



# Basic Concept

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.”

In commemoration of KUBOTA’s 120th anniversary, we adopted a new “KUBOTA Group Slogan” to communicate our determination to contribute to global society in the areas that concern all of humanity: “food,” “water,” and the “environment.” All KUBOTA Group members, both domestic and overseas, are committed to joining efforts and taking concerted actions to achieve this goal.

(For more detailed information, please refer to “Celebrating the 120th anniversary of the company’s foundation” on p.7.)

## The Kubota Group Slogan



For Earth, For Life

Earth...We protect the environment of this beautiful earth.

Life...We support the prosperous life of human forever.

We Kubota promise above as a business group that challenges global problems of food, water, and environments.

## 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 the Company 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.

## 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 2010 ]

- This report was compiled in order to report on the CSR activities of the KUBOTA Group in an easy to comprehend manner. The CSR Report 2010 reviews the missions of the KUBOTA Group, which celebrates its 120th anniversary this year, and focuses on corporate activities in the areas of food, water, and the environment, among other issues of material importance for the KUBOTA Group.
- Published in the milestone year of the group’s 120th anniversary, the CSR Report 2010 devotes space to introducing the KUBOTA Group’s corporate attitude, which has remained unchanged over the years, and the missions to be pursued into the future. In the “Commitment by Top Management” section, the president talks about his enthusiasm for CSR management in an interview by employees.
- This year’s report features two special opening articles—one concerning “water” and the other concerning the “environment”—following a special article on “food,” highlighted in the CSR Report 2009. The special report on “water” focuses on the KUBOTA Group’s initiatives to contribute to the improvement of water resources/infrastructure around the world, while the report on the “environment” summarizes discussions held with external experts on the responsibilities of manufacturers in preventing global warming.
- The content on corporate activities touches on three (economic, social and environmental) perspectives and is composed in line with our Charter for Action. The Economic Report introduces KUBOTA’s new products and corporate activities, from the perspective of how these have contributed to society.
- The Social Report presents the KUBOTA Group’s activities and achievements in terms of the priority issues for FY2010 and medium-term goals (p.23), while the Environmental Report highlights the group’s environmental efforts under the New Medium-Term Environmental Conservation Plan (p.35). The Social Report also focuses on the PDCA cycle, providing information on corporate activities. The mark **[New!]** indicates activities newly launched by the KUBOTA Group. **[Significant progress achieved]** indicates activities that have achieved outstanding progress compared to the previous year.
- The CSR Report 2010 highlights various comments from external experts and employees so that feedback from different perspectives will be incorporated into the future CSR activities of the KUBOTA Group.
- Information on the CSR activities of the KUBOTA Group is given both in this report and on the official website. For more detailed information not shown in this report, please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

### Scope of the CSR Report 2010

The CSR Report covers the entire KUBOTA Group, in principle.

- Economic Report  
The Economic Report contains data on the consolidated accounting that was performed based on U.S. accounting standards.  
Fiscal year 2010: 105 consolidated subsidiary companies and 19 affiliates accounted for under the equity-method.
- Social Report  
The Social Report covers social activities carried out by KUBOTA Corporation and some of its affiliates.
- Environmental Report  
The Environmental Report contains the results of environmental activities carried out by KUBOTA Corporation itself as well as 70 domestic and 35 overseas consolidated subsidiary companies.

### Period covered by this report

- The content of this report focuses on activities during fiscal 2010 (April 2009 to March 2010). Some portions may include information on recent events.
- Data in the Environmental Report are aggregate totals of domestic (April 2009 to March 2010) and overseas activities (January 2009 to December 2009).

### 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	August 2010
Next scheduled issue	August 2011
Previous issue	September 2009: “CSR Report 2009”

NOTES: The laws and government and municipal offices and organs, etc., mentioned in this CSR Report indicate Japanese law 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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# Contributing to the well-being of society through corporate activities

**KUBOTA's management principles have remained unchanged since its establishment and chart a clear course to the future.**



Hiroyuki Hara  
Environmental Protection Department

Haruka Takeuchi  
Diversity Promotion Office  
Personnel Department

Yasuo Masumoto  
Representative Director,  
President & CEO of KUBOTA Corporation

Tomoko Nagamine  
CSR Planning Department

Given that the corporate activities of the KUBOTA Group directly contribute to the betterment of society, the outcomes of its CSR activities serve as an important management indicator for the group. During an interview by employees of CSR-related departments, President Yasuo Masumoto, who has launched a group-wide policy to further strengthen CSR, talks about the significance of CSR for the KUBOTA Group and the future vision of the company, which has just celebrated the 120th anniversary of its establishment.

(The interview was held on April 5, 2010 at the head office of KUBOTA Corporation.)

## Promoting CSR management to better address food, water, and environmental problems

**Nagamine:** At the CSR Planning Department, we began two major programs in the last fiscal year with the recognition of the necessity of raising CSR awareness among all employees to further promote CSR management. One of the programs, which has so far been participated by about 6,000 employees, aims at encouraging all KUBOTA employees to read our CSR report. The other program consists of a training session aimed to help develop ideas for social contribution initiatives, and this was joined by about 600 employees.

I believe that, through these programs, participants now have a better understanding of CSR, which covers such extensive areas that its big picture is often hard to see. Thus, what I would like to ask you, Mr. Masumoto, is this: What does CSR mean to KUBOTA in the first place? Or, why is it necessary for the KUBOTA Group to emphasize CSR management?

**Masumoto:** What do you think made KUBOTA look toward CSR?

**Nagamine:** I think compliance efforts were the starting point.

**Masumoto:** That's right. Initially, we aimed at enhancing compliance with laws and regulations, and over time, the term "CSR" was introduced to replace "internal control." This is because KUBOTA assumes an especially important responsibility for society, due to the nature of our corporate activities.

There is no doubt that food, water, and environmental problems will impose serious threats to humanity in the 21st century, and I take pride in KUBOTA's ability to find solutions to these three major problems using state-of-the-art technologies.

Taking the water problem as an example, how many people in the world do you think can access safe and sanitary tap water?

**Hara:** Very few.

**Masumoto:** Yes, very few people. Aware of this fact, 40 to 50 years ago, KUBOTA set out constructing waterworks in Cambodia, Laos, and other locations. In doing so, KUBOTA made a really impressive contribution: it directly served as a provider of water service.

Once water becomes accessible, the contamination issue has to be addressed, as a next step. If KUBOTA can launch additional efforts to cope with this contamination issue, perhaps we can be helpful in settling various problems that threaten people around the world, and if it becomes possible, we may say that the implementation of our corporate activities itself serves the purpose of CSR management. What do you think?

**Nagamine:** I feel that CSR has now become a new social indicator. I think that CSR management aims at "building a company with a dream that contributes to the well-being of humanity and that facilitates personal growth," as you often mention, Mr. Masumoto.

## Developing innovative and environmentally friendly technologies and products through efforts to become the leading company in environmental management rankings

**Hara:** Active in environmental areas, KUBOTA is working to become the top company in terms of environmental management rankings. We, at the Environmental Protection Department, are also committed to our environmental preservation efforts.

To be specific, during FY2010, we formulated the New Medium-Term Environmental Conservation Plan, under



which we began activities to steadily reduce CO<sub>2</sub> and other environmentally harmful substances, in a phased manner. In relation to this, I would like to ask you, Mr. Masumoto, to share your view with us concerning the strengthening of environmental preservation efforts—one goal of the management policy.

**Masumoto:** I encourage you to achieve the highest position in the environmental management rankings, as this cannot be done using a lukewarm approach. If we are fully dedicated to achieve this goal, I am sure we can develop highly attractive environmental technologies, and if we can apply such technologies to our corporate activities, then KUBOTA will be able to better contribute to environmental preservation and become a more appealing company.

Therefore, I think it is important for you to change your viewpoint a little, and try to work on relevant departments to develop environmentally friendly products, instead of simply trying to achieve the numerical targets set in the Medium-Term Environmental Conservation Plan.

For example, why don't you urge R&D personnel to develop agricultural machinery that can cut CO<sub>2</sub> emissions by 50%, compared with conventional products? Accumulation of such efforts will eventually bring about opportunities that can change the way agriculture is practiced. Haven't you ever thought in such a way?

**Hara:** We, too, are considering conducting such in-depth activities. However, instead of requesting R&D personnel to reduce CO<sub>2</sub> emissions by 50% in a leapfrog fashion, we think it is better to set a more realistic target and ask them to achieve it, like conquering a smaller mountain before challenging a larger one.

**Masumoto:** Even if you conquer a number of small mountains, you will never be able to reach the summit of Mt. Everest. I am of the opinion that if you are a climber, you should aim for Mt. Everest right from the beginning. Even when you climb a mountain of 100 meters, you should at least have the 8,000-meter peak of Mt. Everest in your mind. You must set your sights on the highest goal. If you are only content with conquering a 100-meter mountain, then you can never go beyond it. The way you set your target is important.

I would like to emphasize that you should set your goals tremendously high. If all the employees could succeed in climbing the highest mountain, then KUBOTA would have tremendous strength.

## Promoting the diversity management that is indispensable for the growth of KUBOTA as a truly global company

**Takeuchi:** The promotion of diversity management is upheld in the management policy of the 120th business term of KUBOTA, and as the first step, the Diversity Promotion Office was established to create a workplace environment where female employees are fully supported and can play a leading role in the company.





## Yasuo Masumoto

Representative Director,  
President & CEO of KUBOTA Corporation

Born in 1947. Graduated in 1971 from Department of Precision Mechanics, Faculty of Engineering, Kyoto University, and joined KUBOTA Tekko (now known as KUBOTA) the same year. Rose to position of General Manager of Construction Machinery Manufacturing Department at Hirakata Plant, Director of Utsunomiya Plant, and General Manager of Farm Machinery Division, before being appointed a Director in 2002. Appointed Managing Director in 2004, Executive Managing Director in 2006, Executive Vice President and Director in 2008, and Representative Director, President & CEO in 2009.

During FY2010, we implemented training sessions targeting each job class and workplace, and provided about 2,700 employees with opportunities to think about the meaning of diversity. We also formulated a network of female employees, called K-Wing, to assist female employees in developing their career.

I would like to hear the president's view concerning diversity management.

**Masumoto:** I remember that the Personnel Department has been working to increase the number of female employees. What was the outcome last year?

**Takeuchi:** In the last fiscal year, 23 out of 105 newly-hired university graduates were female. Female employees account for more than 20% of all newly hired employees.

**Masumoto:** I believe that KUBOTA will change for the better when females make up 50% of all its employees, becoming a more appealing company in the process. Thus, please continue efforts toward the recruitment of female employees. Is there any insufficiency in KUBOTA's support programs for female employees, such as childcare leave and reduced work hour programs?

**Takeuchi:** No. KUBOTA's support programs are far more substantial than the legal requirements.

However, some female employees express concerns over whether or not they can continue developing their career after they return to work after maternity leave, or they sometimes feel sorry for the trouble they may be causing their coworkers when taking such leave. In this light, I think there should be an improved system to assist female

workers balance work, childrearing, and their private life.

**Masumoto:** If we are to promote female employees in earnest to achieve greater diversity, we should be able to positively offer jobs and posts in the fields where female employees can play a leading role.

Perhaps it is necessary to re-examine conventional practices that have been taken for granted, as well as the existing rules.

**Takeuchi:** What do you think of recruiting employees with diverse backgrounds, as a global company?

**Masumoto:** When I went abroad, I was often asked why Japanese companies do not leave management to local personnel. European and American companies, when establishing subsidiaries in foreign countries, will leave management to local personnel without hesitation, because they feel that those who are familiar with the local markets are most suitable for managing such companies.

In this regard, KUBOTA is still at an early stage concerning its global business development.

For this reason, we must place greater importance on the recruitment and promotion of global personnel. In employing foreign students studying in Japan, we should consider, at all times, what we should do to ensure that they will fully demonstrate their abilities and play an important role, instead of merely providing them with opportunities to work in Japan.



## Hiroyuki Hara

Environmental Protection Department  
KUBOTA Corporation

Mr. Hara joined KUBOTA in 1999 and was assigned to the Water & Sewage Engineering Department. He has been with the Environmental Protection Department since 2007, where he is working to improve the quality of effluent using his expertise in environmental preservation and water treatment.



## Haruka Takeuchi

Diversity Promotion Office  
Personnel Department  
KUBOTA Corporation

Ms. Takeuchi joined KUBOTA in 2005 and since 2009 has served as a planner and operator of K-Wing, Kubota Women's Initiative Diversity Network & Group.

## Conducting in-depth risk management to ensure that the KUBOTA Group around the world will make it routine to do what is obviously necessary

**Nagamine:** For four years now, KUBOTA has been conducting risk management, led by indirect departments of the head office, to avoid material management risks. Last year, we surveyed the level of compliance awareness among employees and found that the level had improved significantly from five years ago. In January 2010, we introduced external lawyers to add to the internal points of contact, as part of our efforts to enhance the internal reporting system. What do you think of the in-depth risk management in place at KUBOTA?

**Masumoto:** In conducting risk management, you use check sheets, don't you? However, with check sheets, we can only address standard questions. Check sheets are not suitable for assessing items that are hard to describe in quantitative terms. Therefore, there can be some latent problems, even if a perfect score is achieved as a result of risk auditing.

**Hara:** Yes. We are inclined to use simple "yes/no" questions only.

**Masumoto:** Even if the number of risk items identified on the check sheets is reduced, it may be because risk auditing has not covered all of our routine procedures. Therefore, we should explore ways to assess risks in a manner that better reflects reality. Furthermore, it is also necessary to consider how we should conduct risk auditing on a group-wide basis. This issue is especially important for our overseas business bases.

**Nagamine:** In your opinion, what is the most important point in risk management?

**Masumoto:** The purpose of conducting risk management is to make it routine to do what is obviously necessary. We should prevent our risk management system from becoming a mere formality and unable to serve its original purpose.



## On the occasion of celebrating its 120<sup>th</sup> anniversary, the KUBOTA Group has renewed its determination to contribute to finding solutions to the food, water, and environmental problems that are affecting the entire globe.

**Nagamine:** Lastly, I would like to ask you, Mr. Masumoto, to share your view on the new slogan, which the KUBOTA Group adopted on the occasion of its 120th anniversary.

**Masumoto:** I think our new slogan, "For Earth, For Life," is a very good one—it perfectly matches our management principles and really represents our desire to contribute to the improvement of social development and the global environment. It is our responsibility to put the slogan "For Earth, For Life" into practice. I am sure we will become a more valuable company by further developing our business in a manner that can improve conditions surrounding food, water, and the environment.

**Nagamine:** The issue of corporate quality control is now a focus of attention. What do you think about this issue?

**Masumoto:** Any company that has taken on a technology-first attitude and forgotten to act and think from a customer point of view is bound to fail. Companies, if growing arrogant, will never change for the better. KUBOTA is no exception. Quality holds the key to the survival of all manufacturers, including KUBOTA. Corporate groups that lack confidence in the quality of their products have no value in society.

**Nagamine:** You place special importance on the e-Project\* in an effort to increase KUBOTA's worldwide presence in the areas of food, water, and the environment. Thus, please tell us your views on global-scale social contribution.

**Masumoto:** If we are to promote social contribution on a global scale, we should enhance the visibility of KUBOTA in the first place. In other words, it is necessary for us to achieve tangible results in our social contribution efforts in various parts of the world. I hope that KUBOTA's proprietary technologies will promote these social contribution efforts and eventually bring success in business, thereby creating a virtuous cycle that leads to the development of both society and KUBOTA.

Years ago, KUBOTA was implementing a greening project, which was one of the earliest industrial efforts toward the realization of a low-carbon society. I hope that such an initiative will be revived.

**Nagamine:** Thank you very much for your time today.



## Tomoko Nagamine

CSR Planning Department  
KUBOTA Corporation

Ms. Nagamine joined KUBOTA in 1993. After taking charge of recruitment and training in the Personnel Department, she was transferred to the CSR Planning Department in 2008, where she has been responsible for auditor training.

\* The e-Project is one of the initiatives that the KUBOTA Group has undertaken in its efforts to contribute to society. For more details, please see pp.31–32 of this report.



## The KUBOTA Group Spirit We will always protect our corporate DNA.

KUBOTA's corporate DNA has been passed on consistently throughout its 120-year history. With this DNA, which has remained unchanged over the years, we will globally advance ourselves toward future generations.



It was with the desire to protect people from cholera and other infectious diseases that Gonshiro Kubota, the founder of KUBOTA, set about the development of iron pipes to advance systems to provide clean water.

The iron pipes that were used in those days were all imported products, and it was considered impossible to manufacture water pipes domestically. While other companies abandoned development one after another, Gonshiro Kubota worked enthusiastically and tirelessly for years. Then, in 1900, he finally succeeded in mass producing Japan's first water pipes.



- Products that can help national development cannot be created without total dedication and hard work.
- Our products should not only be technically excellent, but also useful for the good of society.
- We must create products with our heart and soul, and ensure that commodity value in a proper sense is embodied in each of our products.
- Having firm confidence in achieving one's goals separates winners from losers.
- There is no such thing as a definite success formula. All we have to do is simply pursue our goal to the end, pleasantly and persistently.

At KUBOTA, we have been always faithful to the "spirit of manufacturing," represented by these remarks. Today, we are offering a variety of products to the world to contribute to solving current problems regarding the areas of food, water, and the environment. There is one thing that has never changed throughout our history—our commitment to the very basic principles of manufacturing. We have never departed from them, not even for a moment. KUBOTA has continued to successfully pinpoint the needs of the times, whilst manufacturing and offering products in response to such needs, and by doing so, has contributed to the development of society. Since its establishment in 1890, KUBOTA's corporate activities have always been aimed at social contribution. This tradition is deeply woven into the corporate DNA of KUBOTA.



**This DNA will remain unchanged and will be passed down to future generations.**

## KUBOTA celebrates the 120th anniversary of its founding in 2010.

### One of the philanthropic works initiated by the founder of KUBOTA

Establishment of a local elementary school

In 1911, Japan suffered a serious economic recession. In the area where KUBOTA was located, many people lost their jobs and lived in poverty. Educational opportunities were not sufficiently available, and children had no hope for tomorrow. Out of the desire to help these people, the founder of KUBOTA established an elementary school, in cooperation with the local government. Whenever he met them, he spoke with children who had no choice but to work to earn money for their families, and he gently encouraged them to go to school. His repeated encouragement helped motivated these children toward achieving educational goals.

Source: Booklet "KUBOTA no hanashi" (Anecdotes of KUBOTA)

### 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 the Company and happiness to employees
- Challenge the unknown with creativity and courage

The KUBOTA Group Mission

# Challenge

## We will continue to tackle new challenges.

Our business field is ever-expanding, from Japan to the world, with emphasis shifting from the competitiveness of each product to combined corporate strength.

### 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 Slogan



For Earth, For Life

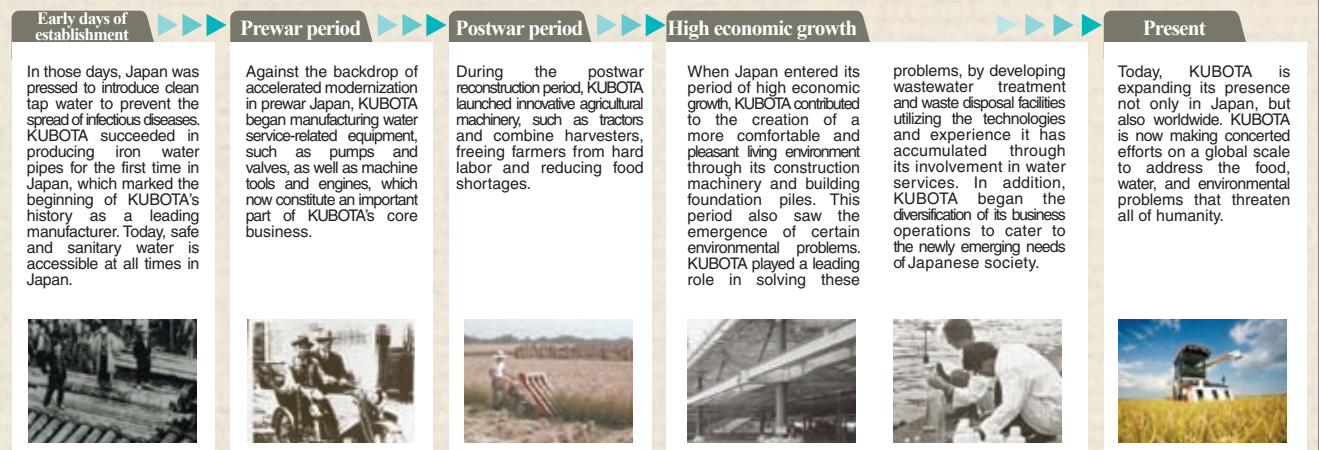
Earth...We protect the environment of this beautiful earth.

Life...We support the prosperous life of human forever.

We Kubota promise above as a business group that challenges global problems of food, water, and environments.

## KUBOTA's history of success in overcoming social challenges

The 120 years of KUBOTA is a history of unceasing efforts to find solutions to social problems.



## KUBOTA's missions in its 120<sup>th</sup> year

Food, water, and the environment hold the key to the future survival of humanity. KUBOTA will continue its efforts to address these critical issues without being limited by time or national borders.



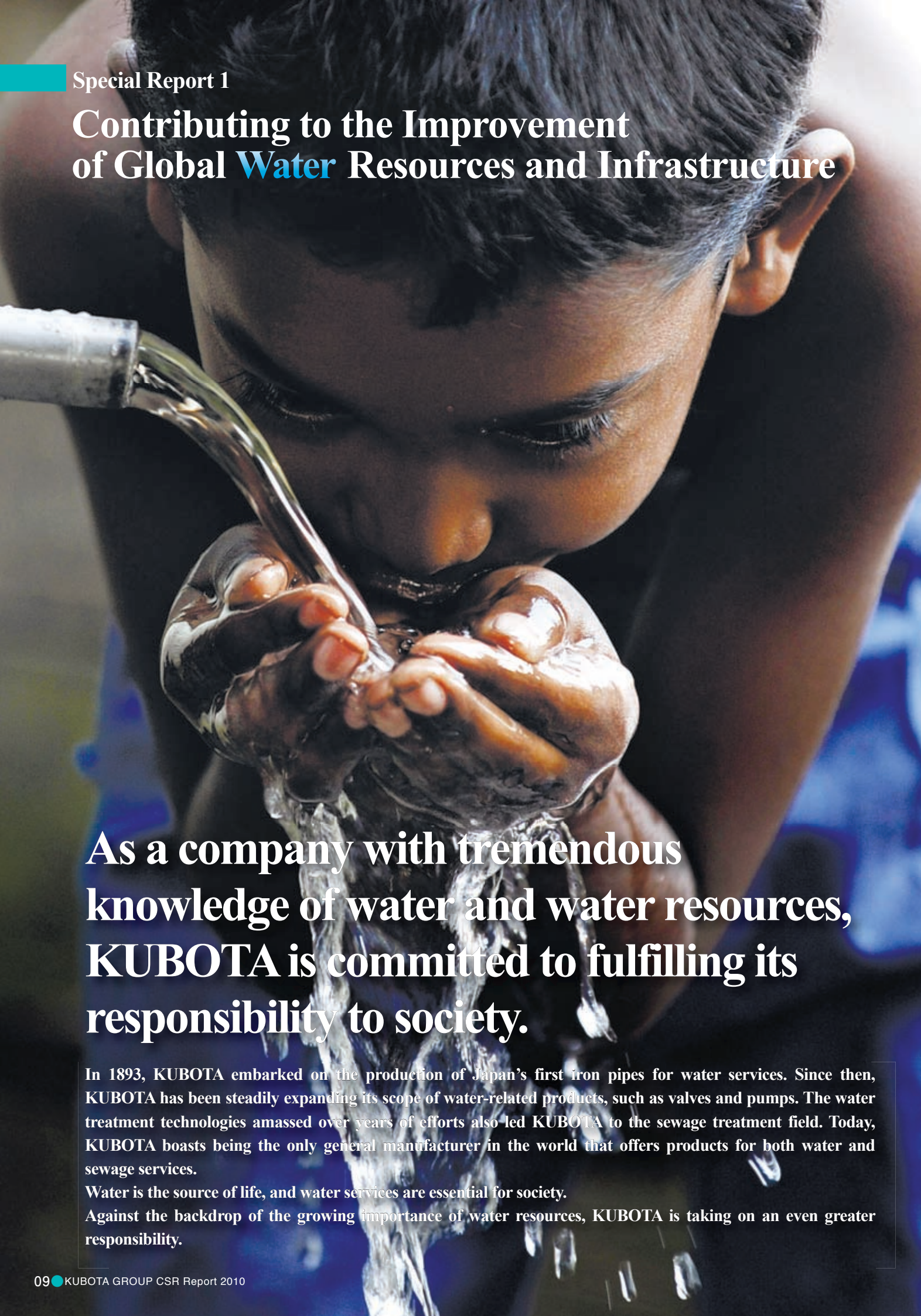
Since the beginning of the 20th century, the global population has grown from 2.5 billion to more than six billion. Against this backdrop, it is conceivable that a serious food shortage could arise on a global scale. KUBOTA will contribute to finding solutions to this problem, not only for Japan, whose food self-sufficiency rate continues to decline, but also for the entire world, by supplying quality agricultural machinery, such as tractors and combine harvesters, and by applying agricultural technologies developed through its research on Japanese paddy agriculture.

Humankind can use only 0.01% of the total volume of water on Earth. Considering the increasing trends in population, water shortage will eventually become a greater threat to the world. KUBOTA will contribute to finding global solutions to this problem by supplying its iron water pipes, pumps and other exceptional products, as well as its comprehensive water-related technologies, which have been accumulated through its involvement in water services in Japan.

Today, environmental changes and destruction are seriously threatening the entire globe. It is our responsibility to save the world and future generations from any environmental crisis. KUBOTA will contribute to find solutions to global environmental problems through its state-of-the-art equipment, plants, and technologies for waste recycling and effluent purification (the technology of which is derived from its water services).



# Contributing to the Improvement of Global Water Resources and Infrastructure



As a company with tremendous knowledge of water and water resources, KUBOTA is committed to fulfilling its responsibility to society.

In 1893, KUBOTA embarked on the production of Japan's first iron pipes for water services. Since then, KUBOTA has been steadily expanding its scope of water-related products, such as valves and pumps. The water treatment technologies amassed over years of efforts also led KUBOTA to the sewage treatment field. Today, KUBOTA boasts being the only general manufacturer in the world that offers products for both water and sewage services.

Water is the source of life, and water services are essential for society.

Against the backdrop of the growing importance of water resources, KUBOTA is taking on an even greater responsibility.

## KUBOTA contributes to the improvement of global water resources and infrastructure.

The responsibility of being the only general manufacturer of water-related products in the world

KUBOTA is engaged in an entire range of water services, from water purification through to wastewater treatment. KUBOTA's strength lies in its ability to develop water businesses in an integrated manner, by combining its ductile iron and other pipes, pumps, and valves with state-of-the-art water treatment technologies. With this "water engineering" ability, KUBOTA has continued its global contribution to the development of water-related infrastructure. In doing so, KUBOTA is supporting the healthy circulation of the Earth's valuable water resources. Today, people around the world suffer problems concerning such resources. Thus, KUBOTA hopes to work for the improvement of water resources and infrastructure by offering its products and technologies to an increasing number of countries and regions.





## KUBOTA's commitment to contributing to the solution of global water problems

The Earth is often referred to as a "watery planet." However, of all the water on the Earth, only 0.01% is actually available to us. Today, the world faces the serious threat of water shortage, stemming from population increase, growing industrial demand for water, water pollution, and global warming. Especially, the Middle East, Africa, and the northern part of China are constantly suffering from water shortage, while newly emerging economies in Asia and other regions, such as India and Vietnam, are pressed to develop water and sewage infrastructure in response to rapid economic and population growth. With more than century-long experience in water-related business behind us, KUBOTA is striving to offer solutions to the water problems of Asia and the rest of the world through a variety of approaches.

# Supplying safe and clean water

Development of a water service system in a manner to cater to specific local needs

### Japan Offering comprehensive support to the renewal of aging water pipes

In Japan, there is a pressing need to renew aging water pipes, enhance the earthquake-resistance of pipes, and disseminate advanced water supply technologies. To meet these needs, KUBOTA provides solutions to the entire process of water service management with its products and know-how. To be specific, KUBOTA has developed next-generation earthquake-resistant water pipes, and has been involved in the renewal of water pipes, starting from the planning and designing stage, through to plumbing work, and up to the maintenance and management stage. In this way, KUBOTA has made extensive contribution to the improvement of the quality of Japanese water services.

Next-generation earthquake-resistant water pipe that can last for 100 years

GENEX



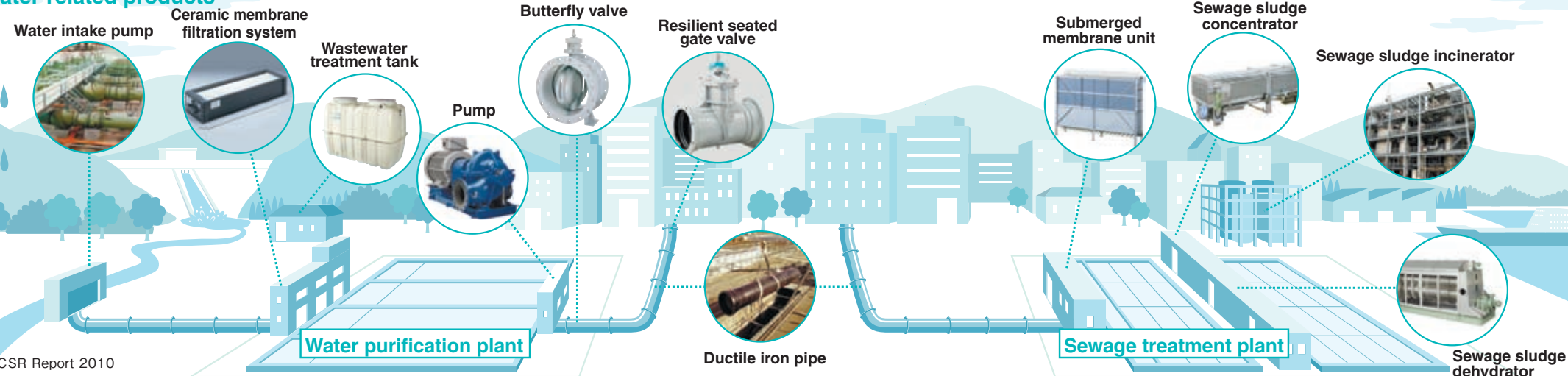
### Overseas Supplying safe and clean water through KUBOTA's proprietary water technologies

In newly emerging economies in Asia, rapid growth of urban populations and industrialization have given rise to serious water problems, such as pollution and drought. On a daily basis, these countries also face water leakage problems and stolen water resources. KUBOTA, besides offering its ductile iron pipes, pumps, and valves to the markets of these countries, will cooperate with local manufacturers to develop and supply water-related products with quality and specifications better tailored to local needs. In addition, KUBOTA will positively engage in water management and water supply services, taking advantage of its state-of-the-art technologies amassed over years of involvement in water and water infrastructure, to ensure that safe and clean water will be available to everyone.



Waterworks system developed in cooperation with KUBOTA in Phnom Penh, Cambodia.

### KUBOTA's water-related products



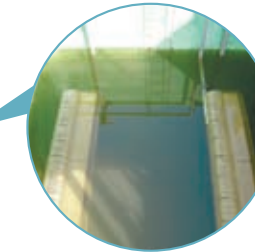
## Promoting the Recycling of Water Resources

KUBOTA proposes an innovative way of water recycling utilizing its submerged membrane technology

Today, sewage and wastewater treatment is attracting greater attention as an effective way to recycle circulating water resources. KUBOTA's submerged membranes are used extensively around the world as an innovative means of wastewater treatment. This product is highly evaluated for its efficiency in water treatment, outstanding durability, its simple processing system, and its ease of maintenance. In China, for example, KUBOTA's submerged membranes are expected to contribute to solving serious environmental problems affecting aquatic areas, caused by rapid economic growth. Additionally, KUBOTA will expand the scope of its activities to further promote the recycling of water resources by offering its submerged membranes to a wider range of users and by constructing and operating wastewater and sewage treatment plants utilizing these submerged membranes.



KUBOTA's submerged membranes employed at a sewage treatment system in a refuse-incinerating power plant in China



Membrane unit

## Improving Water Infrastructure

Developing local water service infrastructure through use of a wastewater treatment plant

In many parts of Asia, untreated wastewater flowing into rivers and other water sources causes serious water pollution, due to lack of sewage treatment plants. To cope with the situation, KUBOTA is introducing wastewater treatment tanks to these areas as part of its wastewater treatment plant initiatives. KUBOTA's wastewater treatment tanks incorporate a consistent sewage treatment mechanism combined with the company's advanced know-how in the area of water treatment. Because these tanks can be installed easily and yet demonstrate high water treatment efficiency, they can perfectly serve the needs of plants and hospitals in sparsely populated areas, as well as in residential areas still under development. KUBOTA will remain committed to improving water resources/infrastructure for the people of Asia.



KUBOTA's wastewater treatment tank installed at a hospital in Ho Chi Minh City, Vietnam



Large-scale wastewater treatment tank, KM-SG-NP

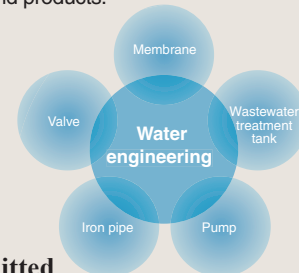
## KUBOTA's VISION

Message from the Officer in Charge

Since its inception, KUBOTA has been promoting the development of technologies and products in the areas of water and the environment, with a view to enhancing living standards and protecting the global environment. Currently, we are making dedicated efforts to offer higher-quality iron pipes, valves, pumps, and submerged membranes, and to improve our water purification, sewage, and industrial wastewater treatment technologies, so that we will be able to provide "total water solutions" for the good of society. However, recently, the threats of water shortage and environmental pollution are increasingly growing serious worldwide. In response to this threat, KUBOTA has embarked on new projects to address overseas water problems.

For example, we began production of water pipes in cooperation with the TATA Group in India, to cater to the rapid increase of demand for water in India and the Middle East.

In China, we are going to produce and supply pumps to facilitate development of water and sewage systems. As well, in China, we are promoting business in the area of water engineering, focusing on the "reuse of sewage and industrial wastewater" and "sludge incineration for effective sewage sludge treatment." At KUBOTA, we will continue our concerted efforts toward the improvement of global water resources and infrastructure through our technologies and products.



We are committed to contributing to healthy global water resources by accelerating development of our corporate activities that cover the entire water circulation process.



Hirokazu Nara

Representative Director and Senior Managing Executive Officer  
General Manager of Water & Environment Systems Consolidated Division  
KUBOTA Corporation



## The responsibility of KUBOTA as a manufacturer for preventing climate change

– Proposals to the KUBOTA Group –



**Keisuke Sesaki**  
General Manager,  
Environmental Protection  
Department,  
KUBOTA Corporation

**Masayuki Yukuta**  
General Manager,  
CSR Planning Department,  
KUBOTA Corporation

**Nobuyuki Miyazaki**  
Professor,  
International Christian University  
Professor Miyazaki currently serves as the  
Vice Chairperson of the Sustainable  
Management Forum of Japan and the  
Director of the Japan Corporate Social  
Accounting and Reporting Association.

**Yasuki Funahashi**  
CEO,  
Fuluhashi Environmental  
Institute Co., Ltd.  
Mr. Funahashi was a member of the  
Industrial Structure Council of the Ministry of  
Economy, Trade and Industry (2008). He is  
now working with many companies and  
administrative agencies in the areas of  
environmental management and CSR.

**Yutaka Miki**  
Chief Researcher,  
The Japan Research  
Institute, Ltd.  
Mr. Miki specializes in  
consulting for global  
warming and the field of  
renewable energy.

The dialogue was held on March 3, 2010 at the head office (Hanshin Office) of KUBOTA Corporation.

As a company involved extensively in the fields of food, water, and the environment, KUBOTA recognizes the need for consideration of the environment, especially the prevention of climate change, as an important theme that should always be borne in mind when carrying out corporate activities. The following is a report on a discussion among experts in corporate environmental activities, who offered valuable advice to the KUBOTA Group.

### Concerning the approach that KUBOTA should take toward the 2020 target announced at the COP 15

**Sesaki:** The COP 15 Conference was held in Copenhagen in December 2009, where the Japanese government announced a highly ambitious target: to reduce Japan's greenhouse gas emissions by 25% by 2020. How should manufacturers, industries, or Japanese companies at large, act in response to this announcement?

**Miki:** I think the most important thing for Japanese companies is to demonstrate how they can best contribute to achieving this target through their technologies and products. How far each national government can commit to reducing CO<sub>2</sub> emissions depends on the availability of technologies that contribute to CO<sub>2</sub> reduction, such as photovoltaic and wind power generation. KUBOTA has continued efforts to achieve challenging targets. Thus, why don't you take the government's target of a 25% reduction as your own ambitious target and explore how you can take up the challenge?

**Funahashi:** Speaking of the announcement of the Japanese government to target reducing greenhouse gas emissions by 25% by 2020, we should not forget that this is not a final goal, but just a step toward a higher goal. I think that KUBOTA

should be able to draw up a scenario that can show one way in which you can meet this target. In this light, I think your emphasis on food, water, and the environment, as part of your core business, is just the right choice. Perhaps, the COP 15 Conference offered a good chance for you to renew your awareness of CSR and environmental issues.

**Miyazaki:** If a company makes a commitment to prevent climate change on an individual level, the financial aspect should be fully taken into consideration. It makes no sense if success in reducing CO<sub>2</sub> emissions leads the company to bankruptcy. Therefore, in this age of environmental concern, I think you need a strategy that can turn the growing interest in the environment into a business opportunity. Looking at KUBOTA's product mix from this perspective, I am sure that, though the target of a 25% reduction is a tough one, it will bring you some sort of chance to achieve further growth.

### Promotion of corporate activities in a manner that can contribute to the prevention of climate change and that can help support developing countries

**Sesaki:** While growing environmental concern can be considered a chance for business development and economic growth on one hand, we are also expected to respond to the request of developing countries for technical support on the other. Considering this connection, let me ask you this: In what manner should KUBOTA expand its business into developing countries?

**Miki:** When advancing into developing countries, it is important to consider what you can do in cooperation with local people. Developing countries hope to introduce

advanced technologies and have them take root in local industries, not just to purchase equipment only. Therefore, when developing your business overseas, you should act and think as if you were a local company. If you fail to do so, developing countries will think you are only interested in selling your products to them. My advice, therefore, is that you should transfer technologies to developing countries in a manner that will enable them to locally manufacture and distribute products with less environmental impact. I am sure doing so will serve the interests of both KUBOTA and developing countries.

**Funahashi:** You can never extend meaningful support to developing countries only by transferring machinery to them. This is because they don't know how to make the best use of the machinery provided. Thus, when selling machinery to developing countries, you also have to show them in what manner the machinery can be used to serve their interest. In other words, you must be able to offer know-how when selling products to developing countries. By offering both products and the various possibilities behind them, you can help developing countries foster sustainability. If KUBOTA can draw up such a scenario on its own, then KUBOTA can differentiate itself from competitors, I think.

**Miyazaki:** In a broader sense, what has been said can be reduced to the creation of added value based on the principle of co-existence. Namely, though short-term returns cannot be ignored, we should rather seek long-term returns, so that we can achieve co-existence. In the case of KUBOTA, you can play a leading role in introducing advanced agricultural technologies to developing countries, for one thing. By training agricultural personnel locally and introducing

environmentally friendly, high-performance and safe agricultural machinery to developing countries, you can make quite a meaningful contribution in terms of both agriculture and water, for which you will become highly appreciated by local people.

**Yukuta:** So we should be able to support the self-help efforts of developing countries. This also means that we should be a company rooted in the local community. The keywords that often appear in the remarks of the president of KUBOTA are "globalization" and "CSR." Your advice provides us with very important clues to deepen the understanding of the true meaning of these keywords. I understand that what we should bear in mind is to not have a short-term perspective, but a long-term one; not to act in haste, and, more importantly, to work in cooperation with local people.

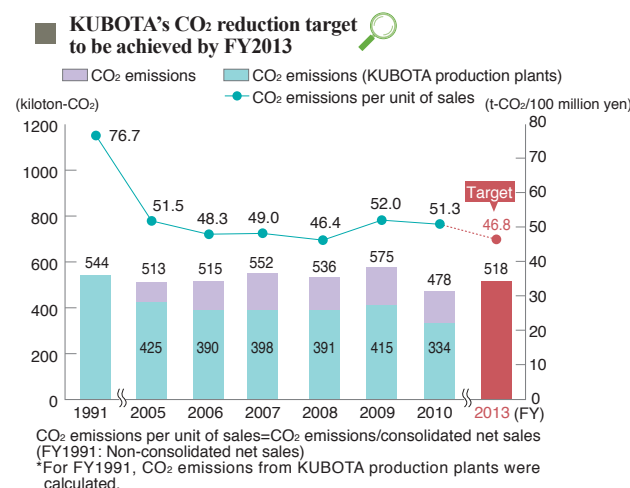
**Miki:** I think that if KUBOTA maintains such an attitude, you will eventually help foster the ability of developing countries to reduce CO<sub>2</sub> emissions on their own. And this is a more meaningful achievement than simply selling high-performance, made-in-Japan products that emit less CO<sub>2</sub> to developing countries. If this positive attitude of KUBOTA takes root in developing countries, then local industries can achieve CO<sub>2</sub> reduction in their own way.

### Promotion of technologies to reduce CO<sub>2</sub> emissions from products in use and the importance of information disclosure

**Sesaki:** Today, growing attention is paid to carbon footprints (CFP: the total amount of greenhouse gas emissions over the life cycle of a product from manufacturing to disposal). Do

### The KUBOTA Group places emphasis on the reduction of CO<sub>2</sub> emissions from its business sites.

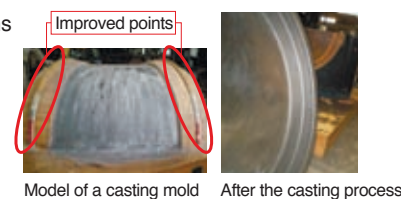
At the KUBOTA Group, we have been taking positive measures to reduce CO<sub>2</sub> emissions from our business sites, especially from our production sites. To be specific, we have been striving for a reduction of energy consumption by setting up divisions responsible for efficient energy management and by introducing energy efficient production equipment. However, against the backdrop of growing concern over climate change, further efforts are called for regarding a reduction of greenhouse gas emissions across society. At KUBOTA, we reduced CO<sub>2</sub> emissions from our domestic production sites by about 24% in FY2009 from the FY1991 level. In FY2010, we also launched new measures across the entire KUBOTA Group, including overseas affiliates, to achieve the target of a 10% reduction in CO<sub>2</sub> emissions by FY2013 from the FY2009 level. We give first priority to the reduction of CO<sub>2</sub> emissions through our group-wide environmental preservation measures and expedite efforts to prevent climate change.



### CO<sub>2</sub> reduction measures taken during FY2010

#### Energy conservation by means of product improvement

To facilitate energy conservation, we improved yield rates and reduced processing steps by leaving the sockets of iron pipes (fittings) unprocessed.



#### Other energy conservation measures

As a means to reduce energy consumption at business sites, we replaced fuels used for burners to heat molten metal and improved the combustion efficiency of melting furnaces in the casting production process. We are also encouraging the introduction of higher-efficiency equipment, as well as eco-friendly cars, such as hybrid vehicles, for company use.

### Eco-First Commitment

In May 2010, KUBOTA made an "Eco-First Commitment" pledge to the Minister of the Environment to carry out environmental preservation measures on a group-wide basis, and was officially approved as an "Eco-First company" by the Japanese Ministry of the Environment. The "Eco-First Program" was introduced in April 2008 by the Japanese Ministry of the Environment, which seeks to encourage the environmental preservation activities of leading companies by requiring them to commit to the Minister of the Environment in undertaking voluntary environmental protection initiatives, such as climate change prevention measures. We will check the progress of our environmental efforts under this program and report the results to the Ministry of the Environment, while also displaying them on our website.







**Keisuke Sesaki**  
General Manager,  
Environmental Protection Department,  
KUBOTA Corporation

you think that we can add to our competitiveness by disclosing the amount of CO<sub>2</sub> emissions from our products in use in developing countries as well?

**Miki:** In the case of agricultural machinery, carbon footprints are almost equal to the energy consumption of the product in

use. Accordingly, disclosure of carbon footprints has merit for users, and helps to enhance your competitiveness, as well. I also think it will be highly welcoming for developing countries if you work with them in building up the ability to gain competitiveness in this field. I think it is good for you to disclose the carbon footprint of your products, because by doing so, you can offer more substantial support to developing countries.

**Funahashi:** In the case of carbon footprints, every single grain of rice, tomato, or radish that is produced by use of a tractor can be included in the calculation of the CO<sub>2</sub> emissions. If you can prove that KUBOTA's agricultural machinery emits less CO<sub>2</sub> per radish, each of your innovative technologies will have greater appeal when seen from a broader perspective. I think the good point concerning carbon footprints is that fuel consumption and the amount of CO<sub>2</sub> emissions are calculated on such an all-inclusive basis.

**Miyazaki:** In the future, agricultural and construction machinery will employ hybrid technology, which will lead to a drastic reduction in the amount of CO<sub>2</sub> emissions of products in use. It is regrettable that few companies incorporate such important information in their corporate environmental reports.

**Funahashi:** KUBOTA should disclose information about its successful implementation of environmental consideration and CSR efforts in developing countries, in a manner that appeals to the public. By doing so, KUBOTA can enjoy a greater reputation and will attract an increasing number of supporters. It does no good to say that you are too modest to boast about your success—too much modesty is no longer a virtue in today's society. You should widely communicate to the public what you are successfully doing. At KUBOTA, dedicated technical development efforts are constantly underway, but such dedication is taken for granted internally, and KUBOTA employees are not aware of the value of such efforts.

**Miyazaki:** I examined the environmental reports of the Nikkei 225 companies and found that most of these companies did not disclose information concerning the environmental impacts given by their products in use. Manufacturers can make a meaningful contribution to society by reducing the

environmental impacts of their products in use. I think around 90% of KUBOTA's agricultural and construction machinery emits CO<sub>2</sub> while in use, but it is very disadvantageous for KUBOTA not to disclose this information. KUBOTA can enhance its competitiveness by emphasizing that KUBOTA's products emit less CO<sub>2</sub> while in use. If KUBOTA can lead other companies in disclosing this information, I am sure you can make a significant contribution to the good of society in your own unique way.

**Social contribution through corporate activities: What can corporate activities do to conserve biodiversity?**

**Miyazaki:** I think KUBOTA's corporate activities are deeply associated with the national security of Japan, in a broad sense. Japan is faced with extremely low food and energy self-sufficiency rates, as well as a serious water problem.



**Masayuki Yukuta**  
General Manager,  
CSR Planning Department,  
KUBOTA Corporation

In this light, KUBOTA occupies a very important position in Japan.

**Yukuta:** Our president often says that food, water, and the environment are the most important issues facing the world today, and now the time has come for KUBOTA to demonstrate its

competence to the fullest extent, to prove that our proprietary technologies best serve the needs of today's society and that our corporate activities can directly contribute to the betterment of society. This view is shared by all of us, and we take pride in KUBOTA's ability to do so.

**Miyazaki:** Food and water issues are very important because they expose us to especially huge risks. They have great importance, aside from their economic impacts.

**Sesaki:** On the other hand, the environmental preservation activities that we are carrying out to reduce environmental impacts will eventually lead to the conservation of biodiversity, we hope. At present, these activities are sort of undertaken as philanthropic activities, separate from our core business. Thus, I would like to seek your advice as to how we can contribute to the conservation of biodiversity through our corporate activities.

**Miki:** It is true that the conservation of biodiversity is a task that is most difficult to accomplish for any company. However, in the case of KUBOTA, you can address this task in the viewpoint of how your products or technologies can contribute to conserving biodiversity. If you are too obsessed with achieving "biodiversity" and have to force yourself to tackle the task, your activities cannot be sustainable.

**Miyazaki:** By enhancing agricultural productivity, we can eventually achieve the preservation of nature on a global basis. Additionally, by increasing the farmland that can be used for a prolonged period of time, we can contribute to maintaining the global environment and conserving biodiversity. Therefore, in



**Nobuyuki Miyazaki**  
Professor,  
International Christian University

manufacturing agricultural machinery, KUBOTA should be aware that your agricultural machinery helps to enhance agricultural productivity, which eventually results in global environmental preservation.

**Miki:** That is a very interesting view.

**Funahashi:** I feel that KUBOTA should be more focused on the issue of biodiversity than any other company. This is because most of KUBOTA's corporate activities, such as offering machinery to grow crops, are connected with nature and therefore directly affect biodiversity. Thus, KUBOTA should look squarely at the direct impacts of its corporate activities on biodiversity and assess such impacts honestly, without any evasiveness. I think this is very important.

**Expectations for the KUBOTA Group as a company that can cater to the needs of society**

**Funahashi:** Your e-Project (see p.31) is a very meaningful attempt. I encourage you to upgrade this project by two, three, or more levels in a manner that can create an upward spiral of positive influence. For



**Yasuki Funahashi**  
CEO,  
Fuluhashi Environmental Institute Co., Ltd.

example, Japan is seriously affected by the current unemployment problem. I hope your e-Project will be helpful in solving this problem by generating job opportunities. In addition, if KUBOTA is to remain a desirable company from a global point of view, you should address the issue of biodiversity in the most serious manner and explore how you can implement your business activities in accordance with the laws of nature. At KUBOTA, all corporate activities are connected to the environment, CSR, and social contribution. Thus, what you should do is create a

scenario that allows you to declare with confidence that KUBOTA is a company with such value.

**Miki:** Even if the amount of CO<sub>2</sub> emissions from KUBOTA increases, users of KUBOTA's products can reduce CO<sub>2</sub> emissions by 50 or 25%. If this fact is known publicly, you can convince society that the amount of CO<sub>2</sub> emissions reduces as a whole. If you take pride in continuing to manufacture products that contribute to the reduction of greenhouse gas emissions, you

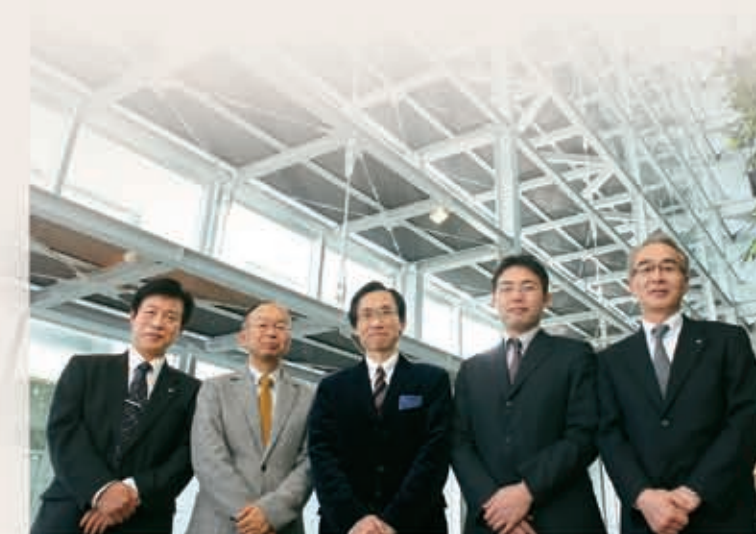


**Yutaka Miki**  
Chief Researcher,  
The Japan Research Institute, Ltd.

should make efforts to convince the public, more enthusiastically, that the reduction of CO<sub>2</sub> emissions from KUBOTA's users more than offsets the increase of the CO<sub>2</sub> emissions from KUBOTA.

**Miyazaki:** KUBOTA invests a considerable portion of its profit in R&D and directs most of its R&D efforts to energy conservation and the reduction of environmental impacts from products in use. In this light, I think it is your responsibility, or accountability, to make public how far you have succeeded in reducing environmental impacts from your products in use. Without fully disclosing such information, you cannot convince investors of the significance of investing such a huge amount of money for this purpose. By presenting the results of your efforts objectively in numerical terms, KUBOTA can take an additional step forward.

**Sesaki:** Today, we could learn a lot of things from different perspectives. Thank you very much for your valuable advice.





# The Fundamental Principles of KUBOTA's CSR Management

## Fundamental Ideas on CSR Management

At the KUBOTA Group, we are performing management activities in a manner meant to heighten the overall value of the company, while bringing satisfaction to our stakeholders and maintaining a balance among the company's economic, social, and environmental value. In so doing, we aim to put into practice our management principle to "contribute to the development of society and the preservation of the earth's environment through our products, technologies, and services that provide the foundation for society and for affluent lifestyles."

### Important points concerning the implementation of CSR management

1. Top management should clearly indicate their stance in regard to CSR management.
2. A "system" used to implement CSR management should be integrated into the company's management.

**WEB** For more detailed information about the mechanisms of compliance, corporate governance and internal control system in place at KUBOTA, please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>



#### ① Ensuring thorough "compliance"

We ensure the strict observance of laws, regulations, and corporate ethics, which underlies all of our corporate activities (e.g., educational programs implemented by relevant departments in charge and internal reporting systems).

#### ② Establishing "corporate governance"

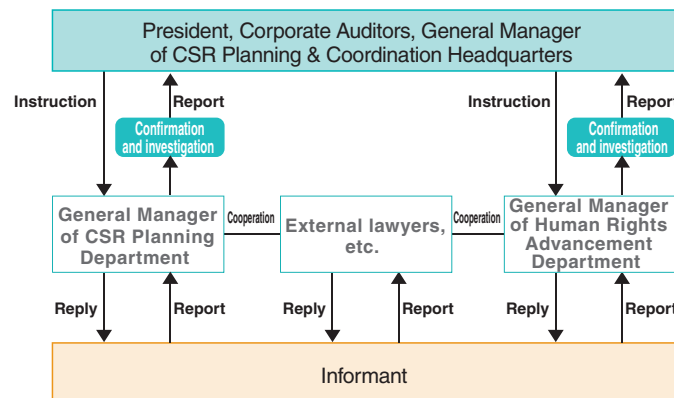
We objectively evaluate and check the decision-making process and contents concerning top management policies and management issues (e.g., the Board of Corporate Auditors, Board of Directors, Board of Executive Officers, Management Committee, Investment Council, and various strategy and other committees).

#### ③ Introducing and strengthening an "internal control system"

We establish internal rules, carry out our duties in compliance with such rules, and check whether our corporate activities are performed in a righteous manner according to these rules (e.g., development of internal rules/regulations and audits by relevant departments in charge).

### The service of external lawyers was introduced as new points of contact in KUBOTA's internal reporting system.

At KUBOTA, thorough compliance with rules and corporate ethics is ensured by means of an internal reporting system called the "KUBOTA Hot Line," which is designed to encourage employees to report any illegal or unethical conduct by members of the KUBOTA Group that may come to their knowledge. In January 2010, we introduced a service of external lawyers as new points of contact for the KUBOTA Hot Line to facilitate early detection and prevention of undesirable conduct.



### We surveyed the level of compliance awareness among employees.

In July 2009, we conducted a survey to measure the level of compliance awareness among 500 randomly selected KUBOTA employees in the same manner as we did in 2003, and found that employee awareness improved significantly since the last survey. We will continue our efforts to ensure full compliance with all applicable laws and regulations through various awareness-raising programs, based on the candid comments that many of the employees surveyed submitted to us.

Various kinds of booklets are available to offer easy-to-understand explanations concerning how a company and its employees should conduct themselves, as well as points to note regarding compliance issues.



## Raising CSR Awareness among Employees

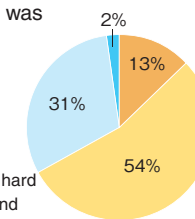
Each and every employee should be involved in the implementation of CSR management. At KUBOTA, we are carrying out various kinds of educational activities to ensure that all our employees are constantly aware of the importance of CSR.

### We implemented a program to encourage employees throughout KUBOTA to read our CSR report.

If we are to successfully implement CSR management, it is necessary to ensure that each and every employee recognizes what society expects of us and what attitude the KUBOTA Group should take. Between July and September 2009, departments and business sites across KUBOTA implemented a program to encourage employees to read KUBOTA's CSR report and conducted a questionnaire survey on the report, which was joined by 5,872 employees in total.

**Excerpt from the questionnaire survey concerning the CSR Report 2009 "Is the CSR Report 2009 easy to understand?"**

Very easy to understand (orange), Neither easy nor hard (light blue), Easy to understand (yellow), Hard to understand (dark blue)



### At the KUBOTA Group, we recognize it as materially important to contribute to society in the areas of food, water, and the environment through the group's manufacturing activities and technologies.

The internal questionnaire survey concerning the CSR Report includes the question: "What do you think is most important for the KUBOTA Group?" Many of the answers to this question, not to mention KUBOTA's management principles and the KUBOTA Group slogan, correspond with the messages of the public who chose KUBOTA as the winner of the Gold Prize.

### We organized a training session to develop ideas for social contribution activities through our corporate activities.

Between July 2009 and March 2010, we implemented a training session throughout KUBOTA's business sites to "consider how we can contribute to society through our corporate activities," mainly for those employees who had completed a course to learn about CSR in the previous year. This session was attended by a total of 644 employees, who actively joined in discussions and shared ideas about social contribution activities to be carried out on a department- or company-wide basis.



### ! Ideas presented during the training session to "consider how we can contribute to society through our corporate activities" (in part)

- To make more effective use of our company cafeteria (e.g., to buy vegetables that are not sellable due to less-than-perfect appearance, or to use leftover meals to produce fertilizer or grow vegetables to offer to local residents for free)
- To organize a "Food Caravan" to teach children the importance of eating right or to send agricultural specialists to provide guidance on agricultural activities or offer KUBOTA's agricultural machinery for rent
- To invite people visiting roadside stations to enjoy hands-on agricultural activities, by offering agricultural machinery for rent and providing guidance on agricultural activities
- To develop a remotely controllable tractor to cater to the needs of the aging population
- To build a nationwide system that can offer KUBOTA's septic tanks, pumps, and construction machinery for public use during times of disaster
- To develop iron pipes that generate power using water flow, or a vending machine that generates electricity by means of wind power or through vibrations caused by those walking nearby
- To display the amount of CO<sub>2</sub> reduced and the amount of power generated by photovoltaic systems on electric bulletin boards installed at factories
- To encourage the recycling of resources at our factories (e.g., to use heat from rooftops or cupolas to generate power or to circulate water within the factories for cooling purposes)

### KUBOTA was awarded the Gold Prize at the "Third CSR Plus Awards 2009," as chosen by the public in an Internet poll.

In November 2009, KUBOTA was awarded the Gold Prize in the "Company Recommended by the Local Community" category of the Nippon Foundation's CSR Plus Awards, by way of a public Internet poll. The awarding of this prize indicates that KUBOTA's determination and efforts to contribute to society in the areas of food, water, and the environment through our manufacturing activities are highly appreciated by the public. We also received messages from 1,376 individuals who expressed their expectations for the role of KUBOTA.



### Excerpt from the internal questionnaire survey concerning the CSR Report 2009 "What do you think is most important for the KUBOTA Group?" (Multiple answers allowed.)

Rank	Answer	No. of answers	%
1	Contribution to society in the areas of food, water, and the environment	4,097	70%
2	Improvement of manufacturing technologies	3,045	52%
3	Development of environmentally friendly products	2,435	42%
4	Enhancement of R&D capabilities	2,274	39%

The top four answers are shown.

### Keywords seen in "messages to the company" submitted by the public who voted for KUBOTA in the Internet poll (multiple answers allowed.)

Rank	Answer	No. of answers	%
1	Support of food and agricultural issues	477	35%
2	The environment	190	14%
3	Water	134	10%
4	Manufacturing, technologies	58	4%

The top four answers are shown.

### ✉ Messages submitted by the public who voted for KUBOTA in the Internet poll (in part)

- I hope KUBOTA will preserve paddy fields, Japan's traditional countryside landscape. (Male, 50s, self-employed)
- Please teach children the importance of food and the significance of agriculture. I look forward to your contribution to a better tomorrow. (Male, 30s, company employee)
- I am sure that in the future, the issues of agriculture and food will largely affect Japan and the world. I hope KUBOTA will achieve further development and make a greater contribution to these issues. (Female, 30s, housewife)
- About 70% of our body is water. Water is essential. Additionally, living is about eating. I think KUBOTA protects what matters most important to us. (Female, 30s, housewife)
- Water is the source of all living things, and food sustains our lives. You are also working for environmental preservation. I think KUBOTA is undertaking really great projects. (Male, 60s, unemployed)
- While attention is directed to the reduction of CO<sub>2</sub> emissions only, I think food and water will become a more serious problem in the future. (Male, 20s, company employee)
- If companies support activities for the good of society, I think we can accept the problems of low food self-sufficiency rates and environmental deterioration as our own problems, and this will change our attitude. (Female, 40s, company employee)



# Economic Report

## KUBOTA Group Profile (as of April 1, 2010)

### Outline of KUBOTA Corporation

Corporate name:  
KUBOTA CORPORATION  
Head office address:  
1-2-47 Shikitsu-higashi, Naniwa-ku, Osaka, Japan  
Founded:  
February 1890  
Established:  
December 1930  
Capital:  
¥84,070,280,304\*

Total number of shares issued:  
1,285,919,180\*  
Number of shareholders:  
48,714\*  
Number of employees:  
9,379 (full-time)\*  
Total number of employees in the KUBOTA Group:  
24,778 (full-time)\*

\* as of March 31, 2010

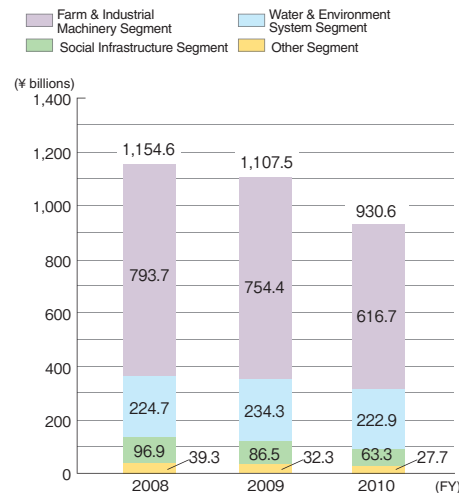
### KUBOTA Group's Performance Report for FY2010\*

\* FY2010 refers to the year ended March 31, 2010.

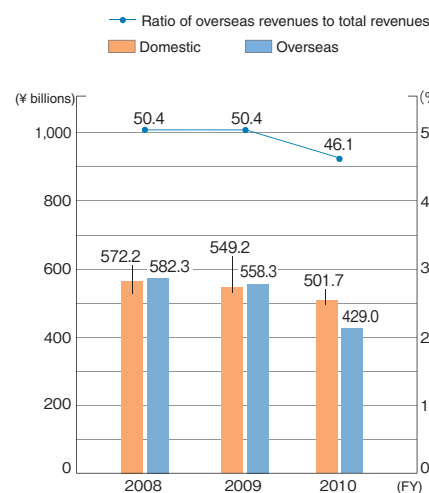
Sales of the KUBOTA Group during FY2010 declined from the previous year to 930.6 billion yen. Domestic sales totaled 501.7 billion yen. In the Farm & Industrial Machinery segment, sales of tractors and farm machinery increased, but the segment as a whole posted a revenue decline, due to a decrease in the sales of engines and construction machinery. The Water & Environment System segment also showed a decline in revenue, due to a decrease in the sales of pipe-related products, such as ductile iron pipes and plastic pipes, and a fall in revenue from environment-related products. Overseas sales declined from the previous fiscal year to 429 billion yen. In the Farm & Industrial Machinery segment, farm machinery and other products achieved solid sales, especially in the Asian market, while sales of tractors, engines, and construction machinery dropped in

Europe and the U.S. Accordingly, the segment posted a sharp decline in revenue as a whole. On the other hand, the Water & Environment System segment achieved a drastic increase in revenue, backed by sharp growth in ductile iron pipes and pumps. The Social Infrastructure segment reported a drop in sales, especially in the industrial castings, and the Other segment, as well, showed a decline in revenue. The ratio of overseas sales to total sales declined from the previous year to 46.1%. Operating income decreased from the previous year to 69.7 billion yen. Though a decrease in foreign exchanges losses and valuation loss on other investments led to the improvement of other revenue (expenses), net income attributable to Kubota Corporation dropped from the previous year to 42.3 billion yen.

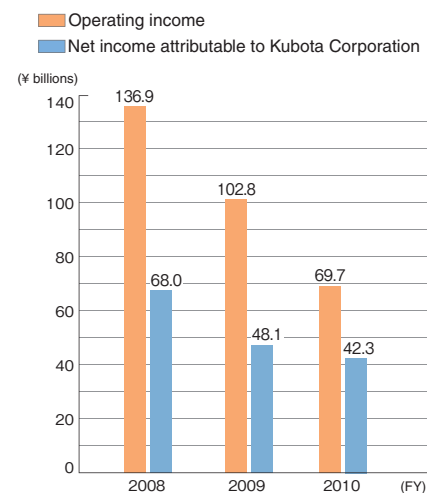
Revenues trends (by reporting segment)



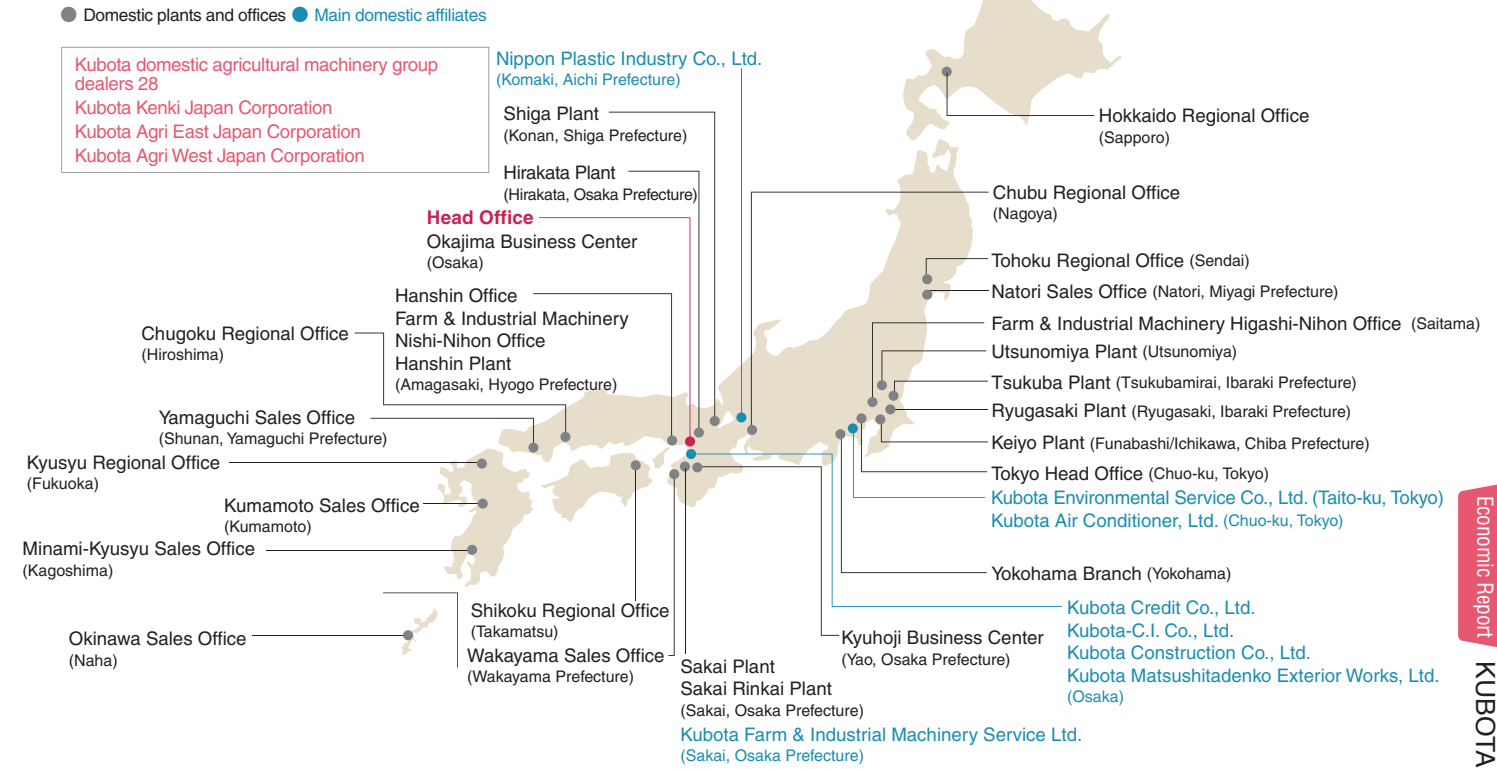
Domestic and overseas revenues trends



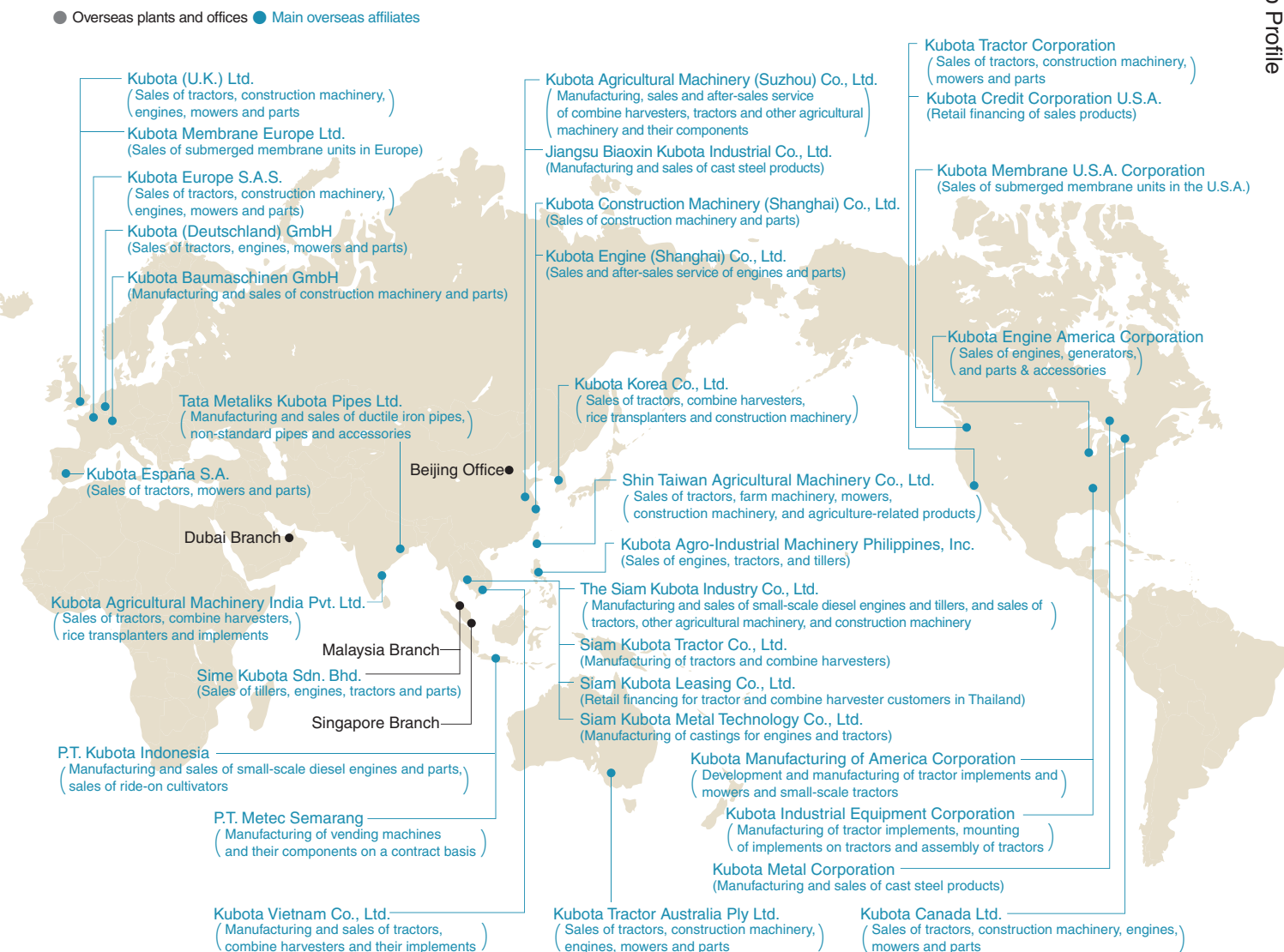
Operating income and net income trends



### KUBOTA Group domestic plants, offices and main affiliates



### KUBOTA Group overseas plants, offices and main affiliates





The KUBOTA Group will remain dedicated to contributing to society in the three areas that are critical to the development of a sustainable society: food, water, and the environment. This section introduces new products and technologies that are attracting attention as possible solutions to the problems that threaten today's society in each of these areas.



## Food

### KUBOTA's agricultural machinery helps Asian countries promote agricultural mechanization.

In recent years, the need for agricultural machinery is rapidly growing in Asia. In Thailand, where the agricultural market is expanding drastically, there were growing needs from rice farmers for tractors with greater water resistance and durability, while small-scale farmers required more reasonably priced tractors. In response to these needs, KUBOTA developed new tractor models, L3008 and L3608, which are manufactured in Thailand with locally procured parts. With enhanced user-friendliness, these models enjoy great popularity among local farmers and help in the promotion of agricultural mechanization in Thailand. In March 2010, KUBOTA also began manufacturing in Thailand conventional-type combine harvesters. KUBOTA plans to increase local production capacity to 13,000 units a year and establish a system to supply its products to Thailand and other Asian countries in the future. In China, on the other hand, the national government is encouraging agricultural mechanization by offering subsidies to purchase agricultural machinery under the Laws of the People's Republic of China on Promotion of Agricultural Mechanization. In the Chinese market, which is undergoing rapid development, KUBOTA has been steadily increasing its share with its rice transplanters and combine harvesters, which are renowned for outstanding durability and substantial after-sale service. With the beginning of the production of tractors in China in 2010, KUBOTA is positioned to better satisfy the needs of the local growth market. The KUBOTA Group will take on greater responsibility for the enhancement of agricultural productivity in Asia. Aware of this responsibility, the KUBOTA Group is determined to continue dedicated efforts to develop a substantial range of high-performance products to contribute to the needs of agricultural communities worldwide.



L3608 tractor, produced in Thailand



DC-95 combine harvester, produced in Thailand



PRO-588-I combine harvester, produced in China



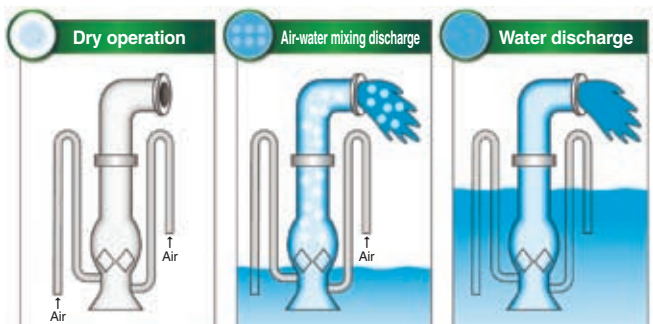
## Water

### KUBOTA developed a "hybrid standby pump" to mitigate damage from "guerilla" rain.

Recently, Japanese urban areas are repeatedly hit by local, sudden heavy rain, known as guerilla rain, and it is urgently required that appropriate measures be taken promptly to discharge rainwater from low areas for flooding prevention. While some local governments are trying to address this problem by constructing an underground pump station, the Pumps Division of KUBOTA has catered to this need by developing a "hybrid standby pump" that can discharge water from a lower level than conventional standby pumps. A "standby" pump can be activated in advance regardless of water levels. Because of this capability, a standby pump can begin pumping water simultaneously with the rise of the water level, unlike conventional pumps, which require several minutes before they start pumping water after being activated. KUBOTA's newly developed hybrid standby pump combines a conventional air-water discharge switching system, which ensures steady operation control, with an air-water mixing discharge system, which allows users to pump water from lower level. Using KUBOTA's unique method, this pump boasts higher reliability, with its ability to cater to the need of pumping water from lower level. The pump's durability has also been improved drastically by the employment of ceramic bearings supported by special rubber, which do not require water supply. KUBOTA's hybrid standby pump is expected to fully prove its effectiveness for preventing damage by "guerilla" rain, which is said to take place even more frequently.



DF-VHM hybrid standby pump  
Hu-BOMBA MAX



Operation mode before water discharge begins



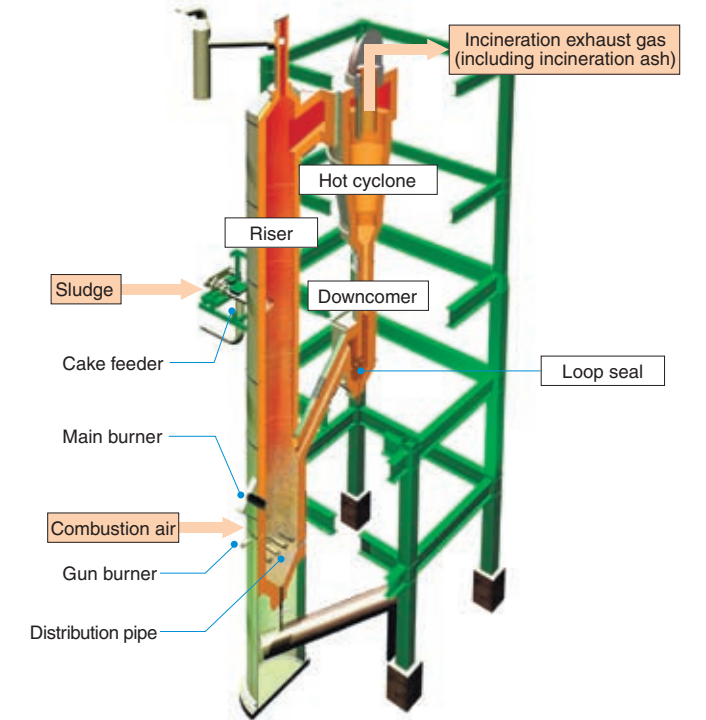
## Environment

### Changing the fuel of sewage sludge incinerators results in a reduction of both CO<sub>2</sub> emissions and treatment costs.

KUBOTA's Water & Sewage Engineering Department completed the renovation of a sewage sludge incinerator to achieve a reduction in both CO<sub>2</sub> emissions and operation costs by changing fuel from oil to natural gas. The renovation was implemented at the second incinerator of the Chubu Sewage Treatment Center in the city of Hamamatsu, Shizuoka Prefecture, which had used oil to incinerate sludge for about three years since 2005, when it was first delivered by KUBOTA. Against the backdrop of the rise of oil prices, however, the pressure on the municipal government to reduce treatment costs mounted. Accordingly, they contacted KUBOTA, the developer of the incinerator, to consider the possibility of switching the fuel to a more stably-priced natural gas. In Japan, the task of changing the fuel of a sewage sludge incinerator while in operation had never been undertaken before. However, engineers from both the Hamamatsu municipal government and KUBOTA, as a result of repeated discussions, determined that the technical difficulties could be overcome and that CO<sub>2</sub> emissions could also be reduced drastically by using natural gas instead of oil. The renovation began in January 2009, and the renovated incinerator began operation in August 2009. The Hamamatsu municipal government formulated the "Action Plan of the Hamamatsu Municipal Government to Prevent Global Warming" in 2008, and has since been working to achieve the target of reducing emissions of greenhouse gases by 6% from the FY2006 level by FY2011. Kubota estimates the renovation of the incinerator can contribute to a 25% reduction of CO<sub>2</sub> emissions from levels before the renovation. Thus, the renovated incinerator is expected to help the city in achieving the target of its action plan and in reducing the treatment costs as well. This "circulating fluidized bed incinerator" is highly evaluated for being superior to general sewage sludge incinerators in terms of energy efficiency and size. This is also an environmentally friendly facility, where incineration ash is recycled into cement-making material.

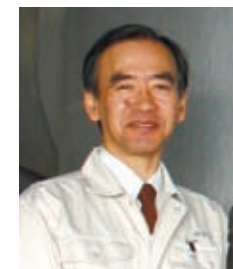


The second incinerator of the Chubu Sewage Treatment Center in Hamamatsu, Shizuoka Prefecture



## Voice

### KUBOTA's prompt and enthusiastic attitude was behind the success of this ambitious project, which is unprecedented in Japan.



**Masaki Saito**  
Water and Sewage Department  
City of Hamamatsu

The renovation of the incinerator was an ambitious project that had never been undertaken in Japan before, and at the beginning, opposition was raised from many people who feared that the incinerator might stop operation during the renovation. However, thanks to the quick and enthusiastic response of KUBOTA to our request, we could convince relevant parties of the necessity of the renovation.

### KUBOTA's dedication and technical excellence supported the spirit of "Yaramaika!"

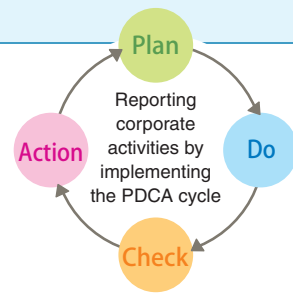


**Motoi Nasu**  
Water and Sewage Department  
City of Hamamatsu

In Hamamatsu, we have an old saying, "Yaramaika," which means: "Let us be positive toward everything and try anyway!" With their dedication and technical excellence, KUBOTA supported our belief that no improvement could be achieved without introducing new technologies.



# Social Report



## Summary of the Fiscal 2010 Social Report, Priority Issues for the Next Fiscal Year and Medium-Term Goals

### KUBOTA's response to the asbestos issue

**KUBOTA is sincere in its acceptance of the grave 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.**

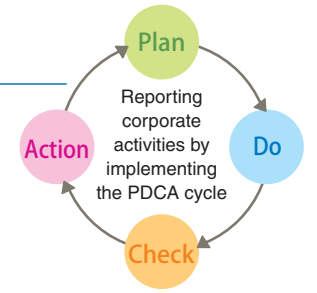
- ① Relief payments were made to 191 individuals up to March 31, 2010, pursuant to the "Rules for Relief Payments to Persons with Asbestos-related Diseases and Their Families around the Old Kanzaki Plant."
- ② The total number of KUBOTA employees (including retirees) with asbestos-related diseases, up to March 31, 2010, was 170 (144 deaths, and 26 currently under medical care).
- ③ We offered financial support to clinical and basic research projects conducted by the Hyogo College of Medicine and the Osaka Medical Center for Cancer and Cardiovascular Diseases.

Charter for Action	Significant topics	Main focus of activity	Plan	Do	Page	Check	Action	Plan							
			Priority issues for FY2010	Activity in FY2010		Self-evaluation		Priority issues for the next fiscal year (FY2011)	Medium-term goals						
1 Winning Customer Satisfaction	Communication with customers	<ul style="list-style-type: none"> <li>Introducing a service call response support system to all domestic agricultural machinery group dealers</li> <li>Enhancing the level of prior inspection and maintenance services in the domestic agricultural machinery sector</li> </ul>	<ul style="list-style-type: none"> <li>Introducing a service call response support system to most of the domestic agricultural machinery group dealers</li> <li>Enhancing the ability to communicate with customers by sharing tools for inspection/maintenance services and communications on a group-wide basis</li> </ul>	25	△	<ul style="list-style-type: none"> <li>Establishing and operating a domestic agricultural machinery customer center</li> <li>Conducting questionnaire surveys with users on a continuous basis</li> </ul>	<ul style="list-style-type: none"> <li>Beginning the official operation of the domestic agricultural machinery customer center and expanding its functions</li> <li>Enhancing prior inspection and maintenance services to satisfy customer needs</li> </ul>								
								Product safety and superior quality	<ul style="list-style-type: none"> <li>Increasing the coverage of quality audits among overseas affiliates and conducting on-the-spot audits</li> <li>Providing continued education on quality control and product safety</li> </ul>	<ul style="list-style-type: none"> <li>Conducting on-the-spot quality audits at overseas manufacturing and sales companies</li> <li>Providing education on quality control and product safety for relevant departments</li> <li>Upgrading green procurement efforts by revising the guidelines, etc. (Please see the environmental report on the web.)</li> </ul>	26	○	<ul style="list-style-type: none"> <li>Continuously increasing the coverage of quality audits among overseas affiliates and conducting on-the-spot audits</li> <li>Providing continued education on quality control and product safety</li> <li>Developing green procurement into CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening quality management systems to better respond to the globalization of business</li> <li>Ensuring full compliance with safety laws and regulations</li> <li>Preparing more detailed product safety checklists</li> <li>Implementing CSR more fully across the entire supply chain</li> </ul>	
2 Conducting Corporate Activities Based on Compliance with Legal Regulations and Ethical Principles	The ensuring of full legal compliance	<ul style="list-style-type: none"> <li>Continuing to implement measures such as audits to ensure full compliance with the Anti-Monopoly Act by divisions doing business with the public sector</li> <li>Establishing measures to ensure full legal compliance by divisions doing business with the private sector and by sales companies (e.g. to prevent unfair trade practices)</li> <li>Establishing measures to ensure full compliance with overseas competition laws</li> <li>Conducting on-the-spot inspections on import/export control and providing guidance at overseas affiliates</li> <li>Implementing in-depth education and giving instruction to ensure full compliance with the Construction Business Law by KUBOTA and its domestic affiliates</li> <li>Further enhancing the ability of affiliates to manage intellectual property risks</li> <li>Strengthening the overseas information security systems</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to implement measures such as audits to ensure full compliance with the Anti-Monopoly Act by divisions doing business with the public sector</li> <li>Implementing measures (such as hearings) to ensure the full compliance of sales companies and divisions doing business with the private sector to prevent fraudulent trading</li> <li>Implementing follow-up audits at purchasing divisions</li> <li>Offering prior consultations to ensure full compliance with overseas competition laws</li> <li>Conducting on-the-spot inspections of export control at 10 overseas affiliates in North America, Asia, and Europe</li> <li>Conducting audits and providing education, guidance, and support to ensure full compliance with the Construction Business Law by KUBOTA and domestic affiliates</li> <li>Taking measures to prevent KUBOTA and domestic affiliates from infringing on the intellectual property rights of other companies</li> <li>Introducing an information security policy applicable to both domestic and overseas affiliates of the KUBOTA Group</li> </ul>	27	○	<ul style="list-style-type: none"> <li>Building and developing a prior consultation system mainly for divisions doing business with the private sector</li> <li>Expanding and continuing to implement compliance measures, such as hearings, for sales companies</li> <li>Developing a system for preventing international cartel formation</li> <li>Developing checklists for export control and internal rules for the 10 overseas affiliates, and implementing them on a trial basis</li> <li>Ensuring that KUBOTA and domestic affiliates are in fuller compliance with the Construction Business Law</li> <li>Offering guidance in intellectual property risk management to overseas affiliates that conduct R&amp;D</li> <li>Promoting information security measures for overseas affiliates</li> </ul>	<ul style="list-style-type: none"> <li>Establishing an organizational system that allows effective and constructive operation of measures to ensure compliance with the Anti-Monopoly Act, while flexibly coping with amendments in laws or changes in the social risk environment, if any</li> <li>Implementing a security trade control system and internal rules in overseas affiliates that are to be export-controlled, so that their export control is carried out on a routine basis.</li> <li>Ensuring that KUBOTA and domestic affiliates are in fuller compliance with the Construction Business Law</li> <li>Promoting risk management for intellectual properties to better respond to the globalization of business</li> <li>Promoting consistent, group-wide information security measures both at home and abroad</li> </ul>								
								3 Respecting Human Rights	Promotion of human rights awareness-raising	<ul style="list-style-type: none"> <li>Expanding group-wide human rights awareness-raising</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring employee participation in training sessions concerning human rights (one time/person/year)</li> <li>Inspecting human rights awareness-raising measures taken at domestic and overseas business bases and affiliates</li> </ul>	28	○	<ul style="list-style-type: none"> <li>Expanding group-wide human rights awareness-raising</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring fuller implementation of human rights awareness activities across the KUBOTA Group, including in overseas affiliates</li> </ul>
								6 Achieving Symbiosis with International and Local Societies	Contributing to local and international societies and enhancing social and cultural activities	<ul style="list-style-type: none"> <li>Promoting diversity management</li> <li>Promoting diversity training sessions on diversity</li> <li>Promoting personnel exchanges among female employees</li> </ul>	<ul style="list-style-type: none"> <li>Establishing the Diversity Promotion Office in the Personnel Department on April 1, 2009</li> <li>Implementing training sessions at business sites, training sessions targeting each job class, and joint training sessions with the Human Rights Advancement Department</li> <li>Setting up the K-Wing (an organization to assist female employees in developing their careers and promoting personnel exchanges among them) and launching its activities</li> </ul>	30	○	<ul style="list-style-type: none"> <li>Offering support to female employees in developing their careers</li> <li>Organizing training sessions and information exchange meetings through K-Wing</li> </ul>	<ul style="list-style-type: none"> <li>Promoting diversity management to create a corporate system that allows female employees to fully exercise their skills and abilities and develop a highly creative organization, thus enhancing corporate value</li> </ul>
								7 Fulfilling Responsibilities for Improving Management Transparency and Accountability	IR activities and the provision of corporate information	<ul style="list-style-type: none"> <li>Conducting appropriate IR activities in a timely manner to better cope with the harsh business environment</li> <li>Promoting IR activities focusing on the vision of the president and on management policy</li> <li>Organizing accessible, friendly shareholders' meetings</li> <li>Developing a corporate communication system</li> </ul>	<ul style="list-style-type: none"> <li>Organizing a number of IR meetings to strengthen IR information disclosure</li> <li>Promoting IR activities focusing on the vision of the president on management policy</li> <li>Organizing an open shareholders' meeting (attended by more participants than any other preceding meeting)</li> <li>Establishing a liaison meeting involving all personnel responsible for information disclosure across KUBOTA</li> <li>Renewing the company's official website to enhance convenience and offer more substantial information</li> <li>Implementing dialogue for the prevention of global warming</li> </ul>	34	○	<ul style="list-style-type: none"> <li>Encouraging the disclosure of IR information reflecting changes in the business environment and related trends</li> <li>Organizing shareholders' meetings in an easy-to-understand manner</li> <li>Establishing the Corporate Communication Department</li> <li>Providing timely information in a manner satisfactory to various stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Increasing the number of loyal shareholders by offering necessary information in a timely manner</li> <li>Identifying problems by means of stakeholder dialog</li> </ul>

\* For the Charter for Action 5 "Preserving the Natural Environment," please see the Environmental Report section (p.35).

○ Exceeded target ○ Reached target △ Portion of target not reached ✕ Target not reached





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.

**Product recall information**

- April 8, 2009: Problems with a tractor's rear reflector
- July 8, 2009: Recall of MZ/SMZ-series tractors
- November 16, 2009: Recall of ARN-series combine harvesters
- March 2, 2010: Recall of KL5150H tractors
- March 2, 2010: Recall of MZ/SMZ-series tractors

For more detailed information, please visit our website at: <http://www.kubota.co.jp/important/index.html>

## Plan Communication with customers

Do

### Customer satisfaction activities at KUBOTA's machinery business divisions

Service call response support system **New!**

Kubota domestic agricultural machinery group dealers have introduced the "service call response support system" to quickly take action when problems arise with KUBOTA's products at customer sites. Failure of agricultural machinery during rice transplanting and harvesting seasons can cause serious disturbance to customers; thus, reliable measures have to be taken immediately. The service call response support system enables the sharing of customer information between KUBOTA's sales base and its sales and service personnel, from the receipt of a customer call to the completion of service. To ensure that effective and prompt action is taken without fail, we make it a rule to "make initial contact to the customer within 30 minutes upon receipt of the call and complete the required service within 24 hours," in effort to enhance customer satisfaction. We have also introduced inspection and maintenance tools to offer explanations to our customers that are easier to understand.

### Improving sales and service skills

At KUBOTA, efforts are constantly underway to improve the skills of employees so that they can be trusted and appreciated by customers. For example, KUBOTA's agricultural machinery business divisions and Kubota Farm & Industrial Machinery Service Ltd. jointly organize the annual "National Sales and Service Skills Contest" to encourage employees to continue efforts to improve their sales and service skills.



National Sales and Service Skills Contest held in FY2010

### Improving prior inspection and maintenance services **New!**

We have developed tools to facilitate machinery inspection and maintenance proposals (which include inspection advice sheets, inspection and diagnosis check sheets, and a PR package for inspection and maintenance for exhibitions, etc.) common to the KUBOTA Group, especially domestic agricultural machinery group dealers. These tools, combined with an inspection and maintenance list (written proposals) developed by the sales companies, enable us to offer meaningful proposals to our customers that precisely cater to their needs to ensure efficient and safe agricultural work.

### Customer satisfaction activities at KUBOTA's Pipe System Division

Improvement of the customer service system **New!**

Customer service (CS) groups at KUBOTA's Pipe System Division have introduced a sales information management system to ensure that prompt action will be taken upon receipt of orders or complaints from customers (sales agencies). This system allows the sharing of information concerning orders received and shipments between KUBOTA and its customers, and enhances work efficiency.



### Product exhibitions

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



The 63rd Machinery Dealers Meeting (January 19 to 20, 2010, at the Kyoto International Conference Center)



INTERMAT 2009, an international exhibition of construction machinery and building materials (April 20 to 25, 2009 in Paris, France)



AQUATEC CHINA, an international exhibition of water treatment products (June 3 to 5, 2009, in Shanghai, China)



American Water Works Association's Annual Conference & Exposition (June 14 to 18, 2009 in San Diego, USA)

## Plan Product safety and superior quality

Do

### Strengthening our quality assurance system

At KUBOTA, a quality assurance system is in place in each of the consolidated divisions and regular divisions to satisfy the diversifying needs of customers for pipes, agricultural machinery, and KUBOTA's other products and services, thus maintaining high quality and product safety.

To enhance the efficiency of this system, we conducted a quality audit, in addition to the conventional ISO\*1 audit, at KUBOTA and its domestic affiliates. During FY2010, an on-the-spot audit was also conducted at major overseas affiliates. By conducting audits that suit local business practices by covering important items and employing an evaluation approach with corresponding criteria, we aim to further improve our quality assurance activities.

### Stimulating quality improvements through small group activities

On February 5, 2010, a screening meeting was held at the large hall of our head office to select prize-winning groups nominated by KUBOTA's business sites for their outstanding performance. About 150 people from relevant divisions attended the meeting and listened to the presentations of the nominated groups. In the Nationwide QC Circle\*2 Conference, the Oasis Circle of the Tractor Section of the Tsukuba Plant, one of last year's Gold Prize winners, was awarded a prize for "inspiring the audience."



Presentation at a meeting at KUBOTA's head office

### Providing education on quality control and product safety

We have continued to implement an educational program on quality control, including product safety, separately for different levels of participants.

### Passing down manufacturing skills and building a culture of ingenuity through participation in the National Skills Competition

The 47th National Skills Competition was held in Ibaraki Prefecture from October 22 to 26, 2009. In this competition, seven employees participated from KUBOTA's Sakai Plant and Hirakata Plant, fully demonstrating their skills, developed under the guidance of senior staff at their respective plants. Competing with young selected workers from other manufacturers, one of KUBOTA's representatives laudably won a prize for good performance in the category of "machine assembling (finishing)."



Prize winner, Takahiro Yabumoto of the Sakai Plant



His prize-winning work in the category of "machine finishing" (left)

\* Competitors must complete processing and assembly work within six hours and 45 minutes, and must show that the machine works perfectly before a judge.

### Passing down manufacturing skills and building a culture of ingenuity through an internal vocational skills competition **Significant progress achieved**

At KUBOTA, each business site actively organizes an internal vocational skills competition to pass down manufacturing skills and build a culture of integrity.

At Sakai Plant, the annual Vocational Skills Competition was held on December 5, 2009, with the participation of 164 young employees in 11 categories, putting their skills and techniques to the test. This year's competition was the 10th commemorative competition and was joined for the first time by employees representing overseas manufacturing sites. During the award ceremony, the hall was filled with excited cries and applause each time the name of a prize winner was called.



Competitors at work (finishing process)

For detailed information on the status of ISO9001 certification, please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

**Check** Self-evaluation: Systems to more promptly offer services to customers were officially launched in the areas of agricultural machinery and iron pipes. We will ensure more efficient operation of these systems.

**Action** Priority issues for the next fiscal year: Establishing and operating a domestic agricultural machinery customer center; Conducting questionnaire surveys with users on a continuous basis.

**Check** Self-evaluation: We will strengthen the auditing system in response to the growth of overseas markets.

**Action** Priority issues for the next fiscal year: Continuously increasing the coverage of quality audits among overseas affiliates and conducting on-the-spot audits; Providing continued education on quality control and product safety; Developing green procurement into CSR procurement.

### Frontline Voice

In providing customer service, I try to satisfy request from customers as much as possible.

**Fusako Nagai**

Customer Service Group  
Eastern Sales Department  
Tokyo Head Office, KUBOTA Corporation



As a member of the CS Group, I am in charge of the entire process, from accepting orders for ductile iron pipes and valves through to arranging shipments and deliveries of orders to customers. In arranging shipments of orders, I obtain information about product availability from sales personnel and sales companies in advance to prevent delays in delivery, and make early arrangements in cooperation with the plant and production personnel to ensure orders are delivered to customers smoothly. What makes me most happy is the words of gratitude given by customers, such as "Thank you Nagai-san, you are really helpful!" I will continue efforts to meet customer requests as much as possible, while maintaining a positive attitude toward my work, with an awareness of cost whenever arranging shipments.

### Frontline Voice

I joined the 10th vocational skills competition representing China and won the Gold Medal in the category of "semi-automatic welding."

**Zhu Erjian**

Kubota Agricultural Machinery Suzhou (KAMS), China



As a representative of KAMS, it is a great honor for me to participate in the KUBOTA Group's competition. Whatever the result, I would have been happy to accept it. Thus, I am really excited to win the Gold Medal. As my colleagues will participate in the next competition, I will do my best to support them as their "teacher!"



Although this was KAMS' first entry into the competition, KAMS representatives won Gold Medals in three categories.

\*1 ISO stands for the International Organization for Standardization, which develops international standards and is made up of over 140 member countries. While the majority of ISO standards are specific to individual industrial products, some provide standards for management systems, such as ISO9001.

\*2 The "QC Circle" is a small group within the same workshop that voluntarily conducts quality control activities. As part of company-wide quality control activities, this group continuously carries on self-development and mutual development, while also striving for control and improvement of the workshop utilizing quality control techniques, with all the members participating.



Charter for Action 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.

## Plan The ensuring of full legal compliance

Do

### Ensuring thorough compliance and implementing internal control

Ensuring thorough compliance is the very basic requisite for corporate activities and one of the priority management goals of the KUBOTA Group. At KUBOTA, we established an organization responsible for compliance promotion—the CSR Planning & Coordination Headquarters—and assigned an executive officer in charge of these headquarters. We also set up the “Anti-Monopoly Act Compliance Committee,” to ensure KUBOTA employees are in fuller compliance with the Anti-Monopoly Act, and introduced educational and auditing systems tailored to the needs of respective divisions.

In addition, we implement internal training and educational sessions on compliance risks, and invite external experts to offer advice to the relevant committees, divisions responsible for risk management, and compliance personnel from respective divisions and affiliates.

For more detailed information about the mechanisms of compliance, corporate governance and internal control in place at KUBOTA, please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

### Promoting activities to ensure compliance with the Anti-Monopoly Act

In FY2010, we continued the operation of the risk management system built over past years and made it more firmly rooted across the company, while implementing risk management activities more flexibly and efficiently in a manner to better serve the realities of our corporate situation. To be specific, we took the following measures, paying close attention to the amended Anti-Monopoly Act that came into effect in January 2010.

#### 1. Divisions doing business with the public sector

As part of the measures to prevent unreasonable restraint of trade,\*1 we conducted internal audits on three levels—the division level, consolidated division level, and company-wide level—as we did in FY2009. With these audits, we aimed to ensure that bidding was conducted through proper procedures and that no unnecessary contact with competitors was made.

#### 2. Divisions doing business with the private sector

With the enforcement of the amended Anti-Monopoly Act, more strict risk management is required for the prevention of “unfair trade practices.”\*2 In this regard, we conducted hearings at divisions doing business with the private sector and at some of our sales companies for the purpose of identifying “risk points.” We also began to build a prior consultation system to strengthen measures to prevent illegal activities.

#### 3. Divisions involved in materials procurement

We conducted follow-up audits to see how the divisions involved in materials procurement coped with the problems relating to their operations, which had been identified during the on-the-spot audits conducted during FY2009.

#### 4. Prevention of international cartel formation

We took measures to address individual needs on a case-by-case basis, such as offering prior consultation concerning the EU Competition Law and other overseas competition laws.

Check Self-evaluation

We will continue to provide training/education and more substantial prior consultation services so that we can cope with the amendments of relevant laws more promptly.

Action Priority issues for the next fiscal year

- Building and developing a prior consultation system mainly for divisions doing business with the private sector to ensure full compliance with the Anti-Monopoly Act, and expanding and continuing to implement compliance measures, such as hearings, for sales companies
- Developing a system for preventing international cartel formation
- Developing checklists for export control and internal rules for the 10 overseas affiliates, and implementing them on a trial basis
- Ensuring that KUBOTA and domestic affiliates are in fuller compliance with the Construction Business Law
- Offering guidance in intellectual property risk management to overseas affiliates that conduct R&D
- Promoting information security measures for overseas affiliates

### Risks and departments in charge

Risk description	Department in charge
<b>Internal control concerning reliability of financial reporting</b>	
Reliability of financial reporting	Finance & Accounting Dept., Compliance Auditing Dept.
<b>Internal control concerning basic corporate functions</b>	
Fair trade	Legal Dept.
Environmental conservation	Environmental Protection Dept.
Safety and health	Health & Safety Planning & Promotion Dept.
Quality control	Quality Assurance & Manufacturing Promotion Dept.
Labor management	Personnel Dept.
Information security	Corporate Planning & Control Dept.
Intellectual property	Research & Development Planning & Promotion Dept.
<b>Internal control concerning compliance</b>	
Compliance with equipment-related statutes	Quality Assurance & Manufacturing Promotion Dept.
Earthquake and other disaster response management	General Affairs Dept.
Compliance with the Construction Business Law	General Affairs Dept.
Human rights advancement	Human Rights Advancement Dept.
Safe driving management	General Affairs Dept.
Prevention of illegal payment	CSR Planning Dept.
Classified information management	CSR Planning Dept.
Protection of personal information	Legal Dept.
Import and export control	Quality Assurance & Manufacturing Promotion Dept.
Compliance with distribution-related statutes	Quality Assurance & Manufacturing Promotion Dept.

### Import/export compliance workshops and audits

Since FY2009, we have placed our domestic affiliates under the import/export control of the KUBOTA Group, and have been conducting workshops and audits for them. During FY2010, we evaluated the current export control situations of our overseas affiliates using questionnaires to survey all the affiliates and on-the-spot audits for 10 companies. For domestic affiliates, we organized workshops on basic knowledge of import/export control, amendments to relevant laws and in-house procedures. The workshops, which were held nine times with about 540 employees participating, consisted of requisite, division-specific and company-wide seminars.

### Promoting measures to ensure compliance with the Construction Business Law

We have been conducting audits in compliance with the Construction Business Law since FY2008 for each division of KUBOTA Corporation and since FY2009 for domestic affiliates. In FY2010, we expanded the coverage of our audits to include some of our sales companies. We will continue our efforts to establish and enhance the KUBOTA Group's legal compliance system through auditing and training/educational activities.

For information on other legal compliance activities, please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

### Violation of the Construction Business Law

KUBOTA Corporation assigned unqualified persons as full-time management engineers to supervise construction projects that required the presence of qualified staff holding a management engineer certificate, and was thus punished under the Construction Business Law. We will enhance our compliance efforts to prevent this kind of problem from recurring again.

Charter for Action 3

# Respecting Human Rights

The KUBOTA Group bases its activities on the Universal Declaration of Human Rights,\*1 respects human rights and does not violate human rights. Moreover, the Group respects the privacy of individuals and works to protect personal information. The KUBOTA Group Code of Conduct explicitly stipulates that “we do not discriminate or make violations of human rights for any reason whatsoever, and do not permit forced labor or child labor” (excerpt).

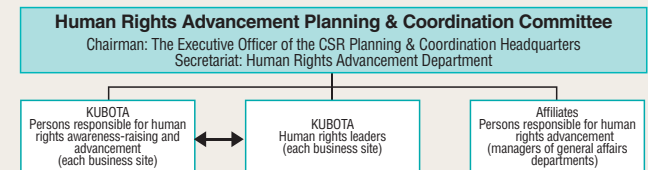


## Plan Promotion of human rights awareness-raising

Do

### Human rights advancement system

At KUBOTA, group-wide efforts are underway to increase human rights awareness among employees under the leadership of the Human Rights Advancement Planning & Coordination Committee. Every year, we formulate a “risk management policy” for our human rights advancement activities and use the PDCA cycle to promote the policy and audit/report the outcomes. We also conduct surveys to discover how human rights awareness activities are carried out at our overseas affiliates, and based on the findings, offer guidance for improvements and follow-up support as necessary.



### Promoting human rights education

We organize human rights training sessions in a well-planned manner so that each employee can join at least one training session a year.

- Training sessions for KUBOTA officers, executives, and presidents of affiliates
- Training sessions for each business site
- Training sessions targeting each job class

#### Training sessions conducted during FY2010 focused on the following themes.

- Power harassment
- Sexual harassment
- Social class discrimination

#### We also implement training sessions for persons in charge of furthering human rights, to enhance their ability.

- Training sessions for human rights leaders (including biannual fieldwork opportunities every year)
- Training sessions for persons in charge of consultation at the Sexual Harassment Consultation Office

#### We produce an internal textbook and other educational tools so that employees can educate themselves on human rights issues at any time.

- “Human Rights Issues and Us” internal textbook
- “Human Rights Examination,” to measure the level of understanding of human rights issues (New!)
- Human rights information offered through KUBOTA's website



Human rights training session held at KUBOTA's plant in December 2009



Training session for human rights leaders (fieldwork), held in March 2010



Training session for persons in charge of consultation at the Sexual Harassment Consultation Office, held in November 2009

Target	Group training	Outside training	Total (Total participants)
All KUBOTA	11,587	397	11,984
Affiliates	7,563	240	7,803
Total	19,150	637	19,787

Check Self-evaluation

In our effort to increase human rights awareness, we implement human rights training sessions in various forms every year to ensure the participation of every employee in at least one session per year.

Action Priority issues for the next fiscal year

- Expanding group-wide human rights awareness-raising

### Frontline Voice

At KUBOTA, each and every employee joins efforts to create a pleasant work environment with an awareness of the importance of human rights.

**Kaoru Shiromoto**  
(Human rights leader)  
General Affairs Section  
Kyusyu Regional Office, KUBOTA Corporation



Also at our regional office, we organize human rights training sessions so that each employee can join at least one session a year; however, we could not achieve the goal of 100% participation in past years. In FY2010, however, we implemented five training sessions inviting lecturers both internally and externally, and finally achieved this goal. All employees of the KUBOTA Kyusyu Regional Office, including sales branches, as well as many affiliate employees, joined at least one of these training sessions. Moreover, we are glad to report that these sessions were joined by not only all the KUBOTA Group employees, but also by all temporary and seconded employees. Thus, we achieved the goal perfectly. As a human rights leader, I will continue to do my best to increase human rights awareness.

Notes

\*1 The Universal Declaration of Human Rights was proclaimed as a “common standard of achievement for all peoples and all nations” to respect and assure human rights and freedoms. It was adopted by the 3rd General Assembly of the United Nations in 1948.

\*2 A “special subsidiary” refers to a subsidiary that meets certain conditions to count its employees with disabilities toward the number of employees with disabilities hired by the parent company, so that the parent company can fulfill its obligation to achieve the rate of employees with disabilities required by law.

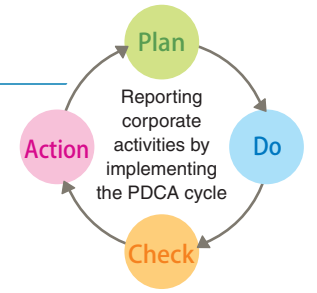
\*3 A small-scale vocational training center is an institution that aims to offer opportunities to people who have difficulties in finding jobs or acquiring skills due to disabilities, or for other reasons, to work and develop vocational skills.

Notes

\*1 “Unreasonable restraint of trade” refers to acts or attempts by two or more companies to avoid competition by determining sales prices in advance. This practice is also called “cartel behavior.”

\*2 “Unfair trade practices” include, but are not limited to, tie-in sales and acts or attempts by manufacturers to fix the retail price of distributors.





Charter for Action 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.

Plan

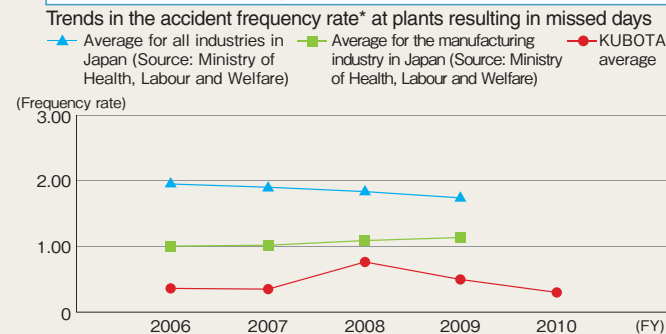
## Ensuring that health and safety management is fully in place

Do

### Promoting specifically targeted accident prevention measures

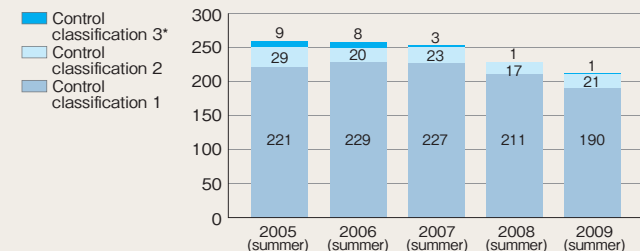
Under the five-year Long-Term Occupational Accident Prevention Program, and pursuant to the annual health and safety guidelines, we are promoting health and safety management activities, focusing especially on reducing to zero the numbers of: serious accidents (accidents that can result in material damage); serious illnesses (occupational illnesses for which preventive measures should be reinforced); and workplaces at which environmental improvement is urgently required.

Targets for the 8th Long-Term Occupational Accident Prevention Program (April 2008 - March 2013)  
**Safety management:** accidents that result in severe disabilities—zero; serious accidents—zero  
**Health management:** workplaces at which environmental improvement is urgently required—zero; serious illnesses—zero



\* Frequency rate is the number of injuries and deaths from occupational accidents per one million work hours.  
 \* The averages for all industries and for the manufacturing industry in Japan in FY2010 are not available, as of May 2010.

### Trends in the number of worksites subject to legally required work environment assessment



\*The number of worksites displayed in control classification 3 is the result obtained in measuring the work environments. Due to later improvements, there were no worksites that fell into control classification 3 as of the end of March in 2010.

<p><b>Check</b> Self-evaluation</p> <p>We are committed to creating a pleasant work environment for employee safety and mental/physical health across the entire KUBOTA Group.</p>	<p><b>Action</b> Priority issues for the next fiscal year</p> <ul style="list-style-type: none"> <li>Reducing the number of serious occupational accidents to zero</li> <li>Strengthening efforts focusing on building a safety system that can flexibly cope with changing situations</li> <li>Strengthening measures for risk elimination</li> <li>Promoting measures to maintain and further improve health, both physical and mental</li> </ul>
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### Implementation of health and safety audits

In order to further strengthen health and safety efforts across the entire KUBOTA Group, we are expanding the coverage of our health and safety audits year by year, which were conducted only at domestic plants and offices in the past. (Audits have also been conducted at KUBOTA's overseas production subsidiaries since FY2007, at the plants and construction departments of the domestic affiliates since FY2008, and at domestic agricultural and construction machinery sales companies since FY2010.)



Health and safety audit underway

### Plants and offices that have acquired OHSAS18001 certification

Tsukuba Plant	Acquired in December 2000
Keiyo Plant (Funabashi)	Acquired in February 2002
Keiyo Plant (Ichikawa)	Acquired in February 2002
Hanshin Plant (Mukogawa)	Acquired in November 2003
Hanshin Plant (Amagasaki)	Acquired in April 2005
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.

### Health promotion activities

We are carrying out our health promotion program, "Health KUBOTA 21," jointly with our health insurance union by assigning promotional staff at each business site who are leading workplace-based activities that emphasize the preventive care of lifestyle-related diseases.



Easing stiff shoulders and low back pain at a health seminar

- Convening the National Promotional Staff Meeting
- Implementing health-related events

### Involvement in mental health care

At KUBOTA, various systems are in place to improve the mental health of our employees, including:

- Simplified Occupational Stress Diagnostic System
- Mental health clinic
- KUBOTA Health Hotline
- Return-to-work Support Program\*1

Plan

## Creating a vibrant work environment

Do

### Promoting diversity management\*1

Significant progress achieved

At KUBOTA, we place special emphasis on employing personnel with diversified backgrounds and enhancing the creative power of our organization, in anticipation of the further globalization of our corporate activities and future declines in the workforce resulting from the falling birthrate and aging population. Domestically, we are working to build a personnel system to ensure that female employees can demonstrate their potential to the fullest.

To be specific, we have continued efforts for the active recruitment of female employees. We also set up K-Wing,\*2 a network of personnel exchanges to enhance the skills and motivation of female employees and assist them in developing their careers. To help KUBOTA employees deepen their understanding of diversity management, we implement training sessions targeting each job class and business site, and offer information about diversity management as a special topic in KUBOTA Group's internal magazines.

As well, we are implementing action plans under the Next Generation Nurturing Support Measures Promotion Law,\*3 on a continuous basis, in effort to enhance our work environment/conditions so as to help employees enjoy being at work while maintaining a balance between their job responsibilities and their children/private lives.

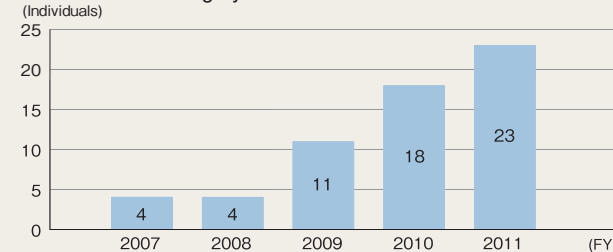


"Learning from experience" workshop



Letter of appointment given to 13 members of the K-Wing steering committee

### Trends in the number of female employees hired in the fast-track category



<p><b>Check</b> Self-evaluation</p> <p>Significant progress has been made by establishing an organization responsible for promoting this effort.</p>	<p><b>Action</b> Priority issues for the next fiscal year</p> <ul style="list-style-type: none"> <li>Offering support to female employees in developing their careers</li> <li>Organizing training sessions and information exchange meetings through K-Wing</li> </ul>
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### Kubota Sun-Vege Farm Co., Ltd. **New!**

In February 2010, Kubota Sun-Vege Farm Co., Ltd. was established with a view to "assist persons with disabilities in their self-support efforts to achieve symbiosis with local communities" and "utilize abandoned farmland to promote the revitalization of agriculture in Japan." With its 10 disabled employees, the company will engage in the hydroponic culture of vegetables, which will initially be sold for use at KUBOTA Group company cafeterias.



Field trials of hydroponic culture

**Overview of Kubota Sun-Vege Farm Co., Ltd.**

Location of farmland: Shiraki, Kanan-cho, Minamikawachi-gun, Osaka Prefecture (rented land)

Outline of farming facilities: Lot area: Approx. 3,500 m<sup>2</sup>  
Plastic greenhouse area: Approx. 2,500 m<sup>2</sup>

Capital: 10,000,000 yen

\* We will apply for special subsidiary status for this new company, following KUBOTA Works Co., Ltd., in which persons with disabilities engage in clean-up and printing activities.

### Talk with the President **New!**

In August 2009, we began an event titled, "Talk with the President," in which KUBOTA's president speaks directly to young mid-career employees who were promoted to managerial positions during 2009. This event was held 14 times, joined by about 140 employees in total. Each session consisted of a small group of about 10 people, and offered an ideal venue for increasing awareness among young employees as next-generation leaders, through the process of talking about individual dreams and the sharing of visions for the future.

For more detailed information on "personnel policy and systems," "implementing action plans under the Next Generation Nurturing Support Measures Promotion Law," and "promoting diversity management," please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

Frontline Voice

Helping to create a healthy and vigorous corporate culture



**Tae Kataoka** (Nurse)  
Health Management Office, Personnel Department  
KUBOTA Corporation

In giving health guidance directly to employees, I am exploring, together with employees, how best they can promote their health so that they can enjoy their work positively and in good health. "Good health" is a very basic condition for working. I will continue my efforts to communicate the importance of maintaining good health among KUBOTA employees and will help to foster a corporate culture of mutual caring, through various activities.



Providing health guidance

Frontline Voice

The "Talk with the President" session gave me a new perspective and motivated me to aim high.

**Kaori Takeishi**  
Materials Section  
Electronic Equipped Machinery Division  
Kyuhoji Business Center  
KUBOTA Corporation



Though the participants in the session came from different divisions, the president gave us a lot of meaningful advice concerning topics of interest common to all of us. I was especially impressed with his remark: "Do not confuse who our customers are. You must be aware that employees of all internal divisions are members of KUBOTA." This session inspired me to do whatever I can to contribute to KUBOTA as a whole.



Talk with the President

\*1 The Return-to-work Support Program was formulated in accordance with the instructions and guidelines provided by the Ministry of Health, Labour and Welfare. To help employees smoothly return to work after absence due to illness and to minimize the risk of the recurrence of illness, we apply flexible work conditions in accordance with the advice of our industrial doctor and in consideration of the physical conditions of the particular employee. For example, we set work hours and work load initially at a level that the employee can reasonably manage and then gradually increase them.

\*1 Diversity management refers to human resource management that aims to increase corporate competitiveness by taking advantage of the diversity of employees (differences in sex, age, and nationality, etc.), striving to develop a highly creative organization, which eventually enhances corporate value.

\*2 K-Wing is the acronym used for KUBOTA Women's Initiative Diversity Network & Group. It provides a venue for female employees to enhance skills and motivation.

\*3 The Next Generation Nurturing Support Measures Promotion Law aims to develop a work environment that is more friendly to employees who are about to give birth to or who are raising children—the leaders of the next-generation.



Charter for Action  
**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.

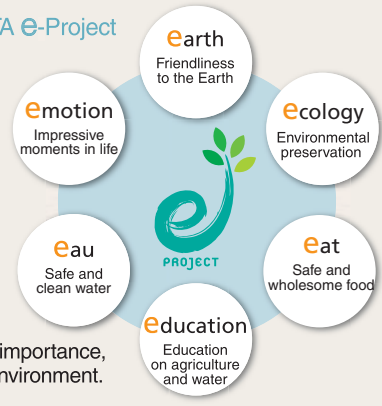


For the latest information, please visit our "KUBOTA e-Project" website at: <http://www.kubota.co.jp/e-pro/>

## Plan The KUBOTA e-Project

Do

The Six "e"s of the KUBOTA e-Project



In 2008, the KUBOTA Group launched the KUBOTA e-Project to open up the future of agriculture. During FY2010, we expanded the scope of this project, e.g., by beginning activities to improve overseas water resources/infrastructure and to better contribute to society by addressing problems in the areas of special social importance, namely: food, water, and the environment.

### Support for the restoration of abandoned farmland

Nationwide, the amount of abandoned farmland totals 380,000 ha. Against this backdrop, KUBOTA extends support to the activities of community farms, production cooperatives, and citizens' groups to restore abandoned farmland, by offering agricultural machinery and staff to operate them.

Achievements:	FY2009: Support extended to 23 areas from Iwate Prefecture in the north to Kagoshima Prefecture in the south.
	FY2010: Support extended to 27 areas from Akita Prefecture in the north to Kagoshima Prefecture in the south.



In February 2010, we established Kubota Sun-Veg Farm Co., Ltd., a company engaged in the hydroponic culture of vegetables, to promote both the employment of people with disabilities and the effective use of abandoned farmland. In the future, the company aims to sell its vegetables at roadside stations. (For more detailed information, please see p.30.)

### Support for the production of bio-fuel crops

KUBOTA extends support to producers of bio-fuel crops, which are drawing increased attention for their ability to contribute to the conservation of the global environment and the creation of a recycling-based society.

Achievements:	FY2009: Support extended to five areas from Niigata Prefecture in the north to Kumamoto Prefecture in the south.
	FY2010: Support extended to six areas from Niigata Prefecture in the north to Kumamoto Prefecture in the south.



### Promotion of local-brand agricultural products and crops fresh from the farms that grew them

To promote the branding of local agricultural products and to increase their public recognition, we invite farmers to sell their agricultural products at the Regional Brand Produce Corner at the exhibitions of our dealers, and offer information about such products through KUBOTA's website and informational magazines, thus offering opportunities to connect producers directly to consumers.

### KUBOTA Active Agriculture Experience Workshop

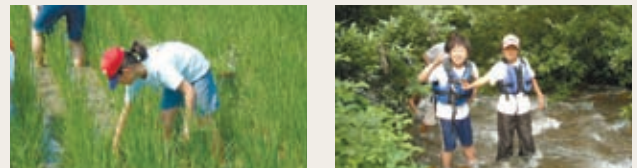
Intended mainly for elementary school children, the Kubota Active Agriculture Experience Workshop aims to deepen understanding of agriculture and promote the emotional well-being of children through agricultural experience, such as rice transplanting, rice harvesting, and the tasting of harvested crops.

Achievements:	FY2009: Workshop implemented in 19 areas from Hokkaido in the north to Miyazaki Prefecture in the south (joined by approx. 1,500 children).
	FY2010: Workshop implemented in 18 areas from Hokkaido in the north to Fukuoka Prefecture in the south (joined by approx. 1,200 children).



### Support for the KUBOTA "TERRA-KOYA" educational camp

KUBOTA lent its support to the KUBOTA TERRA-KOYA 2009 educational camp, an experience-based summer youth camp held between the 21st and 24th of July 2009 by BeGood Café, an NPO working towards a sustainable society. Over four days and three nights, children were taught about the riches 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. (This event began in 2007, and was participated in by 21 children.)



### Science and Environment Academy

As part of our social contribution to the field of education, we organize the Science and Environment Academy annually for junior high school and high school students who are interested in science. The topic of the 42nd term academy (held on August 7 and 8, 2009) was "Preserving Water Resources: Learning from Mt. Fuji and Considering Global Water Problems." After listening to a lecture by a specialist, the participating students observed how water quality was measured at the Yamanashi Institute of Environmental Sciences, and then visited the Shingen Levee, a historical flood-control facility, and a pond fed by spring water from Mt. Fuji. (This year, a total of 78 students joined this event, which is sponsored by Asahi Shimbun and the Asahi Culture Center. This event was first held in 1985.)



Do

### Overseas water resources/infrastructure improvement project New!

In FY2010, we launched a project to improve water resources and infrastructure in areas of the world where people have difficulties accessing safe drinking water and water for daily use. For the first year of the project, we donated three well pumps to Bijapur, India, through the Japan Asian Association & Asian Friendship Society, which is well informed of local situations in this area. We will continue to implement this project to contribute to the improvement of water resources and infrastructure in various parts of the world.



Hokkaido Region: About 500 participants



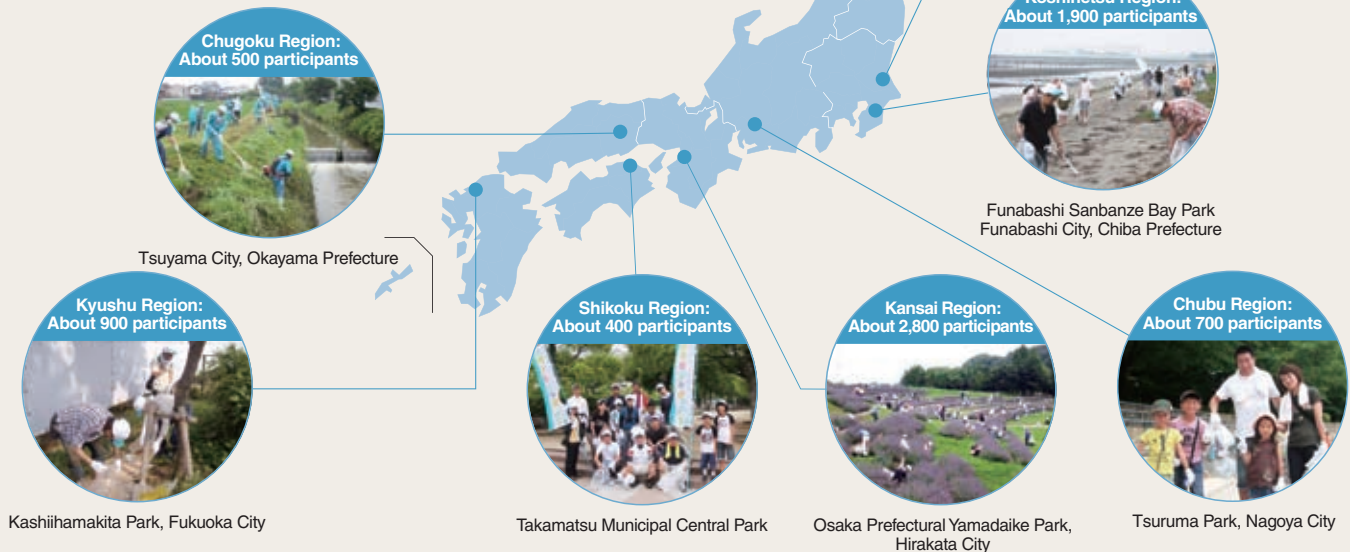
About 50 members of the KUBOTA Spears Rugby Club



### "KUBOTA e-Day" Volunteer Program

Out of our desire to preserve our beautiful water resources, which are indispensable for agriculture, we implement the "KUBOTA e-Day" volunteer program once a year, when employees of the KUBOTA Group from all over Japan engage in clean-up activities at rivers and in green areas. In FY2010, this program was carried out on July 5 (excluding some regions), with the participation of about 9,150 employees from all over Japan.

No. of participants	FY2009: Approximately 7,000 participants (about 400 locations)
	FY2010: Approximately 9,150 participants (about 390 locations)



## Voice

### Inspiring citizens to create a clean and vibrant local community



**Zen Iijima**  
Former Mayor of Tsukubamirai City, Ibaraki Prefecture

On July 5, 2009, we conducted a clean-up of Fukuokaseki-Sakura Park and the riverside plaza for the second time, which first began in 2008, with the cooperation of nearly 150 KUBOTA employees. I am extremely grateful for the participation of so many people despite the summer heat. Due to an increase in the environmental awareness of our citizens, the volume of waste (empty cans, bottles, and non-combustible waste) thrown away at parks and in rivers in the city has significantly been reduced from the level of 20 years ago. However, there is still a long way to go before we can achieve the goal of zero waste. I hope KUBOTA will continue this meaningful program, as it will inspire and encourage many of our citizens to create a clean, waste-free, and vibrant community.



Clean-up of Fukuokaseki-Sakura Park in Tsukubamirai City





Charter for Action 6

# Achieving Symbiosis with International and Local Societies

Plan

## Contributing to international society and enhancing social and cultural activities

Do

### Assisting in the response to natural disasters

The KUBOTA Group offered assistance in response to the natural disasters that took place during FY2010, as follows.

- Earthquake in Sumatra, Indonesia, October 2009  
→ Assisted in recovery by providing monetary support
- Earthquake in Haiti, January 2010  
→ Assisted in recovery by providing monetary support and relief supplies
- Earthquake in Chile, March 2010  
→ Assisted in recovery by providing monetary support



A Haiti Red Cross volunteer with a one-month-old baby whose mother died in the 2010 earthquake in Haiti  
(©American Red Cross)

### Activities of the KUBOTA Spears rugby club

The KUBOTA Spears rugby club plays in the Japan Rugby Top League and, as a demonstration of their intent to make a social contribution through rugby, the club is involved in various activities around its home ground in Funabashi City, Chiba Prefecture.

- Members of the KUBOTA Spears coach rugby to children ranging from elementary school pupils to high school students. They also provide children with coaching in tag rugby, as well as more mild touch rugby recommendable for women.



KUBOTA Spears members coaching children at Ichikawa Municipal Onno Elementary School in Chiba Prefecture (December 10, 2009)

- KUBOTA Spears organizes the Funabashi Rugby Festival at their home ground of Funabashi City, Chiba Prefecture, in order to interact with local residents and rugby fans. This event is open to anyone. We look forward to your participation.



### Supporting the activities of the Canadian 4-H Club New!

The 4-H\* Club, located in over 80 countries worldwide, carries out various educational activities geared toward youth, focusing especially on agricultural education, through local volunteers. One of KUBOTA's overseas affiliates, Kubota Canada Ltd., has been extending support to the activities of the Canadian 4-H Club in cooperation with local dealers since 2008, for young people interested in agriculture.

\* 4-H stands for Head, Heart, Hands, and Health.



### Supporting the Mainichi International Exchange Awards

The Mainichi International Exchange Awards honor international exchange, cooperation, and support activities inside 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 (in 1989). In 2009, at the 21st occasion of recognizing award winners, an award was granted to the Japan Association for Refugees, an authorized NPO involved in activities to assist refugees in Japan to live in comfort within the Japanese community and to help complete necessary legal procedures. An award was also given to Mrs. Kazuko Katagiri, a representative of the "Sawayaka Kikakushitsu for Education and Environment" NPO, as well as to her husband, Mr. Shogo Katagiri, who both subsidized and constructed accommodation and educational facilities, known as the Children's Holiday Learning Home, for street children in India. (The awards are hosted by Mainichi Newspapers)



Check Self-evaluation

We have expanded the scope of the e-Project, which is positioned at the core of the KUBOTA Group's social contribution activities.

Action Priority issues for the next fiscal year

- Promoting activities to contribute to society centering on the areas specially emphasized by KUBOTA (food, water, and the environment), with the e-Project at the core

Charter for Action 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.

Plan

## IR activities and the provision of corporate information

Do

### Holding general shareholders' meetings in an easy-to-understand manner

Since 2001, we have refrained from scheduling our general shareholders' meeting on what is known as "Concentrated Day," the day on which the shareholders' meetings of most Japanese companies are held, to ensure that our meeting is open and accessible to as many shareholders as possible. In 2009, we held our general shareholders' meeting on June 19, one week before Concentrated Day, and had a record high participation of 619 shareholders. In the meeting, corporate information was offered to shareholders in an easily understandable format: graphs and product photographs were displayed on large screens (one 200-inch screen, and two 150-inch screens), accompanied by professional narration. We also exhibited and gave explanations on our newest products at the entrance of the meeting site and distributed the CSR Report and a booklet about our corporate activities titled "GLOBAL INDEX" to all the participating shareholders to facilitate an understanding of KUBOTA.



### Activities for shareholders/investors and external evaluation of KUBOTA's social responsibility

At KUBOTA, we are actively communicating with our shareholders, investors, and securities analysts by promoting IR activities. As part of our efforts for fair and prompt disclosure of our corporate information, we post our IR information (e.g., securities reports, earnings releases, and annual reports) on our website so that necessary information is accessible by anyone at any time. Additionally, KUBOTA is included in the major SRI (Socially Responsible Investment) indexes, such as the Dow Jones Sustainability Indexes, FTSE4Good, and the Morningstar Socially Responsible Investment Index.



(As of September 2009)

For more detailed information on KUBOTA's IR and investor information, please visit our website at: <http://www.kubota.co.jp/ir/english/index.html>

Check Self-evaluation

We are committed to disclosing our corporate information more effectively, by promoting IR activities and upgrading our official website.

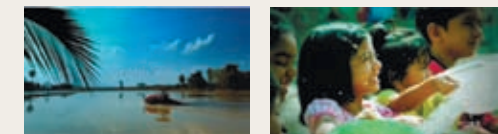
Action Priority issues for the next fiscal year

- Encouraging the disclosure of IR information reflecting changes in the business environment and related trends
- Organizing shareholders' meetings in an easy-to-understand manner
- Providing timely information in a manner satisfactory to various stakeholders

### Providing corporate information

PR activities

Starting from January 2010, KUBOTA aired a new TV commercial, titled "KUBOTA makes people smile." By repeatedly showing smiling children holding rice and vegetables fresh from the farm in their hands, the commercial symbolically implies that KUBOTA's global corporate activities are the reasons for their smiles.



### Company profile DVD

In response to the increasing globalization of our corporate activities, we created a company profile DVD in 10 languages, based on the Japanese DVD produced in 2007, in order to communicate KUBOTA's corporate principles and its extensive range of business activities to overseas customers and distributors.



### New official website

We have entirely renewed the top page and corporate site of KUBOTA's official website, this time placing emphasis on enhancing accessibility and usability, as well as visual effects. We will develop design guidelines to increase the sense of unity in our website as a whole, including the corporate site, and will manage and further improve the website in a more integrated manner, in accordance with these guidelines.



## Message from the Officer in Charge

**Kunio Suwa**  
General Manager of CSR Planning & Coordination Headquarters  
Executive Officer, KUBOTA Corporation



## We are sure-footedly promoting CSR management while introducing new programs.

At the KUBOTA Group, we believe that the continued growth and survival of a company depends on whether or not the company will remain respected by society. To continue garnering this respect, each and every employee needs to have greater CSR awareness and should take part in corporate CSR efforts. During FY2010, we launched a program to encourage all KUBOTA employees to read our CSR report. We think this program was successfully implemented, as many of the participants now consider CSR as their own responsibility. To achieve thorough compliance, we expanded the coverage of our internal control system to include KUBOTA's affiliates, both domestic and overseas. As part of our efforts to contribute to society, we launched the KUBOTA e-Project in 2008 to open up possibilities in agriculture. During the term under review, we strengthened this project by embarking on activities to support those with disabilities in their self-help efforts and to improve water resources/infrastructure. We will remain committed to promoting CSR management step by step.



# Environmental Report

The KUBOTA Group has made global environmental conservation a high priority goal of its CSR management, and is bolstering the standards of its corporate activities group-wide to ensure that greater consideration is given to the global environment in all aspects.

## 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.

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

## The New Medium-Term Environmental Conservation Plan

The KUBOTA Group adopted and has been promoting the Medium-Term Environmental Conservation Plan in order to put into practice the basic policy of our corporate environmental management. In FY2010 the New Medium-Term Environmental Conservation Plan was launched on a group-wide basis.

New Medium-Term Environmental Conservation Plan and Targets/Results for FY2010

During FY2010, we exceeded the targets for "reducing CO<sub>2</sub>" and "reducing waste" set under the New Medium-Term Environmental Conservation Plan, due to the successful implementation of strengthened measures for CO<sub>2</sub> and waste reduction in this fiscal year. We will continue concerted efforts in these areas into FY2011 and beyond, in order to achieve the final goals set for FY2013. On the other hand, we failed to achieve targets for FY2010 in "reducing CO<sub>2</sub> during distribution," "conserving water resources," and "reducing PRTR-designated substances." This is mainly due to a decline in sales, which resulted in lower achievements per unit of sales. We also failed to achieve targets for "reducing chemical substances in products," as our agricultural machinery and environmental equipment still use some main components that were difficult to replace. We will remain committed to achieving the targets in all these areas in FY2011 and beyond, by further reinforcing and refining our environmental measures.

Issues	Actions	Management Indicators	Base FY	Targets	Results	Self-evaluation*	Future Tasks and Actions to be Taken (reasons for failing to achieve targets for FY2010)	Targets			
				FY2010	FY2010			FY2011	FY2012	FY2013	
1. Stopping climate change	Reduce CO <sub>2</sub>	CO <sub>2</sub> emissions per unit of sales	2009	-1%	-1.2%	⊙	<ul style="list-style-type: none"> <li>To develop technologies that can reduce CO<sub>2</sub> emissions during the production process</li> <li>To promote further energy conservation by enhancing operational efficiency and reducing redundancy</li> <li>To encourage introduction of higher-efficiency equipment</li> <li>To conduct real-time monitoring of energy consumption and the management of performance per unit of sales by visualizing production status</li> </ul>	-4%	-7%	-10%	
			(2005)	(-0.2%)	(-0.4%)	⊙		(-3.2%)	(-6.2%)	(-9.3%)	
			(1991 (KUBOTA production plants))	(-16.7%)	(-19.4%)	○		(-19.2%)	(-21.7%)	(-24.2%)	
	Reduce CO <sub>2</sub> during distribution	Volume of CO <sub>2</sub> emissions	2009	-1%	-17.0%	⊙		-4%	-7%	-10%	
			(2005)	(+11.1%)	(-6.8%)	⊙		(+7.8%)	(+4.4%)	(+1.0%)	
			(1991 (KUBOTA production plants))	(-24.4%)	(-37.3%)	⊙		(-26.7%)	(-29.0%)	(-31.3%)	
2. Working towards a recycling-based society	Reduce waste	Waste discharge per unit of sales	2009	-2%	-6.0%	⊙	<ul style="list-style-type: none"> <li>(Reason for failure) CO<sub>2</sub> emissions were reduced by 15.1% but the target was not achieved on a per unit of sales basis due to the decline in sales.</li> <li>To more strictly encourage waste separation</li> <li>To contract with recycling companies</li> </ul>	-2%	-3%	-4%	
			(2005)	(-9.9%)	(-13.6%)	⊙		(-7.7%)	(-8.7%)	(-9.6%)	
			Percentage of business sites that have achieved zero emissions	—	40%	○		-4%	-6%	-8%	
3. Controlling chemical substances	Reduce PRTR-designated substances	Release and transfer per unit of sales	2009	-1%	+8.9%	×		<ul style="list-style-type: none"> <li>(Reason for failure) Water consumption was reduced by 8.5% but the target was not achieved on a per unit of sales basis due to the decline in sales.</li> <li>(Reason for failure) PRTR-designated substances were reduced by 16.4% but the target was not achieved on a per unit of sales basis due to the decline in sales.</li> <li>(Reason for failure) Some of the major components of the machinery were difficult to replace.</li> </ul>	-2%	-3%	-4%
			(2005)	(-21.0%)	(-12.3%)	×			(-21.8%)	(-22.6%)	(-23.4%)
			Ratio of models with reduced RoHS-designated substances	—	25%	×			50%	60%	70%
3. Controlling chemical substances	Reduce chemical substances in products	Ratio of models with reduced RoHS-designated substances	2009	-2%	-0.5%	×	-4%		-6%	-9%	
			(2005)	(-30.1%)	(-26.9%)	×	(-31.5%)		(-32.9%)	(-34.4%)	
			—	25%	24.2%	×	30%		35%	40%	

⊙ Exceeded target ○ Reached target × Target not reached

## Basic direction of corporate environmental management

The KUBOTA Group has established "Stop Climate Change," "Work Towards a Recycling-based Society," and "Control Chemical Substances" as the three basic goals of our corporate environmental management, for building a society capable of sustainable development on a global scale. We are also focusing on the enhancement of the "Environmental Management System" and "Environmental Communication" as the foundation of our efforts toward these goals.



Message from the Officer in Charge

**Eisaku Shinohara**

Senior Managing Executive Officer in charge of Research & Development Planning & Promotion Department and Environmental Protection Department KUBOTA Corporation



## Environmental management pursued by the KUBOTA Group

In April 2010, KUBOTA celebrated its 120th anniversary of establishment. Though today's social situations are greatly different from those of the early days of our inception, over the years we have remained consistently and sincerely committed to contributing to the development of society and the preservation of the global environment through our manufacturing activities.

At the KUBOTA Group, we place the greatest importance on environmental conservation regarding our CSR management and have continued concerted efforts to reduce the environmental impacts of our corporate activities.

For example, in FY2010, we formulated the New Medium-Term Environmental Conservation Plan. Under this plan, we reinforced measures to reduce CO<sub>2</sub> emissions and other environmental impacts, and have been promoting them on a global basis. In May 2010, we also made an "Eco-First Commitment" pledge to promote voluntary environmental efforts to the Minister of the Environment, and were officially endorsed as an "Eco-First company."

Encouraged by this, we have renewed our determination to further promote environmental management, focusing on the following two objectives.

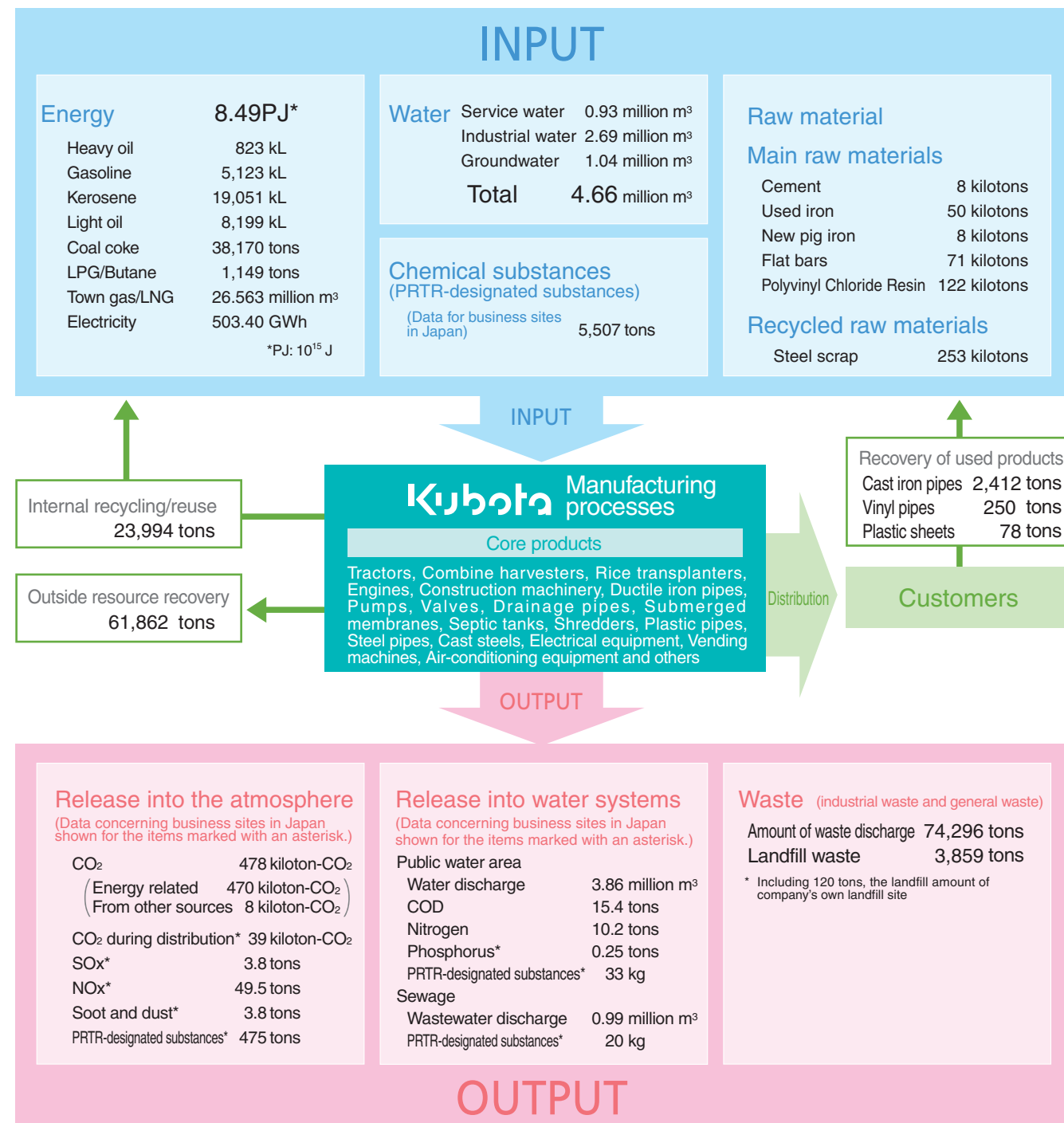
- To take more active measures to reduce environmental impacts such as CO<sub>2</sub> emissions and waste discharge from the KUBOTA Group's business sites, in order to achieve the ultimate goals set in the New Medium-Term Environmental Conservation Plan
- To promote the development of technologies to enhance the environmental performance of our products, remove environmental pollutants and reduce environmental impacts, thereby contributing to the prevention of climate change, the circulation of resources, and the reduction of risks pertaining to chemical substances

We are firmly determined to achieving these goals by improving the level of our environmental management through our group-wide efforts and by fulfilling our social responsibility as a corporate citizen working toward a sustainable society.



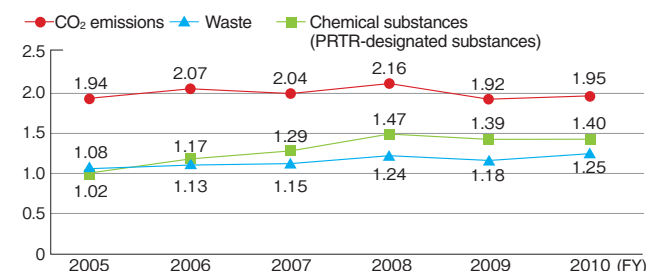
# KUBOTA Group Business Activities and Environmental Loads

The numerical data and an overview of the environmental load resulting from the KUBOTA Group's corporate activities both in Japan and abroad are shown below. We remain committed to further reducing the environmental load and improving our eco-efficiency by collecting and analyzing accurate data on the environmental load.



(Starting from FY2010, data for "Release into water systems" includes that of overseas business sites, excluding the items marked with an asterisk.)

## Eco-efficiency indicator



Eco-efficiency, which quantifies CO<sub>2</sub> emissions and waste discharge as an environmental burden, slightly improved from the previous year's level due to a reduction in both CO<sub>2</sub> emissions and waste discharge, while eco-efficiency in terms of the amount of PRTR-designated substances released and transferred remained unchanged from the previous year.

\*Eco-efficiency indicator for CO<sub>2</sub>=Consolidated net sales (million yen)/CO<sub>2</sub> emissions (t-CO<sub>2</sub>) (KUBOTA Group)  
\*Eco-efficiency indicator for waste=Consolidated net sales (million yen)/Waste discharge (100 kg) (FY2005-FY2006: KUBOTA Group in Japan; during and after FY2007: Entire KUBOTA Group)  
\*Eco-efficiency indicator for chemical substances=Consolidated net sales (million yen)/PRTR-designated substance release and transfer (kg) (KUBOTA Group in Japan)

## Environmental Management

At the KUBOTA Group, we are working to enhance our environmental management system to promote environmentally-friendly corporate management. We are also working to enhance the standards of our environmental activities by checking our compliance with the rules for environmental preservation activities and by providing educational programs to increase environmental awareness among our employees.

### Promoting environmental management

#### Environmental management promotion system

At the KUBOTA head office, the Environmental Protection Department assumes the responsibility for promoting the environmental preservation activities of the KUBOTA Group, under the leadership of the director in charge. This department also works with the environmental management sections of KUBOTA's business sites and affiliates to preserve global and local environments.

#### Compliance with environmental laws

To ensure full compliance with applicable laws and regulations, the KUBOTA Group has set internal targets for gas emissions, wastewater discharge, noise, and vibration for each business site at higher levels than what is legally required. If we fail to achieve any of these internal targets, we conduct an in-depth investigation to determine the cause and take corrective measures, even if the legal requirements are met. As well, if we fail to meet legal requirements, we notify the competent authority of the fact without delay under the internal regulations of the KUBOTA Group, and disclose the information of such failure publicly. During FY2010, there were no cases of failure in meeting material legal requirements across the entire KUBOTA Group.

#### Environmental auditing

We conduct annual "KUBOTA Group Environmental Audits," pursuant to the "Environmental Risk Management Policy" established for each fiscal year, based on the "Environmental Risk Management Regulations and Environmental Preservation Rules and Guidelines" that were formulated by the internal control system of the KUBOTA Group. The environmental audit of FY2010 focused on the "development and implementation of operational/inspection procedures and standards of environment-related facilities," in addition to the matters covered annually, and corrective measures were intensively implemented for all the inadequacies identified during the audits.



Audit conducted at an overseas production site

#### Environmental education

If we are to promote environmentally-friendly corporate activities, we have to increase environmental awareness among all of our KUBOTA Group members. The first step in addressing environmental problems is to become aware of the problems. At KUBOTA, we implement regular position-specific educational programs so that our employees can learn about environmental problems. Systematic and specialized education is also being carried out in order to make a satisfactory response to environmental issues. We are aiming at improving our abilities and at an increase in qualified personnel. All of this is tied to the assured practice of environmental conservation. We will continue our efforts to enhance our environmental education qualitatively and quantitatively into FY2011.



Environmental training session



Audit conducted at a product maintenance site

For more detailed information on KUBOTA's "Environmental management promotion system," "Environmental risk management," "Environmental education," "Green purchasing and green procurement," "Environmental accounting," "ISO14001 certification," and "Environmentally-friendly products," please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

### Frontline Voice Environmental management activities at P.T. Metec Semarang



Mohamad Saetori (left)  
Uzwar Handiansyah (right)  
P.T. Metec Semarang

P.T. Metec Semarang manufactures vending machines and related parts in Semarang City, Indonesia, and we are in charge of the company's environmental management. We celebrated the company's 15th anniversary in March 2010. Since our inception, we have conducted a variety of environmental activities while enhancing our ability to produce environmentally friendly products. During FY2010, we launched activities aimed at: enhancing energy efficiency by enlarging the diameters of our air pipes; recycling materials used in the production process, such as thinner; and reducing resource consumption by improving the yield of steel products and paints.

In response to the growing concern over climate change and other environmental problems, we will continue efforts to reduce environmental impacts in a well-planned manner, so that we can be recognized as a "company more friendly to both people and the global environment."



Enhancing energy efficiency by enlarging the diameters of air pipes



Reducing resource consumption by improving the yield of steel products



Promoting recycling through use of a waste thinner recycling unit



# Stopping Climate Change

As a manufacturer, the KUBOTA Group has placed special emphasis on its production process in implementing measures to prevent climate change. To add momentum to our group-wide activities to reduce CO<sub>2</sub> emissions from FY2010, we have set new medium-term goals and are concentrating our efforts on their achievement.

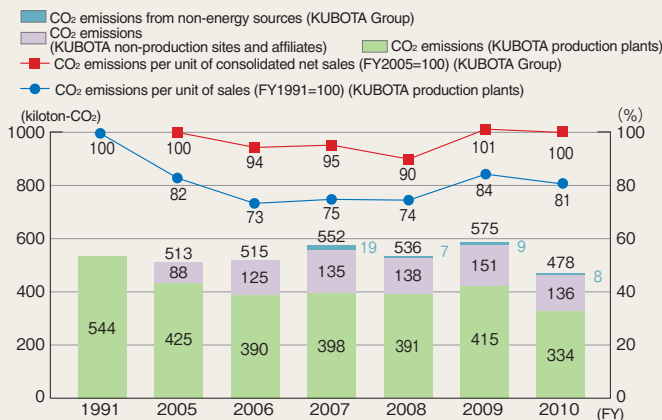
## Reducing CO<sub>2</sub> emissions

Themes of activities under the New Medium-Term Environmental Conservation Plan	Plan FY2010 targets	Do FY2010 results	Check Self-evaluation	
<b>Targets and results in FY2010</b>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions per unit of sales</li> <li>CO<sub>2</sub> emissions</li> <li>CO<sub>2</sub> emissions during distribution per unit of sales</li> </ul>	<ul style="list-style-type: none"> <li>A 1% decrease from the FY2009 level</li> <li>A 1% decrease from the FY2009 level</li> <li>A 1% decrease from the FY2009 level</li> </ul>	<ul style="list-style-type: none"> <li>A 1.2% decrease from the FY2009 level</li> <li>A 17.0% decrease from the FY2009 level</li> <li>A 1.0% increase over the FY2009 level</li> </ul>	<ul style="list-style-type: none"> <li>◎</li> <li>◎</li> <li>×</li> </ul>

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

Total CO<sub>2</sub> emissions amounted to 478 kiloton-CO<sub>2</sub>, down 17.0% from the FY2009 level, while CO<sub>2</sub> emissions per unit of sales also declined by 1.2% from the previous year. Thus, we have achieved the target for CO<sub>2</sub> reduction. In spite of the significant decline in sales, we could still achieve a reduction in CO<sub>2</sub> emissions per unit of sales (CO<sub>2</sub> emissions/Consolidated net sales), which is mainly attributable to a decline in production at our casting plants and the improvement of the CO<sub>2</sub> emission factors of the electric power companies. During FY2010, we improved the combustion efficiency of our melting furnaces and reduced the standby power consumption of production facilities, as a means to reduce energy consumption.

#### Trends in CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per unit of sales

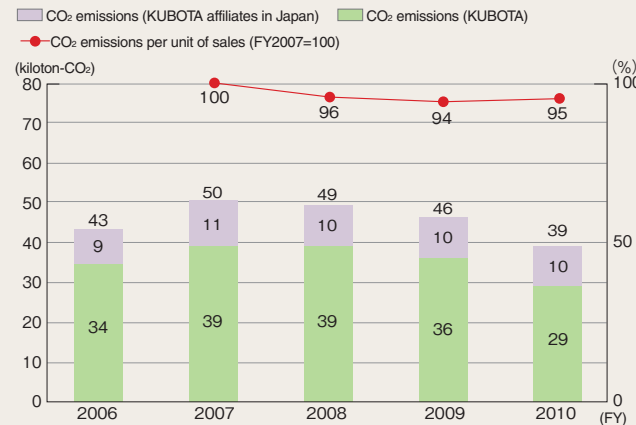


\* Since FY2005, non-production sites and affiliates have been added to calculations. The number of applicable business sites is being gradually increased.  
 \* CO<sub>2</sub> emissions per unit of sales=CO<sub>2</sub> emissions/sales  
 (—●— Consolidated net sales, —●— Non-consolidated net sales)

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

320 million ton-km of freight were shipped in Japan in FY2010 and the amount of CO<sub>2</sub> emissions resulting from those shipments was 39 kiloton-CO<sub>2</sub>. The CO<sub>2</sub> emissions during distribution per unit of sales increased by 1.0% from the previous year and the target was not achieved due to the decline in sales, while CO<sub>2</sub> emissions were reduced by 15.1%.

#### Trends in total CO<sub>2</sub> emissions during distribution and CO<sub>2</sub> emissions per unit of sales



\* CO<sub>2</sub> emissions per unit of sales=CO<sub>2</sub> emissions/consolidated net sales

For more detailed information on "Data concerning CO<sub>2</sub> emissions" and "Conversion coefficients," please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

#### Report from the Front Contributing to the prevention of global warming through use of "sprinkling water" and the growing of "green curtains" at the Hanshin Plant (Mukogawa)

At KUBOTA's Hanshin Plant (Mukogawa), a truck laden with treated wastewater meandered through the premises and sprinkled water extensively on all main roads between August 2 and September 25, 2009. This plant-wide sprinkling of water was begun as a means to further reduce the heat island effect, following an experiment conducted in July 2009, in which the effectiveness of the sprinkling of water in lowering temperature and generating a cool breeze was verified. On the plant premises, bitter melon seedlings were distributed as part of events for the Environmental Month of June. These seedlings have now grown into "green curtains" in various parts of the plant and often catch the eye of employees. These "green curtains" prevent buildings from being directly exposed to midsummer sunlight, thus contributing to a reduction of cooling load and energy conservation. As well, the increase of green areas has proven helpful in reducing the heat island effect. As a result of temperature measurement, a temperature difference of 1–3°C was observed between the sun-lit and sun-shaded surfaces of the bitter melon-covered area. The bitter melon is a popular vegetable, as when eaten, it can help prevent heat fatigue during summer, which also added the appeal of the "green curtain" program to employees. The plant will continue to create bitter melon "green curtains" to lower temperatures and help employees overcome intense summer heat.



Sprinkling of water



Green curtains

# Working towards a Recycling-based Society

The KUBOTA Group encourages recycling and reduction of waste to achieve zero emissions and contribute toward the formation of a recycling-based society.

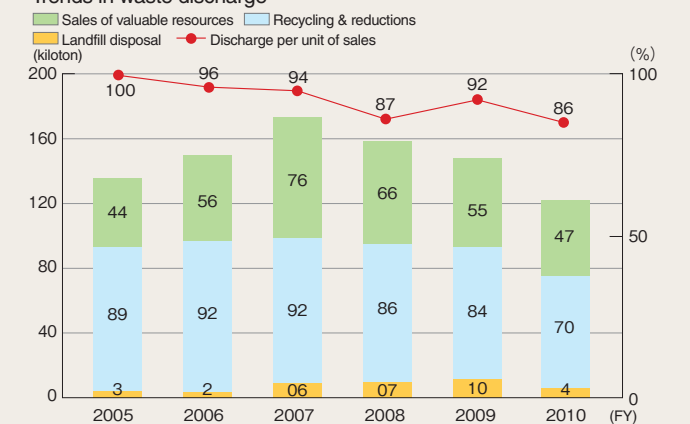
## Promoting the 3Rs (Reduce, Reuse, Recycle)

Themes of activities under the New Medium-Term Environmental Conservation Plan	Plan FY2010 targets	Do FY2010 results	Check Self-evaluation	
<b>Targets and results in FY2010</b>	<ul style="list-style-type: none"> <li>Waste discharge per unit of sales</li> <li>Ratio of business sites that have achieved the zero emissions goal (Zero emissions: a landfill ratio of 0.5% or less)</li> </ul>	<ul style="list-style-type: none"> <li>A 2% decrease from the FY2009 level</li> <li>40%</li> </ul>	<ul style="list-style-type: none"> <li>A 6.0% decrease from the FY2009 level</li> <li>45%</li> </ul>	<ul style="list-style-type: none"> <li>◎</li> <li>○</li> </ul>

### Waste discharge

Waste discharge per unit of sales in FY2010 declined by 6.0% from the FY2009 level; thus, the target for the year was achieved. Total waste discharge amounted to about 74,300 tons, down 21% from the previous year. We will continue efforts toward further waste reduction by conducting more meticulous waste management.

#### Trends in waste discharge

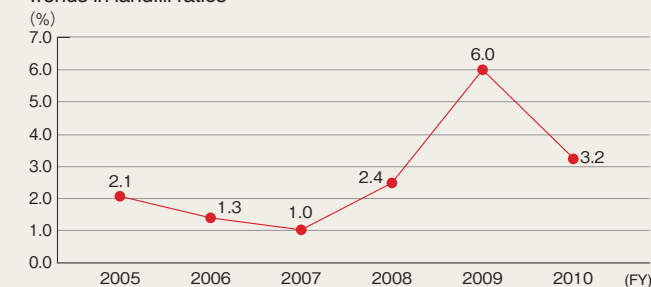


\* Includes business sites in Japan only up to FY2006 and overseas business sites from FY2007.  
 \* Discharge per unit of sales (FY2005=100)=waste discharge/consolidated net sales

### Zero emissions

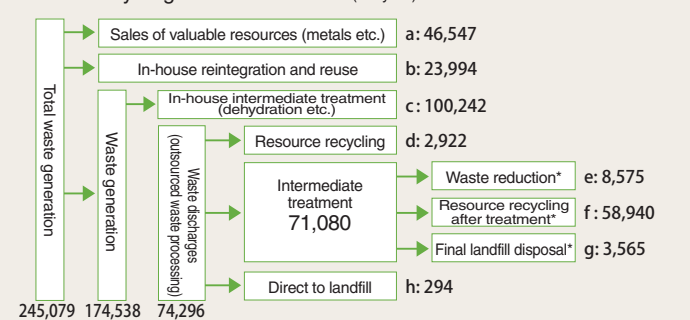
The zero emissions achievement ratios in FY2010 are: 55% for business sites in Japan, 22% for overseas business sites, and 45% in total. Thus, the target for FY2010 was achieved. The landfill ratio in FY2010 improved significantly to 3.2% (1.0% for business sites in Japan only) compared with 6.0% (for business sites in Japan) in FY2009. This reduction in landfill ratio is attributable to the contracting of slag recycling companies and to greater efforts for the separation of waste at each business site. We will continue our recycling efforts into FY2011 and beyond.

#### Trends in landfill ratios



\* Includes business sites in Japan only up to FY2009 and overseas business sites in FY2010.  
 \* Landfill ratio (%)=(Direct landfill disposal + landfill disposal after intermediate treatment) / (Valuable resources + waste discharge)

#### Waste recycling and treatment flow (ton/year)



\* The amounts of waste reduction, resource recycling after treatment and final landfill disposal were the result of surveys conducted by outside intermediate treatment companies.

For more detailed information on "Data concerning recycling," please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

#### Report from the Front 3R Promotion Activities at the KUBOTA Group

The Tochigi Plant of Kubota Air Conditioner Co., Ltd., which manufactures air-conditioning equipment, takes positive measures toward environmental preservation. The plant places special emphasis on waste reduction, and works toward maximizing recycling by strictly ensuring the separation of waste. As shown in the photographs on the right, the plant provides a waste storage space divided into compartments for easy waste separation, and the layout of the waste station is clearly signed so that employees can easily see where to place their waste. As a result of these efforts, the plant achieved the zero emissions goal (landfill ratio of 0%) in FY2010.



Map of "Waste Station"

Waste storage space divided into compartments



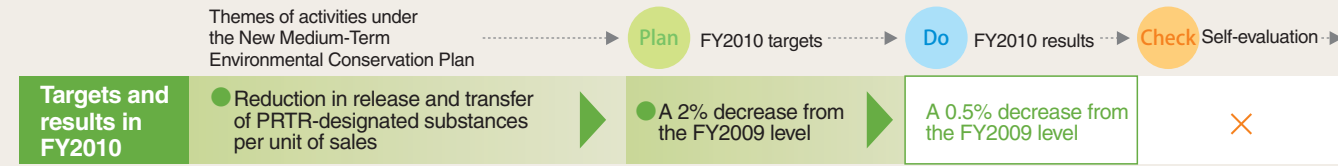


## Chemical Substance Controls

The KUBOTA Group has continued concerted efforts to provide appropriate control over chemical substances and achieve the target for reducing them.

### Reducing PRTR-designated substances

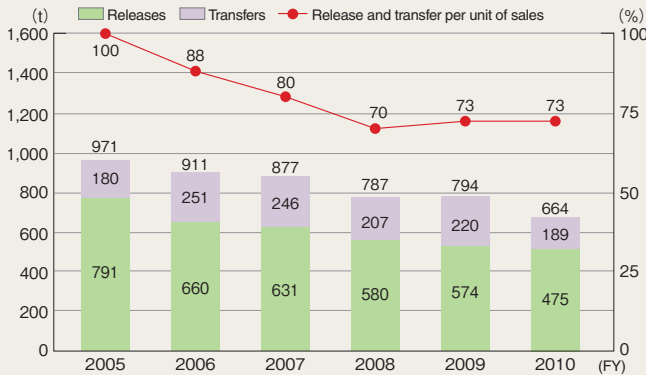
PRTR stands for Pollutant Release and Transfer Register. The PRTR Law, or the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in their Management, is designed to improve management of specific chemical substances by identifying the amount of such substances released to the environment.



#### Measures taken to reduce PRTR-designated substances

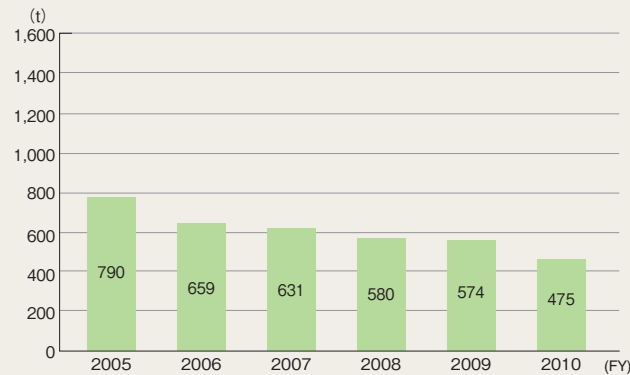
We are working for the reduction of PRTR-designated substances by: replacing conventional products with alternative ones that do not contain these substances, introducing waste thinner recycling units, and improving the production process. In FY2010, we achieved a 16.4% reduction in the amount of PRTR-designated substances released and transferred from the previous year, but the target was not achieved on a per-unit-of-sales basis because sales declined to a greater extent.

Trends in the amounts of PRTR-designated substances released and transferred (Data on business sites in Japan)



\* The data shows the total amount of the substances for which the annual handling quantity equaled one ton or more (0.5 tons or more for specific class 1 designations) at each business site and for which reporting is required under the PRTR Law (business sites in Japan only).  
 \* Release and transfer per unit of sales (FY2005=100) - total release and transfer/consolidated net sales  
 \* The amount of release and transfer during FY2009 was corrected.

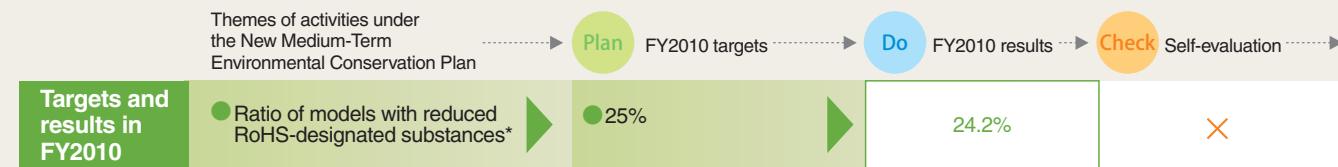
Trends in the amounts of VOC released (Data on business sites in Japan)



\* VOC stands for Volatile Organic Compound.  
 \* The data shows the total amount of VOCs for which reporting is required under the PRTR Law only.

For detailed information on the "Results of PRTR reporting" and "Groundwater management," please visit our website at: <http://www.kubota.co.jp/english/c-data/csr/2010.html>

### Reduction of chemical substances in products



#### Measures taken to reduce RoHS-designated substances

EU's RoHS and ELV Directives and similar regulations of other countries and regions are intended for electrical/electronic equipment and automobiles, and are not applied to most of the industrial machinery offered by the KUBOTA Group. However, we have been taking voluntary measures to reduce the six RoHS-designated substances (lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE) in a well-planned manner. The ratio of KUBOTA models with reduced RoHS-designated substances is 24.2% in FY2010, against the target of 25%.

\* The ratio of the value of shipped products that contain RoHS-designated substances (lead, hexavalent chromium, mercury, cadmium, PBB, and PBDE) in an amount equal to or less than the threshold limits (except those products that use RoHS-designated substances for the applications falling under the exemptions specified in the RoHS and ELV Directives) against the total value of shipped products (excluding plants, facilities, work, services, and software development) in FY2010.

#### Report from the Front Responding to the European REACH Regulations

The REACH regulations\* require manufacturers to register chemical substances and provide information on "Substances of Very High Concern" contained in their products. At the KUBOTA Group, the Product Chemical Substances Management Committee was established in October 2009 with a view to building an internal mechanism to collect information on the chemical substances used in our products and provide appropriate control over them, and during FY2010, an information system for chemical substances control was introduced. We will further strengthen measures to meet the REACH regulations by fostering closer cooperative ties with the suppliers of various materials.

\*REACH stands for Registration, Evaluation, Authorization and Restriction of Chemicals.

## Conservation of Biodiversity

The KUBOTA Group has launched various initiatives for the protection of the natural environment to ensure that our corporate activities will pose no threat to regional biodiversity.

### Promoting activities friendly to the natural environment and biodiversity

#### Biodiversity conservation principles incorporated into the Kubota Group Environmental Action Guidelines

At the KUBOTA Group, various environmental measures have been underway, such as creating biotopes and green areas at business sites. To further encourage biodiversity conservation and sustainable use of the natural environment, biodiversity conservation principles were newly incorporated into the Kubota Group Environmental Action Guidelines in December 2009. Under these guidelines, we will continue our efforts to provide appropriate control over the environmental impacts of our corporate activities, in order to protect the diverse range of regional ecosystems.



Rooftop garden at the Hirakata Technical Training Center

#### Highlight

#### Protecting ecosystems using KUBOTA's rice transplanters with devices that reduce the use of agricultural chemicals

Farmland, such as rice paddies and vegetable fields, provide habitat for a diverse array of flora and fauna and thus has huge environmental importance. On the other hand, to ensure a stable harvest of agricultural products, agricultural chemicals, such as herbicides and pesticides, have to be properly applied. Due to the difficulty in applying an appropriate amount of chemicals uniformly over a vast expanse of farmland, special caution has to be used to prevent agricultural chemicals from reaching nearby areas, while also avoiding the problem of excessive agricultural chemicals remaining on crops (residual chemicals), which results from a failure to uniformly apply such chemicals. Today's agricultural community is responsible for providing appropriate control over the amount of agricultural chemicals used and the method of applying them, for the dual purpose of securing food safety and preserving the environment.

To cope with this task, KUBOTA, since the 1990s, came up with a

device (an herbicide applicator) that can apply the right amount of herbicides during rice transplanting operation, as an optional product for its rice transplanters. In response to rising environmental awareness and the growing demand for labor efficiency regarding agriculture, KUBOTA also launched on the market a higher-efficiency herbicide applicator, known as "Komakichan," and a device for the nursery box application of fungicide and pesticide, known as "Hakomakichan." In recent years, stricter standards have been set for the aerial application of agricultural chemicals by means of radio-controlled helicopters, etc., as well as for the control of the amount of chemicals to be used per unit area and the type of chemicals used, requiring the agricultural community to put greater attention on the environment and safety. With the above-mentioned products, KUBOTA contributes to reducing the impacts of agricultural activities on ecosystems and the natural environment, while promoting sound agricultural practices, in terms of both quality and the environment.



Komakichan and Hakomakichan attached to a rice transplanter



The "Komakichan" herbicide applicator

Using this applicator, the right amount of herbicide can be applied without fail during the rice transplanting process. This product is effective in a number of ways, including: preventing excessive application of herbicides; reducing environmental impact; improving economic performance; and saving labor.



"Hakomakichan," a device for the nursery box application of agricultural chemicals

Using this device, the right amount of fungicide and pesticide can be applied without fail during the rice transplanting process. Unlike the conventional method of the manual application of chemicals in a nursery box placed on the ground, this device prevents the scattering of chemicals and ensures their uniform application.

#### Frontline Voice

I hope to contribute to labor efficiency in agricultural activities and the protection of the beautiful rural environment.

#### Yoshihisa Fujita

Rice Transplanter Engineering Department  
Sakai Plant  
KUBOTA Corporation



It is tough work to apply agricultural chemicals manually across a vast rice paddy. The work also entails the risk of adversely affecting the environment due to the scattering of chemicals, while accidental inhalation of chemicals can cause health problems. KUBOTA's devices are effective in various ways: they contribute to labor efficiency, let users know the correct amount of chemicals used, have less environmental impact, and reduce cost by preventing the excessive application of chemicals. Recently, agriculture is attracting growing interest. I really hope that our devices will help both practicing and prospective farmers in their agricultural work, and contribute to protecting and preserving the habitats of a diverse range of living creatures and beautiful rural environments.



## Independent Review on the Environmental Report

Since FY2005, our Environmental Report has been subject to an independent review by a third party to ensure the credibility and completeness of the environmental information contained within it. The information in the KUBOTA CSR Report 2010 that has been reviewed is given this review mark: ( ). As a result of this year's review, the KUBOTA CSR Report 2010 has been determined eligible to use the environmental reporting assurance and registration mark of the Japanese Association of Assurance Organizations for Sustainability Information (J-SUS) (<http://www.j-sus.org/>)\*. This indicates that the environmental information contained in the KUBOTA CSR Report 2010 is reliable enough to meet the eligibility criteria to use the mark set by the J-SUS. (\*The mark is shown on the back cover of this report.)

### On-site inspections



Kyuhoji Business Center



Odawara Plant, Kubota-C.I. Co., Ltd.



Funabashi Office, Keiyo Plant

**Translation**

The following is an English translation of an independent assurance report prepared in Japanese and is for information and reference purposes only. In the event of a discrepancy between the Japanese and English versions, the Japanese version will prevail.

**Independent assurance report**

27 May 2010

Mr. Yasuo Masumoto  
Representative Director, President & CEO  
Kubota Corporation

**1. Purpose and scope of our assurance engagement**

We have performed certain assurance procedures, based on the engagement with Kubota Corporation (the "Company"), on the Company's key environmental performance indicators. These comprise the environmental accounting data and the material environmental information<sup>1</sup> of the Company and its major subsidiaries for the year ended 31 March 2010, that were reported in the Kubota Group CSR Report 2010 (the "Report"). The assurance procedures are with respect to whether the key environmental performance indicators have been measured and calculated accurately and whether material information has been fully disclosed in accordance with the reporting standards for sustainability reports<sup>2</sup>.

The preparation of the Report is the responsibility of the Company's management. Our responsibility is to express an independent opinion on the Key Environmental Performance Indicators.

**2. Outline of the assurance procedures performed**

We have performed limited assurance procedures<sup>3</sup> in accordance with the 2003 International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information of the International Federation of Accountants (IFAC) and the 2008 Practical Guidelines for the Assurance of Sustainability Information of the J-SUS. Therefore, our assurance engagement provides relatively limited assurance compared to a reasonable assurance engagement.

**3. Conclusion**

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the Key Environment Performance Indicators have not been measured and calculated accurately in accordance with the reporting standards of sustainability reports, or material information has not been disclosed in accordance with the 2009 Sustainability Reporting Assurance and Registration Criteria, in all material respects.

**4. Independence**

Our assurance is compliant with the Ethics Regulations of J-SUS and there is no financial interest between the Company and us.

Akihiro Nakagome  
Representative Director  
Ernst & Young ShinNihon Sustainability Institute Co., Ltd.

<sup>1</sup> The scope of material environmental information is stipulated in the 2009 Sustainability Reporting Assurance and Registration Criteria of the Japanese Association of Assurance Organizations for Sustainability Information (J-SUS).  
<sup>2</sup> The reporting standards refer to the 2007 Environmental Reporting Guidelines of Japan's Ministry of the Environment, the 2006 Sustainability Reporting Guidelines of the Global Reporting Initiative, and the 2009 Sustainability Reporting Assurance and Registration Criteria of J-SUS in the context of specifying the material subject to disclosure.  
<sup>3</sup> We have mainly reviewed and assessed the Company's procedures for the collection and aggregation of data, performed analytical procedures, as well as recalculated and reconciled them with the corroborating evidence on the quantitative sustainability information on a test basis. In addition, we have mainly made inquiries and reviewed related records to verify the qualitative information.

## Comments on the CSR Report

May 25, 2010

### Report on the 120th anniversary—a milestone year

KUBOTA celebrates its 120th anniversary in 2010. The entrepreneurship with which KUBOTA was founded 120 years ago already embraced the style and concept of what is known today as "social enterprises," which pursues corporate development while addressing and solving social problems. At KUBOTA, this attitude is at the core of its CSR activities, and this fact is highly significant.

### Materiality for CSR activities

This year's CSR Report is characterized by KUBOTA's declaration to focus its CSR activities on three areas of material importance, namely: food, water, and the environment. All of these areas bear special global importance, in which KUBOTA's contribution is highly expected. These areas also concern KUBOTA's core business. In this light, KUBOTA will be able to better communicate to society that the spirit of CSR is behind KUBOTA's corporate activities, by emphasizing the socially contributing factors of its corporate activities as "CSR activities."

### Promotion of stakeholder dialog

KUBOTA has made positive efforts to promote dialog with its stakeholders. Besides the interview with the president by employees and the discussion with experts, KUBOTA's steady efforts, such as encouraging all KUBOTA employees to read its CSR report, deserve high recognition. It is important how KUBOTA will use the opinions collected from such dialog in designing its future corporate activities.

### Environmental activities from medium- and long-term perspectives

KUBOTA has made concerted efforts toward environmental preservation activities and has achieved steady results, which is something that should be highly regarded. Considering that the reduction in production volume adversely affected various environmental indicators during the fiscal year under review, introduction of



**Professor Katsuhiko Kokubu**  
Graduate School of Business Administration  
Kobe University

indicators that are independent of changes in production volume or the CO<sub>2</sub> emission coefficient is recommended. Additionally, evaluating the current environmental efforts in medium- and long-term perspectives by setting targets for 2020 or 2050 will be effective in bringing about innovations in KUBOTA's environmental activities. In this light, KUBOTA should consider to introduce more comprehensive, integrated numerical indicators, such as a resource productivity indicator.

### Introduction of the perspective of a value chain

By specifying areas of importance and using the PDCA cycle in environmental and social areas, KUBOTA is implementing CSR activities in a highly advanced manner. KUBOTA should integrate all the areas of its activities and create a value chain involving suppliers and customers as well, in a systematic fashion. By developing a plan that allows KUBOTA's value to be shared globally and explaining that plan to the public, KUBOTA will be able to achieve further success in its CSR activities.

### List of information available on KUBOTA's website <http://www.kubota.co.jp/english/c-data/csr/2010.html>

The following information is shown on our website to supplement the KUBOTA CSR Report 2010.

	Information provided in this report	Page	Supplementary information shown in the website
CSR Management	The Fundamental Principles of KUBOTA's CSR Management	17	● Compliance ● Corporate Governance ● Internal Control System
	Product safety and superior quality	26	● Status of ISO9001 Certification
	The ensuring of full legal compliance	27	● Fire drills ● Safe driving training ● Actions taken to prevent the infringement of the intellectual property rights of other companies ● Personal information protection ● Certificate of Commendation given by the Osaka Prefecture Organized Crime Prevention Center ● Enhancement of information security measures
	Creating a vibrant work environment	30	● Personnel policy and personnel system ● Promoting action plans to the Next Generation Nurturing Support Measures Promotion Law ● Promoting diversity management
Social Report	Contributing to international society and enhancing social and cultural activities	31-33	● Support for the "Voice of Japan-China Friendship: Japanese and Chinese Speech Contest" ● Support for "Rice Paddies and Water in Rural Hometowns: Child Paintings Exhibition" ● Support for the "Osaka Friendship Campaign," a commemorative event for Disability Week ● Group blood donation by KUBOTA employees ● Agricultural education provided at a Japanese school in India
	IR activities and the provision of corporate information	34	● Main contents of the website ● Ratio of foreign shareholders
	KUBOTA Group Business Activities and Environmental Loads	37	● Trends in major environmental indicators ● Data on production plants
	Environmental Management	38	● Environmental management promotion system ● Environmental risk management ● Environmental education ● Environmental accounting ● Green purchasing / green procurement ● ISO14001 certification ● Environmentally friendly products
Environmental Report	Stopping Climate Change	39	● Data concerning CO <sub>2</sub> emissions ● Conversion coefficient
	Working towards a Recycling-based Society	40	● Data concerning resource recycling
	Chemical Substance Controls	41	● Results of PRTR reporting / Groundwater monitoring
	Independent Review on the Environmental Report	43	● Calculation standards of environmental performance indicators

### In response to the above comments

**Masayuki Yukuta** General Manager, CSR Planning Department KUBOTA Corporation

As in last year, this year we invited Professor Katsuhiko Kokubu of the Graduate School of Business Administration, Kobe University, to comment on our CSR Report. He examined our report for two consecutive years and thus his comments come from a continuous perspective. KUBOTA takes his advice seriously and relies on it in designing measures to improve its corporate activities. For 120 years, KUBOTA's corporate activities have always aimed to contribute to society. Published in the milestone year of the company's 120th anniversary, this particular CSR Report is designed to renew the determination across the KUBOTA Group to preserve this tradition, which is deeply woven into the company's DNA. We, at the KUBOTA Group, will remain committed to contributing to the development of society and preservation of the global environment, so that we can continue to be a respected member of society.





# Kubota



As a leading company for environmental performance, KUBOTA has made a promise to implement environmental conservation activities to the Ministry of the Environment.



We practice Green Purchasing.



Our CSR Report 2010 has been determined eligible to use the environmental reporting assurance and registration mark of the Japanese Association of Assurance Organizations for Sustainability Information (J-SUS).



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