

In our role of building foundations,  
KUBOTA continues its support for affluent lives for all.  
For water, soil, air, and people's lives.



KUBOTA's first oil-based engine  
for agro-industrial use (1922)

Iron pipe rotary casting  
equipment (1917)

# Basic Concept

## 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.

The KUBOTA Group views our "Corporate Mission Statement", which indicates the posture of the company, and our "Management Principles", which declares the mission of the company, to be the foundations behind company activities.

A "Charter for Action" consisting of 7 items is also provided as an indicator of the corporate actions necessary for accomplishing the "Management Principles"

KUBOTA  
rotary cultivator  
K3 type (1947)

Japan's first  
farm tractor:  
T15 type (1960)

## 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.





## In Editing the CSR Report 2008

This report was compiled in order to report on the CSR activities of the KUBOTA Group in an easy to comprehend manner.

This 2008 edition takes up the KUBOTA diesel engine and its excellent environmental performance in a Special Report, and introduces it as a portion of the company's activities towards reducing our environmental impact. In the "Commitment by Top Management" section, we aimed to assist the reader in better understanding CSR Management at KUBOTA by inviting a specialist from outside the company to hold a frank discussion with our company president.

The content on corporate activities touches on three (economic, social and environmental) perspectives and is composed in line with our Charter for Action.

Comments on the CSR Report 2008 have been given by Yukinobu Matsuo of KPMG AZSA Sustainability Co., Ltd.

The Environmental Report portion of the CSR Report 2008 underwent independent review by KPMG AZSA Sustainability Co., Ltd. in order to secure the credibility of the quantitative information in that report.

### Scope of the CSR Report 2008

#### Economic Report

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

Fiscal year 2008: 115 consolidated subsidiary companies and 26 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 53 domestic and 20 overseas subsidiary companies.

### Period covered by this report

The content of this report focuses on activities during fiscal 2008 (April 2007 to March 2008). Some portions may include information on recent events.

Data in the Environmental Report are aggregate totals of domestic (April 2007 to March 2008) and overseas activities (January 2007 to December 2007).

### Referenced guidelines

Environmental Report Guidelines (Fiscal Year 2007 version), Ministry of the Environment (Government of Japan)

Sustainability Reporting Guidelines Version 3.0, GRI (Global Reporting Initiative).

### Publication dates

This issue September 2008

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Previous issue September 2007: "CSR Report 2007"

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.

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## Cover page

Children sitting on a footpath beside a rice field in summer and enjoying onigiri rice balls that they made themselves. This is one scene from KUBOTA's "TERRA-KOYA" camp school held in Azumino (Nagano Prefecture). (See page 32.)

## Dialogue on CSR Management at KUBOTA

Katsuhiko  
Kokubu

Daisuke  
Hatakake

### KUBOTA's Thoughts on CSR

**Through business, providing useful products and services in line with social needs**

**Kokubu:** The concept of the term “CSR” was coined by the European Union in relation to formulating public policy. Rather than dealing with environmental destruction and job insecurity through a regulatory system, CSR was born as a result of the consideration towards each company acquiring social trust by responding to social needs within their autonomous activities. The trend towards viewing CSR as an important factor in management has risen, and it’s becoming established in Japan as well, but there is a

visible difference in how its importance is positioned within each company.

**Hatakake:** For almost 120 years now, since our founding in 1890, KUBOTA has been involved in such social infrastructure maintenance as the manufacturing of waterworks piping, agricultural implements and machinery, and industrial materials. I personally believe as well that a company can only exist as a member of society by contributing to that society through its business activities and I have consistently put that belief into practice since I assumed the position of president. And we haven’t limited that concept to Japan either; it’s also true for our overseas operations and activities.

**Kokubu:** There are currently about six billion people living in the world, and as many as four billion are

concerned with issues related to food and water. Even then, many big corporations have developed their business solely in cooperation with affluent countries, and in a sense we can say that the market is saturated in that regard. On the other hand, if we were to simply pay attention to those other less affluent countries, there is a potentially vast market at hand and, if we developed infrastructure-related businesses like KUBOTA has, it will surely lead to improvements in the problem of poverty, food shortages, and the like in those countries, and even contribute greatly to the world at large.

**Hatakake:** Indeed, KUBOTA has already developed businesses related to “rice-making” with Asian nations such as Thailand, China, Vietnam, and Indonesia. For example, Thailand has about six times the area of rice fields as that of Japan. And since most of the work is still performed manually, this can be considered to be a promising market for rice cultivation machinery like tractors. Food shortages are also a serious problem in such countries, and we believe that our business contributes to improving the lives of the local people. If responding to social needs through autonomous corporate action is what CSR is all about, then that is exactly what CSR at KUBOTA is all about.

### Establish Compliance

**Resolutely tackling problems head-on and disclosing all information**

**Kokubu:** In many cases in Japan, a prerequisite for CSR is “compliance”.

**Hatakake:** After I became president of KUBOTA in April 2003, we worked on the enactment of new corporate principles and the construction of an internal control system. Unfortunately, in August 2005, we were punished in regard to a bid-rigging case related to an order for a night soil treatment facility. It was truly regrettable, and we realized that top management must be resolute in taking the lead towards a policy of CSR, and especially compliance, and so we issue a company-wide directive that stated,

“KUBOTA should not take part in any activity that involves the risk of compliance being compromised.” There have indeed been projects that we actually withdrew from due to this, but if we don’t implement it in visible ways like this, our thoughts on compliance may fail to filter down within the company to the individual level.

**Kokubu:** When examining companies that have a problem in terms of compliance, there do indeed seem to be many with inadequate in-house information dissemination.

**Hatakake:** We had a problem at KUBOTA with health hazards caused by asbestos, but only a small number of persons knew about it, even in-house. This is a serious problem, and it was distressing to hear, but we decided to examine the actions to take only after making all information public.

**Kokubu:** You’d think that something like that would expose you to a considerable amount of repercussions, but I don’t think it had much of an influence on your stock price. KUBOTA possibly gained a positive impression in society as a sincere company specifically because you were active in publicly disclosing the related information.

By the way, please tell us about your approach towards improving the dissemination of in-house information.

**Hatakake:** The important thing is whether or not communication is carried out smoothly within normal business activities, so we worked towards a thorough improvement in the consciousness of each individual at the division manager and sales manager level. Two years ago, when we began constructing our internal control system, I called each person in, one by one, and talked with them. I asked them to work towards grasping each and every one of the problems pointed out by the Compliance Auditing Department and to present a plan to prevent its recurrence. I also spent about two months going around to branch offices nationwide and, over and over, I said, “each enterprise should aspire to take responsibility for developing their business activities in a fair, open, and aboveboard manner as a sincere member of society; that should be our fundamental goal,” and I continue to stand by that statement today.

# Acquire Social Trust Meet Global Expectations That’s How to Exist as a Respected Company

**Katsuhiko Kokubu**

Professor of Social and Environmental Accounting  
Graduate School of Business Administration,  
Kobe University

**Daisuke Hatakake**

President and Representative Director  
KUBOTA Corporation





**Daisuke Hatakake**

Born in 1941. Joined Kubota Tekko K.K. (present day KUBOTA Corporation.) in 1964. Became director in 1999 after serving as General Manager of the Hirakata Plant and General Manager of Corporate Planning and Control Department. Assumed the position of Managing Director in 2001 and his current position of President and Representative Director in 2003.

CSR Management and Global Response

**Thinking not only of cost, but also being a trusted presence in various countries**

**Kokubu:** There are three main caution points for a global corporation when advancing CSR outside of Japan. The first is compliance in the foreign country. Labor relations are especially important. For example, if a vender, or a supplier of materials and parts, is using child labor, the responsibility even extends to any company that is buying from them. The second is whether or not you're contributing to the development of the region. It's necessary to incorporate a business model not merely as just cause but that tackles real problems. And last is the environmental issue. For instance, though restrictions on such things as exhaust gas emissions differ depending upon the country and region, choosing a particular region simply because there are no restrictions there is not a desirable direction for a truly global business. It's important conversely to make your decisions based on the strictest of standards.

**Hatakake:** Our idea when we establish a factory in a foreign country is that thinking only about costs is useless. First we consider how we contribute to employment in the region, and we put the most priority on "building near the area of demand". Whether it was because they agreed with this type of idea or not, I don't know, but when we were constructing two factories that are currently operating in Atlanta in the U.S., the state government offered us their support.

**Kokubu:** Isn't this the very proof that KUBOTA's business policy is acknowledged. Do you have any

other examples like that?

**Hatakake:** With our diesel engine, we've acquired the top share worldwide in the under-40-horsepower class, and that's also the result of our clearing the most stringent of standards. We're also introducing this fact in a Special Report in this year's CSR publication, as the amount of CO<sub>2</sub> exhaust from a diesel engine is less than that of a gasoline-based engine, I think that the use of diesel engines will continue to expand in the future.

"Developing People" Through CSR

**Contributing to society through our work, we want to be proud of what we do as we continue to grow.**

**Hatakake:** When advancing your presence overseas, training of personnel is important. Our sales numbers are currently at almost the same rate domestically and internationally, with the ideal being if 50 percent of all employees could be active globally. But personnel development takes more time than market development, and that's one of our current business challenges.

**Kokubu:** From the standpoint of CSR, the point is to make your people "useful to society". It's an extreme argument, but you could say that personnel educated at KUBOTA can contribute to society even if they were to resign from the company after a few years... And though at first glance the investment in their education seems to be lost, a higher level of people will come to a company that puts such efforts into the training their personnel. You might even say that this is "Developing People" in the CSR mold.

**Hatakake:** In its immediate sense, this is a tricky issue, but I am convinced that stably providing KUBOTA products and service does indeed contribute to society, and I want to turn that into the very motivation for our employees in their desire to work. For instance, there are few countries around the world where you can drink the water right out of the tap, and I would like each of our employees to use the consideration of contributing to society through such a business as their very foundation mentally, and to voluntarily develop themselves through their work.

The Aspirations of Futuristic CSR Management

**Constructing a mechanism for working on social contribution as it relates to our business, such as through water, the environment, and food**

**Hatakake:** Considering the fact that the business domain that our company deals in relates to water and the environment, as well as food through the soil, CSR, and especially social contribution, is something that we'll continue to implement as the pillar of our activities in those areas.

The rate of self-sufficiency in food in Japan is decreasing every year, and it's said to be less than 40 percent right now, so I think that we already face a serious situation in regard to food. Our core business

field is one that includes the use of agricultural implements and machinery and, from the sense of mission that I personally feel in working with the Japan Farm Machinery Manufacture's Association, we are examining the ideal way of contributing socially that firmly supports the stable supply of food through agriculture.

**Kokubu:** Listening to what you just said, I admire how you are tying business and social contribution together. As the eyes of the people have come to watch companies much more strictly and the relationship between a company's social responsibility and its business activities becomes vague, no matter how loudly you might appeal for environmental protection, people tend to wonder whether a company's ultimate purpose isn't just for profit regardless. But, in KUBOTA's case, the point is that profit is placed in the long-range perspective while simultaneously contributing immediate results to society, so I think that people will unquestioningly accept what you say if it is emphasized within the development of CSR.

At the present time, a "mechanism" for hearing and collecting the opinions of stakeholders is important from the standpoint of CSR Management. At the same time as such voices serve to reform the posture of a company, they also become reference when determining the company's long-term plan. How is that being handled at KUBOTA?

**Hatakake:** Traditionally at our company, we have a history of developing products after repeated dialogue with our customers. That's because, even if you simplify our products into the "agricultural implements and machinery" category, the difference in climate and other factors of each region means that each customer's needs are different, and the specifications for their machine are necessarily different as well. We've developed our business over vast arenas in the United States, and for the 30 years since we entered that market, our technical teams have been involved in research and development through repeatedly frank conversation with those local customers. This has been so successful that, in a survey ranking customer satisfaction of manufacturers implemented by the North American Equipment Dealers Association, KUBOTA placed at the top of 35 of the 38 survey items\*.

\* 2006 survey ranking customer satisfaction of manufacturers by the North American Equipment Dealers Association (NAEDA)

The Role of a Model Enterprise in the 21st Century

**Becoming an enterprise that contributes to solving global problems long-term**

**Kokubu:** As we talk, I have come to understand that your business is indeed developed based on "Water, Soil, Air... For All of Us", just as the company slogan states. I'm researching the corporations at the forefront of CSR in Japan, and I see that, in addition to your current approach, you are also involved in setting quantitative targets related to the sustainability of the earth over the long term, and I truly expect for KUBOTA to become the model for corporations leading the 21st century.

**Hatakake:** During the (mid-1950s to mid-1970s), KUBOTA was active under the slogan "From Country Building to Rice Making". It's my hope that KUBOTA will grow into a company where we can replace the part of "Country" with "World", and that we will contribute more and more to solving global problems in the fields of water, the environment, and food.

**Kokubu:** I think it's no exaggeration to say that yours is a model enterprise, and that first of all it's good to have targets and the mechanism for achieving them. Just making sure that the plans you draw up are clearly and completely conveyed to the outside world should have enough of an effect in order to enlighten other companies. Though the human race currently embraces a variety of problems, including global warming, I think the highest priority should be matters related to "life", like starvation and poverty. I'd like, by all means, to see a great business model that can improve those issues and that is centered on CSR. And I will pray for more development in that direction in the future.

**Hatakake:** From here on, I will definitely extend my greatest efforts towards planning our approach and our targets in a more visible form in order for KUBOTA to become an ideal corporate model. And I thank you very much for your truly valuable opinions today.



**Katsuhiko Kokubu**

Received Ph.D. from the Osaka City University Graduate School 1990. After serving as associate professor at Osaka City University and at Kobe University, has held his present position since 2001. Is a leading specialist in environmental management and CSR management, and founded the "Institute for Environmental Management Accounting" in 2003 for effective utilization of research results. Is both a member of a committee of the Ministry of the Environment on environmental reporting guidelines and chair of a committee of the Ministry of Economy, Trade and Industry on development and promotion of material flow cost accounting. Has authored and co-authored many publications, such as "Environmental Management and Accounting" (Yuhikaku Publishing).

# The KUBOTA Group's Involvement in CSR Management

The KUBOTA Group is always conscious of our existence as positive members of society by contributing to that society through our business activities, and we are incorporating CSR Management in our activities in order to further support those aspirations.



## Fundamental Ideas on CSR Management

### ■ Fundamental ideas on CSR Management

In the KUBOTA Group, we think of CSR Management as indispensable in "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" while we work to protect the "DNA" that has been handed down to us since we were first established by "using all of our knowledge and devotion to create products and services that support the development of the nation and society".

And that is why we see the following points as essential to the implementation of CSR Management.

The first is for top management to clearly indicate their stance in regard to CSR Management. This is necessary in order to aim at consistent and unified consciousness and action in business activities throughout the KUBOTA Group. To this end, the KUBOTA Group revised the direction of company activities and our codes of conduct in April 2006, and we are aiming at the permeation of those ideas throughout the group.

The second point is the functional integration of measures to promote and develop CSR Management within our management system.

These measures are important management functions and include,

- (1) establishing "corporate governance", which objectively evaluates and checks the process and contents of decision-making in regard to top management policies and management issues,
- (2) thorough "compliance" in regard to the observance of laws and corporate rules that are the basis for company activities, and
- (3) constructing an "internal control system", which checks whether or not work is being executed based on determined rules.

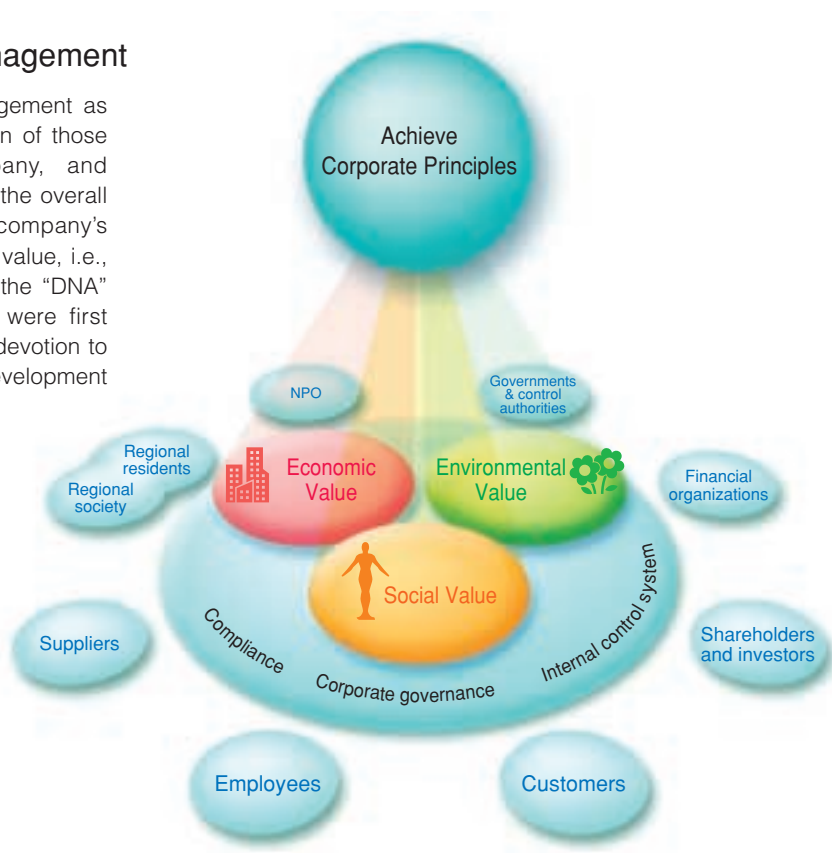
### ■ Our ideas on and system of corporate governance

KUBOTA has adopted an audit system and, through the Board of Directors, oversees all important decision-making and business execution during company-wide management, while carrying out the supervision and audits of its Directors' execution of business through the Board of Corporate Auditors. We do not employ a system of outside Directors or Executive Officers.

We have further established a "Management Committee" and an "Investment Council" for decision-making and discussions in regard to specific, important issues, and

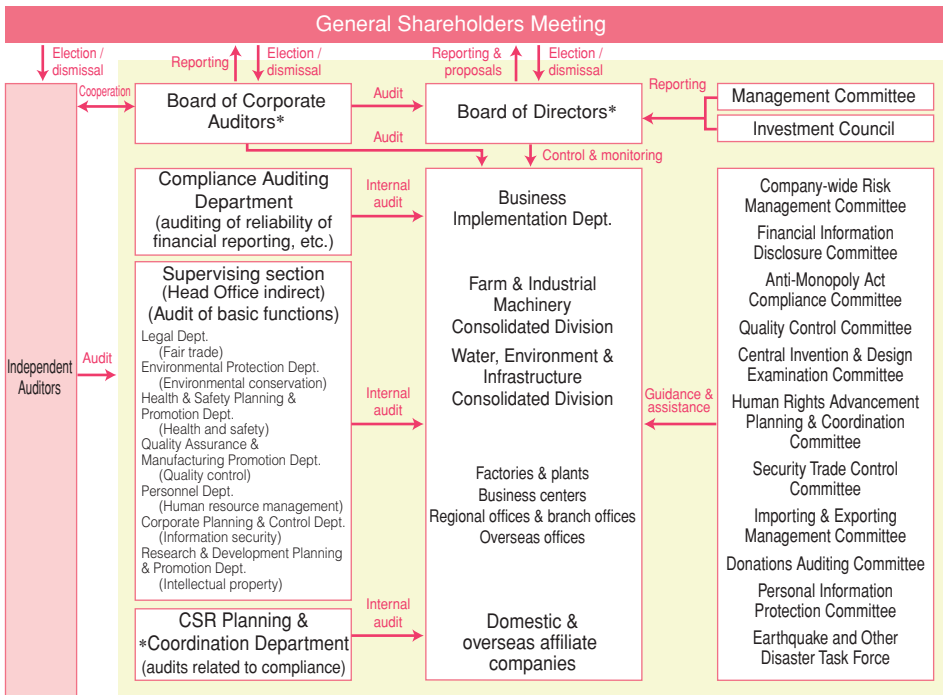
installed a system that enables more appropriate, prompter determinations by top management, including the president.

In addition, various committees composed of specialists from each department propose work plans in their field of specialty and develop education and awareness-raising activities for the entire KUBOTA Group, as well as supporting Business Sections and presenting reports and proposals to the Board of Directors.





■ Corporate governance structure (as of April 1, 2008)



\* System of management:

The Board of Directors is composed of 21 directors and, in addition to the regular Board of Directors meeting that is held once a month, it is convened at any time necessary in order to discuss and make determinations on important management-related issues such as business plans, financial plans, investment, and business restructuring. The Directors' term of office is 1 year, in order to aim at the clarification of their business responsibilities each and every fiscal year, and they may be reelected at the annual General Shareholders Meeting. The Board of Corporate Auditors is composed of 5 auditors (3 of which are outside auditors) who, in addition to implementing audits by attending important meetings, listening to reports from Directors, etc., inspecting important approval documents, and inspecting subsidiary companies, etc., receive reports in regard to periodic audits from the Independent Auditors.

■ Thorough compliance

The thoroughness in compliance is a major premise in the active conduct of business and a point of emphasis in business matters for the KUBOTA Group, and we have installed the "Corporate Compliance Headquarters" and appointed a director in charge to promote that thorough compliance. An "Anti-Monopoly Act Compliance Committee" was also set up in each Business Section in reflection of violations of

the Anti-Monopoly Act, and a system of education and auditing have been organized in each of these sections as well. These activities are built into our internal control system to enable us to carry out "education and awareness-raising activities", "advance consultation by specialty divisions", and "audits", and aim at complete compliance.

■ Internal control system

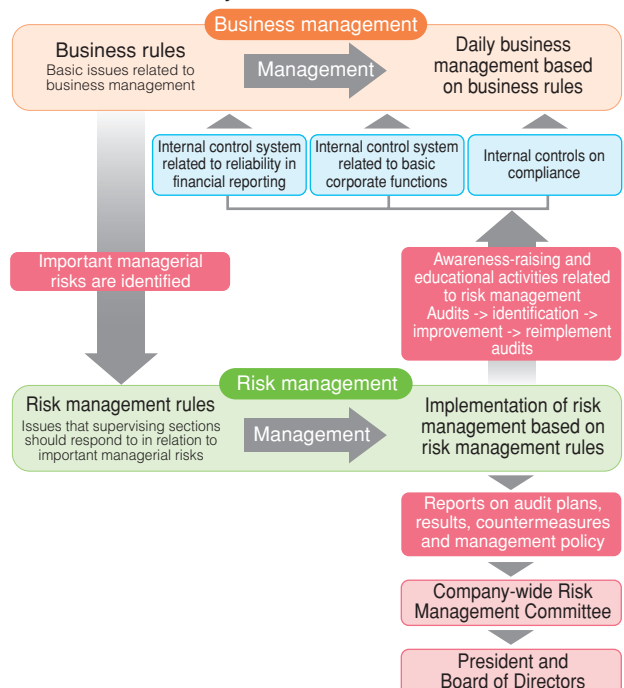
KUBOTA's internal control system is a mechanism for clearly providing the rules that should be obeyed during the performance of business and for checking whether or not business has been managed according to those rules. This system is composed of "business management", which oversees business activities based on the rules, and "risk management", which controls serious management risks. "Risk management" provides the "risk management rules" that relate to the basic issues on how the supervising section should respond to each risk, and, through this, proposes the necessary matters for controlling those risks and checks their efficacy by auditing each department. Important management risks at KUBOTA have been classified within the internal control system into the 3 following targets:

- (1) Internal control related to the reliability in financial reporting
- (2) Internal control related to basic corporate functions such as fair trade, environmental conservation, and health and safety. etc.
- (3) Internal control related to compliance with equipment-related statutes and import and export management, etc.

To avoid these risks, the supervising section executes matters for advancement, audits Business Sections, and drives the PDCA cycle of risk management by reporting on the result and measures for the next fiscal year to the

president and Board of Directors.

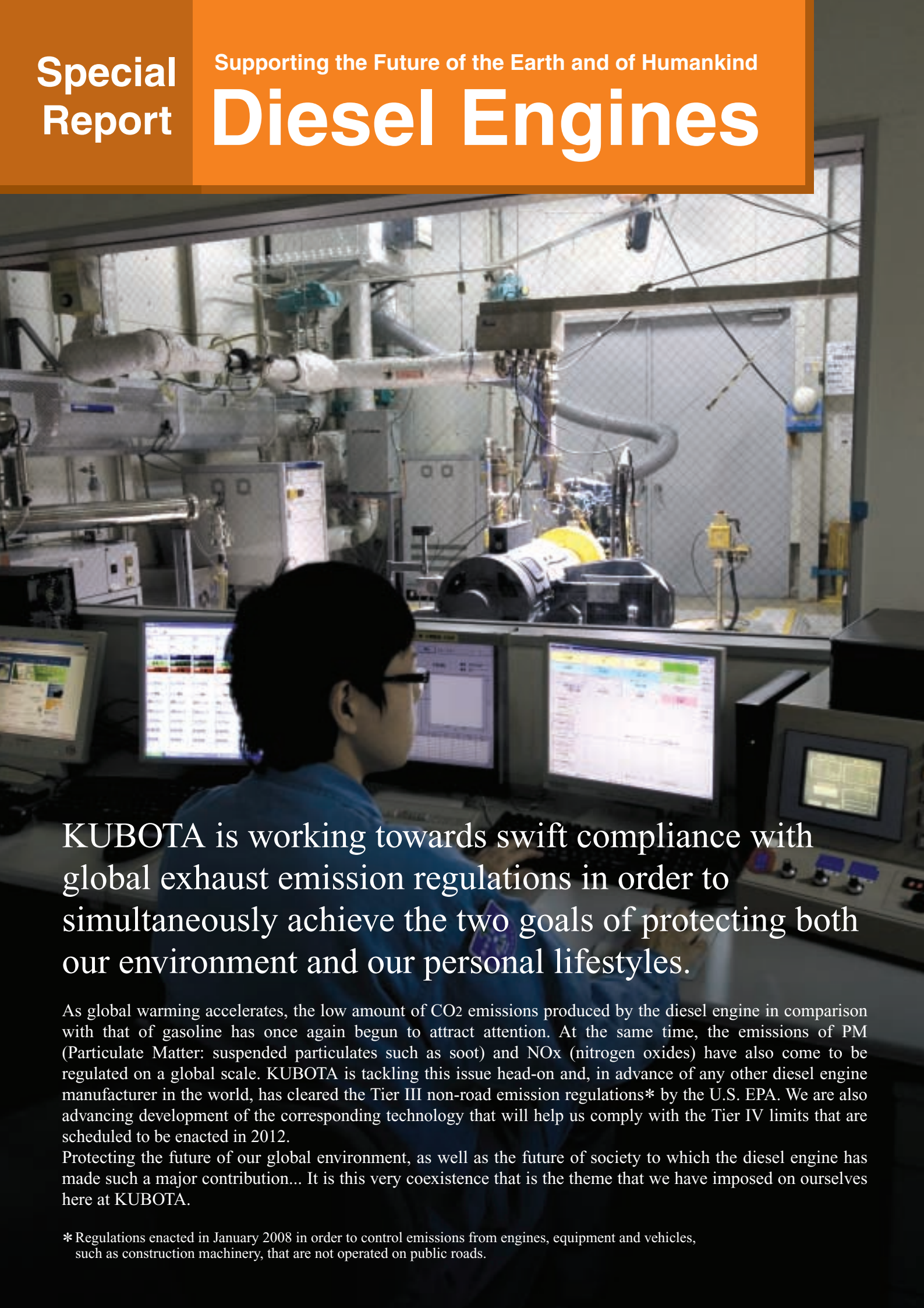
■ Internal control system flowchart



Special  
Report

Supporting the Future of the Earth and of Humankind

# Diesel Engines



KUBOTA is working towards swift compliance with global exhaust emission regulations in order to simultaneously achieve the two goals of protecting both our environment and our personal lifestyles.

As global warming accelerates, the low amount of CO<sub>2</sub> emissions produced by the diesel engine in comparison with that of gasoline has once again begun to attract attention. At the same time, the emissions of PM (Particulate Matter: suspended particulates such as soot) and NO<sub>x</sub> (nitrogen oxides) have also come to be regulated on a global scale. KUBOTA is tackling this issue head-on and, in advance of any other diesel engine manufacturer in the world, has cleared the Tier III non-road emission regulations\* by the U.S. EPA. We are also advancing development of the corresponding technology that will help us comply with the Tier IV limits that are scheduled to be enacted in 2012.

Protecting the future of our global environment, as well as the future of society to which the diesel engine has made such a major contribution... It is this very coexistence that is the theme that we have imposed on ourselves here at KUBOTA.

\*Regulations enacted in January 2008 in order to control emissions from engines, equipment and vehicles, such as construction machinery, that are not operated on public roads.



# Facing a New Chapter In the Issue of Global Warming

## Warning from the IPCC

Having collected and organized the scientific research of international specialists on global warming, the IPCC (Intergovernmental Panel on Climate Change) adopted its Fourth Assessment Report in November 2007 in order to put the brakes on the continuing advancement of global warming.

In this report, it was concluded that 90% or more of the cause of global warming is in greenhouse gas emissions of man-made origin. This report has finally sounded the serious warning that, if immediate measures are not drafted, there is a possibility that, by the end of this century, the average temperature will rise as much as 6.4°C above that of the last century and sea level will rise by as much as 59 cm.

## Inducing participation by emerging nations

The framework for the post-Kyoto Protocol era was discussed at CoP13 (the 13th session of the Conference of Parties to the United Nations Framework Convention on Climate Change) in 2007, and all of the main exhaust emitting countries have agreed to participate, including the United States—a non-participant in the Kyoto Protocol even though it is the world's largest producer of greenhouse gas emissions—as well as China and India with their remarkable development.

Global warming is said to be the cause of an increase in and strengthening of intense, anomalous weather, including a change in air and water temperature, a rise in sea levels and in the amount of precipitation and snowfall, as well as flooding and droughts, intense heat and hurricanes, and there is also the possibility of it resulting in large-scale extermination of various life forms as well. And now, the obligation for emission reduction—something that only certain advanced countries had previously owed up to—has been expanded globally, and the focus is being applied to securing greater implementability. It can thus be said that measures for controlling global warming have finally been taken to a new level.

# Diesel Engines are Once Again Becoming the Center of Focus

## Low CO<sub>2</sub> emissions

Since around the end of the 1990s, Europe in particular has come to positively reassess the value of the diesel engine due to the fact that its CO<sub>2</sub> emissions—the main cause of global warming—are less than that of the gasoline engine. Because CO<sub>2</sub> is emitted in proportion to the amount of fuel consumed, the excellent thermal efficiency that diesel engines display results in lower CO<sub>2</sub> generation.

Though the use of the diesel engine in Japan is centered mainly on industrial applications, such as with agricultural and construction machinery and on ships, it is installed in a large number of passenger cars in Europe, and the ratio is increasing even further.

## Indispensable for industrial power

Amongst all practicable internal combustion engines, the diesel engine excels most in its thermal efficiency. This enables a variety of different liquid fuels to be used, such as both light and heavy oils. Since the advent of the 20th century, diesel engines have taken an active role in a wide range of fields, from their use as small, high-speed engines to installations as low speed engines on massive ships. KUBOTA diesel engines, in particular, have been installed as the power units for tractors and shovels, and have contributed greatly to

primary industries and infrastructure maintenance. Durability, fuel efficiency, and general-purpose usability... Whichever you choose, it's not likely that you'll be able to discuss modern industry without including the diesel engine as a main source of power.



V3800DI-TI

## Biotech fuel works as well

The recent sudden rise in the price of oil is one reason that biotech fuel is currently garnering attention as a substitute for fossil fuel. Having been originally developed as just such a fuel, peanut oil may be one answer due to the possibility of its comparatively smoothly implementation as a next-generation response in diesel engines, and so research into its practical use has been actively promoted. This is yet another example of why the diesel engine has begun to be focused on once again.

# Rapid Response to Global Emission Regulations

## Constantly leading the world in regulation compliance

At the beginning of the 1990s, the eyes of regulation turned towards the industrial diesel engine, and the target became the suspended particulate matter and nitrogen oxides contained in exhaust emissions. With minimal CO<sub>2</sub> emission and in wide use at the very foundation of society and in peoples' daily lives, that was simply a test that diesel engines needed to overcome.

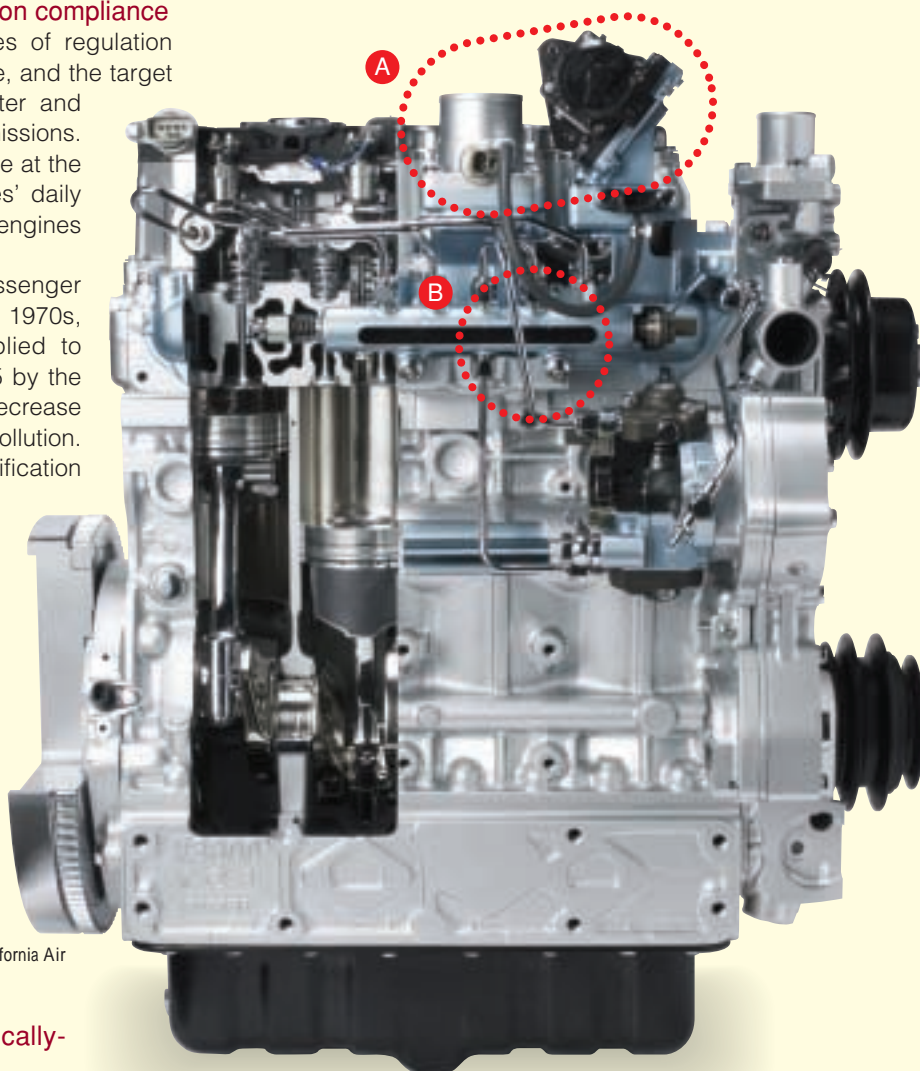
Just like the regulations placed on passenger cars that had been in effect since the 1970s, exhaust emission regulations were applied to nonroad vehicles for the first time in 1995 by the State of California (U.S.A.) in order to decrease the negative environmental impact of air pollution. In answer to that, KUBOTA acquired certification under CARBULGE (Utility Lawn & Garden Equipment) regulations\* in the under 19 kW class earlier than any other diesel engine manufacturer in the world. Since then, we have always responded in advance of everyone else to the regulations that are becoming more and more strict at each and every stage. Tier III emissions limits were then implemented in 2008 at about 1/3 times the restrictions of Tier I regulations (which was enacted in 1996), thus demanding the development of even higher-level emission control technology.

\* Restriction on exhaust emissions applied to engines installed in general utility, lawn, and garden equipment by the State of California Air Resources Board.

## KUBOTA's first completely electronically-controlled engine

Since the very beginning of exhaust emission regulations, KUBOTA had always stuck with mechanical control and we have held the top share in the small, compact diesel engine market, having supplied those engines throughout the globe. However, in order to clear the very strict values of the Tier III for over 75 kW class engines, as well as the Tier IV regulations that will be starting in 2012, there are limits to mechanical-type control. So KUBOTA began working on the difficult problem of introducing a fully electronically-controlled system without changing the conventional engine's form, while at the same time making improvements to basic performance. After the utmost efforts of many successfully overcame numerous issues, in 2006 we announced the V3800DI-TI, a completely electronically-controlled diesel engine integrated with state-of-the-art technology, like the EGR (Exhaust Gas Recirculation) and common rail systems.

The level of PM and NO<sub>x</sub> emissions is greatly decreased with this engine and a close to 10% power increase over the conventional model has been achieved while simultaneously clearing Tier III level regulations. With the



The V3800DI-TI:  
KUBOTA's first completely electronically-controlled diesel engine

V3800DI-TI, a diesel engine was unveiled that could easily be called "epoch-making".

## Support from the Engine Environmental Management & Promotion Department

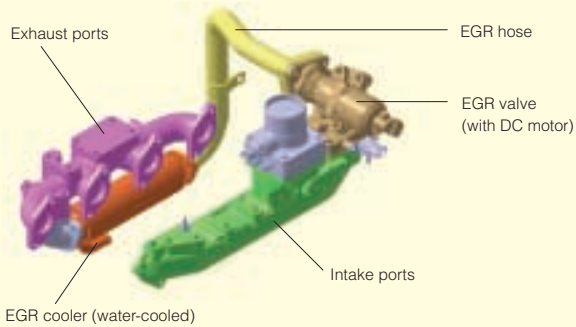
From information collection to the construction of a service system, various management departments exist to support the consolidation of the strengths of our Development & Technology Department and the delivery of state-of-the-art diesel engines that clear restrictions to the world at large.

In 1992, KUBOTA set up the Engine Product Environmental Management Section in order to acquire certification under industrial engine exhaust emission regulations in the United States. This section embarked on the collection of regulation information overseas, its dissemination both in-house and outside the company, negotiations with authorities and the industry, construction



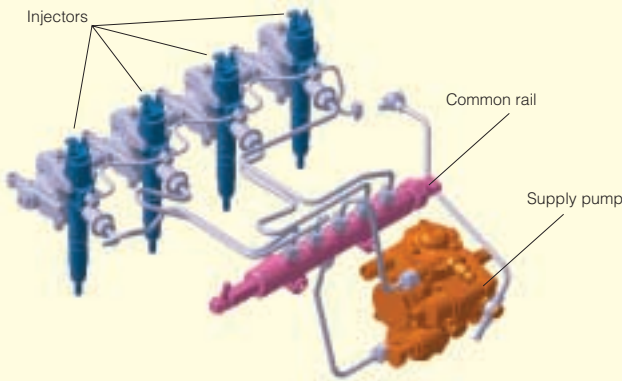
### A EGR (Exhaust Gas Recirculation) System

KUBOTA's unique electronically-controlled, cooled EGR system ensures easier cold starts while decreasing exhaust gas emissions.

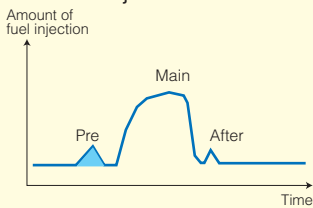


### B Electronically-controlled common rail system

Several injections deliver high power output with low fuel consumption, greatly decreased PM and NOx emissions, and lower combustion noise.



#### ■ Fuel injection ratio with several injections



ER108 Combine Harvester with V3800DI engine built-in

of an in-house system, and the improvement of efficiency in certification procedures.

Full-time employees on exhaust gas emissions were located in Chicago in 1994, the Quality Inspection Facility was set up in 1999, and, in 2006, our Engine Environmental Management & Promotion Department was organized. Along with strengthening our ability to respond to restrictions that currently extend over a global scale, this organization is further heightening our capability of supporting our service departments by expanding and enhancing the function of our wide-world service net and constructing a service system specifically for electronically-controlled engines, etc.

Always at the forefront of the industry, such integrated capabilities have been condensed into a power that enables KUBOTA to swiftly respond to ever-stricter regulations.

## Development Secrets

### The ECU data setting was the main hurdle

Two systems that have a major effect in clearing exhaust emission regulations are installed in the V3800DI-TI, KUBOTA's first completely electronically-controlled engine.

The EGR (Exhaust Gas Recirculation) System lowers the combustion temperature and suppresses NOx exhaust by cooling a portion of the exhaust emissions, returning it to the intake, and mixing it with the air newly taken into the engine. The "common rail" system ascertains the current operation conditions and accurately injects a spray of accumulated fuel at a high pressure of up to 1,600 atmospheres in order to achieve greater combustion efficiency. And a computer, known as the ECU (Engine Control Unit), controls both processes.

As a result, fuel consumption is improved and energy thus conserved, combustion temperature is lowered, and NOx emission is decreased. In looking forward to stricter Tier IV restrictions, such electronic control systems will be absolutely indispensable.

However, a problem remained with the ECU's data settings. Tuning that is matched to the slightly different "characteristics" of each and every installed engine, and to each of its parts, one by one, was conventionally accomplished by hand. The parameters (an element of the program construction) were in the tens of thousands. And then, it also had to be made practical to manufacture and to perform service. The requirements were mind-boggling; the very definition of infinity itself.

The diesel engine has been seen as one of KUBOTA's core products for a great many years, and now its ECU program, built upon KUBOTA's huge database with users worldwide, is one of our proudest accomplishments, and one that other companies simply cannot duplicate.



Kiyoshi Hataura  
Team Leader of  
Engine Engineering Dept.

Mitsuru Kamiyama  
Engine Engineering Dept.

# High Appraisal in a Growing Global Market

## An Engine with High Environmental Performance Knows No Borders

KUBOTA has obtained the solid trust of the U.S. market with our small diesel engine. Besides mowers, utility vehicles, and construction machinery, our engines are installed in mini-excavators, boring machines, small-sized mixers, sweepers and generators... With their use in agricultural machinery including installation into tractors and loaders, KUBOTA diesel engines take an active part in a wide range of fields.

In fact, in the case of engines installed in machines sold in the United States, there are more than a few cases of these units being exported to Europe, South America and Southeast Asia. The reality is that they cross borders so easily, we could say, "KUBOTA engines know no borders". Specifically today, with environmental controls being implemented on a global scale, the expectations for KUBOTA diesel engines will surely expand significantly as well.

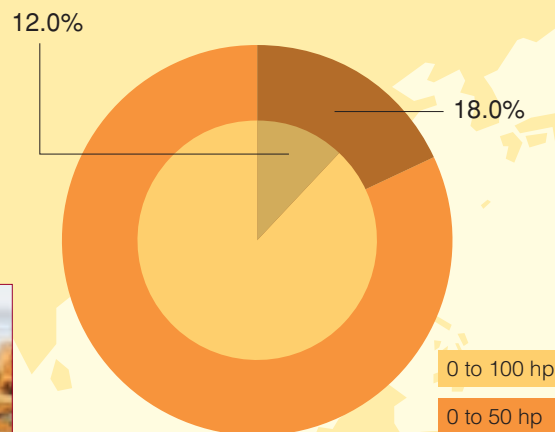
And in such times, on top of the natural needs in the United States and Europe, the demand for combines in China and tractors in Thailand is rapidly increasing and the application for KUBOTA engines will surely grow as well. This too is due to the abundant evidence of KUBOTA quality.

The high appraisal abroad of the value that KUBOTA engines deliver, in other words its operability, its compact size, its flexible installation, its low vibration, low noise, and clean emissions are all firmly established and well known.



"M9540" M-type mid-sized tractor

### ■ KUBOTA's share of the global multi-cylinder industrial engine market



\* From PSR Co. research (2007 data)



"Zero Turn" mower



Mini-excavator with new-type engine at a construction site

## KUBOTA contributes to the stable supply of food

The food self-sufficiency rate (calorie base) in Japan dropped below 40% in 2006. And looking overseas as well, it is said that we won't have to wait even another half a century before the world's population reaches nine billion, so a stable supply of food that is sufficient to support life in each country is in doubt. The stimulation of agriculture as one of the solutions has become a major topic of discussion.

In that regard, KUBOTA has been working to provide higher output and functionality in agricultural implements and machinery in order to realize improvements in efficiency in farm labor, as well as an improved and easier interface and more comfortable operating environment for senior citizens. Though agriculture in Japan is advancing in a fragmented bipolar direction (with full-time and small-scale part-time farms) due to a new governmental farm policy, KUBOTA is involved in offering a wide lineup of hardware that meets the detailed needs of either camp so that we may play a significant role in assisting the field of agriculture to support the stable supply of food worldwide.



KUBOTA engines contribute to food production the world over



# Hoping for a Bright Future for the Earth and Society

## Enhancing our global network

The electronically controlled system we introduced in order to comply with current and future exhaust emission regulations calls for further innovation in all the parts around the engine. Response by the service department will be especially difficult using only conventional mechanical technology, and the creation of a new system based on computer technology is rapidly being advanced through a service network that extends to 69 countries and 900 locations in all parts of the world.

## A unique stance on biotech fuel

Diesel engine manufacturers throughout the world have already begun their involvement in the development of units compatible with the biotech fuel that is drawing attention as a next-generation substitute for petroleum. And KUBOTA as well is carefully advancing on the path to completing its response at the B5 level (5:100 ratio between biotech fuel and light oil).

There are 3 reasons for this. First of all, there are uneven characteristics and quality involved in the biomass. Next, it is not easy to determine the effects of investment, and then there are even questions about using crops, originally intended for peoples' sustenance, as fuel. And third, especially today as we face the fears of a food crisis, KUBOTA, in its role as a business related to agriculture, is working to ascertain the proper balance between products and food.

## KUBOTA's policy is the coexistence of the environment and society

If it cannot comply with regulations and the diesel engine ends up disappearing from the marketplace, the brakes will be slammed down on the "foundation-maker of industry", a role that the diesel engine has borne up to the present day. And, in that case, businesses will be unable to fulfill their obligation of continuing to supply important products to their customers.

Compliance with exhaust emission regulations means defending the sustained development of society while simultaneously protecting the global environment. And, it's the production of diesel engines that enable both of those goals to coexist that is the basic policy here at KUBOTA.

## Comments from customers

"I've never experienced major problems with KUBOTA engines in the field. I fully trust KUBOTA engines and I'm quite sure that KUBOTA will supply engines which will meet even further strong emission regulation."



Mr. Bernhard Neubeck  
NEUBECK (Germany)



Yoshihiko Tabata

General Manager of Engine Division, Managing Director

## The diesel engine will continue to play a major role in the future

The diesel engine already has a history of more than 100 years. Its simple, solid structure; its high output and low fuel consumption performance... Those basic features have not changed, but it is still necessary to expand the output lineup according to the needs of the times and continue to evolve its design while adding various functions. Diesel engines have taken an active part in a wide range of genre worldwide, from assisting with the urban infrastructure of advanced countries to use in agricultural implements and machinery in developing countries. Well-earned confidence has been placed on

the diesel engine and the demand for its contributions has been firmly developed.

Recent exhaust emission regulations that originate in the attempt to protect our global environment can also be considered to be the opinions of stakeholders in a major sense. Certainly, they are strict opinions, but this is also turning the major expectations held for the diesel engine inside out. And, because there are still many situations that demand the capabilities of the diesel engine, the mission that we need to accomplish in response is to offer engines that future customers can use in a confident manner and without qualms. To that end, KUBOTA as a whole is committed to working on the development of engines that boast higher environmental performance and greater innate capabilities.

# Economic Report

In the role of building foundations that support affluent lifestyles for all, a role that we have followed ever since our founding, the KUBOTA Group is advancing global business development in areas that are closely linked to human life, such as water, food and the environment.



## KUBOTA Group Profile (as of April 1, 2008)

### Outline of KUBOTA Corporation

**Corporate name:**  
KUBOTA CORPORATION

**Founded:**  
February 1890

**Established:**  
December 1930

**Capital:**  
¥84,070,280,304

**Total number of shares issued:**  
1,285,919,180

**Number of shareholders:**  
48,567\*

**Number of employees:**  
9,541 (full-time)\*

**Total number of employees in the KUBOTA Group:**  
24,464\*

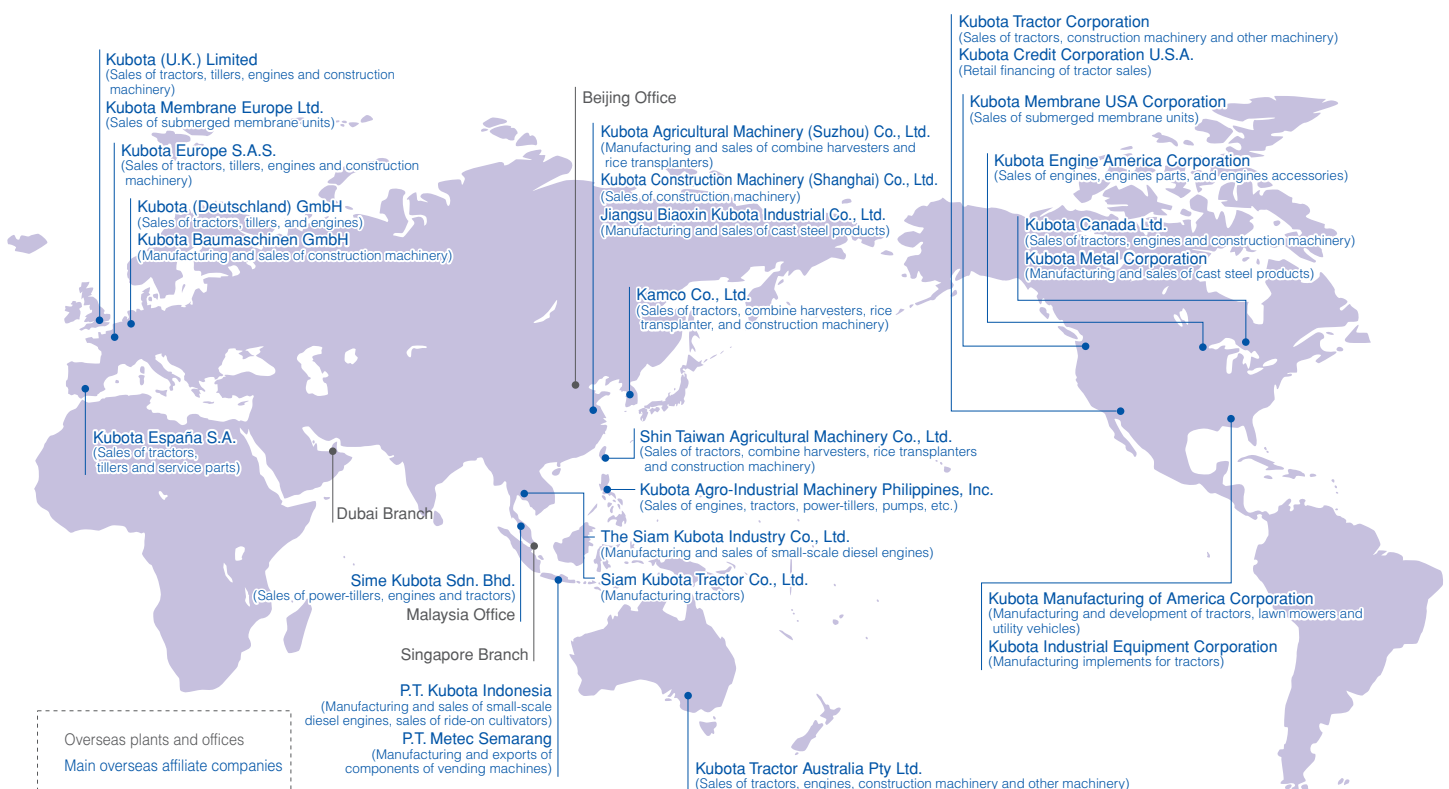
**Head Office:**  
1-2-47 Shikitsu-higashi, Naniwa-ku,  
Osaka 556-8601 JAPAN  
Telephone: +81-6-6648-2111  
Facsimile: +81-6-6648-3862

**Tokyo Head Office:**  
3-1-3 Nihonbashi-Muromachi, Chuo-ku,  
Tokyo 103-8310 JAPAN  
Telephone: +81-3-3245-3111  
Facsimile: +81-3-3245-3822

**Website:**  
[www.kubota.co.jp/english/index.html](http://www.kubota.co.jp/english/index.html)

\* as of March 31, 2008

### KUBOTA Group overseas plants, offices and main affiliate companies





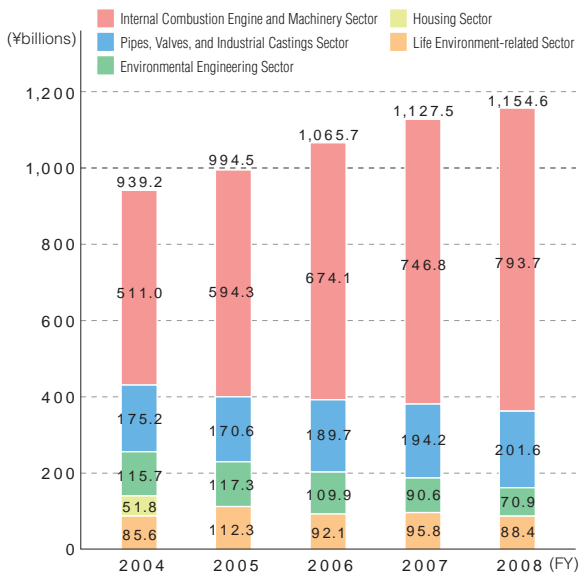
## KUBOTA Group Fiscal 2008 Results Report

Sales for the KUBOTA Group this fiscal year exceeded the previous term, coming in at over 1,154 billion yen. Due to a slack market, domestic sales reached 572.2 billion yen, a decreasing from the previous term, while overseas sales of 582.3 billion yen surpassed that of the previous term. Though North America experienced adverse market conditions, sales of tractors, construction machinery, and engines expanded greatly in Europe, and sales of tractors in Thailand helped the positive trend in Asia to continue. The ratio of overseas sales to domestic rose by 3.9 points to 50.4% compared with

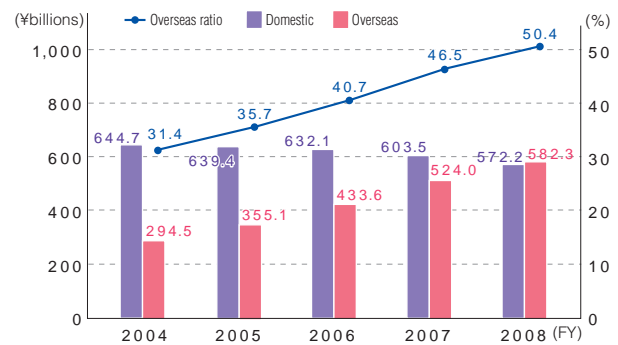
the previous term, meaning overseas sales exceeded domestic sales for the first time ever.

Operating profit increased over the previous term to reach 136.9 billion yen, also the highest level ever. However, net profits for this term decreased from the prior term to 68 billion yen due to the serious deterioration of other earnings brought about exchange losses and a loss from revaluation of securities.

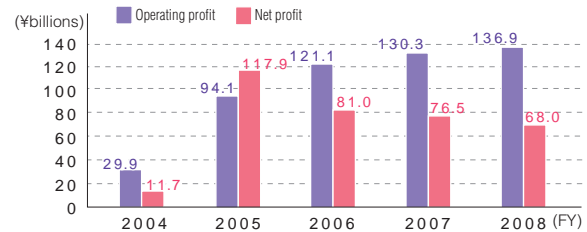
### Trend chart of sales (by field)



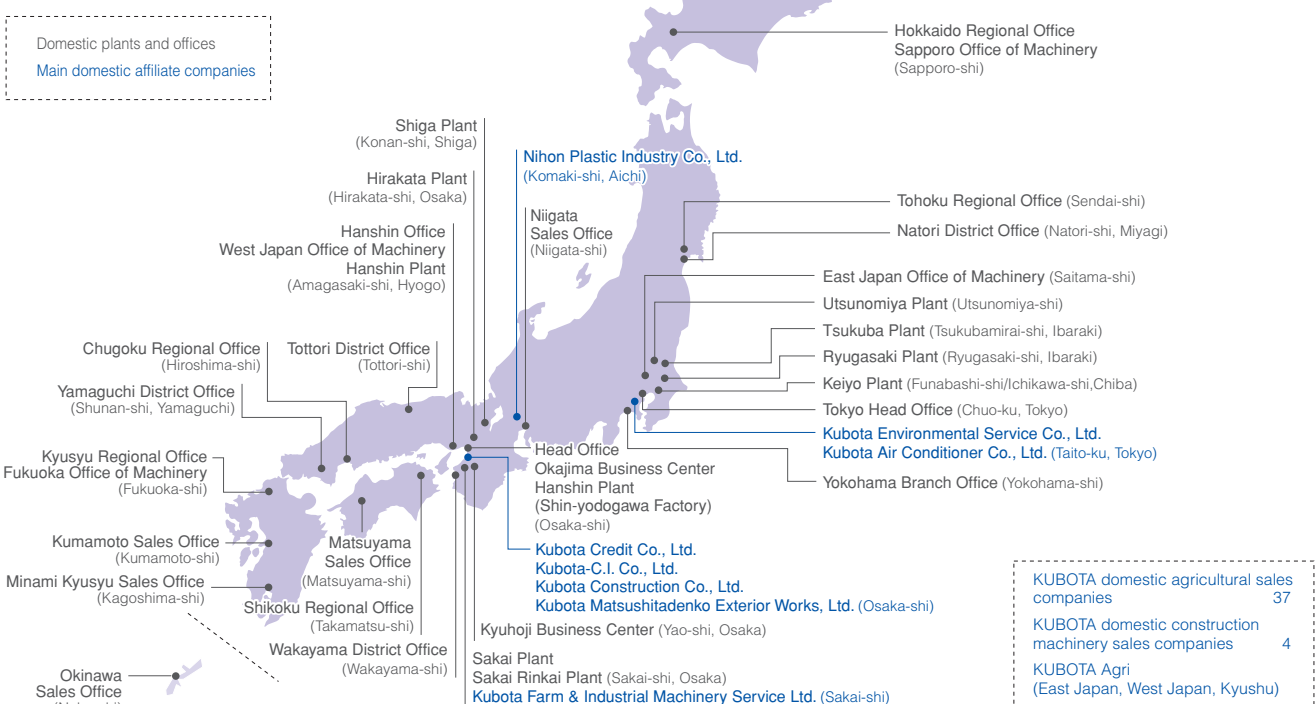
### Trend chart of domestic and overseas sales



### Trend chart of operating profit and net profit



### KUBOTA Group domestic plants, offices and main affiliate companies



# Results by Business Field

## Internal Combustion Engine and Machinery Sector

This sector consists of farm equipment, engines, and construction machinery.

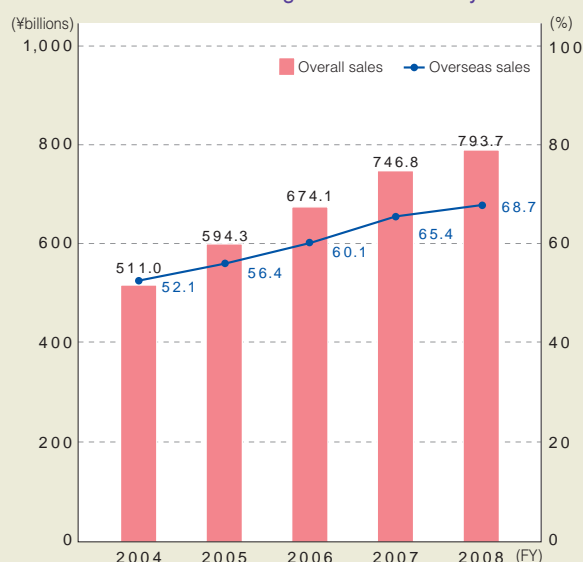
Revenues in the Internal Combustion Engine and Machinery sector were ¥793.7 billion, 6.3% higher than in the prior year, comprising 68.7% of consolidated revenues. Overseas revenues increased 11.6%, to ¥545.3 billion and domestic revenues decreased 3.9%, to ¥248.3 billion.

In overseas markets, sales of tractors, the Company's core product, increased steadily. In the United States, sales of tractors were at almost the same level as in the prior year while there were worsening subprime loan problems, the slowdown of the housing-related markets, and a serious drought in the southeastern region. In Europe, where favorable economic situations continued, sales of tractors showed strong expansion due to the active introduction of new products and aggressive promotional sales activities. In Asia outside Japan, tractors continued to report a large sales increase in Thailand where mechanized farming is rapidly developing.

As for construction machinery in North America, sales decreased due to the deterioration of the market, but sales in Europe reported a large expansion due to rising demand resulting from favorable economic situations and sales expansion of larger-sized products, which were introduced in the prior year. Sales of engines increased mainly due to steady sales in Europe. However, sales of farm machinery decreased due to a stagnation of the market for combine harvesters in China.

In the domestic market, sales of farm equipment decreased. Most farmers, centering on those with medium-sized farms, maintained the strong trend to hesitate purchasing farm equipment, while the purchasing intention among some farmers began to show signs of improvement affected by the partial revision of new government agricultural policies and the firming up of the price of rice. Under these circumstances, the Company actively implemented sales expansion policies to expand its customer base and was able to increase its market share; however, it could not overcome the effect of declining demand. Sales of construction machinery decreased due to stagnant demand resulting from the partial revision of Japan's building standard law. On the other hand, sales of engines increased steadily due to sales expansion to domestic manufacturers of construction and industrial machinery.

■ Trend chart of the overseas-to-overall sales ratio in the Internal Combustion Engine and Machinery Sector



## Joint venture tractor manufacturing company established in Thailand



KUBOTA president Hatakake and SCG president and CEO Kan Trakulhoon shaking hands at a press conference held in Bangkok

Thailand has taken a leading role in Southeast Asian agriculture and its market for new tractors has expanded due to the increased income currently enjoyed by farmers and the manpower shortages in rural areas, etc., all brought about by swift economic growth. Because tractors are operated under high temperatures throughout the year in Thailand, they require specifications that are simple, easy to maintain, tough at high temperature, and durable.

With the rapid increase in demand for tractors in Thailand, KUBOTA determined that it was immediately necessary to install a high cost-performance, local production supply base for tractors in addition to the backup product supply from Japan, and so "Siam Kubota Tractor Co., Ltd." was established in September 2007 in a joint venture with "Siam Cement Group" (SCG), a major corporate partially owned by the Thai royal family, to produce tractors for the Thai market. (Investment ratio: 60% Kubota and 40% SCG)

A factory with an annual production of 25,000 units is being constructed, production is scheduled to begin in March 2009, and The Siam Kubota Industry Co., Ltd. (SKI) will be handling sales. We are thus aiming at continuing expansion of our tractor business in Thailand, and at active business development that focuses on the rice farming countries of Southeast Asia.



## Machinery Dealers Meeting

“61st KUBOTA Machinery Group Dealers Meeting” was held at the Kyoto International Conference Center on January 16th and 17th and was attended by about 4,700 people including those from cooperating companies, exhibition visitors, and domestic agricultural and construction machinery dealers.

On the first day of the meeting, we announced our slogan for fiscal 2008: “Develop Robust Agriculture. Hasten Management Reform.” In the ongoing harsh environment of the Japanese market, we called for each dealer to take a global view towards development and production; to develop and offer competitive products that will triumph over competitors through concurrent design with overseas models, combined use of parts, and global procurement; and to strengthen our competitive edge through further globalization and the concentration of all our energies.

On the second day, 138 different products, including 11 new models, were exhibited on-site in ingenious presentations.

Through declarations of strong determination from directors and persons in charge of each division to our dealers, through messages of support to Japan from overseas dealer executives, and through presentations on the main stage of the product exhibition site, the themes of “An Active KUBOTA Supports Active Agriculture” and “The Role of the Mother Market for a Global KUBOTA” were strongly conveyed.



General assembly for the KUBOTA Machinery Group Dealers Meeting at the Kyoto International Conference Center



Main stage



Exhibition hall

## 36 new KUBOTA tractor models simultaneously put on sale

71 models from the 9 series of domestic ride-on tractors and 36 models between 16.5 and 95 horsepower [“New KingBull” small-scale tractor, “Grand Kingwel” and “Grand Kingwel Beltion” medium-scale tractors, and “Super SynerZ” large-scale tractor] were all placed on the market for the first time together on July 1.

From small size to large, these tractors come fully equipped with functions for all customers who want their machine to enable agricultural work to be accomplished “more comfortably” and “more efficiently”. Furthermore, our “Power Crawler” series of units that all boast minimal soil compaction was also marketed at the same time.

As the severity of the environment that encompasses Japanese agriculture grows, KUBOTA’s agricultural implements and machinery send jolts of energy into the two realms of “activity”, with a campaign aimed at reinvigorating agriculture in Japan, and “new products”, with a scale of model restyling simply unheard of in the past.



Grand Kingwel  
(22 to 34 HP, 14 models)



Grand Kingwel Beltion  
(38 to 55 HP, 9 models)



New KingBull  
(16.5 to 22.5 HP, 7 models)



Super SynerZ  
(76 to 95 HP, 6 models)

## Introducing the DC-60: A combine harvester for export to Thailand



Meeting



Threshing drum



Standard combine harvester for Thailand

Combine harvesters in Japan are often of the “head-feeding” type, which suits the difficult-to-thresh (separate the rice kernels from the rice head) Japonica rice usually planted in Japan. However, because the Indica rice that is harvested in Thailand is easily threshed, a standard type of combine is usually employed there.

## V3307-T vertical water-cooled diesel engine developed

KUBOTA’s V3307-DI-T diesel engine, developed to be compliant with U.S. Tier III nonroad emission regulations, adopts a new type of structure that enables larger displacement, higher output, lower noise, and lower vibration in the same physical form as conventional 2.2 L class engines. In addition to its compact size and excellent reliability and durability, this next-generation industrial diesel engine answers a wide range of needs for agriculture-industrial-construction machinery, such as maintenance accomplished all from the same side.

\* The V3307-DI-T 3.331L is a 4-valve, direct central injection turbocharged engine.

Developed in Japan, produced in China (KAMS), and sold in Thailand (SKI). The DC-60 is a standard-type combine harvester made for Thailand out of a joint 3-country project, a rare event even at KUBOTA.

Thailand has as much as six times the area in rice fields as Japan does and has often been called the “rice bowl of Asia”, but there is a large difference in production between the central part and the northeastern part of the nation. Because the center of the country is warm all year round and has abundant water sources, harvesting is possible up to three times a year. Each rice field is also quite expansive, with large combine harvesters of eight-ton or more being used on average. On the other hand, northeast Thailand basically offers a single annual crop and is affected by various issues such as irrigation. Because the sectioning of the rice fields is narrow and large-scale combine harvesters just do not fit, mechanization is not very advanced. In order that it might respond to these specific needs of the country’s northeastern region, the DC-60 was developed under the concept of delivering “high performance in a compact design (about 2.5 tons) and at a low price”.

Though the market in Thailand is quite attractive, it is often difficult to launch a product if its production cost is not half that of Japan. So, we aimed at halving the number of parts and halving the cost without losing the same level of durability and performance. Because rice plants in Thailand are relatively fibrous and stiff, various troubles have appeared, such as parts wearing out long before their estimated service life, but the tenacious efforts of everyone involved, including SKI and KAMS, have born fruit, and we have been successful at cutting both parts and cost in half.

The threshing loss with large-scale units sold locally often reaches 10 to 20%, so the “3% threshing loss” performance of the DC-60 also grabbed the attention of the locals and resulted in high praise from farmers.



V3307-DI-T diesel engine



## ■ A new-type cabin developed for greatly improved comfort

– Standard in the Grand Kingwel Series tractor –

One major characteristic of this new cabin type is its original design that places the air conditioner at the rear of the ceiling. With this layout, the height of the ceiling was raised and the view forward greatly extended. Even though we adopted a unit that excelled in its air-conditioning capacity, the changes required to effectively implement this layout design were not easy to achieve.

First, there was the problem caused by the air needing to make a U-turn to reach the operator (see the illustration). At first it wasn't easy to secure a sufficient amount of airflow to be indirectly conveyed to the operator and air-condition the cabin, but various concepts and experiments based on the latest in fluid analysis were attempted, and we were ultimately able to realize the optimal flow of air for this application. And through this challenge we were also able to accrue technology related to controlling air movement.

Second, was the new cabin structure required in order to change the installation position of the air conditioning unit. Frame strength was analyzed using full-3D design through state-of-the-art digital technology, enabling us to develop a superior new cabin design in a short period of time, and steadily



accumulate the ability for faster development.

On top of that, the KUBOTA-original mounting structure for this new type cabin affords greatly improved quietness for a higher level of operator comfort, and this restyling has resulted in a steady increase in both our sales and market share numbers. We aim to design this cabin for other models in the future as well, and develop highly competitive tractors with a more attractive cabin in order to strengthen the KUBOTA brand and even further increase our share of the market.

## ■ Simultaneous launching of the “ZEPH” series

Restyling of 21 models of mini-excavators, wheel loader sand carriers

On April 1, KUBOTA began marketing our “ZEPH series” small-scale construction machinery that comply with the exhaust emission regulations in the “Off-Road Law\*” and the Ministry of Land, Infrastructure and Transport’s “Exhaust Emission Tier 3 Standards”. Due to the “Off-Road Law” coming into force in October 2007, we began the simultaneous sale of all our small-scale construction machinery (output between 19 and 37 kW) in advance of that as a new product line that cleared the corresponding reference values.

By also improving the displacement of the engine to 1647 cc from the previous 1499 cc for 3-ton class machines, we were able to maintain low noise and low vibration, enable high-power work at greater output, and improve durability and maintenance as well, all at the same time. More of KUBOTA’s original, advanced-level functions than usual come standard with this series, such as the “SS key” antitheft device, an automatic evasion system to prevent the bucket from interfering with the operator’s seat, and LCD displays with self-diagnosis function. And we are also aiming at further improving our environmental impact by promoting the diffusion of machines that comply with current emission regulations.



Mini-excavator



Carrier



Wheel loader

\* Regulations enacted in October 2006 in order to control emissions such from construction machinery (special off-road motor vehicles) that are not operated on public roads.

## Pipes, Valves, and Industrial Castings Sector

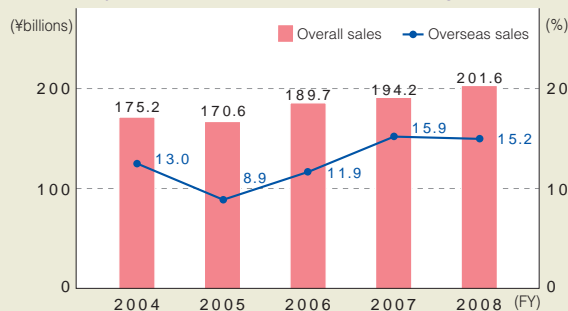
This sector consists of pipes, valves, and industrial castings.

Revenues in the Pipes, Valves, and Industrial Castings sector increased 3.8%, to ¥201.6 billion, from the prior year, comprising 17.5% of consolidated revenues. Overseas revenues decreased 0.8%, to ¥30.6 billion, and domestic revenues increased 4.7%, to ¥171.0 billion.

In overseas markets, sales of industrial castings for the steel and petrochemical industries continues to increase largely owing to high levels of private-sector capital expenditures, while sales of ductile iron pipes decreased.

In the domestic market, although demand for ductile iron pipes and plastic pipes was lackluster, sales of these products stayed at the same level as in the prior year owing to the price hikes of these products. On the contrary, sales of industrial castings increased substantially due to sales increases of ductile tunnel segments and products for the steel and petrochemical industries.

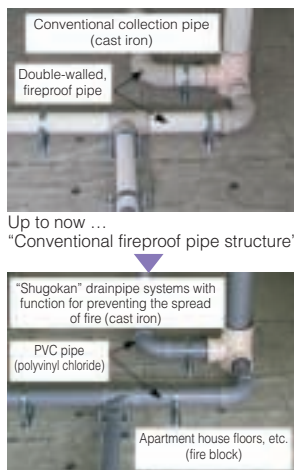
### Trend chart of the overseas-to-overall sales ratio in the Pipes, Valves, and Industrial Castings Sector



### “Shugokan” drainpipe systems developed with a function for preventing the spread of fire



“Shugokan” drainpipe systems with function for preventing the spread of fire



In the future ... “New fireproof pipe structure”

The drainpipes that are made to wrap around apartments and other buildings become a convenient passage for flames and smoke in case of a fire. Conventionally, nonflammable material such as double-walled, fireproof pipe was used as a fire block to prevent fire from spreading, but KUBOTA came up with a completely new concept: a drainage collection duct that blocks the forked junctions of the drainpipe and intercepts the flame during a fire. In this way, the spread of fire can be impeded, and smoke intercepted as well, even if all drains are laid using less expensive (and combustible) PVC pipe.

This method has a dramatic effect on decreasing construction costs, improving the working environment, and also lowering the negative environmental impact of construction by reducing scrap, etc. This structure has received high acclaim for overturning the conventional thought of industry that double-walled, fireproof pipe is an absolute necessity in conduits.

### “TAMETERU-ZO”, a disaster prevention header with a water storage function for new residential housing, put on the market

In February of 2008, KUBOTA-CI began selling “TAMETERU-ZO”, a disaster prevention header with a function for storing 36 liters of potable emergency water in each home in preparation for such disasters as earthquakes.

This product is installed in the “dead space” above the ceiling in modular bathrooms, hallways, and closets, etc., where it won’t affect the residents or the storage space of individual homes and apartment or housing complexes. By using one outlet (out of the 5 outlets installed to supply water to the kitchen faucet) for emergency water supply, potable emergency drinking water can be accessed by simply opening the kitchen faucet as usual even when the normal water supply has been cut off. Since this system stores 36 liters of water, it secures three days of emergency water for a family of four. Moreover, it functions as a “water supply header” (a kind

of water supply tool) during daily life and, because a portion of the stored water is removed from two or more places whenever water is run from a faucet, the old water stored in the tank is constantly being replaced with fresh water.



TAMETERU-ZO



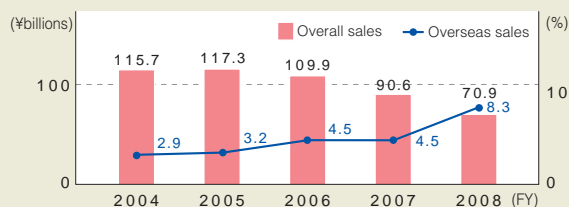
## Environmental Engineering Sector

This sector consists of environmental control plants and pumps. Revenues in the Environmental Engineering sector decreased 21.8%, to ¥70.9 billion, from the prior year, comprising 6.1% of consolidated revenues. Overseas revenues increased 43.6%, to ¥5.9 billion, and domestic revenues decreased 24.9%, to ¥64.9 billion.

In overseas markets, sales of pumps increased substantially from the prior year.

In the domestic market, sales of water and sewage engineering products, waste engineering products, and pumps decreased due to the decline in public-sector demand and the drop in sales prices accompanying more-intense competition. In addition, the suspension of a designated pre-approved supplier that resulted from compliance issues and the discontinuation of a part of operations negatively impacted revenues of this sector.

■ Trend chart of the overseas-to-overall sales ratio in the Environmental Engineering Sector



## ■ Methane fermentation technology granted to ADI Systems Inc.

KUBOTA's original membrane methane fermentation technology that makes optimal use of the excellent features of membranes in liquid has increased our sales centered around domestic *shochu* makers. Up to now, the residue from *shochu* has been dried and made to animal feed, but the sudden rise in the price of crude oil has turned attention towards our methane fermentation technology and its ability to recycle energy.

In recent years, the production of bioethanol from corn

for use as automotive fuel has expanded rapidly in North America. Because the waste fluid generated from manufacturing bioethanol is very similar to *shochu* residue, it is thought that this technology can also be applied to bioethanol waste. In September, we decided to grant the use of our proprietary technology to ADI Systems Inc. (Canada), which has its own know-how in the construction of large-scale food system wastewater management plants.

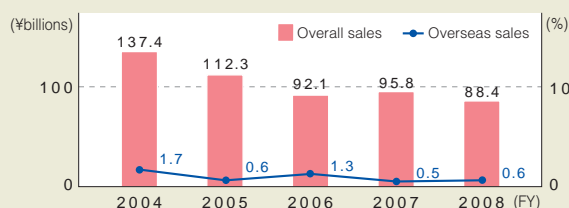
## Life Environment-Related Sector

This sector consists of vending machines, electronics-equipped machinery, air-conditioning equipment, construction, septic tanks, condominiums, and other business.

Revenues in the Life Environment-Related sector decreased 7.7%, to ¥88.4 billion, from the prior year, comprising 7.7% of consolidated revenues. Overseas revenues increased 2.2%, to ¥0.5 billion, and domestic revenues decreased 7.7%, to ¥87.9 billion.

Sales of vending machines increased due to a sales increase of cigarette vending machines that incorporate an age-identification function; however, revenues from construction and sales of air-conditioning equipment and septic tanks decreased. In addition, the sales of condominiums in the second half of the fiscal year were absent because shares of a subsidiary that conducted condominium business were partially sold and the subsidiary became an affiliated company. As a consequence, total revenues of this sector decreased from the prior year.

■ Trend chart of the overseas-to-overall sales ratio in the Life Environment-Related Sector



## ■ “Coin Operated Rice Milling Machine” reaches 10,000 units sold

Our “Coin Operated Rice Milling Machine” went on sale in 1985. Because this automated vending-machine-type rice mill that can dispense brown rice and polish unhulled rice to the desired whiteness was quite a novel concept, sales numbers were sluggish at first. However, with the liberalization of the rice market in 1995, and the resulting expansion of routes by which even the average person could buy brown rice, we began to ship more than 800 units a year and reached our 10,000th unit on October 25, 2007. Recently, this product has attracted further attention for its contribution to the delivery of safe, health-oriented food.



# Social Report

The KUBOTA Group works to fulfill its social responsibility based on our management principles of contributing 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.



## Summary of the Fiscal 2008 Social Report and Issues of Emphasis for the Next Fiscal Year

Important theme (Charter for Action)	Main theme of activity	Content of activity	Self evaluation	Page	Issues of emphasis for the next fiscal year	
Winning Customer Satisfaction	Communication with customers	• Holding of product exhibitions • Improvement of customer satisfaction, such as holding sales and service technology contests		25	• Promotion of measures for improving customer satisfaction and further strengthening of information management	
		• Responding to the Consumer Product Safety Law		25		
		• Holding of Machinery Dealers Meetings		18		
		• Promotion of product development for improving customer satisfaction (improved cabin comfort etc.)		20		
	Improvement in the value of the KUBOTA brand and strengthening of product safety	• Strengthening of the quality assurance system and implementation of quality audits of each division		26	• Continuing implementation of quality audits, including domestic and overseas affiliates • Promotion of selecting suppliers that take CSR, in addition to Q (quality), C (cost) and D (delivery), into consideration	
		• Activation of quality improvement activities in each manufacturing department		26		
Conducting Corporate Activities Based on Compliance with Legal Regulations and Ethical Principles	Construction of a legal compliance system	• Promotion of the maintenance of a legal compliance system through the construction of an internal control system		27	• Integration and establishment of business activities on the compliance with the Anti-Monopoly Act • Improvement of compliance in import and export management, including domestic and overseas affiliates	
		• Establishment of Anti-Monopoly Act observance activities (holding of an Anti-Monopoly Act Compliance Committee at each consolidated division, implementation of audits of regional office general manager, installation and management of departmental price revision deliberation meetings, creation and distribution of a Subcontracting Law manual, and implementation of training meetings and Subcontracting Law audits)		27		
		• Activities on the compliance with laws related to import and export • Activities on the compliance with the Construction Business Law		27		
	Thoroughness in compliance	• Thorough implementation of activities for preventing violation of other companies' intellectual property rights • Protection of personal information		28	• Continuing implementation of investigative activities for preventing infringement of other companies' intellectual property rights • Maintenance of a system on overseas security measures	
		• Involvement in safe driving activities • Strengthening of information security		28		
Creating a Safe and Vibrant Work Environment	Enhancement of the personnel system, education and training	• Promotion of positive action (employing of women, supporting childcare, etc.)		29	• Promotion of action plans based on the "Next Generation Nurturing Support Measures Promotion Law" (shorter work hours, nursing leave, etc.) • Enhancement of education and training, such as product-making skills and global human resource developments • Implementation of measures towards the overall reduction in working hours (continuing involvement by labor and management)	
		• Enhancement of the education and training system		29		
		• Implementation of an approach towards the overall reduction in working hours		29		
	Health and safety measures	• Promotion of the acquisition of OHSAS18001 certification (Occupational Health and Safety Management System)		30		
		• Implementation of health and safety audits including group companies		30		
		• Involvement in mental health care		30		
Respecting Human Rights	Promotion of human rights consciousness-raising activities	• Promotion of activities related to raising the awareness towards human rights (implementation of human rights training, publication of human rights slogans, and participation in regional events)		31	• Strengthening of the expansion of activities related to raising the awareness towards human rights throughout the entire group	
		• Response through the Human Rights Advancement Consultation Office		31		
Achieving Symbiosis with International and Local Societies	Enhancement of social and cultural support activities	• Support for the KUBOTA "TERRA-KOYA" camp school		32	• Consideration for the direction of social and cultural contribution activities	
		• Support for KUBOTA Hu-Tech Seminars		32		
		• Support for cultural activities		32		
	Promotion of activities on the coexistence with the local community	• Assistance in recovery from disasters		33	• Strengthening of communication with the local community	
		• Contributions to the local community through rugby		33		
		• Promotion of communication with the local community, like factory tours and clean-up activities, etc.		33		
	Contribution to and exchange with the international community	• Exchange and support activities with the community on the part of overseas subsidiaries	• Holding of the U.S. Dealers Meeting		34	• Maintenance of an information network on the activities by overseas affiliates towards social and cultural contribution
			• Support for the "Mainichi International Exchange Award"		34	
• Acceptance of trainees from abroad etc.				34		
				34		
Fulfilling Responsibilities for Improving Management Transparency and Accountability	IR activities	• Activities for shareholders and investors		35	• Implementation of appropriate information disclosure	
		• Holding "open" general shareholders meetings		35		
	Providing corporate information	• Information disclosure on KUBOTA's response to the issues of asbestos		24	• Expansion of communications with stakeholders	
		• Disclosure of information on recalls		25		
		• Information disclosure on any Anti-Monopoly Act violation		28		
	• Management of web pages ("KUBOTA no Tanbo" and "GLOBAL INDEX") and issuance of publications		36			
Preserving the Natural Environment	Promotion of environmental conservation activities	Publishing of an Environmental Report		37—49	Publishing of an Environmental Report	

: Exceeded target : Reached target : Portion of target not reached x: Target not reached

### KUBOTA's response to the issues of asbestos

KUBOTA has sincerely accepted the serious fact that a number of our employees and local residents around the old Kanzaki plant have contracted asbestos-related diseases, and we are continuing to work with good intentions towards the 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. Relief payment made to 152 individuals up to March 31, 2008 based the "Rules for Relief Payments to Persons with Asbestos-related Diseases and Their Families around the Old Kanzaki Plant".
2. The total number of KUBOTA employees (including retirees) with asbestos-related diseases up to March 31, 2008 was 160 (134 deaths and 26 currently under medical care).

3. Basic and clinical research was supported through research projects at Hyogo College of Medicine and Osaka Medical Center for Cancer and Cardiovascular Diseases.



For more detailed information on KUBOTA's responses to date to the issue of asbestos, access the following website (Japanese only):

[www.kubota.co.jp/kanren/index.html](http://www.kubota.co.jp/kanren/index.html)



# Winning Customer Satisfaction

At KUBOTA, we seek to win customer satisfaction and confidence by working to clearly understand customer needs, and by developing and providing safe and attractive products, technologies, and services.

## Communicating with customers

### Holding of product exhibitions

In order to introduce products that are both more attractive and useful, the KUBOTA Group actively holds product exhibitions and works towards enhancing communication with our customers.



Holding the "2007 KUBOTA Dream Agriculture in Tohoku" (July 2007: Takizawa Village, Iwate Prefecture)



Exhibiting at the "International Trade Fair for Construction Machinery, Building Material Machines, Mining Machines, Construction Vehicles and Construction Equipment (BAUMA)" (April 2007: Munich, Germany)



Exhibiting at the "Sewerage Works Exhibition '07" (July 2007: Tokyo Big Sight)

### Holding sales and service technology contests

At KUBOTA and Kubota Farm & Industrial Machinery Service Ltd., a group company, each year we hold our "National Sales and Service Technology Concour" in an aim at improving our sales and service technology in order to satisfy our customers even more. Those in charge of sales and service throughout the KUBOTA Group nationwide challenged this issue for fiscal 2007 under the theme of "Making proposals on contributing to farm management".



### Enforcement of the Consumer Product Safety Law and the response of the KUBOTA Group

The revised Consumer Product Safety Law went into force as of May 14, 2007. The KUBOTA Group values customer safety above all else, and we are positively working on complying with this revised law. We have already reviewed our standard accident information report log and improved the mechanism for information transmission, and are maintaining a system that enables early response to product safety issues. We are also involved in other activities that improve customer safety in order to avoid accidents before they occur.

### Disclosure of information on recalls

**April 17, 2007: R420/R520 Wheel Loaders**  
 Rust was generated on the surface of the brake tube due to improper plating. Continued use as is could result in holes forming in the corresponding tube or, in a worst-case scenario, in brake oil leaking and weakening braking power. Therefore, an exchange of the corresponding tubes was implemented.

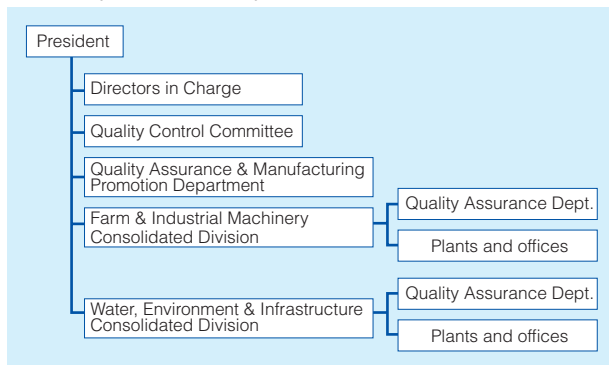
For more detailed information, access the following website (Japanese only):  
[www.kubota.co.jp/kubotainfo/index12.html](http://www.kubota.co.jp/kubotainfo/index12.html)

# Improvement in the value of the KUBOTA brand and strengthening of product safety

## Quality Assurance System

KUBOTA has constructed a unique quality assurance system within our consolidated divisions as well as within each individual division in order to respond to the needs of customers in different business areas such as piping and agricultural machinery, etc., and we are highly focused on quality maintenance and product safety. In addition to standard ISO audits, the quality auditing of each division was newly implemented from fiscal 2008 in order to solidify this system.

### Quality Assurance System



## Quality improvement activities in our each manufacturing department

Small group activities are being actively developed in each manufacturing department, and excellent examples receive commendation in Announcement Examination Meetings at our head offices as well as being announced outside the company.

Our Sakai Plant's Crankcase C and multi-machine circle also received the Award of Excellence at ITC2007, held on July 11, 2007 and sponsored by the Japan Management Association. Furthermore, besides the continued fostering of metal casting engineers through the "Cast Metal Workshop" engineer promotion system that began in fiscal 2006, technological contests are being held and an approach to quality improvement is being advanced at each plant.



## Status of ISO9001 certification (as of March 31, 2008)

### Consolidated division, division, or plant or office

Place of business (consolidated division, division, or plant or office)		Main product(s)	Date of certification	Certifying body	Key to the abbreviation of certifying bodies
Water, Environment & Infrastructure	Ductile iron pipe	Hanshin / Keiyo	Ductile cast-iron pipe, non-standard pipe, etc.	1999.01	
	Steel pipe	Keiyo	Spiral welded steel pipe, thermal transfer pipe	1998.07	JICQA
	Valves	Hirakata	Valves and gates	1994.09	LRQA
	Steel castings	Hirakata	Suction rolls for paper manufacture, various other rolls, cast products, etc.	1993.03	LRQA
	Rolls	Amagasaki	Mill rolls	1996.03	JICQA
	New materials		Inorganic, synthetic material (TXAX™)	2005.08	JICQA
	Industrial materials	Okajima	Cast metal product	1998.05	JICQA
	Septic tanks	Shiga	Small, plastic composite septic tanks	2003.04	JUSE
	Pumps	Hirakata	Pumps, pump equipment, and facilities for sewage treatment and purification	1997.10	LRQA
	Water and sewage engineering	Hanshin office	Facilities for sewage and sludge treatment, purification and irrigation and drainage processing	1997.10	LRQA
Farm & Industrial Machinery	Membrane solutions	Hanshin office	Osmosis membrane and methane fermentation units	1997.10	LRQA
	Recycling	Kyuhoji	Waste crushers	1997.10	LRQA
	Environmental recycling Pt	Hanshin office	Incineration and melting equipment	1997.10	LRQA
	Engines	Sakai	Engines, tractors, farm implements, and construction machinery	1994.06	LRQA
	Tractors	Rinkai	Engines	1994.06	LRQA
	Farm implements	Tsukuba	Engines and tractors	1994.06	LRQA
	Construction machinery	Utsunomiya	Farm implements	1997.02	LRQA
		Hirakata	Construction machinery	1996.04	LRQA
Electrical devices	Kyuhoji	Scales and load cells	1994.08	DNV	

### Key to the abbreviation of certifying bodies

JQA:  
Japan Quality Assurance Organization

JCQA:  
Japan Chemical Quality Assurance Ltd.

JICQA:  
JIC Quality Assurance Ltd.

JUSE:  
Union of Japanese Scientists and Engineers

JMAQA:  
Japan Management Association  
Quality Assurance Registration Center

JSA:  
Japanese Standards Association

MSA:  
Management System Assessment  
Center

LRQA:  
Lloyd's Register Quality Assurance Ltd.  
(U.K.)

DNV:  
Det Norske Veritas AS (Norway)

### Affiliate companies

Affiliate companies	Main product(s)	Date of certification	Certifying body
Kubota Air Conditioner Co., Ltd.	Design, development, manufacturing, and ancillary services for large-scale air-conditioning equipment	2000.02	JQA
Heiwa Kanzai Co., Ltd.	Design, development, and supply of cleaning services for buildings and facilities	2002.07	JICQA
Kubota Systems, Inc.	Consigned development of software products and software packages, etc.	1997.05	JMAQA
Water Technology Institute Ltd.	Development, sales, and consignment of computer software	2004.04	JCQA
Kubota Pipe Tech Co.	Design, construction and construction management of various pipeline, etc.	2002.03	JCQA
Kubota-C.I. Co., Ltd.	Synthetic/composite pipe, fittings, etc.	1998.04	JUSE
Kyushu Kubota Chemical Co. Ltd.	Manufacturing, sales, and delivery of synthetic/composite pipe	1999.10	JUSE
Nihon Plastic Industry Co., Ltd.	Manufacturing of rigid PVC pipe and secondary processed products, etc.	1998.12	JSA
Kubota Environmental Service Co., Ltd.	Design of plants and facilities related to service water, sewerage, landfill disposal, night soil and waste, etc.	2000.02	MSA
Kubota Precision Machinery Co., Ltd.	Design, development and manufacturing of agricultural implements and machinery, etc.	2007.04	LRQA

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

KUBOTA is aware that strict compliance with laws and corporate ethics is a basic rule for conducting business activities, and, in all aspects of corporate activities, we act in accordance with laws and corporate ethical principles as well as carry out operations honestly and in good faith.

## Construction of a legal compliance system

KUBOTA has constructed an internal control system that manages and audits important circumstances regarding observance of the law in accordance with business activities, with operation of that system beginning in April 2007. This system was built to function effectively activities related to observance of the law and the prevention of violations are combined and implemented. Audits centered chiefly on KUBOTA Ltd. were implemented in fiscal 2008, but expansion to our group companies is aimed at for fiscal 2009.

### Risks and supervising section for the internal control system

Risk	Supervising section	Risk	Supervising section
Internal control related to the reliability in financial reporting	Compliance Auditing Department	Internal control related to compliance	
		Compliance with equipment-related statutes	Quality Assurance & Manufacturing Promotion Dept.
Internal control related to basic corporate functions		Earthquake and other disaster management	General Affairs Dept.
Fair trade	Legal Dept.	Compliance with the Construction Business Law	General Affairs Dept.
Environmental conservation	Environmental Protection Dept.	Human rights advancement	Human Rights Advancement Dept.
Health and safety	Health & Safety Planning & Promotion Dept.	Observance of safe driving practices	General Affairs Dept.
Quality control	Quality Assurance & Manufacturing Promotion Dept.	Prevention of illegal payments	CSR Planning & Coordination Dept.
Human resource management	Personnel Dept.	Management of confidential information	CSR Planning & Coordination Dept.
Information security	Corporate Planning & Control Dept.	Management of personal information	Legal Dept.
Intellectual property	Research & Development Planning & Promotion Dept.	Security trading management	Quality Assurance & Manufacturing Promotion Dept.
		Import and export management	Quality Assurance & Manufacturing Promotion Dept.

### Activities on compliance of the Anti-Monopoly Act and the Subcontracting Law

Along with putting internal controls into practice as the “mechanism to prevention a recurrence of KUBOTA’s violation of the Anti-Monopoly Act (and including observance of the Subcontracting Law)” that we constructed in fiscal 2007, the following were implemented in fiscal 2008 in order to further expand those activities:

- Divisions related to government demands:**  
The elimination of cooperative ties with industry and the exclusion of collusion and cartels  
In addition to the continuing implementation of step-by-step audits in each division, the consolidated division, and the head office, audits by the general managers of each regional office, our business base, have been incorporated into this mechanism to prevent relapse.
- Divisions related to public demands:**  
The exclusion of unfair business actions such as resale price fixing, etc.  
An Anti-Monopoly Act Compliance Committee is convened in each consolidated division, the committee

chairman has requested the attention of each consolidated division manager and each division manager, and thorough response is being aimed at. Departmental price revision deliberation meetings have also been set up in order to prevent the malevolent acts of price cartels.

- Materials procurement departments:**  
Observance of the Subcontracting Law  
Towards “appropriate dealings with subcontractors”, our Subcontracting Law Manual was revised overall and distributed with a focus on divisions related to materials procurement. Step-by-step training has been implemented at KUBOTA and group businesses using this manual since June 2007.



The Subcontracting Law Manual

### Activities in compliance with laws related to import and export control

KUBOTA has established the Security Trade Control Committee and the Importing & Exporting Management Committee in compliance with laws related to import and export control. To maintain a high level of compliance, company-wide training is regularly carried out for about 120 members of these committees.

In fiscal 2008, this company-wide training was performed three times and training for individual departments was provided eleven times, with approximately 700 participants in total.



### Activities on compliance with the Construction Business Law

Along with performing audits on the provided business procedures in the divisions that carry out work targeted by the Construction Business Law, we are involved in thorough response to revisions in the law through education, etc.

Furthermore, audits and education at domestic group companies are scheduled to begin in fiscal 2009.





## Thorough compliance

### Protection of personal information

KUBOTA has established the "Personal Information Protection Committee" composed of directors in charge and division managers, etc., and a system is set up to appropriately manage the personal information of all our

### Encouraging safe driving

Safe driving education is implemented at least once a year for employees who drive an automobile for business purposes in an aim to raise their awareness towards preventing traffic accidents and traffic violations.



### Strengthening of information security

The following measures are being carried out based on our companywide promotion system in order to strengthen security for information property, including our customers' personal information.

1. A person in charge of promoting information security (IT manager) is installed in each division, and a thorough approach by the group as a whole is being aimed at.
2. Security policy decisions and the status of their observance are being audited.  
In fiscal 2008, we carried out inspections to check the status of assessing the equipment that is taken out of the company as a measure of the risk of information leaks.
3. The information security of the personal computers in the entire group is continuously being monitored.
4. The education and enlightenment of IT managers and sub-managers, and e-learning for group employees was implemented.

stakeholders, including customers.

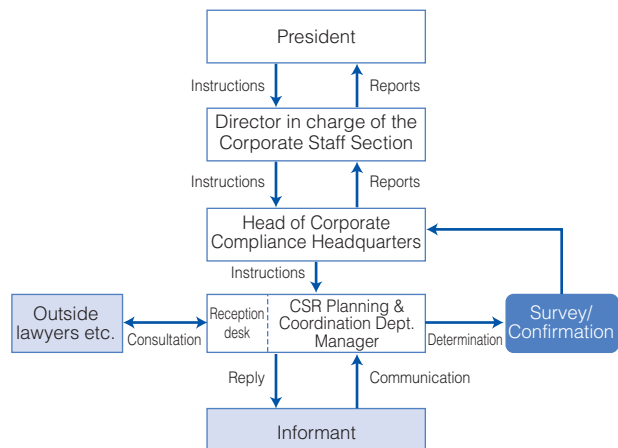
An audit of the status of management was executed in fiscal 2008, and it was confirmed that there were no deficiencies in the system of management.

### Thorough implementation of activities for preventing infringement of other companies' intellectual property rights

The KUBOTA Group is thorough in the management of its own intellectual property, but also respects the intellectual property right of other companies. From fiscal 2008 we have begun strengthening the cooperation between the Intellectual Property Management Group and Research and Development Division through the maintenance of an in-house system. Awareness-raising activities are also being advanced in regard to intellectual property using our in-house newsletter, etc.

### KUBOTA Hotline

The KUBOTA Hotline was established and is operated at our head office for the purpose of consultation in regard to unfair, illegal, and unethical acts.



## About violations of the Anti-Monopoly Act

### (1) The supervisory disposition (suspension of business) based on the Construction Business Law

In accordance with the judgment in regard to the violation of the Anti-Monopoly Act related to the construction of night soil treatment facilities, KUBOTA received the following supervisory disposition (suspension of business) from the Ministry of Land, Infrastructure and Transport's Kinki Regional Development Bureau dated September 6, 2007 and based on Article 28 Clause 3 of the Construction Business Law.

- 1) Range for which the suspension of business is ordered  
Works that, among those connected to the construction of waste treatment facilities within the Chubu, Kinki, Chugoku, and Kyushu (including Okinawa) areas, are related to public or private construction and that are receiving an allocation of subsidies, etc.
- 2) Period  
30 days from September 21, 2007 (Fri.) to October 20, 2007 (Sat.).

### (2) General Exclusion Order and Payment Orders from the Fair Trade Commission

On suspicion of a sales cartel regarding polyethylene pipe and fittings for gas, KUBOTA received a Payment Order and our group company Kubota-C.I. Co., Ltd. received a General Exclusion Order and Payment Order from the Fair Trade Commission, both dated June 29, 2007.

### (3) On-site inspection by the Fair Trade Commission

- KUBOTA was inspected by the Fair Trade Commission on July 31, 2007 on the suspicion of violating the Anti-Monopoly Act regarding the manufacture and sales of steel sheet piles and steel pipe piles.
- Kubota-C.I. Co., Ltd., our group company was inspected by the Fair Trade Commission on July 10, 2007 on the suspicion of violating the Anti-Monopoly Act regarding rigid PVC pipe and fittings.

# Creating a Safe and Vibrant Work Environment

KUBOTA works to create a bright and vibrant workplace and, while paying close attention to teamwork, we respect the diversity and creativity of our employees while accepting the challenge of coping with constant change.

## Enhancement of the personnel system, education and training

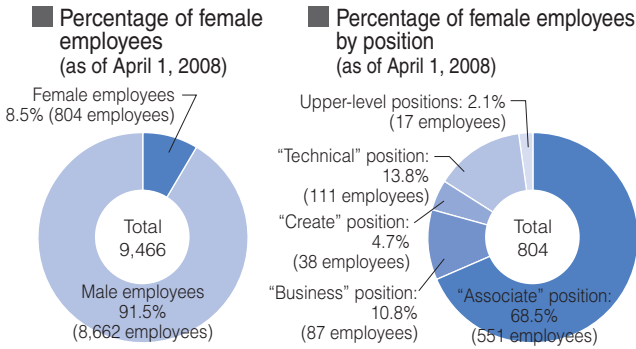
### KUBOTA's basic policy on human resources: "Fairness & Transparency" "Challenge & Creativity"

"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, and then works to construct an energetic corporate climate that welcomes challenge and values creativity.

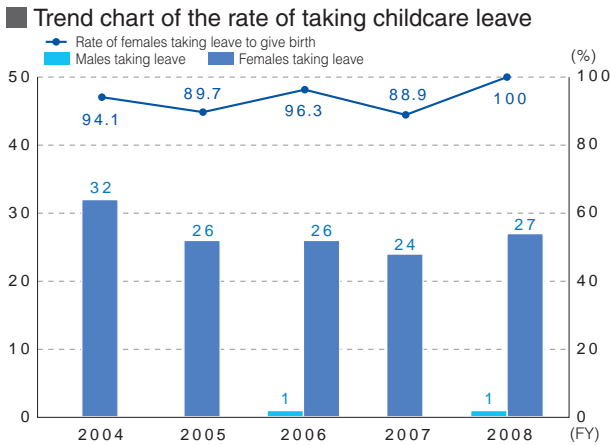
### Promotion of positive action

KUBOTA's personnel system is nondiscriminatory and fair, based on the spirit of the Labor Standards Law and the Law on Securing, Etc., of Equal Opportunity and Treatment Between Men and Women in Employment. In regard to the employment of women, we will continue to offer "associate" personnel promotion training in the future in order to improve their abilities and motivation, we are working to nurture personnel who will contribute even more to company activities by changing their job description to the "business" designation, and are aiming at increasingly promote those employees who can move up to upper-level positions, etc.



### Main programs of support for 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 (or one and a half years) of age
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
Shorter working hours for childcare	Working hours are shortened in a 30-minute increment, up to a maximum 2 hours, by either starting work later or ending work earlier, or both, until the child enters elementary school. A one-month program with no limit to the number of times it can be implemented.
Accrued annual paid leave system for childcare	6 days/year of accrued leave (paid) for persons raising a child is allowed when that person must care for the child, until the child enters elementary school.



### Enhancement of education targeting company officers

In an aim at added consideration by management and improving their personnel management capabilities, we introduced anew our "management training for newly appointed section managers". Lectures on "KUBOTA CSR Management" are included in this training, and we aim to enhance the content of that training in the future.



Management training for newly appointed section managers

### Approach towards the overall reduction in working hours

From the standpoint of work-life balance (so that employees can balance work and home life and have an overall fulfilling standard of living) and for preventing health problems caused by long working hours, KUBOTA has introduced flexible systems of working, such as a flex-time system and a discretionary working system. We are also promoting the establishment of healthcare leave and the use of paid annual leave, and have labor-management committees regularly check on the status of those programs.

# Health and safety measures

## Aiming at worksites where employees can work in health and safety and in a relaxed environment

Health and safety management at KUBOTA is separated into centralized health and safety management and workplace health and safety management (specifically addressing factories and construction departments at each plant). Based on each 5-year "Long-term Accident Prevention Program", which was started in fiscal 1973, as well as our annual health and safety indicators, we are involved in the prevention of hazardous and harmful risks and systematic improvements towards more comfortable working environments, to say nothing of the observance of the law.

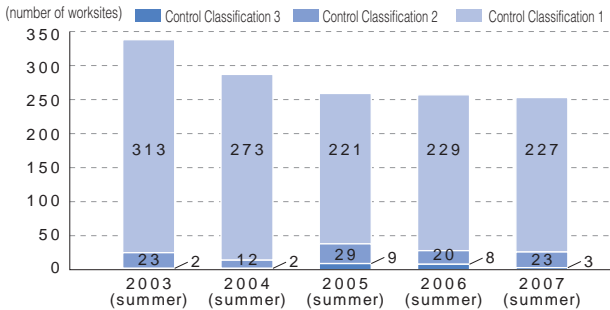
### Plants and offices that have acquired OHSAS18001 certification

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 (Shin-yodogawa)	(acquired in February 2005)
Hanshin Plant (Amagasaki)	(acquired in April 2005)
Hirakata Plant	(acquired in May 2007)

\* For other plants or offices, we are constructing an Occupational Health and Safety Management System centered on risk assessment.

## Improvements in the work environment

### Trend chart of the number of worksites with poisonous substances (dust, organic solvents, specific chemical substances, lead, etc.)<sup>1</sup>



<sup>1</sup>: The number of worksites in the Control Classification 3 displays the results when the work environments were measured and, due to later improvements, there are no worksites that fall into the Control Classification 3 (as of the end of March in 2008).

## Implementation of health and safety audits

In order to further strengthen health and safety management along with occupational accident prevention, health and safety audits are being implemented that target both KUBOTA and KUBOTA Group plants, and quantitative comparative assessments are being carried out on the state of health and safety management in each plant and office. (See the graph at right.)

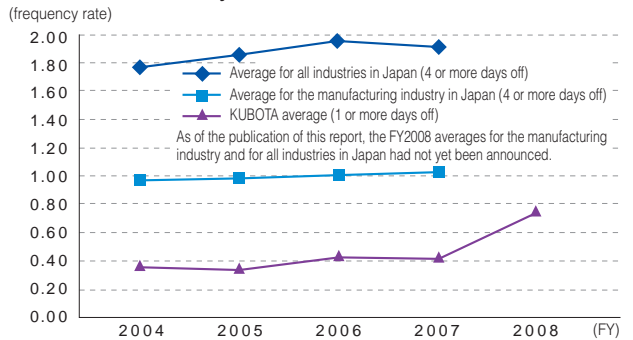
## Mental healthcare activities

With the objective of maintaining and improving the mental health of our employees, the Simplified Occupational Stress Diagnostic System that can be accessed and run from one's own computer was introduced at all plants and offices, alongside periodic health checkups. Moreover, we opened a Mental Health Clinic and the KUBOTA Health Hotline. Counseling is provided to mentally unstable persons and their superiors, and employees are referred to outside institutions if need be.

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

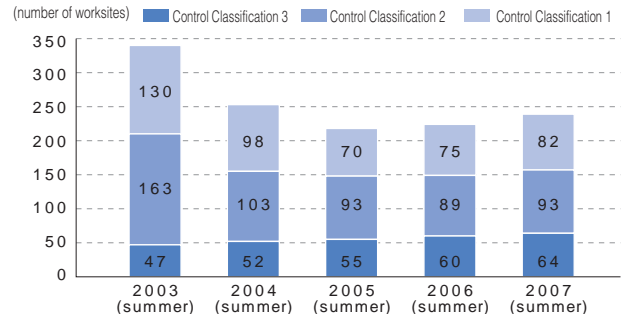
- (1) Zero life-threatening or serious accidents
- (2) Prevention of the recurrence of accidents (being sandwiched, squashed, stuck, and pinched, crashes, tumbles, falls, etc.)
- (3) Improvements towards a comfortable workplace environment and securing of physical & mental health

### Trend chart of the frequency of accidents at plants that cause missed days



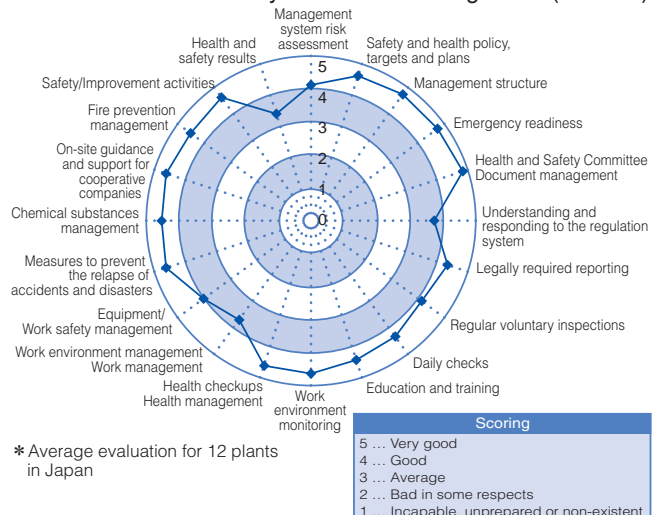
\* Frequency rate: the number of deaths and/or injuries per one million man-hours (A frequency rate of 1.0 indicates the level at which one employee was involved in an accident that resulted in 4 or more days off being taken in a year at a plant with 500 employees.)

### Trend chart of the number of worksites affected by noise<sup>2</sup>



<sup>2</sup>: Systematic improvement is being advanced for noise in Control Classification 3 worksites.

### Evaluation of Safety and Health Management (FY2008)





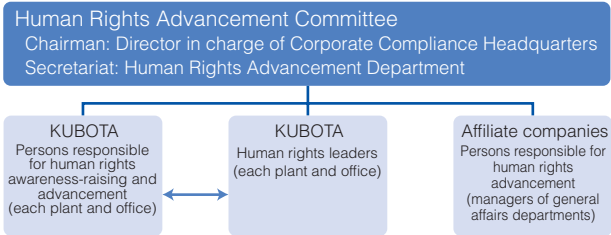
# Respecting Human Rights

Through the KUBOTA Group Code of Conduct, KUBOTA explicitly declares our respect for the human rights of all persons and states that we will never commit any acts of human rights violations such as discrimination, harassment, child labor, and forced labor. It is our ultimate aim to create and firmly establish a corporate atmosphere that respects human rights in this way.

## Promotion of human rights consciousness-raising activities

### Human rights advancement system

The Human Rights Advancement Planning & Coordination Committee promotes human rights advancement activities for the entire KUBOTA Group. They are under the direction of the head of the Corporate Compliance Headquarters and maintain their secretariat in the Human Rights Advancement Department. Every plant and office also appoints a "Human Rights Leader" to promote human rights advancement in their respective organizations.



### Promotion of human rights consciousness-raising activities

The KUBOTA Group imparts education in human rights advancement by position (director, manager or employee) and site.

In fiscal 2007, we invited Kinki University professor, Suehiro Kitaguchi, to our Human Rights Training for Directors that targeted 140 people, such as KUBOTA directors, senior management, and presidents of group companies, and the topic of professor Kitaguchi's lecture was "CSR Management and Human Rights". In our individual training for each site, we determine a specific theme for that year, and implement the content of training so that each targeted participant attends just such a lecture at least once a year. The prevention of power harassment was the main theme for fiscal 2007. Training entitled "Preventing Sexual Harassment in the Workplace and Providing Consultation" is held every year for persons in charge of consultation at the "Sexual Harassment Consultation Office", role-playing is carried out, and lectures by visiting lecturers are held as well. Bi-annual training and fieldwork are also executed for the human rights leaders who have been appointed in each plant and office.

127 people, including those from affiliate companies, attend the fiscal 2007 training intended to improve our consultation responsive capabilities.

Every December during Human Rights Week, a poster is produced, using a human rights slogan selected from employee entries, and posted around the company. The company also plays a constructive part in local human rights events such as exhibitions and consciousness-raising activities.



Human rights training for directors and other executives



Training at one of KUBOTA's offices



Fieldwork by human rights leaders



Award ceremony for winner of the human rights slogan

### Human rights advancement education attendance (FY2007)

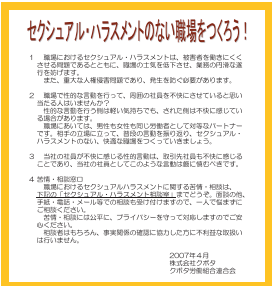
Target	Group training	Outside training	Total (Total participants)
All KUBOTA	13,049	255	13,304
Subsidiaries	6,619	198	6,817
Total	19,668	453	20,121

(unit: persons)

### Response by the Human Rights Advancement Consultation Office

To prevent generation of and in order to enable early stage detection and prompt response to human rights issues in the KUBOTA Group, along with our "Human Rights Consultation Corner" portal site, we have set up a Human Rights Advancement Consultation Office in each plant and office in our attempt to respond appropriately through systematic activities that include those responsible and in charge of the Consultation Office.

In terms of the prevention of sexual harassment, a "Sexual Harassment Consultation Office" and a task force made up of both labor and management have been established as well, as we implement such measures as awareness-raising activities towards creating a more comfortable environment in the workplace.



Poster by the Sexual Harassment Consultation Office

# Achieving Symbiosis with International and Local Societies

All of us at KUBOTA comply with the laws and respect the culture and customs of all countries and regions.

## Enhancement of social and cultural support activities

### Support for the “KUBOTA TERRA-KOYA” camp school

KUBOTA lent its support to the “KUBOTA TERRA-KOYA” camp school, an experience-based summer youth camp held in Azumino City, Nagano Prefecture, between the 23rd and 26th of July 2007 by BeGood Café, an NPO working towards a sustainable society. Over 4 days and 3 nights, children were taught the abundance of the blessings of Nature, the importance of agriculture, and consequently the importance of the global environment through programs such as Nature-observation in forests and working in rice fields using the “aigamo” organic farming method.



### Support for “KUBOTA Hu-Tech Seminars”

KUBOTA supports seminars for middle and high school students who are interested in science. For 2007, activities involving the observation of the coral in Okinawa that is highly influenced by global warming were offered under the theme of “The Future of Earth as Seen from Tropical and Subtropical Ecosystems”.



### Support for the “Japan Flower Festival '07 in Saitama”

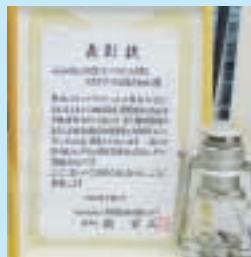
Every year, KUBOTA supports one of the largest flower shows in the nation, the “Japan Flower Festival”. Held in 2007 with the “Saitama Super Arena” in Saitama City as its main venue, this event saw a total of over 100,000 visitors. (Held in June 2007)



#### Topic

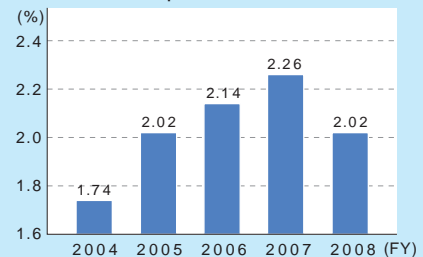
### KUBOTA Works receives the “2007 Lamplight Grand Prize” from the Osaka Prefecture Heartful Enterprise Award System

In 2003, KUBOTA established “KUBOTA Works Corporation”, a special subsidiary, and, centered on this company, we are actively working to promote the employment of physically- or mentally-challenged persons, as well as being involved in social adaptability training under consignment from both the city and prefecture of Osaka. For these activities, KUBOTA Works was awarded the “2007 Lamplight Grand Prize” by Osaka Prefecture and the “Osaka Employment Support Network for Disabled Persons” nonprofit organization.



“Lamplight” Grand Prize

#### Trend chart of the employment rate of disabled persons at KUBOTA



#### Topic

### Support for the “Osaka Fureai Taikai” event during Disabled Person’s Week

Every year, December 3 to 9 is “Disabled Person’s Week”, and since 2006 KUBOTA has supported the “Osaka Fureai Taikai” that Osaka Prefecture holds in conjunction with that week. The event is held annually to promote the autonomy of disabled persons and their participation in society. A number of attractions were on display in 2007, including a marching band made up of elementary school children.



The Osaka Fureai Taikai

## Promotion of activities on the coexistence with the local community

### Support for areas stricken by the Niigatoken Chuetsu-oki Earthquake

KUBOTA made a 5 million yen contribution to the Japanese Red Cross Society to support the reconstruction of the areas affected by the Niigatoken Chuetsu-oki Earthquake that struck in July 2007, and our affiliate Kubota Environmental Service Co., Ltd. donated 500,000 yen as well directly to Kashiwazaki City.



Offering the donation from Kubota Environmental Service Co., Ltd.

### Activities of the “KUBOTA Spears” rugby club

The “KUBOTA Spears” rugby club plays in the Japan Rugby Top League and, as a pillar of their intention towards making a social contribution through rugby, the club is involved in various activities around its home ground in Funabashi, Chiba Prefecture.



For more detailed information, access the KUBOTA Spears website (Japanese only):

[www.kubota-spears.com/](http://www.kubota-spears.com/)



Teaching rugby to elementary school children in Nagano City (2007/9/2)  
September 2, 2007



Participating in local clean-up activities in Funabashi, Chiba Prefecture  
November 18, 2007



Teaching rugby to the elementary and the junior high school students in Matsudo City, Chiba Prefecture  
March 16, 2008

### Offering plant tours

KUBOTA offers plant tours to elementary to high school students.



High school students touring the Sakai plant



Elementary school students visiting the Tsukuba Plant



High school students visiting the Utsunomiya Plant

#### Topic

### Cooperation in the “Japan No.1 Potato-boiling Get-together”.

Potato-boiling events are one of those typical things that remind us of the Tohoku region in autumn. And among them, the large-scale “Japan No.1 Potato-boiling Get-together” that is held by the Mamigasaki river in Yamagata City in September is especially popular with the many visitors who come each year. Yamagata Kubota Co., Ltd., a KUBOTA Group company, supports this event by providing construction machinery and the appearance of the 3 tons of taro potatoes and 1.2 tons of beef being powerfully scooped into a large 6-meter diameter pan with this unit is the highlight of the event. This machine is one of our newly-manufactured products with special specifications that employ cooking oil for its hydraulic system.



#### Topic

### Awards received for corporate advertising

KUBOTA's corporate advertising “On a Global Field. Baseball Edition” (published March 2007) was endowed with numerous awards such as the 27th Newspaper Advertising Prize of excellence and a prize in the “F” category at the 56th Asahi Advertising Award. This advertisement arranges a baseball field like a map of the world and places KUBOTA products on it as the players, expressing the fact that KUBOTA is active not only Japan but also on a global stage. Moreover, our PR magazine and corporate profile booklet was selected for the Japan B-2-B Advertising Prize and our corporate calendar has been selected to the National Calendar Exhibition.





## Contribution to and exchange with the international community

### Donation of a utility vehicle

Kubota Manufacturing of America Corporation (KMA), a U.S. corporate member of the KUBOTA Group, donated an RTV-900 utility vehicle to its local Gainesville Fire Department (State of Georgia), a useful vehicle for emergency rescue in rugged terrain.



### Cooperation in a 1-million-tree afforestation project in Indonesia

On the directive of President Yudhoyono, The Republic of Indonesia is advancing a project of planting 1 million trees on national land. P.T. Kubota Indonesia, a local subsidiary of the KUBOTA Group, has mobilized tractors for digging as their contribution to this afforestation work.



### Holding of the U.S. Dealers Meeting

KUBOTA's "U.S. Dealers Meeting" was held in Albuquerque, New Mexico from September 19th to the 25th, 2007. Also the 35th anniversary of the establishment of Kubota Tractor Corporation (KTC), this year witnessed about 2000 dealers participating from all parts of the U.S. and the announcement of 11 new product models and 32 product types, such as the first power crawler-tractor in the U.S. and utility vehicles equipped with KUBOTA-made gasoline engines.



### Cooperation in the Mainichi International Exchange Award

The Mainichi International Exchange Award honors international exchange, cooperation, and support activities in and outside Japan for the purpose of supporting international exchange on the grassroots level and promoting international understanding. KUBOTA has been a sponsor since the first award. The 19th awards (2007) went to the Tochigi Technical High School Global Volunteer Network, which is involved in the repair of wheelchairs, and to Fumio Goto, representative of AMATAK: Living Together with Cambodia, which builds schools in rural Cambodia. (Started in 1989 by the Mainichi Newspapers)



### Implementation of energy conservation training

The approach to energy conservation activities that transcend national borders from the standpoint of the global environment and global warming prevention is a pressing need. The KUBOTA Hirakata Plant received a consignment contract from the Energy Conservation Center, Japan, to execute training that introduces the state of energy management and examples of energy conservation activities, etc., to those in charge of energy at central and local governments in the People's Republic of China.



# Fulfilling Responsibilities for Improvement of Management Transparency and Accountability

KUBOTA properly discloses information, in accordance with related legal provisions, on the management of the company, its business operations, and other matters on a timely basis and according to appropriate methods.

## IR activities

### Activities for all shareholders and investors

Through constructive IR activities, KUBOTA is upgrading its information disclosure, speeding up the release of information and actively communicating with shareholders and investors. We work hard to form a broad shareholder base through activities such as plant tours and meetings with the investors and securities analysts inside and outside Japan, including biannual briefings to explain financial and other matters. Being a listed company on the New York Stock Exchange, KUBOTA prepares financial reports according to reporting standards in the U.S. In our disclosure of IR information, we post securities reports, midterm reports, account briefs, Form 20-F (annual report submitted to the SEC in the U.S.), annual reports (in English) and other financial reports on our website for easy viewing by investors. In addition to this, our website pages also make available other information that explains accounts, fact books (data on financial indicators, etc.), corporate bonds and so forth. And we continue to update our website functions so that shareholders and investors will find our site easier and easier to use.



Investor information page

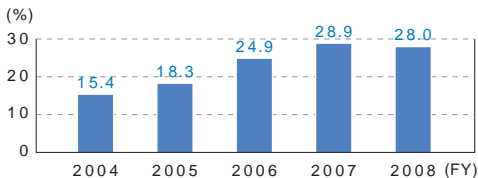
For more detailed information, access the following website  
[www.kubota.co.jp/ir/english/](http://www.kubota.co.jp/ir/english/)

### Holding “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 2007 (fiscal 2008) General Shareholders Meeting was thus held on June 22, 2007, with 477 shareholders in attendance. Comprehensible presentation of information was offered through visual images displayed on a large screen, such as graphs and product photographs, and with the reading of reports. In addition, for greater 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 Meeting are also made public to representatives of the mass media over display monitors.



### Ratio of foreigner shareholders



## Providing corporate information

The KUBOTA Group provides a diversity of information about business, products and the company.

### “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. Information on rice fields are presented in various ways, such as “Tanbo no Mongatari” (Rice Field Tales), which offers interesting information and stories, as well as fairy tales, related to rice fields, and “Murabito no Tanbo: Challenger no Fukei” (The Villagers’ Rice Field: Scenes of a Challenger), which offers reports from a person new to agricultural work.



For more detailed information, access the following website (Japanese only):

[www.tanbo-kubota.co.jp/](http://www.tanbo-kubota.co.jp/)

### “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 (paperbased) 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. Our tractor business, expanding in both Japan and abroad, was introduced for 2007/2008 with “The Evolution of the KUBOTA Tractor” as the theme.



For more detailed information, access the following website (Japanese only):

[giweb.kubota.co.jp/](http://giweb.kubota.co.jp/)

### “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 (Japanese only):

[www.kubota.co.jp/urban/](http://www.kubota.co.jp/urban/)

#### Topic Japan Ad Council activities

The Japan Ad Council (AC) is a non-profit organization that contributes to society and public welfare by utilizing the powerful reach and persuasive nature of nationwide advertising campaigns.

As one of the founders of AC, KUBOTA was a major contributor to its birth. Our President serves as a Director and sits on the Executive Committee and Operations Committee of this Council. KUBOTA continually plays a part in making society a better place to live by offering various suggestions through advertising.



Public advertising (newspaper)



# Environmental Report

Global environmental conservation is being actively promoted throughout the KUBOTA Group and positioned as a high-priority issue of business management.

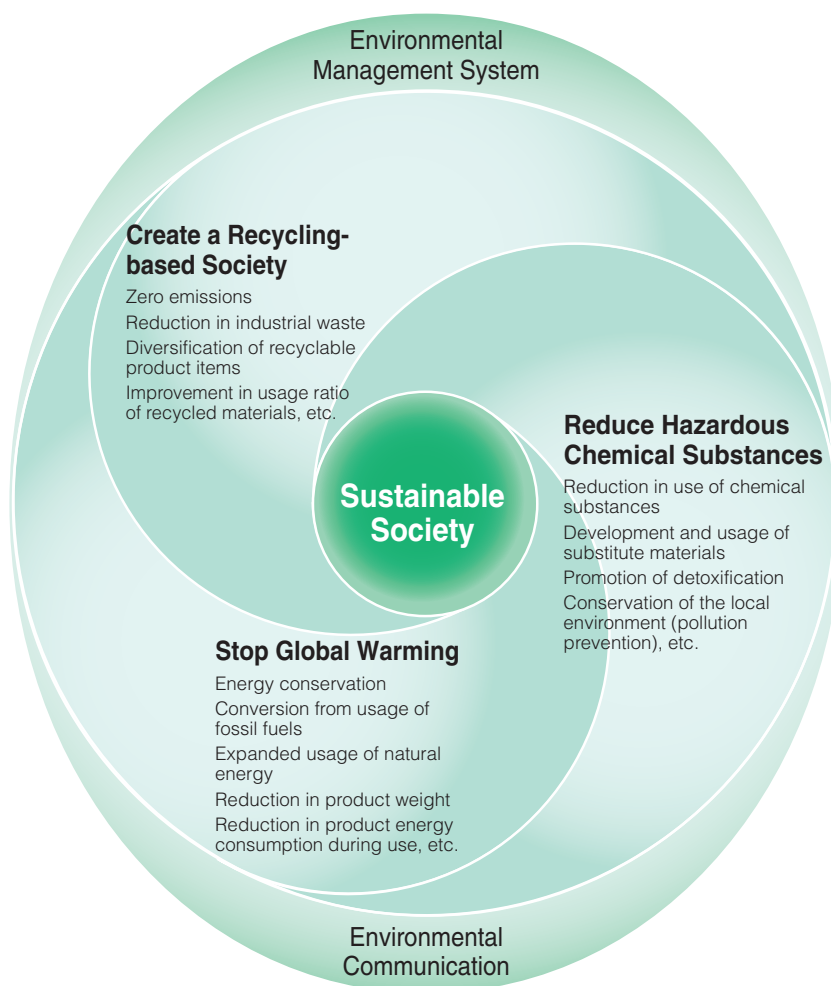
## Basic Policy

### 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.

#### Basic direction of environmental corporate management

KUBOTA has established “Stop Global Warming”, “Create a Recycling-based Society”, and “Reduce Hazardous Chemical Substances” as the 3 items that form the basic direction of our “environmental corporate management for harmonizing the environment with economics and building a sustainable society”, and we aim at the enhancement of “Environmental Management System” and “Environmental Communication” as the foundation for that.



For more detailed information on the “Kubota Group Environmental Action Guidelines”, access the following website:

[www.kubota.co.jp/english/index.html](http://www.kubota.co.jp/english/index.html)

# Mid-Term Environmental Conservation Plan

## Targets and results in FY2008

KUBOTA has adopted and promoted a Mid-Term Environmental Conservation 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.

Issue or Subject		Target	Management Indicator	Base FY	Targets	Results	Self-evaluation <sup>1</sup>
① Expanding the environmental management system	Expand ISO14001 certification	Expand acquisition of certification amongst group companies		-	1 site	2 sites	
	Expand environmental management amongst group companies	Ratio of targeted group companies		-	70%	74%	
② Towards a recycling-based society	Reduce industrial waste	Waste discharge per unit of consolidated net sales		2007	-2%	-8%	
		Waste discharge		2007	-2%	-5.5%	
		Zero emissions (Landfill ratio)		-	0.9%	2.4%	×
	Recycle construction waste (incl. materials not included under Specific Construction Materials)	Resource recycling rate		-	95%	89.2%	×
	Implement green purchasing	Ratio of purchase amount		-	97%	93.2%	
Conserve water resources	Total amount used		2007	-1%	-0.3% (Domestic: 0.2%, Overseas: -5.6%)		
③ Stopping global warming	Reduce greenhouse gases	CO <sub>2</sub> emission per unit output		2007	-1%	-3%	
		Volume of CO <sub>2</sub> emission		1991	FY1991 level or less	-1%	
	Reduce CO <sub>2</sub> during distribution	CO <sub>2</sub> emission per unit output		2007	-1%	-2%	
④ Reducing hazardous chemical substances	Reduce PRTR-designated substances	Release/transfer per unit output		2007	-2%	-8.4%	
		Amount released/transferred		2007	-2%	-10%	
⑤ Increasing eco-friendly products and services	Enhance manufacture of eco-friendly products	Ratio of models with absolutely no RoHS-designated substances		-	20%	21.1%	

<sup>1</sup>: Self-evaluation standards ○...Exceeded target ○...Reached target △...Target partially achieved ×...Target not achieved

## New Mid-Term Plan established

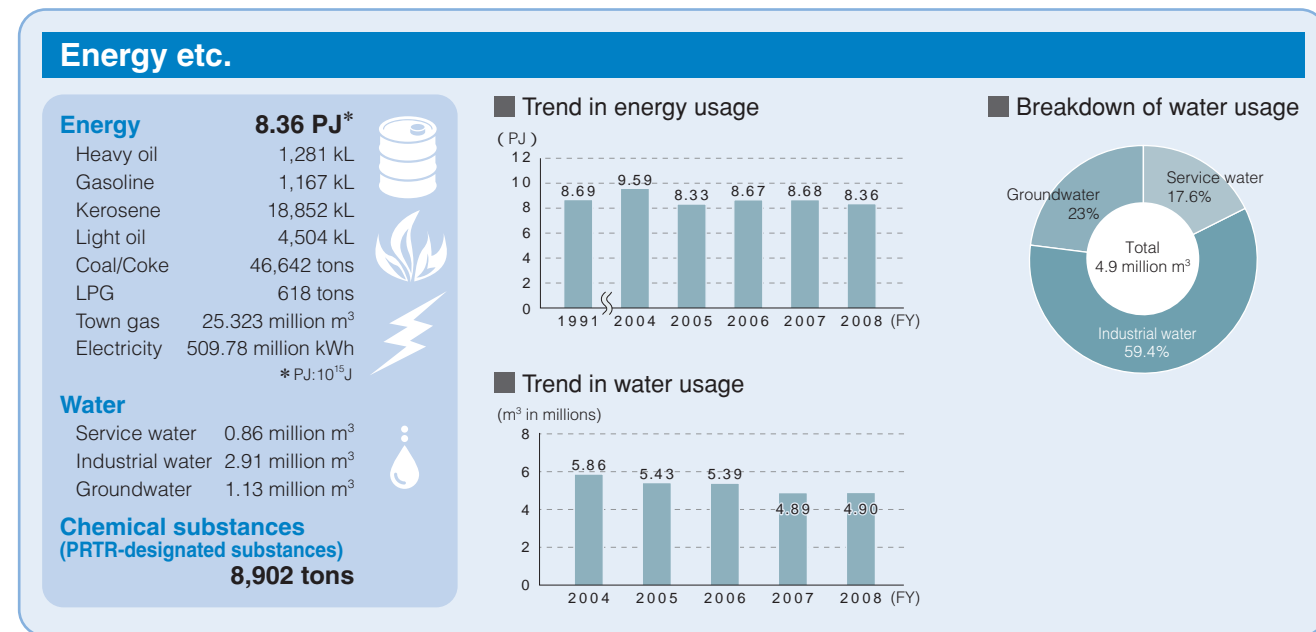
Based on results from fiscal 2008 and the situational changes in environmental issues, items and targets were reviewed using a rolling-up approach.

Issue or Subject		Management Indicator	Mid-term targets		
			FY2009	FY2010	FY2011
① Stopping global warming	Reduce greenhouse gases	CO <sub>2</sub> emission per unit output	-1% over previous year	-1% over previous year	-1% over previous year
		Volume of CO <sub>2</sub> emission	FY1991 level or less	FY1991 level or less	FY1991 level or less
	Reduce CO <sub>2</sub> during distribution	CO <sub>2</sub> emission per unit output	-1% over previous year	-1% over previous year	-1% over previous year
② Increasing eco-friendly products and services	Enhance manufacture of eco-friendly products	Ratio of models with reduced RoHS-designated substances	25%	30%	50%
③ Towards a recycling-based society	Reduce waste	Waste discharge per unit of consolidated net sales	-2% over previous year	-2% over previous year	-2% over previous year
		Waste discharge	-1% over previous year	-1% over previous year	-1% over previous year
		Zero emissions (Landfill ratio)	0.9%	0.8%	0.7%
	Conserve water resources	Total amount used	-1% over previous year	-1% over previous year	-1% over previous year
	Implement green purchasing	Ratio of purchase amount	96%	97%	98%
④ Reducing hazardous chemical substances	Reduce PRTR-designated substances	Release/transfer per unit output	-2% over previous year	-2% over previous year	-2% over previous year
		Amount released/transferred	-2% over previous year	-2% over previous year	-2% over previous year
⑤ Expanding the environmental management system	Constructing an environmental management system	Construction of environmental management system in group companies	1 site	2 sites	1 site

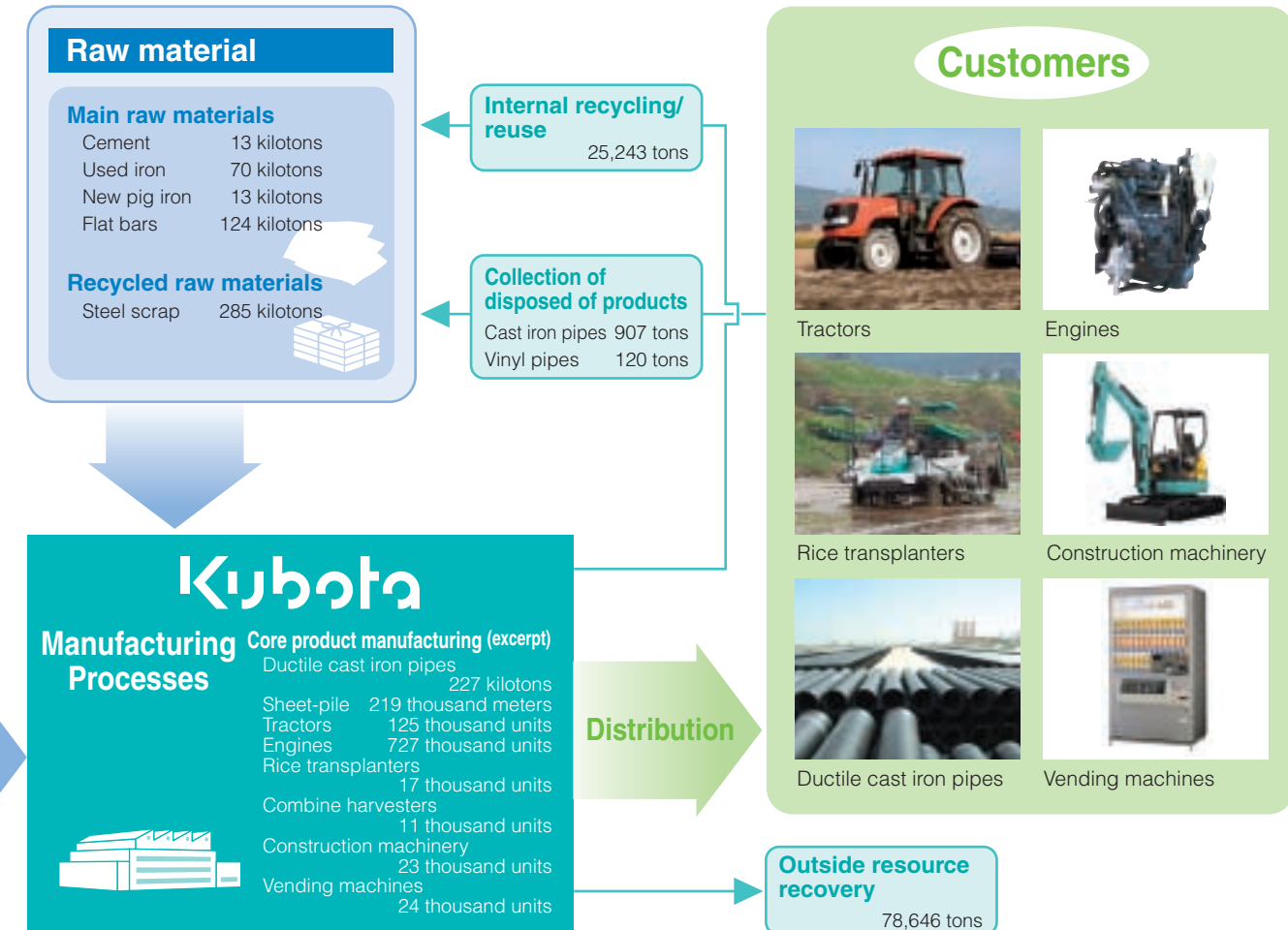
# KUBOTA Group Business Activities and Environmental Loads

The status of the environmental loads generated during the process of production in the Farm & Industrial Machinery Consolidated Division, and the Water, Environment and Infrastructure Consolidated Division, etc., as well as during business activities in plants and offices, 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 volume of emission and discharge (OUTPUT) delivered to the environment, such as carbon dioxide (CO<sub>2</sub>) and waste, and we are totally committed to reducing the environmental burden we generate.

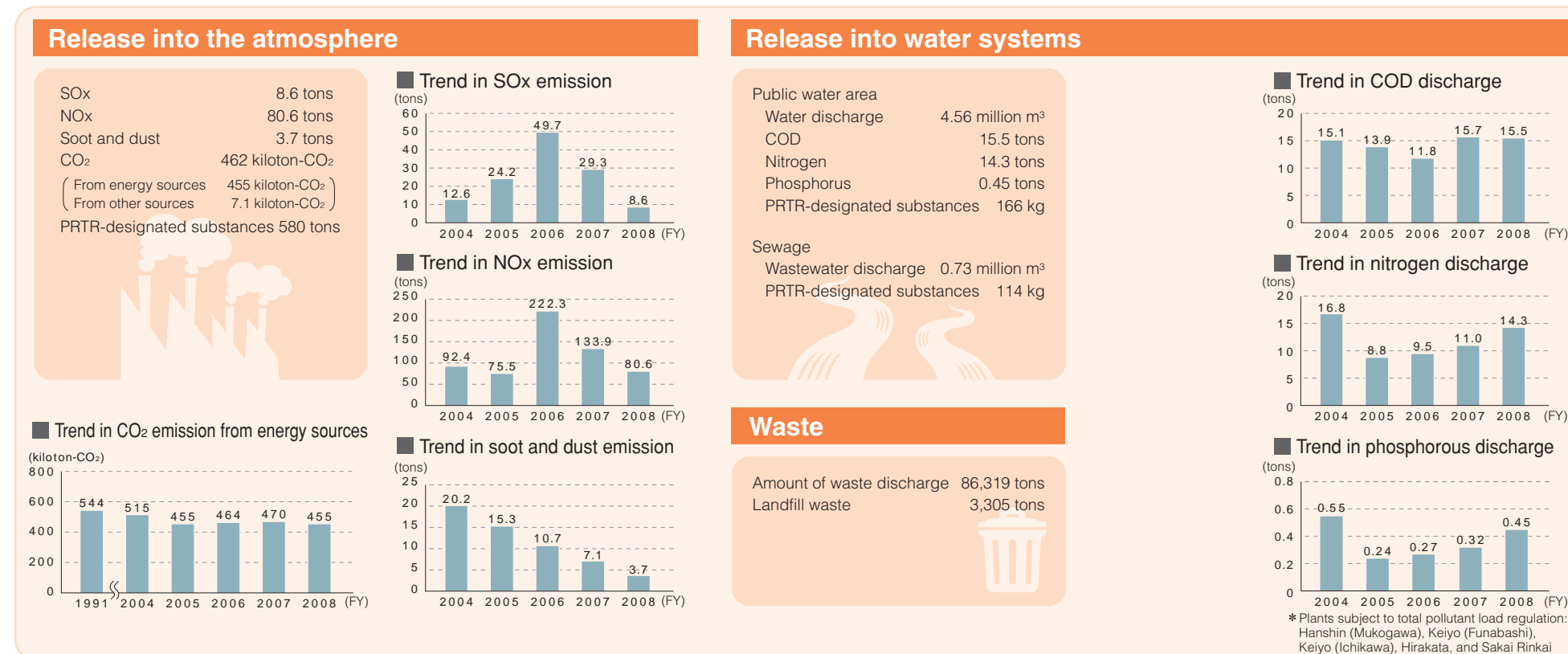
## INPUT (Data for domestic plants and offices)



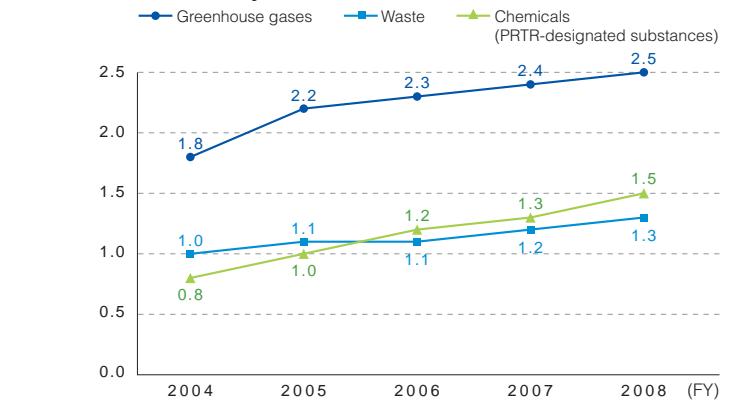
## INPUT (Data for domestic plants and offices)



## OUTPUT (Data for domestic plants and offices)



## Eco-efficiency indicator



- Eco-efficiency indicator for greenhouse gases = consolidated net sales (1 million yen) / Energy-origin CO<sub>2</sub> emissions (t-CO<sub>2</sub>)
- Eco-efficiency indicator for waste = consolidated net sales (1 million yen) / Waste discharge (100 kg)
- Eco-efficiency indicator for chemicals = consolidated net sales (1 million yen) / PRTR-designated substance discharge and transfer (kg)

The eco-efficiency (which takes the amount of the CO<sub>2</sub> emissions, the amount of the waste discharge, and the amount of the PRTR-designated substance discharge and transfer as environmental burdens) has improved for all items compared with the previous year.



# 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.

## Environmental management promotion system

To respond to global and regional environmental issues, the Environmental Protection Department, which promotes environmental measures and environmental audits, etc., under the director in charge, has been established at KUBOTA Head Office, while Environmental Management Sections have been organized in plants and offices and group companies.

## Environmental auditing

The Environmental Protection Department executes environmental audits of the KUBOTA Group's environmental conservation activities based on our company-wide risk management policy.

Strengthening management of environmental risks such as environmental accidents and violations of the law, etc., is taken as absolute policy, and in fiscal 2008 emphasis was placed and on-site audits were implemented in accordance with laws and in-house rules on:

- 1) Operation and equipment maintenance of facilities that relate to water quality and the atmosphere, and
- 2) Proper management and processing of waste



Audits of domestic production plants and offices



Audits of overseas production plants and offices

## Number of plants and offices (bases) targeted for audit

Audit category	KUBOTA Corp.	Group companies
Production plants and offices	All plants and offices (15 locations)	All plants and offices (8 companies: 11 locations)
Non-production plants and offices	All plants and offices (13 locations)	15 companies: 32 locations
Construction and sale & service divisions (target item: waste)	All divisions (7 divisions: 11 bases)	4 companies: 12 bases
Overseas plants and offices		6 companies: 6 plants and offices

## Audit items for production plants and offices

Main audit items	Number of items
(1) Water quality (maintenance and management at facilities, measurement management, emergency response, and written reports)	104 ( 8 )
(2) Atmosphere (maintenance and management at facilities, measurement management, emergency response, and written reports)	35 ( 9 )
(3) Waste (sorted collection, storage, appropriate processing, and maintenance and management at facilities, other)	43 (15)
(4) Noise (measurement management and written reports, other)	9 ( 2 )
(5) Others (written reports by legally elected persons under the Law on Pollution Control Organizations and the Law Concerning the Rational Use of Energy, etc.)	12 (12)
Total	203 (46)

\* The number inside parentheses ( ) indicates the number of items related to the law.

## Compliance with environmental laws

(1) Air quality management	The emission standard value for the atmosphere was cleared in all plants and offices.
(2) Water quality management	There was one case of the hydrogen ion concentration temporary exceeding the emission standard value.
(3) Noise and vibration management	There was one case of a plant exceeding the regulatory limit for noise, but that value was cleared as a result of soundproofing measures. As for vibration, all locations cleared regulations.
(4) Management of pollution by hazardous substances	Periodic measurements are taken from monitoring wells at plants to check for groundwater contamination. No groundwater contamination by chlorinated organic compounds was detected.
(5) Environmental claims	There were 2 claims made regarding nighttime noise at a plant and one complaint regarding cloudiness of the river due to water run-off from the cleaning of materials during construction work. Countermeasures were quickly taken in all 3 cases. Daily efforts are being made in management operations to prevent similar reoccurrences.
(6) Information disclosure on environmental and safety measures taken for products etc.	MSDS are prepared and provided to customers. Information on emergency countermeasures and environmental and safety measures for products is also provided to distribution companies in the event of an accident during distribution.



For more detailed information on our “System of Environmental Management Promotion”, “Environmental Accounting”, “List of Acquisition of ISO14001 Certification”, and “Environment-Related Education”, access the following website (Japanese only):

[www.kubota.co.jp/kubota-ep/index.html](http://www.kubota.co.jp/kubota-ep/index.html)

## Environmental accounting

(Data for business sites in Japan)

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 internal and external stakeholders.

## Environmental conservation costs

Investments in environmental conservation amounted to ¥1.53 billion, which was approximately ¥310 million over the previous year. Environmental costs were ¥7.99 billion, or a decrease of ¥150 million less than the previous year. Research and development costs were ¥4.86 billion or about 61% of all costs.

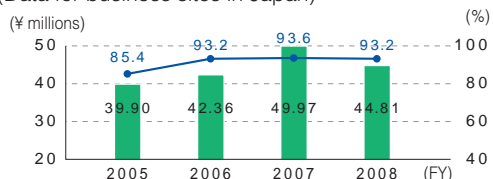
### Environmental conservation cost breakdown (¥ millions)

Classification	Main activities	FY2007		FY2008	
		Investment	Expenses	Investment	Expenses
Within the business area		975	2,320	879	1,590
Local environmental conservation	Prevention of air and water pollution, soil contamination, noise, vibration, etc.	401	775	358	462
Global environmental conservation	Prevention of global warming etc.	494	559	485	155
Resource recycling	Reduction and recycling of waste	80	986	36	973
Upstream and downstream costs	Collection of used products and commercialization of recycled products	0	32	0	31
Management activities	Environmental management personnel, ISO maintenance and implementation, environmental information dissemination	0	1,236	0	1,254
R&D	R&D for reducing of product environmental load and developing environment conservation equipment	249	4,423	597	4,863
Social activities	Local cleanup activities and membership fees and contributions to environmental groups, etc.	0	8	56	36
Environmental remediation	Contributions and assessments, etc.	0	120	0	212
Total		1,224	8,139	1,532	7,987

Total capital investment (including land) for the corresponding period	37,500
Total R&D costs for the corresponding period	24,800

## Trend in the amount and percentage of green purchasing

(Data for business sites in Japan)



## Environment-related education

KUBOTA regularly attempts to raise consciousness towards environmental issues through education based on employee positions. Systematic and specialized education is also executed towards the adequate response to environmental issues, we aim at improvement in abilities and the achievement of qualifications, and we tie this all to the assured practice of environmental conservation.

During the "Environment Month" of June we organized tour groups for the purpose of understanding the level of involvement in the environment by other advanced companies and we cooperated in the environmental education of external groups and organizations.

## Environmental conservation effect

The level of air pollutant emissions (NO<sub>x</sub>, SO<sub>x</sub>, and particulate matter such as soot and dust) decreased greatly due to a drop in the operation time of diesel generators for a portion of our plants and offices, etc. Though the environmental burden was thus lower overall, the amount of the waste delivered to landfills increased due to a deterioration in the rate of recycling.

## Economic effects

The economic effects from KUBOTA's environmental conservation activities were ¥1.59 billion.

### Environmental conservation effects

Effects	Items	FY2007	FY2008	Increase/Decrease	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)]	8.68	8.36	- 0.32	96
	Water consumption (million m <sup>3</sup> )	4.89	4.90	0.01	100
Environmental effect related to waste or environmental impact originating from business activities	Energy-origin CO <sub>2</sub> emissions (kilotons)	470	455	- 15	97
	SO <sub>x</sub> emission (tons)	29.3	8.6	- 20.7	29
	NO <sub>x</sub> emission (tons)	133.9	80.6	- 53.3	60
	Soot and dust emission (tons)	7.1	3.7	- 3.4	52
	Releases and transfers of PRTR-designated substances (tons)	877	787	- 90	90
	Waste discharge (kilotons)	91	86	- 5	95
	Waste to landfills (kilotons)	1.6	3.3	1.7	206

### Economic effects (¥ millions)

Classification	Details	Annual effects
Energy conservation measures	Efficient operation of compressors and the introduction of highly effective equipment at the time of installing and updating equipment, etc.	143
Zero-emission measures	Reduction and resource recycling of industrial waste	90
	Sales of valuable resources	1,353
Total		1,586

## Acquisition of ISO14001 certification

All of KUBOTA's domestic production plants and offices had been certified by the end of 2000. Currently, activities are being developed at group companies in order to acquire certification. KUBOTA Kanto Region Vender Center and KUBOTA Colortronic Co., Ltd. were certified in fiscal 2008.



Environmental Poster Exhibition  
(KUBOTA Metal Corporation (Canada))

# Stopping Global Warming

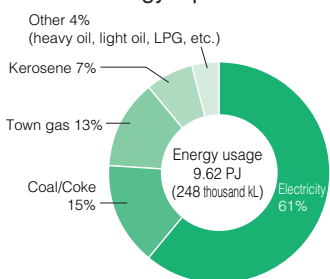
## Activities towards the reduction of greenhouse gases

### FY2008 targets

- CO<sub>2</sub> emissions per unit output (CO<sub>2</sub> emissions / Internal manufacturing output) ..... Reduced 1% over FY2007
- CO<sub>2</sub> emission rate (total rate for the KUBOTA Group) ..... Reduced over FY1991
- CO<sub>2</sub> emissions per unit output during distribution (CO<sub>2</sub> emissions / transported ton·km) .... Reduced 1% over FY2007

### Total energy inputs and greenhouse gas emissions

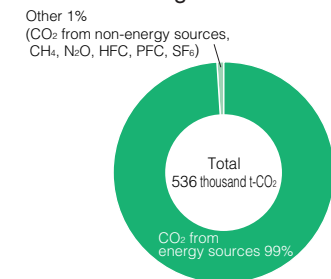
#### Total energy inputs



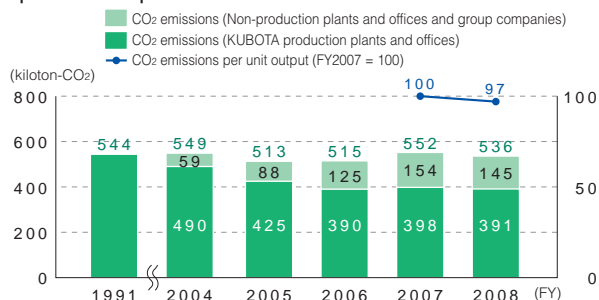
(Unit of heat PJ=10<sup>15</sup>J)

\* Approx. 50 thousand kWh of the solar power generation was used in addition to the values shown in the chart above.

#### Greenhouse gas emissions



#### Trend in greenhouse gas emissions and CO<sub>2</sub> emission per unit output



\* Since FY2004, non-production sites and group companies have been added to calculations. The number of applicable work sites is being gradually increased.  
 \* The amount of CO<sub>2</sub> emissions generated by the Residential Housing Materials Division (spun off into an independent company in December 2003) are being excluded from this fiscal year and, as a result, the amount of CO<sub>2</sub> emissions for FY1991 and FY2004 are lower than the values previously disclosed.

The total energy inputs for fiscal 2008 was 9.62 PJ and greenhouse gas emissions was 536 kiloton-CO<sub>2</sub>, a 1% decrease with respect to fiscal 1991, with the CO<sub>2</sub> emissions per unit output decreased 3% with compared fiscal 2007, thus reaching our targets.

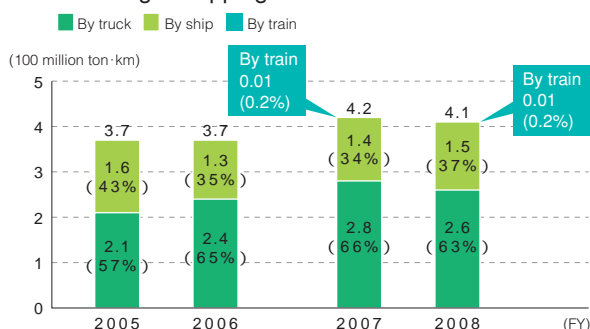
These results depend on various measures such as conserving energy through efficient operation of compressors and introducing highly effective equipment at the time of installation and updating, the switching from the use of kerosene to gas for

paint drying furnaces, and the shortening of production cycle times. 99% of greenhouse gas emissions is energy-origin CO<sub>2</sub>. In addition, the amount of private power generation through cogeneration was 2.09 million kWh, and waste energy is being effectively used.

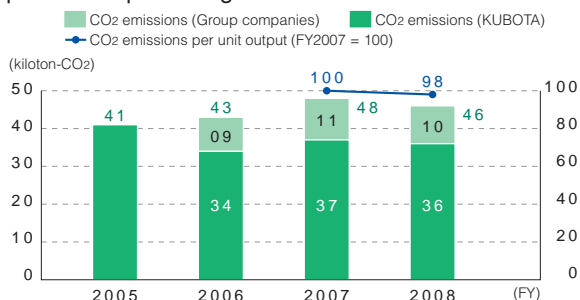
### CO<sub>2</sub> emissions in distribution (amount of freight shipped and CO<sub>2</sub> emissions)

410 million ton·km of freight were shipped in Japan in fiscal 2008 and the amount of CO<sub>2</sub> emissions resulting from those shipments was 46,000 t-CO<sub>2</sub>, thus reducing the CO<sub>2</sub> emissions in distribution per unit output by 2% over the previous year.

#### Trend in freight shipping



#### Trend in total CO<sub>2</sub> emissions and CO<sub>2</sub> emission per unit output during distribution



\* Since FY2006, group companies have been added to calculations.



For more detailed information on the conversion coefficients, access the following website (Japanese only):

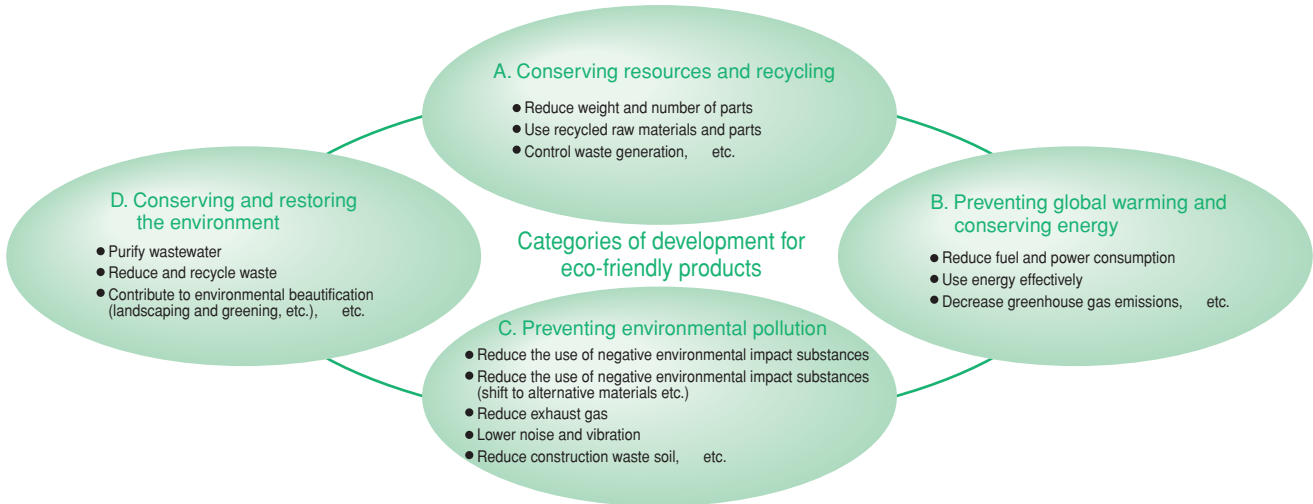
[www.kubota.co.jp/kubota-ep/index.html](http://www.kubota.co.jp/kubota-ep/index.html)



# Environmentally-Considerate Products

## Development of environmentally-considerate products

As a part of our product activities that specifically take the environment into consideration, KUBOTA is developing eco-friendly products in the following 4 categories.



### Main content of involvement at the R&D stage

Consolidated Division	Product group	Category				Content and cases of involvement at the R&D stage
		A	B	C	D	
Farm & Industrial Machinery	Tractors					Reduction in parts, fuel consumption, negative environmental impact substances, exhaust gas, noise, and vibration
	Combines harvester					Reduction in weight, parts, fuel consumption, negative environmental impact substances, exhaust gas, noise, and vibration
	Rice planting machines					Reduction in weight, parts, fuel consumption, negative environmental impact substances, exhaust gas, noise, and vibration
	Agriculture-related product					Reduction in weight, parts, and exhaust gas, and improvement in recycling efficiency
	Agricultural facilities					Reduction in weight, parts, fuel and energy consumption, and negative environmental impact substances, and prevention of water pollution
	Construction machinery					Reduction in parts, fuel consumption, negative environmental impact substances, exhaust gas, noise, and vibration
	Engines					Reduction in weight, fuel consumption, exhaust gas, noise, and vibration, improvement in durability, and make biodiesel-compatible
	Electrical equipment					Reduction in weight, parts, energy consumption and negative environmental impact substances
	Vending machines					Reduction in weight, parts, energy consumption, and negative environmental impact substances, reuse of coin mechanisms, and increase in parts that can be disassembled
Air-conditioning equipment					Reduction in weight, parts, energy consumption, and negative environmental impact substances, and lengthening of parts replacement cycle	
Water, Environment and Infrastructure	Iron pipe					Reduction in weight, parts, negative environmental impact substances, and construction waste soil, and improvement in durability
	Steel pipe					Reduction in construction working time (power consumption), noise, vibration, and waste soil
	Valves					Reduction in weight, parts, alloys containing lead, and construction waste soil, and improvement in durability
	Industrial machinery and parts					Reduction in construction materials and water discharge noise, and improvement in working environment during construction
	Cast steel					Reduction in weight, fuel consumption, and scarce resources, and research into new materials that result in less exhaust gas
	Rolls					Lengthening of product life, and improvement in energy and resource conservation by customer
	New material					Reduction in fuel and water consumption and waste generation during production, and prevention of water pollution
	Service water and sewerage-related					Reduction in weight, parts, energy consumption, and paint containing lead, recycling of waste, and purification of wastewater
	Recycling-related					Reduction in weight, parts, and negative environmental impact substances, and reduction and recycling of waste
	Pumps					Reduction in weight, parts, energy consumption, and paint containing lead
Membrane business -related	Membrane business -related					Reduction in weight, parts, energy consumption, and paint containing lead, collection of products with immersible membranes and reuse of parts, and purification of wastewater
	Septic tanks					Reduction in weight, parts, energy consumption, and construction waste soil, and purification of wastewater
	Group companies					Use of recycled materials, improvement in durability, research into non-petroleum raw materials, reduction in materials containing lead and in construction waste soil, and recycling of waste

### Ratio of models with absolutely no RoHS-designated substances

The ratio of KUBOTA product models with absolutely no RoHS-designated substances\* reached 21.1% in fiscal 2008 against our target of 20%.

\* The ratio of the value of shipped products that do not contain RoHS-designated substances at or above the set thresholds (excluding usage under application exclusions to the RoHS and ELV directives) against the total value of domestically-produced KUBOTA products shipped (products and equipment, excluding plants, facilities, work and services) in FY2008.

# 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.

## 3R promoting activities

### FY2008 targets

- Waste discharge per unit of consolidated net sales ... Reduced 2% over FY2007
- Total waste discharge ..... Reduced 2% over FY2007
- Percentage sent to landfills ..... 0.9% (domestic plants and offices)
- Recycling rate for construction waste ... 95%

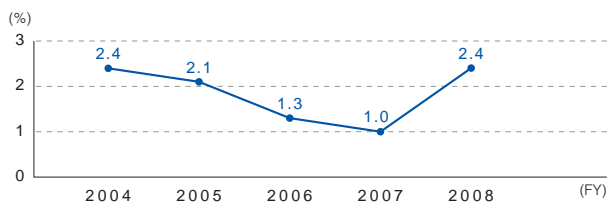
### Waste discharge

In comparison to fiscal 2007, waste discharge per unit of consolidated net sales was reduced 8% while total waste discharge also dropped 5.5%, both attaining the set target for the year.

### Percentage of waste sent to landfills

2.4% of waste was sent to landfills, less than the target for the year. The cause of that was a temporary increase in the amount of landfill disposal due to a decline in the number of companies recycling for steel slag and a breakdown in the recycling equipment for FW pipe.

### Trend chart of landfill disposal (domestic plants and offices)



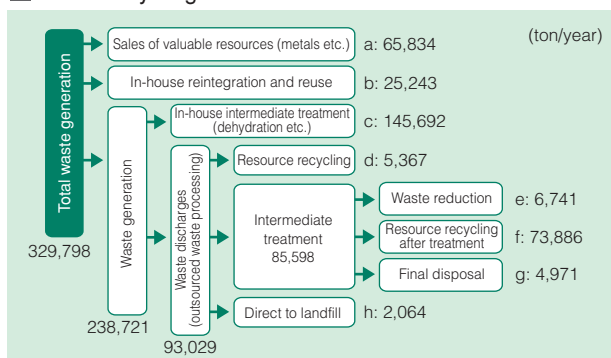
Note

Percentage of landfill disposal (%) = (direct landfill disposal + landfill disposal after intermediate treatment) / (valuable resources + waste discharge)

Because we achieved zero-emission at domestic production plants, the definition of that goal was reviewed in fiscal 2008.

\* Definition of "zero emissions": direct landfill disposal / waste discharge = less than 1%

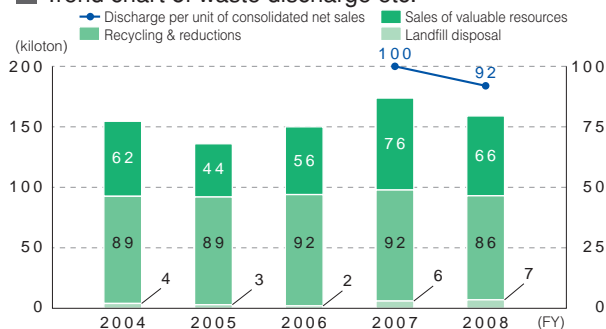
### Waste recycling and treatment flow



Notes:

1. The amounts of waste reduction, resource recycling after treatment and final disposal resulting from outside intermediate treatment were the result of surveys conducted by outsourced companies.
2. Excludes contamination adhering during distribution.

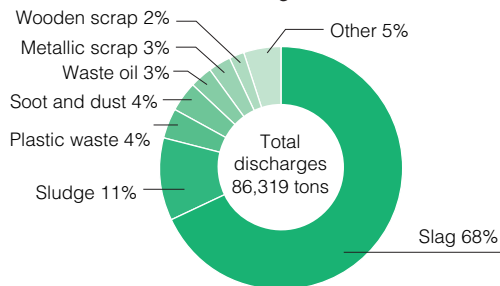
### Trend chart of waste discharge etc.



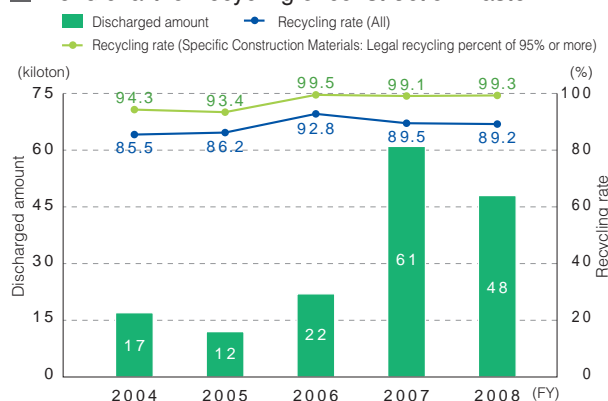
Notes

1. Includes only domestic plants and offices up to FY2006 and overseas plants and offices from FY2007.
2. Discharge per unit of consolidated net sales (FY2007 = 100) = waste discharge / consolidated net sales

### Breakdown of waste discharge (domestic plants and offices)



### Trend chart for recycling of construction waste



Notes:

1. Results through FY2006 are for KUBOTA alone, while results from FY2007 include group companies in Japan.
  2. Recycling rate (All) includes construction waste not included under Specific Construction Materials.
  3. Percentage of recycling = (valuable resources + amount reused + amount recycled + amount reduced (heat recovery)) / discharge [including valuable resources]
- Prior to FY2007, the amount of simple incineration and dehydration, etc., was included in the amount reduced.

# Chemical Substance Controls

A chemical control standard has been established and KUBOTA is working to reduce the amount of use as well as the amount of release and transfer of PRTR\*-designated substances.

\* Pollutant Release and Transfer Register

## Reducing PRTR-designated substances

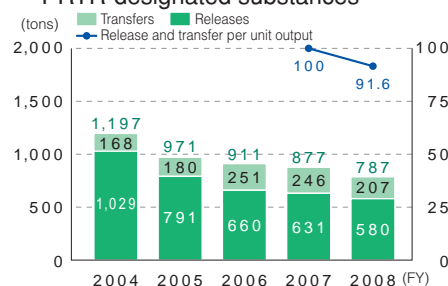
### FY2008 targets

- Release and transfer per unit output (amount released and transferred / internal production) .... Reduced 2% over FY2007
- Total release and transfer ..... Reduced 2% over FY2007

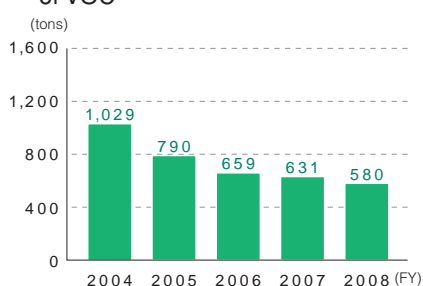
### Release and transfer of PRTR-designated substances

The release and transfer per unit output was reduced 8.4% over fiscal 2007, fulfilling our target. The amount of release and transfer was reduced from fiscal 2007 levels by 10%, also reaching the target.

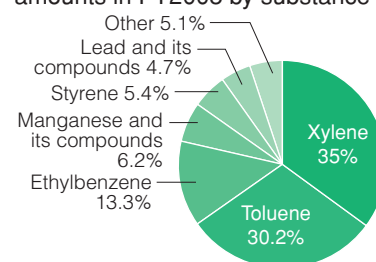
■ Trend chart for release and transfer of PRTR-designated substances



■ Trend chart for release and transfer of VOC



■ Proportion of release and transfer amounts in FY2008 by substance



■ Results of PRTR reporting for FY2008

(for substances for which the annual handling quantity equaled one ton or more (0.5 ton for specific class 1 designations) for each domestic plant and office)

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	0.0	40	0.0	0.0	35	1,313
9	Bis (2-ethylhexyl) adipate	0.0	0.0	0.0	0.0	0.0	210
16	2-aminoethanol	0.0	0.0	0.0	0.0	43	2,854
30	Bisphenol A type epoxy resin (liquid)	0.0	0.0	0.0	0.0	0.0	1,380
40	Ethylbenzene	85,863	0.0	0.0	0.0	0.0	18,559
43	Ethylene glycol	0.0	0.0	0.0	0.0	0.0	441
60	Cadmium and its compounds	0.0	0.0	0.0	0.0	0.0	7,601
63	Xylene	234,548	0.0	0.0	0.0	0.0	41,318
68	Chromium and chromium (III) compounds	0.0	0.0	0.0	0.0	36	14,355
69	Chromium (VI) compounds	0.0	0.0	0.0	0.0	0.0	391
100	Cobalt and its compounds	0.0	0.0	0.0	0.0	0.0	201
144	Dichloropentafluoropropane	0.0	0.0	0.0	0.0	0.0	3,025
176	Organotin compounds	5.2	0.0	0.0	0.0	0.0	35
177	Styrene	42,750	0.0	0.0	0.0	0.0	0.0
224	1, 3, 5-trimethylbenzene	3,532	0.0	0.0	0.0	0.0	810
227	Toluene	213,612	0.0	0.0	0.0	0.0	24,549
230	Lead and its compounds	15	0.0	0.0	0.0	0.0	36,989
231	Nickel	0.0	0.0	0.0	0.0	0.0	274
232	Nickel compounds	0.0	56	0.0	0.0	0.0	609
266	Phenol	0.0	0.0	0.0	0.0	0.0	0.0
270	Di-n-butyl phthalate	0.0	0.0	0.0	0.0	0.0	48
283	Hydrogen fluoride and its water-soluble salts	0.0	0.0	0.0	0.0	0.0	1,651
304	Boron and its compounds	0.0	0.0	0.0	0.0	0.0	1,496
311	Manganese and its compounds	0.0	70	0.0	0.0	0.0	49,040
346	Molybdenum and its compounds	0.0	0.0	0.0	0.0	0.0	0.0
Total		580,325	166	0.0	0.0	114	207,149

■ : Volatile Organic Compounds (VOC)

### 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 (Less than 0.0001 mg/L)	0.03 mg/L or less
Utsunomiya	Trichloroethylene	None detected (Less than 0.001 mg/L)	0.03 mg/L or less



# Conservation of Biodiversity

KUBOTA is working towards protection of our natural environment through afforestation activities and the establishment of biotopes, etc.

## Keiyo Plant Biotope: "Funabashi-no-Mori"

A biotope refers to a location that provides a living place for wildlife and is an English loan word from the German *Biotop* which in turn is derived from the Ancient Greek *bios* ("life") and *topos* ("place").

With 19 different species of dragonfly having been confirmed so far at "Tombo" (Dragonfly) Pond, the centerpiece of the "Funabashi-no-Mori" (Funabashi Forest) biotope at our Keiyo Plant, KUBOTA is contributing to the restoration of the rich natural environment of the region.



Keiyo Plant: "Tombo" pond



Emerging *Anax nigrofasciatus nigrofasciatus*



Husk of emerging *Anaciaeschna Martini*

Chiba Prefecture Red List (Animal Edition) Category C Species that Require Protection: Organisms with limited population, with limited habitat and breeding environments, and with the possibility of environmental transformation occurring in many of those habitat and breeding grounds.

## Status of dragonflies at our Keiyo Plant

No.	Name of species	Keiyo Plant grounds (excluding "Tombo" pond)										Established at "Tombo" pond																						
		April			May			June			July			August			September			October			November			December			Flight	Egg laying	Emergence			
		Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End			
1	<i>Ischnura asiatica</i>																																	
2	<i>Ischnura senegalensis</i>																																	
3	<i>Cercion calamorum</i>																																	
4	<i>Cercion sexlineatum</i>																																	
5	<i>Cercion sieboldii</i>																																	
6	<i>Indolestes peregrinus</i>																																	
7	<i>Lestes sponsa</i>																																	
8	<i>Anaciaeschna martini</i>																																	
9	<i>Anax nigrofasciatus nigrofasciatus</i>																																	
10	<i>Anax parthenope julius</i>																																	
11	<i>Orthetrum albistylum speciosum</i>																																	
12	<i>Orthetrum triangulare melania</i>																																	
13	<i>Crocothemis servilia mariannae</i>																																	
14	<i>Sympetrum frequens</i>																																	
15	<i>Sympetrum darwinianum</i>																																	
16	<i>Sympetrum kunkeli</i>																																	
17	<i>Sympetrum infuscatum</i>																																	
18	<i>Sympetrum baccha matutinum</i>																																	
19	<i>Pseudothemis zonata</i>																																	
20	<i>Pantala flavescens</i>																																	
21	<i>Rhyothemis fuliginosa</i>																																	
No. of species		6			7			11			14			12			13			14			1			1			19	12	10			

Note: Total results from FY2000, FY2001 and FY2008

## Tsukuba Plant: "Midori-no-Mori"

Prefectural trees from each of Japan's 47 prefectures are planted in "Midori-no-Mori" (Green Forest) at our Tsukuba Plant in our aim at further greening of the factory.



Ezo spruce (Hokkaido)

Japanese "ume" apricot (Ibaraki Prefecture)

Maple (Yamanashi Prefecture)

Japanese Yew (Gifu Prefecture)

Wax myrtle (Tokushima Prefecture)

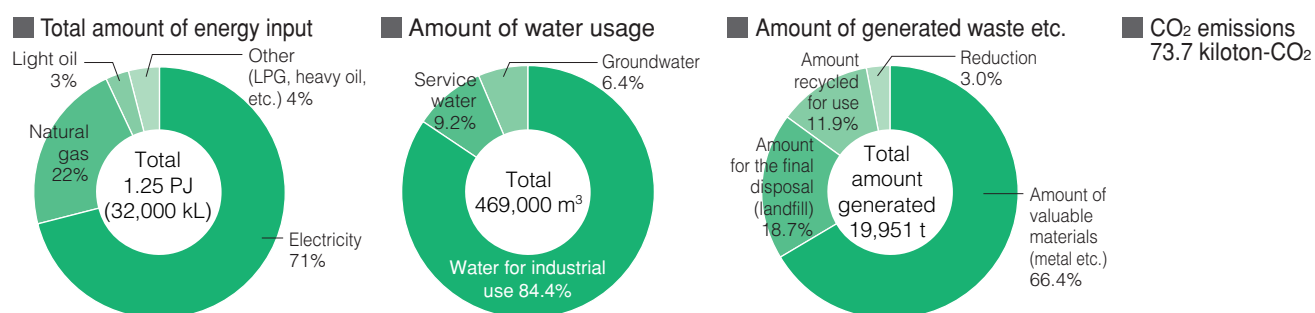
# Main Environmental Indicators

## Trend of main environmental indicators (domestic plant and office data)

Environmental indicator		Unit	Reporting target period					
			FY2004	FY2005	FY2006	FY2007	FY2008	
INPUT	Energy	PJ	9.59	8.33	8.67	8.68	8.36	
	Water	10,000 m <sup>3</sup>	586	543	539	489	490	
	PRTR-designated substances	ton	8,908	7,740	7,756	8,533	8,902	
OUTPUT	Release into the atmosphere	Greenhouse gas	kiloton-CO <sub>2</sub>	515	455	464	489	462
		PRTR-designated substances	ton	1,029	791	660	631	580
		NOx	ton	92.4	75.5	222.3	133.9	80.6
		SOx	ton	12.6	24.2	49.7	29.3	8.6
		Soot and dust	ton	20.2	15.3	10.7	7.1	3.7
	Release into water systems	Public water areas						
		Water discharge	10,000 m <sup>3</sup>	517	447	409	452	456
		COD	ton	15.1	13.9	11.8	15.7	15.5
		Nitrogen	ton	16.8	8.8	9.5	11.0	14.3
		Phosphorous	ton	0.55	0.24	0.27	0.32	0.45
		PRTR-designated substances	kg	45	35	41	151	166
		Sewage						
		Water discharge	10,000 m <sup>3</sup>	84	71	90	85	73
		PRTR-designated substances	kg	15	8.5	14	25	114
		Waste	Discharged	kiloton	93	92	94	91
Landfill	kiloton		3.8	2.8	2.0	1.6	3.3	

## Environmental data on overseas production plants and offices for FY2008 (excerpt)

(12 overseas non-production group companies included from the current fiscal year.)

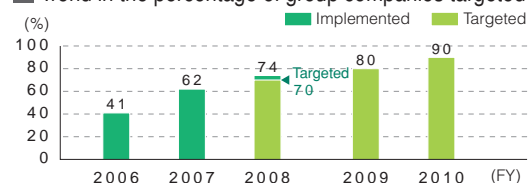


## Expanding the companies targeted for Environmental Corporate Management

We are systematically advancing towards bringing all domestic and overseas group businesses under the

umbrella of KUBOTA's Environmental Corporate Management by the 2012 fiscal year.

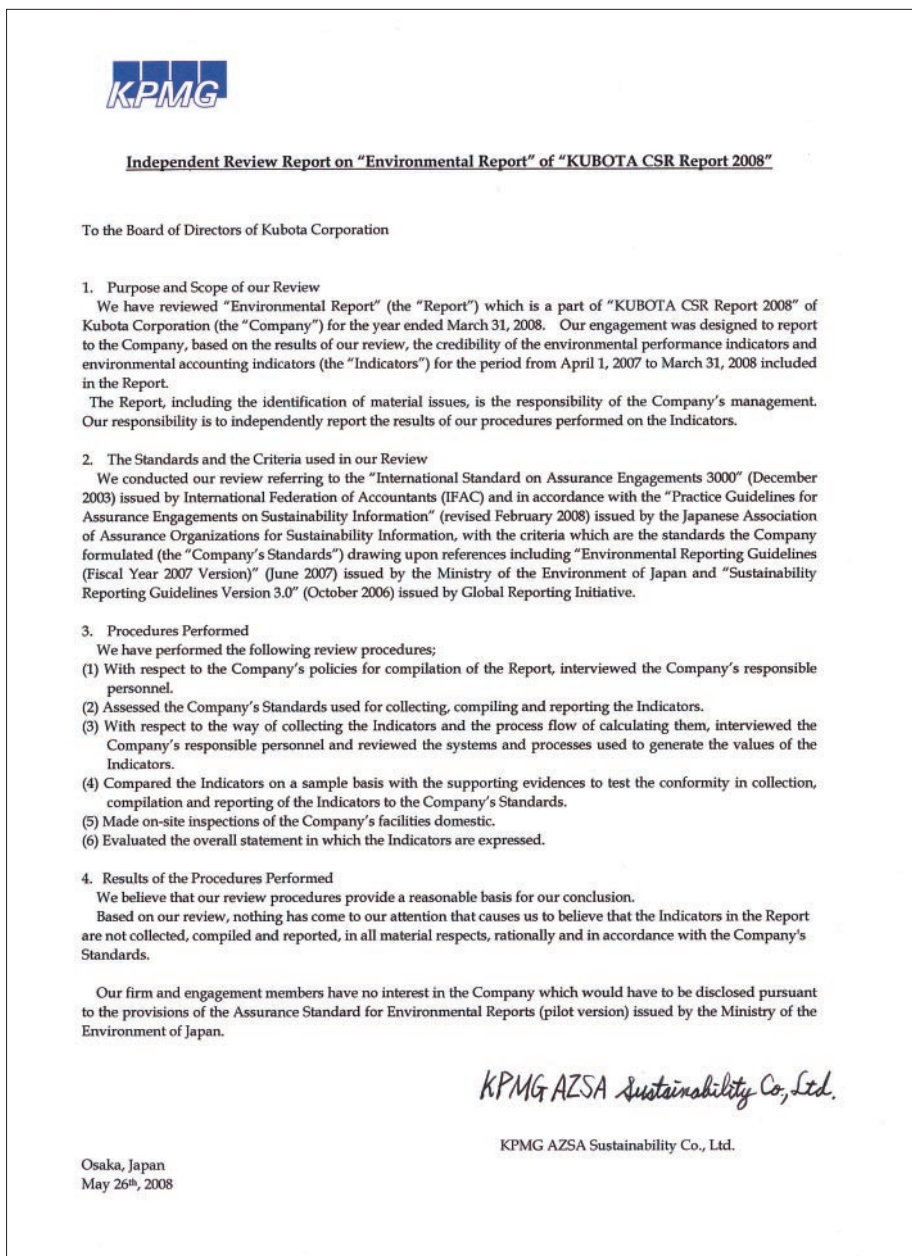
### Trend in the percentage of group companies targeted



For more detailed information on the site data, access the following website (Japanese only):  
[www.kubota.co.jp/kubota-ep/index.html](http://www.kubota.co.jp/kubota-ep/index.html)

# Independent Review on the Environmental Report

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



## On-site inspections



Hanshin Plant (Amagasaki)



Hirakata Plant



## Comments on the CSR Report

### Comments on the “KUBOTA CSR Report 2008”

June 2, 2008

This year’s CSR Report incorporates the diesel engine as a special feature, it introduces regulations regarding suspended particulates and nitrogen oxide (NOx) as well as the company’s involvement in the control of the pollution they cause, and includes the details behind a reevaluation of the dominant position played in the report by CO<sub>2</sub> emissions. The direction of CSR at the company is towards contributing to improving the living environments of people the world over through machinery and materials, for which a decrease in the negative environmental impact has been achieved.

In the Environmental Report section this year, the number of overseas subsidiary companies that are also targeted by the report has reached 20 from last year’s 8, showing that the global scale of the company’s environmental management has expanded. On the whole, integrating a particular style of management in foreign countries where the laws and the culture are all different is not an easy task, but it is expected that the company will continue, for instance, with the company-wide permeation of a clear definition of waste division and of the importance of the complete collection of data. In regard to greenhouse gas emissions, the company is already involved in detailed management, like the timely consideration of the updated emissions factors, etc.

More enhanced reporting is expected in regard to the influences that such diverse activities at the company have on society and the influences they bring to social sustainability (especially potential risks). For example, considering that, in GRI’s “Sustainability Reporting Guidelines version 3.0” (a publication to which “KUBOTA CSR Report 2008” references) it indicates that readers are expecting reports on the influences (positive and negative) that the economic development of the reporting organization exerts externally, further enhancement is looked for in the Economic Report which currently remains little more than the company’s management results and general business conditions.

In the Social Report, employee diversity and creativity, as they are affected by a total reduction of working hours and the approach to work-life balance, have been explained anew. If a report was also added on the company’s management approach towards the workings of their social activities that include such issues, in other words, what the company is aiming at and what the present problems are in that regard, I think that the reader can be expected to be granted more in-depth understanding.

My hope is for the KUBOTA CSR Report to steadily incorporate such improvements, and thus become an even better communication tool.



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(a member firm of KPMG International)

### In response to the above comments

The current CSR Report 2008 is our third edition after we reorganized this publication into a “CSR Report”. This year, we invited a professor Katsuhiko Kokubu from Kobe University’s Graduate School of Business Administration to be a part of the “Commitment by top management” section and join in a discussion with KUBOTA’s president on CSR Management. In regard to the activities of our group as a whole, top management has declared our decision to promote CSR activities based on the outside evaluations we have received. Moreover, as one approach to environmental issues, this edition feature the diesel engine as a special report and includes considerations towards making our stance on “contributing to society through business” better understood.

The Social Report, as in the past, deals with the state of activities according to our group’s Charter for Action, but this time the issues that will be emphasized in the next fiscal year have also been described in a summary table, so that clarification of those issues and the state of corresponding promotional activities will be more easily understood in the report for that next fiscal year.

Under “Achieving Symbiosis with International and Local Societies” we introduced information on and CSR activities at overseas affiliate companies as pointed out in the third party comments last year, but there are still some insufficiencies in that regard, and I’d like for us to include information collection and consciousness-raising activities in the future as another issue for next year.

This year, it was Yukinobu Matsuo, Senior Manager of KPMG AZSA Sustainability Co., Ltd., who has offered us his third party comments on this report. We will take the points that he has indicated into serious consideration in an aim at further enhancing our CSR Report and enable it to serve as an effective communication tool.

At the KUBOTA Group, we are actively working to permeate and promote CSR Management throughout all group companies, and to contribute to the “development of society and the preservation of the earth’s environment” as stated in our Management Principles.



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