice chair: Assistant to chair
	Committee mission: Foster a corporate culture that is aware of importance of protecting personal information
	1. Work out company-wide guidelines
	2. Draw up and carry out plans to raise company-wide awareness
Person in charge of personal information protection coordination	3. Respond to requests for companywide disclosure, etc.
	4. Respond to incidents, including leakage
	5. Issue policies towards and guidelines for subsidiaries and affiliated companies
	1. Develop and promote committee recommendations within departments responsible for Group policies
	2. Coordinate promotion activities in supervisory divisions
Personal Information Protection Committee coordination members	3. Adjusting promotion activities that involve more than one business division
	4. Set up and run external consultation service
	5. Control and supervision of instructions given to subsidiaries and affiliate companies under Group jurisdiction
Person responsible for promoting personal information protection	1. Assist person in charge of personal information protection coordination
	2. Smooth execution in scope of jurisdiction
	3. Represent the opinion of company management as a coordination panel member and participate in elaboration of company policies
Personal information protection personnel	1. Control and supervision to ensure proper conduct of operations according to the protection rules that apply in the department in question
	2. Provide guidance to subsidiaries and affiliate companies
	1. Assist person responsible for promotion
	2. Provide guidance and advice about conduct of operations according to the protection rules that apply in the department in question
	3. Respond to requests for disclosure concerning the department in question
	4. Plan and carry out in-department education
	5. Provide substantive and active guidance to subsidiaries and affiliate companies



Creating a Workplace that is Energetic and Conducive to Work

KUBOTA looks to develop and maintain a lively workplace environment where human rights and the individuality of all employees are respected, and one that welcomes challenge and values creativity.

KUBOTA's basic policy on human resources: "Fairness & Transparency" "Challenge & Creativity"

"It is forever 'people (employees) and irreplaceable assets' that are the foundation of a corporate evolution which pursues sustainable economic and social development in line with the needs of the times."

Based on this idea, KUBOTA has enacted and operates a fair and transparent personnel system that continually harmonizes

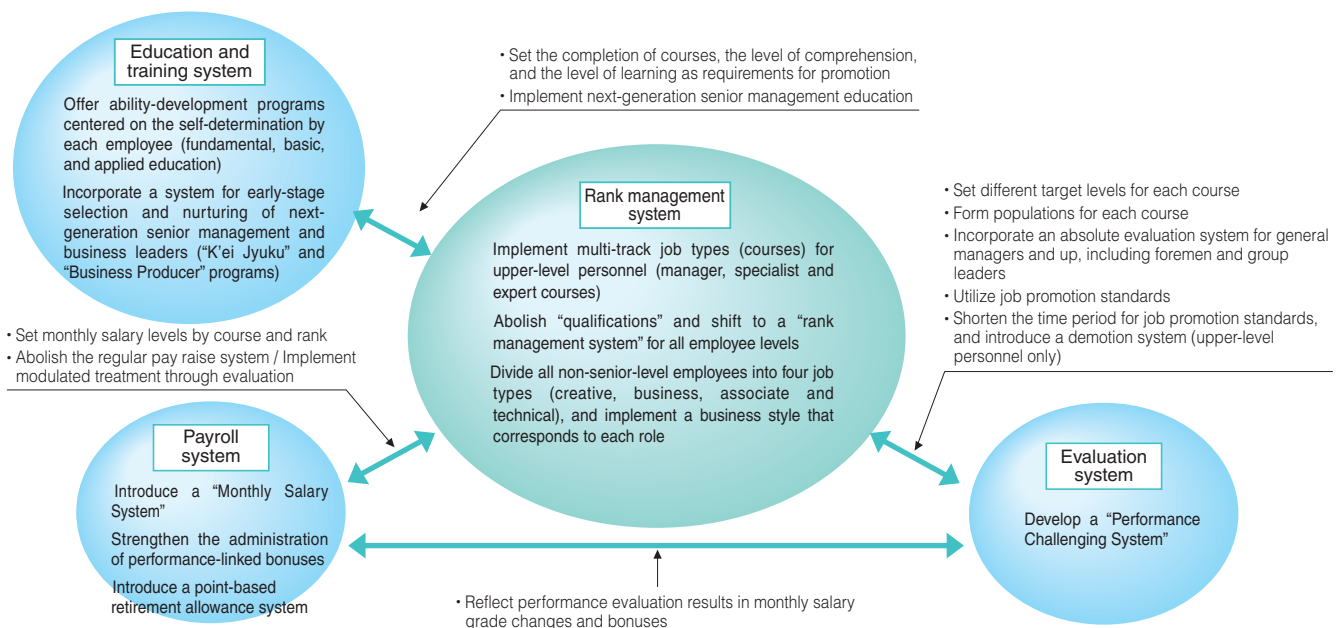
changes in the social climate, trends in business management, and the achievement of specific management goals, and then works to construct an energetic corporate climate that welcomes challenge and values creativity.

Establishing a "performance-based" personnel system

Through a range of personnel system reform projects in accordance with the Mid-term Business Plan that was initiated in fiscal 2002, KUBOTA is active in nurturing and strengthening our human resources, the true source of our competitive capabilities. That reformation includes the introduction of "performance-based evaluation" into all human resource systems and programs based on (1) the minimization of seniority factors, (2) the elimination of disadvantages in the lifetime employment program, and (3) the abolition of practices and content related to

intentional impartiality.

So that we may fulfill the concept of "the right person in the right place" while still valuing the individuality and abilities of each and every employee, and have this reflected through the fair evaluation and treatment in regard to each employee's achievements, revisions to our various personnel systems was drafted and gradually put into effect from April 2002, with a completely new personnel system having been applied in regard to all employees since April 2005.



Performance Challenging System

Based on an MBO (Management By Objectives) concept, KUBOTA has advanced a personnel evaluation system that applies to all employee levels and that aims at (1) an integration of corporate and employee goals, (2) the pursuit of performance results and the cultivation of a corporate culture that embraces challenge, and (3) an increase in the transparency of performance evaluations and the development of employees' abilities. Positioned as the core of KUBOTA's human resources system, our Performance Challenging System is utilized as the fundamental function in the administration of all our employees.

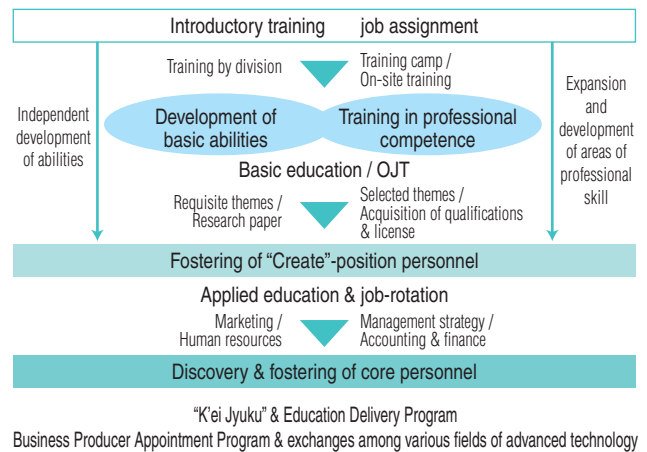
A new approach for FY2006

Enhancing education for corporate officers

In order to realize the establishment and full implementation of the new personnel system, management training for new managers has been introduced. With a focus on education for evaluators and labor management alike, this training aims towards improving their capabilities and raising their awareness of management as corporate officers. Such labor management training for section chiefs is employed as well in an effort to improve their ability in labor management and in fostering and guiding their subordinates.

Education and training that produces “independent and creative-thinking personnel”

Based on the corporate belief in “developing people before developing products” KUBOTA is enthusiastically devoted to employee education. During April 2002, education programs especially targeting upper-level officers and “Create”-position employees were drastically revised in order to offer a system of education that supports them in the development of their careers, as well as to systematize those programs into a selective education system that contributes to the early-stage discovery and fostering of personnel who are able to “create new added value” and who will support the next generation at KUBOTA. For “Technical”-position employees, we work to enhance and convey the skills that support product development and, during their first year in the company, we offer newly hired employees the fundamental education that is essential to “developing products”. Our human resources system was revised from April 2005 so as to link education and training with job promotion requirements and, through this, to motivate our employees towards improving their abilities.



An employment system that makes full use of each employee’s competence and ability

Based on the KUBOTA Group philosophy that “ensuring employment is the company’s social responsibility”, we have put in place an employment system that takes the career plans and the diversity in competence and abilities of each individual into consideration.

Reemployment program for those aged 60 or older

In order to provide an economically stable life for our employees after their retirement, as well as to efficiently utilize their abilities within the company, KUBOTA has managed its reemployment program in line with the Japanese government’s decision of a phased increase in the age of pension payment eligibility. However, from April 2006, along with revisions to the law and through labor-management negotiations, we introduced the “New Reemployment Program” that targets all employees. If an employee so desires, and if they meet a determined standard, they can continue to work after retirement.

Expansion of recruiting activities

The KUBOTA Group is always looking for “‘Create’-position personnel with a sense of independence and the creativity to develop new added value”. To that end, we employed 102 new college graduates for such positions as office workers and technicians during fiscal 2006 (to join the company on April 1, 2006). 26 experienced workers were also hired in an aim to make the most of their existing skills, while 66 inexperienced and 44 other experienced workers were also specifically hired for the “Technical”-positions that will support our product development sites as we work to pass on the necessary skills to the next generation.

Total number of employees (as of April 1, 2006)

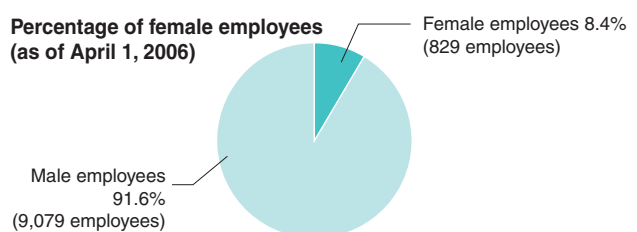
Upper-level (Management positions)	Non-senior-level employees				Non-regular staff	Total
	“Create” positions	“Business” positions	“Associate” positions	“Technical” positions		
2,206	1,770	665	616	4,407	244	9,908

Equal opportunity employment

The KUBOTA Group operates a gender-free and fair human resources system based on the spirit of Japan’s Labor Standards Law and Equal Employment Opportunity Act*. Especially since the revisions to those laws that were made in 1998 and 1999, we have worked towards the review of various programs related to supporting childcare, such as the establishment of maternity healthcare rules and systems for childcare and nursing care leave. We have also endeavored towards creating a workplace environment wherein female employees can work in safety and free from worry, and we offer various working conditions due to the abolition of female protection laws.

* Proper name: Law on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment

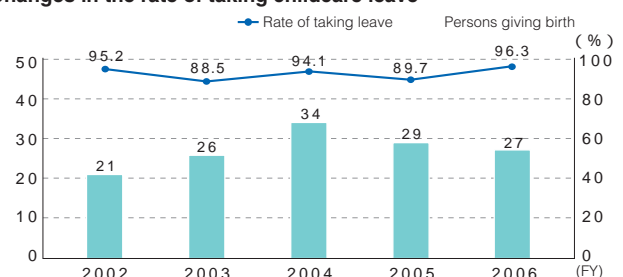
Percentage of female employees (as of April 1, 2006)



Main programs supporting childcare

Leave for wife’s childbirth	Three (3) continuous or individual days within one month, including the day of birth
Childcare leave	In principle, the period up to the day before the child reaches one year of age
Nursing care leave	Upon the request of an employee raising a child, six (6) days up to when that child reaches the age to enter elementary school (unpaid vacation)
Assistance with childcare expenses	Assistance through our FitPlan (the KUBOTA version of a Cafeteria Plan) for costs related to childcare and education for children below junior high school age

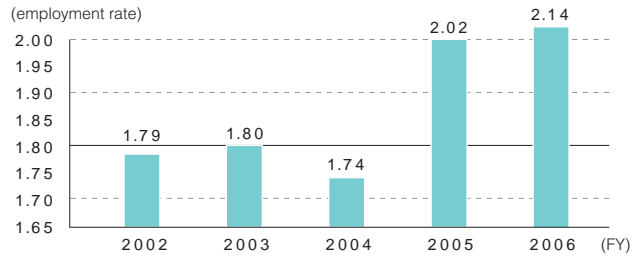
Changes in the rate of taking childcare leave



Support for the active employment of the physically challenged

Kubota Works, established in 2003, is a “special subsidiary company” for physically challenged employees that provides such services as building maintenance, printing and information processing. Nineteen employees, each possessing a sensory, auditory or other disability, participate in society through work that is compatible to each person’s individual characteristics. KUBOTA is committed to our continuous efforts in designing and maintaining working environments that are comfortable and friendly to physically-challenged workers so that we can include more and more such people in our workforce.

Changes in employment rate of the physically challenged



A welfare program that responds to diversified and sophisticated needs

KUBOTA’s welfare program is operated under the basic philosophy of “providing employees with a sense of safety and stability so that they are motivated to work hard and develop their abilities, and supplying an approach and environment that enables them to achieve results.” A Kubota-styled Cafeteria Plan called “FitPlan” is currently instituted that, along with answering the diversified and sophisticated needs of employees, carries out a style of system management that is appropriate to this age of “self-responsibility”.

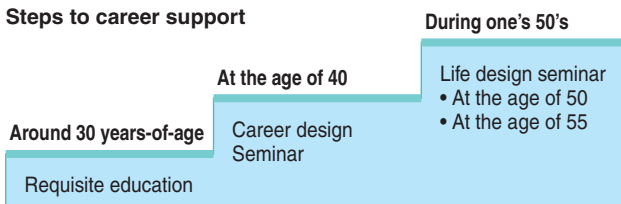


FitPlan Booklet

Career support leading to a more affluent life

In order to enable systematic support for our employees’ careers, KUBOTA has prepared career-design training for three different age groups: around 30 years-of-age, at the age of 40, and during one’s 50’s. Each training program offers employees an opportunity to look back on their career and life to that point and to reflect upon ways to develop their future path. In this way, we support our employees in developing anew the career and life paths of their own choosing.

Steps to career support



Career design seminar

Labor-management as problem-solving partners

KUBOTA’s relationship with labor is based on sharing management information and holding prior discussions, and we have maintained excellent labor relations throughout the years. Now that the traditional framework for employment and wages in Japan is vanishing, both sides recognize the need to look to each other’s respective work environments and deepen the mutual communication of intent in the hopes of leading to further corporate growth and development in the future.

As concrete steps, we have various labor-management committees in place, such labor issues as employment, work hours, employee education, and working conditions are discussed in these committees with a focus on corporate development and respect for the employees’ life and dignity.



Labor-management committee

Support for conscientious employees

KUBOTA provides support for individual employees to enable them to live a long and healthy life and realize their dreams, not only during their current service at the company but after retirement as well.

Healthcare activities

At KUBOTA, the rate for periodic health examinations has been maintained at around 100%. In order for the lifestyle diseases that have been increasing in young people in recent years to be discovered at an early stage, we have added related check items besides those provided for by law and we are providing blood tests to employees of all age groups. As a result, we are cooperating with the KUBOTA Health Insurance Union to offer individual interviews to those employees either diagnosed with a lifestyle-related disease or as being those susceptible to one, in addition to the health guidance in our health classes that are handled by the industrial healthcare staff (industrial physicians,

health professionals and nurses) in each of our plants and offices, and we are working to control the onset and progress of such diseases. Simple occupational stress exams are also being used to diagnose mental health.

At KUBOTA, we are dedicated to constructing a superior healthcare & support system and to developing healthcare activities that deliver homogeneous and efficient healthcare and support for all employees.

Mental health program

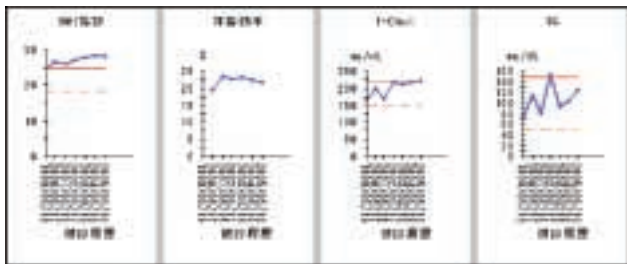
At our head offices in fiscal 2003, KUBOTA introduced the "Simplified Occupational Stress Diagnostic System", an exam that can be performed by employees from their PCs. In conjunction with regular physical exams, this system was developed for the purpose of maintaining and improving employees' mental and physical health at the same time, and it was launched for all companies during fiscal 2005. Our Head Office Mental Health Promotion Committee (compose of psychiatrists, and representatives from the Personnel

Department, the Healthcare Clinic, the Health & Safety Planning & Promotion Department, and the labor union) regularly convenes as well to plan and promote mental healthcare. Run by psychiatrists and established in January 2004, the "Mental Health Clinic" can introduce employees to medical organizations as required based on the results of private consultation.

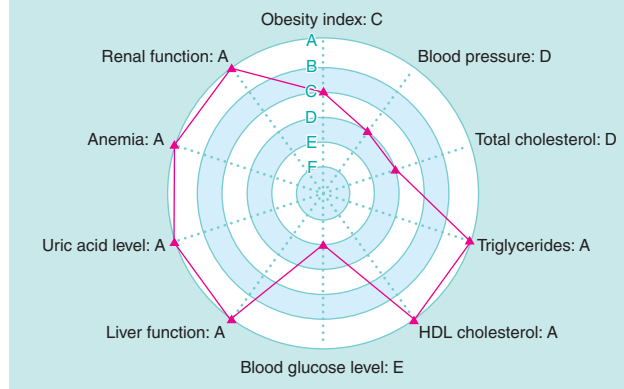
Further introduced in April 2006 was a reinstatement support program intended for employees taking extended leaves of absence.

Healthcare support system

A new healthcare support system was introduced in 2005 to improve work efficiency, to analyze the state of employees' health, and to heighten, evaluate, and analyze the quality of health guidance through the integrated management of physical examination data.



Examination results



Health improvement activities

In synchronization with the "Health Japan 21" national healthcare plan for the 21st century promoted by the Japanese government, we initiated "Health Kubota 21" in fiscal 2005 in cooperation with our Health Insurance Union. Aiming at healthcare practices that give priority to lifestyle disease countermeasures as the first line of prevention, each plant and office has developed related activities for their respective location centered on Health Kubota 21 Promotion Members. These activities include self-determined plans for individuals and group plans involving the entire plant or office. KUBOTA implements both types of plan and holds a nationwide promotion member conference once a year at our Head Office in an aim towards further study and information exchange.

The Health Insurance Union website also includes a corner that informs about the status of activities at each plant and office and supports promotion members in their activities in those locations.



Poster and character related to health improvement education activities

The KUBOTA Approach to Health & Safety in the Workplace

From the viewpoint of “respect for human life” and based on the belief that “safety is a top priority”, KUBOTA acts to ensure a safe, healthy and comfortable working environment free from work-related accidents or occupational diseases.

Aiming at a safe, health-oriented, and stress-free workplace

Health and safety control at KUBOTA is divided into centralized health & safety management and plant management (specifically addressing factory and construction departments at each plant). Moreover, the policies of “system development” and “personnel development” are emphasized in order to foster a safety-minded culture based on our “Long-term Accident Prevention Program”, which was launched in 1973 and is reviewed every five years, as well as on annual health and safety indicators. Five plants and offices have used our occupational health & safety management system to acquire and continue operation under OHSAS 18001 certification. Other plants and offices have also constructed similar occupational health & safety management systems and aim at effective operation based on our original “Kubota Occupational Health & Safety Management Program”, a proprietary KUBOTA standard.

Plants and offices that have acquired OHSAS18001 certification

- Tsukuba plant ······ (acquired in December 2000)
- Keiyo plant (Funabashi) ··· (acquired in February 2002)
- Keiyo plant (Ichikawa) ····· (acquired in February 2002)
- Hanshin plant (Mukogawa) ··· (acquired in November 2003)
- Hanshin plant (Amagasaki) ··· (acquired in April 2005)

Activities in manufacturing divisions

In line with our “system development” policy, we have initiated risk reduction activities and the determination of equipment safety standards through the introduction of risk assessment techniques, and we thus promote the fundamental safety of machines and equipment. Our policy of “personnel development” involves actively offering education and training in order to improve those activities that consider employee safety, to say nothing of the observance of the law.

Moreover, in order to strengthen the health and safety management activities at each plant, safety analysis is conducted by outside experts on top of regular in-house health & safety patrols.

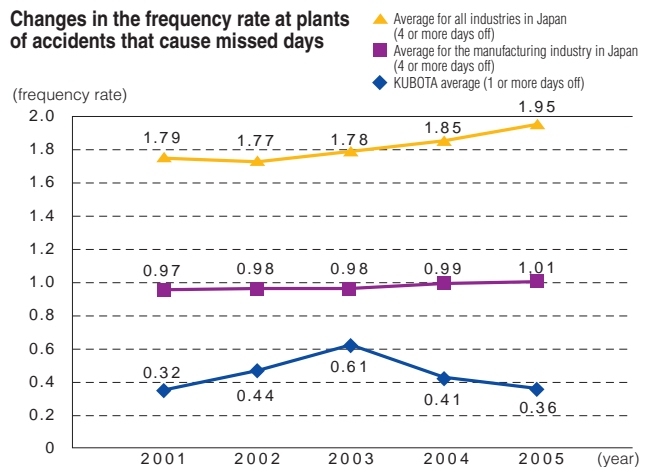
Activities in construction divisions

From the standpoint of “developing mechanisms” and “developing people”, KUBOTA works to eliminate accidents by aiming at stronger shop & company management functions at divisions as well as thoroughly coordinated management of the workplace through the implementation of design standards for decisions and operation, educational training, and health & safety patrols at construction sites, etc.

Targets for the 7th Long-term Accident Prevention Program (FY2004–2008)

- (1) Zero life-threatening or serious accidents
- (2) Prevention of the recurrence of accidents (being sandwiched, squashed, stuck, and pinched, crashes, tumbles, falls, etc.)
- (3) Improvements towards a comfortable workplace environment and securing of physical & mental health

Changes in the frequency rate at plants of accidents that cause missed days



* Frequency rate: the number of deaths and/or injuries per one million man-hours
 (A frequency rate of 1.0 indicates the level at which one employee was involved in an accident that resulted in 4 or more days off being taken in a year at a plant with 500 employees.)

Examples of activities at various manufacturing departments

Safety Recognition Worksite (Sakai plant)

The level of involvement in various health and safety activities, including the three mainstays of the safety activities raised at this factory (safe personnel development, basic work safety, basic equipment safety), is evaluated by department, with each workplace that excel in this regard being recognized as a “Safety Recognition Worksite”.



Safety Education Facilities (Tsukuba and Utsunomiya plants)

A mini model of the production line educates employees about the use of instruction labels, emergency stop devices, safety plugs, etc.



Tsukuba plant

Special equipment is set up and used in new employee education so they can experience the danger of being “caught in rotating equipment” in order to bestow a heightened consciousness in regard to danger.



Utsunomiya plant

Risk assessment activities (Hirakata plant)

Risk assessment data is entered into a PC, and the state of implementation and the results of countermeasures taken in regard to risk assessment is disclosed on intranet homepages.



Risk assessment evaluation tables, color-classified according to the assessed risk, are posted at corresponding worksites (for cautionary purposes attention the corresponding measures have been completed).



Work environment improvements

For workplace safety and employees' health, as well as to prevent local environmental pollution, KUBOTA regularly inspects and improves our work environments, focusing especially on noise and chemical substance control.

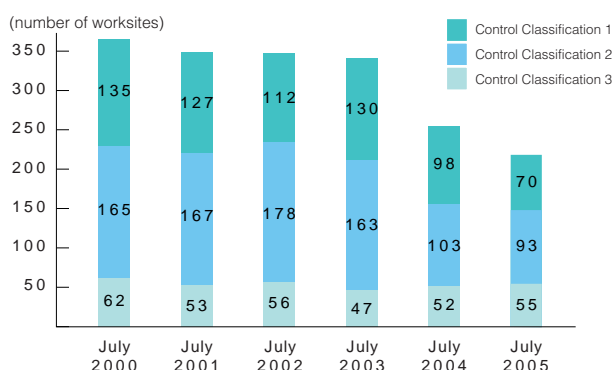
Noise

The number of Control Classification 3 noise-related worksites increased by three compared to July of 2004. KUBOTA is currently promoting activities that aim at a zero number of Control Classification 3 worksites in the future.

Hazardous substances

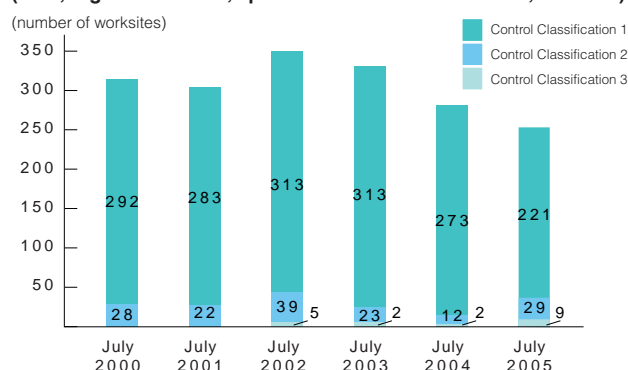
Compared with July 2004, there are now 7 more worksites that handle hazardous substances (dust, organic solvents, specified chemical substances, and lead) and are classified as Control Classification 3, for a total of 9 such sites. The main reason for this is the stricter legal controls over concentration levels that went into effect in April 2005. KUBOTA immediately considered deliberate improvement measures and continues to put forth the effort to achieve even more pleasant workplace environments.

Changes in the number of noise-related worksites



* Data from KUBOTA domestic production plants and offices

Changes in the number of worksites using hazardous substances (dust, organic solvents, specified chemical substances, and lead)



Provisions in case of disaster

Various types of training are regularly executed at each domestic business location in the KUBOTA group in preparation for earthquakes and fire.

The maintenance of backup systems and stockpiling of drinking water, etc., is also carried out in preparation for emergencies, and an overall system that will minimize damage and enable early restoration of corporate activities has been established.

Creation of a "Disaster Response Manual"

Based on our experience with the Great Hanshin-Awaji (Kobe) Earthquake of 1995, we have set up a system of disaster prevention and recovery and drafted a "Disaster Response Manual" to provide both the precautionary measures to be taken against major disasters as well as the response procedures when a disaster does strike.



Disaster Response Manual

Earthquake-resistant construction

Earthquake-resistant construction is promoted in each business location. At the KUBOTA Head Offices, Building No. 2, originally built in 1960, was reinforced to strengthen its earthquake resistance.



Head Office Building No. 2 reinforced for earthquake-resistant

Various training and drills

An earthquake evacuation drill was performed on July 22, 2005 at the KUBOTA Head Office for all of the registered directors and employees working there. Fire drills in case of a fire are executed as well, and training is regularly carried out in other plants and offices to ensure preparation in case of any emergency.



Fire-fighting drill

Implementing a system for prompt recovery from accident or disaster

In preparation for an accident or disaster, important electromagnetic records are copied and maintained in a remote location in order to avoid the risk of lost data.

A large-scale emergency power generator is also installed at KUBOTA Head Offices in order to respond to various contingencies.



Power generator

Communicating with the Local Community

KUBOTA Group business activities have long been supported by the local citizenry, and we look forward to the opportunities for exchange with local residents in order to fulfill our responsibilities as a corporate citizen and work towards the development of the local society.

Exchange with everyone in the community

Events that everyone in the local area can participate are held in and around our various business locations.

“34th Kubota Honen Matsuri” festival (Utsunomiya plant; August 5, 2005)

Every August KUBOTA holds the “Kubota Honen Festival” and this even has been very popular with everyone who lives and works in the surrounding area. This year’s festivities featured a performance by the Nasu-Ogawa Mahoroba Taiko Drum Preservation Society.



Performance by the Nasu-Ogawa Mahoroba Taiko Drum Preservation Society



Many people participated from the surrounding area

KUBOTA Tsukuba plant “Yawarano Matsuri” festival (Ibaraki Prefecture Yawara-mura Civic Hall; November 3, 2005)

Tractors manufactured at our Tsukuba plant were exhibited at the “Yawarano Matsuri” which was held in the civic hall in Yawara-mura (presently, Tsukuba Mirai City) where the Tsukuba plant is located.



KUBOTA Ryugasaki plant “Ryugasaki Shogyo Matsuri” festival (Ryugasaki City, Ibaraki Prefecture; November 23, 2005)

Vending machines manufactured at our Ryugasaki plant were exhibited at this commercial exhibition, with the proceeds from the sales made with those machines contributed to charity.



“Funabashi Shimin Matsuri” festival (Funabashi City, Chiba Prefecture; July 22–24, 2005)

The “Kubota Spears” rugby club booth was set up, and models of the cast-iron earthquake-proof water pipes manufactured at the Kubota Keiyo plant were exhibited.



Exhibit of cast-iron earthquake-proof water pipes (models)



“Kubota Spears” booth

Rugby instructions for high school and elementary school students who experienced the 2004 Mid-Niigata Prefecture Earthquake (June 11, 2005)

A rugby lesson for high school and elementary school students from the disaster area was held on the playground at Niigata Prefectural Ojyanishi High School (Ojiya City), which was near the epicenter of the quake. 32 high school students and 8 elementary school students participated that day in intense practice together with the rugby players.



Elementary school students with earnest expressions



Contributing to the local society

As a responsible corporate citizen, KUBOTA works towards the development of the local society as well as local environmental conservation.

Activities targeting environmental beautification around our business locations



Hirakata plant
(Hirakata City, Osaka Prefecture; November 5, 2005)



Kyuhoji plant
(Yao City, Osaka Prefecture; March 29, 2006)



Shiga plant
(Konan City, Shiga Prefecture; June 23, 2005)

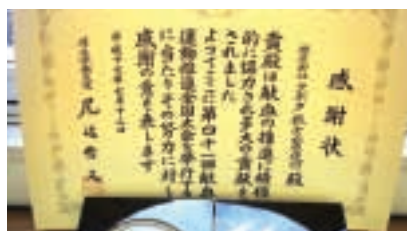
Working together with everyone in the local community



Towels and soap donated to the Utsunomiya City Council of Social Welfare
(April 1, 2005)



Local events supported
(Naniwa Ward, Osaka City; Hirota Shrine summer festival; August 2, 2005)



An employee blood donation program has been in place for more than 30 years
(commendation received from the Minister of Health, Labour and Welfare)

Support for education

KUBOTA supports education for the next generation, the bearers of all our futures.

In KUBOTA plants and offices, factory tours for elementary to high school students are welcomed and extra-curricular education is offered.

* Due to equipment status, etc., some plants and offices cannot accept tours. For details, contact the corresponding plant or office.



Students from Takata Elementary School (Kashiwa City, Chiba Prefecture) touring our Tsukuba plant



Students from No. 5 Elementary School (Kashiwa City, Chiba Prefecture) touring our Tsukuba plant



Students from Yasui Elementary School (Sakai City, Osaka Prefecture) touring our Sakai plant



Students from Utsunomiya Industrial High School (Tochigi Prefecture) participating in an environmental education class at our Utsunomiya plant



Students from Amagasaki Industrial High School (Hyogo Prefecture) participating in an environmental education class



Students from Kihoku Industrial High School (Wakayama Prefecture) listening to an explanation of our Sakai plant

Exhibiting at OSTECH Exhibition Hall

KUBOTA exhibited at OSTECH (Osaka Science & Technology Center) Exhibition Hall (Nishi Ward, Osaka City) under the theme "Waste is resource: 'Rotary Surface Melting Furnace'" and thus presented visitors with the opportunity to understanding common waste problems through videos and games. This exhibition hall is also a science hall where a wide range of new scientific and industrial technologies can be enjoyed and studied under the theme of "Let's study, discuss and rediscover scientific technology."



Social and Cultural Support Activities

KUBOTA actively participates in social and cultural support activities over a wide range of fields under the basic principle that it is society that allows a business to live.

Support for Japanese athletes who are active on the global stage

As an official partner of the Japanese Olympic Committee (JOC), KUBOTA supports athletes who participate and aim at participation in international sporting events like the Olympics.



Kubota Corporation is an official JOC partner in the farm implement and machinery category.

Japan Flower Festival 2005 in Gifu

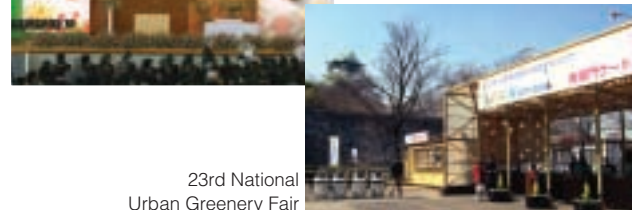
KUBOTA was involved in supporting the "Japan Flower Festival 2005 in Gifu", one of the country's largest flower festivals. (Flower Festival Commemorative Park, Kani City, Gifu Prefecture; May 13 to 15, 2005).



Japan Flower Festival 2005 in Gifu

National Urban Greenery Osaka Fair

KUBOTA supported the "23rd National Urban Greenery Fair" (Osaka Castle Park; March 25 to May 30, 2006)



23rd National Urban Greenery Fair

KUBOTA Hu-Tech seminars

KUBOTA Hu-Tech seminars are held in both Osaka and Tokyo in the form of two lectures and one field trip as one of our social contributions in the area of education in order to encourage our youth to have more concern for and interest in the environment. Targeting junior high and high school students with an interest in science, these seminars offer explanations about today's advanced scientific knowledge using easy and understandable vernacular. "Think about the

brain" was the theme for 2005 (the 38th holding of these seminars) where the structure of the brain and the mechanism of memory, etc., were taught.

(Organized by The Asahi Shimbun Company and the Asahi Culture Center; started in 1985.)



Mainichi International Exchange Award

This Mainichi International Exchange Award, intended to support international exchange and promote international understanding at the citizen level, is given in commendation for international exchange, cooperation or support activities. KUBOTA has supported this program ever since its first year, and has more closely involved in cooperation on all aspects from its 4th year. In 2005, the recipients of the 17th Mainichi International Exchange Awards were the "Green Earth Network" NPO that carries out cooperative greening activities in China and Ms.

Mami Rudasingwa (Yoshida) from the Japanese representative office of the "Mulindi/Japan One Love Project" NGO, which sends prostheses and orthoses to persons with disabilities in Rwanda Africa.

(Organized by the Mainichi Newspapers; started in 1989)



BeGood Café Marunouchi

KUBOTA cooperated in "BeGood Café Marunouchi", a natural food café organized by the "BeGood Cafe" NPO seeking the realization of a sustainable society, as a place that serves food presenting a lower environmental load and that also holds discussions and events welcoming visitors to consider a lifestyle oriented in global environmental conservation.

(Marunouchi Building, Tokyo; April 2 to November 7, 2005)



“KUBOTA Spears” rugby club activities

Formed in 1984, the “KUBOTA Spears” rugby club gained a promotion to the East Japan Corporate League in 1998, and is currently participating in the Japan Rugby Top League. In 1990, on the occasion of the 100th anniversary of KUBOTA's founding, we have aimed at positioning and strengthening rugby as the official sport of the KUBOTA Group, and through that promote exchange with everyone in our local areas.

Participation in the Mid Niigata Prefecture Earthquake Recovery Support Charity Match

In support of recovery from the Mid Niigata Prefecture Earthquake, the “KUBOTA Spears” rugby club participated in the “Mid Niigata Prefecture Earthquake Recovery Support Charity Match” held at Niigata Stadium Big Swan on June 12, 2005 and proposed by the Niigata Rugby Football Union. In front of more than 10,000 rugby fans, an exciting match developed between the Spears and the “Kobelco Steelers” from Kobe Steel, Ltd. Profits from this game were contributed to Niigata Prefecture to aid recovery efforts.



Players of both teams played a thrilling match

Country Rice Fields, Water & Children Painting Exhibition 2005

KUBOTA lent its support for the “Country Rice Fields, Water & Children Painting Exhibition 2005” held in the Main Avenue underground shopping mall at Tokyo Station's Yaesu Exit. (October 29 to November 14, 2005)



The Ministry of Economy, Trade and Industry's “Industry-Academia Program to Foster and Strengthen Core Workforce for Manufacturing”

KUBOTA Corporation and KUBOTA Education Center Ltd. were consigned to participate in the “Program to Foster and Strengthen Core Foundry Workforce” (for the Kinki region) of the Ministry of Economy, Trade and Industry's “Program to Foster and Strengthen Core Workforce” begun in fiscal 2005, and we are currently active in that regard. This project aims at the long-term promotion of the human resources who will carry on the advanced casting technology that is at the forefront of the world.



“Social Experience Training” for primary and junior high school teachers

As part of the training for teachers at primary and junior high schools in Sakai City, “Social Experience Training” is offered every year the KUBOTA Sakai plant in order to enable them to experience product manufacturing there. Three teachers each experienced training over three days during fiscal 2006.



Involved in training

Japan Ad Council member activities

The Japan Ad Council (AC), a private nonprofit organization that makes use of advertising's strong powers of dissemination and persuasion and aims towards contributing to social and public welfare, welcomed its 35th anniversary this year.

As one of the founding sponsors, KUBOTA was a major contributor to the birth of the Ad Council and our president presently serves as a Council Director and a member of the Osaka Head Office Financial Executive Committee and Steering Committee. The Japan Ad Council transmits various social proposals through advertisement and assist in the realization of a more comfortable society to live in.



The “Protect Our Children” public ad campaign

■ Coexistence with the International Society

Over a full century has passed since our establishment in the Namba area of Osaka, and the KUBOTA Group now has stakeholders in locations that span the globe. Our aim is for coexistence within the international society in the future without forgetting that we are actually supported by people the world over.

■ Support for the areas damaged by hurricane “Katrina” in the U.S.

In support of the region that was struck by “Katrina”, the large-scale hurricane that attacked the southern portion of the U.S. in August 2005, KUBOTA Corporation and five KUBOTA Group companies that do business in the United States made donations to the relative organizations in the form of a monetary contribution of \$200,000, implemented fund-raising activities by employees who worked in U.S., and donated products also worth the equivalent of \$200,000, such as utility vehicles that can be used for a wide range of activities including the transportation of goods.



One of the donated utility vehicles

■ Support for the quake-stricken area in northern Pakistan

The giant earthquake that occurred on October 8, 2005 in the north of Pakistan caused a great deal of damage, affecting over four million people and resulting in a death toll reaching 80,000. KUBOTA donated monetary relief of 5 million yen to the Japanese Red Cross Society in support of the stricken area.

■ Commendation for support of victims of the Sumatra Earthquake and Tsunami (Indonesia)

Kubota made a monetary contribution of 10 million yen via the Japanese Red Cross Society to the area that was struck by the giant earthquake and tidal wave that took place off the coast of Sumatran on December 26, 2004. The Japanese Red Cross Society awarded KUBOTA the “Nisseki Gold Award” in September 2005 in regard to this support activity.



■ Security in trade

KUBOTA has established the “Security in Trade Control Committee” companywide management organization composed of our representative director and the committee members who are appointed by each division. Committee members are a focal point in each business division and perform the appropriate export control for each individual dealing so that products are not used for such purposes as developing weapons of mass destruction, etc.

Regular training groups for employees who do the importing and exporting business are implemented as well, and efforts are made through education and training at each employee level towards the thorough infusion of basic knowledge and observance of related laws such as the Foreign Exchange and Foreign Trade Control Law and in-house management regulations.

■ Request received from the Japan International Cooperation Agency (JICA) for training and factory tours

Upon request from JICA, the KUBOTA Sakai plant has implemented training and factory tours related to environmental management and agricultural development. In fiscal 2006, we received 19 guests from countries in Southeast Asia, Africa, and South America who attended the related lectures.



■ Vocational training and educational support in Indonesia

A KUBOTA Group company, P.T. Kubota Indonesia (Semarang City) offers vocational training to high school and university students in their country every year, with 26 high school students and 31 university students accepted in fiscal 2006. A once-a-month lesson related to agriculture was also started at the Universitas Padjadjaran (UNPAD) in Indonesia’s Bandung City.



Holding a lecture at Universitas Padjadjaran

KUBOTA's Response to the Issue of Asbestos

1. The status of asbestos usage

To prevent health problems associated with asbestos, the use of crocidolite (blue asbestos) and chrysotile (white asbestos) has been prohibited by law since April 1995 and October 2004, respectively.

KUBOTA had been using both blue and white asbestos as raw materials in some products since 1954 but, even before laws were enacted, we first stopped the use of blue asbestos in 1975 and then stopped using white asbestos in 2001, discontinuing related manufacturing and switching to asbestos-free products.

2. KUBOTA's opinions on the asbestos problem

KUBOTA has sincerely accepted the serious fact that a number of our employees and local residents have contracted asbestos-related diseases and we are working with good intentions towards direct resolution of this problem from the standpoint of clarifying our social responsibility as a corporate entity that for years manufactured products containing asbestos.

(1) Information disclosure

KUBOTA has responded with sincerity to the demands for information disclosure, etc., concerning the circumstances behind the past handling of asbestos. We have also disclosed information in regard to "Our Approach to the Damage Caused by Asbestos to Health" at the end of June last year.

(2) Proposal to Amagasaki City for "Cooperation Concerning Measures for Persons with Health Damage by Asbestos"

KUBOTA offered a proposal of "Cooperation Concerning Measures for Persons with Health Damage by Asbestos" to Amagasaki City last August and has continuing that cooperative stance.

(3) Relief payment system for local residents

KUBOTA enacted our "rules for relief payments to persons with asbestos-related diseases and their families around the old Kanzaki plant" in April this year. So as to reduce even slightly the hardships in living and the mental anguish both of those persons receiving treatment and their families, relief totaling 25 million to 46 million yen per person will be paid, and we are presently processing payment for those people that are targeting under these rules.

3. Future considerations

KUBOTA plans to work faithfully on the administration of the relief payment system explained above and on the implementation of support for medical treatment related to asbestos diseases, etc.

as of April 30, 2006



Appropriate Disclosure and Transmission of Corporate Information

KUBOTA aims at the appropriate disclosure and transmission of corporate information in order to stand as an enterprise worthy of its stakeholders' trust.

IR information disclosure

IR activities (financial PR for investors and shareholders)

KUBOTA established a dedicated IR section in 2000 in order to promote enhanced and rapid information disclosure and to activate communication with our shareholders and investors. Along with heightening the transparency of management through the timely and accurate disclosure of financial information, we hope to be of assistance in establishing a proper stock price and improving our shareholder value in the capital market.

Specifically, we are working to hold financial statement briefings and factory tours, meet with investor and security analysts, as well as create a wider shareholder base by explaining a variety of information such as management principles and earnings trends to overseas investors.

IR-related publications and web pages

As a listed company on the New York Stock Exchange, KUBOTA creates financial statements based on U.S. accounting standards. Various financial reports, such as the Annual Securities Report, semi-annual reports, Financial Results*, Form 20-F (an annual report submitted to the SEC in the U.S.), annual reports (in English), and the like, are offered on our website and can be easily inspected by investors at any time. Material on financial statement briefings, a Fact Book (a collection of data from various financial indices, etc.), corporate bond information, and more can also be accessed as reference on our website. The

further enhancement of this information is something that we are keeping in mind for the convenience of our investors.

*: The "Financial Results" noted here refers to a standard Japanese method of accounts reporting.



For more detailed information, access the following website:

<http://www.kubota.co.jp/ir/>

Open General Shareholders Meetings

Aiming at "open shareholders meetings", starting from 2001 KUBOTA began avoiding the scheduling of our General Shareholders Meetings on the standard common day for those meetings. The 2005 General Shareholders Meeting was thus held on June 24, with 384 shareholders in attendance. Comprehensible presentation of information was kept in mind through projected displays, using visual images such as

graphs and product photographs, and the reading of reports. In addition, for great convenience and so that more shareholders may exercise their right to vote, voting over the Internet has been adopted since 2003 on top of the regular mailing in of votes. The proceedings of General Shareholders Meetings are also made public to representatives of the mass media over display monitors.

Compliance with the United States' Corporate Reform Law

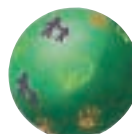
Because KUBOTA will become a target of application of the next steps in the United States' Corporate Reform Law (Sarbanes-Oxley Act) to be enforced in fiscal 2006, we started up a full-time project team in April 2004 to focus on the construction of an internal control system related to financial reporting.

The preliminary evaluation of the maintenance and administration status for this internal control system was initiated from July 2005 and we will continue to maintain and strengthen this system in the future.

Involvement in SRI (Socially Responsible Investing) indices, funds, etc.

The social, environmental, and ethical sides of KUBOTA's business activities are evaluated and we are currently included in such indices as Morningstar Japan K.K.'s "SRI Stock Index" and the FTSE's "FTSE4Good", as well as being chosen for the composite list of many SRI funds. While trying to improve corporate value on a foundation of growth and profitability, we are achieving sustained business development through management that strongly takes our social responsibilities into account.

Index	Fund name
SRI stock index	Nikko EcoFund
	Mitsubishi UFJ SRI Fund
FTSE4Good	Daiwa SRI Fund
	Tsunagari (Nomura Asset Management Co., Ltd.)
	GoodCompany (The Sumitomo Trust & Banking Co., Ltd.)
	Mirai no Chikara (Sompo Japan Insurance Inc.)
	Buna no Mori (Sompo Japan Insurance Inc.)



Corporate information diffusion

To deepen the understanding of the variety of environmental conservation activities that KUBOTA has been involved in over the years, we are disclosing a wide range of information through various media such as our website and corporate PR magazine.

“URBAN KUBOTA” corporate PR magazine

Since 1969, KUBOTA has issued the “URBAN KUBOTA” magazine that academically delves into the issues of water, soil, geology and environment that are significantly related to our operations. This multi-color magazine contains illustrations and detailed commentary from professionals but uses vernacular that is easy for the layperson to understand as well, and it is widely utilized in public libraries and educational institutions in addition to our customers and suppliers. A PDF version can also be downloaded from our website.



For more detailed information, access the following website:
<http://www.kubota.co.jp/urban/>

“GLOBAL INDEX” website

“GLOBAL INDEX” is a WEB magazine that introduces the business areas and projects at KUBOTA that greatly contribute to society as well as transmitting our stance on various issues. Seven (paper-based) issues were published between 1992 and 1998 as a tool for corporate public relations and, since 2000, the GLOBAL INDEX has been displayed on our Internet website, inviting even wider access. Under differing themes, each issue of the magazine concentrates on the multitude of topics KUBOTA is involved in.



For more detailed information, access the following website:
<http://giweb.kubota.co.jp/>

“KUBOTA no Tanbo” (KUBOTA Rice Field) website

Using illustrations and photographs, the “KUBOTA no Tanbo” website provides basic easy-to-comprehend information regarding the mechanism and multi-faceted functions of rice fields, as well as about rice plants, agricultural implements and machinery, festivals and related history, etc. “KUBOTA no Tanbo” offers a variety of sections, including the “Inaohosedori-mura”, a virtual village designed to create a reader-participation Internet community, “Tanbo no Monogatari” (Rice Field Tales), which offers interesting information and stories, as well as fairy tales, related to rice field, and “Gakko no Tanbo” (School Rice Field) that reports on rice growing at various schools.



For more detailed information, access the following website:
<http://www.tanbo-kubota.co.jp/>

Corporate advertising

KUBOTA develops corporate advertising under the key message “The Latent Potential in Society”. Included in this message is both the power to act and the support for convenient and comfortable daily life as the foundation of society, and it expresses the mission, corporate image, and social values that are common throughout the whole of the company. KUBOTA is committed to conveying the significance of our existence and building our relationship with society not through superficial images but with concrete results and deeds.



Magazine advertisements

KUBOTA has received various awards for advertising

KUBOTA's corporate TV commercials “The Latent Potential in Society” won the Prize for Excellence in the TV Commercial Category at the 42nd Galaxy Awards. The Galaxy Awards is a system that aspires for a qualitative improvement in the broadcasting culture in Japan, and involves the Japan Council for Better Radio and Television recommending individuals and organizations that create outstanding television and radio programs, TV commercials, and other remarkable achievements. In addition, we have also received awards in newspaper advertising in the Vehicles, Transport Machinery, and Equipment category of the Asahi Advertising Award (sponsored by Asahi Shimbun) and the Energy and Industry category of the Mainichi Design Awards (sponsored by Mainichi Newspapers).



Galaxy Awards ceremony



Various advertising awards

Conservation of both global and local environments

Basic Policy

Kubota Group Environment Charter (revised on June 1, 2006)

Along with the enactment of new corporate principles and a Charter for Action, we have also revised our Global Environment Charter. Global environmental conservation is being actively promoted throughout the KUBOTA Group and positioned as the most important issue of business management.

Kubota Group Environment Charter

The Kubota Group aims to create a society where sustainable development is possible on a global scale and conducts its operations with concern for preserving the natural environment.

Kubota Group Environmental Action Guidelines

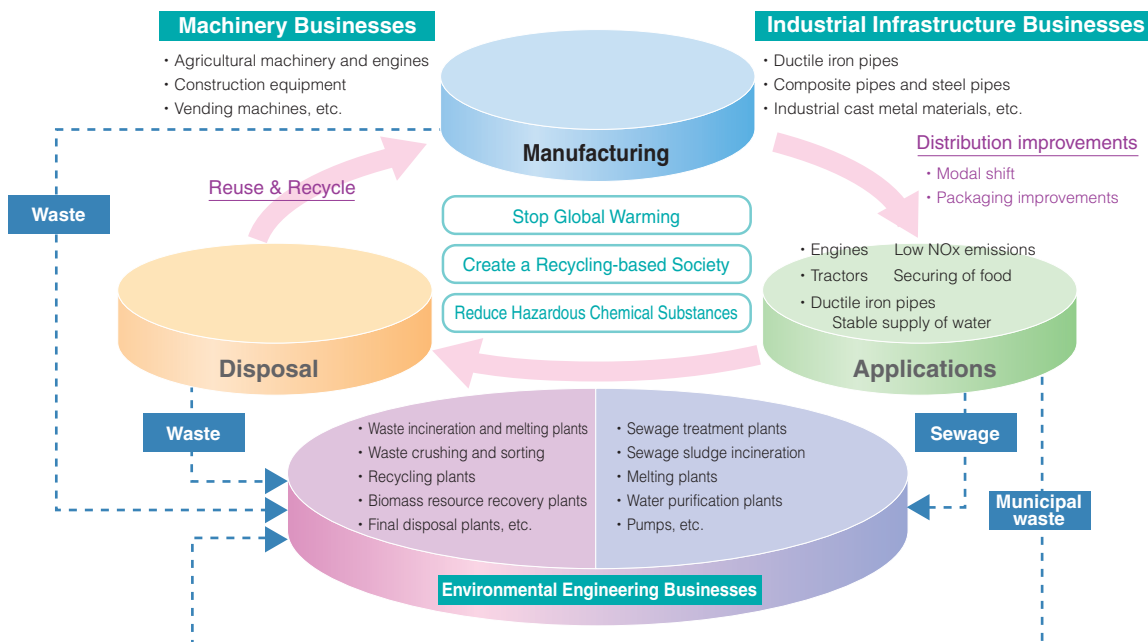
- 1. The Kubota Group takes initiatives for the protection of the natural environment in all its activities.**
 - (1) By setting specific goals on its own initiative while remaining in compliance with all laws and regulations
 - (2) By promoting initiatives at all levels of its operations, from product development to production, sales, distribution, and services
 - (3) By taking a proactive stance toward securing the understanding of the importance of protecting the environment among its suppliers and actively obtaining their cooperation
- 2. The Kubota Group works to protect the environment and create a symbiotic relationship with the community.**
 - (1) By participating in community beautification and environmental enlightenment activities in its role as a good corporate citizen
 - (2) By engaging in business activities that take full account of environment protection in the community, including pollution prevention
- 3. The Kubota Group undertakes systematic initiatives to protect the environment.**
 - (1) By conducting environmental impact assessments, working to reduce environmental risk, and preventing environmental pollution
 - (2) By working to solve environmental issues, including prevention of global warming, creation of a recycling society, and reduction of the release of harmful substances
- 4. The Kubota Group implements a thorough program of environmental management.**
 - (1) By introducing environmental management systems and promoting initiatives in everyday operations
 - (2) By proactively monitoring whether the “Plan, Do, Check, Action (PDCA)” cycle is functioning in environmental management activities
 - (3) By promoting enlightenment and educational activities related to the environment and working to heighten awareness of the environment
- 5. The Kubota Group is proactive in communicating its environmental perspective.**
 - (1) By issuing timely and easily understandable environmental information
 - (2) By gathering environmental information from a broad range of stakeholders and reviewing as well as upgrading its environmental protection activities

Basic direction of environmental corporate management

KUBOTA has established the basic direction of its environmental corporate management for harmonizing the environment with economics and building a sustainable society as follows. We have also drafted and are zealously promoting a concrete Mid-term Environment Promotion Plan (pages 39 and 40) in order to execute that basic direction.



The relationship between business activities and the environment



Status of Mid-term Targets and Results

Targets and results in FY2006

KUBOTA has drafted and promoted a Mid-term Environment Promotion Plan in order to execute the basic direction of our environmental corporate management, which aims at harmonizing the environment with economics and building a sustainable society. Items of emphasis were incorporated in the 2-year plan from fiscal 2005 to fiscal 2006.

New Mid-term Plan established

Based on results from fiscal 2005 and the situational changes in global environmental issues, we implemented a review of content and targets then established a new Mid-term Environment Promotion Plan (for fiscal 2007 to fiscal 2009) for the KUBOTA Group during fiscal 2006.

FY2005–FY2006 Mid-term Environment Promotion Plan (drafted in FY2004)

Issue or Subject	Target	Management Indicator	Standard FY	FY2006		
				Targets	Results	Self-evaluation ¹
① Expanding the environmental management system	Develop eco-office initiatives (non-production offices)	Introduction rate	-	Consider rollout to subsidiaries	Rollout to subsidiaries in head office building completed	
	Ensure a sufficient number of personnel with environmental certification (pollution control managers, etc.)	Rate of guideline achievement	-	100%	81%	
	Expand and implement the educational system (education based on the Environmental Education Promotion Law ²)	-	-	Review	Content review of employee level-based education system and professional training, etc., completed (1,352 employees participated)	
	Implement green purchasing	Ratio of purchase amount	-	100%	93.2%	
② Creating a recycling-based society	Reduce waste	Volume of waste discharge	2004	(6%)	3.7%	×
	Aim for zero emissions (for industrial waste generated in manufacturing plants, etc.)	Resource recovery rate	-	99%	98.8%	
	Implement eco-office measures (reduction of paper use, etc.)	Reduction rate	2004	(10%)	(17%)	
	Conserve water resources (service water)	Reduction rate	2004	(5%)	(16%)	
③ Stopping global warming	Conserve energy and reduce greenhouse gases	CO ₂ emission per unit output	2004	(2%)	(34%)	
	Limit total CO ₂ emission	ton-CO ₂	1991	FY1991 level or less	71%	
	Reduce CO ₂ during distribution	ton-CO ₂	2004	(2%)	(26%)	
④ Reducing hazardous chemical substances	Reduce hazardous chemical substances [reduce Volatile Organic Compound (VOC) atmospheric emission]	Reduction rate	2004	(30%)	(51.6%)	
	Implement PCB measures (high/low voltage devices)	Renewal or replacement of devices containing PCB	-	80% renewal or replacement	92%	
⑤ Increasing eco-friendly products and services	Enhance use of eco-friendly products	Ratio of new products	-	60%	37%	×
	Implement green purchasing	Introduction rate	-	100%	77%	
⑥ Enhancing environmental communication	Environmental Report	Regular issuance	-	Development and integration towards a CSR Report	Implemented from this FY	
	Independent review of the Environmental Report	Reviewed or not	-	Independent review on environmental content	Implemented from last FY report	

As for some targets, change in boundaries of Organizations for FY2006 results and the standard fiscal year were not taken into consideration.

¹: Self-evaluation standards ◎ ... Exceeded target ○ ... Reached target △ ... Target partially achieved × ... Target not achieved

²: Proper name—"Law for Enhancing Motivation on Environmental Conservation and Promoting of Environmental Education"

Incorporating environmental corporate management into subsidiary companies

KUBOTA has to-date placed an emphasis on obtaining ISO 14001 certification, etc., for our environmental corporate management system in domestic production subsidiaries. However, the issues at right will be strengthened as the main points of focus for the future.

- (1) Development of self-governing environmental corporate management activities for non-production subsidiary companies
- (2) Strengthening of internal environmental auditing
- (3) Expansion of those non-production subsidiary companies targeted for environmental management

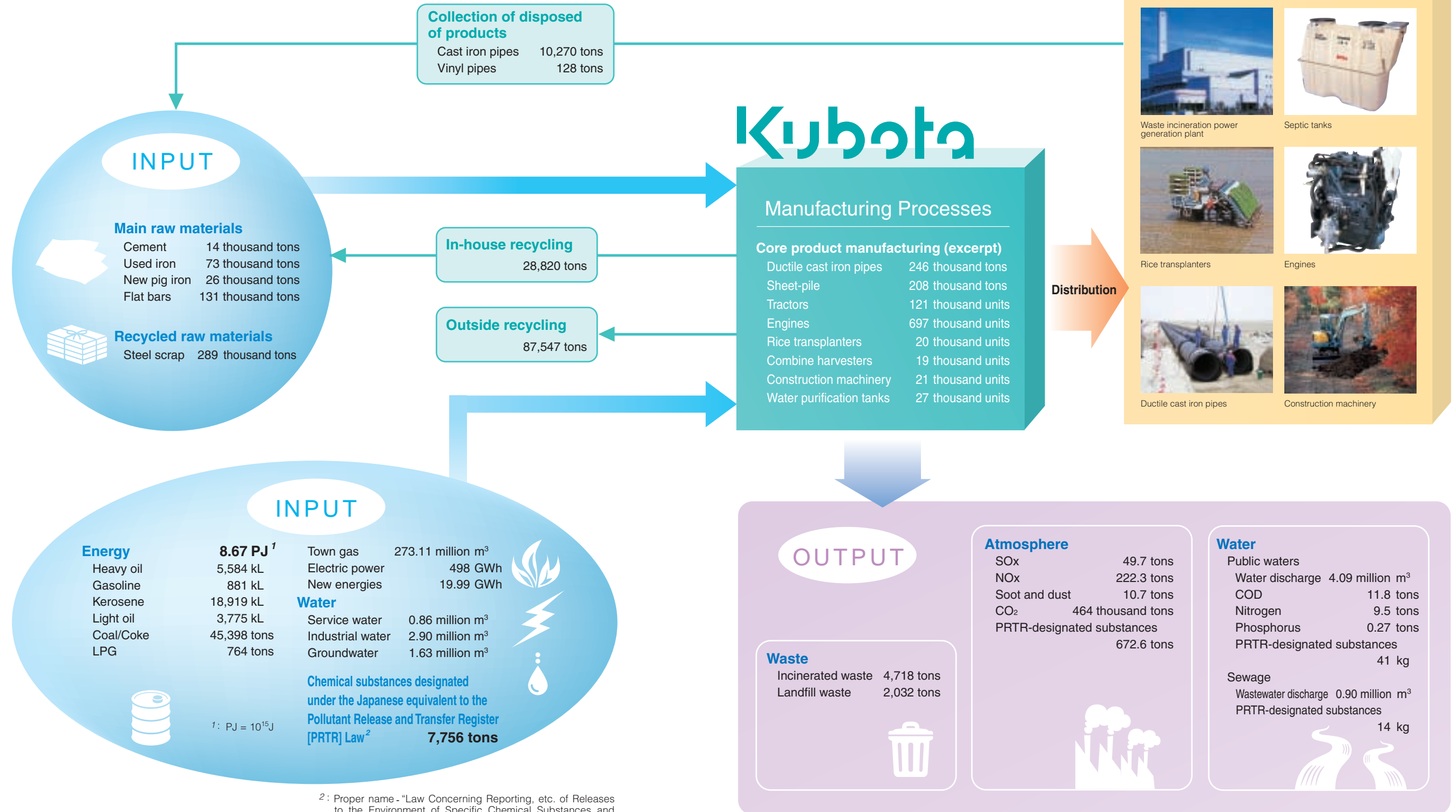
New FY2007–FY2009 Mid-term Environment Promotion Plan (drafted in FY2006)

Item		Management Indicator	Standard FY	FY2007	FY2008	FY2009
① Expanding the environmental management system	Expand ISO14001 certification	Acquisition of certification for KUBOTA's non-production sites	-	1 site	2 sites	6 sites
	Expand non-production subsidiary companies targeted for environmental management (range of report targets)	Ratio of the number of targeted subsidiary companies	-	50%	65%	75%
② Creating a recycling-based society	Reduce industrial waste	Waste discharge per unit output (volume of discharge / volume from internal production)	2005	(4%)	(6%)	(8%)
		Resource recovery rate	-	99%	99%	99%
	Recycle construction waste	Recycling rate	-	95%	95%	95%
	Implement green purchasing (office supplies)	Ratio of purchase amount	-	95%	98%	99%
	Reduce water use per unit output (service water, industrial water, ground water)	Water use per unit output (volume of use / volume from internal production)	2005	(4%)	(6%)	(8%)
③ Stopping global warming	Reduce greenhouse gases	CO ₂ emission per unit output (volume of emission / volume from internal production)	2005	(2%)	(3%)	(4%)
	Reduce CO ₂ during distribution	CO ₂ emission per unit output (volume of emission / product transportation weight & distance)	2005	(2%)	(3%)	(4%)
④ Reducing hazardous chemical substances	Reduce Volatile Organic Compounds [VOC]	VOCs emission per unit output (volume of emission / volume from internal production)	2005	(10%)	(15%)	(20%)
	Implement PCB measures (high/low voltage devices)	Renewal or replacement	2004	90%	100%	100%
⑤ Increasing eco-friendly products and services	Enhance manufacture of eco-friendly products	Ratio of models with no hazardous chemical substances contained (RoHS-targeted substances)	2006	10%	30%	50%
⑥ Enhancing environmental communication	Disclose environmental information	Integration towards a CSR Report & Enhancement of the Environmental Report	-	Integrated into a CSR Report	-	-
	Improve reliability and content of the Environmental Report	Independent opinions (continuous implementation of independent review)	-	Reviewed	Implemented	-

KUBOTA Group Business Activities and Environmental Loads

The environmental loads incurred during the processes of production in the Industrial & Material Systems Consolidated Division, Farm & Industrial Machinery Consolidated Division, and Environmental Engineering Consolidated Division, etc. are as follows.

The KUBOTA Group is working to clarify the amounts of items used in manufacturing processes (INPUT), such as raw materials and electric power, water, and fuels, and the volumes of emission and discharge (OUTPUT) delivered to the environment, such as carbon dioxide (CO₂) and waste, and we are totally committed to reducing the environmental burden we generate.



²: Proper name - "Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management"

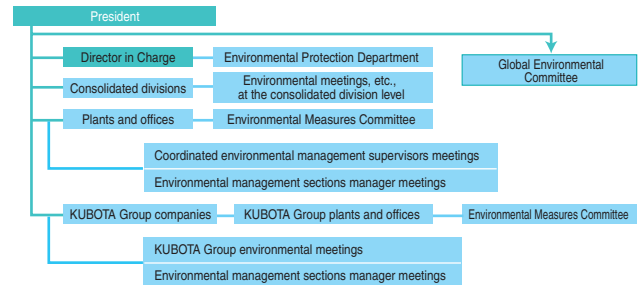
(Data for domestic plants and offices)

Environmental Corporate Management

In order to properly understand the environmental impact of our business activities and to promote the involvement of the entire KUBOTA group in eco-management, we have enhanced our system of management upon an "Environmental Corporate Management" framework.

The Framework to Promote Environmental Corporate Management

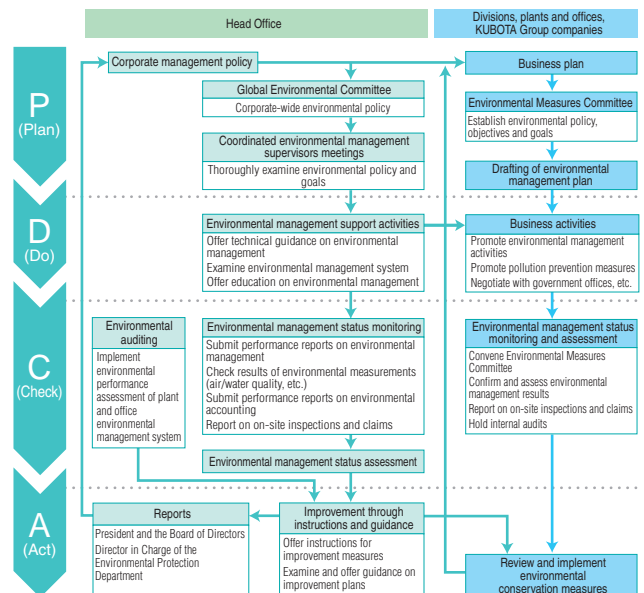
In order to enable the coordinated response to all global and local environmental issues, KUBOTA has established the Environmental Protection Department to promote environmental measures and environmental auditing, etc., and placed it under the management of the Director in Charge, as well as also establishing sections in charge of environmental corporate management within other plants and offices (including group companies). All corporate environmental policies are also discussed in the Global Environment Committee.



Kubota Environmental Management System

Since 1972, KUBOTA has been promoting full-employee participation in environmental corporate management as part of our TPC¹ program. In 1995, we then introduced our ISO 14001-compliant "KEMS"² and, by the end of fiscal 2001, all of our production plants and offices had acquired, and continue to maintain, ISO 14001 certification.

- 1: TPC (Total Pollution Control)
- 2: KEMS (Kubota Environmental Management System)



Environmental Auditing and Plant/Office Study Teams

Newly added from fiscal 2006 to those points used to assess compliance to environment-related laws were 21 items related to the Fire Defense Law (hazardous materials) and the Industrial Safety and Health Law (working environment), and audits containing 159 total checkpoints were implemented. Under environmental performance, priority was placed on "Air and water quality and waste management" and "Emergency response, education, and training" as documents were examined and on-site audits were executed for two days at plants and offices where the environmental burden was large and for 1 day at smaller plants and offices.

As a result, the number of items requiring improvement increased over the previous year, more detailed study team meetings were held, and improvement in the overall level of environmental management was aimed at.

Assessment items and number of items requiring improvement as determined by the environmental plant/office study team

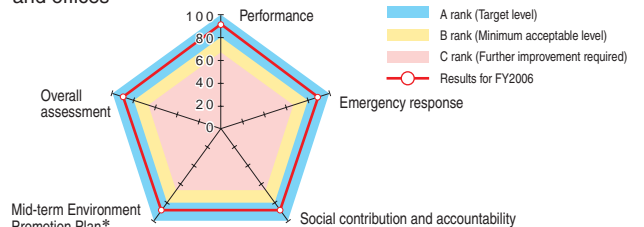
Assessment items	Items requiring improvement	
	FY2005	FY2006
1. Compliance with environment-related laws	17	28
2. Environmental performance	58	93
3. Emergency response, education and training	13	30
4. Eco-friendly products (excluding FY2006)	11	—
5. Social contribution and accountability	3	0
6. Working environment management (FY2005) and Mid-term Plan (FY2006)	13	12
Total	115	163

Improvement plans, especially those related to capital investment, are developed and promoted with a link to standard capital investment plans. KUBOTA is aiming at implementing a future review of assessment criteria and audit methods, at improving and enhancing environmental audits, and at the further improvement of environmental corporate management activities throughout the KUBOTA group.

Environmental plant/office study team



Average assessment results of KUBOTA's domestic production plants and offices



* FY2005 was set to the same target values due to the new auditing items implemented from FY2006

Eco-office measures (environmental management activities at non-production plants and offices)

In order to confirm the state of participation at 12 locations nationwide, as well as to aim at even more improved environmental management capabilities, KUBOTA developed eco-office plant/office study teams during October and November.

The number of items requiring improvement decreased (from 98 to 62) in comparison with the previous year (FY2005) and the level of participation has improved overall.

These study teams will be periodically put into practice in the future, and efforts will be made to further improve our total environmental management capabilities.

Main activities

Subject	Main content being promoted
Reduction of greenhouse gases	Turn off unnecessary lighting and office equipment
Energy conservation	Implement diligent air-conditioning temperature control
Reduction of municipal waste	Implement thorough sorting, collection and recycling
	Reduce waste paper and implement thorough paper recycling
Promotion of green purchasing	Place priority on purchasing green products

The assessment items and number of items requiring improvement as determined by the eco-office plant/office study team

	Classification	Items requiring improvement	
		FY2005	FY2006
Assessment criteria for offices	Promotion organizations	13	6
	Education activities	20	10
	Energy conservation and global warming prevention	14	3
	Waste reduction	15	8
	Industrial Waste Law compliance	—	8
	Equipment containing PCB	0	0
	Water resource conservation	1	0
	Company vehicles	6	3
	Green purchasing	12	4
	Total number of assessment criteria for offices	81	42
Assessment criteria for service plants and offices	Hazardous materials and hazardous material warehousing	4	3
	Chemical substances	4	6
	Management status of facilities related to the atmosphere	0	—
	Management status of facilities related to water quality	5	2
	Waste management	4	8
	Working environment	0	1
	Noise	0	0
	Odors	0	0
	Total number of assessment criteria for service plants and offices	17	20
	Total	98	62

Status of ISO14001 certification acquisition

All of KUBOTA's production plants and offices had acquired ISO 14001 certification by the end of fiscal 2001. All of our non-production plants and offices are currently working towards acquisition of ISO 14001 certification.

KUBOTA's domestic plants and offices and consolidated divisions

No	Name	Other included organization	Inspecting/Certifying organ	Date of certification
1	Hanshin plant	Marushima branch Nagasaki branch	LRQA	March 5, 1999
2	Hanshin plant (Shin-yodogawa factory)		JCQA	January 11, 2000
3	Keiyo plant*	Distribution center Gyofoku processing center	LRQA	July 16, 1998
4	Hirakata plant	Kubota Valve Maintenance Corporation	LRQA	September 17, 1999
5	Okajima plant	Ohtake ShellCo Corp.	JICQA	December 22, 1999
6	Sakai plant	Sakai Rinkai plant	LRQA	March 10, 2000
7	Utsunomiya plant		LRQA	December 8, 2000
8	Tsukuba plant		LRQA	November 28, 1997
9	Kyuhoji business center	Kubota Retex Corp. Kubota Membrane Corp. Kubota Keiso Corp.	DNV	March 19, 1999
10	Ryugasaki plant	Kubota Vending Service Co., Ltd.	DNV	November 13, 1998
11	Shiga plant		JUSE	May 18, 2000
12	Environmental Engineering Consolidated Division	Shin-yodogawa environmental plant center Kubota Machinery and Construction Corporation Kubota System Control Co., Ltd.	LRQA	July 14, 2000

* The Keiyo plant (Ichikawa) and Keiyo plant (Funabashi) are jointly certified.

Domestic subsidiaries

No	Name	Other included organization	Inspecting/Certifying organ	Date of certification
1	Kubota-C.I. Co., Ltd.	Tochigi plant	KHK	April 20, 1999
2	Kubota-C.I. Co., Ltd.	Sakai plant, Ishizu-nishi factory	JUSE	July 23, 1999
3	Kubota-C.I. Co., Ltd.	Odawara plant	JUSE	January 19, 2000
4	Nippon Plastic Industry Co., Ltd.	Head office and plant, Mino plant	JSA	October 27, 2000
5	Kubota Construction Co., Ltd.		JQA	December 22, 2000
6	Kanto Kubota Precision Machinery Co., Ltd.		LRQA	November 14, 2001
7	Kubota Environmental Service Co., Ltd.		MSA	November 20, 2002
8	Kyusyu Kubota Chemical Co., Ltd.		JUSE	March 27, 2003
9	Kubota Air Conditioner Co., Ltd.	Tochigi plant	JQA	August 27, 2004
10	Kubota Retex Corp.	Kitakami Recycle Center	JQA	October 22, 2004
11	Kubota Pipe Tech., Co.		JCQA	January 24, 2005

Overseas subsidiaries

No	Name	Other included organization	Inspecting/Certifying organ	Date of certification
1	The Siam Kubota Industry Co., Ltd. (Thailand)		MASCI	February 28, 2003

LRQA: Lloyd's Register Quality Assurance Limited JCQA: Japan Chemical Quality Assurance Ltd. JICQA: JIC Quality Assurance Ltd. DNV: Det Norske Veritas AS
 JUSE: Union of Japanese Scientists and Engineers KHK: The High Pressure Gas Safety Institute of Japan JSA: Japanese Standard Association
 JQA: Japan Quality Assurance Organization MSA: Management System Assessment Center Co., Ltd. MASCI: Management System Certification Institute (Thailand)

Environment-Related Education

Raising the awareness of each and every employee in regard to environmental issues is important in promoting business activities that truly take the environment into consideration. On the basis that knowledge is the first step to solving environmental issues, KUBOTA aims at improving environmental consciousness through regular education according to the employee's level. We also implement systematic professional education to enable the appropriate response to environmental issues, support the enhancement of individual abilities and the development of qualified personnel, and promote the practice of environmental

conservation.

Since fiscal 2005, we have been offering courses that correspond to the participants' job level as a further enhancement to our basic education program, with three courses offered in FY2006.

In addition, in the "Environment Month" of June and the "Energy Saving Month" of February, we organized field trips for the purpose of learning about the environment-related actions taken by other advanced companies and we are cooperating in offering environmental education to outside organizations as well.

Environment-related education in FY2006

(Only in-house education sponsored by the Environmental Protection Department or performed by contracted lecturers is included herein)

Classification	Course title	Frequency	No. of participants	Course descriptions	
Management-level education	Report meetings with directors	1	21	Environmental audit results report	
	Environmental plans/office study team (environmental audit) results report				
Education by employee-level	New employee orientation	1	84	Global environmental issues	
	General course <1>	Environmental conservation	3	91	Global environmental issues and the response required of corporations
	Compliance training for 9th year employees in create positions	3	134	Global environmental issues and KUBOTA's environmental corporate management	
	Training for personnel promoted to senior management	3	152	Global environmental issues and KUBOTA's environmental corporate management	
	Intermediate course for technicians	Environmental corporate management	1	25	KUBOTA's involvement & on-site environmental corporate management
		Energy conservation	1	24	Theory and application of energy conservation technology
	Training for newly appointed foremen	1	18	KUBOTA's environmental corporate management & on-site environmental management	
Training for newly appointed supervisors	2	45	KUBOTA's environmental corporate management & on-site environmental management		
Professional education	Basic course on environmental corporate management	For designing and R&D sections	1	3	Environment-related laws and regulations & Kubota's involvement Environmental corporate management according to the participant
		For construction and service sections	1	6	
		For office administration	1	7	
	Education of environmental management technology	1	14	Theory and application of environmental corporate management technology	
	Preparation course for workplace environment measurement expert examination	Class 1	1	4	Dust, organic solvents, chemical substances and metals
		Class 2	2	14	Laws and regulations relating to industrial health & chemical analysis, etc.
	Follow-up education for internal environmental auditors (ISO 14001)	4	75	The ISO 14001 standard, environmental laws, and case studies	
Meetings	Environmental management sections manager meetings	1	26	Instructions on environmental corporate management and case introductions	
	Office environment management sections manager meetings	1	13	Instructions on environmental corporate management	
	KUBOTA Group environmental management sections manager meetings	1	26	Instructions on environmental corporate management	
	Briefings on the environmental management information system (KEDES)	1	33	An explanation of the environmental management information system	
	Hanshin office manager training workshop	1	44	The environmental management knowledge required of managers	
	Construction work safety and health conference	2	64	Waste management in construction work	
	ISO 14001 (environmental management system) revisions	3	-	An explanation of revisions to ISO 14001	
Environmental information offered over the intranet	Mini-brief on environmental accounting	6	-	An explanation on environmental accounting	
	Eco-friendly products	5	-	An introduction to eco-friendly products	
	Enforcing the Kyoto Protocol, the international framework for the prevention of global warming	6	-	An introduction to the Kyoto Protocol	
	Global warming prevention and new energy	5	-	A background introduction to new energy implementation	
	Water environment maintenance	4	-	An introduction on environmental water quality standards, etc.	
	Specifics on PCB (polychlorinated biphenyl)	3	-	An explanation of PCB	
	Specifics of recycling laws	3	-	An explanation of laws for the promotion of utilization of recycled resources	
Field trips in subject months	Environment Month	Izumi EcoPlaza, Daiiei Inter Nature System, Inc.	1	23	A tour of an industrial waste processing facility and final disposal site
		Wako Service Co., Ltd.	1	18	A tour of an industrial waste processing facility and incineration and melting facility
		Ricoh Kansai Co., Ltd.	1	15	A visit to view eco-office and ISO 14001 activities
	Energy Saving Month	Hitachi Industrial Equipment Systems Co., Ltd.	1	21	A tour of a factory that excels in energy conservation
Associate companies	Kubota Pipe Tech Co.	2	67	Education on construction waste managed	
	Farm & Industrial Machinery Consolidated Division Block Conference	4	114	Education of industrial machinery sellers	
	Kubota Construction Equipment East Japan Cooperative	1	23	Education of construction equipment sellers	
Cooperation in the education of outside organizations	Japan International Cooperation Agency (JICA)				
	• Agricultural expansion project manager	1	12	A tour of environment-related facilities at the Sakai plant	
	• Environmental policy and environmental management system	1	9	An explanation of the state of KUBOTA's activities	
	Acceptance of internship Tochigi Prefecture Utsunomiya Hakuyo High School, Utsunomiya Industrial High School, Utsunomiya Commercial High School	1	13	Education on environmental management at the Utsunomiya plant	
	Hyogo Prefecture Amagasaki Industrial High School Period for integrated study: environmental education	5	114	Explanations on pollution, waste, hazardous chemicals, and global warming, etc.	

Environmental information offered over the intranet Ex.: "Explanation on PCB"



Follow-up education for environmental auditors Case study (workgroup)



Number of personnel with environmental certification

Pollution Control Managers	Air	51
	Water quality	62
	Noise	93
	Vibration	67
	Dioxins	5
Environment Measurers	Concentration	1
	Noise and vibration	1
Environmental Management System (EMS) Auditors	Lead auditors	0
	Auditors	1
	Provisional auditors	5
Energy Management Experts	Heat	40
	Electricity	35
Workplace Environment Measurement Experts	Class 1	74
	Class 2	73

Target range:

KUBOTA's domestic production plants and offices
+
Subsidiaries' domestic production plants and offices

Expansion of subsidiary companies targeted for environmental management

KUBOTA is working to systematically bring all domestic and foreign subsidiaries within the scope of environmental corporate management by fiscal 2012. The ratio of target companies in fiscal 2006 was about 41.3%.

Ratio of target subsidiary companies



Environmental Risk Management

KUBOTA promotes work activities that adhere to work standards and thoroughly implements the regular inspections and necessary maintenance that will secure compliance to the law, prevent the generation of environmental damage, and minimize environmental risks in all our business activities.

Based on the premise that an environmental accident may occur at any time, we have established accident-response procedures to control contamination and carry out regular training to prepare for unusual events and emergencies. We also review and reinforce our preparatory organization and emergency environmental accident response structure based on the possibilities of a major environmental accident, and promote companywide crisis-response management towards such potential accidents.

We are reinforcing environmental risk management through environmental audits targeting all of our production plants and offices, including our subsidiaries, in order to fully clarify high environmental risks and to provide thorough and appropriate countermeasures against those risks.

Chemical substances present the highest level of environmental risk at KUBOTA, so we are involved in efforts to reduce the volumes of use, emission, and transport of highly hazardous chemicals and implement thorough control to prevent the generation of environmental problems.

We also employ environmental audits and plant/office study teams to confirm and improve, as necessary, the state of our environmental risk management, such as our emergency response.



Training for unusual and emergency situations (Sakai plant)
Training at a painting-related facility (November 21, 2005) implemented under the premise of a chemical tank leakage accident.

Law compliance measures

(1) Status of air quality control

All items satisfied the required standards.

(2) Status of water quality control

An accident that generated outflow into the public sewerage and that exceeded the hexavalent chromium effluent standard occurred. We reported the incident to the related government office, and our prompt handling of the situation resulted in no adverse influence on the surrounding area. Thoroughness relapse prevention measures, including strengthening equipment control and daily management, were targeted companywide.

(3) Status of noise and vibration control

During fiscal 2006, the measured values of noise emission exceeded the required standards at 4 plants/offices. A speedy response was carried out and we have been working to reduce noise even further. All plants and offices satisfied the required standards for vibration.

(4) Status of hazardous chemical pollution control

The presence of groundwater contamination is regularly measured using observation wells installed in our plants and offices. As a result, there were no problems of groundwater contamination from organic chlorine-based compounds.

(5) On-site inspections by government and municipal offices

We had 49 on-site inspections concerning air and water quality and industrial waste during fiscal 2006. The result of these inspections indicated that we were in compliance with all required regulations and criteria, and that there were no special problems. We will continue to exert efforts towards conducting thorough daily monitoring and management in order to prevent receiving any administrative notices in the future as well.

(6) Environmental accidents

Once again, there were neither incidents of litigation nor payments of fines or penalties required in fiscal 2006 in regard to the environment. We had 18 accidents related to oil leakage, etc., in our plants and offices, but, as a result of appropriate measures taken in accordance with our procedures for unusual event and emergency response, there were no effects exhibited outside the company.

(7) Environmental claims

There was 1 claim from the neighborhood concerning the exhaust sound of our pneumatic material transport and 1 claim of the vehicles in a parking lot in the vicinity being dirtied with dust from the factory, and we took prompt measures in each case. We will continue to exert efforts towards conducting thorough daily monitoring and management in order to prevent a similar recurrence of such claims.

(8) Information disclosure on the environmental and safety measures taken for our products

KUBOTA compiles MSDSs (Material Safety Data Sheets) and offers that information to our customers. In preparation for potential accidents in the distribution process, we also provide information to transport companies concerning environmental and safety measures for our products, such as handling procedures during emergencies, etc.



Environmental Accounting

Environmental accounting is employed in order to reflect back into our business activities as much as possible the quantitative comprehension and analysis of the costs of environmental conservation and the effects that are obtained from those activities, and to promote a wider understanding of KUBOTA's participation in environmental conservation activities by disclosing information to related parties both inside and outside the company.

Environmental conservation costs

In fiscal 2006, investments in environmental conservation totaled 1.42 billion yen, an increase of 720 million yen over the previous period. Environmental conservation costs

increased by 210 million yen to 7.07 billion yen, while R&D costs totaled 3.71 billion yen, approximately 52% of the overall environmental conservation costs.

Environmental conservation cost breakdown

(¥ millions)

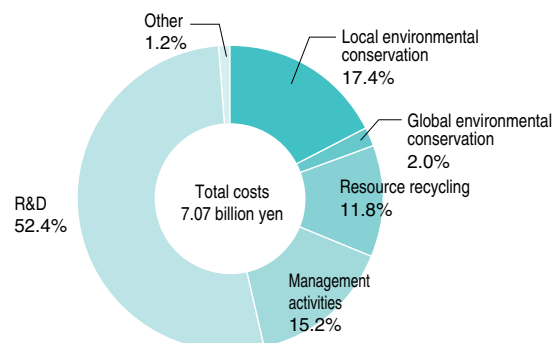
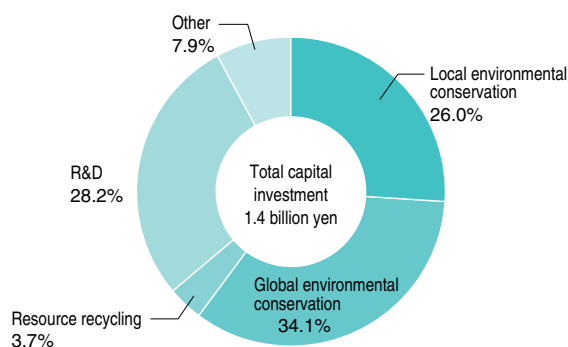
Classification	Main content	FY2005		FY2006	
		Investment	Cost	Investment	Cost
Within the business area		291	1,741	909	2,206
Local environmental conservation	Prevention of air and water pollution, soil contamination, noise, vibration, etc.	130	667	370	1,230
Global environmental conservation	Prevention of global warming, etc.	146	213	486	138
Resource recycling	Reduction and recycling of waste	15	861	53	838
Upstream and downstream costs	Collection of used products and commercialization of recycled products	0	56	0	24
Management activities	Environmental management personnel, ISO maintenance and implementation, environmental information dissemination	0	410	25	1,077
R&D	R&D for reducing of product environmental load and developing environment conservation equipment	414	4,579	402	3,709
Social activities	Local cleanup activities and membership fees and contributions to environmental groups, etc.	0	44	88	7
Environmental remediation	Levies on SOx emission, etc.	0	35	0	51
Total		705	6,865	1,424	7,074

(¥ millions)

Total capital investment (including land) for the corresponding period	33,800
Total R&D costs for the corresponding period	22,731

Method of aggregation and provisions:

- (1) The period covered was from April 1, 2005 to March 31, 2006.
- (2) The scope of aggregation included all domestic production and non-production plants and offices in the KUBOTA Group. (The previous years' scope only included domestic production plants and offices.)
- (3) The method of aggregation was based on the Environmental Accounting Guidelines 2005 issued by Japan's Ministry of the Environment.
- (4) Depreciation costs were included in the total cost. Depreciation costs were calculated based on the same standards applied in KUBOTA's financial accounting and all assets acquired in and after FY1999 were recorded. Personnel costs are included in the costs for management activities and R&D. The contribution portion of compound costs was calculated by recording differences or dividing proportionately.
- (5) Only measurable economic effects were recorded. Presumed and deemed economic effects were not included herein.



Effects of environmental conservation

By promoting zero-emission goals, waste to landfills decreased by 71% compared with the previous year. However, the amount of NOx and SOx exhaust increased greatly due to the influence of the diesel generator at

KUBOTA-C.I. Co., Ltd's Tochigi Factory, which became a new production subsidiary from fiscal year 2006.

Environmental conservation effects

Effects	Items	FY2005	FY2006	Effect (difference)	Ratio to the previous year (%)
Environmental effect related to resources input into business activities	Energy consumption [energy conversion on a calorie-basis; in petajoule (PJ*)]	8.33	8.67	0.34	104
	Water consumption (thousand m ³)	5430	5390	-40	99
Environmental effect related to waste or environmental impact originating from business activities	CO ₂ emission (tons in thousands)	455	464	9	102
	SOx emission (tons)	24.2	49.2	25.5	206
	NOx emission (tons)	75.5	222.3	146.8	295
	Soot and dust emission (tons)	15.3	10.7	-4.6	70
	Releases and transfers of PRTR-designated substances (tons)	970.8	898.7	-72.1	93
	Waste discharge (tons in thousands)	92	94	2	102
	Waste to landfills (tons in thousands)	2.8	2.0	-0.8	71

*PJ: 10¹⁵J

Economic effects

The economic effects from KUBOTA's environmental conservation activities were 988 million yen.

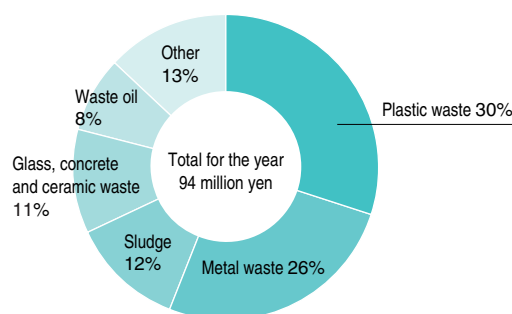
Economic effects from environmental conservation activities

Classification	Details	Annual effects (¥millions)
Energy conservation measures	Reduction of coke use in cupola, decrease in contracted electric power due to leveling of the electric power load, etc.	308
Zero-emission measures	Reduction and resource recycling of industrial waste	94
	Sales of valuable resources	564
Environmental conservation measures during distribution	Modal shift and reduction in packing materials, etc.	22
Total		988

Effects of cost reduction through zero-emission measures

The reduction, reuse and resource recycling associated with waste contributed to lowered outsourcing fees for waste processing and generated an effect of 94 million yen in cost reductions for the year.

Cost reduction effect by type of waste



Future development

KUBOTA will continue to work to better understand the effects of investments and costs, to position environmental accounting as an indispensable tool and indicator for environmental corporate management in the continued development of our business, and to focus our efforts towards further environmental conservation activities and information disclosure.

Towards a Recycling-based Society

In order to contribute towards the formation of a recycling-based society, KUBOTA is involved in efficient resource utilization on a companywide level and in promoting zero-emission goals. To that end, we are working to reduce, reuse and recycle the waste that is generated throughout all of our plants and offices.

FY2006 targets (Mid-term Environment Promotion Plan)

Waste discharge..... 6% decrease from FY2004
Resource recovery rate... 99%

FY2006 results

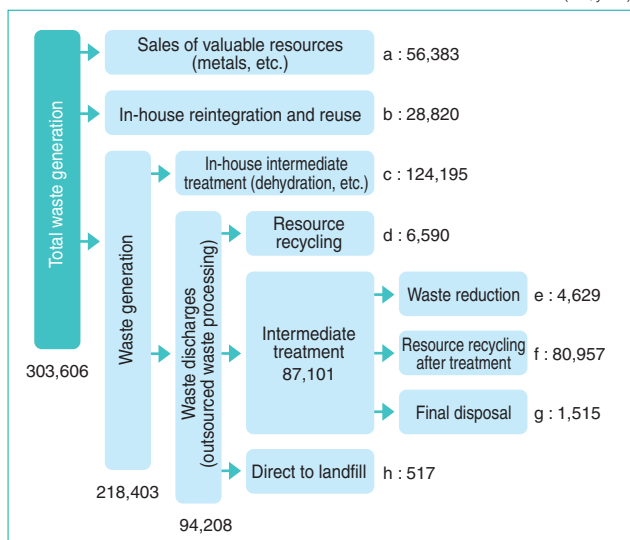
Waste discharge

Total waste discharge in fiscal 2006 was 94,208 tons, a 3.7% decrease from fiscal 2004.

Waste resource recycling rate

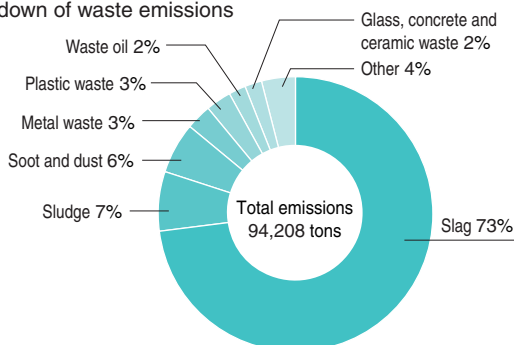
Resource recovery improved by 0.6 percentage points over fiscal 2005 to 98.8%.

Resource recycling process flowchart

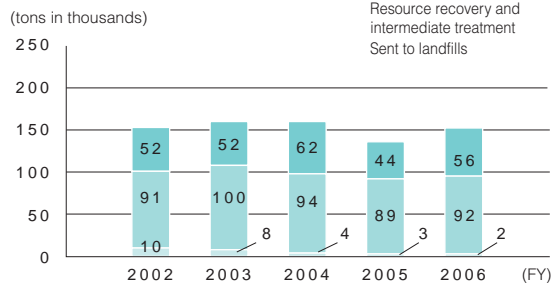


Notes: 1) Resource recycling rate (%) = (a+b+d+f) / (a+b+d+f+g+h) × 100
2) The amounts of waste reduction, resources recycled after treatment, and waste for final disposal that accompany intermediate treatment off-site were the results of surveys conducted by outsourced companies.

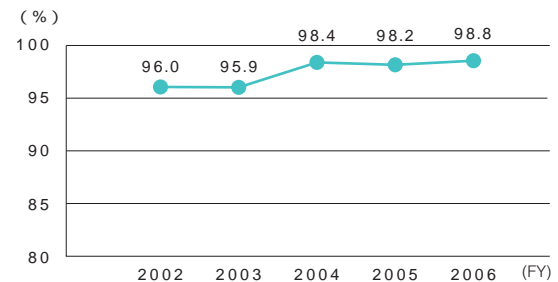
Breakdown of waste emissions



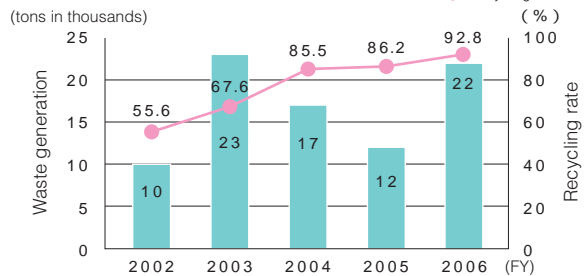
Changes in waste discharge



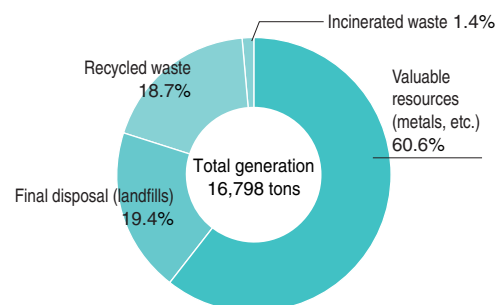
Changes in resource recycling rate



Changes in recycling of construction waste (unconsolidated results of KUBOTA Corporation)



Waste generation in overseas subsidiary plants and offices



TOPIC

Kubota Membrane Corp. approved under the Wide-Area Industrial Waste Authorization System

On September 30, 2005, Kubota Membrane Corp. received approval under the Minister of the Environment's Wide-Area Industrial Waste Authorization System and began a service (fee-based) from January 2006 for collecting used Kubota submerged membrane cartridges and Kubota submerged membrane units from customers on a nationwide scale in order to process those products for proper resource recycling.

Authorization certificate



Authorization No. 79
Kanhaisanhatsu No. 050930003
(Issued by the Ministry of the Environment, Minister's Secretariat, Waste Management and Recycling Department, Industrial Waste Management Division)

Example target product:
Submerged membrane cartridge

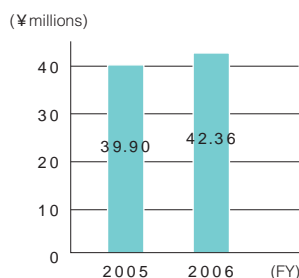


Cartridge from a submergible membrane separation unit targeted as industrial waste

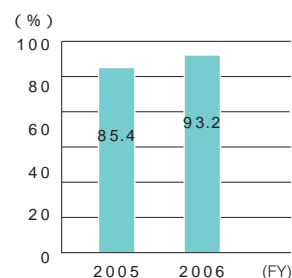
Green Purchasing

KUBOTA has constructed a system that allows us to compute the amount and ratio of green purchasing for office supplies and we are working towards expanding the plants and offices at which that system is introduced. In accordance with this system, the amount of green purchasing accomplished for fiscal 2006 equaled 42.36 million yen with the ratio to total purchases coming to 93.2%. That ratio was a major increase from the previous year but did not reach the target of 100%.

Green purchase amount



Green purchase ratio

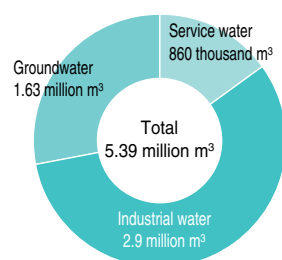


Reduction in water usage

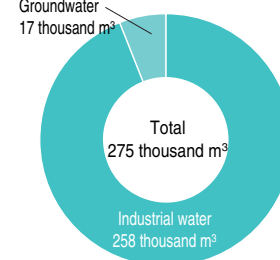
KUBOTA endeavors towards the recycling of the wastewater from daily use and from processing in order to effectively secure our precious water resources and reduce the environmental burden. Through this, water usage at KUBOTA was decreased domestically by approximately 1% from the prior year.

We also set reduction targets for service water starting from fiscal 2005 and we actively promote related activities. As service water usage decreased by approximately 16% from fiscal 2004, enabling us to reach our target level.

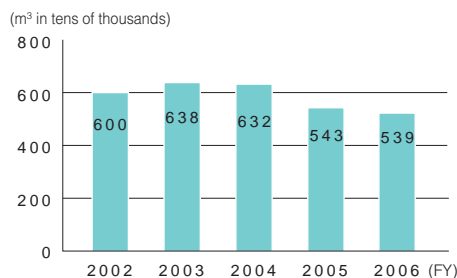
Domestic water usage breakdown



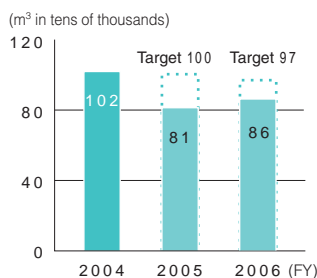
Overseas water usage breakdown



Changes in domestic water usage



Changes in service water usage



Compliance with the Containers and Packaging Recycling Law*

Approx. 197 tons of plastic packaging and approx. 28 tons of paper packaging were used during fiscal 2006.

*Proper name: Law for Promotion of Sorted Collection and Recycling of Containers and Packaging



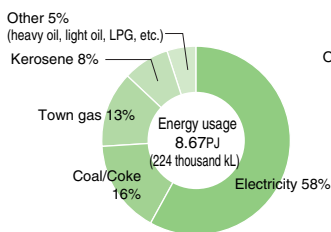
Global Warming Prevention

In accordance with the government's Measures to Prevent Global Warming, KUBOTA has been promoting its own "Kubota Group Global Warming Prevention Activities" which was launched in fiscal 2005. Focusing on improvements in energy efficiency, we are developing activities across the KUBOTA Group that aim at a one percent annual reduction in CO₂ emission per unit output.

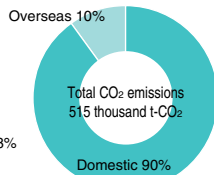
Total energy inputs and CO₂ emissions

In fiscal 2006, total domestic energy inputs for the KUBOTA Group were 8.67 PJ, while total CO₂ emissions totaled 464 thousand t-CO₂. This level of CO₂ emissions indicates a 2.0% increase from fiscal 2005, brought about mostly due to the expanded target range within the KUBOTA Group, but is still an overall decrease of 29% from the fiscal 1991 level.

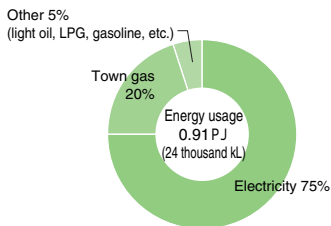
Total energy inputs <KUBOTA Group domestic plants and offices>



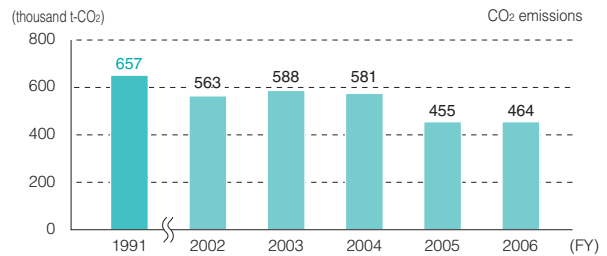
CO₂ emissions (all plants and offices in the KUBOTA Group)



<KUBOTA Group overseas plants and offices>



Changes in CO₂ emissions (KUBOTA Group domestic plants and offices)



- * Calorific conversion coefficient**
 - Up to fiscal 2005: Fuel: Calculated using the coefficients in the Net Calorific Value Table by Energy Source (revised March 30, 2001) released by Japan's Agency for Natural Resources and Energy. Electricity: Calculated using a conversion ratio of 9.83 MJ/kWh based on the Enforcement Regulations for Japan's Law Concerning Rational Use of Energy (revised December 27, 2002).
 - Fiscal 2006: Calculated using the coefficients in the Enforcement Regulations for Japan's Law Concerning Rational Use of Energy (revised March 29, 2006).
- * CO₂ emission coefficient**
 - Up to fiscal 2003: Calculated as CO₂ converted weight (ton-CO₂) = Carbon converted weight (ton-C) x 3.664 using the coefficient in the Report on Survey of Carbon Dioxide Emission (1992) released by Japan's Environment Agency.
 - Fiscal 2004 and 2005: Calculated using the coefficient in the Guidelines for Calculating Greenhouse Gas Emissions from Enterprises (tentative draft: version 1.5) (July 2003) released by Japan's Ministry of the Environment.
 - Fiscal 2006: Fuel: Calculated using the coefficient in the Ministerial Ordinance Regarding the Calculation of Greenhouse Gas Emissions that Accompany Business Activities of Specified Emission Producers (March 2006 Japan's Ministry of Economy, Trade and Industry, Ministry of the Environment No. 3). Electricity: Calculated using the emission coefficient (for fiscal 2005) of each electric power supplier.
- Calculating CO₂ emissions for fiscal 2006 based on the same coefficient as the previous period would have resulted in a total of 470 thousand t-CO₂.
- * Calorific unit: [PJ] = 1015 [J]**
- * The aggregate range of targets on CO₂ emissions (KUBOTA Group domestic plants and offices) is being gradually expanded.**
KUBOTA domestic production plants and offices are included in the aggregate range prior to fiscal 2002, while production plants and offices of domestic subsidiaries are included for fiscal 2002 and 2003. After fiscal 2003, non-production plants and offices of both KUBOTA and its subsidiaries are included as well, and the number of targeted plants and offices is currently being increased. Values prior to fiscal 2006, however, have not been recalculated.

Targets for reducing CO₂ by fiscal 2011

Upon the enforcement of the Kyoto Protocol, the Japanese government established its own "Kyoto Protocol Target Achievement Plan" which established the target of Japanese industries reducing CO₂ emissions by 8.6% from 1990 levels by the year 2010.

Even though KUBOTA's domestic production plants and offices have already exceeded that target, we will be working on a further 1% reduction annually in CO₂ emissions per unit output, as set out in our "Kubota Group Global Warming Prevention Activities".

Reducing CO₂ at KUBOTA domestic production plants and offices

The total CO₂ emissions from KUBOTA domestic production plants and offices in fiscal 2006 was 390 thousand t-CO₂, a 41% reduction from fiscal 1991.

CO₂ emissions per unit output showed a dramatic improvement over targets, having been reduced by 11% from fiscal 2005 levels and 34% compared to fiscal 2004 levels.

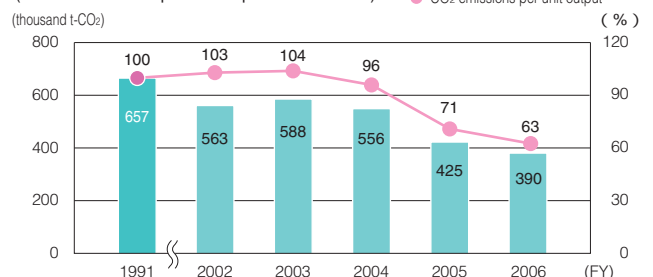
In 11 out of the 14 targeted plants and offices, CO₂ emissions per unit output for each production plant and office achieved the target level of reducing per unit output at least 1% over the prior year.

Outline of the "Kubota Group Global Warming Prevention Activities"

Target	CO ₂ emissions per unit output* 1% annual reduction																						
Period	Nine years, from FY2005 through FY2013 (Gradual reduction based on government policy)																						
Targeted plants and offices	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">KUBOTA</th> <th colspan="2">Subsidiaries</th> <th rowspan="2">Distribution Division</th> </tr> <tr> <th>Production plants and offices</th> <th>Non-production plants and offices</th> <th>Production plants and offices</th> <th>Non-production plants and offices</th> </tr> </thead> <tbody> <tr> <td>Domestic</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Overseas</td> <td>-</td> <td></td> <td></td> <td>-</td> <td>-</td> </tr> </tbody> </table>		KUBOTA		Subsidiaries		Distribution Division	Production plants and offices	Non-production plants and offices	Production plants and offices	Non-production plants and offices	Domestic						Overseas	-			-	-
			KUBOTA		Subsidiaries			Distribution Division															
Production plants and offices		Non-production plants and offices	Production plants and offices	Non-production plants and offices																			
Domestic																							
Overseas	-			-	-																		

* CO₂ emissions per unit output = CO₂ emissions / Manufacturing quantity

Changes in CO₂ emissions (KUBOTA domestic production plants and offices)



* In-house production costs are utilized for the denominator when calculating CO₂ emissions per unit output at production plants and offices.

Examples of energy-saving activities

Energy Saving Month activities

During Energy Saving Month in fiscal 2006, KUBOTA promoted group-wide activities that included subsidiaries as well in continuation of the objectives of the previous year. Specifically, there were awareness activities such as information dissemination using the intranet and energy-saving flags and posters, energy-saving patrols at production plants and offices, and such activities that placed import on energy-saving measures as those below.

- (1) Implementation of countermeasures to compressor air leaks, steam leaks, and water leaks
- (2) Reduction in standby power requirements by turning off equipment and lighting, etc., when not required or when not in production
- (3) Improvement in equipment efficiency by cleaning and replacing filters for air-conditioning, etc.

Tour of a factory that excels in energy conservation

In February 2006, we visited an outstanding energy-saving factory (Hitachi Industrial Systems Co., Ltd's Narashino Plant) with KUBOTA Group Energy Conservation Promotion Managers.

The tour included a view of the their production site compressor control system operation, their use of inverters in production equipment, and the content of their energy conservation activities that employ an electric power monitoring system, etc., as well as offering information about their techniques for conserving energy, etc., in the factory.



Energy-saving patrols at our Hirakata plant



Presentation at an outside company's outstanding energy-saving factory

Environmental conservation activities related to distribution

In an effort to reduce the CO₂ and air pollutant emissions that accompany the transport of products, KUBOTA is promoting modal shift by switching from trucking to rail transport and shipping. We are also employing the effective utilization of collective transports and return trips, the improvement of load efficiency, and the introduction of ecodrive support equipment, etc. Reduction of waste as well is being targeted through the lowered use of packaging materials and a decrease in the amount of CO₂ emitted during the manufacturing and disposal of packaging material.

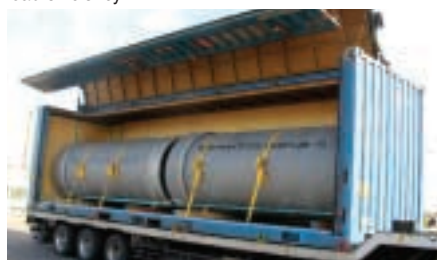
Fiscal 2006 results (KUBOTA Group domestic production plants and offices)

Net product transported	374.37 million ton-km
Total CO ₂ emissions in product transport	50,389 ton-CO ₂
KUBOTA domestic production plants and offices	39,892 ton-CO ₂ (26% reduction from FY2003)
Modal shift rate	35%

* Targets domestic Japan product transport

* Modal shift rate = (volume of rail and marine transport) / total volume of transport (trucking, railway, marine cargo)

Modal shift for FW pipes and improvement of load efficiency



Modal shift using the return trip of a Japan Railways container for Osaka to Tokyo transport



Improvement of load efficiency by collectively transporting smaller diameter pipe

Examples of packing improvement for export tractors



Reduce the amount of packing materials being disposed of by changing from crates to pallets and using returnable units



Reduce the use of packing materials by changing from metal-frame skids to "jig tires"



Chemical Substance Controls

A chemical control standard has been established for the KUBOTA Group and thorough control has been implemented for the substances and PCB that are targeted under the Japanese equivalent to the Pollutant Release and Transfer Register [PRTR] Law*.

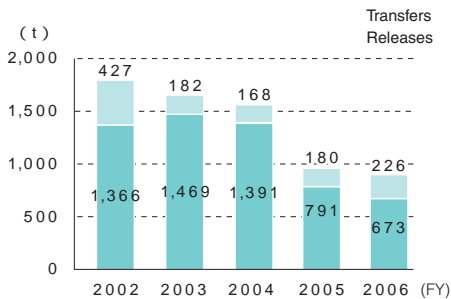
* Proper name: Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management

Release and transfer of PRTR-designated substances

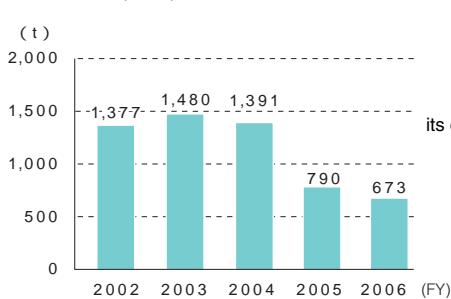
Releases and transfers of PRTR-designated substances in fiscal 2006 decreased by 7.4% from the previous period, while VOC emission was reduced 14.9%.

Moreover, the 30% reduction in VOC emission from fiscal 2004 levels (the target of our Mid-term Environment Promotion Plan) was surpassed with a 51.6% reduction in fiscal 2006 as a result of thorough maintenance and management of VOC processing equipment and the reduced use of products containing VOC, etc.

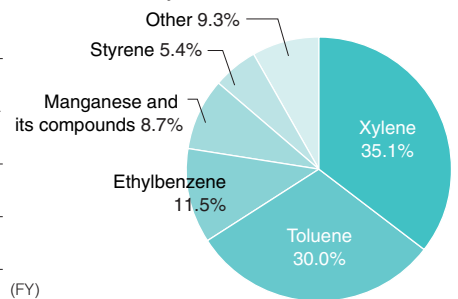
Changes in PRTR-designated substance releases and transfers



Changes in the amount of PRTR-designated substances (VOC) released



Proportion of release and transfer amounts in FY2006 by substance



Results of PRTR reporting for FY2006

(for substances (excl. dioxins) for which the annual handling quantity equaled one ton or more <0.5 ton for specific class 1 designations> for each plant and office)

kg/year (for dioxins: mg-TEQ/year)

Number specified in Cabinet Order	Chemical substance	Releases				Transfers	
		Atmosphere	Public water areas	Soil	On-site landfills	Sewerage	Transfers to off-site
1	Water-soluble zinc compounds	0	40.6	0	0	14.0	764.4
9	Bis (2-ethylhexyl) adipate	0	0	0	0	0	294.9
16	2-aminoethanol	0	0	0	0	0	17,255.1
30	Bisphenol A type epoxy resin (liquid)	0	0	0	0	0	1,743.0
40	Ethylbenzene	93,352.0	0	0	0	0	9,513.4
43	Ethylene glycol	0	0	0	0	0	273.0
63	Xylene	286,490.6	0	0	0	0	29,103.1
68	Chromium and chromium (III) compounds	0	0	0	0	0	27,086.5
69	Chromium (VI) compounds	0	0	0	0	0	469.9
100	Cobalt and its compounds	0	0	0	0	0	135.4
176	Organotin compounds	18.8	0	0	0	0	64.5
177	Styrene	48,593.2	0	0	0	0	0
179	Dioxins	4.5110	0	0	0	0	0.0065
224	1, 3, 5-trimethylbenzene	4,893.4	0	0	0	0	481.2
227	Toluene	239,218.9	0	0	0	0	29,897.3
230	Lead and its compounds	53.7	0	0	0	0	28,583.3
231	Nickel	6.9	0	0	0	0	282.2
266	Phenol	0	0	0	0	0	0
270	Di-n-butyl phthalate	0	0	0	0	0	67.2
304	Boron and its compounds	0	0	0	0	0	1,461.0
311	Manganese and its compounds	0.7	0	0	0	0	78,497.4
346	Molybdenum and its compounds	0	0	0	0	0	0
Total		672,628.1	40.6	0	0	14.0	225,972.6

Scope: KUBOTA domestic production plants and offices and the production plants and offices of subsidiaries

: Volatile Organic Compounds (VOC)

PCB measures

KUBOTA will continue its strict policy regarding management and storage of electrical devices containing PCB and is aiming at 2015 as a complete date for a detoxification process in response to the Law Concerning Special Measures Against PCB Waste.

	No. of plants and offices handling PCBs No. of companies	No. of high voltage equipment		
		In use	In storage	Total
KUBOTA Corporation	16	0	752	752
Subsidiaries (domestic)	3	0	6	6
Total	19	0	758	758



PCB storage warehouse

TOPIC

Introduction of the “KEDES” environmental information management system

In order to employ an effective information system and improve efficiency in our environmental management activities, KUBOTA has introduced the “KEDES” (Kubota Ecology Data E-System) environmental information management system.

KEDES was introduced and put into operation during fiscal 2006 at domestic production plants and offices and is scheduled to be rolled out in main domestic subsidiaries during fiscal 2007.

On-site data management system

KUBOTA is advancing monthly management of the data related to the amount of energy, water, and paper that is being used, etc., as well as activities to reduce the corresponding environmental loads. We are also working towards sharing that environmental information.

Chemical substance control system (PRTR & MSDS)

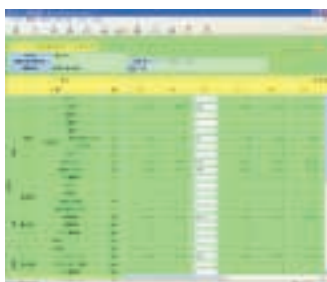
KUBOTA is promoting control of such issues as the amount of use of products that contain chemical substances and the volume of chemical emissions, and we are involved in activities to reduce the use and emissions of various chemical substances, etc.

Waste management system

KUBOTA is targeting greater efficiency in the management of data from outsourced waste processing and in the management of collecting manifest slips, and we are promoting activities to reduce our level of waste discharges.



On-site data management system



Chemical substance control system (PRTR & MSDS)



Waste management system



Prevention of Environmental Pollution

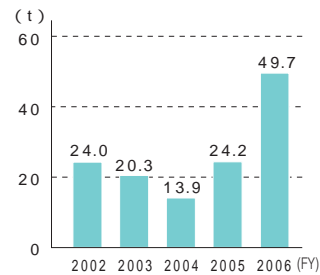
In order to prevent air and water pollution and to comply with applicable environment laws, each of KUBOTA's plants and offices makes a serious effort towards setting strict self-management targets according to local ordinances and agreements and closely control all levels of output into the environment in order to continuously improve our environmental performance.

Air pollution prevention

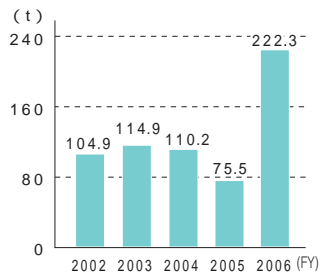
KUBOTA employs proper maintenance management and regular inspection of our equipment in order to comply with the regulations established in laws and ordinances, etc., and to reduce our emission of air pollutants.

However, the amount of NOx and SOx exhaust increased greatly due to the effect of the diesel generator at KUBOTA-C.I. Co., Ltd's Tochigi plant, which became a new production subsidiary from fiscal year 2006.

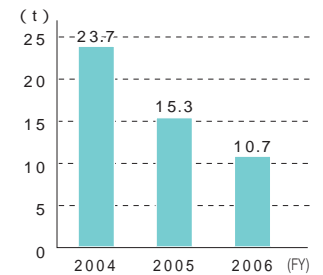
Changes in SOx emissions



Changes in NOx emissions



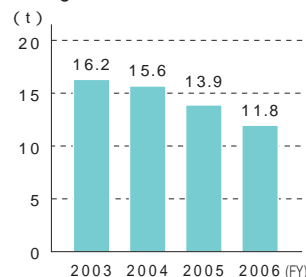
Changes in soot and dust emissions



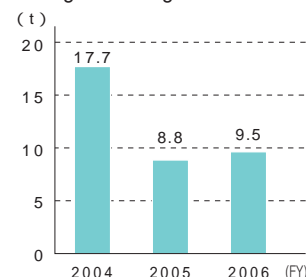
Water pollution prevention

In regard to the environmental load caused by water pollution, COD emissions decreased from the previous fiscal period, but nitrogen and phosphorus emission rose marginally. KUBOTA is committed to working towards further reductions in the future.

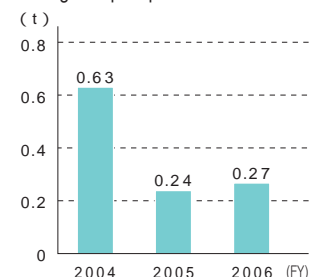
Changes in COD emissions



Changes in nitrogen emissions



Changes in phosphorus emissions



* Targets: Hanshin plant (Mukogawa), Keiyo plant (Funabashi), Keiyo plant (Ichikawa), Hirakata plant and Sakai Rinkai plant

Groundwater monitoring

The result of groundwater measurement in plants and offices that have used organic chlorine-based compounds in the past show detected no such compounds, and there were thus no corresponding problems.

Plant/Office	Substance	Measured groundwater value	Environmental standard value
Tsukuba	Trichloroethylene	None detected (< 0.0002 mg/L)	0.03 mg/L or less
Utsunomiya	Trichloroethylene	None detected (< 0.0005 mg/L)	0.03 mg/L or less
Ryugasaki	Dichloromethane	None detected (< 0.0001 mg/L)	0.02 mg/L or less

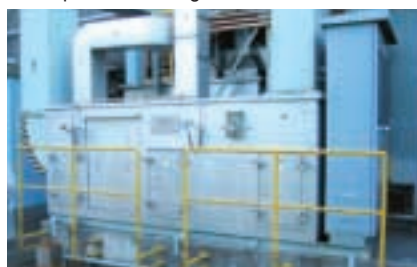
Examples of environmental control facilities

Local exhaust equipment for preventing paint dispersion



Ryugasaki plant

Activated carbon deodorizer for reducing atmospheric discharge



Kyuhoji Business Center

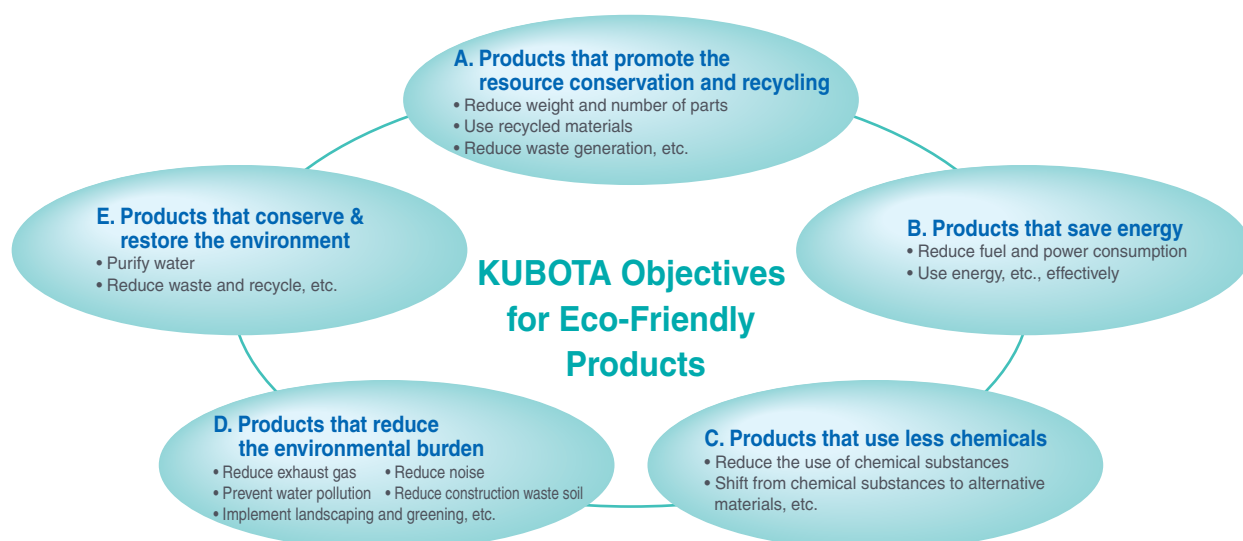
Leakage prevention measures for removing lubricants



Tsukuba plant

Eco-Friendly Products

As part of KUBOTA's activities that specifically take the environment into consideration, we have established particular targets for each product in the following five areas and employ these in striving to develop eco-friendly products.



Examples of the development of eco-friendly products

Consolidated division	Product group	Field					Content
		A	B	C	D	E	
Industrial & Material Systems	Iron pipes						Water purification
	Steel pipes						Effective utilization of energy; reduction of construction waste soil
	Synthetic pipes						Utilization of recycled materials; reduction of waste tube generation
	Valves						Reduction in weight; reduction of construction waste soil
	Industrial equipment and materials						Reduction in fuel consumption; shift from chemical substances to alternative materials; reduction in exhaust noise; reduction of construction waste soil; greening
Farm & Industrial Machinery	Tractors						Easy-to-dismantle designs; reduction in exhaust gas; reduction in exhaust noise; reduction in operating noise
	Farm implements						Reduction in weight; reduction in the number of parts
	Agriculture-related products						Water pollution prevention; waste resource recycling
	Agricultural facilities						Reduction in power consumption; water pollution prevention
	Construction machinery						Parts reuse measures; reduction of chemical substance use; reduction in exhaust gas; reduction in exhaust noise
	Engines						Reduction in exhaust gas
	Electrical equipment						Energy conservation; reduction in power consumption
Environmental Engineering	Vending machines						Reduction in power consumption
	Service water- and sewer-related products						Reduction in power consumption; water purification; reduction in waste
	Water environment-related products						Water purification; reduction in waste; effective utilization of waste
	Recycling-related products						Reduction in weight; reduction in power consumption; reduction in noise and vibration; reduction in waste
	Pumps						Effective utilization of energy; water purification
-	Septic tanks						Reduction of construction waste soil; water purification
-	Air-conditioning equipment						Reduction in waste; reduction in power consumption; reduction of chemical substance use

Environmental labeling

ECO Marks

Item	Product name	Consolidated division
ECO Mark	"Bio Green Grass" (Biodegradable oil)	Machinery

Items designated by the Law on Promoting Green Purchasing

Field	Classification	Item	KUBOTA product
Public works	Construction machinery	Machinery with emission-control measures	Construction machinery
		Low-noise machinery	Construction machinery
	Materials (piping materials)	Recycled hard PVC pipes for drainage	Recycled 3-layer foamed-core pipes
	Construction methods (for the effective use of construction waste soil)	The effective use of low quality soil	The "Ducpile" construction method

TOPIC: Eco-Friendly Products

KUBOTA's "Jusui" butterfly valve received a certificate of compliance to the Japan Testing Center for Construction Materials' Environmental Claim Conformance in Construction Materials standard.

In September 2005, KUBOTA's "Jusui" butterfly valve received the first certificate of compliance for water service butterfly valves under the "Environmental Claim Conformance in Construction Materials" standard recognized by the Japan Testing Center for Construction Materials. The "Jusui" butterfly valve is characterized by its unique shape corresponding solely to the valve element portion of conventional butterfly valves and its water-feed hole with the same surface area as the by-pass piping used for water supply, thus enabling water-feed work to be accomplished through a minimal opening. The following two points are the main focus of environmental claim conformance in the "Jusui" butterfly valve.

1. By placing the water-feed function within the valve element, the unit can be installed directly, without the need for either by-pass piping or sub-valves, or for a valve room, and waste soil during construction can be minimized.
2. The single operational axis makes maintenance management easy, allows the adoption of earthquake-resistant fittings, and enables easy installation.

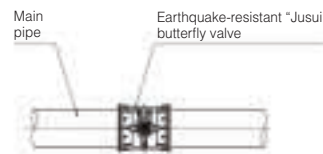
The "Jusui" butterfly valve was examined by the Japan Testing Center for Construction Materials Determination Committee, its environmental claim conformance was evaluated as being equivalent to the L2 class in the "Environmental Claim Conformance Evaluation Guide for Construction Materials" (fiscal 2003 version), its function as satisfying the JWWA B138 "Water Service Butterfly Valves" standard, its water supply stability as meeting the specified quality control system, and a certificate of compliance for "Environmental Claim Conformance in Construction Material" was thus issued.



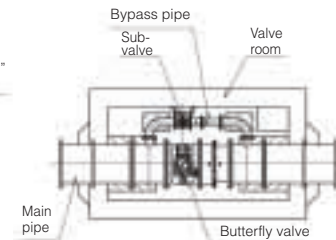
Certificate of compliance



"Jusui" butterfly valve



"Jusui" butterfly valve direct installation method



Conventional installation method

Comparison of installation methods

Green purchasing

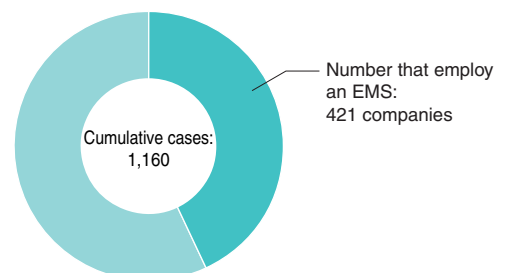
KUBOTA joined the Green Purchasing Network in 1996 and began promoting a policy of prioritizing the purchase of products that minimize the burden on the environment. Green Purchasing Guidelines were then determined for such items as raw materials, parts, etc., in April 2001. We have also conducted such related activities as the studies on how our suppliers are involved in or approach environmental issues. KUBOTA also cooperates with suppliers to reduce environmental loads and we aim at introducing these activities in all our plants and offices.



KUBOTA's Green Purchasing Guidelines are available on the Materials Procurement page of our website.

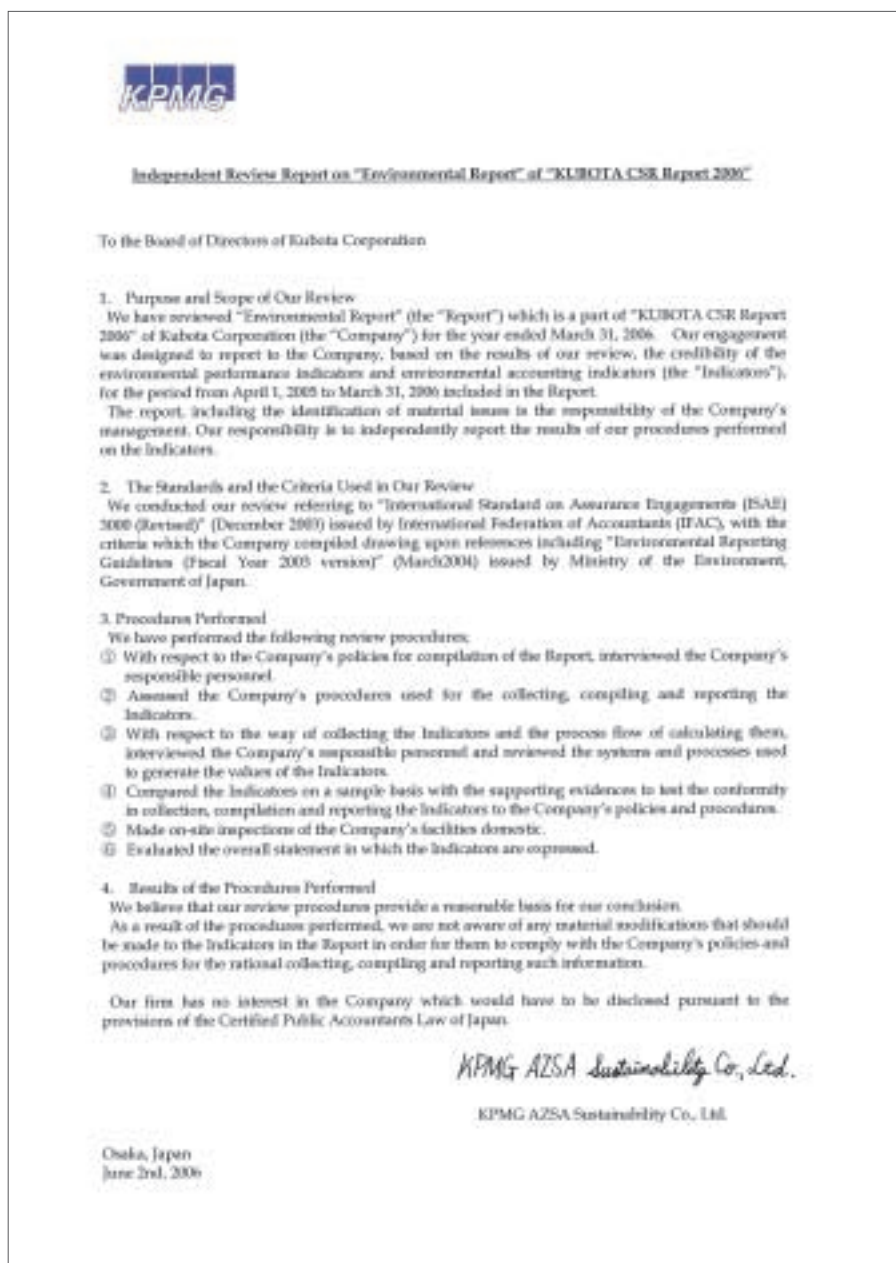
<http://www.procure.kubota.co.jp/policy.html>

Result of environmental study



Independent Review on the Environmental Report

KUBOTA implemented independent review of corresponding data from fiscal 2005 in order to improve the reliability and coverage of environmental information.



On-site inspections



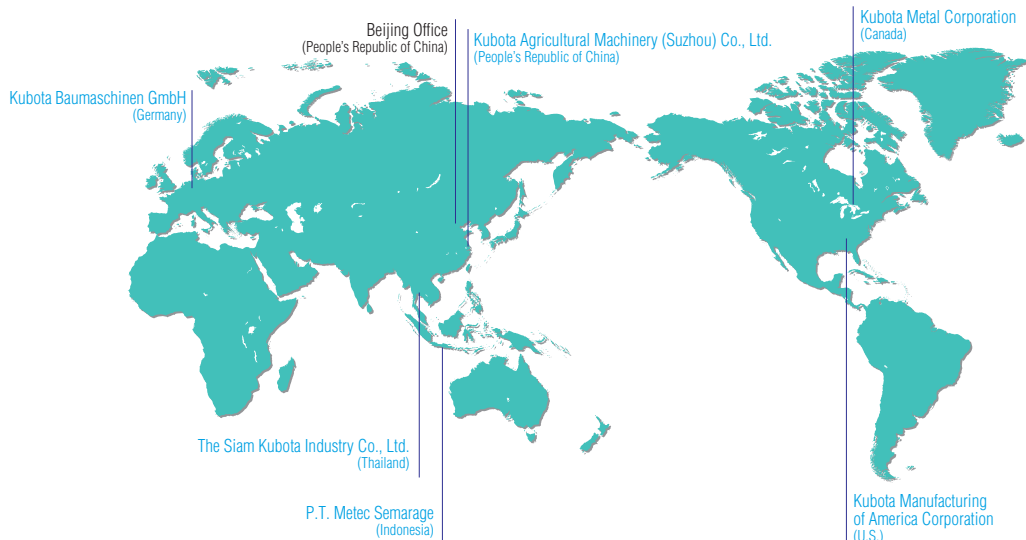
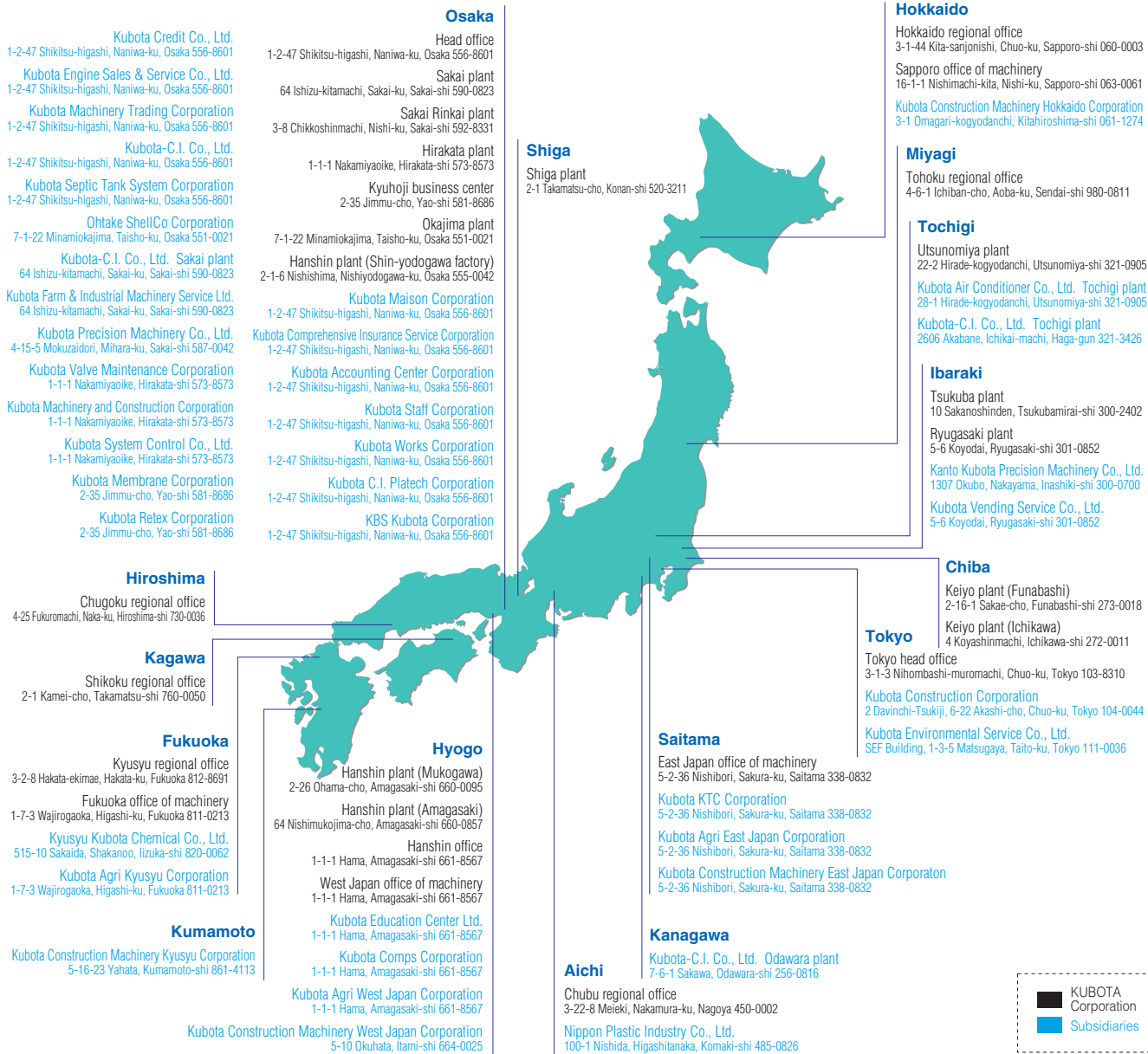
Sakai Rinkai plant



Okajima plant



Scope of the Environmental Report (as of March 31, 2006)



Please take a few minutes to answer
this questionnaire.

Thank you for reading the “Kubota CSR Report 2006”.

We would sincerely like to hear your opinions and impressions on this report and will refer to the opinions and impressions that we receive in an aim at further improving our reports in the future.

We would thus greatly appreciate your cooperation in filling out the questionnaire on the following page and faxing or mailing it back to us.



or mail to

KUBOTA Corporation
c/o CSR Planning & Coordination Dept.
1-2-47 Shikitsu-higashi, Naniwa-ku, Osaka 556-8601 JAPAN

Q1 What impression do you have of the social activities being implemented at Kubota?

- 1. Quite good 2. Normal 3. Lacking 4. Do not know**

Q2 What impression do you have of KUBOTA's approach towards global environmental issues (overall, and including the content of this report)?

- 1. Quite good 2. Normal 3. Lacking 4. Do not know**

Q3 What was your impression of this report?

- 1. Easy to understand 2. Normal 3. Difficult to understand**

Q4 Please indicate the item(s) in this report that you feel are easy to understand, difficult to understand, should be added, and should be deleted.

(1) In regard to our Fundamental Views on CSR Management

Easy to understand item(s):

Difficult to understand item(s):

Item(s) that should be added:

Item(s) that should be deleted:

(2) In regard to the Economic Report

Easy to understand item(s):

Difficult to understand item(s):

Item(s) that should be added:

Item(s) that should be deleted:

(3) In regard to the Social Reporting

Easy to understand item(s):

Difficult to understand item(s):

Item(s) that should be added:

Item(s) that should be deleted:

(4) In regard to the Environmental Report

Easy to understand item(s):

Difficult to understand item(s):

Item(s) that should be added:

Item(s) that should be deleted:

Q5 From what viewpoint did you read this report?

- 1. Customer 2. Investor or shareholder 3. Employee (including of affiliate companies)
4. Local resident 5. Supplier 6. Government-related
7. Person in charge of corporate environment 8. Person in charge of corporate CSR
9. NGO or NPO-related 10. Academic or researcher
11. Environmental examination or measurement organization
12. Media-related (journalist, broadcaster, etc.) 13. Student 14. Other ()**

Q6 Other opinion, etc.

**Thank you for your cooperation. Please tell us a little bit about yourself.
(Your personal information will never be disclosed to third parties without your approval.)**

Name _____ Sex M F Age _____
Address _____
Business field _____

Comments on the CSR Report

Comments on the “KUBOTA CSR Report 2006”

June 2, 2006



Yukinobu Matsuo,
Manager
KPMG AZSA Sustainability Co., Ltd.
(a subsidiary of KPMG AZSA & Co.)

In order to reflect CSR in their management, Kubota Corporation decided to reconsider its system of corporate principles and codes of conduct and review the corresponding content, and they then enacted new corporate principles and a Charter for Action in April of this year. The “advancement of society and the conservation of the global environment” was expressed in those corporate principles. Ensuring product safety from the standpoint of customer satisfaction has been expressed in the new Charter for Action and the improvement of transparency in management and the fulfillment of accountability were added as Item 7. As a result, in addition to conventional “ethical actions”, their view has been expanded to the “fulfillment of responsibility to the demands of society”.

The composition of this “CSR Report 2006” involves reporting in accordance with the seven items of the new Charter for Action, including that on global and local environmental conservation featured in the latter half of the report. This indicates that the mission of reporting on Kubota's new code of conduct and the corresponding results has been bestowed upon the “CSR Report 2006”.

The page titled “Top Commitment” is filled with the passionate words of the president who talks about honesty and trust. In regard to asbestos-related health issues, he speaks frankly, saying, “I see this as a serious problem that pains me deeply.”

As he has been stating all along, “Never conceal anything, no matter what it be,” I sense throughout the “CSR Report 2006” the power that is contained in the intent that is enveloping Kubota in regard to maintaining a transparent management system which places strong consideration towards society.

On the other hand, however, I wish that the measures in regard to changing the future of the corporate culture towards a posture of preventative principles on health and the environment and on preventing irregularities were disclosed in a concrete manner.

Events related to the issue of compliance have occurred in the past so, while the road to the complete recovery of trust may not be easy, I expect Kubota to take the lead in the construction of a sustainable society while continuing to use all of their power to focus on transparent management and sincerely fulfilling their social responsibility.

In response to the above comments



Noboru Sasaki,
CSR Planning & Coordination
Dept. Manager
KUBOTA Corporation

In our active promotion of CSR Management, we enacted new management principles and a Charter for Action in April of this year and have clearly indicated, both inside and outside the company, that the very foundation of management is the adequate response to the various requests of our stakeholders to their satisfaction while also clarifying the social mission of the Kubota Group as a whole.

The Kubota Group is developing its businesses in the differing and diverse markets of our customers and technology and has already developed activities in each division related to social contribution and environmental conservation, etc. We are also building a CSR promotion system based on the new management principles and will more positively promote activities that raise our corporate value and contribute to the sustained development of society. This CSR Report was issued with strong consideration for the fulfillment of highly transparent management and accountability, and it contains further enhancement to the social content of the “Social Report” and the “Environmental Report” which composed the main framework of past reporting on environmental conservation activities.

For the future, we are sincerely interested in focusing on the points noted in the comments above and are committed to disclosing information about the concrete measures taken concerning the prevention of compliance problems, and we will positively work in close conjunction with each division in the company to expand and introduce CSR Management more and more throughout the Kubota Group and to transmit the results of all our activities.

Kubota

KUBOTA Corporation

1-2-47 Shikitsu-higashi, Naniwa-ku, Osaka 556-8601 Japan

Inquiries

CSR Planning & Coordination Dept.

Tel: +81-6-6648-2447

Fax: +81-6-6648-3862



This publication was printed on 100% recycled paper using soy ink.



Issued in September 2006 Printed in Japan