

Kubota's DNA Behind 115 Years of History

– Society Keeps Corporations Going Forward –

In 1890, Kubota Corporation started its business with manufacturing cast metal products. Since then, 115 years have passed. Today, the Kubota group contributes to society in a wide range of fields by providing products and services related to industrial infrastructure, machinery, environmental engineering, and housing materials. The involvement in the society has been backed up by Kubota's philosophy, "Society Keeps Corporations Going Forward." Based on an interview with our president, Mr. Daisuke Hatakake, we would like to begin the "2005 Social and Environment Report" with introducing our zeal for social contribution embedded in the Kubota's philosophy.



Daisuke Hatakake

President and Representative Director
KUBOTA Corporation



Realization of "Commodity Value in Correct Definition"

— When we look at Kubota as a manufacturer, "the philosophy of making goods" seems to be the basis in every respect. To start with, could you explain this philosophy?

At the 50th anniversary ceremony in 1940, our founder Gonshiro Kubota mentioned, "Create products with all your heart and soul, and realize the commodity values of such products in correct definitions." More specifically, we need to devote ourselves to create good-quality products useful to the development of our country. Those products should be not only technically advanced, but also beneficial to the people of society.

This is a starting point for the Company, and has been passed down from our predecessors.

— Could you give some examples of products created by Mr. Gonshiro Kubota that were beneficial to society?

Cholera was widespread in those days, and it was urgent to develop water pipes. Starting around 1887, there were plans to modernize tap water by supplying pressurized, filtered water. There was a discussion about whether iron pipes should be imported or produced in Japan. Osaka City deci-

ded to use domestically produced iron pipes in 1891, the year after Kubota was founded. Gonshiro was sincerely interested and worked tirelessly until he succeeded in developing pipes that met inspection standards while other companies sat back with their arms crossed.

It does not exaggerate to say that the history of the development of water pipes in Japan reflects Kubota history of water pipes. Kubota-made water pipes were again praised for their seismic feature in the aftermath of the Great Hanshin-Awaji Earthquake. Demand for our product has increased ever since.

Building a New Country, Creating a Rich Environment

— After World War , Kubota started making agricultural machinery, and has been expanding its business. How has Kubota been developing its operations?

After the war, a labor shortage and unseasonable weather led to a scarcity of food, and most people were starving. During that time, Kubota succeeded in developing agricultural machinery, and helped such people to recover from the food shortage. In 1955, we created a corporate slogan,

"From country building to rice making." The slogan spread throughout Japan via radio and TV, and became a billboard for Kubota. Kubota engaged in waterworks, agricultural mechanization using engines and agricultural machinery and construction machines and equipment as well as providing basic infrastructure materials, and became known as a company contributing to social infrastructure development.

— In a period of high economic growth, infrastructure development was accelerated. What areas did Kubota work on besides waterworks and agriculture related business?

Environmental pollution was a serious social issue during the period. In 1969, Kubota launched a new slogan, "Create an environment affluent to human beings." The environmental equipment division was created aiming at the co-existence of industries and environmental restoration. Kubota tried to enhance social and environmental operations as well as then-existing urban infrastructure development and agricultural machinery operations.

The company started making water pipes to prevent the spread of the infectious disease. So, you could say that we have been tackling environmental restoration from its foundation days. The company's philosophy is "products contributory

to society should be made, and profits should be given as consideration for it. Then, the company figures out the reason the company should continue to exist. As such, the corporate philosophy has been inherited generations to generations until today as if it is a DNA for the company.

"Meaning" and "Value" in Pursuing Primary Operation

— After the economic bubble collapsed, many companies began with restructuring for revitalization. Some even drastically changed their original corporate characteristics. How about Kubota?

The impact of the economic recession was so influential that it wasn't easy for us to overcome. We didn't simply turn our hands to a different business. We're proud that we have put a priority on pursuing our mainstay business. I recognize that only businesses which stayed focused on their primary operations have managed to regain a power.

Now we're in a recovery path. When I take a serious look at our company, I can say that "social contributions" is the axis of our business. With respect to overseas operations which will be strengthened in the company, our emphasis will be placed on promoting local infrastructure, too.

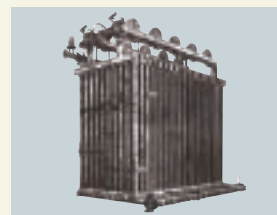
Kubota History

– Committed to Social Contribution –



1893

Started the production of iron pipes for water supply to help improve a living environment



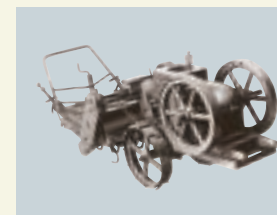
1922

Developed energy-saving equipment "Settanki" that is operated using waste heat



1940

Manufactured valves for water pipes with a diameter of 1500 mm



1947

Developed a cultivator to help increase food production after WW



1957

Mass-produced centrifugal cast ductile iron pipes



1960

Developed Japan's first farm tractor



1968

Developed a rice-planting machine (Picture: riding-type rice planter)

President's Interview

Utilizing Environmental Protection Technologies for the World

— In order to live in harmony with the nature, businesses are expected to overcome global warming and other various environmental issues. How does Kubota consider or react to these issues?

We are proud of being one of first companies which took an action in an early stage, such as setting up an environmental protection section. With respect to global warming prevention activities, we achieved our goal for CO₂ emission reduction ahead of the schedule. We as well as all group companies are working to accomplish the higher targets.

— Waste is another serious environmental issue. How are you coping with waste?

Our attitude to this question is clarified in our project on Teshima Island in Kagawa Prefecture. In the past, approximately 600,000 tons of industrial wastes were illegally dumped on this island. We are currently involved in the disposal of those wastes since our melting furnaces, incorporated with our unique technologies, have been highly appreciated for its performance. Concerning the Teshima Island project, a matter we felt it difficult to handle is related to information disclosure in addition to technology issues.

We've had no experience to process such a huge amount of waste. We are not sure what will happen because our work is being proceeded by trial and error. We are required by laws to disclose current information on our website about "what's being burned and emitted" for an open access to the information. In the meeting with local residents, we honestly told at meetings with residents that it might be a lie if we would say that no accidents would occur. In fact, we disclosed information related to small explosions occurred in the furnace, but no criticism or severe statement was given. We're now constructing a PCB treatment facility in central Japan, and disclose the related information as well as efforts to protect the environment



1969

Started manufacturing combines



1970

Established the environmental equipment department to take a comprehensive approach to environmental issues



1972

Established a tractor sales center in the US (Picture: garden tractor)



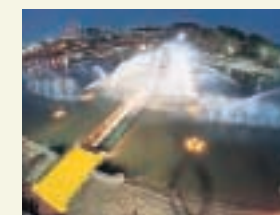
1980

Our irrigation system exported to Egypt to promote desert greening



1988

Constructed a manufacturing center for construction machines in former West Germany



1990

Fountain was constructed in Japan Flora 2000 exhibition



1993

The world's first engine under 25 horsepower met the first-stage regulations of the California Air Resources Board (CARB)



2003

Completed the melting furnace facility for the illegally-disposed waste (about 600,000 tons) on Teshima Island in Kagawa Prefecture

since we hope that residents will regard the facility safe and reliable.

Thinking of the Corporate Challenges of the 21st Century

— Unending scandals involving long-established companies occurred. What is the most important thing for businesses?

To built trust with stakeholders is most required. A few years ago, the company was involved in a bid-rigging incident in connection with water pipe operations. We, in the long run, regard the incident as a good opportunity to review the company's attitude and business manner. Actually, we learned from suggestions from various quarters that corporations do exist for society and took the opportunity as a turning point for our future progress. As part of our learning, the compliance office was created, and also external experts were invited as a force to strengthen the in-house audit system. I was engaged in creating the system and worked hard to regain the public's trust in us. Of course, the bottom line is not to create any problem in the first place. Nevertheless, management insists to



Solving food, water, and environmental problems is an urgent task for the world in the 21st century. Most of our operations fall in these areas, and more is expected of us than ever before. We'll tackle these problems with our pride and commitment.

our employees that problems may not be concealed when it occurs, and I feel this policy has penetrated into our workplaces as part of our corporate culture. I believe that repeated disclosures of information in the Teshima project will help us to gain our stakeholders' further understanding.

— To communicate with customers is very important compared with other stakeholders. How are you reacting to this issue?

In the agricultural machinery division, we launched a trial driving campaign "Nekketsu Shijo Campaign" in year 2002 to gather opinions directly from our users. About 1.22 million people joined the campaigns across Japan. Thanks to the collected valuable opinions, along with the concerted efforts of our group, our domestic market shares of our three major products; tractors, combines and cultivators, reached new highs in 2003. We've developed a large market in North America by directly absorbing user needs at exhibitions and other opportunities and reflecting such information in the manufacture of home tractors. Our policy valuing dialogues with customers, unlike US competitors' approaches, has been appreciated, and we are proud to say that our efforts paid off.

Enhancing Trust Acquired in Operations over 115 Years

— Kubota's operations seem closely related to problems tackled by human beings. How will you respond to societal expectations?

Our operations are related to food regarding the agricultural machine sector, water regarding the water pipes and water purification technology sector, soil or land in the construction machine sector and environment in the waste treatment sector and have developed in markets related to a basis or fundamentals for human life. These are all essential business activities contributory to society. We will continue to work hard and contribute to society more extensively through maintaining a global perspective and implementing effective actions.

— It is said that trust built with society is a valuable asset. What principles or action plans will the management implement to pursue corporate social responsibility (CSR) from fiscal 2005 onwards as well as to succeed and transfer the valuable asset to next generations?

Since the start-up of the company, to proceed operations was meant to contribute to society. We see it our ideal to follow this history as if it is DNA for the company, and enhance and pass it down to next generations. In order to realize our vision, we will strive to build a basis for the development of our operations, emphasizing the following three action plans: First, we'll again stick to the company's original spirit and promote our social contributions vigorously by pursuing our mainstay operations. Second, CSR related strategy will be shifted from defensive attitude to positive attitude. Compliance activities and the related operating system are already in shape. Given that, we'll work to enhance our corporate image and stakeholders' satisfaction, boost the level of trust, increase corporate value, and grab the most competitive position. Last, accountability will be thoroughly enforced. We will review our social responsibility and renew a corporate image. The outcome will be displayed to both our employees and the public as a top management commitment. We will make concerted efforts to implement the action plan, and our activities and the results will be reported to society from time to time. I see it one of my duties to repeatedly remind our employees of implementing these action plans.