KUBOTA Corporation

Annual Report 2009

Profile

For more than a century since its founding, Kubota Corporation and subsidiaries (collectively, "the Company") have continued to help improve people's quality of life by offering superior products and services—including farm equipment, pipes for water supply and sewage systems, environmental control plants, industrial castings, and building materials. The Company's management principle is to "contribute to the development of society and the preservation of the Earth's environment" through its products, technology, and services, which provide the foundation for society and for affluent lifestyles. While adhering to this management principle, the Company is implementing management policies that are focused on prioritizing the allocation of its resources, emphasizing agility in its operations, and strengthening consolidated operations. Through these measures, the Company aims to improve its adaptability to respond with flexibility to the changing times, resulting in a high enterprise value.

Financial Highlights

Kubota Corporation and Subsidiaries Years Ended March 31, 2009, 2008, and 2007

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Revenues	**¥1,107,482**	¥1,154,574	¥1,127,456	**$11,300,837**
Ratio to previous year	**95.9%**	102.4%	105.8%	
Net income	**48,064**	68,026	76,457	**490,449**
Ratio to previous year	**70.7%**	89.0%	94.4%	
Ratio to revenues	**4.3%**	5.9%	6.8%	
Net income per common share (Yen and U.S. dollars):				
Basic	**¥37.68**	¥52.80	¥59.01	**$0.38**
Diluted	**37.68**	52.80	59.01	**0.38**
Net income per 5 common shares (Yen and U.S. dollars):				
Basic	**¥188.40**	¥264.01	¥295.03	**$1.92**
Diluted	**188.40**	264.01	295.03	**1.92**
Cash dividends paid per common share (Yen and U.S. dollars)	**¥15**	¥13	¥11	**$0.15**
Cash dividends paid per 5 common shares (Yen and U.S. dollars)	**75**	65	55	**0.77**
Capital investments	**¥33,337**	¥35,163	¥44,715	**$340,173**
Depreciation and amortization	**31,242**	30,565	27,097	**318,796**
R&D expenses	**26,290**	24,784	22,925	**268,265**
Number of shareholders (At year-end)	**53,002**	48,567	45,363	

Notes: 1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥98=US$1. See Note 1 to the consolidated financial statements.
2. Per share amounts have been calculated per 5 common shares, since each American Depositary Share represents 5 shares of common stock.
3. The term "Capital investments" represents acquisition costs for the purchases of fixed assets on an accrual basis, while the purchases of fixed assets in the consolidated statements of cash flows represent payments for those assets on a cash basis.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

This document may contain forward-looking statements that are based on management's expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results may differ materially from what is forecast in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company's markets, particularly government agricultural policies; levels of capital expenditures, both in public and private sectors; foreign currency exchange rates; and continued competitive pricing pressures in the marketplace, as well as the Company's ability to continue to gain the acceptance of its products.

Affected by the global economic slowdown and the sharp appreciation of the yen, Kubota Corporation and subsidiaries (hereinafter, "the Company") reported decreased revenue and profit in the year ended March 31, 2009. In Asia outside Japan, the Company sustained favorable revenues against a background of robust demand. However, revenues in North America and Europe stagnated because of weakness in the real economy accompanying the financial crisis. Domestic revenues also stagnated due to substantial declines in demand, which resulted from decreasing overall levels of production and sharp drops in exports.

For the year ended March 31, 2009, revenues of the Company decreased ¥47.1 billion (4.1%) from the prior year, to ¥1,107.5 billion. Increased revenues in Asia outside Japan were not sufficient to compensate for declining revenues in North America, Europe, and Japan. The ratio of overseas revenues to consolidated revenues for the fiscal year was 50.4%, the same ratio as in the prior year.

Operating income decreased ¥34.1 billion (24.9%), to ¥102.8 billion, from the prior year. Operating income in Internal Combustion Engine and Machinery declined, mainly due to lower demand, the appreciation of the yen, and increases in material costs. Operating income in Pipes, Valves, and Industrial Castings was down as a result of losses recorded in connection with the Anti-Monopoly Law. The operating loss in Environmental Engineering improved, while operating income in Other decreased due to lower sales of vending machines.

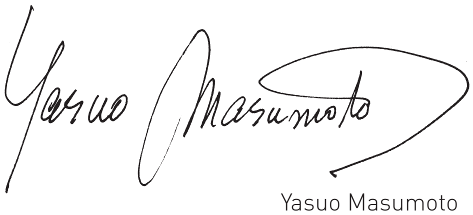
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies decreased ¥39.3 billion (32.1%), to ¥83.3 billion. This was due to lower operating income and an increase in other expenses resulting from higher foreign exchange losses and valuation losses on other investments.

Income taxes were ¥28.7 billion (representing an effective tax rate of 34.5%), which reflected the reversal of a part of deferred tax liabilities because of tax law revisions related to the taxation of dividends from overseas subsidiaries. The net amount of minority interests in earnings of subsidiaries and equity in net income of affiliated companies to be deducted was ¥6.4 billion. As a result, net income was ¥48.1 billion, ¥20.0 billion (29.3%) lower than for the prior year.

The world economy is facing a crisis of historic proportions, and the business environment for the Company's operations is unprecedentedly severe. It will not be easy to overcome these harsh operating conditions, but the Company will aim to surmount the current difficulties, increase its corporate value, and attain long-term growth and development by steadily implementing the following strategic measures. Management will:

- Conduct its business operations while focusing on technology and manufacturing capabilities as a manufacturer,
- Enhance capabilities for responding to fluctuations in the global economy, and
- Promote globalization.

We thank you, our shareholders, for your investment in Kubota and look forward to your continuing support in the years to come.



Yasuo Masumoto
Representative Director, President & CEO

Mr. Yasuo Masumoto became president of Kubota Corporation on January 1, 2009.

Q1. Mr. Masumoto, what would you say is your "mission" as president?

I believe that, given the timing of my becoming president, my role will be to restructure Kubota by returning the Company to its origins as a manufacturer. I intend to maintain the earnings base that Mr. Daisuke Hatakake, our former president and current chairman, strengthened and enhanced by focusing on the expansion of our international operations during his term as president. In today's harsh operating environment, I believe my mission is to reform and strengthen Kubota's business structure. I am keenly aware of this mission and I want to devote all my energies to steering the Company in the right direction.

In addition, my most important role as president is to indicate clearly what kind of company Kubota should become in the future, for example 10 years from now. My role should be to point all employees in that direction and reach the specified objectives to the maximum extent possible. At the same time that I will be working to create the necessary frameworks for us to attain our objectives, I will also be focusing on revitalizing the Company. We may encounter difficulties in this process, but my motto will be, "There are some things that we think we can do but cannot accomplish, but there is nothing that we think we *cannot* do that we *will* accomplish." The conclusion to draw from this is, "Always accept a challenge and think 'We can!' at all times."

Q2. Could you please tell us your point of view regarding management?

The first basic management policy is to "manage emphasizing the front lines of business with a focus on technology and manufacturing capabilities." The most important and most basic functions of manufacturers are their capabilities for developing products and manufacturing them. Strengthening and augmenting these capabilities are indispensable for growth and development. Therefore, in management I will give priority to technology and product development, to improving quality and productivity, and to other related issues. In parallel with the implementation of this policy, I am placing particular emphasis on our various "front lines of business," which include the places where we develop our technologies, manufacture, market, and provide after-sales service. A front line that is capable of discovering issues and problems on its own initiative, developing solutions, and then putting those solutions into practice is a truly powerful one. To respond nimbly and quickly to severe changes, I will place special emphasis on nurturing the "power of the front lines of business."

In line with the concepts of "strengthening technological and manufacturing capabilities and emphasizing the front lines of business," in April this year we formed two committees, the Research & Development Strategy Committee and the Quality Assurance & Manufacturing Strategy Committee. These two committees will discuss the development of technology and manufacturing and then make clear the directions we should take to survive and win in global competition. At the same time, through these activities, we are aiming to cultivate a corporate culture in which younger personnel, including technical staff, will look to the future and proactively address the challenges it will bring.

The second basic management policy is to "enhance our CSR management." We will win a high appraisal from society if we are responsive to what society expects of us and manage our corporate activities in line with these expectations at all times. I want Kubota to continue to be that kind of company. Specific CSR-related policies will include strengthening our initiatives for preserving the natural environment, managing our operations to draw on the capabilities of a diverse range of human resources, making internal controls an integral part of our operations, and practicing thoroughgoing risk management.

Q3. In what kinds of situations do you think your career and experience at Kubota will be most applicable?

I joined Kubota in 1971. I spent my first three years designing incinerators in the Environmental Engineering business, and then spent about 23 years in the Internal Combustion Engine and Machinery business. After being in production technology related work at plants, which manufacture rice transplanters, combine harvesters, tractors, and engines, I participated in the restructuring of the construction machinery business as a manufacturing manager.

After that, I received an assignment outside the Internal Combustion Engine and Machinery area and was placed in charge of the Pipes, Valves, and Industrial Castings business, which was experiencing unfavorable conditions at that time. I began as general manager of manufacturing in this business and after about six years rose to become general manager of the Water, Environment & Infrastructure Consolidated Division in the parent company. During this period, I was involved in

restructuring and reorganizing the manufacturing base for the Pipes, Valves, and Industrial Castings business and Environmental Engineering business in Japan. I also participated in the development of overseas operations, including the construction of the ductile pipe manufacturing plant in India.

I am proud of the fact that my work has consistently been related to manufacturing, and I believe that I am probably somewhat unusual in having been associated with such a wide range of businesses, spanning Internal Combustion Engine and Machinery, Pipes, Valves, and Industrial Castings, and Environmental Engineering. I believe my experience will be applicable and very useful in helping to appropriately address the major issues that Kubota faces in today's operating environment.

Q4. What do you see as the priority issues that must be addressed for the time being, and what will your strategies be?

We are implementing initiatives to address the issue of "accelerating development of overseas operations" and "strengthening our capabilities for coping with global economic fluctuations."

Along with the development of our overseas business activities, we will become much more susceptible to the effects of trends in the world economy and fluctuations in foreign exchange rates. Therefore, creating a business structure that can adapt quickly to changes in the business environment is an urgent issue. To address this issue, we will move ahead first with the expansion of overseas production and optimize the location of production centers on a global scale. We also will accelerate the globalization of our procurement activities to make it possible to optimize procurement as well. In addition, to respond flexibly to changes in demand, it will be important to have common production methods to make it possible to manufacture the same products with the same methods at any of our production bases around the world. From this perspective, we will implement initiatives to develop "Kubota standard" production systems.

To reduce variable and fixed costs, we will continue cost-cutting activities relentlessly to strengthen our ability for withstanding economic fluctuations. In addition, it has become extremely important for us to maintain sound operation of our retail finance business, which has now reached a substantial scale overseas. At the same time, we will consider procurement of the necessary funding for these activities and credit exposure management as well as work to ensure sound financial supervision.

We have focused on expansion in our overseas activities in recent years. Going forward, we will continue to give priority in allocating resources to our overseas business activities and work toward their further expansion. Thus far, we have concentrated mainly on developing overseas operations in the Internal Combustion Engine and Machinery area, but, looking ahead, we want to accelerate the international development of other businesses and thereby reduce the extremely high dependence on Internal Combustion Engine and Machinery related activities and look for new business opportunities.

Q5. Could you please provide us with further details about "accelerating development of overseas operations"?

We want to take up the challenge of full-scale development of our positions in the water treatment and environmental businesses, where worldwide expansion is forecast. We will focus especially on Asia, including China, where rapid market growth is expected.

Our joint-venture plant for ductile iron pipes for water supply in India, which will be our first overseas plant in the water-related business, will provide a beachhead for international development of this business, and for the time being, with an eye to full-scale overseas development, we will focus on developing sales channels and business partners in the markets we enter. In addition, initially we are scheduled to proceed with the development of this business using machinery sales as a foothold, but going forward we want to develop core business activities, such as engineering, procurement, and construction. In the overseas development of our water treatment and environmental plant businesses, we intend to conduct detailed research on markets and competitors, understand these markets, and proceed cautiously, but in some cases it may be necessary to take quick action. We will take the initiative in new business development with passion and courage.

On the other hand, in the Internal Combustion Engine and Machinery business, Asia outside Japan has taken the place formerly held by North America and Europe as the driving force in our overseas development. Our basic strategy in the agricultural equipment market in Asia will be to leverage our strengths as a full-line manufacturer—supplying a broad range of equipment that includes tractors, combine harvesters, and rice transplanters—and our strong product development capabilities to take aim at the rice cultivation market. We will continue to focus our efforts on developing our positions in the Thai and Chinese markets, where growth rates are high, as well as in the markets of India and Vietnam, where we established subsidiaries last fiscal year. We will also watch for the right timing to enter peripheral markets with potential.

Strengthening Governance through Reforms in Management Structure

Amid the rapidly changing operating environment, for Kubota to seize growth opportunities without fail and win in global competition, it will be necessary to make strategic decisions quickly and strengthen business execution functions. Based on this judgment, under the leadership of Kubota's new president, who took office in January 2009, 26 executive officers were appointed in April and, at the Annual General Meeting of Shareholders, the number of members of the Board of Directors was reduced sharply from 24 to 8. Among these 8 directors, 2 outside directors were newly appointed to increase the transparency and maintain the soundness of management.

By implementing and making effective the new governance structure that has been created by this series of reforms in Kubota's management structure at an early date, Kubota is aiming to accelerate the speed of its management and thereby be in a position to respond quickly to changes in the operating environment and increase management efficiency.

Tractor

Mini-Excavator

Utility Vehicle

Engine

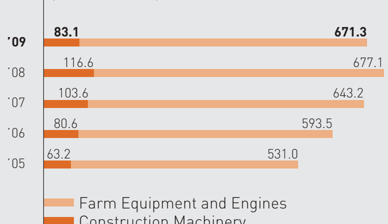
Combine Harvester

Rice Transplanter

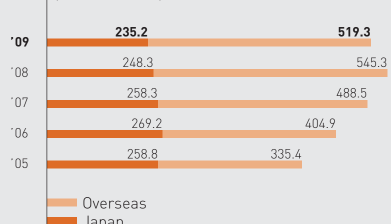
Internal Combustion Engine and Machinery

Tractors
Utility Vehicles
Lawn Mowers
Combine Harvesters
Rice Transplanters
Engines
Mini-Excavators
Etc.

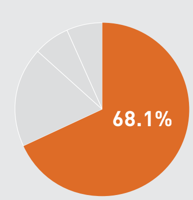
Revenues by Sector
(Billions of Yen)



Revenues by Geographic Segment
(Billions of Yen)



Revenues for the Year Ended March 31, 2009
(%)




Ductile Iron Pipe


Plastic Pipes and Fittings


Valve

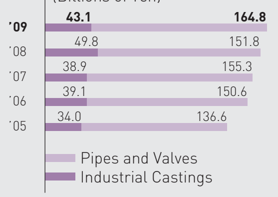

Spiral Welded Steel Pipes


Cracking Tubes

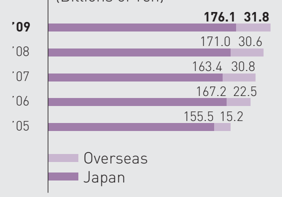
Pipes, Valves, and Industrial Castings

Ductile Iron Pipes
Plastic Pipes
Spiral Welded Steel Pipes
Valves
Industrial Castings
Etc.

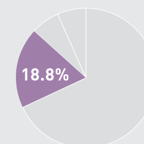
Revenues by Sector
(Billions of Yen)



Revenues by Geographic Segment
(Billions of Yen)



Revenues for the Year Ended March 31, 2009
(%)




Sewage Treatment Plant


Water Purification Plant


Pump

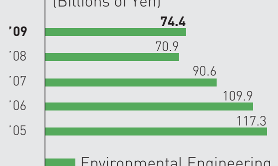

Submerged Membrane System


Ceramic Membrane Filtration System

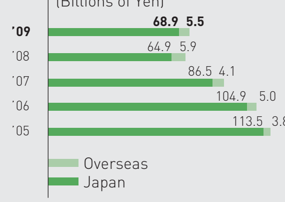
Environmental Engineering

Sewage Treatment Plants
Water Treatment Plants
Waste Treatment Plants
Pumps
Membrane Solutions
Etc.

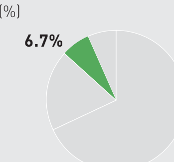
Revenues by Sector
(Billions of Yen)



Revenues by Geographic Segment
(Billions of Yen)



Revenues for the Year Ended March 31, 2009
(%)




Vending Machine


Digital Load Cells


Constant Feed Weigher

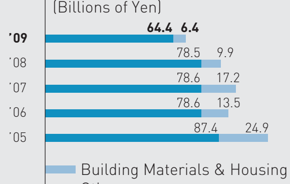

Wastewater Treatment Tank


Air-conditioning Equipment

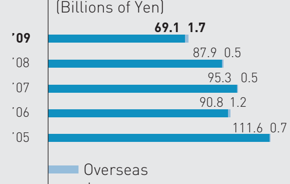
Other

Vending Machines
Electronic-Equipped Machinery
Air-conditioning Equipment
Wastewater Treatment Tanks
Etc.

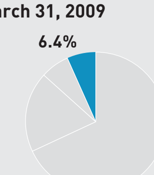
Revenues by Sector
(Billions of Yen)



Revenues by Geographic Segment
(Billions of Yen)



Revenues for the Year Ended March 31, 2009
(%)



Internal Combustion Engine and Machinery

Internal Combustion Engine and Machinery revenues were ¥754.4 billion (US$7,698 million), 4.9% lower than the prior fiscal year, comprising 68.1% of consolidated revenues. Domestic revenues decreased 5.3%, to ¥235.2 billion (US$2,400 million), and overseas revenues declined 4.8%, to ¥519.3 billion (US$5,299 million). This segment consists of farm equipment and engines and construction machinery.

In the domestic market, versus the previous fiscal year, sales of farm equipment and engines slipped ¥39.1 billion (1.8%) and those of construction machinery were down ¥9.2 billion (31.3%). The operating environment continued to be challenging due to stagnant demand for farm equipment reflecting the economic slowdown, price hikes for agricultural materials, and a decrease in construction investment. Under these circumstances, the Company actively introduced new products and implemented promotional sales activities, and sales of combine harvesters and rice transplanters increased. However, tractor and engine sales declined and construction machinery sales decreased substantially.

In overseas markets, sales of farm equipment and engines declined ¥1.9 billion (0.4%) from the prior fiscal year. Overall sales of tractors were down slightly. In Asia outside Japan, sales of tractors in Thailand sustained a sharp increase and sales in Europe also increased steadily due to new product launches. However, sales of tractors in North America dropped substantially due to market stagnation and yen appreciation. Sales of engines decreased due to inventory adjustment by European and North American clients. On the other hand, sales of combine harvesters and rice transplanters were up sharply in China. Sales of construction machinery were down a substantial ¥24.2 billion (27.8%) from the previous fiscal year due to the rapid economic slowdown in Europe.

Foreign currency fluctuation had a significant influence on revenues in this segment, which in turn was largely responsible for the overall unfavorable impact on the Company's revenues.

		Billions of Yen				
		2009	2008	2007	2006	2005
Revenues		**¥1,107.5**	¥1,154.6	¥1,127.5	¥1,065.7	¥994.5
Internal Combustion Engine and Machinery Revenues		**754.4**	793.7	746.8	674.1	594.3
Revenues by Sector	Farm Equipment and Engines	**671.3**	677.1	643.2	593.5	531.0
	Construction Machinery	**83.1**	116.6	103.6	80.6	63.2
Revenues in Japan and Overseas	Japan	**235.2**	248.3	258.3	269.2	258.8
	Overseas	**519.3**	545.3	488.5	404.9	335.4

Combine Harvester (Conventional Type)

Tractor

Rice Transplanter

Lawn Mower

Utility Vehicle (Four-Seater Type)

Vertical Water-Cooled Diesel Engine

Excavator (8-ton Type)

Pipes, Valves, and Industrial Castings


Ductile Iron Pipes


Valve

Revenues in Pipes, Valves, and Industrial Castings increased 3.1%, to ¥207.9 billion (US$2,121 million), from the prior fiscal year, comprising 18.8% of consolidated revenues. Domestic revenues increased 2.9%, to ¥176.1 billion (US$1,797 million), and overseas revenues were up 4.2%, to ¥31.8 billion (US$324 million). This segment encompasses pipes, valves, and industrial castings.

In the domestic market, sales of pipes and valves increased ¥8.2 billion (5.7%) and those of industrial castings dropped ¥3.2 billion (12.4%) from the previous fiscal year. Sales of ductile iron pipes and spiral welded steel pipes were up largely on the back of price increases. However, sales of plastic pipes were down due to declining demand. Sales of industrial castings decreased due to lower sales of tunnel-support materials (ductile tunnel segments).

In overseas markets, sales of pipes and valves surged ¥4.7 billion (68.3%), but those of industrial castings slid ¥3.4 billion (14.6%) from the prior fiscal year, affected by a slowdown in private-sector capital expenditure. On the other hand, export sales of ductile iron pipes to the Middle East showed a favorable increase and compensated for the lower sales of industrial castings.


Plastic Pipes and Fittings

		Billions of Yen				
		2009	2008	2007	2006	2005
Revenues		**¥1,107.5**	¥1,154.6	¥1,127.5	¥1,065.7	¥994.5
Pipes, Valves, and Industrial Castings Revenues		**207.9**	201.6	194.2	189.7	170.6
Revenues by Sector	Pipes and Valves	**164.8**	151.8	155.3	150.6	136.6
	Industrial Castings	**43.1**	49.8	38.9	39.1	34.0
Revenues in Japan and Overseas	Japan	**176.1**	171.0	163.4	167.2	155.5
	Overseas	**31.8**	30.6	30.8	22.5	15.2

Environmental Engineering

High-Capacity Pump System

Sewage Sludge Concentrator (Belt Type)

Revenues in Environmental Engineering increased 5.0%, to ¥74.4 billion (US$759 million), from the prior fiscal year, comprising 6.7% of consolidated revenues. Domestic revenues were up 6.1%, to ¥68.9 billion (US$759 million), and overseas revenues were down 7.4%, to ¥5.5 billion (US$56 million). This segment consists of environmental control plants and pumps.

In the domestic market, operating conditions remained challenging during the year under review. However, due to stepped-up sales efforts, sales of water and sewage engineering products increased smoothly and sales of waste engineering products and pumps also climbed steadily. In overseas markets, sales of pumps increased steadily, while sales of submerged membrane systems decreased substantially from the previous fiscal year.

Submerged Membranes

		Billions of Yen				
		2009	2008	2007	2006	2005
Revenues		**¥1,107.5**	¥1,154.6	¥1,127.5	¥1,065.7	¥994.5
Environmental Engineering Revenues		**74.4**	70.9	90.6	109.9	117.3
Revenues by Sector	Environmental Engineering	**74.4**	70.9	90.6	109.9	117.3
Revenues in Japan and Overseas	Japan	**68.9**	64.9	86.5	104.9	113.5
	Overseas	**5.5**	5.9	4.1	5.0	3.8

Other

Large-Scale Wastewater Treatment Tank

Energy-Saving Vending Machine

Revenues in the Other segment decreased 19.9%, to ¥70.8 billion (US$722 million), from the prior fiscal year, comprising 6.4% of consolidated revenues. Domestic revenues slid 21.4%, to ¥69.1 billion (US$705 million), while overseas revenues jumped 237.5%, to ¥1.7 billion (US$17 million). This segment includes vending machines, electronic-equipped machinery, air-conditioning equipment, construction, septic tanks, and other business.

Sales of vending machines were down substantially in this segment, reflecting decreased demand for cigarette vending machines with an age-identification function, for which temporary demand was very high in the prior year. Sales of construction and electronic-equipped machinery were also down. In addition, sales of condominiums were absent this fiscal year, as the subsidiary responsible for the condominium business became an affiliated company due to the sale of shares in that company in the previous fiscal year. As a result of these factors, overall revenues in the Other segment largely decreased.

Desiccant Air-Handling Unit

		Billions of Yen				
		2009	2008	2007	2006	2005
Revenues		**¥1,107.5**	¥1,154.6	¥1,127.5	¥1,065.7	¥994.5
Other Revenues		**70.8**	88.4	95.8	92.1	112.3
Revenues by Sector	Building Materials & Housing	**6.4**	9.9	17.2	13.5	24.9
	Other	**64.4**	78.5	78.6	78.6	87.4
Revenues in Japan and Overseas	Japan	**69.1**	87.9	95.3	90.8	111.6
	Overseas	**1.7**	0.5	0.5	1.2	0.7

Five-Year Financial Summary

Kubota Corporation and Subsidiaries Years Ended March 31, 2009, 2008, 2007, 2006, and 2005

	Millions of Yen (Except Per Share Information)					Thousands of U.S. Dollars (Except Per Share Information) (Note 1)
	2009	2008	2007	2006	2005	**2009**
For the year						
Revenues	**¥1,107,482**	¥1,154,574	¥1,127,456	¥1,065,736	¥ 994,483	**$11,300,837**
Ratio to previous year	**95.9%**	102.4%	105.8%	107.2%	105.9%	
Cost of revenues	**810,226**	824,093	794,687	753,952	716,495	**8,267,612**
Selling, general, and administrative expenses	**193,426**	192,935	199,356	186,017	182,498	**1,973,735**
Loss from disposal and impairment of businesses and fixed assets	**1,015**	671	3,066	4,709	1,414	**10,357**
Operating income	**102,815**	136,875	130,347	121,058	94,076	**1,049,133**
Income from continuing operations	**48,064**	67,837	77,743	81,149	107,132	**490,449**
Income (loss) from discontinued operations, net of taxes	**—**	189	(1,286)	(115)	10,769	**—**
Net income:	**48,064**	68,026	76,457	81,034	117,901	**490,449**
Ratio to previous year	**70.7%**	89.0%	94.4%	68.7%	1,007.7%	
Ratio to revenues	**4.3%**	5.9%	6.8%	7.6%	11.9%	
At year-end						
Total assets	**¥1,385,824**	¥1,464,270	¥1,502,532	¥1,405,402	¥1,193,056	**$14,141,061**
Working capital	**321,971**	303,177	240,417	241,786	171,326	**3,285,418**
Long-term debt	**208,588**	183,945	150,105	152,024	117,488	**2,128,449**
Total shareholders' equity	**578,284**	648,097	659,637	606,484	481,019	**5,900,857**
Per common share and per 5 common shares data (Yen and U.S. Dollars):						
Income from continuing operations per common share:						
Basic	**¥37.68**	¥52.65	¥60.00	¥62.23	¥80.97	**$0.38**
Diluted	**37.68**	52.65	60.00	61.76	78.91	**0.38**
Income from continuing operations per 5 common shares:						
Basic	**¥188.40**	¥263.27	¥299.99	¥311.13	¥404.86	**$1.92**
Diluted	**188.40**	263.27	299.99	308.57	394.55	**1.92**
Net income per common share:						
Basic	**¥37.68**	¥52.80	¥59.01	¥62.14	¥89.11	**$0.38**
Diluted	**37.68**	52.80	59.01	61.67	86.83	**0.38**
Net income per 5 common shares:						
Basic	**¥188.40**	¥264.01	¥295.03	¥310.69	¥445.56	**$1.92**
Diluted	**188.40**	264.01	295.03	308.34	434.16	**1.92**
Shareholders' equity per common share outstanding	**¥454.60**	¥506.09	¥510.75	¥466.71	¥369.90	**$4.64**
Shareholders' equity per 5 common shares outstanding	**¥2,273.02**	¥2,530.44	¥2,553.74	¥2,333.55	¥1,849.49	**$23.19**
Cash dividends per common share	**¥15**	¥13	¥11	¥9	¥6	**$0.15**
Cash dividends per 5 common shares	**¥75**	¥65	¥55	¥45	¥30	**$0.77**

Notes:
1. The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥98=US$1. See Note 1 to the consolidated financial statements.
2. Per share amounts have been calculated per common share and per 5 common shares since each American Depository Share represents 5 shares of common stock.
3. Cash dividends per common share are based on dividends paid during the year.

1. Operating Results

Overview

Organization

The Company is one of Japan's leading manufacturers of a comprehensive range of machinery and products including farm equipment, pipes for water supply and sewage systems, environmental control plants, and industrial castings. The Company also provides credit services, which primarily finance sales of equipment by dealers, for the purpose of enhancing sales of equipment to individual customers.

The Company's business segments consist of "Internal Combustion Engine and Machinery", "Pipes, Valves, and Industrial Castings", "Environmental Engineering" and "Other".

The Company generates revenues and cash primarily from the sales of products to dealers, affiliated companies and trading companies or direct sales of products to end users.

For more than a century since its founding, the Company has continued to help improve people's quality of life and the development of society through its products and services. Currently, the Company is focusing on prioritizing the allocation of its resources, emphasizing agility in its operations, and strengthening consolidated operations. Through these measures, the Company intends to improve its ability to respond with flexibility to the changing times, to achieve high enterprise value.

Business Environment

(Japan: The Domestic Market)

According to report of JFMMA (Japan Farm Machinery Manufacturer's Association), the shipment amount of agricultural machinery in 2008 for the domestic market increased by 1.7% from the prior year. However, this slight rebound was mainly due to increases in product prices by major manufacturers of agricultural machinery and the true picture of market was sluggish.

Budgets for public works projects have been gradually decreasing due to the growing budget deficits in the Japanese national and local governments. For example, the budget of the Japanese Government for the water supply decreased by 6.1% and budget for the sewage system also decreased by 5.2% from the prior year.

(North America)

U.S. Economy entered into a serious recession from the latter half of 2008 and demand for tractors and construction machinery was adversely affected by stagnation in the housing market, worsening sub-prime loan problem and shockwaves from the Lehman Brothers' collapse. According to a 2008 report by AEM (Association of Equipment Manufacturers), industry retail sales units of tractors under 40hp (horse power) decreased by 14.6% and industry retail sales units of tractors from 40 to 100hp decreased by 13.1% from the prior year.

In Canada, demand for agricultural machinery continued to grow and demand for construction machinery was steady. As for tractors, industry retail sales units of tractors in Canada in 2008 increased 20.4% from the prior year according to the AEM report.

(Europe)

The economy in Europe entered a recessionary phase in 2008, which was changed from a favorable economy in recent years. The growth rate of the GDP of 27 countries of the European Union was 0.9%, a decrease from 2.9 % in the prior year.

Demand for construction machinery, which was said to have much sensitivity for economic condition, decreased substantially. Markets of most industrial machinery entered into inventory adjustment phases and demand for engines for industrial use also decreased. Demand for small sized tractors and mowers, which were mainly used by professional mowing companies and governments, was relatively stable in Europe.

(Asia Outside Japan)

The Company believes that development of economy and industrialization as well as an increase in farmers' income in a country are important factors for the progress of agricultural mechanization. GDP per capita in Thailand exceeded US$ 3,000 for the first time several years ago, and demand for agricultural machinery has been rapidly increasing since then due to economic development and out migration of the population from the agriculture sector to other industrial sectors.

In China, government subsidies to enhance agricultural mechanization are increasing each year. As for rice farming, the Chinese government establishes target ratios of agricultural mechanization, and these policies is helping to grow demand for agricultural machinery over the long term.

Revenues

For the year ended March 31, 2009, revenues of the Company decreased ¥47.1 billion (4.1%), to ¥1,107.5 billion ($11,301 million), from the prior year.

In the domestic market, revenues decreased ¥23.0 billion (4.0%), to ¥549.2 billion from the prior year. Revenues in Internal Combustion Engine and Machinery decreased due to depressed sales of farm equipment and engines resulting from stagnant market conditions and substantially lower sales of construction machinery due to demand shrinkage accompanied by economic slowdown. Revenues in Pipes, Valves, and Industrial Castings increased due to a substantial increase in sales of ductile iron pipes and spiral welded steel pipes, while sales of industrial castings decreased. Revenues in Environmental Engineering increased due mainly to increased sales of water and sewage engineering products. Revenues in Other decreased mainly due to a decrease in sales of vending machines and construction.

Revenues in overseas markets decreased ¥24.0 billion (4.1%), to ¥558.3 billion from the prior year. In Internal Combustion Engine and Machinery, sales of combine harvesters and rice transplanters increased favorably, however, sales of engines decreased substantially and sales of tractors decreased slightly. In addition, sales of construction machinery significantly decreased in North American and European markets. Revenues in Pipes, Valves, and Industrial Castings increased due to increased sales of ductile iron pipes, while sales of industrial castings decreased. Revenues in Environmental Engineering decreased, however, revenues in Other increased. The ratio of overseas revenues to consolidated revenues was 50.4%, the same as the prior year.

The Company estimates that the unfavorable impact of foreign currency fluctuations on the Company's overseas revenues for the year under review was approximately ¥65.1 billion. The average rates of yen against the U.S. dollar were ¥103 and ¥118 in 2008 and 2007, respectively, and the average rates of yen against the Euro were ¥152 and ¥161 in 2008 and 2007, respectively. These currency fluctuations mainly influence revenues in the Internal Combustion Engine and Machinery segment, as these products account for most of the overseas revenues.

Cost of Revenues, SG&A Expenses, and Loss from Disposal and Impairment of Business and Fixed Assets

The cost of revenues decreased 1.7% from the prior year, to ¥810.2 billion ($8,268 million). The cost of revenues as a ratio to consolidated revenues increased 1.7 percentage points, to 73.1%. The increase in the ratio was attributable to sharply rising material costs, including those for scrap iron and synthetic resin. The Company estimates that it was negatively impacted by approximately ¥16.0 billion ($163 million) from such sharply rising material costs consisting of approximately ¥11.0 billion ($112 million) in Internal Combustion Engine and Machinery from the increase in prices of thin and thick steel sheets, castings and resin parts and approximately ¥5.0 billion in Pipes, Valves, and Industrial Castings from the increase in prices of scrap iron, synthetic resin.

Selling, general, and administrative (SG&A) expense was ¥193.4 billion ($1,974 million), the same level as the prior year. However, the ratio of SG&A expenses to revenues increased 0.8 percentage point, to 17.5% due to lower revenues of the fiscal year under review.

Loss from disposal and impairment of businesses and fixed assets increased ¥0.3 billion ($3 million) from the prior year, to ¥1.0 billion ($10.4 million).

Operating Income

Operating income decreased ¥34.1 billion (24.9%), to ¥102.8 billion ($1,049 million), from the prior year. Operating income in Internal Combustion Engine and Machinery decreased largely due to decreased demand, appreciation of the yen and price hikes for raw materials. Decreases in operating income in Pipes, Valves, and Industrial Castings resulted from recorded surcharge related to the Anti-Monopoly Law corresponding to ductile iron pipe business. Operating loss in Environmental Engineering shrank, while operating income in Other decreased due to decreased sales of vending machines.

Operating income or loss in each industry segment (before the elimination of intersegment profits and corporate expenses) was as follows: Internal Combustion Engine and Machinery, operating income of ¥103.8 billion ($1,059 million), a 21.9% decrease; Pipes, Valves, and Industrial Castings, operating income of ¥11.3 billion ($115 million), a 25.7% decrease; Environmental Engineering, operating loss of ¥1.1 billion ($11 million), as compared to an operating loss of ¥5.0 billion in the prior year; and Other, operating income of ¥2.7 billion ($28 million), a 68.3% decrease.

Other Expenses

Other expenses, net, was ¥19.6 billion ($200 million), an increase of ¥5.3 billion from the prior year. This increase was mainly due to increases in foreign exchange losses and valuation losses on other investments. The Company recorded a foreign exchange loss-net of ¥11.5 billion ($117 million), increased by ¥2.5 billion compared with the prior year. Foreign exchange gains or losses mainly arises from the revaluation of foreign currency-denominated assets such as trade notes and receivables at the balance sheet date; the difference between carrying value and settlement value of foreign currency-denominated assets; and valuation on foreign exchange forward contracts and options. The large amount of foreign exchange losses resulted mainly from the revaluation of foreign currency-denominated assets such as trade notes and receivables due to the yen appreciation against major currencies during the fiscal year under review. U.S. dollar, Euro and Baht-denominated assets accounted for a large portion of foreign exchange losses. The valuation losses on other investment, which increased ¥1.9 billion, to ¥8.6 billion($88 million), were caused by a stock market declines in Japan and mainly related to the shares of Mitsubishi UFJ Financial Group and that of Tsukishima Kikai Co., Ltd.

Income from Continuing Operations before Income Taxes, Minority Interests in Earnings of Subsidiaries, and Equity in Net Income of Affiliated Companies

Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies was ¥83.3 billion ($850 million), a decrease of ¥39.3 billion from the prior year.

This decrease was due to a decrease in operating income and an increase in other expenses resulting from increases in foreign exchange loss and valuation losses on other investments.

Income Taxes, Minority Interests in Earnings of Subsidiaries, and Equity in Net Income of Affiliated Companies

Income taxes decreased 40.2% from the prior year, to ¥28.7 billion ($293 million). The effective tax rate was 34.5%. The decrease in tax rate was mainly due to the effect of reversing part of the deferred tax liabilities because of a tax law revision related to the taxation of dividends from overseas subsidiaries.

Minority interests in earnings of subsidiaries was ¥6.7 billion ($68 million), and equity in net income of affiliated companies was ¥0.2 billion ($2 million) at the same level of the prior year, respectively.

Income from Continuing Operations

Income from continuing operations decreased 29.1% from the prior year, to ¥48.1 billion ($491 million).

Income (Loss) from Discontinued Operations, Net of Taxes

There was no income from discontinued operations, net of taxes, because of the completion of the liquidation proceedings of industrial waste disposal operation in the prior year.

Net Income

Due to the factors described above, net income decreased 29.3% from the prior year, to ¥48.1 billion ($491 million). Return on shareholders' equity decreased 2.6 percentage points, to 7.8%, from the prior year.

Income per ADS

Basic net income per ADS (five common shares) was ¥188 ($1.92), as compared to ¥264 in the prior year.

Dividends

The Company paid ¥35 per ADS as year-end cash dividends. Accordingly, including the interim dividend of ¥35 per ADS paid by the Company, the total dividends for the year ended March 31, 2009 were ¥70 per ADS, which was the same as the prior year.

The Company's basic policy for the return of profit to shareholders is to maintain stable dividends or to provide increased dividends combined with share buy-backs and the cancellation of treasury stock. For reference, the Company purchased 8.40 million shares outstanding (¥5.3 billion, $54 million) during the year under review.

Comprehensive Loss

Comprehensive Loss was ¥45.3 billion ($462 million), ¥58.3 billion lower than the prior year. This decrease was mainly due to increase in negative effect of foreign currency translation adjustments resulting from the appreciation of the yen.

Critical Accounting Estimates

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of these statements requires the uses of estimates and assumptions about future events. Accounting estimates and assumptions discussed in this section are those that the Company considers to be the most critical to an understanding of its financial statements.

1) Impairment of Long-Lived Assets

The application of impairment accounting requires the use of significant estimates and assumptions. Impairment testing for assets requires the allocation of cash flows to those assets and, if required, an estimate of fair value for the assets. The Company's estimates are based upon business prospects in accordance with management's authorizations. The Company uses assumptions which are believed to be reasonable and reflect the most recent economic condition, however, those assumptions are inherently uncertain and unpredictable, and would not reflect unanticipated events and circumstances that may occur. Losses from impairment of long-lived assets in fiscal 2009 and 2008 amounted to ¥0.7 billion ($8 million) and ¥0.1 billion, respectively.

2) Allowance for Doubtful Receivables

The evaluation of the collectability of the Company's notes and accounts receivable, finance receivables, and non-current receivables requires the use of certain estimates. Such estimates require consideration of historical loss expense adjusted for current conditions, and judgments about the provable effects of relevant observable data including present economic conditions such as financial health of specific customers and collateral values. Sharp changes in the economy or a significant change in the economic health of a particular customer could result in actual receivable losses that are materially different from the estimated reserve. Allowance for doubtful notes and accounts receivable in fiscal 2009 and 2008 amounted to ¥2.5 billion ($26 million) and ¥2.0 billion, respectively. Allowance for doubtful non-current receivables in fiscal 2009 and 2008 amounted to ¥0.9 billion ($9 million) and ¥1.0 million, respectively. Allowance for finance receivables in fiscal 2009 and 2008 amounted to ¥1.6 billion ($16 million) and ¥1.4 billion, respectively.

3) Revenue Recognition for Long-term Contracts

The Company uses the percentage of completion method to recognize revenue from long-term contracts primarily in construction works with the Japanese national government and local governments. The percentage of completion method requires the use of estimates and assumptions to measure total contracts, remaining costs to completion, and total contract revenues. The Company continually reviews the estimates and assumptions. Any revisions in revenue, cost, and profit estimates or in measurements of the extent of progress toward completion are accounted for in the consolidated statements of income for the fiscal year in which those revisions have been made.

4) Pension Assumptions

The measurement of the Company’s benefit obligation to its employees and the periodic benefit cost requires the use of certain assumptions, such as estimates of discount rates, expected return on plan assets, retirement rate, and mortality rate. The Company immediately recognizes net actuarial gains and losses in excess of 20% of the larger of the projected benefit obligation or plan assets in the year following the year in which such gains and losses were incurred, while the portion between 10% and 20% is amortized over the average participants’ remaining service period. Accordingly, significant changes in assumptions or significant divergences of actual results from the assumptions may have a material effect on periodic benefit cost in the future periods.

In preparing the financial statements for the years ended March 31, 2009, 2008, and 2007, the Company assumed a discount rate of 2.5%. A lower discount rate increases benefit obligations, which could affect the periodic benefit cost in the following years by an increase in service cost, a decrease in interest cost, and, if amortized, an increase in amortization cost through the amortization of actuarial loss. A decrease of 50 basis points in the discount rate increases the benefit obligations at March 31, 2009, by approximately ¥7.9 billion ($81 million).

The Company assumed an expected return on plan assets of 3.0% for the years ended March 31, 2008 and 2007. The Company lowered the expected return on plan assets to 2.5% for the year ended March 31, 2009 in consideration of the revision of the portfolio of pension plan assets by increasing the portion of fixed income securities in order to stabilize the return on plan assets, which increased the periodic benefit cost for the year ended March 31, 2009 by approximately ¥0.5 billion ($5 million).

The lower rate of return on plan assets decreases the expected return amount in the next year. A further decrease of 50 basis points in the expected rate of return on plan assets increases the periodic benefit cost for the year ending March 31, 2010, by approximately ¥0.4 billion ($4 million). On the other hand, the divergence between the expected and actual return on plan assets could affect the periodic benefit cost, if amortized, in the following years by an increase or decrease in amortization cost through the amortization of actuarial gain or loss.

5) Income Taxes

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes will be due. These tax liabilities are recognized when, despite the Company's belief that its tax return positions are supportable, the Company believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Company uses a more likely than not threshold to the recognition and derecognition of tax positions. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence, including past operating results, estimates of future taxable income, and the feasibility of ongoing tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to income tax expense in the period in which such determination is made.

Deferred tax assets less valuation allowance in fiscal 2009 and 2008 amounted to ¥73.0 billion ($745 million) and ¥77.8 billion, respectively.

6) Loss Contingencies

The Company is currently facing asbestos-related issues, and is involved in some legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure on a regular basis. If the potential losses from these matters are considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability and may revise the estimates. Subsequent revisions in the estimates of the potential liabilities could have a material impact on the Company's results of operations and financial position in the period they are made.

2. Liquidity and Capital Resources

Finance and Liquidity Management

The Company's financial policy is to ensure adequate financing and liquidity for its operations and to maintain the strength of its balance sheet. Through cash and cash equivalents, other current assets, cash flows provided by operating activities, and borrowing, the Company is in a position to fully finance the expansion of its business, R&D, and capital expenditures for current and future business projects. The specific methods of obtaining financing available to the Company are borrowing from financial institutions, establishing committed lines of credit, and the issuance of bonds and commercial paper (CP) in the capital markets.

Annual interest rates of short-term borrowings ranged primarily from 0.20% to 5.41% at March 31, 2009. The weighted average interest rate on such short-term borrowings was 3.1%. As for long-term debt, both fixed and floating rates were included in the interest rates, and the weighted average interest rate on such long-term debt at March 31, 2009, was 2.9%. With regard to the maturity profile of these borrowings, please refer to Item 5.F "Tabular Disclosure of Contractual Obligations".

In the United States, financing by securitization of trade receivables was quite difficult in the year ended March 31, 2009 because of turmoil in the U.S. financial markets. The Company switched the funding source from sale of trade receivables to borrowing from financial institutions. Although the credit crunch occurred from instability of global money market, the Company was able to raise enough funds for business operations soundly and has not encountered financing problems.

Regarding the lines of credit, the Company has established committed lines of credit totaling ¥25.0 billion ($255 million) with certain Japanese banks. However, the Company currently does not use these lines. The Company also maintains a CP program allowing for the issuance of CP of up to ¥100.0 billion ($1,020 million). There was ¥6.5 billion ($66 million) outstanding issue of CP as of the end of March 2009.

The Company utilizes Group financing. With Group financing, the Company centralizes and pursues the efficiency of cash management domestically through the Kubota Cash Management System, under which the excess or shortage of cash at most of its subsidiaries in Japan is invested or funded, as necessary.

To maintain the strength of its balance sheet and help secure adequate funding resources, the Company carefully monitors its interest-bearing debt, excluding debt related to sale financing programs. The Company is providing sale financing programs to support machinery sales in North America and Thailand. The Company believes an increase of debt related to sales financing programs is a result of business expansion. At the end of March 2009, the amount of interest-bearing debt increased ¥38.1 billion, to ¥401.1 billion ($4,093 million). Of the ¥401.1 billion, ¥350.6 billion ($3,577 million) was borrowings from financial institutions, ¥6.5 billion ($66 million) was issue of CP, and the remaining ¥44.0 billion ($449 million) consisted of corporate bonds.

The Company plans its capital expenditures considering future business demand and cash flows. The Company intends to fund the investment basically through cash obtained by operating activities, and to also utilize available borrowings from financial institutions. The Company's commitments for capital expenditures are not material. The Company has underfunded pension liabilities of ¥56.6 billion ($577 million), which relate primarily to the parent company, as of the end of March, 2009. The Company's contributions to pension plans for the year ending March 31, 2010 are expected to be ¥13.9 billion ($142 million).

The Company's basic policy for the return of profit to shareholders is to maintain stable dividends or raise dividends together with repurchases of treasury stock. The Company uses net cash provided by operating activities for these dividends and repurchases.

The amount of working capital increased ¥18.8 billion, to ¥322.0 billion ($3,285 million), from the prior year-end. Additionally, the ratio of current assets to current liabilities increased 6.8 percentage points, to 165.1%, due primarily to switching the funding source from sale of trade receivables to short- and long-term borrowing from financial institutions. There is some seasonality to the Company's liquidity and capital resources because a high percentage of the notes and accounts receivable from local governments is collected during April through June each year. Currently, the Company believes the working capital is sufficient for the Company's present requirements.

All things considered, the Company believes that it can support its current and anticipated capital and operating requirements for the foreseeable future. The currencies in which the Company has its debt are mainly Japanese yen and U.S. dollars. There are no restrictions regarding the manner in which the funds may be used.

There are restrictive covenants related to its borrowings including clauses of negative pledges, rating triggers and minimum net worth. The financial covenants are as follows: the rating trigger covenant states that the Company shall keep or be higher than the "BBB－"rating by Rating and Investment Information, Inc. (R&I) and the minimum net worth covenant states that the Company shall keep the amount of shareholders' equity of more than ¥454.0 billion ($4,633 million) on a consolidated basis and more than ¥322.0 billion ($3,286 million) on a parent company-only basis. The Company is in compliance with those restrictive covenants at March 31, 2009.

Ratings

The Company has obtained a credit rating from R&I, a rating agency in Japan, to facilitate access to funds from the capital market in Japan. The Company's ratings are "A+" for long-term debt and "a-1" for short-term debt as of March 2009 and its outlook is positive. The Company's favorable credit ratings provide it access to capital markets and investors.

Assets, Liabilities, and Shareholders' Equity

1) Assets

Total assets at the end of March 2009 amounted to ¥1,385.8 billion ($14,141 million), a decrease of ¥78.4 billion (5.4%) from the end of the prior year.

Current assets were ¥816.3 billion ($8,330 million), a decrease of ¥6.3 billion from the prior year-end. Cash and cash equivalent decreased and short-term finance receivables decreased resulting from the appreciation of the yen. As a result of reduced sales of trade receivables in North America, trade accounts receivable substantially increased and interest in sold receivables substantially decreased at the same time. Inventory turnover dropped 0.2 point, to 5.4 times. Investments and long-term finance receivables substantially decreased due to a decrease in long-term finance receivables resulting from appreciation of yen and shrinkage of unrealized gains of securities affected by stock market slump. Property, plant, and equipment decreased ¥12.5 billion to ¥225.6 billion ($2,302 million), while other assets increased ¥10.8 billion to ¥63.9 billion ($652 million) mainly due to an increase of long-term deferred tax assets.

2) Liabilities

Total liabilities amounted to ¥769.6 billion ($7,853 million), a decrease of ¥3.4 billion (0.4%) from the end of the prior year.

Current liabilities were ¥494.4 billion ($5,045 million), a decrease of ¥25.1 billion from the prior year-end, interest-bearing debt such as short-term borrowings increased substantially resulting from switching the funding source from sale of trade receivables to borrowing from financial institutions, while trade notes payable, trade accounts payable and income taxes payable decreased. On the other hand, long-term liabilities increased ¥21.7 billion, to ¥275.2 billion ($2,808 million). Accrued retirement and pension costs and other long-term debt increased largely, while other long-term liabilities decreased due to a decrease of deferred tax liabilities affected by shrinkage of unrealized gains of securities.

3) Minority Interests

Minority interests amounted to ¥38.0 billion ($388 million), a decrease of ¥5.3 billion (12.2%) from the end of the prior year mainly due to a decrease in foreign currency translation adjustments of foreign subsidiaries resulting from the appreciation of the yen.

4) Shareholders' Equity

Total shareholders' equity amounted to ¥578.3 billion ($5,901 million), a decrease of ¥69.8 billion (10.8%) from the end of the prior year.

Retained earnings increased steadily due to recorded net income, however; accumulated other comprehensive income decreased substantially due to decreases in foreign currency translation adjustments and unrealized losses on securities. The Company repurchased ¥5.3 billion ($54 million) of treasury stock during the year under review.

The shareholders' equity ratio* was 41.7%, 2.6 percentage point lower than at the prior year-end. The debt-to-equity ratio** was 69.4%, 13.4 percentage points higher than at the prior year-end.

* Shareholders' equity ratio = shareholders' equity / total assets
** Debt-to-equity ratio = interest-bearing debt / shareholders' equity

<u>Derivatives</u>

To offset currency and interest rate fluctuation risks, the Company uses various types of derivatives, including foreign exchange forward contracts, currency swaps, and interest rate swaps. As a basic policy, the Company conducts its derivative transactions within the range of its outstanding credit and obligations, and the Company does not engage in speculative derivative transactions. The counterparties for the Company's derivative transactions are financial institutions with high creditworthiness; therefore, the Company does not anticipate any credit losses on such transactions. For more specific details, please refer to Note 13 to the consolidated financial statements.

<u>Off-Balance Sheet Arrangements</u>

The Company previously utilized accounts receivable securitization programs, which were important for the Company to broaden its funding sources and raise cost-effective funds. However, in the United States, financing by securitization of trade receivables was quite difficult in the year ended March 31, 2009 because of turmoil in the U.S. financial markets. Under this situation, the Company terminated all securitization programs during the year ended March 31, 2009. As a result, the Company has no sold receivables at March 31, 2009.

The Company provides guarantees to distributors, including affiliated companies, and customers for their borrowings from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods. The maximum potential amount of undiscounted future payments of these financial guarantees as of March 31, 2009 was ¥2.5 billion ($26 million).

Tabular Disclosure of Contractual Obligations

The following summarizes contractual obligations at March 31, 2009.

	Millions of yen				
		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations:					
Short-term borrowings	¥132,100	¥132,100	¥ —	¥ —	¥ —
Capital lease obligations	6,521	3,457	2,849	188	27
Long-term debt	262,445	56,921	152,010	40,327	13,187
Deposits from customers	2,466	2,466	—	—	—
Operating lease obligations	2,845	1,017	1,065	631	132
Commitments for capital expenditures	2,822	2,822	—	—	—
Interest payments	13,125	6,010	5,875	1,032	208
Total	¥422,324	¥204,793	¥161,799	¥42,178	¥13,554

	Thousands of U.S. dollars				
		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations:					
Short-term borrowings	$1,347,959	$1,347,959	$ —	$ —	$ —
Capital lease obligations	66,541	35,275	29,072	1,918	276
Long-term debt	2,678,010	580,827	1,551,122	411,500	134,561
Deposits from customers	25,163	25,163	—	—	—
Operating lease obligations	29,031	10,378	10,867	6,439	1,347
Commitments for capital expenditures	28,796	28,796	—	—	—
Interest payments	133,929	61,327	59,949	10,531	2,122
Total	$4,309,429	$2,089,725	$1,651,010	$430,388	$138,306

Long-term debt represents unsecured bonds and loans principally from banks and insurance companies.

The Company’s contributions to pension plans for the year ending March 31, 2010 are expected to be ¥13,884 million ($142 million).

Payments due by periods for interest payments are calculated using the contract rate of each borrowing or debt at March 31, 2009.

Payments under interest rate swap contracts for the year ending March 31, 2010 are expected to be ¥2,533 million ($26 million).

Liabilities for unrecognized tax benefits of ¥6,759 million ($69 million) at March 31, 2009 are excluded from the table. Liabilities for unrecognized tax benefits are due mainly to a bilateral Advance Pricing Agreement (APA), and it is reasonably possible that the amount of unrecognized tax benefits may significantly increase or decrease within the next 12 months depending on the business results of the U.S. subsidiaries in the future periods.

There are ongoing potential remediation issues. However, effect cannot be quantified.

3. Cash Flows

Net cash used in operating activities during the year under review was ¥22.6 billion ($231 million), and cash inflow decreased ¥112.7 billion ($1,150 million) from the prior year. Cash inflow decreased substantially due to decreased net income, reduced sales of trade receivables in North America and increased inventories. Such amounts exceeded the cash provided by increases in other current liabilities.

Net cash used in investing activities was ¥74.0 billion ($755 million), an increase of ¥1.7 billion from the prior year. Cash used in purchases of investments and change in loan receivables increased largely; however, a decrease in purchases of fixed assets, an increase in proceeds from sales of property, plant, and equipment, and a slowdown in finance receivables decreased our cash outflow. As a result, net cash used in investing activities was almost at the same level as the prior year.

Net cash provided by financing activities was ¥84.9 billion ($866 million), an increase of ¥96.5 billion from the prior year, due to increases in short-term borrowings and long-term debt resulted from switching the funding source from sales of trade receivables to borrowing from financial institutions in North America.

Including the effect of exchange rate, cash and cash equivalents at the end of March 2009 were ¥69.5 billion ($709 million), a decrease of ¥19.3 billion from the prior year.

Over the past three years, the amount of net cash provided by operating activities was ¥164.4 billion in aggregate and net increases in borrowings were ¥130.3 billion in aggregate. Additionally, during the same period, proceeds from sales of property, plant, and equipment and proceeds from sales of investments were ¥10.0 billion in total. The aggregate amount of these cash flows was used chiefly to fund increases in finance receivables, which exceeded collections of finance receivables by ¥140.5 billion, purchase of fixed assets of ¥103.0 billion, payment of dividends to stockholders of ¥50.2 billion and repurchase of common stock for ¥21.9 billion.

4. Capital investments

Capital investments in fiscal 2009, 2008 and 2007 amounted to ¥33,337 million ($340,173 thousand), ¥35,163 million, and ¥44,715 million, respectively. The funding requirements for these capital investments were mainly provided by internal operations, and partially provided by external debt financing.

5. Research and Development

The following table shows the Company's research and development expenses for the last three fiscal years.

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
R&D expenses	**¥26,290**	¥24,784	¥22,925	**$268,265**
As a percentage of consolidated revenues	**2.4%**	2.1%	2.4%	—

The R&D activities are conducted principally in R&D departments in each business division and subsidiary. In our business divisions and subsidiaries, there are 33 R&D departments. Each department promotes the R&D activities fortifying each business.

Total R&D expenses of four industrial segments, which are Internal Combustion Engine and Machinery, Pipes, Valves, and Industrial Castings, Environmental Engineering, and Other segment, were ¥19.7 billion, ¥1.8 billion, ¥2.5 billion, and ¥2.3 billion, respectively.

6. Risk Factors

Declines in economic conditions in the Company's major markets, including private-sector capital expenditure, construction investment, and domestic public investment, may adversely impact the results of operations of the Company.

Industrial and capital goods make up a substantial portion of the Company's products. Accordingly, revenues of the Company may decrease due to declining demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, governmental agricultural policies may adversely affect domestic sales of agriculture-related products. In overseas markets, especially those of North America and Europe, sales of the Company's products, such as utility/compact tractors, may decrease due to declines in general economic conditions, including private consumption and residential construction investment in those regions.

Fluctuations of foreign exchange rates, including a stronger yen, may reduce revenues and adversely affect the results of operations of the Company.

The Company has overseas revenues and manufacturing subsidiaries. The financial results of each overseas subsidiary are consolidated into the results of the parent company after translation into Japanese yen. In addition, the transactions between the parent company and overseas subsidiaries or customers are generally denominated in the local currencies. The payments received in local currencies on such transactions are converted to Japanese yen. As a result, fluctuations in foreign exchange rates affect the consolidated financial results. In general, a stronger yen against other currencies adversely affects revenues and the results of operations of the Company.

If the prices of raw materials increase and the Company has difficulties in procuring adequate supplies of them, there may be a material adverse effect on the Company's results of operations.

The Company purchases substantial raw materials and parts from outside suppliers. If the prices of raw materials substantially increase due to the supply and demand gap and changes in market conditions, and stay at high levels for a long time, they may deteriorate the Company's profitability. Also, if the Company has difficulties in procuring adequate supplies of raw materials, there may be a material adverse effect on the Company's results of operations due to difficulties in production and sales activities.

The risks associated with international operations may adversely affect revenues and profitability of the Company.

In some businesses of the Company, substantial overseas operations are conducted. Accordingly, the Company is subject to a number of risks inherent in doing business in those markets. If such risks occurred, the Company may face difficulties in stable production and sales of products in overseas markets that may affect revenues and profitability of the Company or they may hinder growth of the Company in specific countries. The following risks are serious concerns for the Company:

- Unexpected changes in international, or in an individual country's, tax regulations;
- Unexpected legal or regulatory changes in a country;
- Difficulties in retaining qualified personnel;
- Underqualified technological skills or instability between management and employee unions in developing countries; and
- Political instability in those countries.

Among the United States, the EU, and Asian countries, which are important markets for the Company, the previously mentioned risks in Asian countries seem to be relatively higher than those of other regions.

<u>If strategic alliances, mergers, and acquisitions do not generate successful results as planned, then the Company's profitability may deteriorate.</u>

The Company expects to use strategic alliances, mergers, and acquisitions to seek further growth. The success of these activities depends on such factors as the Company's business environment, the ability of its business counterparts, and whether the Company and its counterparts share common goals. Therefore, if these activities are not successful and returns on related investments are lower than expected, the Company's profitability may deteriorate.

<u>If the Company is not able to successfully create new businesses or businesses complementary to the current ones, then there may be a negative impact on the Company's financial position.</u>

As part of its structural renovation, the Company is attempting to cultivate new businesses or businesses that are complementary to the current ones. In general, there are numerous competitors, and competition is very harsh in those markets. If the Company fails to develop the required personnel or abilities to produce and market appropriate products, subsequent impairment charges may be taken, or there may be a negative impact on the Company's financial position.

<u>Stock market fluctuations may have a material adverse effect on the Company's results of operations, financial position.</u>

Stock market declines may cause impairment losses on the Company's investments in marketable securities or cause an increase in actuarial loss of the Company's retirement and pension plans as a result of a decline in the fair value of pension plan assets, which may have a material adverse effect on the Company's results of operations, financial position.

<u>The Company is subject to intensifying competitive pressures. Unless the Company surpasses other companies in each of its businesses, revenues and/or net income may decrease in the future.</u>

The Company is exposed to severe competition in each of its businesses. Unless the Company surpasses other companies in such areas as terms of trade, R&D, and quality, revenues and/or net income may decrease in the future.

<u>If the Company's products and services are alleged to have serious defects, such allegations may have a material effect on the Company's results of operations, financial position.</u>

If the Company's products and services are alleged to have serious defects, the Company may have liability for significant damages, and there may be a material effect on the Company's results of operations, financial position. If such claims are asserted, the Company may lose the confidence of the public and suffer a reduction in its brand value, which may result in decreased revenues or demand for its products.

<u>The Company may be required to incur considerable expenses in order to comply with various environmental laws and regulations. Such expenses may have a material effect on the Company's results of operations, financial position.</u>

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as those that impose carbon dioxide emission controls, emission controls, and usage restrictions for certain materials which are used in the Company's products, are strengthened or newly established in jurisdictions in which the Company conducts its businesses, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material effect on the Company's results of operations, financial position. To the extent that the Company determines that it is not economical to continue to comply with such laws and regulations, the Company may have to curtail or discontinue its activities in the affected business areas.

<u>The Company may be required to incur significant expenses in connection with environmental damage its activities may allegedly cause. Such expenses may have a material effect on the Company's results of operations, financial position.</u>

Claims may arise that the Company's activities have caused environmental contamination, including the release of hazardous materials or air pollution, water pollution, and/or soil contamination. In such an event, the Company may elect or be required to implement costly corrective actions to resolve any issues associated with the release or presence of such hazardous materials or contamination and may face associated litigation. These factors may have a material effect on the Company's results of operations, financial position.

<u>If the Company is required to incur significant expenses relevant to asbestos-related issues, then there may be a material adverse effect on the Company's results of operations, financial position, and its liquidity.</u>

The Company previously manufactured products containing asbestos from 1954 to 2001. The Company may be required to incur various expenses, including payments to the individuals concerned or face lawsuits related to the asbestos-related health hazards. If such expenses become significant or any lawsuits result in judgments unfavorable to the Company, there may be a material adverse effect on the Company's results of operations, financial position, and its liquidity.

The Company may experience a material effect on its results of operations and financial position if it faces issues related to compliance.

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles, and to exert efforts to cause all management and staff of the Group companies not to act in violation of various legal regulations, ethical standards, or internal regulations. However, in the event that compliance issues arise, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, that could have a material effect on the Company's results of operations, financial position.

If the Company is damaged by natural disasters, then the Company's operations may suffer great losses.

Japan is a country with frequent earthquakes. If a strong earthquake or related tidal wave occur, the Company may be affected in the operation of its manufacturing, logistics, and sales activities, and may lose revenues and profits depending on the severity of the earthquake or tidal wave. Japan also is hit by typhoons very frequently. If major plants are struck by a large and powerful typhoon, the Company's operations may suffer great losses due to disruption of operations, delay in production and shipment, and restoration costs for facilities.

7. Matters Related to the Health Hazard of Asbestos

Background

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, which is now a company office, had produced products containing asbestos. In April 2005, the Company was advised that some residents who lived near the former plant suffered from mesothelioma, a form of cancer that is said to be mainly caused by the aspiration of asbestos. The Company announced its intention in June 2005 to act seriously and faithfully concerning various issues of the health hazard of asbestos from the viewpoint of corporate social responsibility (CSR) as a company that had once manufactured products containing asbestos for a long time.

According to the Company's basic policy, the Company started the program of consolation payments to patients with mesothelioma who lived near the former plant and to the families of residents who died from mesothelioma. In April 2006, the Company decided to establish the relief payment system in place of the consolation payment system and make additional payment to the residents to whom consolation payment were eligible to be paid or payable.

After the Company established its internal policies and procedures of relief payment system, the Company has received claims for relief payments from 198 residents and paid or accrued relief payments to 178 of those residents after carefully reviewing those claims as of March 31, 2009.

With regard to the procedures for making claims to the Company for relief payments, the Company has asked the residents or the bereaved family of the residents who lived close to its former plant to communicate with the Company through Amagasaki Occupational Safety and Health Center with the documents requested by the Company.

With regard to current and former employees of the Company who are suffering from or have died of asbestos-related disease, in accordance with the Company's internal policies, the Company shall pay compensation which is not required by law. Upon certification of medical treatment compensation from the Workers' Accident Compensation Insurance for asbestos-related diseases, the compensation for asbestos-related disease shall be paid. In case an employee dies during medical treatment and are certified for compensation from the Workers' Accident Compensation Insurance for bereaved families, the compensation for asbestos-related disease for the bereaved family shall also be paid. In addition, the Company shall provide other financial aids, such as medical expenses during medical treatment which are incurred by the diseased employees or salary payments during the period of their absence from work. The cumulative number of current and former employees who are eligible for compensation in accordance with the Company's internal policies that are not required by law is 152 as of the end of March 2007, 160 as of the end of March 2008, and 162 as of the end of March 2009.

In August 2006, the Company announced that the Company would provide a total donation of ¥1.2 billion to Hyogo College of Medicine made over 10 years and a ¥0.5 billion to Osaka Medical Center for Cancer and Cardiovascular Diseases over five years. And the Company donated ¥200 million ($2,041 thousand) as a contribution for the year ended March 31, 2009.

As a result of the asbestos issue becoming an object of public concern, the Japanese government newly established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (“New Asbestos Law”) in March 2006. This law was enacted for the purpose of promptly providing relief to people suffering from asbestos-related diseases who are not eligible for relief by compensation from the Insurance in accordance with the Workers’ Accident Compensation Insurance Law. The relief aid payments are contributed by the national government, municipal governments, and business entities. The contribution includes a special contribution by companies which operated a business closely related to asbestos, and was made by business entities commencing from the year ended March 31, 2008. During the year ended March 31, 2007, the Company accounted for ¥735 million ($7,500 thousand) of the special contribution as a lump sum expense, which is imposed based on the New Asbestos Law during the four-year period commencing on April 1, 2007.

Contingencies Regarding Asbestos-Related Matters

The Company expenses the payments for the health hazard of asbestos based on the Company’s policies and procedures. The expenses include payments to certain residents who lived near the Company’s plant and current and former employees, and a special contribution in accordance with the New Asbestos Law. The amounts of these expenses during the year ended March 31, 2009 were approximately ¥1,155 million ($11,786 thousand). Of the ¥1,155 million ($11,786 thousand), ¥876 million ($8,939 thousand) represented expenses relating to the payment for the relief payment system established in April 2006. The Company has no basis or information to estimate the number of residents and current and former employees that are going to apply for payments.

Although the Company is currently a defendant in litigations relating to asbestos, the ultimate outcome of these litigations is also unpredictable with certainty due to inherent uncertainties in litigation.

Accordingly, the Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to asbestos issues. However, the Company believes asbestos-related issues contain potentially material risks for the Company’s consolidated results of operations, financial position, and its liquidity.

8. Outlook for the Next Fiscal Year

The Company forecasts consolidated revenues for the year ending March 31, 2010 will decrease from the year under review. Domestic revenues are forecast to decrease due to a decrease of revenues in Internal Combustion Engine and Machinery, and Pipes, Valves, and Industrial Castings, while revenues in Environmental Engineering are expected to be the same level as the year under review. In overseas markets, although revenues in Pipes, Valves, and Industrial Castings, and Environmental Engineering are expected to increase from the year under review, revenues in Internal Combustion Engine and Machinery are forecast to decrease substantially. As a result, total overseas revenues are forecast to decrease from the year under review.

The Company forecasts operating income will decrease from the year under review, mainly due to a significant decrease in revenues and the appreciation of the yen.

The Company expects income from continuing operation before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies and net income for the next fiscal year will decrease from the year under review mainly due to a decrease in operating income.

■ **SEGMENT INFORMATION**

The following segment information for the years ended March 31, 2009 and 2008, which is required under the regulations of the Financial Instruments and Exchange Act of Japan, is not consistent with accounting principles generally accepted in the United States of America.

Industry Segments

	Millions of Yen						
Year Ended March 31, 2009	Internal Combustion Engine & Machinery	Pipes, Valves, & Industrial Castings	Environmental Engineering	Other	Total	Corporate & Eliminations	Consolidated
Revenues:							
Unaffiliated customers	**¥754,416**	**¥207,870**	**¥74,390**	**¥ 70,806**	**¥1,107,482**	**¥ —**	**¥1,107,482**
Intersegment	**52**	**446**	**285**	**15,861**	**16,644**	**(16,644)**	**—**
Total	**754,468**	**208,316**	**74,675**	**86,667**	**1,124,126**	**(16,644)**	**1,107,482**
Cost of revenues and operating expenses	**650,637**	**197,004**	**75,760**	**83,957**	**1,007,358**	**(2,691)**	**1,004,667**
Operating income (loss)	**¥103,831**	**¥ 11,312**	**¥ (1,085)**	**¥ 2,710**	**¥ 116,768**	**¥(13,953)**	**¥ 102,815**
Identifiable assets at March 31, 2009	**¥899,104**	**¥188,671**	**¥55,936**	**¥ 81,358**	**¥1,225,069**	**¥160,755**	**¥1,385,824**
Depreciation	**20,040**	**6,424**	**636**	**1,440**	**28,540**	**1,927**	**30,467**
Loss from impairment	**—**	**733**	**—**	**—**	**733**	**15**	**748**
Capital expenditures	**24,072**	**5,804**	**813**	**1,274**	**31,963**	**1,374**	**33,337**

	Millions of Yen						
Year Ended March 31, 2008	Internal Combustion Engine & Machinery	Pipes, Valves, & Industrial Castings	Environmental Engineering	Other	Total	Corporate & Eliminations	Consolidated
Revenues:							
Unaffiliated customers	¥793,654	¥201,599	¥70,878	¥ 88,443	¥1,154,574	¥ —	¥1,154,574
Intersegment	16	485	97	15,551	16,149	(16,149)	—
Total	793,670	202,084	70,975	103,994	1,170,723	(16,149)	1,154,574
Cost of revenues and operating expenses	660,709	186,849	75,997	95,427	1,018,982	(1,283)	1,017,699
Operating income (loss)	¥132,961	¥ 15,235	¥ (5,022)	¥ 8,567	¥ 151,741	¥(14,866)	¥ 136,875
Identifiable assets at March 31, 2008	¥932,231	¥192,433	¥59,149	¥ 79,796	¥1,263,609	¥200,661	¥1,464,270
Depreciation	19,791	6,341	547	1,347	28,026	2,093	30,119
Loss from impairment	8	114	—	—	122	15	137
Capital expenditures	26,798	5,251	591	1,794	34,434	729	35,163

	Thousands of U.S. Dollars						
Year Ended March 31, 2009	Internal Combustion Engine & Machinery	Pipes, Valves, & Industrial Castings	Environmental Engineering	Other	Total	Corporate & Eliminations	Consolidated
Revenues:							
Unaffiliated customers	**$7,698,123**	**$2,121,122**	**$759,082**	**$ 722,510**	**$11,300,837**	**$ —**	**$11,300,837**
Intersegment	**530**	**4,551**	**2,908**	**161,847**	**169,836**	**(169,836)**	**—**
Total	**7,698,653**	**2,125,673**	**761,990**	**884,357**	**11,470,673**	**(169,836)**	**11,300,837**
Cost of revenues and operating expenses	**6,639,153**	**2,010,245**	**773,061**	**856,704**	**10,279,163**	**(27,459)**	**10,251,704**
Operating income (loss)	**$1,059,500**	**$ 115,428**	**$ (11,071)**	**$ 27,653**	**$ 1,191,510**	**$ (142,377)**	**$ 1,049,133**
Identifiable assets at March 31, 2009	**$9,174,530**	**$1,925,214**	**$570,776**	**$ 830,184**	**$12,500,704**	**$1,640,357**	**$14,141,061**
Depreciation	**204,489**	**65,551**	**6,490**	**14,694**	**291,224**	**19,664**	**310,888**
Loss from impairment	**—**	**7,480**	**—**	**—**	**7,480**	**153**	**7,633**
Capital expenditures	**245,633**	**59,224**	**8,296**	**13,000**	**326,153**	**14,020**	**340,173**

Geographic Segments

Year Ended March 31, 2009	Japan	North America	Europe	Asia	Other Areas	Total	Corporate & Eliminations	Consolidated
	Millions of Yen							
Revenues:								
Unaffiliated customers	¥588,236	¥280,231	¥ 102,746	¥122,248	¥14,021	¥1,107,482	¥ —	¥1,107,482
Intersegment	259,324	9,588	3,420	1,153	—	273,485	(273,485)	—
Total	847,560	289,819	106,166	123,401	14,021	1,380,967	(273,485)	1,107,482
Cost of revenues and operating expenses	795,095	262,515	99,520	108,600	11,930	1,277,660	(272,993)	1,004,667
Operating income	¥ 52,465	¥ 27,304	¥ 6,646	¥ 14,801	¥ 2,091	¥ 103,307	¥ (492)	¥ 102,815
Identifiable assets at March 31, 2009	¥675,623	¥429,974	¥ 69,960	¥118,220	¥ 7,908	¥1,301,685	¥ 84,139	¥1,385,824

Year Ended March 31, 2008	Japan	North America	Europe	Asia	Other Areas	Total	Corporate & Eliminations	Consolidated
	Millions of Yen							
Revenues:								
Unaffiliated customers	¥607,377	¥332,042	¥121,114	¥79,483	¥14,558	¥1,154,574	¥ —	¥1,154,574
Intersegment	292,371	9,160	4,142	1,623	—	307,296	(307,296)	—
Total	899,748	341,202	125,256	81,106	14,558	1,461,870	(307,296)	1,154,574
Cost of revenues and operating expenses	806,786	305,194	114,224	71,808	12,444	1,310,456	(292,757)	1,017,699
Operating income	¥ 92,962	¥ 36,008	¥ 11,032	¥ 9,298	¥ 2,114	¥ 151,414	¥(14,539)	¥ 136,875
Identifiable assets at March 31, 2008	¥716,207	¥487,654	¥ 82,992	¥88,882	¥11,314	¥1,387,049	¥ 77,221	¥1,464,270

Year Ended March 31, 2009	Japan	North America	Europe	Asia	Other Areas	Total	Corporate & Eliminations	Consolidated
	Thousands of U.S. Dollars							
Revenues:								
Unaffiliated customers	$6,002,408	$2,859,500	$1,048,429	$1,247,429	$143,071	$11,300,837	$ —	$11,300,837
Intersegment	2,646,163	97,837	34,898	11,765	—	2,790,663	(2,790,663)	—
Total	8,648,571	2,957,337	1,083,327	1,259,194	143,071	14,091,500	(2,790,663)	11,300,837
Cost of revenues and operating expenses	8,113,214	2,678,725	1,015,511	1,108,163	121,734	13,037,347	(2,785,643)	10,251,704
Operating income	$ 535,357	$ 278,612	$ 67,816	$ 151,031	$ 21,337	$ 1,054,153	$ (5,020)	$ 1,049,133
Identifiable assets at March 31, 2009	$6,894,112	$4,387,490	$ 713,878	$1,206,326	$ 80,694	$13,282,500	$ 858,561	$14,141,061

The segment previously classified as “Other Areas” was disaggregated into “Asia” and “Other Areas” for the fiscal year ended March 31, 2009. Figures for the year ended March 31, 2008 have been reclassified to conform to the presentation for the fiscal year ended March 31, 2009.

Revenues by Region

Years Ended March 31, 2009 and 2008	Millions of Yen 2009		2008		Thousands of U.S. Dollars 2009
Japan	¥ 549,189	49.6%	¥ 572,236	49.6%	$ 5,603,970
Overseas:					
North America	274,151	24.7	329,495	28.5	2,797,459
Europe	108,742	9.8	125,388	10.9	1,109,612
Asia	139,069	12.6	93,014	8.0	1,419,071
Other Areas	36,331	3.3	34,441	3.0	370,725
Subtotal	558,293	50.4	582,338	50.4	5,696,867
Total	¥1,107,482	100.0%	¥1,154,574	100.0%	$11,300,837

Notes: 1. Revenues by region represent revenues to unaffiliated customers based on the customers’ locations.
2. The segment previously classified as “Other Areas” was disaggregated into “Asia” and “Other Areas” for the fiscal year ended March 31, 2009. Figures for the year ended March 31, 2008 have been reclassified to conform to the presentation for the fiscal year ended March 31, 2009.

Consolidated Balance Sheets

Kubota Corporation and Subsidiaries March 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
Current assets:			
Cash and cash equivalents	**¥ 69,505**	¥ 88,784	**$ 709,235**
Notes and accounts receivable (Notes 3, 6, 7, 10, 14 and 18):			
Trade notes	**65,429**	70,645	**667,643**
Trade accounts	**324,583**	209,275	**3,312,071**
Less: Allowance for doubtful notes and accounts receivable	**(2,512)**	(1,983)	**(25,633)**
Short-term finance receivables—net (Notes 5, 6, 7, 14 and 18)	**97,292**	113,409	**992,775**
Inventories (Note 2)	**207,401**	206,220	**2,116,337**
Interest in sold receivables (Note 18)	**—**	77,767	**—**
Other current assets (Notes 7, 11,13, 14 and 15)	**54,648**	58,521	**557,633**
Total current assets	**816,346**	822,638	**8,330,061**
Investments and long-term finance receivables:			
Investments in and loan receivables from affiliated companies (Note 3)	**14,511**	13,646	**148,072**
Other investments (Notes 4 and 15)	**96,197**	145,322	**981,602**
Long-term finance receivables—net (Notes 5, 6, 7, 14 and 18)	**169,257**	191,523	**1,727,112**
Total investments and long-term finance receivables	**279,965**	350,491	**2,856,786**
Property, plant, and equipment (Notes 7 and 17):			
Land	**90,479**	92,208	**923,255**
Buildings	**208,901**	211,570	**2,131,643**
Machinery and equipment	**361,323**	372,425	**3,686,969**
Construction in progress	**6,970**	6,225	**71,123**
Total	**667,673**	682,428	**6,812,990**
Accumulated depreciation	**(442,052)**	(444,355)	**(4,510,735)**
Net property, plant, and equipment	**225,621**	238,073	**2,302,255**
Other assets:			
Long-term trade accounts receivable (Note 14)	**27,071**	26,605	**276,234**
Other (Notes 8, 11 and 17)	**37,680**	27,444	**384,490**
Less: Allowance for doubtful non-current receivables (Note 6)	**(859)**	(981)	**(8,765)**
Total other assets	**63,892**	53,068	**651,959**
Total	**¥1,385,824**	¥1,464,270	**$14,141,061**

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
Current liabilities:			
Short-term borrowings (Note 7)	**¥ 132,100**	¥ 113,087	**$ 1,347,959**
Trade notes payable	**16,405**	21,232	**167,398**
Trade accounts payable	**163,222**	191,042	**1,665,531**
Advances received from customers	**6,306**	4,748	**64,347**
Notes and accounts payable for capital expenditures	**13,301**	15,436	**135,725**
Accrued payroll costs	**26,266**	27,680	**268,020**
Accrued expenses	**25,717**	32,608	**262,418**
Income taxes payable	**4,733**	12,908	**48,296**
Other current liabilities (Notes 11, 13, 14, 15 and 17)	**45,947**	34,744	**468,847**
Current portion of long-term debt (Notes 7, 14 and 17)	**60,378**	65,976	**616,102**
Total current liabilities	**494,375**	519,461	**5,044,643**
Long-term liabilities:			
Long-term debt (Notes 7, 14 and 17)	**208,588**	183,945	**2,128,449**
Accrued retirement and pension costs (Note 8)	**56,591**	43,790	**577,459**
Other long-term liabilities (Notes 11, 13, 14 and 15)	**10,027**	25,747	**102,316**
Total long-term liabilities	**275,206**	253,482	**2,808,224**
Commitments and contingencies (Note 17)			
Minority interests	**37,959**	43,230	**387,337**
Shareholders' equity (Note 9):			
Common stock,			
authorized 1,874,700,000 shares in 2009 and 2008, respectively			
issued 1,285,919,180 shares in 2009 and 2008, respectively	**84,070**	84,070	**857,857**
Capital surplus	**93,150**	93,150	**950,510**
Legal reserve	**19,539**	19,539	**199,378**
Retained earnings (Note 3)	**452,791**	423,927	**4,620,316**
Accumulated other comprehensive income (loss) (Notes 8, 12 and 13)	**(62,184)**	31,177	**(634,531)**
Treasury stock (13,856,291 shares and 5,315,673 shares in 2009 and 2008, respectively), at cost	**(9,082)**	(3,766)	**(92,673)**
Total shareholders' equity	**578,284**	648,097	**5,900,857**
Total	**¥1,385,824**	¥1,464,270	**$14,141,061**

See notes to consolidated financial statements.

Consolidated Statements of Income

Kubota Corporation and Subsidiaries Years Ended March 31, 2009, 2008, and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
Revenues (Notes 3, 5 and 13)	**¥1,107,482**	¥1,154,574	¥1,127,456	**$11,300,837**
Cost of revenues (Notes 5 and 16)	**810,226**	824,093	794,687	**8,267,612**
Selling, general, and administrative expenses (Note 16)	**193,426**	192,935	199,356	**1,973,735**
Loss from disposal and impairment of businesses and fixed assets (Note 16)	**1,015**	671	3,066	**10,357**
Operating income	**102,815**	136,875	130,347	**1,049,133**
Other income (expenses):				
Interest and dividend income (Note 3)	**4,822**	4,472	3,283	**49,204**
Interest expense (Note 13)	**(2,664)**	(986)	(1,219)	**(27,183)**
Gain (loss) on sales of securities—net (Note 4)	**(116)**	704	1,313	**(1,184)**
Valuation loss on other investments (Note 4)	**(8,618)**	(6,715)	(524)	**(87,939)**
Gain on nonmonetary exchange of securities (Note 1)	**—**	—	997	**—**
Foreign exchange loss—net (Note 13)	**(11,525)**	(9,043)	(442)	**(117,602)**
Other—net (Note 13)	**(1,455)**	(2,730)	(2,190)	**(14,847)**
Other income (expenses), net	**(19,556)**	(14,298)	1,218	**(199,551)**
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	**83,259**	122,577	131,565	**849,582**
Income taxes (Note 11):				
Current	**23,637**	43,929	48,008	**241,194**
Deferred	**5,109**	4,115	953	**52,133**
Total income taxes	**28,746**	48,044	48,961	**293,327**
Minority interests in earnings of subsidiaries	**6,671**	6,790	6,214	**68,071**
Equity in net income of affiliated companies (Note 3)	**222**	94	1,353	**2,265**
Income from continuing operations	**48,064**	67,837	77,743	**490,449**
Income (loss) from discontinued operations, net of taxes (Note 19)	**—**	189	(1,286)	**—**
Net income	**¥ 48,064**	¥ 68,026	¥ 76,457	**$ 490,449**

	Yen			U.S. Dollars (Note 1)
Net income (loss) per common share (Note 1):				
Basic and diluted:				
Continuing operations	**¥37.68**	¥52.65	¥60.00	**$0.38**
Discontinued operations	**—**	0.15	(0.99)	**—**
Net income	**¥37.68**	¥52.80	¥59.01	**$0.38**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Kubota Corporation and Subsidiaries   Years Ended March 31, 2009, 2008, and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
Net income	**¥ 48,064**	¥ 68,026	¥ 76,457	**$ 490,449**
Other comprehensive income (loss), net of tax (Note 12):				
Foreign currency translation adjustments	**(51,789)**	(1,425)	4,670	**(528,459)**
Unrealized losses on securities	**(26,270)**	(36,834)	(13,607)	**(268,061)**
Unrealized losses on derivatives	**(1,512)**	(485)	(244)	**(15,429)**
Pension liability adjustments	**(13,790)**	(16,326)	—	**(140,714)**
Other comprehensive loss	**(93,361)**	(55,070)	(9,181)	**(952,663)**
Comprehensive income (loss)	**¥ (45,297)**	¥ 12,956	¥ 67,276	**$ (462,214)**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kubota Corporation and Subsidiaries   Years Ended March 31, 2009, 2008, and 2007

		Millions of Yen						
	Shares of Common Stock Outstanding (Thousands)	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock at Cost	Total Shareholders' Equity
Balance, March 31, 2006	1,299,488	¥84,070	¥93,150	¥19,539	¥323,116	¥ 86,769	¥ (160)	¥606,484
Net income					76,457			76,457
Other comprehensive loss						(9,181)		(9,181)
Adjustment to initially adopt SFAS No. 158, net of taxes						8,659		8,659
Cash dividends, ¥11 per common share					(14,274)			(14,274)
Purchase and sales of treasury stock	(7,975)						(8,508)	(8,508)
Retirement of treasury stock					(8,484)		8,484	—
Balance, March 31, 2007	1,291,513	84,070	93,150	19,539	376,815	86,247	(184)	659,637
Cumulative effect of adopting FIN 48					261			261
Net income					68,026			68,026
Other comprehensive loss						(55,070)		(55,070)
Cash dividends, ¥13 per common share					(16,777)			(16,777)
Purchase and sales of treasury stock	(10,909)						(7,980)	(7,980)
Retirement of treasury stock					(4,398)		4,398	—
Balance, March 31, 2008	1,280,604	84,070	93,150	19,539	423,927	31,177	(3,766)	648,097
Net income					**48,064**			**48,064**
Other comprehensive loss						**(93,361)**		**(93,361)**
Cash dividends, ¥15 per common share					**(19,193)**			**(19,193)**
Purchase and sales of treasury stock	**(8,541)**				**(7)**		**(5,316)**	**(5,323)**
Balance, March 31, 2009	**1,272,063**	**¥84,070**	**¥93,150**	**¥19,539**	**¥452,791**	**¥(62,184)**	**¥ (9,082)**	**¥578,284**

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock at Cost	Total Shareholders' Equity
Balance, March 31, 2008	$857,857	$950,510	$199,378	$4,325,786	$318,132	$ (38,428)	$6,613,235
Net income				**490,449**			**490,449**
Other comprehensive loss					**(952,663)**		**(952,663)**
Cash dividends, $0.15 per common share				**(195,847)**			**(195,847)**
Purchase and sales of treasury stock				**(72)**		**(54,245)**	**(54,317)**
Balance, March 31, 2009	**$857,857**	**$950,510**	**$199,378**	**$4,620,316**	**$(634,531)**	**$(92,673)**	**$5,900,857**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kubota Corporation and Subsidiaries   Years Ended March 31, 2009, 2008, and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	**2009**
Operating activities:				
Net income	**¥ 48,064**	¥ 68,026	¥ 76,457	**$ 490,449**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	**31,242**	30,565	27,097	**318,796**
(Gain) loss on sales of securities	**116**	(704)	(1,313)	**1,184**
Gain on nonmonetary exchange of securities	**—**	—	(997)	**—**
Valuation loss on other investments	**8,618**	6,715	524	**87,939**
(Gain) loss from disposal of fixed assets	**(151)**	925	1,172	**(1,541)**
Minority interests in earnings of subsidiaries	**6,671**	6,790	6,214	**68,071**
Equity in net income of affiliated companies	**(222)**	(94)	(1,353)	**(2,265)**
Deferred income taxes	**5,109**	4,115	953	**52,133**
Change in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	**(128,586)**	31,750	35	**(1,312,102)**
Increase in inventories	**(35,636)**	(6,656)	(24,255)	**(363,633)**
(Increase) decrease in interest in sold receivables	**70,132**	(6,763)	(2,608)	**715,632**
Increase in other current assets	**(21,322)**	(13,309)	(1,327)	**(217,571)**
Increase (decrease) in trade notes and accounts payable	**(19,771)**	(23,311)	11,999	**(201,745)**
Increase (decrease) in income taxes payable	**(7,008)**	(10,842)	11,305	**(71,510)**
Increase in other current liabilities	**28,727**	7,539	5,085	**293,132**
Decrease in accrued retirement and pension costs	**(10,054)**	(10,998)	(10,942)	**(102,592)**
Other	**1,494**	6,362	(1,216)	**15,245**
Net cash provided by (used in) operating activities	**(22,577)**	90,110	96,830	**(230,378)**
Investing activities:				
Purchases of fixed assets	**(32,959)**	(35,735)	(34,286)	**(336,316)**
Purchases of investments and change in loan receivables	**(5,908)**	3,337	(1,311)	**(60,286)**
Proceeds from sales of property, plant, and equipment	**2,961**	115	3,709	**30,214**
Proceeds from sales of investments	**261**	490	2,391	**2,663**
Increase in finance receivables	**(193,495)**	(196,494)	(190,098)	**(1,974,439)**
Collection of finance receivables	**154,935**	155,202	129,442	**1,580,970**
Other	**184**	741	146	**1,878**
Net cash used in investing activities	**(74,021)**	(72,344)	(90,007)	**(755,316)**
Financing activities:				
Proceeds from issuance of long-term debt	**129,967**	113,962	86,434	**1,326,194**
Repayments of long-term debt	**(74,386)**	(84,895)	(73,654)	**(759,041)**
Net increase (decrease) in short-term borrowings	**54,619**	(15,840)	(5,937)	**557,337**
Cash dividends	**(19,193)**	(16,777)	(14,274)	**(195,847)**
Purchases of treasury stock	**(5,338)**	(7,997)	(8,515)	**(54,469)**
Other	**(809)**	(133)	(889)	**(8,255)**
Net cash provided by (used in) financing activities	**84,860**	(11,680)	(16,835)	**865,919**
Effect of exchange rate changes on cash and cash equivalents	**(7,541)**	97	755	**(76,949)**
Net increase (decrease) in cash and cash equivalents	**(19,279)**	6,183	(9,257)	**(196,724)**
Cash and cash equivalents, beginning of year	**88,784**	82,601	91,858	**905,959**
Cash and cash equivalents, end of year	**¥ 69,505**	¥ 88,784	¥ 82,601	**$ 709,235**

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

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

The manufacturing operations of the Company are conducted primarily at 20 plants in Japan and at 10 overseas plants located in the United States and certain other countries. Farm equipment, construction machinery, ductile iron pipe, and certain other products are sold both in Japan and overseas markets which consist mainly of North America, Europe, and Asia.

Basis of Financial Statements

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The presentation of segment information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," has been omitted.

Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the parent company is incorporated and operates. The United States dollar amounts included herein represent a translation using the approximate exchange rate at March 31, 2009 of ¥98 =US$1, solely for convenience of readers outside Japan. The translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into United States dollars.

Consolidation

The consolidated financial statements include the accounts of the parent company and all majority-owned subsidiaries. The accounts of certain consolidated subsidiaries that have December 31 fiscal year-ends have been included in the March 31 consolidated financial statements. The accounts of variable interest entity ("VIE") as defined by the FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46R") are included in the consolidated financial statements, as applicable. There were no VIEs at March 31, 2009 and 2008.

Intercompany items have been eliminated in consolidation.

Investments in affiliates in which the Company has the ability to exercise significant influence over their operating and financial policies, but where the Company does not have a controlling financial interest are accounted for using the equity method.

Use of Estimates

Preparing financial statements in conformity with US GAAP requires the Company to make estimates and assumptions that affect reported amounts and related disclosures. Significant estimates and assumptions are used primarily in the area of inventory valuation, impairment of investments, impairment of long-lived assets, valuation allowance for deferred tax assets, collectibility of notes and receivables, uncertain tax positions, accruals for employee retirement and pension plans, revenue recognition for long-term contracts, and loss contingencies. Actual results could differ from those estimates.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries, using the local currency as their functional currency, are translated to Japanese yen based on the current exchange rate prevailing at each balance sheet date and any resulting translation adjustments are included in accumulated other comprehensive income (loss). Revenues and expenses are translated into Japanese yen using the average exchange rates prevailing for each period presented.

Revenue Recognition

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

Sales of environmental and other plant and equipment are recorded when the installation of plant and equipment is completed and accepted by the customer for short-term contracts, and recorded under the percentage-of-completion method of accounting for long-term contracts. (See Note 10. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS.) Estimated losses on sales contracts are charged to income in the period in which they are identified. The percentages of revenues to consolidated revenues for the years ended March 31, 2009, 2008, and 2007 that pertain to long-term contracts were 1.9%, 1.7%, and 1.8%, respectively.

Housing real estate sales are recorded when the title is legally transferred to the customer in accordance with the underlying contract and real estate laws and regulations.

In October 2007, Kubota Maison Co., Ltd., subsidiary of housing real estate, was excluded from consolidated subsidiaries and became an affiliated company. As a result, there were no housing real estate sales for the year ended March 31, 2009. The percentages of revenues to consolidated revenues for the years ended March 31, 2008, and 2007 that pertain to housing real estate sales were 0.3%, and 0.8%, respectively.

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

Securitization of Receivables

The Company sells trade and finance receivables to investors through independent securitization trusts. At the time the receivables are sold to the securitization trusts, the balances are removed from the consolidated balance sheets of the Company. The investment in the sold receivables pool is allocated between the portion sold and the portion retained based on their relative fair values on the date of sale. The gain or loss for each qualifying sale of receivables is determined based on book value allocated to the portion sold. If forecasted future cash flows result in an other-than-temporary decline in the fair value of the retained interests, then an impairment loss is recognized to the extent that the fair value is less than the carrying amount. Such losses would be included in the consolidated statements of income. The Company estimates fair value based on the present value of expected future cash flows less credit losses.

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

Allowance for Doubtful Receivables

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

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average-cost method.

Investments

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

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

(Merger of Hanshin Electric Railway and Hankyu Holdings)

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

The Company accounted for gain on nonmonetary exchange of securities of ¥997 million, based on the fair value of Hankyu Hanshin’s common shares of ¥1,205 million less carrying amounts of Hanshin’s common shares of ¥208 million for the year ended March 31, 2007.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation expenses related to manufacturing activities are included in cost of revenues, and the other depreciation expenses are classified in selling, general, and administrative expenses. Depreciation of those assets is principally computed using the declining-balance method based on the estimated useful lives of the assets. The estimated useful lives are principally as follows:

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

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes” and FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109.”

Under SFAS No. 109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities and tax loss and other carry forwards using the enacted tax rate. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that management believes will more likely than not be realized.

The Company adopted the provisions of FIN 48 on April 1, 2007. The Company recognizes the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income taxes in the consolidated statements of income.

Retirement and Pension Plans

The Company accounts for retirement and pension plans in accordance with SFAS No. 87, “Employers’ Accounting for Pensions,” as amended by SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132 (R).” The Company recognizes the overfunded or underfunded status of the defined benefit plan as an asset or a liability in the consolidated balance sheets with a corresponding adjustment to pension liability adjustment in accumulated other comprehensive income, net of tax. The Company’s measurement date for benefit obligations and plan assets is March 31.

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

Consideration Given by a Vendor to a Customer

The Company accounts for consideration given to a customer in accordance with the Emerging Issues Task Force (“EITF”) Issue No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products).” EITF 01-9 defines the income statement classification of consideration given by a vendor to a customer or a reseller of the vendor’s products. In accordance with EITF 01-9, certain sales incentives are deducted from revenue.

Accounting for Sales Tax

Revenues are presented exclusive of sales tax.

Research and Development and Advertising

Research and development and advertising costs are expensed as incurred.

Shipping and Handling Costs

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

Expense from the Payments for Health Hazard of Asbestos

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

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

(a) It is probable that a liability has been incurred at the date of financial statements.

(b) The amount of loss can be reasonably estimated.

(See Note 17. COMMITMENTS AND CONTINGENCIES.)

Net Income per Common Share

Basic net income per common share has been computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. The weighted average number of common shares outstanding for the years ended March 31, 2009, 2008, and 2007 was 1,275,574,702, 1,288,336,590 and 1,295,749,621, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2009, 2008, and 2007.

Derivative Financial Instruments

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

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

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

The Company also uses derivatives not designated as cash flow hedges in certain relationships for economic purposes. Changes in the fair value of derivatives not designated are reported in earnings immediately.

Impairment of Long-Lived Assets

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

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

Discontinued Operations

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

Cash Flow Information

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2009, 2008, and 2007, time deposits with original maturities of three months or less amounting to ¥4,022 million ($41,041 thousand), ¥3,915 million, and ¥3,832 million, respectively, were included in cash and cash equivalents.

Cash paid for interest amounted to ¥12,768 million ($130,286 thousand), ¥12,875 million, and ¥11,066 million, and for income taxes amounted to ¥38,472 million ($392,571 thousand), ¥56,535 million, and ¥36,733 million for the years ended March 31, 2009, 2008, and 2007, respectively.

The Company did not retire any treasury stock during the year ended March 31, 2009 and retired treasury stock of ¥4,398 million, and ¥8,484 million during the years ended March 31, 2008 and 2007, respectively.

The Company capitalized leased assets under capital leases of ¥2,916 million ($29,755 thousand), ¥3,678 million, and ¥4,231 million for the years ended March 31, 2009, 2008, and 2007, respectively.

Amounts pertaining to “(Increase) decrease in interests in sold receivables” were included in a line item of “Increase in other current assets” until March 31, 2008. Since the amount relating to "(Increase) decrease in interests in sold receivables" becomes significant in the current year, the Company has separately presented it with corresponding changes for prior years.

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements,” which defines fair value and expands disclosures about fair value measurements that are required or permitted under other accounting pronouncements. This statement was effective in fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued Staff Position (FSP) FAS 157-2, “Effective Date of FASB Statement No. 157,” that delayed the effective date of SFAS No. 157 for nonfinancial assets and liabilities. The Company adopted this statement on April 1, 2008. The adoption of this statement did not have a material impact on the Company’s consolidated results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of SFAS No. 115”. This statement offers an irrevocable option to report selected financial assets and liabilities at fair value, with changes in fair value recorded in earnings. This statement is effective in fiscal years beginning after November 15, 2007, and was adopted by the Company on April 1, 2008. The Company did not elect the fair value option for selected financial assets and financial liabilities, therefore the adoption of this statement did not have an impact on the Company’s consolidated results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations”. This statement requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This statement also requires recognition of contingent consideration and capitalization of in-process research and development at fair values as well as expensing of acquisition-related costs as incurred. This statement is effective in fiscal years beginning after December 15, 2008. The Company is currently calculating the impact of applying this statement on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51”. This statement clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statements of income. This statement also requires a parent recognize a retained investment at fair value when a subsidiary is deconsolidated. This statement is effective in fiscal years beginning after December 15, 2008. The Company is currently calculating the impact of applying this statement on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133”. This statement expands the disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS No. 161 requires entities to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this statement on January 1, 2009. The adoption of this statement did not have an impact on the Company’s consolidated results of operations and financial position.

In December 2008, the FASB issued FSP FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets”. This position requires more detailed disclosures about plan assets including investment allocation, the major categories of plan assets, valuation techniques used to measure the fair value of plan assets, and concentrations of risk within plan assets. This statement is effective for fiscal years ending after December 15, 2009. The adoption of this position is not expected to have a material impact on the Company’s consolidated results of operations and financial position.

In May 2009, the FASB issued SFAS No. 165 “Subsequent Events.” This statement establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This statement is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this statement is not expected to have a material impact on the Company’s consolidated result of operations and financial position.

2. INVENTORIES

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Finished products	**¥132,125**	¥128,561	**$1,348,214**
Spare parts	**23,848**	23,359	**243,347**
Work in process	**31,165**	34,036	**318,010**
Raw materials and supplies	**20,263**	20,264	**206,766**
	¥207,401	¥206,220	**$2,116,337**

3. INVESTMENTS IN AND LOAN RECEIVABLES FROM AFFILIATED COMPANIES

Investments in and loan receivables from affiliated companies at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Investments	**¥14,443**	¥13,640	**$147,378**
Loan receivables	**68**	6	**694**
	¥14,511	¥13,646	**$148,072**

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

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2009 and 2008	**2009**	2008	**2009**
Current assets	**¥ 68,841**	¥ 69,686	**$ 702,459**
Noncurrent assets	**62,858**	57,019	**641,408**
Total assets	**131,699**	126,705	**1,343,867**
Current liabilities	**74,758**	73,188	**762,837**
Noncurrent liabilities	**20,794**	19,929	**212,183**
Net assets	**¥ 36,147**	¥ 33,588	**$ 368,847**

	Millions of Yen			Thousands of U.S. Dollars
Years Ended March 31, 2009, 2008, and 2007	**2009**	2008	2007	**2009**
Revenues	**¥216,430**	¥215,574	¥219,750	**$2,208,469**
Cost of revenues	**160,690**	162,533	161,392	**1,639,694**
Net income	**419**	482	2,956	**4,276**

Trade notes and accounts receivable from affiliated companies at March 31, 2009 and 2008 were ¥21,302 million ($217,367 thousand) and ¥17,185 million, respectively.

Revenues from affiliated companies aggregated ¥55,374 million ($565,041 thousand), ¥48,847 million, and ¥51,882 million for the years ended March 31, 2009, 2008, and 2007, respectively.

Cash dividends received from affiliated companies were ¥46 million ($469 thousand), ¥31 million, and ¥28 million for the years ended March 31, 2009, 2008, and 2007, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥9,719 million ($99,173 thousand) and ¥8,817 million at March 31, 2009 and 2008, respectively.

4. OTHER INVESTMENTS

The cost, fair value, and gross unrealized holding gains and losses for securities by major security type at March 31, 2009 and 2008 were as follows:

	Millions of Yen							
	2009				2008			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:								
Available-for-sale:								
Equity securities of financial institutions	**¥24,412**	**¥40,275**	**¥15,864**	**¥ 1**	¥30,813	¥ 73,257	¥42,464	¥ 20
Other equity securities	**17,665**	**40,653**	**23,304**	**316**	20,305	61,793	42,892	1,404
	¥42,077	**¥80,928**	**¥39,168**	**¥317**	¥51,118	¥135,050	¥85,356	¥1,424

	Thousands of U.S. Dollars			
	2009			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	**$249,102**	**$410,969**	**$161,877**	**$ 10**
Other equity securities	**180,255**	**414,827**	**237,796**	**3,224**
	$429,357	**$825,796**	**$399,673**	**$3,234**

Gross unrealized holding losses and fair values on available-for-sale securities that are not deemed to be other-than-temporarily impaired at March 31, 2009 and 2008 aggregated by the length of time that individual securities have been in a continuous unrealized loss position were as follows:

	Millions of Yen							
	2009				2008			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Other investments:								
Available-for-sale:								
Equity securities of financial institutions	**¥ 2**	**¥ 1**	**¥—**	**¥—**	¥ 249	¥ 20	¥—	¥—
Other equity securities	**1,958**	**316**	**—**	**—**	3,142	1,404	—	—
	¥1,960	**¥317**	**¥—**	**¥—**	¥3,391	¥1,424	¥—	¥—

	Thousands of U.S. Dollars			
	2009			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	**$ 20**	**$ 10**	**$—**	**$—**
Other equity securities	**19,980**	**3,224**	**—**	**—**
	$20,000	**$3,234**	**$—**	**$—**

For the years ended March 31, 2009, 2008, and 2007, valuation losses on other investments were recognized to reflect the decline in fair value considered to be other-than-temporary totaling ¥8,618 million ($87,939 thousand), ¥6,715 million, and ¥524 million, respectively.

Proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Proceeds from sales of available-for-sale securities	**¥ 182**	¥2,001	¥2,749	**$ 1,857**
Gross realized gains	**20**	705	1,463	**204**
Gross realized losses	**(132)**	(1)	(150)	**(1,347)**

Investments in non-traded and unaffiliated companies, for which there is no readily determinable fair value, were stated at cost of ¥15,269 million ($155,806 thousand) and ¥10,272 million at March 31, 2009 and 2008, respectively. Investments in non-marketable equity securities for which there is no readily determinable fair value were accounted for using the cost method. Each investment in non-marketable equity securities is reviewed annually for impairment or upon the occurrence of an event on change in circumstances that may have a significant adverse effect on the carrying value of the investment.

5. FINANCE RECEIVABLES

The Company provides retail finance and finance leases to customers mainly in order to support sales of farm equipment and construction machinery.

Finance receivables－net at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Retail	**¥ 218,745**	¥ 273,771	**$2,232,092**
Finance leases	**59,442**	39,536	**606,551**
Total finance receivables	**278,187**	313,307	**2,838,643**
Less:			
Unearned income	**(10,052)**	(6,995)	**(102,572)**
Allowance for credit losses	**(1,586)**	(1,380)	**(16,184)**
Total finance receivables－net	**266,549**	304,932	**2,719,887**
Less current portion	**(97,292)**	(113,409)	**(992,775)**
Long-term finance receivables－net	**¥ 169,257**	¥ 191,523	**$1,727,112**

Annual maturities of retail finance receivables and future minimum lease payments on finance leases at March 31, 2009 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending March 31,	Retail	Finance Leases	Retail	Finance Leases
2010	¥83,372	¥17,723	$ 850,734	$180,846
2011	65,256	16,537	665,878	168,745
2012	38,308	12,400	390,898	126,531
2013	21,946	6,958	223,939	71,000
2014	7,474	3,717	76,265	37,929
2015 and thereafter	2,389	2,107	24,378	21,500
Total	¥218,745	¥59,442	$2,232,092	$606,551

There is no estimated unguaranteed residual value on finance leases at March 31, 2009.

Revenues and cost of revenues for the years ended March 31, 2009, 2008, and 2007 included finance income and expenses as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Finance income	**¥23,242**	¥27,539	¥22,217	**$237,163**
Finance expenses	**11,578**	15,363	12,282	**118,143**

The Company sold finance receivables for the years ended March 31, 2007. (See Note 18. SECURITIZATION OF RECEIVABLES.) Pretax gains or losses on such sales were included in finance income or finance expenses in the table above.

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The changes in the allowance for doubtful notes and accounts receivable for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥1,983**	¥2,011	¥2,155	**$20,235**
Provision for doubtful accounts	**1,041**	482	255	**10,622**
Write-offs	**(32)**	(531)	(468)	**(326)**
Other	**(480)**	21	69	**(4,898)**
Balance at end of year	**¥2,512**	¥1,983	¥2,011	**$25,633**

The changes in the allowance for doubtful non-current receivables for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥ 981**	¥ 2,811	¥3,913	**$10,010**
Provision for doubtful accounts	**50**	140	13	**510**
Write-offs	**(1)**	(137)	(792)	**(10)**
Other	**(171)**	(1,833)	(323)	**(1,745)**
Balance at end of year	**¥ 859**	¥ 981	¥2,811	**$ 8,765**

The changes in the allowance for finance receivables for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥1,380**	¥1,072	¥1,017	**$14,082**
Provision for doubtful accounts	**914**	542	203	**9,327**
Write-offs	**(308)**	(133)	(108)	**(3,143)**
Other	**(400)**	(101)	(40)	**(4,082)**
Balance at end of year	**¥1,586**	¥1,380	¥1,072	**$16,184**

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 consisted of notes payable to banks of ¥125,600 million ($1,281,632 thousand) and commercial paper of ¥6,500 million ($66,327 thousand). Short-term borrowings at March 31, 2008 consisted of notes payable to banks of ¥113,087 million.

Stated annual interest rates on short-term borrowings ranged primarily from 0.20% to 5.41% and from 0.50% to 5.59% at March 31, 2009 and 2008, respectively. The weighted average interest rates on such short-term borrowings at March 31, 2009 and 2008 were 3.1% and 4.9%, respectively.

Available committed lines of credit with certain banks at March 31, 2009 and 2008 totaled ¥25,000 million ($255,102 thousand) and ¥20,000 million, respectively. The terms of committed lines of credit are 1 year. The Company had no outstanding borrowings as of March 31, 2009 and 2008 related to committed lines of credit.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

		Millions of Yen		Thousands of U.S. Dollars
	Due in Years Ending March 31	**2009**	2008	**2009**
Unsecured bonds:				
Yen notes (fixed rate 1.20%)	2011	**¥ 10,000**	¥ 10,000	**$ 102,041**
Yen notes (floating rate 0.93%)	2012	**4,000**	—	**40,816**
Yen notes (fixed rate 1.54%)	2013	**10,000**	10,000	**102,041**
Yen notes (fixed rate 1.27%)	2013	**10,000**	10,000	**102,041**
Yen notes (fixed rate 1.53%)	2015	**10,000**	10,000	**102,041**
Loans, principally from banks and insurance companies, maturing on various dates through 2017:				
Collateralized		**37,320**	64,399	**380,816**
Unsecured		**181,125**	139,051	**1,848,214**
Capital lease obligations		**6,521**	6,471	**66,541**
Total		**268,966**	249,921	**2,744,551**
Less current portion		**(60,378)**	(65,976)	**(616,102)**
		¥208,588	¥183,945	**$2,128,449**

Both fixed and floating rates were included in the interest rates of the long-term loans from banks and insurance companies at March 31, 2009, while these rates were principally fixed at March 31, 2008. The weighted average rates at March 31, 2009 and 2008 were 2.9% and 4.2%, respectively.

Annual maturities of long-term debt at March 31, 2009 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 60,378	$ 616,102
2011	68,759	701,622
2012	86,100	878,571
2013	28,914	295,041
2014	11,601	118,378
2015 and thereafter	13,214	134,837
Total	¥268,966	$2,744,551

Assets pledged as collateral for debt at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Trade notes	**¥ 2,061**	¥ 439	**$ 21,031**
Trade accounts	**14,214**	3,422	**145,041**
Other current assets	**566**	950	**5,775**
Finance receivables	**45,213**	101,945	**461,357**
Property, plant, and equipment	**8,782**	9,932	**89,612**
Total	**¥70,836**	¥116,688	**$722,816**

Other current assets represent restricted cash which are pledged as collateral in accordance with the terms of borrowing.

The above assets were pledged against the following liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term borrowings	**¥28,233**	¥31,434	**$288,092**
Current portion of long-term debt	**17,416**	27,862	**177,714**
Long-term debt	**19,904**	36,537	**203,102**
Total	**¥65,553**	¥95,833	**$668,908**

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

There are restrictive covenants related to its borrowings including clauses of the negative pledges, rating trigger and minimum net worth. The financial covenants are as follows: the rating trigger states that the Company shall keep or be higher than the “BBB－” rating by Rating and Investment Information, Inc. and the minimum net worth covenant states that the Company shall keep the amount of shareholders’ equity of more than ¥454.0 billion ($4,633 million) on consolidated basis and more than ¥322.0 billion ($3,286 million) on a parent company-only basis. The Company is compliant with those restrictive covenants at March 31, 2009.

8. RETIREMENT AND PENSION PLANS

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

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

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

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

Net periodic benefit cost for the unfunded severance indemnity plan and the defined benefit pension plan of the parent company and certain subsidiaries for the years ended March 31, 2009, 2008, and 2007 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Service cost	**¥ 5,944**	¥ 5,830	¥ 5,974	**$ 60,653**
Interest cost	**3,730**	3,751	3,799	**38,061**
Expected return on plan assets	**(2,428)**	(3,023)	(2,748)	**(24,775)**
Amortization of prior service benefit	**(808)**	(808)	(777)	**(8,245)**
Amortization of actuarial loss	**128**	—	—	**1,306**
Net periodic benefit cost	**¥ 6,566**	¥ 5,750	¥ 6,248	**$ 67,000**

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Change in benefit obligations:			
Benefit obligations at beginning of year	**¥173,689**	¥174,242	**$1,772,337**
Service cost	**5,944**	5,830	**60,653**
Interest cost	**3,730**	3,751	**38,061**
Actuarial loss	**(2,554)**	695	**(26,061)**
Benefits paid (lump-sum payments)	**(7,736)**	(7,670)	**(78,939)**
Benefits paid (annuity payments)	**(4,079)**	(3,758)	**(41,622)**
Foreign currency exchange rate changes	**(1,717)**	599	**(17,521)**
Benefit obligations at end of year	**¥167,277**	¥173,689	**$1,706,908**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥130,360**	¥147,066	**$1,330,204**
Actual return on plan assets	**(22,073)**	(22,689)	**(225,235)**
Employer contributions	**13,374**	13,849	**136,469**
Benefits paid (lump-sum payments)	**(4,819)**	(4,703)	**(49,173)**
Benefits paid (annuity payments)	**(4,079)**	(3,758)	**(41,622)**
Foreign currency exchange rate changes	**(1,757)**	595	**(17,929)**
Fair value of plan assets at end of year	**¥111,006**	¥130,360	**$1,132,714**
Funded status at end of year	**¥(56,271)**	¥ (43,329)	**$ (574,194)**

Accumulated benefit obligations at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Accumulated benefit obligations:			
Accumulated benefit obligations at end of year	**¥166,850**	¥168,530	**$1,702,551**

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Retirement and pension plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥165,625**	¥170,659	**$1,690,051**
Fair value of plan assets	**109,034**	126,869	**1,112,592**
Retirement and pension plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**164,556**	165,500	**1,679,143**
Fair value of plan assets	**109,034**	126,869	**1,112,592**

Amounts recognized in the consolidated balance sheets at March 31, 2009 and 2008 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Accrued retirement and pension costs	**¥(56,591)**	¥(43,790)	**$(577,459)**
Prepaid expenses for benefit plans, included in other assets	**320**	461	**3,265**
Funded status	**¥(56,271)**	¥(43,329)	**$(574,194)**

Amounts recognized in accumulated other comprehensive income, before tax, at March 31, 2009 and 2008 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Actuarial loss	**¥41,371**	¥18,862	**$422,153**
Prior service benefit	**(5,244)**	(6,052)	**(53,510)**
Total recognized in accumulated other comprehensive income	**¥36,127**	¥12,810	**$368,643**

Amounts of estimated actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income into net periodic benefit cost for the year ending March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Actuarial loss	¥ 9,611	$98,072
Prior service benefit	(808)	(8,245)

The weighted-average discount rate used in calculating benefit obligations at March 31, 2009 and 2008 was 2.5%.

Weighted-average assumptions used in calculating net periodic benefit cost for the years ended March 31, 2009, 2008, and 2007 were as follows:

	2009	2008	2007
Discount rate	**2.5%**	2.5%	2.5%
Expected return on plan assets	**2.5**	3.0	3.0

The rate of compensation increase was not used in the calculations of benefit obligations at March 31, 2009 and 2008, or net periodic benefit cost for the years ended March 31, 2009, 2008, and 2007 under the point-based benefits system.

The expected rate of return on plan assets is determined after considering several applicable factors including, the composition of plan assets held, assumed risks of asset management, historical results of the returns on plan assets, the Company's principal policy for plan asset management, and forecasted market conditions.

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

	2009	2008
Equity securities	**32.8%**	38.1%
Debt securities	**66.7**	61.1
Other	**0.5**	0.8
	100.0%	100.0%

The Company's investment policy is to invest in equity securities and debt securities of companies in Japan and overseas primarily in Europe and the United States in order to diversify risk. The Company evaluates the gap between expected and actual rate of return on invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the portfolio. The Company revises the portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Employer contributions to pension plans for the year ending March 31, 2010 are expected to be ¥13,884 million ($141,673 thousand).

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

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥12,950	$132,143
2011	12,526	127,816
2012	12,397	126,500
2013	12,263	125,133
2014	12,018	122,633
2015-2019	53,666	547,612

9. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Corporate Law of Japan (the "Corporate Law").

Dividends

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the companies so stipulate. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

Under the Corporate Law, the amount available for dividends is based on retained earnings, less treasury stock, as recorded on the books of the parent company. Certain adjustments, not recorded on the parent company's books, are reflected in the consolidated financial statements. At March 31, 2009, retained earnings, less treasury stock, recorded on the parent Company's books of account were ¥206,811 million ($2,110,316 thousand).

Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

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

Treasury Stock and Treasury Stock Acquisition Rights

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

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

10. REVENUE RECOGNITION FOR LONG-TERM CONTRACTS

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

The contracts, which are fully executed before the commencement of construction projects, include the terms of the contract price, expected completion date and critical milestone dates, and acceptance inspections (e.g., performance tests and external appearance inspections). The contracts are legally enforceable and the parties are expected to satisfy their obligations under the contracts. The Company is able to develop reasonably dependable estimates of the total contract cost based on the construction order, that includes details on every single component unit, labor hour costs, and all overhead. Further, the Company believes that it is able to develop reasonably dependable estimates of the extent of progress towards completion of individual contracts and, therefore, the long-term contracts are accounted for using the percentage of completion method. Concerning the method of measuring the extent of progress toward completion, the Company uses the cost-to-cost method in measuring the extent of progress toward completion. In most cases, the Company's contracts with customers include the delivery and installation of component units.

In the situation where an option or an addition which has separate content from an existing contract has occurred, it is treated as a separate contract and, if otherwise, is combined with the original contract. Additional contract revenue arising from any claims for customer-caused reasons is recognized when the contract modification is approved by the customers. Any revisions in revenue, cost, and profit estimates or in measurements of the extent of progress toward completion are accounted for in the consolidated statements of income for the fiscal year in which those revisions have been made. A disclosure is made of the effect of such revisions in the financial statements, if significant.

Notes receivable and accounts receivable related to the long-term contracts accounted for under the percentage of completion method at March 31, 2009 and 2008 were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2009			2008			**2009**		
Years Ended March 31	Less than 1 year	1-2 years	Over 2 years	Less than 1 year	1-2 years	Over 2 years	Less than 1 year	1-2 years	Over 2 years
Notes receivable	**¥ 99**	**¥—**	**¥—**	¥ 427	¥ —	¥—	**$ 1,010**	**$ —**	**$—**
Accounts receivable	**8,930**	**40**	**—**	6,411	15	—	**91,123**	**408**	**—**
	¥9,029	**¥40**	**¥—**	¥6,838	¥ 15	¥—	**$92,133**	**$408**	**$—**

A large portion of such receivables have been billed to customers, and the total aggregated amounts which had not been billed or were not billable were not material at March 31, 2009 and 2008. The total aggregated amounts subject to uncertainty were not material.

With respect to the inventories related to the long-term contracts, the aggregated amounts of manufacturing or production costs which exceed the aggregated estimate costs of all in-process, the total aggregated amounts subject to uncertainty, and advances received offset with inventories were not material at March 31, 2009 and 2008.

11. INCOME TAXES

Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies and income taxes for the years ended March 31, 2009, 2008, and 2007 were comprised of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies:				
Domestic	**¥ 35,739**	¥ 65,172	¥ 80,208	**$ 364,684**
Foreign	**47,520**	57,405	51,357	**484,898**
	¥ 83,259	¥122,577	¥131,565	**$ 849,582**
Income taxes:				
Current—				
Domestic	**¥ 5,719**	¥ 26,550	¥ 28,184	**$ 58,357**
Foreign	**17,918**	17,379	19,824	**182,837**
	23,637	43,929	48,008	**241,194**
Deferred—				
Domestic	**7,073**	3,537	3,415	**72,174**
Foreign	**(1,964)**	578	(2,462)	**(20,041)**
	5,109	4,115	953	**52,133**
Total	**¥ 28,746**	¥ 48,044	¥ 48,961	**$ 293,327**

The effective income tax rates of the Company for the years ended March 31, 2009, 2008, and 2007 differed from the normal Japanese statutory tax rates as follows:

	2009	2008	2007
Normal Japanese statutory tax rates applied to income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	**40.6%**	40.6%	40.6%
Increase (decrease) in taxes resulting from:			
Increase (decrease) in valuation allowance	**0.4**	0.1	(1.4)
Permanently nondeductible expenses	**4.1**	0.4	0.7
Nontaxable dividend income	**(0.7)**	(0.4)	(0.2)
Extra tax deduction on expenses for research and development	**(0.5)**	(1.7)	(1.9)
Reversal of taxes provided on unremitted earnings of foreign subsidiaries and affiliates	**(8.3)**	—	—
Other—net	**(1.1)**	0.2	(0.6)
Effective income tax rates applied to income from continuing operations before income taxes, minority interests in earnings of subsidiaries, and equity in net income of affiliated companies	**34.5%**	39.2%	37.2%

Permanently nondeductible expenses for the year ended March 31, 2009 mainly consisted of nondeductible surcharge expense of ¥2,958 million ($30,184 thousand) for the violation of the Anti-Monopoly Law.

Reversal of taxes provided on unremitted earnings of foreign subsidiaries and affiliates for the year ended March 31, 2009 amounting ¥6,870 million ($70,102 thousand) was due to Japanese tax law revision related to the taxation of dividends from overseas subsidiaries and affiliates.

Net deferred tax balances at March 31, 2009 and 2008 were reflected in the accompanying consolidated balance sheets under the following line items:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Other current assets	**¥26,583**	¥ 33,614	**$271,255**
Other assets	**16,683**	4,392	**170,235**
Other current liabilities	**(2)**	—	**(20)**
Other long-term liabilities	**(254)**	(15,859)	**(2,592)**
Net deferred tax assets	**¥43,010**	¥ 22,147	**$438,878**

The approximate effects of temporary differences and tax loss and credit carryforwards that gave rise to deferred tax balances at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 1,069**	¥ 1,109	**$ 10,908**
Intercompany profits	**6,121**	11,793	**62,459**
Adjustment of investment securities	**8,445**	11,498	**86,174**
Write-downs of inventories and fixed assets	**1,988**	1,643	**20,286**
Accrued bonus	**5,938**	6,466	**60,592**
Retirement and pension costs	**25,960**	21,752	**264,898**
Tax loss and credit carryforwards	**3,991**	3,676	**40,724**
Other temporary differences	**21,086**	21,195	**215,163**
Subtotal	**74,598**	79,132	**761,204**
Less valuation allowance	**(1,631)**	(1,326)	**(16,643)**
	¥72,967	¥77,806	**$744,561**
Deferred tax liabilities:			
Adjustment of investment securities	**¥17,570**	¥38,259	**$179,286**
Unremitted earnings of foreign subsidiaries and affiliates	**5,878**	11,165	**59,979**
Other temporary differences	**6,509**	6,235	**66,418**
	¥29,957	¥55,659	**$305,683**

Deferral of income taxes relating to intercompany profits of ¥6,121 million ($62,459 thousand) and ¥11,793 million at March 31, 2009 and 2008 included in the above table is accounted for in accordance with Accounting Research Bulletins No. 51, "Consolidated Financial Statements." The movements of ¥(5,672) million ($(57,878) thousand), ¥(547) million, and ¥878 million for the years ended March 31, 2009, 2008, and 2007 in such deferral of income taxes are presented as "Income taxes – Deferred" in the consolidated statements of income. The total amounts of deferred tax assets recorded in accordance with SFAS No. 109, "Accounting for Income Taxes" were ¥66,846 million ($682,102 thousand) and ¥66,013 million at March 31, 2009 and 2008, respectively.

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

The changes in the valuation allowance for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Balance at beginning of year	**¥1,326**	¥1,212	¥ 3,439	**$13,531**
Addition	**565**	421	548	**5,765**
Deduction	**(260)**	(307)	(2,775)	**(2,653)**
Balance at end of year	**¥1,631**	¥1,326	¥ 1,212	**$16,643**

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse and/or the tax losses and credits are carried forward, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets, net of the existing valuation allowances at March 31, 2009.

At March 31, 2009, the tax loss carryforwards in the aggregate amounted to ¥10,274 million ($104,837 thousand), which are available to offset future taxable income, and will expire in the period from 2010 through 2016.

The Company adopted the provisions of FIN 48, “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 ” on April 1, 2007.

Reconciliations of the beginning and ending amount of unrecognized tax benefits for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥6,950**	¥3,491	**$ 70,918**
Gross increase for tax positions taken in prior years	**31**	3,535	**316**
Gross decrease for tax positions taken in prior years	**(23)**	(40)	**(235)**
Settlements	**(108)**	(11)	**(1,102)**
Lapse of statute of limitations	**(15)**	(9)	**(153)**
Other	**(76)**	(16)	**(775)**
Balance at end of year	**¥6,759**	¥6,950	**$ 68,969**

The total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, is not material at March 31, 2009 and 2008.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. Both interest and penalties accrued at March 31, 2009 and 2008, and interest and penalties included in income taxes for the years ended March 31, 2009 and 2008 are not material.

During the year ended March 31, 2008, the U.S. Internal Revenue Service (“IRS”) and the National Taxation Agency in Japan (“NTA”) reached an agreement on a bilateral Advance Pricing Agreement (“APA”), for which the Company had submitted requests with respect to certain intercompany transactions between related parties in U.S. and Japan. The Company accrued an estimated additional tax payment to the NTA of ¥6,500 million ($66,327 thousand) and ¥6,521 million in other long-term liabilities at March 31, 2009 and 2008, and recognized an estimated tax refund from the IRS of ¥4,647 million ($47,418 thousand) and ¥5,941 million in other assets at March 31, 2009 and 2008. These estimates may be adjusted in the future through the final period covered by the APA. It is reasonably possible that the amount of unrecognized tax benefits due to the APA may significantly increase or decrease within the next 12 months depending on the business results of the U.S. subsidiaries. The Company believes that it is difficult to estimate reasonably the range of the business results of the U.S. subsidiaries in the future periods. However, a significant increase or decrease in the amount of unrecognized tax benefits due to the APA would not have a material effect on the Company's consolidated results of operations or financial position since the tax refund from the IRS will increase or decrease in proportion to the increase or decrease of additional tax payment to the NTA.

The Company files income tax returns in Japan, U.S., and various foreign tax jurisdictions. At March 31, 2009, the Company is no longer subject, with limited exception, to regular income tax examinations by the tax authorities for the years on or before March 31, 2007 in Japan, and for the years on or before December 31, 2001 in U.S., respectively. While the tax authority could conduct a transfer pricing examination for the years on and after April 1, 2001, the intercompany transactions between related parties in U.S. and Japan will not be subject to a tax examination since the APA between U.S. and Japan has been agreed.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments and tax effects for the years ended March 31, 2009, 2008, and 2007 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2009			2009		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:						
Foreign currency translation adjustments arising during period	**¥ (52,250)**	**¥ 461**	**¥(51,789)**	**$ (533,163)**	**$ 4,704**	**$(528,459)**
Reclassification adjustment for losses realized in net income	**—**	**—**	**—**	**—**	**—**	**—**
	(52,250)	**461**	**(51,789)**	**(533,163)**	**4,704**	**(528,459)**
Unrealized losses on securities:						
Unrealized losses on securities arising during period	**(53,846)**	**21,861**	**(31,985)**	**(549,449)**	**223,072**	**(326,377)**
Reclassification adjustment for losses realized in net income	**8,734**	**(3,019)**	**5,715**	**89,123**	**(30,807)**	**58,316**
	(45,112)	**18,842**	**(26,270)**	**(460,326)**	**192,265**	**(268,061)**
Unrealized losses on derivatives:						
Unrealized losses on derivatives arising during period	**(2,378)**	**1,054**	**(1,324)**	**(24,265)**	**10,755**	**(13,510)**
Reclassification adjustments for losses realized in net income	**(316)**	**128**	**(188)**	**(3,225)**	**1,306**	**(1,919)**
	(2,694)	**1,182**	**(1,512)**	**(27,490)**	**12,061**	**(15,429)**
Pension liability adjustments:						
Pension liability adjustments arising during period	**(22,637)**	**9,251**	**(13,386)**	**(230,990)**	**94,398**	**(136,592)**
Reclassification adjustment for gains realized in net income	**(680)**	**276**	**(404)**	**(6,939)**	**2,817**	**(4,122)**
	(23,317)	**9,527**	**(13,790)**	**(237,929)**	**97,215**	**(140,714)**
Other comprehensive loss	**¥(123,373)**	**¥30,012**	**¥(93,361)**	**$ (1,258,908)**	**$306,245**	**$(952,663)**

	Millions of Yen		
	2008		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥ (2,656)	¥ 1,231	¥ (1,425)
Reclassification adjustment for losses realized in net income	—	—	—
	(2,656)	1,231	(1,425)
Unrealized losses on securities:			
Unrealized losses on securities arising during period	(68,031)	27,626	(40,405)
Reclassification adjustment for losses realized in net income	6,011	(2,440)	3,571
	(62,020)	25,186	(36,834)
Unrealized losses on derivatives:			
Unrealized losses on derivatives arising during period	(916)	322	(594)
Reclassification adjustments for losses realized in net income	191	(82)	109
	(725)	240	(485)
Pension liability adjustments:			
Pension liability adjustments arising during period	(26,735)	10,889	(15,846)
Reclassification adjustment for gains realized in net income	(808)	328	(480)
	(27,543)	11,217	(16,326)
Other comprehensive loss	¥(92,944)	¥37,874	¥(55,070)

	Millions of Yen		
	2007		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥ 5,095	¥ (425)	¥ 4,670
Reclassification adjustment for losses realized in net income	—	—	—
	5,095	(425)	4,670
Unrealized losses on securities:			
Unrealized losses on securities arising during period	(22,114)	8,976	(13,138)
Reclassification adjustment for gains realized in net income	(789)	320	(469)
	(22,903)	9,296	(13,607)
Unrealized losses on derivatives:			
Unrealized losses on derivatives arising during period	(4,823)	1,924	(2,899)
Reclassification adjustments for losses realized in net income	4,469	(1,814)	2,655
	(354)	110	(244)
Other comprehensive loss	¥(18,162)	¥ 8,981	¥ (9,181)

The components of other comprehensive income at March 31, 2009, 2008, and 2007 and the related changes, net of taxes for the year ended March 31, 2009, 2008, and 2007 consist of the following:

	Millions of Yen				
	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, March 31, 2006	¥ 657	¥ 86,033	¥ 79	¥ —	¥ 86,769
Current—period change	4,670	(13,607)	(244)	—	(9,181)
Adjustment to initial apply SFAS No. 158, net of taxes	—	—	—	8,659	8,659
Balance, March 31, 2007	5,327	72,426	(165)	8,659	86,247
Current—period change	(1,425)	(36,834)	(485)	(16,326)	(55,070)
Balance, March 31, 2008	3,902	35,592	(650)	(7,667)	31,177
Current—period change	**(51,789)**	**(26,270)**	**(1,512)**	**(13,790)**	**(93,361)**
Balance, March 31, 2009	**¥(47,887)**	**¥ 9,322**	**¥ (2,162)**	**¥ (21,457)**	**¥ (62,184)**

	Thousands of U.S. Dollars				
	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Securities	Unrealized Gains (Losses) on Derivatives	Pension Liability Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance, March 31, 2008	$ 39,816	$ 363,183	$ (6,632)	$ (78,235)	$ 318,132
Current—period change	**(528,459)**	**(268,061)**	**(15,429)**	**(140,714)**	**(952,663)**
Balance, March 31, 2009	**$(488,643)**	**$ 95,122**	**$ (22,061)**	**$ (218,949)**	**$(634,531)**

Risk Management Policy

The Company is subject to market rate risks due to fluctuation of foreign currency exchange rates and interest rates. The Company manages these risks by using derivative financial instruments in accordance with established policies and procedures. The Company does not use derivative financial instruments for trading purposes. The credit risks associated with these instruments are not considered to be significant since the counterparties are financial institutions with high creditworthiness and the Company does not anticipate any such losses.

Foreign Currency Exchange Risks

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

Interest Rate Risks

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

Cash Flow Hedges

The accounting treatments of changes in the fair value of foreign exchange contracts and interest rate swap agreements depend on whether derivatives are designated or not designated as cash flow hedges. Changes in the fair value of derivatives designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income. As for foreign exchange contracts related to forecasted intercompany transactions, the amounts are subsequently reclassified into earnings when unrelated third party transactions occur. In the case of interest rate swaps, the amounts are reclassified into earnings when the related interest expense is recognized. The unrecognized net loss of approximately ¥1,006 million ($10,265 thousand) on derivatives included in accumulated other comprehensive income (loss) at March 31, 2009 will be reclassified into earnings within the next 12 months.

Derivatives Not Designated As Hedging Instruments

The Company uses derivatives not designated as cash flow hedges in certain relationships, such as a part of foreign exchange contracts, interest rate swap contracts, and cross-currency interest rate swap contracts, for economic purposes. Changes in the fair value of derivatives not designated are reported in earnings immediately.

The fair value of derivative instruments at March 31, 2009 is as follows:

	Millions of Yen			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange contracts	—	¥ —	Other current liabilities	¥ 139
Interest rate swap contracts	—	—	Other current liabilities	3,153
Interest rate swap contracts	—	—	Other long-term liabilities	48
Total derivatives designated as hedging instruments		¥ —		¥3,340
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Other current assets	¥ 7	Other current liabilities	¥1,939
Interest rate swap contracts	—	—	Other current liabilities	223
Interest rate swap contracts	—	—	Other long-term liabilities	511
Cross-currency interest rate swap contracts	—	—	Other current liabilities	72
Cross-currency interest rate swap contracts	—	—	Other long-term liabilities	137
Total derivatives not designated as hedging instruments		¥ 7		¥2,882
Total derivatives		¥ 7		¥6,222

	Thousands of U.S. Dollars			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign exchange contracts	—	$—	Other current liabilities	$ 1,418
Interest rate swap contracts	—	—	Other current liabilities	32,173
Interest rate swap contracts	—	—	Other long-term liabilities	490
Total derivatives designated as hedging instruments		$—		$ 34,081
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Other current assets	$71	Other current liabilities	$ 19,785
Interest rate swap contracts	—	—	Other current liabilities	2,276
Interest rate swap contracts	—	—	Other long-term liabilities	5,214
Cross-currency interest rate swap contracts	—	—	Other current liabilities	735
Cross-currency interest rate swap contracts	—	—	Other long-term liabilities	1,398
Total derivatives not designated as hedging instruments		$71		$ 29,408
Total derivatives		$71		$ 63,489

The effects of derivative instruments on the consolidated statements of income for the three months ended March 31, 2009 are as follows:

	Millions of Yen		
	Amount of Gain or (Loss) Recognized in OCI (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	3 months ended March 31, 2009		3 months ended March 31, 2009
Derivatives in cash flow hedging relationships:			
Foreign exchange contracts	**¥ (139)**	Revenues	**¥ 563**
Interest rate swap contracts	**(1,637)**	Interest expense	**(177)**
Total	**¥ (1,776)**		**¥ 386**

	Millions of Yen	
	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income
		3 months ended March 31,2009
Derivatives not designated:		
Foreign exchange contracts	Foreign exchange loss—net	**¥(5,026)**
Interest rate swap contracts	Other—net	**(340)**
Cross-currency interest rate swap contracts	Other—net	**(209)**
Total		**¥(5,575)**

	Thousands of U.S. Dollars		
	Amount of Gain or (Loss) Recognized in OCI (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	3 months ended March 31, 2009		3 months ended March 31, 2009
Derivatives in cash flow hedging relationships:			
Foreign exchange contracts	**$ (1,418)**	Revenues	**$ 5,745**
Interest rate swap contracts	**(16,704)**	Interest expense	**(1,806)**
Total	**$ (18,122)**		**$ 3,939**

	Thousands of U.S. Dollars	
	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income
		3 months ended March 31, 2009
Derivatives not designated:		
Foreign exchange contracts	Foreign exchange loss—net	**$(51,286)**
Interest rate swap contracts	Other—net	**(3,469)**
Cross-currency interest rate swap contracts	Other—net	**(2,133)**
Total		**$(56,888)**

14. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying value and fair value of financial instruments at March 31, 2009 and 2008 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:						
Finance receivables—net	**¥ 217,503**	**¥ 223,508**	¥ 272,529	¥ 268,121	**$ 2,219,418**	**$ 2,280,694**
Long-term trade accounts receivable	**50,004**	**52,616**	49,464	52,154	**510,245**	**536,898**
Financial liabilities:						
Long-term debt	**(262,445)**	**(261,891)**	(243,450)	(242,211)	**(2,678,010)**	**(2,672,357)**
Derivative financial instruments recorded as assets (liabilities):						
Foreign exchange instruments	**(2,071)**	**(2,071)**	895	895	**(21,132)**	**(21,132)**
Interest rate swaps and cross-currency interest rate swaps	**(4,144)**	**(4,144)**	(1,152)	(1,152)	**(42,286)**	**(42,286)**

The fair value of finance receivables, long-term trade accounts receivable, and long-term debt is based on discounted cash flows using the current market rate. The carrying value of finance receivables—net at March 31, 2009 and 2008 in the table excludes finance leases. Long-term trade accounts receivable in the table includes the current portion, which is included in trade accounts receivable on the consolidated balance sheet.

The carrying amounts of cash and cash equivalents, notes and accounts receivable and payable (excluding the current portion of long-term trade accounts receivable), and short-term borrowings approximate the fair value because of the short maturity of those instruments. The carrying value and fair value of other investments are disclosed in Note 4.

Concentration of Credit Risks

A large portion of trade accounts receivable and retail finance receivables are from dealers or customers in the farm equipment market in North America. Trade accounts receivable and retail finance receivables arise from the sales of the Company's products to a large number of dealers and to retail customers, respectively. The Company considers that credit risks on these receivables are limited since no single dealer or customer represents a significant concentration of credit risks.

15. FAIR VALUE MEASUREMENTS

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy as of March 31, 2009.

	Millions of Yen				Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Available-for-sale securities	**¥80,928**	**¥ —**	**¥—**	**¥80,928**	**$825,796**	**$ —**	**$—**	**$825,796**
Derivatives	**—**	**7**	**—**	**7**	**—**	**71**	**—**	**71**
Total assets	**¥80,928**	**¥ 7**	**¥—**	**¥80,935**	**$825,796**	**$ 71**	**$—**	**$825,867**
Liabilities:								
Derivatives	**¥ —**	**¥6,222**	**¥—**	**¥ 6,222**	**$ —**	**$63,489**	**$—**	**$ 63,489**
Total liabilities	**¥ —**	**¥6,222**	**¥—**	**¥ 6,222**	**$ —**	**$63,489**	**$—**	**$ 63,489**

Available-for-sale securities are valued using a quoted price for identical instruments in active markets. Derivatives are valued using observable market inputs from major international financial institutions.

16. SUPPLEMENTAL EXPENSE INFORMATION

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

Amounts of certain costs and expenses included in cost of revenues and selling, general, and administrative expenses for the years ended March 31, 2009, 2008, and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Research and development expenses	**¥26,290**	¥24,784	¥22,925	**$268,265**
Advertising costs	**9,721**	9,550	10,085	**99,194**
Shipping and handling costs	**49,172**	51,068	50,982	**501,755**
Depreciation	**30,467**	30,119	25,094	**310,888**

Loss from Disposal and Impairment of Businesses and Fixed Assets

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2009 includes a loss from impairment of fixed assets of ¥748 million ($7,633 thousand).

Loss from disposal and impairment of businesses and fixed assets for the year ended March 31, 2008 includes a loss from disposal of fixed assets of ¥925 million and a gain on disposal of business of ¥314 million resulting from a partial sale of the shares of a company which conducts condominium business.

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

17. COMMITMENTS AND CONTINGENCIES

Commitments

Commitments for capital expenditures outstanding at March 31, 2009 amounted to ¥2,822 million ($28,796 thousand).

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Machinery and equipment	**¥12,415**	¥12,359	**$126,684**
Accumulated depreciation	**(6,961)**	(6,224)	**(71,031)**
Software	**350**	336	**3,571**
	¥ 5,804	¥ 6,471	**$ 59,224**

Amortization expenses under capital leases for the years ended March 31, 2009, 2008, and 2007 were ¥4,840 million ($49,388 thousand), ¥3,861 million, and ¥3,677 million, respectively.

Future minimum lease payments required under capital and noncancelable operating leases that have an initial or a remaining lease term in excess of one year as of March 31, 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years Ending March 31,	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2010	¥3,538	¥1,017	$36,102	$10,378
2011	1,940	621	19,796	6,337
2012	959	444	9,786	4,530
2013	149	341	1,520	3,480
2014	45	290	459	2,959
2015 and thereafter	28	132	286	1,347
Total minimum lease payments	6,659	¥2,845	67,949	$29,031
Less: amounts representing interest	(138)		(1,408)	
Present value of net minimum capital lease payments	¥6,521		$66,541	

Capital lease obligations are included in the current portion of long-term debt and long-term debt in the consolidated balance sheets. Rental expenses under operating leases for the years ended March 31, 2009, 2008, and 2007 were ¥5,281 million ($53,888 thousand), ¥5,619 million, and ¥5,727 million, respectively.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors including affiliated companies, and customers for their borrowings from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods of 1 year to 10 years for distributors and customers. The maximum potential amount of undiscounted future payments of these financial guarantees as of March 31, 2009 was ¥2,549 million ($26,010 thousand). The amount of these financial guarantees is not recorded in the consolidated balance sheet.

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

The changes in the accrued product warranty cost for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 6,457**	¥ 6,201	**$ 65,888**
Addition	**4,503**	4,823	**45,949**
Utilization	**(3,984)**	(4,565)	**(40,653)**
Other	**(945)**	(2)	**(9,643)**
Balance at end of year	**¥ 6,031**	¥ 6,457	**$ 61,541**

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

Legal Proceedings

The Company is subject to various legal actions arising in the ordinary course of business including the following major legal proceedings.

(Anti-Trust)

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

In December, 1999, the Company received a surcharge order of ¥7,072 million from the FTCJ in connection with this investigation. The Company has challenged this order and filed a petition for the initiation of hearing procedures that were started in March 2000. Under Section 49 of the then Anti-Monopoly Law, upon initiation of the procedures the surcharge order lost effect. In addition, Section 7-2 of the then Anti-Monopoly Law stipulates that surcharges are imposed in cases where price cartels or cartels that influence prices by curtailing the volume of supply are carried out. The Company believes that the alleged share cartel does not meet the requirement of Section 7-2.

On March 25, 2009, the Company received the preliminary decision, which ordered the Company to pay the surcharge of ¥7,072 million ($72,163 thousand). The Company recorded the surcharge as selling, general, and administrative expenses for the year ended March 31, 2009 based on this decision.The Company considered it unacceptable and filed a motion for objection to the FTCJ in accordance with the Rules on Hearing by the FTCJ.

(Asbestos-Related Lawsuits)

The Company is, or the Japanese government and asbestos-related companies including the Company are currently involved in five asbestos-related lawsuits which were filed before the year ended March 31, 2009 in Japan and the aggregate amount of claims is ¥8,373 million ($85,439 thousand). The two lawsuits concerning an aggregate 212 construction workers who suffered from asbestos-related diseases consist mostly of the aggregate amount of five claims and defendants of these two lawsuits are the Japanese government and 46 asbestos-related companies including the Company.

The Company does not have cost-sharing arrangements with other potentially responsible parties for these lawsuits. The time frame is not available over which presently unrecognized amount may be paid out. The ultimate outcome of these litigations is unpredictable due to inherent uncertainties in litigation.

Matters Related to Health Hazard of Asbestos

(Background)

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, had produced asbestos-containing products. In April 2005, the Company was advised that some residents who lived near the plant suffered from mesothelioma, a form of cancer that is said to be mainly caused by aspiration of asbestos. In June 2005, the Company voluntarily decided to make consolation payments to certain residents with mesothelioma and started the program. In April 2006, the Company decided to establish the relief payment system in place of the consolation payment and make additional payment to the residents to whom consolation payment was paid or payable, and started the system. The new supporting system is applied to the residents who make a claim for the payment in the future. With regard to current and former employees who suffered and are suffering from asbestos-related diseases, the Company will make the compensation which is not required by law but is made in accordance with the Company's internal policies.

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

(Accounting for Asbestos-Related Expenses)

The Company expenses the payments for the health hazard of asbestos based on the Company's accounting policies and procedures. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.) The expenses include payments to certain residents who lived near the Company's plant and current and former employees, and the special contribution in accordance with the Asbestos Law. The Company recorded expenses aggregating ¥1,155 million ($11,786 thousand), ¥1,090 million, and ¥4,035 million during the years ended March 31, 2009, 2008, and 2007, respectively. These amounts are included in selling, general, and administrative expenses. During the year ended March 31, 2007, the Company expensed the special contribution in accordance with the Asbestos Law aggregating ¥735 million which is expected to be paid during four years commencing on and after April 1, 2007. The Company accrues in those cases where the conditions of loss contingencies provided under SFAS No. 5, "Accounting for Contingencies," are met. The amounts accrued and included in recorded expenses were ¥721 million ($7,357 thousand), ¥968 million, and ¥1,359 million at March 31, 2009, 2008, and 2007, respectively. Though the Company believes that this amount appears to be a better estimate than any other amount within a reasonably estimable range of amounts, the additional exposure to loss in excess of this accrued amount of ¥600 million ($6,122 thousand) exists.

Since the Company has no basis or information to estimate the number of current and former employees and residents that are going to apply for payments, such payments are not included in the accrued amounts. The Company believes it is not possible to reasonably estimate the amount of its ultimate liability relating to this contingency. However, the Company believes asbestos-related issues contain potentially material risks for the Company's consolidated results of operations, financial position, and its liquidity.

18. SECURITIZATION OF RECEIVABLES

The Company used to sell trade and finance receivables to investors through independent securitization trusts before the Company terminated all such securitization programs during the year ended March 31, 2009. (See Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.) As a result, the Company has no sold receivables at March 31, 2009.

The Company recognized pretax losses resulting from the sales of trade receivables of ¥679 million ($6,929 thousand), ¥3,008 million, and ¥2,607 million for the years ended March 31, 2009, 2008 and 2007, respectively. The Company recognized pretax gains resulting from the sales of finance receivables of ¥77 million, and ¥211 million for the years ended March 31, 2008 and 2007, respectively. The amount of servicing assets or liabilities was not material as of March 31, 2008.

The retained interests in sold receivables were subordinate to investors' interests. If forecasted future cash flows resulted in an other-than-temporary decline in the fair value of the retained interests, then an impairment loss was recognized to the extent that the fair value was less than the carrying amount.

The value of the retained interests was subject to credit, repayment, dilution, and interest rate risks on sold receivables. Due to the short-term nature of the Company's retained interest in sold receivables, its fair value approximated carrying value, net of an appropriate allowance. The amounts of credit losses and delinquencies were not material.

The following key economic assumptions were used in measuring the retained interest in receivables sold by the Company during the year ended March 31, 2008:

	2008
Trade receivables:	
Weighted average life (months)	6.5
Expected net dilution (monthly rate)	0.78%
Discount rate and fee (annual rate)	5.58%

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

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008	2007	**2009**
Trade receivables:				
Proceeds from collections reinvested in revolving-period securitizations	**¥55,561**	¥160,468	¥165,633	**$566,949**
Servicing fees received	**230**	413	338	**2,347**
Finance receivables:				
Servicing fees received	**—**	—	576	**—**
Cash flows received on retained interests in securitizations	**—**	—	1,489	**—**

19. DISCONTINUED OPERATIONS

During the year ended March 31, 2007, Kubota Retex Corp., a subsidiary reported in the Environmental Engineering segment, decided to liquidate and withdraw from the industrial waste treatment market. During the year ended March 31, 2008, the Company completed liquidation.

Operating results of the discontinued operations for the years ended March 31, 2008, and 2007 were as follows:

	Millions of Yen	
	2008	2007
Revenues	¥ —	¥ 267
Income (loss) from discontinued operations before income taxes	¥ 316	¥(2,818)
Gain from disposal of business	—	—
Income taxes	(127)	1,532
Income (loss) from discontinued operations	¥ 189	¥(1,286)

20. SUBSEQUENT EVENTS

On May 13, 2009, the Company's Board of Directors resolved to pay a cash dividend to shareholders of record on March 31, 2009 of ¥7 per common share (¥35 per 5 common shares) or a total of ¥8,907 million ($90,888 thousand).

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Kubota Corporation and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15 (f) under the Securities Exchange Act of 1934, for the Company. Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2009.

The Company's independent registered public accounting firm, Deloitte Touche Tohmatsu, has issued an audit report on the Company's internal control over financial reporting.

Dated: June 19, 2009

Yasuo Masumoto

Yasuo Masumoto

Representative Director, President & CEO

(Principal Executive Officer)

S. Sakamoto

Satoru Sakamoto

Director and Managing Executive Officer

(Principal Financial Officer)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Kubota Corporation:

We have audited the accompanying consolidated balance sheets of Kubota Corporation and subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Certain information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" has not been presented in the accompanying consolidated financial statements. In our opinion, presentation concerning operating segments and other information is required for a complete presentation of the Company's consolidated financial statements.

In our opinion, except for the omission of segment and other information required by SFAS No. 131, as discussed in the preceding paragraph, such consolidated financial statements present fairly, in all material respects, the financial position of Kubota Corporation and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2009, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 19, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 19, 2009

Member of
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Kubota Corporation:

We have audited the internal control over financial reporting of Kubota Corporation and subsidiaries (the "Company") as of March 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2009 of the Company and our report dated June 19, 2009 expressed a qualified opinion on those financial statements because of the omission of segment and other information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information".

Deloitte Touche Tohmatsu

June 19, 2009

Member of
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(As of June 19, 2009)

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Representative Director, President & CEO
Yasuo Masumoto

Chairman of the Board of Directors
Daisuke Hatakake

Vice Chairman of the Board of Directors
Moriya Hayashi

Representative Directors and Senior Managing Executive Officers
Hirokazu Nara
Tetsuji Tomita

Director and Managing Executive Officer
Satoru Sakamoto

Directors
Yuzuru Mizuno
Kan Trakulhoon

CORPORATE AUDITORS

Yoshiharu Nishiguchi
Toshihiro Fukuda
Masao Morishita
Yoshiro Suekawa
Masanobu Wakabayashi

EXECUTIVE OFFICERS

Senior Managing Executive Officer
Eisaku Shinohara

Managing Executive Officers
Morimitsu Katayama
Nobuyuki Toshikuni
Masayoshi Kitaoka
Masatoshi Kimata
Nobuyo Shioji
Takeshi Torigoe
Hideki Iwabu

Executive Officers
Takashi Yoshii
Kohkichi Uji
Toshihiro Kubo
Kenshiro Ogawa
Tetsu Fukui
Satoshi Iida
Shigeru Kimura
Katsuyuki Iwana
Masakazu Tanaka
Taichi Itoh
Yujiro Kimura
Shinji Sasaki
Hiroshi Matsuki
Yuichi Kitao
Kunio Suwa

Stock Listings
Domestic: Tokyo and Osaka
Overseas: New York

Transfer Agent for Common Stock
The Chuo Mitsui Trust and Banking Company, Limited
2-21, Kitahama 2-chome, Chuo-ku,
Osaka 541-0041, Japan

Depositary and Transfer Agent for ADRs
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NY 10004, U.S.A.

ADR Holder Contact
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Financial information and CSR reports are available on Kubota's Web site:
http://www.kubota.co.jp/

NYSE Corporate Governance Standards

The Company has made available on its Web site (http://www.kubota.co.jp/ir/english/cgs/index.html) a general summary of the significant differences between its corporate governance practices and those followed by U.S. companies under New York Stock Exchange (NYSE) listing standards.

KUBOTA Corporation

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